



GOVERNMENT OF **ARUBA**

Minister of Finance
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EXECUTIVE QUARTERLY REPORT

2023 Q1

Colophon

Title	:	Executive Quarterly Report 2023 Q1 GOA
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In collaboration with	:	Tax Department Customs Department Department of Human Resources
Sources	:	Central administration of GOA – GFS/EnterpriseOne, PSA, SAP Quarterly reports (preliminary figures) of the General Government

Disclaimer

This report is a free translation of the “Uitvoeringsrapportage 1e kwartaal 2023 Land Aruba” drafted under the provision of the State Ordinance Aruba Financial Supervision (LAft). The report contains a summary of the main findings, including the most relevant tables and graphs, as published in the Dutch edition. All amounts are in Aruban guilders (AFL) unless stated otherwise. All figures are preliminary results pending final approval and publication of the Government of Aruba’s annual report.

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1. Introduction

In May 2015, The Netherlands and Aruba agreed to a new supervisory mechanism for fiscal policy to realize a General Government fiscal surplus. Supervision duties were assigned to the Aruba Board of Financial Supervision (College Aruba financieel toezicht, abbreviated as CAft), which began operations in August 2015. The duties and authority of CAft is established in the State Ordinance Aruba Financial Supervision (Landsverordening Aruba financieel toezicht, abbreviated as LAft). The area of supervision focuses mainly on:

- providing advice on public financial management matters to the Council of Ministers of The Kingdom of The Netherlands, the Dutch Ministry of Domestic and Kingdom Relations and the Aruban Ministry of Finance;
- independent financial supervision based on agreed budgetary targets as established in article 14.2 of LAft and the protocol between Aruba and The Netherlands of November 22, 2018;
- assistance in establishing and monitoring of the execution of the Central Government's budget;
- alerting the governments if fiscal policy deviates from the established parameters.

The CAft will temporarily oversee and advise the Government of Aruba (GOA) in its effort to achieve a balanced budget in the medium term and secure sustainable finances in the long term. Upon achieving a balanced budget, in cooperation with The Netherlands, a permanent Fiscal Counsel would take over the supervisory function.

The main objective of this quarterly report is to provide the Aruban Council of Ministers and the Parliament of Aruba with information on the execution of the budget. Furthermore, to provide information to other stakeholders in the area of public finance (i.e. CAft, GOA's Central Audit Department and other interested parties). The Government of Aruba includes all ministries, departments and agencies whose activities are part of the budgetary operation of the government's central administration. The operations of state-owned enterprises, including privatized entities, are therefore excluded from the Government of Aruba's budget.

2. Summary

The Government of Aruba was allowed by the Council of Ministers of The Kingdom to deviate from the agreed fiscal norms of the Protocol 2019-2021¹ in the years 2020, 2021, and 2022 due to the Covid-19 pandemic. The temporary deviation does not apply to fiscal year 2023. The budget was approved by Parliament on November 11, 2022, and projects a surplus of 1.0% of GDP. Refer to Table 2 (page 8) for a summary of the 2023 budget and the preliminary results of the Central Government for the first quarter of 2023.

Preliminary results and findings

The preliminary results at the end of the first quarter of 2023 indicates that the overall balance of the General Government is AFL 29.6 million, i.e. 0.5% of the GDP.

The 2023 GDP is forecasted at AFL 6,526.0 million² by the Department of Economic Affairs, Commerce & Industry (DEACI).

Table 1: Key figures

<i>in AFL millions</i>	<i>Actual 2023</i>	<i>Budget 2023</i>
GOA (Central Government)		
Financing requirements	-39.5	-1,325.2
Loan maturities	39.4	1,388.5
Financial balance	-0.1	63.3
General Government		
Financial deficit/surplus	29.6	
as % of GDP	0.5%	
GDP	6,526.0	

Source table: Department of Finance and General Government.

Source GDP: Department of Economic Affairs, Commerce & Industry.

