INTERNATIONAL MONETARY FUND

IMF Country Report No. 23/285

KINGDOM OF THE NETHERLANDS—CURAÇAO AND SINT MAARTEN

2023 ARTICLE IV CONSULTATION DISCUSSIONS—PRESS RELEASE; AND STAFF REPORT

July 2023

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 2023 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 24, 2023, 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 7, 2023.
- An **Informational Annex** prepared by the IMF staff.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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Washington, D.C.

IMF Executive Board Concludes 2023 Article IV Consultation Discussions with the Kingdom of the Netherlands—Curaçao and Sint Maarten

FOR IMMEDIATE RELEASE

Washington, DC – **July 28, 2023:** On July 24, 2023, the Executive Board of the International Monetary Fund (IMF) concluded the 2023 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. Curaçao and Sint Maarten continue to recover from major shocks. Both countries have had two years of robust growth driven by a strong rebound of tourism, although the benefits of recovery have not reached all sectors. The recovery in tourist arrivals was among the fastest in the Caribbean and the current outcomes are above the pre-pandemic levels. Sint Maarten has further to go to reach levels seen before hurricane Irma in 2017. Similar to other countries, Curaçao experienced a strong bout of inflation, which affected the vulnerable. The international reserves of the monetary union of Curaçao and Sint Maarten remain at a comfortable level despite the elevated external current account deficit, which was due in part to higher import prices. The banking system remains well-capitalized and liquid.

Curaçao outlook. After a robust recovery in 2022, estimated at 7.9 percent, output growth is expected to moderate. Further expansion of the hospitality sector would support GDP growth of 3 percent in 2023 and 2024. The economy is projected to recover to its pre-pandemic level by 2026, later than the Caribbean average, as the decline of real GDP in 2020 was deeper than in Curaçao's peers. The easing of oil and food prices, along with disinflation in major trading partners, is expected to reduce headline 12-month average inflation to 3.8 percent in 2023 and to the historical average in the medium term. Assuming that gains from a strong post-pandemic fiscal consolidation are preserved, public debt is projected to decline over the medium term.

Sint Maarten outlook. With post-pandemic recovery growth largely accomplished, activity is expected to encounter harder supply constraints going forward, including hotel room inventory and airport reconstruction. Growth is expected to slow to 3 percent in 2023 from an estimated 10 percent in 2022, and then converge to 2 percent over the medium term. Inflation will remain

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[1]Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. At the request or with the consent of the member, IMF staff may hold separate discussions with respect to territories or constituent parts of a member. These Article IV consultation discussions form a part of the member's Article IV consultation. In such cases, a staff team visits the territory or constituent part, collects economic and financial information, and discusses with officials the territory or constituent part's economic developments and policies. On return to headquarters, the staff prepare a report, which forms the basis for discussion by the Executive Board, which in turn constitutes an integral part of the member's Article IV consultation for the relevant cycle.

[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.

somewhat elevated this year, in line with trade partners, before normalizing. Fiscal policy is expected to remain generally tight over the forecast period, in line with the golden rule fiscal regime, and to put debt on a favorable downward path.

Executive Board Assessment

Curaçao

Realizing Curaçao's significant economic potential requires a strong development strategy supported by buy-in from stakeholders. The development strategy needs to be supported by sectoral strategies. Integrating adaptation to climate change into the policy framework will be important for sustainable growth. It will be important to conduct supply-side reforms to reduce the cost of business and improve the business climate. Developing human capital and aligning migration and labor policies in line with specific labor market needs will be important for a sustainable and inclusive growth.

Fiscal policies should focus on improving the quality of expenditure, emphasizing growth-enhancing investment. Strengthening public investment management, including project implementation capacity, is needed to achieve good quality public investments required for supporting potential growth and boosting resilience. Budgeting adequate resources for priority areas such as implementation of reforms, improving data and information frameworks, AML/CFT and other areas, would improve the quality of public services. The level and skill composition of civil service employment needs to be consistent with the effective delivery of public services.

Developing a full-fledged medium-term fiscal framework would strengthen policy formulation, help avoid procyclical spending, and mitigate fiscal risks. In that regard, the authorities' decision to adopt a medium-term debt anchor is a step in the right direction. It should be accompanied by setting out operational targets for fiscal deficits consistent with reaching the debt objective.

Reforms of the social security and the health sector are needed to restore their financial sustainability and safeguard against fiscal risks. A comprehensive health sector reform is needed to restore the sector's financial sustainability, limit fiscal risks, and guarantee continuity of health services. While the reform is being prepared, it would be important to provide the sector with adequate resources to enable asset maintenance and guarantee service continuity. The old-age pension system also requires attention.

Timely implementation of reforms addressing governance weaknesses will be critical for sustained and inclusive growth. The publication of the National Risk Assessment was a significant step forward. It will be critical to address the weaknesses identified in the assessment, particularly the provision of sufficient resources to strengthen effectiveness of the AML/CFT framework.

Sint Maarten

With fiscal deficits in check, policies should focus on reversing earlier compression of high-quality expenditures. Public wages should be aligned within government and competitive for key skill areas. Key infrastructure maintenance, repair and renewal should be prioritized, and intergovernmental arrears should be cleared. The rate of debt reduction anticipated in projections is appropriate for a hurricane exposed economy in a non-hurricane year.

Building public investment capacity is a key priority. Sint Maarten marked important steps in building public investment management capacity this year, but substantial work remains to ensure this capacity can be nurtured, expanded, institutionalized, and maintained. Planned capacity development should help establish a roadmap to building effective institutions.

Progress on medium-term budgeting is welcome. Advances in medium-term budgeting this year is noteworthy, as is ongoing progress in deepening macroeconomic integration into planning. Credible medium-term budgeting should help facilitate multi-year investment planning and staffing capacity choices.

Streamlining procedures and reducing costs of doing business would help elevate Sint Maarten's growth. Long known as a business-friendly environment, the private sector has recently pointed to slow processing times for licenses, permits, and tax payments as a constraint on growth. Important steps in e-governance need to be made end-to-end to fully realize their benefits while interagency cooperation and greater transparency would bolster confidence and promote growth.

Governance efforts need accelerating. Adequately staffing and empowering the Financial Intelligence Unit would attenuate risks around the timely completion of the National Risk Assessment and expand investigation activity. The establishment of the gaming authority and ultimate beneficial ownership registry would mark key milestones in the reduction of exposure to corruption risk.

The Monetary Union of Curaçao and Sint Maarten

The external current account deficit remained elevated in 2022 on account of a substantial widening of the deficit in Curaçao. The external position of Curaçao remained weaker than the level warranted by the fundamentals and desired policy settings, whereas in Sint Maarten the external position is in line with the fundamentals and desired policy settings. Despite the elevated current account deficit in the union, the international reserves remain at a comfortable level. The CBCS should continue to adjust monetary policy as needed to support the peg and further develop the monetary policy toolkit.

Apart from legacy issues at Ennia, the financial system weathered the pandemic well. Capital buffers in the Union's banking system increased, profitability indicators improved, and non-performing loans declined to single digits. The CBCS should continue close monitoring of assets, especially those that have been restructured after the pandemic. It will be vital to finalize a resolution strategy for Ennia. A decision to recapitalize Ennia needs to be based on a thorough review of its long-term viability. Any solution needs to avoid creating a drain on the CBCS international reserves.

The authorities should continue making progress in their financial reform agenda. It would be important to finalize the deposit guarantee system. The CBCS and the governments of Curaçao and Sint Maarten need to closely coordinate on establishment of a well-designed Financial Stability Committee that would be instrumental for fostering collaboration and policy coordination within the monetary union.

Table 1. Curaçao: Selected Economic and Financial Indicators, 2019–24

(Percent change unless otherwise indicated

	2019 Prel.	2020 Prel.	2021 Prel.	2022 Prel.	2023 Proj.	2024 Proj.
Real Economy						
Real GDP	-3.2	-18.0	4.2	7.9	3.0	3.0
CPI (12-month average)	2.6	2.2	3.8	7.4	3.8	3.0
CPI (end of period)	2.3	2.2	4.8	8.4	3.2	2.3
GDP deflator	2.6	2.2	3.8	4.0	3.8	3.0
Unemployment rate (percent)	17.4	19.1	19.7	13.1	12.8	12.6
Central Government Finances (% of GDP)						
Net operating (current) balance	-0.5	-15.0	-10.6	0.3	-9.1	0.2
Primary balance	-0.4	-13.2	-8.8	1.4	-7.8	1.6
Overall balance	-1.6	-14.5	-10.0	0.4	-8.8	0.0
Central government debt 1/	57.3	87.1	90.3	77.2	81.4	76.8
General Government Finances (% of GDP) 2/						
Overall balance	-2.0	-15.7	-10.4	-0.3	-8.9	0.5
Balance of Payments (% of GDP)						
Current account	-17.9	-27.2	-18.5	-28.5	-24.5	-23.9
Goods trade balance	-35.1	-37.0	-41.6	-47.8	-46.1	-45.2
Exports of goods	13.2	10.7	12.5	18.0	16.5	16.5
Imports of goods	48.3	47.7	54.1	65.8	62.6	61.7
Service balance	16.8	9.6	21.7	20.0	22.9	23.2
Exports of services	45.5	29.3	37.6	48.6	51.7	52.4
Imports of services	28.7	19.7	15.9	28.6	28.8	29.2
External debt 3/	147.1	197.3	195.2	186.1	194.9	189.0
Memorandum Items						
Nominal GDP (millions of U.S. dollars)	3,026	2,534	2,740	3,075	3,287	3,486
Per capita GDP (U.S. dollars)	19,371	16,492	18,135	20,648	21,955	23,165
Credit to non-government sectors 4/	2.0	0.1	-9.7	3.2	4.0	…

Sources: The Curaçao authorities and IMF staff estimates and projections.

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/ 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.

Table 2. Sint Maarten: Selected Economic and Financial Indicators, 2019–24
(Percent change unless otherwise indicated)

	2019 Est.	2020 Est.	2021 Est.	2022 Est.	2023 Proj.	2024 Proj.
Real Economy						
Real GDP 1/	11.0	-13.3	4.6	10.0	3.0	2.5
CPI (12-month average)	0.4	0.7	2.8	3.8	3.7	2.2
Unemployment rate (percent)	8.5	16.8	11.3	8.1	7.8	7.6
Government Finances (% of GDP)						
Primary balance excl. Trust Fund operations 2/	-0.6	-8.0	-5.1	-0.5	-3.6	-0.3
Current balance (Authorities' definition) 3/	-1.4	-8.9	-5.9	-1.3	-3.2	0.0
Overall balance excl. TF operations	-1.1	-8.6	-5.5	-1.0	-3.7	-0.9
Central government debt 4/	38.5	51.4	51.5	50.1	51.0	49.4
Balance of Payments (% of GDP)						
Current account	-11.7	-23.5	-22.2	-2.7	-0.7	0.1
Goods trade balance	-53.0	-37.5	-46.6	-57.1	-56.2	-56.5
Exports of goods	12.9	10.8	10.7	13.6	11.6	11.4
Imports of goods	65.9	48.4	57.3	70.7	67.8	67.9
Service balance	42.7	18.6	31.0	60.6	60.6	62.7
Exports of services	64.6	31.8	47.8	76.0	77.8	80.3
Imports of services	22.0	13.2	16.8	15.3	17.3	17.7
External debt 5/	219.0	253.1	237.5	207.4	197.3	186.8
Memorandum Items						
Nominal GDP (millions of U.S. dollars)	1,408	1,236	1,353	1,533	1,639	1,735
Per capita GDP (U.S. dollars)	33,486	29,040	31,644	35,695	37,737	39,519
Credit to non-government sectors 6/	1.4	2.4	1.3	4.5	3.5	...

Sources: The Sint Maarten authorities, World Bank, and IMF staff estimates and projections.
1/ GDP estimates for 2019-21 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/ The latest available datapoint is as of 2018. Values for 2019-22 are IMF staff estimates based on BOP flow data.
6/ 2023 value shows the latest available data (March).

INTERNATIONAL MONETARY FUND

KINGDOM OF THE NETHERLANDS—CURAÇAO AND SINT MAARTEN

July 7, 2023

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION DISCUSSIONS

KEY ISSUES

Context. Curaçao and Sint Maarten, which form a monetary union (Union), are recovering from the pandemic and earlier shocks. Substantial tourism recoveries in both economies supported robust growth and strong fiscal adjustments. Curaçao's GDP is still below its pre-pandemic level while Sint Maarten is expected to exceed it this year. Both countries are working on structural reform packages, although the focus is still mainly on studies and preparation.

Outlook and risks. After a robust recovery in 2021-22, growth is expected to moderate and a full recovery from past shocks will take time. Inflation in both countries is projected to subside, reflecting global developments. The outlook is subject to significant uncertainty and risks, including spillovers from global financial tightening, extreme weather events, and the uncertainty in finding a solution for Ennia.

Policy recommendations. The authorities in both countries should implement broad-based structural reforms to support a robust and inclusive recovery, improve resilience to climate change, limit fiscal risks, and safeguard debt sustainability. This includes strengthening public financial and investment management, improving the business climate, strengthening governance, and limiting corruption vulnerability. Both countries would benefit from developing medium-term fiscal frameworks. In Curaçao, improving public investment management and raising investment to more sustainable levels would be key for supporting economic growth. The Sint Maarten authorities should build on progress in public investment management and medium-term fiscal planning, take forward revenue reforms, and reinforce capacity in statistical compilation and financial intelligence. At the Union level, continued efforts with financial sector reforms and policy coordination would strengthen financial sector resilience. Implementing a durable resolution strategy for Ennia is important for avoiding a negative economic and social impact. Supply-side reforms remain vital for strengthening the external position of the Union.

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

The 2023 Article IV consultation discussions with Sint Maarten were held in Philipsburg during May 3–10, 2023 and with Curaçao in Willemstad during May 12–24, 2023. They form part of the Article IV consultation with The Kingdom of the Netherlands. The Curaçao team comprised Dmitriy Kovtun (head), Vu Chau, Thomas Dowling, Beatriz Garcia-Nunes, and Daniel Jenya (all WHD). The Sint Maarten team comprised Kevin Wiseman (head), Vu Chau, Thomas Dowling, Beatriz Garcia-Nunes, and Daniel Jenya (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. Soungbe Coquillat provided valuable assistance.

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List of Acronyms and Abbreviations

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ARA	Assessing Adequacy of Reserves
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)
DGS	Deposit Guarantee System
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
IT	Information technology
landspakket	Country package of structural reforms
LNG	Liquefied natural gas
MoF	Ministry of Finance
NBFI	Non-bank financial institution
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
Rft	*Rijkswet financieel toezicht Curaçao en Sint Maarten* (Kingdom Law on Financial Supervision in Curaçao and Sint Maarten)
RMR	*Rijksministerraad* (Kingdom Council of Ministers)
SME	Small and medium-size enterprises
SVB	*Sociale Verzekeringsbank* (Social Insurance Bank of Curaçao)
SZV	*Sociale Ziektekosten Verzekering* (Social and Health Insurance of Sint Maarten)
TA	Technical assistance
TWO	*Tijdelijke Werkorganisatie* (Temporary Working Organization)
VAT	Value added tax
WEO	World Economic Outlook

CURAÇAO

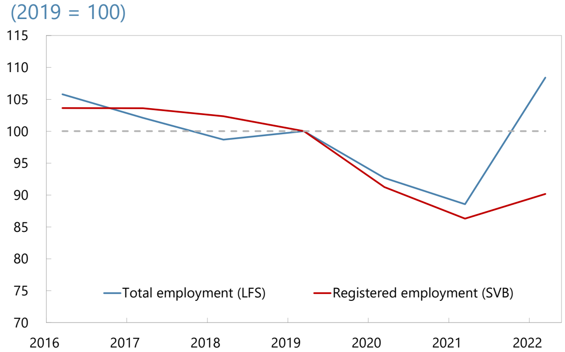
A. Context

1. Curaçao is recovering from multiple major shocks. The pandemic caused an unprecedented drop in real GDP of 18 percent in 2020, more than the Caribbean average of 14½ percent (Figure 1), which came on top of the protracted pre-pandemic recession caused by spillovers from the Venezuela crisis and the loss of oil refining activity. Comprehensive economic support measures put in place by the authorities and financed by The Netherlands were instrumental in protecting lives and livelihoods and limiting the economic fallout. Curaçao's economy started to recover in 2021 and its growth strengthened in 2022, although GDP is still below its 2019 level. A sharp increase in inflation in 2021-22 reduced real incomes and especially affected the vulnerable. In April 2022, the authorities of Curaçao, Sint Maarten, and Aruba signed a mutual agreement with The Netherlands on the arrangements for implementing the *landspakket*, a structural reform package designed to strengthen government finances, increase financial sector resilience, and improve the overall economic environment. The authorities have made progress on implementing the IMF's advice, albeit at a slow pace (Annex III).

B. Recent Developments

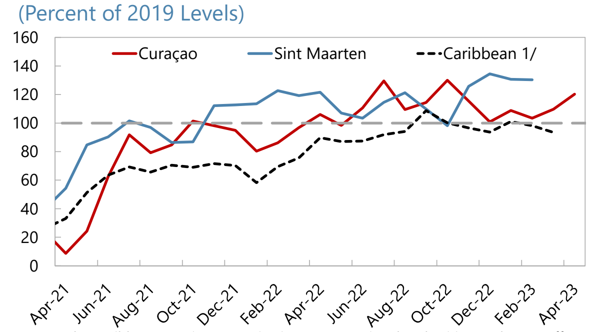
2. Following a protracted recession, Curaçao's economy has shown robust but uneven growth in 2021-22. Output grew by 4.2 percent in 2021 and 7.9 percent in 2022. Growth was driven by a strong recovery in tourism as the number of stayover arrivals surpassed the 2019 level in 2022, supported by the opening of new resorts (Annex V). Robust private investment, especially in real estate, also contributed to growth. According to the latest labor force survey, total employment surpassed the 2019 level and the unemployment rate fell to 13.1 percent, only slightly above the 2010-19 historical average. In contrast, administrative data (workers registered for health insurance) show that formal employment remained 10 percent below the 2019 level, suggesting the employment recovery was concentrated in part-time and informal jobs.

Employment Indicators
(2019 = 100)



Sources: The Curaçao authorities and IMF staff estimates.

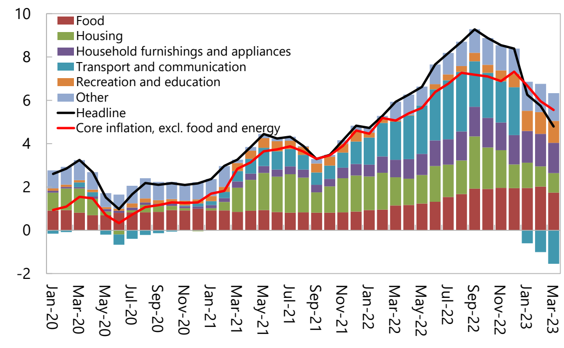
Stayover Arrivals
(Percent of 2019 Levels)



Sources: The Caribbean Tourism Organization (CTO), national authorities, and IMF staff estimates.
1/ Caribbean is defined as 14 destinations: AIA, ABW, ATG, BHS, BRB, BLZ, CUW, DMA, GRD, JAM, KNA, LCA, SXM, and VCT.

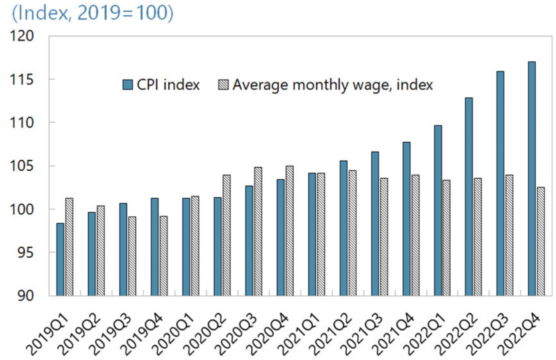
3. The sharp increase in inflation in 2022 created a drag on purchasing power and negatively affected the vulnerable. Inflation peaked at 9.3 percent (y/y) in September 2022, with the largest contributions coming from food, housing, transport, and communication, but slowed down to 4.8 percent (y/y) by March 2023 on account of falling transport and communication prices and lower housing inflation. Core inflation has also fallen since December. Despite the surge in inflation, the average private sector wage declined, reflecting the compositional change towards low-paid jobs. To alleviate the inflationary impact on the real incomes of low-paid workers, the authorities increased the minimum wage by 11 percent in January 2023. The increase was smaller than cumulative inflation since the last increase in 2020.

Contributions to Inflation, 2020-23
(Percent)



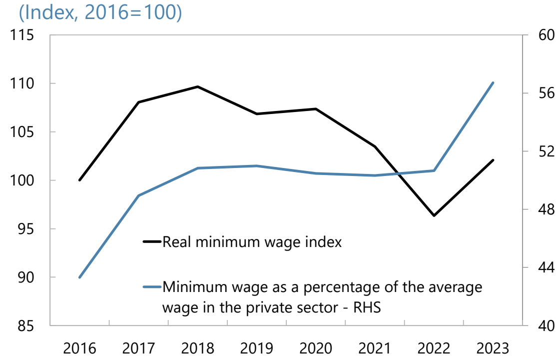
Sources: The CBS and IMF staff estimates.

CPI and Average Monthly Wage Indexes
(Index, 2019=100)



Sources: The Curaçao authorities, SVB and IMF staff estimates.

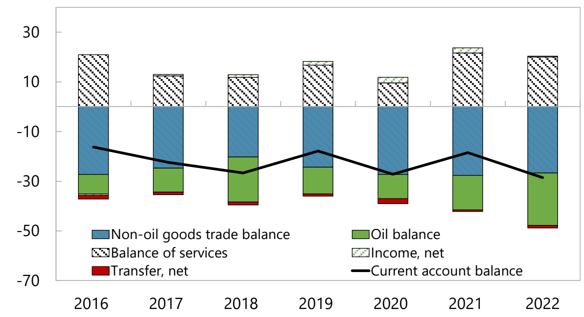
Minimum Wage
(Index, 2016=100)



Sources: National authorities, SVB, and IMF staff estimates.

4. The external current account deficit (CAD) widened in 2022, reflecting higher import prices and stronger economic activity. Despite a strong pickup in receipts from tourism, the CAD widened to 28½ percent of GDP on account of a surge in imports. The increase in imports was mostly due to higher global prices (especially on oil and food) and stronger domestic demand, driven primarily by higher real estate construction activity. The CAD was financed largely by inflows from government borrowing during 2020-21 and other sectors' divestment of financial assets. In view of a large CAD, staff considers Curaçao's external position weaker than warranted by fundamentals and desired policy settings (Annex VIII).

Current Account Balance, 2016-2022
(Percent of GDP)



Sources: National authorities and IMF staff calculations.

5. In the past two years, the authorities implemented a strong fiscal consolidation. The primary balance reached a surplus in 2022, implying a stronger adjustment than expected in the 2022 Article IV consultation discussions.[1] The adjustment was due to both a pickup in revenue and strong compression of expenditure, particularly that of capital spending. The combination of nominal GDP growth, in part due to inflation, and fiscal adjustment reduced the government debt ratio from 90.3 percent of GDP in 2021 to 77.2 percent of GDP in 2022 and allowed a further increase of the fiscal buffer to 6 percent of GDP. Despite the debt reduction, debt sustainability concerns remain elevated given the need to address the insolvency of Ennia, a large and systemically important financial institution that has been under CBCS' special administration since 2018, and uncertainty related to refinancing of Covid-19-related liquidity support loans (15½ percent of GDP) maturing in October 2023.[2] The government debt is sustainable conditional on preserving the consolidation gains achieved so far, maintaining access to external financing at favorable terms, minimizing fiscal risks, and continued economic recovery (Annex IX).

Post-Pandemic Fiscal Outcomes Relative to Historical Averages
(Percent of GDP)

	2015-19 average	2020	2021	2022	
				2022 Art. IV	Prel.
Revenue	30.7	31.5	30.6	31.0	32.0
Tax revenue	27.7	29.1	27.8	28.7	29.4
Grants and other	3.0	2.4	2.8	2.3	2.6
Expenditure	33.6	46.0	40.6	33.5	31.6
Current expenditure	31.5	46.5	41.2	32.9	31.7
Compensation of labor	10.7	13.2	12.0	11.4	10.4
Goods and services	3.5	4.8	4.3	4.3	4.7
Interest	1.2	1.5	1.4	1.4	1.2
Other expense	1.8	27.0	23.6	15.8	15.3
o/w COVID-19 related	0.0	3.3	2.8	0.0	0.0
GiroBank	0.0	6.1	0.0	0.0	0.0
Other expense	1.8	17.6	20.8		15.3
Capital expenditure	2.0	-0.5	-0.6	0.6	-0.1
Primary fiscal balance	-1.7	-13.2	-8.8	-1.2	1.4
Underlying primary fiscal balance 1/	-1.7	-3.7	-6.0	-1.2	1.4
Net opertaing balance (authorities' definition)	-0.7	-15.8	-7.4	-2.2	0.3

Sources: The Curaçao authorities and IMF staff estimates.
1/ Excluding Covid-19 support measures and Girobank-related spending.

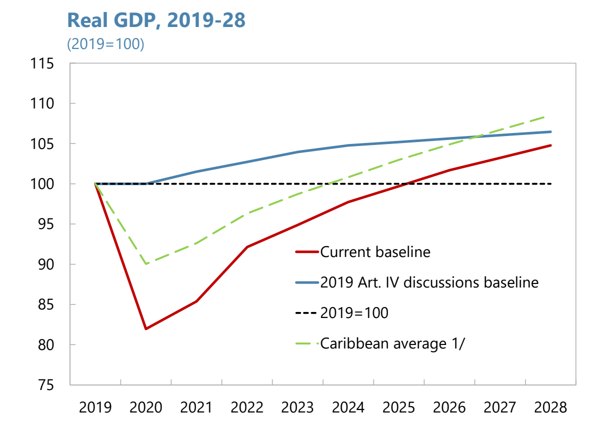
C. Outlook

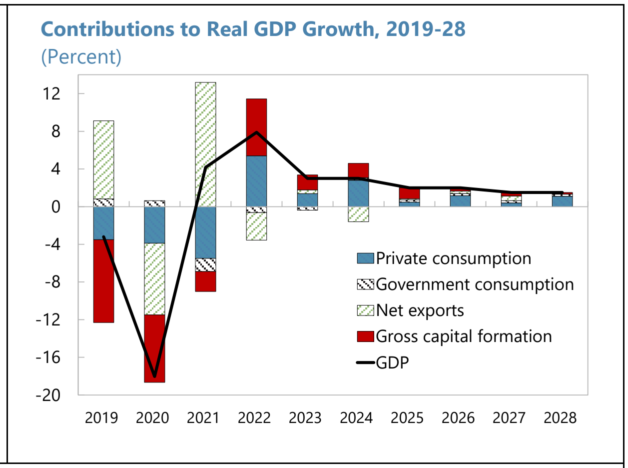
6. After a robust recovery in 2022, output growth is expected to moderate this and the coming years (Tables 1-4). Stayover tourist arrivals are projected to reach 117 percent of the pre-pandemic level this year, benefiting from the opening of the new resorts, and 125 percent in 2024. This would support GDP growth of 3 percent in 2023 and 2024. Given the large decline in 2020, real GDP is projected to recover to its pre-pandemic level by 2026, later than the Caribbean average.[3] The CAD is expected to moderate to about 24½ percent of GDP in 2023 on account of lower global fuel prices and stronger tourism receipts and subside further in the medium term. The easing of fuel and food prices, along with disinflation in major trading partners, is expected to reduce headline 12-month average inflation to 3.8 percent in 2023 and to the historical average in the medium term.

[1] The surprise fiscal consolidation was largely driven by one-off factors, including collection of past liabilities on property and profit taxes (about 2 percent of GDP) and substantial under execution of capital spending (1.3 percent of GDP relative to 2022 Article IV projections).

[2] Ennia provides a full spectrum of insurance and pension products. It has about 25 thousand pension policyholders.

[3] Staff's baseline projections assume that the refinery remains closed through the entire projection horizon. The refinery employed about 2,000 workers in 2019 and its closure produced a drag on employment.





Sources: The Curaçao authorities, the WEO database, and IMF staff estimates and projections.
1/ The Caribbean average includes Aruba, The Bahamas, Barbados, Belize, Haiti, Jamaica, the ECCU countries, Suriname, and Trinidad and Tobago.

7. **The fiscal outlook critically depends on the terms for refinancing Covid-19 liquidity support and key decisions/parameters in resolving Ennia.** As these issues are still under discussion, the projections should be considered as illustrative. The baseline projections assume that the possible cost of Ennia resolution discussed with staff (NAf 0.55 billion, 9.3 percent of GDP) will be financed through a long-term external bullet loan at the illustrative interest rate of 3.2 percent broadly corresponding to borrowing rates on the Dutch capital market. Projections also assume that Covid-19 liquidity support is refinanced at the same interest rate and that the authorities maintain access to the standard subscription facility for financing capital expenditure. Whereas the large borrowing is projected to increase the public debt ratio to 81.4 percent of GDP in 2023, the actual outcome will depend on the key decisions and parameters. Annex IV discusses possible alternative scenarios under different assumptions.

2023 Budget
(Percent of GDP)

	2022 Outturn	2023 Budget	2023 IMF proj.
Revenue	32.0	29.6	30.0
Tax	29.4	27.5	27.5
Non-tax	2.6	2.1	2.5
Expenditure	31.6	29.2	38.8
Current	31.7	29.3	39.2
o/w Ennia	0.0	0.0	9.4
Capital, net	-0.1	0.0	-0.3
Capital, gross	1.2	1.5	1.2
Overall balance	0.4	0.3	-8.8
Primary balance	1.4	1.3	-7.8

Sources: The Curaçao authorities, and IMF staff calculations.

8. **The outlook is subject to significant uncertainty and risks (Annex I)**. Russia's war in Ukraine has passed on higher costs to Curaçao through several channels, such as food, commodities, and shipping. An escalation of the war would prolong the high price environment. A global slowdown or recessions in Curaçao's main tourism markets, the U.S. and The Netherlands, could slow tourism flows and lower the growth outlook. Global monetary policy tightening could tighten external and domestic credit conditions and impede the recovery. Cyberattacks on critical domestic infrastructure could trigger financial and economic instability. Climate change could lead to intensification of extreme weather events, loss of biodiversity, and coastal inundation that could result in losses of human and physical capital and reduce potential growth. On the domestic side, a longer period of abnormally low public investment would reduce public capital stock and reduce

potential growth. A delay in resolving Ennia would have significant macroeconomic and social impact. Upside risks include a faster-than-expected expansion of the tourism sector and a smooth and timely implementation of the growth-enhancing structural reforms.

Authorities' Views

9. The authorities broadly agreed with staff's assessment of the outlook and risks. They underscored the importance of a sustained recovery for addressing Curaçao's multiple challenges and recognized the need for raising public investment to attain sustainable growth. The CBCS projected a marginally higher growth for 2023 on account of a stronger domestic demand driven by a decline in inflation but considered that inflation could be more persistent. They also stressed the need to better understand recent developments in the labor market, especially on informal and part-time unemployment. They agreed that the sharp widening of the CAD in 2022 was driven by higher import prices, in particular for fuel, and is likely to be reversed in the coming years. They considered that the outlook is subject to significant uncertainty given the pending decisions on Ennia and ongoing discussions with The Netherlands on refinancing of Covid-19 liquidity support. The authorities planned to discuss the issue of Ennia as a matter of urgency and were confident that a solution will be found.

D. Policy Issues

The discussion focused on policies to support a robust and inclusive recovery, preserve public debt sustainability, minimize risks stemming from Ennia, improve resilience to climate change, and strengthen governance. Near-term priorities include finding a resolution strategy to Ennia, providing adequate resources for critical areas including the health sector and implementing key structural reforms, improving the business environment, and strengthening public investment management.

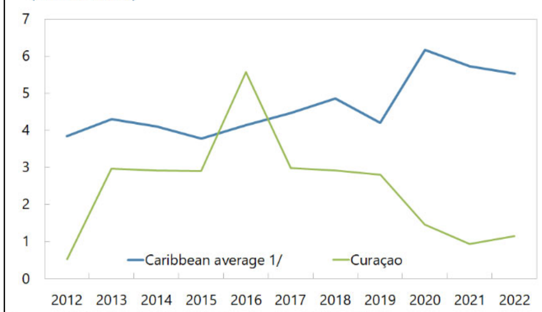
Fiscal Policy

10. Policies should focus on improving the quality of expenditure, particularly emphasizing growth-enhancing investment. Unsustainably low capital expenditure is in part due to weaknesses in all three stages of the public investment management (PIM) cycle (planning, allocation, and implementation), especially in planning and implementation. These weaknesses reduce the public capital stock and jeopardize potential growth (Box 1). Strengthening PIM, including project implementation capacity, is needed to achieve good quality public investments required for supporting potential growth and boosting resilience. The multiyear investment agenda and establishment of dedicated oversight and project management capacity are welcome, but the design needs to address weaknesses in all three stages of PIM. Budgeting adequate resources for priority areas such as implementation of the *landspakket* would enhance the reform and improve quality of public services.

Box 1. Strengthening Public Investment in Curaçao 1/

In the past decade, budgetary capital spending has been lower than the Caribbean average, with the difference widening during the pandemic and post-pandemic years. Net investment (gross spending minus depreciation) has been negative since 2019, indicating declining public capital stock. These outcomes are in part attributable to weak implementation capacity for Public Investment Management (PIM). The PIM is lacking a central coordinating agency—which is essential for planning, the first step of the PIM cycle—and is fragmented across government agencies, making it difficult to accumulate adequate capacity. There is significant variation in capacity across government departments in terms of project development and implementation. There is also lack of certainty in multi-year financing for projects. The PIM is missing the PPP policy framework. Also, the governance frameworks are not providing information/transparency regarding SOEs' investment plans, thus obstructing informed public investment decisions.

Public Investment, 2012-22
(Percent of GDP)



Sources: National authorities, WEO database, and IMF staff estimates.
1/ The average is based on 15 Caribbean countries excluding Curaçao.

A robust PIM framework should include effective institutions for three major stages: (i) *planning* sustainable levels of investments across the public sector, (ii) *allocating* investments to the right projects including strong project appraisal and selection, and (iii) *implementing* projects according to the budget and schedule. Multi-year project budgeting and a transparent procurement system are also critical to rationalize and secure financing resources. In addition, capacity building for high quality project analysis is necessary for better project selection. Many Caribbean countries have established dedicated Public Sector Investment Program (PSIP) Units to strengthen their PIM and improve the efficiency of their public investment, and some of them benefited from PIMA assessments.

In order to improve public investment outcomes, it will be essential to strengthen the design of PIM, institutionalize PIM in relevant public financial management legislation to cover the full public financial management (PFM) cycle, enhance fiscal risk management for the entire PFM cycle, and strengthen governance and accountability of PIM and public asset management. As near-term measures, the authorities should assign institutional responsibility for PIM, define in the relevant law what constitutes public investment, and begin the process to establish a robust project appraisal system. They could consider centralizing the institutional responsibility and oversight functions in a dedicated unit that would have the authority to review and evaluate major projects. It would also be critical to build technical competencies including project planning, implementation, and management; financial management, including economic and financial analysis; procurement; risk management; contract management and legal expertise; and monitoring and evaluation (ex-post review).

1/ This box draws on the findings of the recent CARTAC technical assistance mission on gap assessment of PIM.

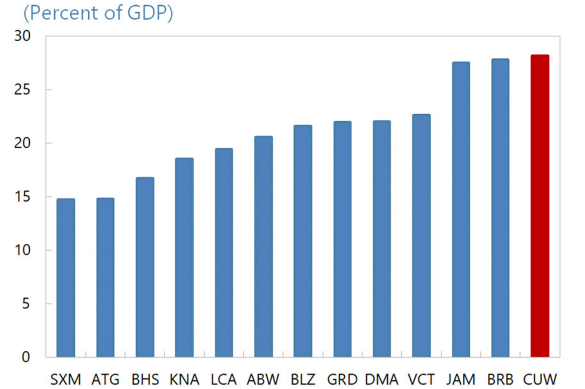
11. Steps towards developing a medium-term fiscal framework supported by a debt anchor are welcome. The current golden fiscal rule—zero current account balance—has significant drawbacks including procyclicality, lack of a medium-term perspective, and low applicability during periods of shocks.[4] The authorities' decision to adopt a medium-term debt anchor is a step in the

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

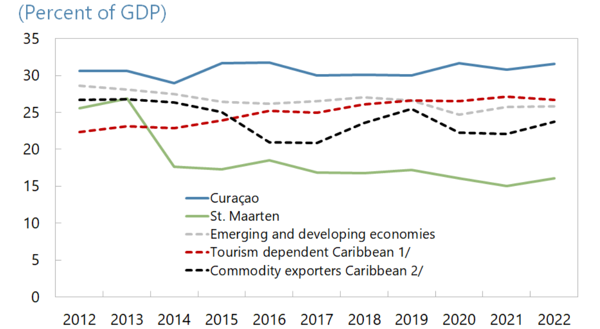
right direction.[5] It should be accompanied by setting out operational targets for fiscal deficits that would be in line with achieving the debt objective. Developing a full-fledged medium-term fiscal framework would strengthen policy formulation, help avoid procyclical spending, and mitigate fiscal risks. Curaçao's vulnerabilities warrant preserving part of the accumulated stock of liquidity as an important fiscal buffer to be used if risks materialize.

