



# **GOVERNMENT FINANCE AND BEYOND: WHO CAN BRING THE ECONOMY BACK IN MOTION?**

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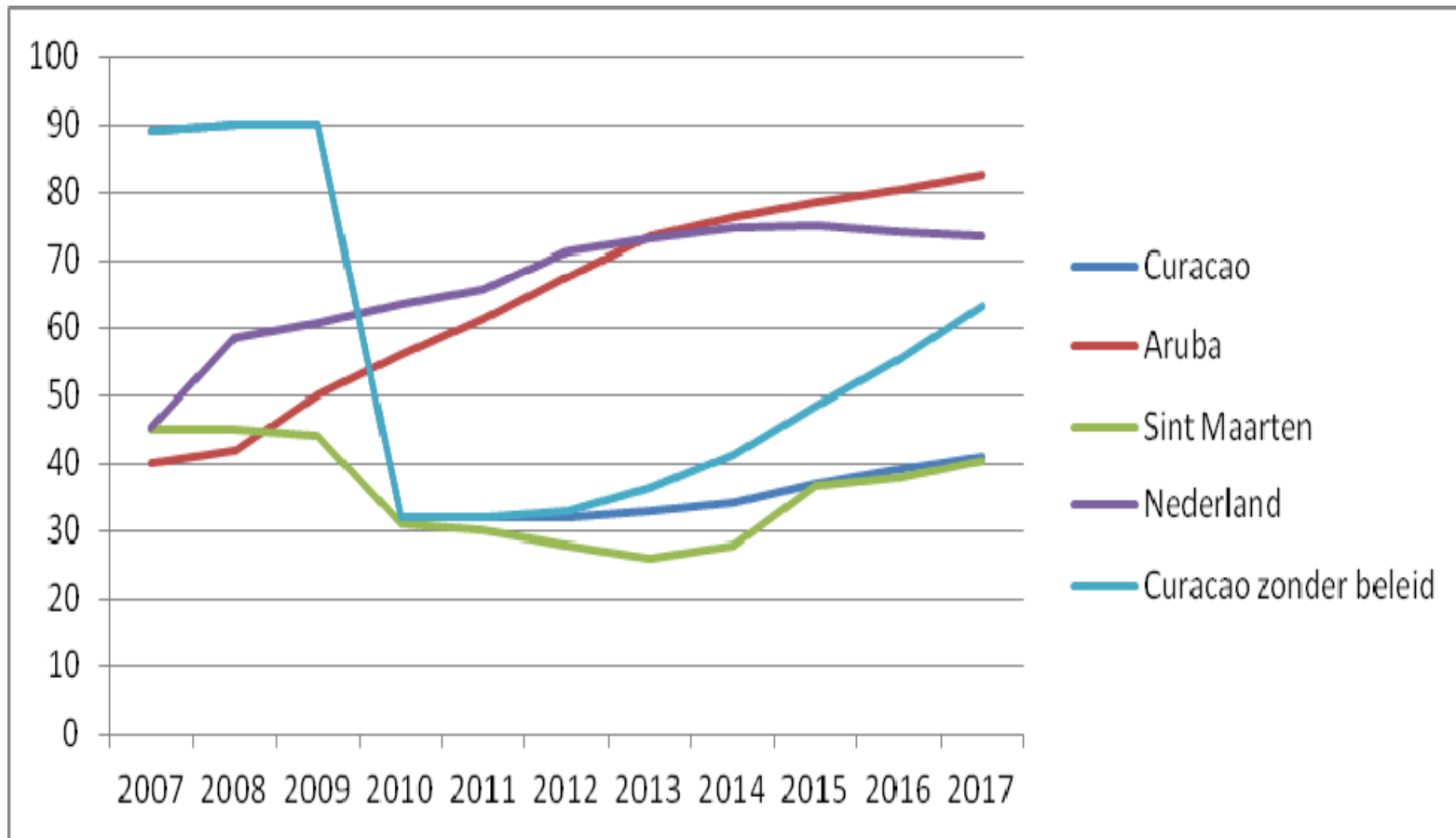
# OVERVIEW

- Achievements after 4 years of financial supervision in Curaçao
- Sustainable economic growth in Curaçao
  - challenges
  - opportunities
  - assets
- The respective roles of government and the private sector

# THE NEED FOR FISCAL REFORM

- 10-10-10
  - Debt reduction in order to give a good starting position
  - Financial supervision to preserve good starting position
- However, underlying pressures not resolved
  - Rising pension costs due to increased life expectancy and ageing
  - Rising health care costs due to technological innovation and ageing

