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KINGDOM OF THE NETHERLANDS—CURAÇAO AND SINT MAARTEN

2022 ARTICLE IV CONSULTATION DISCUSSIONS—PRESS RELEASE; AND STAFF REPORT

August 2022

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2022 Article IV consultation discussions with the Kingdom of the Netherlands—Curaçao and Sint Maarten, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on May 25, 2022, with the officials of the Kingdom of the Netherlands—Curaçao and Sint Maarten on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 11, 2022.
- An **Informational Annex** prepared by the IMF staff.

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IMF Executive Board Concludes 2022 Article IV Consultation Discussions with the Kingdom of the Netherlands—Curaçao and Sint Maarten

FOR IMMEDIATE RELEASE

Washington, DC – **August 11, 2022:** On July 27, 2022, the Executive Board of the International Monetary Fund (IMF) concluded the 2022 Article IV consultation discussions[1] with the Kingdom of the Netherlands—Curaçao and Sint Maarten and endorsed the staff appraisal without a meeting on a lapse-of-time basis[2]. These consultation discussions form part of the Article IV consultation with the Kingdom of the Netherlands.

Context. Both Curaçao and Sint Maarten are recovering from major shocks. Before the pandemic, Curaçao had been negatively affected by the closure of the refinery, one of its major economic pillars. Sint Maarten's recovery from catastrophic 2017 hurricanes was incomplete. The pandemic led to the collapse of tourism in both countries. Comprehensive economic support measures put in place by the authorities and financed by The Netherlands were instrumental for protecting lives and livelihoods and helped to limit the economic fallout. A strong rebound in tourism beginning in the second half of 2021—one of the strongest results in the Caribbean—supported a nascent economic recovery of 4.2 percent in Curaçao and an estimated growth of 8 percent in Sint Maarten. Despite a substantial external current account deficit of the Union, the international reserves remained comfortable at 6.3 months of imports. The banking system withstood the shock from the pandemic with help from appropriate policies as it remains relatively well capitalized and liquid, although pockets of vulnerability remain.

Curaçao outlook. The recovery from the pandemic is gaining momentum but is facing headwinds from inflation pressures driven by fuel, food and other import prices. The hospitality sector is demonstrating resilience and is likely to support growth of about 6 percent in 2022. Lingering effects from the closure of the refinery mean that growth is not yet broad-based and could delay full recovery to pre-pandemic levels to 2025-26. Inflation pressures stemming from surging global prices create headwinds. The outlook is subject to significant uncertainty and risks.

Sint Maarten outlook. Strong tourism recovery late last year has continued with only mild headwinds from the latest Covid-19 developments, implying an estimated growth of 8 percent last year and an expectation of 7½ percent growth this year. Economic activity is expected to recover to pre-pandemic levels next year and to pre-hurricane levels by the end of the forecast horizon. External inflation pressures, exacerbated by the war in Ukraine, is forecast to raise

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] The Executive Board takes decisions under its lapse-of-time-procedure when the Board agrees that a proposal can be considered without convening formal discussions.

annual inflation in 2022 to nearly 6 percent. The external current account deficit is expected to widen on tourism-related imports and Trust Fund-related imports but close gradually going forward. Fiscal deficits are expected to decline, and debt-to-GDP fall, but they may reverse if the social security and health system is not reformed. The outlook is subject to substantial risks including shocks to tourism demand from the pandemic or partner country growth as well as ever-present hurricane-risk.

Executive Board Assessment

Curaçao

The recovery from the pandemic is gaining momentum, although the economy is facing multiple challenges. The comprehensive economic support measures put in place with significant help from The Netherlands cushioned the Covid-19 shock and saved livelihoods. The authorities appropriately phased out Covid-19 support in late 2021 as the economy started to recover. Inflationary pressures stemming from the war in Ukraine, lingering effects from the closure of the Isla refinery, emigration, and structural constraints endemic to small island states pose a drag on the recovery.

Keeping a clear vision of a sustainable and inclusive growth model for Curaçao would be key. Identifying new sources of growth would be important for diversifying the economy, improving resilience, and achieving fiscal sustainability. Implementing supply-side and governance reforms envisaged in the *landspakket* such as improving the business climate, the functioning of the labor market, and improving regulatory frameworks, would be key for supporting the recovery.

Fiscal policies should be calibrated to achieve growth-friendly fiscal consolidation and support the most vulnerable while placing public debt firmly on a downward path. The authorities are implementing strong frontloaded fiscal consolidation with an objective to return to their fiscal rule next year. There is scope for improving the quality of fiscal consolidation by budgeting adequate resources for efficient delivery of public services and implementing reforms. As the current hiring restriction hampers capacity to deliver public services in certain areas such as statistics, replacing it with a structural reform to modernize Curaçao's civil service would work better. Increasing public investment to more adequate levels would support employment, incentivize private investment, and support broad-based economic recovery. Special attention is needed to investments in climate resilience.

Adding a more medium-term perspective to policymaking and improving public financial management will be key for supporting sustainability. Curaçao would benefit from developing a well-articulated medium-term framework guided by a debt anchor. In view of high vulnerability to shocks, the debt objective could include a margin of safety to minimize the risk of debt distress. Strengthening public financial management would be key for ensuring fiscal sustainability. A significant improvement is needed in the institutional setup of public investment strategy and management. Such a framework should include a clear planning and decision-making process as well as adequate project appraisal incorporating risks from climate change.

Sint Maarten

The recovery in Sint Maarten is underway. Stayover tourism has exceeded pre-pandemic levels and cruise tourism is rebounding. Public investment supported by the Trust Fund is raising the prospect of matching the level of output seen before the 2017 hurricanes by the end of the forecast horizon. Nevertheless, downside risks cloud the outlook. Global price pressures are making a mark on the island and threatening real wages and the purchasing power of the most vulnerable. Disappointing investment execution, especially for the airport, a rebound in the economic consequences of the Covid-19 pandemic, spillovers from a slowdown in advanced economies, or another devastating hurricane season are key risks that could significantly derail recent gains.

Fiscal efforts should center on a higher-quality consolidation. The public wage bill freeze could be eased in light of the inflation shock and should eventually be replaced by a comprehensive reform focused on productivity and competitive wages. Attention should be given to hiring key skill areas where positions are difficult to fill. Temporary relief to households, in addition to the gasoline excise tax reduction, should employ more targeted measures. These steps can be financed by needed base-broadening tax reforms including taxes on sharing-economy holiday rentals, internet consumer sales, and the gambling industry. Higher premiums and cost-cutting measures are urgently needed to put the social security and health insurance system (SZV) on a sustainable financial footing and avoid becoming a fiscal burden in the medium-term.

Medium-term fiscal planning and institution-building would serve Sint Maarten well. Developing a medium-term fiscal framework, including establishing an appropriate debt anchor, would aid fiscal planning, coordinate expectations across the government, and facilitate investment project costing and financing. Sint Maarten should leverage the period of Trust Fund execution to build public investment management capacity. It will need to improve its public investment levels in the long run to secure sustained growth.

Increasing dynamism for businesses and workers and supporting green investment would help sustain the recovery. As the economy recovers from the pandemic, long run growth concerns return to the fore. Private sector dynamism would be supported by reducing barriers to new business and simplifying, centralizing, and speeding up permitting. Barriers to formal work should be reduced by increasing flexibility to multiple jobs and seasonal work as well as easing hiring and firing restrictions. Green infrastructure investments would support growth while improving Sint Maarten’s living environment and global brand.

The Monetary Union of Curaçao and Sint Maarten

The external position of the union has improved on the heels of a nascent recovery. The Union’s current account deficit declined, and international reserves remain at a comfortable level. Nevertheless, the external positions in both countries remain weaker than warranted by the fundamentals and desired policy settings. Across-the-board supply-side reforms remain vital for strengthening the external position of the union, as official financing is expected to wind down.

Monetary policy should continue supporting the peg. The CBCS has appropriately raised the reference rate in June 2022. Excess liquidity should be monitored closely and sterilized if necessary. It would be important to strengthen the transmission mechanism of monetary policy. Improving the financial infrastructure would lower impediments to lending and improve the productive use of deposits.

Strong implementation of financial sector reforms would help to alleviate financial sector vulnerabilities. The financial system withstood the shock from the pandemic with help from appropriate policies. Nevertheless, the pandemic took a toll on asset quality and financial sector vulnerabilities and risks remain elevated as the macro environment remains volatile. The authorities have made significant efforts in advancing their financial sector agenda, including transitioning to risk-based supervision, addressing legacy issues, and improving analysis and transparency. These efforts need to continue. Strong collaboration between the CBCS and the government is critical for addressing remaining legacy issues and advancing financial sector reforms. Continued monitoring of correspondent bank relationships remains important for the healthy functioning of the system.

Table 1. Curaçao: Selected Economic and Financial Indicators, 2018–23

	2018	2019	2020	2021	2022	2023
	Prel.	Prel.	Prel.	Prel.	Proj.	
Real Economy			(Percent change unless otherwise indicated)			
Real GDP	-2.2	-3.4	-18.4	4.2	6.0	4.5
CPI (12-month average)	2.6	2.6	2.2	3.8	6.8	4.4
CPI (end of period)	3.6	2.3	2.2	4.8	7.2	3.0
GDP deflator	2.6	2.7	2.1	3.8	1.7	4.7
Unemployment rate (percent)	13.4	17.4	19.1	19.7	19.2	16.6
Central Government Finances			(Percent of GDP)			
Net operating (current) balance	-1.3	-0.5	-15.2	-6.9	-1.9	-0.1
Primary balance	-1.5	-0.4	-13.4	-4.7	-1.2	0.7
Overall balance	-2.6	-1.6	-14.7	-6.0	-2.5	-0.8
Central government debt 1/	56.4	57.9	88.4	89.2	83.3	76.6
General Government Finances 2/						
Overall balance	-2.5	-2.0	-15.9	-6.9	-5.6	-1.5
Balance of Payments			(Percent of GDP)			
Current account	-26.9	-18.0	-27.6	-21.9	-21.6	-17.7
Goods trade balance	-38.8	-35.5	-37.6	-42.2	-51.0	-48.9
Exports of goods	19.4	13.3	10.9	12.7	16.0	14.2
Imports of goods	58.2	48.8	48.4	54.9	67.0	63.1
Service balance	11.9	16.9	9.8	18.7	27.8	29.7
Exports of services	44.7	46.0	29.8	34.6	45.2	46.5
Imports of services	32.7	29.0	20.0	15.9	17.3	16.8
External debt	157.4	162.0	216.6	215.9	205.9	193.6
Net international investment position	251.5	173.4	183.5	147.6	115.3	87.6
Memorandum Items						
Nominal GDP (millions of U.S. dollars)	3,020	2,995	2,496	2,700	2,911	3,186
Per capita GDP (U.S. dollars)	19,037	19,173	16,244	17,870	19,160	20,863
Credit to non-gov. sectors (percent change) 3/	2.5	2.0	0.1	0.1	-0.6	…

Sources: Data provided by the authorities; and IMF staff estimates.
1/ Defined as balance sheet liabilities of the central government except equities. Includes central government liabilities to the social security funds.
2/ Budgetary central government consolidated with the social security fund (SVB).
3/ 2020-21 values exclude Girobank. 2022 value shows the latest available data (April).

Table 2. Sint Maarten: Selected Economic and Financial Indicators, 2018–23

	2018	2019	2020	2021	2022	2023
	Prel.	Est.	Est.	Est.	Proj.	
Real Economy			(Percent change, unless otherwise noted)			
Real GDP 1/	-9.4	10.5	-17.9	8.0	7.5	5.0
CPI (12-month average)	2.9	0.4	0.7	2.8	5.9	3.5
Unemployment rate (percent)	9.9	8.5	16.8	13.0	11.2	9.8
Government Finances			(Percent of GDP)			
Primary balance excl. Trust Fund operations 2/	-3.8	-0.7	-9.3	-6.0	-3.7	-2.3
Current balance (Authorities' definition) 3/	-4.5	-1.5	-10.4	-6.9	-4.2	-2.9
Overall balance excl. TF operations	-4.4	-1.3	-10.0	-6.6	-4.2	-2.9
Central government debt 4/	47.2	43.3	59.9	60.9	63.1	60.8
Balance of Payments			(Percent of GDP)			
Current account	6.7	-13.3	-27.2	-16.5	-22.2	-19.7
Goods trade balance	-69.6	-59.7	-43.7	-35.0	-50.0	-45.6
Exports of goods	13.4	14.5	12.6	8.0	7.9	8.3
Imports of goods	83.0	74.2	56.3	43.0	57.9	54.0
Service balance	31.7	48.0	21.7	23.6	38.4	40.3
Exports of services	58.9	72.7	37.0	36.1	52.7	54.2
Imports of services	27.2	24.7	15.3	12.5	14.3	13.9
External debt	232.4	217.9	261.6	238.2	220.9	205.8
Net international investment position	-134.5	-134.8	-172.7	-168.4	-165.7	-163.8
Memorandum Items						
Nominal GDP (millions of U.S. dollars)	1,108	1,251	1,062	1,145	1,283	1,410
Per capita GDP (U.S. dollars)	26,920	29,762	24,935	26,889	29,765	32,357
Credit to non-gov. sectors (percent change) 5/	-1.7	1.4	2.4	1.3	2.1	…

Sources: Data provided by the authorities; World Bank; and IMF staff estimates.

1/ GDP estimates for 2019 and 2020 reflect the authorities' recently released growth estimates and IMF staff's deflator estimates in anticipation of the forthcoming update to the authorities' estimates.

2/ Excludes Trust Fund (TF) grants and TF-financed special projects.

3/ Revenue excl. grants minus interest income, current expenditure and depreciation of fixed assets.

4/ The stock of debt in 2018 is based on financial statements. Values in subsequent years are staff's estimates and are higher than the values under authorities' definition in quarterly fiscal reports.

5/ 2022 value shows the latest available data (April).

KINGDOM OF THE NETHERLANDS—CURAÇAO AND SINT MAARTEN

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION DISCUSSIONS

July 11, 2022

KEY ISSUES

Context. The economies of Curaçao and Sint Maarten are recovering from the pandemic but facing multiple challenges, including spillovers from the war in Ukraine. Curaçao was in a protracted recession even before the pandemic due to spillovers from the Venezuelan crisis. Sint Maarten needs to fully recover not only from the pandemic, but also from the devastating 2017 hurricanes.

Outlook and risks. In both countries, strong growth is projected this year underpinned by robust recoveries in their hospitality sectors. However, the war in Ukraine fuels strong inflation pressures via energy and food prices and imposes a drag on the recovery through its effects on disposable incomes. The outlook is subject to significant uncertainty and risks, including a slowdown in Curaçao and Sint Maarten's main trading partners.

Policy recommendations. Curaçao and Sint Maarten need to calibrate their policies to support an inclusive recovery and improve resilience to climate change while safeguarding debt sustainability. A higher-quality fiscal consolidation, rooted in well-designed reforms while providing adequate resources for critical areas, is needed for both countries. The inflation shock calls for targeted and temporary support for the vulnerable. Both countries would benefit from developing medium-term fiscal frameworks, strengthening public financial management and governance and improving transparency. In Curaçao, rebalancing from current spending to productive investment would be key for supporting the recovery. In Sint Maarten, building resilience involves improving the quality of fiscal consolidation, reinforcing the social security and health insurance systems, and improving public investment management. The agreements with The Netherlands provide a window of opportunity to tackle many long-standing structural challenges and to strengthen governance. At the Union level, strong implementation of financial sector reforms would help alleviate financial sector vulnerabilities. Across-the-board supply-side reforms remain vital for strengthening the external position of the Union.

Approved By
Patricia Alonso-Gamo (WHD) and Eugenio Cerutti (SPR)

The 2022 Article IV consultation discussions with Sint Maarten were held in Philipsburg during May 11–17, 2022 and with Curaçao in Willemstad during May 19–25, 2022. They form part of the Article IV consultation with The Kingdom of the Netherlands. The Curaçao team comprised Dmitriy Kovtun (head), Thomas Dowling, Daniel Jenya and Atsushi Oshima (all WHD). The Sint Maarten team comprised Kevin Wiseman (head), Thomas Dowling, Daniel Jenya and Atsushi Oshima, (all WHD). Kevin Wiseman participated in discussions related to the Curaçao and Sint Maarten monetary union in Willemstad. Carlijn Eijking (OED) participated in the discussions. Grey Ramos and Tianle Zhu provided valuable assistance.

CONTENTS

TABLES

ANNEXES

List of Acronyms and Abbreviations

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
CAD	Current account deficit
CBCS	Centrale Bank van Curaçao en Sint Maarten
CBS	Curaçao Bureau of Statistics
CBR	Correspondent banking relationship
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CFATF	Caribbean Financial Action Task Force
Cft	*Colleges Financieel Toezicht* (Board of Financial Supervision)
COHO	*Caribisch Orgaan voor Hervorming en Ontwikkeling* (Caribbean Agency for Reform and Development)
CoM	Council of Ministers
DSA	Debt sustainability analysis
ECCU	Eastern Caribbean Currency Union
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
GDP	Gross domestic product
GFSM	Government Finance Statistics Manual
GIR	Gross international reserves
Landspakket	Country package of structural reforms
LNG	Liquefied natural gas
MoF	Ministry of finance
NIIP	Net international investment position
NPL	Nonperforming loans
NRA	National risk assessment
NRPB	National Recovery Program Bureau
PFM	Public financial management
PJIA	Princess Juliana International Airport
REER	Real effective exchange rate
SDGs	Sustainable development goals
SME	Small and medium-size enterprises
SVB	*Sociale Verekeringsbank* (Social Insurance Bank of Curaçao)
SZV	*Sociale Ziektekosten Verzekering* (Social and Health Insurance of Sint Maarten)
TA	Technical assistance
TSA	Treasury single account
TWO	*Tijdelijke Werkorganisatie* (Temporary Working Organization)
VAT	Value added tax

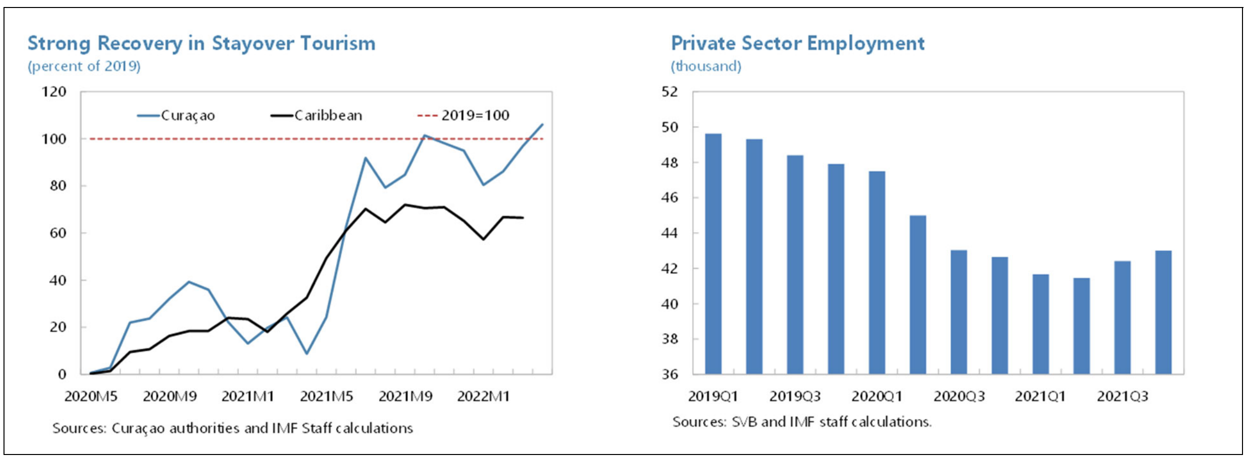
CURAÇAO

A. Context

1. Since gaining its autonomy in 2010, Curaçao suffered multiple economic shocks. The economy shrank by 28 percent in the past decade due in part to spillovers from Venezuela and the pandemic (Figure 1). Population and employment have been continuously declining since 2016 and unemployment remains elevated. The closure of the refinery poses questions about new sources of growth. Curaçao faces pervasive structural challenges including governance vulnerabilities. The pandemic constrained the implementation of staff advice (Annex I). The agreement with The Netherlands to implement structural reforms creates a window of opportunity to address these challenges and improve resilience (Annex II). The war in Ukraine led to higher inflation that disproportionally affected the vulnerable and put a drag on the recovery.

B. Recent Developments

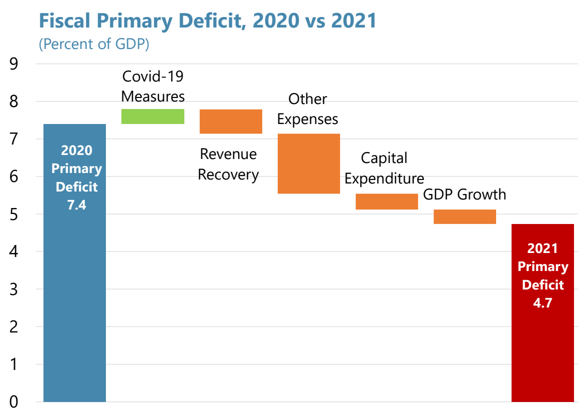
2. Following a protracted recession, positive growth has returned in 2021 at 4.2 percent, supported by a strong tourism recovery. Stayover tourism in Q4 2021 recovered to pre-pandemic levels, suggesting no lasting effect on the sector's capacity, although the recovery of cruise arrivals is much slower. A relatively high vaccination rate helped to soften the economic consequences from the wave of the Omicron variant in early 2022 as stayover arrivals were at 92 percent of the 2019 levels in the first 4 months of 2022.[1] Despite the recovery in the hospitality sector, private sector employment declined by 5½ percent in 2021, in part driven by supply-side considerations including skill mismatches, although there was some recovery in the second half of the year. 12-month average inflation accelerated to 3.8 percent in 2021 driven by fuel and other import prices.



[1] As of end-June 2022, 65 percent of the population are vaccinated with two doses, and 30 percent of the population has received a booster shot with either Moderna or Pfizer vaccines.

3. **The pickup in tourism improved the external current account balance.** The current account deficit (CAD) narrowed from 27.6 to 21.8 percent of GDP between 2020 and 2021, mainly on account of higher tourism receipts which more than offset the rebound in imports. From 2018 to 2021, the estimated NIIP declined by more than 100 percent of GDP, although Curaçao remained a net creditor with positive NIIP of about 150 percent of GDP. In view of high CADs, staff consider Curaçao's external position weaker than warranted by the fundamentals and desired policy settings (Annex III).

4. **The preliminary 2021 fiscal outcome suggests a significant consolidation since 2020, partly due to a further decline in investment (Figure 2).** The primary deficit (excluding a one-off payment for the resolution of Girobank) declined by 2⅔ percent of GDP. The non-interest current expenses, excluding Girobank-related spending, declined due to tight wage policies (nominal freeze and attrition) and lower spending on goods and services. The authorities appropriately phased out the bulk of Covid-19-related spending by end-September 2021, although their total cost (3½ percent of GDP) was marginally higher than in 2020 as they added subsidies covering part of fixed costs of eligible businesses (1¼ percent of GDP) to the measures. Gross public investment shrank to an unsustainably low level of 0.7 percent of GDP, resulting in negative net investment for the second consecutive year.



Covid-19 Expenditure
(Percent of GDP)

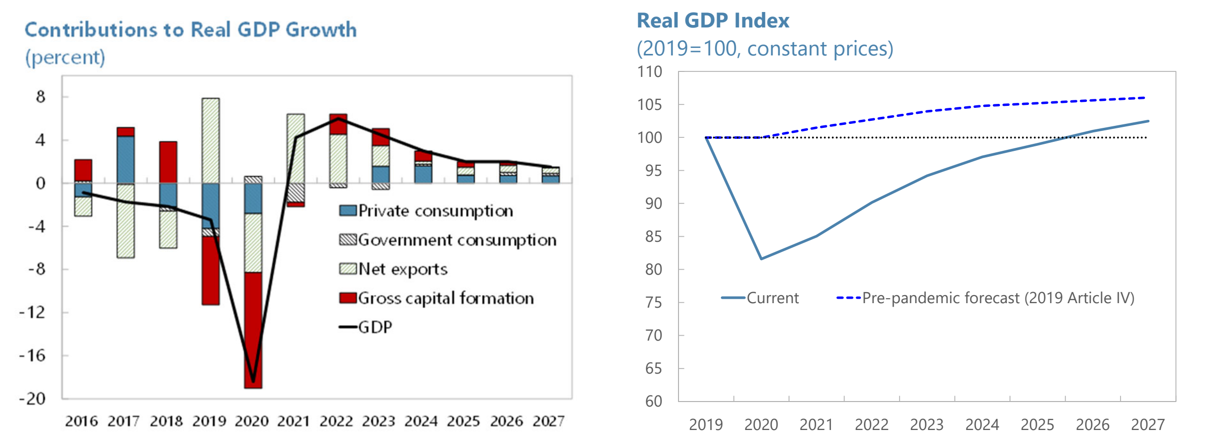
	2020	2021
Total	3.3	3.5
Payroll subsidies	2.1	0.9
Fixed cost subsidies	0.0	1.2
Income support to self-employed	0.5	0.3
Income support for job losses	0.3	0.4
Food support and other	0.4	0.6

Note: The 2020 primary deficit is shown excluding the Girobank-related transfer of 6 percent of GDP.
Sources: The Curaçao authorities and IMF staff calculations.

5. **The multiple shocks led to a significant accumulation of government debt, leading to debt sustainability concerns** (Figure 2 and Annex VI). The debt ratio increased from 58 percent of GDP in 2019 to 89 percent of GDP in 2021 on account of liquidity support from The Netherlands required to finance large fiscal deficits, borrowing for the Girobank resolution, and the decline in GDP. The authorities will face significant financing needs in 2023 as all Covid-19-related liquidity support loans (16 percent of GDP) mature in October 2023, after being rolled over in April 2022 at a zero-interest rate.

C. Outlook

6. Growth is expected to strengthen in 2022, although the outlook (Tables 1-4) is clouded by the war in Ukraine. Continued recovery in the hospitality sector in conjunction with higher private investment, particularly in tourism, and favorable employment dynamics this year would support real growth of about 6 percent. As direct trade and financial linkages with Ukraine and Russia are limited, the main impact from the war in Ukraine is likely to take place through surging import prices, particularly in fuel and food categories.[2] They are projected to push inflation to 6.8 percent in 2022, significantly higher than expected in the pre-war scenario. Inflation could disproportionally affect the vulnerable population not covered by the existing social safety net and create a drag on the recovery as it erodes disposable income and increases costs of doing business. As the baseline projections do not include the reopening of the refinery, the recovery of employment and output would be sluggish, with real GDP approaching the pre-pandemic level only in 2026. In the medium term, growth is expected to stabilize around its potential of 1½ percent. The CAD will remain elevated in 2022 driven by the terms of trade shock, but it is expected to subside in the medium term as export receipts recover.



Sources: Curaçao authorities and IMF staff calculations.

7. The outlook is subject to significant uncertainty and risks. The impact of the war in Ukraine could be deeper than projected. A protracted war in Ukraine could keep energy and food prices high for an extended period, slowing growth, eroding purchasing power more than projected, and increasing the risk of social unrest. A stronger slowdown in Curaçao's main trading partners, notably the U.S. and The Netherlands, would negatively affect Curaçao's growth outlook. Further outbreaks of Covid-19 would continue to affect tourism and extend global supply chain disruptions. Global monetary tightening could stifle foreign investment or generate outflows. Loss of correspondent banking relationships could impact finance and trade. On the upside, a sustainable reopening of the refinery would improve the outlook.

[2] Curaçao participates in EU sanctions on Russia and Belarus. This is not likely to affect Curaçao's outlook given limited economic linkages with these countries.

Authorities' Views

8. Fostering an inclusive and sustainable recovery is an utmost priority. The authorities broadly shared staff's views on the developments and outlook, although the CBCS projected lower growth in 2022. They shared staff's assessment of risks. They stressed the need for higher economy-wide investment for supporting the recovery. The authorities selected a preferred bidder for assuming the function of the refinery's operator and considered that the restarting of the refinery would create jobs and accelerate the recovery.

D. Policy Issues

Discussions focused on calibrating policies to respond to the inflationary shock and to support a robust and inclusive recovery, while improving resilience to climate change and preserving public debt sustainability. The mission discussed the pace of fiscal consolidation, particularly the feasibility of current expenditure adjustment in view of the inflationary shock.

Calibrating Fiscal Policy to Foster Recovery While Achieving Sustainability

9. Policies included in a draft 2022 Budget Amendment imply strong fiscal consolidation in 2022-23. Projections assume that expenditure in 2022 will be marginally higher than in the amended budget on account of the cost of reforms whereas revenue will be in line with the macroeconomic outlook. Despite a partial reversal of the 12.5 percent cut in compensation introduced in 2020,[3] the current expenditure would decline by about 4 percent of GDP, mainly driven by the end of Covid-19 measures and tight wage bill policies, including a hiring restriction. The primary deficit is expected to decline by 3½ percent of GDP in 2022 as gross investment strengthens by 1.4 percent of GDP. Staff assume a gradual increase in gross investment to 3 percent of GDP by 2027, marginally higher than projected in the budget. On the basis of these assumptions, the authorities' fiscal rule (zero current account balance)[4] would be restored by 2024 and the primary balance would reach a surplus of 2¼ percent of GDP in the medium term (Table 3). Whereas government debt is still sustainable, the sustainability continues to be conditional on the consistent implementation of the reforms and consolidation measures and access to external financing at favorable terms from The Netherlands (Annex VI).

2022 Budget

(Percent of GDP)

		2022		
	2021 Outturn	Original	1st Amend.	IMF proj.
Revenue	30.0	30.1	31.1	31.0
Tax	28.0	27.2	28.8	28.7
Non-tax	2.0	2.9	2.3	2.3
Expenditure	36.0	33.1	33.3	33.5
Current	36.8	32.9	32.6	32.9
Capital, net	-0.9	0.1	0.6	0.6
Capital, gross	0.7	2.1	2.1	2.1
Overall balance	-6.0	-3.0	-2.2	-2.5
Primary balance	-4.7	-1.8	-1.0	-1.2

Sources: The Curaçao authorities; and IMF staff calculations.

[3] As part of conditionality for liquidity support in 2020, the authorities committed to reduce compensation in the public sector by 12.5 percent, followed by a nominal freeze. This was implemented in the central government and several public sector entities in solidarity. The authorities will implement a one-time payment of NAf 1,750 to all civil servants at the end of July.

[4] The current account balance is a fiscal concept used by both the Curaçao and Sint Maarten authorities, which is comparable to the operational balance under the *GFSM* 2014. Under their national definition, the current account balance includes some financing activities which are not part of the operational balance under the *GFSM* 2014.

10. Fiscal policies need better calibration to improve the quality of consolidation and avoid negative effects on growth. Budgeting adequate resources for structural reform implementation, protection of the vulnerable, and other critical areas will be key for improving the quality of adjustment. Raising public investment, especially in infrastructure, from the currently low levels would increase employment, incentivize private investment, support broad-based economic recovery, and increase Curaçao's resilience to climate change. A more gradual fiscal adjustment would be growth-friendly while still consistent with sustainability. Shifting some resources to more productive areas such as education and vocational training would improve labor market outcomes and support inclusive recovery. Both revenue and expenditure measures could be used to create fiscal space for investment, although the emphasis should be on reducing current expenditure given considerable revenue which amounts to about 45 percent of GDP including social contributions.

11. The authorities' strong efforts to improve revenue administration have brought tangible results and need to be continued. Expanding the tax administration's resources and improving its business practices is contributing to a significant pickup in revenue. The planned reorganization of the three revenue departments will further improve the capacity of tax administration and ought to proceed expeditiously. Whereas the authorities are preparing a sales tax reform with the main objective of improving its administration, they should subsequently consider replacing it with a fully-fledged VAT to reduce distortions.[5]

12. The inflation pressures stemming from the war in Ukraine warrant targeted action. Recently implemented reductions in fuel taxes require clear sunset clauses, while enhancing the social safety net to better target and more effectively protect the vulnerable.[6] In view of higher food prices, the authorities could consider the continuation of the food program that was in place during the pandemic or other well-targeted measures.

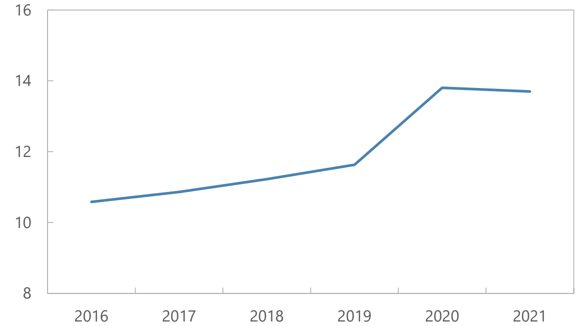
13. Structural reform to modernize Curaçao's civil service would work better than the current attrition and wage freeze policies. While the objective of reducing the wage bill as a share of GDP is appropriate, the target of 10 percent of GDP should be used with caution. The 3-to-1 attrition policy was useful to reduce the overall government wage bill, but it has significant drawbacks as it is counterproductive in critical areas and reversible in non-critical areas when lifted. Both level and skill composition of government employment needs to be consistent with the effective delivery of public services. Implementing functional reviews under the *landspakket* would help achieve that objective. A benchmark study of employment benefits in the public sector entities, already envisaged under the *landspakket*, is needed to calibrate compensation to retain the required talent and incentivize performance.

[5] They are planning to streamline the local sales tax rates (maintaining the rates of 6 and 7 percent rates while eliminating the 9 percent rate) and develop electronic filing allowing payments at transactions. In order to offset the loss of revenue, they are planning to eliminate the current provision allowing to offset 50 percent of import tax with the sales tax. The reform is expected to be revenue neutral.

[6] The authorities temporarily reduced the excise tax on gasoline by 24.8 percent and suspended the turnover tax on gasoil. The measure is expected to be reviewed on a regular basis. The measure is estimated to cost 0.5 percent of GDP in 2022. Staff assumed that it would continue in 2023.

14. Reforms of the health care and social security systems are needed to alleviate pressure on public finances and reduce fiscal risks. The cost of healthcare has been steadily rising in recent years, exerting pressure on the SVB and requiring higher budget transfers. Given the complexity of the health reform, prompt design and stakeholder consultations are the immediate priority. It will be important to provide the health sector with adequate resources to ensure health care continuity, especially in view of the inflation shock.

