

**IMMEDIATE
ATTENTION**

SM/14/211
Supplement 1

July 14, 2014

To: Members of the Executive Board

From: The Secretary

Subject: **Kingdom of the Netherlands—Curaçao and Sint Maarten—Staff Report for the 2014 Article IV Consultation—Informational Annex**

The attached informational annex is being issued as a supplement to the staff report for the 2014 Article IV consultation with the Kingdom of the Netherlands—Curaçao and Sint Maarten (SM/14/211, 7/14/14), which is being considered on a lapse of time basis. Unless an objection from the authorities of the Kingdom of the Netherlands—Curaçao and Sint Maarten is received prior to the conclusion of the Board's consideration, the document will be published. Any requests for modifications for publication are expected to be received two days before the Board concludes its consideration.

Questions may be referred to Mr. Lombardo, EUR (ext. 39937) and Mr. Quayyum, FIN (ext. 30578).

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 distributed 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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Department Heads



KINGDOM OF THE NETHERLANDS— CURAÇAO AND SINT MAARTEN

STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

July 11, 2014

Prepared By

European Department

CONTENTS

FUND RELATIONS _____ 2

STATISTICAL ISSUES _____ 4

FUND RELATIONS

Mission: Willemstad (May 6-12 and May 19) and Philipsburg (May 13-19). The concluding statement of the mission is available at <http://www.imf.org/external/np/ms/2014/052014.htm>

Staff team: Messrs. Lombardo (head), Winnekens (both EUR), and Quayyum (FIN).

Country interlocutors: Central Bank of Curaçao and Sint Maarten's President Tromp, Curaçao's Prime Minister Asjes, Curaçao's Finance Minister Jardim, Curaçao's Minister of Economic Development Palm, Sint Maarten's Prime Minister Wescot-Williams, Sint Maarten's Finance Minister Hassink, Sint Maarten's Minister of Tourism, Economic Affairs, Traffic and Telecommunication Richardson, and other senior officials from both countries' governments. Mr. Snel, Executive Director, and Mr Mosch (advisor to the Executive Director) also participated in the discussions. Additional meetings took place with and financial sector, industry and union representatives.

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

General Resources Account:	SDR Million	Percent Quota
Quota	5162.40	100.00
Fund holdings of currency	3922.49	75.98
Reserve position in Fund	1239.99	24.02
SDR Department:	SDR Million	Percent Allocation
Net cumulative allocation	4836.63	100.00
Holdings	4560.17	94.28

Outstanding Purchases and Loans: None

Latest Financial Arrangements: None

Projected Obligations to Fund (SDR million; based on existing use of resources and present holdings of SDRs):

	<u>Forthcoming</u>				
	2014	2015	2016	2017	2018
Principal					
Charges/interest	<u>0.14</u>	<u>0.31</u>	<u>0.31</u>	<u>0.31</u>	<u>0.31</u>
Total	0.14	0.31	0.31	0.31	0.31

Exchange Rate Arrangements:

The Netherland Antilles guilder has been pegged to the US dollar at NA.f 1.79 per US\$1 since 1971.

Article IV Consultation discussions with Curaçao and Sint Maarten:

This is the second Article IV consultation discussions with Curaçao and Sint Maarten, following the dissolution of the Netherlands Antilles and the granting of autonomy to both countries on October 10, 2010. The board concluded the first Article IV consultation discussions on November 18, 2011, on the basis of [IMF Country Report No. 11/342](#). It is currently envisaged that the next Article IV consultation discussions with Curaçao and Sint Maarten will be held in 24 months time.