12. On the revenue side, efforts to improve Curaçao's tax administration should continue, followed by a growth-friendly tax policy reform. The authorities reduced corporate income tax from 22 to 15 percent for profits up to NAf 0.5 million with an objective to support small businesses. They should implement measures to compensate the estimated loss of revenue (0.2 percent of GDP). In May 2023, the authorities appropriately reinstated the excises and the retail sales tax on fuel. They initiated a review of the fuel pricing rule that will inform the decision on reinstating the wholesale tax on fuel. In the near-term, focus should be on further improvements in tax administration, including finalizing the restructuring of the tax departments and enhancing capacity. When tax administration gains sufficient capacity, the authorities should consider tax policy reforms to make the system more growth-friendly (e.g., simplifying the import tariffs, moving to the dual personal income system, and replacing the distortionary sales tax with a value added tax). In view of the relatively high tax-to-GDP ratio,[6] policy measures should be revenue-neutral. The authorities should weigh costs and benefits of the plan to introduce automatic withholding of the sales tax by banks given its implementation complexity. The authorities should expedite legislative changes necessary to remove Curaçao from the EU's grey list of non-cooperative jurisdictions.[7]

General Government Tax Revenue, 2019
(Percent of GDP)



General Government Revenue
(Percent of GDP)



Sources: April 2023 WEO database, and IMF staff calculations.
1/ Average for Aruba, The Bahamas, Barbados, Belize, Jamaica and the ECCU countries.
2/ Average for Guyana, Suriname, and Trinidad and Tobago.

Sources: WEO database, national authorities, and IMF staff estimates.
1/ Average for Aruba, The Bahamas, Barbados, Belize, Jamaica, and the ECCU countries.
2/ Average for Guyana, Suriname, and Trinidad and Tobago.

[5] Staff were informed that the authorities decided to use a debt-to-GDP ratio of 50-55 percent of GDP as a medium-term anchor, which is consistent with staff's analysis in the 2022 Article IV consultation discussions which illustrated that targeting a debt-to-GDP ratio of 55 percent would ensure that debt remains below 70 percent of GDP with a probability of 90 percent under plausible shocks.

[6] Including contributions to the social insurance bank, the revenue-to-GDP ratio is 46 percent of GDP.

[7] The EU added Curaçao to the grey list in February 2023. Curaçao committed to improve the automatic exchange of information on financial accounts.

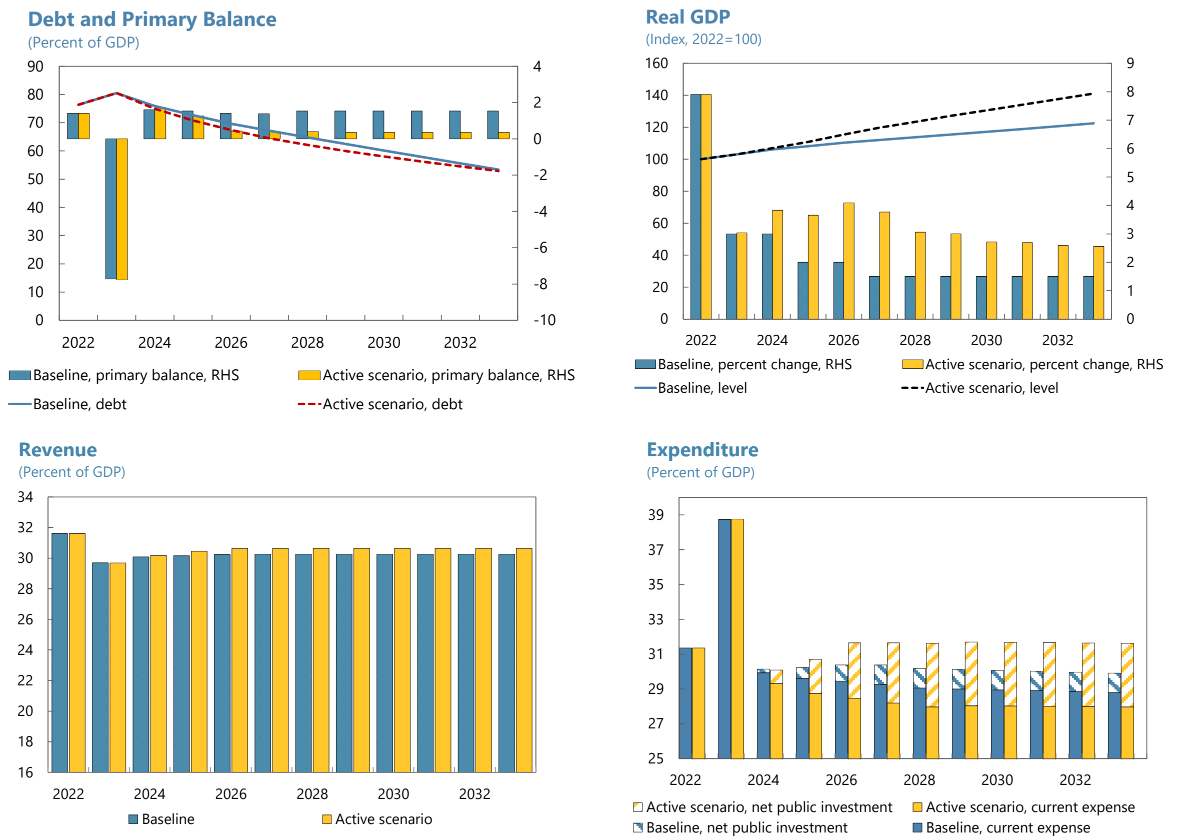
13. Modernizing Curaçao's civil service would improve efficiency and the quality of public services. The 3-to-1 attrition policy that has been in place since 2020 has reduced the size of civil service and increased the vacancy rates, in certain areas limiting the ability to provide critical public services. The level and skill composition of government employment needs to be consistent with the effective delivery of public services. In that regard, it would be important to follow through on the reforms to improve the quality, effectiveness, and implementation power of the government organization, as envisaged in the *landspakket*. The compensation system needs to be calibrated to retain the required talent and incentivize performance.

14. A comprehensive health sector reform is needed to guarantee continuity of health services, restore the sector's financial sustainability, and limit fiscal risks (Annex VI). The government, SVB, and the Curaçao Medical Center need to agree on a common strategy to avoid funding gaps and recognize the full—including fixed—costs of service delivery. The authorities should advance legislation to establish the Curaçao Health Authority that will regulate the health sector, including prices. There should be a clear delineation of functions between the new authorities and the existing entities, including the Ministry of Health. While the health reform is being prepared, it is important to provide the health sector with adequate resources to guarantee required asset maintenance and service continuity. In particular, the budgeting and funding process should take into account changes in production volumes and the full costs of inputs. Efforts to increase the use of generic pharmaceuticals are welcome but availability is key. It will be important to invest in the development of the primary care and prevention programs.

15. In view of multiple shocks that disproportionally affected the vulnerable, there is need for a comprehensive social support strategy. The number of welfare recipients declined from about 8 thousand in 2021 to 6 thousand currently. The authorities are appropriately working on empowering young people who are on temporary welfare support to find employment. The expansion of targeted support, introduced in May 2022, for low-income pensioners, the disabled, and people aged 60-65 who only rely on social assistance benefit is welcome. In view of the reduction of registered employment (SVB's contribution base) and expected ageing of population, the old-age pension system provided through SVB needs to be reformed to regain its financial sustainability. Integration of undocumented immigrants into the labor force would expand the pool of contributors.

16. An active policy scenario illustrates a path towards higher investment while still reducing government debt to 55 percent of GDP by 2033. In this scenario, gross public investment gradually increases to 5 percent of GDP over the forecast horizon financed through reducing current spending and some revenue gains from improving tax administration. The reduction in current spending could be driven by the tightening of spending on goods and services in the near-term and a health sector reform that would contain overall costs for supporting the sector in the longer-term. Labor compensation should support high quality civil service employment within the available fiscal envelope. The combination of higher public investment and structural reforms would improve medium term growth through higher capital stock, including in critical infrastructure, and stronger productivity. This would allow Curaçao to keep broadly the same debt trajectory as in the baseline, reaching a target of 55 percent of GDP by 2033 despite incurring higher overall fiscal deficits.

Illustrative Active Scenario, 2022-33



Source: IMF staff estimates and projections.

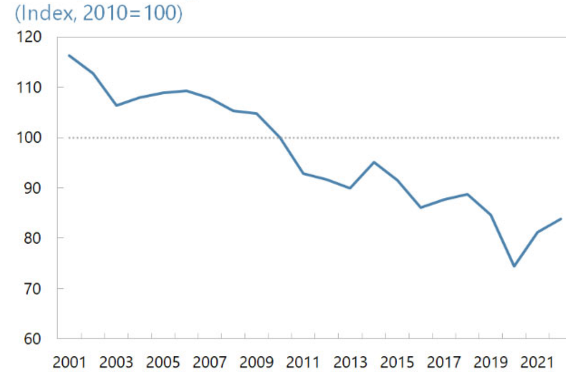
Authorities' Views

17. The authorities broadly agreed with staff assessment of fiscal policy and policy priorities. The strong fiscal adjustment was necessary to unlock public investment, given the golden rule, and to achieve an adequate liquidity buffer. Given the criticality of investment for supporting a sustainable recovery, the authorities are preparing a multi-year investment plan and setting up a Project Management Bureau. They also welcomed an IMF TA mission on improving public investment management. They agreed with staff that establishing a medium-term fiscal framework supported by a debt anchor is necessary to guide fiscal policy. The authorities are considering amending the PFM law to increase accountability of managers and strengthen controls on issuance of purchase orders. They recognize the need and urgency of implementing healthcare reforms to improve the operational efficiency of the sector and its financial sustainability. The restructuring of the tax department and improvements in capacity are expected to underpin further improvements in tax administration in the near term. The authorities are amending legislation to remove Curaçao from the EU's grey list of non-cooperative tax jurisdictions.

Structural Reforms and Climate Change Policies

18. Given significant structural shocks in the past years, Curaçao would benefit from developing a national development strategy setting out a long-term vision for the economy. Curaçao has been grappling with falling labor productivity, driven by the decline of the international financial sector in the early 2000s and, more recently, by the loss of the oil refining sector. A central challenge is to achieve a robust recovery based on new economic opportunities. The authorities are developing a National Recovery Plan (NRP), which will establish specific development goals and milestones in multiple areas. To achieve its objectives, the NRP requires buy-in from key stakeholders. It also needs to be supported by a credible macroeconomic framework. It could integrate multiple initiatives, such as further transition to renewable energy and development of priority sectors. It also needs to incorporate policies to boost resilience to climate change.

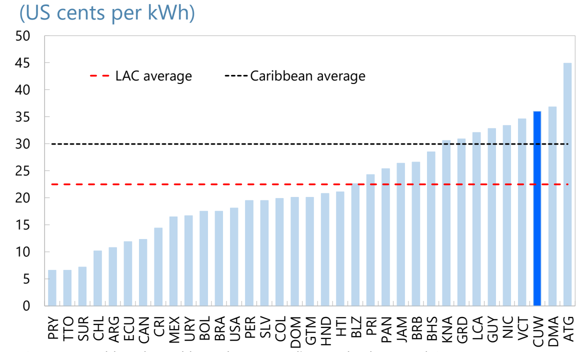
Labor productivity
(Index, 2010=100)



Sources: National authorities, and IMF staff estimates.

19. A better business environment is key for a robust recovery and increasing potential growth. Under the country packages, the authorities are planning to perform an assessment of the business and investment climate to identify gaps. Reducing the turnaround time for licenses and permits, including through the creation of a single electronic window, would reduce cost of doing business, encourage private sector investment, and support growth.[8] Digitalization has significant potential for improving efficiency and governance. It would also be important to develop a strategy to reduce the energy cost, which is one of the highest in the Caribbean, which could be consistent with increasing the share of renewable energy.

Electricity Prices in 2020
(US cents per kWh)



Sources: World Bank *World Development Indicators* database, and Curaçao Bureau Telecommunicatie en Post.

20. Developing human capital, migration, and labor policies in line with specific labor market needs will be important for a sustainable and inclusive growth. The labor market in Curaçao is facing multiple challenges, including population aging, brain-drain, negative net migration, skill mismatch, and the lack of economic opportunities. Generating and sustaining future

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[8] See Martes, R. (2023). Effects of Red Tape on Business and Economic Development. Central Bank of Curaçao and Sint Maarten Working Paper Series, WP 23/03.

growth require developing migration and labor policies that are consistent with current and future specific labor market needs. Improving skills and productivity of the workforce, including through education and vocational training programs, and removing labor market rigidities will be essential to resolve skill mismatches and to reduce the unemployment rate. Migration and labor market policies should also aim to promote inclusiveness of the formal labor market and reduce the informality share of the economy. To this end, it is necessary to address information gaps about supply and demand factors in the labor market, improve the processes to obtain residency and work permits, and build a national education strategy to improve the supply of necessary skills.

21. The authorities took steps to improve the AML/CFT framework, but further efforts are needed to bring it in compliance with the FATF standard. The CBCS published "Provisions and Guidelines on Combating Money Laundering and the Financing of Terrorism and Proliferation" for four sectors in Curaçao (credit institutions, trust service providers, insurance brokers and money transfer service providers) in June 2023. The authorities published the National Risk Assessment which assessed overall vulnerabilities to AML/CFT as medium-high and pointed out specific areas in need of improving effectiveness and recommendations to strengthen the legislative and regulatory framework. Significant shortcomings remain, due in part to resource constraints, particularly in law enforcement and customs, and a lack of ML/TF data gathering and sharing. Effectively addressing these shortcomings is critical to bring Curaçao into compliance with the FATF standard, which is to be assessed at the 4th round Mutual Evaluation by CFATF planned for June 2024.

22. Timely implementation of governance reforms will be critical for sustained and inclusive growth. The authorities made significant progress in tax compliance in the past several years. Further improvement in public financial management and public investment management is needed to strengthen governance in the fiscal area, which would help reduce corruption vulnerabilities. There is a lack of controls in expenditures and procurement. It will be critical to finalize the new gaming legislation and establish the gaming authority. The legislation must be in line with international standards and the gaming authority needs independence, appropriate powers, and adequate resources. The authorities should consider preparing legislation needed for the ratification of the United Nations Convention against Corruption.

23. Integrating adaptation to climate change into the policy framework will be important for sustainable growth. The authorities prepared the Climate Change Policy Assessment, identifying coastal inundation, increasing rainfall, the risk of flooding, and damages to biodiversity as potential outcomes of global warming.[9] Staff estimate that the economic cost due to sea level rise could be significant in the long term (Annex VII). The authorities should consider preparing a National Strategic Adaptation Plan that would set out policies for increasing structural and financial resilience. It should be developed in conjunction and consistent with other policy frameworks, such as the National Development Strategy and the medium-term fiscal framework.

[9] Curaçao is on the southern fringe of the hurricane belt and has had lower incidence of extreme weather events than countries located directly in the hurricane belt. This pattern, however, could change due to global warming.

Improving the Data Framework

24. 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 and the labor force survey. Publishing fiscal data in the GFSM format would improve transparency. The authorities could seek technical support from the international community.

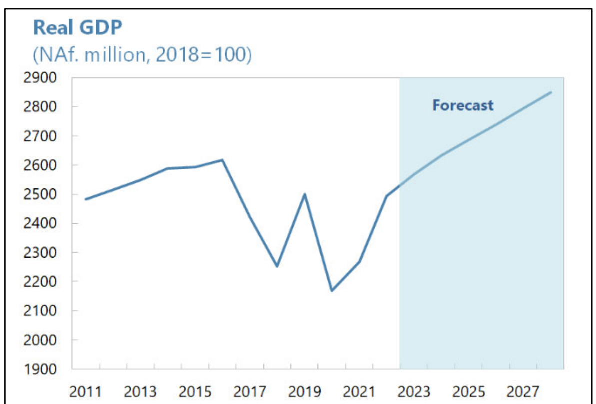
Authorities' Views

25. The authorities concurred that setting out a vision for the economy and structural reforms are essential for attaining a strong and sustainable growth. They are planning to finalize the National Recovery Plan, that will establish specific development goals and milestones in multiple areas, by the end of 2023. They are also working on a short-term Economic Recovery Action Plan that outlines a strategy for Curaçao to recover and become more resilient in the aftermath of major shocks. The authorities published the National Export Strategy that identified tourism, creative industries, financial services, port and maritime services, information technology services, and education services as priority sectors. The authorities will continue efforts to reopen the refinery given its importance for the labor market in Curaçao. They are considering options for developing production of hydrogen using renewable sources of energy and will implement a small-scale pilot project. The authorities are committed to improving the business climate, including plans to adopt legislation to reduce permits turn-around time in the coming months. Finally, the authorities recognized the importance of building resilience to climate change and established an inter-ministerial committee to develop mitigation and adaptation strategies.

SINT MAARTEN

A. Context

26. Sint Maarten is recovering from the pandemic but scarring from the 2017 hurricanes remains. In 2017 two category 5 hurricanes—Irma and Maria—transited the island, damaging the airport and other public infrastructure, private homes, and hotels. The pandemic interrupted the hurricane recovery with another deep shock but less capital destruction.



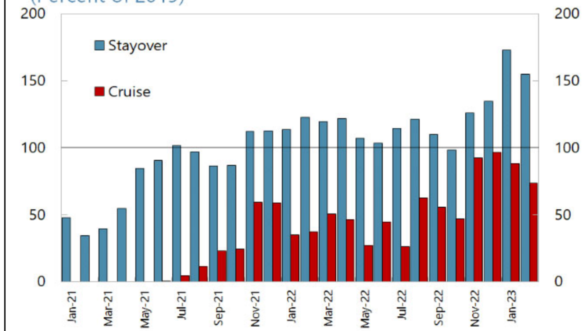
Sources: National authorities, and IMF staff projections.

27. The Netherlands is an important partner, providing emergency financing and technical assistance. Emergency support immediately after the hurricanes and the pandemic provided a key buffer against these shocks and prevented the deeper recessions seen in other tourism-dependent Caribbean economies. Since the beginning of the pandemic, Sint Maarten has received zero-interest loans of about 20 percent GDP. Negotiations on the terms for rolling over these loans is ongoing. The grant of US$520 million (32 percent of GDP) to finance the Trust Fund for hurricane reconstruction remains the principal source of public investment and an important driver of growth. The Netherlands is also supporting the reform program (*landspakket*) in cooperation with the Temporary Work Organization (TWO). The country package is generally consistent with the past Article IV recommendations (Annex III).

B. Recent Developments

28. Strong recovery in tourism has not been matched by employment and revenues, raising the prospect of a job-poor recovery. Tourism arrivals have surged and driven dramatic improvements in growth and a reduction in the estimated balance of payments deficit. Private investment, mainly concentrated in real estate, also had robust growth. The benefits of growth are elusive in other sectors, however. Employment and income tax receipts are still lagging behind their pre-pandemic levels. The real average wage is nearly constant, while consumer loans are lower in 2022 than in 2021. The number of families depending on social assistance has not meaningfully declined. Overall, the evidence points to a job-poor recovery that is tilted away from households.

Sint Maarten Tourism Arrivals
(Percent of 2019)



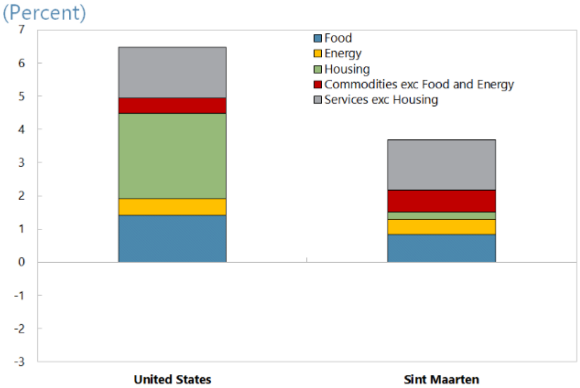
Sources: CTO, St. Maarten STAT, Fund staff calculations.

29. Sint Maarten grew an estimated 10 percent in 2022. Stayover tourism in 2022 rose to 117 percent of 2019 levels and to more than 70 percent of the pre-Irma peak in 2016. This return to growth was earlier and stronger than in most of the Caribbean, reflecting earlier reopening and proximity to the U.S. Cruises were slower to return, reaching around half of 2019 levels in 2022, but this winter season has been very strong. Strong growth in commercial loans has underpinned an estimated recovery in investment, especially in property development.

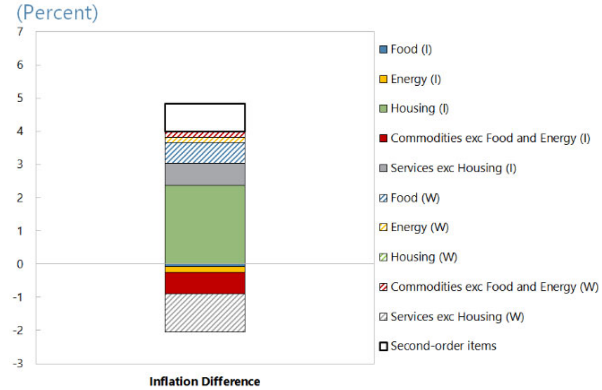
30. The external current account deficit (CAD) narrowed substantially. Growth in imports associated with the pickup in economic activity and higher prices was more than offset by the return of tourism, narrowing the CAD from 22.2 percent of GDP in 2021 to 2.7 percent of GDP in 2022. The CAD was largely financed by a drawdown of foreign assets, foreign direct investment inflows, and government borrowing, mostly from projects with International Financial Institutions. Given this strong performance, Sint Maarten's external position is assessed as broadly in line with fundamentals and desired policy settings, while noting that NIIP is estimated (with substantial uncertainty) to be large and negative (Annex VII).

31. Inflation rose with energy prices early last year but quickly moderated. Inflation peaked at 4.9 percent y/y in 2022Q2 but reversed in Q3 before cooling to end the year at 3.8 percent y/y. The disconnect with inflation in the U.S. is surprising given the peg and deeply interconnected trade. The difference is led by housing, a major driver of inflation in the U.S. but a subdued domestic contributor in Sint Maarten, as well as lower inflation in services, while food saw similar inflation but has a smaller weight in the consumption basket in Sint Maarten. Concerns remain about data quality potentially leading to a downward bias due to the difficulty of imputing rent for owner-occupied homes. The small weight of food in the basket also points to the need for an updated expenditure survey.

Inflation
(Percent)



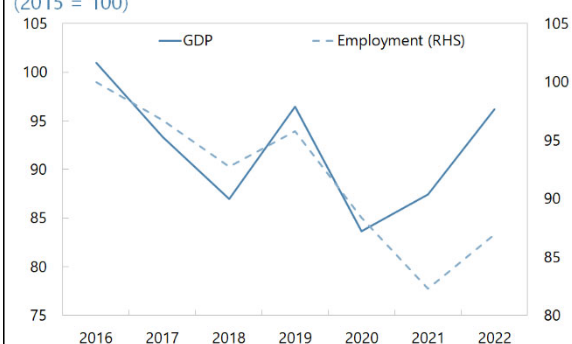
Inflation Difference: US – Sint Maarten
(Percent)



Sources: Haver analytics, National authorities, and IMF staff calculations.
Notes: The Inflation Difference chart uses a shift-share analysis to decompose the difference between CPI inflation rates in the US and Sint Maarten into contributions from subcategories. Higher inflation in the US is the sum of (i) differences in inflation by category (evaluated at US weights, indicated by "I"); (ii) differences between the weights of these categories in each price basket (evaluated at US inflation levels, indicated by "W"); and the sum of all second-order terms.

32. Formal employment has remained subdued. Administrative data show that formal employment—jobs registered for social and health insurance—has recovered slowly and by the end of 2022 recouped only a third of the losses incurred during the pandemic. The lukewarm labor market contrasts with the robust growth in tourism and investment in 2022, indicating that either the structure of the economy has changed (e.g., the rise of home-sharing activities that are less labor-intensive than traditional hotels), or there has been a meaningful expansion of the informal economy The expansion of informality may have been caused by the concentration of the economic recovery in sectors with higher share of informality (hospitality and construction), combined with the long turnaround time for permits.

Growth and Employment Through Two Crises
(2015 = 100)



Sources: National authorities, and IMF staff calculations.

33. The government ran an estimated primary deficit of 0.5 percent of GDP in 2022. This 4.6 percent improvement from 2021 is a reflection of the recovery – driven by reduced subsidies and higher business tax receipts. Trust Fund execution in 2022 disappointed at 3.5 percent of GDP on complications arising from elevated input costs.

C. Outlook

34. With recovery to pre-pandemic levels achieved, tourism growth will slow. The stock of hotel rooms has recovered about half of what was lost from the hurricanes, but occupancy rates are returning to pre-hurricane levels. Room inventory will take some years to overtake the pre-hurricane stock and will limit tourism growth going forward. During the pandemic, the cruise lines scrapped their smaller, older ships, limiting passenger capacity until new, larger ships are built and thereby limiting cruise growth in the near term. The 2022-23 high season strained transport infrastructure, but reconstruction of the airport continues with the completion of the departures hall expected in Q3 this year and the full airport completed by 2024Q1.

35. Real output is expected to return to pre-pandemic levels this year. With strong recovery growth and a backward revision to GDP estimates[10], output has substantially recovered. Growth will ease over the medium term, with pre-hurricane output now expected to be achieved in 2024. The current account deficit will continue to narrow on revived tourism exports, converging to a small surplus in line with pre-hurricane conditions.

36. Prospects for employment and inflation are more uncertain. Formal employment may recover with a lag as strengthening corporates extend more formal job offers, but prospects for a job-poor recovery loom. The number of properties available on homesharing websites is roughly equal to hotel rooms and may be growing, leading to lower employment in hospitality services, the traditional engine of the labor market in Sint Maarten. Inflation is expected to fall only slightly in 2023, reflecting ongoing and perhaps lagged pressures from abroad, and then return to historical averages.

37. The central government net operating balance is expected to be close to zero in 2023, in line with the aproved budget. The ministry has prepared a balanced budget for 2023, in line with requirements from the Kingdom Act on Financial Supervision Curaçao and Sint Maarten (Rijkswet financieel toezicht Curaçao en Sint Maarten, Rft), which nevertheless unwinds the 12.5 percent nominal wage cuts made during the pandemic (see below). The budget introduces new revenue measures and makes substantial expenditure reductions to carve out space for the cut, but revenue forecasts may be optimistic. Staff forecast a balanced net operating margin for the foreseeable future, implying a primary deficit of 0.3 percent of GDP for 2023, a slight improvement

[10] Rebased GDP estimates were published in 2022 and revised this year. These revisions have corrected errors in a few high-leverage firm surveys in cooperation with technical assistance from CARTAC, substantially addressing concerns in the original estimates. The revised data have now been fully incorporated into the estimates and forecasts presented in this report. Data revisions have resulted in an upward revision in nominal GDP levels for the post-hurricane period by four and seven percent for 2020 and 2021, respectively. Real GDP has been revised up by 6 and 3 percent in 2020 and 2021, respectively.

from 2022, which improves over the medium-term. The Health Care and Pension system (SZV), previously considered at risk of insolvency in the late 2020's has seen improving incomes and is not projected to require fiscal support over the forecast horizon.

38. Substantial fiscal risks remain around this favorable baseline. Risks to the fiscal outlook are headlined by an ongoing process to revise the 'function book' in the Ministry of Justice, likely to yield a higher wage bill and potentially substantial back pay obligations. Large capital risks loom with power generators past their expected lifespan (though currently operating with adequate margins), water pumps in need of replacement, and with state owned enterprises having accumulated substantial liabilities in recent years. On the upside, wage bill under-execution in 2022 due to inability to recruit may carry-over into 2023 providing some buffer. The authorities have begun publishing a medium-term budget, but work is ongoing to integrate macroeconomic projections and investment planning.

39. Risks to economic activity more generally are headlined by hurricanes and the financial and growth effects from recent global tightening. The principal risk to Sint Maarten is a damaging hurricane making landfall. Climate change may be increasing the frequency and magnitude of these natural disasters, and Atlantic surface water temperatures have been unusually high early in this hurricane season.[11] Recent monetary policy tightening in the U.S. and other advanced economies could tighten external and domestic credit conditions, while engineering an advanced economy slowdown with amplified effects on tourist demand. Higher commodity prices, either from renewed pressure from Russia's war in Ukraine, resurgent demand from China, or other sources, would reignite inflation in Sint Maarten's fuel oil-dependent energy generation. Higher commodity prices could also further stall reconstruction efforts requiring renegotiation of contracts. Other key risks include further cyber-attacks to GEBE or elsewhere, decreased airlift by the carriers, and *landspakket* implementation risk (Annex II).

Authorities' Views

40. The authorities broadly agreed with staff's assessment of the macroeconomic outlook and risks. They also estimated a strong year for growth in Sint Maarten, driven primarily by net foreign demand. With the strong rebound of tourism in 2022 in the rearview, the authorities cautiously noted that economic activity had not yet reached the level before Hurricane Irma, which should be thought of as a benchmark for Sint Maarten. Among domestic risks to the forecast, the authorities noted potential bottlenecks for the economy, including rising flight costs and the delay in the full reopening of the airport. On the external side, they highlighted the spillover effects from the war in Ukraine, which could continue to disrupt supply chains and increase inflation, lower external demand due to global monetary tightening, and potential capital outflows due to higher interest rates in advanced economies.

[11] Sint Maarten has been a member of the CCRIF since 2018 and is making good progress in developing a Disaster Risk Management policy in accordance with the *landspakket* (Theme A.1).

Box 2. Downside Scenario: A Conventional Recession

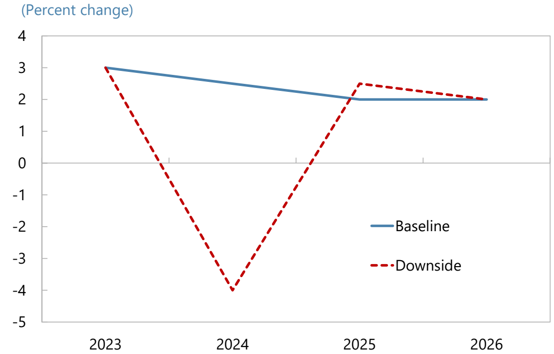
Sint Maarten has a golden rule fiscal regime, requiring a balanced net operating margin every year but allows waivers which have occurred during disasters. In a conventional recession, assuming no waivers, the rule is pro-cyclical and can exaggerate economic shocks.

Since becoming autonomous, Sint Maarten has experienced a brief period of consistent, if low, growth and then two historic disasters. The current fiscal regime is relatively well-designed for these cases. In normal times, financing is available only for approved capital expenditures, a golden rule fiscal regime. In the case of Hurricanes Irma and Maria, and for the pandemic, these large external shocks justified waivers of the fiscal rule and financing for current expenditures by The Netherlands. The fiscal rule has not yet been tested under the conditions of a normal recession. The downside scenario presented here looks to better understand the consequences of this pro-cyclical arrangement. With no financing available all revenue shortfalls due to the recession are offset by expenditure contraction, leading to additional multiplier effects.

The initial shock is a sharp slowdown in the main source countries of Sint Maarten's tourists resulting in a 10 percent decline in tourism arrivals, partially offset in the balance of payments by a decline in tourism-related imports. The shock is assumed to unwind after 2 years, with tourism fully recovering in 2027. The decline in tourist arrivals triggers a real GDP decline of 7 percent in 2024 relative to baseline and a deterioration of the current account by 2 percent of GDP, a stronger response than observed during the pandemic due to lack of countercyclical measures. Led by a rebound in arrivals, real GDP recovers in 2025 and returns to its pre-shock level only in 2026, marking a significant setback to pandemic and hurricane recovery gains.

Real GDP, 2023-26

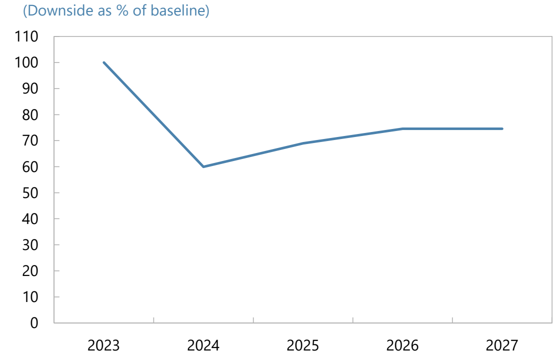
(Percent change)



Sources: The Sint Maarten authorities, and IMF staff projections.

Goods and Services Expenditure

(Downside as % of baseline)



Sources: The Sint Maarten authorities, and IMF staff projections.

The procyclical fiscal rule leads to additional volatility. The direct effect of the shock by itself would lead to a GDP decline of 4.6 percent below baseline. But this GDP decline induces a reduction in revenues of 2.6 percent of GDP relative to baseline, estimated with a revenue buoyancy of 1.5 as observed during the pandemic. With expenditures offset by the same amount, an additional 2.4 percent of GDP is lost due to fiscal multipliers.[1] The exaggerated growth shock likely leads to even larger welfare losses as the most vulnerable tend to be highly exposed to downturns and the government does not have the fiscal firepower to redirect expenditures to those most affected.

As Sint Maarten's recovery takes hold, policy makers should take stock of lessons learned from its two successive crises and consider options for a more counter-cyclical fiscal regime in cooperation with its financing partners.

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[1] Staff implement a slightly smoothed version of the small fiscal consumption multipliers estimated in Alichi and others, 2019 (IMF WP 19/072) for small economies like Sint Maarten. The instantaneous multiplier is 0.27, the peak cumulative effect comes in the second year, at 0.39, and growth effects are fully unwound in 4 years.

D. Policy Issues

Policy discussions were focused on using the recovery to build stronger and more forward-looking fiscal institutions, increasing public investment, capacity building in fiscal management, data compilation, and financial intelligence. Near-term priorities are adequate budgeting key capacity areas and implementing PFM and revenue advice.

Emerging from Pandemic Era Budget Measures

41. The authorities' 2023 budget makes several adjustments to accommodate the unwinding of pandemic-era wage cuts. The budget is in line with Cft requirements and takes several steps to make room for a complete unwinding of the pandemic-related 12.5 percent nominal wage cut. New revenue measures including a new airport tax and enforcement of the turnover tax for homesharing are part of this plan but look ambitious in light of implementation challenges. Additional, more ambitious measures like the authorities' proposed vehicle tax, or the sales tax on online purchases and property taxes proposed in recent technical assistance would help finance important expenditure priorities.

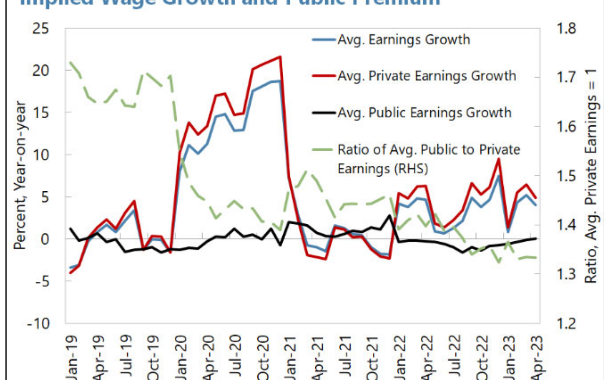
Sources and Uses of Fiscal Space in 2023
(NAf. Million)

	2022	2023	
	Prel.	Budget	IMF Proj.
Revenue	**440**	**496**	**506**
Other revenue	440	480	490
Revenue measures	0	15	15
Expenditure	**466**	**575**	**615**
Expense 1/	464	485	575
Compensation of employees	205	215	215
Other	259	270	360
Capital expenditure	2	90	40
Overall balance	**-26**	**-79**	**-110**
Primary balance	**-13**	**-68**	**-106**

Sources: National authorities, and IMF staff estimates.
1/ 2023 excludes transfers to Ennia.

42. Wage increases are appropriate, but key areas of constrained capacity need safeguarding. The unwinding of wage cuts in October 2022 returned wages to nominal levels which have not risen substantially in several years and represents a reasonable reversal of pandemic-era strictures. Room for this unwind should take care to protect needed areas of capacity and retain the potential to protect the vulnerable. Budget cuts have limited staffing in the statistics agency and the financial integrity unit, two key areas in urgent need of capacity building. The function book review of the Ministry of Justice should ensure consistency of job grading and pay across the civil service and should be done within the broader context of ensuring job market competitiveness and efficient functioning of the government as envisioned in Theme B of the *landspakket*.

Implied Wage Growth and Public Premium



Sources: National authorities, and IMF staff calculations.

43. Policies should focus on reversing earlier compression of high-quality expenditures and moving forward with revenue reforms. Subsequent budgets should consider further increases in spending for improved public services, wages in key capacity areas, and transfers to clear outstanding domestic payment arrears to the public pension fund (APS) and SZV. Additional expenditures in climate resilience and infrastructure renewal also offer high prospective returns. Debt reduction in line with staff forecasts is an important part of the fiscal mix in any year with adequate growth, given high hurricane risks. Sharper debt reduction would be a lower priority use of fiscal resources than key expenditure areas. To mobilize additional fiscal resources, the authorities should focus on completing the cleansing of the tax database and ensuring that current tax payments are properly reconciled with taxpayers and tax types.

