



KINGDOM OF THE NETHERLANDS—CURAÇAO AND SINT MAARTEN

2025 ARTICLE IV CONSULTATION DISCUSSIONS— PRESS RELEASE AND STAFF REPORT

September 2025

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 2025 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 June 25, 2025, 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 August 6, 2025.
- An **Informational Annex** prepared by the IMF staff.

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IMF Executive Board Concludes 2025 Article IV Consultation Discussions with The Kingdom of the Netherlands—Curaçao and Sint Maarten

FOR IMMEDIATE RELEASE

- The Executive Board of the International Monetary Fund (IMF) concluded the 2025 Article IV consultation discussions with The Kingdom of the Netherlands—Curaçao and Sint Maarten on a lapse of time basis on September 2, 2025.
- In both islands, economic activity was strong, driven by tourism and construction, and the near-term outlook remains favorable. Consecutive surpluses helped create fiscal space, while public investments have slowly been ramped up. Fiscal accounts are expected to remain guided by the fiscal rule.
- Monetary policy is appropriately targeted towards maintaining the peg and the financial sector is broadly sound. Both countries need to continue advancing their structural reform agenda.

Washington, DC – September 9, 2025: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation Discussions for The Kingdom of the Netherlands—Curaçao and Sint Maarten¹ 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. The authorities have consented to the publication of the Staff Report prepared for this consultation.³

Context. Reaping the post-pandemic tourism boom, Curaçao's and Sint Maarten's economies have been expanding strongly, driven by stayover tourists and construction activity. Disinflation broadly continued, with some uptick in Sint Maarten throughout 2024. The Union's current account deficit remained elevated as rising tourism receipts were offset by construction-related imports. In both countries, the fiscal position remained strong and in compliance with the fiscal rule. Progress on the *landspakket*, the structural reform package

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's or constituent part's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board, which in turn constitutes an integral part of the member's AIV 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.

³ Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/cuw and www.imf.org/sxm pages.

agreed with the Netherlands in 2020, has recently slowed, with notable exceptions around digitalizing permits.

Curaçao outlook. Growth is projected to moderate to 4 percent in 2025, balancing domestic impulses and heightened global uncertainty. Further expansion of stayover tourism and construction activity will continue to support growth in 2025, along with fiscal expansion driven by higher public investments. Growth is expected to moderate to 2 percent over the medium term, given saturation in tourism and slower global demand, while public investments would be carried forward. Inflation is projected to stabilize at 2.5 percent in 2025 and gradually converge to 2 percent in the medium term. Primary fiscal balances would remain in surplus. The current account deficit would decline in the medium term but remain elevated.

Sint Maarten outlook. Growth is projected to remain robust in the near term as tourism capacity expands. Stayover tourism will continue to drive growth in 2025 to 3.0 percent. Further expansion in hotel capacity will add to the island's potential to sustain growth, partially counterbalancing the headwinds from slowing global demand. Over the medium term, growth is expected to converge to 2 percent as tourism is approaching carrying capacity. Inflation would remain broadly contained, at 3.3 percent in 2025, tapering off to 2 percent in the medium term. The fiscal position is expected to deteriorate temporarily on account of stronger investments. The current account balance is envisaged to gradually turn into a small surplus in the medium term.

Risks. Risks to the outlook are tilted to the downside. Global trade policy and investment shocks and a stronger-than-expected global slowdown would adversely impact tourism and could raise import prices on both islands. A stronger-than-expected execution of infrastructure projects could lift growth.

Monetary Union. Monetary policy is appropriately targeted towards maintaining the peg. The financial sector is broadly sound and systemic risks are contained, as banks are adequately capitalized and highly liquid.

Executive Board Assessment⁴

In concluding the 2025 Article IV consultation discussions with The Kingdom of the Netherlands—Curaçao and Sint Maarten, Executive Directors endorsed staff's appraisal, as follows:

Curaçao

Curaçao's economy continued its vigorous expansion in 2024 and the near-term outlook is strong but heightened global uncertainty tilts risks to the downside. Double-digit growth in stayover arrivals outpaced regional peers and, together with renewed public investments and mortgage-driven construction, lifted economic activity by 5 percent in 2024. Real wages rose for the first time in five years and fiscal surpluses increased further. However, job creation remained concentrated in informal and low-skilled sectors, while formal employment continued to decline. Growth is forecasted to moderate and reach its potential of

⁴ At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

2 percent over the medium term as tourism nears its capacity and global demand eases, with inflation converging to around 2 percent in tandem. Curaçao's external position was weaker than the level implied by medium-term fundamentals and desirable policies. Key downside risks include weaker global demand or trade shocks, which could hit tourism and raise inflation, while faster progress in renewables could provide an upside scenario.

Safeguarding medium-term fiscal sustainability will require carefully weighing higher investment, social spending priorities, and equitable tax reform. The authorities' plans to introduce a revenue-neutral and equity-enhancing VAT and modernize and digitalize the tax administration are welcome. Expanding the tax base and better tap tourist spending will be critical to offset potential increases in pension spending. Continued improvements in public investment planning and execution will be necessary to ensure efficient use of fiscal space.

Healthcare reform is an urgent priority to restore financial sustainability and limit fiscal risks. Curaçao's health expenditures are high by both regional and OECD standards, and annual deficits in the healthcare fund and hospital remain unsustainable. Efficiency gains should be pursued through greater use of cost-effective generic pharmaceuticals, expanded primary and preventive care, and re-evaluation of laboratory tariffs. On the revenue side, broadening the contributor base, increasing co-payments for higher-income households, and exploring supplementary private insurance options are recommended.

A fiscally responsible pension adjustment to secure living standards for vulnerable households needs to be accompanied by a broadening of the contributor base. A reassessment of benefit levels is commendable given a significant loss in purchasing power over the past decade. Indexing residents' pensions to inflation and providing a supplement for low-income pensioners should be funded by expanding contributor base via legalizing young migrant workers. The planned mandatory second-pillar occupational pensions would help diversify savings and reduce the current account deficit.

Labor market policies must address growing informality and skill mismatches to support inclusive growth. The decline in formal employment, particularly among prime-age men, highlights the need for stronger incentives for formal work, improved enforcement, and better targeting of social assistance. Investments in education infrastructure, vocational training, and streamlined labor permitting for high-skill workers are positive steps, as is the integration of migrants into the workforce. These initiatives should be complemented by employer-led training and measures to attract graduates back to Curaçao.

Fostering competitiveness and diversification is essential to maintain the growth momentum, particularly at the current juncture, and help lower the elevated CAD. Upgrading transportation and maritime infrastructure, expanding into new tourism segments (such as yachting), and tapping new source markets in South America will help sustain growth and reduce vulnerability to external shocks. Non-tourism sectors, such as data centers and renewable energy, offer promising avenues for diversification, provided electricity costs and grid capacity are addressed. Regional integration and trade diversification, especially with Latin American partners, will further bolster resilience.

Governance, anti-corruption and financial integrity reforms have advanced, strengthening Curaçao's institutional framework. The approval of the online gaming law, accession to the UN Convention Against Corruption, and removal from the EU grey list are important milestones. Continued implementation of UNCAC commitments, AML/CFT reforms

and addressing shortcomings identified in the recent mutual evaluation will further enhance anti-corruption frameworks, financial integrity, and international cooperation.

Sint Maarten

Sint Maarten's economy has been thriving on tourism and reconstruction activity.

Economic growth reached 3.3 percent in 2024, supported by robust tourism arrivals and the completion of major Trust Fund infrastructure projects, including the new airport. Despite a brief setback from the electricity crisis, tourism-related transportation and construction further supported activity. Inflation rose to 3.6 percent, mainly due to higher transportation costs and rental house prices, while formal employment stayed below pre-pandemic levels, indicating persistent informality in the labor market. Sint Maarten's external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies.

A pivot towards private and local government investment is needed to sustain growth beyond the Trust Fund's lifespan and brace against a global slowdown. With Trust Fund investments gradually unwinding, private real estate and government infrastructure investments need to step up. Major hotel developments - delayed due to a backlog in building permits – are expected to start, alongside the construction of new government facilities, and would underpin robust growth in the near term, in addition to tourist arrivals. Activity is then expected to gradually converge to 2 percent over the medium term. However, uncertainty persists around the government's capacity to execute projects after the Trust Fund's closure and risks to the outlook are tilted to the downside. These further include global trade shocks that could weaken tourism and increase inflation, notably given Sint Maarten's elevated exposure to the North American market.

Improving social development requires fiscal space via further revenue mobilization. Sint Maarten has relatively high inequality, lower life expectancy, and higher adolescent fertility rate than countries with comparable income levels. Shaping fiscal policies in an equitable manner should become an integral expenditure and tax policies. Mobilizing additional revenues to create space for priority spending includes the planned tourism levy and dividend tax, improving compliance for short-term rentals, taxing casino turnover and winnings, and continuing tax administration reforms. Considerations of a bank transaction tax should be weighed carefully due to its potentially regressive effects.

Healthcare reforms need to be expedited and deepened to achieve sustainability.

Healthcare funds in Sint Maarten are facing significant deficits, consuming half of the SZV reserves over the past decade. Reforms are underway but should be expedited to avoid further reserve depletion, including the introduction of general health insurance, rationalizing benefits, strengthening preventive care, and expanding coverage to self-employed and informal workers. A medium-term plan is needed to manage operational costs for the new hospital and mental health facility.

Knowledge transfer from the Trust Fund is essential and should be complemented by strengthened medium-term planning and budgeting. Absorbing Trust Fund operations requires improving public financial management, a roadmap to a medium-term expenditure framework, as well as more flexible and competitive public wage structures to better attract high-skilled talent. Capacity constraints are particularly salient in planning and executing investments, possibly impacting potential growth over the medium term. In the coming years, it will be essential to leverage Trust Fund expertise before its departure to create a centralized

planning unit which could build up and coordinate an investment project pipeline and promote execution, while considering outsourcing selected activities to private sector business partners.

Structural reforms to boost potential growth should focus on infrastructure, permitting processes, and skills development. To sustain its position as a leading regional tourism destination, Sint Maarten must invest in road, waste, and electricity infrastructure, and shift from increasing tourist quantity to enhancing value added. Accelerating permitting processes and leveraging digitalization will unlock delayed hotel and real estate investments. Continued reforms in the electricity sector, including empowering the regulator, transitioning to renewables, and strengthening governance, including by extending UNCAC's application, are needed to ensure reliable supply and resilience. Labor market policies should prioritize private sector job creation, formalization, and targeted skills training.

The Monetary Union of Curaçao and Sint Maarten

The current account deficit of the Monetary Union is expected to gradually improve but remains elevated, while reserve coverage remains adequate. After a widening in 2024 driven by construction-related imports in Curaçao, the current account deficit for the Union is expected to narrow toward 10 percent of GDP over the medium term, supported by strong tourism receipts and a moderation in import growth. The deficit would continue to be financed by private investment inflows and decumulation of assets held abroad, while international reserves are projected to remain stable and adequate. The Union's external position was weaker than the level implied by medium-term fundamentals and desirable policies. The assessment is subject to uncertainty given a significant measurement gap with respect to mirror data.

Monetary policy remains appropriately anchored on maintaining the currency peg. The CBCS has kept its benchmark rate unchanged since late 2024, following earlier cuts in line with US monetary policy. However, the transmission of monetary policy to bank lending and deposit rates remains weak, largely due to excess liquidity and the absence of active interbank and government securities markets. Lending rates have declined, and credit growth is now driven almost entirely by mortgages in Curaçao, with real overall credit growth being negative in the Union.

Financial sector risks are contained, but macroprudential surveillance needs to step up as mortgage lending accelerates. Banks are well-capitalized and highly liquid, though profitability falls somewhat behind the regional median and sector concentration remains elevated. Risks have further declined with the resolution of ENNIA and continued progress on the CBCS's reform agenda. However, the rapid growth in mortgage credit—especially in Curaçao—warrants close monitoring and closing of data gaps to identify potential vulnerabilities in household balance sheets and prevent overheating in the real estate sector. The CBCS is making progress in developing macroprudential tools, including countercyclical capital buffers and limits on loan-to-value and debt-service-to-income ratios, to safeguard stability.

The AML/CFT frameworks of Curaçao and Sint Maarten need significant improvements. Close cooperation and more effort are required from all stakeholders to swiftly address the shortcomings identified by CFATF's mutual evaluation and exit the CFATF's enhanced follow-up process. Given an extensive catalogue of measures, work on lower hanging fruits should

be expedited in the coming months, including ongoing operationalization of beneficial ownership registers, together with both islands' chambers of commerce. To increase the effectiveness of both countries' AML/CFT frameworks, preventive measures need to be strengthened on the part of high-risk entities such as casinos.

Table 1. Curaçao: Selected Economic and Financial Indicators, 2021–30

Area			444(km ²)		Population, thousand (2024, mid-year)	155.8				
Percent of population below age 15 (2023)			14.1		Adult literacy rate, in percent (2016)	94.0				
Percent of population aged 65+ (2023)			24.8		Life expectancy at birth, male (2024)	72.7				
Infant mortality, over 1,000 live births (2023)			11.6		Life expectancy at birth, female (2024)	81.0				
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Prel.	Prel.	Prel.	Prel.	Proj.					
Real Economy	(Percent change, unless otherwise noted)									
Real GDP	4.2	6.9	4.2	5.0	4.0	2.5	2.2	2.0	2.0	2.0
CPI (12-month average)	3.8	7.4	3.5	2.6	2.5	2.3	2.1	2.1	2.1	2.1
CPI (end of period)	4.8	8.4	3.1	-0.3	2.5	2.3	2.1	2.1	2.1	2.1
Unemployment rate (percent) 1/	26.0	13.1	10.4	7.8	7.7	7.6	7.5	7.4	7.3	7.3
Central Government Finances	(Percent of GDP)									
Net operating (current) balance	-10.6	0.7	0.6	1.4	1.1	0.5	0.5	0.5	0.5	0.5
Primary balance	-8.8	2.0	2.5	3.0	1.5	1.4	1.0	0.9	0.9	0.8
Overall balance	-10.0	1.0	1.3	1.4	0.1	0.1	-0.3	-0.3	-0.3	-0.4
Central government debt 2/	90.3	80.5	73.5	64.7	60.5	57.6	55.3	53.1	51.1	49.2
General Government Finances 3/										
Overall balance	-10.4	0.3	1.6	2.1	1.0	1.3	0.9	0.7	0.6	0.5
Balance of Payments	(Percent of GDP)									
Current account	-18.6	-26.8	-20.0	-22.8	-17.7	-15.9	-15.7	-15.5	-15.4	-15.3
Goods trade balance	-41.6	-47.9	-38.7	-44.0	-42.8	-42.0	-42.2	-42.4	-42.7	-42.9
Exports of goods	12.5	18.0	17.1	13.8	13.5	13.4	13.4	13.4	13.4	13.4
Imports of goods	54.1	65.9	55.8	57.8	56.3	55.5	55.6	55.9	56.1	56.3
Service balance	21.7	20.5	18.6	22.2	25.6	26.8	27.3	27.8	28.1	28.4
Exports of services	37.2	48.6	47.1	53.2	56.3	57.6	58.2	58.9	59.4	59.9
Imports of services	15.6	28.1	28.5	31.0	30.7	30.8	30.9	31.1	31.3	31.5
External debt 4/	194.8	180.9	179.0	170.8	167.0	166.7	167.4	168.3	169.4	170.1
Memorandum Items										
Nominal GDP (millions of U.S. dollars)	2,740	3,075	3,281	3,561	3,798	3,982	4,158	4,333	4,514	4,702
Per capita GDP (U.S. dollars)	18,135	20,649	22,157	23,998	25,590	26,841	28,037	29,236	30,485	31,800
Credit to private sector (percent change)	-9.7	3.2	2.5	-1.4	...	...	...	...	...	...
of which mortgage loans	-4.4	4.8	8.5	9.1	...	...	...	...	...	...
Fund Position	Curaçao is part of the Kingdom of the Netherlands and does not have a separate quota.									
Exchange Rate	The Caribbean Guilder is pegged to the U.S. dollar at XCG 1.79 = US\$1.									
Sources: The Curaçao authorities, UNDESA, UNESCO and IMF staff estimates and projections.										
1/ 2023 unemployment rate is a staff estimate taking the average of the unemployment rate in the labor force surveys of 2022 and 2024.										
2/ Defined as balance sheet liabilities of the central government except equities. Includes central government liabilities to the social security funds.										
3/ Budgetary central government consolidated with the social security fund (SVB).										
4/ The latest available data point is as of 2018. Values for 2019-2024 are IMF staff estimates based on BOP flow data.										

Table 2. Sint Maarten: Selected Economic Indicators 2021–30

Area			34(km ²)		Population, thousand (2022)		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 (2023)		74			
Infant mortality, over 1,000 live births (2022)			4.0		Life expectancy at birth, female (2023)		80			
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Prel.	Prel.	Est.	Est.	Proj.					
Real Economy	(Percent change, unless otherwise noted)									
Real GDP 1/	7.1	13.9	3.8	3.3	3.0	2.7	2.7	2.3	2.1	2.0
CPI (12-month average)	2.8	3.6	2.1	3.6	3.3	2.3	2.0	2.0	2.0	2.0
Unemployment rate (percent) 2/	10.8	9.9	8.6	8.3	8.0	7.8	7.8	7.8	7.8	7.8
Central Government Finances	(Percent of GDP)									
Primary balance excl. Trust Fund operations 3/	-5.3	-0.3	1.7	0.6	0.1	-1.0	-0.8	0.5	0.5	0.6
Current balance (Authorities' definition) 4/	-6.2	-1.2	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance excl. Trust Fund operations 3/	-5.9	-0.8	1.2	0.0	-0.3	-1.6	-1.3	0.0	0.0	0.0
Government debt 5/	55.3	49.3	49.0	49.0	48.0	44.2	40.4	38.4	36.6	35.4
Balance of Payments	(Percent of GDP)									
Current account	-24.6	-3.9	-7.5	-4.3	-2.6	-1.6	-0.8	0.3	0.3	0.2
Goods trade balance	-49.8	-59.2	-59.4	-60.6	-61.6	-61.9	-61.6	-59.9	-59.5	-59.0
Exports of goods	11.4	14.1	14.8	13.6	11.2	10.1	10.0	9.9	9.8	9.8
Imports of goods	61.2	73.2	74.2	74.2	72.8	72.0	71.5	69.8	69.4	68.9
Service balance	33.1	62.8	60.4	65.6	69.2	69.9	69.8	69.1	68.6	68.1
Exports of services	51.0	78.7	81.6	85.3	88.3	88.7	88.4	87.5	86.8	86.2
Imports of services	17.9	15.9	21.2	19.7	19.1	18.8	18.6	18.4	18.2	18.1
External debt 6/	253.7	213.6	206.6	195.9	186.3	178.6	171.6	165.4	159.9	155.1
Memorandum Items										
Nominal GDP (millions of U.S. dollars) 1/	1,268	1,479	1,561	1,670	1,777	1,867	1,955	2,041	2,126	2,212
Per capita GDP (U.S. dollars) 1/	29,646	34,437	36,037	38,146	40,154	41,751	43,306	44,792	46,258	47,722
Credit to private sector (percent change)	1.3	4.5	1.0	-4.7	...	...	...	...	...	...
of which mortgage loans	3.5	3.3	2.0	-5.6	...	...	...	...	...	...
Fund Position	Sint Maarten is part of the Kingdom of the Netherlands and does not have a separate quota.									
Exchange Rate	The Caribbean Guilder is pegged to the U.S. dollar at XCG 1.79 = US\$1.									
Sources: The Sint Maarten authorities, World Bank, and IMF staff estimates and projections. 1/ Central Bank of Curacao and Sint Maarten and IMF staff estimates. 2/ The size of the 2018-2023 labor force reported by the 2023 Census was adjusted to ensure consistency with the reported total population. 3/ Excludes Trust Fund (TF) grants and TF-financed special projects. 4/ Revenue excl. grants minus interest income, current expenditure and depreciation of fixed assets. 5/ The stock of debt in 2018 is based on financial statements. Values in subsequent years are IMF staff estimates. 6/ The latest available data point is as of 2018. Values for 2019-2024 are IMF staff estimates based on BOP flow data.										



KINGDOM OF THE NETHERLANDS— CURAÇAO AND SINT MAARTEN

August 6, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION DISCUSSIONS

KEY ISSUES

Context. Reaping the post-pandemic tourism boom, Curaçao's and Sint Maarten's economies have been expanding strongly, driven by stayover tourists and construction activity. Disinflation broadly continued, with some uptick in Sint Maarten throughout 2024. The Union's current account deficit remained elevated as rising tourism receipts were offset by construction-related imports. In both countries, the fiscal position remained strong and in compliance with the fiscal rule, and macroeconomic policies are broadly in line with past IMF advice (Annex I). Progress on the *landspakket*, the structural reform package agreed with the Netherlands in 2020, has recently slowed, with notable exceptions around digitalizing permits.

Outlook and risks. Strong tourism arrivals in early 2025 more than outweigh a possible softening in tourism flows towards the end of the year. Growth is envisaged to remain robust before moderating over the medium term while inflation would broadly follow global developments. In both countries, the near-term fiscal position will remain strong albeit mounting social spending pressures are weighing on medium-term sustainability. Risks to the outlook are tilted to the downside. Global trade policy and investment shocks and a stronger-than-expected global slowdown would adversely impact tourism and could raise import prices on both islands. A stronger-than-expected execution of infrastructure projects could lift growth.

Policy recommendations. Discussions focused on policies to safeguard fiscal sustainability and strengthen growth in the context of high global uncertainty.

- *Fiscal Policy.* For both countries, staff recommends to swiftly and decisively embark on a reform path that addresses rising deficits in healthcare funds, in particular in view of the islands' unfavorable demographics. Both countries would benefit from improving their medium-term fiscal frameworks and strengthening capacity in investment execution. For Sint Maarten, improving revenue collection will be crucial to create space for priority spending. Curaçao's plans to raise pensions and introduce a progressive VAT while modernizing the tax authority are welcome.
- *Structural Reforms.* Both countries need more infrastructure investments and tailored strategies to improve tourist experience, enhance tourism's value added, and diversify source markets. Curaçao's structural transformation to a tourism-led economy requires a corresponding shift in policies, as tourism's footprint has advanced to a quarter of GDP. Sint Maarten needs to compensate the gradual withdrawal of investments from Trust Fund reconstruction in the aftermath of Hurricane Irma. Policies to tackle growing informality, notably in the construction sector, and improve skill sets would help support the labor force. Seizing existing opportunities to expand renewable energy generation and, in Sint Maarten, pursue electricity sector reforms to avoid macro-critical blackouts as in 2024, would further lift medium-term growth and lower the elevated current account deficit. Better regional integration would help both islands diversify their trading partners. Strengthening governance remains critical to limit corruption and ML/TF vulnerability.
- *Monetary, Exchange Rate, and Financial Sector Policies.* Monetary policy is appropriately targeted towards maintaining the peg and efforts to absorb excess liquidity should continue. The banking sector is broadly sound, with high capital buffers and ample liquidity, and systemic risks are contained, but strong mortgage growth in Curaçao warrants strengthening of monitoring tools. As the Central Bank of Curaçao and Sint Maarten (CBCS) advances its reform agenda, the development of a macroprudential toolkit could be prioritized. The mutual evaluations of the AML/CFT frameworks for both Curaçao and Sint Maarten have found significant deficiencies and both countries are subject to the CFATF's enhanced follow-up process.
- *Building Capacity and Improving Data.* Data adequacy and availability remain a challenge while ongoing technical assistance continues to build capacity in critical areas.

Approved By

Varapat

Chensavasdjai (WHD)
and Niamh Sheridan
(SPR)

Discussions were held in Philipsburg (June 11-17, 2025) and Willemstad (June 18-25, 2025). The team met with the Minister of Finance, Minister of Economy, Central Bank Governor, other senior government officials, representatives of the private sector, and representatives of the Netherlands. The Curaçao and Sint Maarten missions comprised Christina Kolerus (head), Ziad Amer, Natasha Gimpelson, and Maylin Sun (all WHD). Christoph Freudenberg (FAD) joined the Curaçao leg. Alberto Sanchez Rodelgo and Anthony Silungwe (both STA) contributed to the economic activity indicator. Euihyun Bae and Soungbe Coquillat (both WHD) provided valuable assistance from headquarters. Michiel van Arnheim (OED) participated in the missions, and Marnix van Rij (OED) attended parts of the missions.

CONTENTS

CURAÇAO	5
A. Context	5
B. Recent Developments	5
C. Outlook and Risks	8
D. Tailoring Fiscal and Structural Policies to a Tourism-led Economy	11
SINT MAARTEN	19
A. Context	19
B. Recent Developments	19
C. Outlook and Risks	23
D. Fiscal and Structural Policies for Growth and Social Development	25
THE MONETARY UNION OF CURAÇAO AND SINT MAARTEN	31
STAFF APPRAISAL	35
BOXES	
1. Channels for US Tariffs' Impact on Growth and Inflation in Curaçao	10
2. Channels for US Tariffs' Impact on Growth and Inflation in Sint Maarten	24
FIGURES	
1. Curaçao and Sint Maarten: Real Sector Regional Comparison	39
2. Curaçao and Sint Maarten: Fiscal Developments	40
3. Sint Maarten: Social and Health Insurances' Financial Developments	41
4. Curaçao and Sint Maarten: Monetary Developments, 2018–2024	42

5. Curaçao and Sint Maarten: Financial Soundness Regional Comparison _____	43
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TABLES

1. Curaçao: Selected Economic and Financial Indicators, 2021–30 _____	44
2. Curaçao: Government Operations, 2021–30 (Millions of XCG) _____	45
3. Curaçao: Government Operations, 2021–30 1/ _____	46
4. Curaçao: Balance of Payments, 2021–30 _____	47
5. Sint Maarten: Selected Economic and Financial Indicators, 2021–30 _____	48
6. Sint Maarten: Government Operations, 2021–30 (Millions of XCG) _____	49
7. Sint Maarten: Government Operations, 2021–30 (Percent of GDP) _____	50
8. Sint Maarten: Balance of Payments, 2021–30 _____	51
9. Curaçao and Sint Maarten Monetary Union: Balance of Payments, 2021–30 _____	52
10. Curaçao and Sint Maarten: Monetary Survey, 2018–24 _____	53
11. Curaçao and Sint Maarten: Financial Soundness Indicators, 2018–2024 _____	54
12. Curaçao and Sint Maarten (Union): Financial Soundness Indicators, 2018–2024 _____	55

ANNEXES

I. Recommendations of the 2024 Article IV Consultation Discussions and Authorities Actions ____	56
II. External Sector Assessment _____	60
III. Curaçao: Risk Assessment Matrix _____	68
IV. Curaçao: Tourism's New Footprint on the Economy _____	71
V. Curaçao: Old-age Pensions in Curaçao: How to Increase Benefits in a Fiscally Sustainable Manner? _____	78
VI. Curaçao: Labor Market Developments and Informality _____	87
VII. Curaçao: Data Issues _____	92
VIII. Curaçao and Sint Maarten: Nowcasting Economic Activity _____	94
IX. Curaçao: Public Debt Sustainability Analysis _____	103
X. Sint Maarten: Risk Assessment Matrix _____	109
XI. Sint Maarten: Electricity Sector Reform _____	112
XII. Sint Maarten: Social Development: A Cross-Country Comparison _____	120
XIII. Sint Maarten: Data Issues _____	124
XIV. Sint Maarten: Public Debt Sustainability Analysis _____	126

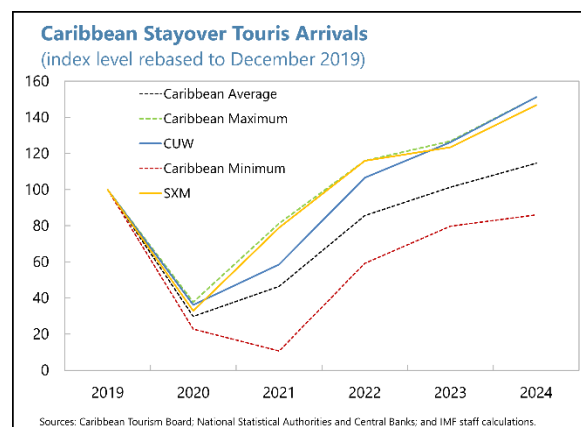
CURAÇAO

A. Context

1. Prime Minister Pisas was re-elected in March 2025 with a historically strong mandate to steer a now tourism-led economy. The *Movementu Futuro Kòrsou* (MFK), led by Prime Minister Gilmar Pisas, secured the absolute majority in the March 2025 parliamentary elections. For the next legislative period, the authorities strive to improve social conditions while generating sustainable and green growth amid safeguarding solid public finances. This could prove more challenging under Curaçao's new growth model, where tourism's footprint has advanced to a quarter of GDP, and against the backdrop of softening global demand and tourism flows. Moreover, the pivot to tourism was accompanied by lower wages, more informal labor, and a shift towards more regressive indirect taxation. To maintain living standards and soften the impact on vulnerable populations, the authorities plan to increase pensions for lower-income households, tackle much-needed health sector reforms, and introduce a progressive VAT. They plan to widen the net of international tax treaties, including to further promote Curaçao's online gaming industry, having taken important regulatory milestones in 2024, and foster green energy. Finally, the *landspakket*—a structural reform package agreed with the Netherlands in 2020—continues to broadly guide the country's reform agenda.

B. Recent Developments

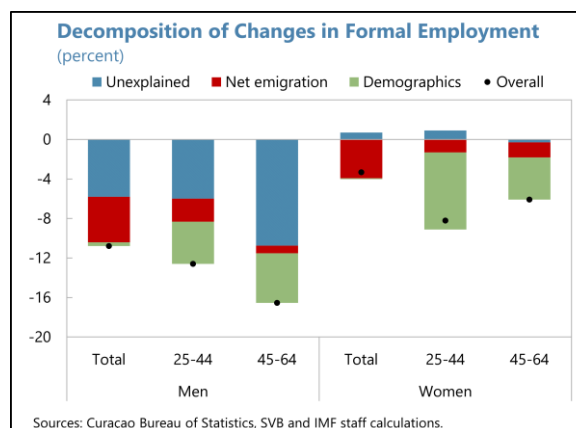
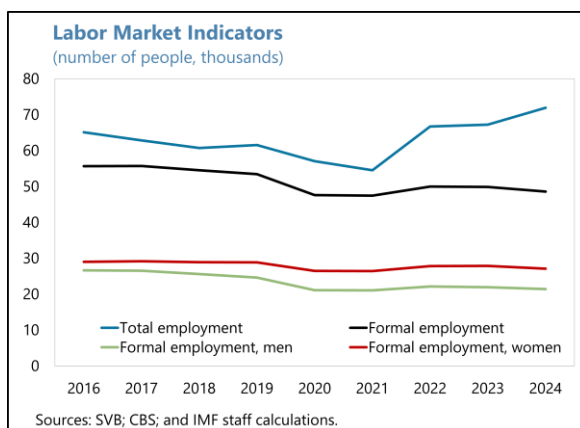
2. Curaçao's economic activity expanded by 5 percent in 2024, as strong tourism performance trickled into the wider economy. Hovering above 4 percent since the pandemic, real GDP growth accelerated in 2024, featuring a more broad-based expansion than in prior years. The main growth engine, stayover arrivals, grew at double digits and continued to outperform Caribbean peers. In addition, tourism carried over to other sectors, including wholesale trade, real estate, and construction. Private real estate developments, mainly focused on holiday homes and rental apartments, were further fueled by strong domestic mortgage growth and complemented by a resumption of public investments under the *Road Maintenance Plan*. The *Koraal Tabak* wind park with a capacity of 22.5 MW was inaugurated in late 2024, boosting the share of renewable electricity to 45 percent of total electricity production, and lowering fuel imports by an estimated ½ percent of GDP.



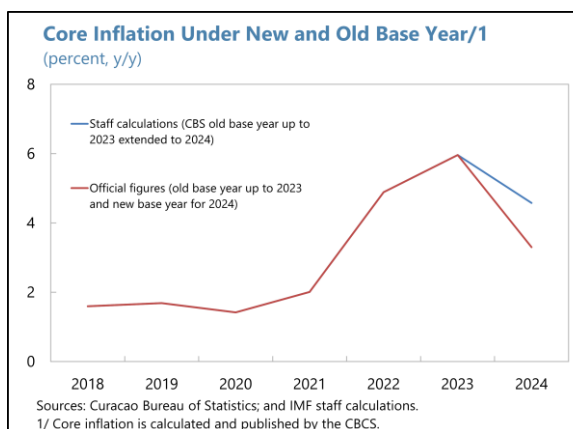
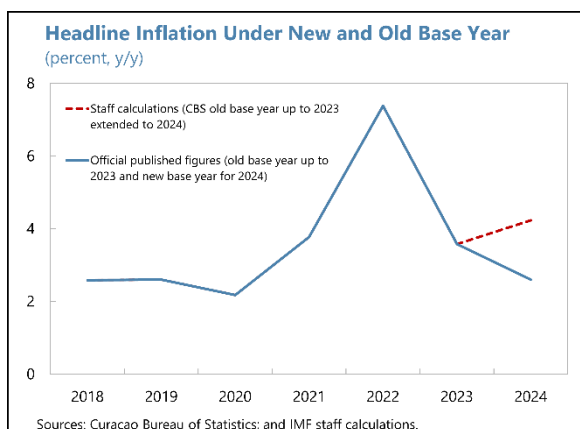
3. Lower unemployment, rising real wages, and expansion of informal employment reflect a tightening yet more precarious labor market. Strong growth in total employment,¹ in line with the tourism and construction boom, helped lower unemployment to an estimated 7.8

¹ As per labor force survey (CBS), including part-time workers, self-employed, and foreign workers.

percent in 2024. Real wages rose for the first time since 2020, showing a 5 percent increase relative to 2023. At the same time, formal (registered) employment declined slightly and remains significantly below pre-pandemic (and pre-refinery) levels. Exits from the formal workforce were supported by unfavorable demographics and net emigration, as well as the closure of the refinery. The decline in formal employment, however, was mostly driven by a drop in registered jobs among men of prime working age (25-64). Half of this decline is likely attributed to the transition to informality, notably in construction.

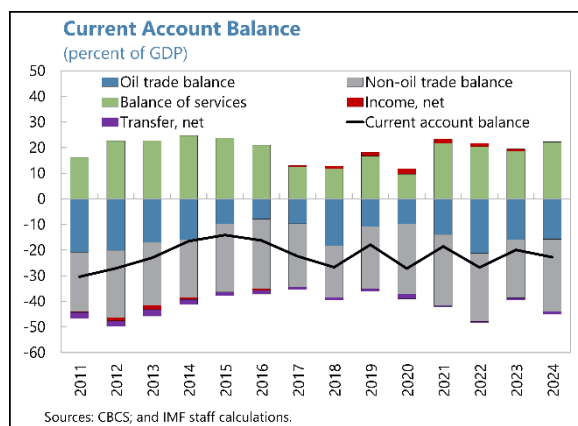


4. Disinflation broadly continued, in line with US inflation and oil prices, albeit methodological changes affect comparability of CPI components with past years. Official headline inflation declined to 2.6 percent in 2024 from 3.5 percent in 2023, in line with lower US inflation and a mild decline in global oil prices. Food and beverage inflation dropped to levels last seen before the pandemic. Core inflation increased to 3.3 percent in 2024 from 2.3 percent in 2023, largely because of higher transportation and communication costs. These numbers reflect a recent methodological adjustment by the Curaçao Bureau of Statistics (CBS) for all CPI series. Using the previous base year and splicing monthly inflation by subcategory, staff derives yearly inflation of 4.2 percent (headline) and 4.6 percent (core) for 2024, which could help reconcile the positive domestic output gap, strong domestic demand, and tightening labor market in 2024 against the backdrop of lower imported inflation.



5. The current account deficit (CAD) widened in 2024 reflecting high merchandise imports, more than offsetting strong tourism receipts.

The CAD reached 22.8 percent of GDP in 2024, up from 19.7 percent in 2023. Higher merchandise imports, primarily driven by strong construction activity, including the *Koraal Tabak* wind farm, more than offset the sustained increase in tourism receipts. Meanwhile, the oil trade balance remained stable between 2023 and 2024 in line with international oil prices. The CAD was largely financed by FDI, trade credits, and decumulation of foreign assets, specifically divestment of foreign currency deposits and a significant one-off repatriation by a large pension fund. As such, the net international investment position (NIIP) is estimated to have further deteriorated to 81 percent of GDP in 2024, notwithstanding considerable measurement challenges. Given persistently large CADs as well as a sustained real effective exchange rate appreciation over the past years, the external position of Curaçao in 2024 was weaker than the level implied by medium-term fundamentals and desirable policies (Annex II).



6. The primary surplus increased further despite a significant – and welcome – acceleration in investments.

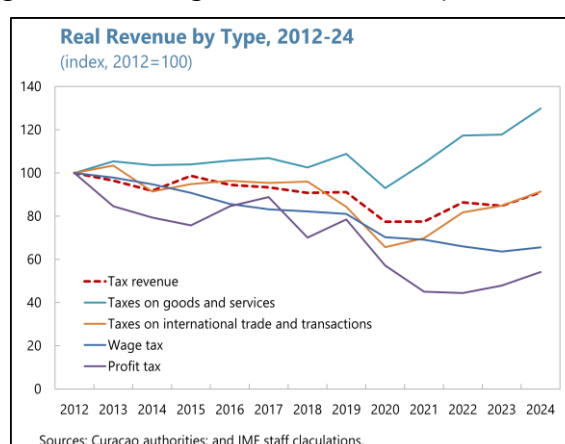
The central government primary surplus reached 3.0 percent of GDP, from 2.5 percent in 2023, continuing its impressive upward trajectory since 2022. Total revenues rose to 30.7 percent of GDP, with increases across all tax categories. In line with the pivot towards tourism-driven growth, the most important driver remains tax collection on goods and services, growing by 24 percent in real terms since the pandemic, more than offsetting lower collection of income taxes. Other revenues also rose, thanks to inflows from gaming licenses under the newly approved law. On the expenditure side, involuntary budgetary compression of public wages and investment continued. Employee compensation registered a 0.8 percent of GDP shortfall - despite the December 2024 catch-up payment of 0.3 percent of GDP extended to public employees and teachers to compensate for pandemic-era wage freezes, reflecting persistent challenges in hiring. Public investments, albeit lower than planned, increased overall by 1 percent of GDP, as the *Road Maintenance Plan* took off, overcoming important capacity constraints. The central government overall balance improved only mildly due to higher interest payments on pandemic loans, but a surplus in the *Sociale Verzekeringsbank* (SVB) – thanks to strong growth in social contributions and returns on assets – helped lift the general government overall balance to above 2 percent of GDP. Gross public debt continued its notable decline, falling to 64.7 percent of GDP in 2024 from 73.5 percent in 2023, supported by the repayment of pandemic-related loans. In addition, the government cleared 2.4 percent of GDP in domestic arrears at end-2024, of which 0.4 percent of GDP related to the Curaçao Medical Center (CMC).

C. Outlook and Risks

7. Growth is projected to moderate to 4 percent in 2025, balancing domestic impulses and heightened global uncertainty, before gradually converging to 2 percent over the medium term. Further expansion of stayover tourism and construction activity would continue to support growth in 2025, along with fiscal expansion driven by higher public investments as well as carry-over from the December 2024 one-off public wage payment. Potential negative effects of slowing global demand and heightened uncertainty would dampen tourism flows in 2026. Inflation is expected to stabilize at 2.5 percent in 2025 as higher prices on non-oil goods imports from the US would be broadly offset by lower international oil prices. Growth is expected to moderate to 2 percent over the medium term, given saturation in tourism and slower global demand, while public investments would be carried forward, including in road infrastructure and the energy value chain. This marks an upward revision in potential growth building on recent performance, significant ongoing expansion in room capacity, as well as a wider investment agenda, including state-owned enterprises.

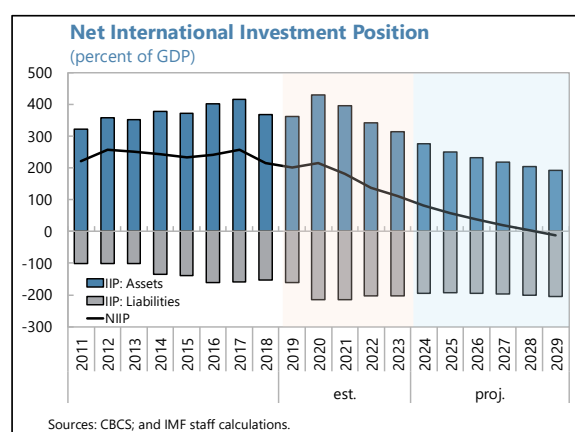
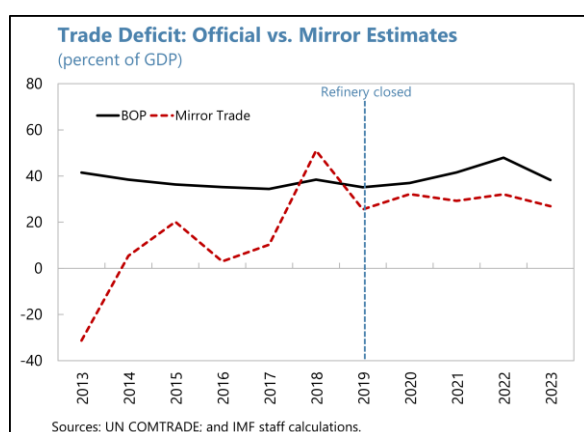
	2022	2023	2024 Prel.
Revenue	31.8	30.3	30.5
Tax revenue	29.4	27.8	28.1
Grants and other	2.4	2.6	2.5
Expenditure	30.8	29.0	29.1
Current expenditure	31.1	29.7	29.1
Compensation of labor	10.5	9.6	9.7
Goods and services	4.1	4.2	3.7
Interest	1.2	1.2	1.6
Capital expenditure	-0.2	-0.7	0.0
Primary fiscal balance	2.0	2.5	3.0
Overall fiscal balance	1.0	1.3	1.4
Net operating balance (authorities' definition)	1.0	0.6	1.6

Sources: The Curaçao authorities and IMF staff estimates.



8. The fiscal surplus is expected to narrow over the coming years as investments gather momentum and social spending pressures mount. Staff expects the central government primary balance to decline to 1.5 percent of GDP in 2025, from 3.0 percent in 2024, on the back of increasing investments in 2025. This marks a slightly higher surplus than currently budgeted given recent overperformance in sales taxes, not yet factored in by the authorities, and expected under-execution in investment spending. Over the medium term, fiscal balances would remain compliant with Curaçao's net operating balance rule and gradually decline to 0.8 percent of GDP, mainly due to investments for the *Road Maintenance Plan* (5 percent of 2024 GDP, staggered across several years); a new allowance for lower-income pensioners of around ½ percent of GDP; an increase in ENNIA resolution payments to 0.6 percent of GDP; and some moderation in the collection of goods and services taxes. This would be partially offset by higher non-tax revenues including the new tourism fee (in 2026), higher permit fees, and a phasing-out of tax holidays. Budgetary pressures are expected to rise in view of growing deficits in health insurance funds (estimated at around 6.1 percent of GDP in 2040, from 4.4 percent in 2024, excluding government transfers and absent major reforms), and possible adaptation spending to address sea level rise. Under the baseline, with moderate assumptions on health and pension deficits, gross public debt is projected to decline to 51 percent of GDP by 2030. To further reduce debt, the authorities indicated drawing on existing liquidity reserves to help settle a XCG 140 million loan from the Netherlands coming due in 2025.

9. The CAD is expected to improve over the medium term amid strong tourism outturns yet subject to uncertainty around oil price developments. The CAD is expected to decline in 2025 to 17.7 percent of GDP from 22.8 percent in 2024, mainly driven by lower international oil prices, a reduction in oil imports following higher wind energy production, and a drop in construction-related imports. The sizable services surplus would be supported by continued strong tourism receipts. In the medium term, the CAD is expected to stabilize at around 15 percent of GDP. FDI and foreign asset decumulation are expected to continue financing the deficit, with the NIIP turning negative in 2029, keeping reserves steady at around four months of imports. However, the elevated CAD is expected to exert higher pressure on external sustainability than in past years, as the measurement error in the trade deficit has decreased substantially following the refinery closure, suggesting that the high trade deficit is now more reflective of underlying imbalances.



10. Risks to the outlook are tilted to the downside and global policy uncertainty remains exceptionally high (Annex III).

- *External* downside risks include trade policy and investment shocks, which could induce higher inflation leading to reduced competitiveness. They could also lead to a higher-than-expected growth slowdown in major economies and adversely impact tourism receipts. In a downside scenario, Curaçao's growth could decline by 0.6 percentage point (Box 1). Continued expansion into new tourism markets, in particular in Latin America, would mitigate some of the risks. Additionally, deepening geopolitical fragmentation would lead to inefficient supply chain arrangements and higher prices of traded goods. Regional trade integration and supply diversification are essential to help maintain cost-competitiveness (see below). Cyberattacks would pose significant risks for digital and physical infrastructure, especially given the rapid developments in Artificial Intelligence (AI). On the upside, global growth acceleration from AI, structural reforms raising global demand, along with lower-than-expected international oil prices, could boost external demand for tourism, further expanding tourism-driven growth in Curaçao.
- *Domestic* upside risks include faster-than-expected advances in the hydrogen value chain project and development of other energy sources. On the downside, lower-than-expected disbursements in public investments and delays in infrastructure improvements could set back the expected increase in potential growth from the expansion of hotel capacities. Continued

high growth in mortgage credit fueling rising house prices could lead to balance sheet vulnerabilities.

Buffers include significant liquidity reserves and access to favorable refinancing conditions on the Dutch capital market, subject to compliance with the fiscal rule, which grants the island substantial fiscal space, notably for capital and emergency spending.

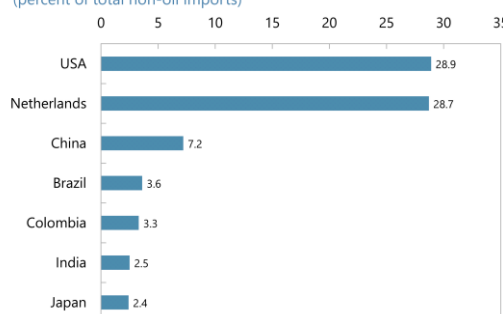
Box 1. Channels for US Tariffs' Impact on Growth and Inflation in Curaçao

Curaçao is exposed to heightened global uncertainty given the island's reliance on tourism and goods imports from the US. This box lays out the two channels through which tariffs could affect Curaçao, the demand/tourism channel and the inflation channel.

Growth. The potential effect of a growth slowdown in major economies on Curaçao's economic activity is calculated by taking into account: (i) which countries tourists are coming from; (ii) the projections for tourism demand from those countries; and (iii) the tourism footprint on Curaçao's economy. In Curaçao, US tourists account for only a quarter of all stayover arrivals (about half of the Caribbean median). Meanwhile, around 35 percent of tourists come from the Netherlands and 10 percent from Brazil and Colombia. Under an adverse scenario, assuming that US and Euro area growth would fall by 1.5 and 1 percentage points respectively in 2025 and by 2.2 and 1.7 percentage points in 2026 relative to the reference scenario (WEO Box 1.1 Scenario A), Curaçao's growth would decline by 0.2 percentage point in 2025 and by 0.6 percentage point in 2026. Lower tourism-driven growth would lead to a decline in tax revenues on goods and services and thus to a deterioration of fiscal balances, possibly accompanied by an increase in spending due to measures to support businesses.

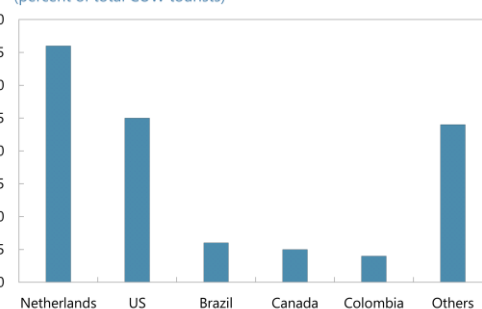
Inflation. Acknowledging high uncertainty around inflationary developments, staff analyzes the hypothetical scenario of a 1 percentage point increase in US inflation. As a small, open economy with limited manufacturing, Curaçao is highly dependent on goods imports and exposed to inflationary pressures of its trading partners. Staff estimates the increase in domestic prices for non-oil goods taking into account: (i) hypothetical, tariff-induced increases on US prices for individual categories of goods, such as food, electronics, and cars; (ii) the shares of imports from the US for each of the affected goods; and (iii) the weight of those goods in Curaçao's consumer basket, assuming a price-taking behavior and no ensuing supply chain and value addition. Imports from the US account for 30 percent of non-oil related imports to Curaçao. Staff estimates the increase in domestic prices for non-oil goods to be 0.3 percentage point from an increase in US inflation by 1 percentage point. The recent drop in oil prices, however, would broadly offset the upward pressure from non-oil imports in 2025.

Main Sources of CUW Imports in 2023, Non-Oil
(percent of total non-oil imports)



Sources: UN Comtrade data; and IMF Staff calculations

Main Sources of Tourists
(percent of total CUW tourists)



Sources: Curaçao Tourist Board; and IMF Staff calculations.

Authorities' Views

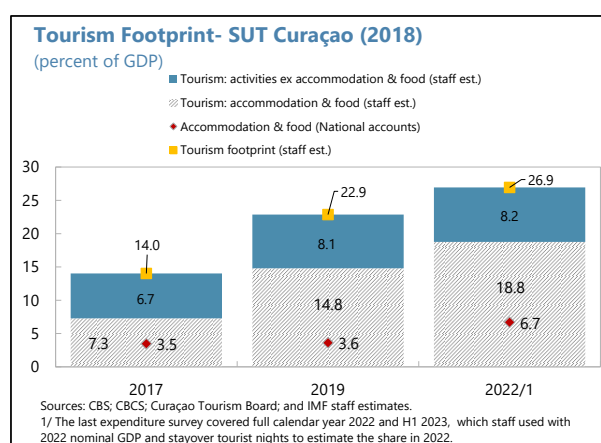
11. The authorities broadly agreed with staff on the economic outlook and balance of risks. They agreed that tourism would continue to drive growth in the near term, but have a more cautious take on possible repercussions from the global environment, which could also translate

into somewhat higher inflation in the near term. They welcomed staff's upward revision of potential growth to 2 percent, now in line with the CBCS's medium-term growth forecast. The authorities highlighted their achievements in reducing debt, with the current debt trajectory on track towards reaching their medium-term debt target. They reaffirmed their commitment to fiscal sustainability and agreed that fiscal accounts would remain broadly balanced and compliant with the golden fiscal rule over the medium term, despite rising expenditures on pensions and healthcare. They concurred with staff on risks to the outlook being tilted to the downside, viewing the uncertain global environment as a key challenge for tourism going forward.

D. Tailoring Fiscal and Structural Policies to a Tourism-led Economy

12. Curaçao's structural transformation to a tourism-led economy requires a corresponding shift in policies.

The rise of tourism has offset the gradual retreat of Curaçao's past growth engines, the offshore financial sector in the early 2000s, and the oil refining industry, with the closure of the island's refinery in 2018. These structural shifts have fundamentally altered Curaçao's economy: the tourism footprint has doubled in less than a decade; half of the island's exports are now tourism receipts; informality has increased, notably in the construction sector; and tax collection has shifted from direct taxation to indirect taxation (Annex IV).

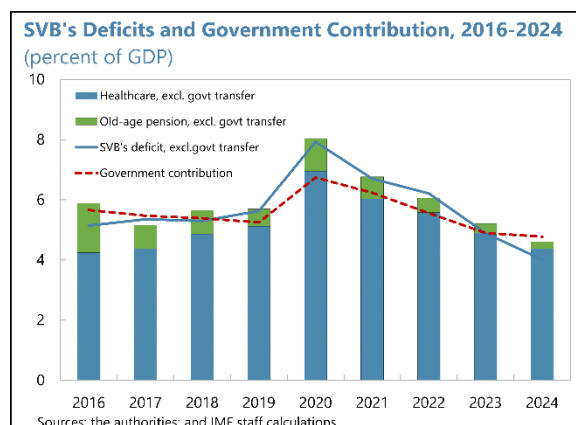


Safeguarding Medium-term Fiscal Sustainability

13. Reaching the medium-term debt target will require weighing the need to boost investments and address social spending pressures. The authorities made big strides towards reaching their medium-term debt target of 55 percent of GDP, from a high of 90.3 percent of GDP in 2021. Going forward, to comply with the fiscal rule and continue a downward debt trajectory, the authorities will have to carefully balance mounting spending pressures on health and pensions and the need to boost investments to generate growth.

