



## Press release

October 29th, 2021

### **CAft: "As soon as possible a budget of Aruba"**

**Oranjestad – Aruba's economy is recovering well. The number of people and businesses that make use of the support measures is decreasing. The Board of Aruba financial supervision (CAft) therefore presumes that these measures will be terminated in the fourth quarter of 2021. The CAft has not yet received the draft budget for 2022. It is necessary that Aruba takes measures to achieve a balanced budget in 2022, so in the following years it can start paying off the government debt, which was already very high before the start of the COVID-19 crisis. The CAft calls on the government to prepare the draft budget as soon as possible, in order for it to be adopted before December 15<sup>th</sup> this year.**

#### **Draft 2022 budget**

According to the Aruban Constitution, the draft budget for 2022 should have been presented to Parliament on September 1<sup>st</sup>. Up till today this has not happened. The CAft emphasizes the importance of a timely adoption of the budget. With the recovery of tourism, the economy is also picking up again. Aruba assumes an economic growth of 13.9 percent for 2021 and personnel shortages are already visible in some sectors. That is why the CAft urges for the wage support to be terminated as soon as possible. It is also important to as soon as possible recover the wage cost subsidies that were overpaid.

Aruba's government debt currently amounts to AWG 5.6 billion. In order to prevent the government debt from increasing further, to begin with, a budgetary balance for the fiscal year 2022 is necessary. It is therefore important that, in addition to stimulating economic recovery, the new government also takes cost-saving measures. The reforms in the implementation agenda should contribute to improving public finances and reducing public debt. The CAft calls on the government to include a multi-year plan in the draft budget and to make clear what the reforms intend to produce.

#### **Debt sustainability**

Aruba faces a significant challenge to reduce government debt, bringing it to a sustainable level as soon as possible. Aruba must produce a surplus as soon as possible, since this is the only way to reduce the nominal debt and the related interest charges. Aruba is now paying annually 5% of GDP in interest. This is at the expense of other expenditures in the budget, such as expenditures on education or expenditures on poverty reduction. The CAft also emphasizes the importance of achieving a 1% financing surplus as of 2023.

#### **Reforms**

The reforms that have been agreed on in the country package are essential to boost economic growth. The costs of doing business and the administrative burden have to be reduced. An integral tax reform with an emphasis on simplification is important. As a result of a buildup of legislation, a complex system has been created with a large number of deductions, exemptions and exceptions. This increases the administrative burden for employers and the tax authorities and makes simplification and automation more difficult. Digitization and data exchange between various government departments will strengthen the tax authorities' power to act and thus increase compliance. Reforms in social security and health care are also necessary to guarantee the sustainability of this system. It is of the utmost importance to implement short-term savings in the AZV health care as a first step towards sustainable care.

The CAft visited Aruba on October 28<sup>th</sup> and 29<sup>th</sup>. 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 Sport (CFOCS). In addition, the CAft visited the Central Bank of Aruba (CBA), the Social Insurance Bank (SVB) and the Aruba Hotel and Tourism Association (AHATA). Prior to this trip, the chairman paid a visit to the Arikok National Park. There he was informed about the challenges of nature management and the economic potential this park has for tourism.

[End of press release]



**Photographer:**

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**Caption:**

As soon as possible Aruba has to submit a balanced budget to the CAft.

**Note for the editing department – not for publication**

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