¹ Extended by two years till 2023 on January 20, 2022.

² Economic Outlook, May 2023.

The first quarter delivered AFL 348.0 million in revenues which is 22.2% of the 2023 budget. Direct and indirect taxes are the main contributors in the revenue category with a share in total revenues of 33.3% and 49.7% respectively. In comparison to the first quarter of 2022, revenues increased by AFL 76.9 million.

Expenditures for the first quarter totaled AFL 352.4 million and comprise 23.6% of the 2023 budget. The highest expenditure categories include personnel cost (31.8%), interest expenditure (17.4%), subsidies (14.6%), goods and services (12.9%), and contributions & depreciation (12.8%). The preliminary operational result at the end of the first quarter amounts to AFL -4.4 million.

Capital account realization of revenues equal 22.2% and its realization of expenses total 10.3% of the 2023 budget, thus providing for a net capital balance surplus of AFL 4.2 million. The result of the operational and capital balance equals a financial balance of AFL -0.15 million for the Central Government for the first quarter of 2023. The financial balance is equal to 0.0% of the GDP.

The debt position at the end of the first quarter of 2023 is AFL 5,760.6 million, of which AFL 5,445.5 million are loans.

Table 2: Preliminary results 2023

<i>in AFL thousands</i>			
Revenues	Actual 2023	Budget 2023	% Budget
Direct taxes	116,029	476,629	24.3%
Indirect taxes	172,812	714,944	24.2%
Administrative fees	5,637	23,111	24.4%
Premiums, penalties & other fees	17,231	133,276	12.9%
Interest revenues	85	340	25.1%
Non-tax revenues	21,549	160,960	13.4%
Internal capital settlements	662	4,925	13.4%
Other revenues	14,029	50,127	28.0%
	348,035	1,564,312	22.2%

Expenditures	Actual 2023	Budget 2023	% Budget
Personnel costs	112,098	459,694	24.4%
Goods & services	45,484	204,692	22.2%
Interest expenditures	61,379	249,511	24.6%
Subsidies	51,398	213,728	24.0%
Transfers	37,069	181,390	20.4%
Contributions & depreciation	44,988	183,753	24.5%
	352,418	1,492,769	23.6%

Operational balance	-4,383	71,543	-6.1%
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Capital revenues	Actual 2023	Budget 2023	% Budget
Sale of assets	0	2,150	0.0%
Capital revenues	-	-	-
Domestic credit repayment	954	6,473	14.7%
Grants	-	-	-
Remitted depreciation	8,518	34,072	25.0%
	9,472	42,695	22.2%

Capital expenditures	Actual 2023	Budget 2023	% Budget
Investments	132	19,672	0.7%
Capital transfers	1,800	5,315	33.9%
Domestic lending	3,306	26,000	12.7%
	5,238	50,987	10.3%

Net capital balance	4,234	-8,292	-51.1%
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Financial balance	-148	63,251	-0.2%
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Source table: Department of Finance.