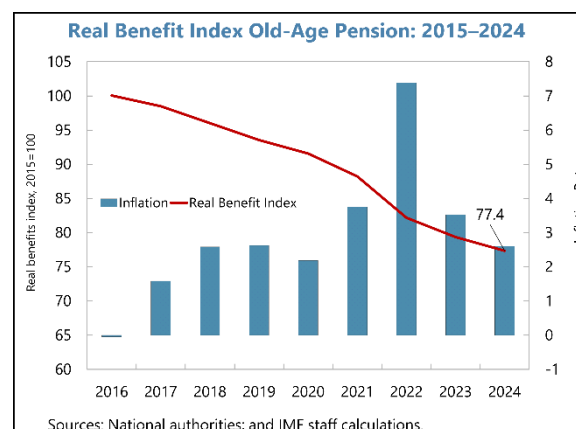
14. Advancing health sector reforms is an urgent priority to restore the sector's financial sustainability and limit medium-term fiscal risks. Recent initiatives to incentivize the use of generics, expand primary care and triage prior to hospital admission, and mandate the regulatory authority to oversee medical prices are commendable but insufficient to compensate and rein in rising costs. Moreover, over the past decade, the government cross-subsidized health insurance with

annual transfers of around 5 percent of GDP. Nonetheless, the CMC incurred yearly deficits of 1 percent of GDP since its opening in 2019, mostly in terms of arrears. Staff expects the deficit of the SVB healthcare fund to rise to 5.0 (6.0) percent of GDP by 2030 (2040), absent wide-ranging reforms in the sector. These reforms are urgently needed on both expenditure and revenue sides, and options have been identified by various stakeholders² but decisions for deeper structural measures have not been taken so far.



- **Expenditures.** Curaçao's healthcare expenses, around 13 percent of GDP, stand out relative to peers and surpass the OECD average. Possible efficiency gains would include additional volume and price measures for pharmaceuticals, further expansion of primary care, re-evaluation of laboratory tariffs, and improvements in the operations of the CMC and in preventive care.
- **Revenues.** Reform options would include a broadening of the contributor base, including working migrants and dependents, increasing co-payments for higher-income households, allowing for price differentiation for the privately insured, exploring options to charge for add-on services, with a possible secondary, private insurance market for these services, and expanding the potential in medical tourism.

15. The authorities envisage adjusting pension benefits in a fiscally responsible manner, accompanied by a widening of the contributor base. Staff welcomes the intention to reassess benefit levels, given the pausing of indexation and a decline in real per capita benefits by 23 percent between 2016 and 2024. The latter has also contributed to a narrowing of the deficit of the old-age pension system (AOV).³ Various options for benefit increases and financing were discussed (Annex V), with the following considerations as the baseline: (i) Applying inflation indexation to residents' pensions only - saving around 0.2 percent of GDP in the long term relative to re-applying indexation to all pensioners;⁴ (ii) Legalizing undocumented (predominantly young) migrant workers and providing incentives for them and their employers to formalize (see below) - raising SVB revenues by



² Article IV 2024, Annex VI.

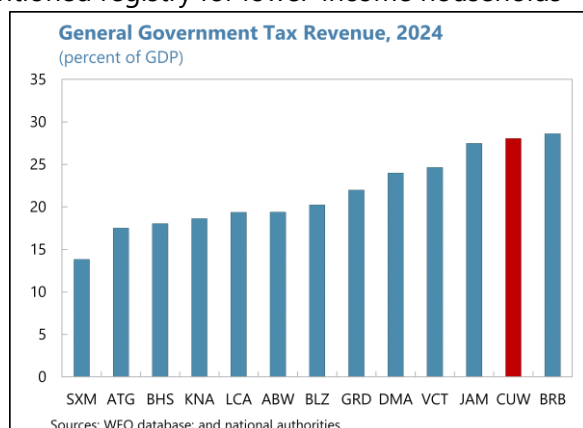
³ The old-age pension system (AOV) has been making yearly losses of about ½ percent of GDP on average since 2016, broadly financed by government transfers, but deficits narrowed to 0.1 percent of GDP in 2024.

⁴ The law already allows for differentiated benefits between residents and non-residents up to a certain degree. Differentiated indexation would drive a gradually increasing, but overall relatively small wedge between both benefit levels (Annex V).

about 0.3 percent of GDP;⁵ and (iii) Providing a supplement for low-income pensioners – increasing transfers (from the central government) by around ½ percent of GDP per year. By introducing (i) and (ii), staff estimates that the AOV will return to a surplus of approximately 1 percent of GDP by 2040, including the AOV government transfer of currently XCG 25 million (0.4 percent of GDP in 2025). The latter could be gradually unwound by then, broadly compensating for the allowance. Fully financing the allowance in the short term would imply raising general government revenues via selected measures while avoiding earmarking (see below). Meanwhile, the current draft law to make second-pillar occupational pension plans mandatory would reduce reliance on AOV pensions and increase private savings, which would also help alleviate the sizable current account deficit.

16. Bundling social benefits and investing in a unified beneficiary registry would enhance the efficiency, equity, and fiscal sustainability of social protection. Establishing a centralized, up-to-date registry of eligible households, with effective means-testing would enable more accurate targeting of transfers and services, including the income-linked pension allowance and suggested health co-payments. It could also reduce fragmentation across programs and help ensure that support reaches the most vulnerable. Streamlining benefits into a single delivery system can also lower administrative costs and improve coordination across agencies.

17. The authorities' plans to introduce a VAT while continuing the modernization of the tax authority are welcome. Given Curaçao's already significant tax burden and the recent expansion of direct taxation from a pre-pandemic average of 10.6 percent of GDP to 13.7 percent of GDP in 2024, plans to design the envisaged VAT reform in a revenue-neutral and equity-enhancing way are welcome. Gains from broadening the tax base and improving efficiency in revenue collection would be passed on via a planned lump-sum cashback for eligible low-income households to allow for progressivity. The above-mentioned registry for lower-income households would be key to identify such eligibility. Building capacity within the tax administration, in particular state-of-the-art digital infrastructure, would be an important precondition and could build on recent progress in both TADAT assessments and efforts to restructure the tax authority. Staff further welcomes proposals by the Social and Economic Council (SER), an advisory body, to increase tax collection on income derived from properties held by foreigners.



18. Efforts to implement medium-term budget frameworks and strengthen execution would improve fiscal risk monitoring and support economic activity. Multi-year budget balance targets should be established, including to operationalize the authorities' debt anchor. Targets should be compliant with the current fiscal rule, with sanction mechanisms tied to this metric's annual performance. Longer-term planning would also allow to eventually budget investments to protect the coastline and prevent inundations and thus lower damage from sea level rise. Public financial management could be further improved:

⁵ Including undocumented migrant workers in the contributor base would boost revenues for both pensions and health funds.

- **Investment planning and execution.** The recent fiscal surplus trajectory is partly explained by under-execution of wages and investments. While capacity constraints were successfully addressed in the ramp-up of investments in 2024, including by hiring external project managers, capacity in planning and execution must be strengthened further to administer the needed investment increase of 2-3 percent of GDP in the coming years, including via a centralized investment planning unit to lead project appraisals and create a pipeline across sectors. Implementing multi-year project budgeting and establishing a transparent procurement system will be critical to improve execution and ensure the efficient allocation of financing resources.
- **Debt management.** Developing a debt management strategy could complement efforts to operationalize the target and address debt towers given recurring bullet loans every 5 years. Transitioning to linear or annuity-based repayment structures would further support more sustainable and predictable public financial management.
- **Unqualified budget audits.** Challenges, in particular in the accounting and valuation of public assets, need to be addressed to meet the authorities' goal of unqualified audits.

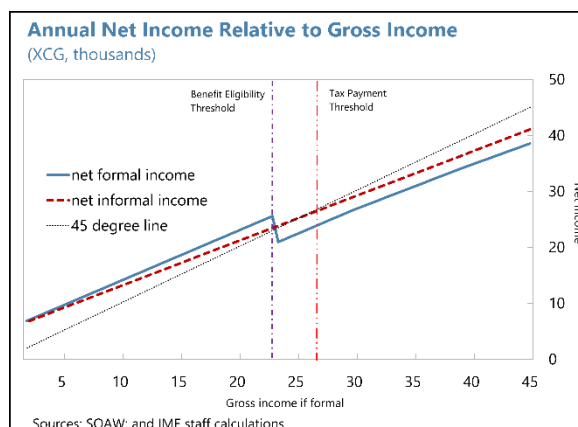
Authorities' Views

19. The authorities reaffirmed their commitment to fiscal sustainability and welcomed staff analysis on pension reforms. They emphasized their openness to close tax loopholes and implement measures, such as the tourism fee, to raise revenues as needed while protecting vulnerable households. They recognized the urgency of setting the healthcare sector on a sustainable footing and will continue their efforts to contain costs and expand revenue sources, in close cooperation with the CMC. The authorities endorsed staff's proposals for increasing pension benefits, particularly by adjusting benefits for resident, lower-income households and broadening the contributor base. The authorities also reaffirmed their plans to introduce a VAT in an equity-enhancing manner, while continuing to modernize the tax administration. On the expenditure side, they concurred with the need to boost public investment and improve service delivery and are taking steps to strengthen capacity in planning and execution. They acknowledged that improved means-testing, better targeting, and the modernization of registries for eligible households, should become priority in order to enhance the equity of spending and taxation.

Labor Market Policies to Address Informality and Improve Education

20. Informality could be addressed by strengthening incentives for formal work, improving enforcement and monitoring, and tightening eligibility criteria. Tourism-related sectors offer relatively more opportunities for informal work, making it harder to design incentives for workers to stay in the formal sector. Evaluating Curaçao's tax-benefit structure using the IMF's TaxFit tool, customized for Curaçao, shows that the incentives for formalization are unfavorable from a worker's perspective, particularly around the minimum annual wage of XCG 23,444 (as of 2023) which equals 65 percent of median income among individuals aged 25-54 years (Census 2023) (Annex VI).

- With an income *below the minimum wage*, households are eligible for monthly assistance benefits of around 20 percent of minimum wage, healthcare as well as utilities subsidies and rent assistance. Low-income households pay zero tax, making formal work in principle somewhat more attractive than informal work, since productivity (and thus wages) in the formal sector tends to be higher for a similar job profile. However, since registered companies cannot offer formal full-time positions below minimum wage, informal work opportunities are appealing for this income bracket, especially given weak monitoring capacity.
- For an income *between minimum and median wage*, informal labor might still be attractive despite a formal wage premium, since taxes, social security contributions, and forgone monthly assistance benefits would lower formal net income. As household income increases, the formal wage premium rises and firms become more reluctant to hire informally.



Growing informality not only reduces government revenues, as evidenced in the drop in personal income taxes by 1.8 percent of GDP over the past 5 years, but makes workers more vulnerable to economic shocks. Incentivizing participation in the formal sector is crucial, for example, by facilitating access to education, increasing productivity in the formal sector by better use of technology, introducing more in-work benefits for workers with incomes between minimum and median wage (for instance, different medical coverage), and stricter eligibility criteria for assistance, along with strengthening enforcement and monitoring. Considerations to legalize migrant workers are welcome.

21. Skill deterioration compounded by population aging is a key drag on long-term potential growth. The 2023 census showed that education levels of new entrants to the labor force (aged 25-34 years) are below the level of the pre-retirement cohort (aged 55-61 years), and young employees tend to work in more precarious positions, with short-term contracts. This deterioration in skill levels is particularly concerning given a rapidly aging society. Investments in education, in line with *landspakket*, including in schools' physical and digital infrastructure as started recently, are welcome. Recent initiatives to attract graduates back to the island and expedite labor permits are important steps, as reflected in an increase in foreign labor permits by 30 percent in 2024 and an approval rate of 99 percent. These could be complemented by vocational training to lift the overall skill level and reduce skill mismatches, in line with the government's proposed stimulation package with incentives for employers. Integrating migrants into the workforce would grant them perspectives to grow and invest in their skills as well. A particular challenge will be to re-integrate and re-train construction workers into the formal market once the construction boom is ebbing.

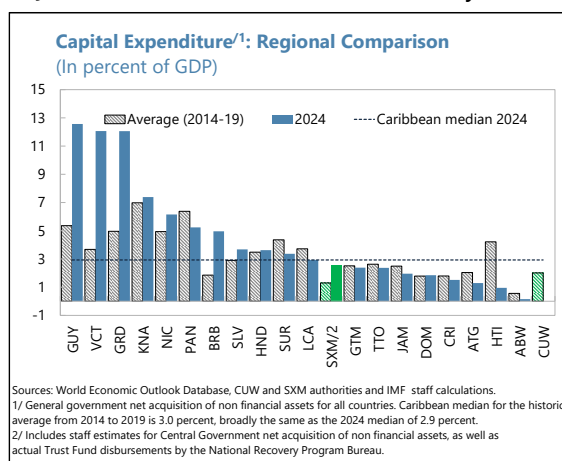
Authorities' Views

22. The authorities agreed with the urgency to address the island's growing informal sector and alleviate labor and skill shortages. They acknowledged the need for better monitoring but cautioned that the lack of capacity and personnel would constrain regular on-site visits to businesses and eligibility testing. They emphasized that the new government's priority would be to prepare individuals for the labor market and increase benefits only for those who are unemployable. In their bid to boost formalization and reduce labor shortages in tourism-related sectors, the authorities lifted the moratorium on work permit applications in the hospitality and construction sectors. The authorities deemed the knowledge migrants program as a successful first step and are developing further policy proposals to attract knowledge/highly skilled migrants, particularly in the education and health sectors, in addition to incentivizing the return of the island's diaspora abroad. The authorities highlighted progress in expediting permitting processes for foreigners, as residency permits are now automatically granted after securing approval for a work permit and immigration applications can be initiated online.

Fostering Competitiveness and Diversification

23. Bracing for slower growth and mindful of market saturation and the global context, the authorities' focus is rightly on tourism value added and diversification of source markets. Seizing the income gains from tourism has helped Curaçao recover and rebuild its economy. In the current environment it is key to maintain cost-competitiveness while upgrading tourist experiences. Important bottlenecks on the island persist, notably in terms of transportation.

- Infrastructure.** Public investments in road infrastructure rebounded in 2024 but remain low, historically and compared with peers. Public and private investments in maritime infrastructure, as the ongoing construction of three all-season marinas to attract yacht tourists winterizing outside the hurricane belt, create potential to move up the tourism value chain and should be further ramped up. Yacht tourism could (more sustainably) complement cruise tourism which is lagging Caribbean peers.
- Regulation.** A draft law to increase taxi licenses attempts to tackle the tightly regulated sector with only 250 licensed taxis for a population of 150,000 and almost a million stayover tourists annually, but has not been finalized.
- Source markets.** Curaçao has started to tap markets in South America and new flight routes opened from Brazil, Argentina and Colombia. Welcoming these tourists is facilitated by a large share of the population being fluent in Spanish.



24. Renewed attention should be granted to fostering non-tourism sectors in areas of competitive advantage. The *landspakket* gathered priorities for structural reforms to address declining productivity and halt the contraction of non-tourism sectors. Those sectors, however, are still facing a subdued outlook, given contracting business credit and a lack of investment. Building on successful reforms to digitalize and expedite business permits to 5 days (for smaller companies), more progress is needed to cut red tape and achieve the authorities' goals as outlined in the *National Export Strategy*, which include promoting "Blue Economy" research centers, medical tourism, and financial services. A successful example is the recent signing of Curaçao's connection to a new submarine cable throughout the Caribbean and Miami, which would operate from 2027 onwards and could help expand the island's data center industry – conditional on sufficient absorption capacity of the electricity grid and a moderation in electricity prices, among the highest in the region. Further initiatives to digitalize and streamline work permits and address the backlog related to notarization, including considerations to increase the number of notaries, are welcome.

25. The ambitious offshore wind park with hydrogen production could be a game changer, but financing remains challenging. A planned solar park and further upgrades to older wind parks would increase renewables electricity production to 70 percent by 2027. Investments in the grid by Aqualectra, leveraging recently approved funds by the Netherlands, would strengthen distribution and renewables absorption. In addition, the envisaged floating offshore wind park of 3-10 GW would cover Curaçao's entire electricity demand and produce green hydrogen, in addition to ammonia, methanol, and sustainable aviation fuel. First phase exploratory studies were successful and financing for the next phase is partially secured. The pre-engineering stage would be launched by mid-2026 with the objective of a design plan to showcase 5-6 floating windmills of 12-15 MW each, followed by the financial investment decision.

26. In the presence of global uncertainty, diversification of trade as well as regional integration are key for mitigating Curaçao's exposure to external shocks. Imports remain concentrated on (geographically distant) advanced markets, with imports from Colombia and Brazil at 7 percent of GDP only, providing ample room to expand goods imports from neighboring countries, leveraging Curaçao's new associate CARICOM member status. Aruba, Colombia, and Jamaica are among the top 5 upstream ports for Curaçao in the Caribbean, making them important candidates for trade cooperation. Establishing trade relationships with these countries would also help foster export opportunities, as outlined in the *National Export Strategy*.

27. The authorities' commitment to increase transparency in the online gaming sector and lower corruption vulnerabilities is welcome. The online gaming law, approved in December 2024, is an important step towards meeting the *landspakket's* rule of law target, boosting revenues, and mitigating reputational risks. The law regulates the gaming licensing process and improves monitoring by empowering the Curaçao Gaming Authority (CGA). Challenges remain with respect to enforcing compliance with the new regulations set by the CGA, also affected by the latter's understaffing. Considerations to introducing a cryptocurrency wallet, in coordination with the CBCS, could help monitor around 80 percent of online gaming revenues paid in stablecoins. Curaçao's recent accession to the UN Convention Against Corruption (UNCAC) and delisting from the EU grey list of non-cooperative jurisdictions, following key legal updates in 2024, are more steps in the right direction and open doors for further international cooperation and bilateral tax treaties, as pursued

by the authorities. Implementation of the UNCAC to strengthen the anti-corruption framework, however, will require a longer-term implementation road map.

Authorities' Views

28. To sustain growth and improve livelihoods of local households, the authorities agreed with the need for policies that are tailored to a tourism-oriented economy and highlighted progress on the *National Export Strategy*. The authorities noted that growth in tourism surpassed their prior expectations and commissioned a carrying capacity analysis, which would help guide policies on further development of tourism infrastructure while safeguarding livelihoods of the island's inhabitants and avoiding overcrowding. They highlighted their success in diversifying tourism source markets via digital marketing targeted at Latin American tourists. To diversify beyond tourism, the authorities are determined to continue implementing the *National Export Strategy*, with 35 percent of its targets already achieved, notably in the financial services and IT sectors, including the recent agreement on the submarine cable. They acknowledged the need for legislative changes to facilitate the yachting marinas ten-year plan but stressed their successful track record in digitizing and accelerating business licenses, with further steps to follow on work permits and notarization procedures. The authorities noted the strong interest from the private sector as well as neighboring countries in participating in the green hydrogen value chain project and are moving forward with the next phase, complemented by exploratory investments in other energy sources. While the authorities agreed with the need to diversify trade and build stronger network with neighboring islands, they cautioned that inter-island trade is difficult to develop given Curaçao's limited goods exports. They strive to further reduce corruption vulnerabilities and are working on enforcing the new regulations for the gaming sector, highlighting the strong competition with other jurisdictions as well as staffing constraints, but noted that the CGA has recently increased hiring.

Developing Capacity and Improving the Data Framework

29. Data adequacy and timely availability have shortcomings that, acknowledging heterogeneity, in some areas hamper surveillance and remain important challenges (Annex VII). The CBS publishes annual GDP by production but granularity, frequency, and timeliness are lagging behind relevant benchmarks (staff's proposed economic activity indicator (Annex VIII) could be published on a higher frequency to proxy GDP, using traditional and non-traditional high frequency variables). The recent introduction of a new CPI base year significantly changed previous prints and continues to lack transparency and consistency in aggregation. Considerable efforts have recently been made by the CBS to address these shortcomings, including via hiring additional staff and publishing the 2024 Labor Force survey and detailed reports on the 2023 Census. Plans to compile a supply and use table, the latest dating back to 2007, would allow for the development of Tourism Satellite Accounts. BOP statistics are improving supported by IMF TA, but stock-flow inconsistencies continue to persist, and the latest reliable IIP data date back to 2018. Fiscal data are not fully aligned with GFSM format and not published, but broadly available upon request, including monthly data. Monetary statistics are broadly adequate for surveillance but the CBS should resume submission of standardized report forms paused since January 2024. Financial soundness indicators have improved relative to last year, particularly regarding the timeliness for the banking system, but should include percentiles to allow for better monitoring of skewedness. Overall, Curaçao should

prioritize resolving delays in national accounts publication, restoring IIP data submissions, and resuming granular monetary statistics reporting. Continued digitalization, building on the *landspakket*'s target on government efficiency, and possible use of AI could help overcome capacity constraints.

Authorities' Views

30. The authorities reiterated their intention to improve data adequacy and are working to address staffing and budget constraints to enhance data provision. The CBS noted that, albeit ramping up its hiring process, the office is still operating significantly below minimum capacity. Nevertheless, it reiterated its aim to publish GDP by expenditure before end-2025 and labor force surveys on an annual basis. On inflation, the CBS acknowledged the challenges raised by staff and noted that the shift to a new methodology and software may have contributed to a structural break in the inflation series. The CBS welcomed staff's economic activity indicator to proxy GDP leveraging various high-frequency variables and renewed its commitment to support staff surveillance and increase cooperation going forward. On external sector statistics, the CBS stressed its commitment to provide data to the Fund pursuant to Article VIII Section 5, but noted that continued challenges in hiring highly skilled labor contributed to the delay in publishing IIP data. The CBS is also working on a new survey for the IIP, following recommendations by CARTAC. On monetary and financial soundness statistics, the authorities agreed with staff's assessment on the need to relaunch the 1SR and 2SR forms to improve the data adequacy rating of that sector.

SINT MAARTEN

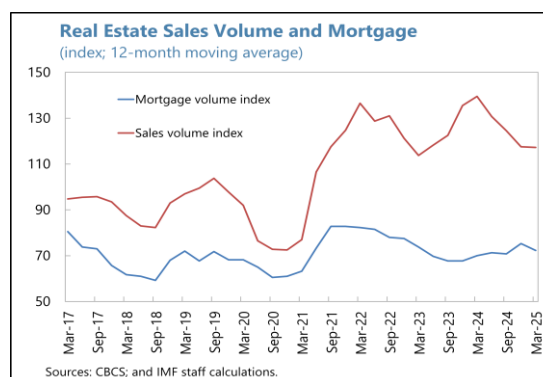
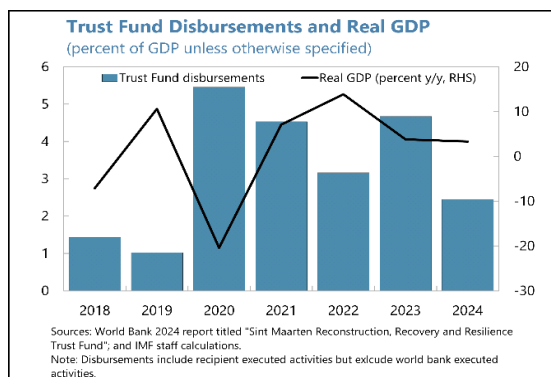
A. Context

31. Assuming power in 2024, the administration of Prime Minister Mercelina inherited a robust economy, fully recovered to pre-pandemic levels, but with significant structural challenges. The current government took over after a politically eventful year and in midst of one of the island's most acute electricity crises. By winning the August 2024 snap elections, which followed the collapse of the coalition elected in January 2024, Prime Minister Luc Mercelina strengthened his mandate to steer an economy that had recovered from two major shocks – the pandemic and hurricane Irma – and greatly benefited from the post-pandemic tourism boom. Steps to solve immediate bottlenecks in electricity generation were taken swiftly but important structural challenges persist, including overcoming severe capacity constraints to tackle the island's ailing infrastructure, as well as addressing growing sustainability concerns in healthcare and pension funds. The *landspakket* continues to guide structural reforms whereas operations of the Trust Fund (TF) established after Hurricane Irma in 2017 and operated in cooperation with the World Bank, which greatly shaped the island's reconstruction, are being wound down and will terminate in 2028.

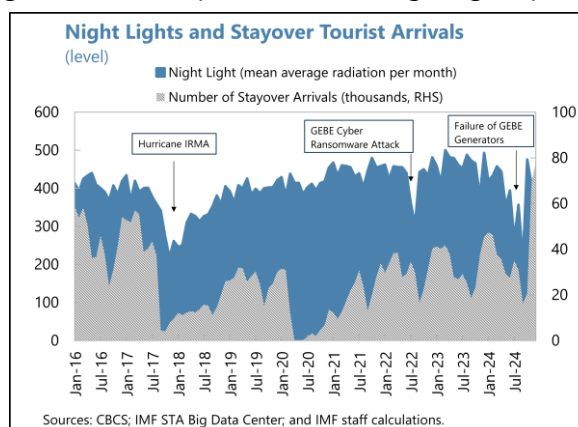
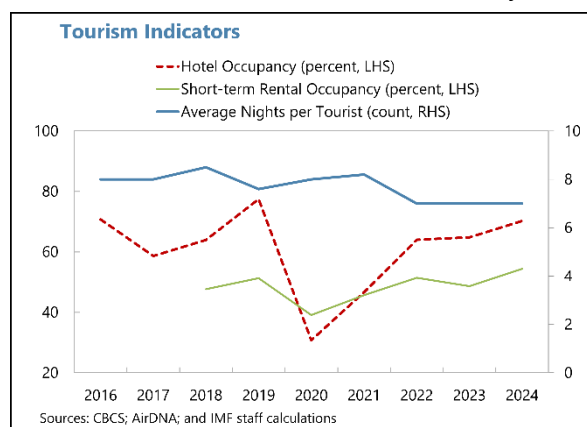
B. Recent Developments

32. Sint Maarten's economy continued to grow above potential in 2024, supported by strong tourism and continued, yet somewhat lower, construction activity. Real GDP growth is estimated to record 3.3 percent in 2024, down from 3.8 percent in 2023. The drop was mainly due to

lower TF disbursements, which are gradually being phased out after major reconstruction efforts, including the reopening of the airport in November 2024. Strong stayover tourism and an increase in transportation services helped partially offset the lower contribution from construction. Credit extension, however, has not kept pace with economic growth,⁶ as challenges in access to credit persist, notably for SMEs as well as local households given declining housing affordability. Meanwhile, booming upscale real estate developments, mainly second homes purchased by non-residents, are predominantly financed abroad,⁷ also reflected in a strong decoupling of real estate sales and mortgage volumes. House prices rose markedly and are about 20 percent higher relative to 2021.



33. Stayover tourism grew remarkably despite a short-lived setback caused by the electricity crisis, while cruise tourism continues to underperform relative to peers. Stayover tourism grew by 20 percent in 2024, a sharp acceleration from the 6 percent growth recorded in 2023, continuing to outperform the region. The electricity crisis, which was triggered by a fire and subsequent breakdown of three aging generators that have been operating beyond their life span, led to daily load shedding to preserve the remaining generators, and full capacity was only restored in December 2024, thanks to concerted efforts by the authorities, the Netherlands, and the National Recovery Program Bureau (NRPB, see Annex IX). The crisis coincided with the beginning of the low tourism season (July to November) and had a temporary impact on tourism only. Stayover arrivals fell by 12 percent yoy in September and October 2024 and rebounded sharply by 78 percent during November and December, also fuelled by the opening of the new airport. While average nights per

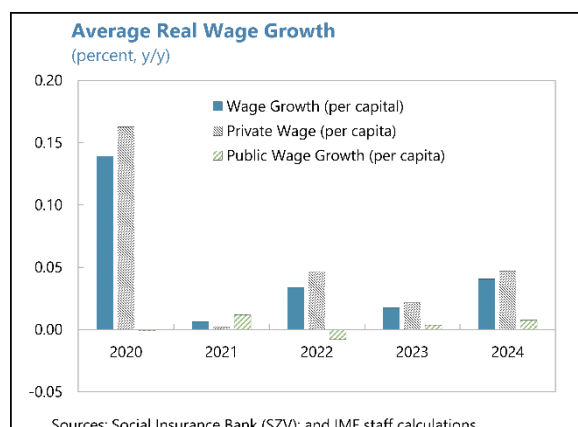


⁶ 2024 credit growth of -4.7 percent includes a one-off repatriation of loans from a subsidiary to its parent.

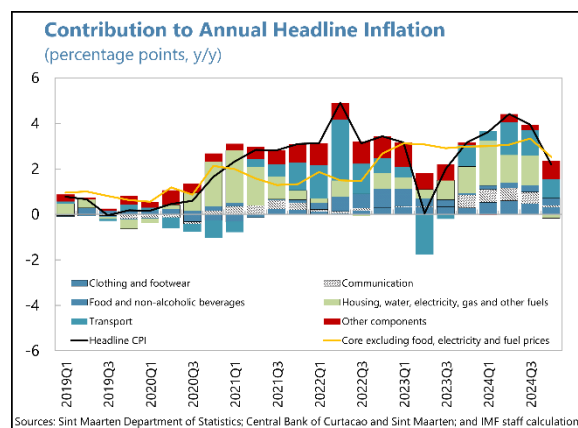
⁷ CBCS 2025.

tourist declined slightly, the hotel occupancy rate has been increasing in the past few years. The occupancy rate for short-term rentals – a segment which expanded significantly over the past year – reached 50 percent in 2024 compared to the hotel occupancy rate of 70 percent. The number of cruise passengers, about three times higher than stayover tourists, remained 16 percent below the pre-pandemic level and lagged the recovery in other Caribbean destinations.

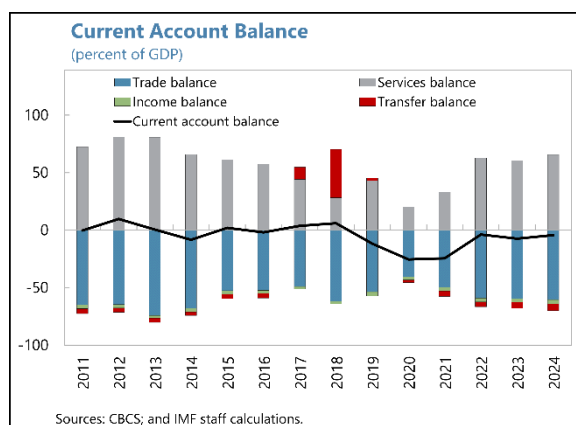
34. The labor market recovery remained slow with formal employment still below pre-pandemic levels, although average real wages continued to rise. In 2024, despite robust activity, Sint Maarten's labor market experienced a slight decline in formal employment, with the average number of (socially insured) workers falling by 0.1 percent compared to 2023, suggesting elevated informal job creation. Meanwhile, unemployment declined by 0.3 percent and average real wages increased by 2.5 percent, extending the trend observed over the previous two years. Wage growth was driven by the private sector (3.2 percent), while public sector wages declined by 0.7 percent, as formal labor supply continues to lag demand and absent investments that would trigger productivity gains (e.g., higher digitalization, education).



35. Inflation rose markedly in 2024, mainly driven by an increase in tourism-related transportation costs. Average headline inflation in Sint Maarten rebounded to 3.6 percent in 2024, from 2.1 percent in 2023. The increase was primarily driven by transportation and housing, which increased by 5.8 and 3.4 percent yoy, respectively. Higher costs for road transport and airfares, as well as rising rental prices, followed sustained growth in tourist arrivals as well as higher domestic fuel prices. Core inflation remained at 3.0 percent, unchanged from 2023.



36. The CAD narrowed in 2024 due to strong tourism growth. The CAD is estimated to have declined, from -7.5 percent of GDP in 2023 to -4.3 percent in 2024. The decline in the CAD was driven by strong growth in travel receipts partially offset by a deterioration in income and current transfer balances. The recent moderation in TF-related construction imports was broadly offset by higher tourism-related imports, leaving imports stable relative to GDP. The NIIP continues to improve but



remains in negative territory, at an estimated -131 percent of GDP. Sint Maarten's external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies (Annex II).

37. The authorities achieved a consecutive primary surplus in 2024, aided by persistent under-execution of expenditures.

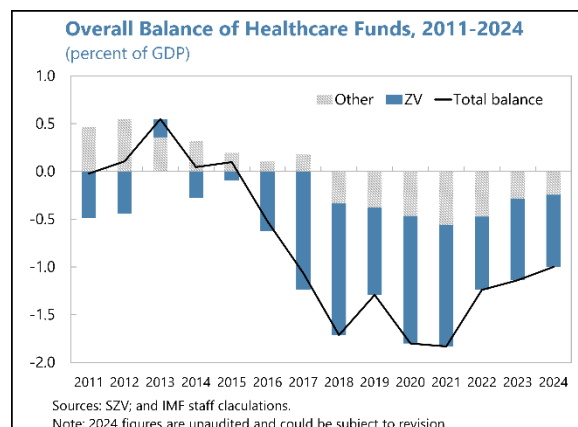
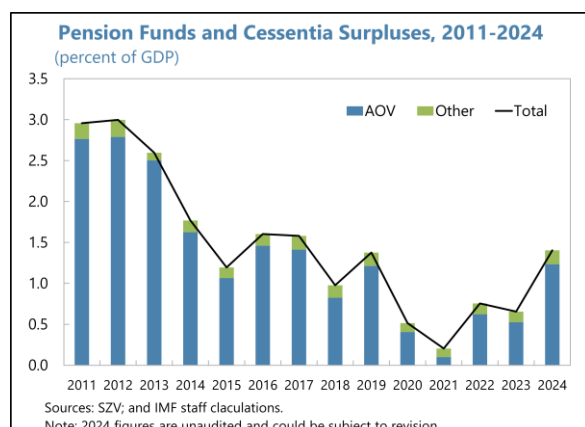
The central government overall and primary balances reached -0.0 and 0.6 percent of GDP in 2024, respectively, fully compliant with the fiscal rule. While this represents a deterioration relative to last year, the 2023 outturn included one-off tax receipts of 0.7 percent of GDP from clearing pandemic-era backlogs and improved collection of tax arrears. As income taxes normalized, taxes on goods and services, property, and other taxes continued to develop broadly in line with economic activity. Primary expenditures marginally declined given lower purchases of goods and services and compensation of employees, reflecting continued challenges in hiring and retaining talent. Subsidies, of which about 80 percent are transfers to charter schools, remained broadly stable. Public investments increased compared to 2023 but remained under-executed by 7.4 percent of GDP in 2024 reflecting large and persistent capacity and planning constraints, and delays in budget approvals.⁸ Notwithstanding new borrowing from the Netherlands for the prison, mental health facility, and electricity generators (in total 4.3 percent of GDP in 2024), public debt is expected to remain broadly constant in 2024 at 49 percent of GDP.

Recent Fiscal Developments (percent of GDP)				
	2015-19 Average	2023 Actual	2024 Budget	2024 Actual
Revenues	17.7	18.5	18.4	17.5
Tax revenues	14.7	15.5	14.2	13.8
Other revenues	3.1	3.0	4.2	3.6
Expenditure /1	19.5	17.2	25.7	17.4
Expenses	19.1	17.2	17.9	17.0
Compensation of employees	8.8	7.7	7.9	7.4
Goods and services	4.4	4.2	4.3	3.8
Social benefits	1.2	1.2	1.2	1.3
Subsidies	4.1	3.6	3.7	3.7
Interest	0.5	0.5	0.8	0.8
Capital expenditure /2	0.4	0.0	7.9	0.5
Overall Balance	-1.8	1.2	-7.3	0.0
Current balance /3	n/a	0.8	0.1	0.0
Primary Balance	-1.2	1.7	-6.5	0.6

Source: Authorities quarterly financial reports and IMF staff estimates.
 1/ Excludes depreciation.
 2/ 2024 budget figure adjusted by staff to exclude XCG44.8 million related to wastewater management project which staff classifies under Trust Fund fiscal developments (general government).
 3/ Authorities definition which includes depreciation expense.

38. The Social and Health Insurances' (SZV) balances recorded a small surplus in 2024, but reserves moderated further.

The SZV's overall balance reached a surplus of 0.1 percent of GDP in 2024 compared with a deficit of 0.4 percent a year earlier as balances in both health and pension funds improved. SZV revenues from premiums remained broadly stable, in line with labor market developments, while investment income declined significantly, broadly offset by a one-off increase in other operating income. On the expenditure side, health spending moderated from 6.0 to 5.7



⁸ In 2024, the sizable under-execution was exacerbated by assuming same-year spending of several large loans disbursed by the Netherlands.

percent of GDP and pension benefits declined to 3.5 percent of GDP in 2024 from 3.9 percent a year earlier driven by lower-than-expected indexation.⁹ Reserves (total equity) dropped to 10.8 percent of GDP, about half of the level a decade ago. Arrears remained broadly constant at 3.8 percent of GDP and concentrated in the health sector. Outlook and Risks.

C. Outlook and Risks

39. Growth is projected to remain robust in the near-term as tourism capacity expands before gradually converging to potential over the medium term. Stayover tourism will continue to drive growth in 2025 to 3 percent thanks to new airlifts, targeted digital marketing in new source countries, and given strong arrivals in the first quarter. Further expansion in hotel capacity will add to the island's potential to sustain growth, partially counterbalancing the headwinds from slowing global demand.¹⁰ Unwinding TF reconstruction activity is expected to be gradually replaced by private real estate and government infrastructure investments, as major hotel constructions – delayed mainly due to a backlog in building permits – would start in late 2025. However, uncertainty persists around the central government's capacity to execute infrastructure investments, notably after the TF's closure in 2028. Over the medium term, growth is expected to gradually converge to 2 percent as tourism is approaching the island's carrying capacity. To uphold potential growth, ailing infrastructure is expected to be replaced beyond depreciation, including roads and electricity generation and distribution. Inflation would remain broadly contained, at 3.3 percent in 2025, reflecting both the upward pressure from the impact of tariffs on import prices and downward pressure from lower international oil prices and the moderation in activity on the island, and taper off to 2 percent in the medium term.

40. The central government primary surplus is expected to deteriorate temporarily on account of stronger investments, only partially offset by a new tourist levy. Staff projects an overall balance of -0.3 percent of GDP and a primary surplus of 0.1 percent of GDP in 2025, fully compliant with the fiscal rule and significantly higher than the budget based on the assumption of continued under-execution. Fiscal balances would deteriorate further until 2027 driven by an increase in investments to renovate the prison (1.4 percent of GDP) and purchase power generators (2.4 percent of GDP), financed by loans from the Netherlands.¹¹ The planned stayover tourist levy is expected to take effect in the second half of 2026 and estimated to add 0.4 percent of GDP from 2027 onwards. Over the medium term, expenditures are expected to normalize as capital investments return to ½ percent of GDP, lifting the primary balance into surplus again. Going forward, investments would continue to be financed at favorable terms via the Netherlands, conditional on compliance with the fiscal rule. Public debt is expected to decline to around 35 percent of GDP in the medium term, from an estimated 49 percent of GDP in 2024 (Annex X).

⁹ Headline inflation in 2023Q2 fell to zero percent. The SZV recently changed the indexation formula of pension benefits to Q2 – instead of August – of the previous year.

¹⁰ Potential growth was revised up mildly to 2.0 percent from 1.8 percent in the 2024 Article IV due to higher-than-expected tourism capacity and impact from the airport opening, even as structural bottlenecks remain.

¹¹ Staff assumes that 50 percent of the cost would be paid in 2026 and the remaining amount in 2027.

41. Recent cost containment measures in both pension and health funds are welcome but seem insufficient to halt the depletion of liquid reserves over the medium term. The SZV balance is expected to fall back into deficit, estimated at -0.7 percent of GDP in 2025, as operating income normalizes and premiums decline mildly.

- **Pensions.** The pension funds' surplus is expected to stabilize at 1.0 percent of GDP in 2025 before declining gradually to around 0.6 percent of GDP in 2030 driven by worsening demographics.
- **Health.** Healthcare deficits would remain broadly stable at around 1 percent of GDP over the medium term, as demographic effects are offset by cost containments, mainly from reducing medical referrals abroad, and higher contributions thanks to the general health insurance scheme (SAAHA), which is expected to become effective in 2027. The scheme would broaden the contributor base by including self-employed and undocumented workers. Over the longer term, these savings would be more than consumed by rising medical costs and life expectancy. In addition, operational costs of currently constructed facilities, including the hospital and the mental health facility, would likely exert upward pressures on expenditures upon completion.

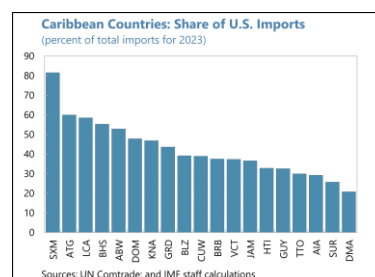
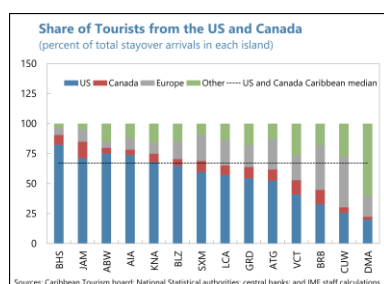
Staff estimates that liquid reserves would be depleted by 2029 absent additional reforms. Clearing the current backlog of arrears owed to the SZV by the government could free up 2-3 more years. Over the longer term, the SZV would need government subsidies estimated at 1-1½ percent of GDP annually to cover deficits.

Box 2. Channels for US Tariffs' Impact on Growth and Inflation in Sint Maarten

Sint Maarten is significantly exposed to imports from the US as well as services exports to the US, making the island vulnerable to lower growth and higher expected inflation in the US. Goods exports to the US are small, constituting around 5.5 percent of GDP.

Growth. With almost two-thirds of tourists coming from US and Canada, Sint Maarten's exposure is significant, yet comparable to the median exposure to North American tourists among Caribbean countries. In an adverse scenario, US and Euro area growth would fall by 1.5 and 1 percentage points respectively in 2025 and by 2.2 and 1.7 percentage points in 2026, relative to the reference scenario (WEO Box 1.1 Scenario A). Sint Maarten's growth rate would then decline by 0.6 percentage point in 2025 and by 1.6 percentage points in 2026.

Inflation. Acknowledging high uncertainty around inflationary developments, staff analyzes the hypothetical scenario of a 1 percentage point increase in US inflation. According to UN Comtrade data, 80 percent of Sint Maarten's imports are from the US, the highest among all Caribbean states. Staff estimates an increase in domestic goods inflation of 0.7 percentage point under this scenario.



42. Risks to the outlook are tilted to the downside (Annex X). External downside risks include trade policy and investment shocks, which could in turn induce higher inflation and reduced competitiveness of Sint Maarten. Increased trade protectionism worldwide could also lead to a higher-than-expected growth slowdown in the major economies and adversely impact tourism arrivals and receipts especially from North America (Box 2). Additionally, deepening geopolitical fragmentation would lead to inefficient supply chain arrangements and higher prices of traded goods. Given Sint Maarten's exposure to the US market via tourism and import linkages, concerted efforts are needed to foster regional integration and diversify trade routes, including towards Europe via neighboring Saint Martin. On the upside, global growth acceleration from AI, along with lower-than-expected international oil prices, could increase source market growth and boost external demand for tourism. As part of domestic downside risks, lower-than-expected execution of investment along with extreme climate events could pose severe risks for the island's infrastructure. Failure to resolve the looming waste management crisis could lead to environmental risks and affect tourism. Upside domestic risks include a faster-than-expected clearance of the permits backlog that would unleash construction of real estate developments, and stronger-than-expected expansion of flights outside the new airport's core hours. Buffers include access to favorable refinancing conditions on the Dutch capital market, subject to compliance with the fiscal rule, which grants the island substantial fiscal space, notably for capital and emergency spending.

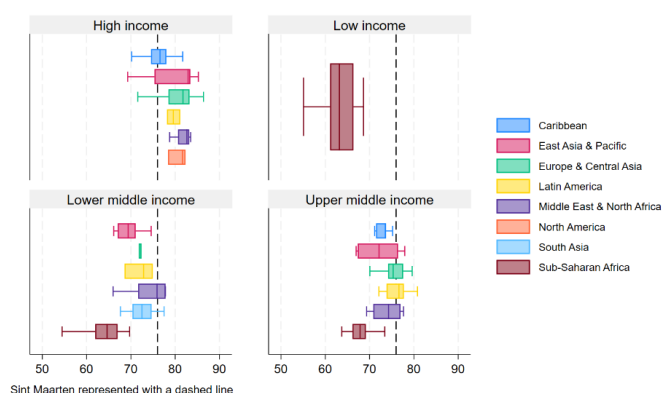
Authorities' Views

43. The authorities broadly concurred with staff's assessment of the economic outlook and risks. They viewed the growth momentum as positive, driven by strong tourism, but took a more cautious outlook on the impact of tariffs. They emphasized, however, that so far there has not been any indication of a global slowdown affecting tourism in Sint Maarten. They also agreed that inflation would moderate despite the US tariffs. The authorities reaffirmed their commitment to the fiscal rule and broadly concurred with the fiscal outlook for the central government, albeit accounting differences, notably with respect to loans by the Netherlands and the related executions, make comparability somewhat more difficult. They remained more optimistic in the execution of investments and in containing health costs over the medium term. They agreed with staff's assessment of the overall balance of risks, acknowledging that global uncertainty tilts risks to the downside.

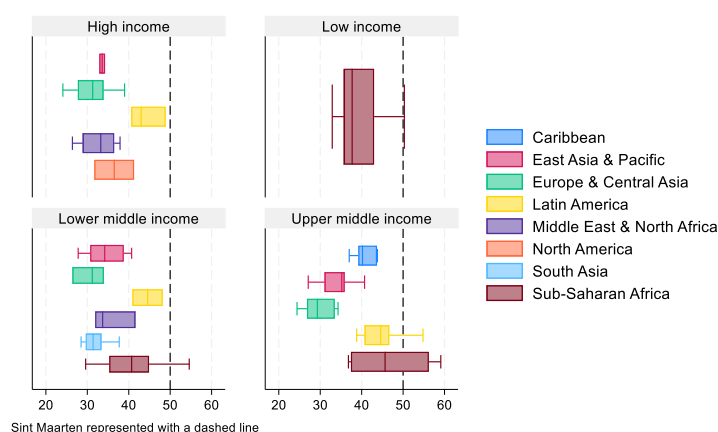
D. Fiscal and Structural Policies for Growth and Social Development

44. Despite the island's high income per capita, Sint Maarten is lagging its high-income peers in terms of social development indicators. Sint Maarten's income level, geographical location, European influence, and small state capacity raise questions of what set of countries is most comparable (Annex VII). Moreover, GDP per capita has long been considered insufficient to comprehensively capture socio-economic development. Sint Maarten has much higher inequality, lower life expectancy, and higher adolescent fertility relative to European countries with comparable income levels. Instead, Sint Maarten is more comparable to high-income peers in Latin America and the Caribbean, and to European and Central Asian countries with lower income per capita. Considering important constraints common across small islands, policies should be targeted at reducing inequality and recalibrating public health investments.

Life Expectancy in Sint Maarten Compared to Other Countries



Gini Inequality in Sint Maarten Compared to Other Countries



Sources: World Development Indicators, STAT, and IMF staff calculations.

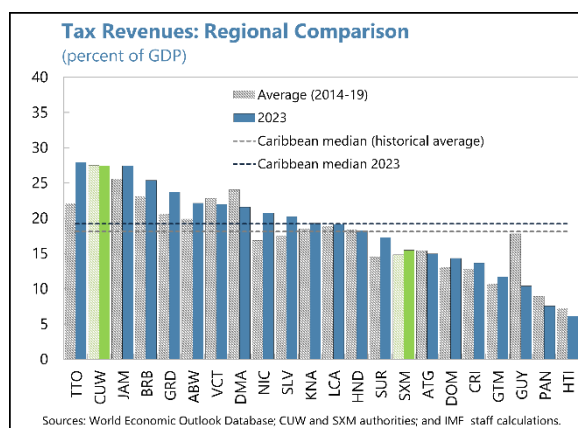
Note: Boxplots represent interquartile range and maximum and minimum values for each income group and region, excluding outliers.

45. The introduction of the SAAHA is welcome but deeper reforms to ensure the sustainability of health insurance schemes are urgently needed. Recent steps towards stabilizing health deficits were successful but additional reforms that put health insurance on a sustainable footing are key to mitigating fiscal risks going forward. Over the past decade, SZV's healthcare funds featured mounting deficits that consumed half of the SZV's reserves (about 10 percent of GDP), in addition to being cross-financed by pension fund surpluses. The authorities' reform plans to rebalance the funds and introduce a general health insurance scheme are welcome and should be expedited, covering: (i) rationalizing benefits, extending generics, and putting greater emphasis on preventive care; (ii) increasing collection efforts and compliance, and clearing expense backlogs; (iii) strengthening controls over medical referrals abroad (as already started, with realized savings of about 0.2 percent of GDP); and (iv) exploring possible re-prioritization of treatments. A medium-term cost management plan for operational costs of the currently constructed hospital and mental health facility could build on lessons learnt from medical centers in peer countries.

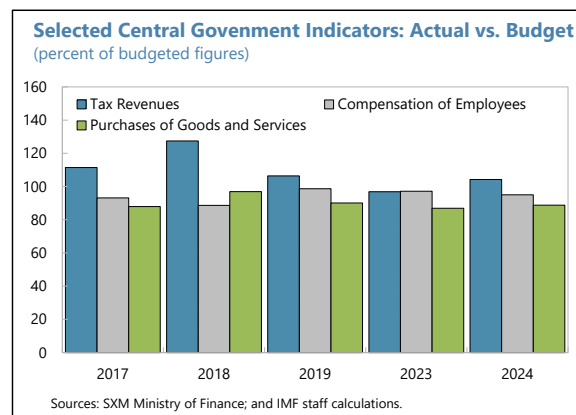
Securing Medium-term Fiscal Sustainability

46. Additional revenue measures would help create space for priority spending supporting Sint Maarten's social development goals. The planned tourism levy and dividend tax are welcome steps towards lifting the island's relatively low tax revenues. Considerations to introducing a bank transaction tax should be carefully weighed given the highly distortionary and regressive nature of such tax. Additional measures to improve revenue collection include:

- **Broadening the tax base** (2021 IMF TA), including through taxing casino's turnover and winnings, which are currently only subject to minor levies. Gambling winnings could be treated as taxable income of individuals, with a 12.5 percent withholding tax.
- **Enforcing taxes on short-term villa rentals.** The revenue potential from short-term rentals is sizable, earning around 5.5 percent of GDP in rental income per year, the second highest in the Caribbean.¹² The draft law obliging online platforms to withhold the room tax or share information with the tax authority is an important milestone.
- **Improving tax administration,** including digitalizing systems and expediting the introduction of new software by the tax authority, could boost compliance in terms of tax filings and significantly raise collections.



47. Strengthening medium-term planning and budgeting would help detect fiscal risks and facilitate knowledge transfer from the TF. Efforts to introduce medium-term forecasts in the 2023 and 2024 budgets are welcome and should be continued in the current drafting of the 2026 budget. However, similar to 2024 the 2025 budget faced severe delays, affecting spending execution. Strengthening public financial management would include (i) preparing a medium-term expenditure framework; (ii) identifying, quantifying and publishing an annual Statement of Contingent Liabilities; (iii) making public wage structures more flexible and competitive to better attract high-skilled talent; and (iv) sensitizing the Council of Ministers on adequate budgeting practices (2023 IMF TA). Capacity constraints are particularly salient regarding planning and execution of investments, possibly impacting potential growth over the medium term. In the coming years, it will be essential to leverage TF expertise before its departure to create a centralized planning unit which could build up and coordinate



¹² 2024 Article IV.

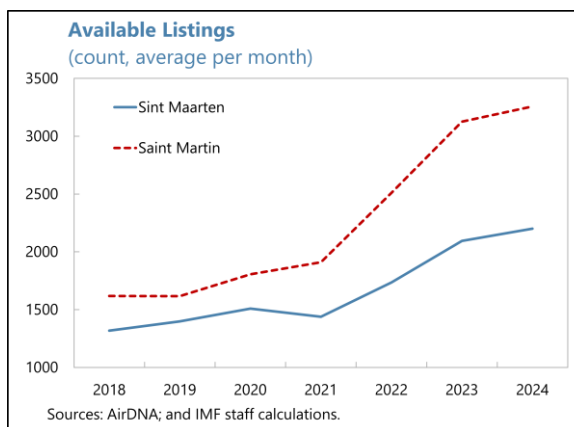
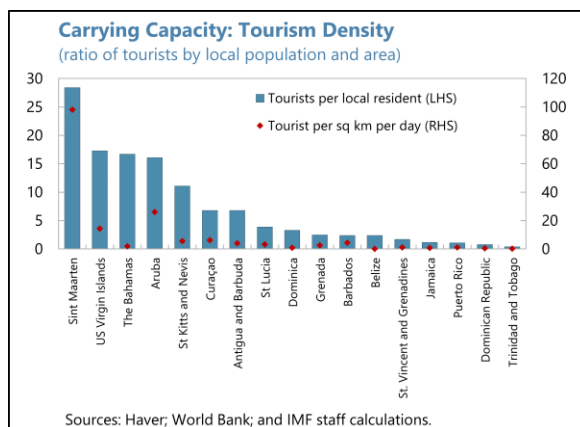
an investment project pipeline and promote execution, while considering outsourcing selected activities to private sector business partners.

