



Press release

February 15th, 2019

CAft: Diligent implementation of protocol is necessary for sustainable public finances

Oranjestad - A protocol between Aruba and the Netherlands was agreed upon on November 22nd, 2018, which is directed towards sustainable public finances. It is understood that as soon as possible a surplus of at least 1% of GDP will be achieved on the budget. This should lead to a substantial reduction in the debt ratio, which at presents amounts to almost 90% of GDP. Windfalls will have to be used in favor of the deficit reduction in the coming years. The reorganization of public finances must be tackled by means of a significant reduction of government expenditure. From 2019 onwards, Aruba will nominally decrease the personnel costs. In doing so, it is important to modernize the tax system with determination. This in turn will also stimulate the economy.

A deficit of -0.5% of GDP has been agreed on for the 2019 budget. Due to a lack of relevant and legally required information, the CAft is not in the position to assess whether with the adopted budget 2019 Aruba is on its path to sustainable public finances. Tax estimates and the temporary budget fund for the Social Crisis Plan have been insufficiently substantiated, as a result of which the reality level of the budget cannot be established. A general dividend policy is also lacking, which should enable the revenue of the government of government entities to be more predictable. In the past too, many high dividends have been booked, which later turned out to be unrealistic.

Aruba started reforming the tax system in the year 2019. An integral tax plan is not yet available. As a result, the CAft is unable to determine how realistic the expected tax revenues are. The CAft calls on the government to elaborate such a plan with diligence and to indicate how the efficiency of the tax office can be improved. In other areas too, more efficiency should be provided in the civil service. The CAft wants more insight into the budget funds of Aruba. It is insufficiently clear to the CAft what the monies from the funds will be used for and what risks these funds represent for the country's budget. For the 2019 budget, the CAft has received insufficient clarification from the National Ordinance on the Interim Budget Fund for the Social Crisis Plan.

The CAft has visited Aruba during the last days. As usual, discussions were held with the Governor, the Minister of Finance, Economic Affairs and Culture and the Council of Ministers. In addition, the CAft paid a visit to the Central Bank Aruba and the Advisory Council. On Thursday, February 14th, the CAft Chairman, Mr. Raymond Gradus, gave a public lecture entitled "On the path towards sustainable public finances", in which he placed the development of public finances in Aruba in an economic perspective. The lecture was organized in collaboration with the University of Aruba and the PowerPoint presentation is available via the website of the CAft: www.cft.cw.

[End of press release]

Photographer

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Caption

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