



Press release

February 10th, 2023

CAft: “Utilize recovery for the benefit of a resilient economy”

Oranjestad – The recovery of the Aruban economy endures. In 2022 the economy grew by 12 percent, according to the latest insights of the International Monetary Fund (IMF). A growth of 5 percent is expected for 2023. Partly due to this strong economic recovery and the announced tax measures, a budget surplus of 1 percent of Gross Domestic Product (GDP) is expected in 2023. Considering the impact of the corona crisis in recent years, this is a positive turnaround. It is important that Aruba seizes this momentum to bring the public debt of AWG 5.7 billion back to a sustainable level. To this effect in addition to increasing its income and incidental coverage, Aruba needs to realize savings as well. In this regard structural reforms in health care and social security provide more resilience. During its visit to Aruba on February 9th and 10th, 2023, the Board of financial supervision (CAft) drew attention to this matter.

Working towards resilient economy

Although Aruba's economy is picking up strongly and a surplus of 1 percent of GDP is expected in 2023, concerns for the future have not disappeared. The debt per Aruban resident amounts to approximately AWG 55,000. Future generations will be burdened with enormous debts. It is therefore important that Aruba takes steps to achieve sustainable public finances. The 2023 budget meets the budget standard and that is a first step in the right direction. However, in order to maintain this trend and be able to realize higher surpluses in the coming years, additional measures are needed. It is important that Aruba implement additional structural savings already in 2023, and not wait until 2024 as is proposed in the budget. The National Package offers tools to achieve this, such as increasing the financial self-sustainability of government entities like Serlimar and Arubus N.V.

Taxes

Aruba's tax benefits can be significantly increased with an improvement of the low tax compliance. The CAft recommends taking diligent measures to this end. Not only does this contribute to improving public finances, but also to a more balanced distribution of the tax burden. In that regard, the CAft advises to reconsider the introduction of a tax on tips. In line with the objectives of the National Package, Aruba is working on the simplification of the tax system. In order to achieve a surplus of at least 1 percent of GDP by 2023, the legislation for the levying of business turnover tax (BBO) at the border has to be incorporated in a formal procedure as soon as possible. In addition, the CAft encourages Aruba, in line with previous IMF recommendations, to simplify the system of indirect taxes and to introduce the previously announced Value Added Tax (VAT/BTW).

Investments

Investments are needed to make the economy more resilient and to increase the earning capacity. The budgeted amount of investments in 2023 for AWG 20 million is very low. Targeted investments for example in infrastructure and climate mitigation and climate adaptation projects contribute to sustainable economic growth. The CAft encourages Aruba to devise a multi-year investment plan.

**Health care and social security**

Aruba has already taken various measures to improve the financial position of the social system, such as the introduction of austerity measures in the positive list. Nevertheless, due to demographic developments, expenditures on health care and old age pensions will increase faster than income, and if the existing policies remains unchanged, shortages will arise within the foreseeable future. Savings in health care and social security should therefore be viewed in this long-term perspective. Taking measures now is necessary to guarantee the affordability of the social system for future generations as well. In that regard, the CAft urges Aruba to come up with thorough multi-annual estimates for the development of health care expenditure.

As of February 1st, 2023, Ms. Lidewijde Ongerling has been appointed as chair of the Board of financial supervision Aruba, the Board of financial supervision Curaçao and Sint Maarten, and the Board of financial supervision Bonaire, Sint Eustatius and Saba. The CAft visited Aruba on February 9th and 10th and held talks with the Governor, the Minister of Finance and Culture, the Minister of Tourism and Public Health, the Minister of Transport, Integrity, Nature and Elderly Affairs, the Council of Ministers and Parliament. In addition, the CAft also spoke with the management of the Aruba Trade & Industry Association (ATIA).

[End of press release]

Photographer

Eric Boeldak

Caption

Aruba's budget for 2023 meets the budget standard and that is a first step in the right direction.

Note for the editing department – not for publicationContact CAft:

Secretariat Board of financial supervision Aruba
Telephone +5999 461-9081 / +5999 461-9082 / +5999 461-9084
Email info@cft.cw
Website www.cft.cw

Press contacts:

Jefka Alberto
Telephone +5999 512-6861