Authorities' Views

48. The authorities agreed with the need to continue health reforms and raise additional revenues to further pursue priorities for social development. They acknowledged the unsustainable deficits in healthcare funds and highlighted the success of recent measures, notably changes to medical referrals abroad. They remained optimistic about implementing the SAAHA in the near term and keeping costs of the new medical facilities in check. They specified the tourist levy and dividend tax as new sources of revenue that could initially be used to reduce arrears owed to the SZV, improving the latter's reserve buffers. They intend to rethink how to broaden the tax base, including via digitalizing the tax system, improving compliance, and taxing casinos' turnovers and winnings. The authorities noted staff's position on the introduction of a bank transaction tax that, while appealing in the short term, is regressive in nature and could hamper Sint Maarten's social development goals. They highlighted several initiatives to improve tax compliance, including proposed amendments in the tax code regarding short-term rentals, a shift towards modularizing the tax authority's software purchase to expedite the process, and the establishment of a gaming control board to better monitor the sector. The authorities signaled their intention to work with the TF and the World Bank to ensure retaining the knowledge with respect to investment execution while improving capacity of central government employees and line ministries to continue steering high-impact investments post-2028.

Boosting Potential Growth

49. To continue leading the Caribbean stayover market, Sint Maarten needs to expand high value-added tourism services and invest in ailing infrastructure. Following the successful inauguration of the airport, recently added flight capacity is bound to further strengthen the island's performance in the stayover market and expand Sint Maarten's position as a regional hub. However, corresponding enhancements in road, waste, and electricity infrastructure are needed to absorb tourism inflows. For instance, the number of listings for short-term rentals on the Dutch side has been

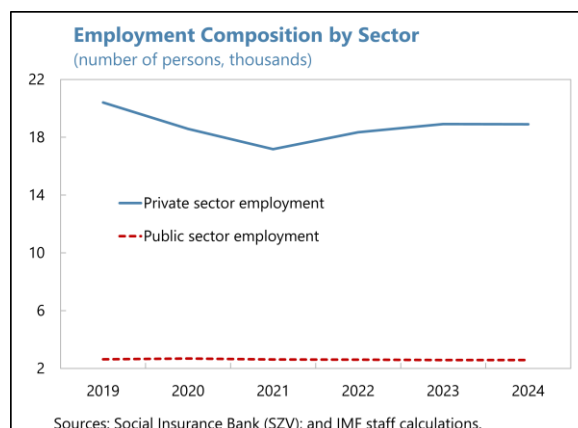
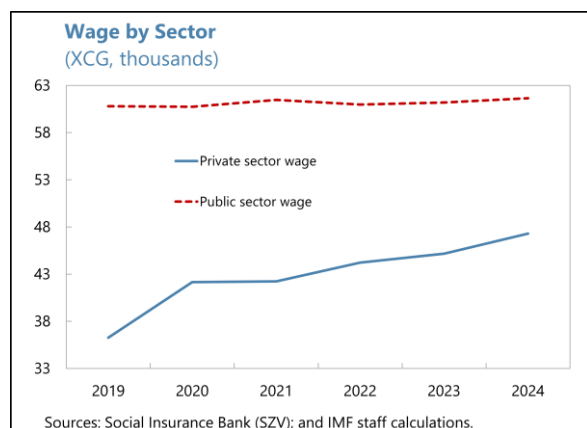


increasingly lagging Saint Martin, the French side of the island.¹³ These developments could be reflective of lagging competitiveness, in terms of regulation and/or connectivity. Moreover, as tourism density is among the highest in the Caribbean, carrying capacity constraints could become binding in the near term, highlighting the need to shift strategies from increasing quantity towards increasing value added to boost growth. This includes, for instance, facilitating market entry and access to credit for businesses that offer services to improve tourist experiences, as well as higher-end construction of new and upgrades of existing hotels.

50. Modernizing the building permit process is essential to accelerate construction activity, unlock investment, and support long-term growth.

Activity has increasingly been affected by delays in construction, resulting from bottlenecks in the issuance of building permits. Partly reflecting staffing constraints, these administrative hurdles contributed to project slowdowns, limited the absorption of labor, and weakened the transmission of investment into economic growth. Reforms are essential to streamline and modernize the permitting process, including (i) establishing clear service standards and time-bound approval processes; (ii) introducing a fast-track mechanism for priority projects; and (iii) leveraging technology and outsourcing. For example, automated measurement tools can reduce manual inspections, while third-party reviews of technical plans can ease administrative capacity constraints and speed up approvals. These reforms would not only strengthen Sint Maarten's capacity to absorb investment but also enhance its attractiveness to FDI.

51. Securing energy supply requires continued reforms in the electricity sector under a holistic approach (Annex VI). Since 2017, Sint Maarten has faced severe consecutive shocks that imperiled the electricity sector. Efforts from both the government and the electricity company (GEBE) have stabilized the situation but reforms are needed to (i) increase electricity supply in line with demand; (ii) empower the national regulator, the *Bureau Telecommunicatie & Post* (BTP), to become an independent regulatory authority for electricity tariffs; (iii) gradually transition towards renewable energy; and (iv) strengthen GEBE's governance. These objectives could be achieved by rethinking terms and conditions of GEBE's concession, including allowing for feed-in tariffs to stimulate decentralized solar production and promote competition.



¹³ The number of listings on the French side was about 1.5 times the number on the Dutch side in 2024, based on AirDNA data. In line with the Guidance Note and Supplement for Third Party Indicators, staff acknowledge that the results depend on the accuracy and comprehensiveness of the AirDNA database.

52. Policies should continue prioritizing private sector job creation, expanding formal labor supply, and investing in skills development to enhance productivity. Between 2019 and 2024, Sint Maarten's average wage per capita rose by 25 percent, mainly driven by the private sector, while the 14 percent decline in employment during the pandemic was only partially reversed. Several factors help explain these observations. SZV data suggest that the construction sector employed 6 percent of total employees on the island in 2023 - despite large TF projects and private real estate construction, suggesting a significant expansion in the informal sector. At the same time, labor (and skill) shortages have been reported. To mitigate structural labor shortages, the government can shift toward a higher contribution of capital, such as through infrastructure upgrades and digitalization, and enhance service delivery without placing further pressure on a limited labor pool. To improve formal employment growth and alleviate wage pressures, consideration could be given to expedite issuances of work and residency permits for foreign labor. Given that nearly 90 percent of the workforce is employed in the private sector, further boosting productivity in this segment will be critical for broad-based formal labor market recovery. Targeted investments in workforce skills and training, particularly in high-growth and service-oriented industries, could help sustain wage growth and support formal job creation.

Authorities' Views

53. The authorities are working towards increasing tourism value added and promoting the business environment to boost growth. They reaffirmed their intention to develop high value-added tourism and invest in infrastructure, acknowledging the high tourism density on the island and limited carrying capacity. They presented concrete plans to enhance marketing efforts and better target priority tourism source markets, which would help diversify the tourism base and make the island more resilient against external demand shocks. The authorities noted that they are working towards modernizing the permitting process via digitalization. They recognized the need to deepen energy sector reforms and signaled further steps to expedite the purchase of generators and address accountability, as staffing at GEBE is being finalized. They concurred with staff on the need to boost productivity and expand formal private sector employment by investing in skills development, especially in high-growth and service-oriented industries. They acknowledged that, under the current public wage structure, understaffing remains a major source of capacity constraints translating into higher regulatory burden for businesses.

Developing Capacity and Improving the Data Framework

54. Data adequacy and availability have some shortcomings that somewhat hamper surveillance and remain a challenge (Annex XIII). Annual GDP is published with long delays, and the level of GDP is unreliable given low survey response rates. GDP by expenditure is not produced and price statistics are only published on a quarterly basis, with a need to revamp imputation methods. BOP statistics continue to improve supported by recent TA. Fiscal data, not compiled according to GFSM format, are published on a quarterly basis with substantial delays, but available upon request in monthly format. Monetary statistics are broadly adequate for surveillance but the CBCS should resume submission of standardized report forms paused since January 2024. Financial soundness indicators have improved relative to last year particularly on the timeliness for the banking system, but coverage and granularity remain a challenge. The CBCS's newly published

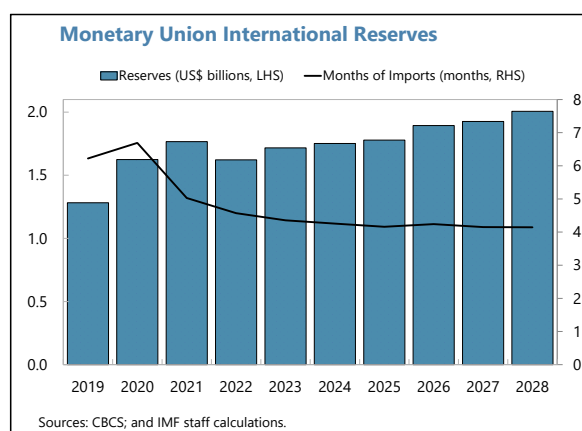
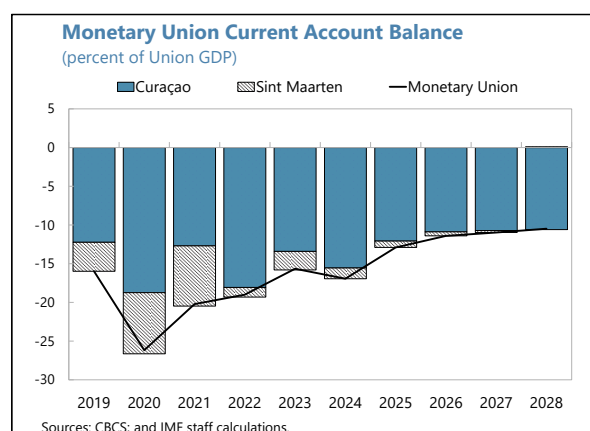
house price index is a strong addition to the surveillance toolkit. Sint Maarten should urgently address the national accounts survey response shortfall (currently below 30 percent) and improve the quality of tourism statistics, given the sector's outsized contribution to GDP.

Authorities' Views

55. Acknowledging the need to improve data adequacy on the island, the authorities viewed significant capacity constraints and staffing challenges as main obstacles. They confirmed that 2023 national accounts data would be published following the completion of a CARTAC TA in 2025, and the labor survey would resume thanks to ramped-up hiring with the aim of reaching 75 percent of minimum staffing capacity by end-2025 compared to about one-third as of June 2025. They are also working with the Netherlands Statistics Office on rebasing CPI, with a plan to introduce a new base year in 2026. The authorities flagged that tourist arrival statistics likely face a structural break in 2024 given the new airport's immigration systems' wider scope of registration, which improves the validity and granularity going forward. The authorities highly welcomed staff's nowcasting exercise to grasp economic activity via traditional and non-traditional high-frequency indicators. They reiterated their need to boost staffing but face both resource constraints as well as skilled labor shortages.

THE MONETARY UNION OF CURAÇAO AND SINT MAARTEN

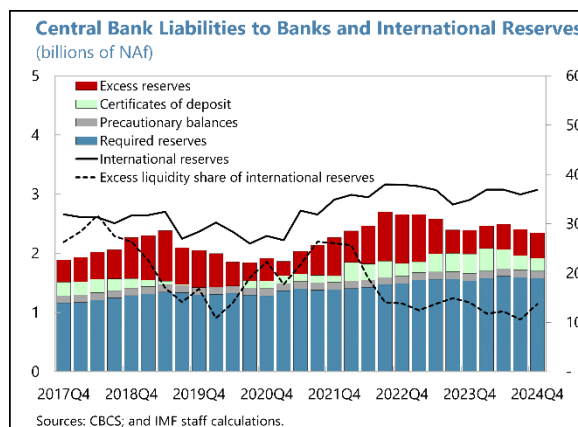
56. The Union's CAD improved mildly in 2024 but remains elevated. While the CAD narrowed significantly in Sint Maarten, this reduction was not enough to offset the widening CAD in Curaçao. As a result, the CAD of the Union widened, from -15.8 percent of Union GDP in 2023 to -16.9 percent in 2024. The strong growth in tourism receipts on both islands was offset by merchandise imports in Curaçao, mostly driven by construction. Against this backdrop and a sustained real effective exchange rate appreciation, staff assesses the Union's external position in 2024 as weaker than the level implied by medium-term fundamentals and desirable policies (Annex II). Going forward, the CAD is expected to narrow given sustained tourism receipts in both islands, some moderation in construction-related imports and fuels in Curaçao as well as favorable oil price developments, albeit subject to heightened uncertainty. To further improve the CAD, stimulation of private saving, in particular in view of declining welfare generosity and population aging, and



promoting exports beyond tourism should be considered. The Union's CAD would continue to be primarily financed by private investment inflows and decumulation of assets abroad. Reserves are expected to remain broadly stable, at about four months of imports in the medium term, and adequate according to key ARA metrics (Annex I). The NIIP is projected to turn negative in 2025 and would then weigh negatively on the CAD given the need to pay higher net investment income abroad.

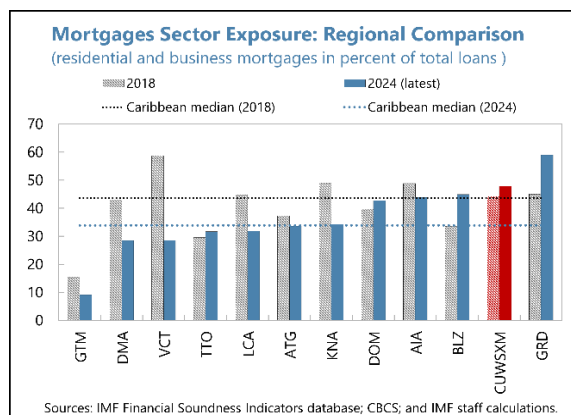
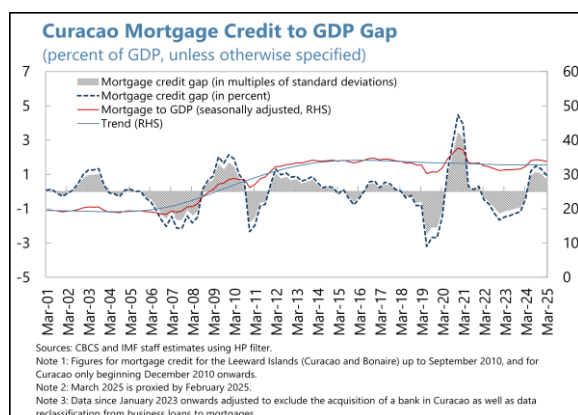
57. The monetary policy stance is appropriate and supports the peg, while transmission continues to face structural challenges, foremost persistent excess liquidity.

Following developments in the US, the CBCS cut its benchmark pledging rate by a cumulative 100 basis points in September and November 2024 to 4.75 percent, and has kept it unchanged since then, in line with the pegged exchange rate regime. In parallel, the bank lowered the minimum reserve requirement by 50 basis points effective December



2024 to 18.5 percent, for the first time since February 2020, leading to a slight and temporary rebound in excess liquidity. Broad money growth increased to 3.4 percent yoy in December 2024, compared to 2.5 percent a year earlier, driven mostly by net foreign assets of the banking system, while deposits increased as a result of a pickup in local currency deposits by households in Curaçao. Irrespective of the past tightening – and the recent easing – cycles, transmission to bank interest rates continues to be weak, as deposit rates stayed broadly constant, and Union lending rates declined between 2018 and end-2024. This trend was mainly due to mortgage rates in Curaçao (one-third of total union credit), possibly driven by increased competition from institutional investors. Excess liquidity is the key impediment to transmission given banks' reluctance (lack of need) to borrow from the CBCS, further exacerbated by the absence of interbank and government securities markets.

58. With lending rates declining, credit growth is accelerating, driven by mortgages in Curaçao. Mortgage credit in the union, among the highest in the Caribbean, has been growing rapidly post pandemic, while real overall credit growth has been negative. Entirely driven by Curaçao, where mortgage growth has steepened to 9.3 percent in real terms yoy in 2024, mortgages are expected to remain on an upward trajectory. Government plans to strengthen local home ownership via guarantees and long-term leases could further accelerate mortgage growth. Against this backdrop, staff assesses the mortgage credit gap to be 0.4 standard deviation point above historical trend – while the overall credit gap remains negative. In Sint Maarten, on the contrary, mortgage growth turned negative in 2024, including due to a one-off repatriation of loans from a subsidiary to an offshore parent, and is expected to pick up as real estate developments continue and bank credit complements FDI as main source of financing. With the islands' financial sectors predominantly financing tourism-related activities, credit to non-tourism sectors is declining in real terms.



59. The banking sector is broadly sound and systemic risks are contained. Banks, on average, are well capitalized, among the highest in the region, and adequacy ratios are at historical highs. Asset quality improved significantly but both NPLs and provisioning remain weaker than the CBCS early warning signal, while liquidity is abundant and has further increased. Profitability is solid and has improved since the pandemic, albeit lower net interest margins, following the sustained decline in (mortgage) lending rates, and high non-interest expenses position the Union's banks as somewhat less profitable than the Caribbean median. Concentration is high, with one large and highly liquid bank dominating the market. Recent CBCS stress tests revealed potential vulnerabilities in smaller institutions under severe economic scenarios.

60. Risks to financial stability have diminished substantially after the resolution of ENNIA but mortgage growth needs to be closely monitored to prevent the built-up of vulnerabilities. The agreement on a controlled wind-down of ENNIA, a systemic life insurer, and the start of the restructuring process in 2024 have substantially lowered near-term financial stability risks, in particular in the non-bank financial sector. The latter remains fully funded despite relatively low profitability. A domestic investment mandate (60/40 rule¹⁴) continues to prove binding and risks fueling excess liquidity and search for domestic investment opportunities, including in mortgages¹⁵. Closely monitoring mortgage growth to detect overheating in the real estate sector and possible vulnerabilities in household balance sheets should become a priority, in particular given continued data gaps.¹⁶

61. As the CBCS advances its reform agenda, priority could be given to the development of a macroprudential toolkit. The CBCS is advancing its reform agenda, including the successful implementation of a deposit insurance for Curaçao in July 2025. The introduction of the *Caribbean Guilder*, pegged at the same rate as the former *Antillean Guilder*, successfully took place on March 31 as scheduled. The CBCS also embarked on developing a macroprudential toolkit, starting with the introduction of a countercyclical capital buffer (CCyB) in 2026 – to better tune bank lending to business cycles and allow for differentiation across banks – followed by household-side metrics,

¹⁴ The 60/40 rule mandates a minimum of 60 percent of NBFIs' provisions and liabilities to be invested domestically.

¹⁵ Pension fund exposure to the mortgage sector has doubled but remains below the banking sector's exposure.

¹⁶ About 40 percent of mortgages have loan-to-value ratios above 70 percent in 2024, a slight decline relative to 2023, but more granular data on tail exposure are not available. The CBCS does not compile data on debt-service-to-income ratios.

including the loan-to-value ratio and debt-service-to-income ratio. Meanwhile, should the mortgage credit gap widen further, caps on mortgage growth or exposure could be applied. The CBCS could also consider analyzing regulatory settings to better support banks to achieve higher provisioning and lower operating costs, as well as to improve credit extension to non-tourism sectors given the still negative overall credit gap. Regarding the non-bank financial sector, the CBCS is currently drafting new investment guidelines for insurers and pension funds, as well as for reinsurers, and working towards risk-based capital supervision.

62. The anti-money laundering and combating the financing of terrorism (AML/CFT) frameworks of Curaçao and Sint Maarten need significant improvements. The islands' AML/CFT regimes underwent mutual evaluations by the Caribbean Financial Action Task Force (CFATF) in 2024. While Curaçao received a somewhat more positive evaluation than Sint Maarten, the CFATF found strategic deficiencies in the AML/CFT regimes of both countries, placing them into the CFATF's enhanced follow-up process. Staff encourages the authorities to swiftly address the shortcomings to increase the effectiveness of their AML/CFT frameworks, in particular those related AML/CFT supervision and preventive measures. As a priority, AML/CFT risk-based supervision by the CBCS, the Financial Intelligence Units (FIUs) for both countries, and Curaçao's CGA should be implemented for all obliged entities, including virtual asset service providers (VASPs) and high-risk Designated Non-Financial Businesses and Professions.¹⁷ The authorities should also prioritize the allocation of additional resources, including supervisory staff, to both FIUs' supervision departments. In addition, the implementation of AML/CFT preventive measures by high-risk entities such as casinos and VASPs should be strengthened and the beneficial ownership registers should be fully operationalized to maintain adequate, accurate, and up to date information on legal persons and arrangements.

Authorities' Views

63. The authorities agreed with staff's external sector assessment but emphasized that reserve coverage remains stable and the CAD continues to be well-financed. The authorities noted that, despite the external position in 2024 being assessed as weaker than the level implied by medium-term fundamentals and desirable policies, pressures on the exchange rate were largely absent and reserve coverage was stable. They welcomed staff's assessment that the monetary policy stance remains appropriate and continues to support the peg. The CBCS concurred that transmission to banking sector interest rates continues to be weak, with excess liquidity being the key impediment, possibly complemented by rising competition among smaller banks on attracting new deposits, and among banks and institutional investors on lending.

64. The CBCS emphasized that the financial sector is sound and that recent reform measures have further reduced risks. The CBCS reaffirmed that bank balance sheets are strong, thanks to increasing capitalization of banks over the past years (now the second highest in the Caribbean). They expressed openness to sharing median and percentile disaggregation of FSIs to further enhance surveillance given the sector's concentration. While acknowledging the need to

¹⁷ For Curaçao, the CGA should be developing its understanding of the high-risk online gaming sector, while Sint Maarten's FIU should begin to conduct onsite examinations of casinos.

closely monitor recent mortgage developments – highlighting their recently published house price index for Sint Maarten –, they saw no imminent signs of overheating of the real estate market given sound balance sheets. They stressed ongoing work on developing a macroprudential toolkit, with the introduction of a countercyclical capital buffer, and loan-to-value and debt-service-to-income ratio thresholds over the coming two years. The CBCS noted their advances on the supervision agenda, aiming to transition to Basel III Pillar 1 by the first half of 2026 and Pillar 2 by 2026/2027. They agreed with staff's assessment on the need to introduce risk-based capital requirements for the non-bank financial sector. The authorities acknowledged shortcomings in AML/CFT supervision and risk containment and are working towards improving beneficial ownership registries and preventive measures for high-risk entities, for instance, but stressed that limited capacity would require prioritizing reform steps.

STAFF APPRAISAL

A. Curaçao

65. Curaçao's economy continued its vigorous expansion in 2024 and the near-term outlook is strong but heightened global uncertainty tilts risks to the downside. Double-digit growth in stayover arrivals outpaced regional peers and, together with renewed public investments and mortgage-driven construction, lifted economic activity by 5 percent in 2024. Real wages rose for the first time in five years and fiscal surpluses increased further. However, job creation remained concentrated in informal and low-skilled sectors, while formal employment continued to decline. Growth is forecasted to moderate and reach its potential of 2 percent over the medium term as tourism nears its capacity and global demand eases, with inflation converging to around 2 percent in tandem. Curaçao's external position was weaker than the level implied by medium-term fundamentals and desirable policies. Key downside risks include weaker global demand or trade shocks, which could hit tourism and raise inflation, while faster progress in renewables could provide an upside scenario.

66. Safeguarding medium-term fiscal sustainability will require carefully weighing higher investment, social spending priorities, and equitable tax reform. The authorities' plans to introduce a revenue-neutral and equity-enhancing VAT and modernize and digitalize the tax administration are welcome. Expanding the tax base and better tap tourist spending will be critical to offset potential increases in pension spending. Continued improvements in public investment planning and execution will be necessary to ensure efficient use of fiscal space.

67. Healthcare reform is an urgent priority to restore financial sustainability and limit fiscal risks. Curaçao's health expenditures are high by both regional and OECD standards, and annual deficits in the healthcare fund and hospital remain unsustainable. Efficiency gains should be pursued through greater use of cost-effective generic pharmaceuticals, expanded primary and preventive care, and re-evaluation of laboratory tariffs. On the revenue side, broadening the contributor base, increasing co-payments for higher-income households, and exploring supplementary private insurance options are recommended.

68. A fiscally responsible pension adjustment to secure living standards for vulnerable households needs to be accompanied by a broadening of the contributor base. A reassessment

of benefit levels is commendable given a significant loss in purchasing power over the past decade. Indexing residents' pensions to inflation and providing a supplement for low-income pensioners should be funded by expanding contributor base via legalizing young migrant workers. The planned mandatory second-pillar occupational pensions would help diversify savings and reduce the current account deficit.

69. Labor market policies must address growing informality and skill mismatches to support inclusive growth. The decline in formal employment, particularly among prime-age men, highlights the need for stronger incentives for formal work, improved enforcement, and better targeting of social assistance. Investments in education infrastructure, vocational training, and streamlined labor permitting for high-skill workers are positive steps, as is the integration of migrants into the workforce. These initiatives should be complemented by employer-led training and measures to attract graduates back to Curaçao.

70. Fostering competitiveness and diversification is essential to maintain the growth momentum, particularly at the current juncture, and help lower the elevated CAD. Upgrading transportation and maritime infrastructure, expanding into new tourism segments (such as yachting), and tapping new source markets in South America will help sustain growth and reduce vulnerability to external shocks. Non-tourism sectors, such as data centers and renewable energy, offer promising avenues for diversification, provided electricity costs and grid capacity are addressed. Regional integration and trade diversification, especially with Latin American partners, will further bolster resilience.

71. Governance, anti-corruption and financial integrity reforms have advanced, strengthening Curaçao's institutional framework. The approval of the online gaming law, accession to the UN Convention Against Corruption, and removal from the EU grey list are important milestones. Continued implementation of UNCAC commitments, AML/CFT reforms and addressing shortcomings identified in the recent mutual evaluation will further enhance anti-corruption frameworks, financial integrity, and international cooperation.

B. Sint Maarten

72. Sint Maarten's economy has been thriving on tourism and reconstruction activity. Economic growth reached 3.3 percent in 2024, supported by robust tourism arrivals and the completion of major Trust Fund infrastructure projects, including the new airport. Despite a brief setback from the electricity crisis, tourism-related transportation and construction further supported activity. Inflation rose to 3.6 percent, mainly due to higher transportation costs and rental house prices, while formal employment stayed below pre-pandemic levels, indicating persistent informality in the labor market. Sint Maarten's external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies.

73. A pivot towards private and local government investment is needed to sustain growth beyond the Trust Fund's lifespan and brace against a global slowdown. With Trust Fund investments gradually unwinding, private real estate and government infrastructure investments need to step up. Major hotel developments - delayed due to a backlog in building permits - are expected to start, alongside the construction of new government facilities, and would underpin

robust growth in the near term, in addition to tourist arrivals. Activity is then expected to gradually converge to 2 percent over the medium term. However, uncertainty persists around the government's capacity to execute projects after the Trust Fund's closure and risks to the outlook are tilted to the downside. These further include global trade shocks that could weaken tourism and increase inflation, notably given Sint Maarten's elevated exposure to the North American market.

74. Improving social development requires fiscal space via further revenue

mobilization. Sint Maarten has relatively high inequality, lower life expectancy, and higher adolescent fertility rate than countries with comparable income levels. Shaping fiscal policies in an equitable manner should become an integral expenditure and tax policies. Mobilizing additional revenues to create space for priority spending includes the planned tourism levy and dividend tax, improving compliance for short-term rentals, taxing casino turnover and winnings, and continuing tax administration reforms. Considerations of a bank transaction tax should be weighed carefully due to its potentially regressive effects.

75. Healthcare reforms need to be expedited and deepened to achieve sustainability.

Healthcare funds in Sint Maarten are facing significant deficits, consuming half of the SZV reserves over the past decade. Reforms are underway but should be expedited to avoid further reserve depletion, including the introduction of general health insurance, rationalizing benefits, strengthening preventive care, and expanding coverage to self-employed and informal workers. A medium-term plan is needed to manage operational costs for the new hospital and mental health facility.

76. Knowledge transfer from the Trust Fund is essential and should be complemented by strengthened medium-term planning and budgeting.

Absorbing Trust Fund operations requires improving public financial management, a roadmap to a medium-term expenditure framework, as well as more flexible and competitive public wage structures to better attract high-skilled talent. Capacity constraints are particularly salient in planning and executing investments, possibly impacting potential growth over the medium term. In the coming years, it will be essential to leverage Trust Fund expertise before its departure to create a centralized planning unit which could build up and coordinate an investment project pipeline and promote execution, while considering outsourcing selected activities to private sector business partners.

77. Structural reforms to boost potential growth should focus on infrastructure, permitting processes, and skills development.

To sustain its position as a leading regional tourism destination, Sint Maarten must invest in road, waste, and electricity infrastructure, and shift from increasing tourist quantity to enhancing value added. Accelerating permitting processes and leveraging digitalization will unlock delayed hotel and real estate investments. Continued reforms in the electricity sector, including empowering the regulator, transitioning to renewables, and strengthening governance, including by extending UNCAC's application, are needed to ensure reliable supply and resilience. Labor market policies should prioritize private sector job creation, formalization, and targeted skills training.

C. The Monetary Union of Curaçao and Sint Maarten

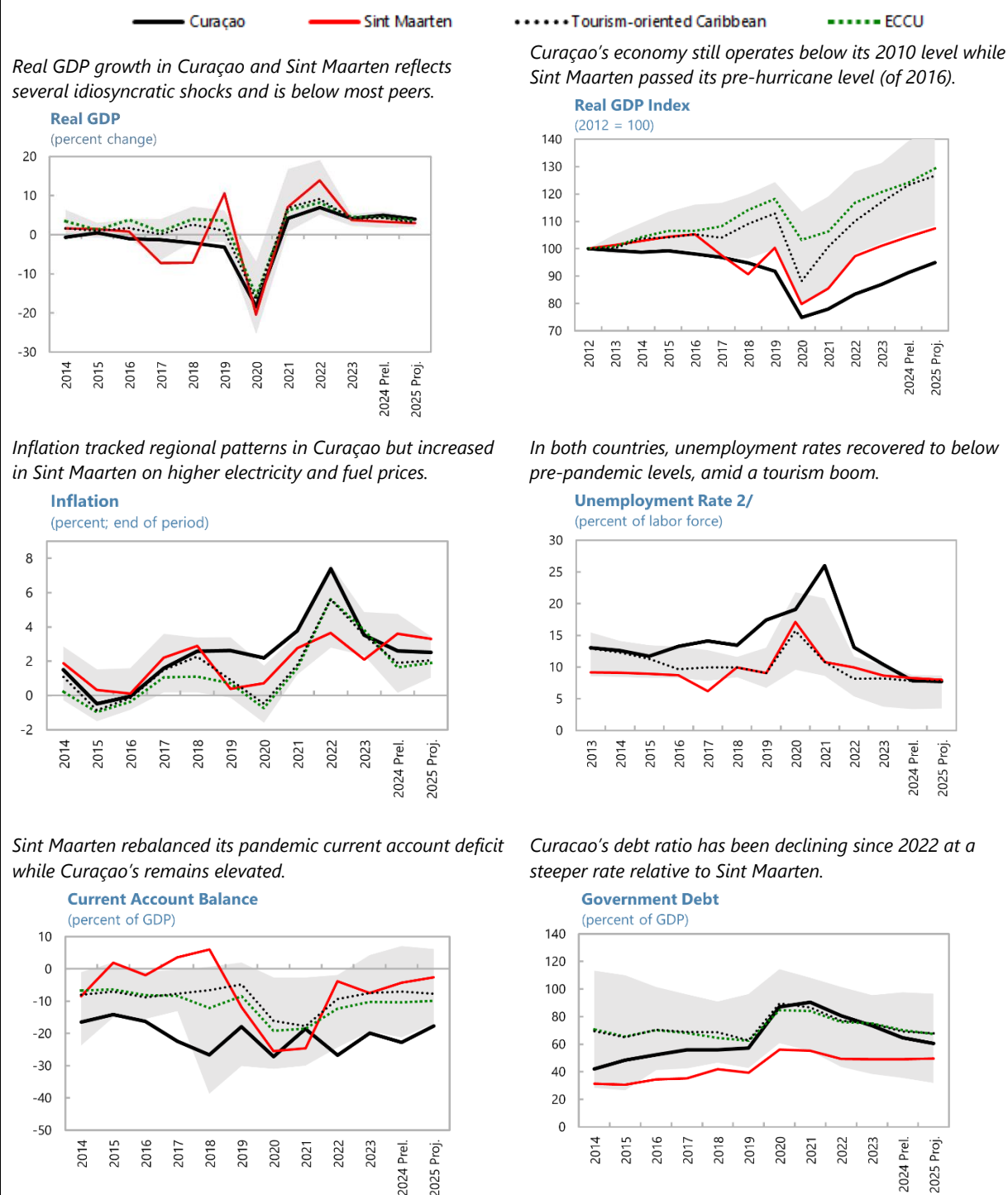
78. The current account deficit of the Monetary Union is expected to gradually improve but remains elevated, while reserve coverage remains adequate. After a widening in 2024 driven by construction-related imports in Curaçao, the current account deficit for the Union is expected to narrow toward 10 percent of GDP over the medium term, supported by strong tourism receipts and a moderation in import growth. The deficit would continue to be financed by private investment inflows and decumulation of assets held abroad, while international reserves are projected to remain stable and adequate. The Union's external position was weaker than the level implied by medium-term fundamentals and desirable policies. The assessment is subject to uncertainty given a significant measurement gap with respect to mirror data.

79. Monetary policy remains appropriately anchored on maintaining the currency peg. The CBCS has kept its benchmark rate unchanged since late 2024, following earlier cuts in line with US monetary policy. However, the transmission of monetary policy to bank lending and deposit rates remains weak, largely due to excess liquidity and the absence of active interbank and government securities markets. Lending rates have declined, and credit growth is now driven almost entirely by mortgages in Curaçao, with real overall credit growth being negative in the Union.

80. Financial sector risks are contained, but macroprudential surveillance needs to step up as mortgage lending accelerates. Banks are well-capitalized and highly liquid, though profitability falls somewhat behind the regional median and sector concentration remains elevated. Risks have further declined with the resolution of ENNIA and continued progress on the CBCS's reform agenda. However, the rapid growth in mortgage credit—especially in Curaçao—warrants close monitoring and closing of data gaps to identify potential vulnerabilities in household balance sheets and prevent overheating in the real estate sector. The CBCS is making progress in developing macroprudential tools, including countercyclical capital buffers and limits on loan-to-value and debt-service-to-income ratios, to safeguard stability.

81. The AML/CFT frameworks of Curaçao and Sint Maarten need significant improvements. Close cooperation and more effort are required from all stakeholders to swiftly address the shortcomings identified by CFATF's mutual evaluation and exit the CFATF's enhanced follow-up process. Given an extensive catalogue of measures, work on lower hanging fruits should be expedited in the coming months, including ongoing operationalization of beneficial ownership registers, together with both islands' chambers of commerce. To increase the effectiveness of both countries' AML/CFT frameworks, preventive measures need to be strengthened on the part of high-risk entities such as casinos.

82. It is envisaged that the next Article IV consultation discussions with respect to the Kingdom of the Netherlands—Curaçao and Sint Maarten will be held on a 24-month cycle.

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

Sources: IMF World Economic Outlook; IMF Information Notice System; and IMF staff calculations.

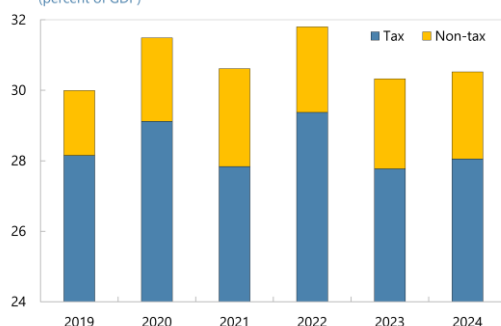
1/ Figure reports medians for 15 tourism-oriented Caribbean countries and the subgroup of countries in the Eastern Caribbean Currency Union (ECCU). 10th to 90th percentile range (light shading) are for all tourism-oriented Caribbean countries.

2/ Due to data availability, Caribbean-oriented comparators do not include ECCU countries.

Figure 2. Curaçao and Sint Maarten: Fiscal Developments

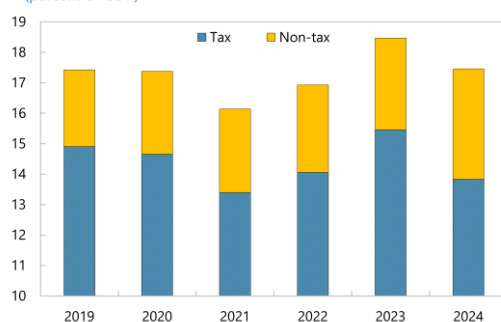
In 2024, revenue-to-GDP ratio increased in Curaçao supported by higher tax revenue on goods and services.

Curaçao: Central Government Revenue, 2019-2024
(percent of GDP)



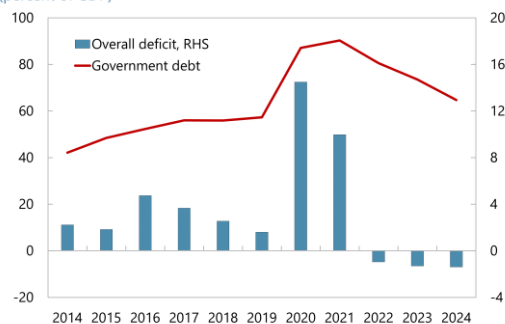
In Sint Maarten, revenue increased by ½ percent of GDP.

Sint Maarten: Central Government Revenue, 2019-2024
(percent of GDP)



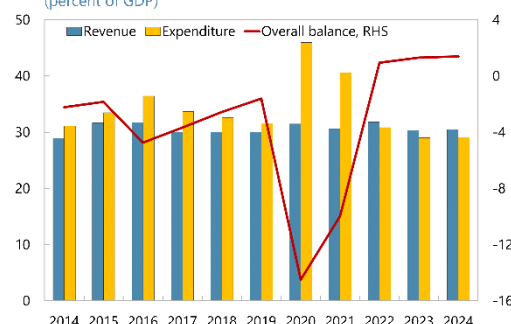
In Curaçao, GDP recovery and strong fiscal adjustment reduced government debt since 2022.

Curaçao: Government Debt and Overall Deficit, 2015-2024
(percent of GDP)



Compressed expenditure led to a third surplus in a row in

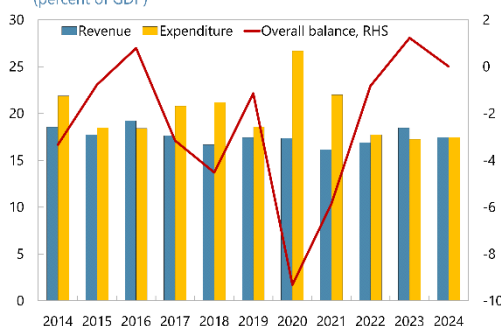
Curaçao: Fiscal Balance, 2015-2024
(percent of GDP)



2024.

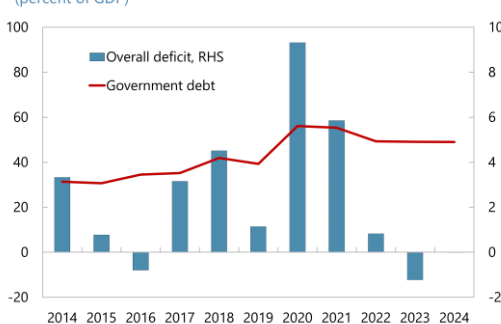
Good revenue performance and expenditure containment resulted in strong fiscal consolidation.

Sint Maarten: Fiscal Balance, 2015-2024
(percent of GDP)



In Sint Maarten, the public debt ratio has remained broadly stable.

Sint Maarten: Public Debt and Overall Deficit, 2015-2024
(percent of GDP)

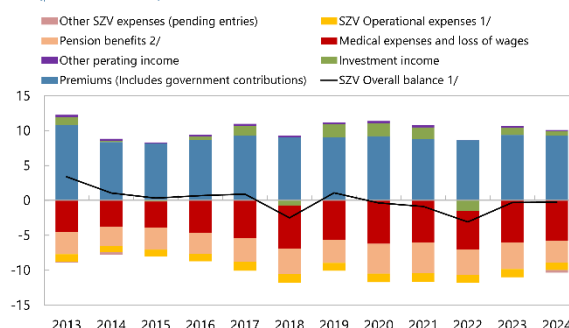


Sources: National authorities, and IMF staff estimates.

Figure 3. Sint Maarten: Social and Health Insurances' Financial Developments

SZV overall balances reached a small surplus of 0.1 percent of GDP in 2024, as pension benefits and healthcare medical expenses declined slightly.

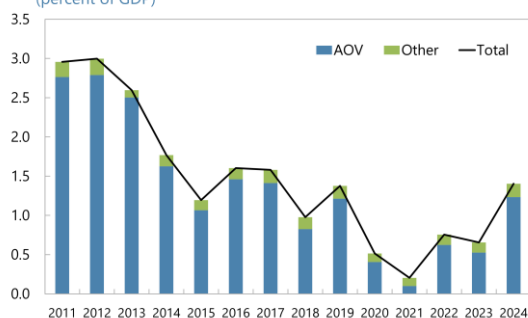
SZV Income Statement
(percent of GDP)



Sources: SZV audited annual reports 2013-2023, 2024 unaudited preliminary financial results and IMF staff estimates.
Notes: 1/ excludes depreciation and impairment costs. 2/ includes Cessantia (layoff insurance) benefits.

Pension Funds surplus increased in 2024 on lower pension expenses' (benefits) indexation and higher pension age.

Pension Funds and Cessantia Surpluses, 2011-2024
(percent of GDP)

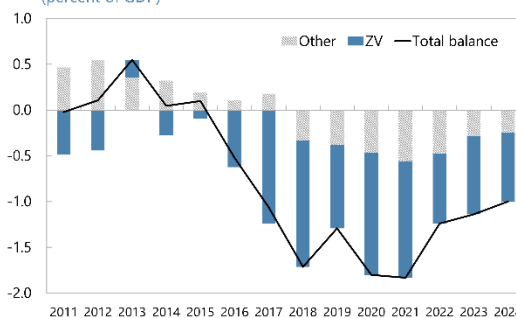


Sources: SZV; and IMF staff calculations.

Note: 2024 figures are unaudited and could be subject to revision.

Healthcare deficits narrowed in 2024 on lower medical expenses while premiums stabilized.

Overall Balance of Healthcare Funds, 2011-2024
(percent of GDP)

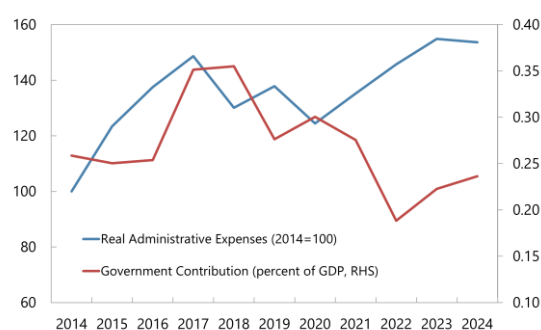


Sources: SZV; and IMF staff calculations.

Note: 2024 figures are unaudited and could be subject to revision.

Government contributions to SZV picked up in 2024 but remained low compared to pre-pandemic while SZV inflation-adjusted administrative expenses increased.

Administrative Costs and Government Transfer, 2014-2024

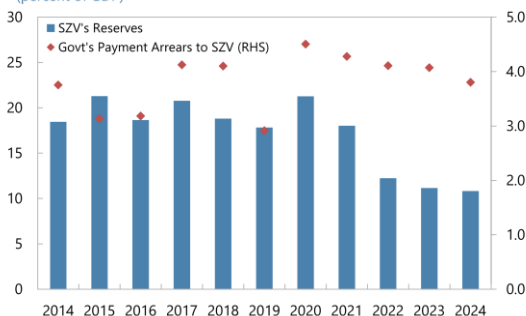


Sources: SZV; and IMF staff calculations.

Note: 2024 government contributions are staff estimates.

SZV reserves stabilized in 2024 compared to 2023 while arrears gradually declined.

Total Reserves and Government Arrears to the SZV, 2014-2024
(percent of GDP)



Sources: SZV; and IMF staff calculations.

Note: 2024 figures are unaudited and could be subject to revision. Government payment arrears are as of 2024 Q3.

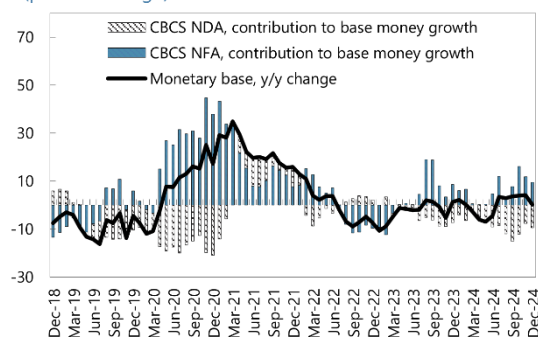
Sources: SZV audited annual reports 2013-2023, 2024 unaudited preliminary financial results, and IMF staff estimates.
1/ excludes depreciation and impairment costs. 2/ includes Cessantia (layoff insurance) benefits.

Pension Funds and Cessantia surplus and healthcare fund deficit charts include depreciation and impairment.

Figure 4. Curaçao and Sint Maarten: Monetary Developments, 2018–2024

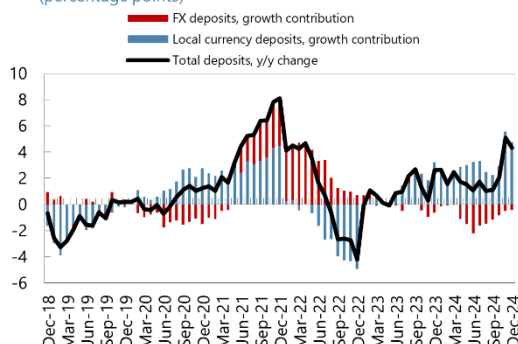
The monetary base has been broadly stable since 2023.

Monetary Base and Components
(percent change)



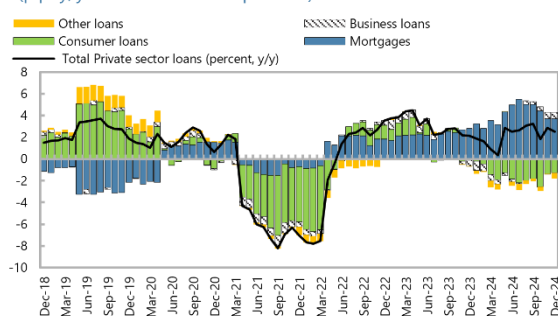
Total bank deposits have increased markedly since mid-2024 due to rising local currency deposits.

Bank Deposits
(percentage points)



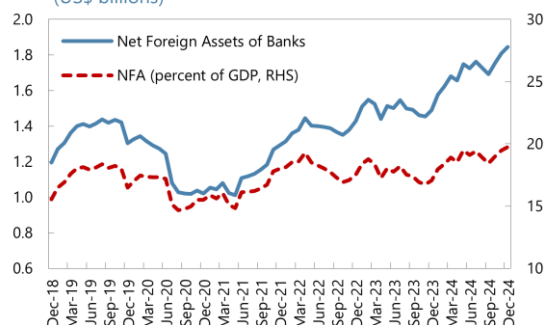
Mortgage growth has been mainly concentrated in Curaçao.

Contribution to Growth of Curaçao Private sector loans /1
(p.p. y/y unless otherwise specified)



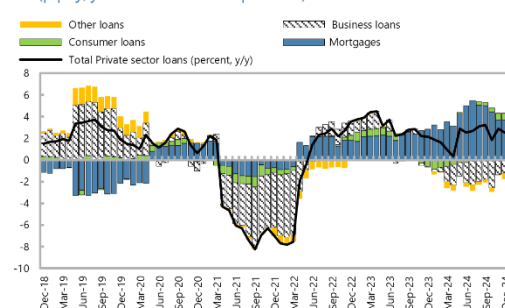
NFAs as a share of GDP hovered at 18 percent since 2022.

Banks NFA and Exposure to FX
(US\$ billions)



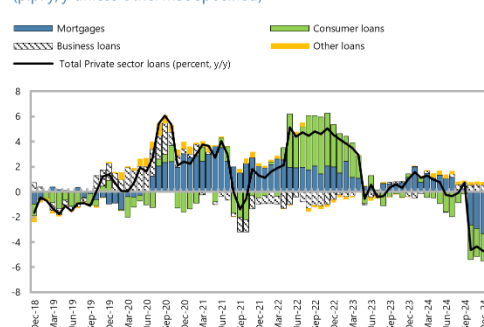
Monetary Union private sector credit growth has been robust, but entirely driven by mortgages.

Contribution to Growth Mon. Union Private sector loans /1
(p.p. y/y unless otherwise specified)



Whereas private sector credit in Sint Maarten has been contracting since mid-2024.

Contribution to Growth of Sint Maarten Private sector loans
(p.p. y/y unless otherwise specified)



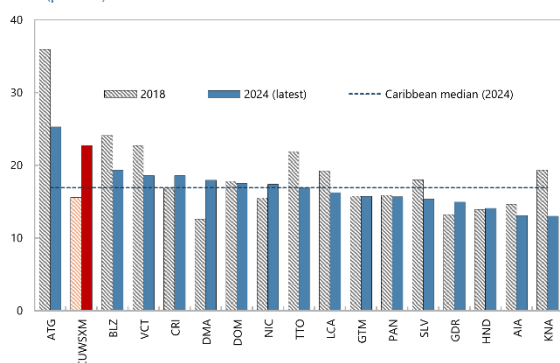
Sources: CBCS, and IMF staff estimates.

1/ The decline in credit in 2021 is due to the resolution of Girobank. Figures for mortgage, business, consumer and total loans were adjusted in 2023 and 2024 to reflect a recent bank acquisition as well as loans reclassification.

Figure 5. Curaçao and Sint Maarten: Financial Soundness Regional Comparison 1/

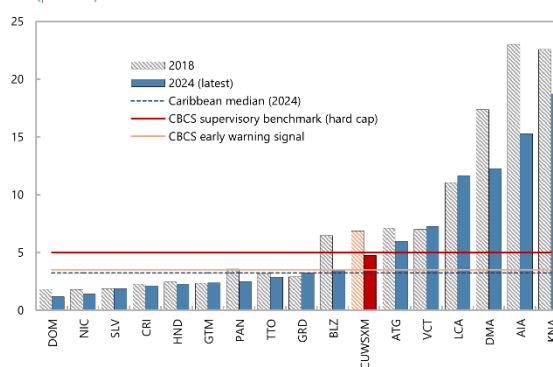
Banks are well capitalized relative to peers.

Regulatory Capital to Risk Weighted Assets (percent)



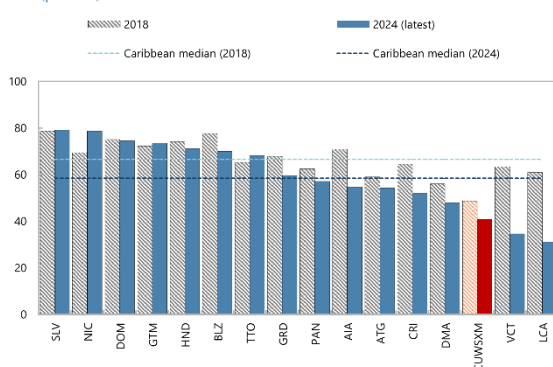
Non-performing loans have dropped since 2018 but remain above the Caribbean average.

Non Performing Loans to Gross Loans (percent)



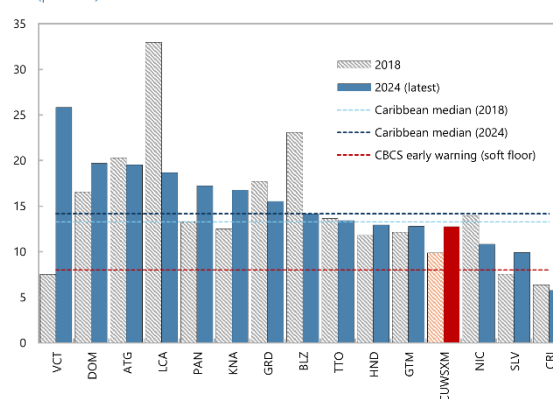
Net interest margins are lower than peers driven by lower mortgage lending rates.