STATISTICAL ISSUES

I. Assessment of Data Adequacy for Surveillance	
General: Data provision has serious shortcomings that significantly hamper surveillance. Most affected areas are: national accounts, government finance, and external sector data.	
National Accounts: Data are compiled by the Central Bureau of Statistics (CBS) in Curaçao and by the Department of Statistics in Sint Maarten. Expenditure-side national accounts data have been published only up to 2009 in Curaçao and 2012 in Sint Maarten. Production-side data in current terms are partially available for Curaçao up to 2012. Detailed producer price indices to deflate national accounts aggregates are not available. Instead, the CBS uses the aggregate consumer price index (CPI) to deflate total nominal GDP—rather than more detailed CPI-data. This method gives rise to distortions in the measurement of real growth.	
Price Statistics: CPI data are compiled and published on a monthly basis but the baskets and weights have not been updated since 2004 (Curaçao) and 2005 (Sint Maarten).	
Government Finance Statistics: Neither Curaçao nor Sint Maarten compile or disseminate GFS data according to international standards. For surveillance purposes, the Ministry of Finance in Curaçao provides fiscal data that can broadly be bridged to the cash framework of the <i>2001 Government Financial Statistics Manual (GFSM 2001)</i> . However, the fiscal reporting standards in Sint Maarten are significantly weaker, and improvements are needed in grouping and consolidating fiscal data according to the <i>GFSM 2001 Manual</i> . Final data on fiscal operations through 2013 for Sint Maarten have only become available very recently and there are still some gaps, complicating the assessment of its fiscal policy. Data on the operations of the individual countries during the time of the Netherlands Antilles must be treated with caution, hampering the long-term analysis of public finances.	
Monetary and Financial Statistics: The methodology used by the Central Bank of Curaçao and Sint Maarten (CBCS) for compiling monetary statistics is broadly consistent with the IMF Monetary and Financial Statistics Manual. However, there is some lag in the publication of the data.	
Financial sector surveillance: The authorities do not provide any financial soundness indicators (FSIs) for the IMF FSI database.	
External sector statistics: Quarterly balance of payments (BOP) statistics are reported by the CBCS in accordance with the fifth edition of the <i>Balance of Payments Manual</i> . Monthly data on the official reserve position are published with a lag of one month. The offshore sector is not covered in the BOP and, therefore, an appropriate classification of financial account inflows and outflows is problematic. Other areas requiring improvement include information on intra-union flows and data on the international investment positions.	
II. Data Standards and Quality	
Not partaking in the IMF's data standard initiatives.	No data ROSC has been conducted.
III. Reporting to STA	
The only data currently reported to STA are quarterly BOP, exchange rates, and international liquidity data.	

Curaçao and Sint Maarten: Table of Common Indicators Required for Surveillance

(As of June 19, 2014)

	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	3/14	5/1/14	Weekly	Weekly	Monthly
Reserve/Base Money	3/14	5/1/14	Monthly	Monthly	Monthly
Broad Money	3/14	5/1/14	Monthly	Monthly	Monthly
Central Bank Balance Sheet	3/14	5/1/14	Monthly	Monthly	Monthly
Consolidated Balance Sheet of the Banking System	3/14	5/1/14	Monthly	Monthly	Monthly
Interest Rates /1	3/14	5/1/14	Monthly	Monthly	Monthly
Consumer Price Index	3/14	6/11/14	Monthly	Monthly	Monthly
Revenue, Expenditure, Balance and Composition of Financing—General Government /2	2013	5/14	Annual	Annual	Annual
Revenue, Expenditure, Balance and Composition of Financing—Central Government /2	2013	5/14	Annual	Annual	Annual
Stocks of Central (or General) Government and Central- (or General-) Government guaranteed debt 3/	2013	5/14	Annual	Annual	Annual
External Current Account Balance	Q4 2013	6/6/14	Quarterly	Quarterly	Quarterly
Exports and Imports of Goods and Services	Q4 2013	6/6/14	Quarterly	Quarterly	Quarterly
GDP/GNP	2012/2013	5/20/14	Annual	Annual	Annual
Gross External Debt	2013	5/10/14	Annual	Annual	Annual
International Investment Position /4			NA	NA	NA

1/ Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

2/ The general government consists of the central government and the social security funds. The composition of financing distinguishes foreign, domestic bank and domestic nonbank financing.

3/ Including currency and maturity decompositions.

4/ Includes external gross financial asset and liability positions vis-à-vis nonresidents.