



Press Release

October 19th, 2022

Cft: “Cost control remains crucial”

Willemstad – The Curaçao economy recovered well in the first six months of 2022. Curaçao will reduce the budgetary deficit in 2022 and will present a balanced budget in 2023. However, the recovery of public finances is fragile and under pressure due to declining economic growth. New economic uncertainties and lagging savings and reforms in health care and social security present long-term risks for the public finances. A structural reduction in the costs of the public sector, health care and social security, combined with strict fiscal policy, budget discipline and reforms from the National Package (Landspakket) are essential to strengthen the public finances’ recovery. The Board of financial supervision Curaçao and Sint Maarten (Cft) insisted on these issues in its recent meetings with the government of Curaçao.

Early 2022 the Curaçao economy recovered strongly from the COVID-19 crisis. The Central Bank of Curaçao and Sint Maarten estimates real economic growth at 5.5 percent in 2022. Partly driven by this strong recovery, Curaçao will reduce its budget deficit in 2022. However, the combination of high inflation, higher interest rates and increased economic uncertainty as a result of the war in Ukraine, are slowing economic growth worldwide. Under the influence of this economic headwind, real economic growth in Curaçao is expected to drop back to 2.9 percent in 2023.

Years of economic decline and rising government debt have severely deteriorated Curaçao's public finances. Curaçao's government debt currently amounts to ANG 4.3 billion, or 87 percent of Gross Domestic Product (GDP). Curaçao faces the substantial task of lowering government debt to an acceptable level. A structural reduction of the costs of the public sector, health care and social security in combination with strict budget policy, tight budget discipline and reforms from the National Package are necessary to this end. Curaçao would benefit by making the strong improvements in tax collection structural.

2023 budget and further

The government of Curaçao recently submitted the draft budget 2023 to Parliament. Herein Curaçao presents a balanced budget for 2023 and 2024 and surpluses as from the year 2025. The Cft urged Curaçao to realize budget surpluses as early as 2023 and to use these surpluses for partial repayment of the government debt. Curaçao has been yielding good results since 2021 with the project to increase tax compliance and optimize tax execution. On the other hand, structural measures to reduce costs, up till now have not been realized. Curaçao's budget contains various risks that could annul the recovery of government finances should sufficient control not be made. For instance, the Board has expressed its concerns about the lack of reforms and savings in health care and social security, the increase in personnel costs and the high consumption of goods and services. Moreover, Curaçao will have to speed up measures to increase income, such as the introduction of a license fee for gambling providers.

Health care and social security

Reforms and savings in health care and social security are necessary to guarantee the sustainability of the social system for future generations. The Cft has been concerned for some time about the fact that



these measures are lagging behind, and the risks they represent for the country's budget. Curaçao pays an annual contribution of ANG 306 million to the social funds and is also obliged to make up for shortfalls in the swing fund (schommelfonds). The Cft emphasized that Curaçao needs to take compensatory measures in the short term to prevent shortages in the swing fund. Curaçao has to make the best possible use of the opportunities that the National Package offers to sustainably reform the social security system in the long term.

The Cft also expressly stated its concerns about the precarious financial situation of the Curaçao Medical Center (CMC). As a consequence of the ongoing losses, the operational continuity of its hospital care is on the line and no reservations are made for necessary maintenance of the hospital building and replacement of medical equipment. The Cft therefore particularly urged the government of Curaçao to break the standstill and address the risks of the CMC's precarious financial situation in the budget and provide cover where that may be necessary.

The Board visited Curaçao from October 17th to 19th, 2022 and met with the Governor, the Minister of Finance, the Minister of Administration, Planning and Services, the Minister of General Affairs, the National Reform Commission, the Council of Ministers and the Parliamentary Finance Committee. The Cft also spoke with the board of the Curaçao Business Association (VBC), the Stichting Overheidsaccountantsbureau (SOAB), the board of the Central Bank of Curaçao and Sint Maarten (CBCS), the Curaçao Healthcare Authority (being established) and the management of the Social Insurance Bank (SVB).

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Sharson Smith

Caption:

The Cft expresses its concern about the lack of reforms and savings in health care and social security, the increase in personnel costs and the high consumption of goods and services.

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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