Net Interest Margin to Gross Income (percent)



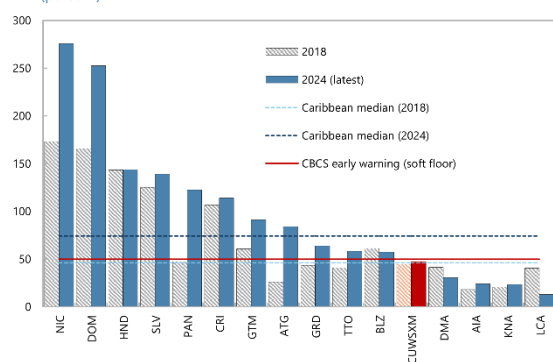
This has impacted profitability relative to peers.

Return on Equity (percent)



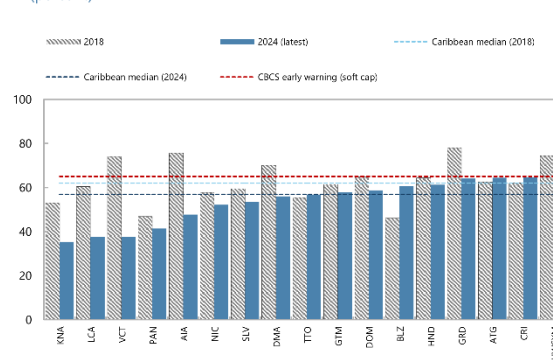
Provisioning remains relatively low.

Provisions to Non Performing Loans (percent)



The high cost structure relative to peers is further impacting profitability negatively.

Non Interest Expense to Gross Income (percent)



Sources: CBCS, and IMF Financial Soundness Database and staff calculations.

1/ 2024 latest refers to the average of the available quarters which could be different for each country.

Table 1. Curaçao: Selected Economic and Financial Indicators, 2021–30

Area	444 (km2)	Population, thousand (2024, mid-year)				155.8				
Percent of population below age 15 (2023)	14.1	Adult literacy rate, in percent (2016)				94.0				
Percent of population aged 65+ (2023)	24.8	Life expectancy at birth, male (2024)				72.7				
Infant mortality, over 1,000 live births (2023)	11.6	Life expectancy at birth, female (2024)				81.0				
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Prel.	Prel.	Prel.	Prel.	Proj.					
Real Economy	(Percent change, unless otherwise noted)									
Real GDP	4.2	6.9	4.2	5.0	4.0	2.5	2.2	2.0	2.0	2.0
CPI (12-month average)	3.8	7.4	3.5	2.6	2.5	2.3	2.1	2.1	2.1	2.1
CPI (end of period)	4.8	8.4	3.1	-0.3	2.5	2.3	2.1	2.1	2.1	2.1
Unemployment rate (percent) /1	26.0	13.1	10.4	7.8	7.7	7.6	7.5	7.4	7.3	7.3
	(Percent of GDP)									
Central Government Finances										
Net operating (current) balance	-10.6	0.7	0.6	1.4	1.1	0.5	0.5	0.5	0.5	0.5
Primary balance	-8.8	2.0	2.5	3.0	1.5	1.4	1.0	0.9	0.9	0.8
Overall balance	-10.0	1.0	1.3	1.4	0.1	0.1	-0.3	-0.3	-0.3	-0.4
Central government debt 2/	90.3	80.5	73.5	64.7	60.5	57.6	55.3	53.1	51.1	49.2
General Government Finances 3/										
Overall balance	-10.4	0.3	1.6	2.1	1.0	1.3	0.9	0.7	0.6	0.5
	(Percent of GDP)									
Balance of Payments										
Current account	-18.6	-26.8	-20.0	-22.8	-17.7	-15.9	-15.7	-15.5	-15.4	-15.3
Goods trade balance	-41.6	-47.9	-38.7	-44.0	-42.8	-42.0	-42.2	-42.4	-42.7	-42.9
Exports of goods	12.5	18.0	17.1	13.8	13.5	13.4	13.4	13.4	13.4	13.4
Imports of goods	54.1	65.9	55.8	57.8	56.3	55.5	55.6	55.9	56.1	56.3
Service balance	21.7	20.5	18.6	22.2	25.6	26.8	27.3	27.8	28.1	28.4
Exports of services	37.2	48.6	47.1	53.2	56.3	57.6	58.2	58.9	59.4	59.9
Imports of services	15.6	28.1	28.5	31.0	30.7	30.8	30.9	31.1	31.3	31.5
External debt 4/	194.8	180.9	179.0	170.8	167.0	166.7	167.4	168.3	169.4	170.1
Memorandum Items										
Nominal GDP (millions of U.S. dollars)	2,740	3,075	3,281	3,561	3,798	3,982	4,158	4,333	4,514	4,702
Per capita GDP (U.S. dollars)	18,135	20,649	22,157	23,998	25,590	26,841	28,037	29,236	30,485	31,800
Credit to private sector (percent change)	-9.7	3.2	2.5	-1.4	...	...	...	...	...	...
of which mortgage loans	-4.4	4.8	8.5	9.1						
Fund Position	Curaçao is part of the Kingdom of the Netherlands and does not have a separate quota.									
Exchange Rate	The Caribbean Guilder is pegged to the U.S. dollar at XCG 1.79 = US\$1.									

Sources: The Curaçao authorities, UNDESA, UNESCO and IMF staff estimates and projections.

1/ 2023 unemployment rate is a staff estimate taking the average of the unemployment rate in the labor force surveys of 2022 and 2024.

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

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

4/ The latest available datapoint is as of 2018. Values for 2019–2024 are IMF staff estimates based on BOP flow data.

Table 2. Curaçao: Government Operations, 2021–30 1/
(Millions of XCG unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Budgetary Central Government										
Revenue	1,501	1,751	1,781	1,946	2,057	2,195	2,293	2,388	2,485	2,586
Tax	1,365	1,617	1,631	1,788	1,903	1,985	2,075	2,161	2,250	2,342
Taxes on income and profits	503	525	530	575	615	649	677	705	735	766
By individuals	399	389	402	441	472	499	520	542	565	589
By corporations	104	137	128	134	143	150	156	163	170	177
Taxes on property	51	114	85	77	82	86	90	94	97	102
Taxes on goods and services	629	750	774	870	928	943	983	1,023	1,064	1,107
Taxes on international trade and transactions	183	227	243	267	279	307	325	339	353	367
Grants	63	55	54	41	42	44	0	47	49	51
Other revenue	73	79	96	117	112	167	173	180	186	193
Expenditure	1,990	1,698	1,704	1,857	2,048	2,188	2,317	2,413	2,512	2,616
Expense (current expenditure)	2,020	1,712	1,745	1,856	1,979	2,162	2,257	2,351	2,447	2,548
Compensation of labor	586	577	562	616	651	682	712	743	773	806
Wages and salaries 2/	482	475	463	514	538	564	589	613	639	666
Social contributions	104	102	98	102	113	119	124	129	134	140
Goods and services	211	224	246	235	277	313	297	310	323	337
Consumption of fixed capital	76	71	76	75	81	83	86	90	94	98
Interest payments	68	67	69	103	96	96	96	96	97	97
Subsidies 3/	102	0	0	0	0	0	0	0	0	0
Transfers	566	602	615	631	669	774	841	881	920	960
o/w Ennia 4/	0	0	0	14	15	15	47	47	47	47
Social benefits	238	168	175	180	202	212	221	228	238	247
Other expense	174	4	3	17	3	3	3	3	3	3
Net acquisition of nonfinancial assets	-30	-14	-41	1	69	26	60	63	65	68
Net acquisition of nonfinancial assets (capital)	45	57	35	76	150	111	149	155	162	168
Net Operating (current) Balance	-519	39	36	90	78	33	36	37	38	38
Overall Balance	-489	53	77	89	9	7	-24	-26	-27	-30
Primary Balance	-430	110	146	192	105	103	72	71	70	67
Financing, Net	-372	73	-47	158	9	7	-24	-26	-27	-30
Net acquisition of financial assets 5/	105	32	-164	-32	-2	19	-1	-1	-1	-1
Net incurrence of liabilities	477	-42	-117	-190	-11	12	22	24	26	29
Loans	406	-57	-61	-40	-13	-9	2	4	5	8
Borrowing	415	911	911	20	142	46	59	63	66	441
Amortization	8	968	972	60	155	55	57	59	61	433
of which : Amortization, external	8	968	972	60	155	19	21	23	25	397
Other accounts payable, incl. arrears	71	15	-56	-149	0	-18	-18	-18	-18	-18
Statistical discrepancies	-116	-21	124	-69	0	0	0	0	0	0
General Government 6/										
Revenue	2,266	2,521	2,620	2,857	3,005	3,173	3,319	3,451	3,587	3,730
of which : Social contributions	729	767	817	900	937	973	1,019	1,056	1,095	1,136
Expenditure	2,777	2,504	2,528	2,721	2,940	3,084	3,255	3,395	3,539	3,689
Expense	2,808	2,518	2,568	2,720	2,871	3,058	3,195	3,332	3,473	3,621
of which : Social benefits	1,289	1,240	1,265	1,305	1,371	1,433	1,501	1,569	1,642	1,716
Net acquisition of nonfinancial assets	-30	-14	-41	1	69	26	60	63	65	68
Overall Balance	-512	17	92	136	66	89	64	56	49	41
Primary Balance	-452	75	161	239	162	185	160	152	145	138
Memorandum Items										
Current account balance, authorities' definition	-363	54	36	103	0	0	0	0	0	0
Of which : Compensation for past deficits (+: payment)	16	-15	0	0	78	33	36	37	38	38
Interest rule (interest/revenue) (percent) 7/	3	3	3	4	4	3	3	3	3	3
Government debt service	76	1,034	1,041	313	251	133	134	137	139	512
Gross government debt 8/	4,429	4,433	4,315	4,126	4,115	4,109	4,113	4,120	4,128	4,139
Net government debt	4,176	4,096	4,093	3,917	3,904	3,874	3,877	3,881	3,887	3,896
Government deposits	252	336	222	209	209	229	229	229	229	228
Nominal GDP	4,904	5,505	5,874	6,375	6,798	7,128	7,443	7,756	8,080	8,417

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/ Ennia transfer includes the expected average contribution by the CBCS, with the expected additional profit distribution accounted for under other revenues.

5/ Mostly changes in deposits.

6/ Consolidated table including the budgetary central government and social security funds (SVB).

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

8/ 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, 2021-30 1/
(Percent of GDP unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Proj.									
	Budgetary Central Government									
Revenue	30.6	31.8	30.3	30.5	30.3	30.8	30.8	30.8	30.8	30.7
Tax	27.8	29.4	27.8	28.1	28.0	27.8	27.9	27.9	27.8	27.8
Taxes on income and profits	10.3	9.5	9.0	9.0	9.0	9.1	9.1	9.1	9.1	9.1
By individuals	8.1	7.1	6.8	6.9	6.9	7.0	7.0	7.0	7.0	7.0
By corporations	2.1	2.5	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Taxes on property	1.0	2.1	1.5	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Taxes on goods and services	12.8	13.6	13.2	13.6	13.6	13.2	13.2	13.2	13.2	13.2
Taxes on international trade and transactions	3.7	4.1	4.1	4.2	4.1	4.3	4.4	4.4	4.4	4.4
Grants	1.3	1.0	0.9	0.6	0.6	0.6	0.0	0.6	0.6	0.6
Other revenue	1.5	1.4	1.6	1.8	1.6	2.3	2.3	2.3	2.3	2.3
Expenditure	40.6	30.8	29.0	29.1	30.1	30.7	31.1	31.1	31.1	31.1
Expense (current expenditure)	41.2	31.1	29.7	29.1	29.1	30.3	30.3	30.3	30.3	30.3
Compensation of labor	12.0	10.5	9.6	9.7	9.6	9.6	9.6	9.6	9.6	9.6
Wages and salaries 2/	9.8	8.6	7.9	8.1	7.9	7.9	7.9	7.9	7.9	7.9
Social contributions	2.1	1.8	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.7
Goods and services	4.3	4.1	4.2	3.7	4.1	4.4	4.0	4.0	4.0	4.0
Consumption of fixed capital	1.5	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Interest payments	1.4	1.2	1.2	1.6	1.4	1.3	1.3	1.2	1.2	1.2
Subsidies 3/	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers	11.5	10.9	10.5	9.9	9.8	10.9	11.3	11.4	11.4	11.4
o/w Ennia 4/	0.0	0.0	0.0	0.2	0.2	0.2	0.6	0.6	0.6	0.0
Social benefits	4.9	3.1	3.0	2.8	3.0	3.0	3.0	2.9	2.9	2.9
Other expense	3.5	0.1	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	-0.6	-0.2	-0.7	0.0	1.0	0.4	0.8	0.8	0.8	0.8
Acquisition of nonfinancial assets (capital)	0.9	1.0	0.6	1.2	2.2	1.6	2.0	2.0	2.0	2.0
Net Operating (current) Balance	-10.6	0.7	0.6	1.4	1.1	0.5	0.5	0.5	0.5	0.5
Overall Balance	-10.0	1.0	1.3	1.4	0.1	0.1	-0.3	-0.3	-0.3	-0.4
Primary Balance	-8.8	2.0	2.5	3.0	1.5	1.4	1.0	0.9	0.9	0.8
Financing, Net	-7.6	1.3	-0.8	2.5	0.1	0.1	-0.3	-0.3	-0.3	-0.4
Net acquisition of financial assets 5/	2.1	0.6	-2.8	-0.5	0.0	0.3	0.0	0.0	0.0	0.0
Net incurrence of liabilities	9.7	-0.8	-2.0	-3.0	-0.2	0.2	0.3	0.3	0.3	0.3
Loans	8.3	-1.0	-1.0	-0.6	-0.2	-0.1	0.0	0.1	0.1	0.1
Borrowing	8.5	16.5	15.5	0.3	2.1	0.6	0.8	0.8	0.8	5.2
Amortization	0.2	17.6	16.6	0.9	2.3	0.8	0.8	0.8	0.8	5.1
Other accounts payable, incl. arrears	1.4	0.3	-1.0	-2.3	0.0	-0.2	-0.2	-0.2	-0.2	-0.2
Statistical discrepancies	-2.4	-0.4	2.1	-1.1	0.0	0.0	0.0	0.0	0.0	0.0
	General Government 6/									
Revenue	46.2	45.8	44.6	44.8	44.2	44.5	44.6	44.5	44.4	44.3
of which : Social contributions	14.9	13.9	13.9	14.1	13.8	13.7	13.7	13.6	13.6	13.5
Expenditure	56.6	45.5	43.0	42.7	43.2	43.3	43.7	43.8	43.8	43.8
Expense	57.3	45.7	43.7	42.7	42.2	42.9	42.9	43.0	43.0	43.0
of which : Social benefits	26.3	22.5	21.5	20.5	20.2	20.1	20.2	20.2	20.3	20.4
Net acquisition of nonfinancial assets	-0.6	-0.2	-0.7	0.0	1.0	0.4	0.8	0.8	0.8	0.8
Overall Balance	-10.4	0.3	1.6	2.1	1.0	1.3	0.9	0.7	0.6	0.5
Primary Balance	-9.2	1.4	2.7	3.8	2.4	2.6	2.1	2.0	1.8	1.6
Memorandum Items										
Current account balance, authorities' definition	-7.4	1.0	0.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0
Of which : Compensation for past deficits (+: payment)	0.3	-0.3	0.0	0.0	1.2	0.5	0.5	0.5	0.5	0.5
Interest rule (interest/revenue) (percent) 7/	2.9	2.9	3.0	4.2	3.6	3.4	3.2	3.0	2.9	2.8
Government debt service	1.6	18.8	17.7	4.9	3.7	1.9	1.8	1.8	1.7	6.1
Gross government debt 8/	90.3	80.5	73.5	64.7	60.5	57.6	55.3	53.1	51.1	49.2
Net government debt	85.2	74.4	69.7	61.4	57.4	54.3	52.1	50.0	48.1	46.3
Government deposits	5.1	6.1	3.8	3.3	3.1	3.2	3.1	2.9	2.8	2.7
Nominal GDP	4,904	5,505	5,874	6,375	6,798	7,128	7,443	7,756	8,080	8,417

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/ Ennia transfer includes the expected average contribution by the CBCS, with the expected additional profit distribution accounted for under other revenues.

5/ Mostly changes in deposits.

6/ Consolidated table including the budgetary central government and social security funds (SVB).

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

8/ 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, 2021–30
(US\$ millions unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Proj.									
	(US\$ millions)									
Current Account	-509	-823	-655	-812	-671	-635	-652	-670	-694	-717
Goods and services	-546	-845	-658	-776	-651	-606	-621	-636	-658	-679
Exports of goods and services	1,363	2,046	2,107	2,386	2,654	2,828	2,976	3,131	3,286	3,447
Goods	344	553	560	492	514	536	557	581	606	631
Services	1,019	1,493	1,546	1,894	2,139	2,293	2,419	2,550	2,680	2,817
Imports of goods and services	1,910	2,891	2,764	3,162	3,305	3,434	3,597	3,768	3,945	4,127
Goods	1,483	2,027	1,830	2,057	2,138	2,208	2,312	2,420	2,533	2,647
Services	426	864	935	1,104	1,167	1,225	1,285	1,347	1,412	1,480
Income	51	37	27	4	-7	-17	-19	-20	-22	-24
Of which: Net investment income	0	-19	-33	-59	-75	-87	-91	-96	-100	-105
Unemployment rate (percent of labor force) /	-14	-15	-24	-40	-13	-12	-12	-13	-13	-14
Capital and Financial Account	618	633	663	792	690	740	659	697	697	700
Capital account	3	12	6	4	2	2	2	2	2	2
Financial account	614	621	657	788	689	738	657	695	695	698
Direct investment	168	157	129	183	199	209	219	229	239	249
Portfolio investment	20	-33	5	201	44	30	31	38	54	39
Financial derivatives	0	0	0	0	0	0	0	0	0	0
Other investment	426	497	523	403	446	499	408	428	402	410
Net Errors and Omissions	-4	83	61	0	0	0	0	0	0	0
Overall Balance	105	-107	70	-20	19	105	7	27	3	-18
Reserve Assets	105	-107	70	26	19	105	7	27	3	-18
	(Percent of GDP)									
Current Account	-18.6	-26.8	-20.0	-22.8	-17.7	-15.9	-15.7	-15.5	-15.4	-15.3
Goods and services	-19.9	-27.5	-20.0	-21.8	-17.2	-15.2	-14.9	-14.7	-14.6	-14.4
Exports of goods	12.5	18.0	17.1	13.8	13.5	13.4	13.4	13.4	13.4	13.4
Imports of goods	54.1	65.9	55.8	57.8	56.3	55.5	55.6	55.9	56.1	56.3
Exports of services	37.2	48.6	47.1	53.2	56.3	57.6	58.2	58.9	59.4	59.9
Imports of services	15.6	28.1	28.5	31.0	30.7	30.8	30.9	31.1	31.3	31.5
Income	1.9	1.2	0.8	0.1	-0.2	-0.4	-0.5	-0.5	-0.5	-0.5
Current transfers	-0.5	-0.5	-0.7	-1.1	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Capital and Financial Account	22.5	20.6	20.2	22.2	18.2	18.6	15.9	16.1	15.4	14.9
Of which										
Direct investment	6.1	5.1	3.9	5.1	5.2	5.3	5.3	5.3	5.3	5.3
Portfolio investment	0.7	-1.1	0.2	5.6	1.1	0.7	0.7	0.9	1.2	0.8
Other investment	15.6	16.2	15.9	11.3	11.7	12.5	9.8	9.9	8.9	8.7
Net Errors and Omissions	-0.2	2.7	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	3.8	-3.5	2.1	-0.6	0.5	2.6	0.2	0.6	0.1	-0.4

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

Table 5. Sint Maarten: Selected Economic and Financial Indicators, 2021–30

Area	34 (km ²)	Population, thousand (2022)	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 (2023)	74							
Infant mortality, over 1,000 live births (2022)	4.0	Life expectancy at birth, female (2023)	80							
	2021 Prel.	2022 Prel.	2023 Est.	2024 Est.	2025	2026	2027 Proj.	2028	2029	2030
Real Economy										
			(Percent change, unless otherwise noted)							
Real GDP 1/	7.1	13.9	3.8	3.3	3.0	2.7	2.7	2.3	2.1	2.0
CPI (12-month average)	2.8	3.6	2.1	3.6	3.3	2.3	2.0	2.0	2.0	2.0
Unemployment rate (percent) 2/	10.8	9.9	8.6	8.3	8.0	7.8	7.8	7.8	7.8	7.8
Central Government Finances										
			(Percent of GDP)							
Primary balance excl. Trust Fund operations 3/	-5.3	-0.3	1.7	0.6	0.1	-1.0	-0.8	0.5	0.5	0.6
Current balance (Authorities' definition) 4/	-6.2	-1.2	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance excl. Trust Fund operations 3/	-5.9	-0.8	1.2	0.0	-0.3	-1.6	-1.3	0.0	0.0	0.0
Government debt 5/	55.3	49.3	49.0	49.0	48.0	44.2	40.4	38.4	36.6	35.4
Balance of Payments										
			(Percent of GDP)							
Current account	-24.6	-3.9	-7.5	-4.3	-2.6	-1.6	-0.8	0.3	0.3	0.2
Goods trade balance	-49.8	-59.2	-59.4	-60.6	-61.6	-61.9	-61.6	-59.9	-59.5	-59.0
Exports of goods	11.4	14.1	14.8	13.6	11.2	10.1	10.0	9.9	9.8	9.8
Imports of goods	61.2	73.2	74.2	74.2	72.8	72.0	71.5	69.8	69.4	68.9
Service balance	33.1	62.8	60.4	65.6	69.2	69.9	69.8	69.1	68.6	68.1
Exports of services	51.0	78.7	81.6	85.3	88.3	88.7	88.4	87.5	86.8	86.2
Imports of services	17.9	15.9	21.2	19.7	19.1	18.8	18.6	18.4	18.2	18.1
External debt 6/	253.7	213.6	206.6	195.9	186.3	178.6	171.6	165.4	159.9	155.1
Memorandum Items										
Nominal GDP (millions of U.S. dollars) 1/	1,268	1,479	1,561	1,670	1,777	1,867	1,955	2,041	2,126	2,212
Per capita GDP (U.S. dollars) 1/	29,646	34,437	36,037	38,146	40,154	41,751	43,306	44,792	46,258	47,722
Credit to private sector (percent change)	1.3	4.5	1.0	-4.7	...	...	...	...	...	...
of which mortgage loans	3.5	3.3	2.0	-5.6	...	...	...	...	...	...

Fund Position

Sint Maarten is part of the Kingdom of the Netherlands and does not have a separate quota.

Exchange Rate

The Caribbean Guilder is pegged to the U.S. dollar at XCG 1.79 = US\$1.

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

1/ Central Bank of Curacao and Sint Maarten and IMF staff estimates.

2/ The size of the 2018-2023 labor force reported by the 2023 Census was adjusted to ensure consistency with the reported total population.

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

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

5/ The stock of debt in 2018 is based on financial statements. Values in subsequent years are IMF staff's estimates.

6/ The latest available datapoint is as of 2018. Values for 2019-2024 are IMF staff estimates based on BOP flow data.

Table 6. Sint Maarten: Government Operations, 2021–30
(Millions of XCG unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Prel.	Prel.	Prel.	Prel.	Proj.					
Budgetary Central Government										
Revenue	366	448	516	522	548	576	609	636	662	690
Taxes	304	372	432	414	429	457	484	506	527	550
Taxes on income and profits	146	170	212	210	219	231	241	252	262	273
Taxes on goods and services 7/	145	186	204	190	195	211	227	237	247	258
Property and other taxes	12	16	15	14	15	15	16	17	17	20
Grants	0	0	0	0	0	0	0	0	0	0
Other revenue	62	76	84	108	119	120	125	130	135	140
of which : Capital revenue	0	0	0	4	9	4	4	4	4	4
Expenditure	499	470	482	522	559	631	656	636	663	689
Expense	498	467	482	508	534	561	593	619	645	671
Compensation of employees	197	208	215	220	233	244	255	265	275	286
of which : Wages	132	131	142	147	156	164	171	179	186	194
Goods and services	95	113	117	115	122	128	140	150	157	164
Social benefits 1/	35	32	35	39	40	42	44	46	48	50
Subsidies 9/	159	102	102	111	116	121	129	135	141	146
Interest	12	13	14	23	23	25	24	23	24	25
Capital expenditure	1	2	0	14	25	70	63	17	18	19
Overall Balance	-133	-22	34	0	-11	-55	-47	0	-1	1
Primary Balance	-121	-9	49	19	3	-34	-27	19	19	22
Financing Transactions (+/- increasing net assets)	-133	-22	37	0	-11	-55	-47	0	-1	1
Net acquisition of financial assets	-23	-11	90	48	7	-53	-51	-3	-1	10
Net incurrence of liabilities	110	11	53	48	17	1	-4	-2	0	9
Domestic	12	0	5	-4	0	-2	-5	-5	-5	-5
External	97	11	49	52	17	4	1	2	5	13
Disbursements	118	318	377	63	101	29	30	31	91	112
Amortization	9	307	329	11	84	25	29	29	86	98
Statistical discrepancies	0	0	-3	0	0	0	0	0	0	0
Budgetary Central Government Consolidated with Trust Fund Operations										
Revenue and Grants	474	536	647	595	621	658	639	645	662	690
Central government revenue	366	448	516	522	548	576	609	636	662	690
Trust Fund grants /8	108	88	129	73	73	82	31	9	0	0
Total Expenditure	602	553	612	595	632	713	686	645	663	689
Central government expenditure	499	470	482	522	559	631	656	636	663	689
of which: capital expenditure	1	2	0	14	25	70	63	17	18	19
Trust Fund special projects 8/	103	84	130	73	73	82	31	9	0	0
of which: capital expenditure	103	84	130	73	73	82	31	9	0	0
Overall Balance	-128	-17	35	0	-11	-55	-47	0	-1	1
Net acquisition of financial assets	-18	83	88	48	25	-53	-57	-9	-7	2
Net incurrence of liabilities	110	100	53	48	35	1	-10	-8	-6	3
Memorandum Items										
Current account balance, authorities' definition 2/	-141	-32	23	0.7	0	0	0	0	0	2
of which : Liquidity compensation	0	0	21	0	0	0	0	0	0	0
of which : Depreciation	9	13	14	14	14	15	16	17	17	18
Fiscal Rules and Sustainability Indicators										
Interest rule (interest/revenue) (percent) 3/	2.7	2.8	2.9	4.1	3.8	4.0	3.9	3.6	3.7	3.9
Gross central government debt 4/	1,255	1,304	1,370	1,465	1,526	1,476	1,414	1,402	1,394	1,403
Budgetary central government deposits (eop) 5/	95	102	149	213	213	203	200	197	195	197
Net central government debt	1,160	1,202	1,221	1,252	1,313	1,273	1,214	1,205	1,198	1,206
Nominal GDP, millions of XCG 6/	2,269	2,647	2,794	2,990	3,181	3,341	3,499	3,653	3,805	3,959

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.

7/ Staff classifies the proposed tourism levy under taxes on goods and services.

8/ Trust Fund projects exclude the World Bank executed activities (current spending). Revenues are assumed to be equal to capital spending and exclude excess grants received as well as investment income earned over these excess grants. Staff assume that excess grants will likely be returned following the phase out of the Trust Fund in

9/ The majority of subsidies are wages to school teachers (classified as transfers).

Table 7. Sint Maarten: Government Operations, 2021–30
(Percent of GDP unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Prel.			Proj.			
Revenue	16.1	16.9	18.5	17.5	17.2	17.2	17.4	17.4	17.4	17.4
Taxes	13.4	14.1	15.5	13.8	13.5	13.7	13.8	13.8	13.8	13.9
Taxes on income and profits	6.5	6.4	7.6	7.0	6.9	6.9	6.9	6.9	6.9	6.9
Taxes on goods and services 7/	6.4	7.0	7.3	6.4	6.1	6.3	6.5	6.5	6.5	6.5
Property and other taxes	0.5	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	2.7	2.9	3.0	3.6	3.7	3.6	3.6	3.6	3.5	3.5
<i>of which</i> : Capital revenue	0.0	0.0	0.0	0.1	0.3	0.1	0.1	0.1	0.1	0.1
Expenditure	22.0	17.7	17.2	17.4	17.6	18.9	18.7	17.4	17.4	17.4
Expense	21.9	17.7	17.2	17.0	16.8	16.8	16.9	16.9	16.9	16.9
Compensation of employees	8.7	7.9	7.7	7.4	7.3	7.3	7.3	7.3	7.2	7.2
<i>of which</i> : Wages	5.8	5.0	5.1	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Goods and services	4.2	4.3	4.2	3.8	3.8	3.8	4.0	4.1	4.1	4.1
Social benefits 1/	1.6	1.2	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Subsidies 9/	7.0	3.8	3.6	3.7	3.6	3.6	3.7	3.7	3.7	3.7
Interest	0.5	0.5	0.5	0.8	0.7	0.7	0.7	0.6	0.6	0.6
Capital expenditure	0.1	0.1	0.0	0.5	0.8	2.1	1.8	0.5	0.5	0.5
Overall Balance	-5.9	-0.8	1.2	0.0	-0.3	-1.6	-1.3	0.0	0.0	0.0
Primary Balance	-5.3	-0.3	1.7	0.6	0.1	-1.0	-0.8	0.5	0.5	0.6
Financing Transactions (+: increasing net assets)	-5.9	-0.8	1.3	0.0	-0.3	-1.6	-1.3	0.0	0.0	0.0
Net acquisition of financial assets	-1.0	-0.4	3.2	1.6	0.2	-1.6	-1.5	-0.1	0.0	0.3
Net incurrence of liabilities	4.8	0.4	1.9	1.6	0.5	0.0	-0.1	-0.1	0.0	0.2
Domestic	0.5	0.0	0.2	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
External	4.3	0.4	1.7	1.8	0.5	0.1	0.0	0.1	0.1	0.3
Gross borrowing	5.2	12.0	13.5	2.1	3.2	0.9	0.9	0.8	2.4	2.8
Amortization	0.4	11.6	11.8	0.4	2.6	0.8	0.8	0.8	2.3	2.5
Statistical discrepancies	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue and Grants	20.9	20.3	23.2	19.9	19.5	19.7	18.3	17.6	17.4	17.4
Central government revenue	16.1	16.9	18.5	17.5	17.2	17.2	17.4	17.4	17.4	17.4
Trust Fund grants /8	4.8	3.3	4.6	2.5	2.3	2.4	0.9	0.2	0.0	0.0
Total Expenditure	26.5	20.9	21.9	19.9	19.9	21.3	19.6	17.7	17.4	17.4
Central government expenditure	22.0	17.7	17.2	17.4	17.6	18.9	18.7	17.4	17.4	17.4
Trust Fund special projects /8	4.5	3.2	4.7	2.5	2.3	2.4	0.9	0.2	0.0	0.0
Overall Balance	-5.6	-0.7	1.3	0.0	-0.3	-1.6	-1.3	0.0	0.0	0.0
Net acquisition of financial assets	-0.8	3.1	3.2	1.6	0.8	-1.6	-1.6	-0.2	-0.2	0.1
Net incurrence of liabilities	4.8	3.8	1.9	1.6	1.1	0.0	-0.3	-0.2	-0.2	0.1
Memorandum Items										
Current account balance, authorities' definition 2/	-6.2	-1.2	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>of which</i> : Liquidity compensation	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>of which</i> : Depreciation	0.4	0.5	0.5	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/	2.7	2.8	2.9	4.1	3.8	4.0	3.9	3.6	3.7	3.9
Gross central government debt 4/	55.3	49.3	49.0	49.0	48.0	44.2	40.4	38.4	36.6	35.4
Budgetary central government deposits (eop) 5/	4.2	3.9	5.3	7.1	6.7	6.1	5.7	5.4	5.1	5.0
Net central government debt	51.1	45.4	43.7	41.9	41.3	38.1	34.7	33.0	31.5	30.5
Nominal GDP, millions of XCG 6/	2,269	2,647	2,794	2,990	3,181	3,341	3,499	3,653	3,805	3,959

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.

9/ The majority of subsidies are wages to school teachers (classified as transfers).

7/ Staff classifies the proposed tourism levy under taxes on goods and services.

8/ Trust Fund projects exclude the World Bank executed activities (current spending). Revenues are assumed to be equal to capital spending and exclude excess grants received as well as investment income earned over these excess grants. Staff assume that excess grants will likely be returned

9/ The majority of subsidies are wages to school teachers (classified as transfers).

Table 8. Sint Maarten: Balance of Payments, 2021–30
(US\$ millions unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
							Proj.			
(US\$ millions)										
Current Account	-312	-57	-117	-72	-46	-31	-16	7	6	5
Goods and services	-212	54	15	85	135	151	161	188	193	201
Exports of goods and services	791	1,372	1,504	1,652	1,769	1,845	1,924	1,988	2,055	2,124
Goods	144	208	231	227	199	189	195	201	209	217
Services	647	1,164	1,273	1,425	1,569	1,656	1,728	1,787	1,846	1,907
Imports of goods and services	1,003	1,318	1,489	1,568	1,633	1,695	1,762	1,799	1,862	1,923
Goods	775	1,083	1,158	1,239	1,293	1,344	1,399	1,424	1,475	1,523
Services	227	235	330	329	340	351	364	376	387	400
Income	-41	-47	-49	-60	-48	-51	-54	-56	-59	-62
o/w Investment income	-17	-14	-11	-26	-13	-13	-14	-15	-17	-18
Current transfers	-59	-65	-83	-97	-133	-131	-123	-125	-128	-134
Capital and Financial Account	250	-21	164	76	53	41	41	46	28	34
Capital account	56	65	100	38	10	14	18	20	0	0
Financial account	194	-86	64	39	43	27	23	26	28	34
Direct investment	20	15	45	38	51	53	56	59	61	64
Portfolio investment	4	-35	58	89	2	2	2	2	2	2
Financial derivatives	0	0	0	0	0	0	0	0	0	0
Other investment	169	-67	-39	-88	-9	-28	-35	-35	-35	-31
Net Errors and Omissions	-99	-41	22	0	0	0	0	0	0	0
Overall Balance	-161	-119	69	4	7	11	25	53	34	39
Reserve Assets	37	-38	25	9	7	11	25	53	34	39
(Percent of GDP)										
Current Account	-24.6	-3.9	-7.5	-4.3	-2.6	-1.6	-0.8	0.3	0.3	0.2
Goods and services	-16.7	3.7	1.0	5.1	7.6	8.1	8.2	9.2	9.1	9.1
Exports of goods	11.4	14.1	14.8	13.6	11.2	10.1	10.0	9.9	9.8	9.8
Imports of goods	61.2	73.2	74.2	74.2	72.8	72.0	71.5	69.8	69.4	68.9
Exports of services	51.0	78.7	81.6	85.3	88.3	88.7	88.4	87.5	86.8	86.2
Imports of services	17.9	15.9	21.2	19.7	19.1	18.8	18.6	18.4	18.2	18.1
Income	-3.2	-3.2	-3.1	-3.6	-2.7	-2.7	-2.7	-2.8	-2.8	-2.8
Current transfers	-4.7	-4.4	-5.3	-5.8	-7.5	-7.0	-6.3	-6.1	-6.0	-6.1
Capital and Financial Account	19.7	-1.4	10.5	4.6	3.0	2.2	2.1	2.3	1.3	1.6
of which										
Direct investment	1.6	1.0	2.9	2.3	2.8	2.9	2.9	2.9	2.9	2.9
Portfolio investment	0.3	-2.4	3.7	5.3	0.1	0.1	0.1	0.1	0.1	0.1
Other investment	13.4	-4.5	-2.5	-5.3	-0.5	-1.5	-1.8	-1.7	-1.7	-1.4
Net Errors and Omissions	-7.8	-2.8	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	-12.7	-8.1	4.4	0.3	0.4	0.6	1.3	2.6	1.6	1.8

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, 2021–30
(US\$ millions unless otherwise indicated)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
				Proj						
	(US\$ millions)									
Current Account	-810	-865	-764	-884	-717	-666	-668	-663	-688	-713
Goods and services	-748	-776	-635	-691	-516	-455	-460	-448	-465	-479
Exports of goods and services	2,166	3,439	3,622	4,038	4,422	4,673	4,900	5,119	5,341	5,571
Goods	488	763	791	719	714	725	753	783	815	847
Services	1,678	2,677	2,831	3,319	3,709	3,949	4,147	4,337	4,526	4,724
Imports of goods and services	2,914	4,215	4,257	4,729	4,939	5,128	5,359	5,567	5,806	6,050
Goods	2,259	3,112	2,989	3,296	3,431	3,552	3,710	3,844	4,007	4,170
Services	655	1,103	1,268	1,433	1,507	1,576	1,649	1,723	1,799	1,880
Income	-0.3	-9.9	-21.8	-55.4	-55.5	-67.6	-72.3	-76.9	-81.5	-86.0
Of which: Net investment income	-12.8	-34.0	-43.9	-85.1	-87.5	-100.3	-105.6	-111.2	-116.8	-122.5
Current transfers	-72.7	-79.5	-107.2	-137.0	-145.6	-142.9	-135.6	-138.1	-141.8	-148.1
Capital and Financial Account	868	612	794	868	744	781	700	743	725	734
Capital account	60	77	106	42	12	16	20	22	2	2
Financial account	808	535	688	827	732	765	680	721	723	732
Direct investment	189	172	174	222	250	263	275	287	300	313
Portfolio investment	24	-68	63	290	45	32	33	40	56	41
Other investment	596	430	450	315	437	471	372	393	367	378
Net Errors and Omissions	84	109	65	51	0	0	0	0	0	0
Overall Balance	141	-144	95	35	26	115	32	80	37	22
Reserve Assets	141	-144	95	35	26	115	32	80	37	22
	(Percent of GDP)									
Current Account	-20.2	-19.0	-15.8	-16.9	-12.9	-11.4	-10.9	-10.4	-10.4	-10.3
Goods and services	-18.7	-17.0	-13.1	-13.2	-9.3	-7.8	-7.5	-7.0	-7.0	-6.9
Income	-0.3	-0.7	-0.9	-1.6	-1.6	-1.7	-1.7	-1.7	-1.8	-1.8
Current transfers	-1.8	-1.7	-2.2	-2.6	-2.6	-2.4	-2.2	-2.2	-2.1	-2.1
Capital and Financial Account	21.7	13.4	16.4	16.6	13.3	13.4	11.4	11.7	10.9	10.6
Direct investment	4.7	3.8	3.6	4.2	4.5	4.5	4.5	4.5	4.5	4.5
Portfolio investment	0.6	-1.5	1.3	5.5	0.8	0.5	0.5	0.6	0.9	0.6
Other investment	14.9	9.4	9.3	6.0	7.8	8.1	6.1	6.2	5.5	5.5
Net Errors and Omissions	2.1	2.4	1.3	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	3.5	-3.2	2.0	0.7	0.5	2.0	0.5	1.3	0.6	0.3
Memorandum Items										
Gross official reserves, incl. gold	2,531	2,384	2,573	2,769	2,795	2,911	2,943	3,023	3,059	3,081
Gross official reserves, excl. gold	1,766	1,622	1,717	1,752	1,778	1,894	1,926	2,006	2,043	2,064
in months of imports	5.0	4.6	4.4	4.3	4.2	4.2	4.2	4.1	4.1	3.9
over short-term debt	1.4	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
over 20% of Broad Money	2.4	2.3	2.4	2.1	2.0	2.0	1.9	1.9	1.9	1.9
risk-weighted measure 1/	89.1	77.5	80.3	71.0	67.3	66.1	65.8	65.4	64.6	70.7
Gross external debt, percent of GDP 2/	213.4	191.5	187.9	178.8	173.2	170.5	168.7	167.4	166.3	165.3
Of which: short-term debt	31.5	34.5	34.0	32.5	31.6	31.3	31.2	31.1	31.1	31.1
Net IIP, percent of GDP	69.1	45.9	30.2	12.9	-0.6	-11.7	-21.8	-30.9	-40.0	-48.7

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

1/ Adequate region: 100–150

2/ The latest available datapoint is as of 2018. Values for 2019–2024 are IMF staff estimates based on BOP flow data.

Table 10. Curaçao and Sint Maarten: Monetary Survey, 2018–24

	2018	2019	2020	2021	2022	2023	2024
(In million Caribbean Guilders)							
Net Foreign Assets	5,123	5,469	5,912	6,623	6,547	6,925	7,865
Claims on nonresidents	6,972	7,343	8,108	8,535	8,311	9,467	10,653
Central bank	3,331	3,442	4,331	4,531	4,267	4,606	4,956
Other depository corporations	3,642	3,902	3,777	4,004	4,044	4,860	5,697
Liabilities to nonresidents	-1,849	-1,874	-2,196	-1,912	-1,764	-2,541	-2,788
Central bank	-346	-303	-245	-217	-276	-346	-391
Other depository corporations	-1,503	-1,571	-1,951	-1,695	-1,487	-2,195	-2,397
Net Domestic Assets	3,556	3,206	2,925	2,977	2,717	2,646	2,031
Net claims on central government	-304	-282	-371	-257	-331	-284	-198
Claims on private sector	6,684	6,667	6,737	6,323	6,532	6,662	6,579
Other items, net/2	-2,824	-3,179	-3,440	-3,089	-3,484	-3,731	-4,350
Broad Money	8,679	8,675	8,838	9,600	9,265	9,572	9,896
Currency in circulation	393	391	424	449	439	462	439
Transferable deposits	3,916	3,911	4,072	4,748	4,505	4,662	4,975
Other deposits	4,371	4,372	4,341	4,402	4,320	4,448	4,483
(Annual contribution to broad money in percentage points)							
Monetary Survey							
Net Foreign Assets	-1.2	4.0	5.1	8.0	-0.8	4.1	9.8
Claims on nonresidents	0.5	4.3	8.8	4.8	-2.3	12.5	12.4
Central bank	-3.4	1.3	10.3	2.3	-2.7	3.7	3.7
Other depository corporations	3.9	3.0	-1.4	2.6	0.4	8.8	8.7
Liabilities to nonresidents	-1.7	-0.3	-3.7	3.2	1.5	-8.4	-2.6
Central bank	-1.0	0.5	0.7	0.3	-0.6	-0.8	-0.5
Other depository corporations	-0.7	-0.8	-4.4	2.9	2.2	-7.6	-2.1
Net Domestic Assets	1.2	-4.0	-3.2	0.6	-2.7	-0.8	-6.4
Net claims on central government	3.4	0.3	-1.0	1.3	-0.8	0.5	0.9
Claims on private sector/1	0.2	-0.2	0.8	-4.7	2.2	1.4	-0.9
Other items, net/2	-2.4	-4.1	-3.0	4.0	-4.1	-2.7	-6.5
Broad Money	0.0	-0.1	1.9	8.6	-3.5	3.3	3.4
Currency in circulation	0.0	0.0	0.4	0.3	-0.1	0.2	-0.2
Transferable deposits	-0.1	-0.1	1.9	7.6	-2.5	1.7	3.3
Other deposits	0.0	0.0	-0.4	0.7	-0.9	1.4	0.4
(Annual percent change unless otherwise specified)							
Memorandum Items							
Velocity (percent)	0.89	0.91	0.74	0.75	0.88	0.91	0.94
Foreign currency deposits to total deposits (percent)	26.6	26.9	25.1	26.6	28.5	27.2	25.7
Claims on private sector	1.5	1.9	0.6	-7.0	3.5	2.1	-2.3
Curaçao	2.5	2.0	0.1	-9.7	3.2	2.5	-1.4
mortgage loans	-3.0	-6.6	3.2	-4.4	4.8	8.5	9.1
Sint Maarten	-1.7	1.4	2.4	1.3	4.5	1.0	-4.7
mortgage loans	-1.7	-1.7	5.3	3.5	3.3	2.0	-5.6

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.

2/ Includes claims on other sectors.

Table 11. Curaçao and Sint Maarten: Financial Soundness Indicators, 2018–2024
(In percent)

	2018	2019	2020	2021	2022	2023	2024
Curaçao 1/							
Capital Adequacy							
Regulatory capital to risk-weighted assets	16.2	17.2	18.6	22.3	22.5	23.1	23.8
Tier 1 capital to risk-weighted assets	15.1	15.8	17.3	21.0	21.4	22.2	22.9
Nonperforming loans net of provisions to capital	19.0	23.1	21.4	19.0	13.0	10.0	7.6
Tier 1 Capital to assets (leverage ratio)	13.4	12.4	12.6	14.0	15.3	15.7	15.4
Asset Quality							
Nonperforming loans to total gross loans	6.3	6.8	6.9	7.1	5.6	4.3	3.6
Provisions to nonperforming loans	46.3	47.3	62.5	58.0	54.0	46.1	58.5
Earnings and Profitability							
Return on assets 3/	1.2	1.2	1.0	1.7	2.3	2.3	2.3
Return on equity 3/	7.7	8.8	6.3	11.1	13.3	13.6	14.1
Interest margin to gross income 4/	39.3	39.5	50.5	40.0	37.6	33.4	33.3
Noninterest expenses to gross income 4/	70.9	71.4	63.7	66.8	64.5	62.4	61.2
Liquidity							
Liquid assets to total assets	31.1	31.8	37.6	40.8	36.8	38.1	39.9
Liquid assets to short-term liabilities	43.8	46.3	51.1	56.0	51.3	53.2	56.6
Sensitivity to Market Risk							
Net open position in foreign exchange to capital	4.3	3.7	2.2	1.7	2.3	1.6	1.6
FX loans to total loans	13.6	13.3	12.8	12.3	12.4	13.7	13.7
FX deposits to total deposits	20.5	24.2	27.6	27.7	28.0	30.1	31.5
Sint Maarten 2/							
Asset Quality							
Nonperforming loans to total gross loans	8.5	7.4	8.2	6.8	8.3	5.9	6.5
Provisions to nonperforming loans	45.8	34.2	49.9	47.6	35.8	38.1	42.5
Earnings and Profitability							
Return on assets 3/	1.9	1.7	-0.4	0.7	0.6	0.6	0.4
Return on equity 3/	24.3	18.9	-3.6	8.9	6.2	8.6	2.9
Interest margin to gross income 4/	62.1	62.7	66.9	61.1	54.5	57.5	53.1
Noninterest expenses to gross income 4/	85.8	82.2	90.9	75.1	81.6	78.1	89.3
Liquidity							
Liquid assets to total assets	55.8	59.0	72.6	59.4	58.8	60.8	65.7
Liquid assets to short-term liabilities	70.7	77.7	85.5	72.9	71.9	72.9	79.7
Sensitivity to Market Risk							
FX loans to total loans	68.1	67.4	69.7	69.7	70.0	70.2	68.4
FX deposits to total deposits	70.0	72.4	81.0	75.5	75.6	76.2	76.1

Source: Centrale Bank van Curaçao en Sint Maarten.

1/ Some indicators were compiled using the cross border, cross-sector consolidation basis for all domestically incorporated entities (CBCSDI) method.

2/ FSIs are consolidated on a domestic basis.

3/ Historical series revised by CBCS in line with IMF TA recommendations.

4/ Historical series revised by CBCS in line with IMF definition of gross income.

Table 12. Curaçao and Sint Maarten (Union): Financial Soundness Indicators, 2018–2024 1/
(In percent)

	2018	2019	2020	2021	2022	2023	2024
Capital Adequacy							
Capital adequacy ratio 2/	15.3	16.9	17.5	19.3	21.2	22.3	22.7
Core capital adequacy ratio 3/	13.9	15.2	15.9	17.8	19.8	20.9	21.4
Tier 1 capital to assets	12.7	12.0	12.2	13.0	14.3	14.4	14.5
NPL net of provisions to capital	28.9	28.0	28.8	24.3	17.6	13.1	11.1
Asset Quality							
NPLs to gross loans	6.9	6.9	7.3	7.0	6.4	4.9	4.4
Provisions to NPL	52.3	43.8	58.8	55.1	47.2	42.0	52.3
Large exposures to capital 4/	99.8	99.4	108.8	92.1	83.9	...	...
Earnings and Profitability							
Return on assets 5/	1.6	1.7	0.7	1.6	2.1	2.0	2.1
Return on equity 5/	11.1	11.8	4.6	10.9	12.9	12.6	13.1
Net interest income to gross income 6/	47.2	45.9	56.6	48.2	43.9	41.7	39.2
Non-interest expenses to gross income 6/	73.5	73.8	69.5	68.9	68.0	66.8	66.4
Liquidity							
Liquid assets to total assets	29.7	30.8	33.3	33.3	31.7	35.0	37.7
Liquid assets to short-term liabilities	41.6	43.5	45.9	46.6	44.9	49.1	53.9
Loans to total deposits	67.4	67.5	65.6	60.9	63.3	62.4	57.9
Sensitivity to Market Risk							
Net open position in foreign exchange to capital 7/	4.1	3.8	2.7	1.8	3.2	2.0	1.8
FX-denominated loans to total loans	28.7	27.9	28.9	28.9	29.0	29.9	28.3
FX-denominated deposits to total deposits	34.3	35.2	36.1	36.3	34.8	35.6	35.5

Source: Centrale Bank van Curaçao en Sint Maarten.

1/ FSIs are consolidated on a domestic basis, excluding subsidiaries and branches outside the union and intercompany placements between Curaçao and Sint Maarten.

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

3/ Tier 1 capital to risk-weighted assets.

4/ Excludes branches' positions but includes intraday interbank positions.

5/ Historical series revised by CBCS in line with IMF TA recommendations.

6/ Historical series revised by CBCS in line with IMF definition of gross income.

7/ Excludes branches' positions, USD and Arubaanse net foreign liabilities.

Annex I. Recommendations of the 2024 Article IV Consultation Discussions and Authorities' Actions

A. Curaçao

Fund Recommendation	Policy Action
Fiscal policy	
Safeguard fiscal space via maintaining compliance with the golden fiscal rule that enables the island to access favorable financing from the Netherlands.	Achieved. The authorities have maintained overall and primary surpluses for the third year in a row, leading gross general government debt to fall from 90.3 percent of GDP in 2021 to 65 percent of GDP in 2024.
Implement a comprehensive health sector reform to ensure financial sustainability and continuity of health services.	Limited progress. Recommendations from the efficiency study commissioned by the Ministry are yielding some savings, including the adoption of generic drugs. First-stop primary care facilities have been developed to reduce loads on the hospital. The government has recently committed to settle arrears with the hospital and restructure sub-entities to lower operating costs. However, the combined deficit of the hospital and the health insurance remains high.
Improve revenue collection and the efficiency and equity of the tax system, including via a VAT reform and address public arrears.	Good progress. Continued improvements in the tax administration helped strengthen its audit function – as also shown in TADAT results, and revenue collection, but the tax authority's reorganization needs to be finalized and new software introduced. The new gaming law came into force in late December 2024 and revenues from licenses increased significantly. The Ministry of Finance is in consultations with the Fund regarding the introduction of VAT by 2027. The SER has proposed a new tax reform plan aimed at introducing a more equitable tax system while increasing the revenue and has submitted it to the Ministry for discussion.
Review expenses for goods and services and transfers to SOEs to contain spending pressures. Centralize and harmonize the procurement of goods and services.	Some progress. Accounting of expenses across line ministries has improved significantly. The authorities adopted a roadmap to clean audits last year and set up a dedicated team in the Ministry of Finance to monitor implementation. However, the 2024 budget has not received an unqualified opinion.
More gradual and balanced approach to increasing public wages to limit procyclical fiscal developments and safeguard fiscal space.	Substantial progress. The authorities paid a one-off increase in December 2024 to compensate for paused indexation during the pandemic, which was commensurate and did not further fuel growth in 2024. It lifted the public wage bill to 9.7 percent of GDP in 2024 slightly up from 9.5 percent in 2023.
Developing a medium-term fiscal framework (MTFF) to operationalize the medium-term debt anchor of 50-55 percent of GDP.	Limited progress. After the adoption of a debt anchor in 2023, the authorities have yet to take steps towards building a MTFF, guided by operational fiscal targets consistent with the debt anchor. Policies continue to be guided by the golden fiscal rule.

