



## Press release

June 30<sup>th</sup>, 2021

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### **Cft: "Quick steps needed to get the budget in order"**

**Willemstad – The new government of Curaçao faces great challenges with the (multiannual) budget. This has been pointed out by the Board of financial supervision Curaçao and Sint Maarten (Cft) in recent discussions with amongst others the Minister of Finance. Curaçao will have to draw up and implement a plan in which the multiannual budget deficits will be reduced. In addition, it is urgent that changes and savings in the health care and social security be carried out in order to ensure the sustainability and affordability of the social system for future generations.**

The budget adopted for this year is no longer up-to-date and will need to be adjusted. The Cft has made several recommendations to this effect. The recommendations include amongst others implementing reforms in the tax system with the objective to achieve simplification, economic growth and spending control, and a more even distribution of income. In addition, recommendations have been made aimed towards the implementation of structural improvements in the budget and the accountability cycle, the financial management and the process to realize responsible shareholding of the public entities.

#### **Recovery after corona**

Curaçao is facing a long-term economic decline, ageing of the population and it has been hit hard by the corona pandemic. At the same time, the country has great potential for economic development. Especially in the hospitality/tourism sector, a great deal can be achieved on a short term. Curaçao currently has an advantage over competing destinations. In the coming years, it is crucial that the financial management of the government is put in order and that the Curaçao economy grows. Economic reforms, tax reforms as well as spending control will require much needed attention.

As the economy recovers sufficiently, the dependency of businesses on aid forms such as the NOW and the contribution to fixed costs need to be reduced as soon as possible. This will also lower the budget deficit for 2021. The civil service apparatus can become more efficient through the proper implementation of the Voluntary Early Retirement Scheme (Vrijwillige Vervroegde Uittreding - VVU) which will also offer new career opportunities for a younger generation. In this regard Curaçao will be able to achieve an acceleration compared to other Caribbean countries by implementing the measures and reforms included in the national package.

#### **Health care**

The social security and health care form an important part of public finances. The social funds are facing structural financial deficits, which are increasingly weighing on the national budget. It is up to the new government to take decisions on reforms and to implement these in the short term. Without these reforms, social security and health care will not be sustainable. An example is the transition to the use of generic medicines with the same effect as branded medicines, with which savings of ANG 40 to 50 million can be achieved in the short term.

For the third quarter, an amount of ANG 168 million was conditionally pledged by the Netherlands. This support is necessary in order to absorb the latest consequences of the corona crisis. In order



to avoid unnecessary delay, but instead to accelerate the economic recovery, Curaçao needs to decide as soon as possible on the conditions set by the Netherlands. The economic recovery is starting up now and should lead to a rapid reduction of the debt position that has been incurred.

The Board visited Curaçao from June 28<sup>th</sup> to 30<sup>th</sup> and met with the Governor, the Minister of Finance, the Council of Ministers, the Central Bank of Curaçao and Sint Maarten (CBCS), the Foundation for Public Accountant's Office (SOAB) and the Social Economic Council (SER). Prior to the lecture trip, Cft Chairman Raymond Gradus held a lecture on the financial and economic situation of Curaçao before and after the corona crisis and on financial supervision. This lecture can be found on the website of the Cft: [www.cft.cw](http://www.cft.cw).

[End of press release]

**Photo:**

Stefan Lacroes

**Caption:**

Board of financial supervision: "No further delay of control measures."

**Note for the editing department – not for publication**

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