Health Care Expenditure by the SVB
(percent of GDP)



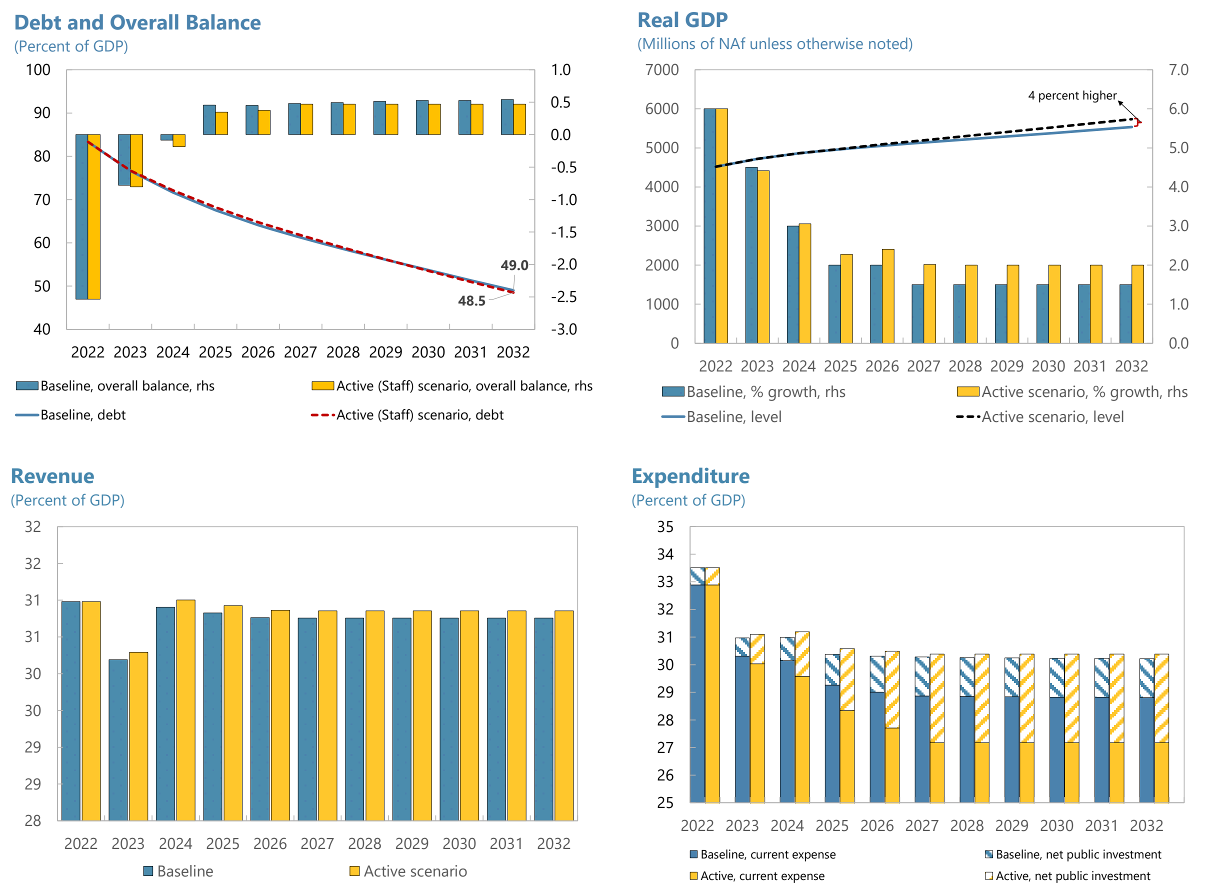
Sources: SVB and IMF staff estimates.

15. An active policy scenario illustrates the outcomes of rebalancing fiscal policies towards higher investment. In this scenario, gross public investment is gradually increased relative to the baseline during 2023-27, with a cumulative differential reaching 2 percent of GDP by 2027. The impact on the overall balance is offset by revenue and expenditure measures accumulating to 0.5 and 1.5 percent of GDP by 2027, respectively. It is assumed that the revenue and current expenditure measures have only short-term GDP impact whereas public investment affects long-term GDP with a multiplier of 2, implying high-quality investments such as increasing resilience to climate change. Under these assumptions, medium-term fiscal consolidation would be comparable to the one observed in the baseline. After 10 years, the debt ratio would be marginally lower than in the baseline projections while real GDP would be 4 percent higher.

Authorities' Views

16. The authorities are committed to fiscal consolidation and structural reforms necessary for debt sustainability and improving resilience. They considered that the objective of returning to their fiscal rule in 2023 unless the Kingdom of the Netherlands grants a permission to deviate, could be too ambitious given the need to factor in the costs of implementing structural reforms and counterproductive for economic growth. Although the draft Budget Amendment projects a small current surplus from 2023, it does not include the cost of reform implementation under the *landspakket*. Refinancing of the pre-pandemic loans from The Netherlands at a lower interest rate would have opened up fiscal space for implementing the reforms. The reform of tax administration will proceed in stages, with a merger of inspection and receiver departments being the highest priority. The planned sales tax reform will increase efficiency of revenue administration. Ongoing reform of the gaming industry has potential for generating substantial additional fiscal revenue. To improve the effectiveness of the government, the authorities are redesigning the top management structure and reassessing core tasks and functions to provide a basis for the size of civil service. The authorities are planning a broad-based reform of health care with an objective to reduce fiscal costs.

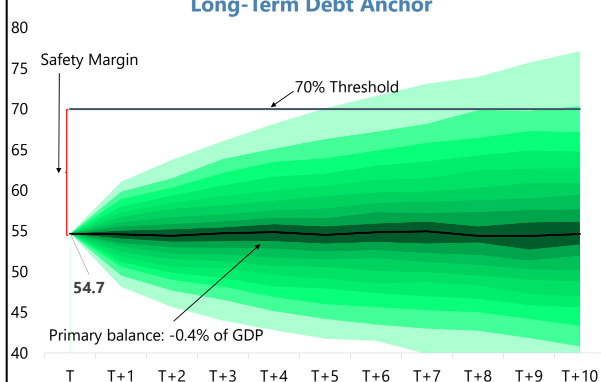
Text Figure: Illustrative Active Scenario



Source: IMF staff projections.

Strengthening the Fiscal Framework and Securing Fiscal Sustainability

Long-Term Debt Anchor



Source: IMF staff calculations.

17. Incorporating the medium-term perspective to policymaking would be key for reaching sustainability. The current fiscal rule—zero current account balance—has significant drawbacks including pro-cyclicality, a short-term focus, and low applicability during periods of significant shocks. Curaçao would benefit from developing an explicit medium-term framework guided by a medium-term (or long-term) fiscal anchor. For example, the authorities could consider moving towards a Fiscal Responsibility Framework with an objective for the government debt stock, in line with experience in many other Caribbean countries, supported by an operational rule for fiscal deficits (Annex V). In view of high vulnerability to shocks, the debt objective should be set at a level that ensures that the risk of debt distress is minimized. The objective could be to ensure that the debt ratio remains below 70 percent of GDP (a threshold indicating higher risk of debt distress in the DSA for emerging market economies) with a given probability. A stochastic simulation exercise calibrated to Curaçao's past data illustrates that a steady-state anchor of about 55 percent of GDP would keep the debt stock below 70 percent of GDP with a probability of 90 percent. In both baseline and active scenarios, the debt ratio would subside below this anchor by 2030.

18. Strengthening public financial management would be key for ensuring fiscal sustainability. The *landspakket* envisages key PFM reforms including upgrading budget procedures, improving the quality and timeliness of financial statements, strengthening expenditure controls, and modernizing the procurement system. Their robust implementation would be critical for supporting fiscal consolidation. Strengthening expenditure controls and modernizing the procurement system will improve fiscal discipline and the efficiency of spending and reduce risks of corruption. Better coordination and information exchange across government units would improve outcomes. Regular and timely publication of the fiscal outturns and financial statements and periodic communication of the medium-term strategy with credible measures will increase public trust in government's operations, promoting the effectiveness of the fiscal policies.

19. A significant improvement is needed in the institutional setup of public investment strategy and management (Annex IV). Such a framework should include a clear planning and decision-making process, adequate project appraisal incorporating risks of climate change and including climate adaptation measures in project design, monitoring, and assessment schemes. Multi-year project budgeting and a transparent procurement system are critical to rationalize and secure financing resources. In addition, capacity building for high quality project analyses would be needed for better project selection.

Authorities' Views

20. The authorities are committed to strengthening public financial management. Their priorities are to reorganize tax and customs administration, ensure reliability and integrity of IT systems, improve management of public finances and public property, and ensure that the established budgetary standards are met. These objectives are supported by the reforms spelled out in the Implementation Agenda under the *landspakket*. Action plans have already been developed and adopted for many of these reforms. The authorities agreed that better institutional setup of public investment strategy would improve investment outcomes. The authorities are reviewing the social welfare system and are planning to re-design it. The authorities underscored that adequate staffing is needed to implement planned reforms.

Boosting Medium-Term Growth and Improving the Data Framework

21. Developing the tourism sector and adding new engines of growth would be vital for boosting potential growth. The closing of the Isla refinery posed questions about a new growth model for Curaçao. With a strong pipeline of new hotels (Corendon Resort opened in 2020 and Sandals Resort in June 2022), the hospitality sector is well-positioned to become the leading economic engine of growth, however labor is a binding constraint. In addition to their efforts to restart the refinery, the authorities are exploring other areas including modernizing the energy sector (establishing an LNG plant to reduce electricity prices, increasing the share of renewable energy), expanding maritime services, developing the local industry including fishing, and expanding trade and exports. This requires substantial investment by both public and private sectors, which, in turn, needs a better business climate and an improvement in the functioning of the labor market. Establishing the LNG plant is a promising initiative but requires careful analysis. Deploying a guaranteed lending facility for viable SMEs in Curaçao would help support their development.

22. A better business environment would encourage private sector investment. Under the *landspakket* agreements, the authorities published an assessment of the business and investment climate to determine areas to improve. The activities include identifying the systemic gaps in funding and capacity, optimizing licensing and permitting, and addressing the costs of doing business. The authorities should ensure these initiatives are executed and the recommendations are implemented in a timely manner.

23. Timely implementation of reforms addressing governance weaknesses and corruption risks will be critical for sustained and inclusive growth. The *landspakket* lays out important reform priorities to strengthen multiple dimensions of governance through its various themes (Annex II). Themes A-C advance important fiscal governance reforms such as strengthening expenditure controls, modernizing the procurement system, improving transparency, and reforming tax administration. Theme D covers governance in the financial sector, including reforms to bolster financial sector oversight and improve the CBCS's governance. Theme H aims to strengthen the rule of law through safeguarding adequate resources for law enforcement and implementing a comprehensive reform of the gaming industry, among other measures. The authorities should add emphasis on evaluating anti-corruption and enforcement institutions and strengthening them. The National Risk Assessment for Curaçao, which is expected to be published in the coming weeks, would provide guidance for reform priorities in the AML/CFT area.

24. Labor issues in Curaçao are long-standing, but the pandemic introduced a new challenge with emigration/brain drain playing a significant role in the reduction of the workforce. Even before the pandemic, the decline in the refining sector—historically one of the largest employers of skilled labor—led to negative trends in employment, contributed to emigration, and resulted in skills mismatches as the economy transitions to a new growth model. The pandemic aggravated these trends, resulting in population decline of almost 6 percentage points since 2016, and a reduction of registered private employment by 17 percent during the same period. Labor market mobility is unidirectional since skilled workers can easily move to The Netherlands or the Dutch Caribbean whereas replacing them is more difficult due to barriers to entry. Lowering barriers to foreign skilled workers would help address this loss of human capital and address some of the skill mismatch issues. Addressing structural rigidities in the labor market would help Curaçao to improve potential growth.

25. A significant improvement in data availability and quality is needed as current gaps hamper effective macroeconomic analysis and surveillance. The authorities should address the shortages of human and financial resources limiting data collection, coverage, and timeliness, particularly for the national accounts statistics, price statistics, and the labor force survey. Publishing fiscal data in the GFSM 2014 format would improve transparency. The authorities could seek technical support from the international community.

Authorities' Views

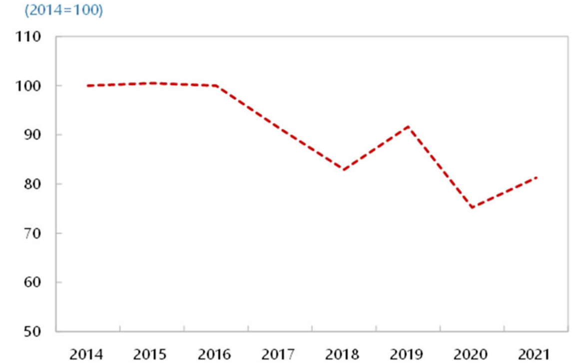
26. **The authorities considered that achieving a strong and sustainable economic recovery is a necessary condition for addressing Curaçao's challenges.** They developed the National Export Strategy to develop local industry and trade. They consider that establishing a facility for loan guarantees would have unlocked significant banking system resources for viable projects. Improving the business climate is high on their agenda, with efforts to reduce red tape being ramped up. Some labor issues will be addressed by the *landspakket*. They agree with the high importance of timely statistical data and are finding solutions to improve resource availability for the CBS.

SINT MAARTEN

A. Context

27. **Sint Maarten is a small, tourism-centered economy recovering from successive deep shocks**. In 2017, Hurricanes Irma and Maria hit the island, causing damage estimated at 238 percent of GDP including significant damage to the airport. While still rebuilding from the toll of the hurricanes, the Covid-19 pandemic marked a second deep shock to the tourism industry as well as the people and businesses of Sint Maarten. Economic activity is estimated to have declined by a cumulative 24 percent since 2016 (Figure 1).

Real GDP Index, 2014-21
(2014=100)



Sources: CBCS and IMF staff calculations.

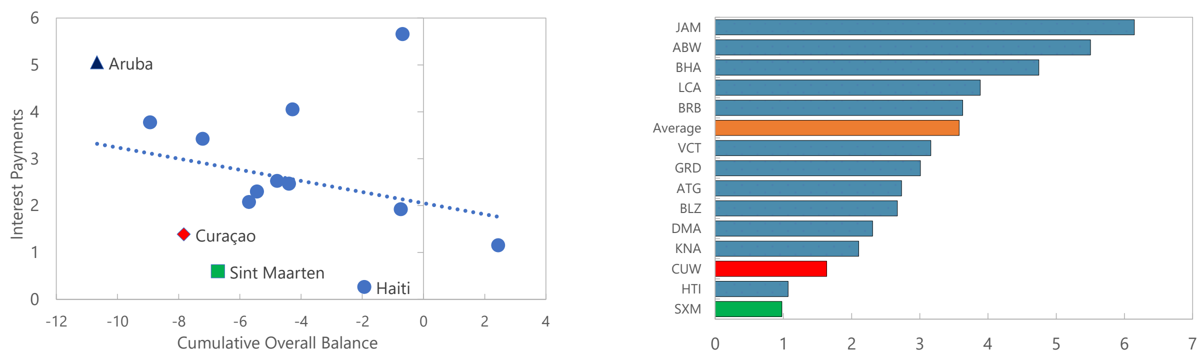
28. **The government debt-to-GDP ratio has tripled since 2010.** Government debt stood at about 20 percent of GDP in 2010 following a round of the debt relief by The Netherlands but rose to 38 percent in advance of the hurricanes in 2017 and the Covid-19 pandemic and was estimated at 60 percent of GDP by end-2021 (Figure 2). Before the hurricanes, this increase had been driven by government investment. Under the heavy shocks of the last five years, current expenditure has exceeded revenues, resulting in accelerated debt accumulation and minimal public investment outside of the hurricane relief trust fund.

29. **The Netherlands has served as a critical backstop for financing, conditional on a reform package which it is helping to support.** Emergency support immediately after the hurricanes and the establishment of a recovery trust fund (grants worth about 50 percent of GDP) were essential to the recovery. Since the beginning of the pandemic, Sint Maarten has received zero-interest loans of about 16½ percent of GDP for gross financing needs as well as donations of

vaccines and other critical supplies and services. As a condition of the liquidity support disbursements, Sint Maarten and The Netherlands reached agreement on a set of reform priorities (*landspakket*), which are generally consistent with past Article IV recommendations. These reforms are proceeding, with strong support from the Tijdelijke Werkorganisatie (Temporary Working Organization, TWO). The TWO is intended as a transitional body to the Caribbean Entity for Reform and Development (COHO, Annex II) whose outlook is uncertain.

Text Figure: Interest Burden of Caribbean Governments

Government Interest Burden (Percent of GDP) | **Projected Effective Interest Rate, 2022** (Percent)

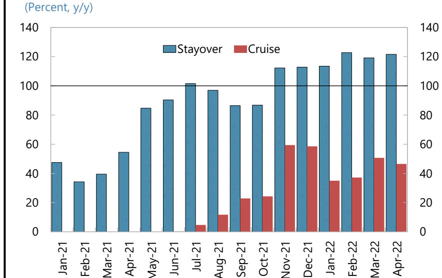


Sources: World Economic Outlook and IMF staff calculations.
Note: Left chart: Cumulative Overall Balance is the sum of the overall balance in 2020 through 2022 divided by the sum of nominal GDP over the same period. Interest payments are the sum of government interest payments divided by the sum of nominal GDP over the same period.
Right chart: "Average" excludes Curaçao and Sint Maarten.

B. Recent Developments

30. Covid-19 has taken a heavy humanitarian and economic toll on the citizens of Sint Maarten, but progress has been made on vaccination. The first 3 waves of Covid-19 saw high average daily infection rates, with about a quarter of the population infected and 86 deaths (2 per thousand people). As of June 3, around 61 percent of the population is fully vaccinated, while only 21 percent of the population has received a third booster shot. Infection rates are in line with similar Caribbean countries, while the vaccination rate is high relative to similar, tourism-focused islands, with highly effective vaccines.

Stayover and Cruise Arrivals, Percent of 2019
(Percent, y/y)



Sources: CBCS and Fund staff calculations.

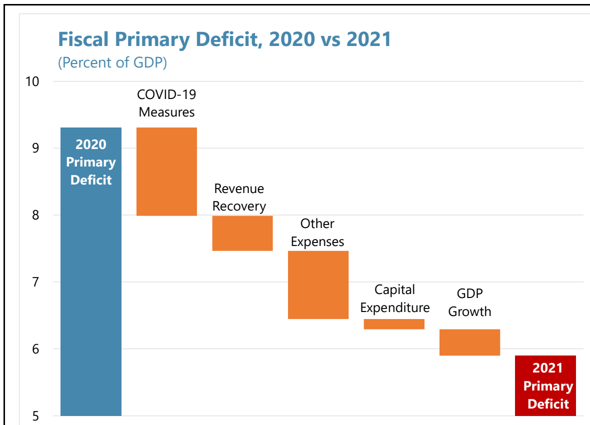
31. Tourism is recovering unevenly between stayover arrivals and cruise ship visitors. Stayover arrivals were overperforming by the fourth quarter of the 2021 and into 2022, exceeding 2019 levels despite pandemic-induced delays to airport reconstruction. The cruise industry resumed sailing in the second quarter of 2021, but the industry has recovered slowly. Cruise arrivals were still around 50 percent below 2019 levels in late 2021 and returned to this level after an omicron-related decline.

32. Despite the continuing impact of Covid-19, staff estimate that recovery in Sint Maarten is well underway, with growth in 2021 at 8 percent. Tourism provided the largest boost to growth while a small pickup in both public (including the Trust Fund) and private investment helped offset continued decline in consumption. Unemployment is estimated to have risen to around 25 percent in 2021 as the formal sector continues to shed employees. Emigration is likely to have added additional downward pressure on employment. Newly published 2019-20 real GDP estimates indicate a slightly better recovery from hurricanes and a somewhat smaller effect from the pandemic.

33. Inflation has risen, driven by external factors. Inflation is estimated to have risen to an average of 2.8 percent in 2021 from 0.7 in 2020, principally due to the rise in oil prices, shipping costs, and inflation in the U.S. Historically, Sint Maarten's inflation tracks inflation in the U.S., its major trading partner, with a lag.

34. The external current account improved slightly in 2021, but a large deficit remains due to continued pandemic support. Fiscal support underpinned consumption as tourism receipts recovered from a deep downturn. Goods imports fell around 18 percent y/y, due to non-oil, non-tourism related imports. The deficit saw pressure from a worsening terms-of-trade, largely driven by rising global inflation reflecting U.S. growth, supply chain constraints, and higher oil prices. The external position in Sint Maarten is assessed to be weaker than warranted by fundamentals and desired policy settings in view of this deficit and a substantial, negative estimated NIIP (Annex III).

35. The central government recorded a primary deficit of 6 percent of GDP on continued pandemic support. The deficit narrowed significantly last year (9.3 percent in 2020) but remains well above its pre-hurricane average. Current expenditures declined substantially due to declining demand for support programs and the expiration of the SSRP. Tax revenue has lagged the economic recovery, slowing the fiscal adjustment. Trust Fund execution accelerated in 2021, with notable progress in the renovation of the PJIA.



Sources: Sint Maarten authorities and IMF staff calculations.

Covid-19 Spending
(Percent of GDP)

	2020	2021
SSRP	4.1	2.5
Payroll subsidies	3.7	1.5
Income support to self-employed	0.2	0.2
Income support to unemployed	0.2	0.2
SME support	0.0	0.2
Others	0.0	0.3

C. Outlook

2022 Macro Forecast Revisions	2021 Article IV	Latest	Difference
Real GDP growth	15.0	7.5	-7.5
Inflation, 12-m average	2.7	5.9	3.2
Curr. Account Deficit	28.6	22.2	-6.4
Budget Deficit 1/	8.5	5.8	-2.7

1/ Overall deficit of the budgetary central government. It does not include Trust Fund activities.

36. The war in Ukraine will magnify external price pressures and reduce real earnings. Prices are expected to rise in 2022, registering an annual average growth rate of 5.9 percent, partially driven by lagged U.S. inflation in 2021 and global commodity prices. The war in Ukraine has further increased energy and food prices, to which Sint Maarten is particularly vulnerable given its dependence on imported food and on energy-intensive imports and utilities more generally.[7] The current account deficit is expected to rise by nearly six percentage points of GDP in spite of substantial fiscal consolidation due to terms of trade deterioration. These price pressures are likely to suppress real wages given the public wage freeze and weak labor market conditions.

37. Real output is expected to return to pre-pandemic levels in 2023, but risks are tilted to the downside (Tables 5-8). Growth is expected to continue as tourism returns and airport reconstruction is completed. In 2022, growth is projected to reach 7.5 percent, lower than previous projections on stronger-than-expected recovery in 2021 leaving less room for catch-up growth. Real output is expected to return to its pre-Irma level by the end of the forecast horizon. The growth outlook is dimmed somewhat by the negative real earnings effect of inflation prospects from the war in Ukraine as well as a more uncertain outlook for the long-run recovery in the cruise industry.

38. Tourism will maintain its strong recovery in 2022, assuming the pandemic continues to subside. Overnight visitors should exceed 2019 levels this year and reach 2016 levels by 2028, with cruise arrivals approaching 2019 levels by 2024. Cruise tourism has been badly hit by pandemic concerns and there is substantial uncertainty around its prospects for regaining pre-pandemic popularity. The anticipated completion of the airport in 2023 is expected to boost the number of stayover arrivals especially if coupled with an expansion of homeporting, which could become an engine of growth, but a rotation from cruise to stayover arrivals may strain existing hotel capacity.

39. Risks are headlined by war in Ukraine and prospects for the tourism industry (Figure 5). Despite the limited direct exposure to Ukraine and Russia, deeper or more prolonged economic consequences for the war could result in a larger inflation shock and its consequences. Sint Maarten could also be directly affected through the yachting industry as sanctions continue against Russian yacht owners. Tourism may also be limited as by downside risks to advanced economies stemming from the war or financial tightening. Renewed global outbreaks of Covid-19 would substantially reverse tourism recovery and potentially suppress long-run demand. Natural disasters, especially

[7] Sint Maarten participates in EU sanctions on Russia and Belarus. This is not expected to have material economic effects in the country.

rising risks of another damaging hurricane are an ever-present feature of Sint Maarten's outlook and could have consequences to output, debt, and the current account on the same scale as seen for Hurricane Irma. Other risks include rising and volatile food and energy prices, possibly associated with social discontent and political instability, extended supply chain disruptions, and a slower than expected reconstruction progress.

Authorities' Views

40. The authorities shared staff's views on the growth outlook and the balance of risks but estimated a somewhat stronger recovery in 2021 and slower growth in 2022. They agree that the completion of the airport in 2023 will underpin further growth in stayover arrivals. They see inflation pressures from the war in Ukraine as substantial and likely to be sustained. Among other risks, the authorities underlined the ongoing risk of hurricane-related damage, even as reconstruction from the 2017 hurricanes looks to be well underway. Subscription to weather and natural disaster insurance, as well as plans for a disaster recovery fund, are likely to better insulate the economy and facilitate faster recovery from these events in the future.

D. Policy Issues

Discussions focused on securing a strong, durable, and inclusive recovery, improving fiscal dynamics, and setting in place conditions for robust future growth and sustainable fiscal management.

Sustaining Fiscal Consolidation and Building Stronger Fiscal Infrastructure

41. Robust implementation of the reforms under the country package would improve public service quality while putting debt on a favorable path. Expiration of the Covid-19 measures coupled with wage bill containment under the country package would reduce current expenditures, narrowing the primary deficit by more than 2 percentage points. Government debt is expected to increase to 63.1 percent of GDP this year on still substantial deficits but then decline as consolidation proceeds. Public investment would remain low for 2022, but the long-planned investments in PFM and tax administration, predating hurricane Irma but delayed due to the pandemic, have re-started under the country package.

42. Inflation pressures from the war in Ukraine will disproportionately affect the most vulnerable. The economic consequences of the invasion of Ukraine have added to the already mounting price pressures in Sint Maarten. The fiscal effect of this inflation is mixed. The nominal wage freeze implies a further real decline in the wage bill. On the other hand, the government temporarily reduced the gasoline excise tax[8], with an expected impact of about NAf2 million (0.1 percent of GDP) for the year. Partial allocation of the fiscal windfall from lower real wages could be used to ease the nominal decline in real wages and realign it with the real wage path expected at the time when the freeze was agreed. Any additional easing related to additional inflation shocks

[8] The excise cut from 29 cents to 15.5 cents per liter was effective on June 21, 2022. This measure will expire at the end of the year.

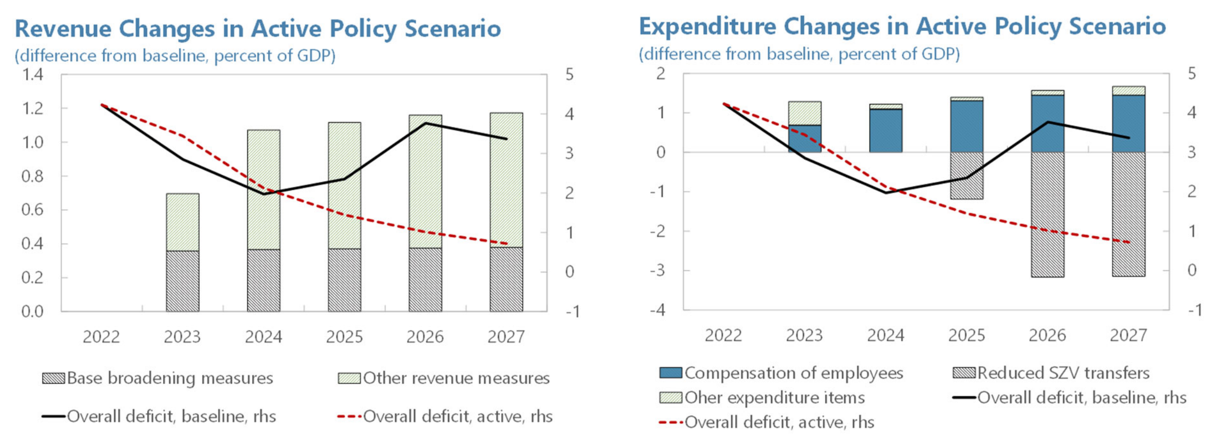
should seek better-targeted measures (IMF Fiscal Monitor, April 2022) including food subsidies and lump-sum utility credits. Intervention to offset price shocks should have a clear sunset clause. Either measure would reduce a key element of the ambitious medium-term consolidation path and should be accompanied by offsetting revenue measures and a high-quality reform of public compensation.

43. The social security and health insurance system (SZV) poses risks to rapid fiscal consolidation. Government debt is assessed to be sustainable over the medium term subject to access to external financing at favorable terms from The Netherlands (Annex VII), but failure to reform the social security system, as reflected in staff's baseline, is expected to reverse near-term debt reduction. Depletion of the SZV's reserve, driven by shortfalls in medical insurance receipts, would entail recurrent government support towards the end of the forecast horizon. The SZV has taken several steps to improve efficiency, including compliance measures, measures to lower medical costs (for example requiring generic prescriptions in most cases), and raising the income ceiling on insurance contributions. These steps should slow the pace of reserve depletion. Work assessing the financial effects of these reforms on the system are ongoing, but it is likely that additional reforms are needed to put the system on a sustainable footing.

44. Strengthening PFM will be critical to improving expenditure and investment efficiency. As discussed in past Article IV surveillance, there is room for improvement in the PFM system, including upgrading the financial information management system, improving budget classifications and chart of accounts, and adopting a treasury single account (TSA) system. Restructuring the public investment management framework and developing capacity in this area could help to maximize the impact of expected public investment acceleration, including by modernizing the public procurement framework (Annex II). Strengthening the multi-year budget framework and capacity would also help to map the government's medium-term fiscal and investment strategy to execution of relevant measures and projects.

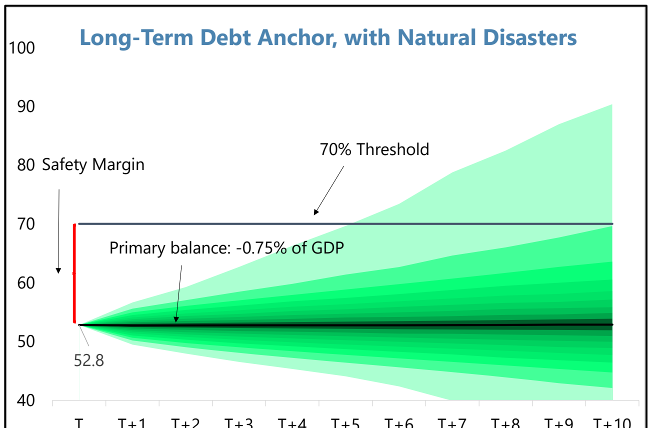
45. The government is advancing revenue administration reforms, but the open border remains a key bottleneck. Upgrading the IT system of the tax administration has re-started under the country package, reducing leakages, and improving compliance. Tax policy reforms have shown little progress, however, because close coordination with the French municipality of Saint Martin, required to minimize an imbalance in tax rates across their open border, has been a challenge. The authorities are working on a number of new tax proposals in line with last year's TA including taxing sharing-economy vacation home rentals, internet consumer sales, and the gambling industry. While more politically difficult, recurrent property taxes are among the least distortive taxes and are more achievable in Sint Maarten's urbanized, single government entity environment.

46. An active policy scenario would improve the quality of the planned consolidation and set Sint Maarten on a path to lower debt levels. An easing of the real decline in the wage bill would slow consolidation in 2023, but key base-broadening revenue measures and reform of the SZV would make these affordable while improving the quality and long-run sustainability of the fiscal regime. Reform of the health insurance and social security regimes is needed to put the SZV on a sustainable footing and avoid direct fiscal support beginning in 2025. These reforms could provide space for transitioning the nominal wage bill freeze to a higher quality public compensation reform over the medium term. They would also provide additional funds supporting high-quality, climate-resilient public investment. Taken together these changes would ease somewhat the reduction in debt to GDP in the near term but would recoup these losses by the end of the forecast horizon. If sustained, they would allow Sint Maarten to achieve a debt anchor in the range of 50-55 percent of GDP by 2030.



Sources: Sint Maarten authorities and IMF staff calculations.

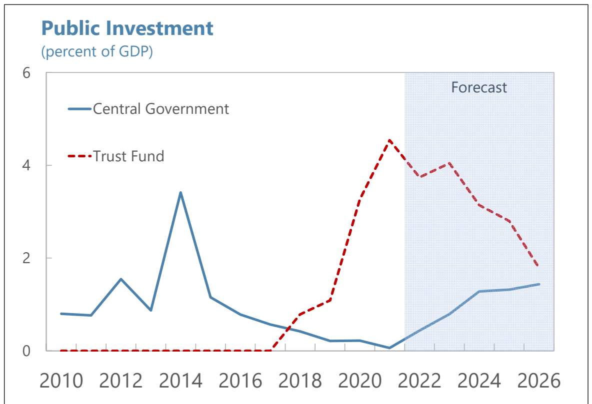
47. Sint Maarten would benefit from setting a fiscal anchor and developing a medium-term budget. Considering the recent rise in debt due to the pandemic, a longer-term plan for fiscal consolidation underpinned by concrete policy measures is needed. A medium-term budget can help establish the governments intentions, assess the effect of planned policy measures, and facilitate investment project costing and planning. Setting a long-term debt anchor would be useful to frame medium-term fiscal objectives. Annex V presents an illustrative calculation of a debt anchor which considers macroeconomic and hurricane risks. This work suggests a debt level of about 53 percent of GDP, paired with a baseline debt-stabilizing primary balance of -0.75 percent of GDP. This anchor keeps central government debt below 70 percent of GDP, the indicative level for elevated debt risks for EMs in the DSA for market access countries, in 90 percent of simulations. Climate change could further increase hurricane frequency and severity, somewhat reducing the recommended debt anchor but raising the steady-state overall balance needed to maintain it. Under the active policy scenario above, the debt-to-GDP ratio would reach this level in 2031.



Source: IMF staff calculations.

48. The robust execution of the Trust Fund is expected to continue. An extension of the Trust Fund expiration to 2028 (previously 2025) is expected to allow the full disbursal of grant funding allocated by The Netherlands.[9] Increased staffing and accumulation of administrative experience in both the government and the private sector are accelerating planning and execution. The Trust Fund covers a wide range of areas, including airport reconstruction, new hospital construction, SME support, and government digitalization projects. Sustained progress would improve Sint Maarten's potential growth and facilitate fiscal consolidation. Execution should however be monitored for potential supply constraints, particularly in the construction sector, which could hinder execution and efficiency.

49. The government should develop a public investment management reform plan. With the bulk of near-term public investment projects expected to be executed by the Trust Fund, the current period presents an opportunity to look forward. Central government investment averaged an already-low (Annex IV) 1.6 percent of GDP between 2012 and 2016 but fell to 0.3 percent of GDP after Hurricane Irma. A medium-term investment plan would plot a transition to ramp up investment as the Trust Fund expires, maintain the Trust Fund's focus on disaster-resilient infrastructure, improve execution, and support growth. Retaining capacity that has been built up at the NRPB and centralizing investment management within the government could help make these improvements permanent.



Sources: St. Maarten authorities and IMF Staff calculations.

Authorities' Views

50. The authorities are actively engaged in the reform agenda while addressing specific challenges. They emphasized a strong relationship with the TWO which has been collaborative and productive. They view a more coercive COHO arrangement as risking undermining this positive momentum. The authorities are working on base-broadening revenue reforms, PFM improvements, upgrades in the revenue administration, and many other areas outlined in the *landspakket*. They see implementation risks given the size and the scope of the reform program and limited staffing available in an administration size appropriate to this island of just more than 40,000 people. The authorities recognize staffing limitations in key skill areas and emphasize the need for a more nuanced reform of the wage bill, including removing the universal 12.5 percent nominal wage reduction and its unanticipated deeper real wage reduction, to permit competitive hiring and effective public service delivery. They are working towards implementing a general health insurance system, which is intended to be both financially sustainable and offer better access and higher care quality, to be implemented in the next 12-18 months.