Fund Recommendation	Policy Action
Structural Reforms	
Improve tourist experiences via investing in infrastructure and adjusting the regulation for ground transportation to absorb the increase in stayover tourists on the island.	Moderate progress. The authorities have initiated a multi-year <i>Road Maintenance Plan</i> and significantly increased public investment relative to past years (albeit execution remains below targets). The construction of three new marinas to attract yachting tourism is underway. The ground transportation sector remains highly regulated and a law to increase taxi licenses is still under discussion, posing challenges to boosting growth in tourism.
Mobilize underemployed and attract graduates back to the island. Integrate migrants into the formal labor market and tackle rising informality.	Moderate progress. The government has launched a campaign to incentivize young professionals to return, but considerations to integrate the undocumented migrants have only started recently. Efforts to address local informal work need to be stepped up.
Diversify and foster non-tourism business by improving the business climate and reducing red tape, and addressing sectoral bottlenecks to enhance productivity, in particular in non-tourism sectors.	Moderate progress. About 35 percent of the National Export Strategy's targets have been achieved. An online permit application process which centralizes decision-making from multiple Ministries is in place, significantly simplifying the application process. Private credit is tilted towards tourism-related mortgage sector, while growth in credit to other business sectors is relatively slow.
Seize opportunities from renewable energy to lift growth and reduce the island's carbon footprint.	Substantial progress. Koraal Tabak, an onshore wind park, became operational in late 2024, increasing the share of renewable power generation on the island to almost 50 percent of total electricity production, and lowering fuel imports by an estimated 1/2 percent of GDP.
Improve the AML/CFT framework, finalize gaming legislation, in line with AML/CFT international standards, and work towards removing Curaçao from the EU's list of non-cooperative jurisdictions for tax purposes.	Some progress. The gaming law has been approved but enforcement poses challenges. Curaçao has been removed from the EU greylist after passing the law on automatic information exchange. The mutual evaluations of the AML/CFT frameworks for both Curacao and Sint Maarten identified important shortcomings which require follow up.

B. Sint Maarten

Fund Recommendation	Policy Action
Fiscal Policy	
Boost revenues to abate medium-term fiscal pressures.	Moderate progress. The SER has finalized its advice to the government on the introduction of a tourist levy that is expected to boost revenues by 0.4 percent of GDP in 2026, pending approval from parliament. A law has been proposed to better enforce taxation of short-term villa rentals. There was no progress on increasing tax collection from casinos.

Fund Recommendation	Policy Action
Fiscal Policy	
Introduce urgent reforms to the unsustainable deficits of healthcare funds and stop the cross subsidizing of these deficits using the pension funds surpluses, which in turn are declining due to deteriorating demographics.	Moderate progress. Healthcare deficits have narrowed in 2024 and pension funds surpluses picked up as expenditures moderated on account of lower-than-expected inflation. Measures to contain medical referrals have generated important savings. However, cross subsidizing the deficit using the pension surpluses remains in place, which have so far consumed about half of the SZV reserves (about 10 percent of GDP) since 2015. SER is expected to finalize its advice on SAAHA which could lead to additional savings from higher premiums and contained expenditures.
Strengthen public financial management and adherence to the budget cycle to access financing for long needed investments from the Netherlands. Preparing a medium-term expenditure framework with forward spending estimates. identifying, quantifying, and publishing a Statement of Contingent Liabilities as an annex to the annual budget (including the probable financial impact of legal judgements against the government).	Limited progress. Adherence to the budget cycle remains slow, with the 2025 budget only approved by parliament in June 2025. The authorities publish medium-term projections in their annual budget. Outstanding arrears to the collective sector are included in quarterly implementation reports. A statement on contingent liabilities and the probable financial impact of legal judgements against the government is not in place yet. Investment under-execution relative to previous budgets by the central government remains substantial. The government's monitoring of the collective sector's financials is lacking and a strategy to reform the collective sector and avoid negative shocks (following the 2024 electricity crisis) needs to be devised.
Structural Reforms	
Streamline work permits and immigration policies for foreign labor to boost growth and address labor shortage.	Limited progress. High-skilled labor shortage on the island persists even though labor permits are being granted. The moratorium on hiring low-skilled foreign labor exacerbates the shortage of labor.
Complement short-term solutions with medium-term investments to boost the supply capacity of the electricity sector.	Moderate progress. Following the resolution of the electricity crisis in late 2024 with short-term leasing of temporary generators, the government borrowed XCG 75 million (2.4 percent of GDP) in 2024 to purchase three permanent generators to replace the ones that failed in mid-2024. The purchase, however, has not been initiated. GEBE, the electricity company, has devised plans to invest in renewable solar parks on the island, but was disrupted by a change in management recently that could alter medium-term plans. Additionally, the company has not yet published its audited financial statements for the past five years and coordination with the central government could improve further.
Initiate high value-added tourism services to counter looming capacity constraints facing the sector.	Moderate progress. The island recently inaugurated its international airport, 7 years after it was severely damaged by Hurricane Irma (2017), boosting flight capacity relative to the Caribbean. Additional luxury real estate investments that cater to high spending tourists have begun but are facing delays due to a significant backlog in permitting. Boosting infrastructure on the island (e.g., waste, water and sanitation, roads) to cater to better quality and higher tourism value added services remains a challenge.

Structural Reforms	
Maintain the successful track record of investment execution by the Trust Fund, possibly via extending the mandate beyond 2028 or creating a similar fund that can boost investments and address the government's substantial under-execution relative to budget.	Some progress. The Trust Fund mandate is set to end in December 2028, and no other mandates have been provided to oversee the infrastructure investment plans on the island. TA is being put in place by the World Bank to help transfer knowledge as the government has signaled its intention to boost its own investment execution capacity.
Prioritize implementation of AML/CFT measures to address ML/TF risks. Ensure adequate resources for the Financial Intelligence Unit (FIU).	Limited progress. The mutual evaluations of the AML/CFT frameworks for both Curacao and Sint Maarten have identified significant deficiencies, with results expected to be published in mid-July 2025. The FIU remains understaffed and underbudgeted. Progress on ultimate beneficial ownership remains slow.

C. Monetary Union

Fund Recommendation	Policy Action
Monetary Policy and Financial Issues	
Continue supporting the peg and further developing the monetary policy toolkit.	Moderate progress. The CBCS has appropriately adjusted the monetary policy stance to reflect global financial conditions, while continuing efforts to absorb excess liquidity. The transmission of the pledging rate to banking sector deposit and lending rates remains weak.
Enhance and expand the macroprudential toolkit to monitor the rapid growth in mortgage credit.	Moderate progress. Data gaps remain on key indicators such as debt service-to-income ratios or granular loan-to-value ratios by debtor, but the CBCS has put in place a roadmap towards essential macroprudential tools, including CCyB and loan-to-value ratio threshold.
Smooth introduction of the Caribbean Guilder.	Achieved.

Annex II. External Sector Assessment¹

The external position of Curaçao in 2024 was weaker than the level implied by medium-term fundamentals and desirable policies on account of a large and persistent current account deficit, larger than the assumed CA norm. Sint Maarten's external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies given an almost balanced current account in line with the CA norm and stable REER. The assessment for the Union is the same as that of Curaçao due to its larger size and CADs. In the medium term, the absence of exchange rate flexibility and relatively tight fiscal policy require structural measures to bear the burden of adjustment to restore sustainability, including reining in mortgage growth to lower construction-related imports and improving the investment allocation in Curaçao, strengthening non-tourism exports, and incentivizing private saving, particularly in view of declining generosity of welfare systems. The assessment relies on a basic indicator approach as data constraints preclude model-based analyses, while being subject to persistent measurement errors.

A. Curaçao

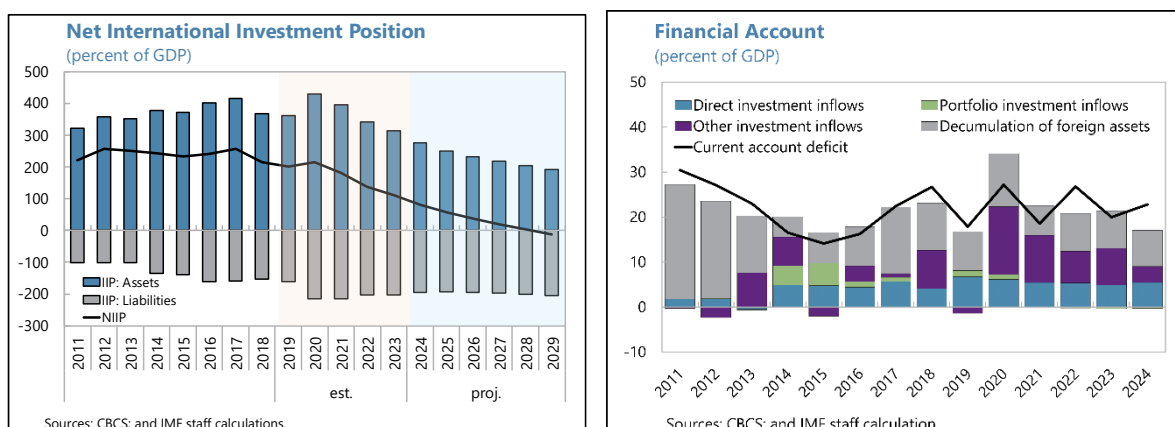
1. Curaçao continues to record a high deficit in its current account. Between 2011-19, Curaçao ran a persistent CAD averaging at 20 percent of GDP. After the refinery closed in 2019, the CAD spiked to nearly 30 percent of GDP in 2020 and 2022, as the pandemic choked tourism receipts while the large pandemic support from the Netherlands helped sustain imports despite rising international prices. As these trends reversed in 2023, the CAD improved remarkably but remained elevated at 19.7 percent of GDP. In 2024, CAD widened again to 22.8 percent of GDP driven by strong imports related to construction projects, including the *Koraal Tabak* windfarm, which more than offset growing exports of tourism services. The CAD continued to be fully financed without putting pressure on reserves. However, likely measurement challenges in the goods balance might have overstated the CAD during the years the refinery was operational. Following the refinery closure, CADs – albeit still around 10 percent of GDP higher than suggested by mirror data – are now more reflective of underlying imbalances and might start exerting pressure on foreign reserves. Uncertainty about the actual CAD complicates the external sector assessment.

2. As data constraints hamper the calculation of a model-implied CA norm, staff assesses the CAD relative to its projected medium-term value. The latter would reach around 15 percent of GDP (likely maintaining a continued measurement bias relative to mirror statistics). Adjusting the 2024 CAD for one-off increases in construction imports, driven by the completion of the *Koraal Tabak* wind farm, with additional one-off imports of around 2 percent of GDP, and the launch of the government's *Road Maintenance Plan*, and further fueled by a positive output gap, the underlying deficit would stand close to 19 percent of GDP, reducing the gap between CAD and the proxied norm to around 4 percent (i.e. weaker than the level implied by fundamentals and desirable policies). Curaçao's fundamentals, such as a relatively high output per worker (compared to the rest of the world) and a significant share of migrated population, would support a lower norm, further

¹ Prepared by Natasha Gimpelson.

supported by high credit to GDP. These factors are somewhat counterbalanced by population aging and a high share of prime-age savers still in employment.

3. Curaçao remains a net creditor in 2024, though the net international investment position (NIIP) is expected to turn negative in 2029 as liabilities continue increasing. Latest estimates by the CBCS indicate that Curaçao's NIIP stood at 215 percent of GDP in 2018. Financial flows from the BOP imply that the NIIP would have declined significantly to only 81 percent of GDP in 2024. As the CAD is expected to stay elevated in coming years, the NIIP will continue to decline in the medium term and would turn negative by 2029, further straining the current account balance as Curaçao has to pay increasingly higher net investment income abroad as a net debtor.²



4. Curaçao's CAD was mainly financed by direct investment flows and decumulation of foreign assets. The 2024 CAD was financed by divestment of foreign currency deposits (mainly by non-financial corporations and households), a one-off repatriation of portfolio investment assets by a large pension fund, trade credits, and direct investment inflows. The latter, almost half of 2024 investment flows, continues to finance the construction of new hotels and the purchase of holiday homes. In addition, during 2020 and 2021 Curaçao received XCG 911 million in pandemic loans from the Netherlands, which financed a substantial part of CAD. With FDI flows being subject to global investment shocks, it is important to continue improving the business environment to maintain attractiveness for foreign investors, especially for non-tourism related projects.

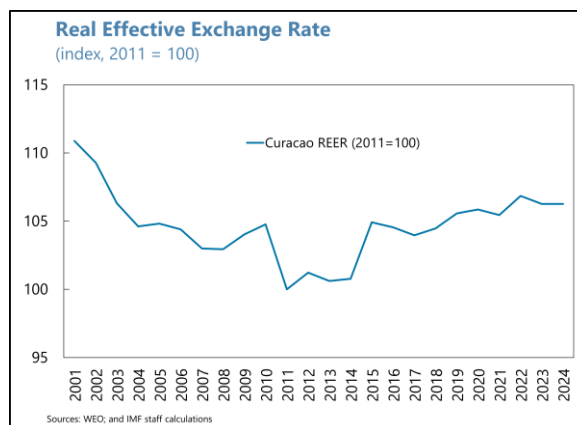
5. The real effective exchange rate (REER) index has appreciated moderately over time, suggesting a potential overvaluation. The real effective exchange rate against major trade partners (excluding Venezuela) has appreciated by more than 5 percent since 2011.³ The real appreciation of the currency does not seem to be driven by macroeconomic fundamentals, including

² The CBCS submitted IIP data to STA up until 2021 but later advised the team to treat 2018 as the latest observation in the official data due to large stock-flow inconsistencies with the BOP data. IIP data since 2019 is estimated using BOP flows.

³ The REER including Venezuela appreciated sharply as Venezuela's currency was in freefall, though Venezuela trade dropped significantly from 30 percent in early 2010s to less than 5 percent currently.

variables typically included in the EBA framework. In particular, the EBA (2019) framework suggests that the REER would tend to appreciate in countries with:⁴

- Higher output per worker: This is likely not the case for Curaçao as the economy has had multiple years of economic contraction before the post-pandemic tourism boom. Since then, the REER has remained broadly constant.
- Reserve currency status: Not applicable for Curaçao.
- Higher population growth: This is not the case for Curaçao. The population has been declining since 2017 due to negative net migration.
- Lower trade openness, which increases the price of traded goods: This is not the case for Curaçao. Trade openness, measured by total exports and imports to GDP, increased from around 140 percent in 2016 to 150-160 percent during following years (except during the pandemic).
- High share of administered prices which helps lower consumer prices: This is not the case for Curaçao.



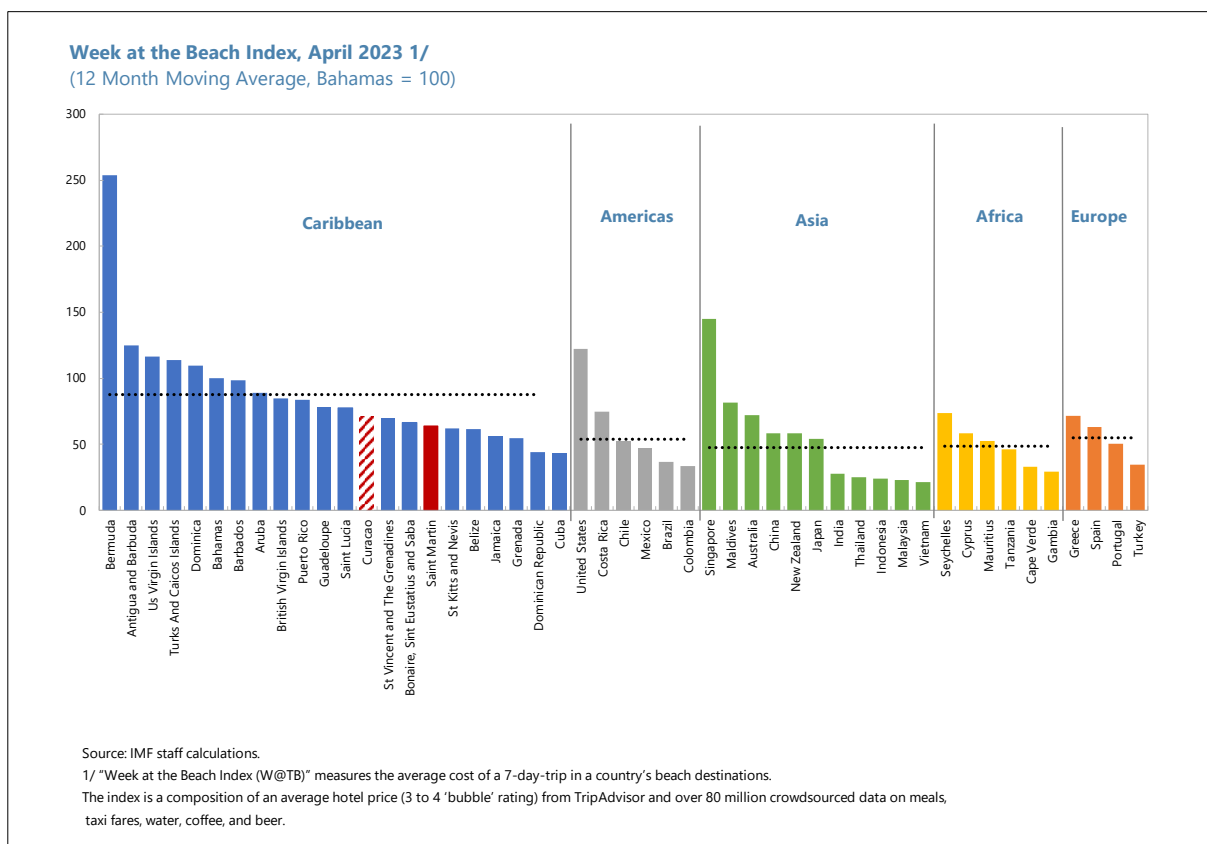
The W@TB index, which compares the cost of one-week vacation across popular destinations, shows that Curaçao appeared to be cost-competitive as of 2023, although it could suggest a lower quality of service and tourism value added in Curaçao compared to other destinations.

6. Overall, considering jointly the persistent current account deficit, a CA gap of around 4 percent of GDP, and the sustained REER appreciation, the external position of Curaçao in 2024 was weaker than the level implied by medium-term fundamentals and desirable policies.

7. Policy recommendations. The policy recommendations outlined above would help decrease Curaçao's CAD by stimulating exports and reducing fuel imports – currently reflected in the baseline. Specifically, following through with the *National Export Strategy*, further expanding tourism services, and expanding renewable electricity generation will help Curaçao lowering external imbalances. In addition, macroprudential measures to support a moderation in mortgage growth would also help improving the external balance and internal investment allocation. Policies to

⁴ The only fundamentals variable that could be consistent with an REER appreciation is the positive net foreign asset position, as bringing NFA to balance requires the country to run trade deficit over time (Lane and Milesi-Ferretti, 2004). However, we do not put emphasis on this variable, and the expected coefficient on this variable is inconsistent between the different EBA models (current account, REER index, and REER level). This tension is highlighted by the fact that in practice, countries with large positive NFA also tend to have higher CA surpluses, which is not the case for Curaçao.

incentivize saving, both precautionary as well as life cycle, would be advisable, in particular in light of a declining generosity of the welfare system.

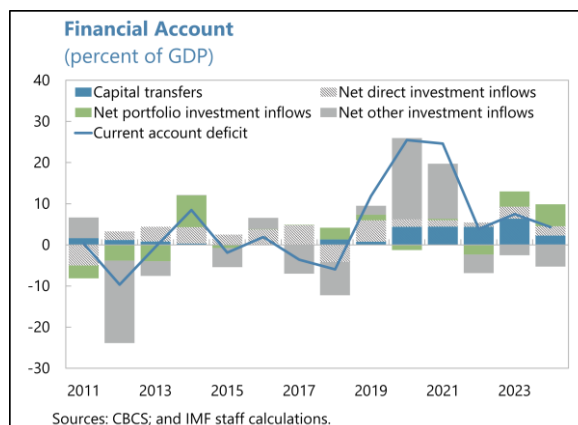
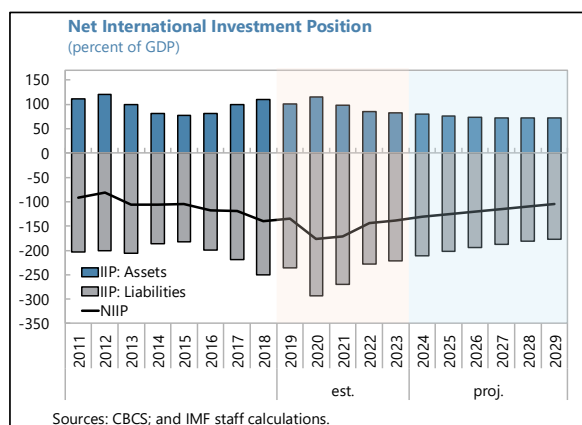


B. Sint Maarten

8. The large CAD observed since the pandemic has been declining, led by the recovery in tourist arrivals and a gradual winding down in reconstruction investments. The CAD is estimated to have declined, from -7.5 percent of GDP in 2023 to -4.3 percent in 2024. The decline in the CAD was driven by strong growth in travel receipts, especially from stayover arrivals. The recent moderation in trust-fund related construction activity, which was highly import-intensive, offset higher tourism-related imports, leaving imports-to-GDP broadly unchanged.

9. As data constraints hamper the calculation of a model-implied CA norm, staff assesses the CAD relative to its projected medium-term value. Sint Maarten's medium-term CA balance is projected at 0.2 percent of GDP, given sustained tourism revenues reaping the benefits from recent investments. Incorporating adjusters for (i) imports related to temporary activities of the Trust Fund (2.5 percent of GDP for 2024), which was established to coordinate Hurricane Irma-related reconstruction with operations until 2028 focusing mainly on rebuilding public infrastructure, and (ii) construction imports related to the post-pandemic tourism boom (1 percent of GDP) gives an adjusted current account of around -0.8 percent of GDP, with the gap between the adjusted current account and the medium-term value of around 1 percent of GDP.

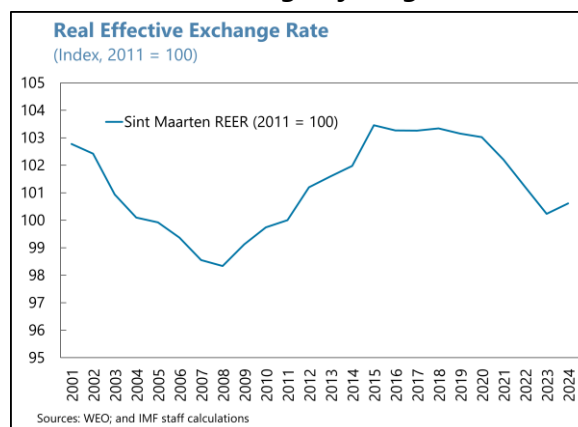
10. The NIIP is estimated to be negative. Preliminary IIP estimates indicate a negative NIIP of 139 percent of GDP in 2018.⁵ Estimating the NIIP based on BOP flows suggest that the NIIP improved to a negative 131 percent of GDP by 2024, mostly due to GDP growth. The NIIP is likely to improve over the medium term, reflecting the decrease in liabilities as a percent of GDP.



11. Official inflows to finance Trust Fund-related activities were complemented by robust FDI. While the latter primarily targeted tourism developments and proved relatively stable over time, other sources of financing were more volatile. With Trust Fund disbursements, fully financed by official flows, ending in 2028 and FDI flows exposed to global investment shock risks, it is important to continue improving the business environment to maintain attractiveness for foreign investors.

12. Unlike Curaçao, the REER for Sint Maarten has not been showing any long-term trend, fluctuating within 3 percent of the level in 2011, despite major shocks. The W@TB index from 2023 indicates that Sint Maarten did not have a competitiveness concern as of 2023.

13. Overall, taking into account that the adjusted CA is close to the norm and that the REER is broadly stable, Sint Maarten's external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies.



14. Policy recommendations, including (i) higher public and private investments that would attract higher tourism revenues, and (ii) less generous welfare systems that would require higher private saving, could be broadly neutral on Sint Maarten's CAD. Private (precautionary and life cycle) savings should be further incentivized given that generosity of the welfare system might decline, in particular with respect to health insurance.

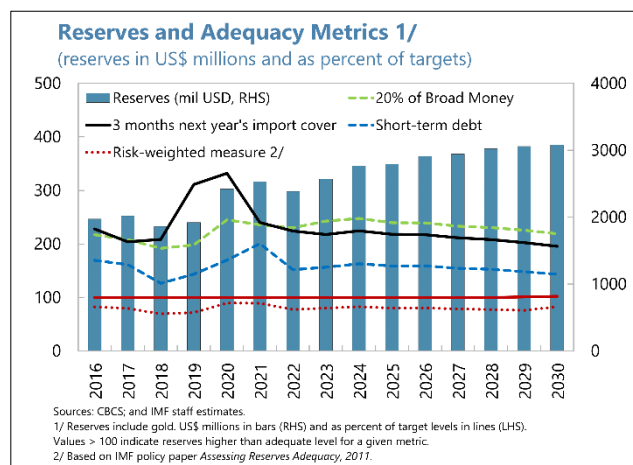
⁵ Like Curaçao's, the latest available IIP data for Sint Maarten are only through 2018.

Gross International Reserves of the Union

15. The stock of international reserves is expected to remain broadly stable in the medium term, at an adequate level according to key metrics.

International reserves, which rose

substantially in 2020 as both islands received pandemic support from the Netherlands, are projected to remain broadly stable due to strong tourism and FDI inflows. The level of reserves (including gold) would remain adequate in the medium term by key ARA metrics (except for the risk-weighted measure), with the adequacy measures also projected to remain stable. Beyond the medium term, however, continued persistently large CADs in Curaçao could start putting pressures on reserves, in particular as the NIIP continues to enter negative territory.



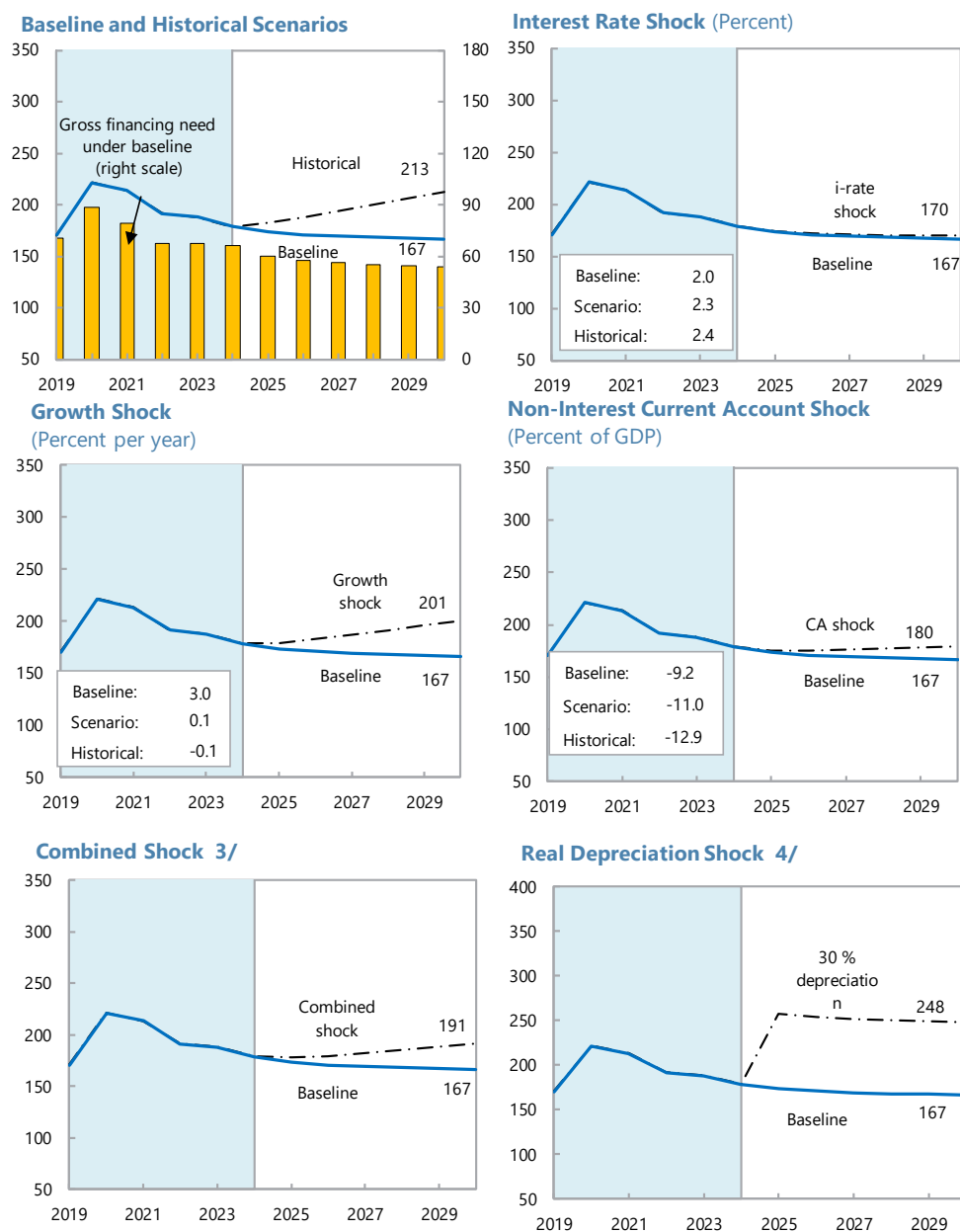
External Debt of the Union

16. The external debt of the Union has been moderating following a sharp increase during the pandemic.

The external debt-to-GDP ratio increased from 172 percent in 2018 (the last available factual datapoint based on IIP) to an estimated 220 percent in 2020, driven by government borrowing from the Netherlands and a decline in nominal GDP.⁶ By 2024, the external debt-to-GDP ratio is estimated to have declined to 180 percent, mainly thanks to the recovery of GDP. The stock of external debt is expected to gradually decline in the medium term to 170 percent of GDP. The external current account deficits are the primary contributors, although they are likely to be financed not only by new debt liabilities but also by drawing down foreign assets. External debt of the Union is vulnerable to several macro shocks which result in a rising debt path. Under tail risk scenarios other than the interest rate shock, the external debt would not be on a decreasing trend in the medium term.

⁶ 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.

Annex II. Figure 1. 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 2025.

Annex II. Table 1. Curaçao and Sint Maarten: External Debt Sustainability Framework, 2018-2030

(In percent of GDP, unless otherwise indicated)

	Actual							Projections						Debt-stabilizing non-interest current account 6/ -7.2
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
Baseline: External debt	172.6	170.5	221.2	213.4	191.5	187.9	178.8	173.3	170.7	169.1	168.1	167.2	166.5	
Change in external debt	11.4	-2.1	50.7	-7.8	-21.9	-3.6	-9.1	-5.5	-2.5	-1.6	-1.1	-0.8	-0.7	
Identified external debt-creating flows (4+8+9)	19.3	5.2	60.5	-0.8	-9.6	2.7	0.9	4.6	5.0	4.9	4.8	5.0	5.0	
Current account deficit, excluding interest payments	14.1	12.2	22.9	16.8	15.1	12.8	13.0	9.7	8.1	7.7	7.2	7.2	7.2	
Deficit in balance of goods and services	28.6	15.9	24.8	18.7	17.0	13.1	13.2	9.2	7.7	7.5	7.0	7.0	6.9	
Exports	63.7	64.9	42.5	54.0	75.5	74.8	77.2	79.3	79.9	80.2	80.3	80.4	80.6	
Imports	92.4	80.8	67.3	72.7	92.6	87.9	90.4	88.5	87.6	87.6	87.3	87.4	87.5	
Net non-debt creating capital inflows (negative)	0.7	-5.9	-0.1	-2.7	-3.0	-1.7	-2.0	-2.1	-2.1	-2.1	-2.1	-2.1	-2.1	
Automatic debt dynamics 1/	4.5	-1.1	37.7	-14.9	-21.7	-8.4	-10.1	-3.1	-1.0	-0.7	-0.3	-0.2	-0.1	
Contribution from nominal interest rate	3.1	3.7	3.3	3.4	3.9	3.0	3.9	3.1	3.2	3.2	3.2	3.1	3.1	
Contribution from real GDP growth	5.8	-1.9	39.0	-10.4	-17.2	-7.3	-7.8	-6.2	-4.2	-3.9	-3.5	-3.3	-3.2	
Contribution from price and exchange rate changes 2/	-4.4	-2.9	-4.6	-8.0	-8.4	-4.1	-6.2	—	—	—	—	—	—	
Residual, incl. change in gross foreign assets (2-3) 3/	-7.9	-7.3	-9.8	-7.1	-12.3	-6.3	-10.0	-10.1	-7.6	-6.5	-5.9	-5.8	-5.7	
External debt-to-exports ratio (in percent)	270.9	262.9	520.3	394.8	253.6	251.2	231.7	218.4	213.7	211.0	209.3	207.9	206.7	
Gross external financing need (in millions of US dollars) 4/	2,886	3,116	3,240	3,175	3,066	3,274	3,471	3,354	3,367	3,441	3,514	3,624	3,735	
in percent of GDP	67.2	70.5	88.2	79.2	67.3	67.6	66.3	60.2	57.6	56.3	55.1	54.6	54.0	
Scenario with key variables at their historical averages 5/								182.5	187.8	193.7	200.1	206.5	212.9	-4.2
Key Macroeconomic Assumptions Underlying Baseline								Historical Average	Standard Deviation					For debt stabilization
Nominal GDP (US dollars)	4294.1	4417.5	3675.2	4007.2	4553.8	4842.1	5231.6	5574.6	5848.9	6112.9	6373.8	6639.8	6913.9	
Real GDP growth (in percent)	-3.6	1.1	-19.1	5.1	9.2	4.1	4.5	-0.1	7.3	3.7	2.6	2.4	2.1	2.0
GDP deflator in US dollars (change in percent)	2.8	1.7	2.8	3.7	4.1	2.2	3.4	2.8	2.0	2.8	2.3	2.1	2.1	2.1
Nominal external interest rate (in percent)	1.9	2.2	1.6	1.7	2.1	1.7	2.2	2.4	0.7	1.9	2.0	1.9	1.9	1.9
Growth of exports (US dollar terms, in percent)	0.3	4.7	-45.5	38.6	58.8	5.3	11.5	4.6	26.8	9.5	5.7	4.8	4.5	4.3
Growth of imports (US dollar terms, in percent)	14.6	-10.0	-30.7	17.8	44.7	1.0	11.1	3.2	19.3	4.4	3.9	4.5	3.9	4.3
Current account balance, excluding interest payments	-14.1	-12.2	-22.9	-16.8	-15.1	-12.8	-13.0	-12.9	4.6	-9.7	-8.1	-7.7	-7.2	-7.2
Net non-debt creating capital inflows	-0.7	5.9	0.1	2.7	3.0	1.7	2.0	1.9	2.0	2.1	2.1	2.1	2.1	2.1

1/ Derived as $[r - g - \pi]/(1 + g + r + \pi)$ times previous period debt stock, with r = nominal effective interest rate on external debt; π = 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 $[-\pi(1 + g) + ea(1 + \pi)/(1 + g + r + \pi)]$ 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

Annex III. Curaçao: Risk Assessment Matrix 1/

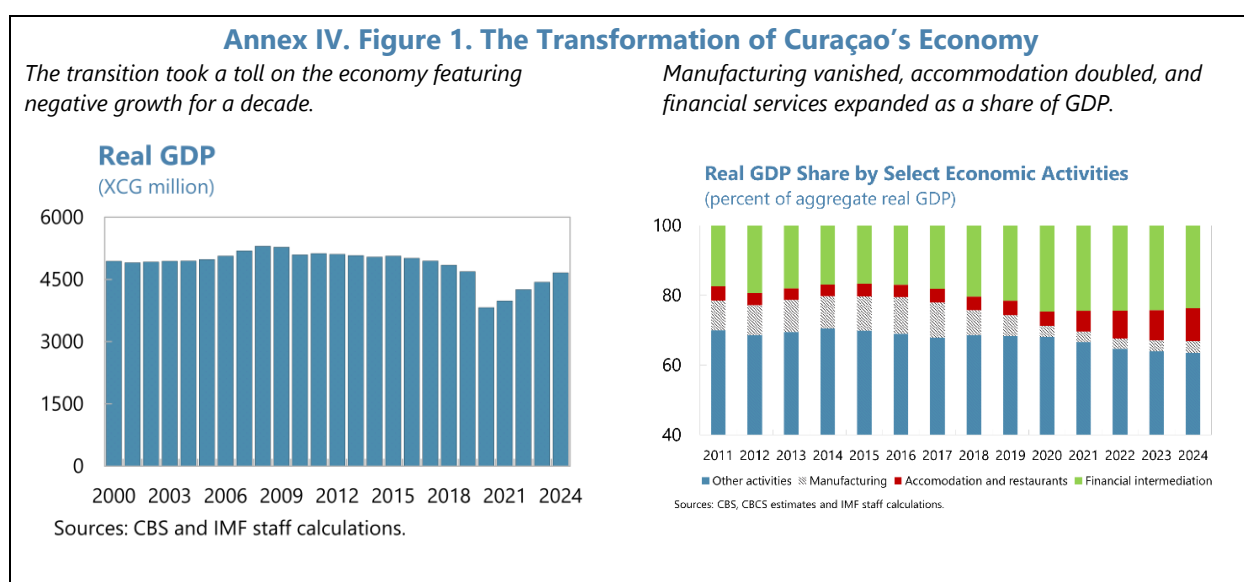
Source of Risks (Likelihood in color)	Expected Impact	Policy Response
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger tighter financial conditions and higher inflation. High.	High. As a small open economy, Curaçao is highly dependent on global trade and investment. Higher trade barriers and resulting inflation could further increase cost of imports, while FDI disruptions could put pressure on external financing. A stronger-than-expected global slowdown would soften tourism flows.	Further diversify import sources, strengthen regional trade integration to help maintain flows of import, and invest in infrastructure to keep attracting tourist flows.
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth. High.	High. Geoeconomic fragmentation could lead to inefficient supply chain arrangements and higher prices of traded goods, which would hurt Curaçao due to the high reliance on imports. However, fragmentation could potentially benefit Curaçao due to rechanneled capital flows.	Continue to diversify trade partners and reduce vulnerability to a particular market. Implement reforms to improve the business environment to potentially benefit from nearshoring trends.
Cyberthreats. Cyberattacks on physical or digital infrastructure and service providers (including digital currency and crypto assets) or misuse of AI technologies trigger financial and economic instability. High.	High. Cyberattacks on critical infrastructures could jeopardize operational, financial, and economic stability. Cyberattacks on state-owned enterprises could imply serious fiscal risks.	Ensuring critical systems are properly protected and backup systems are available. Insurance could help mitigate some of the fiscal risk.
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability. Medium.	High. Curaçao imports most consumption and investment goods—including oil—and thus is highly vulnerable to fluctuations in global prices. A sharp rise in commodity price could dent growth and worsen the already-high trade deficit.	Targeted support for the most vulnerable may be used if there is fiscal space. Intensify the expansion of renewable electricity generation and electrify the transportation sector.

Source of Risks (Likelihood in color)	Expected Impact	Policy Response
Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFIs in distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs. Medium.	Medium. Curaçao's financial institutions' balance sheets are vulnerable to repricing risk, and unrealized losses may become realized. Uncertainty can also delay inward foreign investment and hamper medium-term growth.	The authorities can develop contingency plans and a deeper understanding of financial linkages. As the lender of last resort, the CBCS is ready to intervene.
Source of Risks (Likelihood in color)	Expected Impact	Policy Response
Global growth acceleration. Easing of conflicts, positive supply-side surprises (e.g., oil production shocks), productivity gains from AI, or structural reforms raise global demand and trade. Low.	High. As a tourism-oriented economy, Curaçao would benefit a lot from acceleration in global growth, and global demand. Increase in global trade could also put downward pressure on import prices.	Continue expanding into the new tourism markets and investing in the infrastructure to fully benefit from the higher tourism growth.
Curaçao-specific risks		
Low public investment. Prolonged period of unsustainably low public investment and delays in implementation of the needed structural reforms lead to inadequate infrastructures for growth and livelihoods. High.	High. Delays in public investment, which has frequently been below depreciation, could lead to damaged and inadequate infrastructure, dampen economic activity, and hurt tourism. However, a timely implementation could boost potential growth and improve the outlook.	Commitment to the process is needed by all parties. Improvements to public investment management, planning, procurement, and governance can assist in implementation.
Stronger tourism capacity expansion. Additional hotel openings attracted by recent high-end brands and fast growth of short-term rentals. Medium.	High. Additional hotel openings, especially high-end brands, could expand the room inventory and attract new tourists. Faster growth of short-term rentals could also diversify stay options for tourists.	Tax policies to strike a balance between attracting investment and collecting revenues to share the tourism benefits with the local economy.
Continued high mortgage credit growth. Further widening of the mortgage credit gap and built-up of vulnerabilities in the financial sector and household balance sheets. Medium.	High. overheating in the construction sector and increased exposure by the financial sector could create vulnerabilities, in particular as tourism flows moderate. Subsequent deleveraging would have a scarring impact on growth and construction sector activity.	Authorities should closely monitor mortgage credit growth, compile debt service-to-income ratios and granular loan-to-value ratios across banks and, at increased frequency, non-bank financial institutions. Expand macroprudential toolkit and put in place a macroprudential strategy.

Source of Risks (Likelihood in color)	Expected Impact	Policy Response
Large offshore windfarm project. Materialization of the planned floating offshore windfarm, which is currently at an exploratory phase, would increase the island's electricity production tenfold, ending fuel-dependency, improving the CAD and opening opportunities to export green hydrogen utilizing the closed refinery's infrastructure. Low.	High. The large offshore windfarm could help harvest Curaçao's renewables potential and establish the island as a major energy exporter in the region. This would serve as a new high value-added, high-skilled economic pillar that could replace the closed oil refinery.	Careful assessment of Curaçao's windfarm potential and implementation with experienced counterparts, including the Netherlands. Policies to encourage investment and ensure the supply of skilled labor that could meet the demand of these projects.
1/ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.		

Annex IV. Curaçao: Tourism's New Footprint on the Economy¹

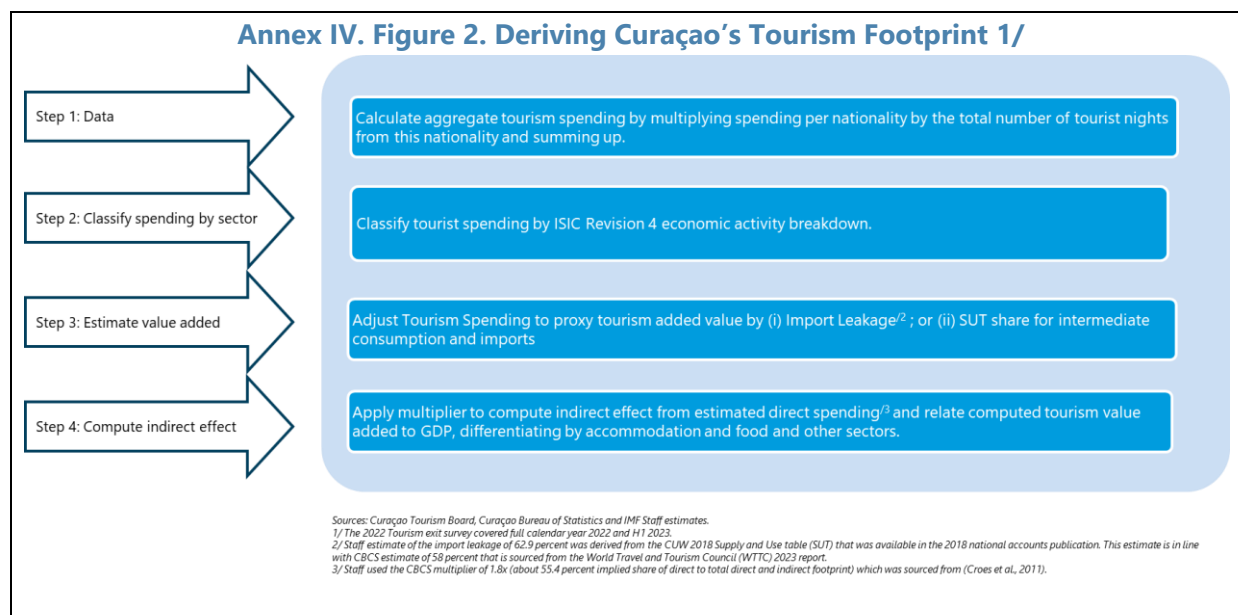
1. Curacao's structural transformation was accompanied by the rise of tourism. A decade ago, Curacao's economy was dominated by financial and insurance activities, followed by real estate and professional services, with a solid base of manufacturing of around 10 percent of GDP. The end of the offshore financial center in the early 2000s and the closing of the refinery in 2018 – after gradually reducing its operations from 2012 onwards – led to a structural transformation of the economy reflected in a dwindling manufacturing sector which was partially offset by the rise in tourism. The transition has come at a price, as today's GDP is still lower than pre-2018. Financial services expanded to roughly one-third of the economy and now constitute the largest sector as per national accounts.



A. Deriving The Tourism Footprint

2. Measuring the footprint of tourism has proven challenging, notably in the absence of tourism satellite accounts. National accounts data show that the accommodation and food services sector contributed 6.7 percent of nominal GDP and 7.9 percent of gross value added (excluding net indirect taxes) in 2024. However, the imprint of tourism on Curaçao's economy reaches much further than that. The direct tourism footprint includes the hospitality sector but also tourist spending on other economic activities such as wholesale trade, real estate, transportation, arts and recreation. Furthermore, indirect effects of tourism on other sectors are known to be significant in peer tourism-based islands. Those effects consist of, for instance, spending by employees in the hospitality sector on local goods and services. This Annex assesses the direct and indirect impact from tourism in the absence of tourism satellite accounts.

¹ Prepared by Ziad Amer and Natasha Gimpelson.



3. Staff estimated the direct and indirect tourism footprint leveraging tourist surveys.

Using surveys from the Curaçao Tourism Board (CTB) for 2017, 2019 and 2022 and national accounts from the Curaçao Bureau of Statistics (CBS), staff derived the footprint in four key steps as outlined in Figure 2. Step one involved calculating total tourist spending across different activities/services using the CTB survey at the nationality and activity disaggregation level. Under step 2, staff classified tourist spending on economic activities in line with the International Standard Industrial Classification (ISIC-revision 4). Step 3 attempts to estimate an added value component: Tourist spending falls under *Total uses at purchasers' prices*, typically published in supply and use tables. The latter, however, is available only in a reduced form, and the latest date back to 2018 (before the refinery closed). To proxy inputs, staff therefore applied two different techniques: first, using staff estimates derived from the 2018 SUT; and second, using an adjustor for import leakage also applied by the Central Bank of Curaçao and Sint Maarten (CBCS). The final step involved adjusting these estimates by the direct to indirect multiplier, following the CBCS (Figure 4).

4. Tourism has doubled its footprint between 2017 and 2022, reaching about a quarter of the economy. Using either methodology under Table 1, the computed tourism footprint has reached about one-quarter to one-third of Curaçao's economy. The estimates are also comparable with the one derived by the CBCS. At the disaggregate level-2, the footprint of hospitality is about three times the share than under national accounts (Figure 4). This aligns with the spending shares based on the CTB survey indicating that most tourist spending was allocated to accommodation and food.

² Staff classified the tourism spending on activities and services from the CTB surveys into key industries using the International Standard Industrial Classification-Revision 4, to allow estimation of the tourism spending by sector/industry (see table 1).

Annex IV. Figure 3. From Tourist Spending Patterns to GDP Contributions

Using ISIC-revision 4, staff classified spending into economic sectors.

The bulk of tourist spending is directed at hotels and restaurants.

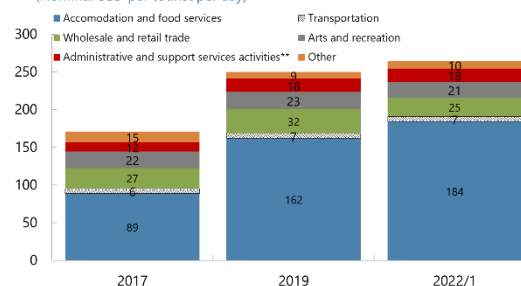
Table 1: Staff Classification of Tourist Activities using ISIC Revision 4

Tourism Exit Survey Activities	Economic Activity (ISIC-Rev.4)
Accommodation	
Food at accommodation	Accommodation and food services sector
Restaurants	
Car rentals	Administrative and support services
Public transportation	Transportation sector
Shopping	
Groceries	Wholesale and Retail Trade
Cultural activities	
Entertainment	Arts, entertainment and recreation
Water activities	
Other activities and services	

Sources: Curacao Tourism Board; ISIC revision 4; and IMF staff calculations.

Tourist Daily Spending by Economic Activity

(Nominal USD per tourist per day)



Sources: Curacao Tourism Board and IMF Staff calculations using UN ISIC Revision 4.
1/ The last expenditure survey covered full calendar year 2022 and H1 2023, which staff used with 2022 nominal GDP and stayover tourist nights to estimate the share in 2022.

Annex IV. Figure 4. Estimates of Direct & Indirect Tourism Footprint 1/ (percent of GDP, unless otherwise specified)

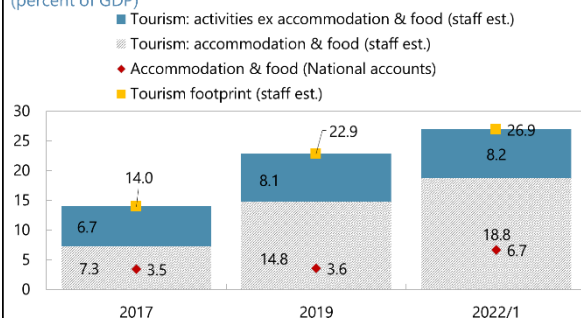
	Non-value-added component: Share of Intermediate consumption and imports to total uses at purchasers' prices	Direct tourism footprint using all sectors ratio for Curacao in 2022	Direct and indirect tourism footprint applying 1.8 multiplier ^{1/}
SUT Curacao (2018) ^{2/}	62.9	14.9	26.9
CBCS import leakage estimate (2023) ^{2/}	58	16.9	30.5

Sources: Curaçao Tourism Board, Curaçao Bureau of Statistics and IMF staff estimates.

1/ The 2022 Tourism exit survey covered full calendar year 2022 and H1 2023.

2/ Staff estimate of the import leakage of 62.9 percent was derived from the CUW 2018 Supply and Use table (SUT) that was available in the 2018 national accounts publication. This estimate is in line with CBCS estimate of 58 percent that is sourced from the World Travel and Tourism Council (WTTC) 2023 report.

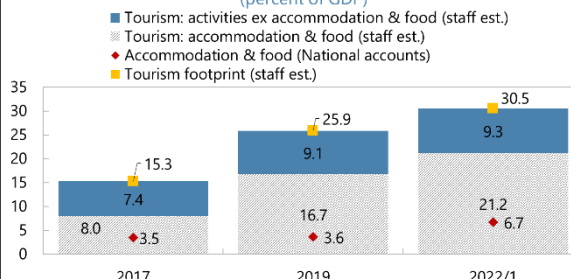
Tourism Footprint- Methodology I- SUT Curacao (2018) 1/
(percent of GDP)



Sources: CBS, CBCS, Curacao Tourism Board, IMF staff estimates.

1/ The last expenditure survey covered full calendar year 2022 and H1 2023, which staff used with 2022 nominal GDP and stayover tourist nights to estimate the share in 2022.

Tourism Footprint- Methodology II- CBCS Import Leakage 1/
(percent of GDP)

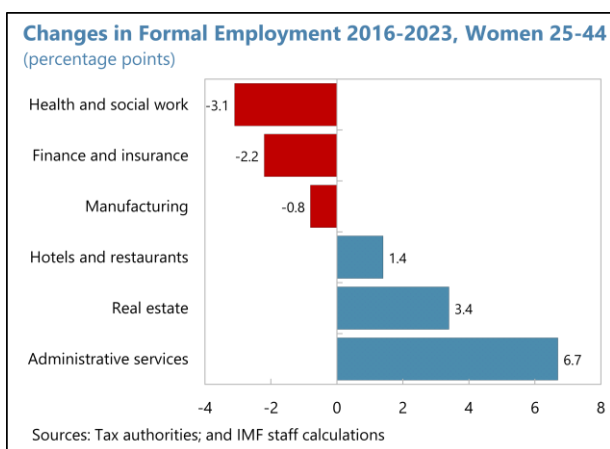
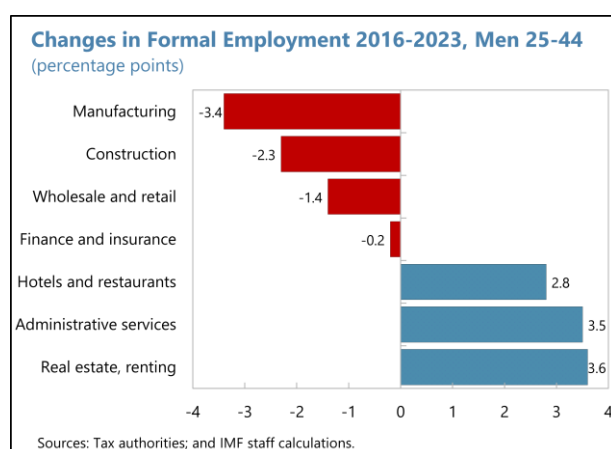


Sources: CBS, CBCS, Curacao Tourism Board, IMF staff estimates.