Fiscal Institution Building for Sustained Growth

44. The authorities have taken important first steps towards a medium-term framework. Initial expenditure and revenue targets for the medium term were developed in 2022 but lacked substantiating detail and macroeconomic underpinnings. The 2023 budget offers expanded detail in revenue and expenditure categories and presents the macroeconomic forecasts of the IMF and CBCS. Developing an in-house macroeconomic framework is not a capacity-building priority in light of current needs elsewhere. Ongoing work to integrate fiscal and macroeconomic forecasts with the framework of the central bank is a promising path forward which efficiently leverage union resources and previous IMF technical assistance. A well-substantiated and credible medium-term budget is key to underpinning effective long-term staffing decisions and multi-year investment project budgeting, as well as reflecting and reacting to economic shocks.

45. Building public investment institutions is a key task for the government going forward, leveraging important progress this year. Under the golden-rule fiscal regime, capital expenditures approved by the RMR receive special financing. No proposals had been approved since 2017 due to poor substantiation, however, discouraging project proposal development and resulting in a counterproductive reduction in public investment. This year the authorities in cooperation with Cft have clarified documentation standards and built capacity to meet them among relevant line ministries, registering the first capital expenditure projects approved for financing since before the hurricanes. Sint Maarten will need to substantially expand its public investment and execution in the long term. Rapid expansion risks crowding out in the medium term considering substantial public investment by the Trust Fund. The next few years provide an opportunity to grow public investment slowly while focusing on the establishment of high-quality public investment institutions.

46. Progress on financial management and revenue administration is yielding dividends. The addition of six staff in the tax office has helped to ease staffing constraints and may be behind initial positive results for 2023. The authorities expect the rollout of the recently approved tax and financial management systems to underpin improvements in tax administration and expenditure management. Ongoing efforts to develop a debt management strategy – with technical support from the IMF – are welcome and could support future work on financing scenarios and capital expenditure plans.

47. Trust Fund execution was delayed last year but is on track to fully disburse. Several projects were delayed by higher input costs last year as plans were reworked and contracts in some cases renegotiated. The airport, for example, has been delayed repeatedly and now expects to be fully completed after the 2023-24 peak season. Risk of further delays is abated as all major reconstruction purchases have now been executed. Other projects are also moving forward, and the project pipeline is now sufficient to exhaust the fund, with execution expected to rise through 2025 and then wind down through its scheduled expiration in 2028.

Authorities' Views

48. The authorities marked several milestones in fiscal reforms over the past year and look forward to sustained progress. The initiation of medium-term budgeting and productive ongoing interaction with the CBCS is making good progress towards a deeper and more useful exercise to underpin medium-term fiscal planning. Developing capacity in cash management will strengthen budget execution. Public investment management is making positive strides, marked by the first financed projects in 9 years and growing capacity across ministries. Staffing in the tax office shows initial improvement in collections while the process for adopting a new management system is moving forward. The authorities are working to incorporate new technology in transactions with the government and the payment system, envisioning a lower share of cash transactions for convenience and better monitoring.

Structural Reforms

49. As the recovery takes hold and reconstruction continues to make positive strides, attention should turn to the business environment. Meaningful progress has been made towards e-government, but processes need to be made end-to-end to realize efficiency gains and stimulate activity. Priority reforms are needed to reduce turn-around time for work permits, business licenses, and building permits. Initiatives to establish a single electronic window and increase coordination between government agencies are welcome and could benefit from a firmer timeline. Clearer communication of requirements and regulations and simpler tax procedures would also ease the regulatory burden and facilitate growth.[12]

50. Authorities have made good progress on reforms in the *landspakket* but the more difficult stages lie ahead. The reform agenda has a wide scope and Sint Maarten is assessed as making positive progress in most categories. In many cases these early stages involve review and analysis, while legislating and implementing may prove more difficult.

51. Action on governance issues is needed to reduce vulnerability to corruption. A lack of resources for the Financial Intelligence Unit (FIU) constrains the effectiveness of AML/CFT investigations and oversight. The FIU has made progress in updating laws and advancing key legislation. However, the FIU requires an expanded budget and competitive wages to attract and

[12] See results in Martes, R. (2023). Effects of Red Tape on Business and Economic Development. Central Bank of Curaçao and Sint Maarten Working Paper Series, WP 23/03.

retain a full complement of staff. Dedicated financial crimes counterparts are needed on the law enforcement and prosecutorial side and integration with the FIU could be considered. AML/CFT-related agencies need to be able to engage in better collection, review, and sharing of statistics. The national risk assessment (NRA) process will require sustained progress to conclude in advance of the 4th round Mutual Evaluation (MER). The NRA is scheduled for the first quarter of 2024 which leaves little time to implement its recommendations in advance of the MER in September 2024. The gaming law needs to be updated so that the legislation for the establishment of a gaming authority can be moved forward. The ultimate beneficial ownership registry, which was approved by legislation in 2019, should be prioritized. Additional work is needed to ensure high-quality controls in the public financial management system, especially for capital projects as additional public investment capacity is built. The authorities should consider preparing legislation needed for the ratification of the United Nations Convention against Corruption.

52. Sint Maarten needs greater capacity in statistical compilation, despite important strides this year. GDP compilation has rapidly improved in timeliness and reliability, with this report marking the first full adoption of Sint Maarten's rebased GDP estimates. Inflation statistics have improved in timeliness and further estimation improvements are underway. The pandemic-delayed census is in its final stages and results are expected by the end of the year. The statistics department is nevertheless understaffed and requires a sufficient budget and competitive pay to attract and retain high-skill staff.

Authorities' Views

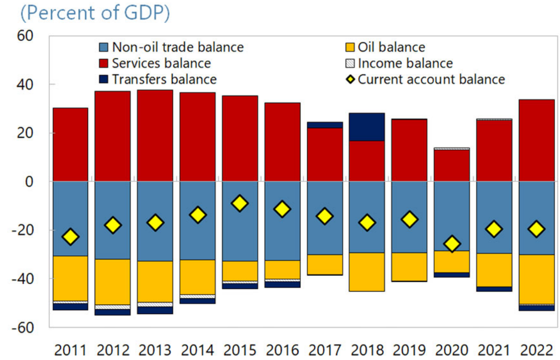
53. The authorities are committed to structural reforms, including through the *landspakket*. E-governance has been a focus of this government and the authorities have implemented some digital portals for government affairs and are undertaking overhauls of the IT systems for the tax department and other PFM activities. An updated tax legislation is expected to be submitted to parliament in 2024 and software to accept mobile payments that will drive innovation is being rolled out. The National Risk Assessment remains on schedule and key legislation to expand the authority of the FIU and better regulate the gaming industry are moving forward.

THE MONETARY UNION OF CURAÇAO AND SINT MAARTEN

Discussions focused on policies for strengthening the external position of the Union, bolstering stability of the financial sector, and improving policy coordination within the Union. Near-term priorities are to find a solution to Ennia, set up the Financial Stability Committee, and implement a deposit guarantee scheme.

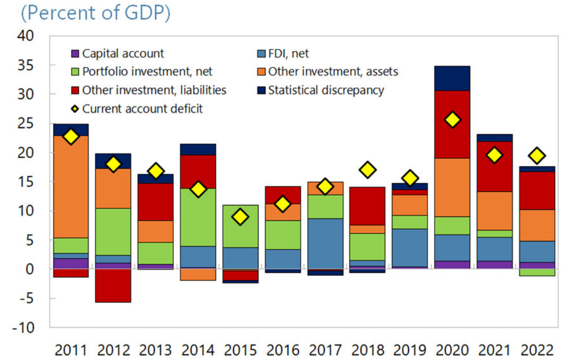
54. The current account deficit of the Union remained elevated in 2021-22 but is projected to subside in the coming years. High import prices and an uptick in construction activity kept the CAD close to 19½ percent GDP in 2022. In the past three years, the CAD was financed predominantly by borrowing and divestment of assets. The stock of international foreign exchange reserves—not including gold—declined from around US$1.8 billion in 2021 to US$1.6 billion in 2022 (4.4 months of imports). While it remained above several traditional reserve adequacy metrics such as 3 months of import coverage, and 20 percent of broad money, it was slightly below the short-term debt and significantly below the level suggested by the ARA EM metric (Annex VIII).[13] In the medium term, the CAD is expected to moderate to about 11 percent of GDP due to robust growth of tourism receipts.

Union: Current Account Balance, 2011-22
(Percent of GDP)



Sources: CBCS, and IMF staff calculations.

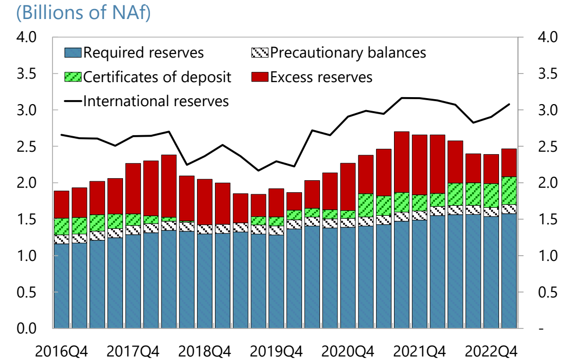
Union: Financial Account Flows, 2011-22
(Percent of GDP)



Sources: CBCS, and IMF staff calculations.

55. Following global monetary policy tightening, the CBCS appropriately tightened monetary policy in the Union. The CBCS appropriately increased its pledging rate to 5.5 percent in a series of steps and stepped up its liquidity operations, reducing the banking system's excess reserves to pre-pandemic levels. The transmission mechanism of monetary policy remains weak as evidenced by the disconnect between the policy and banking sector interest rates, partially due to structural factors such as the absence of the interbank liquidity market and the government securities markets. The CBCS should continue to adjust the monetary policy as needed to support the peg and further develop the monetary policy toolkit.

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



Sources: CBCS and IMF staff calculations.

56. Credit growth increased, although remains weak in real terms. Union-wide credit growth rose to 3.9 percent (y/y) in March 2023, driven primarily by mortgages in both countries and business loans in Sint Maarten, but in real terms it is negative (-0.7 percent) in Curaçao and flat in Sint Maarten. Banks are facing competition from institutional investors for both real estate investment and infrastructure projects, credit risk due to challenging macroeconomic and business climate environment, and gaps in financial market infrastructure. After a sizeable increase during the pandemic, local deposits declined in 2022. These

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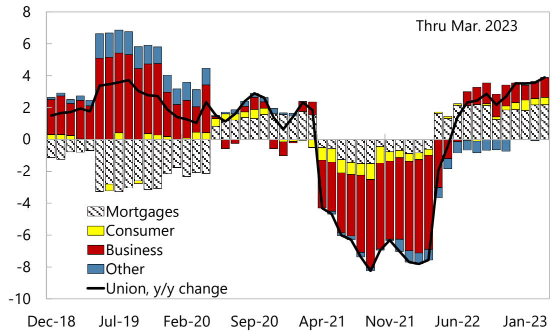
[13] The CBCS's official reserves including monetary gold (US$0.76 billion) amounted to about US$2.4 billion (6.5 months of imports) in 2022.

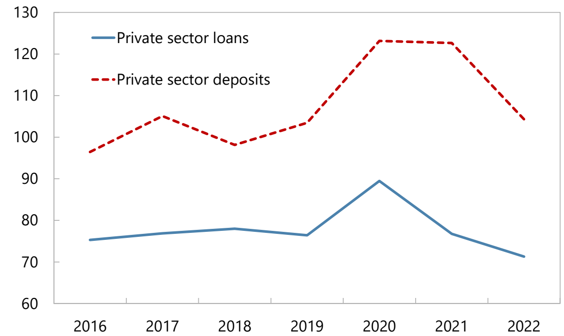
developments, together with tightening of the monetary policy by the CBCS, reduced excess liquidity in the banking system to the pre-pandemic level. The CBCS should monitor the housing market in Curaçao for signs of changes in prices and be prepared to employ macroprudential tools if necessary.

Loans to Non-government Sect. and Growth Contributions
(Percent change and percentage points)



Sources: CBCS and IMF staff estimates.

Private Sector Loans and Deposits
(Percent of GDP)



Sources: CBCS and Fund staff estimates.

57. It will be vital to finalize a resolution strategy for Ennia. Any solutions should be weighed against the option of orderly winding down given the fiscal costs. It will be critical to produce a thorough review of the long-term viability of the firm before considering recapitalization. If recapitalization is chosen, then a restructuring of the business, robust supervisory oversight, strong governance arrangements, and a clear exit strategy for the government would be necessary. The authorities are considering a Financial Stability Fund to finance the resolution, but if the financial system is expected to contribute, an examination of the impact on financial institutions and intermediation should be conducted. A solution should avoid drawing down the international reserves of the central bank. A more structured dialogue between the CBCS and the governments—that could be facilitated by a Financial Stability Committee (FSC)—is needed to finalize the strategy for Ennia's resolution.

58. Apart from legacy issues at Ennia, the financial system weathered the pandemic well, although asset quality and other vulnerabilities continue to linger, and global financial tightening caused losses on the institutional investors' side. Capital buffers in the Union's banking system increased, profitability indicators improved, and non-performing loans declined to single digits, marginally below the 2019 level (Table 12). However, there are latent credit risks that may arise from the moratorium on loans implemented in 2020, many of which have been restructured after the moratorium ended. These risks could increase NPLs and reduce capital buffers. The CBCS is collecting data to assess potential losses by the institutional investors as a result of global tightening, leading to significant asset repricing. Exposure to global financial market volatility due to bank failures in other jurisdictions is small and the CBCS is closely monitoring the developments. In order to improve institutional investor's options for generating returns, the CBCS is planning to review its long-standing 60/40 policy on the share of foreign to domestic investments. The review needs to include a comprehensive assessment of the effects on the economy, including efficiency, pro-cyclicality, and the stability of international reserves. The CBCS is closely monitoring the correspondent banking relationships (CBRs), especially for smaller institutions.

59. The CBCS has made substantial progress in its financial reform agenda. The CBCS has advanced its transition to risk-based supervision, improved understanding of the risk levels of various institutions, and enhanced its ability to apply formal enforcement measures. The authorities are working on a wide legislative agenda in the financial sector area. The CBCS published three key guidelines for credit institutions covering the management of liquidity risk, credit risk, and stress testing practices in March. In June 2023, the CBCS published AML/CFT/CFP provisions and guidelines for four supervised sectors in Curaçao and a guidance paper on the systematic AML/CFT/CFP risk assessment to be compliant with the FATF recommendations. The authorities should finalize the legal framework for the launch of the deposit guarantee system. Modernizing the CBCS statute and confirming appointments of the Supervisory Board members—so far employed on *ad interim* basis—would strengthen governance in the financial sector. The CBCS and the governments of Curaçao and Sint Maarten need to closely coordinate on establishment of a well-designed FSC that would be instrumental for fostering collaboration and policy coordination within the monetary union.

Authorities' Views

60. The authorities broadly shared staff's assessment of financial sector stability and risks and agreed on the policy priorities. The CBCS is monitoring asset quality and is assessing the financial stability, including via tools such as the Financial Stability Index and early warning indicators as highlighted in the latest (May 2023) Financial Stability Report.[14] The CBCS is building a framework for assessing the housing market in Curaçao, including a house price index. The authorities are determined to find a solution to Ennia as a matter of priority in order to reduce significant economic and social risks and are discussing financing options. The Curaçao government is planning to start discussions on setting up a Financial Stability Committee for Curaçao at the request of the CBCS. The authorities have a wide legislative agenda related to the financial sector. The Curaçao and Sint Maarten authorities are planning to finalize legislation for the deposit guarantee system (DGS) in the coming months. Several AML/CFT key pieces of legislation are expected, including items to address unusual transaction reporting, politically exposed persons, a new schedule of penalties as part of compliance with the NRA, and several ordinances granting oversight of various sectors to the CBCS.

STAFF APPRAISAL

Curaçao

61. Realizing Curaçao's significant economic potential requires a strong development strategy supported by buy-in from stakeholders. The development strategy needs to be

[14] The Financial Stability Index is a quarterly composite index based on 19 components including local and external indicators such as inflation, credit growth, FSIs, and global equity markets.

supported by sectoral strategies. Integrating adaptation to climate change into the policy framework will be important for sustainable growth. It will be important to conduct supply-side reforms to reduce the cost of business and improve the business climate. Developing human capital and aligning migration and labor policies in line with specific labor market needs will be important for a sustainable and inclusive growth.

62. Fiscal policies should focus on improving the quality of expenditure, emphasizing growth-enhancing investment. Strengthening public investment management, including project implementation capacity, is needed to achieve good quality public investments required for supporting potential growth and boosting resilience. Budgeting adequate resources for priority areas such as implementation of reforms, improving data and information frameworks, AML/CFT and other areas, would improve the quality of public services. The level and skill composition of civil service employment needs to be consistent with the effective delivery of public services.

63. Developing a full-fledged medium-term fiscal framework would strengthen policy formulation, help avoid procyclical spending, and mitigate fiscal risks. In that regard, the authorities' decision to adopt a medium-term debt anchor is a step in the right direction. It should be accompanied by setting out operational targets for fiscal deficits consistent with reaching the debt objective.

64. Reforms of the social security and the health sector are needed to restore their financial sustainability and safeguard against fiscal risks. A comprehensive health sector reform is needed to restore the sector's financial sustainability, limit fiscal risks, and guarantee continuity of health services. While the reform is being prepared, it would be important to provide the sector with adequate resources to enable asset maintenance and guarantee service continuity. The old-age pension system also requires attention.

65. Timely implementation of reforms addressing governance weaknesses will be critical for sustained and inclusive growth. The publication of the National Risk Assessment was a significant step forward. It will be critical to address the weaknesses identified in the assessment, particularly the provision of sufficient resources to strengthen effectiveness of the AML/CFT framework.

Sint Maarten

66. With fiscal deficits in check, policies should focus on reversing earlier compression of high-quality expenditures. Public wages should be aligned within government and competitive for key skill areas. Key infrastructure maintenance, repair and renewal should be prioritized, and intergovernmental arrears should be cleared. The rate of debt reduction anticipated in projections is appropriate for a hurricane exposed economy in a non-hurricane year.

67. Building public investment capacity is a key priority. Sint Maarten marked important steps in building public investment management capacity this year, but substantial work remains to ensure this capacity can be nurtured, expanded, institutionalized, and maintained. Planned capacity development should help establish a roadmap to building effective institutions.

68. Progress on medium-term budgeting is welcome. Advances in medium-term budgeting this year is noteworthy, as is ongoing progress in deepening macroeconomic integration into planning. Credible medium-term budgeting should help facilitate multi-year investment planning and staffing capacity choices.

69. Streamlining procedures and reducing costs of doing business would help elevate Sint Maarten's growth. Long known as a business-friendly environment, the private sector has recently pointed to slow processing times for licenses, permits, and tax payments as a constraint on growth. Important steps in e-governance need to be made end-to-end to fully realize their benefits while interagency cooperation and greater transparency would bolster confidence and promote growth.

70. Governance efforts need accelerating. Adequately staffing and empowering the Financial Intelligence Unit would attenuate risks around the timely completion of the National Risk Assessment and expand investigation activity. The establishment of the gaming authority and ultimate beneficial ownership registry would mark key milestones in the reduction of exposure to corruption risk.

The Monetary Union of Curaçao and Sint Maarten

71. The external current account deficit remained elevated in 2022 on account of a substantial widening of the deficit in Curaçao. The external position of Curaçao remained weaker than the level warranted by the fundamentals and desired policy settings, whereas in Sint Maarten the external position is in line with the fundamentals and desired policy settings. Despite the elevated current account deficit in the union, the international reserves remain at a comfortable level. The CBCS should continue to adjust monetary policy as needed to support the peg and further develop the monetary policy toolkit.

72. Apart from legacy issues at Ennia, the financial system weathered the pandemic well. Capital buffers in the Union's banking system increased, profitability indicators improved, and non-performing loans declined to single digits. The CBCS should continue close monitoring of assets, especially those that have been restructured after the pandemic. It will be vital to finalize a resolution strategy for Ennia. A decision to recapitalize Ennia needs to be based on a thorough review of its long-term viability. Any solution needs to avoid creating a drain on the CBCS international reserves.

73. The authorities should continue making progress in their financial reform agenda. It would be important to finalize the deposit guarantee system. The CBCS and the governments of Curaçao and Sint Maarten need to closely coordinate on establishment of a well-designed Financial Stability Committee that would be instrumental for fostering collaboration and policy coordination within the monetary union.

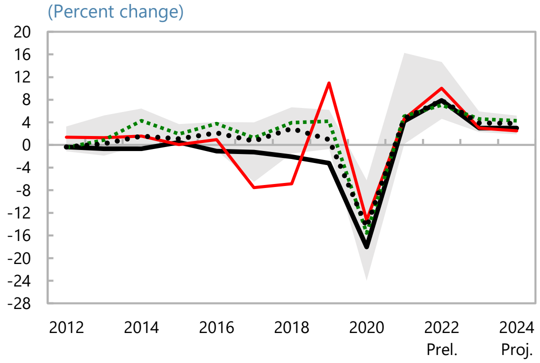
74. It is envisaged that the next Article IV consultation discussions with the Kingdom of the Netherlands—Curaçao and Sint Maarten will be held on a 12-months cycle.

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

Curaçao Sint Maarten Tourism-oriented Caribbean ECCU

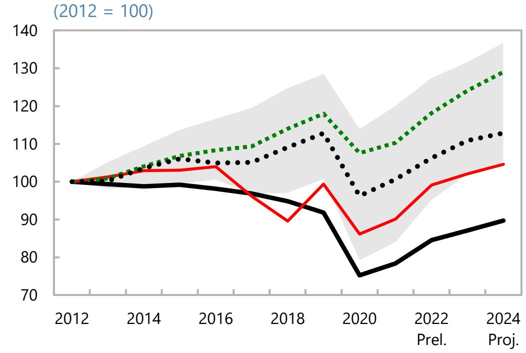
Curaçao and Sint Maarten are recovering from multiple large shocks.

Real GDP
(Percent change)



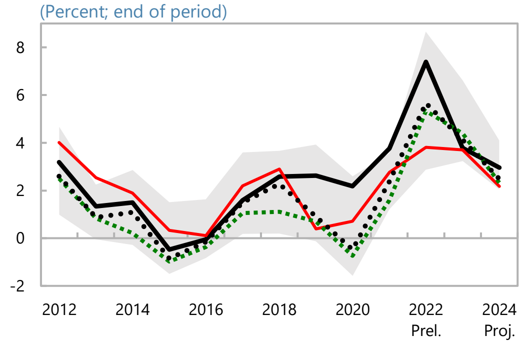
Due to the shocks, cumulative growth since 2012 is negative in Curaçao and about zero in Sint Maarten.

Real GDP Index
(2012 = 100)



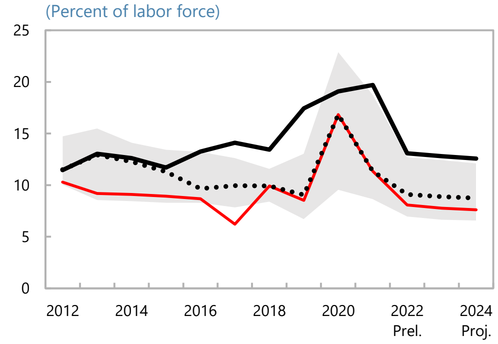
Inflation tracked regional patterns in Curaçao but was relatively low in Sint Maarten.

Inflation
(Percent; end of period)



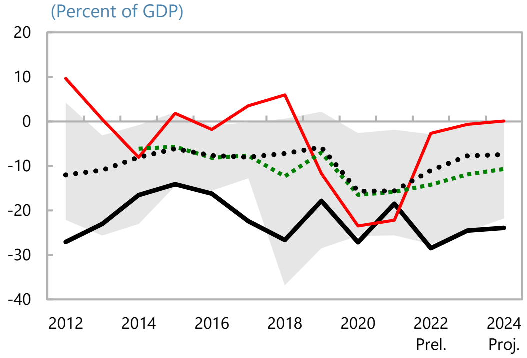
In both countries high pandemic-induced unemployment rates have normalized.

Unemployment Rate 2/
(Percent of labor force)



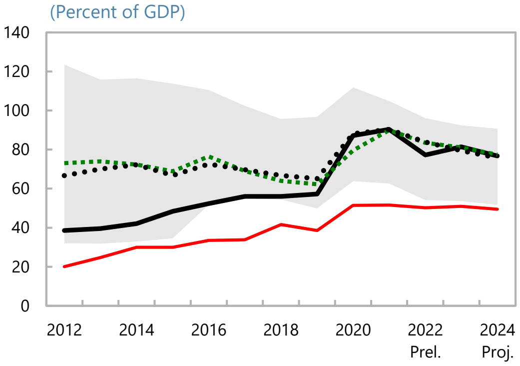
Curaçao's CAD is much larger than the median CAD in the Caribbean, whereas in St. Maarten, it is small.

Current Account Balance
(Percent of GDP)



The pandemic increased Curaçao's public debt stock to the Caribbean median level, whereas Sint Maarten's public debt is smaller.

Government Debt
(Percent of GDP)

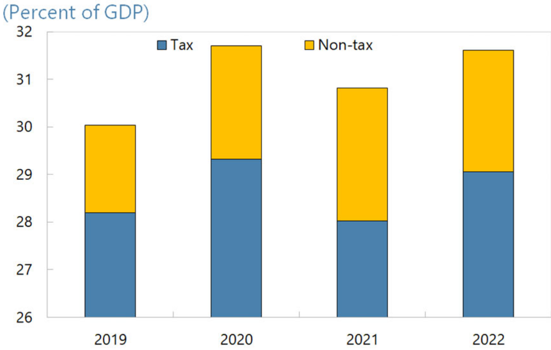


Sources: IMF World Economic Outlook and IMF staff estimates and projections.
1/ Figure reports medians for 15 tourism-oriented Caribbean countries, and the subgroup of countries in the Eastern Caribbean Currency Union (ECCU). 10th to 90th percentile range (light shading) are for all tourism-oriented Caribbean countries.
2/ Due to data availability, Caribbean-oriented comparators do not include ECCU countries.

Figure 2. Curaçao and Sint Maarten: Fiscal Developments

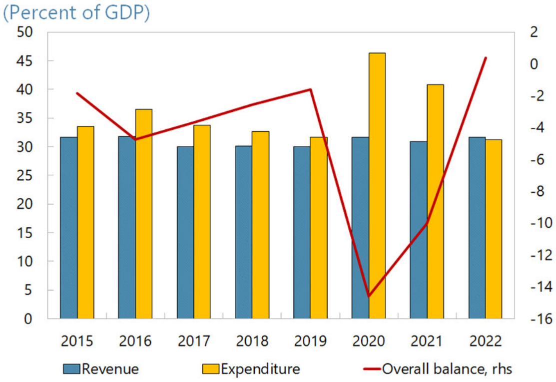
In 2022, revenue-to-GDP ratio increased strongly in Curaçao on account of tax revenue.

Curaçao: Central Government Revenue, 2019-22
(Percent of GDP)



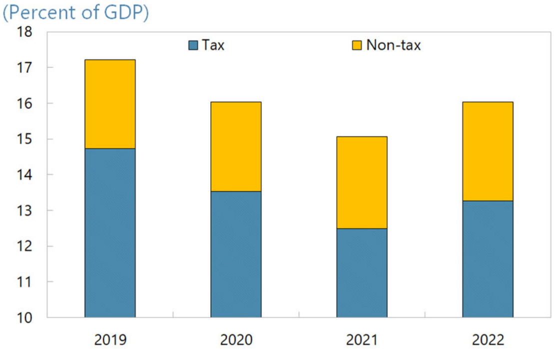
Higher revenue and lower expenditure resulted in an overall fiscal surplus in 2022.

Curaçao: Fiscal Balance, 2015-22
(Percent of GDP)



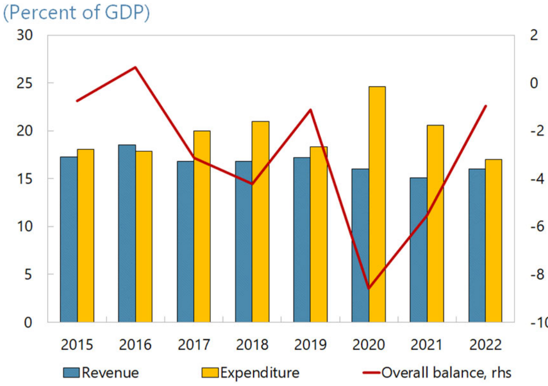
In Sint Maarten, revenue increased by ½ percent of GDP.

Sint Maarten: Central Government Revenue, 2019-22
(Percent of GDP)



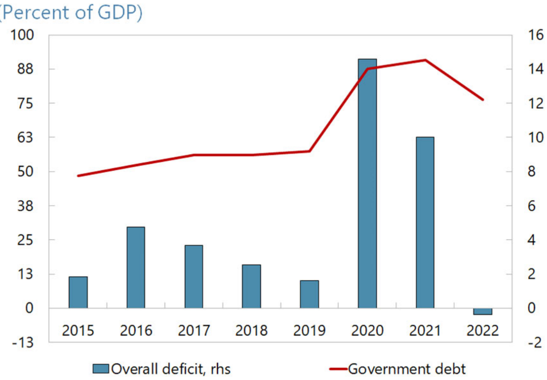
Good revenue performance and expenditure containment resulted in strong fiscal consolidation.

Sint Maarten: Fiscal Balance, 2015-22
(Percent of GDP)



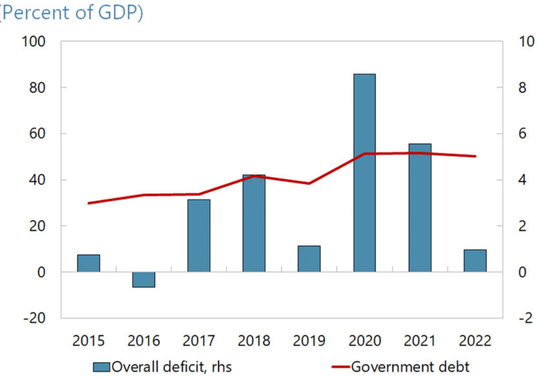
In Curaçao, GDP recovery and strong fiscal adjustment reduced government debt in 2022.

Curaçao: Government Debt and Overall Deficit, 2015-22
(Percent of GDP)



In Sint Maarten, government debt stabilized at 55 percent of GDP.

Sint Maarten: Public Debt and Overall Deficit, 2015-22
(Percent of GDP)

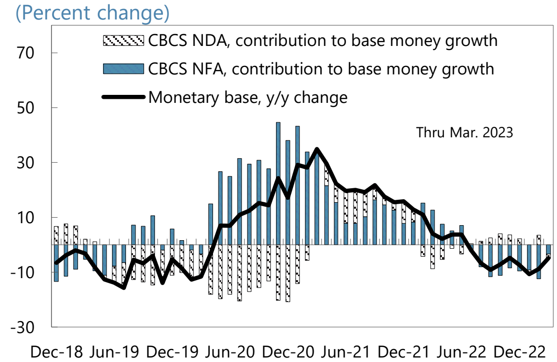


Sources: National authorities, and IMF staff estimates.

Figure 3. Curaçao and Sint Maarten: Monetary Developments, 2018–March 2023

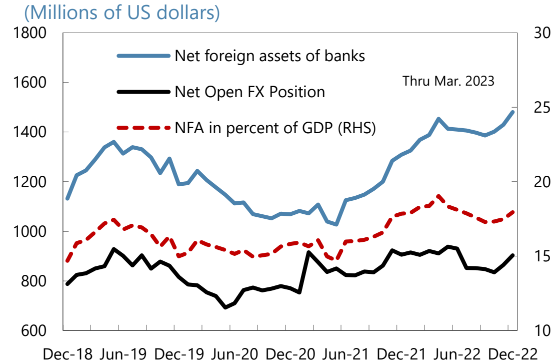
After a period of rapid growth during the pandemic, the monetary base has stabilized.

Monetary Base and Components
(Percent change)



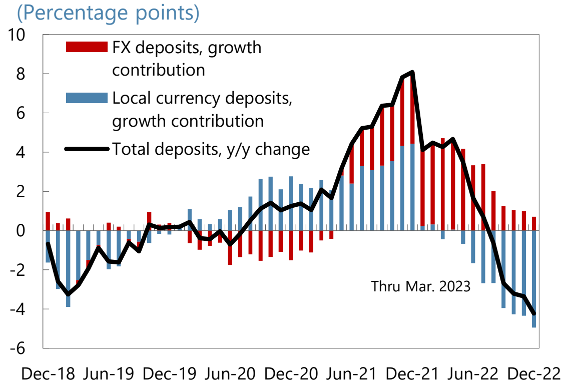
Banks have been increasing their net foreign assets and net open FX positions.

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



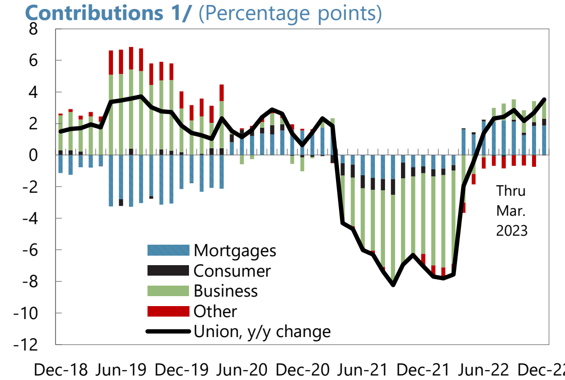
Total bank deposits have declined in the recent months on account of local currency deposits.

Bank Deposits
(Percentage points)



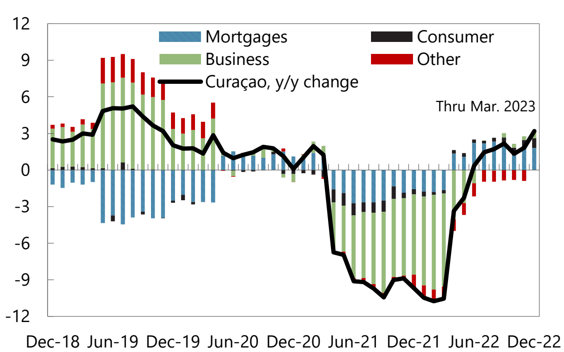
Credit to non-government sectors has picked up.

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



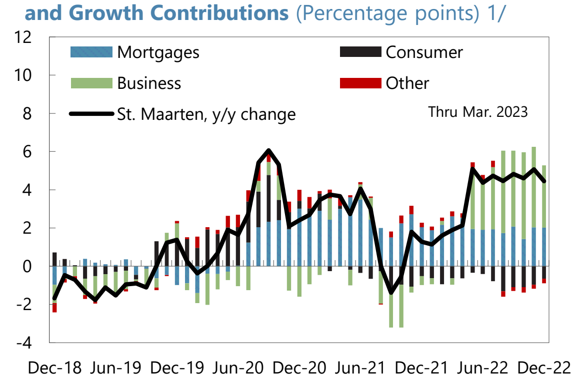
In Curaçao, credit growth is moderate, driven by mortgage loans.

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



In Sint Maarten, credit growth is driven by mortgages and business loans.

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



Sources: CBCS, and IMF staff estimates.
1/ The decline in credit in 2021 is due to the resolution of Girobank.

Table 1. Curaçao: Selected Economic and Financial Indicators, 2019–28

Area	444 (km2)	Population, thousand (2022)	148.9
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

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Prel.	Prel.	Prel.	Prel.			Proj.			
Real Economy					**(Percent change unless otherwise indicated)**					
Real GDP	-3.2	-18.0	4.2	7.9	3.0	3.0	2.0	2.0	1.5	1.5
CPI (12-month average)	2.6	2.2	3.8	7.4	3.8	3.0	2.3	2.2	2.0	2.0
CPI (end of period)	2.3	2.2	4.8	8.4	3.2	2.3	2.3	2.2	2.0	2.0
GDP deflator	2.6	2.2	3.8	4.0	3.8	3.0	2.2	2.2	2.0	2.0
Unemployment rate (percent)	17.4	19.1	19.7	13.1	12.8	12.6	12.3	12.0	11.8	11.5
Central Government Finances					**(Percent of GDP)**					
Net operating (current) balance	-0.5	-15.0	-10.6	0.3	-9.1	0.2	0.5	0.8	1.0	1.2
Primary balance	-0.4	-13.2	-8.8	1.4	-7.8	1.6	1.5	1.5	1.4	1.5
Overall balance	-1.6	-14.5	-10.0	0.4	-8.8	0.0	-0.1	-0.1	-0.1	0.1
Central government debt 1/	57.3	87.1	90.3	77.2	81.4	76.8	73.5	70.4	67.8	65.3
General Government Finances 2/										
Overall balance	-2.0	-15.7	-10.4	-0.3	-8.9	0.5	0.5	0.3	0.3	0.4
Balance of Payments					**(Percent of GDP)**					
Current account	-17.9	-27.2	-18.5	-28.5	-24.5	-23.9	-21.6	-19.6	-17.8	-17.0
Goods trade balance	-35.1	-37.0	-41.6	-47.8	-46.1	-45.2	-44.4	-43.5	-42.5	-41.8
Exports of goods	13.2	10.7	12.5	18.0	16.5	16.5	17.0	17.5	18.1	18.8
Imports of goods	48.3	47.7	54.1	65.8	62.6	61.7	61.4	60.9	60.6	60.6
Service balance	16.8	9.6	21.7	20.0	22.9	23.2	24.0	24.4	24.8	24.8
Exports of services	45.5	29.3	37.6	48.6	51.7	52.4	53.5	53.9	54.4	54.9
Imports of services	28.7	19.7	15.9	28.6	28.8	29.2	29.5	29.6	29.6	30.1
External debt 3/	147.1	197.3	195.2	186.1	194.9	189.0	186.2	183.9	182.7	181.4
Memorandum Items										
Nominal GDP (millions of U.S. dollars)	3,026	2,534	2,740	3,075	3,287	3,486	3,634	3,788	3,922	4,060
Per capita GDP (U.S. dollars)	19,371	16,492	18,135	20,648	21,955	23,165	24,034	24,941	25,714	26,516
Credit to non-government sectors (percent change) 4/	2.0	0.1	-9.7	3.2	4.0	…	…	…	…	…

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: The Curaçao authorities and IMF staff estimates and projections.