Boosting Medium-Term Growth

[9] This extension was not finalized at the time of the preparation of the staff report but had been agreed by all parties and is considered likely to proceed.

51. Improving the business environment is key to establishing medium-term growth and boosting potential GDP. Removing impediments to entrepreneurial activities is key to harnessing Sint Maarten's entrepreneurial spirit, sustaining recovery, and accelerating the formalization of the workforce. The authorities have made progress establishing a platform for e-payments and are working to bring more payment functionality online. Establishing a single window for business permitting and expediting processing by verifying compliance ex-post would facilitate entrepreneurship and economic dynamism. Increasing transparency and establishing procurement processes that meet international standards would accelerate the execution of Trust Fund and other public infrastructure projects, while attracting more FDI.

52. Improvements to the governance and the anti-corruption framework would further support investment and growth. Efforts to strengthen fiscal governance in the public procurement system and public investment framework (¶44) would reduce the opportunities for corruption, improve public service quality, and support domestic activity. Broader anti-corruption efforts, including progress on Sint Maarten's National Risk Assessment (NRA) have been significantly hampered by funding and staffing constraints in the Financial Intelligence Unit (FIU) and related law enforcement agencies. Appropriate resources need to be dedicated to the NRA to ensure that it can be completed on schedule prior to the 4^{th} round Mutual Evaluation assessment (MER) by the Caribbean Financial Action Task Force (CFATF). The Sint Maarten authorities should strengthen the AML/CFT regulatory and supervisory framework for the gaming industry and ensure that supervisory authorities have adequate resources and sufficient powers to sanction non-compliance with AML/CFT obligations. These and other rule of law and governance reforms agreed under the *landspakket* are priority areas for advancement.

53. Greater labor market flexibility and competitiveness would promote formalization, efficiency, and growth. The pandemic has raised the importance of recognizing the segmentation in the labor market and therefore, the policies to address it. In the context of Sint Maarten's nominal wage freeze, future increases should be benchmarked to market-based wages and in line with productivity growth. The recovery in tourism and output has not yet reached formal employment, with the formal private sector continuing to shed jobs while anecdotal evidence suggests that the informal sector is expanding. Efforts should be made to provide incentives to remain in the formal sector such as simplifying and establishing online tax registration and payments for individuals and entrepreneurs. Labor market flexibility should be increased to allow business to respond to changing conditions. Labor market structures and regulations should be made more flexible, for example by accommodating multiple jobs and seasonal work.

54. Future green infrastructure projects could complement private investment. As recovery-related Trust Fund projects come to fruition, thought should be given to the next generation of public infrastructure projects to facilitate growth and secure Sint Maarten's business model. Environmentally friendly improvements to public infrastructure could improve economic efficiency while potentially increasing Sint Maarten's tourism margins. Options to incentivize private renewable energy generation, currently under consideration, could improve energy efficiency and reduce costs while presenting a positive boost to Sint Maarten's profile to tourists.

Improving the Data Framework

55. A significant improvement in data availability and quality is needed as current gaps hamper effective macroeconomic analysis and surveillance. Improvements are urgently needed in national accounts preparation and timeliness, the compilation and timeliness of CPI and labor market data, and the completion of an up-to-date household expenditure survey. The offices responsible for these statistics need to be adequately resourced and staffed. The government should also secure financial and human resources for the national census planned for 2022. Raising the statistical department to the level of an independent agency would help reduce publication lags, improve retention of institutional knowledge, and reinforce confidence in data production. Better integration and sharing of administrative data and automation of data compilation will be key to improve the robustness of estimates. A centralized data publishing platform may be useful to solve this issue.

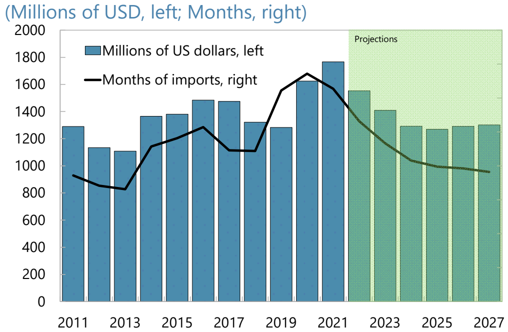
Authorities' Views

56. The authorities recognize the need to promote growth and improve data availability and quality. They have been working actively to develop growing demographic groups to the country's tourism portfolio and facilitate off-season events. In addition to the fruits of Trust Fund execution the authorities are also considering green infrastructure initiative including the promotion of private renewable energy. To improve statistical production, the authorities recently filled two positions in the Department of Statistics and have introduced a backup system for each lead position, while the hiring effort continues. They note the difficulty acquiring specialized skills like financial expertise. Steps to improve data sharing within the government are recognized as an important goal.

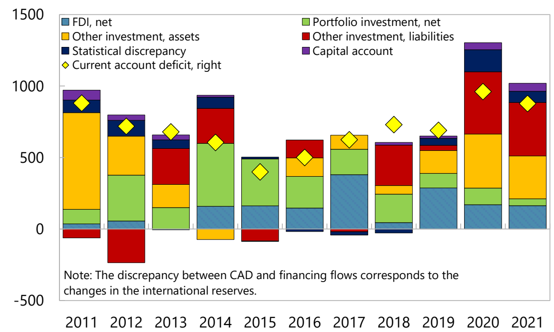
THE MONETARY UNION OF CURAÇAO AND SINT MAARTEN: POLICY ISSUES

57. The pandemic widened the current account deficit of the Union to 27 percent of GDP in 2020, which eased to about 23 percent of GDP in 2021. Despite the double-digit CADs, the stock of international reserves increased from US$1.3 billion (6.2 months of imports) in 2019 to US$1.8 billion in 2021 (6.3 months of imports). However, reserves remain at around 60 percent of the risk-weighted adequacy measure (Annex III). The CADs were financed by substantial financing from The Netherlands (included in other investment liabilities in the chart below), steady FDI inflows, and a substantial drawdown of assets. In January 2022, the CBCS eliminated the exchange restriction on transfers of dividends and profits to non-residents and other controls introduced in March 2020, including measures considered CFMs, given the comfortable reserve cushion.

The Union: International Reserves
(Millions of USD, left; Months, right)



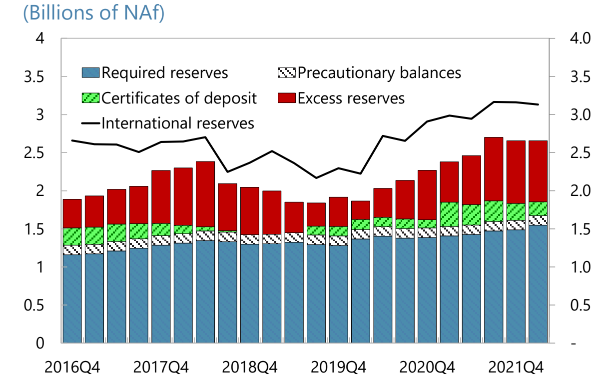
Union Balance of Payments: Financial Account Flows
(Millions of USD)



Sources: CBCS and IMF staff calculations.

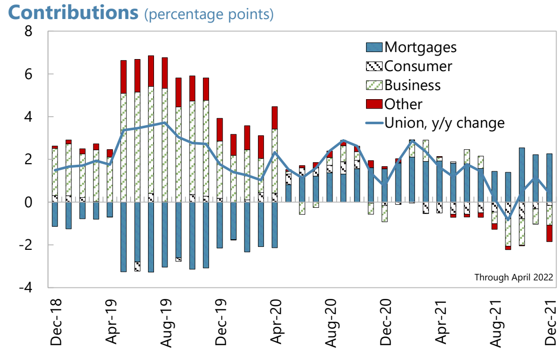
58. Monetary policy continues to support the peg to the US dollar. After keeping the reference rate at the historical low of 1 percent for more than 2 years, the CBCS increased it to 2 percent in June 2022. Excess liquidity has grown, although credit growth at the level of the Union remained subdued, suggesting low risk appetite on the banks' side and structural impediments (Figure 3 and Table 10). It is important to continue building the monetary policy transmission mechanism. The CBCS should be prepared to increase the reference rate further and absorb excess liquidity if necessary. The CBCS is planning to review the 60/40 investment rule that limits institutional investors' non-resident investments to 40 percent of assets, with the view to increasing investment opportunities and reducing interconnectedness between institutional investors and banks (Box 1). The review should include a comprehensive assessment of the effects on the economy, including efficiency, pro-cyclicality, and the stability of international reserves. It should also assess the impact on risk at the level of institutional investors.

Central Bank Liabilities to Banks and International Reserves
(Billions of NAf)



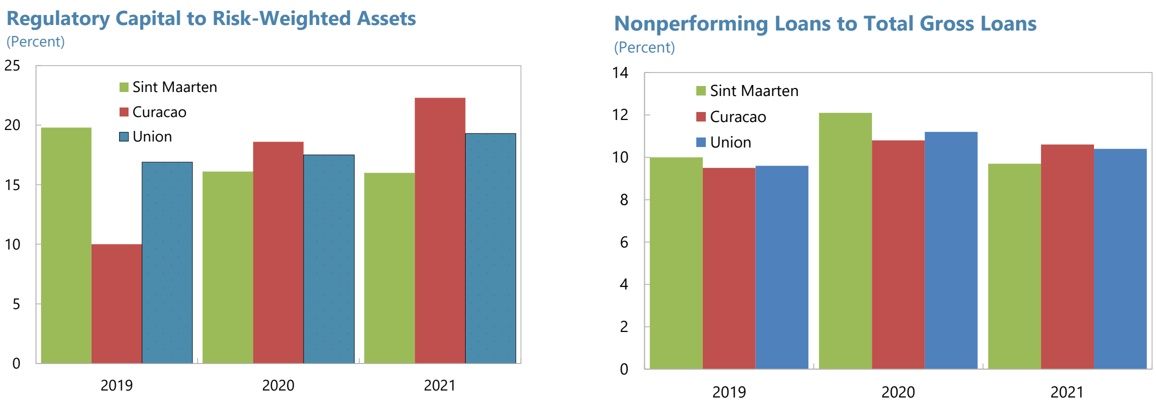
Sources: CBCS and IMF staff calculations.

Loans to Non-Government Sectors and Growth Contributions (percentage points)



Sources: CBCS and Fund staff calculations.

59. The financial system weathered the pandemic well, although financial vulnerabilities and risks remain elevated (Box 1). The banking sector remains well-capitalized and liquid, but the longer-term effects of the pandemic on asset quality are yet to be determined despite the asset quality reviews in four large banks. The pandemic shock increased NPL ratios to double digit levels in both countries in 2020, although they eased somewhat in 2021. However, nearly a quarter of the loans that made use of the Covid-19 moratorium (NAf 0.55 billion, 8.5 percent of the loan portfolio) were restructured and could pose latent risks for asset quality in addition to legacy issues on asset quality that existed before the pandemic. To improve asset quality, a multifaceted approach is needed, involving macroeconomic policies to support growth and employment, prudential policies to ensure macro-financial stability, and a comprehensive strategy to reduce the structural bottlenecks for resolution of problem loans.[10] Capital adequacy ratios are well above regulatory requirements in both countries, although the CBCS' stress tests warned that they could be lower once the full effect of the pandemic on asset quality is incorporated. The low profitability of the banking sector is a concern as it limits banks' ability to retain and build up buffers.



Note: FSIs are consolidated on a union basis, excluding subsidiaries and branches outside the union. Indicators are subject to revision as the CBCS is reviewing the consolidation methodology of reporting institutions.
Sources: CBCS and IMF staff calculations.

60. **Despite significant excess liquidity, credit growth remains close to zero given the uncertain macro environment and structural impediments.** Limited economic diversification, endemic to microstates, reduces banks' ability to diversify their lending risks and restricts investment opportunities. Competition from institutional investors puts pressure on lending margins, reducing incentives to lend. Other structural impediments include weak information frameworks and difficulty with collateral valuations. Developing structures that increase information and transparency (e.g., an affordable credit bureau, various asset registers) and raising financial literacy among SMEs and the general public would strengthen financial intermediation and facilitate lending. Improving land and property registration with proper valuations would also help collateralization of loans.

61. **The CBCS has made substantial progress in advancing its financial reform agenda and should continue these efforts.** It has significantly advanced risk-based supervision, including in the AML/CFT area (¶63), following a complete restructuring of the supervision department in 2021. It continued work on improving its enforcement policy, increased its capacity to monitor liquidity, carried out asset quality reviews in four financial institutions, and prepared a new corporate governance code for the financial sector, which is expected to become binding by the end of 2022. The publication of the first Financial Stability Report in May 2022 is a substantial step forward. The resolution of Girobank is progressing in line with the authorities' strategy and preparations for

[10] See Beaton et al., 2018, "*Problem Loans in the Caribbean: Determinants, Impact and Strategies for Resolution*", IMF Working Paper WP/17/230.

establishing a deposit guarantee scheme by January 1, 2023 are well-advanced. In cooperation with the governments, the CBCS should promptly finalize the supervisory enforcement and the deposit guarantee scheme legislations. Given the large size of the international banking system, the CBCS should closely monitor possible linkages with the local economy and associated risks.

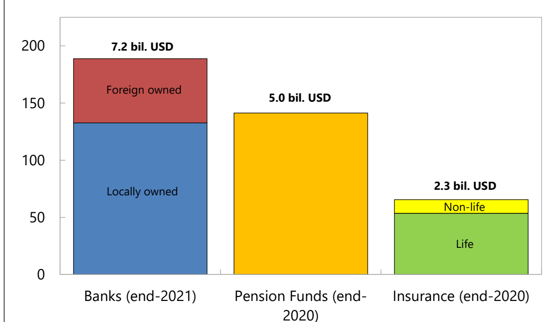
62. To maintain financial stability, the authorities should finalize a strategy for restructuring Ennia, the largest insurance company in the Union. Ennia provides a full spectrum of insurance and pension products to 87,000 policyholders in Curaçao and 6,000 policyholders in Sint Maarten and holds a market share of about 50 percent based on total assets. It has been under the CBCS's special administration since 2018. A more structured dialogue between the CBCS and the governments—that could be facilitated by establishing a Financial Stability Committee—is needed to finalize the strategy for Ennia's restructuring and address financial sector vulnerabilities.

Box 1. Curaçao and Sint Maarten Monetary Union: Structure of the Financial System

The Union's financial system includes domestic (onshore) and international (offshore) sectors. Banks and institutional investors (pension funds and insurance companies) comprise the bulk of the domestic financial system with total assets of around US$ 14.6 billion (around 4 times Union's GDP). All of the sectors are highly concentrated and interconnected, with a few large institutions dominating the market. The Union's 24 international banks held assets of US$ 59 billion (15 times Union's GDP) in the end of 2021, more than a double the 2019 level.

The domestic banking sector is composed of eight banks (assets of about 190 percent of GDP), four of which are foreign subsidiaries or branches with assets of NAf 3.8 billion (29 percent of the total sector assets). The system's regulatory capital stood at 19.3 percent of risk-weighted assets at end-2021, above the regulatory minimum of 10.5 percent, while liquidity was high at 33.4 percent as deposit growth outpaced credit. NPLs remain high at 10.4 percent of total loans and low profitability, with a return on assets of 1.4 percent, continues to be a challenge.

The Union: Assets of the Financial System
(Percent of GDP)



Sources: CBCS and Fund staff calculations.

The nonbank sector is made up of 12 pension funds (assets of 130 percent of GDP) and 27 insurance companies (assets of 60 percent of GDP). Funding adequacy for pension funds is stable at around 106 percent of liabilities, but some concerns are present regarding asset quality. Due to the 60/40 investment rule, institutional investors hold a significant part of assets in domestic banks, leading to considerable interdependence in the financial system.

63. It is important to continue strengthening the AML/CFT framework and institutions to reduce the risk of correspondent banking relationship (CBR) losses. CBRs have remained stable since 2020,[11] but requests for information from correspondent banks to local banks have increased and deepened. The CBCS embarked on a three-pronged strategy to reduce the AML/CFT risks: (i) laying out clear expectations for the financial institutions and service providers, (ii) expanding

[11] According to the CBCS's most recent survey, the number of active CBR service providers increased from 44 in 2020 to 46 in 2021.

resources for AML/CFT supervision, strengthening the regulatory framework, and accelerating its transition to risk-based supervision, and (iii) engaging in dialogue with international government agencies and counterparts on CBR issues, including expectations and practices to reverse the loss of CBRs. The CBCS is revising the AML/CFT guidelines to incorporate the latest Financial Action Task Force (FATF) recommendations, including a requirement for supervised institutions to undertake AML/CFT risk self-assessments and specific requirements with regard to outsourcing of AML/CFT activities. A new risk-based AML/CFT self-assessment and AML/CFT questionnaire are under development. The authorities should continue careful monitoring of cross-border financial flows to mitigate financial integrity risks associated with international banks. Strong implementation of the envisaged measures and completion of the NRAs will be instrumental for a successful completion of the 4th round Mutual Evaluation assessments of both countries by CFATF expected in 2024. Continued careful monitoring of banking system access to a sufficient number of correspondent banks will remain important for the healthy functioning of the system.

Authorities' Views

64. The CBCS shared staff's assessment of financial sector stability and risks. Given the latent risks to asset quality, the CBCS is monitoring it closely. The CBCS is committed to its financial sector reform program. The near-term priorities are to complete the transition to risk-based supervision, including in the AML/CFT area, and set up a deposit guarantee system. The CBCS aims to increase the resilience of financial institutions, limit concentration risk, reduce leverage, and regulate cyclical movements. To this aim, the CBCS would assess possible macroprudential instruments such as the introduction of a countercyclical capital requirement, exposure limits, dynamic provisioning, and a systemic risk buffer. The draft AML/CFT guidelines have been discussed with the public and are expected to come into force in the second half of 2022. To strengthen CBRs, the CBCS is planning an enquiry to gauge the willingness of global institutions to reengage the jurisdictions of Curaçao and Sint Maarten, and to identify U.S. institutions willing to cater to the region. The CBCS stepped up monitoring of cross-border financial flows, including stemming from the international banking sector, although data constraints pose challenges. The CBCS's Strategic Plan for 2022-2025, approved by the CBCS's Supervisory Board in November 2021, ensures that the CBCS continues to implement the change program initiated in 2021 and thus strengthen financial sector governance.

STAFF APPRAISAL

Curaçao

65. The recovery from the pandemic is gaining momentum, although the economy is facing multiple challenges. The comprehensive economic support measures put in place with significant help from The Netherlands cushioned the Covid-19 shock and saved livelihoods. The authorities appropriately phased out Covid-19 support in late 2021 as the economy started to recover. Inflationary pressures stemming from the war in Ukraine, lingering effects from the closure of the Isla refinery, emigration, and structural constraints endemic to small island states pose a drag on the recovery.

66. Keeping a clear vision of a sustainable and inclusive growth model for Curaçao would be key. Identifying new sources of growth would be important for diversifying the economy, improving resilience, and achieving fiscal sustainability. Implementing supply-side and governance reforms envisaged in the *landspakket* such as improving the business climate, the functioning of the labor market, and improving regulatory frameworks, would be key for supporting the recovery.

67. Fiscal policies should be calibrated to achieve growth-friendly fiscal consolidation and support the most vulnerable while placing public debt firmly on a downward path. The authorities are implementing strong frontloaded fiscal consolidation with an objective to return to their fiscal rule next year. There is scope for improving the quality of fiscal consolidation by budgeting adequate resources for efficient delivery of public services and implementing reforms. As the current hiring restriction hampers capacity to deliver public services in certain areas such as statistics, replacing it with a structural reform to modernize Curaçao's civil service would work better. Increasing public investment to more adequate levels would support employment, incentivize private investment, and support broad-based economic recovery. Special attention is needed to investments in climate resilience.

68. Adding a more medium-term perspective to policymaking and improving public financial management will be key for supporting sustainability. Curaçao would benefit from developing a well-articulated medium-term framework guided by a debt anchor. In view of high vulnerability to shocks, the debt objective could include a margin of safety to minimize the risk of debt distress. Strengthening public financial management would be key for ensuring fiscal sustainability. A significant improvement is needed in the institutional setup of public investment strategy and management. Such a framework should include a clear planning and decision-making process as well as adequate project appraisal incorporating risks from climate change.

Sint Maarten

69. The recovery in Sint Maarten is underway. Stayover tourism has exceeded pre-pandemic levels and cruise tourism is rebounding. Public investment supported by the Trust Fund is raising the prospect of matching the level of output seen before the 2017 hurricanes by the end of the forecast horizon. Nevertheless, downside risks cloud the outlook. Global price pressures are making a mark on the island and threatening real wages and the purchasing power of the most vulnerable. Disappointing investment execution, especially for the airport, a rebound in the economic consequences of the Covid-19 pandemic, spillovers from a slowdown in advanced economies, or another devastating hurricane season are key risks that could significantly derail recent gains.

70. Fiscal efforts should center on a higher-quality consolidation. The public wage bill freeze could be eased in light of the inflation shock and should eventually be replaced by a comprehensive reform focused on productivity and competitive wages. Attention should be given to hiring key skill areas where positions are difficult to fill. Temporary relief to households, in addition to the gasoline excise tax reduction, should employ more targeted measures. These steps can be financed by needed base-broadening tax reforms including taxes on sharing-economy holiday rentals, internet consumer sales, and the gambling industry. Higher premiums and cost-cutting measures are urgently needed to put the social security and health insurance system (SZV) on a sustainable financial footing and avoid becoming a fiscal burden in the medium-term.

71. Medium-term fiscal planning and institution-building would serve Sint Maarten well. Developing a medium-term fiscal framework, including establishing an appropriate debt anchor, would aid fiscal planning, coordinate expectations across the government, and facilitate investment project costing and financing. Sint Maarten should leverage the period of Trust Fund execution to build public investment management capacity. It will need to improve its public investment levels in the long run to secure sustained growth.

72. Increasing dynamism for businesses and workers and supporting green investment would help sustain the recovery. As the economy recovers from the pandemic, long run growth concerns return to the fore. Private sector dynamism would be supported by reducing barriers to new business and simplifying, centralizing, and speeding up permitting. Barriers to formal work should be reduced by increasing flexibility to multiple jobs and seasonal work as well as easing hiring and firing restrictions. Green infrastructure investments would support growth while improving Sint Maarten's living environment and global brand.

The Monetary Union of Curaçao and Sint Maarten

73. The external position of the union has improved on the heels of a nascent recovery. The Union's current account deficit declined, and international reserves remain at a comfortable level. Nevertheless, the external positions in both countries remain weaker than warranted by the fundamentals and desired policy settings. Across-the-board supply-side reforms remain vital for strengthening the external position of the union, as official financing is expected to wind down.

74. Monetary policy should continue supporting the peg. The CBCS has appropriately raised the reference rate in June 2022. Excess liquidity should be monitored closely and sterilized if necessary. It would be important to strengthen the transmission mechanism of monetary policy. Improving the financial infrastructure would lower impediments to lending and improve the productive use of deposits.

75. Strong implementation of financial sector reforms would help to alleviate financial sector vulnerabilities. The financial system withstood the shock from the pandemic with help from appropriate policies. Nevertheless, the pandemic took a toll on asset quality and financial sector vulnerabilities and risks remain elevated as the macro environment remains volatile. The authorities have made significant efforts in advancing their financial sector agenda, including transitioning to risk-based supervision, addressing legacy issues, and improving analysis and transparency. These efforts need to continue. Strong collaboration between the CBCS and the government is critical for addressing remaining legacy issues and advancing financial sector reforms. Continued monitoring of correspondent bank relationships remains important for the healthy functioning of the system.

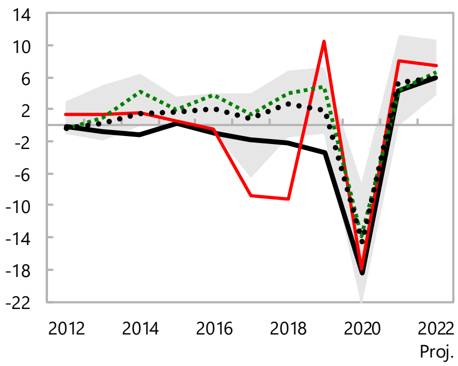
76. It is envisaged that the next Article IV consultation discussions with the Kingdom of the Netherlands—Curaçao and Sint Maarten will be held on a 12-months cycle.

Figure 1. Curaçao and Sint Maarten: Regional Comparison 1/ 2/

Curaçao — Sint Maarten — Tourism-oriented Caribbean — ECCU

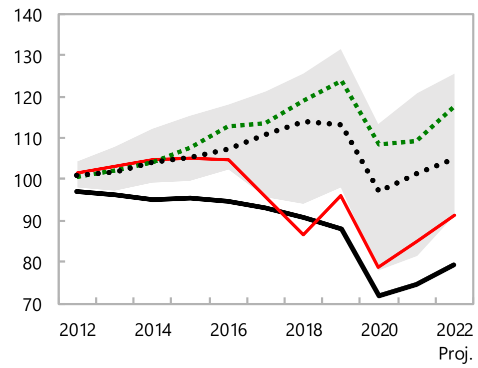
Real GDP growth rates in Curaçao and Sint Maarten have been volatile and lower than in most peers.

Real GDP
(Percent change)



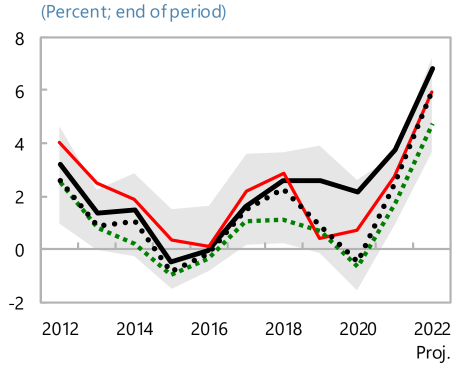
Both economies have contracted since 2010.

Real GDP Index
(2010 = 100)



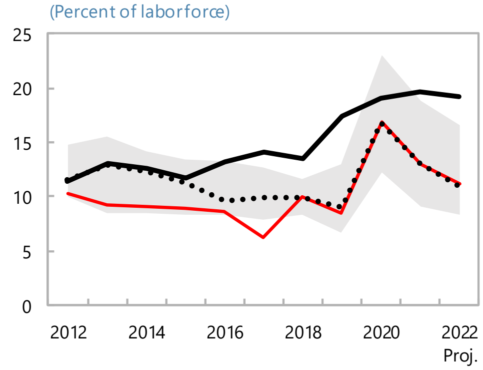
Inflation has been broadly consistent with patterns in the tourism-oriented Caribbean.

Inflation
(Percent; end of period)



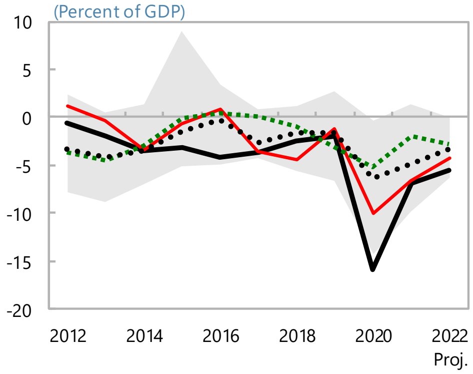
In both countries, the pandemic increased the unemployment rates.

Unemployment Rate 2/
(Percent of laborforce)



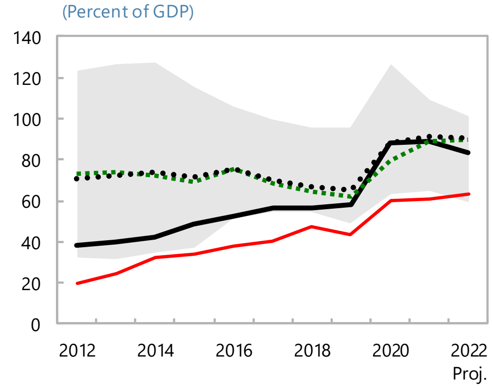
The pandemic led to a significant widening of the fiscal deficits in both countries...

Government Fiscal Balance 3/
(Percent of GDP)



...contributing to a sharp increase of government debt stocks.

Government Debt
(Percent of GDP)

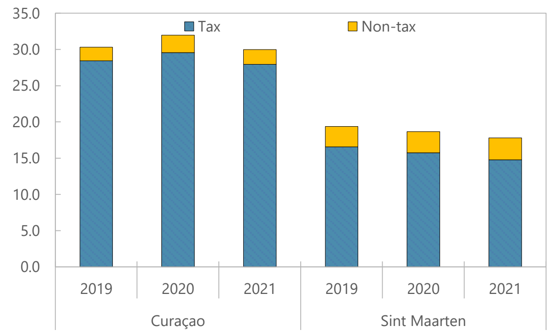


Sources: IMF World Economic Outlook; IMF Information Notice System; and IMF staff calculations.
1/ Figure reports medians for 15 tourism-oriented Caribbean countries, and the subgroup of countries in the Eastern Caribbean Currency Union (ECCU). 10th to 90th percentile range (light shading) are for all tourism-oriented Caribbean countries.
2/ Due to data availability, Caribbean-oriented comparators do not include ECCU countries.
3/ Sint Maarten fiscal balance excludes operations of the Trust Fund. The comparator figures are on general government basis.

Figure 2. Curaçao and Sint Maarten: Fiscal Developments

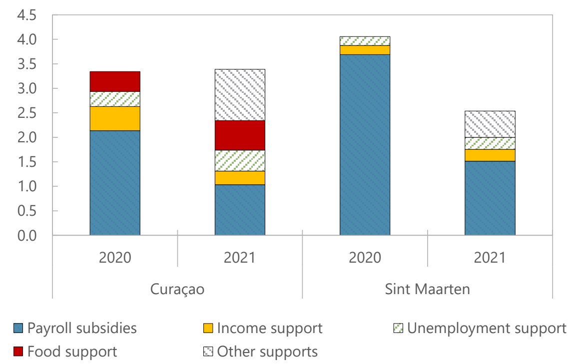
In 2021, the revenue to GDP ratios in both countries remained broadly at the same level as in 2020.

Revenue of Budgetary Central Government: 2019-21
(Percent of GDP)



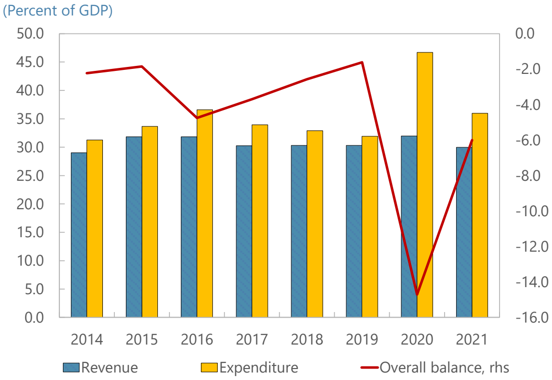
In Curaçao, Covid-19 spending remained broadly at its 2020 level due to the new enterprise support while it decreased in Sint Maarten.

Covid-19-Related Spending, 2020 and 2021
(Percent of GDP)



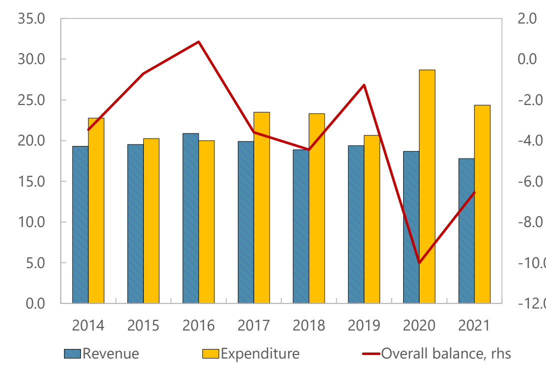
In Curaçao, the overall deficit declined following the end of one-off expenditure for Girobank resolution in 2020 and tight spending policies.

Curaçao: Fiscal Balance, 2014-21
(Percent of GDP)



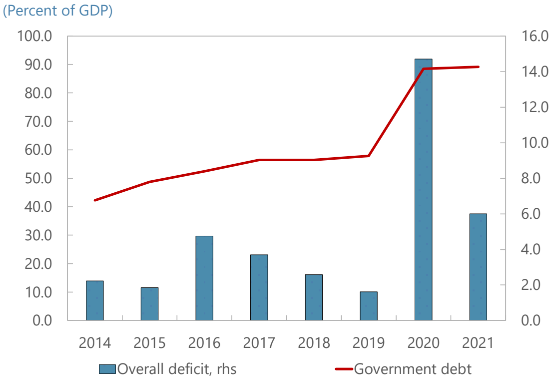
The decline in Covid-19 spending improved the fiscal balance in Sint Maarten.

Sint Maarten: Fiscal Balance, 2014-21
(Percent of GDP)



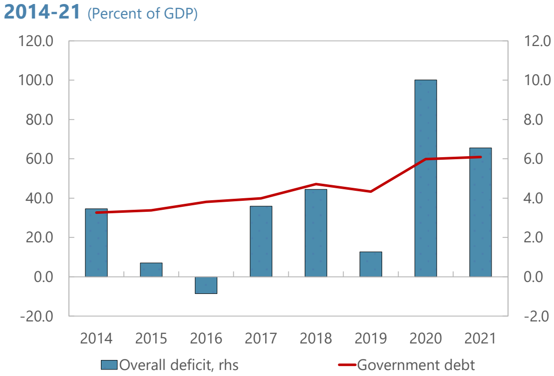
Government debt continued to increase, reaching nearly 90 percent of GDP in Curaçao…

Curaçao: Government Debt and Overall Deficit, 2014-21
(Percent of GDP)



… and exceeding 60 percent of GDP in Sint Maarten.

Sint Maarten: Government Debt and Overall Deficit, 2014-21 (Percent of GDP)

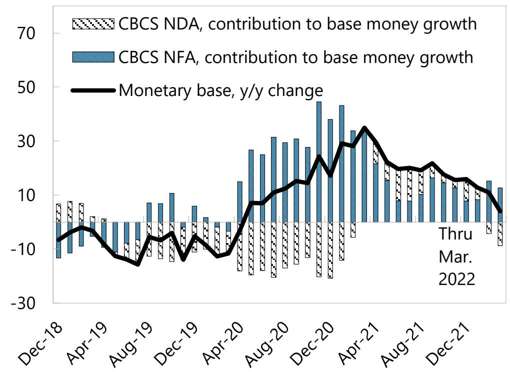


Sources: The Curaçao and St. Maarten authorities and IMF staff calculations.

Figure 3. Curaçao and Sint Maarten: Monetary Developments, 2018–2022Q1

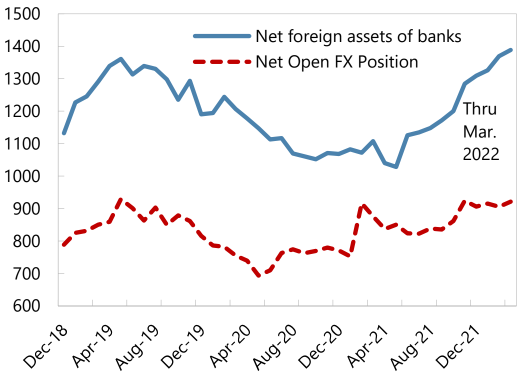
The monetary base has been growing since the beginning of the pandemic driven by the net foreign assets of the CBCS.