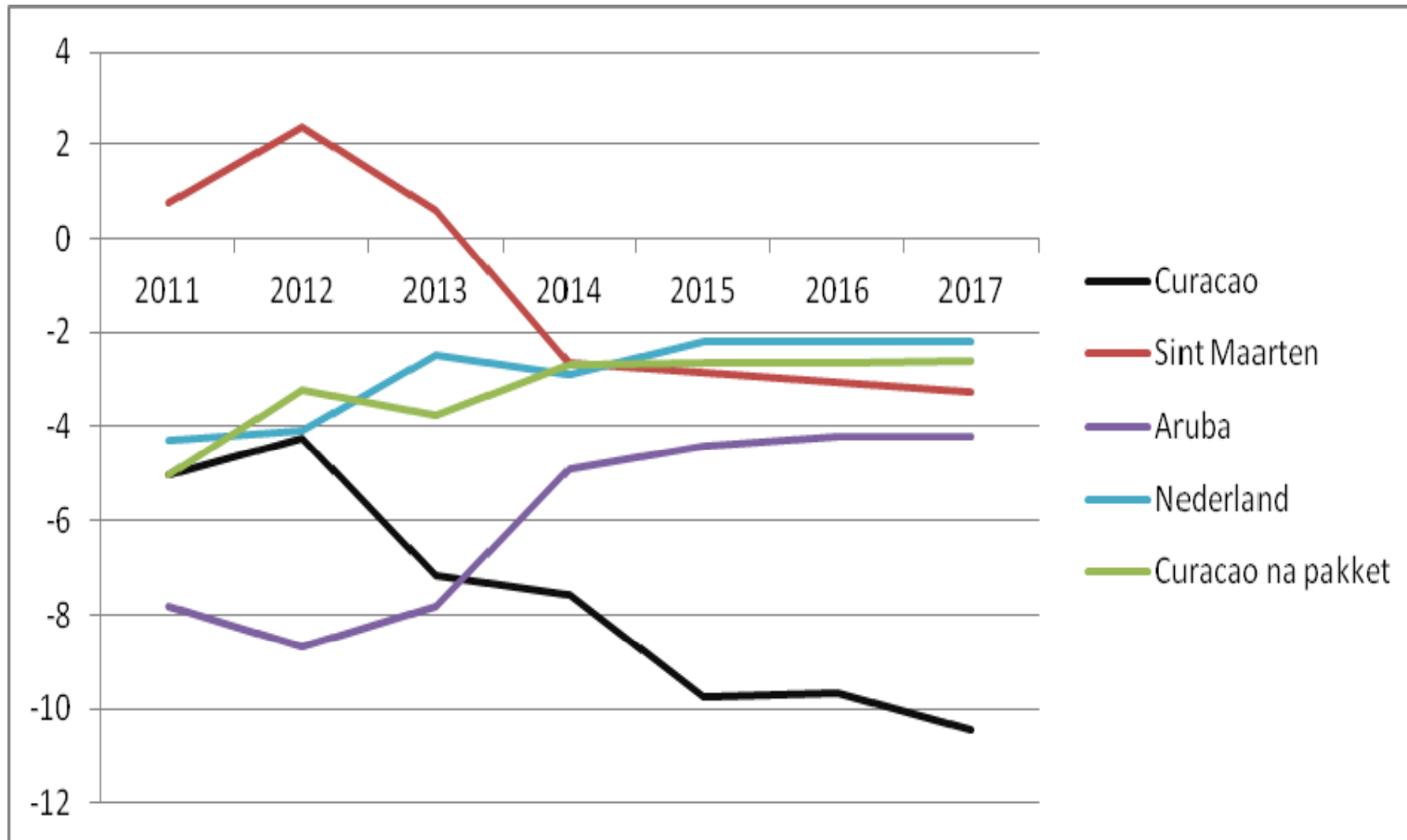
# GOVERNMENT DEBT OF THE COUNTRIES IN THE KINGDOM



# ACHIEVEMENTS

- Sound fiscal policy
  - Adherence to fiscal rules has gained traction
  - Recognition by rating agencies and IMF
  - Necessary precondition for economic growth
- Fiscal rules can help break vicious circle
  - Balanced budget for government goods & services
  - ‘Golden rule’: government can borrow for public investment using triple A status of Kingdom

# DEFICITS OF THE COUNTRIES IN THE KINGDOM



# PUBLIC INVESTMENT

- 2013 NAF 60 million for infrastructure
- 2014 NAF 435 million for NHO
- 2014 NAF ? million for infrastructure
- Bottleneck: implementation capacity
  - Merger of former 2 government layers not yet complete
  - Need to increase quality and efficiency of government