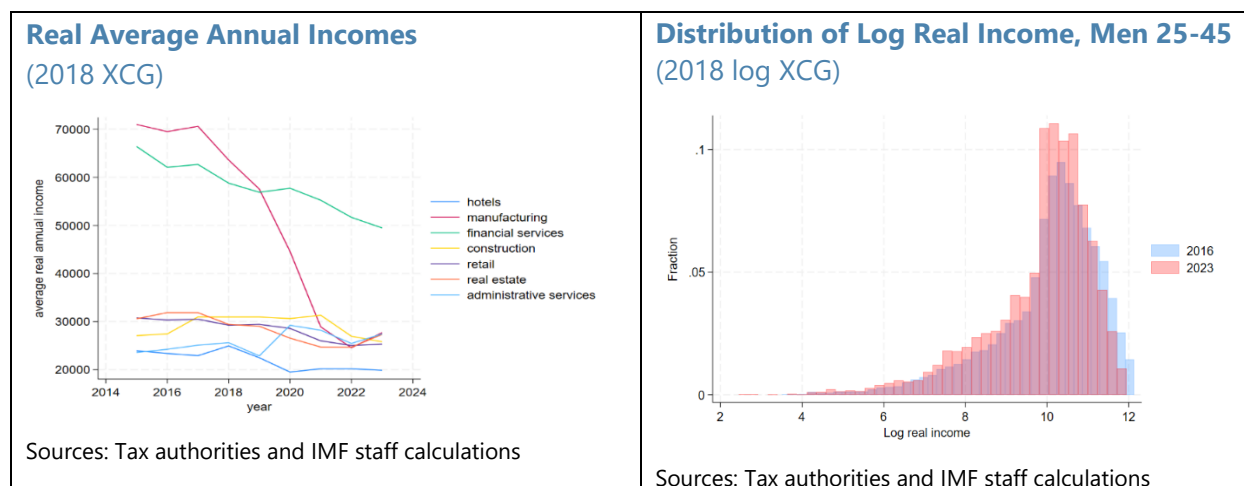
1/ The last expenditure survey covered full calendar year 2022 and H1 2023, which staff used with 2022 nominal GDP and stayover tourist nights to estimate the share in 2022.

B. Shifts in the Labor Market

5. The transition to tourism is associated with notable changes in employment, both formal and informal. Following the refinery's closure, formal employment shifted away from manufacturing jobs to the hospitality sector. According to administrative tax data, the share of registered male employees working in hotels and restaurants increased by around 3 percentage points and in real estate by 3.6 percentage points during 2016-2023, while the share of registered employment in manufacturing has declined. Female employment has also seen an increase in hospitality and real estate sectors, with a particular large pickup in administrative services. On the contrary, the share of female employment in domestic sectors, such as health and financial services, has declined. Overall, formal employment among men dropped by 10 percent cumulatively since 2016, while female employment declined by only around 3 percent over the same period. Total employment, which includes both formal and informal employees, on the contrary, increased by 3 percent relative to 2016 according to the Labor Force Survey, suggesting a large increase in informality, especially among men and in the construction sector (see Annex VI).

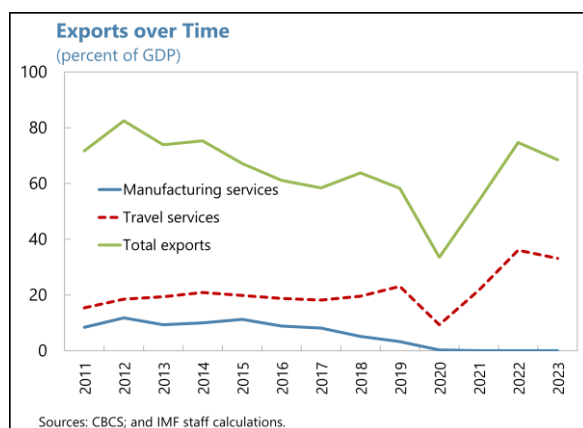


6. The shift to tourism-related sectors also triggered a shift in Curaçao's income distribution. Service-based tourism-related sectors tend to have lower wages than manufacturing industries. With the transition to tourism, more people were employed in lower-wage occupations. With the closure of the refinery, real average income in the manufacturing sector has contracted by more than 50 percent, reflecting the fact that the refinery provided some of the highest paying jobs. These changes within the manufacturing sector together with reallocation of employment towards hospitality are consistent with the shift of the income distribution towards lower real incomes.



C. Impact on the Balance of Payments

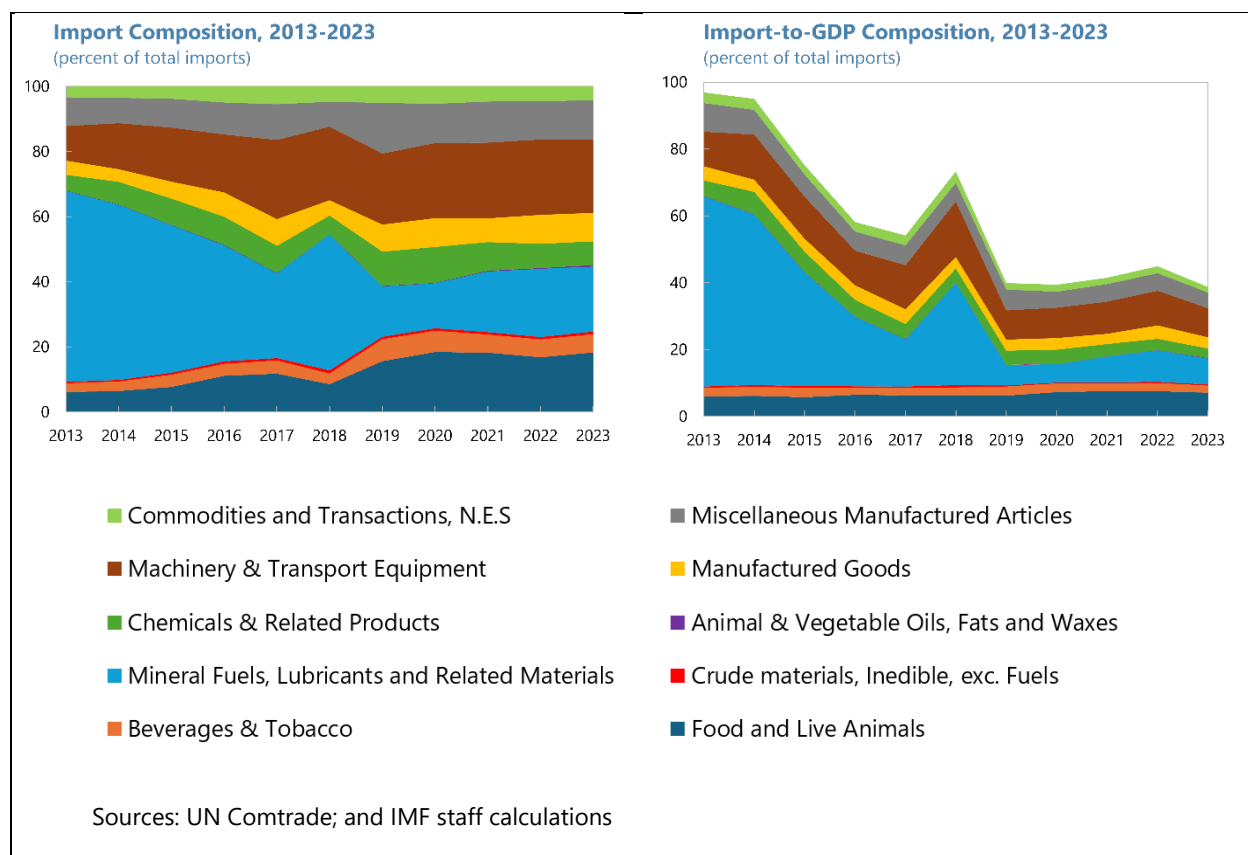
7. The rise in travel services has arrested a decade-long decline in exports. Travel-related service exports increased as a share of total exports and of GDP, and the increase has accelerated after the pandemic. By 2023 the share of travel receipts reached 50 percent of total exports and 35 percent of GDP. At the same time the share of exports of manufacturing services, mostly reflecting refining fees³, shrank from 15 percent of total exports and 10 percent of GDP to almost zero. Total exports of goods and services declined gradually until the refinery's closure but picked up rapidly after the pandemic reflecting the increase in tourism receipts.



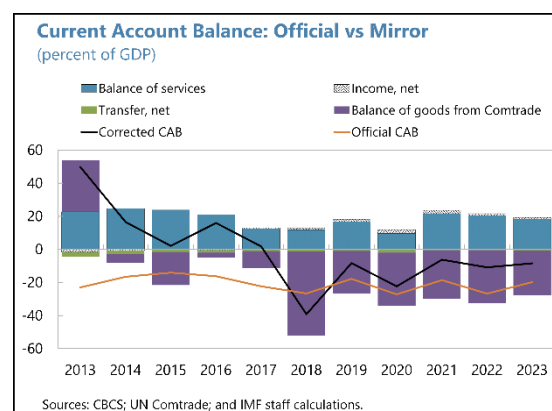
8. The transition to tourism had significant implications for the composition of imports, which is especially important given the reliance of Curaçao on imported goods. UN Comtrade data provides mirror data for Curaçao (exports to Curaçao reported by other countries), with merchandise imports (from Curaçao) available in SITC classification. Figure 4 documents changes in the import composition for the past 10 years, using 1-digit SITC disaggregation. Until 2019, imports of mineral fuels (petroleum, including crude) accounted for the largest share of imports. In 2019, that share dropped dramatically from 40 percent of total goods imports to 16-20 percent in 2019-2023, reflecting the closure of the refinery. The lost share of petroleum products has been mostly taken by food, beverages, and machinery and transport equipment. Looking at imports relative to GDP in Comtrade data, the overall imports-to-GDP ratio has declined dramatically over the last 10

³ Proxying manufacturing-related exports due to a lack of data on detailed goods exports.

years, driven by the decrease in fuel imports, with the ratio stabilizing at 40 percent of GDP after the refinery closure. Other categories have changed significantly over this period.

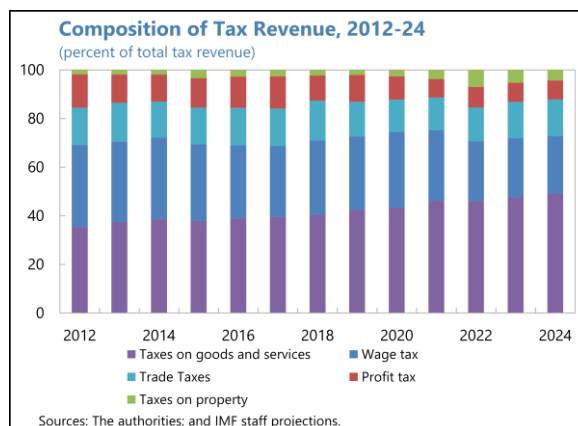


9. The CAD remained broadly stable according to official BOP statistics as oil-related imports and exports were offset by tourism-related trade, while mirror data indicates an increase in the CAD. UN Comtrade mirror data suggests that the goods trade deficit was overestimated during the refinery operation due to the refinery-related trade not being fully accounted for. According to Comtrade data, the CAD has increased following the transition to tourism but is expected to moderate in the medium term on the back of strong and persistent growth in tourism receipts and lower oil prices.



D. From Direct to Indirect Taxation

10. The transition to a tourism-led economy has shifted the tax burden from direct to indirect taxes. The decline in real wages in the economy, with many occupations renumeralated at minimum wage and therefore below the exemption threshold of the personal income tax, led to a stark decline in wage tax collection, dropping by more than one third between 2021 and 2024 in real terms. Profit taxes, while on a mild downward path since 2012, fell strongly during COVID, to around 40 percent of their 2021 levels in real terms, and recovered only modestly, mainly explained by the refinery's closure, a reduction in the corporate income rate, as well as tax holidays for new hotels. Meanwhile, with higher domestic consumption – including by tourists – goods and services tax collection increased by one quarter since the pandemic, compensating for most but not all of the decline in direct tax collection.



Annex V. Curaçao: Old-age Pensions: How to Increase Benefits in a Fiscally Sustainable Manner?¹

A. Curaçao's Pension System

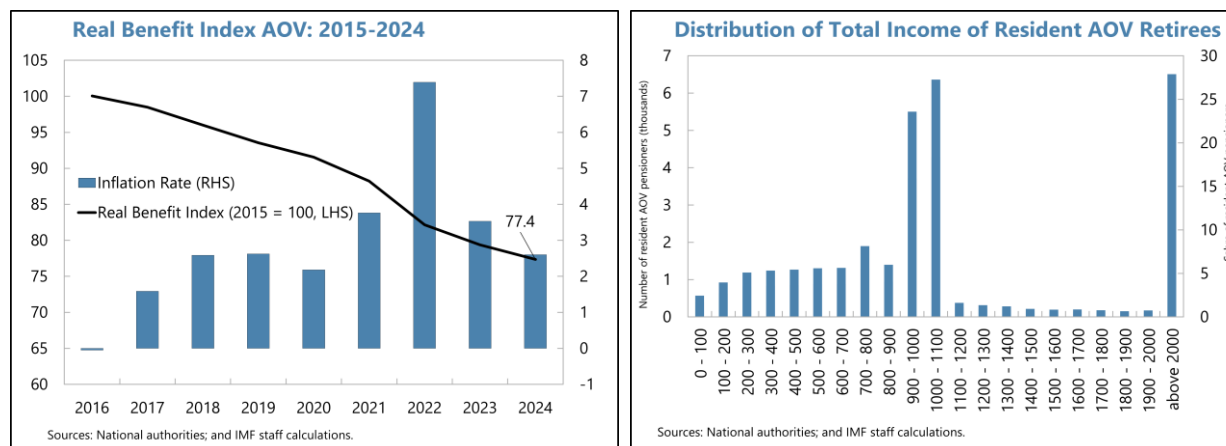
1. The pension system of Curaçao follows a traditional three pillar structure, with the first-pillar basic pension serving as the primary source of income for the elderly. The public first-pillar pension (Algemene Ouderdomsverzekering, AOV), which is residency-based, constituted the main source of income for approximately 65 percent of the elderly population in 2024 (CBS, 2025). It is financed through a 16 percent contribution rate and government transfers, and provides nearly universal coverage. Following the 2013 AOV reform, the statutory retirement age was set at 65 years.² Second pillar, employer-sponsored pension schemes exist for selected groups, with the largest being the Algemeen Pensioenfonds van Curaçao (APC), the pension fund for public sector employees. APC covers around 11,000 retirees—approximately one-third of the elderly population—and 11,000 active contributors. APC pensions supplement the AOV, aiming to achieve an overall replacement rate of 70 percent at retirement. A mandatory, employer-based second-pillar pension scheme for the private sector is currently under legislative review. The proposal envisions a defined contribution scheme with a total contribution rate of 2 percent, equally split between employers and employees. Voluntary individual pension savings make up the third pillar. ENNIA, the largest provider of individual and group pension plans, serves around 25,000 active and retired clients in Curaçao. Since a major solvency crisis in 2018 and subsequent restructuring, its annuity payments have been supported by the government and the CBCS, with subsidies amounting to approximately XCG 45 million annually (IMF, 2024).

2. Benefits of the AOV pension scheme have not been indexed for over a decade, resulting in a cumulative decline in purchasing power of 23 percent since 2015 (Figure 1). Designed to prevent poverty in old age, the AOV provides a monthly benefit of XCG 862 (as of 2025) for individuals who have continuously resided in Curaçao from age 15 to 65. However, this amount represents only 56 percent of the national poverty line (CBS, 2025), raising concerns about the adequacy of old-age income protection. Legislation mandates that AOV benefits be adjusted annually in line with real GDP growth. Based on the cumulative real GDP contraction of 8 percent from 2013 to 2024, strict application of the legal formula would have required a reduction of the full AOV benefit to approximately XCG 791 by 2024. In practice, however, the indexation mechanism has not been applied since 2013—primarily due to the unavailability of the specific real GDP growth data stipulated in the law, which refers to the change in real GDP between August of the penultimate year and August of the previous year.

¹ Prepared by Christoph Freudenberg.

² The retirement age was increased from 60 to 65 years in 2013. Those who had reached the age of 58 in 2013 were allowed to retire early at age 60 with a penalty of 6 percent per year of early retirement, later reduced to 3 percent. Also, the number of residence years to receive the full pension was increased from 45 to 50 years in 2013.

3. An additional allowance is provided for lower-income pensioners and paid to roughly one fourth of resident AOV recipients. This means-tested allowance, currently set at XCG 169 per month, was introduced in 2005 and is paid out for AOV retirees who: a) reside in Curaçao; b) receive an individual AOV pension of less than XCG 862; and c) have a total income below XCG 862. Out of roughly 35,000 AOV pensioners residing in Curaçao in 2024, about 9,500 qualified for this top-up. While the average total income among the elderly population amounted to XCG 2,200 per month in 2023 (CBS, 2025), the median total income of resident AOV beneficiaries was only around 1,000 XCG—well below the national poverty line of 1,549 XCG. As shown in Figure 2, nearly two-thirds of resident AOV retirees earned less than 1,100 XCG in total monthly income in 2023.



B. Responsibly Adjusting Benefits: Reform Options

4. The government expressed its intention to adjust AOV pension benefits in a fiscally responsible manner, with particular consideration for targeted increases benefiting low-income groups. Fully compensating all AOV retirees for the real income losses incurred over the past decade would be fiscally costly. Such compensation would require an increase in benefits of approximately XCG 150 per month (a 25 percent rise) in 2026, raising the overall pension expenditure from 6.0 percent to 7.5 percent of GDP. A more moderate increase of XCG 100 per month for all retirees would still raise costs by about 1.0 percent of GDP in 2026. Given these large costs, the government is exploring targeted benefit increases, focusing on resident and low-income AOV beneficiaries. Limiting the envisaged pension increase to residents only and fully compensating for real income losses since 2015 would reduce the additional cost to 1.2 percent of GDP, or to 0.7 percent of GDP in the case of a XCG 100 benefit increase. Although the law already allows for differentiated benefit levels between residents and non-residents, this approach may entail legal risks (Box 1). To avoid these risks, an alternative under consideration is the introduction of a tax-funded supplementary AOV allowance specifically for low-income households residing in Curaçao.

Annex V. Table 1. Curaçao: Fiscal Costs of an Increase in AOV Pension Benefits

Target Group	by 25 %	by 100 XCG 1/
All AOV Pensioners	1.5 % of GDP 105 Mio. XCG 145 XCG monthly 1/	1.0 % of GDP 72 Mio. XCG 100 XCG monthly 1/
Only Resident AOV Pensioners	1.2 % of GDP 88 Mio. XCG 187 XCG monthly 1/	0.7 % of GDP 47 Mio. XCG 100 XCG monthly 1/

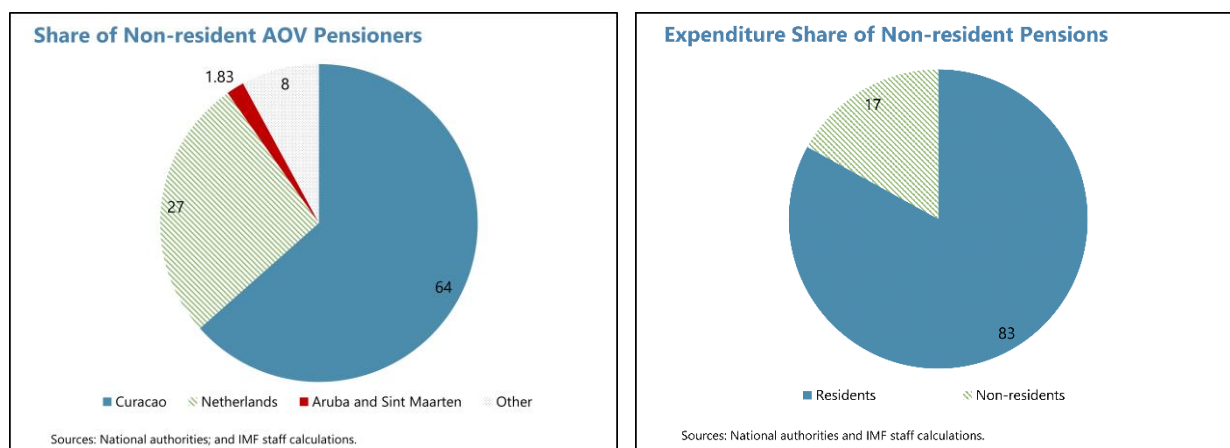
Source: SVB data and Staff estimates.
1/ Increase in average pensions of the target group considering 13 payouts per year for residents and 12 payouts for non-residents.

Annex V. Box 1. Residency and Pension Rules - Fiscal and Legal Considerations

Currently, one out of three AOV pensions is paid to recipients living abroad, primarily in the Netherlands (see Figure 5). Despite this high share of non-resident pensioners, only 17 percent of total pension expenditures—amounting to XCG 67 million—are allocated to them. This relatively modest expenditure share is explained by the significantly lower average pension received by non-residents (XCG 284), compared to resident pensioners (XCG 747). The disparity in pension levels reflects both the typically shorter contribution periods of non-residents and the uniform 10 percent benefit reduction applied to all non-resident beneficiaries since 2017. Moreover, non-residents are not entitled to the so-called 13th pension (Christmas Bonus)—equivalent to one monthly payment—since 2016.¹

In a recent ruling, the benefit differentiation by residence was judged lawful, with legal risks of further reductions remaining. In 2021, a court case was brought by a non-resident from Bonaire who argued that the pension reduction and exclusion from the Christmas bonus violated his rights under the European Convention on Human Rights (ECHR). The court ruled that such differentiation was in principle lawful and did not infringe Article 1 of Protocol No. 1 of the ECHR. The court, however, also stated that this principle may be breached if there is an "excessive burden" applied to non-residents of the country of Curaçao (Court of Appeal, 2021). This implies that there are legal boundaries in terms of further extensive cuts in pension entitlements for non-resident AOV pensioners.

¹Special rules apply for AOV pensioners living in the Netherlands Antilles on October 10, 2010 and being resident there, after a court case in 2021 (Dossier, 2021), who represent about 2 percent of overall retirees.



5. Introducing a new AOV allowance for low-income households could cost at least 0.4 percent of GDP. To contain expenditures, the government is considering a targeted approach, offering an additional allowance specifically to low-income resident AOV beneficiaries. Eligibility could be determined using tax data to assess total household income, following the same administrative process used for the one-off “Bashi Payment” of early 2025 (XCG 350 per person). That payment was automatically provided to around 24,000 resident pensioners with individual incomes below XCG 1,400 in 2023.

6. The new allowance could apply differentiated income thresholds for single and married retirees, recognizing economies of scale in household spending. For married couples—identified through tax records—eligibility for the allowance could be set at a combined household income of up to XCG 3,000, rather than a simple doubling of the individual threshold (i.e., $2 \times \text{XCG } 2,000 = \text{XCG } 4,000$). This would align with the OECD equivalence scale and recognize different needs in terms of housing, food, and transport. As shown in Table 2, the total cost of the allowance would range between 0.4 and 1.0 percent of GDP, depending on the selected benefit level and income thresholds. Based on an income threshold of XCG 2,000 for singles and XCG 3,000 for couples, an estimated 26,500 resident AOV retirees would be eligible for the benefit in 2026. Among single retirees, approximately 84 percent would qualify, while about two-thirds of married retirees would receive the allowance. Raising the income threshold to XCG 2,500 for singles and XCG 3,750 for couples would increase the number of eligible resident retirees by about 2,000 individuals.

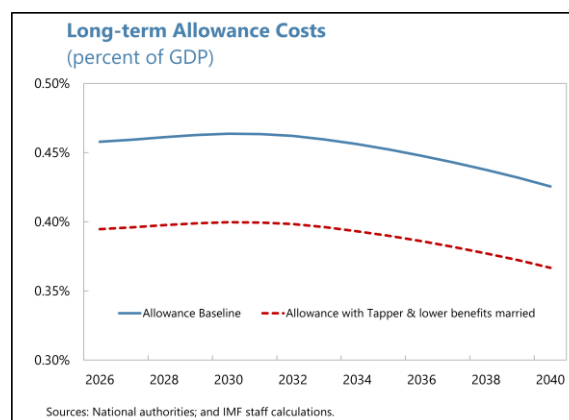
Annex V. Table 2. Curaçao: Costs of Targeted AOV Allowance

Monthly Allowance Amount *	if single: < 2500 XCG	if single: < 2000 XCG
	If married: < 3750 XCG (of couple)	If married: < 3000 XCG (of couple)
+ 100 XCG	0.5 % of GDP	0.4 % of GDP
+ 150 XCG	0.7 % of GDP	0.7 % of GDP
+ 200 XCG	1.0 % of GDP	0.9 % of GDP
Further Information	Total Recipients: 28,400	Total Recipients: 26,500
	Share of Resident Pensioners: 77 %	Share of Resident Pensioners: 72 %
	Share of Singles (Resident): 87 %	Share of Singles (Resident): 84 %
	Share of Married (Resident): 69 %	Share of Married (Resident): 62 %

Sources: National authorities and IMF staff calculations.

7. Allowance costs could be further reduced if a taper mechanism is considered and if benefit levels are based on marital status. Tapering ensures smoother transitions: instead of a sharp cut-off, benefits gradually decrease as income rises. For example, with a 20 percent taper above XCG 1500, a retiree earning XCG 1900 would get XCG 20 in AOV total allowance ($=100-(1900-1500)*0.2$), avoiding large gaps between similar incomes. Without tapering, someone earning XCG 2001 would get nothing, while someone with XCG 2000 might get 100 XCG—creating unfair jumps and setting distortionary incentives. The taper mechanism would reduce allowance costs by about 1–2 million per year. Allowance benefits could also be adjusted to reflect that married retirees generally have lower individual living costs than singles, since they can share expenses. Using the OECD equivalence scale, the allowance for a married retiree could be set at 75 percent of the single rate. This approach, similarly applied in countries like the Netherlands, Canada, and New Zealand, ensures fairer targeting of support and could reduce total allowance costs by around 11 percent. Overall, costs would be 14 percent lower compared to the estimates of Table 2 when considering a tapering mechanism and benefit levels differentiated by marital status.

8. Linking the allowance to inflation would help maintain its real value over time, protecting retirees' purchasing power. Indexing the allowance to inflation—rather than to wages or GDP—would also keep the total cost of the allowance relatively stable as a share of GDP in the long run (). This is mainly explained by the fact that the number of elderly in Curaçao, potentially eligible for the allowance, is expected to grow at a rate similar to real GDP.³ Overall, inflation indexation ensures fiscal sustainability while safeguarding beneficiaries against rising prices.



³ Inflation affects nominal GDP and the allowance similarly.

C. Administrative Considerations

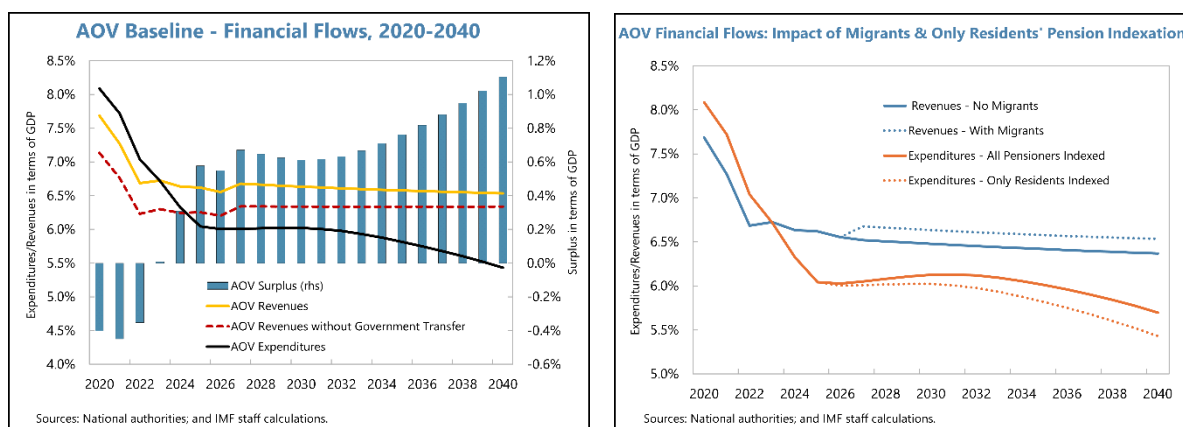
9. It is recommended to implement an automatic income test based on tax data to reduce the administrative burden for both applicants and the government. Currently, applicants for the AOV allowance must submit individual income declarations, which can discourage many eligible individuals from applying—either due to the effort involved or the perceived stigma of requesting assistance. An automated process using existing tax records would help overcome these barriers and streamline benefit delivery. However, a key limitation is that tax data is only available with a time lag—typically around two years. For example, in early 2026, only income information up to 2024 would be accessible. This delay may lead to inaccurate assessments for individuals who have experienced recent income changes, particularly **new retirees**, whose incomes often drop sharply upon retirement. To address this, **recent retirees** should be given the option to declare their **current income** if it differs significantly from the latest available tax records. For **older retirees**, such as those aged 68 and above—who make up the majority of AOV beneficiaries—income levels tend to remain stable. For them, tax data generally provides a reliable basis for income testing. Still, they too should retain the option to report their actual income if it differs substantially from what is reflected in the tax records.

10. To further improve efficiency and reduce complexity, the government should consider merging the proposed new allowance with the existing AOV allowance, applying a unified and automated income test across both programs. In parallel, the authorities are encouraged to establish a consolidated registry for means-tested benefits, which would streamline delivery and harmonize eligibility criteria across social programs.

D. Baseline AOV Pension Projections

11. The baseline combines efforts to target lower-income pensioners with a widening of the contributor base. The following policy measures are considered under the baseline: Applying inflation indexation to residents' pensions only; providing a continuous allowance for low-income resident pensioners of XCG 100 monthly introduced in 2026 and indexed with inflation thereafter; and legalizing undocumented migrant workers with incentives for them and their employers to formalize.

12. Under the baseline, the AOV scheme is projected to run surpluses over the medium and long term, reducing the need for government transfers. This projection follows the positive trend observed in recent years, with a balanced AOV budget in 2023 and a small surplus in 2024. These cash balances, measuring revenues including the annual government transfer and prior to transfers to legal reserves and the Equalization Funds (Schommelfonds), are expected to remain positive. An increase in the surplus is projected for 2025 based on favorable economic developments and realized data from January to May 2025: AOV contributions overperformed by 9 million compared to forecasts made in 2024. Overall, staff assumes an increase in contribution revenues by 6.8 percent in 2025. On the expenditure side, staff assumes that indexation will resume in 2026, with an annual adjustment of benefits of residents with inflation going forward (see below). For further details on the pension projection see Box 2.



13. Legalizing undocumented migrant workers would lead to an increase in AOV revenues from 2027 onwards by around 0.2 percent of GDP. The government considers introducing a temporary 'grace period', during which undocumented migrants, many from Venezuela, can legalize their status by applying for a work and residence permit. A conservative assumption would be that, out of (estimated) 12,000 undocumented workers, around 3,000 will work formally from 2027 onwards, contributing to AOV based on the minimum wage.⁴ Overall, this policy could raise AOV revenues by about XCG 12 million in 2027 and thereafter, equal to 0.2 percent of GDP.

14. Differentiating inflation indexation of AOV benefits by residency would save about 0.2 percent of GDP in the long term. From 2026 onwards, the baseline assumes indexation of pensions—for the first time since 2013—based on price inflation, resulting in annual increases of about 2.2 percent for resident pensioners during the 2026–2030 period. A similar adjustment (2.5 percent) is projected if pensions would rise in line with real GDP growth as currently considered in the law. In line with the aim of the government to differentiate benefits by residency, the indexation is only applied to resident pensioners. The fiscal impact of this measure is limited, as only about 17 percent of total expenditure is paid abroad (Box 1). The impact of this measure accumulates over time, with an annual fiscal saving of about XCG 2 million in 2026 and about XCG 9 million by 2030, equal to 0.1 percent of GDP. While similar benefit differentiation is already applied under current law (see Box 1), there remains a legal risk that the exclusion of non-residents could be ruled unlawful by the courts.

15. Overall, the indexation of only residents and the formalization of undocumented migrants increases future surpluses of AOV by around 0.2 percent of GDP in the short term and by 0.5 percent of GDP in the long term by 2040. As the fiscal balance of the AOV improves

⁴ Information on undocumented migrants is incomplete. The platform R4V(2024) estimates a total of undocumented migrants from Venezuela of 11.6 thousand. Amnesty International (2023) proxies that about 17 thousand Venezuelans live with irregular migratory status in Curacao. We use the more recent and conservative figure of R4V, assuming that 25 % of migrants are of non-working age, mainly children. Moreover, we consider that 35 % of migrants of working age opt for the grace period and contribute to AOV based on an available formal job. These estimates are somewhat lower than the take-up rate observed in Belize, often considered as a best practice for the formalization of undocumented migrants. There about half of undocumented migrants were granted a work permit, not all of them may, however, ended up with a formal job.

with these measures, the AOV government transfer of currently XCG 25 million (0.4 percent of GDP in 2025) may not be (fully) required in the years to come. In the medium term, the latter could be used to help compensate for the allowance to lower-income households.

Annex V. Box 2. Methodology Pension Projection

The projection is based on a dynamic cohort simulation model. The main data inputs include average benefits and number of beneficiaries by age, gender and residency, provided by SVB for the year 2024. Mortality and population estimates are based on UN Population Projections 2024. Benefits of future new retirees are calculated using average pensions of current younger pensioners aged 65-67 years (and indexing it depending on policy assumptions). Also pension coverage of cohorts entering as retirees at ages 65 and 66 is estimated based on current younger AOV scheme members. Based on model estimates, the number of AOV beneficiaries is expected to grow by about 2.5 percent annually from 2025-2030, which is lower than in the current mid-term AOV projections of SVB (about 3.2 percent), and closer to the growth of total retirees observed from 2022-2024, with 2.7 percent annually. From 2030-2040 we project a lower growth of retirees of around 1.4 percent annually, based on the UN Population Projections, explaining partly the decline in AOV pension expenditures relative to GDP in these years.

On the revenue side we assume that wages grow with 1.8 percent in real terms from 2026-2029 annually, with an employment growth of -0.2 percent annually in the same period, driven by a shrinking working age population. Inflation is growing by 2.2 percent from 2026-2030 annually. The resulting nominal wage bill growth, simply speaking the sum of inflation, wage and employment growth, of around 3.8 percent in real terms is significantly higher than the mid-term AOV projections of SVB (with 1.3 percent), mainly explaining the difference in projection results: SVB assumes a pension deficit by 2030. After 2029 we assume that the wage bill increases with GDP growth (4.1 percent in nominal terms), implicitly assuming a constant labor share of the economy over the long-term.

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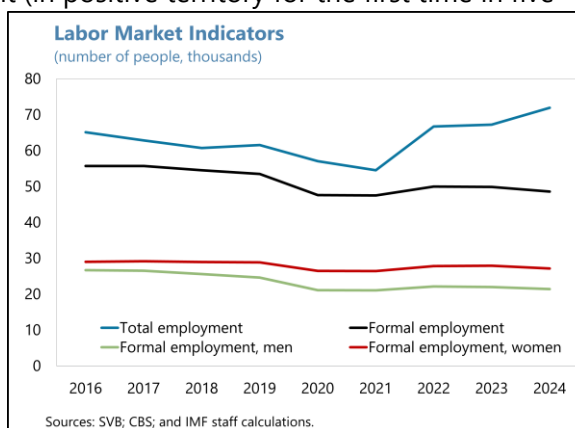
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Annex VI. Curaçao: Labor Market Developments and Informality¹

A. Curaçao's Employment Puzzle and The Rise in Informality

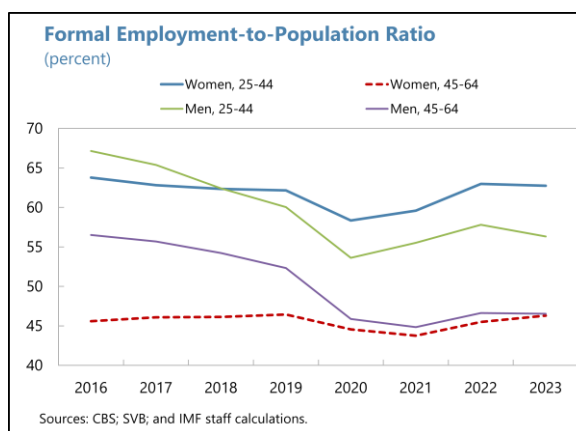
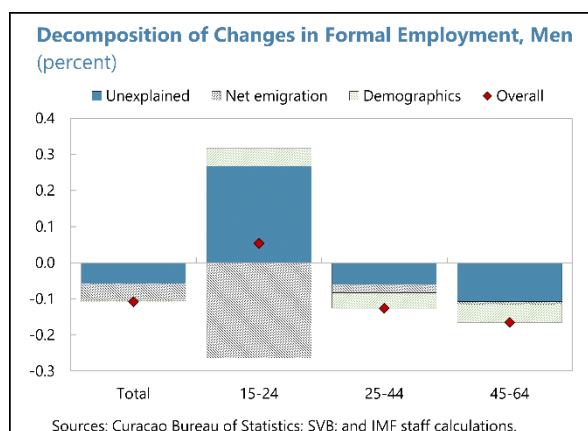
1. Despite strong economic activity since the pandemic and an increase in total employment, formal employment has remained stagnant. Economic activity has expanded above 4 percent every year since 2021, driven by strong tourism and construction. Formal employment, however, – defined as employees who are registered and socially insured with Social Insurance Bank (SVB) – has remained broadly stagnant and 11 percent below pre-pandemic (and pre-refinery) levels. In 2024, real GDP growth recorded 5 percent, the output gap was estimated to be positive, and real wage growth reached 4.9 percent (in positive territory for the first time in five years), typically reflecting increased labor demand, yet formal employment declined by 2.5 percent. The sluggishness in the number of registered employees contrasts with the massive increase in total employment, as captured in the CBS's Labor Force Survey. Total employment increased by 7 percent relative to 2023 and by 17 percent relative to 2019. This indicates a big structural shift in the nature of employment, with fewer people contributing to the social insurance fund by taking jobs that are not registered.



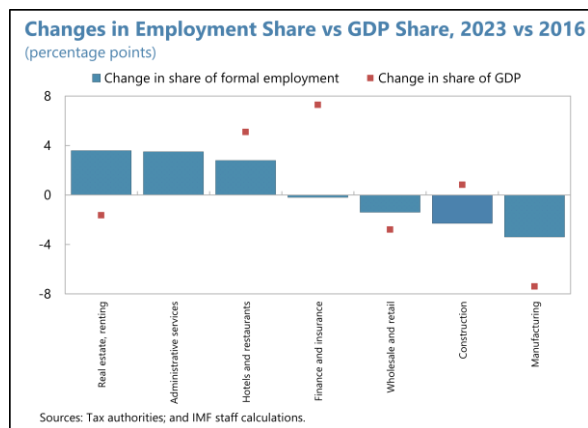
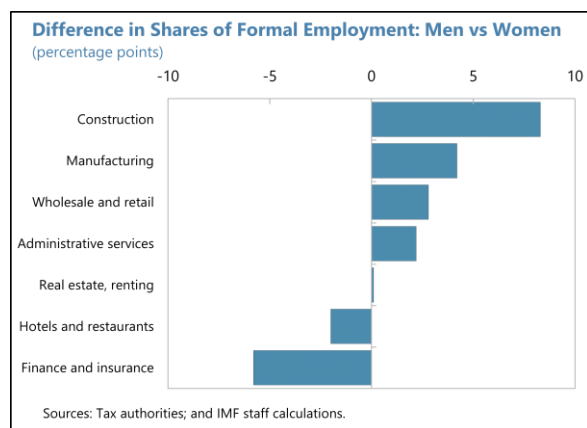
2. The drop in registered employment is driven by prime-age men and can only partially be explained by emigration and demographics, suggesting a significant transition to informality. Male formal employment is 17 percent below pre-pandemic levels, while female formal employment has almost returned to its 2019 level. Decomposing the changes in the male formal workforce over the past decade, the decline in formal employment was mostly driven by a drop in registered jobs among workers in prime working age and elder labor force cohorts (25-64). As unemployment for that age group declined in parallel, employees exiting from formal work arrangements did not feature in unemployment statistics. Half of the decline is attributed to a drop in male population ages 25-64 of 6.5 percent, with demographics accounting for 5 percentage points, and net emigration for the remaining 1.5 percentage points. The remainder of the drop in formal employment, however, is unexplained and can thus be interpreted as the transition to informality. The number of formally employed younger men, ages 15-24, has, on the contrary, increased, with the positive unexplained component in this case potentially reflecting sharp reduction in youth unemployment, from 40 percent in 2016-2019 to 15 percent in 2023. We can draw similar conclusions about the changes in employment of men, ages 25-64, from looking at the formal employment-to-population ratios. The results are striking, with the employment-to-population ratio among men ages 25-44 dropping below the corresponding ratio for women 25-44 in 2019 and not recovering back. For men ages 45-64 the ratio has declined from 56 percent in 2016

¹ Prepared by Natasha Gimpelson.

to 46 percent in 2023, same ratio as for women of this age group. Such big changes in formal employment-to-population ratio among men are unlikely to be driven by labor force exits.



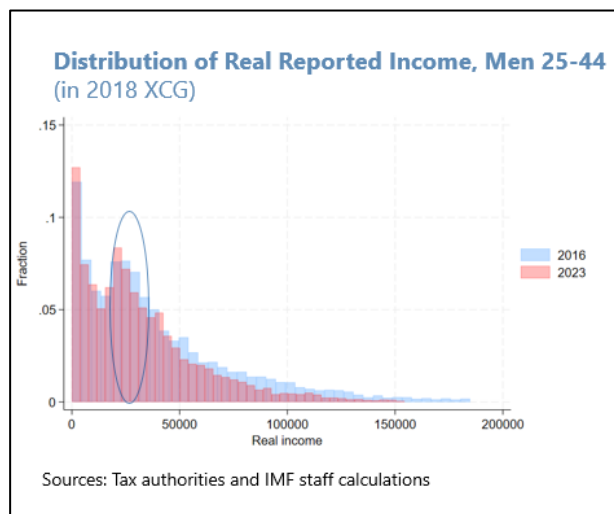
3. The increase in non-registered employment is likely concentrated in the construction sector. Having established that the increase in informal sector is concentrated among men and has accelerated after the refinery's closure, we look at the gender distribution across sectors. Construction is the most male-biased sector with the share of men working formally in construction being 8 percentage points higher than the share of women. Construction is also the only sector that has simultaneously increased its share of GDP and decreased its share of formal employment. Manufacturing, another male-dominated sector, saw a decline in both its share of GDP and its share of formal employment, following the refinery closure in 2018. All these findings together are consistent with the construction sector being the main source of informal jobs that replaced manufacturing formal jobs along the transition to tourism-based economy. The hospitality sector saw an overall increase in its share of formal employment by 2.8 percentage points while expanding its share of GDP by 5 percentage points, possibly adding to informality including by absorbing migrant workers.



B. Incentive Structures: Benefits, Eligibility, and Taxation

4. A significant portion of Curaçao's income distribution is concentrated between minimum wage and tax payment threshold.

Microdata from income tax filings from 2016–2023 show that 10 percent of men, ages 25–44, earn between XCG 24,000 and 30,000 per year (in 2023 XCG) – the part of the income distribution that appears to give the strongest incentives to work informally, with 50 percent earning below XCG 30,000 (see Table 1). Additional 6 percent report incomes slightly below the minimum wage, between XCG 20,000 and 24,000. Since 2016, the distribution has remained broadly stable in its shape, although there was a shift towards lower incomes reflecting substitution of high-wage refinery jobs with lower-wage tourism services.



Annex VI. Table 1. Curaçao: 2023 Summary Statistics of Annual Income Distribution for Men, Ages 25–45 (XCG)

Mean	39,000
25th percentile	12,600
50th percentile	30,000
75th percentile	53,000

Sources: Tax authorities; and IMF staff calculations.

5. The current tax-benefit structure tends to favor informal work for incomes above minimum wage. Evaluating Curacao's tax-benefit structure using IMF TaxFit tool², customized for Curaçao, shows that the incentives for formalization are unfavorable from a worker's perspective. Assuming that the informal sector is less productive (with wages lower by 30 percent as in Eliane El Badaoui et al. (2010)³), informal net income might still be higher as a result of savings on tax

² TaxFit is a microsimulation model that computes taxes and benefits—including income taxes, social security contributions, social assistance, care, family, and in-work-benefits—for households whose characteristics are defined by user provided information about gross incomes and family structures.

³ Eliane El Badaoui et al. (2010). "The formal sector wage premium and firm size". *Journal of Development Economics*

payments (with tax brackets shown in Table 2) and social security contributions (shown in Table 3), especially if monthly assistance is provided.

Annex VI. Table 2. Curaçao: Tax Brackets, 2023

Taxable Income (XCG)	Rate on Excess (%)	Tax Credit (XCG)
Up to 34,889	9.75	26,700
34,890 - 46,519	15	26,700
46,520 - 69,779	23	26,700
69,780 - 98,853	30	26,700
98,854 - 145,372	37.5	26,700
Over 145,372	46.5	26,700

Source: Tax Authorities.

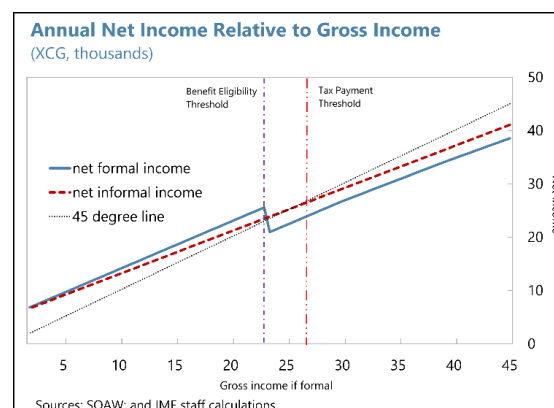
Annex VI. Table 3. Curaçao: Social Security Contributions by Employees, 2023

Old age and widows' and orphans' insurance (AOV/AWW)	6.5%
General sickness costs insurance (AVBZ)	2%
Basic health insurance (BVZ)	4.3%

Source: Tax Authorities.

6. With an income *below the minimum wage*, households are eligible for monthly assistance benefits of around 20 percent of minimum wage, healthcare, as well as utilities (up to XCG 500 per year if living alone, with additional subsidies if there are several family members in the household) and rental subsidies for properties managed by the house project entity (Fundashon Kas Popular). Since registered companies cannot offer formal full-time positions below minimum wage, informal work opportunities are appealing for this income bracket, especially if monitoring capacity is weak.

7. For an income *between minimum and median wage*, informal labor might still be attractive despite a formal wage premium, since taxes, social security contributions, and forgone monthly assistance benefits would lower formal net income. Jobs offering higher salaries are less likely to operate informally, as the reputational risks increase, and formal wage premium goes up as well reducing incentives for workers to work informally.



8. The eligibility for monthly assistance is conditional on having low income, however, capacity constraints reduce the effectiveness of monitoring and enforcement. Means-testing should prevent informal workers with income above the threshold to claim the benefits. The Ministry of Labor currently asks for income declarations and annually checks whether the eligibility requirements are still satisfied. However, lack of automation and synchronization between different Ministries as well as lack of monitoring capacity to do on-site visits might lead to some of the informal workers getting the benefits and reinforcing their desire to work informally. Absence of a time limit on the monthly assistance eligibility further strengthens the incentives to stay outside of the formal labor market.

Annex VII. Curaçao: Data Issues

Annex VII. Table 1. Curaçao: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	D	C	C	C	B	C	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	D	C	C	C	B		
Granularity 3/	D		B	C	C		
			B		B		
Consistency			C	D		C	
Frequency and Timeliness	D	C	C	B	B		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund is adequate for surveillance.						
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.						
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.						
<p>Rationale for staff assessment. Some data is available on timely basis and of good quality, but others are unavailable or have substantial delays. National accounts for Curaçao, which are published by the Central Bureau of Statistics (CBS), are available only on the production side on a nominal basis and real (volume) terms at annual frequency up to 2024, while expenditure-side data is available only up to 2018. National accounts are continuously subject to revisions and delays, leading to downgrading "coverage" to D from C and maintaining "frequency and timeliness" rating at D. The CBS has experienced significant lags in the monthly inflation publication in 2024, and introduced a new base year series that has shortcomings in terms of consistency of aggregation, leading staff to downgrade the coverage to C. The fiscal data is not compiled in GFSM format, available only with significant delays, and not published. On external sector statistics, the rating "C" represents an average rating for the BOP data, which has been submitted on a timely manner and has sufficient coverage, granularity, and consistency for surveillance; and the IIP data, which has large stock-flow inconsistencies, suffers from low timely response rate, and was not shared since 2021. Monetary data is published on time, though the authorities' decision to stop sharing the Standardized Report Forms (1SR and 2SR, which offer the highest level of granularity for the Central Bank and other Depository Corporations balance sheets) since January 2024 to date is somewhat hampering surveillance. Financial Soundness indicators, which are shared with the IMF staff upon request are continuously subject to data revisions. Foreign exchange intervention data is not shared while non bank institutions financial sector indicators are shared with long delays.</p>							
<p>Changes since the last Article IV consultation. The CBS has resumed hiring additional staff to increase capacity, but the introduction of the new base year-CPI series and longer delays in the publication of national accounts has challenged surveillance. The compilation of the BOP data continues to be strengthened through increased staffing, training, and reporter coverage. TA on BOP statistics took place in late 2024, focusing on improving IIP statistics and reviewing methodologies for the Tourism Exit Survey, and recommending a redesign of the IIP survey to improve response rate and quality.</p>							
<p>Corrective actions and capacity development priorities. National Accounts Statistics: The authorities remain committed to enhancing the timeliness and comprehensiveness of national account statistics and the CBS published both nominal and real GDP estimates for 2024. Expenditure-based GDP estimates through 2023 are expected to be released by year-end. Staff recommends the CBS to develop a revision policy and publish a revision calendar to address continued revisions of GDP. These developments will support the work toward a new Supply and Use Table with a post-COVID base year in 2026. Price Statistics: Staff recommend the CBS to develop a publication calendar and review the CPI rebasing methodology with TA support. Monetary and Financial Statistics: The CBS should: resume its detailed submission of 1SR and 2SR; continue efforts to improve the coverage and granularity of Financial Soundness Indicators, and work to address continuous data revisions; begin sharing foreign exchange intervention data; address the long delays in sharing financial sector indicators for non-bank institutions; actively compile disaggregated data on loan to value ratios and debt service to income ratios to support the development and effectiveness of the macroprudential toolkit. BOP statistics: Improving the NIIP survey to enhance consistency with the BOP. Fiscal sector statistics: Migration of the fiscal sector to GFSM format along with a shift to regular publication on the website would further improve transparency and surveillance.</p>							
<p>Use of data and/or estimates different from official statistics in the Article IV consultation. WHD staff in collaboration with STA Real Sector and Big Data Center Teams proposed a new activity indicator to proxy GDP growth at a much higher frequency, using both traditional and non traditional indicators. Labor market data and social inequality indicators are estimated using alternative data sources (e.g., employment data for socially insured workforce, 2023 population census, micro tax data on wage brackets and employment and model-based estimates). IIP data for 2019–23 are estimated based on BOP flows, as the authorities have advised to treat 2018 as the last observation due to large stock-flow inconsistencies between the BOP and IIP data.</p>							
<p>Other data gaps. Aggregate and breakdown of mortgage loan to value ratios and debt service to income ratios are not compiled for the banking system. Social indicators (inequality, crime, etc.) are not available. Breakdown of data on the renewable energy sector, which is a key pillar for medium term growth on the island, is not available.</p>							

Annex VII. Table 2. Curaçao: Data Standards Initiatives

Curaçao, Kingdom of the Netherlands does not participate in the IMF Data Standards Initiatives.

Annex VII. Table 3. Curaçao: Table of Common Indicators Required for Surveillance
As of June 29, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁵	Expected Frequency ^{6,7}	Curaçao, Kingdom of the Netherlands ⁸	Expected Timeliness ^{6,7}	Curaçao, Kingdom of the Netherlands ⁸
Exchange Rates		N/A (Fixed Exchange Rate)			D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Apr-25	Jun-25	M	M	M	...	1M	...
Reserve/Base Money	Apr-25	Jun-25	M	M	M	...	2M	...
Broad Money	Apr-25	Jun-25	M	M	M	...	1Q	...
Central Bank Balance Sheet	Apr-25	Jun-25	M	M	M	...	2M	...
Consolidated Balance Sheet of the Banking System	Apr-25	Jun-25	M	M	M	...	1Q	...
Interest Rates ²	Apr-25	Jun-25	M	M	M	...	...	...
Consumer Price Index	Mar-25	Jun-25	M	M	M	...	2M	...
Revenue, Expenditure, Balance and Composition of Financing ³ -General Government ⁴	Dec-24	Dec-24	A	A	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing ³ -Central Government	Mar-25	Mar-25	M	M	Q	...	1Q	...
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Dec-24	Dec-24	A	A	Q	...	2Q	...
External Current Account Balance	Dec-24	Jun-25	Q	Q	Q	...	1Q	...
Exports and Imports of Goods and Services	Dec-24	Jun-25	Q	Q	M	...	12W	...
GDP/GNP	2024	Jun-25	A	A	Q	...	1Q	...
Gross External Debt	Dec-24	Dec-24	A	A	Q	...	2Q	...
International Investment Position	2022	2022	I	I	A	...	3Q	...