Monetary Base and Components
(Percent change)



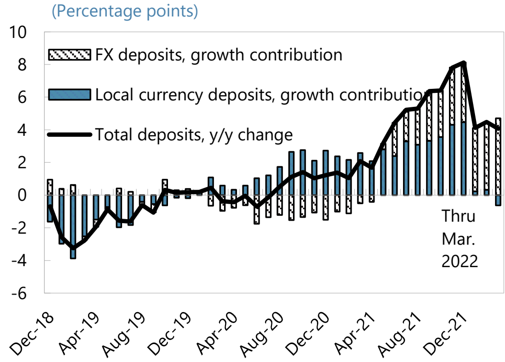
Banks have been increasing their net foreign assets and net open FX positions.

Banks NFA and Exposure to FX
(Millions of US dollars)



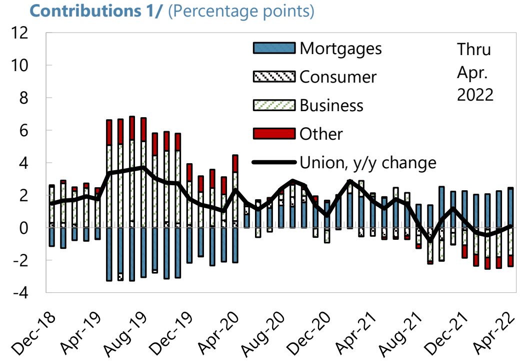
Total bank deposits show robust growth, driven by both local currency and foreign currency deposits…

Bank Deposits
(Percentage points)



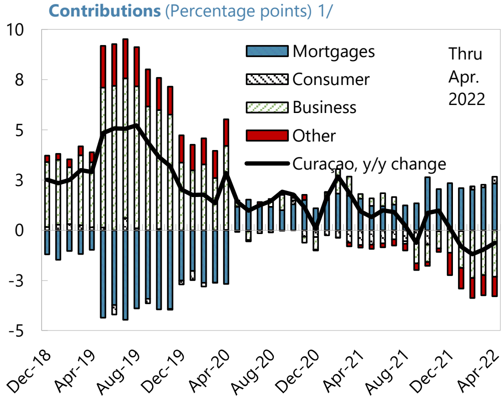
…whereas total credit to non-government sectors is flat.

Loans to Non-Government Sectors and Growth Contributions 1/ (Percentage points)



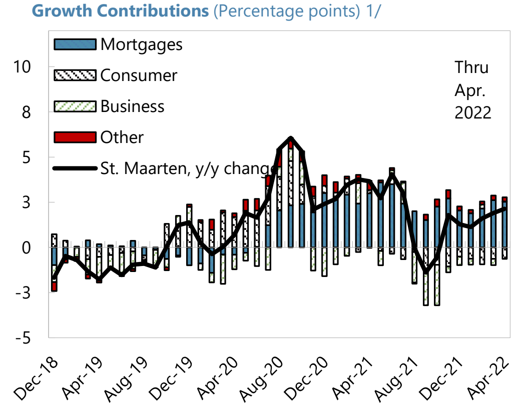
In Curaçao, growth in mortgage loans is offset by a decline in business and other loans.

Curaçao: Loans to Non-Government Sectors and Growth Contributions (Percentage points) 1/



In Sint Maarten, credit is expanding at a low rate after a slight dip in mid-2021.

Sint Maarten: Loans to Non-Government Sectors and Growth Contributions (Percentage points) 1/



Sources: CBCS, and IMF staff estimates.
1/ Excluding Girobank from January 2021.

Figure 4. Curaçao: Risk Assessment Matrix 1/

Source of Risks	Direction of Risk	Relative Likelihood	Expected Impact	Policy Response
Russia's invasion of Ukraine leads to escalation of sanctions and other disruptions	↓	High	**High** Sanctions on Russia are broadened and combined with Russian countersanctions and secondary sanctions on countries and companies that continue business with Russia, leads to even higher commodity prices. Curaçao, as a small open economy, would be vulnerable to rising prices.	Expenditure switching should be employed if possible. Targeted support for the most vulnerable may be used if there is fiscal space.
Rising and volatile food and energy prices	↓	High	**High** Commodity prices are volatile and trend up amid supply constraints, war in Ukraine, export restrictions, and currency depreciations. This leads to short-run disruptions in the green transition, bouts of price and real sector volatility, food insecurity, social unrest, and acute food and energy crises. Curaçao could experience negative shocks from these, especially through the import channel.	Fiscal and monetary policy should be employed to smooth volatility on households. Measures should be temporary and well targeted to protect the most vulnerable.
Widespread social discontent and political instability	↓	High	**High** Social unrest fueled by increasing prices and shortages of essentials, rising inequality, inadequate healthcare, financial and social scars from the prolonged pandemic, and heavier household debt burdens amid rising interest rates trigger political instability, capital outflows, higher unemployment, and slower economic growth.	Protect the vulnerable groups. Social support within the feasible fiscal envelope should be considered to help cushion the shock for the broader economy.
Outbreaks of lethal and highly contagious Covid-19 variants	↓	Medium	**High** Rapidly increasing hospitalizations and deaths due to low vaccine protection or vaccine-resistant variants force more social distancing and/or new lockdowns. This results in extended supply chain disruptions and a reassessment of growth prospects, triggering capital outflows, financial tightening, currency depreciations, and debt distress in some EMDEs. Outbreaks in Curaçao or their main tourism markets would further impact tourism and reduce growth.	Continue vaccination campaigns. Maintain vigorous testing and other mitigation measures as necessary while providing adequate resources for the health sector and social support services.
Geopolitical tensions and deglobalization	↓	High	**High** Intensified geopolitical tensions, security risks, conflicts, and wars cause economic and political disruptions, fragmentation of the international monetary system, production reshoring, a decline in global trade, and lower investor confidence. Associated supply chain disruptions and commodity price shocks give rise to inflationary pressures on top of already high inflation in Curaçao.	Ensure the most vulnerable are protected. Monetary policy should stand by to help alleviate price pressures. Fiscal policy should be well targeted if available.
Loss of correspondent banking relationships (CBRs).	↓	High	**High** Correspondent banks end their relationships with local banks resulting in a decrease or halt of cross-border payments. This could have deleterious effects on trade finance, remittances, and online transactions. The cost of remittances or trade payments could rise with lower quality CBRs. It could also tighten domestic liquidity conditions, increase the cost of finance, and put pressure on reserves and therefore the peg.	Implementing risk-based supervision, improving the AML/CFT framework including CFATF recommendations, providing appropriate resources to supervisory bodies, and close monitoring will help maintain CBRs. Completing and publishing the National Risk Assessment will help increase transparency.
Reopening of the oil refinery.	↑	Medium	**Medium** Reopening the oil refinery would generate growth, employment, and increase potential growth.	Reopening should not entail increasing fiscal risks through debt or contingent liabilities. Authorities should consider the environmental impact and sustainability.

1/ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon. G-RAM operational guidance is available from the SPR Risk Unit website.

Figure 5. Sint Maarten: Risk Assessment Matrix 1/

Source of Risks	Direction of Risk	Relative Likelihood	Expected Impact	Policy Response
Russia's invasion of Ukraine leads to escalation of sanctions and other disruptions		High	**High** Sanctions on Russia are broadened and combined with Russian countersanctions and secondary sanctions on countries and companies that continue business with Russia, leads to even higher commodity prices. Sint Maarten, as a small open economy, would be vulnerable to rising prices.	Expenditure switching should be employed if possible. Targeted support for the most vulnerable may be used if there is fiscal space.
Rising and volatile food and energy prices		High	**High** Commodity prices are volatile and trend up amid supply constraints, war in Ukraine, export restrictions, and currency depreciations. This leads to short-run disruptions in the green transition, bouts of price and real sector volatility, food insecurity, social unrest, and acute food and energy crises to which Sint Maarten would be vulnerable.	Fiscal and monetary policy should be employed to smooth volatility on households. Measures should be temporary and well targeted to protect the most vulnerable.
Widespread social discontent and political instability		High	**High** Social unrest fueled by increasing prices and shortages of essentials, rising inequality, inadequate healthcare, financial and social scars from the prolonged pandemic, and heavier household debt burdens amid rising interest rates trigger political instability, capital outflows, higher unemployment, and slower economic growth.	Protect the vulnerable groups. Social support within the feasible fiscal envelope should be considered to help cushion the shock for the broader economy.
Outbreaks of lethal and highly contagious Covid-19 variants		Medium	**High** Rapidly increasing hospitalizations and deaths due to low vaccine protection or vaccine-resistant variants force more social distancing and/or new lockdowns. This results in extended supply chain disruptions and a reassessment of growth prospects, triggering capital outflows, financial tightening, currency depreciations, and debt distress in some EMDEs. Outbreaks in Sint Maarten or their main tourism markets would further impact tourism and reduce growth.	Continue vaccination campaigns. Maintain vigorous testing and other mitigation measures as necessary while providing adequate resources for the health sector and social support services.
Geopolitical tensions and deglobalization		High	**High** Intensified geopolitical tensions, security risks, conflicts, and wars cause economic and political disruptions, fragmentation of the international monetary system, production reshoring, a decline in global trade, and lower investor confidence. Associated supply chain disruptions and commodity price shocks give rise to inflationary pressures on top of rising inflation in Sint Maarten.	Ensure the most vulnerable are protected. Monetary policy should stand by to help alleviate price pressures. Fiscal policy should be well targeted if available.
Natural disasters related to climate change		Medium	**High** Sint Maarten is located in the hurricane belt, affected, on average, by one hurricane every year and a half since the mid-1990s. Higher frequency of natural disasters cause severe economic damage and accelerate emigration. Disasters hitting key infrastructure or disrupting trade would raise commodity price levels and volatility.	Accelerate post-Hurricane Irma reconstruction, build resilient infrastructure, and fiscal buffers.
Slower pace of implementation of post-Hurricane Irma reconstruction		Medium	**Medium** Implementation risks relating to the reconstruction projects, reflecting a low absorption capacity or slow progress in setting up necessary frameworks for implementation could delay the recovery and lead to lower growth.	Address institutional, regulatory, and capacity bottlenecks to facilitate speedy implementation of reconstruction projects.

1/ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon. G-RAM operational guidance is available from the SPR Risk Unit website.

Table 1. Curaçao: Selected Economic and Financial Indicators, 2018–27

Area	444 (km2)	Population, thousand (2021)	151
Percent of population below age 15 (2021)	17.0	Literacy rate, in percent (2010)	96.7
Percent of population aged 65+ (2021)	19.0	Life expectancy at birth, male (2017)	74.7
Infant mortality, over 1,000 live births (2020)	5.7	Life expectancy at birth, female (2017)	81.5

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Prel.	Prel.	Prel.	Prel.			Proj.			
Real Economy	(Percent change unless otherwise indicated)									
Real GDP	-2.2	-3.4	-18.4	4.2	6.0	4.5	3.0	2.0	2.0	1.5
CPI (12-month average)	2.6	2.6	2.2	3.8	6.8	4.4	2.7	2.3	2.2	2.0
CPI (end of period)	3.6	2.3	2.2	4.8	7.2	3.0	2.4	2.3	2.2	2.0
GDP deflator	2.6	2.7	2.1	3.8	1.7	4.7	3.4	2.9	2.2	2.0
Unemployment rate (percent)	13.4	17.4	19.1	19.7	19.2	16.6	14.6	13.6	12.6	11.8
Central Government Finances	(Percent of GDP)									
Net operating (current) balance	-1.3	-0.5	-15.2	-6.9	-1.9	-0.1	0.8	1.6	1.8	1.9
Primary balance	-1.5	-0.4	-13.4	-4.7	-1.2	0.7	1.8	2.2	2.2	2.2
Overall balance	-2.6	-1.6	-14.7	-6.0	-2.5	-0.8	-0.1	0.5	0.5	0.5
Central government debt 1/	56.4	57.9	88.4	89.2	83.3	76.6	71.6	67.5	64.1	61.2
General Government Finances 2/										
Overall balance	-2.5	-2.0	-15.9	-6.9	-5.6	-1.5	-0.1	0.5	0.5	0.5
Balance of Payments	(Percent of GDP)									
Current account	-26.9	-18.0	-27.6	-21.9	-21.6	-17.7	-16.5	-15.4	-14.4	-13.7
Goods trade balance	-38.8	-35.5	-37.6	-42.2	-51.0	-48.9	-48.0	-46.8	-45.9	-45.5
Exports of goods	19.4	13.3	10.9	12.7	16.0	14.2	12.9	12.0	11.5	11.2
Imports of goods	58.2	48.8	48.4	54.9	67.0	63.1	60.9	58.8	57.4	56.8
Service balance	11.9	16.9	9.8	18.7	27.8	29.7	30.5	30.9	31.4	32.0
Exports of services	44.7	46.0	29.8	34.6	45.2	46.5	47.5	48.1	48.6	49.1
Imports of services	32.7	29.0	20.0	15.9	17.3	16.8	16.9	17.1	17.2	17.1
External debt	157.4	162.0	216.6	215.9	205.9	193.6	186.6	182.1	179.0	177.1
Net international investment position	251.5	173.4	183.5	147.6	115.3	87.6	65.7	47.2	30.9	16.1
Memorandum Items										
Nominal GDP (millions of U.S. dollars)	3,020	2,995	2,496	2,700	2,911	3,186	3,394	3,562	3,713	3,845
Per capita GDP (U.S. dollars)	19,037	19,173	16,244	17,870	19,160	20,863	22,111	23,101	23,972	24,715
Credit to non-government sectors (percent change) 3/	2.5	2.0	0.1	0.1	-0.6	…	…	…	…	…

Fund Position Curaçao is part of the Kingdom of the Netherlands and does not have a separate quota.

Exchange Rate The Netherlands Antillean guilder is pegged to the U.S. dollar at NA*f* 1.79 = US$1.

Sources: Data provided by the authorities; and IMF staff estimates.

1/ Defined as balance sheet liabilities of the central government except equities. Includes central government liabilities to the social security funds.

2/ Budgetary central government consolidated with the social security fund (SVB).

3/ 2020-21 values exclude Girobank. 2022 value shows the latest available data (April).

Table 2. Curaçao: Government Operations, 2018–27 1/
(Millions of NA*f* unless otherwise indicated)

	2018 Prel.	2019 Prel.	2020 Prel.	2021 Prel.	2022 Projection	2023	2024	2025	2026	2027
Budgetary Central Government										
Revenue	**1639**	**1625**	**1428**	**1448**	**1614**	**1722**	**1877**	**1966**	**2045**	**2117**
Tax	1484	1525	1321	1351	1495	1585	1725	1806	1879	1944
Taxes on income and profits	646	664	580	503	556	606	658	691	721	746
Taxes on property	33	30	34	51	49	49	53	56	58	60
Taxes on goods and services	572	621	541	617	683	713	788	827	862	893
Taxes on international trade and transactions	233	210	166	181	207	217	226	231	237	245
Grants	46	32	40	39	38	40	42	44	46	47
Other revenue	109	68	67	59	81	96	110	116	121	125
Expenditure	**1778**	**1711**	**2085**	**1738**	**1746**	**1766**	**1883**	**1937**	**2015**	**2084**
Expense (current expenditure)	1707	1653	2109	1780	1713	1729	1831	1866	1928	1987
Compensation of labor	585	585	597	595	596	606	637	657	685	710
Wages and salaries 2/	483	482	494	480	494	502	526	544	567	587
Social contributions	101	103	103	116	103	105	110	114	119	123
Goods and services	196	171	216	184	221	204	201	201	210	217
Consumption of fixed capital	88	93	90	76	76	90	98	102	106	110
Interest payments	70	68	69	61	71	85	112	115	118	121
Subsidies 3/	0	0	95	101	0	0	0	0	0	0
Grants	588	558	802	522	558	551	593	600	610	623
Social benefits	179	174	231	237	189	189	189	189	197	204
Other expense	2	3	8	3	2	2	2	2	2	2
Net acquisition of nonfinancial assets	71	59	-23	-42	33	38	51	71	87	97
Net acquisition of nonfinancial assets (capital)	159	152	66	34	109	128	149	172	193	206
Net operating (current) balance	**-68**	**-28**	**-680**	**-332**	**-99**	**-7**	**46**	**100**	**117**	**130**
Overall balance	**-139**	**-87**	**-657**	**-290**	**-132**	**-44**	**-5**	**29**	**30**	**33**
Primary balance	**-79**	**-21**	**-597**	**-229**	**-62**	**40**	**107**	**143**	**148**	**154**
Financing, net	**-311**	**-210**	**-555**	**-227**	**-132**	**-44**	**-5**	**29**	**30**	**33**
Net acquisition of financial assets 4/	-303	-158	294	122	-99	-19	-21	-17	-17	-17
Net incurrence of liabilities	9	53	849	349	33	26	-15	-46	-46	-50
Loans	-8	53	908	349	33	26	-15	-46	-46	-50
Borrowing	0	99	1016	415	963	961	86	248	151	165
Amortization	8	46	108	65	931	936	101	294	197	215
Other accounts payable, incl. arrears	17	0	-59	0	0	0	0	0	0	0
Statistical discrepancies	172	124	-102	-63	0	0	0	0	0	0
General Government 5/										
Revenue	**2447**	**2423**	**2160**	**2193**	**2378**	**2541**	**2746**	**2869**	**2987**	**3092**
of which : Social contributions	777	772	701	727	744	798	846	880	918	950
Expenditure	**2581**	**2530**	**2871**	**2528**	**2667**	**2627**	**2751**	**2840**	**2957**	**3059**
Expense	2510	2471	2894	2570	2532	2589	2700	2770	2870	2962
of which : Social benefits	1232	1232	1277	1290	1272	1315	1346	1375	1419	1462
Net acquisition of nonfinancial assets	71	59	-23	-42	136	38	51	71	87	97
Overall balance	**-134**	**-107**	**-711**	**-335**	**-290**	**-86**	**-5**	**29**	**30**	**33**
Primary balance	**-74**	**-42**	**-651**	**-274**	**-219**	**-1**	**107**	**143**	**148**	**154**
Memorandum Items										
Current account balance, authorities' definition	-58	-45	-719	-331	-114	-13	0	0	0	0
Of which : Compensation for past deficits (+: payment)	4	17	44	0	0	0	41	91	108	121
Interest rule (interest/revenue) (percent) 6/	2.9	2.7	2.8	2.6	3.1	3.8	4.7	4.5	4.3	4.2
Government debt service	78	78	177	133	1001	1021	214	408	315	336
Gross government debt 7/	3050	3103	3952	4309	4342	4368	4352	4307	4260	4211
Net government debt	2847	2895	3436	3842	3961	3980	3960	3905	3850	3792
Government deposits	203	208	516	467	381	388	393	401	410	419
Nominal GDP	5406	5361	4468	4832	5210	5703	6075	6377	6647	6882

Sources: Curaçao authorities; and IMF staff calculations.
1/ The presentation follows the 2014 Government Finance Statistics Manual.
2/ Includes teacher salaries.
3/ Payroll subsidies to the private sector for 2020 and 21.
4/ Mostly changes in deposits.
5/ Consolidated table including the budgetary central government and social security funds (SVB).
6/ The denominator is the average of total revenue in the previous three years.
7/ Defined as balance sheet liabilities of the central government except equities. Includes central government liabilities to the social security funds.

Table 3. Curaçao: Government Operations, 2018–27 1/
(Percent of GDP unless otherwise indicated)

	2018 Prel.	2019 Prel.	2020 Prel.	2021 Prel.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.
					Budgetary Central Government					
Revenue	**30.3**	**30.3**	**32.0**	**30.0**	**31.0**	**30.2**	**30.9**	**30.8**	**30.8**	**30.8**
Tax	27.4	28.4	29.6	28.0	28.7	27.8	28.4	28.3	28.3	28.3
Taxes on income and profits	11.9	12.4	13.0	10.4	10.7	10.6	10.8	10.8	10.8	10.8
Taxes on property	0.6	0.6	0.8	1.0	0.9	0.9	0.9	0.9	0.9	0.9
Taxes on goods and services	10.6	11.6	12.1	12.8	13.1	12.5	13.0	13.0	13.0	13.0
Taxes on international trade and transactions	4.3	3.9	3.7	3.7	4.0	3.8	3.7	3.6	3.6	3.6
Grants	0.8	0.6	0.9	0.8	0.7	0.7	0.7	0.7	0.7	0.7
Other revenue	2.0	1.3	1.5	1.2	1.6	1.7	1.8	1.8	1.8	1.8
Expenditure	**32.9**	**31.9**	**46.7**	**36.0**	**33.5**	**31.0**	**31.0**	**30.4**	**30.3**	**30.3**
Expense (current expenditure)	31.6	30.8	47.2	36.8	32.9	30.3	30.1	29.3	29.0	28.9
Compensation of labor	10.8	10.9	13.4	12.3	11.4	10.6	10.5	10.3	10.3	10.3
Wages and salaries 2/	8.9	9.0	11.1	9.9	9.5	8.8	8.7	8.5	8.5	8.5
Social contributions	1.9	1.9	2.3	2.4	2.0	1.8	1.8	1.8	1.8	1.8
Goods and services	3.6	3.2	4.8	3.8	4.3	3.6	3.3	3.2	3.2	3.2
Consumption of fixed capital	1.6	1.7	2.0	1.6	1.5	1.6	1.6	1.6	1.6	1.6
Interest payments	1.3	1.3	1.5	1.3	1.4	1.5	1.9	1.8	1.8	1.8
Subsidies 3/	0.0	0.0	2.1	2.1	0.0	0.0	0.0	0.0	0.0	0.0
Grants	10.9	10.4	18.0	10.8	10.7	9.7	9.8	9.4	9.2	9.0
Social benefits	3.3	3.2	5.2	4.9	3.6	3.3	3.1	3.0	3.0	3.0
Other expense	0.0	0.0	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	1.3	1.1	-0.5	-0.9	0.6	0.7	0.8	1.1	1.3	1.4
Net acquisition of nonfinancial assets (capital)	2.9	2.8	1.5	0.7	2.1	2.2	2.4	2.7	2.9	3.0
Net operating (current) balance	**-1.3**	**-0.5**	**-15.2**	**-6.9**	**-1.9**	**-0.1**	**0.8**	**1.6**	**1.8**	**1.9**
Overall balance	**-2.6**	**-1.6**	**-14.7**	**-6.0**	**-2.5**	**-0.8**	**-0.1**	**0.5**	**0.5**	**0.5**
Primary balance	**-1.5**	**-0.4**	**-13.4**	**-4.7**	**-1.2**	**0.7**	**1.8**	**2.2**	**2.2**	**2.2**
Financing, net	**-5.8**	**-3.9**	**-12.4**	**-4.7**	**-2.5**	**-0.8**	**-0.1**	**0.5**	**0.5**	**0.5**
Net acquisition of financial assets 4/	-5.6	-2.9	6.6	2.5	-1.9	-0.3	-0.3	-0.3	-0.2	-0.2
Net incurrence of liabilities	0.2	1.0	19.0	7.2	0.6	0.5	-0.3	-0.7	-0.7	-0.7
Loans	-0.2	1.0	20.3	7.2	0.6	0.5	-0.3	-0.7	-0.7	-0.7
Borrowing	0.0	1.8	22.7	8.6	18.5	16.9	1.4	3.9	2.3	2.4
Amortization	0.2	0.9	2.4	1.4	17.9	16.4	1.7	4.6	3.0	3.1
Other accounts payable, incl. arrears	0.3	0.0	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancies	3.2	2.3	-2.3	-1.3	0.0	0.0	0.0	0.0	0.0	0.0
					General Government 5/					
Revenue	**45.3**	**45.2**	**48.3**	**45.4**	**45.6**	**44.6**	**45.2**	**45.0**	**44.9**	**44.9**
of which : Social contributions	14.4	14.4	15.7	15.0	14.3	14.0	13.9	13.8	13.8	13.8
Expenditure	**47.7**	**47.2**	**64.3**	**52.3**	**51.2**	**46.1**	**45.3**	**44.5**	**44.5**	**44.4**
Expense	46.4	46.1	64.8	53.2	48.6	45.4	44.4	43.4	43.2	43.0
of which : Social benefits	22.8	23.0	28.6	26.7	24.4	23.1	22.1	21.6	21.4	21.2
Net acquisition of nonfinancial assets	1.3	1.1	-0.5	-0.9	2.6	0.7	0.8	1.1	1.3	1.4
Overall balance	**-2.5**	**-2.0**	**-15.9**	**-6.9**	**-5.6**	**-1.5**	**-0.1**	**0.5**	**0.5**	**0.5**
Primary balance	**-1.4**	**-0.8**	**-14.6**	**-5.7**	**-4.2**	**0.0**	**1.8**	**2.2**	**2.2**	**2.2**
Memorandum Items										
Current account balance, authorities	-1.1	-0.8	-16.1	-6.8	-2.2	-0.2	0.0	0.0	0.0	0.0
Of which : Compensation for past deficits (+: payment)	0.1	0.3	1.0	0.0	0.0	0.0	0.7	1.4	1.6	1.8
Interest rule (interest/revenue) (percent) 6/	2.9	2.7	2.8	2.6	3.1	3.8	4.7	4.5	4.3	4.2
Government debt service	1.4	1.5	4.0	2.8	19.2	17.9	3.5	6.4	4.7	4.9
Gross government debt 7/	56.4	57.9	88.4	89.2	83.3	76.6	71.6	67.5	64.1	61.2
Net government debt	52.7	54.0	76.9	79.5	76.0	69.8	65.2	61.2	57.9	55.1
Government deposits	3.8	3.9	11.5	9.7	7.3	6.8	6.5	6.3	6.2	6.1
Nominal GDP	5406	5361	4468	4832	5210	5703	6075	6377	6647	6882

Sources: Curaçao authorities; and IMF staff calculations.
1/ The presentation follows the 2014 Government Finance Statistics Manual.
2/ Includes teacher salaries.
3/ Payroll subsidies to the private sector for 2020 and 21.
4/ Mostly changes in deposits.
5/ Consolidated table including the budgetary central government and social security funds (SVB).
6/ The denominator is the average of total revenue in the previous three years.
7/ Defined as balance sheet liabilities of the central government except equities. Includes central government liabilities to the social security funds.

Table 4. Curaçao: Balance of Payments, 2018–27
(Millions of U.S. dollars unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
			Prel.	Prel.			Proj.			
	(Millions of U.S. dollars)									
Current account	**-813**	**-541**	**-689**	**-592**	**-628**	**-565**	**-561**	**-549**	**-534**	**-526**
Goods and services	-810	-556	-694	-633	-674	-613	-593	-563	-539	-522
Exports of goods and services	1,935	1,775	1,015	1,278	1,780	1,934	2,047	2,142	2,231	2,320
Goods	586	398	271	343	465	452	436	429	427	432
Services	1,349	1,377	744	934	1,315	1,482	1,610	1,713	1,804	1,888
Imports of goods and services	2,745	2,331	1,709	1,911	2,454	2,547	2,640	2,705	2,770	2,842
Goods	1,757	1,461	1,209	1,482	1,950	2,012	2,065	2,094	2,132	2,183
Services	988	870	500	429	504	535	575	611	638	659
Income	31	43	56	57	81	89	67	55	47	39
Of which: Investment income	-27	-45	5	10	18	20	-7	-22	-34	-45
Current transfers	-34	-28	-51	-16	-35	-41	-35	-41	-43	-43
Capital and financial account	**706**	**469**	**865**	**701**	**446**	**489**	**470**	**484**	**466**	**424**
Capital account	2	5	0	0	0	0	0	0	0	0
Financial account	704	464	865	701	446	489	470	484	466	424
Direct investment	96	214	149	141	160	175	187	196	186	192
Portfolio investment	164	84	131	43	93	108	122	135	148	153
Financial derivatives	0	0	0	0	0	0	0	0	0	0
Other investment	444	166	586	517	193	206	161	153	133	78
Net errors and omissions	**-7**	**42**	**77**	**-5**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-113**	**-29**	**253**	**105**	**-182**	**-76**	**-92**	**-66**	**-68**	**-102**
Reserve assets	**113**	**29**	**-253**	**-105**	**182**	**76**	**92**	**66**	**68**	**102**
	(Percent of GDP)									
Current account	**-26.9**	**-18.0**	**-27.6**	**-21.9**	**-21.6**	**-17.7**	**-16.5**	**-15.4**	**-14.4**	**-13.7**
Goods and services	-26.8	-18.6	-27.8	-23.4	-23.2	-19.2	-17.5	-15.8	-14.5	-13.6
Exports of goods	19.4	13.3	10.9	12.7	16.0	14.2	12.9	12.0	11.5	11.2
Imports of goods	58.2	48.8	48.4	54.9	67.0	63.1	60.9	58.8	57.4	56.8
Exports of services	44.7	46.0	29.8	34.6	45.2	46.5	47.5	48.1	48.6	49.1
Imports of services	32.7	29.0	20.0	15.9	17.3	16.8	16.9	17.1	17.2	17.1
Income	1.0	1.5	2.3	2.1	2.8	2.8	2.0	1.5	1.3	1.0
Current transfers	-1.1	-0.9	-2.1	-0.6	-1.2	-1.3	-1.0	-1.2	-1.2	-1.1
Capital and financial account	**23.4**	**15.7**	**34.7**	**26.0**	**15.3**	**15.3**	**13.8**	**13.6**	**12.6**	**11.0**
Of which										
Direct investment	3.2	7.2	6.0	5.2	5.5	5.5	5.5	5.5	5.0	5.0
Portfolio investment	5.4	2.8	5.2	1.6	3.2	3.4	3.6	3.8	4.0	4.0
Other investment	14.7	5.5	23.5	19.2	6.6	6.5	4.7	4.3	3.6	2.0
Net errors and omissions	**-0.2**	**1.4**	**3.1**	**-0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-3.8**	**-1.0**	**10.1**	**3.9**	**-6.2**	**-2.4**	**-2.7**	**-1.8**	**-1.8**	**-2.7**

Sources: Centrale Bank van Curaçao en Sint Maarten, and IMF staff estimates.

Table 5. Sint Maarten: Selected Economic and Financial Indicators, 2018–27

Area	34 (km^2)	Population, thousand (2020)	42.6
Percent of population below age 15 (2018)	20.0	Literacy rate, in percent (2011)	93.8
Percent of population aged 65+ (2018)	7.9	Life expectancy at birth, male (2016)	74.0
Infant mortality, over 1,000 live births (2010)	6.0	Life expectancy at birth, female (2016)	82.8

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Est.	Est.	Est.	Est.	Proj.					
Real Economy	(Percent change, unless otherwise noted)									
Real GDP 1/	-9.4	10.5	-17.9	8.0	7.5	5.0	4.0	3.0	2.0	2.0
CPI (12-month average)	2.9	0.4	0.7	2.8	5.9	3.5	2.1	1.9	1.9	1.9
Unemployment rate (percent)	9.9	8.5	16.8	13.0	11.2	9.8	9.1	8.7	8.7	8.7
Government Finances	(Percent of GDP)									
Primary balance excl. Trust Fund operations 2/	-3.8	-0.7	-9.3	-6.0	-3.7	-2.3	-1.4	-1.6	-3.0	-2.9
Current balance (Authorities' definition) 3/	-4.5	-1.5	-10.4	-6.9	-4.2	-2.9	-1.5	-1.8	-3.1	-2.6
Overall balance excl. Trust Fund operations 2/	-4.4	-1.3	-10.0	-6.6	-4.2	-2.9	-2.0	-2.4	-3.8	-3.4
Central government debt 4/	47.2	43.3	59.9	60.9	63.1	60.8	59.2	58.9	60.6	61.6
Balance of Payments	(Percent of GDP)									
Current account	6.7	-13.3	-27.2	-16.5	-22.2	-19.7	-12.4	-7.3	-4.5	-2.6
Goods trade balance	-69.6	-59.7	-43.7	-35.0	-50.0	-45.6	-42.3	-40.6	-39.3	-38.5
Exports of goods	13.4	14.5	12.6	8.0	7.9	8.3	9.4	11.0	12.0	13.2
Imports of goods	83.0	74.2	56.3	43.0	57.9	54.0	51.8	51.6	51.3	51.6
Service balance	31.7	48.0	21.7	23.6	38.4	40.3	43.8	45.1	46.2	47.3
Exports of services	58.9	72.7	37.0	36.1	52.7	54.2	57.3	58.3	59.1	60.1
Imports of services	27.2	24.7	15.3	12.5	14.3	13.9	13.4	13.1	12.9	12.8
External debt	232.4	217.9	261.6	238.2	220.9	205.8	196.4	190.8	188.4	186.0
Net international investment position	-134.5	-134.8	-172.7	-168.4	-165.7	-163.8	-162.0	-158.6	-155.4	-151.1
Memorandum Items										
Nominal GDP (millions of U.S. dollars) 1/	1,108	1,251	1,062	1,145	1,283	1,410	1,510	1,592	1,659	1,725
Per capita GDP (U.S. dollars) 1/	26,920	29,762	24,935	26,889	29,765	32,357	34,272	35,746	36,874	37,969
Credit to non-gov. sectors (percent change) 5/	-1.7	1.4	2.4	1.3	2.1	…	…	…	…	…
Fund position	Sint Maarten is part of the Kingdom of the Netherlands and does not have a separate quota.									
Exchange rate	The Netherlands Antillean guilder is pegged to the U.S. dollar at NA*f* 1.79 = US$1.									

Sources: Data provided by the authorities; World Bank; and IMF staff estimates.

1/ GDP estimates for 2019 and 2020 reflect the authorities' recently released growth estimates and IMF staff's deflator estimates in anticipation of the forthcoming update to the authorities' estimates.

2/ Excludes Trust Fund (TF) grants and TF-financed special projects.

3/ Revenue excl. grants minus interest income, current expenditure and depreciation of fixed assets.

4/ The stock of debt in 2018 is based on financial statements. Values in subsequent years are staff's estimates and are higher than the values under authorities' definition in quarterly fiscal reports.

5/ 2022 value shows the latest available data (April).