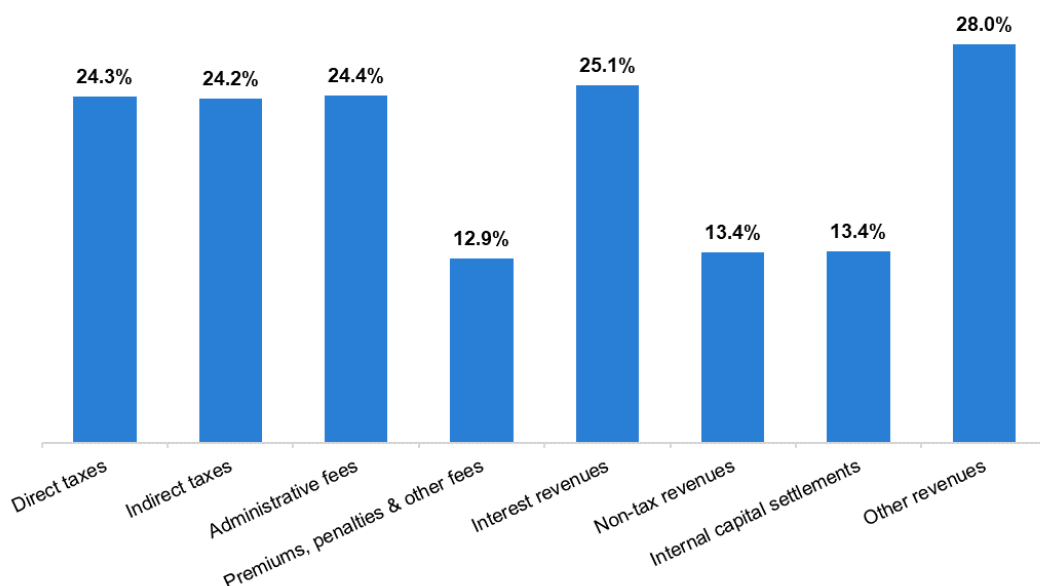
Note: Personnel costs includes employer's contribution.

3. Budget Execution

The Spring Note³ which contains the preliminary notes on the first proposed amendment to the 2023 budget was made public on May 26, 2023, and officially submitted to Parliament at the end of June. The note and proposed amendments are expected to be treated in Parliament in September.

Revenues

Graph 1: Revenue results as percentage of the 2023 budget



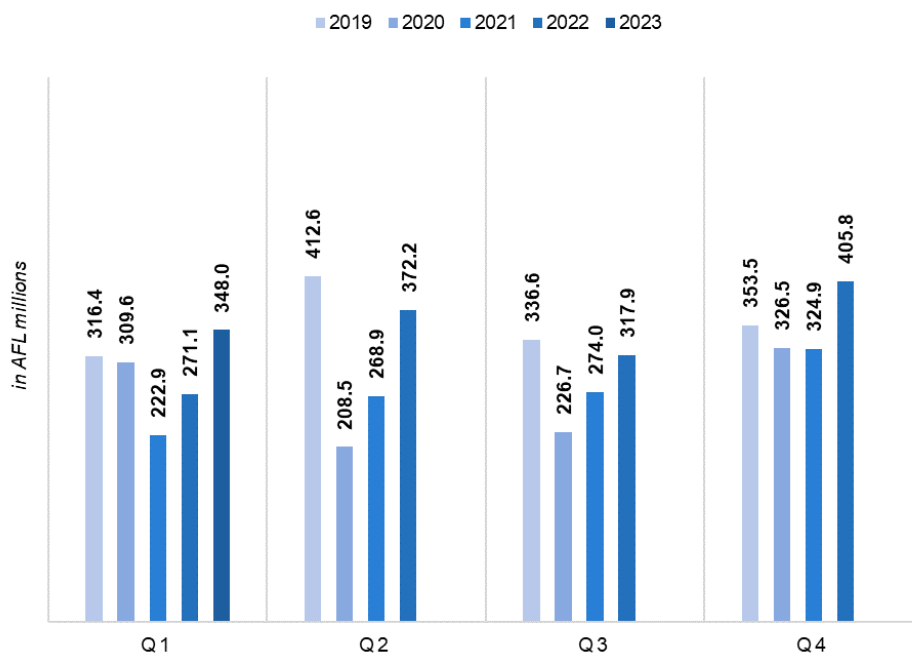
Source graph: Department of Finance.

Note: Graph does not include capital revenues.

In order to assess whether the realization of revenues is in line with the expectations for the quarter, a number of seasonal effects should be taken into account. In fact, it is by no means fitting to assume a mathematical standard of 25% average realization per quarter. Some revenues are heavily influenced by, for example, the timing of issuing invoices or imposing tax assessments.

³ Publicly known as "Voorjaarsnota".

