



Press Release

February 8th, 2023

Cft: "Turnaround towards long-term surpluses highest priority"

Willemstad - Curaçao has a good starting position that will allow it to realize multiannual budget surpluses. This is partly because of the important results the project to increase tax revenues is producing. After years of budget deficits, Curaçao needs to give the turnaround towards multiannual surpluses the highest priority. The Board of financial supervision Curaçao and Sint Maarten (Cft) insisted on this matter in its recent meetings with the government of Curaçao. Curaçao is facing the important task of bringing the government debt to a prudent level, whilst the risks and uncertainties remain as great as ever. This is especially the case with regard to healthcare and social security. Structural reforms and growth-enhancing investments in combination with strict multiannual budgetary policies are essential in order to put the public finances in order.

The economy of Curaçao initially recovered quickly from the consequences of the corona crisis. After the economic contraction of 18.4 percent in 2020, the real economy of Curaçao grew by 4.2 percent in 2021 and 5.9 percent in 2022 according to estimates by the Central Bank of Curaçao and Sint Maarten (CBCS). In 2022 the nominal Gross Domestic Product has returned to the level it was before the pandemic. For this year, the CBCS expects a real economic growth of 2.7 percent, whilst inflation is expected to be 4.5 percent.

A period of years of budget deficits and an increasing government debt have sharply deteriorated Curaçao's public finances. The government debt of Curaçao currently amounts to ANG 4.3 billion, or 79 percent of the Gross Domestic Product (GDP). Curaçao faces the important task of reducing the government debt to a prudent level, covering risks both inside and outside the budget and safeguarding the long-term sustainability of public finances. Achieving budget surpluses as of 2023 must therefore be given the highest priority.

2023 budget

The 2023 budget was adopted by the Curaçao Parliament at the end of last year. Curaçao presents a balanced budget in 2023 and 2024, followed by limited budget surpluses in 2025 and 2026. The Cft urged Curaçao to realize budget surpluses as early as 2023 and to use these surpluses to partially pay off the government debt. That is not an impossible task, considering that since 2021 Curaçao has been achieving good results with the project to increase tax compliance and to optimize tax administration. Combined with reductions of government expenditures and a strict budgetary policy, Curaçao can already make the switch to a budget surplus in 2023.

Healthcare and social security

In order to maintain the expenditure growth in the area of social security and health care under control, reforms are necessary. For some time now, the Cft has been addressing the fact that the control measures that were announced in 2021, have not been implemented as yet. These measures were intended for the swing fund (*schommelfonds*), and the risks this entails for the country's budget. Curaçao pays an annual contribution of ANG 306 million to the social funds and is also obliged to clear shortfalls in the swing fund. Cft emphasizes that Curaçao not only needs to take short-term compensatory measures to prevent shortfalls in the swing fund, but also has to implement structural reforms to avoid long-term shortfalls.



Cft also expressed its profound concerns about the precarious financial situation of the Curaçao Medical Center and the absence of concrete action. The Board previously requested Curaçao to make provisions in the budget to address this matter.

Reforms and investments

Structural reforms as included in the National Package (Landspakket) and growth-stimulating investments are of great importance to strengthen the growth potential of Curaçao and to increase the resilience of the economy. The Cft referred to the low level of public investments and urged Curaçao to include targeted investment plans, for example in the field of physical infrastructure, in the budget and to implement these with appropriate diligence. Curaçao should make full use of the opportunities the National Package is offering to implement reforms that aim to fortify structures. This will strengthen the starting position and sustainability of government finances.

As per February 1st, 2023, Ms. Lidewijde Ongering has been appointed as chair of the Board of financial supervision Curaçao and Sint Maarten, the Board of financial supervision Aruba and the Board of financial supervision Bonaire, Sint Eustatius and Saba. Cft, in its new composition, visited Curaçao from February 6th to 8th, 2023 and held talks with the Governor, the Minister of Finance, the Minister of Health, Environment and Nature, the Council of Ministers and the Parliamentary Finance Committee. The Cft also spoke with the managing board of the Social Insurance Bank, the Public Health Inspectorate, the board of the Curaçao Medical Center and the quartermaster of the Control Group Reorganization CMC-entities.

[End of Press Release]

Photographer:

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Caption:

Structural reforms are of utmost importance for Curaçao.

Note for the editing department – not for publication

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