Table 6. Sint Maarten: Government Operations, 2018–27
(Millions of NA*f* unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Prel.	Prel.	Prel.	Est.						
				Budgetary Central Government						
Revenue	**374**	**434**	**355**	**365**	**398**	**457**	**504**	**544**	**579**	**616**
Taxes	320	371	299	303	327	364	400	431	458	486
Taxes on income and profits	154	168	160	146	151	163	179	194	208	223
Taxes on goods and services	155	190	131	143	161	184	203	217	229	241
Property and other taxes	12	13	9	13	15	17	19	20	21	22
Grants	0	0	0	0	0	0	0	0	0	0
Other revenue	54	63	56	62	71	92	104	113	121	129
of which : Capital revenue	0	0	0	0	0	11	11	11	11	11
Expenditure	**463**	**463**	**545**	**499**	**495**	**529**	**558**	**611**	**691**	**720**
Expense	454	458	541	498	485	509	523	574	649	674
Compensation of employees	202	206	194	197	210	212	215	220	224	232
of which : Wages	139	140	135	132	141	142	143	146	149	155
Goods and services	108	107	108	95	124	131	136	140	146	152
Social benefits 1/	28	28	34	35	28	29	29	64	125	129
Subsidies	104	104	191	159	111	112	115	117	119	122
Interest	13	13	13	12	12	24	27	32	34	39
Capital expenditure	8	5	4	1	10	20	35	38	43	46
Overall balance	**-88**	**-29**	**-190**	**-134**	**-97**	**-72**	**-53**	**-67**	**-112**	**-104**
Primary balance	**-75**	**-15**	**-177**	**-122**	**-85**	**-59**	**-37**	**-46**	**-89**	**-77**
Financing transactions (+: increasing net assets)	-95	-29	-104	-147	-97	-72	-53	-67	-112	-104
Net acquisition of financial assets	31	5	64	-38	14	14	12	11	10	4
Net incurrence of liabilities	126	34	168	110	111	86	65	78	122	108
Domestic	43	8	-7	12	0	0	0	0	0	0
External	83	25	175	97	111	86	65	78	122	108
Disbursements	84	33	225	118	422	416	104	194	171	168
Amortization	1	8	50	20	311	330	39	116	49	60
Statistical discrepancies	7	0	-86	13	0	0	0	0	0	0
				Budgetary Central Government consolidated with Trust Fund operations						
Revenue and grants	**406**	**459**	**466**	**473**	**553**	**625**	**593**	**613**	**619**	**648**
Central government revenue	374	434	355	365	398	457	504	544	579	616
Trust Fund grants	32	25	111	108	155	169	89	69	39	32
Total expenditure	**478**	**487**	**607**	**592**	**581**	**631**	**642**	**691**	**744**	**764**
Central government expenditure	463	463	545	499	495	529	558	611	691	720
Trust Fund special projects	16	24	62	93	86	102	85	80	53	45
Overall balance	**-72**	**-27**	**-141**	**-119**	**-28**	**-5**	**-49**	**-78**	**-126**	**-117**
Net acquisition of financial assets	47	6	113	-23	172	80	16	0	-4	-14
Net incurrence of liabilities	126	34	168	110	201	86	65	78	122	102
Memorandum Items:										
Current account balance, authorities' definition 2/	-90	-35	-197	-142	-95	-72	-40	-51	-91	-81
of which : Liquidity compensation	0	0	0	0	0	0	0	0	0	0
of which : Depreciation	11	11	11	9	8	9	10	10	11	11
Fiscal rules and sustainability indicators										
Interest rule (interest/revenue) (percent) 3/	2.9	3.1	3.1	2.7	2.6	4.9	5.0	5.5	5.5	6.4
Gross central government debt 4/	937	970	1,138	1,248	1,448	1,534	1,599	1,677	1,799	1,901
Budgetary central government deposits (eop) 5/	115	64	123	82	92	101	108	114	119	119
Net central government debt	821	907	1,015	1,166	1,356	1,433	1,491	1,563	1,681	1,783
Nominal GDP, millions of Naf 6/	1,984	2,240	1,900	2,049	2,296	2,524	2,703	2,849	2,969	3,087

Sources: Data provided by the authorities and IMF staff estimates.

1/ Includes transfers to cover the deficit of funds not integrated into the central budget, such as those for social security/insurance.

2/ Revenue excl. grants minus interest income, current expenditure and depreciation of fixed assets.

3/ The denominator is the average of total revenue in the previous three years.

4/ The stock in 2016 is based on financial statements. Values in subsequent years are staff's estimates and are higher than under authorities' definition.

5/ From the CBCS monetary survey. Includes deposits of entities in the broader public sector.

6/ GDP estimates for 2019 and 2020 reflect the authorities recently released growth estimates and the staff's deflator estimates in anticipation of forthcoming update to the authorities estimates.

Table 7. Sint Maarten: Government Operations, 2018–27
(Percent of GDP unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Prel.	Prel.	Prel.	Est.			Proj.			
				Budgetary Central Government						
Revenue	**18.9**	**19.4**	**18.7**	**17.8**	**17.3**	**18.1**	**18.7**	**19.1**	**19.5**	**19.9**
Taxes	16.1	16.6	15.7	14.8	14.2	14.4	14.8	15.1	15.4	15.8
Taxes on income and profits	7.7	7.5	8.4	7.1	6.6	6.4	6.6	6.8	7.0	7.2
Taxes on goods and services	7.8	8.5	6.9	7.0	7.0	7.3	7.5	7.6	7.7	7.8
Property and other taxes	0.6	0.6	0.4	0.6	0.7	0.7	0.7	0.7	0.7	0.7
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	2.7	2.8	2.9	3.0	3.1	3.7	3.8	4.0	4.1	4.2
of which : Capital revenue	0.0	0.0	0.0	0.0	0.0	0.5	0.4	0.4	0.4	0.4
Expenditure	**23.3**	**20.6**	**28.7**	**24.4**	**21.6**	**20.9**	**20.6**	**21.5**	**23.3**	**23.3**
Expense	22.9	20.4	28.5	24.3	21.1	20.1	19.3	20.1	21.8	21.8
Compensation of employees	10.2	9.2	10.2	9.6	9.2	8.4	8.0	7.7	7.5	7.5
of which : Wages	7.0	6.3	7.1	6.4	6.1	5.6	5.3	5.1	5.0	5.0
Goods and services	5.4	4.8	5.7	4.7	5.4	5.2	5.0	4.9	4.9	4.9
Social benefits 1/	1.4	1.2	1.8	1.7	1.2	1.1	1.1	2.3	4.2	4.2
Subsidies	5.2	4.6	10.1	7.7	4.8	4.5	4.2	4.1	4.0	3.9
Interest	0.7	0.6	0.7	0.6	0.5	1.0	1.0	1.1	1.1	1.3
Capital expenditure	0.4	0.2	0.2	0.1	0.4	0.8	1.3	1.3	1.4	1.5
Overall balance	**-4.4**	**-1.3**	**-10.0**	**-6.6**	**-4.2**	**-2.9**	**-2.0**	**-2.4**	**-3.8**	**-3.4**
Primary balance	**-3.8**	**-0.7**	**-9.3**	**-6.0**	**-3.7**	**-2.3**	**-1.4**	**-1.6**	**-3.0**	**-2.5**
Financing Transactions (+: increasing net assets)	-4.8	-1.3	-5.5	-7.2	-4.2	-2.9	-2.0	-2.4	-3.8	-3.4
Net acquisition of financial assets	1.6	0.2	3.4	-1.8	0.6	0.5	0.4	0.4	0.3	0.1
Net incurrence of liabilities	6.3	1.5	8.8	5.3	4.8	3.4	2.4	2.7	4.1	3.5
Domestic	2.2	0.4	-0.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0
External	4.2	1.1	9.2	4.8	4.8	3.4	2.4	2.7	4.1	3.5
Gross borrowing	4.2	1.5	11.8	5.7	18.4	16.5	3.8	6.8	5.7	5.5
Amortization	0.1	0.4	2.6	1.0	13.5	13.1	1.4	4.1	1.6	1.9
Statistical discrepancies	0.3	0.0	-4.5	0.6	0.0	0.0	0.0	0.0	0.0	0.0
				Budgetary Central Government consolidated with Trust Fund operations						
Revenue and Grants	**20.5**	**20.5**	**24.5**	**23.1**	**24.1**	**24.8**	**21.9**	**21.5**	**20.8**	**21.0**
Central government revenue	18.9	19.4	18.7	17.8	17.3	18.1	18.7	19.1	19.5	19.9
Trust Fund grants	1.6	1.1	5.9	5.3	6.7	6.7	3.3	2.4	1.3	1.0
Total Expenditure	**24.1**	**21.7**	**31.9**	**28.9**	**25.3**	**25.0**	**23.8**	**24.3**	**25.1**	**24.8**
Central government expenditure	23.3	20.6	28.7	24.4	21.6	20.9	20.6	21.5	23.3	23.3
Trust Fund special projects	0.8	1.1	3.3	4.5	3.7	4.0	3.1	2.8	1.8	1.5
Overall Balance	**-3.6**	**-1.2**	**-7.4**	**-5.8**	**-1.2**	**-0.2**	**-1.8**	**-2.7**	**-4.2**	**-3.8**
Net acquisition of financial assets	2.4	0.3	6.0	-1.1	7.5	3.2	0.6	0.0	-0.1	-0.5
Net incurrence of liabilities	6.3	1.5	8.8	5.3	8.7	3.4	2.4	2.7	4.1	3.3
Memorandum Items										
Current account balance, authorities' definition 2/	-4.5	-1.5	-10.4	-6.9	-4.2	-2.9	-1.5	-1.8	-3.1	-2.6
of which : Liquidity compensation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which : Depreciation	0.5	0.5	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Fiscal Rules and Sustainability Indicators										
Interest rule (interest/revenue) (percent) 3/	0.1	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Gross central government debt 4/	47.2	43.3	59.9	60.9	63.1	60.8	59.2	58.9	60.6	61.6
Budgetary central government deposits (eop) 5/	5.8	2.8	6.5	4.0	4.0	4.0	4.0	4.0	4.0	3.8
Net central government debt	41.4	40.5	53.4	56.9	59.1	56.8	55.2	54.9	56.6	57.7
Nominal GDP, millions of Naf 6/	1,984	2,240	1,900	2,049	2,296	2,524	2,703	2,849	2,969	3,087

Sources: Data provided by the authorities and IMF staff estimates.

1/ Includes transfers to cover the deficit of funds not integrated into the central budget, such as those for social security/insurance.

2/ Revenue excl. grants minus interest income, current expenditure and depreciation of fixed assets.

3/ The denominator is the average of total revenue in the previous three years.

4/ The stock in 2016 is based on financial statements. Values in subsequent years are staff's estimates and are higher than ones under authorities' definition.

5/ From the CBCS monetary survey.

6/ GDP estimates for 2019 and 2020 reflect the authorities recently released growth estimates and the staff's deflator estimates in anticipation of forthcoming update to the authorities estimates.

Table 8. Sint Maarten: Balance of Payments, 2018–27
(Millions of U.S. dollars unless otherwise indicated)

	2018	2019	2020 Prel.	2021 Prel.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.
					(Millions of U.S. dollars)					
Current account	**75**	**-166**	**-289**	**-189**	**-284**	**-278**	**-187**	**-117**	**-75**	**-45**
Goods and services	-419	-147	-234	-131	-149	-75	23	72	115	152
Exports of goods and services	802	1,091	527	504	777	882	1,008	1,102	1,180	1,263
Goods	148	181	134	91	101	118	143	174	199	227
Services	653	910	393	413	676	764	865	927	981	1,036
Imports of goods and services	1,221	1,238	761	635	926	956	985	1,030	1,065	1,111
Goods	919	929	598	493	742	761	782	821	850	890
Services	301	309	163	143	183	195	203	209	214	221
Income	-28	-50	-31	-22	-84	-148	-150	-125	-124	-129
o/w Investment income	2	-14	-8	-7	-51	-112	-111	-85	-82	-85
Current transfers	522	31	-25	-36	-51	-56	-60	-63	-66	-68
Capital and financial account	**-101**	**132**	**285**	**153**	**257**	**211**	**163**	**161**	**165**	**158**
Capital account	16	11	50	35	86	94	50	39	22	18
Financial account	-117	121	235	118	171	117	113	122	143	140
Direct investment	-52	73	21	14	25	28	30	32	34	35
Portfolio investment	35	18	-14	3	7	37	28	32	49	42
Financial derivatives	0	0	0	0	0	0	0	0	0	0
Other investment	-101	30	228	101	138	51	55	58	60	63
Net errors and omissions	**-14**	**23**	**94**	**60**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-40**	**-10**	**89**	**24**	**-27**	**-67**	**-25**	**44**	**90**	**112**
Reserve assets	**40**	**10**	**-89**	**-24**	**27**	**67**	**25**	**-44**	**-90**	**-112**
					(Percent of GDP)					
Current account	**6.7**	**-13.3**	**-27.2**	**-25.8**	**-34.5**	**-30.8**	**-19.3**	**-11.4**	**-7.0**	**-4.1**
Goods and services	-37.8	-11.7	-22.0	-17.8	-18.1	-8.3	2.3	7.0	10.8	13.7
Exports of goods	13.4	14.5	12.6	8.0	7.9	8.3	9.4	11.0	12.0	13.2
Imports of goods	83.0	74.2	56.3	43.0	57.9	54.0	51.8	51.6	51.3	51.6
Exports of services	58.9	72.7	37.0	36.1	52.7	54.2	57.3	58.3	59.1	60.1
Imports of services	27.2	24.7	15.3	12.5	14.3	13.9	13.4	13.1	12.9	12.8
Income	-2.6	-4.0	-2.9	-1.9	-6.6	-10.5	-9.9	-7.9	-7.5	-7.5
Current transfers	47.1	2.5	-2.3	-3.2	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0
Capital and financial account	**-9.1**	**10.6**	**26.8**	**13.4**	**20.0**	**15.0**	**10.8**	**10.1**	**9.9**	**9.2**
of which										
Direct investment	-4.7	5.8	2.0	1.2	2.0	2.0	2.0	2.0	2.0	2.0
Portfolio investment	3.2	1.5	-1.4	0.2	0.6	2.6	1.8	2.0	2.9	2.4
Other investment	-9.1	2.4	21.5	8.8	10.7	3.6	3.6	3.6	3.6	3.6
Net errors and omissions	**-1.2**	**1.9**	**8.8**	**5.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-3.6**	**-0.8**	**8.4**	**2.1**	**-2.1**	**-4.8**	**-1.6**	**2.8**	**5.4**	**6.5**

Sources: Centrale Bank van Curaçao en Sint Maarten, and IMF staff estimates.

Table 9. Curaçao and Sint Maarten Monetary Union: Balance of Payments, 2018–27
(Millions of U.S. dollars unless otherwise indicated)

	2018	2019	2020 Prel.	2021 Prel.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.
					(Millions of U.S. dollars)					
Current account	**-730**	**-690**	**-962**	**-877**	**-912**	**-843**	**-748**	**-666**	**-609**	**-572**
Goods and services	-1,222	-687	-911	-827	-823	-688	-571	-491	-423	-370
Exports of goods and services	2,750	2,885	1,563	2,075	2,556	2,816	3,055	3,243	3,411	3,583
Goods	734	579	405	486	566	570	579	603	626	659
Services	2,016	2,306	1,158	1,590	1,990	2,246	2,476	2,641	2,785	2,924
Imports of goods and services	3,972	3,572	2,474	2,903	3,380	3,504	3,625	3,735	3,834	3,953
Goods	2,677	2,390	1,809	2,250	2,692	2,773	2,847	2,915	2,982	3,073
Services	1,295	1,182	665	653	688	731	778	820	852	880
Income	3.0	-6.3	25.3	22.5	-3.2	-58.7	-83.5	-70.3	-77.2	-90.4
Of which: Investment income	-25.4	-59.4	-2.9	-0.5	-33.7	-91.9	-118.7	-107.1	-115.5	-130.0
Current transfers	488.7	2.7	-76.0	-72.5	-85.5	-96.5	-94.3	-104.4	-108.5	-111.0
Capital and financial account	**605**	**601**	**1,150**	**940**	**703**	**700**	**632**	**644**	**631**	**582**
Capital account	19	16	50	54	86	94	50	38	22	18
Financial account	586	585	1,100	885	617	606	583	606	609	564
Direct investment	44	287	170	163	186	203	217	228	219	227
Portfolio investment	199	102	116	48	100	145	150	167	197	196
Other investment	343	196	813	675	331	257	216	211	193	141
Net errors and omissions	**-28**	**49**	**154**	**79**	**0**	**0**	**0**	**0**	**0**	**0**
Overall balance	**-153**	**-39**	**342**	**141**	**-209**	**-143**	**-116**	**-22**	**22**	**10**
Reserve assets	**153**	**39**	**-342**	**-141**	**209**	**143**	**116**	**22**	**-22**	**-10**
					(Percent of GDP)					
Current account	**-17.7**	**-16.3**	**-27.0**	**-22.8**	**-21.8**	**-18.3**	**-15.3**	**-12.9**	**-11.3**	**-10.3**
Goods and services	-29.6	-16.2	-25.6	-21.5	-19.6	-15.0	-11.6	-9.5	-7.9	-6.7
Income	-0.6	-1.4	-0.1	0.0	-0.8	-2.0	-2.4	-2.1	-2.2	-2.3
Current transfers	11.8	0.1	-2.1	-1.9	-2.0	-2.1	-1.9	-2.0	-2.0	-2.0
Capital and financial account	**14.7**	**14.2**	**32.3**	**24.4**	**16.8**	**15.2**	**12.9**	**12.5**	**11.7**	**10.4**
Direct investment	1.1	6.8	4.8	4.2	4.4	4.4	4.4	4.4	4.1	4.1
Portfolio investment	4.8	2.4	3.3	1.2	2.4	3.2	3.0	3.2	3.7	3.5
Other investment	8.3	4.6	22.9	17.5	7.9	5.6	4.4	4.1	3.6	2.5
Net errors and omissions	**-0.7**	**1.2**	**4.3**	**2.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**-3.7**	**-0.9**	**9.6**	**3.7**	**-5.0**	**-3.1**	**-2.4**	**-0.4**	**0.4**	**0.2**
Memorandum Items										
Gross official reserves, excl. gold	1,322	1,282	1,625	1,766	1,557	1,414	1,298	1,276	1,298	1,308
in months of imports	4.4	6.2	6.7	6.3	5.3	4.7	4.2	4.0	3.9	3.8
over short-term debt	1.0	1.0	1.1	1.2	1.0	0.9	0.8	0.8	0.8	0.7
Gross external debt, percent of GDP	177.5	178.5	230.0	222.5	210.5	197.4	189.6	184.8	181.9	179.9
Of which: short-term debt	33.4	31.7	42.0	39.3	37.1	34.8	33.5	32.6	32.1	31.7

Sources: Centrale Bank van Curaçao en Sint Maarten, and IMF staff estimates.

Table 10. Curaçao and Sint Maarten: Monetary Survey, 2017–2022Q1
(Millions of The Netherlands Antillean guilders unless otherwise indicated)

	2017	2018	2019	2020	2021	2022 Mar.
	(Millions of NAf, end of period)					
Net foreign assets	5254	5011	5268	5998	6656	6876
Claims on nonresidents	7843	7588	7804	8377	8542	8739
Central bank	3621	3331	3442	4331	4530	4593
Other depository corporations	4222	4258	4363	4046	4012	4146
Liabilities to nonresidents	-2589	-2577	-2537	-2379	-1886	-1863
Central bank	-260	-346	-303	-245	-217	-201
Other depository corporations	-2329	-2231	-2234	-2135	-1669	-1661
Net domestic assets	3435	3674	3407	2837	2944	2449
Net domestic claims	5989	6283	6309	6274	5994	5924
Net claims on central government	-597	-281	-275	-375	-257	-316
CBCS' claims on non-government sectors	342	235	145	149	199	199
Banks' claims on non-government sectors 1/	6245	6328	6439	6500	6051	6041
Claims on public non-financial corporations	130	222	209	285	240	243
Claims on non-bank financial institutions	104	122	192	202	212	213
Claims on private sector	6010	5984	6038	6013	5599	5586
Other items, net	-2553	-2609	-2902	-3437	-3049	-3476
Broad money	8689	8685	8675	8835	9600	9325
Currency in circulation	388	393	391	424	449	432
Transferable deposits	3926	3916	3911	4069	4748	4481
Other deposits	4375	4377	4372	4341	4402	4412
	(Annual percentage change)					
Monetary Survey						
Net foreign assets	13.4	-4.6	5.1	13.9	11.0	15.3
Net domestic assets	-1.8	6.9	-7.3	-16.8	3.8	-23.1
o/w Banks' claims on non-government sectors 1/	1.2	1.3	1.8	0.9	-6.9	-7.2
Claims on public non-financial corporations (contribution)	0.6	1.5	-0.2	1.2	-0.7	-1.3
Claims on non-bank financial institutions (contribution)	0.0	0.3	1.1	0.1	0.1	0.1
Claims on private sector (contribution to growth)	0.6	-0.4	0.8	-0.4	-6.4	-6.0
Corporates	0.4	-0.1	0.3	-2.6	-12.2	-11.8
Households	0.8	-0.8	1.6	2.2	-0.9	-0.8
Broad money	6.9	0.0	-0.1	1.8	8.7	2.0
Currency in circulation (contribution)	0.2	0.0	0.0	0.4	0.3	0.2
Local currency deposits (contribution)	2.6	-1.0	-0.7	3.0	4.9	-2.6
Foreign currency deposits (contribution)	4.1	0.9	0.6	-1.5	3.5	4.4
Memorandum Items						
Velocity (GDP/Broad Money)	0.86	0.85	0.88	0.72	0.71	0.75
Foreign currency deposits to total deposits	25.5	26.6	26.9	25.1	26.6	28.8
Bank loans to non-government sectors, y/y percent change 2/	1.4	1.5	1.8	0.7	0.4	-0.2
Curaçao 2/	2.4	2.5	2.0	0.1	0.1	-1.0
Sint Maarten	-1.6	-1.7	1.4	2.4	1.3	1.9

Sources: Centrale Bank van Curaçao en Sint Maarten, and IMF staff estimates.

1/ The bulk of these claims are on public non-financial corporations. The decline in Q2 2021 is caused by removing Girobank portfolio from the monetary data.

2/ From January 2020, year-on-year changes exclude Girobank portfolio.

Table 11. Curaçao and Sint Maarten: Central Bank Survey, 2017–2022Q1
(Millions of The Netherlands Antillean guilders unless otherwise indicated)

	2017	2018	2019	2020	2021	2022 Mar.
			(Millions of NAf, end of period)			
Net foreign assets (NFA)	3361	2985	3139	4086	4314	4392
Foreign assets	3621	3331	3442	4331	4530	4593
Foreign liabilities	-260	-346	-303	-245	-217	-201
Net domestic assets (NDA)	-542	-352	-644	-1164	-925	-1007
Net domestic claims	287	465	368	104	268	262
Net claims on central government	-192	-58	-44	-45	69	63
Claims on public nonfinancial corporations	315	209	109	108	164	164
Claims on private sector	26	26	26	26	26	26
Claims on other depository corporations	137	288	267	0	0	0
Claims on other financial corporations	0	0	10	14	10	10
Capital and other items, net	-829	-817	-1013	-1267	-1193	-1269
Monetary base (MB)	2819	2633	2494	2923	3389	3385
Currency in circulation	504	488	505	556	566	555
Liabilities to other depository corporations	2265	2047	1916	2267	2657	2655
Liabilities to other sectors	50	98	73	100	165	175
			(Annual percentage change)			
Monetary base	16.0	-6.6	-5.3	17.2	15.9	4.0
NFA, contribution to MB growth	13.4	-13.3	5.8	38.0	7.8	12.7
NDA, contribution to MB growth	2.6	6.7	-11.1	-20.8	8.1	-8.7

Sources: Centrale Bank van Curaçao en Sint Maarten, and IMF staff estimates.

Table 12. Curaçao and Sint Maarten: Financial Soundness Indicators, 2018–21 /1
(Percent)

	2018	2019	2020	2021			
				Mar.	Jun.	Sep.	Dec.
			Monetary Union of Curaçao and Sint Maarten				
Capital Adequacy							
Capital adequacy ratio 2/	15.3	16.9	17.5	18.0	17.7	18.8	19.3
Core capital adequacy ratio 3/	13.9	15.2	15.9	16.4	16.1	17.2	17.8
Tier 1 capital to assets	12.7	12.0	12.2	12.3	12.4	12.5	13.0
NPL net of provisions to capital	26.5	27.6	28.4	31.0	28.2	26.8	24.4
Asset Quality							
NPLs to gross loans	10.2	9.6	11.2	11.8	11.2	10.8	10.4
Provisions to NPL	34.2	30.4	36.9	34.7	36.4	34.8	35.3
Large exposures to capital	99.8	99.4	108.8	106.9	99.1	95.9	92.1
Earnings and Profitability							
Return on assets	1.5	1.4	0.6	0.5	0.7	1.1	1.4
Return on equity	11.0	11.3	4.6	3.7	5.3	7.7	10.1
Net interest income to gross income	47.2	46.5	56.7	54.9	54.3	52.1	48.8
Non-interest expenses to gross income	77.6	74.9	69.8	82.1	78.3	75.3	71.1
Liquidity							
Liquid assets to total assets	30.1	30.9	33.1	31.4	33.7	34.2	33.4
Liquid assets to short-term liabilities	40.4	42.4	44.4	41.9	45.4	45.4	45.4
Loans to total deposits	67.2	67.5	65.9	65.5	65.1	62.3	61.2
Sensitivity to Market Risk							
Net open position in foreign exchange to capital	2.1	2.2	2.0	3.3	2.3	1.6	1.8
FX-denominated loans to total loans	29.8	28.7	29.6	29.5	30.1	29.8	29.9
FX-denominated deposits to total deposits	35.0	35.6	35.8	35.4	36.0	36.5	36.5
				Curaçao			
Capital adequacy ratio 2/	...	17.2	18.6	...	...	...	22.3
NPL net of provisions to capital	...	23.1	22.4	...	...	...	19.5
NPLs to gross loans	...	9.5	10.8	...	...	...	10.6
Return on assets	...	1.1	0.9	...	...	...	1.4
Liquid assets to total assets	...	32.5	35.2	...	...	...	40.5
Liquid assets to short-term liabilities	...	44.3	47.3	...	...	...	54.3
Loans to total deposits	...	60.3	58.1	...	...	...	52.0
Net open FX position to total capital	...	2.0	1.6	...	...	...	1.8
				Sint Maarten			
Capital adequacy ratio 2/	...	19.8	16.1	...	...	...	16.0
NPL net of provisions to capital	...	32.4	40.2	...	...	...	33.1
NPLs to gross loans	...	10.0	12.1	...	...	...	9.7
Return on assets	...	1.7	-0.4	...	...	...	1.6
Liquid assets to total assets	...	52.6	53.3	...	...	...	59.4
Liquid assets to short-term liabilities	...	67.8	68.6	...	...	...	70.2
Loans to total deposits	...	50.7	47.7	...	...	...	37.4
Net open FX position to total capital	...	2.8	2.5	...	...	...	3.9

Source: Centrale Bank van Curaçao en Sint Maarten.

1/ FSIs are consolidated on a union basis, excluding subsidiaries and branches outside the union. Indicators are subject to revision as the CBCS is reviewing the consolidation methodology of reporting institutions.

2/ Tier 1 and tier 2 capital to risk-weighted assets.

3/ Tier 1 capital to risk-weighted assets.

Annex I. Implementation of the Recommendations of the 2021 Article IV Consultation Discussions

Policy Advice	**Progress**
	Curaçao
Near-term Priorities	
Focus on safe reopening of the economy, provide support where necessary, including to the vulnerable.	Implemented. Significant progress with vaccinations. Financial aid and food packages were provided during the pandemic with significant help from The Netherlands.
Provide adequate resources for critical areas.	Several critical areas such as data/information frameworks continue to be under-resourced due to the overall hiring restriction.
Set the stage for inclusive recovery and MT sustainability by developing comprehensive structural reforms.	In progress. The authorities are carrying out studies and preparing action plans across multiple structural areas in line with the *landspakket*.
Improving the Fiscal Framework and Securing Fiscal Sustainability	
Improve tax administration. Give high priority to the planned reorganization of the tax administration.	Significant progress. The authorities performed a TADAT-like evaluation of the tax administration and substantially increased revenue collection efforts. The reform of tax administration is progressing.
Move to a full-fledged VAT after the tax administration gains adequate capacity.	No progress. The VAT reform does not appear to be on the agenda at the moment.
Strengthen PFM through better planning, stronger expenditure controls, better tracking of fiscal risks, and improved transparency.	In progress. An action plan for improving quality and timeliness of the financial statements was adopted. Other reforms will be implemented in line the *landspakket* and implementation agendas.
In the long term, move towards a Fiscal Responsibility Framework.	No progress.
Strengthening Recovery and Potential Growth and Improving Statistics	
Introducing more flexibility in the labor market.	In progress. In line with the *landspakket*, an external consultant is conducting a study of labor market issues.
Improving the business environment	No progress but some business environment issues will be addressed by the next phase of the *landspakket*.
Finding new growth areas. Expand production of green energy.	In progress. The opening of Sandals will help diversify the tourism market. Other initiatives are in the planning phase.
Improving statistics	No progress. The challenges in providing adequate statistics appear to have increased since the last year.

Policy Advice	Progress
Sint Maarten	
Near-term Priorities	
Focus on safe reopening of the economy, provide support where necessary, including to the vulnerable.	Implemented. Significant progress with vaccinations. Financial aid and food packages were provided during the pandemic with significant help from The Netherlands. Access to the healthcare and pension systems was expanded.
Provide adequate resources to critical areas.	Several critical areas such as tax administration, the FIU, and data/information frameworks continue to be under-resourced.
Set the stage for inclusive recovery and MT sustainability by developing comprehensive structural reforms.	In progress. The authorities are carrying out studies and preparing action plans across multiple structural areas in line with the *landspakket*.
Improving the Fiscal Framework and Securing Fiscal Sustainability	
Improve tax administration.	No progress.
Implement tax policy measures: tax gambling activities and explore options for a real estate tax.	Limited progress. The authorities are developing measures to expand the tax base including by extending hotel taxes to sharing economy rentals, taxing the gaming industry, and implementing a road tax on vehicles, but none have been implemented and political challenges remain.
Strengthen public financial management.	Some progress. Updated the financial IT system and vehicle tax payments brought fully online. The implementation of the next phase of the *landspakket* is expected to commence a PFM reform agenda.
In the long term, establish a fiscal responsibility framework.	Limited progress. Fiscal projections have been extended beyond the immediate budget year but need greater detail, underpinning by macroeconomic forecasts, and substantiation with policy measures. These efforts could open a dialogue on a fiscal responsibility framework.
Restore financial sustainability of health and pension schemes.	Some progress. A law to allow generics was passed and is expected to save NAf 7 million annually.
Strengthening Recovery and Potential Growth and Improving Statistics	
Introduce more flexibility in the labor market.	No progress but some labor market issues will be addressed by the next phase of the *landspakket*.
Improve the business environment.	No progress but structural issues are expected to be addressed by the next phase of the *landspakket*.
Diversify the economy. Improve business model of tourism and improve value added.	No progress.
Build resilience to natural disasters.	Some progress. A disaster fund is being established with the help of the Trust Fund. Sint Maarten is a member of CCRIF. Work is in progress to make sure private insurance premiums are paid and valuations are up to date.

Policy Advice	Progress
Improve statistics.	Some progress. A new head of STAT department was appointed and staffing for national accounts has increased but staffing and funding shortfalls remain. The pace of statistical releases has improved but substantial gaps remain.
The Monetary Union of Curaçao and Sint Maarten	
Develop an Emergency Liquidity Assistance framework.	In progress. ELA framework is in the final stages and expected this year.
Remove the exchange restriction. Remove CFMs when appropriate.	Implemented. The exchange restriction and CFMs were removed in January 2022.
Continue implementing the CBCS' Financial Sector Reform Program with careful sequencing of measures. Frontload the efforts to transition to risk-based supervision, strengthen supervisory enforcement, and upgrade the bank resolution framework.	Significant progress. Transition to risk-based supervision, including a comprehensive reorganization of the CBCS's Supervision Department, is well advanced. AQRs were produced for four significant banks. The first Financial Stability Report was published in May 2022. Preparation for the rollout of the DGS by Jan 1, 2023, is progressing well, with draft legislation pending review by the CoM. Girobank has been resolved in line with the authorities' strategy.
Finalize a strategy for Ennia's exit from the CBCS' special administration regime.	In progress.
Improve CBCS governance.	In progress. The CBCS Supervisory Board was staffed. The review of the CBCS statute is pending.
Enhancing the AML/CFT framework including monitoring of cross-border flows. Ensure adequate resources and sufficient powers to issue penalties for non-compliance with AML/CFT obligations.	In progress. The CBCS is transitioning to risk-based AML/CFT supervision and is revising the AML/CFT guidelines to include the latest FATF recommendations. The guidelines are expected to be in force by the end of the year.
Publish the National Risk Assessment	Curaçao: In progress. The CBCS has taken the lead and is expected to publish the NRA in the coming weeks. Sint Maarten: No progress. Adequate financial resources are not available at this time.
Strengthen the regulation and supervision of the gaming industry	Curaçao: In progress. The authorities are preparing a comprehensive reform of the gaming sector with a new Gaming Control Authority as a supervisor. The legislation is expected to be passed by the end of 2022. Sint Maarten: Some progress. Amended legislation governing FIU to include gaming but implementation has been critically limited by resource constraints.

Annex II. The Structural Reform Packages (Landspakketten)

1. In 2020, the authorities of Curaçao and Sint Maarten reached agreements with The Netherlands on packages of structural reforms (landspakketten).[1] The packages consist of priority reforms necessary to achieve four broad objectives: (i) strengthen government finances, (ii) improve economic resilience, (iii) improve social security, health care and education, and (iv) enhance the legal system. They are subdivided into 8 themes as illustrated below and supported by quarterly Implementation Agendas for each country.[2]

- ***Public financial management (PFM).*** The PFM theme focuses on the monitoring framework of government policy and operations, data and recording systems and capacity, subsidy schemes, and procurement systems. This area includes the modernization of the IT system in Sint Maarten with a grant of up to €15 million. Strengthening risk management, especially natural disaster risk, is also included in the reform agenda for Sint Maarten. The latest Implementation Agenda (Q2 2022) for Curaçao lays out objectives such as improving budget processes, improving the quality and timelines of the financial statements, and reviewing and adjusting subsidy policies, although the specific measures are in the planning stage.

- ***Costs and effectiveness of the public sector.*** The objective is to increase the efficiency of the public sector by reducing the wage bill to 10 percent of GDP and other costs of public sector operations and to increase the quality and effectiveness of entities in the broader public sector, including by strengthening governance and operational management.

- ***Tax system.*** The objective is to broaden the tax base, achieve a fairer distribution of income, and improve efficiency. The landspakket calls for the introduction of a VAT with a rate of 12.5 percent or ABB tax system operating in the Dutch Caribbean. Sint Maarten's challenges from the open boarder with the French Saint Martin is explicitly mentioned as a special characteristic affecting the tax system design. The area also includes administration reforms to improve collection performance and compliance.

- ***Financial sector.*** This theme aims to strengthen the resilience of the financial sector. In this line, it stipulates third-party reviews of the financial sector and market supervision, and reform of the governance of the CBCS. Implementation of a deposit guarantee system is part of the reform package for both countries. The CBCS published the 5-pillar Financial Sector Reform Program for 2021-24, laying out measures to improve risk analysis, strengthen crisis management, clean up legacy issues, introduce risk-based supervision, and strengthen governance.

- ***Economic reforms.*** The aim of this theme is to improve growth, resilience, and create a robust and affordable social security system with the right incentives. It envisages reviews of the labor market situation and reforms based on the situation, including in the areas of the informal

[1] Curaçao signed its *Landspakket* agreement in November 2020, and Sint Maarten in December 2020.

[2] The latest implementation agendas for Sint Maarten and Curaçao covering July-September 2022 are published on the COHO's website.

economy and undocumented employment. For Sint Maarten, legislative reforms are included that allow foreign companies and laborers to enter the domestic market to accelerate the recovery and reconstruction from the 2017 hurricanes. The theme also seeks to reform the social security system and evaluate the retirement age for securing its sustainability. Finally, the theme intends to promote entrepreneurship and the business climate based on a review of laws and regulations and develop and implement land and spatial planning policies.