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/ The latest available datapoint is as of 2018. Values for 2019-2022 are IMF staff estimates based on BOP flow data.

4/ 2023 value shows the latest available data (March).

Table 2. Curaçao: Government Operations, 2019–28 1/

(Millions of NA*f* unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
			Prel.	Prel.			Proj.			
					Budgetary Central Government					
Revenue	**1,625**	**1,428**	**1,501**	**1,759**	**1,766**	**1,886**	**1,968**	**2,054**	**2,127**	**2,202**
Tax	1,525	1,321	1,365	1,617	1,618	1,721	1,797	1,876	1,943	2,011
Taxes on income and profits	664	580	503	525	532	572	601	630	653	676
Taxes on property	30	34	51	114	58	62	64	67	69	72
Taxes on goods and services	621	541	629	750	794	854	890	928	961	995
Taxes on international trade and transactions	210	166	183	227	233	233	242	250	260	269
Grants	32	40	63	56	60	63	66	68	70	73
Other revenue	68	67	73	86	89	102	106	110	114	118
Expenditure	**1,711**	**2,085**	**1,990**	**1,739**	**2,284**	**1,888**	**1,974**	**2,061**	**2,133**	**2,197**
Expense (current expenditure)	1,653	2,109	2,020	1,745	2,304	1,876	1,934	1,999	2,055	2,117
Compensation of labor	585	597	586	574	601	657	685	714	740	766
Wages and salaries 2/	482	494	482	473	502	544	567	591	611	633
Social contributions	103	103	104	102	99	114	119	124	128	133
Goods and services	171	216	211	260	225	214	223	233	241	249
Consumption of fixed capital	93	90	76	70	90	91	91	91	94	97
Interest payments	68	69	68	67	67	114	114	115	116	116
Subsidies 3/	0	95	102	0	0	0	0	0	0	0
Grants	558	802	566	604	1,131	600	612	628	640	655
Social benefits	174	231	238	167	188	198	207	215	223	231
Other expense	3	8	174	4	2	2	2	2	2	2
Net acquisition of nonfinancial assets	59	-23	-30	-6	-20	12	39	61	78	80
Net acquisition of nonfinancial assets (capital)	152	66	45	64	71	103	130	156	175	182
Net Operating (current) Balance	**-28**	**-680**	**-519**	**14**	**-538**	**10**	**34**	**55**	**71**	**85**
Overall Balance	**-87**	**-657**	**-489**	**20**	**-518**	**-3**	**-5**	**-7**	**-6**	**5**
Primary Balance	**-21**	**-597**	**-430**	**78**	**-460**	**102**	**100**	**100**	**101**	**112**
Financing, Net	**-226**	**-643**	**-372**	**214**	**-518**	**-3**	**-5**	**-7**	**-6**	**5**
Net acquisition of financial assets 4/	-174	206	105	35	23	-5	-15	-15	-15	-15
Net incurrence of liabilities	53	849	477	-178	541	-2	-10	-8	-9	-20
Loans	53	908	406	-8	541	-2	-10	-8	-9	-20
Borrowing	99	1,016	415	911	1,464	12	145	29	30	20
Amortization	46	108	8	919	922	15	155	38	39	40
Other accounts payable, incl. arrears	0	-59	71	-170	0	0	0	0	0	0
Statistical discrepancies	140	-14	-116	-194	0	0	0	0	0	0
					General Government 5/					
Revenue	**2,423**	**2,160**	**2,266**	**2,529**	**2,574**	**2,753**	**2,869**	**2,989**	**3,092**	**3,200**
of which : Social contributions	772	701	729	767	804	853	886	920	950	983
Expenditure	**2,530**	**2,871**	**2,777**	**2,545**	**3,096**	**2,721**	**2,840**	**2,968**	**3,074**	**3,168**
Expense	2,471	2,894	2,808	2,551	3,116	2,708	2,800	2,907	2,996	3,087
of which : Social benefits	1,232	1,277	1,289	1,239	1,267	1,301	1,342	1,392	1,432	1,469
Net acquisition of nonfinancial assets	59	-23	-30	-6	-20	12	39	61	78	80
Overall Balance	**-107**	**-711**	**-512**	**-16**	**-522**	**32**	**30**	**20**	**18**	**33**
Primary Balance	**-42**	**-651**	**-452**	**42**	**-464**	**137**	**135**	**127**	**125**	**140**
Memorandum Items										
Current account balance, authorities' definition	-45	-719	-363	14	-538	0	0	0	0	0
Of which : Compensation for past deficits (+: payment)	17	44	16	0	0	10	34	55	71	85
Interest rule (interest/revenue) (percent) 6/	3	3	3	3	3	5	4	4	4	4
Government debt service	76	177	76	1,204	990	129	269	153	155	156
Gross government debt 7/	3,103	3,952	4,429	4,251	4,792	4,789	4,779	4,771	4,762	4,742
Net government debt	3,017	3,645	4,176	3,914	4,422	4,409	4,400	4,391	4,382	4,362
Government deposits	86	306	252	336	370	380	380	380	380	380
Nominal GDP	5,417	4,536	4,904	5,505	5,884	6,240	6,504	6,780	7,020	7,267

Sources: The Curaçao authorities and IMF staff estimates and projections.
1/ The presentation follows the 2014 Government Finance Statistics Manual.
2/ Includes teacher salaries.
3/ 2020-21 values show pandemic-related payroll subsidies to the private sector.
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, 2019–28 1/
(Percent of GDP unless otherwise indicated)

	2019	2020	2021 Prel.	2022 Prel.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.	2028 Proj.
					Budgetary Central Government					
Revenue	**30.0**	**31.5**	**30.6**	**32.0**	**30.0**	**30.2**	**30.3**	**30.3**	**30.3**	**30.3**
Tax	28.2	29.1	27.8	29.4	27.5	27.6	27.6	27.7	27.7	27.7
Taxes on income and profits	12.2	12.8	10.3	9.5	9.0	9.2	9.2	9.3	9.3	9.3
Taxes on property	0.6	0.7	1.0	2.1	1.0	1.0	1.0	1.0	1.0	1.0
Taxes on goods and services	11.5	11.9	12.8	13.6	13.5	13.7	13.7	13.7	13.7	13.7
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.6	0.9	1.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other revenue	1.3	1.5	1.5	1.6	1.5	1.6	1.6	1.6	1.6	1.6
Expenditure	**31.6**	**46.0**	**40.6**	**31.6**	**38.8**	**30.3**	**30.3**	**30.4**	**30.4**	**30.2**
Expense (current expenditure)	30.5	46.5	41.2	31.7	39.2	30.1	29.7	29.5	29.3	29.1
Compensation of labor	10.8	13.2	12.0	10.4	10.2	10.5	10.5	10.5	10.5	10.5
Wages and salaries 2/	8.9	10.9	9.8	8.6	8.5	8.7	8.7	8.7	8.7	8.7
Social contributions	1.9	2.3	2.1	1.8	1.7	1.8	1.8	1.8	1.8	1.8
Goods and services	3.2	4.8	4.3	4.7	3.8	3.4	3.4	3.4	3.4	3.4
Consumption of fixed capital	1.7	2.0	1.5	1.3	1.5	1.5	1.4	1.3	1.3	1.3
Interest payments	1.2	1.5	1.4	1.2	1.1	1.8	1.8	1.7	1.7	1.6
Subsidies 3/	0.0	2.1	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	10.3	17.7	11.5	11.0	19.2	9.6	9.4	9.3	9.1	9.0
Social benefits	3.2	5.1	4.9	3.0	3.2	3.2	3.2	3.2	3.2	3.2
Other expense	0.0	0.2	3.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	1.1	-0.5	-0.6	-0.1	-0.3	0.2	0.6	0.9	1.1	1.1
Acquisition of nonfinancial assets (capital)	2.8	1.5	0.9	1.2	1.2	1.6	2.0	2.3	2.5	2.5
Net Operating (current) Balance	**-0.5**	**-15.0**	**-10.6**	**0.3**	**-9.1**	**0.2**	**0.5**	**0.8**	**1.0**	**1.2**
Overall Balance	**-1.6**	**-14.5**	**-10.0**	**0.4**	**-8.8**	**0.0**	**-0.1**	**-0.1**	**-0.1**	**0.1**
Primary Balance	**-0.4**	**-13.2**	**-8.8**	**1.4**	**-7.8**	**1.6**	**1.5**	**1.5**	**1.4**	**1.5**
Financing, Net	**-4.2**	**-14.2**	**-7.6**	**3.9**	**-8.8**	**0.0**	**-0.1**	**-0.1**	**-0.1**	**0.1**
Net acquisition of financial assets 4/	-3.2	4.6	2.1	0.6	0.4	-0.1	-0.2	-0.2	-0.2	-0.2
Net incurrence of liabilities	1.0	18.7	9.7	-3.2	9.2	0.0	-0.2	-0.1	-0.1	-0.3
Loans	1.0	20.0	8.3	-0.1	9.2	0.0	-0.2	-0.1	-0.1	-0.3
Borrowing	1.8	22.4	8.5	16.5	24.9	0.2	2.2	0.4	0.4	0.3
Amortization	0.9	2.4	0.2	16.7	15.7	0.2	2.4	0.6	0.6	0.5
Other accounts payable, incl. arrears	0.0	-1.3	1.4	-3.1	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancies	2.6	-0.3	-2.4	-3.5	0.0	0.0	0.0	0.0	0.0	0.0
					General Government 5/					
Revenue	**44.7**	**47.6**	**46.2**	**46.0**	**43.7**	**44.1**	**44.1**	**44.1**	**44.0**	**44.0**
of which : Social contributions	14.3	15.5	14.9	13.9	13.7	13.7	13.6	13.6	13.5	13.5
Expenditure	**46.7**	**63.3**	**56.6**	**46.2**	**52.6**	**43.6**	**43.7**	**43.8**	**43.8**	**43.6**
Expense	45.6	63.8	57.3	46.3	52.9	43.4	43.1	42.9	42.7	42.5
of which : Social benefits	22.7	28.2	26.3	22.5	21.5	20.8	20.6	20.5	20.4	20.2
Net acquisition of nonfinancial assets	1.1	-0.5	-0.6	-0.1	-0.3	0.2	0.6	0.9	1.1	1.1
Overall Balance	**-2.0**	**-15.7**	**-10.4**	**-0.3**	**-8.9**	**0.5**	**0.5**	**0.3**	**0.3**	**0.4**
Primary Balance	**-0.8**	**-14.4**	**-9.2**	**0.8**	**-7.9**	**2.2**	**2.1**	**1.9**	**1.8**	**1.9**
Memorandum Items										
Current account balance, authorities' definition	-0.8	-15.8	-7.4	0.3	-9.1	0.0	0.0	0.0	0.0	0.0
Of which : Compensation for past deficits (+: payment)	0.3	1.0	0.3	0.0	0.0	0.2	0.5	0.8	1.0	1.2
Interest rule (interest/revenue) (percent) 6/	2.7	2.8	2.9	2.9	2.9	4.6	4.4	4.2	4.0	3.9
Government debt service	1.4	3.9	1.6	21.9	16.8	2.1	4.1	2.3	2.2	2.1
Gross government debt 7/	57.3	87.1	90.3	77.2	81.4	76.8	73.5	70.4	67.8	65.3
Net government debt	55.7	80.4	85.2	71.1	75.1	70.7	67.6	64.8	62.4	60.0
Government deposits	1.6	6.8	5.1	6.1	6.3	6.1	5.8	5.6	5.4	5.2

Sources: Curaçao authorities and IMF staff estimates and projections.
1/ The presentation follows the 2014 Government Finance Statistics Manual.
2/ Includes teacher salaries.
3/ 2020-21 values show pandemic-related payroll subsidies to the private sector.
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, 2019–28
(Millions of U.S. dollars unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
				Prel.			Proj.			
						(Millions of U.S. dollars)				
Current Account	**-541**	**-689**	**-507**	**-877**	**-806**	**-834**	**-786**	**-744**	**-698**	**-692**
Goods and services	-556	-694	-546	-855	-762	-769	-742	-723	-695	-689
Exports of goods and services	1,775	1,014	1,373	2,049	2,242	2,402	2,563	2,706	2,845	2,992
Goods	398	271	344	553	544	576	619	662	710	762
Services	1,377	743	1,029	1,496	1,698	1,826	1,944	2,043	2,135	2,230
Imports of goods and services	2,331	1,709	1,919	2,904	3,004	3,170	3,305	3,429	3,539	3,681
Goods	1,461	1,209	1,483	2,023	2,059	2,152	2,232	2,308	2,377	2,459
Services	870	500	436	881	945	1,018	1,073	1,120	1,162	1,222
Income	43	56	57	10	-9	-29	-5	19	38	39
Of which: Net investment incon	-45	5	9	-46	-69	-92	-71	-49	-32	-33
Current transfers	-28	-51	-17	-33	-35	-37	-38	-40	-42	-43
Capital and Financial Account	**469**	**865**	**644**	**748**	**781**	**596**	**616**	**651**	**673**	**689**
Capital account	5	0	0	11	11	11	11	11	11	11
Financial account	464	865	644	737	770	585	604	640	662	678
Direct investment	214	149	146	153	183	194	202	211	218	226
Portfolio investment	84	131	43	-18	-139	168	176	185	193	201
Financial derivatives	0	0	0	0	0	0	0	0	0	0
Other investment	166	586	455	602	727	223	226	245	251	252
Net Errors and Omissions	**42**	**77**	**-32**	**22**	**0**	**0**	**0**	**0**	**0**	**0**
Overall Balance	**-29**	**253**	**105**	**-107**	**-25**	**-239**	**-170**	**-92**	**-25**	**-3**
Reserve Assets	**29**	**-253**	**-105**	**107**	**25**	**239**	**170**	**92**	**25**	**3**
						(Percent of GDP)				
Current Account	**-17.9**	**-27.2**	**-18.5**	**-28.5**	**-24.5**	**-23.9**	**-21.6**	**-19.6**	**-17.8**	**-17.0**
Goods and services	-18.4	-27.4	-19.9	-27.8	-23.2	-22.1	-20.4	-19.1	-17.7	-17.0
Exports of goods	13.2	10.7	12.5	18.0	16.5	16.5	17.0	17.5	18.1	18.8
Imports of goods	48.3	47.7	54.1	65.8	62.6	61.7	61.4	60.9	60.6	60.6
Exports of services	45.5	29.3	37.6	48.6	51.7	52.4	53.5	53.9	54.4	54.9
Imports of services	28.7	19.7	15.9	28.6	28.8	29.2	29.5	29.6	29.6	30.1
Income	1.4	2.2	2.1	0.3	-0.3	-0.8	-0.1	0.5	1.0	1.0
Current transfers	-0.9	-2.0	-0.6	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1	-1.1
Capital and Financial Account	**15.5**	**34.1**	**23.5**	**24.3**	**23.8**	**17.1**	**16.9**	**17.2**	**17.2**	**17.0**
Of which										
Direct investment	7.1	5.9	5.3	5.0	5.6	5.6	5.6	5.6	5.6	5.6
Portfolio investment	2.8	5.2	1.6	-0.6	-4.2	4.8	4.8	4.9	4.9	4.9
Other investment	5.5	23.1	16.6	19.6	22.1	6.4	6.2	6.5	6.4	6.2
Net Errors and Omissions	**1.4**	**3.0**	**-1.2**	**0.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall Balance	**-1.0**	**10.0**	**3.8**	**-3.5**	**-0.8**	**-6.8**	**-4.7**	**-2.4**	**-0.6**	**-0.1**

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

Table 5. Sint Maarten: Selected Economic and Financial Indicators, 2019–28

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
Infant mortality, over 1,000 live births (2010)	6.0	Life expectancy at birth, female (2016)	82.8

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Prel.	Prel.	Prel.	Est.			Proj.			
Real Economy			(Percent change, unless otherwise noted)							
Real GDP 1/	11.0	-13.3	4.6	10.0	3.0	2.5	2.0	2.0	2.0	2.0
CPI (12-month average)	0.4	0.7	2.8	3.8	3.7	2.2	2.0	1.9	1.9	1.9
Unemployment rate (percent)	8.5	16.8	11.3	8.1	7.8	7.6	7.6	7.6	7.6	7.6
Government Finances				(Percent of GDP)						
Primary balance excl. Trust Fund operations 2/	-0.6	-8.0	-5.1	-0.5	-3.6	-0.3	-0.4	-0.2	0.1	0.0
Current balance (Authorities' definition) 3/	-1.4	-8.9	-5.9	-1.3	-3.2	0.0	0.0	0.0	0.0	0.0
Overall balance excl. Trust Fund operations 2/	-1.1	-8.6	-5.5	-1.0	-3.7	-0.9	-1.0	-0.8	-0.6	-0.7
Central government debt 4/	38.5	51.4	51.5	50.1	51.0	49.4	48.5	47.6	46.6	45.9
Balance of Payments				(Percent of GDP)						
Current account	-11.7	-23.5	-22.2	-2.7	-0.7	0.1	0.4	0.3	0.4	0.5
Goods trade balance	-53.0	-37.5	-46.6	-57.1	-56.2	-56.5	-58.2	-59.2	-59.9	-59.5
Exports of goods	12.9	10.8	10.7	13.6	11.6	11.4	11.1	10.9	10.8	10.8
Imports of goods	65.9	48.4	57.3	70.7	67.8	67.9	69.3	70.0	70.8	70.4
Service balance	42.7	18.6	31.0	60.6	60.6	62.7	64.3	65.1	65.5	65.1
Exports of services	64.6	31.8	47.8	76.0	77.8	80.3	82.5	83.7	84.5	84.6
Imports of services	22.0	13.2	16.8	15.3	17.3	17.7	18.1	18.6	19.0	19.5
External debt 5/	219.0	253.1	237.5	207.4	197.3	186.8	179.0	171.7	164.8	158.5
Memorandum Items										
Nominal GDP (millions of U.S. dollars) 1/	1,408	1,236	1,353	1,533	1,639	1,735	1,816	1,899	1,981	2,067
Per capita GDP (U.S. dollars) 1/	33,486	29,040	31,644	35,695	37,737	39,519	40,925	42,359	43,774	45,241
Credit to non-gov. sectors (percent change) 6/	1.4	2.4	1.3	4.5	3.5	…	…	…	…	…

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: The Sint Maarten authorities, World Bank, and IMF staff estimates and projections.
1/ GDP estimates for 2019-21 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/ The latest available datapoint is as of 2018. Values for 2019-2022 are IMF staff estimates based on BOP flow data.
6/ 2023 value shows the latest available data (March).

Table 6. Sint Maarten: Government Operations, 2019–28
(Millions of NA*f* unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Prel.	Prel.	Prel.	Est.			Proj.			
				Budgetary Central Government						
Revenue	**434**	**355**	**365**	**440**	**506**	**541**	**574**	**606**	**642**	**670**
Taxes	371	299	303	364	410	437	462	487	515	537
Taxes on income and profits	168	160	146	170	186	199	213	226	241	251
Taxes on goods and services	190	131	143	177	206	218	229	240	251	263
Property and other taxes	13	9	13	17	18	19	20	21	22	23
Grants	0	0	0	0	0	0	0	0	0	0
Other revenue	63	56	62	76	95	104	112	119	127	133
of which : Capital revenue	0	0	0	0	11	11	11	11	11	11
Expenditure	**463**	**545**	**499**	**466**	**615**	**571**	**606**	**634**	**663**	**697**
Expense	458	541	498	464	575	516	546	571	594	619
Compensation of employees	206	194	197	205	215	220	230	239	249	259
of which : Wages	140	135	132	136	141	145	151	158	165	172
Goods and services	107	108	95	110	121	133	146	153	159	166
Social benefits 1/	28	34	35	32	31	31	32	33	33	34
Subsidies	104	191	159	104	194	102	107	112	117	122
Interest	13	13	12	13	15	30	32	34	36	38
Capital expenditure	5	4	1	2	40	55	60	64	69	78
Overall Balance	**-29**	**-190**	**-134**	**-26**	**-110**	**-29**	**-32**	**-28**	**-21**	**-27**
Primary Balance	**-15**	**-177**	**-122**	**-13**	**-106**	**-11**	**-12**	**-5**	**3**	**-1**
Financing Transactions (+: increasing net assets)	-29	-104	-147	-24	-110	-29	-32	-30	-23	-29
Net acquisition of financial assets	5	64	-38	14	10	10	9	13	18	21
Net incurrence of liabilities	34	168	110	39	120	39	41	43	42	50
Domestic	8	-7	12	0	0	0	0	0	0	0
External	25	175	97	39	120	39	41	43	42	50
Disbursements	33	225	118	340	460	51	128	61	62	73
Amortization	8	58	9	301	340	12	87	18	20	22
Statistical discrepancies	0	-86	13	-2	0	0	0	2	2	2
				Budgetary Central Government Consolidated with Trust Fund Operations						
Revenue and Grants	**459**	**466**	**473**	**528**	**607**	**654**	**751**	**660**	**674**	**673**
Central government revenue	434	355	365	440	506	541	574	606	642	670
Trust Fund grants	25	111	108	88	102	112	177	54	32	3
Total Expenditure	**487**	**607**	**592**	**527**	**661**	**633**	**733**	**728**	**734**	**723**
Central government expenditure	463	545	499	466	615	571	606	634	663	697
Trust Fund special projects	24	62	93	60	45	62	128	94	71	26
Overall Balance	**-27**	**-141**	**-119**	**1**	**-53**	**21**	**18**	**-69**	**-60**	**-51**
Net acquisition of financial assets	6	113	-23	132	67	60	59	-27	-26	-8
Net incurrence of liabilities	34	168	110	128	120	39	41	43	36	45
Memorandum Items										
Current account balance, authorities' definition 2/	-35	-197	-142	-37	-95	0	0	0	0	0
of which : Liquidity compensation	0	0	0	0	0	0	1	9	20	23
of which : Depreciation	11	11	9	13	13	14	15	16	16	17
Fiscal Rules and Sustainability Indicators										
Interest rule (interest/revenue) (percent) 3/	3.1	3.1	2.7	2.8	3.1	5.6	5.3	5.1	5.2	5.4
Gross central government debt 4/	970	1,138	1,248	1,376	1,496	1,535	1,575	1,618	1,654	1,699
Budgetary central government deposits (eop) 5/	64	123	82	93	99	105	110	118	106	112
Net central government debt	907	1,015	1,166	1,283	1,396	1,430	1,466	1,500	1,548	1,587
Nominal GDP, millions of NAf 6/	2,520	2,213	2,422	2,743	2,933	3,106	3,251	3,399	3,547	3699

Sources: The Sint Maarten authorities and IMF staff estimates and projections.

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 2018 is based on financial statements. Values in subsequent years are staff's estimates and are higher than under authorities' definition.

5/ Historical data are from the CBCS monetary survey. The data include deposits of entities in the broader public sector.

6/ GDP estimates for 2019-21 reflect the authorities' recently released growth estimates and IMF staff's deflator estimates in anticipation of the forthcoming update to the authorities' estimates.

Table 7. Sint Maarten: Government Operations, 2019–28
(Percent of GDP unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Prel.	Prel.	Prel.	Est.			Proj.			
				Budgetary Central Government						
Revenue	**17.2**	**16.0**	**15.1**	**16.0**	**17.2**	**17.4**	**17.7**	**17.8**	**18.1**	**18.1**
Taxes	14.7	13.5	12.5	13.3	14.0	14.1	14.2	14.3	14.5	14.5
Taxes on income and profits	6.7	7.2	6.0	6.2	6.3	6.4	6.5	6.7	6.8	6.8
Taxes on goods and services	7.5	5.9	5.9	6.4	7.0	7.0	7.0	7.1	7.1	7.1
Property and other taxes	0.5	0.4	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	2.5	2.5	2.6	2.8	3.3	3.4	3.4	3.5	3.6	3.6
of which : Capital revenue	0.0	0.0	0.0	0.0	0.4	0.4	0.3	0.3	0.3	0.3
Expenditure	**18.4**	**24.6**	**20.6**	**17.0**	**21.0**	**18.4**	**18.6**	**18.7**	**18.7**	**18.8**
Expense	18.2	24.4	20.5	16.9	19.6	16.6	16.8	16.8	16.8	16.7
Compensation of employees	8.2	8.8	8.1	7.5	7.3	7.1	7.1	7.0	7.0	7.0
of which : Wages	5.6	6.1	5.4	4.9	4.8	4.7	4.7	4.7	4.7	4.7
Goods and services	4.2	4.9	3.9	4.0	4.1	4.3	4.5	4.5	4.5	4.5
Social benefits 1/	1.1	1.6	1.5	1.2	1.0	1.0	1.0	1.0	0.9	0.9
Subsidies	4.1	8.6	6.5	3.8	6.6	3.3	3.3	3.3	3.3	3.3
Interest	0.5	0.6	0.5	0.5	0.5	1.0	1.0	1.0	1.0	1.0
Capital expenditure	0.2	0.2	0.1	0.1	1.4	1.8	1.8	1.9	1.9	2.1
Overall Balance	**-1.1**	**-8.6**	**-5.5**	**-1.0**	**-3.7**	**-0.9**	**-1.0**	**-0.8**	**-0.6**	**-0.7**
Primary Balance	**-0.6**	**-8.0**	**-5.1**	**-0.5**	**-3.6**	**-0.3**	**-0.4**	**-0.2**	**0.1**	**0.0**
Financing Transactions (+: increasing net assets)	-1.1	-4.7	-6.1	-0.9	-3.7	-0.9	-1.0	-0.9	-0.7	-0.8
Net acquisition of financial assets	0.2	2.9	-1.6	0.5	0.3	0.3	0.3	0.4	0.5	0.6
Net incurrence of liabilities	1.3	7.6	4.5	1.4	4.1	1.3	1.3	1.3	1.2	1.4
Domestic	0.3	-0.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	1.0	7.9	4.0	1.4	4.1	1.3	1.3	1.3	1.2	1.4
Gross borrowing	1.3	10.2	4.9	12.4	15.7	1.6	3.9	1.8	1.7	2.0
Amortization	0.3	2.6	0.4	11.0	11.6	0.4	2.7	0.5	0.6	0.6
Statistical discrepancies	0.0	-3.9	0.5	-0.1	0.0	0.0	0.0	0.1	0.1	0.1
				Budgetary Central Government Consolidated with Trust Fund Operations						
Revenue and Grants	**18.2**	**21.1**	**19.5**	**19.2**	**20.7**	**21.0**	**23.1**	**19.4**	**19.0**	**18.2**
Central government revenue	17.2	16.0	15.1	16.0	17.2	17.4	17.7	17.8	18.1	18.1
Trust Fund grants	1.0	5.0	4.5	3.2	3.5	3.6	5.5	1.6	0.9	0.1
Total Expenditure	**19.3**	**27.4**	**24.4**	**19.2**	**22.5**	**20.4**	**22.6**	**21.4**	**20.7**	**19.6**
Central government expenditure	18.4	24.6	20.6	17.0	21.0	18.4	18.6	18.7	18.7	18.8
Trust Fund special projects	1.0	2.8	3.8	2.2	1.5	2.0	3.9	2.8	2.0	0.7
Overall Balance	**-1.1**	**-6.4**	**-4.9**	**0.0**	**-1.8**	**0.7**	**0.5**	**-2.0**	**-1.7**	**-1.4**
Net acquisition of financial assets	0.2	5.1	-0.9	4.8	2.3	1.9	1.8	-0.8	-0.7	-0.2
Net incurrence of liabilities	1.3	7.6	4.5	4.7	4.1	1.3	1.3	1.3	1.0	1.2
Memorandum Items										
Current account balance, authorities' definition 2/	-1.4	-8.9	-5.9	-1.3	-3.2	0.0	0.0	0.0	0.0	0.0
of which : Liquidity compensation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.6	0.6
of which : Depreciation	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Fiscal Rules and Sustainability Indicators										
Interest rule (interest/revenue) (percent) 3/	3.1	3.1	2.7	2.8	3.1	5.6	5.3	5.1	5.2	5.4
Gross central government debt 4/	38.5	51.4	51.5	50.1	51.0	49.4	48.5	47.6	46.6	45.9
Budgetary central government deposits (eop) 5/	2.5	5.6	3.4	3.4	3.4	3.4	3.4	3.5	3.0	3.0
Net central government debt	36.0	45.9	48.1	46.8	47.6	46.0	45.1	44.1	43.6	42.9
Nominal GDP, millions of NAf 6/	2,520	2,213	2,422	2,743	2,933	3,106	3,251	3,399	3,547	3,699

Sources: The Sint Maarten authorities and IMF staff estimates and projections.

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 2018 is based on financial statements. Values in subsequent years are staff's estimates and are higher than ones under authorities' definition.

5/ Historical data are from the CBCS monetary survey. The data include deposits of entities in the broader public sector.

6/ GDP estimates for 2019-21 reflect the authorities' recently released growth estimates and IMF staff's deflator estimates in anticipation of the forthcoming update to the authorities' estimates.

Table 8. Sint Maarten: Balance of Payments, 2019–28
(Millions of U.S. dollars unless otherwise indicated)

	2019	2020	2021	2022 Prel.	2023 Proj.	2024	2025	2026	2027	2028
					(Millions of US Dollars)					
Current Account	**-165**	**-290**	**-301**	**-42**	**-11**	**1**	**7**	**6**	**8**	**11**
Goods and services	-146	-234	-212	54	72	107	111	114	109	115
Exports of goods and services	1,091	527	791	1,372	1,465	1,592	1,699	1,796	1,888	1,972
Goods	181	134	144	208	190	197	201	207	214	224
Services	910	393	647	1,164	1,275	1,394	1,497	1,590	1,674	1,748
Imports of goods and services	1,237	761	1,003	1,318	1,393	1,484	1,588	1,683	1,779	1,857
Goods	928	598	775	1083	1110	1178	1258	1330	1402	1454
Services	309	163	227	235	283	307	329	353	377	403
Income	-50	-31	-32	-37	-42	-63	-59	-61	-52	-53
o/w Investment income	-14	-8	-8	-5	-8	-29	-25	-27	-18	-19
Current transfers	31	-26	-57	-59	-41	-43	-45	-47	-49	-51
Capital and Financial Account	**132**	**282**	**246**	**-31**	**87**	**107**	**146**	**79**	**64**	**53**
Capital account	11	50	55	42	57	63	99	30	18	1
Financial account	121	232	192	-72	30	44	47	49	46	52
Direct investment	73	21	20	15	30	32	34	35	37	38
Portfolio investment	18	-14	4	-37	-63	-5	-5	-5	-5	-6
Financial derivatives	0	0	0	0	0	0	0	0	0	0
Other investment	30	225	167	-51	63	17	18	19	15	19
Net Errors and Omissions	**23**	**97**	**91**	**35**	**0**	**0**	**0**	**0**	**0**	**0**
Overall Balance	**-10**	**89**	**37**	**-38**	**76**	**108**	**152**	**85**	**72**	**65**
Reserve Assets	**-10**	**89**	**37**	**-38**	**76**	**108**	**152**	**85**	**72**	**65**
					(Percent of GDP)					
Current Account	**-11.7**	**-23.5**	**-22.2**	**-2.7**	**-0.7**	**0.1**	**0.4**	**0.3**	**0.4**	**0.5**
Goods and services	-10.4	-18.9	-15.6	3.5	4.4	6.2	6.1	6.0	5.5	5.6
Exports of goods	12.9	10.8	10.7	13.6	11.6	11.4	11.1	10.9	10.8	10.8
Imports of goods	65.9	48.4	57.3	70.7	67.8	67.9	69.3	70.0	70.8	70.4
Exports of services	64.6	31.8	47.8	76.0	77.8	80.3	82.5	83.7	84.5	84.6
Imports of services	22.0	13.2	16.8	15.3	17.3	17.7	18.1	18.6	19.0	19.5
Income	-3.5	-2.5	-2.4	-2.4	-2.6	-3.6	-3.3	-3.2	-2.6	-2.5
Current transfers	2.2	-2.1	-4.2	-3.9	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Capital and Financial Account	**9.4**	**22.8**	**18.2**	**-2.0**	**5.3**	**6.2**	**8.0**	**4.2**	**3.2**	**2.6**
of which										
Direct investment	5.2	1.7	1.5	1.0	1.8	1.8	1.8	1.8	1.8	1.8
Portfolio investment	1.3	-1.2	0.3	-2.4	-3.8	-0.3	-0.3	-0.3	-0.3	-0.3
Other investment	2.2	18.2	12.3	-3.3	3.8	1.0	1.0	1.0	0.7	0.9
Net Errors and Omissions	**1.6**	**7.9**	**6.7**	**2.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall Balance	**-0.7**	**7.2**	**2.7**	**-2.4**	**4.6**	**6.3**	**8.4**	**4.5**	**3.6**	**3.1**

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

Table 9. Curaçao and Sint Maarten Monetary Union: Balance of Payments, 2019–28
(Millions of U.S. dollars unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
				Prel.			Proj.			
					(Millions of U.S. Dollars)					
Current Account	**-690**	**-962**	**-798**	**-903**	**-818**	**-833**	**-779**	**-738**	**-690**	**-681**
Goods and services	-686	-911	-748	-784	-690	-661	-632	-610	-585	-573
Exports of goods and services	2,886	1,563	2,176	3,441	3,707	3,993	4,262	4,502	4,733	4,964
Goods	579	405	488	761	733	773	820	869	924	986
Services	2,306	1,158	1,688	2,680	2,974	3,220	3,442	3,633	3,809	3,978
Imports of goods and services	3,572	2,474	2,924	4,225	4,397	4,655	4,893	5,112	5,318	5,538
Goods	2,389	1,809	2,259	3,106	3,169	3,330	3,491	3,638	3,779	3,914
Services	1,183	665	664	1,119	1,228	1,325	1,403	1,473	1,539	1,624
Income	-6.3	25.3	24.8	-26.6	-51.7	-91.5	-64.0	-41.0	-13.6	-13.1
Of which: Net investment income	-59.4	-2.9	1.4	-50.7	-77.6	-121.0	-96.0	-75.6	-50.2	-51.9
Current transfers	2.7	-76.3	-74.4	-91.9	-75.5	-80.0	-83.6	-87.3	-90.8	-94.3
Capital and Financial Account	**601**	**1,147**	**890**	**718**	**868**	**703**	**761**	**730**	**737**	**743**
Capital account	16	50	54	53	68	74	110	41	29	13
Financial account	585	1,097	835	665	800	629	651	689	708	730
Direct investment	287	170	166	168	213	226	236	246	255	264
Portfolio investment	102	116	48	-55	-202	163	171	180	187	195
Other investment	196	811	621	552	789	240	244	264	266	271
Net Errors and Omissions	**49**	**157**	**49**	**41**	**0**	**0**	**0**	**0**	**0**	**0**
Overall Balance	**-39**	**342**	**141**	**-144**	**51**	**-130**	**-18**	**-8**	**47**	**62**
Reserve Assets	**39**	**-342**	**-141**	**144**	**-51**	**130**	**18**	**8**	**-47**	**-62**
					(Percent of GDP)					
Current Account	**-15.6**	**-25.5**	**-19.5**	**-19.6**	**-16.6**	**-16.0**	**-14.3**	**-13.0**	**-11.7**	**-11.1**
Goods and services	-15.5	-24.2	-18.3	-17.0	-14.0	-12.7	-11.6	-10.7	-9.9	-9.4
Income	-1.3	-0.1	0.0	-1.1	-1.6	-2.3	-1.8	-1.3	-0.9	-0.8
Current transfers	0.1	-2.0	-1.8	-2.0	-1.5	-1.5	-1.5	-1.5	-1.5	-1.5
Capital and Financial Account	**13.6**	**30.4**	**21.7**	**15.6**	**17.6**	**13.5**	**14.0**	**12.8**	**12.5**	**12.1**
Direct investment	6.5	4.5	4.1	3.6	4.3	4.3	4.3	4.3	4.3	4.3
Portfolio investment	2.3	3.1	1.2	-1.2	-4.1	3.1	3.1	3.2	3.2	3.2
Other investment	4.4	21.5	15.2	12.0	16.0	4.6	4.5	4.6	4.5	4.4
Net Errors and Omissions	**1.1**	**4.2**	**1.2**	**0.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall Balance	**-0.9**	**9.1**	**3.5**	**-3.1**	**1.0**	**-2.5**	**-0.3**	**-0.1**	**0.8**	**1.0**
Memorandum Items										
Gross official reserves, excl. gold	1,282	1,625	1,766	1,622	1,673	1,543	1,525	1,517	1,564	1,626
in months of imports	6.2	6.7	5.0	4.4	4.3	3.8	3.6	3.4	3.4	3.4
over short-term debt	0.9	1.0	1.0	0.9	0.8	0.8	0.7	0.7	0.7	0.7
Gross external debt, percent of GDP 1/	169.9	215.6	209.2	193.2	195.7	188.3	183.8	179.8	176.7	173.7
Of which: short-term debt	33.6	43.1	42.0	39.1	40.0	38.5	37.7	37.0	36.4	35.9

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

1/ The latest available datapoint is as of 2018. Values for 2019-2022 are IMF staff estimates based on BOP flow data.

