



Press release

February 18th, 2022

CAft: "Make use of economic recovery to put public finance in order"

Oranjestad – Aruba's economy is showing a swift recovery. It is expected that this year tourism will return to their pre-corona levels. It is necessary that Aruba now takes measures to drastically reduce the significant deficit in 2022 and achieve a surplus in 2023. This is required to reduce the government debt, which at the end of 2021 amounted to stood at AWG 5.7 billion. Expenditure restrictions and reforms that increase the economy's growth potential are essential in this regard. In particular, structural measures are needed to limit personnel costs.

2022 and 2023 Budget

According to the latest insights, the recovery of tourism is proceeding faster than expected. According to the latest forecasts, tourism will already reach the 2019 level in 2022. With this faster recovery of tourism, the economy is also recovering in a prosperous way. This should be reflected in the country's budget. The draft 2022 budget has not yet been presented to Parliament. As a result, the government does not yet have a mandate to implement this budget. A significant deficit of the country of AWG 286 million is included in the draft budget. This would mean that Aruba's debt will also increase substantially this year. The interest expenses amount to AWG 261 million this year. This is a historically unprecedented high level. It is therefore of great importance that expenditures be limited already in the current year. In order to reduce the government debt, which currently amounts to AWG 53 thousand per capita of the Aruban population, it is necessary that a budget surplus is realized as of the year 2023. To achieve this, it is unavoidable to keep government spending in check. Reducing personnel costs, which will amount to more than 35 percent of income in 2022, to a lower level, is of imminent importance. Expenditure on goods and services should also be reduced. The CAft advises Aruba to present the draft budget to Parliament as soon as possible and with a considerably lower deficit.

Audit of wage subsidy scheme

The audit of the wage subsidy scheme for the years 2020 and 2021 shows that the loss of turnover is lower than had been expected by a considerable number of companies. This means that in those years too much wage subsidy was provided. These companies have to repay AWG 108 million. CAft considers it positive that the Social Insurance Bank has virtually completed its audit of the wage subsidy scheme for the year 2020 and 2021. The CAft urges that collection be proceeded as expeditiously as possible, since the risk that the receivables will become uncollectible, will otherwise increase.

Reforms

The reforms in the National Package are essential to boost economic growth. Aruba plans to implement tax reforms as of 2023. Due to the lack of information about the tax reform plan, the CAft cannot form an opinion as to whether the estimate as included in the budget is realistic. CAft wonders how this tax reform and the included tax increases will affect the budget and what consequences this will have for economic growth. It is vital to limit public expenditure in the budget, thereby freeing up resources to accommodate this tax reform.

Reforms in social security and health care are necessary to guarantee the sustainability of this system for future generations. The government has announced concrete measures such as a personal contribution and a positive list to realize savings in health care. It is essential that these measures are implemented in the short term. The resulting savings are a first step towards sustainable care and should ensure that the country does not have to contribute in the short term to make up for the deficits in the AZV.

The CAft paid a virtual visit to Aruba on February 17th and 18th. Discussions were held with, amongst others, the Governor, the Minister of Finance and Culture, the Council of Ministers and the Parliamentary Committee on Finance, Government Organization, Culture and Sports. In addition, the CAft has spoken



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with the managements of the Tax Department, the Aruba Tourism Authority and the Executive Board of the General Health Insurance (AZV).

[End of press release]

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Caption:

This year Aruba's debt has risen to a historically unprecedented high level.

Note for the editing department – not for publication

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