

**LAPSE OF  
TIME**

SM/20/58  
Supplement 1

March 3, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Kingdom of the Netherlands—Curaçao and Sint Maarten—Staff Report  
for the 2019 Article IV Consultation Discussions—Informational Annex**

Board Action:	Executive Directors' <b>consideration</b> on a lapse of time basis
Publication:	Not yet decided*
Questions:	Mr. Kovtun, WHD (ext. 39785)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—United Nations Development Programme

**\*At the time of circulation of this paper to the Board, the authorities have indicated that they need more time to consider whether they will consent to the Fund's publication of this paper. Publication will only proceed upon the receipt by the Fund of the member's explicit consent.**





# KINGDOM OF THE NETHERLANDS—CURAÇAO AND SINT MAARTEN

March 3, 2020

## STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION DISCUSSIONS—INFORMATIONAL ANNEX

Prepared By

The Western Hemisphere Department  
(In consultation with other departments)

### CONTENTS

FUND RELATIONS	2
STATISTICAL ISSUES	4
COLLABORATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS	6

## FUND RELATIONS

The 2019 Article IV consultation discussions were held in Curaçao and Sint Maarten during November 5 – 22, 2019. The staff team comprised D. Kovtun (head), C. Flodberg, O. Hendrick, and A. Oshima (all WHD). J. Hanson (OED) joined the discussions. C. Barbosa, S. Konate, and T. Zhu (all WHD) provided valuable assistance from the HQ. The mission met with senior officials, representatives of private sector, finance industry, and labor unions. Upon return to headquarters, the team also met with a Sint Maarten delegation from the interim government.

**I. 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

(As of February 1, 2020)

<b>II. General Resources Account:</b>	<b>SDR Million</b>	<b>Percent of Quota</b>
Quota	8736.50	100.00
IMF Holdings of Currency	7429.45	85.04
Reserve Tranche Position	1308.66	14.98
Lending to the Fund		
New Arrangement to Borrow	236.69	

<b>III. SDR Department:</b>	<b>SDR Million</b>	<b>Percent of Allocation</b>
Net cumulative allocation	4,836.63	100.00
Holdings	4,931.35	101.96

**IV. Outstanding Purchases and Loans:** None

### V. Latest Financial Arrangements:

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

### VI. Overdue Obligations and Projected Payments to Fund 1/

(SDR Million; based on existing use of resources and present holdings of SDRs):

	<b>Forthcoming</b>				
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Principal					
Charges/Interest	<u>0.08</u>	<u>0.08</u>	<u>0.08</u>	<u>0.08</u>	<u>0.08</u>
<b>Total</b>	<u>0.08</u>	<u>0.08</u>	<u>0.08</u>	<u>0.08</u>	<u>0.08</u>

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

**VII. Implementation of HIPC Initiative:** Not Applicable

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

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

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

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

**Last Article IV Consultation Discussions:** The Executive Board concluded the 2018 Article IV Consultation Discussions with Curaçao and Sint Maarten on January 15, 2019, on the basis of IMF Country Report No. 19/23.

#### **Technical Assistance (2018–January 2020):**

##### **Curaçao**

1. Key reforms in public financial management (CARTAC, February 2018)
2. Scoping mission in tax and customs administration areas (CARTAC, June 2018)
3. National accounts review (CARTAC, July 2018)
4. Reforming the Curaçao payroll process to improve controls and cost management (CARTAC, October 2018)
5. Tax administration: organizational arrangements and implementation of ICT system: (CARTAC, October 2018)
6. IFRS implementation (CARTAC, May 2019)
7. Curaçao customs: strengthening risk management capacity and developing a trusted trader program (CARTAC, June 2019)
8. Tax administration modernization through implementation of a new tax information system (CARTAC, July/August 2019).
9. Public financial management: developing the internal audit function (CARTAC, August 2019)
10. Government financial reporting and government financial statistics (CARTAC/STA, September 2019)
11. Tax policy (FAD, October 2019)
12. Monetary policy instruments and domestic debt market (MCM, October–November 2019)
13. Contingency planning (MCM, December 2019)
14. Banking supervision and regulation: Basel II–III implementation (CARTAC, January 2020)
15. External statistics (CARTAC, January 2020)