Table 10. Curaçao and Sint Maarten: Monetary Survey, 2017–March 2023
(Millions of The Netherlands Antillean guilders unless otherwise indicated)

	2017	2018	2019	2020	2021	2022	2023 March
	(Millions of NAf, End of Period)						
Net Foreign Assets	**5,254**	**5,011**	**5,268**	**5,998**	**6,656**	**6,640**	**7,126**
Claims on nonresidents	7,843	7,588	7,804	8,377	8,542	8,390	9,230
Central bank	3,621	3,331	3,442	4,331	4,531	4,267	4,567
Other depository corporations	4,222	4,258	4,363	4,046	4,012	4,124	4,663
Liabilities to nonresidents	-2,589	-2,577	-2,537	-2,379	-1,886	-1,750	-2,103
Central bank	-260	-346	-303	-245	-217	-276	-287
Other depository corporations	-2,329	-2,231	-2,234	-2,134	-1,669	-1,474	-1,816
Net Domestic Assets	**3,435**	**3,674**	**3,407**	**2,840**	**2,944**	**2,625**	**2,311**
Net domestic claims	5,989	6,283	6,309	6,277	5,994	6,128	6,038
Net claims on central government	-597	-281	-275	-372	-257	-331	-431
CBCS' claims on non-government sectors	342	235	145	149	199	186	186
Banks' claims on non-government sectors 1/	6,245	6,328	6,439	6,500	6,051	6,273	6,284
Claims on public non-financial corporations	130	222	209	285	240	241	240
Claims on non-bank financial institutions	104	122	192	202	212	177	179
Claims on private sector	6,010	5,984	6,038	6,013	5,599	5,855	5,865
Other items, net	-2,553	-2,609	-2,902	-3,437	-3,050	-3,503	-3,727
Broad Money	**8,689**	**8,685**	**8,675**	**8,838**	**9,600**	**9,265**	**9,438**
Currency in circulation	388	393	391	424	449	439	433
Transferable deposits	3,926	3,916	3,911	4,072	4,748	4,451	4,651
Other deposits	4,375	4,377	4,372	4,341	4,402	4,374	4,354
	(Annual Percentage Change)						
Monetary Survey							
Net Foreign Assets	**13.4**	**-4.6**	**5.1**	**13.9**	**11.0**	**-0.2**	**3.6**
Net Domestic Assets	**-1.8**	**6.9**	**-7.3**	**-16.7**	**3.7**	**-10.8**	**-6.2**
o/w Banks' claims on non-government sectors 1/	1.2	1.3	1.8	0.9	-6.9	3.7	4.0
Claims on public non-financial corporations (contribution)	0.6	1.5	-0.2	1.2	-0.7	0.0	0.0
Claims on non-bank financial institutions (contribution)	0.0	0.3	1.1	0.1	0.1	-0.6	-0.6
Claims on private sector (contribution to growth)	0.6	-0.4	0.8	-0.4	-6.4	4.2	4.6
Corporates	0.4	-0.1	0.3	-2.6	-12.2	6.9	7.5
Households	0.8	-0.8	1.6	2.2	-0.9	2.2	2.5
Broad Money	**6.9**	**0.0**	**-0.1**	**1.9**	**8.6**	**-3.5**	**1.0**
Currency in circulation (contribution)	0.2	0.0	0.0	0.4	0.3	-0.1	0.0
Local currency deposits (contribution)	2.6	-1.0	-0.7	3.0	4.8	-4.7	0.8
Foreign currency deposits (contribution)	4.1	0.9	0.6	-1.5	3.5	1.3	0.3
Memorandum Items							
Velocity (GDP/Broad money)	0.90	0.89	0.91	0.76	0.76	0.89	0.89
Foreign currency deposits to total deposits	25.5	26.6	26.9	25.1	26.6	28.5	28.4
Bank loans to non-government sectors, y/y percent change 1/	1.4	1.5	1.8	0.7	-7.0	3.5	3.9
Curaçao 1/	2.4	2.5	2.0	0.1	-9.7	3.2	4.0
Sint Maarten	-1.6	-1.7	1.4	2.4	1.3	4.5	3.5

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

1/ The decline in 2021 is caused by unwinding of Girobank's portfolio.

Table 11. Curaçao and Sint Maarten: Central Bank Survey, 2017–March 2023

(Millions of The Netherlands Antillean guilders unless otherwise indicated)

	2017	2018	2019	2020	2021	2022	2023 March
				(Millions of NAf, End of Period)			
Net Foreign Assets (NFA)	**3,361**	**2,985**	**3,139**	**4,086**	**4,314**	**3,990**	**4,280**
Foreign assets	3,621	3,331	3,442	4,331	4,531	4,267	4,567
Foreign liabilities	-260	-346	-303	-245	-217	-276	-287
Net Domestic Assets (NDA)	**-542**	**-352**	**-644**	**-1,164**	**-925**	**-850**	**-1,062**
Net domestic claims	287	465	368	104	268	271	198
Net claims on central government	-192	-58	-44	-45	69	85	13
Claims on public nonfinancial corporations	315	209	109	108	164	160	160
Claims on private sector	26	26	26	26	26	26	26
Claims on other depository corporations	137	288	267	0	0	0	0
Claims on other financial corporations	0	0	10	14	10	0	0
Capital and other items, net	-829	-817	-1,013	-1,267	-1,193	-1,121	-1,260
Monetary Base (MB)	**2,819**	**2,633**	**2,494**	**2,923**	**3,389**	**3,141**	**3,218**
Currency in circulation	504	488	505	556	566	566	545
Liabilities to other depository corporations	2,265	2,047	1,916	2,267	2,657	2,355	2,459
Liabilities to other sectors	50	98	73	100	165	220	213
				(Annual Percentage Change)			
Monetary Base	**16.0**	**-6.6**	**-5.3**	**17.2**	**15.9**	**-7.3**	**-4.9**
NFA, contribution to MB growth	13.4	-13.3	5.8	38.0	7.8	-9.5	-3.3
NDA, contribution to MB growth	2.6	6.7	-11.1	-20.8	8.1	2.2	-1.6

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

Table 12. Curaçao and Sint Maarten: Financial Soundness Indicators, 2018–Sep. 2022

(Percent)

	2018	2019	2020	2021	2022		
					Mar.	Jun.	Sep.
	Curaçao (CBCSDI consolidation basis) 1/						
Capital Adequacy							
Regulatory capital to risk-weighted assets	13.1	14.7	15.6	17.5	17.8	17.6	18.0
Tier 1 capital to risk-weighted assets	11.1	12.5	13.4	15.2	15.6	15.5	15.9
Nonperforming loans net of provisions to capital	33.6	32.5	36.6	28.2	27.4	25.7	23.0
Capital to assets (leverage ratio)	8.4	8.8	9.4	9.6	9.7	9.8	10.1
Asset Quality							
Nonperforming loans to total gross loans	9.2	8.7	11.4	9.8	9.7	9.1	8.4
Loan concentration by economic activity	2.0	1.8	1.7	2.6	2.7	2.7	3.1
Provisions to nonperforming loans	35.8	33.4	38.5	38.8	37.9	38.6	40.2
Large exposures to capital	119.4	89.7	112.4	179.5	85.2	188.9	129.2
Earnings and Profitability							
Return on assets	1.5	1.4	0.6	1.3	1.2	1.3	1.3
Return on equity	14.1	13.2	5.9	10.6	9.6	10.0	10.3
Interest margin to gross income	56.8	55.9	60.0	55.8	52.9	54.6	55.1
Noninterest expenses to gross income	78.4	75.9	69.7	77.8	79.6	77.4	76.4
Trading income to total income	-3.0	3.7	0.9	1.1	1.2	1.0	1.0
Personnel expenses to noninterest expenses	48.5	50.0	44.1	45.2	46.7	46.8	46.1
Spread between reference lending and deposit rates (base points)	481.2	470.2	452.0	430.7	...	...	...
Liquidity							
Liquid assets to total assets	32.1	32.7	35.7	40.0	40.2	38.9	37.7
Liquid assets to short-term liabilities	42.4	44.3	47.2	52.4	52.4	50.5	49.0
Customer deposits to total (noninterbank) loans	125.9	119.4	122.2	136.8	139.7	138.5	135.9
Sensitivity to Market Risk							
Net open position in foreign exchange to capital	2.7	2.0	1.4	1.3	1.2	0.7	1.0
FX loans to total loans	36.4	37.3	37.1	37.7	37.7	37.7	48.6
FX liabilities to total liabilities	41.6	40.6	41.5	42.2	42.5	42.7	53.9
Other							
Credit growth to private sector	...	2.4	-1.5	0.3	-0.5	0.5	1.4
Residential real estate loans to total gross loans	21.7	22.8	23.8	23.3	23.3	22.9	23.1
Commercial real estate loans to total gross loans	12.5	10.0	9.9	10.0	10.1	10.2	10.1
	Sint Maarten (domestic consolidation basis) 2/						
Asset Quality							
Nonperforming loans to total gross loans	13.9	10.0	12.3	10.0	9.9	9.6	9.6
Loan concentration by economic activity	48.5	36.8	37.5	38.0	31.6	31.2	30.1
Provisions to nonperforming loans	38.9	25.5	33.3	32.3	32.9	33.0	35.1
Earnings and Profitability							
Return on assets	1.9	1.7	-0.4	0.8	0.3	0.7	0.6
Interest margin to gross income	62.0	62.7	66.9	61.1	55.1	56.1	56.0
Noninterest expenses to gross income	85.8	82.2	90.9	75.1	87.1	84.6	83.3
Trading income to total income	0.5	0.3	-0.3	0.6	1.0	1.0	1.5
Personnel expenses to noninterest expenses	38.2	36.5	37.4	30.4	29.0	30.1	30.5
Spread between reference lending and deposit rates (base points)	529.2	470.2	452.0	421.8	...	...	...
Liquidity							
Liquid assets to total assets	55.7	58.9	59.7	59.3	58.2	57.9	60.2
Liquid assets to short-term liabilities	72.9	79.3	78.0	73.5	70.7	70.4	73.4
Customer deposits to total (noninterbank) loans	122.8	123.7	129.5	131.7	137.5	139.1	131.6
Sensitivity to Market Risk							
FX loans to total loans	11.7	11.2	11.0	11.8	11.7	11.8	69.6
FX liabilities to total liabilities	27.0	31.3	38.7	41.1	41.4	41.1	76.2
Other							
Residential real estate loans to total gross loans	31.0	31.8	31.2	31.9	32.1	31.7	32.2
Commercial real estate loans to total gross loans	28.6	26.3	27.3	28.9	27.7	27.3	27.3

Source: IMF Financial Soundness Indicators database.

1/ CBCSDI method stands for cross-border, cross-sector consolidation basis for all domestically incorporated entities. Includes the overseas subsidiaries and branches of the incorporated banks.

2/ The Domestic Consolidation Basis includes the data of resident entities along with those of their branches and subsidiaries (if any) in the same sector that are resident in the domestic economy.

Table 13. Curaçao and Sint Maarten Monetary Union: Financial Soundness Indicators, 2018–Sep. 2022 1/

(Percent)

	2018	2019	2020	2021	2022		
					Mar.	Jun.	Sep.
Capital Adequacy							
Capital adequacy ratio 2/	15.3	16.9	17.5	19.3	19.8	20.6	20.7
Core capital adequacy ratio 3/	13.9	15.2	15.9	17.8	18.2	19.1	19.2
Tier 1 capital to assets	12.7	12.0	12.2	13.0	13.0	13.1	13.6
NPL net of provisions to capital	26.5	27.6	28.4	24.4	23.6	21.4	19.7
Asset Quality							
NPLs to gross loans	10.2	9.6	11.2	10.4	10.3	9.5	9.1
Provisions to NPL	34.2	30.4	36.9	35.3	35.8	36.5	37.7
Large exposures to capital	99.8	99.4	108.8	92.1	90.2	89.8	88.0
Earnings and Profitability							
Return on assets	1.5	1.5	0.6	1.5	1.7	1.8	1.7
Return on equity	11.0	11.3	4.6	10.7	12.0	12.2	11.5
Net interest income to gross income	47.2	46.5	56.7	48.8	48.1	48.3	47.8
Non-interest expenses to gross income	77.6	74.9	69.9	71.5	76.2	74.5	74.8
Liquidity							
Liquid assets to total assets	30.1	30.9	33.1	33.4	38.2	34.6	33.1
Liquid assets to short-term liabilities	43.0	44.6	46.4	47.4	64.4	48.5	47.1
Loans to total deposits	67.2	67.5	65.9	61.2	59.9	60.7	62.3
Sensitivity to Market Risk							
Net open position in foreign exchange to capital	4.1	3.8	2.7	1.8	2.4	3.7	5.1
FX-denominated loans to total loans	29.8	28.7	29.6	29.9	30.1	30.9	30.9
FX-denominated deposits to total deposits	35.0	35.6	35.8	36.5	36.9	36.9	36.9

Source: Centrale Bank van Curaçao en Sint Maarten.

1/ FSIs are consolidated on a domestic basis, excluding subsidiaries and branches outside the union.

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

3/ Tier 1 capital to risk-weighted assets.

Annex I. Curaçao: Risk Assessment Matrix

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
Intensification of regional conflict(s). Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, refugee flows, FDI and financial flows, and payment systems.	High	**Medium:** Curaçao, as a small open economy, would be vulnerable to rising prices, however continued conflict in Europe could divert tourists to the Caribbean.	Allow a gradual pass-through of international prices. Targeted support for the most vulnerable may be used if there is fiscal space.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and markets fragmentation.	US: Medium Europe: High	**High:** The Netherlands and U.S. make up the majority of Curaçao's tourism so contraction in these countries could stem the flow of tourists.	Diversification of stayover tourism markets could help maintain tourism inflows. Consistent implementation of the 2022-26 Tourism Master Plan.
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts and export restrictions) and demand fluctuations (e.g., reflecting China reopening) causes recurrent commodity price volatility, external and fiscal pressures, and social and economic instability.	Medium	**High:** Curaçao as an importer of most consumption and investment goods and a commodity price taker is vulnerable to fluctuations in global prices.	Protect the vulnerable groups. Social support within the feasible fiscal envelope should be considered to help cushion the shock for the broader economy.
Systemic financial instability. Sharp swings in real interest rates, risk premia, and assets repricing amid economic slowdowns and policy shifts trigger insolvencies in countries with weak banks or non-bank financial institutions, causing markets dislocations and adverse cross-border spillovers.	Medium	**Medium:** Curaçao's financial institutions' balance sheets are vulnerable to repricing risk, unrealized losses may become realized, and uncertainty can delay investment.	Deepen understanding of the cross-border transmission channels and domestic financial interlinkages and develop contingency plans. Launch the DGS. Use available policy toolkit (e.g., CBCS LOLR facility) as needed.
Deepening geo-economic fragmentation. Broader and deeper conflict(s) and weakened international cooperation lead to a more rapid reconfiguration of trade and FDI, supply disruptions, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial systems, and lower potential growth.	High	**High:** Associated supply chain disruptions and commodity price shocks give rise to inflationary pressures on top of already high inflation in Curaçao.	Provide temporary and targeted support to the vulnerable. Continue to improve coverage and targeting of social safety nets. Accelerate transition to renewable energy sources.
Cyberthreats. Cyberattacks on critical domestic and/or international physical or digital infrastructure (including digital currency and crypto ecosystems) trigger financial and economic instability.	Medium	**High:** Cyberattacks could disrupt economic activity and weaken confidence.	Ensuring critical systems are properly protected and backup systems are in place. Insurance could help mitigate some of the fiscal risk.

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
Extreme climate events. Extreme climate events cause more severe than expected damage to infrastructure (especially in smaller vulnerable economies) and loss of human lives and livelihoods, amplifying supply chain disruptions and inflationary pressures, causing water and food shortages, and reducing growth.	**Medium**	**High:** Although outside the hurricane zone, Curaçao is vulnerable to changes in these patterns or to slower moving events like sea level rise and drought.	Strengthen climate resilience of infrastructure. Develop a National Adaptation Strategy and a Disaster Resilience Strategy.
Prolonged period of unsustainably low public investment and slow implementation of the structural reform agenda.	**Medium**	**High:** Prolonged period of unsustainably low public investment and delays in implementing of the needed structural reforms would lower the medium-term growth path. However, timely implementation could boost potential growth and improve the outlook.	Improve public investment management, develop a strong pipeline of high-quality projects and raise capital spending to a more sustainable level. Budget adequate resources for implementing structural reforms. Ensure buy-in and commitment of stakeholders.
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.			

Annex II. Sint Maarten: Risk Assessment Matrix 1/

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
Intensification of regional conflict(s). Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, refugee flows, FDI and financial flows, and payment systems.	**High**	**Medium:** Sint Maarten, as a small open economy, would be vulnerable to rising prices, however continued conflict in Europe could divert tourists to the Caribbean.	Allow a gradual pass-through of international prices and phase out generalized subsidies. Targeted support for the most vulnerable may be used if there is fiscal space.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and markets fragmentation.	**US: Medium** **Europe: High**	**High:** The U.S. makes up the majority of Sint Maarten's tourism so contraction in the U.S. could stem the flow of tourists.	Well targeted support could be used if fiscal space exists. Diversification of stayover tourism markets could help maintain tourism inflows.
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts and export restrictions) and demand fluctuations (e.g., reflecting China reopening) causes recurrent commodity price volatility, external and fiscal pressures, and social and economic instability.	**Medium**	**High:** Sint Maarten as an importer of most consumption and investment goods and a commodity price taker is vulnerable to fluctuations in global prices.	Protect the vulnerable groups. Social support within the feasible fiscal envelope should be considered to help cushion the shock for the broader economy.
Systemic financial instability. Sharp swings in real interest rates, risk premia, and assets repricing amid economic slowdowns and policy shifts trigger insolvencies in countries with weak banks or non-bank financial institutions, causing markets dislocations and adverse cross-border spillovers.	**Medium**	**Medium:** Sint Maarten's financial institutions' balance sheets are vulnerable to repricing risk, unrealized losses may become realized, and uncertainty can delay investment.	Deepen understanding of the cross-border transmission channels and domestic financial interlinkages and develop contingency plans. Launch the DGS. Use available policy toolkit (e.g., CBCS LOLR facility) as needed.
Deepening geo-economic fragmentation. Broader and deeper conflict(s) and weakened international cooperation lead to a more rapid reconfiguration of trade, rising input costs, financial instability, and lower potential growth.	**High**	**High:** Associated supply chain disruptions and commodity price shocks give rise to inflationary pressures on top of already high inflation in Sint Maarten.	Protect the most vulnerable using targeted fiscal policy.
Cyberthreats. Cyberattacks on critical domestic and/or international physical or digital infrastructure (including digital currency and crypto ecosystems) trigger financial and economic instability.	**Medium**	**High:** Sint Maarten has recently experienced such an attack.	Ensuring critical systems are properly protected and backup systems are in place. Insurance could help mitigate some of the fiscal risk.

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
Extreme climate events. Extreme climate events cause more severe than expected damage to infrastructure (especially in smaller vulnerable economies) and loss of human lives and livelihoods, amplifying supply chain disruptions and inflationary pressures, causing water and food shortages, and reducing growth.	**Medium**	**High:** Sint Maarten is vulnerable to hurricanes and to slower moving events like sea level rise and drought.	Building and maintaining climate resilient infrastructure is critical. Insurance, such as through CRIF, could help offset fiscal costs. Developing a Disaster Resilience Strategy would help prepare contingencies and could unlock funding for climate adaptation.
Slow implementation of the structural reform agenda.	**Medium**	**High:** Implementation of the structural reforms associated with the agreement with The Netherlands could be delayed thereby lowering the medium-term growth path and failing to boost potential. However, timely implementation could boost potential growth and improve the outlook.	Commitment to the process is needed by all parties. Improvements to public investment, procurement, and governance can assist in implementation.
Under-execution of public investment. Further delays in the execution of the Trust Fund or subsequent disappointing public investment execution due in the absence of public investment institution building.	**Medium**	**High:** Deficient public investment will impede inclusive policies, hinder complimentary private investment, reduce medium- and long-term growth, and magnify exposure to climate shocks.	Ensure remaining trust fund projects are on schedule and minimize potential future delays due to compliance and permitting. Continue ongoing TA towards a PIM assessment and resolutely implement recommendations

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.

Annex III. Implementation of the Recommendations of the 2022 Article IV Consultation Discussions

Policy Advice	Progress
Curaçao	
Calibrating Fiscal Policy	
Improve the quality of fiscal consolidation by shifting from current spending to investment, budgeting adequate resources for critical areas, including structural reform implementation, education and vocational training.	Limited progress. Gross investment is still lower than depreciation.
Improve revenue administration.	Substantial progress. The revenue administration has been strengthened.
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 government's agenda.
Replace the reductions in fuel taxes with targeted support for the vulnerable.	Substantial progress. The authorities have reinstated the excises and the retail sales tax on fuel. They are considering a review of the social safety net.
Replace the current attrition policy with a structural reform to make the level and skill composition of government employment consistent with effective delivery of public services.	Limited progress. The reform of the top management level is underway, but there is no decision to reform the civil service.
Design a reform of the health care system in consultation with stakeholders.	In progress. The reform is in a very early design stage.
Strengthening the Fiscal Framework and Securing Fiscal Sustainability	
Develop a medium-term fiscal framework guided by a medium-term (or long-term) fiscal anchor such as debt-to-GDP ratio.	Significant progress. The authorities took a decision to use a debt-to-GPD ratio of 50-55 percent of GDP as a long-term fiscal anchor.
Strengthen PFM through better planning, stronger expenditure controls, better tracking of fiscal risks, and improved transparency.	Some progress. The backlog of the financial statements has been substantially reduced.
Improve the institutional setup of public investment strategy and management.	Some progress. The authorities are setting up a Project Management Bureau and developing a public investment agenda.
Boosting Medium-Term Growth, Strengthening Governance and Improving Statistics	
Identify new sources of growth. Expand production of green energy.	In progress. The authorities published the National Export Strategy identifying priority sectors.
Improve the business environment.	Limited progress. The authorities are planning to improve the permit system including residence, work and various business permits, but the reform is in early stage.
Improve the functioning of the labor market. Lower barriers to foreign skilled workers to	No progress. In line with the *landspakket*, an external consultant is conducting a study of labor market issues.

Policy Advice	Progress
address the skills gap. Add resources for education and vocational training.	
Finalize and publish the National Risk Assessment (NRA).	Implemented. The NRA has been published.
Strengthen the regulation and supervision of the gaming industry.	Some progress. The authorities are preparing a comprehensive reform of the gaming sector with a new Gaming Control Authority as a supervisor. The legislation has been prepared and needs to go through the legislative process.
Improve data availability and quality.	Some progress. The CBS's staff has been expanded. Budget constraints still limit core statistical products, such as the household budget survey and the supply and use tables.
Sint Maarten	
Calibrating Fiscal Policy	
Fiscal consolidation should be higher quality.	In progress. The budget proposal for 2023 includes reversal of wage cuts, recruitment in key areas, and provides for public investment. Shortfalls in operational budgets for key governance institutions remain.
Improve tax administration, broaden tax base.	In progress. The authorities recently approved the procurement of an IT system for tax revenue administration. The system is expected to, among others, improve tax filing and enable online payment. 2023 budget incorporates tax on online purchases, sharing-economy holiday rentals and the gambling industry but they still await parliamentary approval.
Replace the reductions in fuel taxes with targeted support for the vulnerable.	Implemented. The reduction in fuel excise taxes implemented in April 2022 expired in August 2022.
Improving the Fiscal Framework and Securing Fiscal Sustainability	
Improve the institutional setup of public investment strategy and management.	In progress. A streamlined application process for capital projects is helping to ease access to financing from The Netherlands. IMF TA is expected to support the authorities to determine an appropriate institutional setup.
Incorporate medium-term perspective to fiscal policymaking.	In progress. 2023 budget included four-year forecast with appropriate links to macroeconomic forecasts. Collaboration with the CBCS has been strengthened. Medium-term debt management strategy with a debt anchor is being discussed.
Restore financial sustainability of health and pension schemes.	In progress. Improvements in compliance have resulted in an increase in revenue for SZV but are not enough to cover shortfalls after the forecast horizon.

Policy Advice	Progress
Strengthening Recovery and Potential Growth and Improving Statistics	
Increase dynamism of the businesses and workers	In progress. The government is working to establishing a single-window process to obtain both work and residence permits, which requires better inter-ministry coordination. Slow turn-around for permits is still frequently cited as a bottleneck for businesses and investment projects, including airport reconstruction.
Improve statistics.	In progress. Staffing remains a challenge due to high turnover and funding shortfalls remain. The pace of statistical releases has improved and quality is improving in key areas, e.g., GDP and CPI compilation, but substantial gaps remain.
The Monetary Union of Curaçao and Sint Maarten	
Increase the reference rate and absorb excess liquidity if necessary.	Implemented. The CBCS raised the pledging rate to 5.5 percent and stepped up liquidity absorption.
In cooperation with the governments, the CBCS should promptly finalize the supervisory enforcement and the deposit guarantee scheme (DGS) legislations.	In progress. The DGS regulation in Curaçao is awaiting government's approval.
Finalize a strategy for restructuring Ennia, the largest insurance company in the Union.	In progress. The authorities set up a Ennia Committee and are discussing financing options.
Improve CBCS governance.	In progress. The CBCS Supervisory Board was staffed. The review of the CBCS statute is pending.
Continue strengthening the AML/CFT framework and institutions to reduce the risk of correspondent banking relationship (CBR) losses. including monitoring of cross-border flows.	Significant progress. The CBCS is transitioning to risk-based AML/CFT supervision. In June 2023, the CBCS published AML/CFT/CFP provisions and guidelines (P&G) for four supervised sectors in Curaçao and a Guidance paper on the Systematic AML/CFT/CFP Risk Assessment to be compliant with the FATF recommendations.

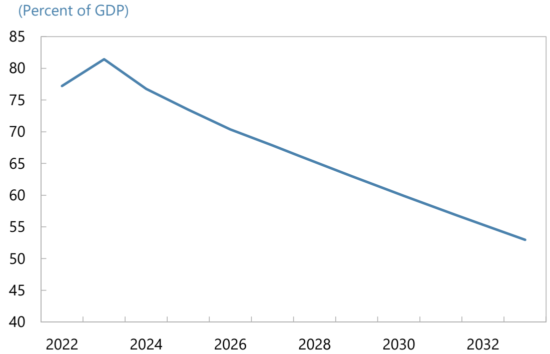
Annex IV. Alternative Fiscal Scenarios[1]

Substantial uncertainty remains about the outcomes of negotiations with The Netherlands on refinancing of Covid-19 liquidity support and how Ennia, a large NBFI with substantial uncovered pension obligations, will be resolved. The resolution of Ennia assumed in staff's baseline projections is just one of several possible scenarios which may be pursued. This annex discusses several alternative scenarios based on different assumptions. Scenario A, corresponding to baseline projections, assumes that the cost of resolution amounts to NAf 650 million and Curaçao and Sint Maarten cover 85 and 15 percent of the cost, respectively. It is assumed to be financed by long-maturity bullet loans at borrowing rates on the Dutch capital market. Scenario B illustrates that an annuity repayment structure without additional financing would deplete the fiscal buffer in the medium term in Curaçao and will require fiscal adjustment in Sint Maarten. Scenario C illustrates that a higher interest rate on Covid-19 liquidity refinancing, which is likely to be applied if Ennia resolution strategy is not identified, depletes the available fiscal buffer by 2027 in Curaçao and requires additional fiscal adjustment in Sint Maarten. Scenarios presented here do not assume any losses for policyholders. Haircuts would have to be large to significantly change the fiscal implications of these scenarios.

Curaçao

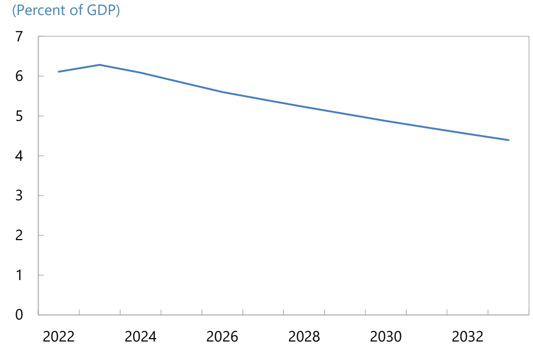
1. **Scenario A: Long-term maturity bullet loans at the Dutch interest rate.** This scenario corresponds to baseline projections presented in Tables 1-9. It assumes that Covid-19 liquidity loans are refinanced at a long-term interest rate prevailing at the Dutch capital market (3.2 percent) via a long-term bullet loan and that the condition for preparing Ennia resolution strategy is met. It also assumes that (i) the cost of Ennia resolution would amount to 9.3 percent of GDP in Curaçao; (ii) this cost is financed externally at the terms applied to refinancing of Covid-19 liquidity loans. The projections assume that haircuts on pension plans are avoided, which is staff's understanding of the current objective. The authorities informed staff that whereas this cost is insufficient to restore compliance with prudential requirements immediately, the compliance could be restored in the long term assuming a healthy annual rate of return on investments.

Scenario A: Gross Public Debt
(Percent of GDP)



Sources: The Curaçao authorities, and IMF staff calculations.

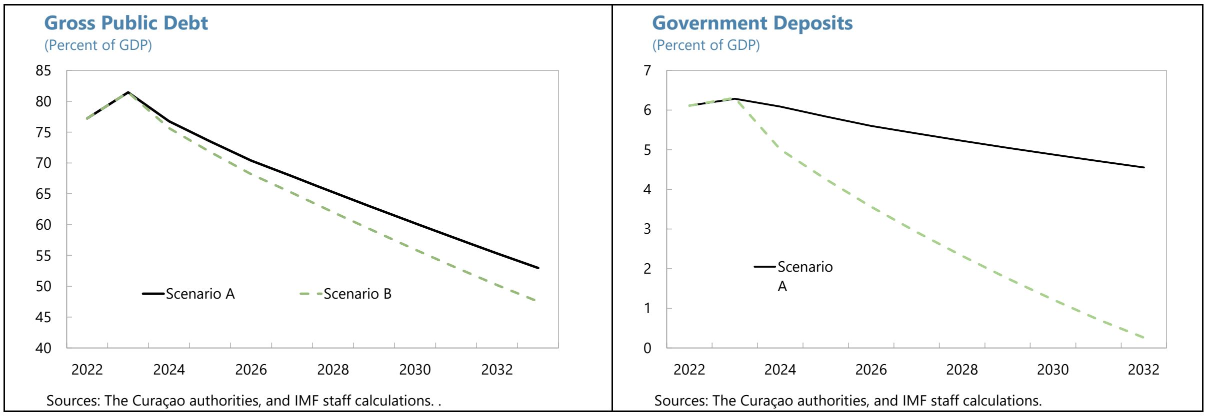
Senario A: Government Deposits
(Percent of GDP)



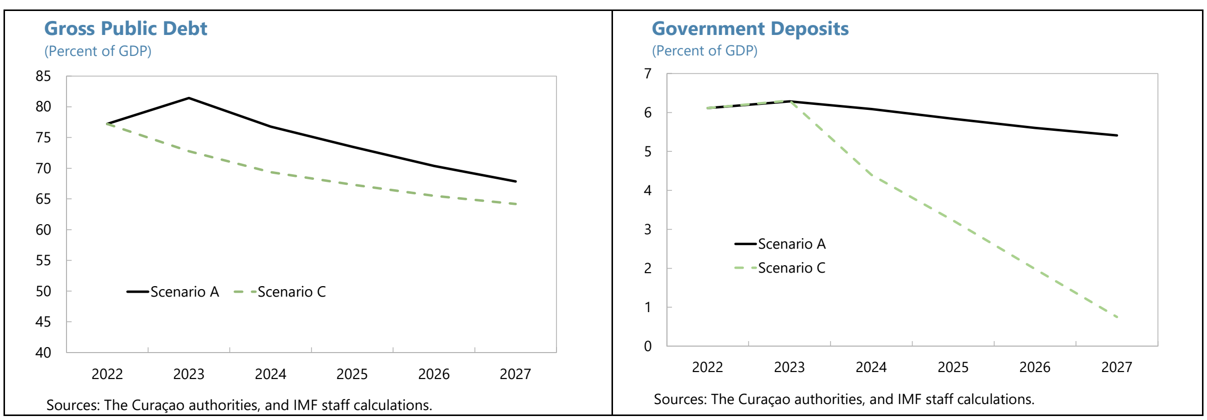
Sources: The Curaçao authorities, and IMF staff calculations.

[1] Prepared by Daniel Jenya.

2. **Scenario B: Annuity repayments instead of bullet loans.** This scenario takes scenario A as a starting point and changes the repayment terms from bullet loans to a 25-year annuity loans with no grace period at the same (scenario A) interest rate. While budget capital expenditure is assumed to be fully financed through the regular subscription window, the repayments of Ennia and Covid-19 liquidity loans are not refinanced. As a result, the debt-to-GDP ratio is lower than the baseline by 6 percentage points by 2033 as the authorities use the liquidity buffer, with some help from the current account surpluses, to repay the debt. The fiscal liquidity buffer runs out by 2032. The scenario illustrates the need for additional financing to roll over at least part of the payments.



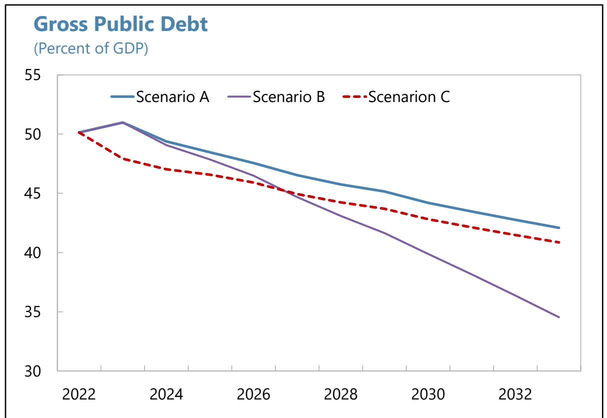
3. **Scenario C: No resolution strategy for Ennia and higher interest rate for Covid-19 loans.** This scenario assumes that an agreement on Ennia resolution strategy is not reached, triggering a higher interest rate for Covid-19 refinancing (about 7 percent, broadly comparable to the current market access interest rates in peer countries). This scenario assumes that the authorities make annual transfers of about NAf 50 million (NAf 42.5 million from Curaçao and NAf 7.5 million from Sint Maarten) from the budget to cover pension liabilities. In this scenario, the fiscal buffer is exhausted by 2027 due to higher interest payments and the additional spending for covering Ennia's pension liabilities.



Sint Maarten

4. **Scenario A: Long-term maturity bullet loans at the Dutch interest rate.** In the baseline scenario, Sint Maarten contributes 3.6 percent of GDP towards Ennia resolution and finances it through the subscription window with a 25-year bullet loan at the interest rate of 3.2 percent.

5. **Scenario B: Annuity repayments instead of bullet loans.** This scenario assumes that pandemic liquidity support and Ennia resolution are financed through annuity type loans at 3.2 percent with a maturity of 25 years. Given that Sint Maarten does not have a fiscal buffer, the authorities are required to compress primary spending by 0.5 percent of GDP to make room for repayments. The up-front amortization results in a debt-to-GDP ratio that is lower than the baseline by 7 percentage points by 2033, reaching 35 percent of GDP.



Sources: The Sint Maarten authorities, and IMF staff projections.

6. **Scenario C: No resolution strategy for Ennia and higher interest rate for Covid-19 loans.** This runoff scenario assumes that the pandemic liquidity support loans are refinanced at 7 percent (comparable to terms peer countries face on the market) for 25 years and the government transfers NAf. 7.5 million for payments to Ennia policyholders annually. In this scenario, although interest payments and subsidies are higher than the baseline, the debt-to-GDP ratio is below the baseline in the forecast horizon due to lower upfront borrowing.