Graph 2: Comparison of revenues per quarter during 2019-2023

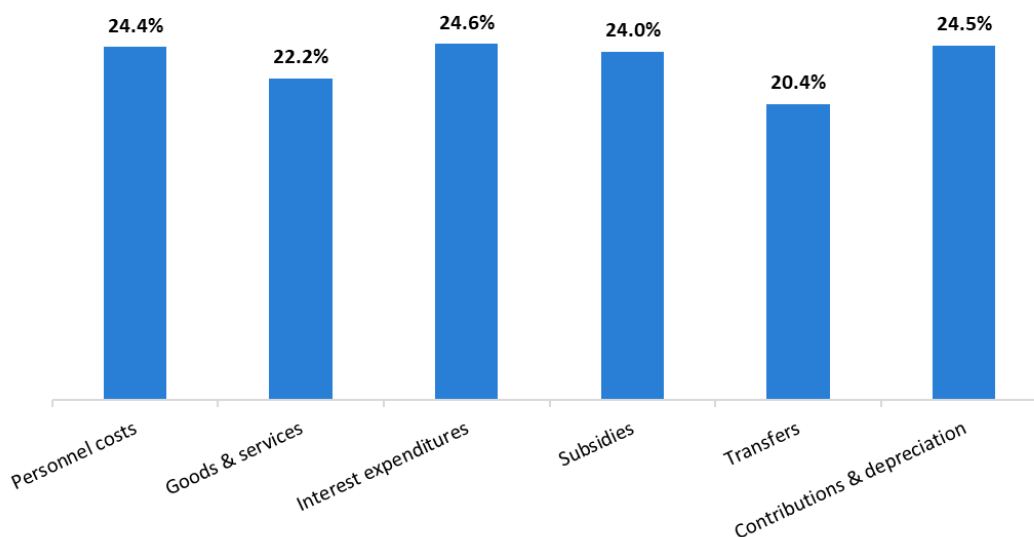


Source graph: Department of Finance.

Note: Graph does not include capital revenues.

Expenditures

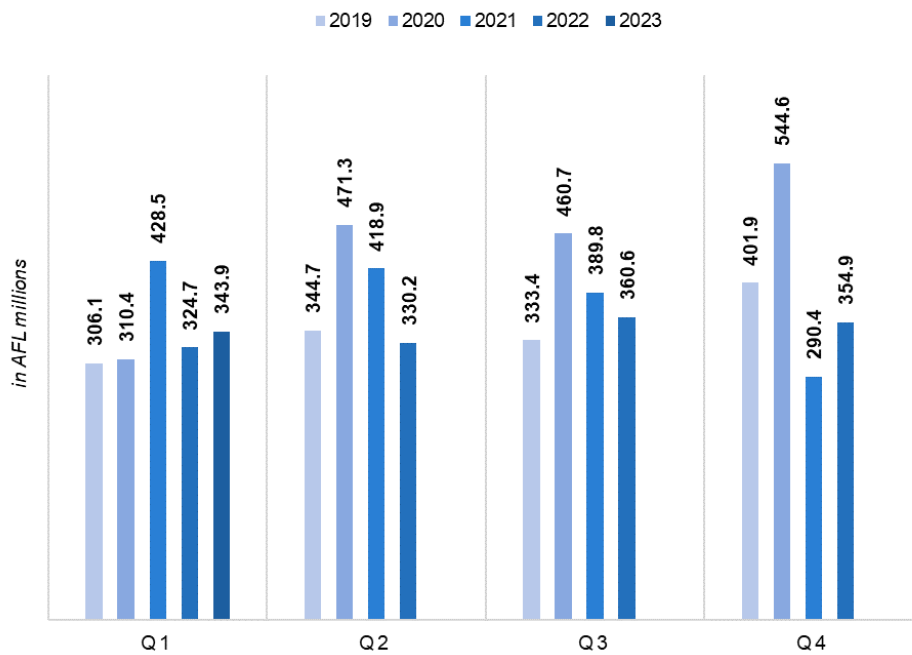
Graph 3: Expenditure results as percentage of the 2023 budget



Source graph: Department of Finance.

