



## Press release

July 2nd, 2021

### **CAft: "As soon as possible surplus on the Aruba budget"**

**Tourism in Aruba is picking up strongly and the economy is recovering better than expected. A new government should focus on reducing the public debt. To this end, the budget for the year 2022 should be in balance and that for 2023 should show a surplus of 1% of GDP. For now, it is mid-year and the budget for 2021 has still not been adopted. The Board of financial supervision Aruba (CAft) calls on Aruba to - still - do this as soon as possible, and to consider whether the expenditures can be reduced.**

The corona crisis has hit Aruba hard. This year, for the period up to and including the third quarter, the Netherlands has provided AWG 489 million in liquidity support, in addition to the AWG 414 million that was already made available for Aruba last year. This money has been used to finance support measures to prevent bankruptcies and save jobs. The economy is now recovering smoothly, in line with the latest forecasts of the Aruba Tourism Authority (ATA). If this trend continues, tourism is expected to return to pre-coronavirus levels in the first quarter of 2022.

#### **Adoption 2021 budget**

The 2021 draft budget, which the CAft advised on in January, had a public sector deficit of almost 24% of the Gross Domestic Product (GDP). The CAft has made several recommendations to reduce this deficit. The CAft regrets that the draft budget has not yet been discussed by Parliament and emphasizes the importance of an orderly budget process. The draft now needs to be adapted because of the positive effects of a faster recovery of tourism than was anticipated. Aruba has also been requested to critically review the expenditures in the budget. In view of the delay of the 2019 annual accounts and their impact on the 2020 annual accounts, the CAft once again emphasizes the importance of completing the accounting cycle in a timely manner.

#### **As soon as possible working towards a surplus**

Aruba has a strongly increasing debt. At the end of this year, the debt will be approximately 130% of GDP. Interest expenditure now exceeds 5% of GDP. A budget surplus is the only way to reduce Aruba's nominal debt. It is therefore particularly important that Aruba eliminates deficits and as quickly as possible draws up a budget with a surplus. To this effect the recommendation was made to achieve at least a balanced budget by 2022 and a budget surplus of 1% of GDP as of 2023, as was agreed with the Netherlands in the protocol. This could also be an important signal to (international) markets, also because then the refinancing agreements with the Netherlands will expire.

#### **Tax reform**

Aruba started the tax reform in 2019, whereby the system of levies and taxes is changed and simplified. So far, only part of the intended reforms has been implemented, so there is a risk that after all there will only be an increase in the tax burden. It is especially important that the tax reform is implemented comprehensively and in the short term. In that context, it is desirable to introduce VAT (BTW) for the indirect taxes.

The CAft visited Aruba yesterday and today. Meetings were held with, amongst 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 paid visits to the ATA, the General Health Insurance Implementing Body (UOAZV) and the Dr. Horacio E. Oduber Hospital (HOH).

[End of press release]



**Photographer:**

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**Caption:**

CAft recommends realizing a balanced budget by 2022 and a budget surplus of 1% of GDP as of 2023.

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

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