Annex V. Tourism in Curaçao and Sint Maarten: Developments and Prospects

Tourism is the area of comparative advantage in both Curaçao and Sint Maarten and holds significant potential for both economies. The post-pandemic recovery of both stayover and cruise arrivals has been robust and significantly exceeded prior projections.

A. Curaçao

1. Tourism is a growing part of Curaçao's economy with significant room for further development. Curaçao's Caribbean market share in stayover tourism has been generally increasing with an interruption in 2015-17 due to a drop in visitors from Venezuela. In 2019, the direct contribution (hotels and restaurants) was close to 6 percent of GDP and the indirect contribution was larger.[1] The tourism receipts in the balance of payments amounted to 23½ percent of GDP. In 2019, Curaçao's total accommodation capacity amounted to 8.2 thousand rooms. Given the strong ties with The Netherlands, the European market held the dominant share (53 percent in 2019) and the North American market share was only 21 percent. In addition to stayover tourism, Curaçao is a significant cruise destination, which welcomed about 0.8 million cruise visitors in 2019.

2. The pandemic landed an unprecedented blow to the tourism flows, requiring government support to avoid long-term scarring in the sector. In 2020, stayover arrivals dropped to 38 percent of the 2019 level, cruise industry came to a total halt in April 2020 and total tourism receipts in the balance of payments shrank to 11 percent of GDP. A strong wave of Covid-19 in March-April of 2021 forced a semi-lockdown and delays in reopening of the sector. A proactive policy of support by the government helped avoid large employment losses and the sector largely preserved its capacity.

3. After Covid-19 pressures subsided in the first half of 2021, tourism flows rebounded faster than in the Caribbean region and the outlook is favorable. In 2022, stayover arrivals exceeded the 2019 level by about 6 percent and the cruise ship industry showed a strong recovery in Q4, returning to about 80 percent of Q4 2019 level. The recovery in stayover arrivals has been aided by the enhanced room capacity, with the Mangrove Beach Corendon Resorts (about 400 rooms) opened in September 2021 and the Sandals Resort (350 rooms) opened in June 2022. Other ongoing hotel projects are projected to increase room capacity significantly in the coming years.

4. The authorities consider tourism as one of the strategic sectors. They are focusing on diversifying the tourism markets by tapping more into North and South American markets. They are finalizing the Strategic Tourism Destination Development Plan 2022-2026 that provides a framework for the effective and efficient allocation of resources towards the development of Curaçao's tourism sector. The objectives are to expand the accommodation capacity by 4,000 rooms (about 50 percent

[1] Estimating the total contribution would require tourism satellite accounts, which are not compiled. The World Travel and Tourism Council estimates that tourism amounts to 25½ percent of the economy.

of the existing capacity), substantially increase airlift and the number of visitors from North America, put more focus on sustainable human capital development to meet the demands of significant growth in the sector.

B. Sint Maarten

5. **Sint Maarten is a tourism-dominated economy.** Gross tourism exports were estimated to be nearly 90 percent of GDP in 2022, though domestic value added is necessarily smaller. Tourism demand comes from a mix of countries but is heavily weighted towards the United States (53 percent of stayover arrivals in 2022) and to a lesser extent Canada (7 percent) and Europe (24 percent). Tourism demand is highly cyclical exposing Sint Maarten to amplified spillovers from advanced economy growth outcomes especially in North America.

6. **The hurricanes in 2017 left lasting damage to tourism infrastructure while the pandemic represented a severe demand shock.** Hurricane Irma, a category 5 hurricane whose eye transited directly over the island, destroyed large amounts of public infrastructure and buildings. Thirteen days later hurricane Maria, another category 5 hurricane passed by the island more slowly, pouring bands of rain into the openings of damaged buildings and destroyed roofs of the island. The stock of hotel rooms declined, and the airport was badly damaged. The port terminal was relatively less affected, but arrivals also declined as the island's ability to accommodate those who had arrived was impaired. Tourism recovered through early 2020 but the pandemic again deeply impacted demand, resulting in a 99 percent drop in tourism arrivals and a complete cessation of cruise tourism for 14 months.

7. **Tourist arrivals and hotel room stocks continue to recover, while cruise arrivals have recovered with a lag.** Stayover arrivals passing through the airport exceeded pre-pandemic levels during the winter of 2021-22 and rose as high as 72 percent above those levels this past winter. Nevertheless, hotel room occupancy remains below what is typically seen in the high season as the stock of rooms has continued its own strong recovery to pre-hurricane levels. The investment in refurbishing long-dormant hotel stock and building new accommodations demonstrated a bullish investment climate and confidence in the island's recovery. Cruise ships did not begin returning to Sint Maarten until June of 2021 and passenger counts were only half of their pre-pandemic levels in the winter of 2020-21. This past season saw dramatic further growth, recording a single-day record for arrivals in January. This performance suggests that risks of a permanently diminished demand due to heightened fear of contagion are declining. Both stayover and cruise arrivals remain below 2016, or pre-Irma levels, a benchmark that reflects "normal" tourism flows.

8. **There are some indications that tourism demand may have seen a structural shift away from labor-intensive segments.** Despite the positive news on tourism growth, other aspects of the Sint Maarten economy are not responding proportionately. Employment remains below pre-pandemic levels while unemployment remains high, and income tax revenues have declined as a share of GDP. Business registrations are down while closures are up, and the number of families

receiving financial assistance has not declined appreciably. This job-poor recovery has raised the specter of a rotation away from labor-intensive, high value-added-capture varieties of tourism.

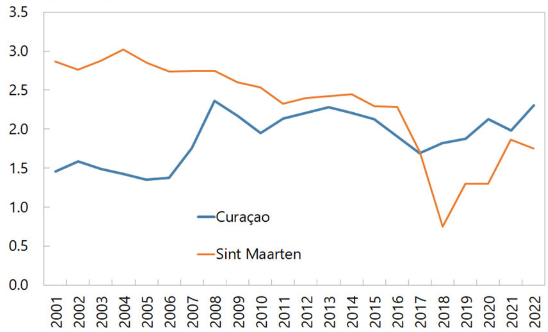
9. Home sharing apps and increasing value capture by cruise ships could represent a structural change in the sector. Sint Maarten's tourist economy has long relied on traditional hotels and particularly time-share type arrangements. The rise in home sharing apps like Airbnb and VRBO could facilitate a shift towards stayover arrivals that do not require daily cleaning and food services. There is substantial scope for the expansion of these services in Sint Maarten as the island has a large stock of nonresident owned villas that go vacant for substantial stretches. If this reduces demand for traditional hotels it could represent a blow to low-wage earners in hotels and restaurants. There may also be an uptick in potentially unrecorded transit to homesharing-friendly neighboring islands, for example by ferry. At the same time cruise ships may be capturing increasing shares of total tourist expenditure. Modern cruise ships offer on-board entertainment, gambling, and souvenirs, as well as negotiate bare bones rates with activities-providers on the island while capturing substantial margins in reselling to passengers.

Figure AV.1. Curaçao and Sint Maarten: Tourism Indicators

In the past 20 years, Curaçao's market share in stayover tourism increased, while in Sint Maarten it has been declining...

Caribbean Market Shares in Stayover Tourism

(Percent)

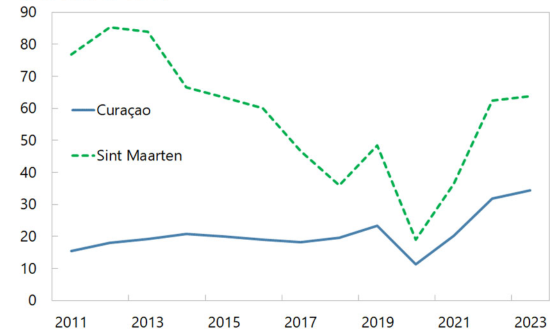


Sources: National authorities, CTO, Tourism Analytics, and IMF staff calculations.

...and tourism export receipts as a share of GDP showed a similar pattern.

Tourism Receipts

(Percent of GDP)

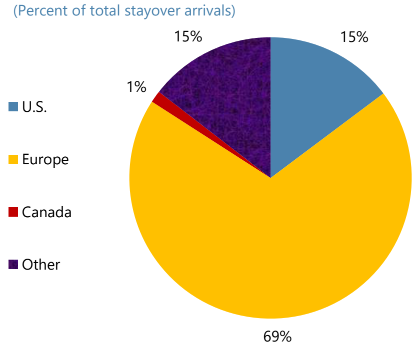


Sources: CBCS and Fund staff calculations.

The Netherlands has been historically the largest market for Curaçao tourism.

Curacao: Stayover Arrivals by Main Market, 2021

(Percent of total stayover arrivals)

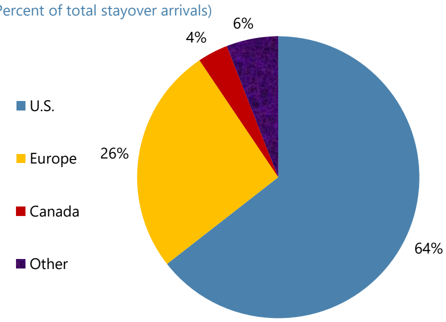


Sources: CTB and Fund staff calculations.

In Sint Maarten, most stayover visitors are from the US.

Sint Maarten: Stayover Arrivals, 2022

(Percent of total stayover arrivals)

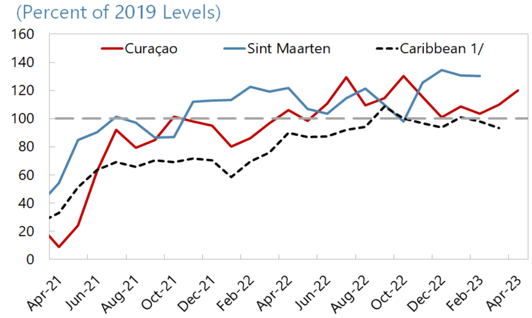


Sources: St. Maarten STAT and Fund staff calculations.

Both Curaçao and Sint Maarten showed robust recoveries in stayover tourism, which were faster than in the region.

Stayover Arrivals Presented by Country

(Percent of 2019 Levels)

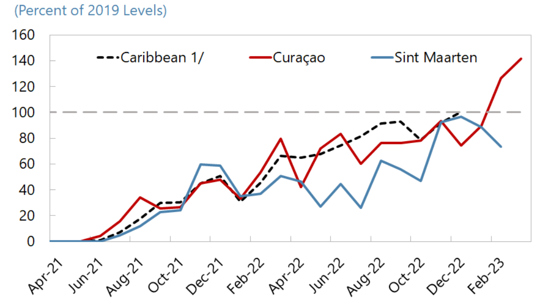


Sources: The Caribbean Tourism Organization (CTO), national authorities, and IMF staff calculations.
1/ Caribbean is defined as 14 destinations: AIA, ABW, ATG, BHS, BRB, BLZ, CUW, DMA, GRD, JAM, KNA, LCA, SXM, and VCT.

Cruise arrivals were still below the pre-pandemic levels in late 2022.

Cruise Passenger Arrivals

(Percent of 2019 Levels)



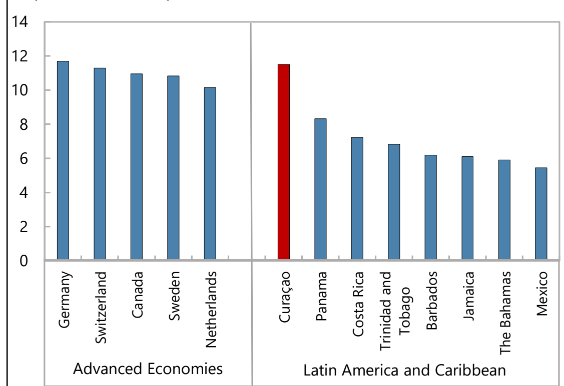
Sources: The Caribbean Tourism Organization (CTO), ECCB, national authorities, Tourism Analytics (https://tourismanalytics.com), and IMF staff calculations.
1/ Caribbean is defined as 12 destinations: ATG, ABW, CUW, BHS, BRB, BLZ, GRD, JAM, SXM, KNA, LCA, and VIR.

Annex VI. Curaçao Health Sector: Challenges and Reform Options[1]

The health system in Curaçao, in particular the new hospital that opened in 2019, saved lives during the pandemic and is providing access to high quality health services to the population. However, the system has been grappling with increasing costs and funding shortfalls. A reform of the health system is needed to restore its financial sustainability while preserving the accessibility and quality of the health services.

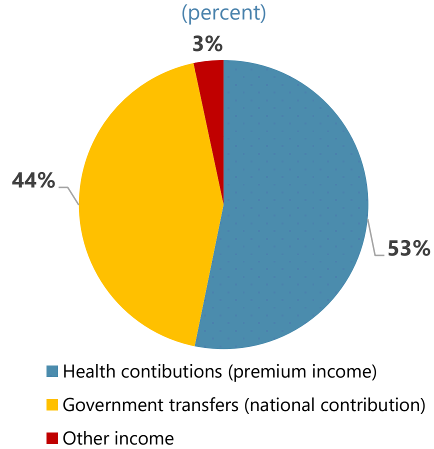
1. Curaçao has a universal health care system funded by social contributions and government transfers. In 2013, Curaçao introduced a universal health insurance system, managed by the Social Insurance Bank (SVB) to provide uniform insurance for all non-privately insured residents. The SVB insurance package guarantees relatively wide coverage. In 2019, total expenditure by BVZ and AVBZ, two health funds managed by SVB, amounted to 11½ percent of GDP, which was in the range of healthcare spending of advanced economies with comprehensive universal healthcare, significantly higher than in peer countries with comprehensive health coverage.[2] The system is funded primarily by contributions to the health funds paid by employees and their employers (premium income) and government transfers (national contribution). In 2016-22, the combined income of BVZ and AVBZ, two health funds managed by SVB, averaged at 12.3 percent of GDP with premium income accounting for about 54 percent of the total. Curaçao also has a small private insurance sector amounting to about 6 percent of the total healthcare spending. The costs of medical care for uninsured persons are the obligation of the government. The main hospital, Curaçao Medical Center (CMC), was built to improve the quality and accessibility of healthcare

Current Health Expenditure, 2019
(Percent of GDP)



Sources: World Bank Development Indicators, SVB, and IMF staff estimates.
Note: Current health expenditure includes healthcare goods and services consumed during each year. This indicator does not include capital health expenditures such as buildings and machinery. Curaçao expenditure represents aggregated spending of BVZ and AVBZ health funds managed by SVB.

AVBZ and BVZ Funding Sources, 2019
(percent)

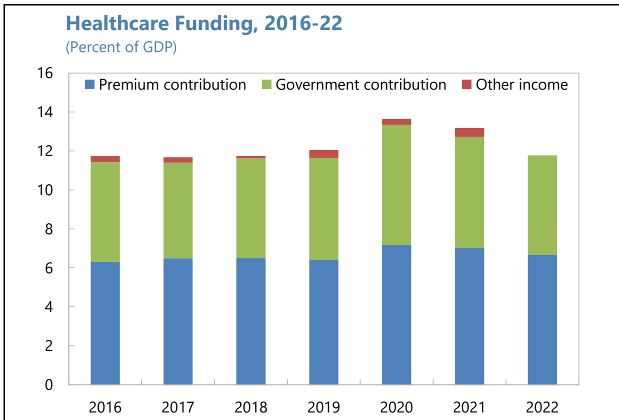


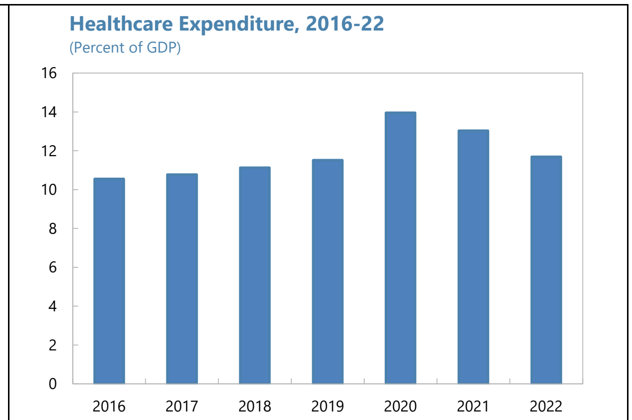
Source: SVB.

[1] Prepared by Daniel Jenya and Tom Dowling.

[2] See Feature Article *Sustainability of the Healthcare System in Curaçao* in June 2023 CBCS Economic Bulletin by D. Passial.

delivery, stimulate further integration between specialists and the hospital, and reduce the number of referrals abroad. It is a state-of-the-art facility with modern equipment and highly professional staff. The hospital started implementing policies and procedures of the Joint Commission International (JCI) to acquire the JCI accreditation in the near future.

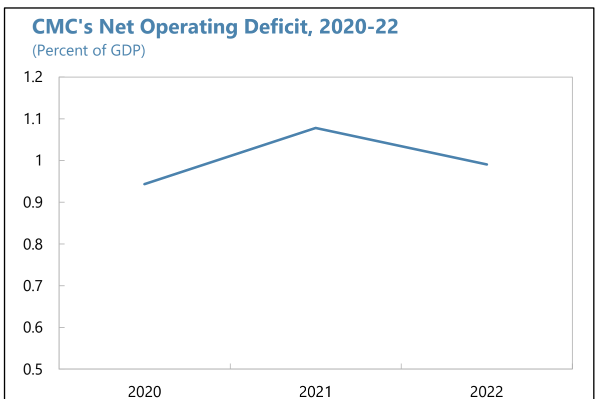




Sources: The SVB and IMF staff estimates.
Note: Figures represent BVZ and AVBZ health care funds managed by SVB.

2. The healthcare system is facing increasing costs driven by a surge in demand for hospital services, rising input costs both domestically and from abroad, and funding shortfalls. Each of the main pillars of the healthcare system: SVB, CMC, and government, faces significant financing constraints and limited scope to reduce expenditures, especially in the short term. At present, the funding gap appears mainly on the CMC's balance sheet and generates fiscal risks, arrears, and a risk to the sustainability of the healthcare system in its present configuration. The lack of primary healthcare centers and prevention programs increases pressure on the hospitals and drives up the costs.

- **CMC.** Since opening in 2019, the hospital has experienced a double-digit increase per year in health care demand in a flat budget environment.[3] CMC's net operating deficit reached 1 percent of GDP in 2022. The hospital is facing many challenges, including rising costs due to a significant increase in demand for services, uninsured patients for whom it is not paid in time, the outdated tariff schedule, and an ongoing legal dispute with the government about the annual budget, which appears to be due to the backward-looking nature of the budgeting process. In



Sources: The authorities, and IMF staff calculations

[3] The number of unique patients increased by 12 and 10 percent in 2021 and 2022, respectively.

addition, the CMC is expected to service public sector and syndicated loans that were used for the hospital construction and liquidity management and pay into a fund to cover maintenance of grounds and equipment. Due to the liquidity challenges, CMC is in arrears on the public sector financing and does not have resources for the maintenance fund. Delayed maintenance is likely to disrupt healthcare delivery in the future. CMC undertakes efforts to increase revenues by promoting regional medical tourism and contain expenditures.

- **Government of Curaçao.** The government is in arrears to CMC on the costs for uninsured and pandemic-related care, despite transferring around NAf 20 million in Q1 2023 to cover healthcare costs for uninsured patients up to December 31, 2022. There is little fiscal space to clear the backlog while continuing to accrue more obligations since the hospitals cannot refuse providing services to the uninsured persons. Costs for healthcare provided to uninsured patients for 2023 already reached an amount of NAf 1.8 million which has not been covered by the government. The government has initiated an efficiency study of the two main hospitals to determine measures to improve operations and determine appropriate tariffs for both hospitals. The output of this study will be used by the yet to be formally installed Curaçao Health Authority as a framework to determine the nature and scope of future healthcare procurement involving the two hospitals, including tariffs.

3. Urgent reform of the healthcare system is needed to make it sustainable. In 2023, the CMC is likely to incur a deficit of about 1 percent of GDP. Healthcare reforms need to align service delivery with financing. Key to achieving this will require making the budget process more responsive to real-time changes in costs and volumes and clearly delineate a process and responsibility for resolving shortfalls in financing. Reforms should also determine a funding mechanism for uninsured residents, especially given that the hospitals are mandated to provide care in emergency situations. Expediting the establishment of the Curaçao Health Authority is expected to improve efficiency of the healthcare system as it will also review tariffs regularly, which should be set to account for both fixed and variable costs. The government recently announced an initiative to increase generic pharmaceuticals but ensuring CMC and consumers can easily access them is key. Developing a primary health system and lowering lab costs can help reduce expenditures. As part of an agreement with The Netherlands, the authorities are in the process of exploring and implementing a variety of cost containment measures and reforms for the short term as well as for the long term.[4] The reform of the social system is of vital importance for the current and future generations of Curacao.

[4] Theme ‘F’ in the Implementation Agenda for the Curaçao Country Package, Q1, 2023.

Annex VII. Adapting to Climate Change in Curaçao and Sint Maarten[1]

Both Curaçao and Sint Maarten are vulnerable to significant physical and transitional risks from climate change, although with different natures. Sint Maarten faces the threat of increased frequency and severity of hurricanes, while Curaçao is vulnerable to slow-moving but nonetheless dangerous threats, such as sea level rise and foreign climate policy spillovers. Assessing the macroeconomic impacts of climate change and developing a clear medium-term national adaptation strategy are essential to ensure that the union is adequately prepared for an uncertain climate future.

A. Climate Risks and Adaptation Policies in Curaçao and Sint Maarten

1. Curaçao and Sint Maarten face significant physical risks from climate change. Under the intermediate low emission scenario, global temperatures are projected to rise by 1.2-1.9 degrees Celsius by the end of the century. The sea level is projected to rise by 0.5-0.6m, with a maximum rise of 1.2m (IPCC, 2023). Damage from hurricanes is expected to rise 10-15% in the region around Sint Maarten by 2050 in NGFS estimates. The high concentration of population and infrastructures in coastal areas and the significant reliance on tourism in Curaçao and Sint Maarten make these islands particularly susceptible to climate change.

Curaçao

2. Although Curaçao is largely considered less vulnerable to hurricanes than most of the Caribbean, slow-moving climate risks can cause significant damage to lives and livelihoods. Curaçao conducted a Climate Change Policy Assessment (CCPA) in 2020 that shed light on the likely consequences of climate change. More recently, Curaçao Ports Authority (CPA) commissioned a Climate Risk Assessment that provided the CPA with an understanding of climate change hazards, impacts and risks (Kelder et al., 2022). The latter laid out the taxonomy of climate change hazards in Curaçao. The land-based hazards comprise temperature increase and heavy rainfalls, and marine-based hazards consist of a combination of sea level rise (a slow onset event) and storm and tropical cyclones, including waves and storm surges (extreme events with abrupt impacts). These hazards give rise to significant risks.

- **Temperature increase.** Projections show that average temperatures would increase by about 2°C by 2050 under RCP8.5, and there is a very likely increase in warmer and more frequent hot days and nights. By 2050, the average annual maximum will likely be 36°C with outliers of 42°C. Apart from more rainfall (discussed below), a warmer climate could lead to the loss of biodiversity and losses in human capital due to negative impact on health and productivity. Higher ocean temperatures could lead to the bleaching of coral reefs and destroy marine ecosystems (Debtor and Bugter, 2010). Coral reefs are an important part of the tourism industry,

[1] Prepared by Vu Chau.

adding an estimated value of $445 million annually to the global economy (Waitt Institute, 2018).

- **Heavy rainfall.** Historical data over the past 100 years show an upward trend in extreme rainfall (Girigori, 2011) and there will be more extreme precipitation from more intense tropical cyclones, which makes areas in Curaçao vulnerable to flooding.

- **Sea level rise.** Sea level rise could cause coastal inundation, damaging public infrastructure (e.g., roads and hospitals) and tourism facilities (e.g., beaches and hotels) (CCPA, 2020). Without adaptation action, sea level rise could lead to permanent flooding of the Waaigat areas, Zeelandia, and several places around the Schottegat (Kelder et al., 2022).

- **Storms and tropical cyclones.** Curaçao is on the southern fringe of the hurricane belt. Even though tropical storms are passing to the north of Curaçao without causing severe weather, future storms are projected to become more intense with more precipitation. The storms are likely to contribute to flooding via storm surges, which could add 0.5-0.75 m on top of sea level rise.

3. **Moreover, Curaçao's heavy reliance on energy imports renders it vulnerable to the worldwide shift away from fossil fuels.** At present, the imported hydrocarbons are used for generating a large share of its energy, leaving it at the mercy of global oil price fluctuations and foreign climate policies such as carbon taxes. On the exports front, the global transition away from fossil fuels lowers the likelihood of reopening Curaçao's oil refining industry.

4. **Climate adaptation efforts in Curaçao have been limited thus far, without a clear national adaptation strategy.** While Curaçao has been actively developing new renewable energy sectors such as wind and solar power, there have been few measures to adapt to new climate scenarios. Although separate development plans have included elements of adaptation, particularly in energy (NREL, 2020) and coastal development (WI, 2018), a comprehensive national adaptation strategy has yet to be developed. In fact, many government and private organizations report being unaware of any plan to reduce the impacts of climate change (CCPA, 2020).

5. **Developing a comprehensive national climate adaptation strategy as an integral part of long-term planning and fiscal frameworks will be crucial to ensure Curaçao is adequately prepared for an uncertain future.** Climate trend projections are extremely uncertain, while the impacts of climate change on the economy could be highly nonlinear or have a tipping-point. For this reason, it is necessary to develop a comprehensive national climate adaptation strategy to deal with extreme climate scenarios. Furthermore, integrating the climate adaptation strategy into the government's long-term planning and fiscal frameworks would help ensure a better implementation of the strategy.

Sint Maarten

6. **Sint Maarten has historically suffered from severe hurricanes that devastated**

infrastructure. On average, Caribbean's small islands are seven times more likely to be hit by natural disasters and incur six times higher damages as a ratio to GDP (IMF, 2016). Due to its location inside the Caribbean hurricane belt, Sint Maarten has historically suffered from natural disasters. Most recently, in 2017, two Category-5 hurricanes (Irma and Maria) devastated the island and severely damaged most houses and infrastructure, with damages totaling 270 percent of GDP and a contraction of economic activity of 12 percent of GDP.

7. In the wake of the 2017 hurricanes, Sint Maarten has made significant investment in resilient infrastructure capable of withstanding future extreme weather effects. To aid in post-hurricane reconstruction and to bolster the country's resilience against future disasters, the World Bank established the Sint Maarten Reconstruction, Recovery, and Resilience Trust Fund, financed by The Netherlands. Benefitting from the fund, Sint Maarten has invested significantly in building resilient infrastructure in several critical areas. Out of a total of $512 million received from The Netherlands, $478 million has been allocated to projects. By June 2022, the fund has disbursed $57.4 million towards rebuilding homes, schools, utilities, fire and police departments (out of a total commitment of $100 million); $23 million towards rebuilding the Sint Maarten Medical Center, the island's only hospital; $26 million towards the airport (out of a total commitment of $92 million); and $10 million towards waste management (World Bank, 2022).

8. Sint Maarten needs to continue its progress in resilience building while developing a comprehensive national climate adaptation strategy that includes non-disaster climate risks. Many critical parts of Sint Maarten infrastructure have been rebuilt and upgraded to withstand severe disaster events, and efforts are ongoing to continue building resilience. As Sint Maarten also faces other non-disaster climate risks, such as sea level rise and loss of biodiversity, it would be beneficial to develop a comprehensive national climate adaptation strategy that includes these risks as well. Delaying the development of a comprehensive strategy could risk costly adjustments in the future, for instance, by having newly reconstructed buildings not consistent with a coastal management plan. Similar to Curaçao, integrating the climate adaptation strategy into the government's long-term planning and fiscal frameworks would increase the likelihood of the adaptation measures being successfully implemented.

B. Assessing Macroeconomic Impacts of Climate Risks and Policies

9. Assessing the macroeconomic impacts of climate risks and policies is an essential first step towards making medium-term projections more accurate and devising a comprehensive climate adaptation strategy for the union. Unlike transitory shocks, climate change is expected to alter the structure of an economy in many fundamental ways. First, it is likely to produce a negative impact on the scarce resources available for production, including land, infrastructure, and human capital. Second, it affects the allocation of resources within the economy, for example, the migration of labor and capital from the sector or region more affected by climate change to the less affected one. Therefore, explicitly incorporating climate risks and policies is crucial for producing more accurate medium and long-term macroeconomic projections and undertaking policies, most notably investment decisions, to reduce these risks.

10. Staff calibrated a general equilibrium model to study the long-run macroeconomic impact of slow-moving climate risks for Curaçao. The model is a dynamic general equilibrium model for climate analysis developed by Chau, Cugat, and Unsal (2023). The model features various climate risks, including slow-moving risks (e.g., depletion of productive resources due to sea level rise), natural disasters, and transition risks (e.g., lower foreign demand for carbon-intensive exports). The model can be used to analyze different types of government adaptation policies, such as the building of climate-resilient capital or support programs to catalyze private sector adaptation, as well as different financing strategies. The model was calibrated to describe key aspects of the Curaçao economy, including the high share of services, which relies more heavily on fixed factors (e.g., land and infrastructure) that are under threat of depletion due to climate change. Parameters of the model are calibrated to match as closely as possible the consumption and production structure of the economy, as well as important fiscal and external sector variables.

11. Staff focus on the risk of sea level rise for Curaçao due to its potential damage over the long run. Sea level rise has the potential to be damaging for the economy in the future. Recent studies show that the sea level could rise by 47-86cm by 2100, and, depending on emission scenarios, a 2-meter rise by 2150 is deemed plausible (Kelder et al., 2022). While a half-meter sea level rise is likely to submerge a small fraction of overall land, the damage is likely to be concentrated in key business and administrative areas. In other words, the impact on "effective" or "productive" land and infrastructure is likely much higher. Given the lack of information on the effective depletion, staff considers as an illustrative example the case where productive land is depleted by 20 percent in the next 100 years (annual loss of close to 0.2 percent). The results should be considered illustrative and subject to revision when information about the impact of sea level rise on value of land, properly weighing areas by the level of economic activities, becomes available.

12. The macroeconomic impact depends crucially on the substitutability of land with other factors of production, such as capital and labor. For that reason, staff consider the economy's responses under two separate scenarios. The first scenario (Scenario A) allows depleted land to be substituted by other factors with relative ease. The production function in this case is assumed to be similar to the well-known Cobb-Douglas production function. The second scenario (Scenario B) assumes that land is hard to substitute, motivated by the fact that specific types of land/assets have hard-to-replace and unique features (e.g., sandy beaches or historical sites). Finally, recognizing that sea level rise would not only deplete land but also damage infrastructure and physical assets, such as buildings and roads, we also consider a third scenario (Scenario C) where the stock of capital depreciates at a higher rate.

13. The model suggests a substantial long-run impact of sea level rise on the economy. The estimated impact of an illustrative 20 percent land reduction is a permanent loss of 7.4 percent of GDP in Scenario A, and can go up to 8.5 percent in Scenario B. The impact on consumption is similar to that of GDP, while investment declines by less than GDP in Scenario A due to the rise in investment to substitute land by capital towards being more capital-intensive and more than GDP in the low substitution case. Employment declines by 1.2 to 3 percent, and the stock of capital declines by 7 to 10 percent. The stock of debt is estimated to rise by 5 to 7.7 percent of GDP, and imported consumption also rises slightly due to weaker domestic activities. Scenario C, which incorporates capital damage as well as land depletion, shows that the economic impact is nearly doubled. GDP and consumption now decline by about 14 percent relative to the no-risk scenario. Investment interestingly declines less than Scenario B due to the higher investment needed to reconstruct submerged physical assets. Debt will rise by about 13 percent of GDP, and consumption imports will rise by about 3.4 percent of GDP. Employment will be about 5 percent lower, and the new steady state also features an almost 20 percent lower capital stock due to its complementarity with land (e.g., there will be less hotels if there is no suitable land to build).

Long-run macroeconomic impact of climate change

(Percent deviation from scenario without climate risk)

	Scenario A: Land depletion, high substitution	Scenario B: Land depletion, low substitution	Scenario C: Land and capital stock depletion, low substitution
GDP	-7.4	-8.5	-13.9
Consumption	-7.4	-8.4	-14.6
Investment	-6.7	-9.0	-8.2
Debt/GDP*	5.0	7.7	12.9
Employment	-1.2	-3.0	-4.9
Capital stock	-7	-10	-18
Imported consumption/GDP*	1.5	2.0	3.4

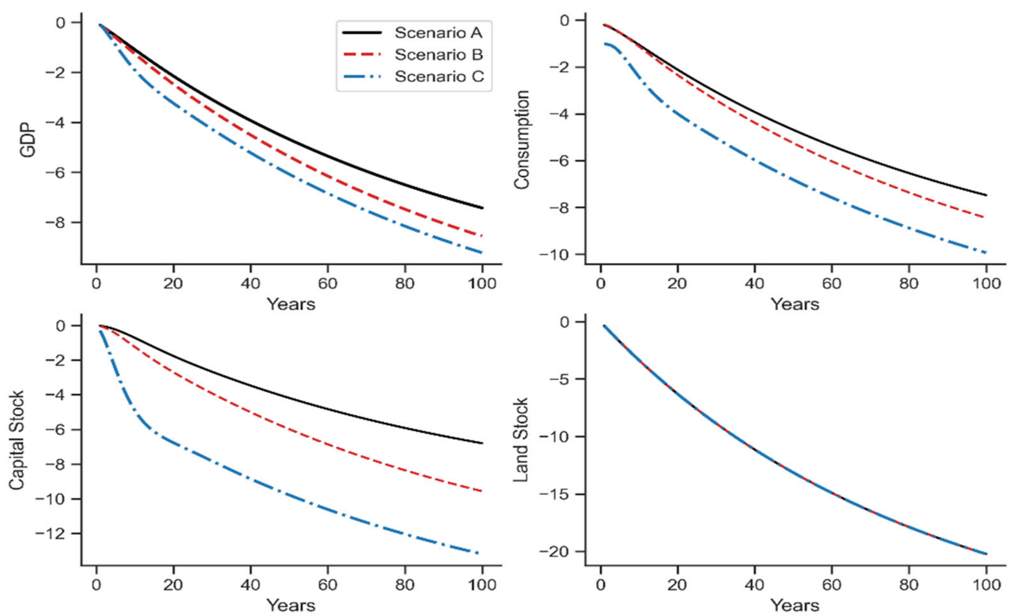
Sources: IMF staff estimates, based on model by Chau, Cugat, and Unsal (2023). All variables represent percent change from the level of start year, except variables with asterisk * are absolute change.

14. As the economy transitions to a new climate normal, growth and consumption are projected to be lower in the near future. Staff estimate a 2 percent contraction of GDP and consumption growth relative to the no-risk scenario due to land depletion in the next 2 decades (scenarios A and B), consistent with an implied annual growth contraction of 0.1 percent. Taking the destruction of capital into account increases GDP loss in 20 years to 3 percent while doubling the loss of consumption to 4 percent. The reason why consumption declines more than GDP is because the latter is supported by a higher investment needed to relocate and rebuild physical assets. To the extent that consumption and not GDP per se matters for welfare, the larger consumption decline is more relevant to evaluate climate impact. Finally, the transition dynamics shows that the loss of capital is higher in the first decade and stabilizes in the outer years, representing the lack of investment capability to adapt to climate change at the early stage, which is mitigated later on as the economy gets accustomed to climate adaptation.

15. Another potential concern is that climate change could exacerbate inequality. Even when the aggregate impact is not too high, there are still distributional concerns, as big firms and richer households are more likely to be able to afford climate adaptation. Depending on parameter values (for example, those that govern the level of financial frictions, which make the socially optimal level of climate adaptation infeasible), the model shows that climate change could widen the gap between firms that adapt to climate change and those that lack the resources for adaptation. Future research and policy considerations should evaluate and address the impact of climate change on inequality.

Macroeconomic Impact of Climate Change: Illustrative Transition Dynamics of the Economy

(Percent deviation from no climate risk scenario)



Sources: IMF staff calculations; Chau, Cugat, and Unsal (2023). Three scenarios considered are (i) scenario A: high land substitutability, (ii) scenario B: low land substitutability, and (iii) scenario C: low substitutability and capital depletion.

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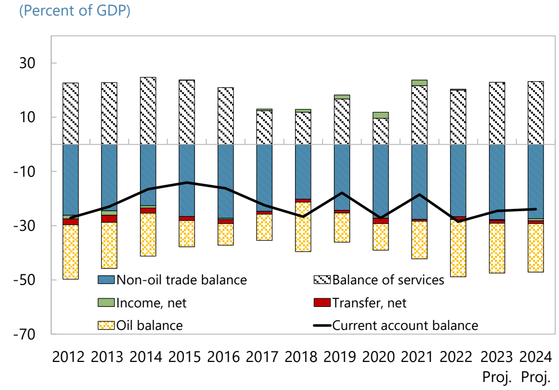
Annex VIII. External Sustainability Assessment[1]

The assessment relies on a basic indicator approach as data constraints and inconsistencies preclude model-based analysis. The external position in Curaçao is assessed to be weaker than warranted by fundamentals and desired policy settings, on account of a large and persistent current account deficit in Curaçao. Sint Maarten's external position is assessed to be broadly in line with fundamentals and desired policy settings despite a significant negative net international investment position, estimated with substantial uncertainty. 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.

