



Press Release

October 18th, 2023

Cft: “Despite increasing income, Curaçao is facing major challenges”

Willemstad - In the coming years Curaçao will face higher expenses as a result of the ENNIA solution and the refinancing of the liquidity support. The risks and uncertainties in health care and social security remain invariably high as well and Curaçao encounters a major investment challenge. In its recent discussions with the government of Curaçao, the Board of financial supervision Curaçao and Sint Maarten (Cft) requested special attention to these developments. The country's economy is growing, partly on account of tourism. Further strengthening of the economy can be achieved through targeted investments. Tax compliance has improved significantly in recent years, but this will have to be anchored in a structural manner. Further postponement of the introduction of the licensing system for the gaming sector has to be prevented. In addition, structural reforms are necessary to maintain health care and social security accessible for future generations.

Recently the Curaçao government opted for a solution for the ENNIA file based on which the country will make the necessary resources available for a controlled settlement. The Cft considers this a less risky solution than a restart of ENNIA. A significant loan, that would have been required for a restart, would have locked up Curaçao's budget for several years. As a result, possibly no further investments could have been made in the future. Curaçao will now, in collaboration with the Central Bank of Curaçao and Sint Maarten, further develop the selected solution. Curaçao has reached an agreement with the Netherlands on a loan to refinance the liquidity support. The level of interest for the loan is related to the final solution for ENNIA. In any event it is certain that in the coming years the interest costs of Curaçao will be at a structurally higher level.

The economic growth and an increase in tax compliance give Curaçao a basis to bear the growing burden. In 2022 the tax revenues were more than 18 percent higher than in 2021 and the expectations for tax revenues in 2023 are positive as well. This higher level of tax revenue needs to be maintained and increased. It is important that the budgeted income from the licensing system for the gaming sector be actually realized in 2024.

The Cft has declared a number of times that Curaçao needs to invest more in the country's economic development. In addition to the ensuing improvements for the people of Curaçao, the strengthening of the economy contributes to the resilience of public finances. Despite the increased expenditure, Curaçao will have to create more room for investments in the budget. This can be done by implementing structural reforms. Curaçao can make better use of the opportunities that the National Package offers to this effect.

Health care and social security

Curaçao pays out of the national budget an annual contribution of ANG 305 million to the social funds. To prevent social fund deficits in 2022 and 2023, the country implemented some successful management measures. However, the Social Insurance Bank (SVB) still expects structural deficits in the social funds (swinging fund). Curaçao has the obligation to cover these deficits with resources from the national



budget. This will be at the expense of other government expenditures on, for example, investments and education. Structural reforms must be implemented to keep healthcare and social security accessible for future generations. The financial situation of the Curaçao Medical Center remains as troublesome as before. The Cft requested Curaçao to be more urgent in tackling this situation.

[End of Press Release]

Photographer:

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Caption:

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Note for the editing department – not for publication

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