COLLEGE ARUBA FINANCIEEL TOEZICHT

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Press release

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CAft: "Aruba is still not taking sufficient measures to achieve sustainable improvement of public finances"

Oranjestad - There is still insufficient prospect on sustainable improvement of the public finances of Aruba. The Board of financial supervision Aruba (CAft) expects on the basis of the second execution report that the agreed deficit standard for the 2019 financial year will be met, but this is about more than that achievement: the cooperation protocol between Aruba and the Netherlands explicitly stipulates that underlying expenditure and revenues must contribute to sustainable public finances as well. For example, personnel expenditure must remain within the agreed standard of 479 million guilders.

Advice for instruction
On September 23rd, 2019, the CAft, on the basis of the Aruba National Ordinance on temporary financial supervision (LAft), submitted an advice to the the Kingdom Council of Ministers to issue an instruction to Aruba to round off an extensive hearing and rebuttal process.

It has been established that the country is not taking sufficient measures to achieve a sustainable improvement in public finances. In this context, it is essential that the staff costs standard as stipulated in the Aruba-the Netherlands 2019-2021 cooperation protocol dated November 22nd, 2018 is applied and that the tax reform is implemented. The dependence on incidental benefits is too high, which entails several risks.

Staff costs
With regard to the intended reduction in personnel costs, the protocol between Aruba and the Netherlands stipulates that the staff costs - including employer's contributions - may amount to a maximum of 479 million guilders in the year 2019. Because the personnel costs of the Interim Budget Fund Social Crisis Plan (IBSCP) fall under this staff costs standard, additional savings will be needed in 2019 in order to make it possible to meet the standard. The Kingdom Council of Ministers will decide on this matter.

The CAft in consultation with the government recently made an analysis of the overtime costs at the government services where overtime is most prevalent. The results of this analysis have been presented to the government. The CAft trusts that the findings and recommendations will be helpful in determining the approach to excessive staff costs.

Tax reform
A tax reform was initiated at the beginning of this year, in which the system of levies and taxes is changed and, where possible, simplified. So far, only part of the tax reform plan has been implemented, so there is a risk that the intended multi-year additional income will not be realized sufficiently.

2019 and 2020 budgets
In its response to the second execution report 2019, the CAft has indicated that it expects that the financing balance of the collective sector at the end of the year will remain within the agreed deficit norm of 0.5 percent of GDP. The CAft requests to continue paying attention to the development of the financial result of the General Health Insurance (AZV) and the government has promised an audit.

The draft budget for 2020 has not been submitted, while the Aruban Constitution stipulates that it must be submitted to Parliament by September 1st at the latest. In 2020, the financing balance should improve by around 50 million guilders, compared to the current forecast for the result of 2019. In addition, as a result of cost increases (22 million guilders) and the autonomous growth of personnel costs (10 million guilders), extra cost reductions are needed in order to reach the surplus standard in 2020.

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The CAft visited Aruba on October 24th and 25th. Discussions were held with, among others, the Governor, the Minister of Finance, Economic Affairs and Culture, the Council of Ministers and the Parliamentary Committee on Finance, Economic Affairs and Government Organization. In addition, the CAft met with the Aruba Tourism Authority (ATA), the General Health Insurance Agency (UOAZV) and the Tax Authorities.

[End of press release]

Photographer:
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Caption:
The Aruba budget should not be dependent on incidental windfalls.

Note for the editing department – not for publication

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