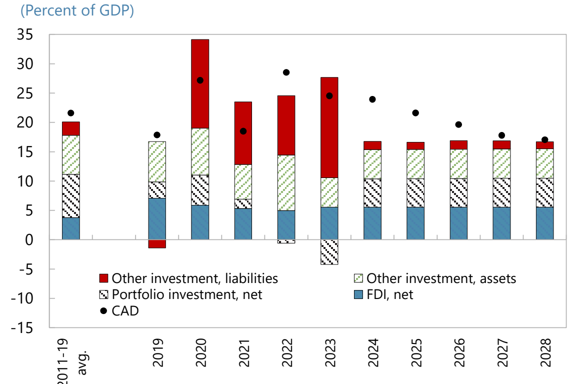
A. Curaçao

1. The pandemic and a subsequent increase in import prices widened Curaçao's current account deficit (CAD). The CAD increased from 17.9 percent of GDP in 2019 to 27.2 percent of GDP in 2020 as both tourism exports and GDP fell significantly, although it retreated to 18.5 percent of GDP in 2021 due to nascent economic recovery. In 2022, the CAD widened to 28.5 percent of GDP due to a sharp increase in imports from the rise in global prices and the strengthening recovery in economic activity. Over the medium term, the CAD is projected to narrow to 17 percent of GDP, based on a pickup in tourism receipts as the sector continues to grow and prices moderate. The deficit is expected to be financed by financial inflows that are comparable to their historical patterns.

Curaçao: Current Account Balance, 2012-2024
(Percent of GDP)



Curaçao: CAD and Financial Account Flows, 2019-2028
(Percent of GDP)



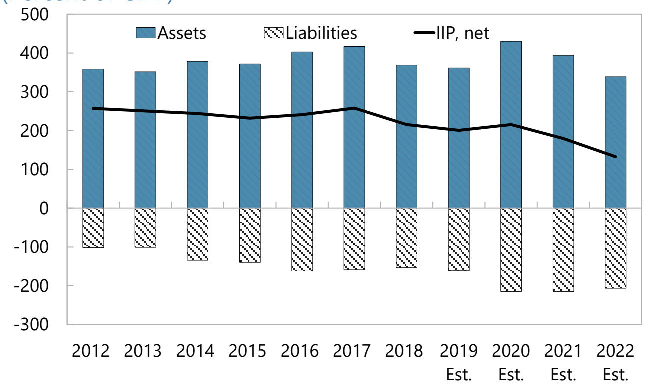
Sources: CBCS and IMF staff calculations.

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 215 percent of GDP in 2018 (the last available datapoint). Using BOP flows, staff estimated that the NIIP declined to about 132 percent of GDP in 2022. The large and persistent CADs are expected to reduce the NIIP further over the medium term.

[1] Prepared by Thomas Dowling.

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 AVIII.1).[2] 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 broadly flat, and the W@TB index suggests that the cost of staying in Curaçao is lower than the Caribbean average.

Curaçao: International Investment Position
(Percent of GDP)

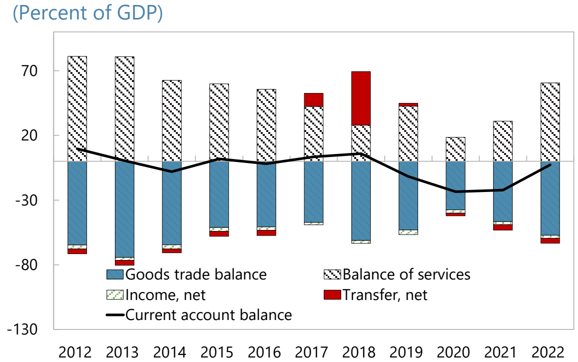


Sources: CBCS and IMF staff calculations.

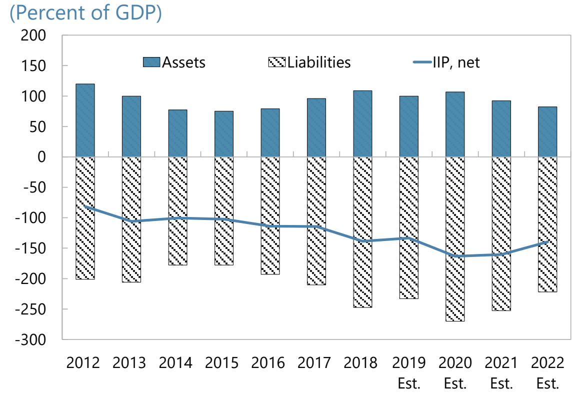
B. Sint Maarten

4. The current account deficit (CAD) in Sint Maarten has nearly closed since running large deficits during the pandemic. The CAD widened to nearly 23.5 percent of GDP in 2020 but declined to around 2.7 percent of GDP in 2022 due to a very strong recovery in tourism. It is expected to continue to close in 2023 due to continued growth, albeit slower than the previous year as the recovery matures, prices fall, and in light of an increase in reconstruction project activity. In the medium term, the CAD is expected to switch to a surplus as tourism recovers.

Sint Maarten: Current Account Balance, 2012-2022
(Percent of GDP)



Sint Maarten: International Investment Position, 2012-22
(Percent of GDP)



Sources: CBCS and IMF staff calculations

5. Sint Maarten's net international investment position (NIIP) is estimated to be negative with substantial uncertainty. Preliminary IIP estimates indicate a negative NIIP of 138 percent of GDP in 2018.[3] Estimating NIIP based on BOP flows suggest that the NIIP worsened to a negative 163

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

[3] Similar to Curaçao's IIP data, the latest available data are only through 2018.

percent of GDP by 2020 and slightly improved to around negative 140 percent of GDP in 2022. The NIIP is likely to improve over the medium term as the CAD continues to close.

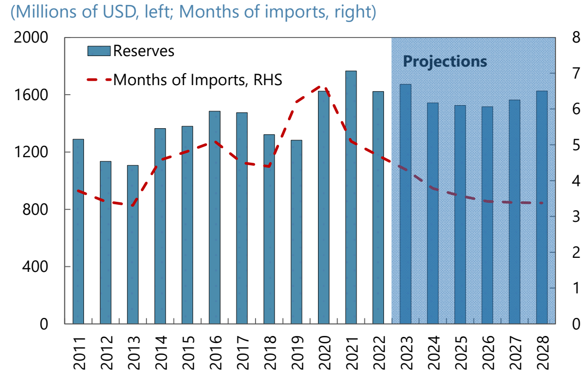
6. The real effective exchange rate (REER) indexes and the W@TB index do not suggest a price competitiveness issue (Figure AVIII.1). Sint Maarten's REER has appreciated by 6.6 percent since 2008. However, the W@TB index for Sint Maarten is still lower than the regional average.

Gross International Reserves of the Union

7. Gross international reserves (GIR) of the Union increased in 2020-21 in US dollar terms but declined in 2022. GIR, defined as foreign exchange reserves without gold holdings, increased from US$1.3 billion in 2019 to US$1.8 billion in 2021. In 2022, GIR were at 4.4 months of 2023 imports of goods and services, more than 20 percent cover of broad money, but below 100 percent cover of short-term debt and significantly below the IMF's EM ARA metric.[4] They are projected to decrease to around 3.3 months of imports in the medium term. Including monetary gold holdings (US$0.76 billion in 2022), the stock of reserves would be above the adequacy metrics including the imports coverage and ratios to short-term debt and the broad money, but would still be below the EM ARA metric.

The Union: International Reserves

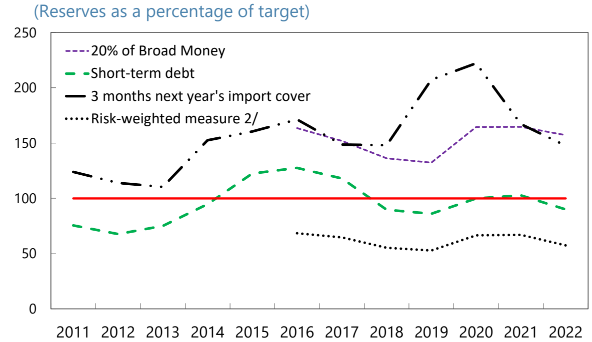
(Millions of USD, left; Months of imports, right)



Sources: CBSC and Fund staff calculations.

Reserve Adequacy 1/

(Reserves as a percentage 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 pandemic caused a significant increase of the external debt of the Union. The external debt-to-GDP ratio increased rapidly from 172 percent of GDP in 2018 (the last available factual datapoint) to an estimated 216 percent of GDP in 2020.[5] The main drivers of the increase

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

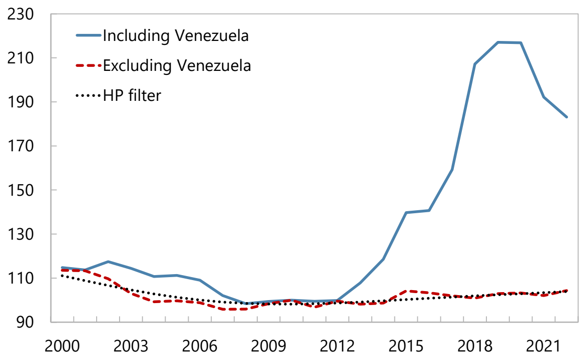
[5] The Union's external debt is estimated as a sum of debt liabilities of Curaçao and Sint Maarten compiled from corresponding IIP data. This approach may overestimate the total external debt of the Union as cross-claims between its members should be treated as domestic debt, although the discrepancy is likely to be small given the low volume of cross-border financial linkages between Curaçao and Sint Maarten. In 2019-2022, external debt is estimated using debt-creating flows from the BOP data.

were government borrowing from The Netherlands and the decline in nominal GDP in 2020. In 2022, the debt ratio is estimated to have subsided to about 193 percent of GDP thanks to the recovery in nominal GDP.

9. **The stock of external debt is expected to gradually decrease in the medium term to 174 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 macro shocks which result in a rising debt path. Under tall shock scenarios other than the interest rate shock, the external debt would not be on the decreasing trend in the medium term.

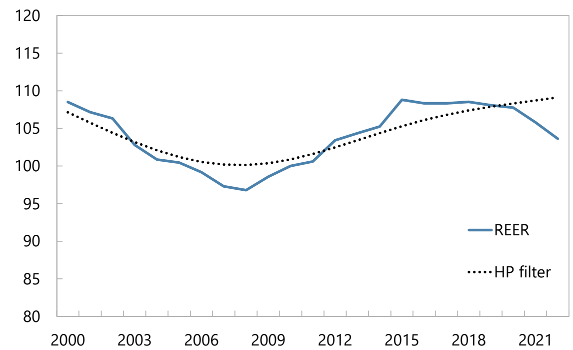
Figure AVIII.1. Curaçao and Sint Maarten: External Competitiveness Indicators

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



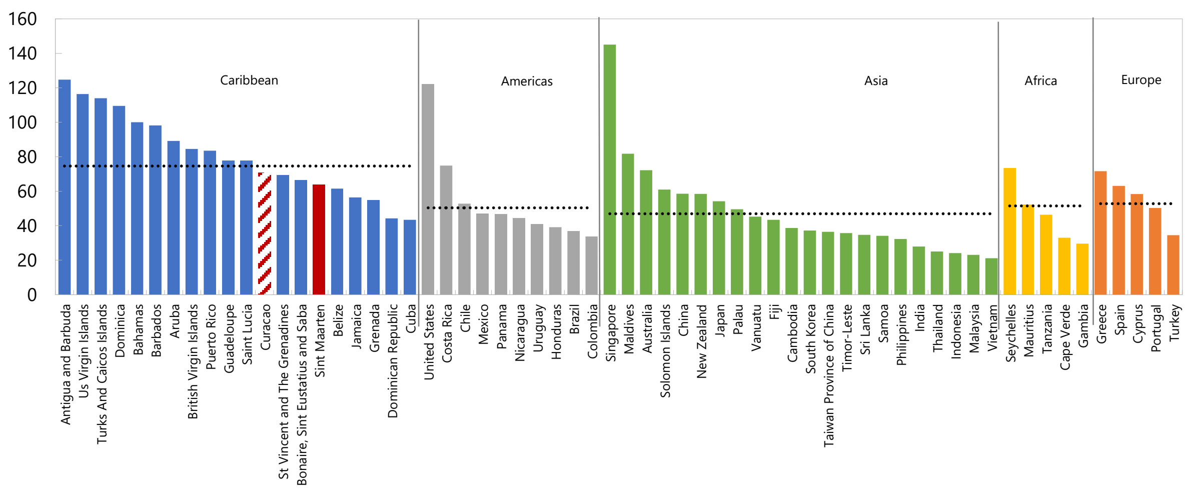
Sources: CBCS and Fund staff estimations.

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



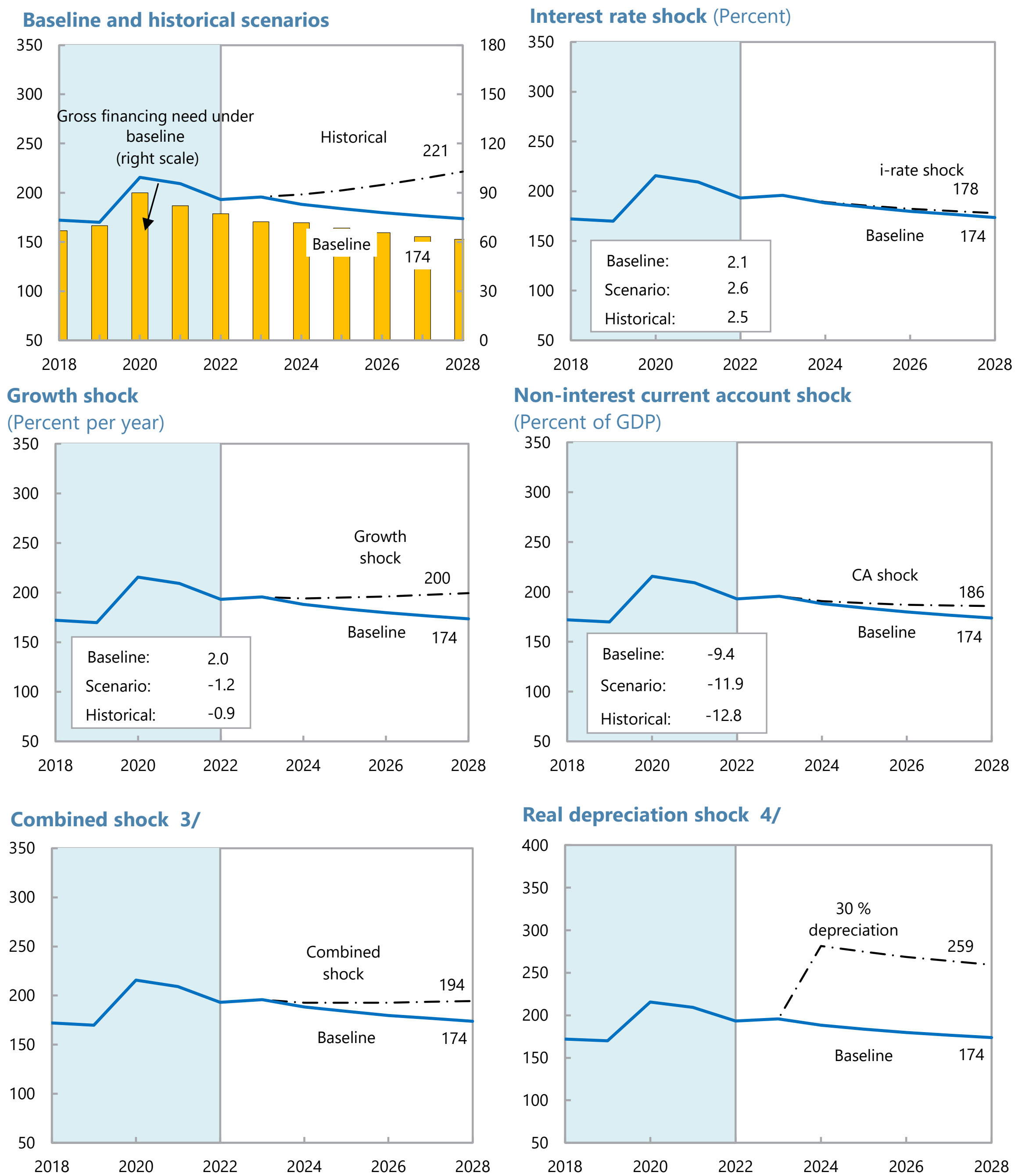
Sources: CBCS and Fund staff estimations.

Week at the Beach Index, April 2023 1/
(12-month moving average, Bahamas=100)



Source: Tripadvisor (www.tripadvisor.com) and 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 AVIII.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 IMF 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 2024.

Table AVIII.1. Curaçao and Sint Maarten: External Debt Sustainability Framework, 2018-28

(Percent of GDP, unless otherwise indicated)

	Actual							Projections						
	2018	2019	2020	2021	2022			2023	2024	2025	2026	2027	2028	Debt-stabilizing non-interest current account 6/
Baseline: External debt	172.1	169.9	215.6	209.2	193.2			**195.7**	**188.3**	**183.8**	**179.8**	**176.7**	**173.7**	**-5.7**
Change in external debt	13.0	-2.3	45.7	-6.4	-16.0			2.5	-7.5	-4.4	-4.0	-3.1	-3.0	
Identified external debt-creating flows (4+8+9)	20.7	4.7	55.3	0.5	-5.6			8.7	8.2	8.2	6.9	6.3	5.8	
Current account deficit, excluding interest payments	13.8	11.8	22.3	17.1	16.8			12.9	11.2	10.2	9.3	8.5	8.0	
Deficit in balance of goods and services	28.4	15.5	24.2	18.3	17.0			14.0	12.7	11.6	10.7	9.9	9.4	
Exports	63.9	65.1	41.4	53.2	74.7			75.3	76.5	78.2	79.2	80.2	81.0	
Imports	92.3	80.6	65.6	71.4	91.7			89.3	89.2	89.8	89.9	90.1	90.4	
Net non-debt creating capital inflows (negative)	0.7	-5.9	-0.1	-2.0	-1.8			-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	
Automatic debt dynamics 1/	6.1	-1.3	33.1	-14.6	-20.6			-1.7	-0.5	0.5	0.2	0.3	0.3	
Contribution from nominal interest rate	3.1	3.7	3.2	2.3	2.8			3.7	4.7	4.1	3.7	3.2	3.2	
Contribution from real GDP growth	5.7	-2.2	32.9	-8.6	-16.0			-5.4	-5.2	-3.6	-3.5	-2.9	-2.8	
Contribution from price and exchange rate changes 2/	-2.7	-2.8	-3.1	-8.4	-7.4			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	-7.7	-6.9	-9.6	-6.9	-10.4			-6.2	-15.7	-12.6	-11.0	-9.4	-8.8	
External debt-to-exports ratio (in percent)	269.5	261.1	520.3	393.5	258.7			260.1	246.1	235.1	227.1	220.4	214.4	
Gross external financing need (in millions of US dollars) 4/	2,878.4	3,099.8	3,391.6	3,363.2	3,561.1			3,559.4	3,742.1	3,732.3	3,734.3	3,734.4	3,773.2	
in percent of GDP	66.9	69.9	89.9	82.2	77.3	10-Year	10-Year	72.3	71.7	68.5	65.7	63.3	61.6	
Scenario with key variables at their historical averages 5/								**195.7**	**198.3**	**202.3**	**207.8**	**214.4**	**221.5**	**0.3**
						Historical	Standard							
Key Macroeconomic Assumptions Underlying Baseline						Average	Deviation							
Real GDP growth (in percent)	-3.5	1.3	-16.5	4.3	8.6	-0.9	6.5	3.0	2.8	2.0	2.0	1.7	1.7	
GDP deflator in US dollars (change in percent)	1.7	1.7	1.8	4.0	3.7	2.6	2.5	3.8	3.1	2.3	2.3	2.1	2.1	
Nominal external interest rate (in percent)	1.9	2.2	1.6	1.2	1.5	2.5	1.0	2.1	2.6	2.3	2.1	1.8	1.9	
Growth of exports (US dollar terms, in percent)	0.1	4.9	-45.8	39.2	58.2	3.0	28.3	7.7	7.7	6.7	5.6	5.1	4.9	
Growth of imports (US dollar terms, in percent)	14.6	-10.1	-30.7	18.2	44.5	1.9	20.2	4.1	5.9	5.1	4.5	4.0	4.1	
Current account balance, excluding interest payments	-13.8	-11.8	-22.3	-17.1	-16.8	-12.8	5.0	-12.9	-11.2	-10.2	-9.3	-8.5	-8.0	
Net non-debt creating capital inflows	-0.7	5.9	0.1	2.0	1.8	1.5	2.1	2.5	2.5	2.5	2.5	2.5	2.5	

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 IX. Curaçao: Public Debt Sustainability Analysis[1]

Curaçao's overall risk of sovereign stress is assessed as moderate based on moderate risks in the near, medium, and long-term, although the assessment is conditional on preserving the consolidation gains achieved so far, maintaining access to external financing at favorable terms, minimizing fiscal risks, and continued economic recovery. Curaçao's public debt declined significantly in 2022 led by a strong rebound in economic activity and a large fiscal consolidation that reduced the need for financing. The debt is expected to increase in 2023 due to the need to resolve Ennia, although the magnitude is subject to significant uncertainty. The debt is projected to decline in the medium term. Medium and long-term risks are contained while gross financing needs are manageable. This assessment is robust to adverse shocks to international commodity prices, exchange rate, and natural disasters.

1. Recent developments. Public debt declined from a peak of 90 percent of GDP in 2021 to 77 percent of GDP in 2022. The authorities did not apply for loans from The Netherlands as continued strong fiscal consolidation reduced the need for financing. The authorities made an early partial repayment of NAf 48.6 million (0.9 percent of GDP) of a loan from The Netherlands for resolution of Girobank. The reduction in nominal debt and a robust GDP growth lowered the debt ratio. The authorities also increased their deposits to NAf 336 million (6.1 percent of GDP), reducing net government debt to 71 percent of GDP.

2. Gross financing needs (GFN). Curaçao is facing large GFN in 2023 as the entire pandemic-related liquidity support loans from The Netherlands amounting to NAf 911 million (15.5 percent of GDP) fall due in October. These loans were rolled over with a zero-interest rate, 18-months, bullet loan, in April 2022. The likely materialization of contingent liabilities for the resolution of Ennia, a systemically important insurance company, contributes to the elevated GFN this year. Medium to long-term GFN are expected to remain manageable, averaging 1.2 percent of GDP, albeit with spikes due to maturity of bullet loans.

3. Debt profile. The bulk of Curaçao's public debt is held by The Netherlands and is denominated in local currency. In 2022, The Netherlands accounted for 80 percent of Curaçao's government debt with the remainder held by domestic non-bank creditors. All debt held by The Netherlands is governed by The Netherlands laws while local debt is governed by local laws. All debt is non-marketable. Apart from the liquidity support loans with maturity of 18 months, all other loans from The Netherlands have long-term maturities.

4. Baseline projections. The baseline projections assume that contingent liabilities related to Ennia resolution in the amount of NAf 0.55 billion (9.4 percent of GDP) are realized and are added to fiscal expenditure and public debt, although these assumptions are illustrative as key decisions are yet to be made. Projections assume that the underlying current expenditure in 2023 will be broadly in line with the 2023 budget, lower than in 2022 as a ratio to GDP. In the medium term, the primary surplus is projected to converge to 1.5 percent of GDP as capital expenditure increases closer to the

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

historical pre-pandemic average. The gross public debt ratio is projected to increase to 81.4 percent of GDP in 2023 but decline to 65.3 percent of GDP by 2028. This assumes that the gains from the recent fiscal consolidation will be largely preserved, and the primary surplus will be maintained in the medium term. The projections assume that the pandemic-related liquidity support (15.5 percent of GDP) is refinanced with a long-term (25 year) bullet loan from The Netherlands at borrowing rates on the Dutch capital market. Real effective interest rate is expected to remain negative until 2024 given the low nominal interest rates on the outstanding long-term debt.

5. Medium-term risk analysis. Medium-term risk of sovereign stress is assessed as moderate consistent with the Debt Fanchart Index, although the mechanical GFN Financeability Index is low.

- The **debt fanchart** produces a score of 1.7, above the threshold of 1.1 for low risk but below the threshold of 2.1 for high risk. The wide fan reflects the risks associated with the uncertainty around the debt trajectory and a relatively moderate level of public debt by 2028 with a high probability that debt will stabilize in the medium-term. The reduction in GFN is robust to shocks.

- **The GFN financeability** tool produces a score of 1.6 well below the low-risk threshold of 7.6. Primary budget surpluses in the medium to long term are expected to reduce GFNs to manageable levels.

- **Stress tests** indicate that the mechanical signals are robust to shocks from natural disasters, real exchange rate adjustment, and commodity prices.

6. Long-term risk analysis. Long-term risk of sovereign distress is assessed to be moderate. Although GFNs are expected to decline to manageable levels in the medium to long term, vulnerability to rollover risk when bullet loans mature remains. There is also the risk of contingent debt liabilities.

7. Public debt sustainability. Public debt is assessed to be sustainable. The projected debt path is expected to decline and GFNs will recede to manageable levels, conditional on refinancing short-term debt with long term debt and implementing structural reforms to improve PFM.

8. Overall risk of sovereign debt stress. The overall risk of sovereign stress is moderate, reflecting medium vulnerability in both the near-term and the medium term.

Figure AIX.1. Curaçao: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	…	Moderate	The overall risk of sovereign stress is moderate, reflecting medium vulnerability in both the near term and the medium term.
Near term 1/			
Medium term	Low	Moderate	Medium-term risks are assessed as moderate given the risk that high GFNs will continue beyond this year. There is also risk of contingent debt liabilities.
Fanchart	Moderate	…	
GFN	Low	…	
Stress test	...	…	
Long term	…	Moderate	Long-term risks are moderate. GFNs are vulnerable to rollover risk when bullet payments mature but remain below 10 percent of GDP except in 2030. There is also risk of contingent debt liabilities.
Sustainability assessment 2/	Not required for surveillance countries	Sustainable	The projected debt path is expected to decline and GFNs will recede to manageable levels, conditional on refinancing short-term external debt with long term debt and implementing fiscal adjustment measures and PFM reforms in the Country Package. Therefore debt is assessed as sustainable.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Curaçao is at moderate overall risk of sovereign stress and debt is sustainable. Debt-to-GDP ratio declined in 2022 due to robust GDP recovery and strong fiscal adjustment. The debt ratio is expected to increase in 2023 due to materialization of contingent liabilities and decline in the medium term. Medium-term liquidity risks as analyzed by the GFN Financeability Module are low. The sustainability is conditional on preserving the fiscal consolidation gains achieved so far, maintaining access to external financing at favorable terms, reducing fiscal risks, and continued economic recovery.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure AIX.2. Curaçao: Debt Coverage and Disclosures

	CG	GG	NFPS	CPS	Other	Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					0	

2. Subsectors included in the chosen coverage in (1) above:

Coverage		Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	No	
CPS / NFPS / GG: expected	4	State governments	No	Not applicable
CPS / NFPS / GG: expected	5	Local governments	No	Not applicable
CPS / NFPS	6	Public nonfinancial corporations	No	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

	Basis of recording		Valuation of debt stock		
4. Accounting principles:	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on intra-government debt holdings

Coverage		Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS / NFPS / GG: expected / CG	1	Budget. central govt									0
CPS / NFPS / GG: expected / CG	2	Extra-budget. funds									0
CPS / NFPS / GG: expected / CG	3	Social security funds									0
CPS / NFPS / GG: expected	4	State govt.									0
CPS / NFPS / GG: expected	5	Local govt.									0
CPS / NFPS	6	Nonfin pub. corp.									0
CPS	7	Central bank									0
CPS	8	Oth. pub. fin. corp									0
		Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The SRDSA uses Curaçao's public sector debt, which comprises budgetary central government debt. The Social Security Bank (SVB) is not treated as part of the budgetary central government.

Figure AIX.3. Curaçao: Realism of Baseline Assumptions

Forecast Track Record	t+1	t+3	t+5
Public debt to GDP			
Primary deficit			
r - g			
Exchange rate depreciaton			
SFA			

Not applicable as Curaçao is not in the WEO database.

	real-time	t+3	t+5
Historical Output Gap Revisions			

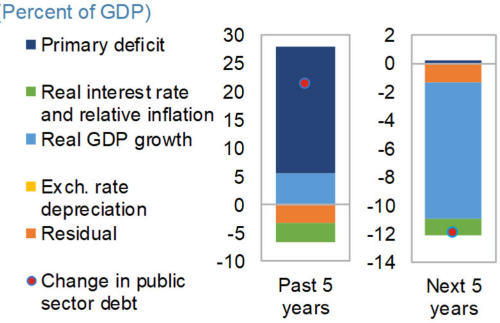
Comparator Group:
Emerging Markets, Non-Commodity Exporter, Surveillance

Color Code:

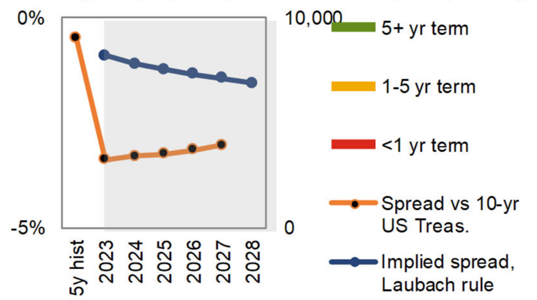
Optimistic
- > 75th percentile
- 50-75th percentile

Pessimistic
- 25-50th percentile
- < 25th percentile

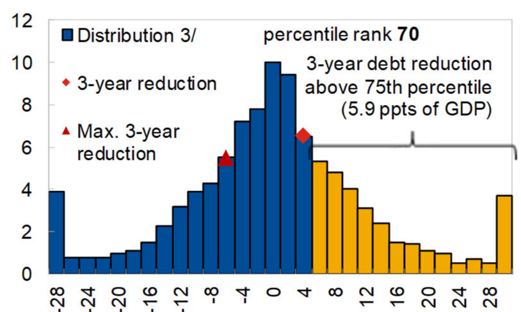
Public Debt Creating Flows
(Percent of GDP)



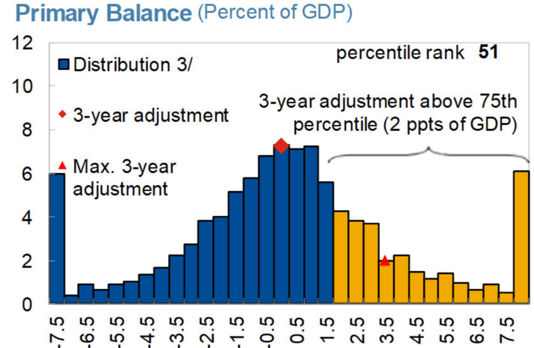
Bond Issuances (bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))



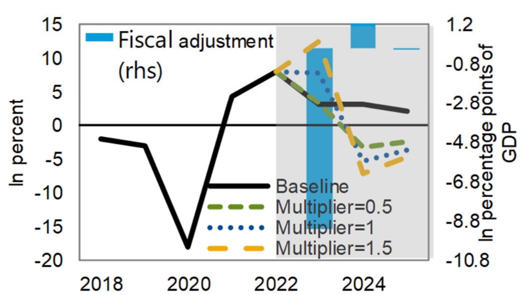
3-Year Debt Reduction
(Percent of GDP)



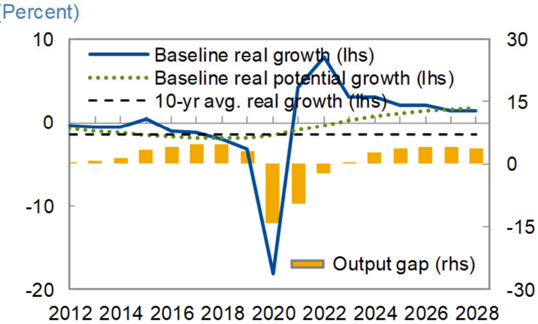
3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



Fiscal Adjustment and Possible Growth Paths
(lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS)



Real GDP Growth
(Percent)



Commentary: The recovery from COVID-19 will impart complicated effects on the growth path. However, realism analysis does not point to major concerns: past forecast errors do not reveal any systematic biases and the projected fiscal adjustment and debt reduction are well within norms. Forecast track record and historical output gap revisions are not available because of Curacao's exclusion from the WEO.

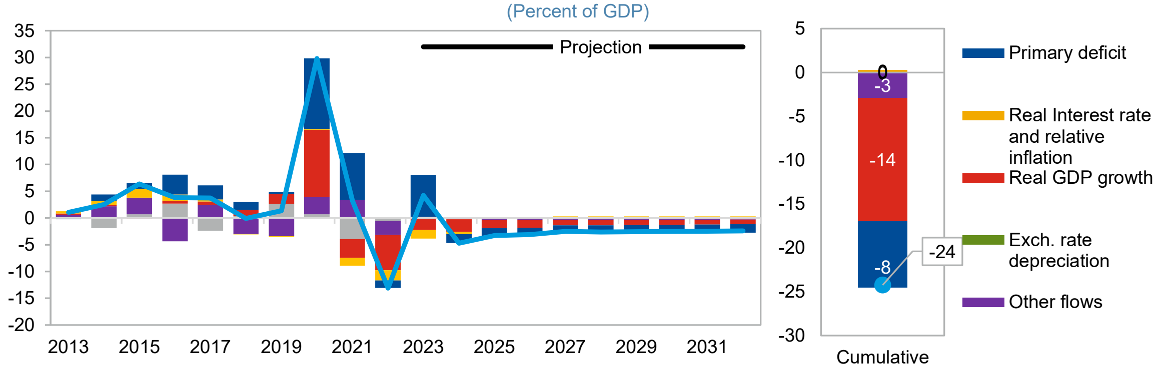
Figure AIX.4. Curaçao: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Public debt	77.2	81.4	76.8	73.5	70.4	67.8	65.3	62.7	60.2	57.7	55.3
Change in public debt	-13.1	4.2	-4.7	-3.3	-3.1	-2.5	-2.6	-2.5	-2.5	-2.5	-2.4
Contribution of identified flows	-12.6	4.2	-4.7	-3.3	-3.1	-2.5	-2.6	-2.5	-2.5	-2.4	-2.4
Primary deficit	-1.4	7.8	-1.6	-1.5	-1.5	-1.4	-1.5	-1.5	-1.5	-1.5	-1.5
Noninterest revenues	31.8	29.9	30.1	30.1	30.2	30.2	30.2	30.2	30.2	30.2	30.2
Noninterest expenditures	30.4	37.7	28.4	28.6	28.7	28.7	28.6	28.6	28.6	28.6	28.6
Automatic debt dynamics	-8.5	-3.8	-2.8	-1.4	-1.3	-0.7	-0.7	-0.7	-0.6	-0.6	-0.6
Real interest rate and relative inflation	-1.9	-1.6	-0.4	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Real interest rate	-1.9	-1.6	-0.4	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Relative inflation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-6.6	-2.2	-2.4	-1.5	-1.4	-1.0	-1.0 .	-1.0	-0.9	-0.9	-0.9
Real exchange rate	0.0	…	…	…	…	…	… .	…	…	…	…
Other identified flows	-2.6	0.2	-0.2	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-2.6	0.2	-0.2	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Contribution of residual	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	16.4	24.5	0.3	2.5	0.7	0.6	0.5	0.4	5.1	0.5	0.4
of which: debt service	18.0	16.8	2.1	4.1	2.3	2.2	2.1	2.1	6.8	2.1	2.1
Local currency	17.9	16.8	2.1	4.1	2.3	2.2	2.1	2.1	6.8	2.1	2.1
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo:											
Real GDP growth (percent)	7.9	3.0	3.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5	1.5
Inflation (GDP deflator; percent)	4.0	3.8	3.0	2.2	2.2	2.0	2.0	2.0	2.0	2.0	2.0
Nominal GDP growth (percent)	12.2	6.9	6.0	4.2	4.2	3.5	3.5	3.5	3.5	3.5	3.5
Effective interest rate (percent)	1.5	1.6	2.4	2.4	2.4	2.4	2.4	2.5	2.5	2.5	2.5

Contribution to change in public debt

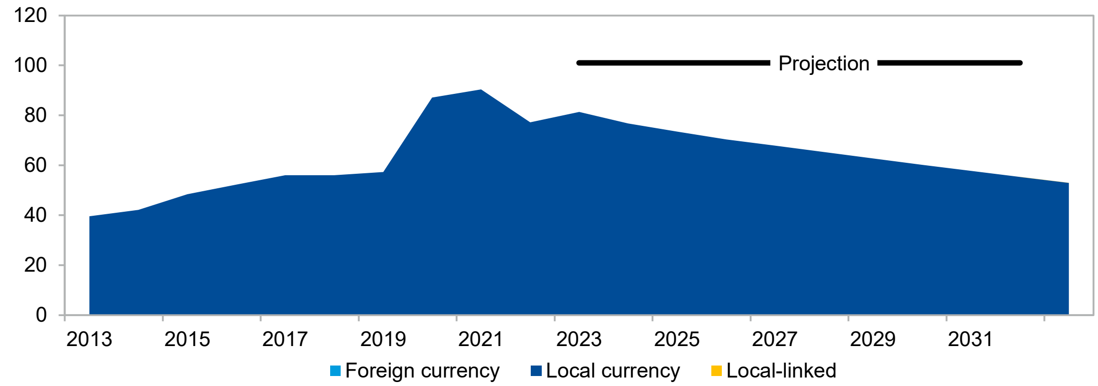
(Percent of GDP)



Staff commentary: Public debt will continue to decline in the medium-term, reflecting higher primary surpluses than the historical average and economic growth.

