



## Press release

October 27<sup>th</sup>, 2021

---

### **Cft: "Implementation is now of the essence"**

**Willemstad – The Curaçao government is facing substantial challenges and it can use the current economic upturn to implement structural improvements. The Board of financial supervision Curaçao and Sint Maarten (Cft) has indicated this in recent talks with the government of Curaçao. Curaçao has to limit its expenditures and increase its income, also by means of improvements in its tax collection. To avoid a further rise of debts it is required to have a balanced normal service in 2023. The reforms that are necessary in order to guarantee an affordable health care and social security have to be implemented diligently. On the short-term extra contributions of the country in social security will be avoided. In the medium term, Curaçao will have to guarantee the affordability of the social system for future generations as well.**

The national debt of Curaçao currently amounts to ANG 4,196 million. Curaçao has started a project to increase (tax) revenues with the objective to eliminate the backlog in imposing of tax assessments and the collection of outstanding tax debts. This has to lead to an increase in tax compliance among current taxpayers and to higher tax revenues. To prevent a further rise of the national debt, expenditure control is furthermore necessary. Improvements in the budget and accountability cycle, the financial management and the structure of the shareholding of government entities are essential for this purpose.

#### **2022 Budget**

The draft budget for 2022 shows a deficit of ANG 262 million on the regular service. The government can reduce this deficit by further limiting expenditures and increasing revenues. In addition to compliance-increasing measures, a tax reform is also needed, whereby the focus should be on a broadening of the basis combined with a reduction of the administrative burden. In the draft budget that is now in Parliament, an additional contribution to the swing fund for 2022 is also included. This will then no longer be necessary. To this effect the Minister of Finance promised that he will be submitting a memorandum of amendment to the draft budget.

#### **Balanced regular service in 2023**

In order to prevent the debt to further increase, the regular service must be balanced by 2023. This requires expenditure control at all ministries. For the subsequent years surpluses will be necessary in order to enable repayment of the debt as well as the implementation of the deficit compensation rules as stated in the Financial Supervision Act (Rft). Moreover, additional agreements will have to be made about the liquidity loans, which will expire as per April 1<sup>st</sup>, 2022. It has been agreed to re-address this topic in the fourth implementation report of 2021, which should show amongst others what the actual deficit will be in 2021.

#### **Targeted investments necessary**

Curaçao is facing a long-term economic downturn and in addition has been hit hard by the corona pandemic. In the second half of 2021, a clear upturn in the economy is visible, especially in the hospitality/tourism sector. According to the latest forecast, the Curaçao economy will grow by 6.2% next year. It is very important that the financial management of the government is put in



order after the crisis and that the economy of Curaçao continues to grow afterwards. Economic reforms, tax reform and expenditure control are crucial in this regard.

Compared to other Caribbean countries, Curaçao can create an advantage by implementing the measures and reforms included in the country package. Targeted investments in this phase of the crisis will also contribute to this end. It must be assessed how resources can be released for this purpose in the coming period, also in consultation with the Netherlands.

Social security and health care form an important part of the government budget. The country pays an annual contribution of ANG 306 million to the social funds and has to make up for deficits in the swing fund. The government has taken decisions which will have to prevent deficits in the swing fund in 2022 and 2023. These decisions require timely implementation and strict monitoring, and must be expanded into structural reforms in order to make social security and health care sustainable in the longer term. The Cft has expressed its concerns about the implementation of the agreement that the higher operating costs of the Curaçao Medical Center compared to Sehos will be compensated by efficiency savings in health care. Especially the savings in medicines in particular are not realized at all, or only insufficiently. The Cft has urged to take substantial steps in this direction this year. This should ultimately lead to a lower national contribution from the government to the social funds.

The Cft visited Curaçao from October 25<sup>th</sup> to 27<sup>th</sup> and held talks with the Governor, the Minister of Finance, the Minister of Health, Nature and Environment (GMN), the Council of Ministers, the Parliamentary Financial Committee, the Court of Audit of Curaçao (ARC), the Tax Department and the Social Insurance Bank (SVB).

[End of press release]

**Photographer:**

Sharson Smith

**Caption:**

Economic reforms, tax reform and expenditure control are crucial for necessary economic growth in 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 Martina

Telephone +5999 512-6861