- ***Health reforms.*** These reforms intend to strengthen capacity to manage Covid-19, guarantee continuity of emergency care, reduce medical costs, and eliminate inefficient practices.

- ***Education reforms.*** The ultimate goal of this theme is to improve the level of education and teaching quality. The first step will be a review of the sector by an expert group. Based on the results, the reforms will seek to improve the level of education and strengthen the connection between education and the labor market. The pillar envisages a grant of NAf 30 million for Curaçao.

- ***Reinforcing the rule of law*.** To strengthen the rule of law and constitutional state, the priority is on strengthening border controls, tackling financial and economic crime, and improving the prison system (Sint Maarten's package envisages a grant of €30 million for the prison system). In both countries, the theme stipulates that no cuts will be applied in the vital sectors of rule of law (police, customs, courts, etc.) and envisages evaluation of the implementation capacity of the most vital sectors on the rule of law. The theme envisages a review of Curaçao and Sint Maarten's gambling sectors with the purpose of reforming them and increasing government revenue. Curaçao developed a plan for the modernization of the online gambling sector, including the setting up of an independent regulator that would be in charge of granting licenses and supervising the sector. The Curaçao authorities are drafting required legislation/regulations.

2. Specific measures are elaborated in implementation agendas covering a period of one quarter. The latest implementation agendas cover the third quarter of 2022. So far, these implementation agendas have focused on the stock-taking studies, planning, and preparing for reforms, although considerable progress has already been made in financial sector reforms.

3. The authorities are working with The Netherlands on the design of a successor arrangement to the Temporary Work Organization (TWO) that would support and monitor the reforms on a more permanent basis. The TWO supports the reform projects by contributing to the projects' development and organization, financing expertise if required, and supervising implementation. The formal establishment of a permanent arrangement requires the approval of the Kingdom-level legislation by the Dutch parliament. The COHO was intended to be governed by a board of three members and include departments responsible for supporting relations with each country, supervision, finance, and operations. Before the successor arrangement is formally established, implementation agendas are agreed with the TWO, a transitional organization which would be transformed to a new body after legislation is passed.

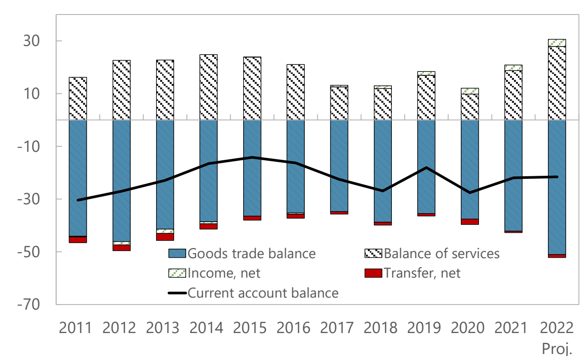
Annex III. External Sustainability Assessment

The assessment relies on a basic indicator approach as data constraints and inconsistencies preclude model-based analysis. The external positions in both Curaçao and Sint Maarten are assessed to be weaker than warranted by fundamentals and desired policy settings, on account of large and persistent current account deficits in both countries and a significant negative net international investment position in Sint Maarten. In the medium term the absence of exchange rate flexibility requires fiscal policy and structural measures to bear the burden of adjustment to restore sustainability.

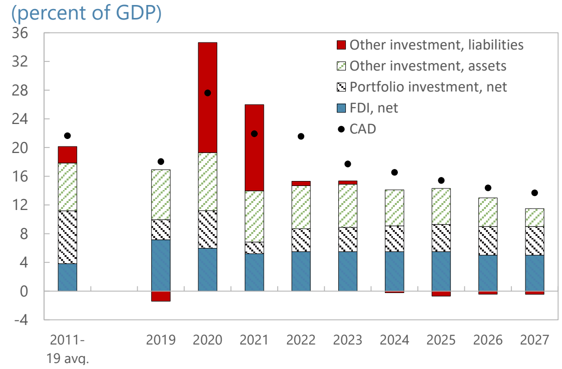
A. Curaçao

1. The pandemic widened Curaçao's CAD from 18 percent of GDP in 2019 to 21.9 percent of GDP in 2021. The pandemic took its toll in 2020 and 2021 with both consumption and investment imports and tourism exports collapsing. In 2021, the CAD narrowed as tourism exports picked up in the second half. In 2022, the CAD is projected to remain broadly the same on account of continued recovery of tourism is offset by terms of trade shock due to the war in Ukraine. In the medium term, the CAD is expected to narrow to below 14 percent of GDP, supported by financial inflows that are broadly comparable to their historical averages.

Curaçao: Current Account Balance, 2011-2022
(percent of GDP)



Curaçao: CAD and Financial Account Flows, 2019-2027
(percent of GDP)

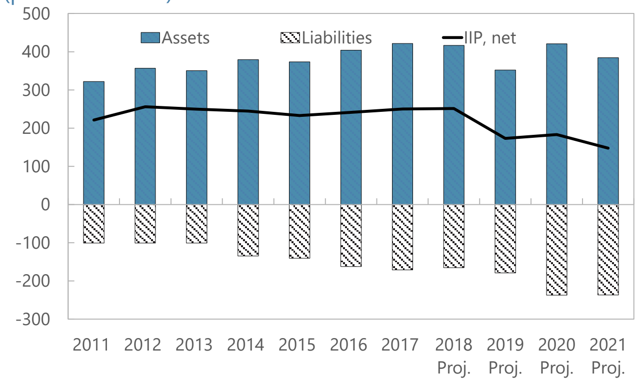


Sources: CBCS and IMF staff calculations.

2. Despite the large CADs, Curaçao is still a net creditor due to substantial assets held by the financial system. According to the CBCS' preliminary estimates, the NIIP amounted to 173 percent of GDP in 2019. Using BOP flows, staff estimated that the NIIP declined to about 150 percent of GDP in 2021. The large and persistent CADs are expected to reduce the NIIP over the medium term.

3. **The real effective exchange rate (REER) indexes and the "Week at the beach" (W@TB) index do not suggest a price competitiveness issue (Figure AIII.1).**[1] In Curaçao, the REER estimated using trading partner weights over the past 10 years suggests a sharp appreciation due to Venezuela. The REER excluding Venezuela—which is more appropriate given that the trade with Venezuela is nearly zero—is flat, and the W@TB index suggests that Curaçao remains a relatively low-cost destination.

Curaçao: International Investment Position
(percent of GDP)



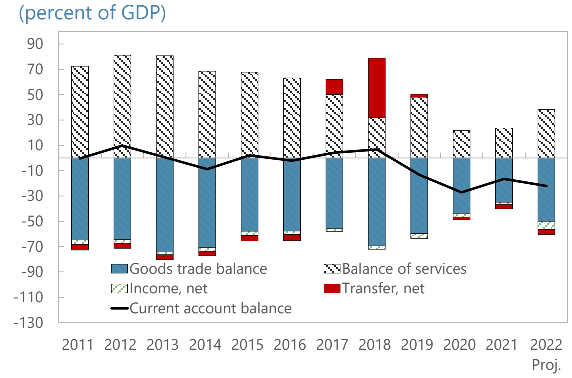
Sources: CBCS and IMF staff calculations.

B. Sint Maarten

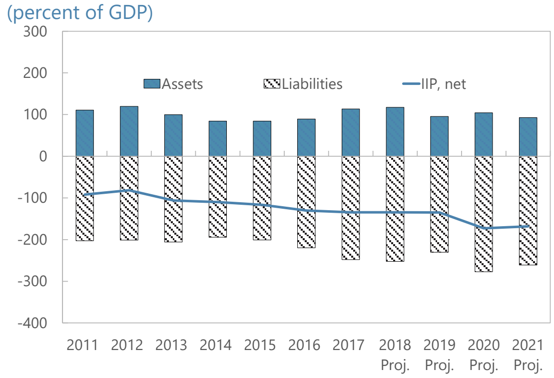
4. **The current account deficit (CAD) in Sint Maarten has grown sharply since running surpluses in 2017-18.** The CAD widened to nearly 30 percent of GDP in 2020 but is estimated to have eased slightly to 26 percent of GDP in 2021. It is expected to increase again in 2022 due to the increase in imports from a recovering economy, planned investments including the airport reconstruction, and the sharp increase in prices due in part to the war in Ukraine. In the medium term the CAD is expected to narrow towards balance as the tourism recovery takes hold.

5. **The net international investment position (NIIP) is estimated to be negative.** Preliminary IIP estimates are available only through 2019 and indicate a negative NIIP of 138 percent of GDP in 2019. Estimating NIIP based on BOP flows suggest that the NIIP worsened to a negative 168 percent of GDP by 2021. The NIIP is likely to worsen over the medium term as liabilities continue to expand to fund the CAD, exacerbated by price effects related to the war in Ukraine.

Sint Maarten: Current Account Balance, 2011-2022
(percent of GDP)



Sint Maarten: International Investment Position
(percent of GDP)



Sources: CBCS and IMF staff calculations.

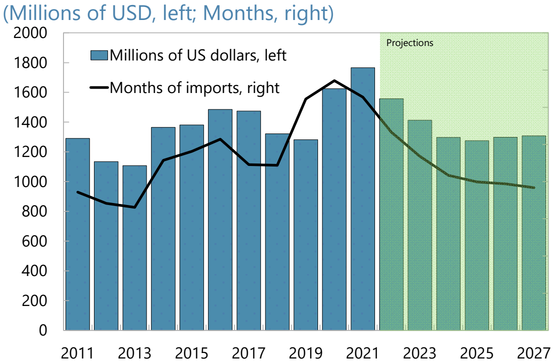
[1] The W@TB index is based on Laframboise, Mwase, Park, and Zhou (2014), IMF Working Paper No. 14/229.

6. The real effective exchange rate (REER) indexes and the W@TB index do not suggest a price competitiveness issue (Figure AIII.1). Sint Maarten's REER has appreciated by 9.4 percent since 2008. However, the W@TB index for Sint Maarten is still lower than the regional average.

Gross International Reserves of the Union

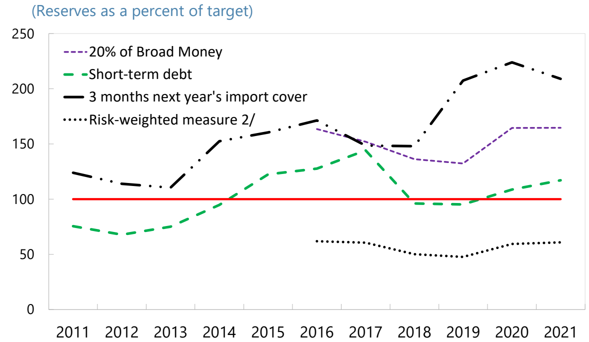
7. Gross international reserves (GIR) of the Union increased in 2020-21 in US dollar terms. GIR increased from US$1.3 billion in 2019 to US$1.8 billion in 2021. In 2021, GIR were at 5.6 months of imports of goods and services, 112 percent cover of short-term debt, more than 20 percent cover of broad money), but below the IMF's risk-weighted measure.[2] They are projected to decline to around 5 months of imports in 2022 and decrease to around 3.8 months of imports in the medium term.

The Union: International Reserves
(Millions of USD, left; Months, right)



Sources: CBCS and IMF staff calculations.

Reserve Adequacy 1/
(Reserves as a percent of target)



Source: IMF staff estimates.
1/ Values >100 indicate reserves in excess of the metric recommended level.
2/ Based on IMF policy paper *Assessing Reserve Adequacy*, 2011.

External Debt of the Union

8. The external debt of the Union increased from 165 percent of GDP in 2017 to an estimated 223 percent of GDP in 2021 (Figure AIII.2 and Table AIII.1). The Union's debt liabilities are estimated as a sum of corresponding debt liabilities of Curaçao and Sint Maarten. This approach may overestimate the total external debt of the Union as cross-claims between its members should be treated as domestic debt, although the discrepancy is likely to be small given the low volume of cross-border financial linkages between Curaçao and Sint Maarten. The main drivers of the increase were government borrowing from The Netherlands and the decline in nominal GDP in 2020.

9. The stock of external debt is expected to gradually decrease in the medium term to 180 percent of GDP. The external current account deficits are the primary contributors, although they are likely to be financed not only by debt liabilities but also by drawing down foreign assets, which limits the accumulation of external debt. External debt of the Union is vulnerable to several

[2] IMF, 2011, Assessing Reserve Adequacy, available from https://www.imf.org/external/np/pp/eng/2011/021411b.pdf

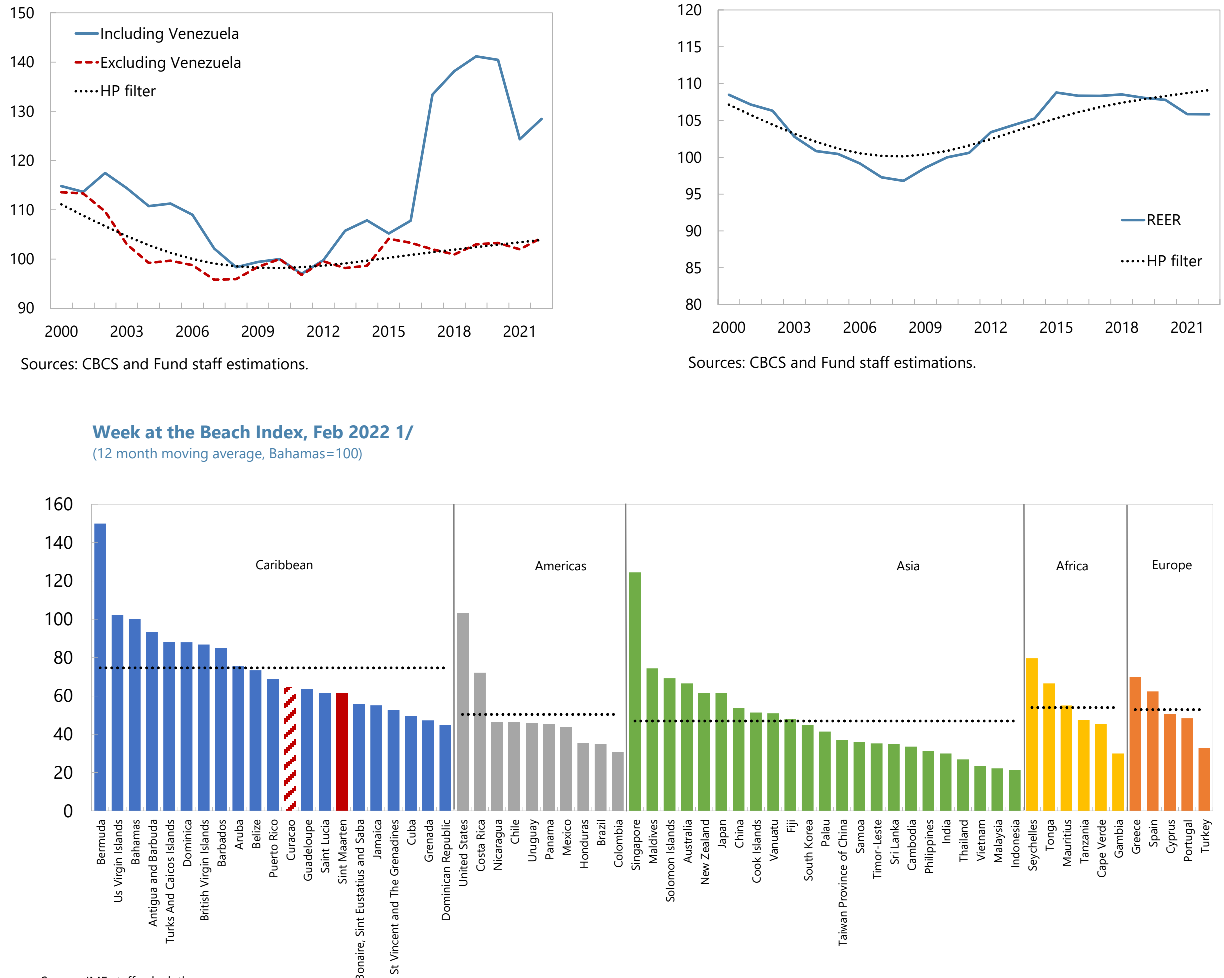
macro shocks which result in a rising debt path. Under the growth shock and combined shock, the external debt would not be on the decreasing trend in the medium term.

Figure AIII.1. Curaçao and Sint Maarten: External Competitiveness Indicators

Curaçao: Real Effective Exchange Rate, 2000-2022
(Index: 2010=100)

Sint Maarten: Real Effective Exchange Rate, 2000-2022
(Index: 2010=100)

Week at the Beach Index, Feb 2022 1/
(12 month moving average, Bahamas=100)

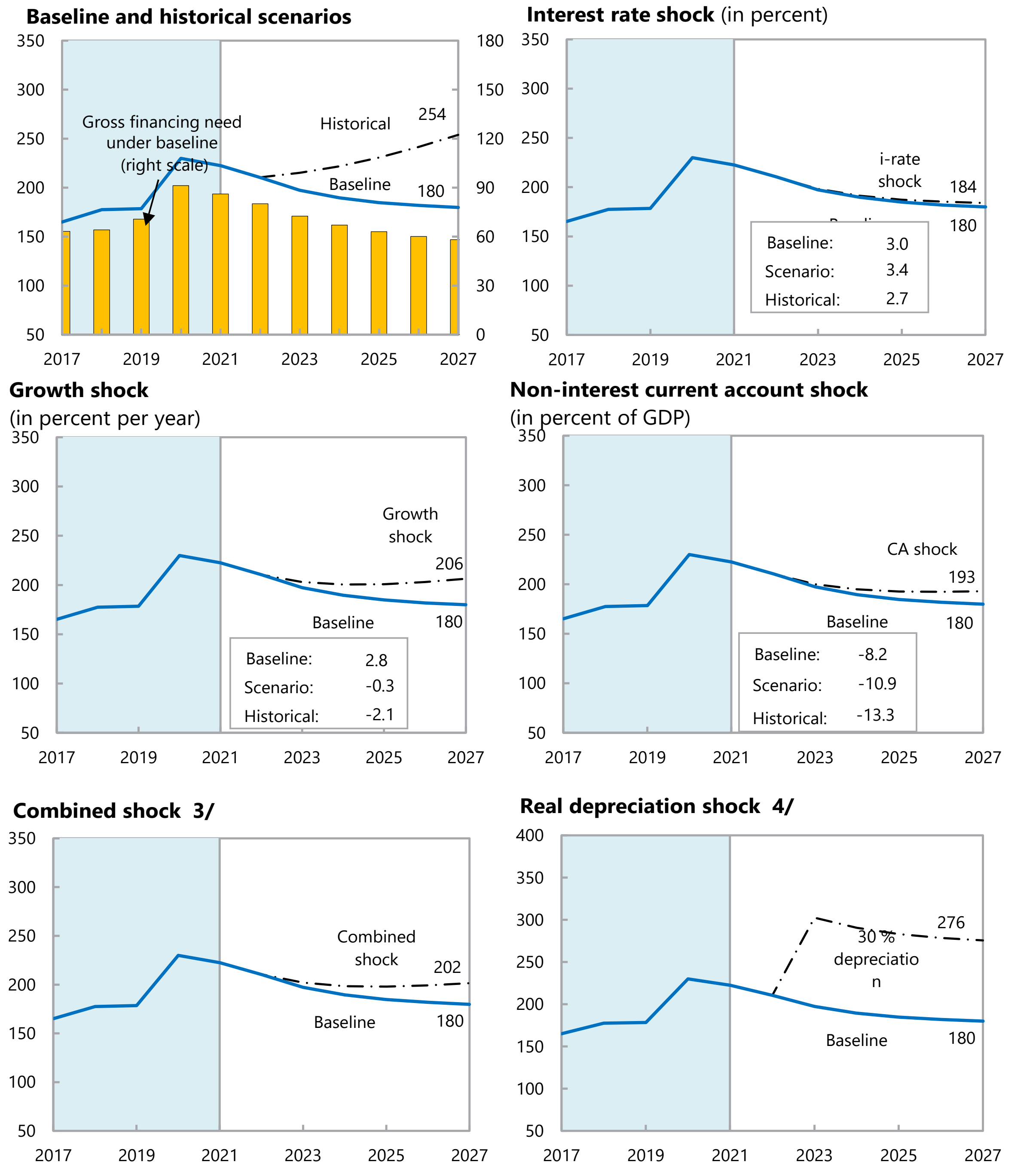


Sources: CBCS and Fund staff estimations.

Sources: CBCS and Fund staff estimations.

Source: IMF staff calculations.
1/ "Week at the Beach Index (W@TB)" measures the average cost of a 7-day-trip in a country's beach destinations.
The index is a composition of an average hotel price (3 to 4 'bubble' rating) from TripAdvisor and over 80 million crowdsourced data on meals, taxi fares, water, coffee, and beer.

Figure AIII.2. Curaçao and Sint Maarten: External Debt Sustainability: Bound Tests 1/ 2/
(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
4/ One-time real depreciation of 30 percent occurs in 2022.

Table AIII.1. Curaçao and Sint Maarten: External Debt Sustainability Framework, 2017-27

(In percent of GDP, unless otherwise indicated)

	Actual							Projections						
	2017	2018	2019	2020	2021			2022	2023	2024	2025	2026	2027	**Debt-stabilizing non-interest current account 6/**
Baseline: External debt	165.1	177.5	178.5	230.0	222.5			**210.5**	**197.4**	**189.6**	**184.8**	**181.9**	**179.9**	**-2.9**
Change in external debt	14.0	12.5	1.0	51.5	-7.5			-12.0	-13.1	-7.8	-4.8	-2.9	-2.0	
Identified external debt-creating flows (4+8+9)	15.0	19.3	5.7	61.6	4.3			7.2	8.0	7.7	7.4	6.5	6.1	
Current account deficit, excluding interest payments	11.2	14.4	12.4	23.6	20.3			17.5	12.0	9.0	7.9	6.6	5.5	
Deficit in balance of goods and services	17.3	29.6	16.2	25.6	21.5			19.6	15.0	11.6	9.5	7.9	6.7	
Exports	66.1	66.6	67.9	43.9	54.0			61.0	61.3	62.3	62.9	63.5	64.3	
Imports	83.4	96.2	84.1	69.5	75.5			80.6	76.2	73.9	72.5	71.4	71.0	
Net non-debt creating capital inflows (negative)	-4.1	0.5	-5.7	0.0	-1.4			-1.4	-1.4	-1.4	-1.4	-1.3	-1.3	
Automatic debt dynamics 1/	7.9	4.4	-1.0	37.9	-14.6			-8.9	-2.6	0.2	0.8	1.2	1.9	
Contribution from nominal interest rate	3.8	3.3	3.9	3.4	2.5			4.3	6.3	6.3	5.0	4.8	4.8	
Contribution from real GDP growth	5.7	6.7	-1.2	38.9	-11.4			-13.2	-8.9	-6.1	-4.2	-3.5	-2.9	
Contribution from price and exchange rate changes 2/	-1.6	-5.6	-3.7	-4.3	-5.7			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	-1.0	-6.8	-4.7	-10.1	-11.8			-19.2	-21.2	-15.5	-12.2	-9.4	-8.1	
External debt-to-exports ratio (in percent)	249.8	266.6	262.7	523.6	412.2			345.3	322.1	304.4	293.6	286.5	279.6	
Gross external financing need (in millions of US dollars) 4/	2628.3	2651.2	3004.7	3246.6	3311.6			3361.1	3339.1	3288.6	3248.1	3231.0	3237.7	
in percent of GDP	63.2	64.2	70.8	91.3	86.1	10-Year	10-Year	80.2	72.7	67.1	63.0	60.1	58.1	
Scenario with key variables at their historical averages 5/								**210.5**	**215.1**	**221.8**	**230.7**	**241.7**	**253.8**	**5.2**
Key Macroeconomic Assumptions Underlying Baseline						Historical Average	Standard Deviation							
Real GDP growth (in percent)	-3.7	-4.0	0.7	-18.3	5.4	-2.1	6.2	6.5	4.7	3.3	2.3	2.0	1.7	
GDP deflator in US dollars (change in percent)	1.1	3.5	2.1	2.5	2.6	2.3	1.8	2.5	4.7	3.3	2.7	2.2	2.0	
Nominal external interest rate (in percent)	2.4	2.0	2.2	1.6	1.2	2.7	0.9	2.1	3.3	3.4	2.8	2.7	2.7	
Growth of exports (US dollar terms, in percent)	-11.3	0.1	4.9	-45.8	32.8	-2.0	20.0	23.2	10.2	8.5	6.2	5.2	5.0	
Growth of imports (US dollar terms, in percent)	0.8	14.6	-10.1	-30.7	17.3	-2.0	13.8	16.4	3.7	3.5	3.0	2.7	3.1	
Current account balance, excluding interest payments	-11.2	-14.4	-12.4	-23.6	-20.3	-13.3	5.4	-17.5	-12.0	-9.0	-7.9	-6.6	-5.5	
Net non-debt creating capital inflows	4.1	-0.5	5.7	0.0	1.4	1.2	2.2	1.4	1.4	1.4	1.4	1.3	1.3	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

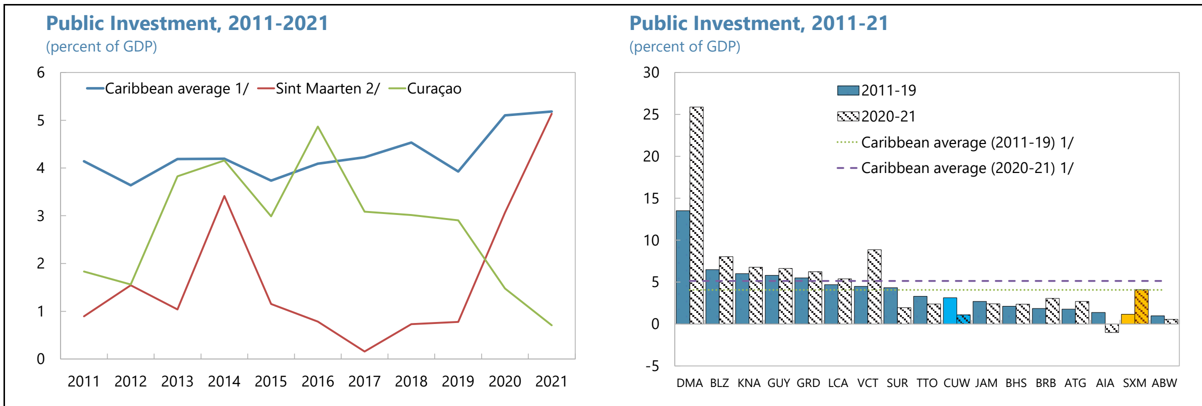
6/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Annex IV. Public Investment in Curaçao and Sint Maarten

Public investment in both Curaçao and Sint Maarten has at times fallen well below similar economies in the Caribbean. High quality public investment planning and implementation is a crucial element for growth and facilitates sustained reduction in public debt. Recent literature on this topic underlines the power of investment to facilitate long run output growth, especially for countries like Curaçao and Sint Maarten. The literature also emphasizes the critical role of public investment management for realizing positive effects on long-term growth.

A. Public Investment in Curaçao and Sint Maarten from a Cross-Country Perspective

1. Before the pandemic, public investment in Curaçao and Sint Maarten was lower than the Caribbean average. As a share of GDP, public investment was 4 percent of GDP for the Caribbean on average. During 2011-19, public investment in Curaçao averaged 3 percent of GDP while Sint Maarten's average was only 1 percent of GDP. During the pandemic, public investment in Curaçao fell in response to the shock, deepening the gap with the Caribbean average. In Sint Maarten, government investment was close to zero, although the acceleration of the execution of the reconstruction projects under the Trust Fund bumped up overall public investment to 5 percent of GDP in 2021, above the Caribbean average.



Sources: Curaçao and Sint Maarten authorities, the WEO database and IMF staff calculations.
1/ Based on 17 Caribbean countries.
2/ Including Trust Fund projects.

B. Importance of Public Investment for Long-term Economic Growth.

2. In addition to its positive short-term impact on the domestic demand, public investment is essential to raise long-term economic growth, to progress toward the Sustainable Development Goals (SDGs), and to strengthen economies' resilience to crises (IMF, 2020). The impact of public investment on long-term economic growth is measured as the response of GDP to a change in government spending – the investment multiplier, often divided into short- and long-term multipliers. The impact (short-term) multiplier measures the change in output in period *t* resulting from a change in government spending in the same period. Cumulative (long-term) public investment multiplier measures the cumulative impact of a change in government spending in period *t* on output. Given that the full impact of investment on output takes time, the cumulative multiplier is the most appropriate for informing public investment decisions.

3. **Recent studies show that public investment is more potent in affecting GDP in small states.** They have estimated higher multipliers than multipliers for total primary spending. Alichi, Shibata, and Tanyeri (2019) estimate cumulative public investment multiplier ranging from 0.6 to 1.1 using a forecast error model. In another study, Azquierdo et al. (2019) using European States, US States, and Argentine provinces find that public investment multipliers can be even larger when the capital stock is low. They estimate a cumulative multiplier of 2.03 in just over 2 years for countries with low capital stock. Ardanaz, et al. (2021) find that reduction in public investment of 1 percent of GDP reduces output by about 0.5 percent during the fiscal consolidation but this effect rises to 0.7 percent within three years of the consolidation's onset. Furthermore, they find that increasing the share of public investment in public spending by 1 percent increases private investment by 3.6 percent.

4. **Initial capital stock, government spending composition, and the state of the economy affect the size of the multiplier.** Increasing the share of investment in public spending tends to increase the fiscal multiplier (Ardanaz et al., 2021). Initial stock of public investment also affects the size of the investment multiplier (Azquierdo et al., 2019). The lower the initial capital stock the higher the multiplier for public investment as additional capital is more productive when the starting stock is low. The state of the economy also affects the size of public investment multiplier, with multipliers being larger during recessions when high levels of unemployment lead to low household income (Alichi, Shibata, and Tanyeri 2019).

5. **Public investment also has direct and indirect effects on job creation, but impact depends on the sector.** For example, water and sanitation and electricity display greater job intensity than roads, schools, and hospitals (Schwartz, Andres, and Dragoiu 2009). Investment in green energy can also be labor intensive in the short term. In addition, public investment generates indirect impact through outsourcing and increased demand for goods and services. Public investment in roads, energy systems, and water and sanitation can catalyze private investment and contribute to prosperity in high productivity sectors like manufacturing (Ardanaz et al., 2021).

6. **Building resilience to natural disasters and promoting adaptation to climate change increases the growth impact of public investment**. Both Sint Maarten and Curaçao are vulnerable to climate change. Sint Maarten is located in the hurricane belt of the Caribbean and hence is predicted to experience more rainfall during the wet season leading to flooding and more frequent and violent hurricanes (Debrot and Bugter, 2010). The 2017 hurricanes Irma and Maria caused widespread economic devastation in Sint Maarten. Although Curaçao is not in the hurricane belt, it also faces rising risks of climate change, including torrential rains leading to flooding, rough seas, costal inundation, droughts, heat waves, and losses of biodiversity (Meteorological Department Curaçao, 2019). Therefore, building climate-friendly and resilient infrastructure will be key to maximizing the impact of public investment on growth.

C. Increasing the Quality of Public Investment.

7. Strengthening public sector investment management will be key to enhance efficiency and productivity of public investment. Good project planning and the quality of policies and institutions matter for project outcomes (Isham, Kaufmann, and Pritchet 1999, Denizer, Kaufmann, and Kraay 2013). In this regard, reforms must seek to strengthen public institutions so that public investment is more predictable, credible, efficient, and productive. IMF (2015) estimates this can close infrastructure gap by up to two-thirds. Both Curaçao and Sint Maarten would benefit from strengthening capacity for project planning, implementation, and allocation. For example, they could create institutions for planning, appraisal, and monitoring of the implementation of projects.

8. The literature highlights the importance of transparency and well governed institutions at all levels of the public investment management (PIM) cycle: planning, allocation, and implementation (IMF 2015). A good PIM must (i) plan a sustainable level of investment across the public sector, (ii) allocate investment to the right projects, using multiyear budgeting and project appraisal and selection; (iii) implement projects on time and on budget through appropriate funding, monitoring and execution as well as protecting investment through adequate maintenance (Mitchell et al., 2020).

9. Curacao and Sint Maarten need to ramp up public investment to boost medium to long-term economic growth. To this effect, they need to allocate adequate resources for proper maintenance of existing capital, and gradually ramp up new investment projects. A gradual scaling up of public investment financed by borrowing could pay off with positive short- and long-term multipliers.

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Annex V. Debt Anchors: Caribbean Practice and Illustrative Calculations for Curaçao and Sint Maarten

A debt anchor can form an important part of a medium-term fiscal framework — establishing a long run objective and anchoring the medium-term path to achieve it. Debt anchors are common in the Caribbean where low economic diversification and hurricanes require fiscal policy to establish buffers against risks. Illustrative calculations for Curaçao and Sint Martin suggest anchors at the low end of the range seen in the region given their high exposure to macroeconomic and natural disaster shocks.

1. **Setting long-term fiscal anchor can be an important first step in establishing a medium-term fiscal framework alongside operational fiscal rules/targets, supportive fiscal institutions, and policy intentions.**[1] Debt anchors are the longest run out of several common fiscal targets, and present a vision of where a country needs to be to be adequately prepared of shocks. In the context of a well-developed fiscal strategy, an anchor can enhance fiscal discipline and strengthen investors and consumers' confidence on the government fiscal stance and policies. Many countries explicitly incorporate such anchors into their fiscal frameworks, ensuring the consistency in the fiscal stance over time.

Caribbean Experience

2. **Debt anchors are common in the Caribbean.** Eight of 17 Caribbean countries have debt anchors ranging from 50 to 70 percent of GDP. In addition to the national debt anchors, countries in the Eastern Caribbean Currency Union (ECCU) have a regional debt ceiling of 60 percent of GDP to be reached in 2035.

Text Table: Public Debt Anchors (percent of GDP)

	National		Regional (ECCU)	
	Ceiling / Target	Timeline	Ceiling / Target	Timeline
Antigua and Barbuda	70	2030	60	2035
The Bahamas	50	FY2030/31 1/		
Dominica	60	2035	60	2035
Grenada	55	2025	60	2035
Jamaica	60	FY2027/28 2/		
St. Kitts and Navis			60	2035
St. Lucia			60	2035
St. Vincent and the Grenadines	60	2030	60	2035

Source: IMF fiscal rule database.
1/ July - June.
2/ April - March.

[1] See IMF 2018, How to Calibrate Fiscal Rules: A Primer.

3. Six countries also have operational targets to reduce the debt to the anchor. The forms of the operational targets differ across countries, including revenue and/or expenditure targets (Antigua and Barbuda, Grenada, The Bahamas, and St. Vincent and Grenadines), overall balance target (The Bahamas), and primary balance target (Dominica, Grenada, and Jamaica). The countries covered here intend to reach their debt targets by 2035 at the latest.