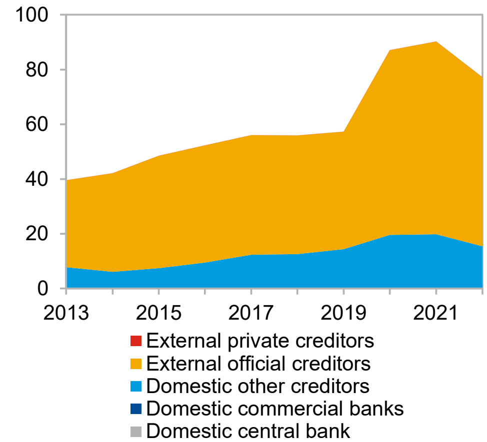
Figure AIX.5. Curaçao: Public Debt Structure Indicators

Debt by currency (Percent of GDP)



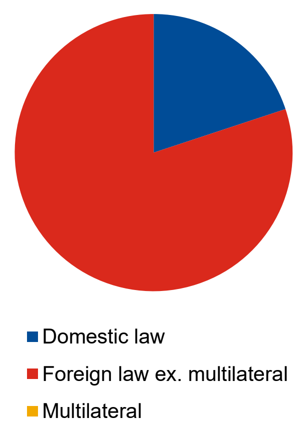
Note: The perimeter shown is central government.

Public debt by holder (Percent of GDP)



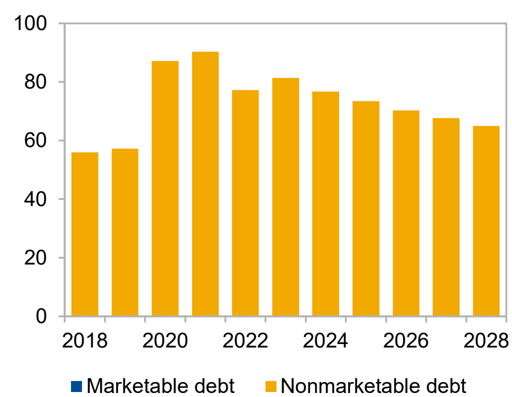
Note: The perimeter shown is general government.

Public debt by governing law, 2022 (Percent)



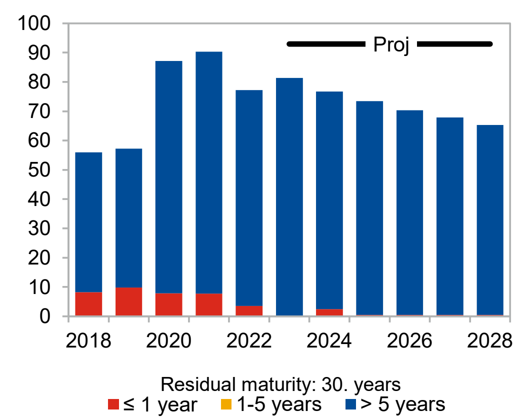
Note: The perimeter shown is general government.

Debt by instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public debt by maturity (Percent of GDP)



Note: The perimeter shown is general government.

Commentary: The government relies on foreign debt held by the Netherlands for financing its GFNs.

Figure AIX.6. Curaçao: Medium-Term Risk Analysis

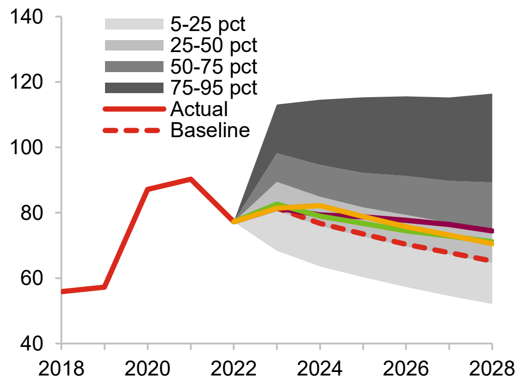
Debt fanchart and GFN financeability indexes

(Percent of GDP unless otherwise indicated)

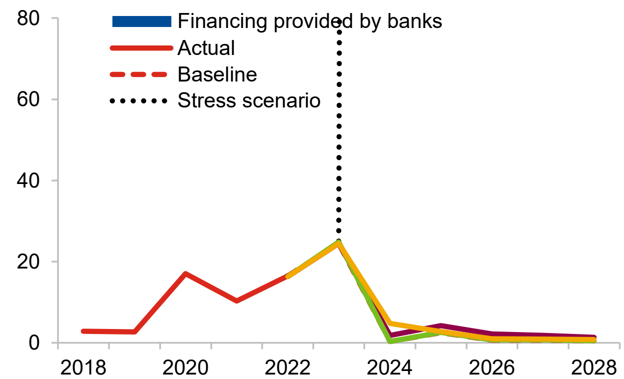
Module	Indicator	Value	Risk index	Risk signal	Adv. Econ., Non-Com. Exp, Program (0 25 50 75 100)
Debt fanchart module	Fanchart width	64.4	0.9	…	
	Probability of debt not stabilizing (pct)	12.8	0.1	…	
	Terminal debt level x institutions index	29.0	0.6	…	
	Debt fanchart index	**…**	**1.7**	**Moderate**	
GFN finance-ability module	Average GFN in baseline	4.8	1.6	…	
	Bank claims on government (pct bank assets)	0.0	0.0	…	
	Chg. in claims on govt. in stress (pct bank assets)	0.0	0.0	…	
	GFN financeability index	**…**	**1.6**	**Low**	

Legend: Interquartile range; Curaçao

Final fanchart (Percent of GDP)



Gross Financing Needs (Percent of GDP)

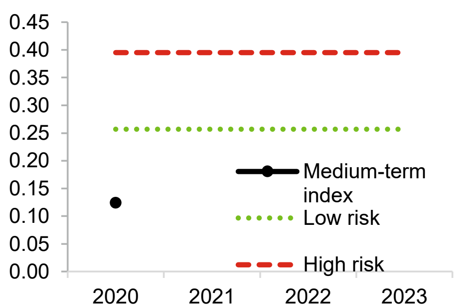


Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-term index

(Index number)



Medium-term risk analysis

	Low risk threshold	High risk threshold	Weight in MTI	Normalized level
Debt fanchart index	1.1	2.1	0.5	0.4
GFN finaceability index	7.6	17.9	0.5	0.0
Medium-term index (MTI)	0.3	0.4	…	0.2, Low

Prob. of missed crisis, 2023-2028 (if stress not predicted): 9.1 pct.

Prob. of false alarm, 2023-2028 (if stress predicted): 52.3 pct.

Commentary: Of the two medium-term tools, the Debt Fanchart Module is pointing to moderate level of risk, while the GFN Financeability Module suggests low level of risk.

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

Sint Maarten's risk of sovereign stress is assessed as moderate. After surging by 12 percentage points of GDP to 51½ percent of GDP in 2020-21 on generous pandemic financing from The Netherlands and denominator effects, Sint Maarten's public debt declined to 50 percent of GDP[2] in 2022 led by a large fiscal consolidation and a strong rebound in economic activity. Under the baseline, it is expected to increase to 51 percent of GDP in 2023 due to likely materialization of contingent liabilities and fall below 50 percent of GDP by the forecast horizon. Medium and long-term risks are contained while gross financing needs are manageable. This assessment is robust to adverse shocks to international commodity prices, the exchange rate, and natural disasters.

1. Recent Developments. Public debt declined by 1.4 percentage points of GDP to 50 percent of GDP in 2022, despite additional pandemic related loans from The Netherlands. An improvement in the primary deficit from 5.1 percent of GDP in 2021 to 0.5 percent of GDP in 2022 and strong economic recovery have led to the decline of public debt. The overall fiscal deficit in 2022 was financed by zero-interest loans from The Netherlands as part of its pandemic support. The 2023 budget loosens pandemic era fiscal measures, particularly the 12½ percent wage cut for the public sector that enabled a sharp consolidation in 2022.

2. Gross financing needs. GFN will remain high in 2023 due to the maturing in October of liquidity support loans amounting to NAf 316.5 million (10.9 percent of GDP) received from The Netherlands during the pandemic. These loans were rolled over with a zero-interest rate, 18-month bullet loan in April 2022. These financing needs are assumed to be met by a long-term loan from The Netherlands with non-zero interest rate. The likely materialization of contingent liabilities for the resolution of Ennia, a systemically important pension and insurance company, will further elevate GFN.

3. Debt profile. The bulk of Sint Maarten's public debt is held by The Netherlands and is predominantly in local currency. In 2022, The Netherlands accounted for 68 percent of Sint Maarten's government debt while 25 percent is held by domestic non-bank creditors and 7 percent by the European Investment Bank (EIB). All debt owed to The Netherlands is governed by laws in The Netherlands, to EIB by multilateral laws, and domestic residents by local laws. All debt is non-marketable. Apart from the liquidity support loans with maturity of 18 months, all other loans from The Netherlands have much longer maturities. In 2022, the government received a loan of US$50 million (3.5 percent of GDP) from the European Investment Bank (EIB) for the renovation of the Princess Juliana International Airport. This loan is the only debt denominated in foreign currency. The remainder of the debt consists of domestic liabilities, including trade credit and arrears to the social security fund and civil servant pension fund. Under the Kingdom Law the Sint Maarten

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[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.

government is not permitted to issue short-term borrowing instruments, and thus the short-term debt liabilities in the DSA refer only to trade-credit.

4. Baseline projections. Public debt is expected to increase to 51 percent of GDP in 2023 and then decline to 43 percent of GDP by 2032. The primary deficit is expected to worsen slightly in 2023 due to loosening of pandemic era fiscal measures like wage cuts and recognition of contingent liabilities but decline 2024-28. Primary surpluses are expected from 2027. In addition, higher real GDP growth should support a reduction in debt to GDP ratio. Gross financing needs are projected to reach 13.4 percent of GDP in 2023 due to the maturity of a bullet pandemic era loan but are expected to average 2 percent of GDP in the medium to long-term, albeit with spikes due to maturity of bullet loans.

5. Medium-term risk analysis. Medium-term risk of sovereign stress is assessed as moderate consistent with the Debt Fanchart Index, although the mechanical GFN Financeability Index is low.

- **The Debt Fanchart** produces a score of 1.6, above the threshold of 1.1 for low risk but below the threshold of 2.1 for high risk. The wide fan reflects the risks associated with the uncertainty around the debt trajectory and a relatively moderate level of public debt by 2028 with a high probability that debt will stabilize in the medium-term. The reduction in GFN is robust to shocks.

- **The GFN financeability** tool produces a score of 1.3 well below the low-risk threshold of 7.6. Primary budget surpluses in the medium to long term are expected to reduce GFNs to manageable levels.

- **Stress tests** indicate that the mechanical signals are robust to shocks from natural disasters, real exchange rate adjustment, commodity prices.

6. Long-term risk analysis. Long-term risk of sovereign distress is assessed to be moderate. Although GFNs are expected to decline to manageable levels in the medium to long term, vulnerability to rollover risk when bullet payments mature remains. There is also a risk of contingent debt liabilities.

7. Public Debt Sustainability. Public debt is assessed to be sustainable. The debt path is expected to decline and GFNs will recede to manageable levels, conditional on refinancing short-term external debt with long term debt and implementing fiscal adjustment measures and PFM reforms in the Country Package.

8. Overall Risk of Sovereign Debt Stress. The overall risk of sovereign stress is moderate, reflecting medium vulnerability in both the near-term and the medium term.

Figure AX.1. Sint Maarten: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	…	Moderate	The overall risk of sovereign stress is moderate, reflecting medium vulnerability in both the near-term and the medium term.
Near term 1/			
Medium term	Low	Moderate	Medium-term risks are assessed as moderate given the risk that high GFNs will continue beyond this year. There is also risk of contingent debt liabilities.
Fanchart	Moderate	…	
GFN	Low	…	
Stress test	…	…	
Long term	…	Moderate	Long-term risks are moderate. GFNs are vulnerable to rollover risk when bullet payments mature but remain below 10 percent of GDP. There is also risk of contingent debt liabilities.
Sustainability assessment 2/	Not required for surveillance countries	Sustainable	The projected debt path is expected to decline and GFNs will remain manageable, conditional on refinancing short-term external debt with long term debt and implementing fiscal adjustment measures and PFM reforms in the Country Package. Therefore debt is assessed as sustainable.
Debt stabilization in the baseline			Yes

DSA summary assessment

Commentary: Sint Maarten is at a moderate overall risk of sovereign stress and debt is sustainable. Debt-to-GDP ratio declined in 2022 due to robust GDP recovery and strong fiscal adjustment. The debt ratio is expected to decline in the medium term. Medium-term liquidity risks as analyzed by the GFN Financeability Module are low. The sustainability is conditional on preserving the fiscal consolidation gains achieved so far, reducing the risks of contingent liabilities and making progress in structural reforms to improve PFM and public investment management.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure AX.2. Sint Maarten: Debt Coverage and Disclosures

1. Debt coverage in the DSA: 1/

CG	GG	NFPS	CPS	Other	Comments
CG (chosen)	GG	NFPS	CPS	Other	

1a. If central government, are non-central government entities insignificant? 0

2. Subsectors included in the chosen coverage in (1) above:

		Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	No	
CPS / NFPS / GG: expected	4	State governments	No	Not applicable
CPS / NFPS / GG: expected	5	Local governments	No	Not applicable
CPS / NFPS	6	Public nonfinancial corporations	No	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:

Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
chosen	chosen	chosen	chosen	missing

4. Accounting principles:

Basis of recording		Valuation of debt stock		
Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/
	chosen	chosen		

5. Debt consolidation across sectors: Consolidated | **Non-consolidated** (chosen)

Color code: chosen coverage; Missing from recommended coverage; Not applicable

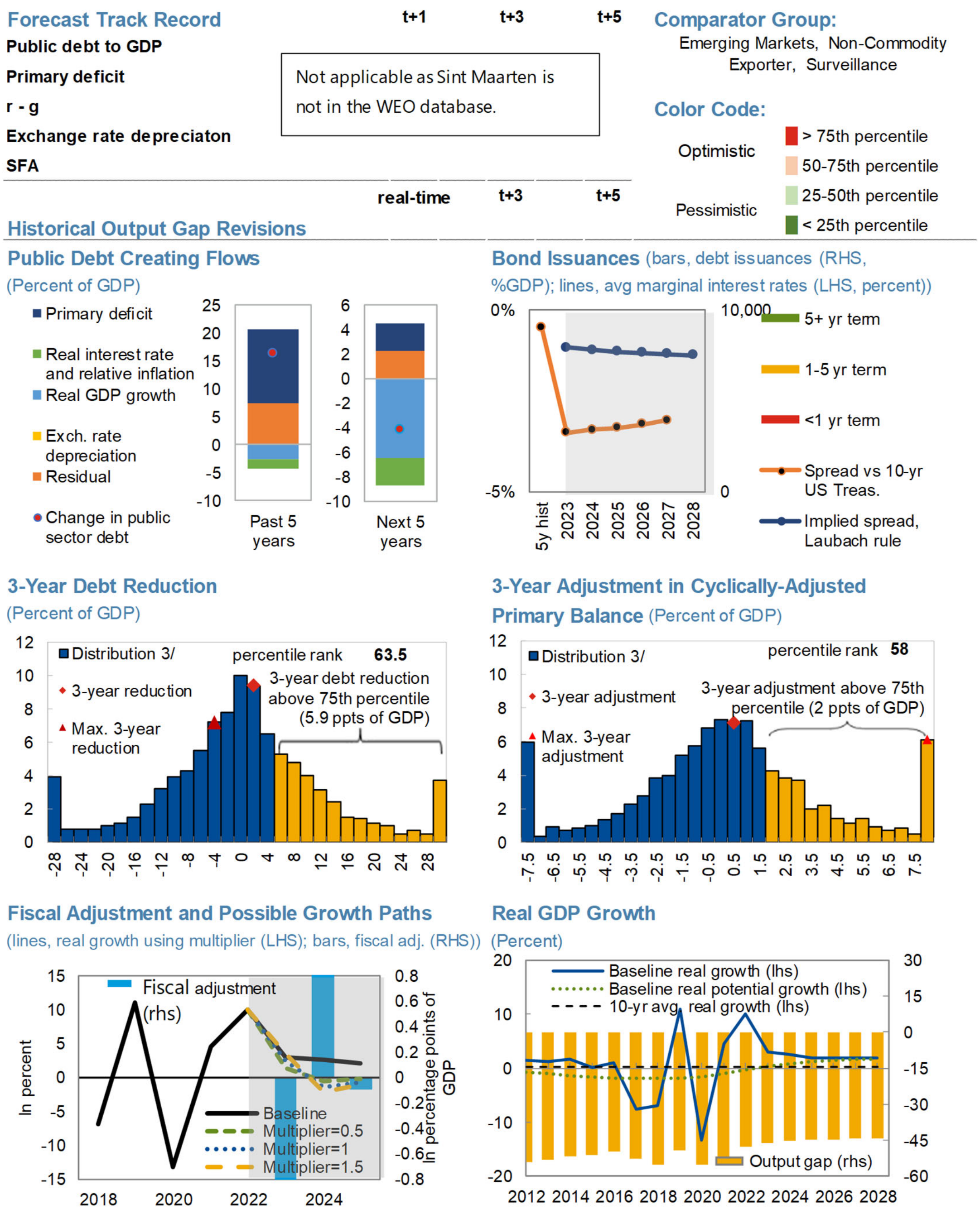
Reporting on intra-government debt holdings

Issuer \ Holder		Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt									0
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local govt.									0
6	Nonfin pub. corp.									0
7	Central bank									0
8	Oth. pub. fin. corp									0
	Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: The SRDSA uses Sint Maarten's public sector debt, which comprises central government debt. The Social Security Bank (SZV) is not treated as part of the general government.

Figure AX.3. Realism of Baseline Assumptions



Commentary: The recovery from COVID-19 will impart complicated effects on the growth path. However, realism analysis does not point to major concerns: past forecast errors do not reveal any systematic biases and the projected fiscal adjustment and debt reduction are well within norms. Forecast track record and historical output gap revisions are not available because of Sint Maarten's exclusion from the WEO.

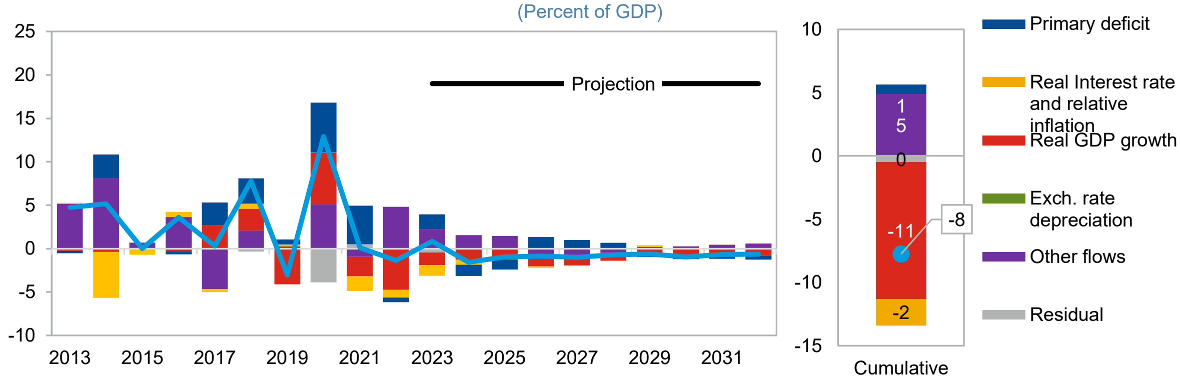
Figure AX.4. Sint Maarten: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Public debt	50.1 .	51.0	49.4	48.5	47.6	46.6	45.9	45.3	44.4	43.7	43.0
Change in public debt	-1.4	0.8	-1.6	-0.9	-0.9	-1.0	-0.7	-0.6	-1.0	-0.7	-0.6
Contribution of identified flows	-1.3	1.3	-1.5	-0.9	-0.8	-1.0	-0.7	-0.6	-1.0	-0.7	-0.6
Primary deficit	-0.5	1.7	-1.3	-1.2	1.3	1.0	0.7	-0.1	-0.2	-0.3	-0.4
Noninterest revenues	19.2	20.3	20.7	22.8	19.1	18.7	17.9	17.8	17.7	17.7	17.7
Noninterest expenditures	18.7	22.0	19.4	21.6	20.4	19.7	18.5	17.7	17.5	17.4	17.3
Automatic debt dynamics	-5.6	-2.7	-1.8	-1.2	-1.1	-1.0	-0.9	-0.7	-1.1	-0.8	-0.8
Real interest rate and relative inflation	-0.9	-1.2	-0.6	-0.2	-0.2	0.0	0.0	0.2	-0.2	0.0	0.1
Real interest rate	-0.9	-1.3	-0.6	-0.3	-0.2	0.0	0.0	0.2	-0.2	0.0	0.1
Relative inflation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-4.7	-1.5	-1.2	-1.0	-1.0	-0.9	-0.9 .	-0.9	-0.9	-0.9	-0.9
Real exchange rate	0.0	…	…	…	…	…	… .	…	…	…	…
Other identified flows	4.8	2.3	1.6	1.5	-1.1	-1.0	-0.5	0.2	0.3	0.4	0.6
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	4.8	2.3	1.6	1.5	-1.1	-1.0	-0.5	0.2	0.3	0.4	0.6
Contribution of residual	-0.1	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	10.9	13.4	-0.3	2.1	2.6	2.4	2.1	3.0	3.4	1.4	1.4
of which: debt service	11.4	12.1	1.4	3.7	1.5	1.8	1.8	3.4	3.9	2.0	2.0
Local currency	11.4	12.0	1.2	3.5	1.4	1.5	1.5	3.1	3.6	1.8	1.8
Foreign currency	0.0	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.2	0.2	0.2
Memo:											
Real GDP growth (percent)	10.0	3.0	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Inflation (GDP deflator; percent)	3.0	3.8	3.3	2.6	2.5	2.3	2.3	1.9	2.8	2.4	2.4
Nominal GDP growth (percent)	13.3	6.9	5.9	4.7	4.6	4.3	4.3	4.0	4.9	4.5	4.4
Effective interest rate (percent)	1.0	1.1	2.0	2.1	2.2	2.2	2.3	2.3	2.4	2.5	2.5

Contribution to change in public debt

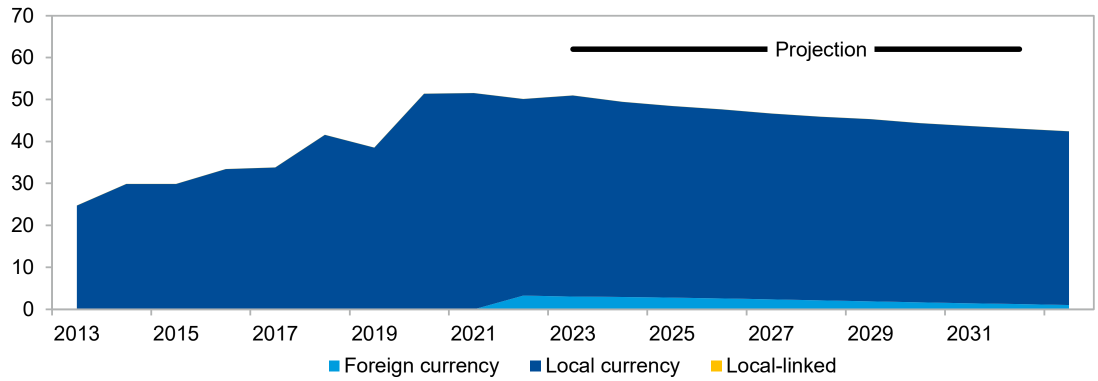
(Percent of GDP)



Staff commentary: Public debt is expected to decline in the medium-term, reflecting lower primary deficits up to 2026, turning into surpluses from 2027, and higher real economic growth than real interest rates.

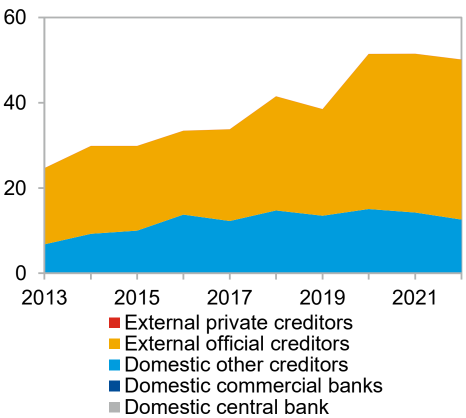
Figure AX.5. Sint Maarten: Public Debt Structure Indicators

Debt by currency (Percent of GDP)



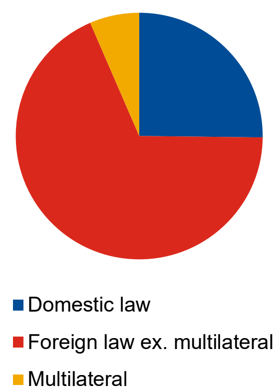
Note: The perimeter shown is central government.

Public debt by holder (Percent of GDP)



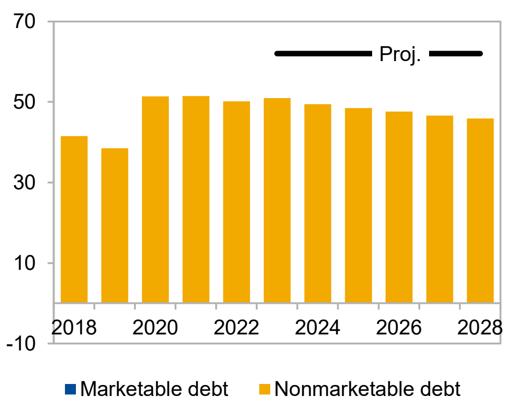
Note: The perimeter shown is general government.

Public debt by governing law, 2022 (Percent)



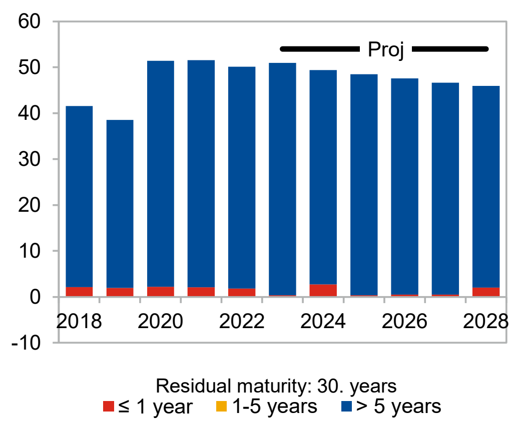
Note: The perimeter shown is general government.

Debt by instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public debt by maturity (Percent of GDP)



Note: The perimeter shown is general government.

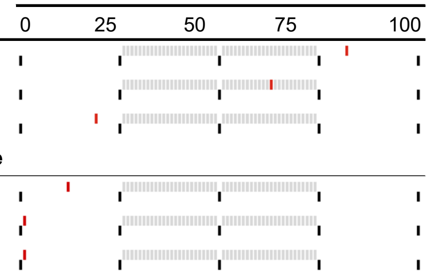
Commentary: The government relies on foreign debt held by the Netherlands for financing its GFNs. Post hurricane Irma reconstruction also relied on a foreign currency loan from the European Investment Bank.

Figure AX.6. Sint Maarten: Medium-Term Risk Analysis

Debt fanchart and GFN financeability indexes

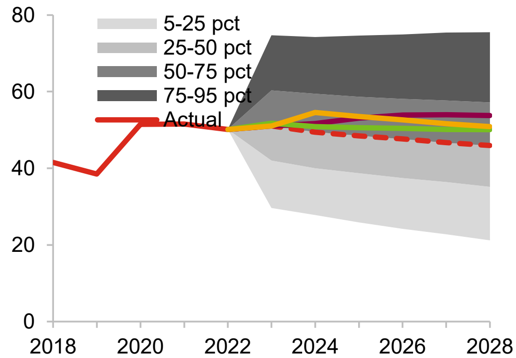
(Percent of GDP unless otherwise indicated)

Module	Indicator	Value	Risk index	Risk signal
Debt fanchart module	Fanchart width	54.4	0.8	…
	Probability of debt not stabilizing (pct)	49.0	0.4	…
	Terminal debt level x institutions index	17.7	0.4	…
	Debt fanchart index	**…**	**1.6**	**Moderate**
GFN finance-ability module	Average GFN in baseline	3.7	1.3	…
	Bank claims on government (pct bank assets)	0.0	0.0	…
	Chg. in claims on govt. in stress (pct bank assets)	0.0	0.0	…
	GFN financeability index	**…**	**1.3**	**Low**

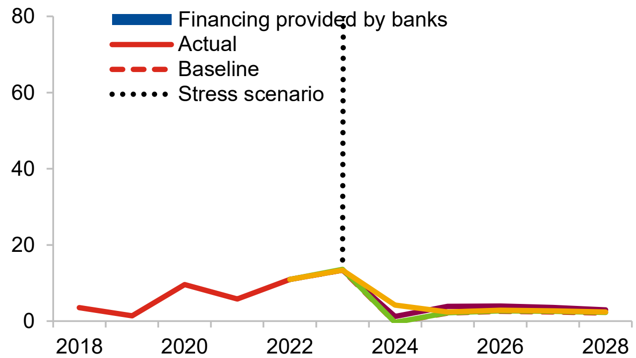


Legend: Interquartile range Sint Maarten

Final fanchart (Percent of GDP)



Gross Financing Needs (Percent of GDP)

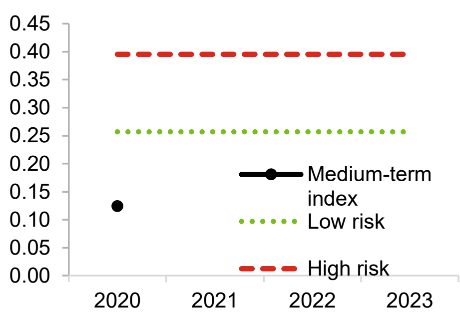


Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-term index

(Index number)



Medium-term risk analysis

	Low risk threshold	High risk threhsold	Weight in MTI	Normalized level
Debt fanchart index	1.1	2.1	0.5	0.4
GFN finaceability index	7.6	17.9	0.5	0.0
Medium-term index (MTI)	0.3	0.4	…	0.2, Low

Prob. of missed crisis, 2023-2028 (if stress not predicted): 9.1 pct.

Prob. of false alarm, 2023-2028 (if stress predicted): 58.0 pct.

Commentary: Of the two medium-term tools, the Debt Fanchart Module is pointing to moderate level of risk, while the GFN Financeability Module suggests low level of risk.

INTERNATIONAL MONETARY FUND

KINGDOM OF THE NETHERLANDS—CURAÇAO AND SINT MAARTEN

July 7, 2023

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION DISCUSSIONS—INFORMATIONAL ANNEX

Prepared By

The Western Hemisphere Department
(In consultation with other departments)

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FUND RELATIONS

The 2023 Article IV consultation discussions with Sint Maarten were held in Philipsburg during May 3–10, 2023 and with Curaçao in Willemstad during May 12-24, 2023. They form part of the Article IV consultation with The Kingdom of the Netherlands. The Sint Maarten team comprised Kevin Wiseman (head), Vu Chau, Thomas Dowling, and Daniel Jenya (all WHD). The Curaçao team comprised Dmitriy Kovtun (head), Vu Chau, Thomas Dowling, and Daniel Jenya (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. Soungbe Coquillat and Beatriz Garcia-Nunes 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 May 31, 2023

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	8,736.50	100.00
IMF Holdings of Currency	6,308.56	72.21
Reserve Tranche Position	2,429.51	27.81
Lending to the Fund		
New Arrangement to Borrow	26.50	

SDR Department:	**SDR Million**	**Percent of Allocation**
Net cumulative allocation	13,210.17	100.00
Holdings	13, 784.953	104.35

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 de jure and de facto exchange rate arrangements of Curaçao and Sint Maarten are a conventional peg. The Netherlands Antillean Guilder has been pegged to the U.S. dollar at NA*f* 1.79 per US$1 since 1971. The Centrale Bank van Curaçao en Sint Maarten is working towards the introduction of the Caribbean Guilder (CMg), the new currency for Curaçao and Sint Maarten, in the second half of 2024. The Caribbean Guilder will be legally pegged to the U.S. dollar at an exchange rate of CMg 1.79 per US$1. The Netherlands Antillean Guilder and the Caribbean Guilder are of equal value. Curaçao and Sint Maarten maintain an exchange system free of multiple currency practices and restrictions on the making of payment and transfers for current international transactions.

Last Article IV Consultation Discussions: The Executive Board concluded the 2022 Article IV Consultation Discussions with Curaçao and Sint Maarten on July 27, 2022, on the basis of IMF Country Report No. 2022/270.

Technical Assistance (2019–June 2023):

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, April 2022, and check-ins May 10 – November 25, 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 Accounts statistics (STA, September 2021)

12. VAT modelling and tax policy review (FAD, January 16-30, 2023)
13. Strengthening Engagement in Public Financial Management and gap assessment for public investment management (CARTAC, May 22-26, 2023)

Sint Maarten

1. Macro-fiscal framework (WHD, May 2019, November 2019, July 2020, and December 2020), follow-up (February 6-10, 2023)
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), second follow up (March 13-24, 2023)
8. Cleaning taxpayer database (November, December 2021)
9. IT investment planning for sustainability (March - April 2022)
10. Price statistics (March – April 2022)
11. Government finance statistics (STA, January 9 – February 2, 2023)
12. Strengthening medium term budget planning (CARTAC, May 15 – 18, 2023)
13. Medium-term financing strategy - scoping mission (CARTAC, May 15 – 19, 2023)
14. Macro-fiscal forecasting – scoping mission (May 16 –18, 2023)

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)
15. Monetary and Financial Statistics (STA, October 2022)
16. CBCS Business Continuity and Risk Management (MCM, March 2023)

STATISTICAL ISSUES

(As of June 30, 2023)

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 2018. For 2019-22, the CBS produced indicator-based preliminary estimates for GDP-P.
Price statistics: Curaçao compiles monthly CPI data with the base year of 2019. Measures of core inflation are 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. Another CARTAC mission in April 2023 improved National Account Statistics methodologies and reviewed calculation of GDP deflators. STAT incorporated these improvements in the GDP revised estimates for 2014-2020. Staff received these estimates in May 2023 and reflected in this report.
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 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 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 but STA provided technical assistance for moving towards publishing selected country-level data and updating the Chart of Accounts. 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. In Q1 2023, the CBCS initiated reporting FSI data, separately for Curaçao and Sint Maarten, to STA for publication on the IMF's FSI website. The Financial Stability Report publishes a limited set of FSIs for the Union. 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, although IIP data in 2019-21 have quality issues which limit their useability for surveillance. 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, 2023)

	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 2023	June 2023	Weekly and monthly	Weekly and monthly	Weekly and monthly
Reserve/Base Money	March 2023	June 2023	Monthly	Monthly	Monthly
Broad Money	March 2023	June 2023	Monthly	Monthly	Monthly
Central Bank Balance Sheet	March 2023	June 2023	Monthly	Monthly	Monthly
Consolidated Balance Sheet of the Banking System	March 2023	June 2023	Monthly	Monthly	Monthly
Interest Rates 1/	…	…	N/A	N/A	N/A
Consumer Price Index: Curaçao	March 2023	June 2023	Monthly	Monthly	Monthly
Consumer Price Index: Sint Maarten	Q1/2023 2/	June 2023	Quarterly	Quarterly	Quarterly
Revenue, Expenditure, Balance and Composition of Financing—General Government 3/	…	…	…	…	…
Revenue, Expenditure, Balance and Composition of Financing—Central Government: Curaçao	December 2022	May 2023	Monthly	Monthly	Monthly
Revenue, Expenditure, Balance and Composition of Financing—Central Government: Sint Maarten	Q4 2022	April 2023	Quarterly	Quarterly	Quarterly
Stocks of Central (or General) Government and Central- (or General-) Government guaranteed debt: Curaçao 4/	December 2022	May 2023	Monthly	Monthly	Monthly
Stocks of Central (or General) Government and Central- (or General-) Government guaranteed debt: Sint Maarten 4/	Q4 2022	April 2023	Quarterly	Quarterly	Quarterly
External Current Account Balance	Q4 2022	June 2023	Quarterly	Quarterly	Quarterly
Exports and Imports of Goods and Services	Q4 2022	June 2023	Quarterly	Quarterly	Quarterly
GDP/GNP: Curaçao	2022	June 2023	Annual	Annual	Annual
GDP/GNP: Sint Maarten	2021	December 2022	Annual	Annual	Annual
Gross External Debt 5/	…	…	…	…	…
International Investment Position 6/	2021	June 2023	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/