

**FOR  
AGENDA**

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Supplement 1

August 18, 2008

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Kingdom of the Netherlands—Netherlands Antilles—Staff Report for the 2008 Article IV Consultation—Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2008 Article IV consultation with the Kingdom of the Netherlands—Netherlands Antilles (SM/08/269, 8/18/08), which is tentatively scheduled for discussion on **Monday, September 15, 2008**. At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of the Kingdom of the Netherlands—Netherlands Antilles indicating whether or not they consent to the Fund's publication of this paper; such communication may be received after the authorities have had an opportunity to read the paper.

Questions may be referred to Ms. Banerji (ext. 34780), Mr. Daal (ext. 39047), and Mr. Moore (ext. 39391) in EUR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the European Commission, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. This supplement is not being disseminated in hard copy. It can be accessed in the Institutional Repository. A link to this document can be found in the daily list (<http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm>) for the issuance date shown above.

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INTERNATIONAL MONETARY FUND

KINGDOM OF THE NETHERLANDS—NETHERLANDS ANTILLES

**Staff Report for the 2008 Article IV Consultation—Informational Annex**

Prepared by the European Department

August 18, 2008

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**ANNEX I. KINGDOM OF THE NETHERLANDS—NETHERLANDS ANTILLES:  
FUND RELATIONS  
(As of August 18, 2008)**

**2008 Article IV consultation mission:** A team comprising Ms. Banerji (head), Mr. Daal, and Mr. Moore (all EUR), joined by Mr. Schilperoort (the Executive Director's office), visited the Netherlands Antilles during June 19–30, 2008. The team met with the Ministry of Finance, Ministry of Economic and Labor Affairs, Central Bank (BNA), labor unions, and private sector participants (banks and businesses).

**Fund Relations:** The Netherlands Antilles does not have a separate quota or other financial relations with the Fund. The Kingdom of the Netherlands' acceptance of Article VIII, Sections 2, 3, and 4 also applies to the Netherlands Antilles.

**Implementation of Fund Policy Recommendations**

- **Fiscal policy:** The authorities continued fiscal consolidation through 2007, based on cuts in primary spending. A fiscal framework, including rules designed to ensure fiscal sustainability after the dissolution of the federation, has been agreed in the context of the dissolution agreement. Implementation is scheduled to begin in 2009. Plans to rationalize and control healthcare costs as well as pension reform plans have been drawn up and some reforms have been implemented.
- **Monetary policy:** The long-standing peg to the U.S. dollar has been maintained and the role of indirect monetary policy instruments has been strengthened. Curaçao and St. Maarten will remain in a monetary union under the new constitutional arrangements.
- **Financial sector reform:** Financial sector supervision will remain centralized in a single central bank after the breakup of the federation. The authorities have continued efforts to strengthen financial sector supervision and the AML/CFT framework. A draft law to harmonize supervision and allow the central bank to impose fines—as envisaged at the previous Article IV consultation—is now pending in parliament. The BNA plans to conduct its own stress tests on bank balance sheets in the future to improve risk assessment. Most key recommendations from the 2004 Assessment of the Supervision and Regulation of the Financial Sector were implemented around the time of the previous consultation. Regarding remaining recommendations, specific legislation to criminalize financing of terrorism and increase penalties for money laundering was adopted in mid-2008.



- **Structural reforms:** A range of productivity-enhancing structural reforms are pending, in line with the need to maintain competitiveness in the context of the peg to the U.S. dollar. Key steps to improve corporate governance and the finances of public enterprises are scheduled for implementation in fall 2008, including rules on the appointment process for company directors, norms on public enterprise dividend policies, and the establishment of an independent regulatory board for utilities. The authorities have engaged social partners in a dialogue on the need for greater labor market flexibility. The Labor Force Development Commission of Curaçao—reflecting tripartite participation from government, employers, and unions—is finalizing a comprehensive protocol for improving labor force flexibility and skills, and increasing employment. The draft protocol draws on OECD recommendations.
- **Statistics:** A business cycle survey has been introduced and short-term indicators developed to better forecast GDP. Long-standing plans to improve dissemination are now underway.