# IMPROVING EFFICIENCY OF GOVERNMENT

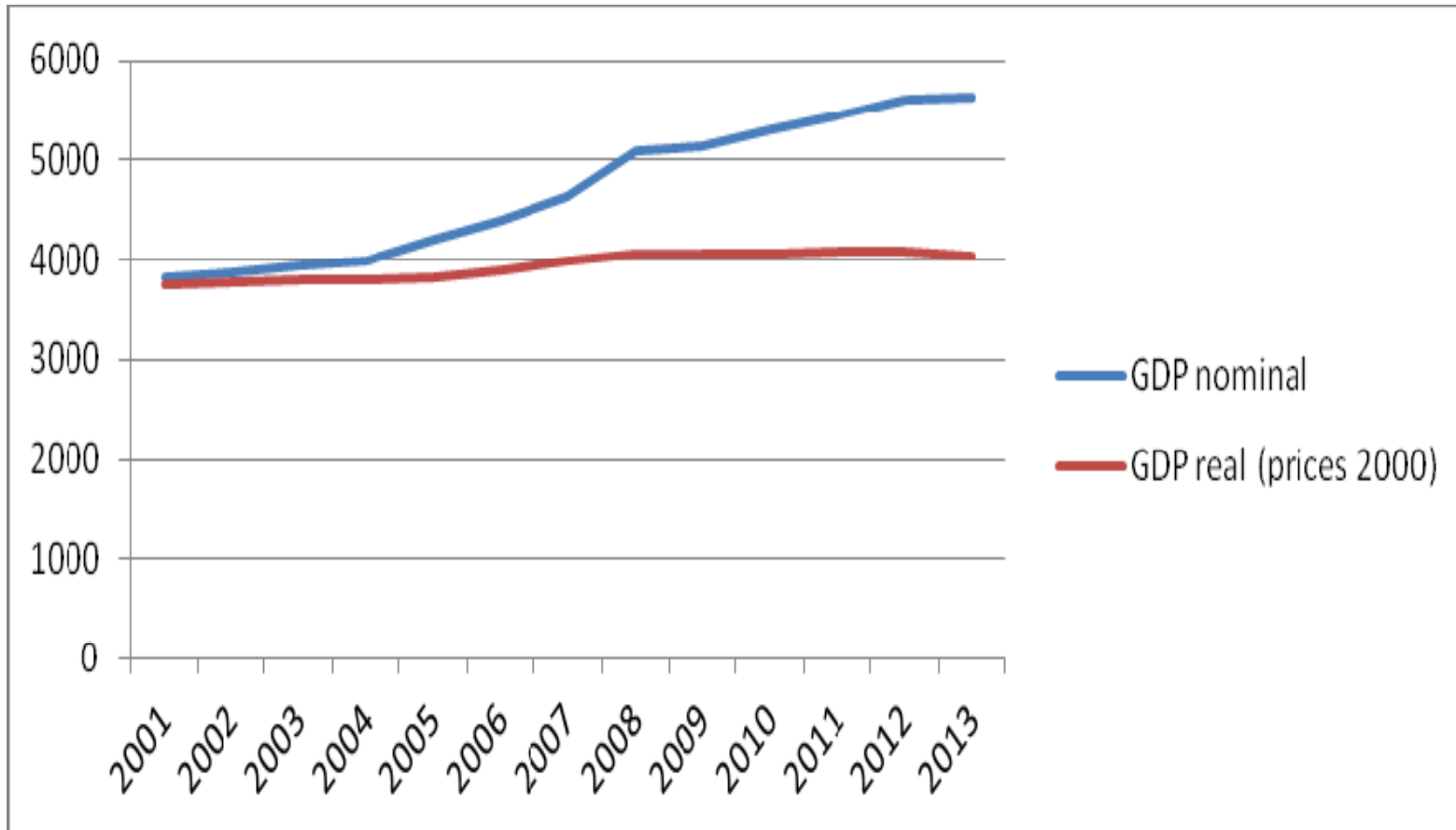
- Include civil servants in pension and health care reforms
- Streamline government apparatus
- Strengthen governance and financial position of state-owned enterprises



# GDP GROWTH

<b>GDP Growth in %</b>	<b>2012</b>	<b>2013</b>
<b>Curaçao</b>	<b>-0,1</b>	<b>-0,8</b>
<b>Sint Maarten</b>	<b>1,5</b>	<b>0,9</b>
<b>Aruba</b>	<b>-1,3</b>	<b>3,9</b>
<b>The Netherlands</b>	<b>-1,2</b>	<b>-0,8</b>

# GDP SINCE THE START OF THE CENTURY



# SUSTAINABLE ECONOMIC GROWTH: CHALLENGES

Diversified economy requires greater scope for reallocating labor from declining sectors to growing ones

Increase competitiveness and flexibility by taking away long-standing key structural impediments to growth:

1. Reduce red tape
2. Remove disincentives to hire people
3. Lower the cost of doing business

# COMMON AGENDA

1. Benchmark to regional peers
  - Colombia, Peru
2. Divest one or two government entities by seeking strong commercial partner
3. Explore public private partnerships
  - However: stop the waiting game for the other to move!

# SOME OF CURACAO'S GREAT ASSETS

1. The fixed exchange rate regime
  2. Diversified economy
  3. Sound financial system
  4. Unique prime location
    - 3 large markets close by
- Small is beautiful, but you have to be smart
- Invest in human capital

## A KICK START OF THE ECONOMY

- Now that fiscal soundness is restored economic growth will come back
- Pipeline of public investment projects of 10% of GDP
- Follow-up by private sector investment is needed
  - Fiscal rules ensure sustainable public finance
  - Government as facilitator of economic growth in private sector

## IN SUM

Who can bring the economy back in motion?

- A joint effort is needed

Now that public finances are on a healthy footing and government is moving in the right direction ...

... it is time for the business community of Curaçao to take the lead in economic growth and job creation

So .... take your plans out of the drawer and execute them!