Text Table: Operational Targets

Country	Targets
Antigua and Barbuda	Primary surplus between 0.5 and 1 percent of GDP by 2023. Overall deficit of less than 1.5 percent of GDP by 2024. Tax-to-GDP ratio of at least 18 percent by 2023 and 20 percent over the medium term. Wage bill not exceeding 9 percent of GDP by 2025.
The Bahamas	Overall deficit of less than 0.5 percent of GDP by FY2024/25.
Dominica	Primary balance floor of 2 percent of GDP by 2026.
Grenada	Primary balance floor of 3.5 percent of GDP. Public expenditure growth lower than 2 percent in real terms (excl. grant-financed capital expenditure). Public wages lower than 9 percent of GDP.
Jamaica	Primary balance path.
St. Vincent and the Grenadines	Primary balance rule (deficit ceiling of 1.2 percent of GDP for 2021-23 on average; primary surplus of 2.7 percent of GDP from 2024 onwards. Expenditure rule: (current spending growth does not exceed nominal GDP growth; (ii) wage bill does not exceed 12.5 percent of GDP from 2022.

Sources: Country authorities, IMF fiscal rule database and country desk information.

4. The intended timing to achieve debt anchors, along with other aspects of fiscal rules, have been revised over time in most countries. For example, the Covid-19 pandemic substantially increased the government debt, forcing the government to change their course toward the debt targets. Barbados introduced new operational rules to ensure the fiscal consolidation path toward the debt targets.

Stochastic Simulation-Based Approach for Curaçao

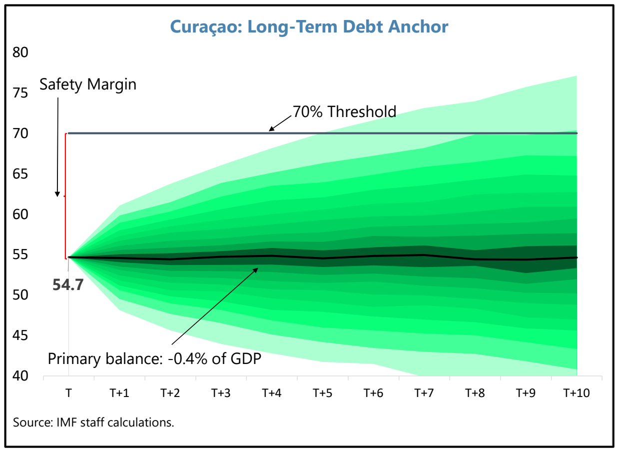
5. Curaçao and Sint Maarten are subject to substantially higher risks than other countries. Their small size, high external openness, and low economic diversification leave them exposed to large shocks, dramatically illustrated by the pandemic as well as the closing of the refinery in Curaçao. Sint Maarten is subject to additional exposure from hurricanes as the substantial damage in 2017 attests. Well-designed debt anchors should appropriately these capture these risks.

6. One approach, illustrated here, is to identify a high-risk debt level, and then to establish a debt anchor which assures that debt remains below this level with high probability.[2] The high-risk level is set here at 70 percent of GDP, an indicative threshold in the

[2] See IMF 2018, How to Calibrate Fiscal Rules: A Primer.

market-access country DSA.[3] A debt path beginning at this debt level is simulated using shocks derived from a VAR estimated on the historical macroeconomic experience of the country. Fiscal policy responds to these shocks according to a standard fiscal reaction function and each simulation yields a debt path over a time horizon of 10 years. This exercise is repeated for different starting points to find a starting debt anchor so that debt remains below 70 percent of GDP at the end of 90 percent of simulations.

7. The calculation for Curaçao yields a debt anchor of about 55 percent of GDP, on the lower end of the range of targets seen in the region. Once established, a primary balance of -0.4 percent of GDP in the median scenario is sufficient to maintain debt at this level. The result is driven by the very large shocks seen in the short historical time series for Curaçao (2001-2021). Both the decline of the refinery in 2016-19, and the effects of the pandemic are captured. These shocks highlight underlying vulnerabilities in Curaçao, reflecting low diversification away from the refining and tourism sectors. Nevertheless, it is unlikely that two shocks of this magnitude will occur every 20 years. A more moderate shock process would imply a higher calculated debt anchor.



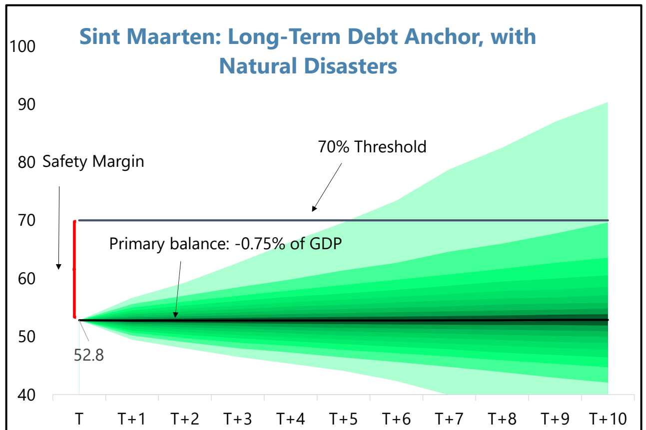
Adding Natural Disasters for Sint Maarten

8. Sint Maarten features similar risks to Curaçao but adds a very important one. Located in the hurricane belt of the Caribbean, powerful storms regularly transit the country with sometimes devastating effects. An optimal debt anchor would seek to build a substantial buffer in non-hurricane years in anticipation of their eventual return.

9. Natural disasters are not well-captured by VAR estimation, as shocks are asymmetric (downside only) and fat tailed. For the debt anchor calculation in Sint Maarten a natural disaster layer is added in which shocks are drawn from a pareto distribution. The parameters of the shock are picked to match a few key stylized facts – hurricanes at least brush the island somewhat less than every 3 years, big hurricanes that reduce growth by at least 5 percent of GDP arrive about once every 20 years, and the combination of hurricanes seen in 2017 would occur about every 50 years. Unlike some larger islands and island chains in the Caribbean a hurricane hitting any part of Sint Maarten will hit all of Sint Maarten. Matching these targets yields a highly skewed distribution. The macroeconomic shock layer for Sint Maarten was estimated on data from 2006-2016 to avoid double-counting the hurricanes and the pandemic, its own type of natural disaster. Fiscal series were smoothed in 2007 and 2010 for structural breaks associated with independence.

[3] See Table 7 in IMF, 2013, Staff Guidance Note for Public Debt Sustainability Analysis in Market-Access Countries.

10. The resulting calculation yields a debt anchor of 52.8 percent of GDP, again on the low side of debt anchors for the region. This debt anchor is maintained in the median simulation with a target primary balance of -0.75 percent of GDP. The range of outcomes due to low-frequency but high-impact shocks is much wider than in Curaçao, as seen in the chart. The simulations emphasize the trade-offs in the chosen parameters. A debt anchor which would keep debt below 70 percent of GDP in the face of one or more years like 2017 over the course of a decade would need to be very low. We calibrate a debt anchor which keeps debt below 70 percent of GDP in 95 percent of simulations (rather than 90) would be in the low 40's.



Source: IMF staff calculations.

11. Climate change is expected to increase the frequency and intensity of hurricanes in the future. To reflect this, the distribution of the natural disaster shocks can be recalibrated to imply 15 percent stronger hurricanes on average, which is consistent with estimates for similar countries in the Caribbean in a 'no policy action' scenario with warming of 2 degrees Celsius by 2055.[4] With this stronger shock distribution, the calibrated debt anchor is only slightly lower, at 52.2 percent of GDP, but the overall balance needed to sustain the anchor is -0.5 percent of GDP every year.

Integration with Medium-Term Frameworks

12. Curaçao and Sint Maarten are highly exposed to shocks and a prudent debt anchor which reflects these risks can form and important component of a medium-term fiscal framework. The determination of a debt anchor should be a consultative process and consider a diversity of models and perspectives, as well a communication objective. The calculations presented here are intended as illustrations. The choice of a 10-year horizon, and a 90 percent target are broadly reasonable, but no parameters have yet become well established, and the results of the exercise vary widely based on these choices. The results do fall withing the range of regional comparators, and at the low end which is consistent with both countries' small, open, and undiversified economies.

[4] See the Network for the Greening of the Financial Sector's Climate Impact Analysis website.

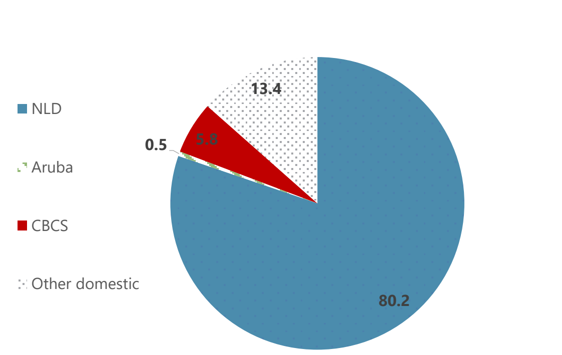
Annex VI. Curaçao: Public Debt Sustainability Analysis[1]

Significant accumulation of government debt in the past decade raised concerns about its sustainability. Curaçao's government debt is assessed as sustainable conditional on the consistent implementation of the consolidation measures and continuation of access to external financing at favorable terms. The government debt-to-GDP ratio would be on a downward trajectory over the medium term under the staff's baseline projections and all the shock scenarios, although some of the shock scenarios bring the government debt to above 90 percent of GDP.

1. Debt stock and financing needs. The pandemic significantly worsened the fiscal position, increasing the government debt to 89.2 percent of GDP in end-2021 from 57.9 percent in end-2019. Gross financing needs (GFN) declined to 7.5 percent in 2021 from 17.1 percent in 2020 due to the substantial decline in the primary deficit, but it is still significantly higher than before the pandemic. The debt to GDP ratio is projected to decrease to 83.3 percent in 2022 reflecting a robust recovery of the economy. The decreasing trend is expected to continue over the medium term, reducing the debt to 61.2 percent of GDP. Despite the further decline in the deficit, the GFN in 2022 increased to 20.4 percent of GDP because the liquidity support loans (NA*f* 911 million or 17.5 percent of GDP) received from The Netherlands during the pandemic matured in April. These loans were rolled over with a zero-interest rate, 18-months, bullet loan, maturing in October 2023. Thus, the 2023 GFN would remain high as 17.2 percent of GDP. These financing needs are assumed to be rolled over by a long-term loan from The Netherlands with non-zero interest rate. After 2023, the GFN would revert to the pre-pandemic level.

2. Debt profile. The Netherlands accounts for the bulk (80 percent) of Curaçao's government debt. The assumption of Girobank's liability to the CBCS by the budget in 2020 increased government debt by 6 percent of GDP and accounts for 5.8 percent of the total debt. There are very small liabilities to Aruba. The remainder of the debt stock (13.4 percent) is to the domestic sector. Although the external debt accounts for 85 percent of total debt, it is denominated in local currency. Apart from the liquidity support loans with maturity of 18 months, all other loans from The Netherlands have much longer maturities.

Curaçao: Government Debt Holders, 2021



Source: IMF staff calculations.

3. Debt vulnerability. The heat map should be interpreted with caution. While the heat map captures the risk of the debt level appropriately, the "high risk" assessments for the GFN and debt profile reflect Curaçao's special circumstances. The high risk for the GFN is due to the high

[1] This debt sustainability analysis covers only debt by the budgetary central government. Liabilities of the public sector entities are not included.

amortization needs of the pandemic-related loans from The Netherlands. As long as Curaçao and The Netherlands agree on further rollovers of these loans — as assumed in the baseline projection — remaining financing needs would be low. GFN does not breach the threshold after 2024 under any of the shock scenarios. The high risk of external financing requirements is due to the large share of loans from The Netherlands, which stems from an idiosyncratic borrowing arrangement with the Kingdom of the Netherlands. As these loans are denominated in local currency, no currency mismatch risk exists.

4. Stress tests. Whereas the debt of stock in the baseline scenario follows a declining trend, stress tests point to vulnerabilities (Figure AVI.3).

- A temporary growth shock of one standard deviation for two consecutive years would keep the government debt at above 80 percent of GDP during the shock period, but the debt would resume the downward trend afterwards.
- Primary balance shock (a half of 10-year standard deviation for two consecutive years) and interest rate shock (650 basis points over the medium term) would slow down the fiscal consolidation pace, but the debt would still continue to decline over the medium term.
- Under the combined macro-fiscal shock scenario combining concurrent growth, primary balance, interest rate and real effective exchange rate shocks, government debt stock rises to 90 percent of GDP and remains elevated above the initial level (83.3 percent of GDP) even in 2027.
- The contingent liability scenario illustrates that the financial sector could be the significant risk factor for the government. The scenario includes one-time increase in primary expenditures by 10 percent of banking sector assets, a growth shock of one standard deviation for two consecutive years, and lower inflation by 25 percent of the difference in GDP growth. Under this scenario, the government debt would be about 100 percent although the debt could revert to the downward trajectory.

5. Shock simulations. It is also important to consider Curaçao's vulnerability to macro shocks, including from climate change. The predictive density function illustrates the range of possible debt paths based on a stochastic simulation of shocks in line with historical data (Figure AVI.4). The distribution could also be wider as climate change could increase probability of stronger shocks.

Figure AVI.1. Curaçao: Public Sector Debt Sustainability Analysis - Baseline Scenario

(Percent of GDP unless otherwise indicated)

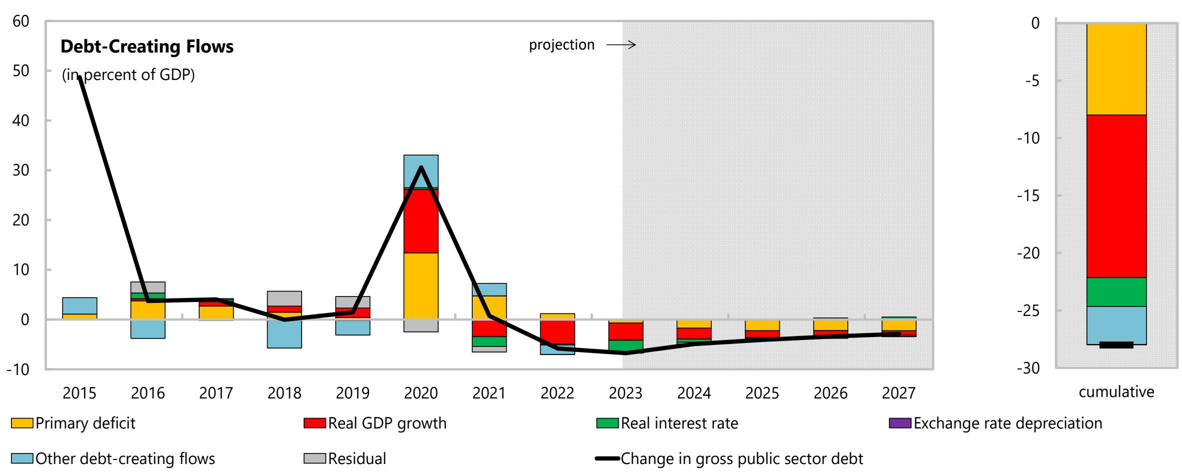
Debt, Economic and Market Indicators [1/]

	Actual			Projections					
	2016-2019 [2/]	2020	2021	2022	2023	2024	2025	2026	2027
Nominal gross public debt	55.8	88.4	89.2	83.3	76.6	71.6	67.5	64.1	61.2
Public gross financing needs	3.3	17.1	7.5	20.4	17.2	1.7	4.2	2.5	2.6
Real GDP growth (in percent)	-2.0	-18.4	4.2	6.0	4.5	3.0	2.0	2.0	1.5
Inflation (GDP deflator, in percent)	1.7	2.1	3.8	1.7	4.7	3.4	2.9	2.2	2.0
Nominal GDP growth (in percent)	-0.4	-16.7	8.1	7.8	9.5	6.5	5.0	4.2	3.5
Effective interest rate (in percent) [4/]	2.3	2.2	1.6	1.6	2.0	2.6	2.6	2.7	2.8

As of June 29, 2022		
Sovereign Spreads		
EMBIG (bp) 3/		n.a.
5Y CDS (bp)		n.a.
Ratings	Foreign	Local
Moody's	n.a.	n.a.
S&Ps	BBB-	BBB-
Fitch	n.a.	n.a.

Contribution to Changes in Public Debt

	Actual			Projections							
	2016-2019	2020	2021	2022	2023	2024	2025	2026	2027	cumulative	debt-stabilizing primary balance [9/]
Change in gross public sector debt	2.3	30.6	0.7	-5.8	-6.8	-4.9	-4.1	-3.4	-2.9	-28.0	
Identified debt-creating flows	0.5	33.1	1.9	-5.8	-6.7	-4.9	-4.1	-3.4	-2.9	-28.0	
Primary deficit	2.1	13.4	4.7	1.2	-0.7	-1.8	-2.2	-2.2	-2.2	-8.0	-0.7
Primary (noninterest) revenue and grants	30.5	31.8	30.0	31.0	30.2	30.9	30.8	30.8	30.8	184.4	
Primary (noninterest) expenditure	32.6	45.1	34.7	32.2	29.5	29.1	28.6	28.5	28.5	176.4	
Automatic debt dynamics [5/]	1.4	13.1	-5.4	-5.1	-5.7	-2.8	-1.6	-1.0	-0.4	-16.6	
Interest rate/growth differential [6/]	1.4	13.1	-5.4	-5.1	-5.7	-2.8	-1.6	-1.0	-0.4	-16.6	
Of which: real interest rate	0.3	0.3	-1.9	-0.2	-2.3	-0.7	-0.2	0.3	0.5	-2.5	
Of which: real GDP growth	1.1	12.8	-3.5	-5.0	-3.4	-2.2	-1.4	-1.3	-0.9	-14.1	
Exchange rate depreciation [7/]	0.0	0.0	0.0	…	…	…	…	…	…	…	
Other identified debt-creating flows	-3.0	6.6	2.5	-1.9	-0.3	-0.3	-0.3	-0.2	-0.2	-3.3	
Net Acquisition of financial assets	-3.0	6.6	2.5	-1.9	-0.3	-0.3	-0.3	-0.2	-0.2	-3.3	
Residual, including asset changes [8/]	1.8	-2.5	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	



Source: IMF staff.

1/ Public sector is defined as general government.

2/ Based on available data.

3/ Long-term bond spread over German bonds.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as $[(r - \pi(1+g) - g + ae(1+r)]/(1+g+\pi+g\pi))$ times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as $r - \pi (1+g)$ and the real growth contribution as $-g$.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as $ae(1+r)$.

8/ Includes asset changes and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

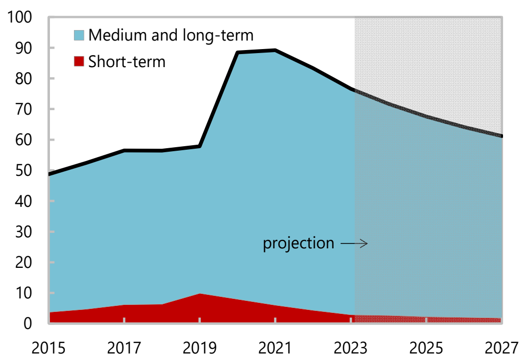
9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure AVI.2. Curaçao: Public Debt Sustainability Analysis - Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

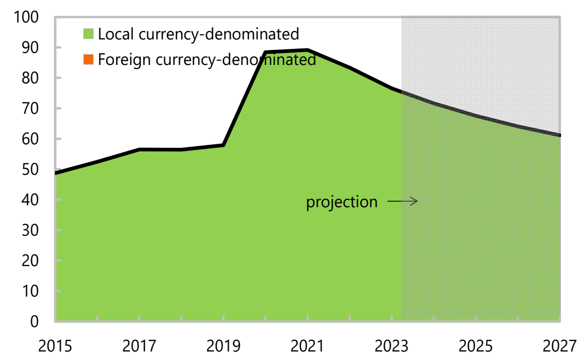
By Maturity 1/

(in percent of GDP)



By Currency

(in percent of GDP)

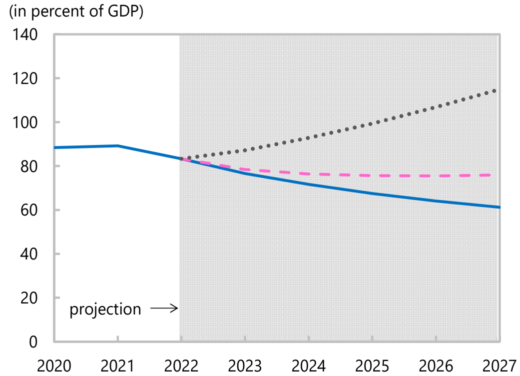


Alternative Scenarios

Baseline Historical Constant Primary Balance

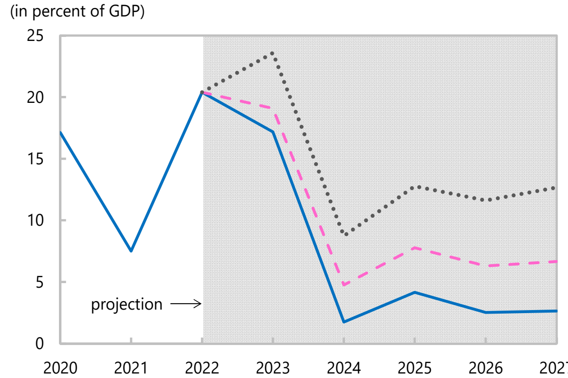
Gross Nominal Public Debt

(in percent of GDP)



Public Gross Financing Needs

(in percent of GDP)



Underlying Assumptions

(in percent)

Baseline Scenario	2022	2023	2024	2025	2026	2027
Real GDP growth	6.0	4.5	3.0	2.0	2.0	1.5
Inflation	1.7	4.7	3.4	2.9	2.2	2.0
Primary Balance	-1.2	0.7	1.8	2.2	2.2	2.2
Effective interest rate	1.6	2.0	2.6	2.6	2.7	2.8
Constant Primary Balance Scenario						
Real GDP growth	6.0	4.5	3.0	2.0	2.0	1.5
Inflation	1.7	4.7	3.4	2.9	2.2	2.0
Primary Balance	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
Effective interest rate	1.6	2.0	2.6	2.6	2.8	2.9

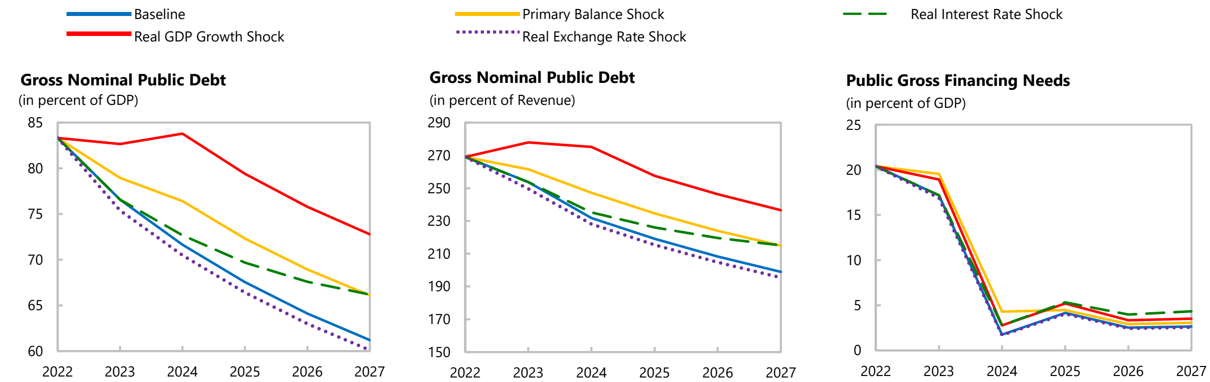
Historical Scenario	2022	2023	2024	2025	2026	2027
Real GDP growth	6.0	-2.4	-2.4	-2.4	-2.4	-2.4
Inflation	1.7	4.7	3.4	2.9	2.2	2.0
Primary Balance	-1.2	-4.4	-4.4	-4.4	-4.4	-4.4
Effective interest rate	1.6	2.0	2.8	2.9	3.1	3.3

Source: IMF staff.

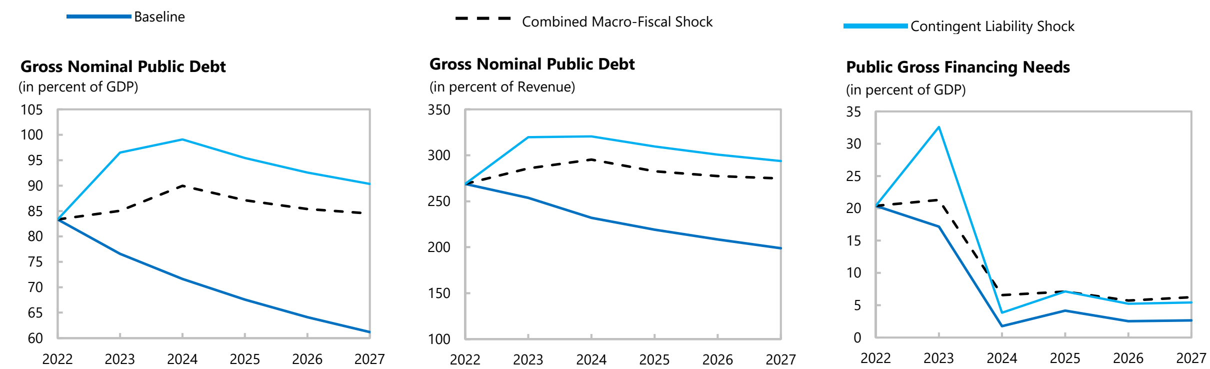
1/ Short-term debts are mostly trade credits and security deposits for immigration, custom, and utilities.

Figure AVI.3. Curaçao: Public Debt Sustainability Analysis - Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



	2022	2023	2024	2025	2026	2027
Primary Balance Shock						
Real GDP growth	6.0	4.5	3.0	2.0	2.0	1.5
Inflation	1.7	4.7	3.4	2.9	2.2	2.0
Primary balance	-1.2	-1.7	-0.6	2.2	2.2	2.2
Effective interest rate	1.6	2.0	2.7	2.8	2.9	3.0
Real Interest Rate Shock						
Real GDP growth	6.0	4.5	3.0	2.0	2.0	1.5
Inflation	1.7	4.7	3.4	2.9	2.2	2.0
Primary balance	-1.2	0.7	1.8	2.2	2.2	2.2
Effective interest rate	1.6	2.0	4.0	4.3	4.8	5.2
Combined Shock						
Real GDP growth	6.0	-1.5	-3.0	2.0	2.0	1.5
Inflation	1.7	3.6	2.2	2.9	2.2	2.0
Primary balance	-1.2	-2.1	-1.1	2.2	2.2	2.2
Effective interest rate	1.6	2.0	4.2	4.6	5.2	5.6

	2022	2023	2024	2025	2026	2027
Real GDP Growth Shock						
Real GDP growth	6.0	-1.5	-3.0	2.0	2.0	1.5
Inflation	1.7	3.6	2.2	2.9	2.2	2.0
Primary balance	-1.2	0.3	1.3	2.2	2.2	2.2
Effective interest rate	1.6	2.0	2.6	2.7	2.8	2.9
Real Exchange Rate Shock						
Real GDP growth	6.0	4.5	3.0	2.0	2.0	1.5
Inflation	1.7	6.4	3.4	2.9	2.2	2.0
Primary balance	-1.2	0.7	1.8	2.2	2.2	2.2
Effective interest rate	1.6	2.0	2.6	2.6	2.7	2.8
Contingent Liability Shock						
Real GDP growth	6.0	-1.5	-3.0	2.0	2.0	1.5
Inflation	1.7	3.3	1.9	2.9	2.2	2.0
Primary balance	-1.2	-13.3	1.8	2.2	2.2	2.2
Effective interest rate	1.6	2.1	3.8	3.8	3.8	3.9

Source: IMF staff.

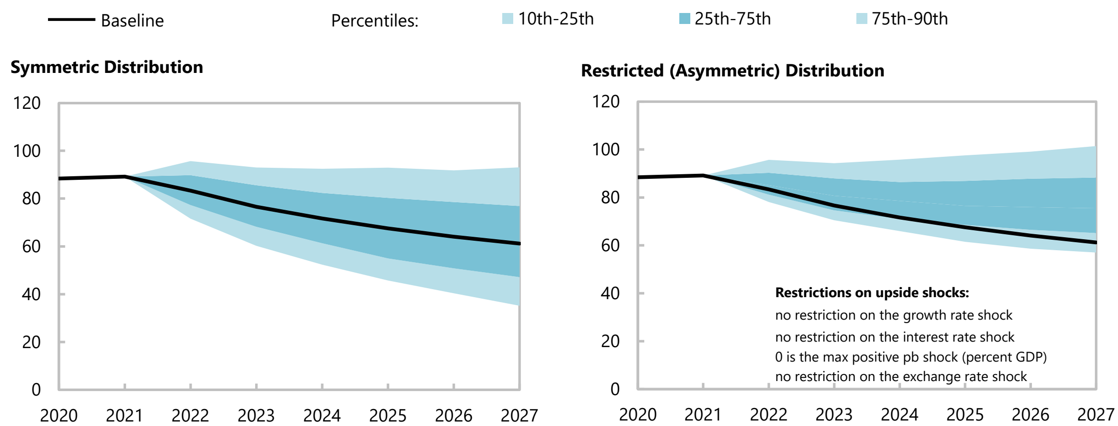
Figure AVI.4. Curaçao: Public Debt Sustainability Analysis Risk Assessment

Heat Map

Debt level 1/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs 2/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile 3/	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

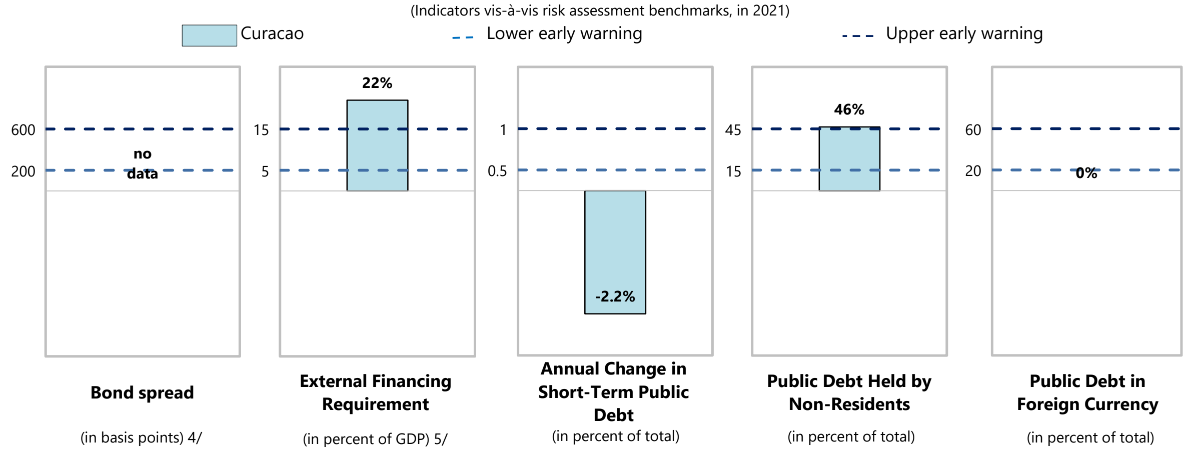
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2021)



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.
Lower and upper risk-assessment benchmarks are:

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ Long-term bond spread over German bonds, an average over the last 3 months, 31-Mar-22 through 29-Jun-22.

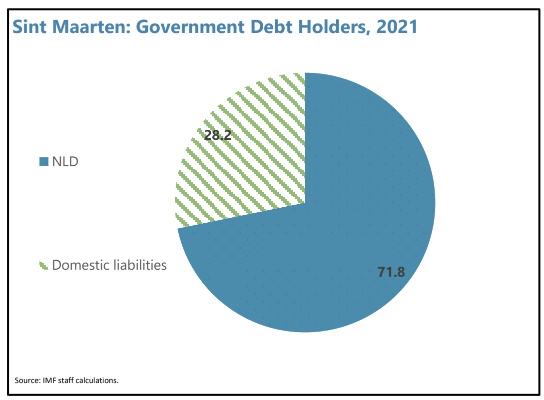
5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

Annex VII. Sint Maarten: Public Debt Sustainability Analysis[1]

Sint Maarten's government debt is assessed as sustainable subject to continuous access to favorable financing term by The Netherlands, but it is vulnerable to large hurricanes and financial sector shocks. While maturity and currency risks are contained given the legal framework of the Kingdom of the Netherlands, the historically high level of government debt raises sustainability concerns. Most shock scenarios result in elevated debt and a modest recovery path, with a set of macro-fiscal shocks similar to the hurricanes in 2017 even resulting in a mildly increasing post-shock debt path.

1. Debt stock and financing needs. Although the primary deficit declined in 2021, it was still high at 6 percent, increasing the government debt from 59.9 percent in 2020 to 60.9 percent of GDP. Compared to pre-pandemic period, the debt to GDP ratio increased by nearly 20 percentage points. Gross financing needs (GFN) in 2021 declined due to an improved fiscal stance, but remain 8.1 percent of GDP, much higher than the pre-pandemic and pre-hurricane levels. Under the staff's baseline projection, government debt would increase further by end-2022 to 63.1 percent due to the primary deficit of 3.7 percent of GDP, and then decline to 58.9 percent by 2025 together with the economic recovery. However, due to depletion of the social security fund, the government is assumed to provide significant liquidity support to maintain the social security and health system (SZV), turning the debt trajectory upward again. GFN is expected to rise to 17.8 and 15.9 percent in 2022 and 2023, respectively due to the rollover of liquidity support loans from The Netherlands (NA*f* 302 million or 13.2 percent of GDP) in April 2022 with a zero-interest rate, which now fall due in late 2023. These loans are assumed to be rolled over again with a long-term loan with a small, but positive interest rate. After 2023, GFN would substantially decrease to around 5 percent by 2027.

2. Debt profile. 71.8 percent of the government debt consists of loans from The Netherlands. These loans are all long-term, with low (or even zero) interest rates, and denominated in local currency. In 2022, the government is expected to withdraw a loan of US$50 million (3.9 percent of GDP) from the European Investment Bank (EIB) for the renovation of the Princess Julianna International Airport. This loan will be the only debt denominated in foreign currency. The remainder of the debt consists of domestic liabilities[2], including trade credit and arrears to the social security fund and civil servant pension fund. Under the Kingdom Law the Sint Maarten government is not permitted to issue short-term borrowing instruments, and thus the short-term debt liabilities in the DSA refer only trade-credit.



[1] This debt sustainability analysis covers only debt by the budgetary central government. Operations by other public entities, social security fund (SZV), civil servants' pension fund (APS), and the Trust Fund for the hurricane recovery are not included.

[2] Since the latest available financial statement of the government is 2016, the domestic debt liabilities in 2017 through 2021 are either preliminary data or IMF staff's estimates.