## ANNEX II. KINGDOM OF THE NETHERLANDS—NETHERLANDS ANTILLES: STATISTICAL ISSUES

### General

Data provision has some shortcomings, but is broadly adequate for surveillance. However, most data are published with considerable lags and are often subject to large measurement errors and revisions. The central bank (BNA) continues to provide comprehensive reviews of the economy in its Annual Reports and Quarterly Bulletins, and through data disseminated on its website. In December 2000, both the Central Bureau of Statistics (CBS) and the BNA adopted data release calendars and signed a detailed protocol of cooperation on statistics.

### Real Sector Statistics

**National accounts** are compiled from the production and expenditure sides in current prices only; no deflators or official estimates of real GDP are available. No national accounts data are reported to the Statistics Department for publication in the *International Financial Statistics (IFS)*. The CBS has been publishing estimates of real GDP growth on the basis of selected indicators of **production and trade**. Private sector **employment** figures are based on annual labor market surveys and are subject to large revisions, while for government employment, several inconsistent series are available. The national **consumer price index** is generally adequate and published with a lag of two months by the CBS, while the separate consumer price indices for each of the three main islands are published by the BNA on its website with a slightly longer lag. A consistent time series on **minimum wages** is available in a timely manner.

### Government Finance Statistics

Data on the cash budget execution of the central government and the island government of Curaçao are publicly available, with a lag of about six weeks. Coverage still needs to be extended to the other islands and several autonomous public institutions. Data on unpaid expenditure commitments are spotty for island governments. No public finance data is reported to STA for publication in the *IFS* or *Government Finance Statistics Yearbook*.

### Monetary and Financial Statistics

Summary indicators of monetary and financial statistics are published on the BNA's website with a delay of two to three months; monetary and financial data are provided to the Fund and published in the *IFS*. However, these data in the format of the Standardized Report Forms (SRF) have not been reported and are not published in the *IFS Supplement*.



## **External Sector Statistics**

**Balance of payments** statistics are reported on a transactions basis in accordance with the fifth edition of the Balance of Payments Manual, but some problems remain. In any case, the small size and undiversified nature of the economy impart considerable volatility to individual items, making it difficult to interpret trends. In addition, the diversified and ever-changing structure of the offshore sector makes an appropriate classification of capital account inflows and outflows problematic.



**Netherlands Antilles: Table of Common Indicators Required for Surveillance**  
(As of July 25, 2008)

	Date of Latest Observation	Date Received	Frequency of Data	Frequency of Reporting	Frequency of Publication
Exchange rates	7/25/2008	7/25/2008	Daily and Monthly	Daily and Monthly	Daily and Monthly
International reserve assets and reserve liabilities of the monetary authorities <sup>1</sup>	7/15/2008	7/24/2008	Weekly	Weekly	Weekly
Reserve/base money	May 2008	7/17/2008	Monthly	Monthly	Monthly
Broad money	May 2008	7/17/2008	Monthly	Monthly	Monthly
Central bank balance sheet	Jun 2008	7/22/2008	Monthly	Monthly	Monthly
Consolidated balance sheet of the banking system	May 2008	7/17/2008	Monthly	Monthly	Monthly
Interest rates <sup>2</sup>	May 2008	7/17/2008	Monthly	Monthly	Monthly
Consumer price index	Feb 2008	Mar 2008	Monthly	Monthly	Monthly
Revenue, expenditure, balance and composition of financing <sup>3</sup> —general government <sup>4</sup>	Q1 2008	7/18/2008	Quarterly	Quarterly	Quarterly
Revenue, expenditure, balance and composition of financing <sup>3</sup> —central government	Apr 2008	Jul 2008	Monthly	Monthly	Monthly
Stocks of central government and central government-guaranteed debt	Apr 2008	Jul 2008	Monthly	Monthly	Monthly
External current account balance	Q4 2007	5/7/2008	Quarterly	Quarterly	Irregular
Exports and imports of goods and services	Q4 2007	5/7/2008	Quarterly	Quarterly	Irregular
GDP/GNP	2007	6/17/2008	Annual	Annual	Annual
Gross external debt <sup>5</sup>					
International investment position <sup>6</sup>					

<sup>1</sup> Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>2</sup> Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes, and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

<sup>6</sup> Includes external gross financial asset and liability positions vis-à-vis nonresidents.