



Press Release

July 14th, 2022

CAft advises the Kingdom Council of Minister to give an instruction to Aruba's Council of Ministers

Oranjestad – The Board of financial supervision Aruba (CAft) has advised the Kingdom Council of Ministers (RMR) on July 13th, 2022, to give an instruction to the Council of Ministers of Aruba. The country has to maximally limit the budgetary deficit in 2022 and as of 2023 realize surpluses on the budget in order to achieve the necessary debt reduction.

For some time now the CAft has been expressing its concern about the public finances of Aruba. Both before and after the COVID-19 crisis, based on the National Ordinance Aruba temporary financial supervision (LAft), several trajectories of hearing both sides have been gone through and the RMR has been informed on various occasions on the financial situation of Aruba which is of concern. For the adopted 2022 budget, the CAft again concluded that Aruba is taking insufficient measures to control the expenditures on the budget in a structural manner, whilst for the budget consolidation it leans too much on increasing the revenues and on incidental covers of its expenses.

Although the economy has grown strongly in 2021 and a robust recovery is expected for 2022, the country's financing deficit of the country will be AWG 227 million, which is equivalent to 4.0 percent of the Gross Domestic Product (GDP). As a consequence, Aruba's debt will increase unnecessarily in 2022. According to the multi-year budget up to and including 2026, the debt shall increase further and amply exceed AWG 6 billion. The interest charges will place an increasing burden on the public finances. In the period 2023-2027 Aruba will have to repay more than AWG 4 billion. This means that most of Aruba's debt will have to be refinanced in the short term.

The country is taking insufficient measures in order to control the expenditures on the budget and is relying too much on increasing its revenues for the purpose of fiscal consolidation. The CAft sees major risks, also in view of the currently rising interest rates. The CAft considers that measures are necessary in order to limit the debt increase in 2022 and to achieve a budget surplus as of 2023, and together with that debt reduction as well, so that the path to sustainable public finances can be resumed.

After finalizing the trajectories of hearing both sides with regard to the adopted budget for 2022, the CAft ascertains that Aruba is following only one of the thirteen recommendations sufficiently. Additionally, two of the thirteen recommendations could be met if in the short-term Aruba would proceed to implement the measures such as the partial freezing of still to be filled vacancies (rollovers) and the capping of overtime compensations. With regard to the other recommendations, the CAft finds that Aruba does not, or does not sufficiently provide follow-up. The CAft thus concludes that both the 2022 budget and the multi-year budget are insufficiently brought in accordance with article 14 of the LAft and the protocol.

Now that Aruba does not sufficiently show that it will resume the path to sustainable public finances itself, the CAft sees no other option than to advise an instruction. It is up to the RMR to decide whether the instruction will actually be issued, and if so, what its exact content will be.



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Caption:

CAft advises the Kingdom Council of Ministers to give an instruction to Aruba.

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