##### **Sint Maarten**

1. Macro-fiscal framework (WHD, April 2018, November 2018, May 2019, November 2019)
2. Scoping mission in tax administration and customs areas (CARTAC, November 2019)

# STATISTICAL ISSUES

(As of March 3, 2020)

I. Assessment of Data Adequacy for Surveillance
<p><b>General:</b> 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) is low. National Accounts data need to improve in terms of timeliness and quality. Both countries should start compiling and reporting fiscal data in alignment with the <i>Government Finance Statistics Manual 2014</i> (GFSM 2014). Financial soundness indicators (FSIs) should be compiled and reported not only for the Union, but also separately for Curaçao and Sint Maarten.</p>
<p><b>National accounts:</b> Data are compiled by the Central Bureau of Statistics (CBS) in Curaçao and the Department of Statistics (DoS) in Sint Maarten. The CBS disseminates 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 are available only through 2016. For 2017-18, the CBS produced indicator-based preliminary estimates for GDP-P. The Centrale Bank van Curaçao en Sint Maarten (CBCS) estimated and disseminated GDP-E for 2017-18. In Sint Maarten, DoS compiles annual current price estimates of GDP-P and GDP-E. In the aftermath of the 2017 hurricanes, the final survey-based data have been delayed. The DoS disseminated a preliminary estimate for 2017. In both countries, GDP in constant prices is derived by deflating nominal GDP by the CPI due to the lack of the deflators.</p>
<p><b>Price statistics:</b> Neither country compiles a producer price index or export/import price indexes. Curaçao compiles a monthly CPI and Sint Maarten a quarterly CPI. Measures of core inflation are not compiled. In Sint Maarten, the DoS has released the new quarterly CPI with the base year of 2018=100, although the series are not linked to the old data and therefore inflation for 2018 is not available.</p>
<p><b>Government finance statistics:</b> The Ministries of Finance of Curaçao and Sint Maarten provide fiscal data that can broadly be bridged to the cash framework of the GFSM format. Fiscal reporting standards follow national presentations, and some improvements are needed in mapping and consolidating fiscal data according to the GFSM 2014 standards. The authorities should compile and publish the fiscal data in line with GFSM 2014 and report it to the IMF Statistics Department (STA). The authorities' reports do not consolidate the social security schemes (administered by the SVB in Curaçao and the SZV in Sint Maarten). In Sint Maarten, 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 revisions.</p>
<p><b>Monetary and financial statistics (MFS):</b> The CBCS disseminates selected monthly monetary statistics on its website. The implementation of a new Chart of Accounts Reporting System for credit institutions in July 2016 resulted in a structural break in MFS. MFS have not been reported to STA since the dissolution of the Netherlands Antilles in October 2010. CBCS has submitted preliminary Union-level monetary and financial statistics based on the Standardized Report Forms (SRFs), as recommended in the Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG), for review by the IMF STA to ensure they provide detailed currency and sectoral breakdowns for financial instruments. Separate SRFs for Sint Maarten and Curaçao are not compiled. Data on other depository corporations include only commercial banks (not credit unions and savings banks), and data for other financial corporations, including international (offshore) financial institutions, are not reported. Financial Soundness Indicators (FSIs) are provided on staff request but are not reported to STA on a regular basis for publication on the IMF's FSI website. FSIs are reported only on the level of the Union.</p>
<p><b>External sector statistics:</b> BoP data are reported to STA on a quarterly basis and IIP data on an annual basis. Data are reported following the sixth edition of the <i>Balance of Payments and International Investment</i></p>

*Position Manual*, but a key deviation is that offshore sector (flexible corporate structures with little or no physical presence) is not covered. The 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.
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## III. Reporting to STA

Standard report on the balance of payments is reported to STA on a quarterly basis.