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

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

³ Foreign, domestic bank, and domestic nonbank financing.

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

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than;

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Annex VIII. Curaçao and Sint Maarten: Nowcasting Economic Activity

Leveraging Administrative and Non-Traditional Data¹

Staff proposes an economic activity indicator for both islands, leveraging traditional and non-traditional high frequency data sources. First, different modeling techniques are estimated to choose the best fitting model. The Direct GDP Method is a good fit for estimating Curaçao's real GDP growth while the Random Forest Machine Learning technique is a good fit for Sint Maarten. Second, a preliminary activity indicator is proposed building on these models.

A. Data Adequacy and Availability

1. National accounts are published with significant delays in both countries. Nominal GDP data are typically published on an annual frequency with a substantial lag of up to four years. Structural impediments and capacity constraints, common in a small-island context, have proven binding, including understaffing of the statistical offices as well as underbudgeting and high turnover of staff (see Table 1). Such delays in publication pose challenges for staff surveillance but also for the authorities' readiness to respond to macroeconomic developments. This motivated staff, in cooperation with STA, to devise a readily available activity indicator that can proxy GDP for each island using high frequency indicators (HFIs).

Annex VIII. Table 1. Curacao and Sint Maarten: Brief Description of the State of National Accounts Statistics in Both Islands		
	Curaçao	Sint Maarten
Stocktaking of the State of National Accounts and latest available data	The Curaçao Bureau of Statistics (CBS) has actual nominal GDP by expenditure up to 2018, and preliminary nominal GDP by economic activity up to 2023. The CBS also publishes aggregate real GDP growth, which continues to be subject to revisions going back to 2018.	Since revising the historical aggregate real GDP growth for the island last year, Sint Maarten Department of Statistics (STAT) currently only shows real GDP growth up to 2021 without any breakdown. Nominal GDP breakdown is also not available.
Compilation process of national accounts and challenges	The CBS uses a mix of high frequency indicators as well as business surveys to compile real GDP and its breakdown by activity, which is then aggregated to arrive at the published headline real GDP growth. Some of these surveys require highly skilled labor to process and gather data that can be used for national accounts compilation, which, in turn, is negatively impacted by high turnover.	In addition to the challenges in Curaçao, STAT is also challenged by the low response rate of national account surveys. This is further delaying the publication of 2022 and 2023 preliminary national accounts by more than 2 years.
Previous efforts at overcoming these statistical challenges	The Central Bank of Curacao and Sint Maarten (CBCS) publishes its own quarterly estimates of real GDP growth by expenditure and by economic activity for three quarters of each calendar year, including breakdown by sector and expenditures. However, this process is also subject to continuous revisions given the absence of preliminary data from the CBS. Furthermore, the implied growth in the fourth quarter (calculated by staff as a residual from the CBCS three quarters and the CBS full year figures) is also prone to some volatility and estimation challenges.	
Sources: IMF staff.		

¹ Prepared by Ziad Amer (WHD), Alberto Rodelgo Sanchez and Anthony Silungwe (both STA). Staff would like to thank Natasha Gimpelson and Maylin Sun (both WHD) for sharing high frequency indicators used in the estimation.

2. Staff complemented traditional monthly high frequency data with non-traditional indicators from IMF's Big Data Center. To find the most valuable proxy indicators, staff gathered traditional monthly HFIs, spanning over tourism, electricity, transportation, construction, fiscal wage and tax data as well as population. These were complemented with a series of non-traditional indicators from STA's Big Data Center, including but not limited to monthly mean radiation (night light), daily volume trade data from PortWatch, and FlightRadar24 daily data on flights (Figure 1). This allowed staff to pool in a wider set of information surrounding different activities of the economy and thereby improve the proxy quality of the constructed activity indicator.

Annex VIII. Figure 1. Curacao and Sint Maarten: Indicators used in the analysis¹

	Indicator	Frequency	Available	Source
Traditional indicators	Water production	Monthly	1980-	CBCS
	Electricity production	Monthly	1980-	CBCS
	Visitor Arrivals (incl daytrippers)	Monthly	1980-	CBCS
	Occupancy rate	Monthly	1981-	CBCS
	Freezone visits	Monthly	1990-	CBCS
	Number of Hotels nights	Monthly	1980-	CBCS
	Cruise Passengers	Monthly	1981-	CBCS
	Number of landings airport	Monthly	1990-	CBCS
	Number of pax airport	Monthly	1990-	CBCS
	Refining index	Monthly	1980-	CBCS
	Cargo movements	Monthly	1994-	CBCS
	Ships repaired	Monthly	1980-	CBCS
	Ships excl tugs (tankers, cruise, freighter)	Monthly	1996-	CBCS
	Construction index	Monthly	2000-	CBCS & IMF staff calculations
	Population	Annual	1984-	World Bank
	Total Stay-over Tourists	Monthly	1981-	CBCS
	Cargo movements	Monthly	2013-	CBCS
	Number of building permits requested	Monthly	2006-	CBCS
Non-Traditional indicators	Number of building permits issued	Monthly	2018-	CBCS
	Fiscal table	Monthly	2019-	Ministries of Finance
	Nighttime lights	Monthly	2012-	NASA: Visible and Infrared Imaging Suite (VIIRS)
	NO2 concentrations	Monthly	2018-	European Union/ESA/Copernicus
	Normalized Difference Vegetation Index (NDVI)	Monthly	2000-	NASA: MOD13A3 V6.1
	Enhanced Vegetation Index (EVI)	Monthly	2000-	NASA: MOD13A3 V6.1
	PortWatch Volume Imports	Monthly	2019-	PortWatch
	PortWatch Volume Exports	Monthly	2019-	PortWatch
	FlightRadar24 Passengers on Board	Weekly	2018-	Flightradar24 & IMF staff calculations
	Number of buildings	Annual	2016-2023	Google Open Buildings
	Building presence	Annual	2016-2023	Google Open Buildings
	Building height	Annual	2016-2023	Google Open Buildings
	Search volume index (SVI)	Weekly	2016-	Google Trends

Sources: CBCS; CUW and SXM Ministries of Finance; and IMF staff calculations.

¹ In line with the Guidance Note and Supplement for Third Party Indicators, staff acknowledge that the accuracy and quality of third-party indicators could impact the estimated proxy activity indicator and should be complemented with other data sources for robust coverage.

B. Choosing the Estimation Method

3. Three different models are compared to derive the best-fitting nowcasting technique for each island, each with its inherent advantages as well as challenges. Staff used three techniques for in-sample forecasting of aggregate real GDP growth: (i) Direct GDP Method, (ii) Random Forest (RF) Machine Learning (ML); and (iii) Generalized Linear Machine Learning (GLMNET).

(i) The Direct GDP Method is a bottom-up approach that is based on volume indicators to extrapolate value added at industry level. This method utilizes HFIs that are closely correlated with the growth rate of real GDP and uses an Excel based Add-in (XLPBM) that

benchmarks indicators to annual GDP figures while broadly preserving quarterly growth rates of the indicators. Key advantages of this approach is its simple operationalization via Microsoft excel as well as its inherent consistency with the [Quarterly National Accounts Manual](#) both in terms of compilation as well as selection of indicators.

(ii) **The Random Forest model² is based on machine learning techniques.** Its algorithms pool in all exogenous indicators (features) described above (Figure 1) and divides the sample into training, validation, and testing (out of sample forecast) to ensure the parameters assigned to each feature are the best fit for the endogenous (target) variable of quarterly real GDP growth for both islands.^{3,4} This model allows for a non-linear relationships between exogenous features and the endogenous variable.

(iii) **The Generalized Linear model⁵ imposes a linear relationship between features and target.** Algorithms as well as features are as under the RF technique.

4. Results from all three techniques are then compared for forecasting accuracy. Results are compared in terms of best fit (Direct GDP vs ML techniques) as well as lower root mean square errors (within ML techniques). Key advantages of the ML models are their ability to detect non-linear and linear relationships that the Direct GDP method is unable to detect. This, however, comes at the cost of higher complexity, increased challenges in terms of operationalization and possible replication by the statistical authorities. Staff judgement is then used to gauge the best of the three models for each island based on in-sample and out-of-sample forecasts.

Annex VIII. Table 2. Curaçao: In-Sample Forecasts of Curaçao Real GDP By Estimation Techniques
(percent, y/y)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Real GDP Growth (published by CBS)	0.5	-0.9	-1.4	-2.1	-3.3	-18.4	4.3	6.9	4.2	5.0
Activity Indicator- Direct GDP Method	-0.1	0.0	-1.0	-0.4	0.6	-11.5	3.4	6.7	2.8	4.3
Activity Indicator- Random Forest ML	-0.5	-0.9	-1.0	-1.8	-2.3	-13.7	2.7	4.9	2.7	0.6
Activity Indicator- GLMNET	-1.3	0.5	-1.7	-3.3	-2.7	-9.9	5.9	3.4	0.8	0.7

Sources: CBS; and IMF staff estimates.

5. The Direct GDP Method is the best fit for Curaçao. In sample forecasts are superior for the Direct GDP Method compared to the ML techniques, as per forecast errors with respect to realized GDP growth (Table 2). The Direct GDP Method [endogenously] utilizes several tourism-related HFIs to proxy sectoral GDP, such as the number of hotel nights for the accommodation and

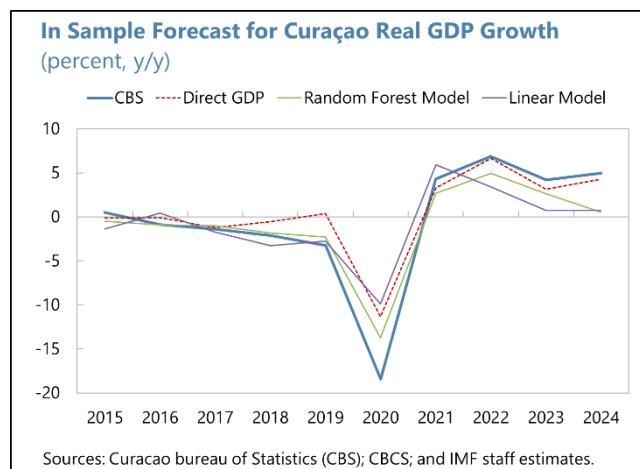
² Random Forest Model uses the [RandomForest](#) package with default parameters.

³ Quarterly real GDP growth for both islands is the CBCS estimates for the first three quarters of each calendar year and staff calculation of the fourth quarter growth than ensures consistency with historical published national accounts.

⁴ The ML technique automatically drops any feature that is highly correlated with another feature (to avoid multi collinearity).

⁵ Linear Model uses the package [glmnet](#) to fit a generalized linear model via penalized maximum likelihood using the Gaussian family.

food sector and the number of airport landings for the transportation sector. Population growth is used to proxy agriculture, manufacturing, real estate, and public services sectors (Table 3). Curaçao might be less suited for ML techniques as the economy witnessed several structural breaks within a short period of time: the closure of the oil refinery,⁶ Covid-19, and the subsequent structural shift to a tourism-based growth model. These shifts possibly affect the probability distributions underpinning the ML techniques as their results were still inferior despite multiple trials involving different samples were employed to account for these breaks. Additional review of assumptions regarding the default hyperparameters set by both RF and GLMNET could possibly improve the results for the same subset of observations.



Annex VIII. Table 3. Curaçao: Underlying Assumptions of the Direct GDP Method for National Accounts

ISIC Breakdown of Economic Activity	Proxy Indicator Used by Staff	Optimal Indicators according to the National accounts	Rationale for Divergence with the optimal indicators
Agriculture, forestry and fishing; Mining	Population growth	Crop production volumes and extraction	Limited by data and the share to GDP is very small. Assumed to be related to population.
Manufacturing	Population growth	Index of industrial production	The refining index is missing in the since 2018
Electricity and water	Water production	Water and electricity should be separate with appropriate indicators (electricity generation and	Water had a stronger correlation with the value added for this activity
Construction	Construction materials		
Wholesale and retail trade	Cargo movement	Sales volumes or deflated sales values from large retail shops.	Cargo movement is related to imports of goods into the island. A fair share of these goods is disposed off through trade.
Transportation and communication	Number of landings airport	Transport and communication is supposed to be separated. Communication should be separate with appropriate indicator.	There two were already aggregated. Can only be separated by the statistical office.
Accommodation and food service activities	Number of hotel nights		
Financial and insurance activities	Deflated loans	Deflated loans and deposits.	
Real estate activities, Professional, administrative	Population growth	Changes in dwellings	Demand for real estate directly affect changes in dwelling.
Public administration; compulsory social security	Population growth	Salaries and wages deflated by a wage index.	The available salaries and wages in the fiscal table includes other payments that may not be related to change in output for government related activities.
Arts, entertainment; Other service activities	Number of hotel nights/Population		
Taxes less subsidies on products	Weighted index: cargo movement, hotel nights and population		

Sources: Quarterly Manual of National Accounts; and IMF staff assumptions.

6. Meanwhile, the Random Forest Model showed the best results for Sint Maarten. Similar to Curaçao, staff ran different trials involving multiple subsamples for the island to account for the electricity crisis in 2024, Covid-19, and Hurricane Irma in 2017.⁷ Results show the ML techniques to

⁶ Captured by a refinery index that measured refining activity and is now zero.

⁷ Different subsamples were tested (e.g. 2016-23, 2019-23) and several dummy variables were also included in select trials to capture potential structural breaks in the series (e.g. Covid, Hurricane Irma, GEBE's ransomware attack in 2022 Q2 and the recent electricity crisis beginning 2024 Q2).

have superior estimation power compared to the Direct GDP method, with the Random Forest model having higher in-sample forecasting power compared to the GLMNET (see Table 4). Key features contributing to growth on the island were tourism and electricity HFIs followed by construction-related variables. Non-traditional indicators (night light and vegetation index) were also included in the 10 most important indicators for growth on the island.

Annex VIII. Table 4. Sint Maarten: In Sample forecast Results of Real GDP Growth Using Different Estimation Techniques
(percent, y/y)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Real GDP (published by STAT and CBCS)	0.9	-7.2	-7.1	10.6	-20.4	7.1	13.9	3.8	N/A
Activity Indicator- Direct GDP Method	0.9	-7.2	-10.2	24.8	-35.8	16.7	24.6	7.4	8.5
Activity Indicator- Random Forest Model	1.5	-5.3	-6.7	9.6	-17.0	5.8	11.4	4.7	3.2
Activity Indicator- Linear Model	0.1	-5.0	-3.0	4.7	-1.5	2.9	0.9	2.5	0.5

Sources: CBS; and IMF staff estimates.

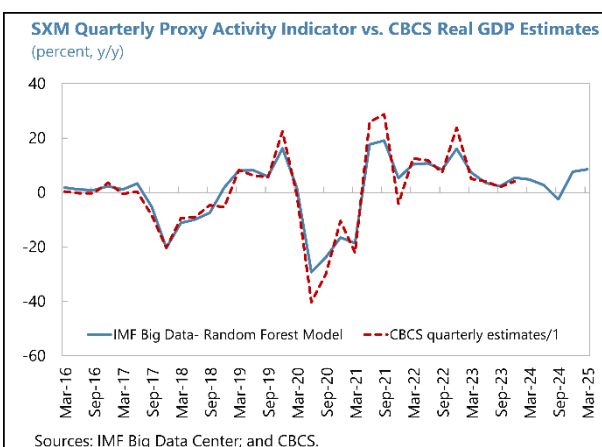
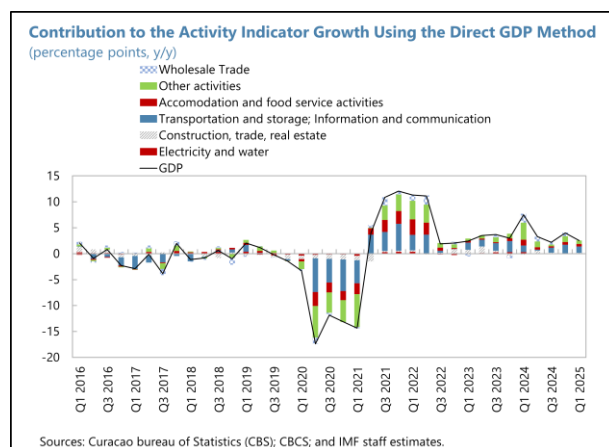
Annex VIII. Table 5. Sint Maarten: Random Forest Top Ten Most Important Indicators Impacting Sint Maarten Growth

1. Total Stay-over Tourists
2. Electricity production MWh
3. Cruise Passengers
4. Ships GRT excl tugs (tankers, cruise, freighter)
5. Number of building permits requested
6. Cargo movements TEUS
7. Population
8. Water production (m3 in 000's)
9. Mean Normalized Difference Vegetation Index (NDVI)
10. Nighttime Lights (radiance)

Sources: IMF Big Data Center estimates.

C. A Quarterly Activity Indicator

7. The two selected models are subsequently applied to nowcast quarterly activity on both islands. The simplicity of the Direct GDP Method allows for displaying the proxied sectoral contributions to growth in Curaçao. In 2025Q1, those show a continued strong high impact from transportation and other activities. For Sint Maarten, the RF model produces an aggregate nowcast, which shows a dip in the third quarter of 2024 and subsequent increase in the fourth quarter.



8. The above analysis could be readily replicated by the authorities and consideration could be given to publishing a quarterly activity indicator. An activity indicator that is both highly correlated with GDP and available at quarterly frequency would significantly improve surveillance for both islands. Future operationalization and use could mitigate barriers to monitoring arising from delayed publication of national accounts, and enhance the authorities understanding and readiness to respond to macroeconomic shocks. Its regular publication would also help initiating a competent dialogue on adequacy and quality of input data which could further help improve national accounts. The Fund stands ready to continue supporting the statistical authorities in their efforts to increase capacity and improve data adequacy. Further possible refinements include a monthly breakdown for Curaçao.

Annex VIII. Appendix I. Machine Learning Model Specifications and Description of Non-Traditional Data

Machine Learning Models specifications

Models were trained and variable importance was computed using the R [caret](#)⁸ package with the following processing steps:

- Removed predictors with more than 20% missing values.
- Remaining missing values are imputed using bagged trees⁹.
- Checked and removed linear dependencies among predictors.
- Evaluated models using out of sample RMSE.
- Cross-Validation was performed using a time series rolling window, starting from 50% of training data and 10% on validation data. Training size growing by one observation on each data split.
- Four quarters in 2024 were left out for testing.
- Random Forest Model uses the R package [RandomForest](#) with default parameters: Grows 500 trees, $p/3$ variables randomly sampled as candidates at each split, where p is the number of predictors.
- Variable Importance for the Random Forest model uses the default importance method from the RandomForest package. Each variable is evaluated using the mean decrease in mean squared error (MSE).
- Generalized Linear Model uses the R package [glmnet](#) to fit a penalized maximum likelihood type model using the Gaussian family with the rest of the parameters set to default. In particular, the Elasticnet mixing parameter α , with $0 \leq \alpha \leq 1$ was set to default 1, or Lasso penalty. The number of lambda values is also the default 100.

Random Forest Model

Given a training dataset $\{x_i, y_i\} \ i=1, i=M$ the random forest algorithm constructs multiple decision trees using subsamples drawn with replacement (bootstrapping). For each subsample, a subset of regressors is randomly selected, and the data are split based on the feature that minimizes the mean squared error (MSE). Each split forms a node and the process continues recursively.

Nodes are further split until additional splitting no longer reduces the MSE or a predefined maximum tree depth is reached. The final splits at the terminal nodes represent predictions, also

⁸ The caret package (Classification And Regression Training) is a set of functions that attempt to streamline the process for creating predictive models. [The caret Package](#).

⁹ For each predictor in the data, a bagged tree is created using all the other predictors in the training set. When a new sample has a missing predictor value, the bagged model is used to predict the value.

known as leaves. To generate a forecast, the model averages predictions across all trees in the ensemble using bootstrap aggregation (bagging). The final forecast is given by:

$$y(x) = 1/M \sum_{m=1}^M T^m(x)$$

where $T^m(x)$ is the prediction of each tree.

Nontraditional Data

Nighttime Lights (NTL) are satellite-based measurements of the intensity of artificial light emitted at the Earth's surface after sundown. We use nightlights data from the Visible and Infrared Imaging Suite (VIIRS) Day Night Band (DNB) on board of JPSS satellites. VIIRS data are accessible from the Google Earth Engine from 2012-onwards, at a 100-meter resolution. VNP46A2: VIIRS Lunar Gap-Filled BRDF Nighttime Lights Daily L3 Global 500m | Earth Engine Data Catalog | Google for Developers

The Normalized Difference Vegetation Index (NDVI) is computed to evaluate the health of vegetation by analyzing how light is reflected in the visible red and near-infrared (NIR) spectrums. Healthy plants reflect more NIR light and absorb more red light, whereas stressed or non-vegetative surfaces reflect less NIR light. $NDVI = (NIR - Red) / (NIR + Red)$ NDVI values range from -1 to 1, where values closer to 1 indicate healthy vegetation, 0 represents bare soil or water, and values near -1 signify non-vegetative surfaces. NDVI is widely used in agriculture, forestry, and ecology to monitor vegetation health, detect stress, and classify vegetation types over time.

Enhanced Vegetation Index (EVI). Quantifies vegetation "green-ness," like NDVI correcting for some atmospheric conditions and canopy background noise, resulting in a more sensitive in areas with dense vegetation. EVI values typically range from -1 to 1, with higher values indicating healthier and denser vegetation cover.

Vegetation indexes are derived from 10-meter resolution images produced by Sentinel-2, a European wide-swath, high-resolution, multi-spectral imaging mission for land monitoring. Sentinel-2 is characterized by a high revisit frequency of 5 days at the Equator (in cloud-free conditions). Images, available from 2016-present, becomes accessible via the Google Earth Engine in near real-time. MOD13A3.061 Vegetation Indices Monthly L3 Global 1 km SIN Grid | Earth Engine Data Catalog | Google for Developers

Near Real-Time Nitrogen Dioxide (NRTI NO₂) measures Nitrogen dioxide (NO₂), a pollutant primarily produced by the combustion of fossil fuels by power plants, industrial facilities, and vehicles. Because NO₂ is emitted in large quantities when economic activity is high, satellite-based observations of NO₂ approximate the level and distribution of economic activity on the ground. Data is obtained from Sentinel-5P (TROPOMI since 2018) satellites. Sentinel-5P NRTI NO₂: Near Real-Time Nitrogen Dioxide | Earth Engine Data Catalog | Google for Developers

The IMF PortWatch (portwatch.imf.org) is an online platform, publicly launched in November 2023, that uses Automatic Identification System (AIS) data, a mandatory self-reporting system for all ships above 300 gross tons, to derive port activity and trade volume (Imports and exports) estimates for 1648 ports and 24 major maritime passages around the World. For Curacao, Willemstad, Bullen Baai and Caracas Bay ports are covered: For Sint Maarten, Philipsburg and Coles Bay Oil Terminal ports.

Passenger on Board (PoB): Passenger capacity are IMF staff calculations based on aircraft type and seating configuration provided by FlightRadar24. <https://portwatch.imf.org/>. Global coverage: Nov 2018 – Present

Flight Events: Flightradar24's Flight Events tracks flights from 1,200+ airlines, flying to or from 4,000+ airports around the world and highlighting specific aircraft movements ('Events') such as takeoff, cruise, descent and landing.

Google Open Buildings: <https://sites.research.google/gr/open-buildings/>. Covers about 1.8 billion buildings across continental Africa, South Asia, South-East Asia, Latin America and the Caribbean. Building polygon, latitude and longitude of the centroid, area in meters, and confidence levels for each detected building

Google uses sentinel images at 10m spatial resolution. That makes it difficult to delineate all the buildings within a given area. For this end, they developed two indicators: one is building presence which tells you if there is a building there or not at a given time, two is fractional building count, an approximate count of number of buildings. This one can never be accurate because of the resolution of the imagery they used. In brief:

Building fractional count refers to number of buildings in the specified area. Aggregated at country level, provides an estimate count of buildings in the country.

Building presence is the probability of finding a building in the specified area. Aggregated at country level and divided by the number of 10m tiles for that country, gives an estimate of density of buildings.

Google Trends. Google Trends analyses a sample of Google web searches to determine how many searches were done over a certain period. Google Trends are a measure of the interest in a topic relative to all other topics over time. <https://trends.google.com/trends/>

Google Trends categories can be paired with ISIC rev. 4 classification of industrial products at the sector level by using NLP techniques as described in: <https://www.imf.org/en/Publications/WP/Issues/2021/12/17/Using-the-Google-Places-API-and-Google-Trends-Data-to-Develop-High-Frequency-Indicators-of-510876>

Annex IX. Curaçao: Public Debt Sustainability Analysis

Annex IX. Table 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 due to fiscal risks arising from changing demographics.
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, although with a spike in 2030 due to maturity of a bullet loan. 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 as GFNs recede to manageable levels, conditional on refinancing bullet loans in 2025 and 2030, containing fiscal risks emanating from healthcare and old-age pension, and implementing fiscal adjustment measures and PFM reforms in the Country Package.
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 continued to decline in 2024 due to robust GDP recovery and strong fiscal adjustment. The debt ratio is expected to decline further in 2025 due to higher than debt stabilizing primary surplus and real GDP growth. Medium-term liquidity risks as analyzed by the GFN Financeability Module are low although spikes due to bullet loans pose some liquidity risk in those years. The sustainability is conditional on preserving the fiscal consolidation gains achieved so far, maintaining access to external financing at favorable terms, reducing fiscal risks especially healthcare and old age pension, 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.

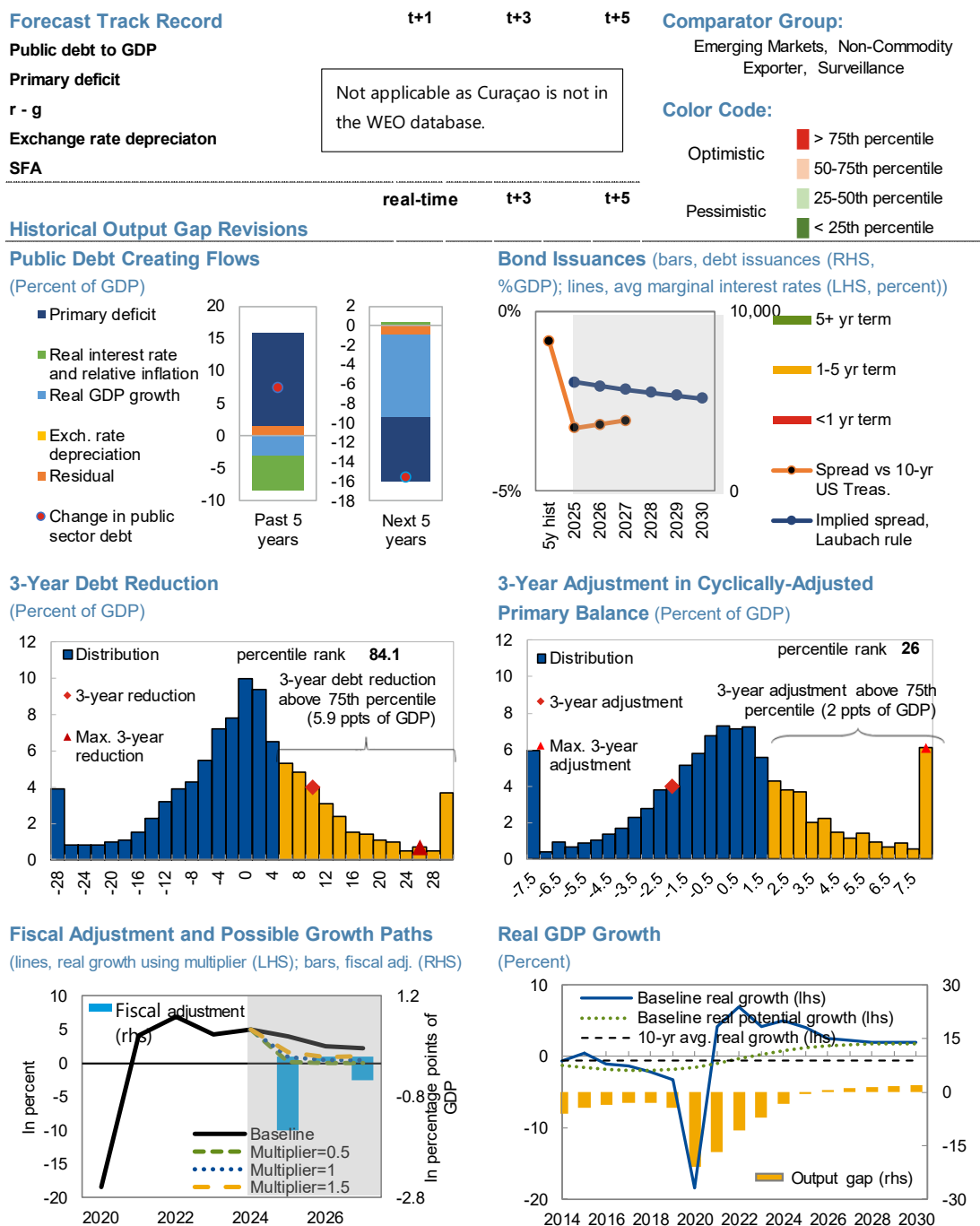
1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

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.

Annex IX. Figure 1. Curaçao: Debt Coverage and Disclosures

Annex IX. Figure 1. Curaçao: Debt Coverage and Disclosures										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:																			
Subsectors captured in the baseline										Inclusion									
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes													
				2	Extra budgetary funds (EBFs)	No					Not applicable								
				3	Social security funds (SSFs)	No													
				4	State governments	No					Not applicable								
				5	Local governments	No					Not applicable								
				6	Public nonfinancial corporations	No													
				7	Central bank	No													
				8	Other public financial corporations	No													
3. Instrument coverage:										Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/					
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/					
5. Debt consolidation across sectors:										Consolidated		Non-consolidated							
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
CPS	NFPS	GG: expected	CG	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	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.																			

Annex IX. Figure 2. Curaçao: Realism of Baseline Assumptions



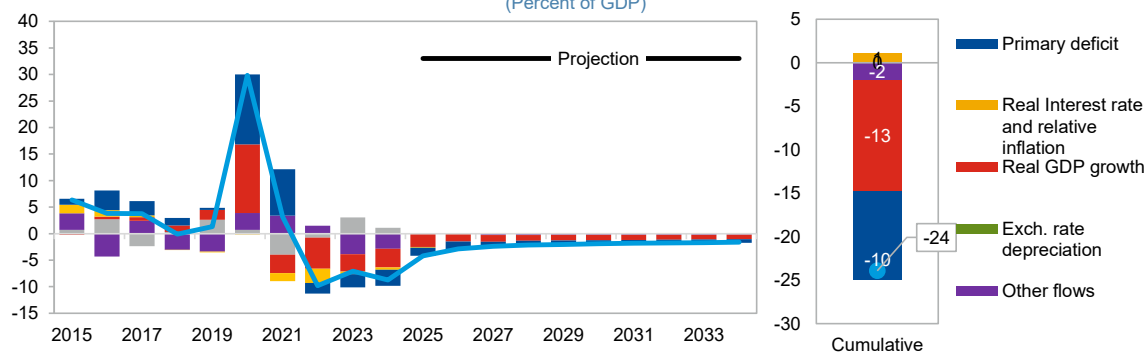
Commentary: The sharp decline in real economic activity during the pandemic lowers the 10-year average growth while the borrowing it necessitated increased the primary deficit far above historical norms. However, the projected fiscal adjustment in the baseline is as implied by adherence to the golden fiscal rule which is guiding the fiscal stance. Forecast track record and historical output gap revisions are not available because of Curaçao's exclusion from the WEO.

Annex IX. Figure 3. Curaçao: Baseline Scenario
(In percent of GDP, unless otherwise indicated)

	Actual	Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Public debt	64.7	60.5	57.6	55.3	53.1	51.1	49.2	47.4	45.6	43.9	42.3
Change in public debt	-8.7	-4.2	-2.9	-2.4	-2.1	-2.0	-1.9	-1.8	-1.7	-1.7	-1.6
Contribution of identified flows	-9.8	-4.2	-2.9	-2.4	-2.1	-2.0	-1.9	-1.8	-1.7	-1.7	-1.6
Primary deficit	-3.0	-1.5	-1.4	-1.0	-0.9	-0.9	-0.8	-0.8	-0.8	-0.7	-0.7
Noninterest revenues	30.5	30.3	30.8	30.8	30.8	30.8	30.7	30.7	30.7	30.7	30.7
Noninterest expenditures	27.5	28.7	29.4	29.8	29.9	29.9	29.9	29.9	29.9	29.9	30.0
Automatic debt dynamics	-4.0	-2.6	-1.5	-1.1	-1.0	-0.9	-0.9	-0.8	-0.8	-0.8	-0.7
Real interest rate and relative inflation	-0.5	-0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Real interest rate	-0.5	-0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	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	-3.5	-2.5	-1.5	-1.3	-1.1	-1.0	-1.0	-1.0	-0.9	-0.9	-0.9
Real exchange rate	0.0	...	...	...	...	...	...	...	...	...	...
Other identified flows	-2.8	0.0	0.0	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
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	-2.8	0.0	0.0	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Contribution of residual	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	-0.3	2.1	0.7	1.1	1.1	1.1	5.5	1.3	1.2	1.2	1.2
of which: debt service	2.7	3.7	2.1	2.1	2.0	2.0	6.3	2.0	2.0	2.0	1.9
Local currency	2.6	3.7	2.1	2.1	2.0	2.0	6.3	2.0	2.0	2.0	1.9
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)	5.0	4.0	2.5	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Inflation (GDP deflator; percent)	3.4	2.5	2.3	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Nominal GDP growth (percent)	8.5	6.6	4.9	4.4	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Effective interest rate (percent)	2.4	2.3	2.3	2.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4

Contribution to Change in Public Debt

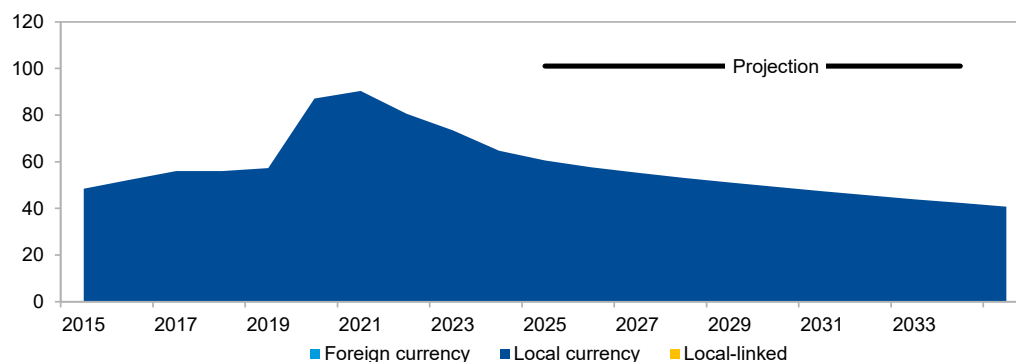
(Percent of GDP)



Staff commentary: Public debt will continue to decline in the medium-term, reflecting higher primary surpluses than needed to stabilize debt and economic growth. The Ennia resolution strategy has been agreed by all stateholders and triggered lower interest rate of 3.4 percent from the 5.6 percent applicable at rollover in 2023. The loans are amortized over 20 years. Bullet loans maturing in 2025 and 2030 heighten financing needs in those years and may need to be rolled over.

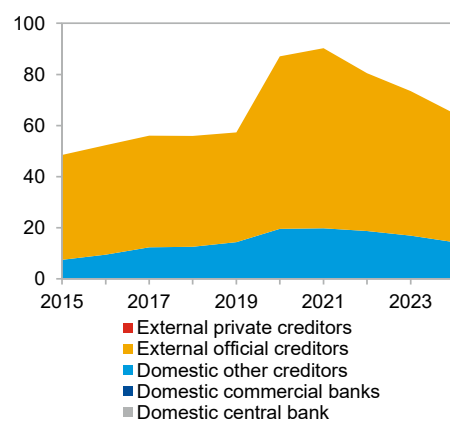
Annex IX. Figure 4. Curaçao: Public Debt Structure

Debt by Currency (percent of GDP)



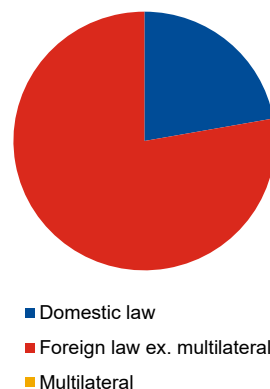
Note: The perimeter shown is central government.

Public Debt by Holder (percent of GDP)



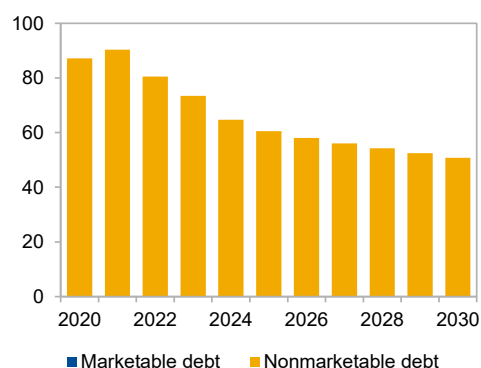
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (percent)



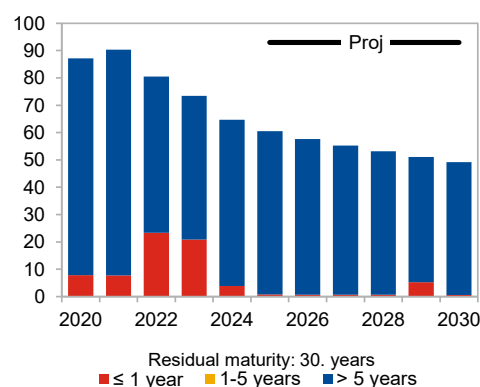
Note: The perimeter shown is general government.

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. Curaçao borrows from the Netherlands in local currency, but debt contracts are governed by the relevant laws applicable in the Netherlands.

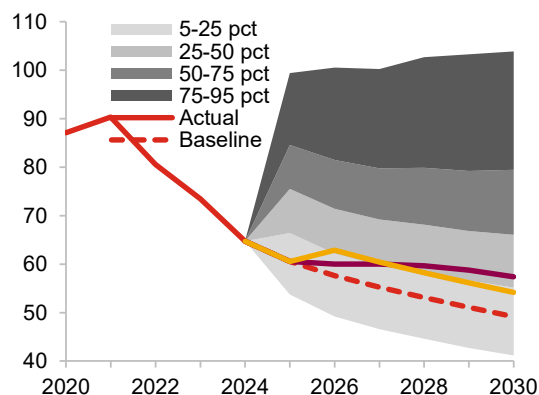
Annex IX. Figure 5. Curaçao: Medium-Term Risk Analysis

Debt Fanchart and GFN Financeability Indexes

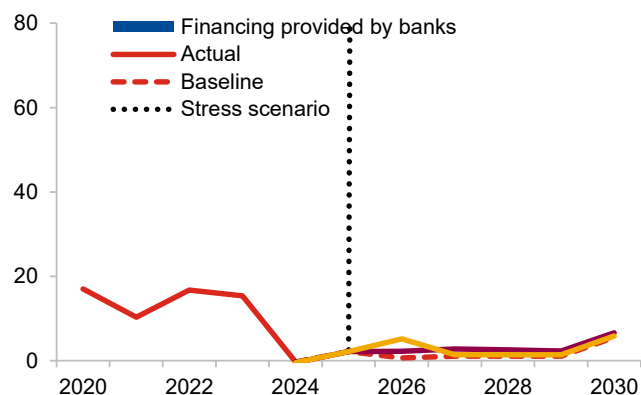
(Percent of GDP unless otherwise indicated)

Module	Indicator	Value	Risk index	Risk signal	Adv. Econ., Non-Com. Exp, Program				
					0	25	50	75	100
Debt fanchart module	Fanchart width	62.7	0.9	...	|				|
	Probability of debt not stabilizing (pct)	16.8	0.1	...	|				|
	Terminal debt level x institutions index	25.5	0.6	...	|				|
	Debt fanchart index	...	1.6	Moderate					
GFN financeability module	Average GFN in baseline	1.9	0.7	...	|				|
	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	...	0.7	Low					
Legend:					Interquartile range				
					Curaçao				

Final Fanchart (percent of GDP)



Gross Financing Needs (percent of GDP)

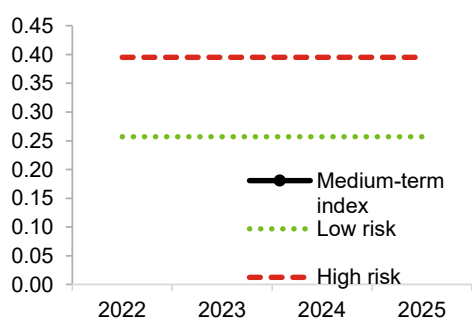


Triggered stress tests (stress tests not activated in gray)

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 financeability index	7.6	17.9	0.5	0.0
Medium-term index (MTI)	0.3	0.4	...	0.2, Low

Prob. of missed crisis, 2025-2030 (if stress not predicted): 9.1 pct.

Prob. of false alarm, 2025-2030 (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. Even with stress tests for commodity prices and natural disasters, Curaçao's debt is projected to continue falling in the medium-term, albeit at a slow pace as the authorities increase public investment financed with borrowing from the Netherlands.

Annex X. Sint Maarten: Risk Assessment Matrix 1/

Source of Risks (Likelihood in color)	Expected Impact	Policy Response
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger tighter financial conditions and higher inflation. High.	High. As a small open economy, Sint Maarten is highly dependent on global trade and investment. Higher trade barriers and resulting inflation, exacerbated by high reliance on US imports, could further increase cost of imported goods, while FDI disruptions could put pressure on external financing. A stronger-than-expected global slowdown would soften tourism flows.	Further diversify import sources, strengthen regional trade integration to help maintain flows of import, invest in infrastructure to keep attracting tourist flows.
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth. High.	High. Geoeconomic fragmentation could lead to inefficient supply chain arrangements and higher prices of traded goods, which would hurt Sint Maarten due to the high reliance on imports. However, fragmentation could potentially benefit Sint Maarten due to rechanneled capital flows.	Continue to diversify trade partners and reduce vulnerability to a particular market. Implement reforms to improve the business environment to potentially benefit from nearshoring trends.
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, AE energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability. Medium.	High. Sint Maarten imports most consumption and investment goods—including oil—and thus is highly vulnerable to fluctuations in global prices. A sharp rise in commodity price could dent growth and worsen the already-high trade deficit.	Targeted support for the most vulnerable may be used if there is fiscal space. Intensify the expansion of renewable electricity generation and electrify the transportation sector.
Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFIs in distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMEs. Medium.	Medium. Sint Maarten's financial institutions' balance sheets are vulnerable to repricing risk, and unrealized losses may become realized. Uncertainty can also delay inward foreign investment and hamper medium-term growth.	The authorities can develop contingency plans and a deeper understanding of financial linkages. As the lender of last resort, the CBCS is ready to intervene.

Source of Risks (Likelihood in color)	Expected Impact	Policy Response
Cyberthreats. Cyberattacks on physical or digital infrastructure and service providers (including digital currency and crypto assets) or misuse of AI technologies trigger financial and economic instability. High.	High. Cyberattacks on critical infrastructures could jeopardize operational, financial, and economic stability. Cyberattacks on state-owned enterprises could imply serious fiscal risks.	Ensuring critical systems are properly protected and backup systems are available. Insurance could help mitigate some of the fiscal risk.
Global growth acceleration. Easing of conflicts, positive supply-side surprises (e.g., oil production shocks), productivity gains from AI, or structural reforms raise global demand and trade. Low.	High. As a tourism-oriented economy, with more than half of tourists coming from the US, Sint Maarten would benefit a lot from acceleration in global growth, and global demand. Increase in global trade could also put downward pressure on import prices.	Continue expanding into the new tourism markets and investing in the infrastructure to fully benefit from the higher tourism growth.
Sint Maarten-specific risks		
Low public investment. Prolonged period of unsustainably low public investment and delays in the implementation of the needed structural reforms lead to inadequate infrastructures for growth and livelihoods, including delays in electricity sector reform. High.	High. Delays in public investment, which has frequently been below depreciation, could lead to damaged and inadequate infrastructure, dampen economic activity, and hurt tourism. However, a timely implementation could boost potential growth and improve the outlook.	Commitment to the process is needed by all parties. Improvements to public investment management, planning, procurement, and governance can assist in implementation.
Natural disasters. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. Medium.	High. Sint Maarten is particularly vulnerable to hurricanes which have severe short-term impacts (damaging infrastructures and the loss of human lives and livelihoods) and damage the country's reputation as a tourism destination. Slow-moving hazards such as sea-level rise and droughts could also hamper the development of the island.	Building and maintaining climate-resilient infrastructure is critical. Insurance, such as through CRIF, helps offset fiscal costs. Developing a Disaster Resilience Strategy would help prepare contingencies and could unlock funding for climate adaptation.
Waste management. The only dump on the Dutch side is poorly fortified and has limited capacity for the coming years. Fallout causes fires and water contamination in proximity to the capital. Medium.	Medium. Delays in addressing the looming waste management crisis could spill over into tourism activity and become highly expensive for the government.	Continue working with Trust Fund to fortify the only dump on the Dutch side. Introduce fees for trash and strengthen monitoring. Work with the Trust Fund to find a sustainable solution, including with the French side.

Source of Risks (Likelihood in color)	Expected Impact	Policy Response
Real estate developments and connectivity. Faster-than-expected resolution of delays that were holding back construction of private real estate developments, notably the completion of Vie L'Ven development, and stronger-than-expected expansion in flights thanks to the new airport. Medium.	High. New developments, including a shopping mall, would broaden tourist experiences and widen accommodation capacities. Higher number of flights would increase likelihood of capacity utilization of existing hotels and apartments.	Streamline regulation and support business friendly reforms to facilitate doing business in Sint Maarten. Ensure adequate road infrastructure to link airport to tourist venues.
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.		

Annex XI. Sint Maarten: Electricity Sector Reform¹

Since 2017, Sint Maarten has faced severe consecutive shocks that imperiled the electricity sector and derailed progress towards the national goals of ensuring a sustainable and cost-effective supply. Efforts from both the government and the electricity company (GEBE) have stabilized the situation and plans are ongoing to achieve financial stability and prevent future disruptions. Reforms are needed to (i) significantly increase the electricity supply; (ii) empower the independent regulator to update electricity tariffs; (iii) gradually transition towards renewable energy; and (iv) strengthen GEBE's governance.

A. Introduction

1. Most objectives from the 2014 National Energy Policy (NEP) remain unmet. The NEP aimed to ensure the electricity provision at an affordable price, guarantee GEBE's sustainability, reduce the dependence on fossil fuel, promote energy efficiency and improve regulation (Table 1). However, after a decade, most objectives have not been attained. The island is still heavily reliant on imported fossil fuels² and supply has stagnated (Charts 1 and 2). GEBE's aging generators were not replaced (Table 4) and energy efficiency remains the fourth lowest in the Caribbean and South America (Panel Figure 4). Tariffs are the third highest in the Western Hemisphere (Panel Figure 3) and there is still no independent electricity regulator. Furthermore, the tariff structure does not guarantee cost recovery for investments, and there is no feed-in tariff to encourage household's renewable generation.

2. Three consecutive shocks severely impacted the electricity sector. In September 2017, Hurricane Irma damaged 40 percent of the electricity generation capacity. Although 90 percent of the pre-Irma generation level was restored by end-2019, full recovery wasn't achieved until mid-2023. In March 2022, a ransomware attack hindered GEBE from billing its customers (for most of 2022, 2023, and 2024H1), resulting in sizable customer arrears (Figure 5), draining the company's cash balances and forcing the delay of critical maintenance work. In May and June 2024, three generators went offline (with a total capacity of 19.5 MW, about 1/3 of peak demand, two of the damaged generators were at or beyond their technical lifespan, Table 4). This led to daily load shedding of about two hours per day on average from May until November 2024 (Figure 5 and Table 2).

B. Efforts to Ensure Supply and Prevent Future Crises

3. Concerted efforts by all stakeholders have stabilized the electricity crisis. Following the appointment of new interim management in September 2022, the customer invoicing database was fully restored by June 2024 (from a 35 percent recovery rate at the time of appointment). In June

¹ Prepared by Ziad Amer.

² Heavy fuel oil, diesel, and gasoline for both electricity generation and transportation.

2024, the government announced a three-tiered solution to the electricity crisis (Tables 2 and 3) which eliminated the need for load shedding by November 2024.

4. Critical investments are required to meet the expected demand increase. GEBE, in partnership with an energy consultancy firm and the National Recovery Program Bureau, conducted a study which envisages that peak demand will increase by about 25 percent over the next decade (slightly above 80 MW by 2034, compared to 57.5 MW in 2024, with an annual growth of 3.2 percent).³ GEBE is seeking long-term financing from private investors for maintenance, replacing aging generators and increasing supply to prevent future crises. However, the lack of recent audited financial statements and customer arrears complicate the company's financial planning.

C. Reforms to Foster the Electricity Sector

5. Changes to the regulation would support GEBE's goals. The electricity tariff includes a base rate of Naf 0.25/KWh (USD 0.14/KWh) and a variable component tied to fuel costs. The base rate, which has remained unchanged for over a decade, barely covers operational costs and does not allow for the recovery of long-term investments. Empowering the independent regulator on the island, as the Regulatory Authority of Curacao, is urgently required to technically estimate a new base rate and decide on the convenience of establishing a feed-in tariff to incentivize household's investments in solar panels while allowing GEBE to not only recover its operating costs but also finance its medium-term investments.

6. A gradual shift to renewable energy will not immediately result in lower tariffs. GEBE plans to increase the share of renewables in the generation matrix to 15 percent within a decade.^{4,5} However, the shift to solar energy would not immediately lower tariffs. While a 1 MW solar panel costs about USD 1 million, which is 60 percent less than the cost of a 1 MW diesel generator, an additional USD 2 million in fixed costs are needed for every MW of solar panel generation (equally split between battery storage and climate insurance). The operational costs from solar panels, which are minimal compared to the cost of imported fuel required for diesel generation, could in principle offset the initial high fixed costs. However, the average lifespan of diesel generators is three times higher than for solar panels. Therefore, the shift to renewables should be mostly done because of its environmental benefits and to lessen the dependence on imported fuel, as a reduction in the tariff would only be achieved in the medium to long term.

7. Enhancing governance and transparency is essential. The government needs to set clear guidelines for board appointments. GEBE needs to accelerate the auditing of previous financial

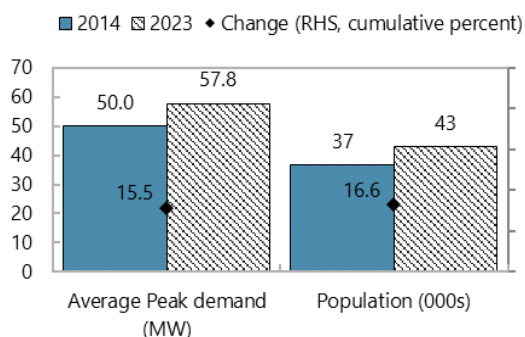
³ Forecasts are based on top-down macroeconomic indicators such as GDP and population, as well as a bottom-up approach complemented with expert judgment (incorporating large real estate and hospitality projects).

⁴ Renewables currently account for about 2.5 percent of total production (primarily from a 1.6 MW solar park operated by the Sonesta Maho resort). While some additional solar panels are installed on household rooftops, there is no credible estimate for their cumulative capacity.

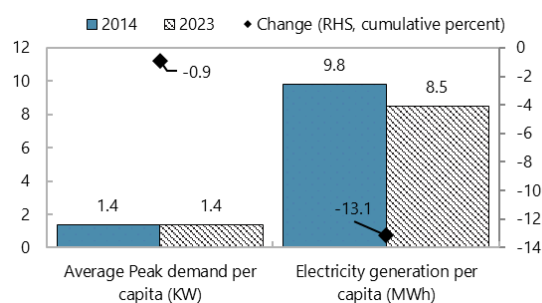
⁵ GEBE is discussing with the government the construction of a 5 MW solar park by early 2026, a 2 MW parking lot, and 2 MW of new solar panels on household rooftops.

statements. The government should formally appoint the interim management, recognizing their work to stabilize the company, and strongly endorse GEBE's ambitious reform agenda.

