



Press release

February 12th, 2020

Cft: "Curaçao has to take solid steps to get budget in order"

Willemstad – Despite meaningful steps Curaçao has taken to get the budget in order, the year 2019 will close again with a deficit. The Board of financial supervision Curaçao and Sint Maarten (Cft) has observed that so far too much emphasis has been placed on increasing income rather than reducing expenditures. Especially in combination with economic reforms, the reduction of expenditures can drive economic growth and improve the balance of payments. There is still a considerable task for the year 2020. For example, the operating costs of the new hospital are 81 million guilders higher than they were for the old hospital Sehos. Additionally, some tax revenues have been overestimated, whilst it should be taken into consideration that the budgeted dividends from CBCS and RdK will not be paid out. Furthermore, measures such as the zero line ('nullijn') for civil servants are delayed.

According to the instruction given by the Kingdom Council to Curaçao on July 12th 2019, the country should compensate for the deficits from the year 2017 and 2018 by utilizing surpluses on the common service in the years 2020 to 2022. In 2017 a deficit of 116.8 million guilders on the common service was realized. The 2018 draft financial statements closed with a negative balance of 58.5 million guilders on the common service. In the coming weeks, the audit of the financial statements should show whether this deficit will continue to increase. For the time being, the total of deficits for 2017 and 2018 is stipulated at 175 million guilders. It has now also become clear that 2019 will close with a deficit. This shortage will have to be compensated as well.

CMC and health care

Both the new hospital Curaçao Medical Center (CMC) and health care pose financial risks for Curaçao's budget: in the short term, these are related amongst others to the higher operating costs for the hospital and health care. In August last year, the Government submitted a request to the Cft for an additional loan of a maximum amount of 200 million guilders for the new hospital. It is crucial that Curaçao indicates how these higher operating costs will be compensated by concrete adjustments in the hospital care. This will also be verified in a second opinion of the SOAB, and it is crucial that this second opinion – which was originally promised to be submitted before December 1st, 2018 – will now be made available swiftly.

Financial risks

The Cft identifies quite a few developments that may affect the country's budget. One of these is the solution that is being sought for the issue with regard to the Girobank. In addition, it is still unclear what the consequences will be of the planned cooperation between Refineria di Kòrsou and the Klesch group, which has shown interest in continuing the refining activities. For the time being, it remains unclear what effects this cooperation will have on Curaçao's economy and budget.

2020 Budget

The measures in the 2020 budget are also delayed and it has already become evident that this budget needs to be adjusted. For example, the dividends for CBCS and RdK as budgeted are not expected to become available. Furthermore, the measures regarding the zero line for civil servants are partly delayed, whilst certain tax estimates will have to be downwardly adjusted. Curaçao has agreed to submit on the short term a budget amendment to provide for it. The Cft has strongly advised to reduce expenditures.



Financial management

The progress on the implementation of the Roadmap, which should lead to an unqualified auditor's statement for the 2021 financial statements, is limited. A total overview and central control seem to be lacking. Technical assistance has been requested for a number of projects and although the Growth Agreement offers opportunities to do so, this has not yet been realized.

The Cft has visited Curaçao from February 10th to 12th, where it met with the Governor, the Minister of Finance, the Minister of Health, Environment and Nature, the Council of Ministers, Financial Committee of Parliament, the Public Audit Bureau Foundation (SOAB), Curaçao Medical Center (CMC), the Coast Guard, the Social Economic Council (SER), the Social Insurance bank (SVB) and the Central Bank of Curaçao and Sint Maarten (CBCS).

[End of Press Release]

Photographer:

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Caption:

The emphasis should be switched from increasing of income to reduction of expenditures.

Note for the editing department – not for publication

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