Curaçao and Sint Maarten: Table of Common Indicators Required for Surveillance (As of March 3, 2020)					
	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	2/21/2020	2/27/2020	Weekly and monthly	Weekly and monthly	Weekly and monthly
Reserve/Base Money	12/2019	2/17/2020	Monthly	Monthly	Monthly
Broad Money	12/2019	2/17/2020	Monthly	Monthly	Monthly
Central Bank Balance Sheet	12/2019	2/17/2020	Monthly	Monthly	Monthly
Consolidated Balance Sheet of the Banking System	12/2019	2/17/2020	Monthly	Monthly	Monthly
Interest Rates 1/	12/2019	1/15/2020	Monthly	Monthly	Monthly
Consumer Price Index: Curaçao	12/2019	1/2/2020	Monthly	Monthly	Monthly
Consumer Price Index: Sint Maarten	Q3/2019 2/	12/2/2019	Quarterly	Quarterly	Quarterly
Revenue, Expenditure, Balance and Composition of Financing—General Government 3/	...	...	...	...	...
Revenue, Expenditure, Balance and Composition of Financing—Central Government: Curaçao	12/2019	2/13/2020	Monthly	Monthly	Monthly
Revenue, Expenditure, Balance and Composition of Financing—Central Government: Sint Maarten	Q4/2019	2/20/2020	Quarterly	Quarterly	Quarterly
Stocks of Central (or General) Government and Central- (or General-) Government guaranteed debt: Curaçao 4/	12/2019	2/13/2020	Monthly	Monthly	Monthly
Stocks of Central (or General) Government and Central- (or General-) Government guaranteed debt: Sint Maarten 4/	Q4/2019	2/20/2020	Quarterly	Quarterly	Quarterly
External Current Account Balance	Q3/2019	2/14/2020	Quarterly	Quarterly	Quarterly
Exports and Imports of Goods and Services	Q3/2019	2/14/2020	Quarterly	Quarterly	Quarterly
GDP/GNP: Curaçao	2018	11/5/2019	Annual	Annual	Annual
GDP/GNP: Sint Maarten	2017	10/15/2018	Annual	Annual	Annual
Gross External Debt 5/	...	...	...	...	...
International Investment Position 6/	2017	2019	Annual	Annual	Annual
1/ Yields on Treasury bills and government bonds. Bank deposit/lending interest rates are not compiled. 2/ The Sint Maarten Department of Statistics discontinued the CPI processing system in end-2017 and is working on a new system which will be rolled out in January 2019, with the base year of 2018. 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.

Information can be obtained from the following hyperlinks:

- <http://www.worldbank.org/en/country/sintmaarten>
- [http://projects.worldbank.org/search?lang=en&searchTerm=&countrycode\\_exact= SX](http://projects.worldbank.org/search?lang=en&searchTerm=&countrycode_exact= SX)
- <https://www.sintmaartenrecovery.org/>

World Bank Projects in Sint Maarten (As of January 1, 2020)			
Project Title	Commitment Amount (U.S.\$ millions)	Status	Approval Date
Emergency Recovery Project I	55.2	Active	July 10, 2018
Emergency Income Support and Training Project	22.5	Active	August 2, 2018
Hospital Resiliency & Preparedness Project	25.0	Active	August 16, 2018
Emergency Debris Management Project	25.0	Active	December 20, 2018
Airport Terminal Reconstruction Project	72.0	Active	September 18, 2019
Red Cross Roof Repair Project	3.62	Active	December 30, 2019
Enterprise Recovery Project	35.0	Pipeline	
Road Connectivity and Resilience Improvement Project	20.0	Pipeline	
First Public Finance, Social Insurance and Resilience Development Policy Operation	15.0	Pipeline	
Civil Society Partnership Facility for Resilience Project	7.2	Pipeline	
<b>Total</b>	<b>280.52</b>		
Source: The World Bank. Note: For active and closed projects, the commitment amount at Board approval is shown in U.S.\$ millions. This does not reflect any cancellations. Proposed (pipeline) and dropped projects show the forecast amount. The commitment amount for projects in the pipeline is indicative and may be modified during the project preparation. For further updates, see: <a href="http://projects.worldbank.org/search?lang=en&amp;searchTerm=&amp;countrycode_exact= SX">http://projects.worldbank.org/search?lang=en&amp;searchTerm=&amp;countrycode_exact= SX</a> .			