3. Debt vulnerability. The heat map in figure AVII.4 should be interpreted with caution. While it captures the risk of the debt level appropriately, the "high risk" assessments for GFN and the debt profile are lower in light of Sint Maarten's unique financing situation. The high risk for GFN is due to the high amortization needs of the pandemic-related loans from The Netherlands described in paragraph 1. As long as Sint Maarten and The Netherlands can agree on further rollovers of these loans — as assumed in the baseline projection — remaining financing needs would be low. GFN does not breach the threshold after 2024 under the any of the shock scenarios. The high risk of "external financing requirements" and "public debt held by non-residents" is due to the large share of loans from The Netherlands, which is effectively the only borrowing instrument available to Sint Maarten under the current legal framework, and these loans are denominated in local currency. Beginning in 2022, the share of foreign currency loans is projected to increase to 6 percent of total debt due to the EIB loan (see paragraph 2), but with a maturity of 20 years, significantly attenuating the normal risks associated with currency mismatch.

4. Stress Tests. The stress tests addressed the vulnerability of the debt trajectory against a large hurricane and a financial sector crisis. The debt path would breach the 70 percent threshold under the growth, contingent liability, and hurricane shocks, but would roughly plateau or even take a downward trend following most shocks (Figure AVII.3).

- A temporary growth shock of one standard deviation for two consecutive years would raise government debt to 81 percent from 63 percent. Due to the hurricanes in 2017 and the pandemic in 2020, the standard deviation of real GDP growth over the last decade was very large at 8.5 percent.

- The Primary balance shock (a half of 10-year standard deviation for two consecutive years) and the interest rate shock (271 basis points over the medium term) would slow down the fiscal consolidation pace and somewhat increase debt growth later in the forecast period.

- Under the combined macro-fiscal shock scenario, where the shocks considered in other scenarios (growth, primary balance, interest rate and real effective exchange rate) would strike simultaneously, government debt rises to 84 percent of GDP.

- The contingent liability scenario shows that the financial sector could be the significant risk factor for the government. The scenario includes one-time increase in primary expenditures by 10 percent of banking sector assets, a growth shock of one standard deviation for two consecutive years, and lower inflation by 25 percent of the difference in GDP growth. Under this scenario, government debt would reach 92 percent, and the debt ratio would subsequently continue to rise gradually.

- The hurricane scenario assumed a set of macro-fiscal shocks similar to those seen after Hurricane Irma and Maria. Growth would decline for two consecutive years by a cumulative 18 percent. The fiscal position would significantly deteriorate and would stay worse than the baseline over the medium term. Under this scenario, government debt could continue rising toward 87 percent of GDP.

Figure AVII.1. Sint Maarten: Public Sector Debt Sustainability Analysis- Baseline Scenario

(In percent of GDP unless otherwise indicated)

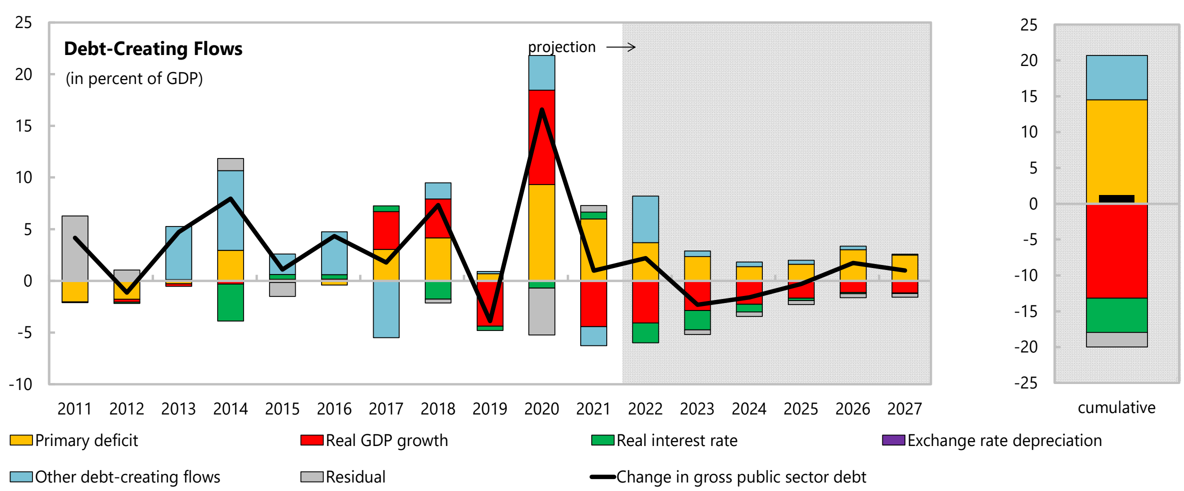
Debt, Economic and Market Indicators [1/]

	Actual			Projections					
	2011-2019 [2/]	2020	2021	2022	2023	2024	2025	2026	2027
Nominal gross public debt	33.4	59.9	60.9	63.1	60.8	59.2	58.9	60.6	61.6
Public gross financing needs	2.6	13.4	8.1	17.8	15.9	3.4	6.4	5.4	5.5
Real GDP growth (in percent)	-0.3	-17.9	8.0	7.5	5.0	4.0	3.0	2.0	2.0
Inflation (GDP deflator, in percent)	4.5	3.3	-0.2	4.2	4.7	3.0	2.3	2.2	1.9
Nominal GDP growth (in percent)	4.2	-15.2	7.8	12.0	9.9	7.1	5.4	4.2	4.0
Effective interest rate (in percent) [4/]	2.4	1.4	1.0	1.0	1.7	1.8	2.0	2.0	2.2

As of June 29, 2022		
Sovereign Spreads		
EMBIG (bp) 3/		n.a.
5Y CDS (bp)		n.a.
Ratings	Foreign	Local
Moody's	Ba2	Ba2
S&Ps	n.a.	n.a.
Fitch	n.a.	n.a.

Contribution to Changes in Public Debt

	Actual			Projections							
	2011-2019	2020	2021	2022	2023	2024	2025	2026	2027	cumulative	debt-stabilizing primary balance [9/]
Change in gross public sector debt	2.9	16.6	1.0	2.2	-2.3	-1.6	-0.3	1.7	1.0	0.7	
Identified debt-creating flows	2.2	21.1	0.4	2.2	-1.9	-1.2	0.1	2.1	1.4	2.7	
Primary deficit	0.7	9.3	6.0	3.7	2.3	1.4	1.6	3.0	2.5	14.5	-1.1
Primary (noninterest) revenue and grants	21.7	18.7	17.8	17.3	17.6	18.2	18.7	19.1	19.6	110.6	
Primary (noninterest) expenditure	22.4	28.0	23.8	21.0	20.0	19.6	20.3	22.1	22.1	125.2	
Automatic debt dynamics [5/]	-0.2	8.4	-3.8	-6.0	-4.7	-3.0	-1.9	-1.2	-1.1	-18.0	
Interest rate/growth differential [6/]	-0.2	8.4	-3.8	-6.0	-4.7	-3.0	-1.9	-1.2	-1.1	-18.0	
Of which: real interest rate	-0.5	-0.7	0.7	-1.9	-1.9	-0.7	-0.2	-0.1	0.1	-4.8	
Of which: real GDP growth	0.2	9.1	-4.4	-4.1	-2.9	-2.3	-1.7	-1.1	-1.2	-13.2	
Exchange rate depreciation [7/]	0.0	0.0	0.0	…	…	…	…	…	…	…	
Other identified debt-creating flows	1.7	3.4	-1.8	4.5	0.5	0.4	0.4	0.3	-0.1	6.2	
Net acquisition of financial assets (negative)	1.7	3.4	-1.8	4.5	0.5	0.4	0.4	0.3	-0.1	6.2	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes [8/]	0.8	-4.5	0.6	0.0	-0.5	-0.4	-0.4	-0.4	-0.4	-2.0	



Source: IMF staff.

1/ Public sector is defined as central government.

2/ Based on available data.

3/ Long-term bond spread over German bonds.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

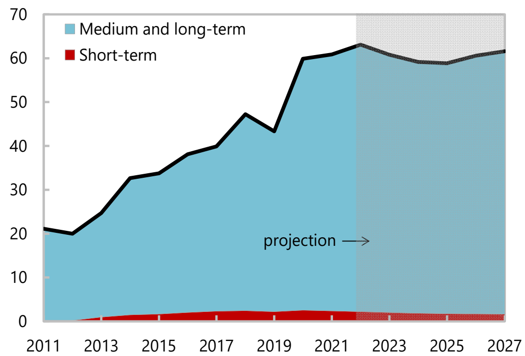
8/ Includes asset changes and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

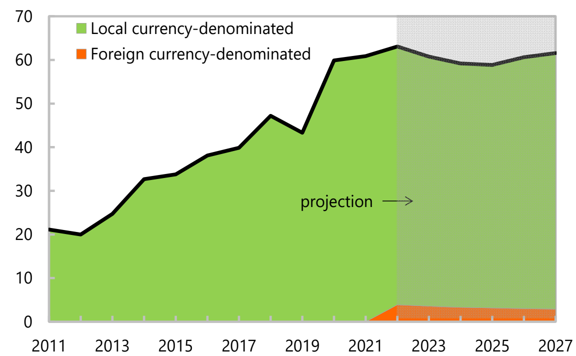
Figure AVII.2. Sint Maarten: Public Debt Sustainability Analysis - Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

By Maturity
(in percent of GDP)



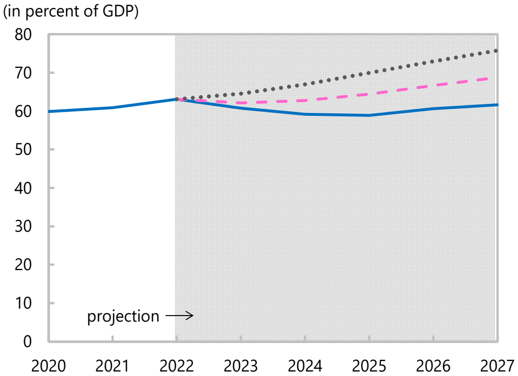
By Currency
(in percent of GDP)



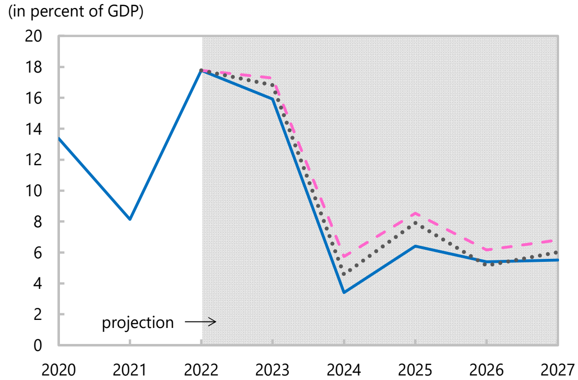
Alternative Scenarios

Baseline   Historical   Constant Primary Balance

Gross Nominal Public Debt
(in percent of GDP)



Public Gross Financing Needs
(in percent of GDP)



Underlying Assumptions
(in percent)

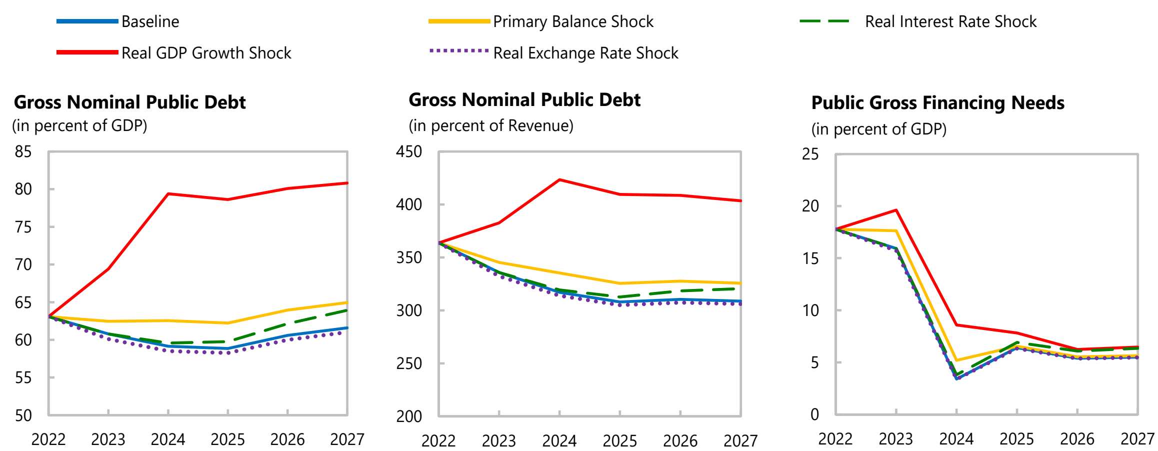
Baseline Scenario	2022	2023	2024	2025	2026	2027
Real GDP growth	7.5	5.0	4.0	3.0	2.0	2.0
Inflation	4.2	4.7	3.0	2.3	2.2	1.9
Primary Balance	-3.7	-2.3	-1.4	-1.6	-3.0	-2.5
Effective interest rate	1.0	1.7	1.8	2.0	2.0	2.2
Constant Primary Balance Scenario						
Real GDP growth	7.5	5.0	4.0	3.0	2.0	2.0
Inflation	4.2	4.7	3.0	2.3	2.2	1.9
Primary Balance	-3.7	-3.7	-3.7	-3.7	-3.7	-3.7
Effective interest rate	1.0	1.7	1.8	2.0	2.0	2.1

Historical Scenario	2022	2023	2024	2025	2026	2027
Real GDP growth	7.5	-1.3	-1.3	-1.3	-1.3	-1.3
Inflation	4.2	4.7	3.0	2.3	2.2	1.9
Primary Balance	-3.7	-2.4	-2.4	-2.4	-2.4	-2.4
Effective interest rate	1.0	1.7	1.7	1.9	1.8	2.0

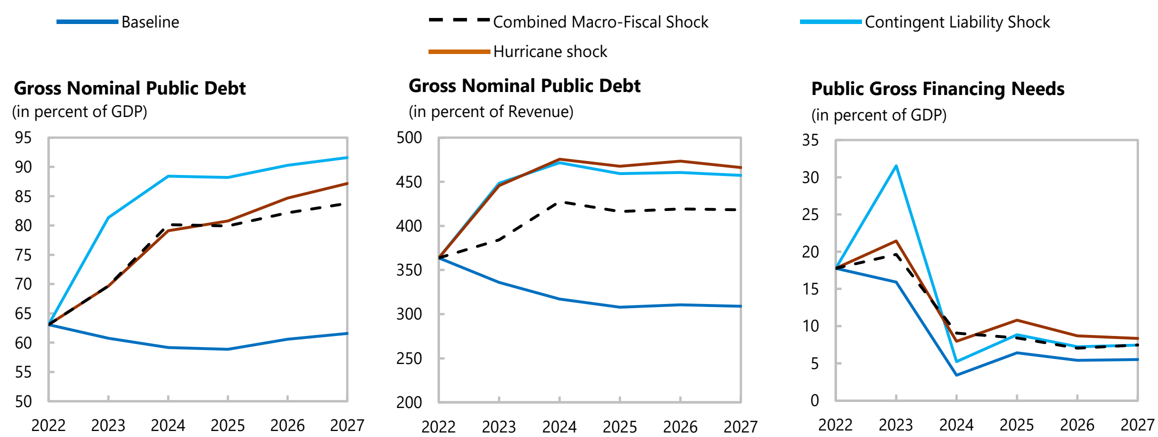
Source: IMF staff.

Figure AVII.3. Sint Maarten: Public Debt Sustainability Analysis - Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions

(in percent)

Primary Balance Shock	2022	2023	2024	2025	2026	2027
Real GDP growth	7.5	5.0	4.0	3.0	2.0	2.0
Inflation	4.2	4.7	3.0	2.3	2.2	1.9
Primary balance	-3.7	-4.1	-3.1	-1.6	-3.0	-2.5
Effective interest rate	1.0	1.7	1.9	2.1	2.1	2.2
Real Interest Rate Shock						
Real GDP growth	7.5	5.0	4.0	3.0	2.0	2.0
Inflation	4.2	4.7	3.0	2.3	2.2	1.9
Primary balance	-3.7	-2.3	-1.4	-1.6	-3.0	-2.5
Effective interest rate	1.0	1.7	2.5	2.9	3.2	3.5
Combined Shock						
Real GDP growth	7.5	-3.5	-4.5	3.0	2.0	2.0
Inflation	4.2	2.6	0.9	2.3	2.2	1.9
Primary balance	-3.7	-4.5	-6.0	-1.6	-3.0	-2.5
Effective interest rate	1.0	1.7	2.6	3.0	3.3	3.5
Hurricane shock						
Real GDP growth	7.5	-2.3	-6.5	4.0	2.0	2.0
Inflation	4.2	4.7	3.0	2.3	2.2	1.9
Primary balance	-3.7	-6.8	-5.5	-5.0	-5.7	-4.6
Effective interest rate	1.0	1.7	1.8	2.0	1.9	2.0

Real GDP Growth Shock	2022	2023	2024	2025	2026	2027
Real GDP growth	7.5	-3.5	-4.5	3.0	2.0	2.0
Inflation	4.2	2.6	0.9	2.3	2.2	1.9
Primary balance	-3.7	-4.5	-6.0	-1.6	-3.0	-2.5
Effective interest rate	1.0	1.7	1.9	2.3	2.2	2.4
Real Exchange Rate Shock						
Real GDP growth	7.5	5.0	4.0	3.0	2.0	2.0
Inflation	4.2	6.4	3.0	2.3	2.2	1.9
Primary balance	-3.7	-2.3	-1.4	-1.6	-3.0	-2.5
Effective interest rate	1.0	1.7	1.8	2.0	2.0	2.2
Contingent Liability Shock						
Real GDP growth	7.5	-3.5	-4.5	3.0	2.0	2.0
Inflation	4.2	2.6	0.9	2.3	2.2	1.9
Primary balance	-3.7	-16.4	-1.4	-1.6	-3.0	-2.5
Effective interest rate	1.0	1.8	3.1	3.2	3.2	3.2

Source: IMF staff.

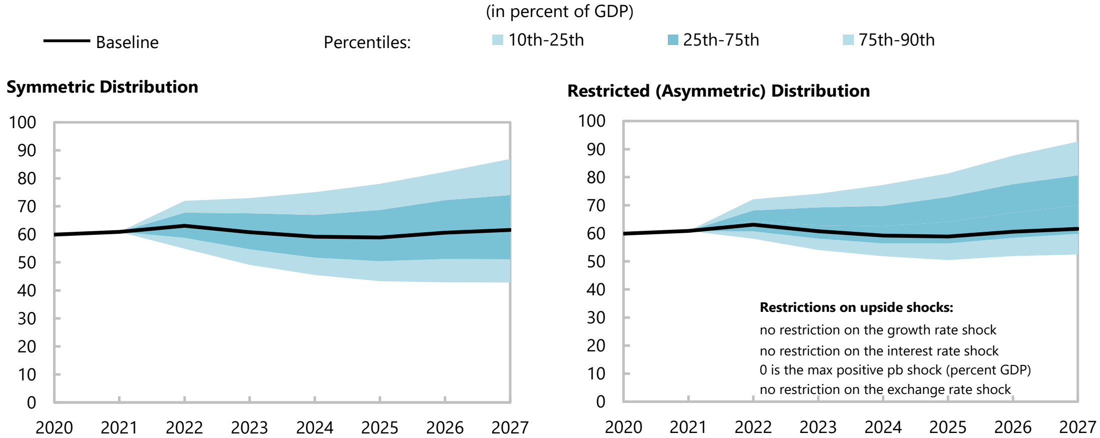
Figure AVII.4. Sint Maarten: Public Debt Sustainability Analysis Risk Assessment

Heat Map

Debt level 1/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs 2/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile 3/	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

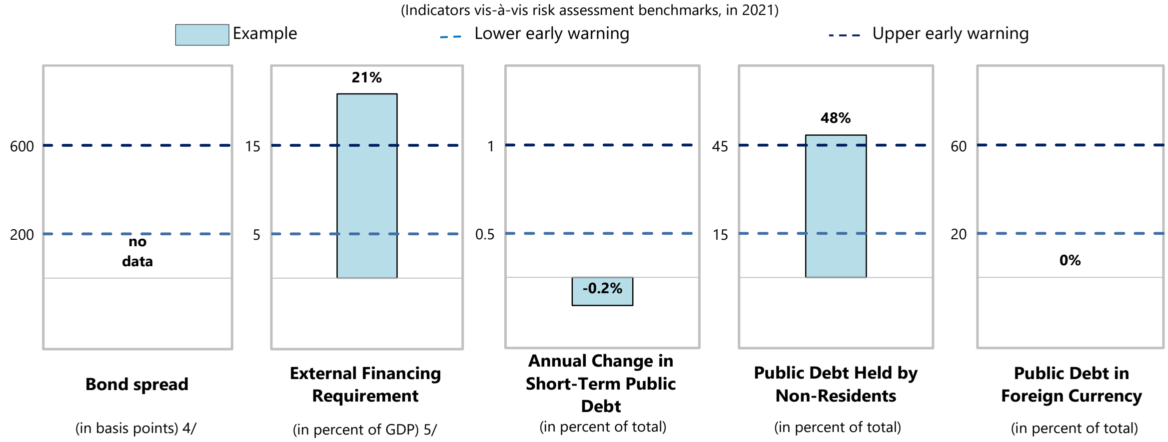
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2021)



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.
Lower and upper risk-assessment benchmarks are:

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ Long-term bond spread over German bonds, an average over the last 3 months, 12-Mar-22 through 10-Jun-22.

5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

INTERNATIONAL MONETARY FUND

KINGDOM OF THE NETHERLANDS—CURAÇAO AND SINT MAARTEN

July 11, 2022

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION DISCUSSIONS—INFORMATIONAL ANNEX

Prepared By

The Western Hemisphere Department
(In consultation with other departments)

CONTENTS

FUND RELATIONS

The 2022 Article IV consultation discussions with Sint Maarten were held in Philipsburg during May 11–17, 2022 and with Curaçao in Willemstad during May 19-25, 2022. They form part of the Article IV consultation with The Kingdom of the Netherlands. The Curaçao team comprised Dmitriy Kovtun (head), Thomas Dowling, Daniel Jenya, and Atsushi Oshima, (all WHD). The Sint Maarten team comprised Kevin Wiseman (head), Thomas Dowling, Daniel Jenya, and Atsushi Oshima, (all WHD). Kevin Wiseman participated in discussions related to the Curaçao and Sint Maarten monetary union in Willemstad. Carlijn Eijking (OED) participated in the discussions. Grey Ramos and Tianle Zhu provided valuable assistance.

Membership Status: The Kingdom of the Netherlands is an original member of the Fund. On February 15, 1961, the Kingdom of the Netherlands accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement for all territories.

Kingdom of the Netherlands: The Financial Position in the Fund as of June 30, 2022

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	8,736.50	100.00
IMF Holdings of Currency	6,495.07	74.34
Reserve Tranche Position	2,243.01	25.67
Lending to the Fund		
New Arrangement to Borrow	61.30	

SDR Department:	**SDR Million**	**Percent of Allocation**
Net cumulative allocation	13,210.17	100.00
Holdings	13,481.43	102.05

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-By	Sep 12, 1957	Mar 12, 1958	68.75	0.0

Overdue Obligations and Projected Payments to Fund 1/
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2022	**2023**	**2024**	**2025**	**2026**
Principal					
Charges/Interest		0.17	0.17	0.17	0.17
Total		0.17	0.17	0.17	0.17

1/ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Exchange Rate Arrangements: The exchange rate arrangement is a conventional peg arrangement. The Netherlands Antillean guilder has been pegged to the U.S. dollar at NA*f* 1.79 per US$1 since 1971.

On March 23, 2020, in order to reduce the risk of capital outflows, the Central Bank of Curaçao and Sint Maarten (CBCS) suspended the extension of foreign exchange licenses for the following transactions equal or exceeding NAf 150,000:

(i) Extension of a loan to a nonresident.
(ii) Transfers to own foreign bank account by legal entities.
(iii) Transfers to current account with foreign related companies by legal entities.
(iv) Transfers by individuals to their private foreign bank account.
(v) Investments abroad.
(vi) Participation in a foreign company by a resident.
(vii) Distribution of dividends or profits to nonresidents.
(viii) Early redemption of loans received.

Limitation on distribution of dividends or profits to nonresidents gave rise to an exchange restriction under Article VIII, Section 2(a) of the Fund's Articles of Agreement.

The CBCS eliminated these measures in January 2022 given the improvement in the international reserve position.

Last Article IV Consultation Discussions: The Executive Board concluded the 2021 Article IV Consultation Discussions with Curaçao and Sint Maarten on July 29, 2021, on the basis of IMF Country Report No. 2021/186.

Technical Assistance (2019–June 2022):

Curaçao

1. Curaçao customs: strengthening risk management capacity and developing a trusted trader program (CARTAC, June 2019)
2. Tax administration modernization through implementation of a new tax information system (CARTAC, July/August 2019)
3. Public financial management: developing the internal audit function (CARTAC, August 2019)

4. Government financial reporting and government financial statistics (CARTAC/STA, September 2019)
5. Tax policy (FAD, October 2019)
6. Fiscal risks (CARTAC, April 2020)
7. Macro modeling (CARTAC, February 2021, June 2021, March 2022, and April 2022)
8. Tax Administration: Organizational Structure and Institutional Arrangements (CARTAC, November 2020-April 2021).
9. Customs administration (CARTAC, follow-up, May 2021)
10. Price statistics (STA, September 2021)
11. National Account statistics (STA, September 2021)

Sint Maarten

1. Macro-fiscal framework (WHD, May 2019, November 2019, July 2020, and December 2020)
2. Scoping mission in tax administration and customs areas (CARTAC, November 2019)
3. Tax upgrade and financial management (CARTAC, February 2020)
4. Cleaning of taxpayer registration database (CARTAC, March 2020)
5. National account statistics (CARTAC, October 2020)
6. Tax policy (FAD, March 2021)
7. National Account statistics, follow-up (August 2021)
8. Cleaning taxpayer database (November, December 2021)
9. IT investment planning for sustainability (March - April 2022)
10. Price statistics (March – April 2022)

Union

1. IFRS implementation (CARTAC, May 2019)
2. Monetary policy instruments and domestic debt market (MCM, October-November 2019)
3. Contingency planning (MCM, December 2019)
4. Banking supervision and regulation: Basel II-III implementation (CARTAC, January 2020)
5. External statistics (CARTAC, January 2020)
6. Contingency planning for crisis preparedness and management and deposit insurance (MCM, follow-up, March 2020)
7. Contingency planning for crisis preparedness and management and deposit insurance (MCM, follow-up, October 2020)
8. Emergency liquidity assistance (MCM, November 2020)
9. Central bank governance (MCM / LEG, January – February 2021)
10. Foreign reserve management (MCM, April 2021)
11. Central Bank governance (MCM, July 2021)
12. Risk-Based Supervision implementation (CARTAC, December 2021)
13. Basel II-III implementation (CARTAC, March – April 2022)
14. Financial Soundness Indicators (STA, April 2022)

STATISTICAL ISSUES

(As of June 30, 2022)

I. Assessment of Data Adequacy for Surveillance
General: Data provision has serious shortcomings that hamper surveillance. Response rates in statistical surveys such as national accounts, balance of payments (BoP), and international investment position (IIP) are low. National Accounts and price data need to improve in terms of timeliness and quality. Both countries should start compiling and reporting fiscal data in alignment with the *Government Finance Statistics Manual 2014* (GFSM 2014). Core and additional Financial Soundness Indicators (FSIs) should be compiled and reported not only for the Union but also separately for Curaçao and Sint Maarten.
Curaçao
National accounts: Data are compiled by the Central Bureau of Statistics (CBS). The CBS compiles annual current price estimates of GDP by economic activity (GDP-P) and by expenditure (GDP-E), as well as other aggregates up to net lending/borrowing. Final survey-based national accounts for Curaçao are available only through 2017. For 2018-21, the CBS produced indicator-based preliminary estimates for GDP-P. GDP in constant prices is derived by deflating nominal GDP by the CPI due to the lack of the deflators. The CBS are now working on the development of improved methods of deflation, and plan to prepare an experimental constant prices GDP series during 2022.
Price statistics: Curaçao compiles monthly CPI data with the base year of 2019. Measures of core inflation are not compiled. Due to resource constraints, data for January-April 2022 were not collected and CPI was not compiled. Curaçao does not compile a producer price index or export/import price indexes.
Government finance statistics: The Ministry of Finance of Curaçao provides fiscal data that can broadly be bridged to the cash framework of the *GFSM* format. Fiscal reporting standards follow national presentations, and some improvements are needed in mapping and consolidating fiscal data according to the *GFSM 2014* standards. The authorities should compile and publish the fiscal data in line with *GFSM 2014* and report it to the IMF Statistics Department (STA). The authorities' reports do not consolidate the social security schemes administered by the SVB.
Sint Maarten
National accounts (Sint Maarten): Data are compiled by the Department of Statistics (STAT). STAT compiles annual current price estimates of GDP-P and GDP-E. In the aftermath of the 2017 hurricanes, the final survey-based data were delayed. In May 2020, STAT disseminated revised GDP estimates for 2014 to 2018, after rebasing from 2011 to 2014. CARTAC technical assistance mission (October 2020) reviewed the new data and found significant room for improving the methodology. Based on this assistance, in March 2022 STAT published constant price GDP in 2018 prices. Further CARTAC assistance in April 2022 was provided to improve the basis of imputation for non-response to the national accounts survey. STAT plan to implement these further improvements before the GDP estimates for 2018-2021 are updated later in 2022. GDP estimates in this report reflect 2019-20 real growth rates estimated by STAT but retain staff estimates for the deflators, which are expected to be in the direction of the planned improvements expected later this year.
Price statistics: Sint Maarten compiles a quarterly CPI. Measures of core inflation are not compiled. STAT released the quarterly CPI with the base year of 2018=100, although the series are not linked to the old data and therefore inflation data for 2018 are not available. Due to the pandemic, the STAT could not collect sufficient source data to compile the CPI for January through April 2021, and thus published some estimates of the price index for this period. Sint Maarten does not compile a producer price index or export/import price indexes.

Government finance statistics: The Ministry of Finance of Sint Maarten provide fiscal data that can broadly be bridged to the cash framework of the *GFSM* format. Fiscal reporting standards follow national presentations, and some improvements are needed in mapping and consolidating fiscal data according to the *GFSM 2014* standards. The authorities should compile and publish the fiscal data in line with *GFSM 2014* and report it to the IMF Statistics Department (STA). The authorities' reports do not consolidate the social security schemes administered by the SZV. There are large discrepancies between the stock of government liabilities in the annual financial statements that only are produced with a long lag and the operational debt data from quarterly reports, causing large *ex-post* revisions.
The Monetary Union of Curaçao and Sint Maarten
Monetary and financial statistics (MFS): The CBCS compiles regular monetary and financial statistics. The CBCS has submitted Union-level MFS, starting in 2016, based on the Standardized Report Forms (SRFs), as recommended in the *Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG)*, for review by STA. Separate SRFs for Curaçao and Sint Maarten are not compiled. Data on other depository corporations include only commercial banks (excluding credit unions and savings banks), and data for other financial corporations, including international (offshore) financial institutions (banks and insurance) which hold significant amounts of financial assets, are not reported. The implementation of a new Chart of Accounts Reporting System for credit institutions in July 2016 resulted in a structural break in MFS. FSIs are provided on staff request but are not reported to STA on a regular basis for publication on the IMF's FSI website. The first Financial Stability Report published a limited set of FSIs separately for Curaçao and Sint Maarten. Bank lending and borrowing interest rates are not reported.
External sector statistics: BoP data are reported to STA on a quarterly basis and IIP data on an annual basis. Data are reported following the sixth edition of the *Balance of Payments and International Investment Position Manual*, but a key deviation is that offshore sector (flexible corporate structures with little or no physical presence) is not covered. The published IIP data are outdated due to low response rate and there are significant stock-flow inconsistencies between the BoP and the IIP. Monthly data on the official reserves position are reported to STA with a lag of one month. Authorities also report weekly international reserve data on their national website. In addition, the authorities participate in the Coordinated Direct Investment Survey and Coordinated Portfolio Investment Survey.

II. Data Standards and Quality	
Not an Enhanced General Data Dissemination System participant.	No data ROSC is available.

Curaçao and Sint Maarten: Table of Common Indicators Required for Surveillance
(As of June 30, 2022)

	Date of Latest Observation	Date Received	Frequency of Data	Frequency of Reporting	Frequency of Publication
Exchange Rates	Current	Current	Daily and Monthly	Daily and Monthly	Daily and Monthly
International Reserve Assets and Reserve Liabilities of the Monetary Authorities	June 2022	June 2022	Weekly and monthly	Weekly and monthly	Weekly and monthly
Reserve/Base Money	March 2022	June 2022	Monthly	Monthly	Monthly
Broad Money	March 2022	June 2022	Monthly	Monthly	Monthly
Central Bank Balance Sheet	March 2022	June 2022	Monthly	Monthly	Monthly
Consolidated Balance Sheet of the Banking System	March 2022	June 2022	Monthly	Monthly	Monthly
Interest Rates 1/	...	...	N/A	N/A	N/A
Consumer Price Index: Curaçao	Dec. 2021	Feb. 2022	Monthly	Monthly	Monthly
Consumer Price Index: Sint Maarten	Q4/2021 2/	May 2022	Quarterly	Quarterly	Quarterly
Revenue, Expenditure, Balance and Composition of Financing—General Government 3/	...	...	...	...	...
Revenue, Expenditure, Balance and Composition of Financing—Central Government: Curaçao	March 2022	May 2022	Monthly	Monthly	Monthly
Revenue, Expenditure, Balance and Composition of Financing—Central Government: Sint Maarten	Q4 2021	March 2022	Quarterly	Quarterly	Quarterly
Stocks of Central (or General) Government and Central- (or General-) Government guaranteed debt: Curaçao 4/	March 2022	May 2022	Monthly	Monthly	Monthly
Stocks of Central (or General) Government and Central- (or General-) Government guaranteed debt: Sint Maarten 4/	Q4 2021	March 2021	Quarterly	Quarterly	Quarterly
External Current Account Balance	Q4 2021	June 2022	Quarterly	Quarterly	Quarterly
Exports and Imports of Goods and Services	Q4 2021	June 2022	Quarterly	Quarterly	Quarterly
GDP/GNP: Curaçao	2021	June 2022	Annual	Annual	Annual
GDP/GNP: Sint Maarten	2018	May 2020	Annual	Annual	Annual
Gross External Debt 5/	...	...	...	...	...
International Investment Position 6/	2019	June 2021	Annual	Annual	Annual

1/ Bank deposit/lending interest rates are not compiled.
2/ The Sint Maarten Department of Statistics is compiling CPI data on a quarterly basis.
3/ The general government data defined as the central government and the social security funds are not compiled.
4/ Including currency and maturity decompositions.
5/ The external debt data are not compiled, but it can be derived from the international investment position.
6/ Includes external gross financial asset and liability positions vis-à-vis nonresidents.

COLLABORATION WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

Collaboration with the World Bank Group.

World Bank country webpage for Sint Maarten:

- http://www.worldbank.org/en/country/sintmaarten

List of recently approved projects:

- http://projects.worldbank.org/search?lang=en&searchTerm=&countrycode_exact=SX

Dashboard for the Sint Maarten Recovery, Reconstruction and Resilience Trust Fund financed by the Netherlands and managed by the World Bank:

- https://www.sintmaartenrecovery.org/