Annex XI. Figure 1. Peak Demand and Electricity Generation
(In MW unless otherwise specified)

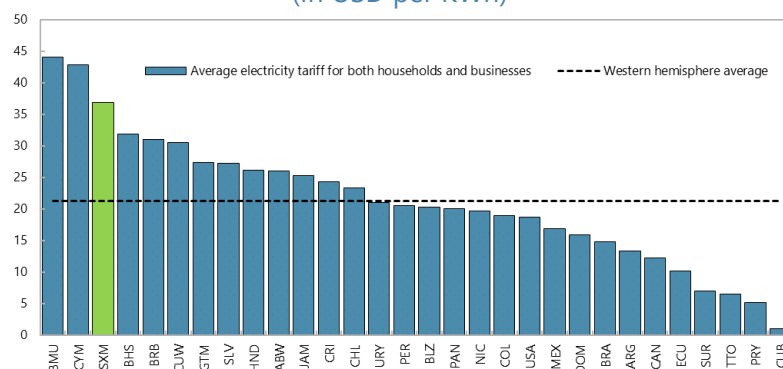


Annex XI. Figure 2. Per Capita Peak Demand and Electricity Generation
(In MW unless otherwise specified)



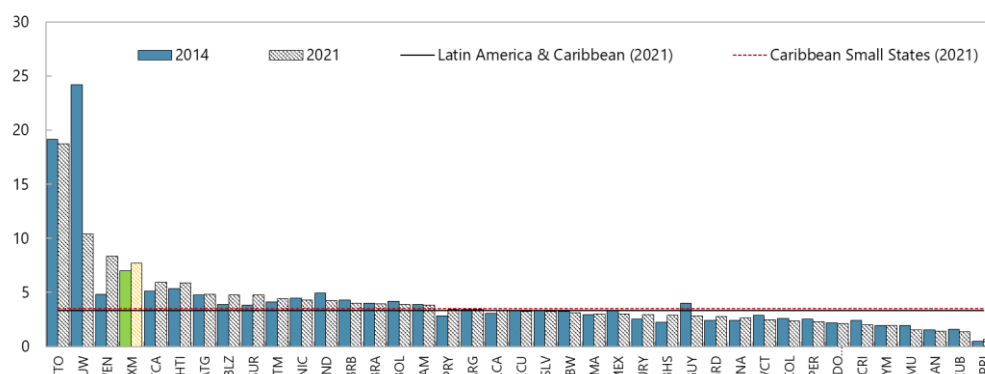
Sources: Sint Maarten National Energy policy, Central Bank of Curacao and Sint Maarten, GEBE and IMF staff calculations.

Annex XI. Figure 3. Average Electricity Tariffs in the Western Hemisphere
(In USD per KWh)



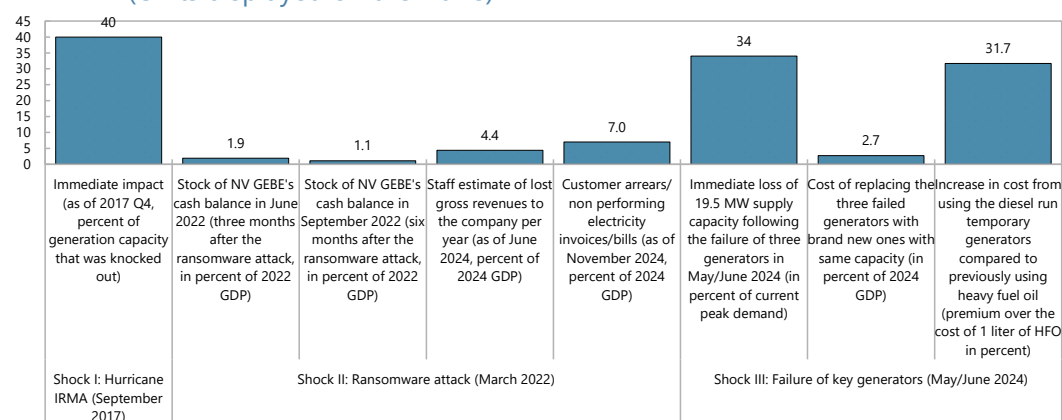
Sources: Global Petrol Price Database, Regulatory Authority of Curacao, NV GEBE and IMF staff calculations.

Annex XI. Figure 4. Primary Energy Intensity Level
(MJ/\$2017 PPP GDP, higher ratio is a proxy for lesser energy efficiency)



Sources: World Bank World Development Indicators. Note: the last available data point (2022) was not available for the whole sample of countries so 2021 was used instead. SXM energy intensity in 2022 was 7.1, broadly stable compared to its value in 2014.

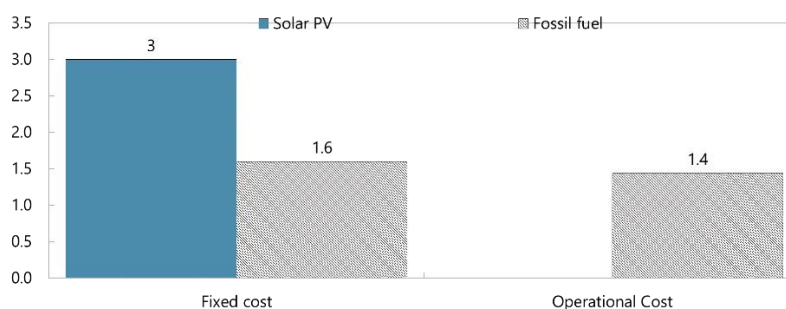
Annex XI. Figure 5. Impact of Shocks on GEBE's Operations
(Units displayed on the x axis)



Sources: Global Petrol Price Database, Regulatory Authority of Curacao, NV GEBE and IMF staff calculations.

Annex XI. Figure 6. Renewable vs. Fossil Fuel Electricity Generators by Fixed and Operational Costs.

(In USD million per 1 MW of electricity generation)



Sources: NV GEBE estimates.

Annex XI. Table 1. Sint Maarten: Objectives and Outcomes of the 2014 National Energy Policy

Objectives	Outcomes
I- Ensure provision of adequate and stable energy supply for an affordable price to all in society.	The island remains heavily dependent on oil imports for energy. From 2014 to 2023, electricity demand increased by 16 percent while per-capita demand decreased by 1 percent. Supply has remained stagnant, with per-capita growth contracting by 13 percent (Figure 2). No investments were made to replace aging electricity generators (5 of GEBE's 12 generators, totaling 28MW or 45 percent of current peak demand, have been operational for over 20 years as of Q4 2024).
II- Ensure sustainability of GEBE	
III- Reduce dependence on fossil fuel and more emphasis on renewable energy	<p>The island faces several constraints for developing renewable energy:</p> <ul style="list-style-type: none"> ✓ Size: the Dutch side of the island has 16 square miles, with only 1/5 of its territory (3 square miles) available for solar panels. Land competition between the electricity and tourism sectors significantly increases the cost of land. ✓ Location: being in the hurricane belt significantly increases maintenance costs for wind turbines and solar panels. Moreover, the island has relatively low wind speeds compared to other Dutch Caribbean islands like Curacao. ✓ Concession: The electricity concession (no. 644, July 2010, which expires in 2035) prohibits the development of solar parks producing more than 450 KWh for household's self-consumption (unless approved by GEBE). This acts as a disincentive to increased private-sector participation in solar investments.
IV- Decrease environmental impact/carbon footprint	
V- Promote energy efficiency	<p>The island has the fourth highest energy intensity in the Caribbean, Central and South America (panel figure 4).</p> <p>The island lacks an independent energy regulator (unlike Curacao). There is no feed-in tariff to purchase solar supply. The electricity tariff pricing scheme (base rate of NAf 0.25 per KWh plus a variable cost tied to fuel costs, unchanged over the past decade) disincentivizes the shift towards renewable energy.</p>
VI- Regulate the energy market (example regulatory bodies and legislation)	

Source: National Energy Policy for Country Sint Maarten; Towards a sustainable development (2014); Research paper titled "The energy transition in Sint Maarten, Aruba and Curacao" published by The Dutch Organization for Applied Scientific Research (TNO, 2024); World Bank World Development Indicators database and IMF staff assessment.

Annex XI. Table 2. Sint Maarten: Timeline of Shocks to GEBE's Infrastructure and Recovery Efforts

Date	Shock description	Impact of the shock and recovery efforts
September 6, 2017	Category 5 Hurricane Irma strikes the island.	<ul style="list-style-type: none"> ✓ October to December 2017: Significant damage to electricity infrastructure led to average generation being 40 percent lower than the average in the first eight months of 2017, resulting in widespread power outages. ✓ October to December 2019: Electricity generation reached 90 percent of pre-Irma levels, though full recovery was only achieved in May 2023.
March 17, 2022	A ransomware attack targets GEBE's software, resulting in the loss of the customer invoice database. A ransom was demanded for its return, with estimates ranging between USD 1-2 million.	<ul style="list-style-type: none"> ✓ March to June 2022: GEBE experienced an abrupt physical closure of almost 3 months until June 6th, 2022. Liquid cash reserves stood at Naf 50 million in June 2022 (about 1.9 percent of 2022 GDP). Many customers were not billed for two years until June 2024 due to the loss of the invoicing database. ✓ September 2022: A new interim manager was hired. GEBE restored 35 percent of customer billing information. Liquid cash reserves continued to fall to Naf 29 million by the end of the month (about 1.1 percent of 2022 GDP). ✓ June 2024: GEBE restored full invoicing, but 50 percent of billed customers were in arrears. Staff estimates that about USD 73 million worth of gross revenues were lost per year, equivalent to about 4.4 percent of 2024 GDP. ✓ November 2024: Total payment arrears were estimated at Naf 209 million (about 7 percent of 2024 GDP), with 1/3 of the total having a low probability of recovery (recovery will take more than 90 days).
May and June 2024	Three electricity generators with a total capacity of 19.5 MW failed (1/3 of total demand). Two of the damaged generators were at or beyond their average lifespan. In September 2024, two additional generators (total capacity of 9 MW) also went offline but were restored within days.	<ul style="list-style-type: none"> ✓ May 2024: Daily electricity load shedding of 2 hours on average occurs between May and November 2024. ✓ June 2024: The Prime Minister outlines immediate, short, and medium-term plans to restore GEBE's capacity (Table 3). GEBE's management engages with investors to secure financing for long-term maintenance and investment. ✓ July 2024: Seven containerized generators of 10 MW arrive on the island (immediate solution). ✓ August 2024: GEBE announces that 10 MW from containerized generators are supporting the grid. ✓ September 2024: Two additional generators go offline but are quickly restored. ✓ October 2024: Parliament approves a USD 43 million loan from the Netherlands to purchase three generators (medium-term solution). ✓ November 2024: Engine 19 (10.5 MW), which broke down in May 2024, is fully repaired. Daily load shedding stops. ✓ December 2024: GEBE finalizes the connection of 20 MW lease-to-own diesel-run container generators to the grid (short-term solution).

Sources: Central Bank of Curacao and Sint Maarten, local news media, NV GEBE, the National Recovery Program Bureau and IMF staff calculations

Annex XI. Table 3. Sint Maarten: Government's Plan to Eliminate Load Shedding by November 2024 (Continued)

	Solution	Generation capacity MW	Costs excluding fuel		Planned Timeline	Actual implementation
			US\$ million	percent of GDP		
Immediate (pillar I)	Three months of container generators	10	1.9	0.1	Operational by mid-August 2024 for 3 months.	On time.
	Disconnecting large hotels from the grid	4	N/A	N/A	In effect until the pillar II comes on stream.	N/A
	Repairing one of three damaged generators	3	N/A	N/A	Operational by mid-July 2024	N/A
Short-term (pillar II)	Lease to own diesel container generators	20	7.7	0.5	3-year lease, operational by mid-September 2024	Operational in early January 2025.
Long-term (pillar III)	Purchasing three generators	27	43	2.7	Operational two years after signing the purchase order, conditional on parliament approving the loan from the Netherlands.	Parliament approved the loan from the Netherlands in late October 2024.

Sources: National Authorities; and Local News.

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Annex XII. Sint Maarten: Social Development: A Cross-Country Comparison¹

Sint Maarten's high income level, geographical location, European-influenced institutions, and small state capacity raise questions of what set of countries is most comparable in terms of social development. In fact, Sint Maarten has higher inequality, lower life expectancy, and higher adolescent fertility rate than European countries with comparable income levels. Instead, Sint Maarten is more comparable to high-income peers in Latin America, and to European and Central Asian countries with lower income per capita. Given high GDP per capita, there should be scope for reducing inequality and increasing public health investment.

A. Introduction

- 1. Literature suggests that GDP alone can be misleading in assessing economic well-being.** Over the past years there have been various discussions on whether GDP per capita is a comprehensive and appropriate metric of a country's development. This is particularly important when thinking about sustainability and inclusivity of economic growth, especially in economies dominated by one sector. To get a full picture of socio-economic development, it is important to look at other indicators, including the ones that capture inequality and health.
- 2. Sint Maarten is a high-income country, with GDP per capita comparable to South European economies, but its social development is lagging.** Sint Maarten has nominal GDP per capita around USD 36,000 as of 2023, which is comparable to some other Caribbean islands, such as the Bahamas, as well as South European countries, such as Spain, Italy, and Cyprus. At the same time, Sint Maarten's GDP per capita is much higher than in the rest of the Latin America and Caribbean region, including countries classified as high-income countries. This note investigates whether, in a small state context, with binding capacity constraints, Sint Maarten's social development is comparable to other countries with similar levels of income. Staff finds that Sint Maarten is falling behind its European peers in such indicators, as inequality, life expectancy, and adolescent fertility rate.

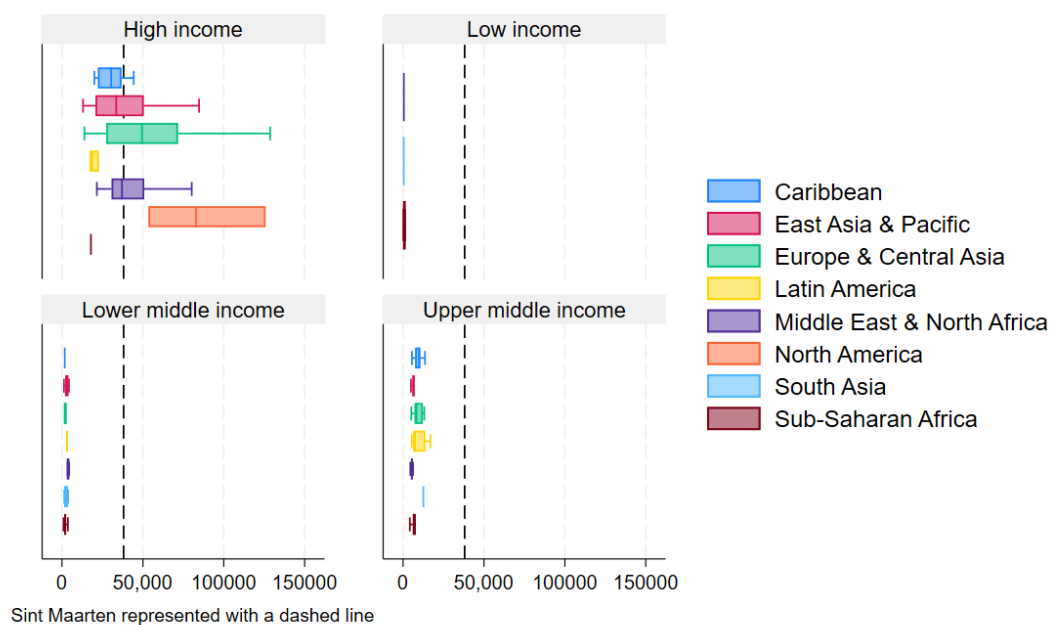
B. Key Social Development Indicators

- 3. The Gini coefficient and the 90-10 ratio both point to high inequality in Sint Maarten.** Staff calculated the Gini coefficient using income distribution from the 2022 census survey for Sint Maarten and the World Development Indicator Database for comparator countries. It measures how far the economy is from a perfectly equal allocation of income. With a Gini coefficient of 50, Sint Maarten features much higher inequality than any European country, either middle- or high-income. Instead, this level of inequality is more comparable to Panama, Honduras, and Brazil, countries with

¹ Prepared by Natasha Gimpelson.

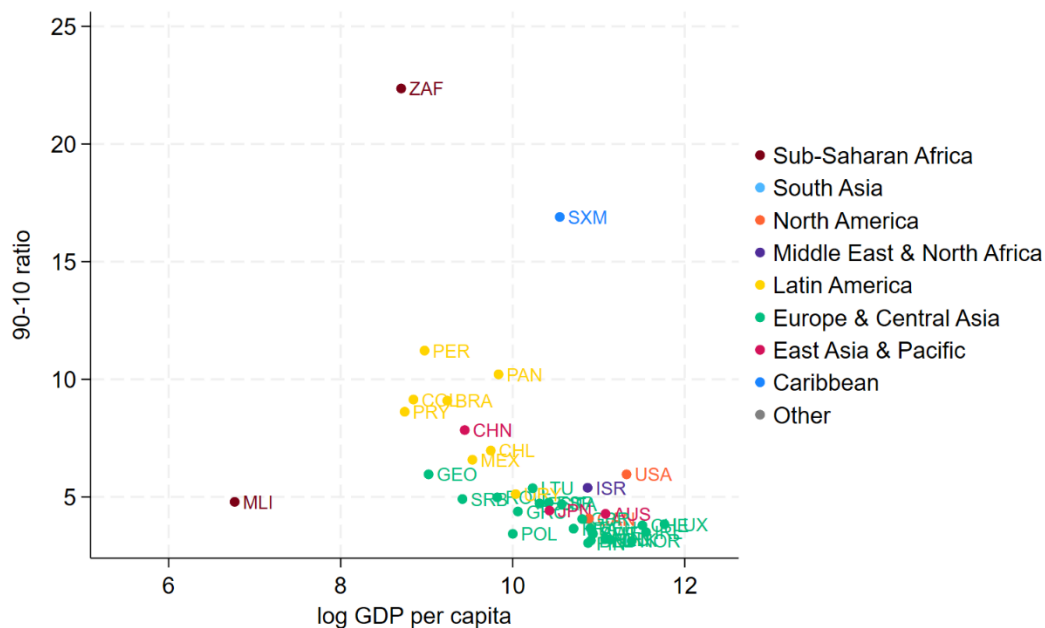
a significantly lower GDP per capita. Results for the 90-10 ratio, which measures the ratio of the 90th percentile of equivalized household income to the 10th, are even more striking. Sint Maarten shows a much higher dispersion between the 10th and the 90th percentile of income than all other countries in the sample of the *Luxembourg Income Study Database*, with the only exception being South Africa. This suggests that high income per capita in Sint Maarten masks significant heterogeneity in people's wellbeing. Analyzing the social redistribution system and drawing conclusions for policy making would be beneficial to render growth more inclusive.

Annex XII. Figure 1. GDP Per Capita
(2023 US\$)

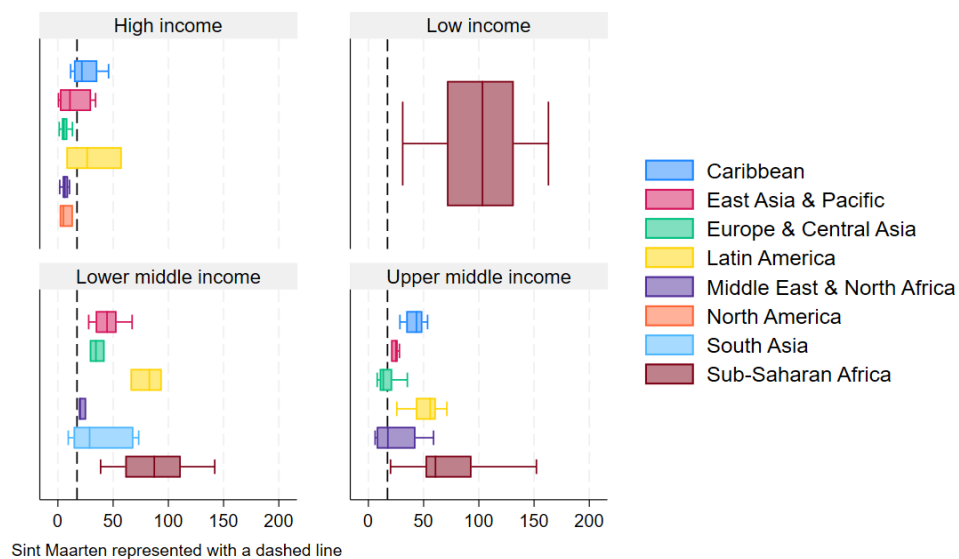


Sources: World Development Indicators (2023)

4. Sint Maarten has a higher adolescent fertility rate than high-income European and Central Asian countries. With adolescent fertility of 17 live births per 1,000 women ages 15-19, Sint Maarten has a rate almost twice as high as most high-income countries in Europe and Central Asia. Higher adolescent fertility is typically associated with worse education and labor market outcomes for women, which then translates into lower labor productivity and lower employment levels. Among high-income countries, this fertility rate is most comparable to Aruba, Puerto Rico, and Hungary, as well as high-income Latin American countries (though in terms of GDP per capita Latin America lags significantly behind Sint Maarten). Adolescent fertility in Sint Maarten is also aligned with European and Central Asian upper-middle income countries, which are significantly below Sint Maarten's income level. While adolescent fertility in Sint Maarten is in line with the region, there is scope for improving educational and employment opportunities for young women given the island's higher income per capita.

Annex XII. Figure 2. 90-10 Ratio GDP per capita

Sources: World Development Indicators (2023)

Annex XII. Figure 3. Adolescent Fertility
(number of births per 1000 15-19 year old women)

Sources: Luxembourg Income Study Database; STAT; and IMF Staff calculations

Note: 90-10 ratio for Sint Maarten corresponds to 2022, while data for other countries correspond to the latest available date

5. Sint Maarten is lagging behind its European peers in life expectancy, suggesting the need for more investment in public health. GDP per capita and life expectancy are highly correlated due to richer countries generally having more developed health systems and better access to healthcare. However, Sint Maarten has relatively low life expectancy (76 years) compared to its European and Latin American income peers. This suggests that more efforts and investments might be needed to identify main causes of early deaths and to ensure better preventive care. High inequality could also be contributing to lower life expectancy, with poorer people being limited in healthcare options or not having enough information on monitoring their health. In this regard, tackling inequality and educating the public about their health might also help boost life expectancy.

6. Despite having high income per capita, Sint Maarten is lagging behind its high-income peers in terms of social development indicators. Particular attention should be paid to high inequality levels, low life expectancy, and relatively high adolescence fertility rate. In terms of these indicators, Sint Maarten is more comparable to upper-middle income European and Central Asian countries and to high-income Latin America and Caribbean. This suggests scope for reducing inequality, investing in public health and increasing longevity, ensuring more education and work opportunities for young women.

Annex XIII. Sint Maarten: Data Issues

Annex XIII. Table 1. Sint Maarten: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	D	C	C	C	B	C	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	D	C	C	C	B		
Granularity 3/	D		B	C	C		
			B		B		
Consistency			C	D		C	
Frequency and Timeliness	D	C	D	B	B		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund is adequate for surveillance.						
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.						
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.						
<p>Rationale for staff assessment. GDP data is published with long delays, does not include GDP by expenditure, and is unreliable due to low survey response rates. Price statistics are only available on a quarterly basis with the need to revamp imputation methods. The authorities produce quarterly fiscal reports, but they are not publicly available and only shared with the IMF with substantial delays. The classification of accounts needs to be updated to GFSM 2014, for which TA has been provided, and the Tax authority has been unable, for the past several years, to adopt a new software that can improve the processing and assessment of tax filings significantly, due to litigation as well as other factors. On external sector statistics, BOP statistics is hampered by the low quality of the Tourism Exit Survey (which is important given the dominant role of tourism in the economy) and the shared border without customs with the French side of the island. Similar to Curaçao, IIP data for Sint Maarten has not been shared since 2021 due to concerns about the quality and timeliness of survey responses. The BOP data is regularly and consistently published on a quarterly basis. Monetary data is published on time, though the authorities' decision to stop sharing the Standardized Report Forms (1SR and 2SR, which offer the highest level of granularity for the Central Bank and other Depository Corporations balance sheets) since January 2024 to date is somewhat hampering surveillance. Financial Soundness Indicators, which are shared with the IMF staff upon request are continuously subject to data revisions and coverage and granularity remain a challenge. Foreign exchange intervention data is not shared while non bank financial institutions indicators are shared with long delays.</p>							
<p>Changes since the last Article IV consultation. Increased delays in the publication of 2023 national accounts due to a very low survey response rate. The authorities received TA to improve the national accounts but further progress is constrained by understaffing at the Department of Statistics and the very low national accounts survey response rate. A followup TA on national accounts is due in late June 2025 to help with publishing 2023 national accounts. TA on BOP statistics took place in late 2024, focusing on improving IIP statistics and reviewing methodologies for the Tourism Exit Survey, and recommending a redesign of the IIP survey to improve response rate and quality.</p>							
<p>Corrective actions and capacity development priorities. National Accounts and Price Statistics: The authorities should devise means and mechanisms to improve national account survey responses as well as increase hiring and retaining of talent to ensure timely publication of national accounts and price statistics, along with transitioning to monthly CPI publication. Monetary and Financial Statistics: The CBCS should: resume its detailed submission of 1SR and 2SR; continue efforts to improve the coverage and granularity of Financial Soundness Indicators, and work to address continuous data revisions; begin sharing foreign exchange intervention data; address the long delays in sharing financial sector indicators for non-bank institutions; actively compile disaggregated data on loan to value ratios and debt service to income ratios to support the development and effectiveness of the macroprudential toolkit. BOP statistics: Development of the Tourism Exit survey responses via methodological review and pilot testing of revised survey instruments would improve the quality of the BOP statistics. Additional development of the NIIP survey questions would improve consistency with the balance of payments. Fiscal sector statistics: Migration of the fiscal sector to GFSM format, along with a shift to regular publication on the website and expediting the adoption of new software for the Tax office, would further improve transparency and surveillance.</p>							
<p>Use of data and/or estimates different from official statistics in the Article IV consultation. WHD staff in collaboration with STA Real Sector and Big Data Center Teams are devising a new activity indicator that can proxy GDP growth and be produced with a much higher frequency, using both traditional and non traditional indicators. As the last labor force survey was conducted in 2018, labor market data for 2019–23 are estimated using alternative data sources (e.g., employment data for socially insured workforce, 2022 data from 2023 population census, and model-based estimates). IIP data for 2019–23 are estimated based on BOP flows, as the authorities have advised to treat 2018 as the last observation due to large stock-flow inconsistencies between the BOP and IIP data.</p>							
<p>Other data gaps. Aggregate and breakdown of mortgage loan to value ratios and debt service to income ratios are not compiled for the banking system. There is no indicator tracking short-term rentals, which are growing in importance. Social indicators (such as crime, inequality, and health) are missing. The authorities have started publishing new climate data, but shortcomings remain (e.g., missing data during episodes of hurricanes/storms).</p>							

Annex XIII. Table 2. Sint Maarten: Data Standards Initiatives

Sint Maarten, Kingdom of the Netherlands does not participate in the IMF Data Standards Initiatives.

Annex XIII. Table 3. Sint Maarten: Table of Common Indicators Required for Surveillance
(As of June, 2025)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Curaçao, Kingdom of the Netherlands ⁸	Expected Timeliness ^{6,7}	Curaçao, Kingdom of the Netherlands ⁸
Exchange Rates		N/A (Fixed Exchange Rate)			D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Apr-25	Jun-25	M	M	M	...	1M	...
Reserve/Base Money	Apr-25	Jun-25	M	M	M	...	2M	...
Broad Money	Apr-25	Jun-25	M	M	M	...	1Q	...
Central Bank Balance Sheet	Apr-25	Jun-25	M	M	M	...	2M	...
Consolidated Balance Sheet of the Banking System	Apr-25	Jun-25	M	M	M	...	1Q	...
Interest Rates ²	Apr-25	Jun-25	M	M	M	...	...	...
Consumer Price Index	Mar-25	Jun-25	M	M	M	...	2M	...
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	Dec-24	Dec-24	A	A	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	Mar-25	Mar-25	M	M	Q	...	1Q	...
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Dec-24	Dec-24	A	A	Q	...	2Q	...
External Current Account Balance	Dec-24	Jun-25	Q	Q	Q	...	1Q	...
Exports and Imports of Goods and Services	Dec-24	Jun-25	Q	Q	M	...	12W	...
GDP/GNP	2024	Jun-25	A	A	Q	...	1Q	...
Gross External Debt	Dec-24	Dec-24	A	A	Q	...	2Q	...
International Investment Position	2022	2022	I	I	A	...	3Q	...

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

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

³ Foreign, domestic bank, and domestic nonbank financing.

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

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than;

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Annex XIV. Sint Maarten: Public Debt Sustainability Analysis

Annex XIV. Table 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 due to fiscal risks arising from changing demographics.
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, although with a spike in 2030 due to maturity of a bullet loan. 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 as GFNs recede to manageable levels, conditional on refinancing bullet loans in 2025 and 2030, containing fiscal risks emanating from healthcare and old-age pension, and implementing fiscal adjustment measures and PFM reforms in the Country Package.
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 continued to decline in 2024 due to robust GDP recovery and strong fiscal adjustment. The debt ratio is expected to decline further in 2025 due to higher than debt stabilizing primary surplus and real GDP growth. Medium-term liquidity risks as analyzed by the GFN Financeability Module are low although spikes due to bullet loans pose some liquidity risk in those years. The sustainability is conditional on preserving the fiscal consolidation gains achieved so far, maintaining access to external financing at favorable terms, reducing fiscal risks especially healthcare and old age pension, 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.

Annex XIV. Figure 1. Sint Maarten: Debt Coverage and Disclosures

						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:												
Subsectors captured in the baseline						Inclusion						
CPS	NFPS	GG: expected	CG	1	Budgetary central government	Yes						
				2	Extra budgetary funds (EBFs)	No	Not applicable					
				3	Social security funds (SSFs)	No						
				4	State governments	No	Not applicable					
				5	Local governments	No	Not applicable					
				6	Public nonfinancial corporations	No						
				7	Central bank	No						
				8	Other public financial corporations	No						
3. Instrument coverage:												
	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/							
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/			
5. Debt consolidation across sectors:						Consolidated	Non-consolidated					
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	
CPS	NFPS	GG: expected	CG	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 and external financial and non-financial public sector debt. The Social Security Bank (SZV) is not treated as part of the general government.

Annex XIV. Figure 2. Sint Maarten: Realism of Baseline Assumptions

Forecast Track Record

Public debt to GDP

Primary deficit

 $r - g$

Exchange rate depreciation

SFA

t+1

t+3

t+5

Comparator Group:

Emerging Markets, Non-Commodity
Exporter, Surveillance

Color Code:

- Optimistic
- Pessimistic
- > 75th percentile
 - 50-75th percentile
 - 25-50th percentile
 - < 25th percentile

Not applicable as Sint Maarten is not
in the WEO database.

real-time

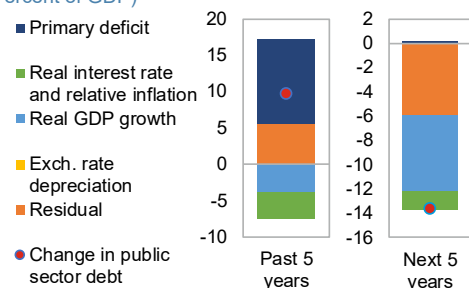
t+3

t+5

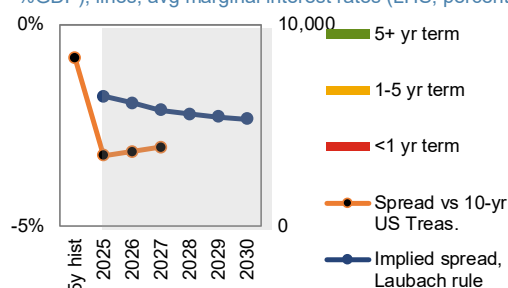
Historical Output Gap Revisions

Public Debt Creating Flows

(Percent of GDP)

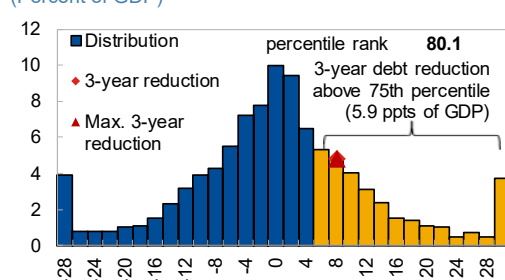


Bond Issuances (bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))



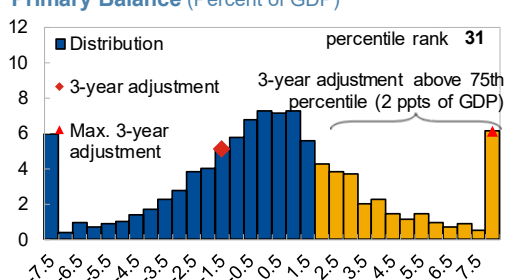
3-Year Debt Reduction

(Percent of GDP)



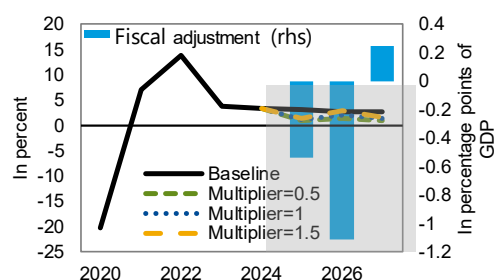
3-Year Adjustment in Cyclically-Adjusted

Primary Balance (Percent of GDP)



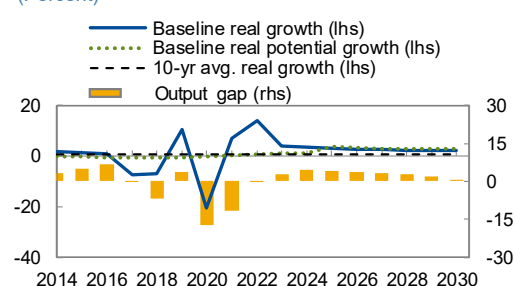
Fiscal Adjustment and Possible Growth Paths

(lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS))



Real GDP Growth

(Percent)



Commentary: The sharp decline in real economic activity during the pandemic lowers the 10-year average growth while the borrowing it necessitated increased the primary deficit far above historical norms. However, the projected fiscal adjustment in the baseline is as implied by adherence to the golden fiscal rule which is guiding the fiscal stance. Forecast track record and historical output gap revisions are not available because of Sint Maarten's exclusion from the WEO.

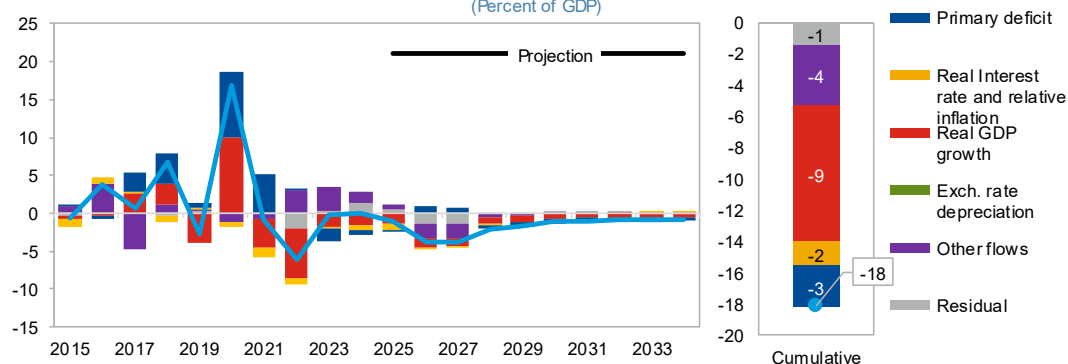
Annex XIV. Figure 3. Sint Maarten: Baseline Scenario

(In percent of GDP unless indicated otherwise)

	Actual		Medium-term projection						Extended projection			
	2024	2025	2026	2027	2028	2029	2030		2031	2032	2033	2034
Public debt	49.0	48.0	44.2	40.4	38.4	36.6	35.4		34.5	33.6	32.7	31.8
Change in public debt	0.0	-1.1	-3.8	-3.8	-2.0	-1.7	-1.2		-1.0	-0.9	-0.9	-0.9
Contribution of identified flows	-1.3	-1.7	-2.4	-2.3	-1.9	-1.7	-1.3		-1.2	-1.1	-1.1	-1.0
Primary deficit	-0.6	-0.1	1.0	0.8	-0.5	-0.5	-0.5		-0.5	-0.5	-0.5	-0.5
Noninterest revenues	19.8	19.3	19.6	18.2	17.5	17.3	17.3		17.3	17.3	17.3	17.3
Noninterest expenditures	19.1	19.2	20.6	18.9	17.0	16.8	16.8		16.8	16.8	16.8	16.8
Automatic debt dynamics	-2.3	-2.2	-1.6	-1.3	-1.1	-0.9	-0.8		-0.6	-0.5	-0.5	-0.5
Real interest rate and relative inflation	-0.7	-0.8	-0.3	-0.2	-0.1	-0.1	-0.1		0.0	0.0	0.0	0.0
Real interest rate	-0.8	-0.8	-0.3	-0.2	-0.1	-0.1	-0.1		0.0	0.0	0.0	0.0
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	-1.6	-1.4	-1.3	-1.2	-0.9	-0.8	-0.7		-0.6	-0.5	-0.5	-0.5
Real exchange rate	0.0	...	...	...	...	...	...		...	...	...	...
Other identified flows	1.6	0.6	-1.9	-1.7	-0.3	-0.3	0.0		0.0	0.0	-0.1	0.0
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	1.6	0.6	-1.9	-1.7	-0.3	-0.3	0.0		0.0	0.0	-0.1	0.0
Contribution of residual	1.3	0.6	-1.4	-1.5	-0.1	-0.1	0.2		0.2	0.2	0.2	0.2
Gross financing needs	0.6	3.0	2.5	2.6	1.2	2.7	2.9		0.9	0.9	0.9	1.8
of which: debt service	1.4	3.4	1.6	2.0	1.8	3.3	3.5		1.5	1.5	1.5	2.5
Local currency	1.1	3.2	1.4	1.5	1.4	2.9	3.1		1.1	1.2	1.2	2.1
Foreign currency	0.1	0.1	0.1	0.3	0.3	0.3	0.3		0.2	0.2	0.2	0.2
Memo:												
Real GDP growth (percent)	3.3	3.0	2.7	2.7	2.3	2.1	2.0		1.6	1.5	1.5	1.5
Inflation (GDP deflator; percent)	3.6	3.3	2.3	2.0	2.0	2.0	2.0		2.0	2.0	2.0	2.0
Nominal GDP growth (percent)	7.0	6.4	5.0	4.7	4.4	4.2	4.0		3.7	3.5	3.5	3.5
Effective interest rate (percent)	2.0	1.6	1.6	1.6	1.6	1.7	1.8		1.9	1.9	2.0	2.1

Contribution to Change in Public Debt

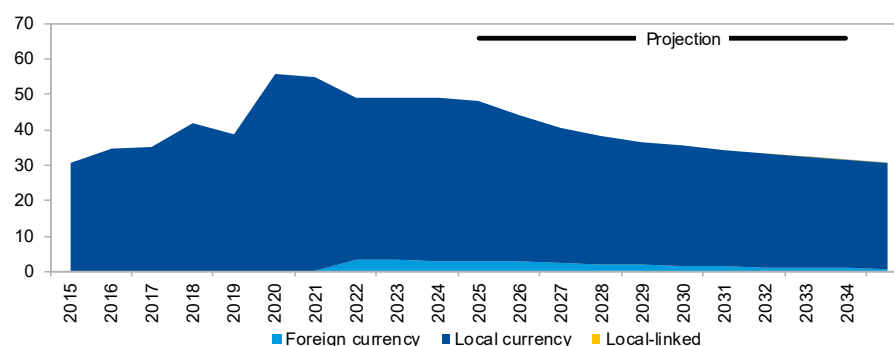
(Percent of GDP)



Staff commentary: Public debt will continue to decline in the medium-term, reflecting higher primary surpluses than needed to stabilize debt and economic growth. The Ennia resolution strategy has been agreed by all stakeholders and confirmed favorable terms for Sint Maarten: a 20-year bullet loan at 3.4 percent per annum. Bullet loans maturing in 2025, 2029 and 2030 heighten financing needs in those years and may need to be rolled over.

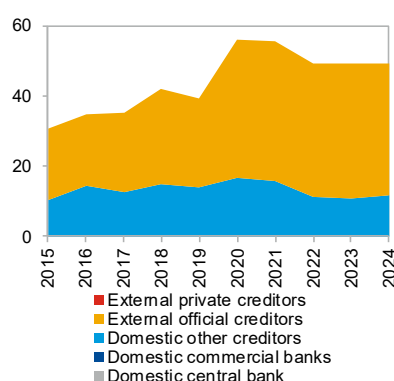
Annex XIV. Figure 4. Sint Maarten: Public Debt Structure Indicators

Debt by Currency (percent of GDP)



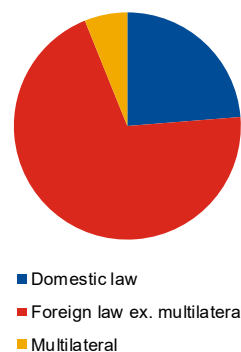
Note: The perimeter shown is central government.

Public Debt by Holder (percent of GDP)



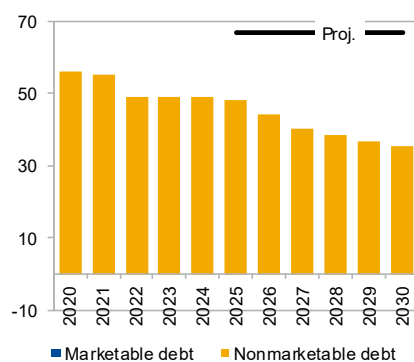
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (percent)



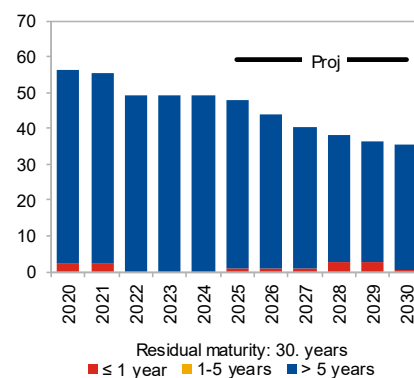
Note: The perimeter shown is general government.

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. Sint Maarten borrows from the Netherlands in local currency, but debt contracts are governed by the relevant laws applicable in the Netherlands. Post hurricane Irma reconstruction also relied on a foreign currency loan from the European Investment Bank.

Annex XIV. Figure 5. Sint Maarten: Medium-Term Risk Analysis

Debt Fanchart and GFN Financeability Indexes

(Percent of GDP unless otherwise indicated)

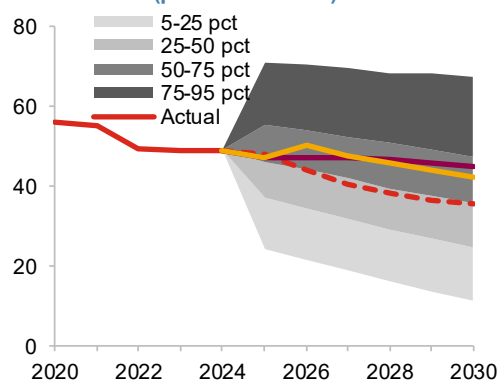
Module	Indicator	Value	Risk index	Risk signal	Adv. Econ., Non-Com. Exp, Program				
					0	25	50	75	100
Debt fanchart module	Fanchart width	56.2	0.8	...					
	Probability of debt not stabilizing (pct)	9.7	0.1	...					
	Terminal debt level x institutions index	13.7	0.3	...					
Debt fanchart index		...	1.2	Moderate					
GFN financeability module	Average GFN in baseline	2.5	0.8	...					
	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		...	0.8	Low					

Legend:

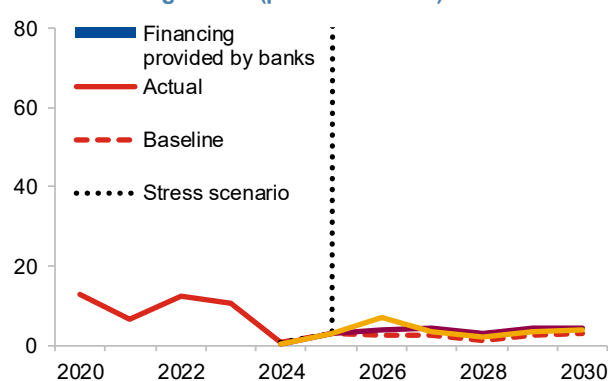
Interquartile range

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

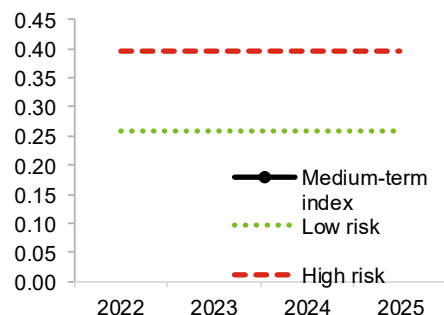
Contingent liab.



Natural disaster

Medium-Term Index

(Index number)



Medium-Term Risk Analysis

	Low risk threshold	High risk threshold	Weight in MTI	Normalized level
Debt fanchart index	1.1	2.1	0.5	0.3
GFN financeability index	7.6	17.9	0.5	0.0
Medium-term index (MTI)	0.3	0.4	...	0.1, Low

Prob. of missed crisis, 2025-2030 (if stress not predicted): 0.0 pct.

Prob. of false alarm, 2025-2030 (if stress predicted): 73.9 pct.

Commentary: The Debt Fanchart Module is pointing to moderate level of risk while the GFN Financeability Module suggests low level of risk. Stress tests for commodity prices and natural disasters indicate that debt is projected to continue falling in the medium-term while GFNs are expected to be low.



KINGDOM OF THE NETHERLANDS— CURAÇAO AND SINT MAARTEN

August 6, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION DISCUSSIONS—INFORMATIONAL ANNEX

Prepared By

The Western Hemisphere Department (In consultation with
other departments)

CONTENTS

FUND RELATIONS _____ 2

COLLABORATION WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS ____ 6

FUND RELATIONS

The 2025 Article IV consultation discussions with Sint Maarten were held in Philipsburg during June 11-17, 2025, and with Curaçao in Willemstad during June 18-25, 2025. They formed part of the Article IV consultation with The Kingdom of the Netherlands. The Curaçao and Sint Maarten teams comprised Christina Kolerus (head), Ziad Amer, Natasha Gimpelson, and Maylin Sun (all WHD). Marnix van Rij and Michiel Van Aarnhem (OED) participated in the discussions. Soungbe Coquillat and Evelyn Carbajal 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. Curaçao and Sint Maarten maintain an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions.

Kingdom of the Netherlands: The Financial Position in the Fund as of June 30th, 2025

General Resources Account:	SDR Million	Percent of Quota
Quota	8,736.50	100
IMF Holdings of Currency	6,428.75	73.59
Reserve Tranche Position	2,309.27	26.43
Lending to the Fund		

SDR Department:	SDR Million	Percent of Allocation
Net cumulative allocation	13,210.17	100
Holdings	13,526.07	102.39

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

	Date of	Expiration	Amount	Amount
Type	Arrangement	Date	Approved	Drawn
			(SDR Million)	(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				
	2025	2026	2027	2028	2029
Principal					
Charges/Interest		0.06	0.06	0.06	0.06
Total		0.06	0.06	0.06	0.06

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

Implementation of HIPC Initiative: Not Applicable

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

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

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

Exchange Rate Arrangements: The exchange rate arrangement is a conventional peg arrangement. The Caribbean Guilder (formerly the Netherlands Antillean Guilder) has been pegged to the U.S. dollar at XCG 1.79 per US\$1 since 1971. The Centrale Bank van Curaçao en Sint Maarten introduced the Caribbean Guilder to replace the Netherlands Antillean Guilder in March 2025 while maintaining the same pegged exchange rate value of the Netherlands Antillean Guilder to the US Dollar. Curaçao and Sint Maarten maintain an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions.

Last Article IV Consultation Discussions: The Executive Board concluded the 2024 Article IV Consultation Discussions with Curaçao and Sint Maarten on September 10, 2024, IMF Country Report No. 2024/296.

Technical Assistance (2020–June 2025):

Curaçao

1. Fiscal risks (CARTAC, April 2020)
2. Macro modeling (CARTAC, February 2021, June 2021, March 2022, April 2022, and check-ins May 10 – November 25, 2022)
3. Tax Administration: Organizational Structure and Institutional Arrangements (CARTAC, November 2020–April 2021).
4. Customs administration (CARTAC, follow-up, May 2021)
5. Price statistics (STA, September 2021)
6. National Accounts statistics (STA, September 2021)
7. VAT modelling and tax policy review (FAD, January 16–30, 2023)
8. Strengthening Engagement in Public Financial Management and gap assessment for public investment management (CARTAC, May 22–26, 2023)
9. Improving GDP (CARTAC, March 11–22, 2024)
10. VAT modeling (FAD, July 16–July 30, 2024)
11. Assessing tax administration and operations TADAT (FAD, October 4–21, 2024)
12. External Sector Statistics (CARTAC, October 14–18, 2024)

Sint Maarten

1. Tax upgrade and financial management (CARTAC, February 2020)

2. Cleaning of taxpayer registration database (CARTAC, March 2020)
3. National account statistics (CARTAC, October 2020)
4. Tax policy (FAD, March 2021)
5. National Account statistics, follow-up (August 2021), second follow up (March 13-24, 2023)
6. Cleaning taxpayer database (November, December 2021)
7. IT investment planning for sustainability (March - April 2022)
8. Price statistics (March – April 2022)
9. Government finance statistics (STA, January 9 – February 2, 2023)
10. Strengthening medium term budget planning (CARTAC, May 15 – 18, 2023)
11. Medium-term financing strategy - scoping mission (CARTAC, May 15 – 19, 2023)
12. Macro-fiscal forecasting – scoping mission (May 16 –18, 2023)
13. Strengthening Core Business Function - Audit Capacity (FAD, June 05-16, 2023)
14. Developing Capacity for Public Investment Management FY24 (CARTAC, August 07 – 11, 2023)
15. Strengthened RA management and governance arrangements and ITMS contract negotiation (MCM, September 1, 2023 – January ,2024)
16. Strengthening Multi-Annual Budgeting (CARTAC, October 30 – November 06, 2023)
17. Building capacity in Medium-term macro-fiscal framework (CARTAC, November 13-17, 2023, February 5-9, 2024)
18. Real Sector - Rebasing GDP (CARTAC, November 15-24, 2023)
19. Medium-Term Fiscal Framework (CARTAC, October 28-November 1, 2024)
20. Medium-Term Fiscal Framework (CARTAC, February 17-21, 2025)
21. Real Sector - Updating 2023 GDP (CARTAC, February 18-26, 2025)
22. Real Sector – Updating 2023 GDP (CARTAC, June 16-25, 2025)

Union

1. Banking supervision and regulation: Basel II-III implementation (CARTAC, January 2020)
2. External statistics (CARTAC, January 2020)
3. Contingency planning for crisis preparedness and management and deposit insurance (MCM, follow-up, March 2020)
4. Contingency planning for crisis preparedness and management and deposit insurance (MCM, follow-up, October 2020)
5. Emergency liquidity assistance (MCM, November 2020)
6. Central bank governance (MCM / LEG, January – February 2021)
7. Foreign reserve management (MCM, April 2021)
8. Central Bank governance (MCM, July 2021)
9. Risk-Based Supervision implementation (CARTAC, December 2021)
10. Basel II-III implementation (CARTAC, March – April 2022)
11. Financial Soundness Indicators (STA, April 2022)
12. Monetary and Financial Statistics (STA, October 2022, and June 2023)
13. CBCS Business Continuity and Risk Management (MCM, March 2023)
14. Financial Stability Report Mission (CARTAC, October 4-12, 2023)

15. Annual Global Research Conference on Empirical Approaches to Anti-Money Laundering & Financial Crime (CARTAC, January 17 – 19, 2024)
16. CBCS governance framework (MCM, January 2 – February 9, 2024)
17. Financial Stability Stress Testing (CARTAC, August 12-16, 2024)
18. Macro-econometric Forecasting (CARTAC, October 21-24, 2024)
19. External sector – Enhance data sources (CARTAC, October 14-18)
20. Risk Based Supervision for Insurance (MCM, November 4-8, 2024)
21. Macroeconomic forecasting on updating fiscal projections with the Central Bank (CARTAC, February 10-14, 2025)
22. Financial Crisis Management (MCM, June 16-26, 2025).

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/>