



Press Release

June 22th, 2022

Cft: "Fragile budget recovery Curaçao in 2022 and 2023; expenditures have to be controlled"

Willemstad – As of the second half of 2021 the economy of Curaçao is showing considerable recovery. Curaçao should utilize this recovery period to get the budget structurally in order, thereby exercising control of the expenditures. The Board of financial supervision (Cft) has urged this in its recent talks with the Curaçao government. Curaçao is decreasing its multi-year budget deficits in part on account of the progress made in tax collection, but the challenges remain substantial. The significant inflation worldwide and continued disruptions in the supply chain could put pressure on the recovery. The process to bring government debt to an acceptable level remains a major challenge as well. In addition, reforms need to be executed in order to safeguard the sustainability of the health and social security systems for the future. In spite of the fact that Curaçao is realizing higher tax benefits, expenditure control and reforms therefore remain of great importance.

For the current year the Central Bank of Curaçao and Sint Maarten estimates real economic growth of 5.2 percent. The IMF estimates an economic growth of 6.5 percent in 2022. Inflation is expected to rise to above 6 percent by 2022. In 2022-2023 the economy will be back to pre-corona levels.

Years of economic downturn and rising government debt have significantly deteriorated public finances. Curaçao's public debt now amounts to ANG 4.3 billion (84 percent of GDP). Curaçao is facing a major challenge to reduce government debt and bring it as soon as possible to a sustainable level. A combination of the reforms from the National Package, a strict fiscal policy, tight budget discipline and the structural reduction of the expenditures of the public sector, health care and social security should ensure a decrease in government debt.

2022 and 2023 budget

Curaçao is working on a budget amendment that will reduce the deficit on the regular service to ANG 123 million (2.3 percent of GDP) by 2022 and by means of which surpluses will be realized as of 2023. The surpluses as of 2023 are important since they can be utilized to start paying off the debt. Both the adjusted deficit of ANG 123 million for 2022 and the projected surplus of ANG 8 million (0.2 percent of GDP) in 2023 are still fragile. Partly in view of the uncertain structural nature of the currently higher tax revenues and the challenges in health care and social security, expenditure control, including personnel costs (overtime) and goods and services will remain of great importance. Curaçao has to limit as much as possible in time incidental measures that will lead to loss of income (such as the compensation of fuel prices) or take compensatory measures. Income-increasing measures, such as the introduction of the license fee for providers of hazard games, will also have to be taken expeditiously.

Curaçao can increase the economy's growth potential by implementing sustainable reforms in the economy and in the government. Targeted investments, for example in infrastructure, and targeted reforms such as adjusting the permit system can make a significant contribution to sustainable economic growth. To this end Curaçao must also make full use of the opportunities that the National Package offers.



Tax

Curaçao has been successful in recovering tax arrears and increasing tax compliance in the past year. The budgeted multi-year recovery of public finances is therefore largely driven by higher tax revenues, which will have to be derived from a structural effect of the current tax compliance actions. The Cft has called on Curaçao to safeguard these results for several years by further optimizing the tax authorities and the tax system.

Health care and social security

The Cft has once again emphasized that savings in the medical care and social security are necessary in order to guarantee the affordability and quality of the social system in the coming years. Curaçao is paying an annual contribution of ANG 306 million to the social funds and is moreover obliged to supplement shortfalls in the swing fund (schommelfonds). In 2021, the government has decided on fifteen measures that will have to ensure a balanced swing fund in 2022 and 2023. Part of these measures have already been delayed, and as result thereof compensatory measures must be taken in the short term. In that context, the Cft also pointed out that Curaçao has not yet realized the efficiency savings in healthcare, which it promised in 2018 in order to cover the higher operating costs of the Curaçao Medical Center. Especially with regard to the limitation of over-the-counter medicines and the substitution of specific medicines for generic medicines, insufficient progress is being made. The Cft has asked Curaçao to introduce these measures as soon as possible.

Cft paid a visit to Curaçao from June 20th up to 22th, 2022 and held conversations with the Governor, the Minister of Finance, the Minister of Social Development, Labor and Welfare, the Council of Ministers and the Parliamentary Finance Committee. The Cft also spoke with the management of the Social Insurance Bank (SVB).

[End Press Release]

Photographer:

Sharson Smith

Caption:

According to the Cft, expenditure control remains of great importance for Curaçao.

Note for the editing department – not for publication

Contact Cft:

Secretariat Boards of financial supervision

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