Note: Graph does not include capital expenditures.

Graph 4: Comparison of expenditures per quarter during 2019-2023



Source graph: Department of Finance.

Note: Graph does not include capital expenditures nor depreciation costs.

Table 3: Personnel stock in FTE illustrates the stock flow of government personnel. In comparison to the fourth quarter of 2022, a decrease of 30 FTE is recorded. Personnel costs, including overtime allowances, increased by AFL 7.0 million compared to the first quarter of 2022.

Table 3: Personnel stock in FTE

Ministry of	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
Gen Affairs, Innovation, Govt Organization, Infr and Spatial Development	574	578	568	577	562
Labor, Energy and Integration	208	206	206	204	197
Economic Affairs, Communication and Sustainable Development	112	114	114	115	115
Finance and Culture	605	600	593	588	585
Justice and Social Affairs	1,539	1,535	1,525	1,512	1,524
Education and Sport	211	213	211	210	207
Transportation, Integrity, Nature and Elderly Affairs	176	174	169	169	163
Tourism and Public Health	196	195	191	186	178
Total	3,621	3,615	3,577	3,561	3,531
Education personnel	785	784	763	787	777
Coast Guard personnel	54	52	52	26	56
SCP personnel	32	31	28	58	0

Source table: Department of Human Resources.

Ministries are divided according to stipulations of the LIM2022

4. Debt Management and Funding

Table 4: Projected and actual debt service 2023

<i>in AFL millions</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
Q1 proj.	39.5	58.9	98.4
Q2 proj.	162.8	58.4	221.2
Q3 proj.	192.5	69.1	261.6
Q4 proj.	993.7	63.2	1,056.9
Total	1,388.5	249.6	1,638.1

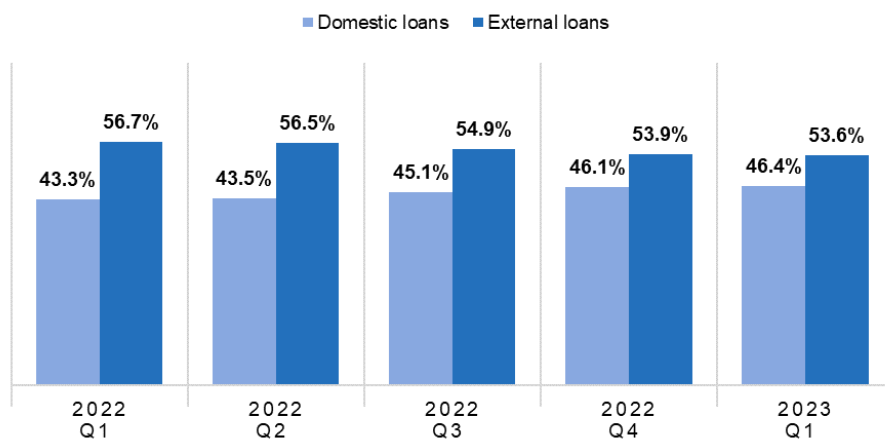
<i>in AFL millions</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
Q1 actual	39.4	61.4	100.8
Q2 actual			-
Q3 actual			-
Q4 actual			-
Total	39.4	61.4	100.8

Source table: Department of Finance.

Note: Table excludes principal repayment of Treasury bills. Interest paid on Treasury bills is included in table.

The classification of a loan as domestic or external, as indicated in the GOA's budget and in the annual report, reflects the market of issuance. Graph 5: Market allocation of government loans, gives insight in the market placement for the last five quarters. As illustrated in the graph, the loans portfolio consisted of 46.4% domestic loans at the end of the first quarter of 2023 which is in line with the debt management strategy.

Graph 5: Market allocation of government loans



Source graph: Department of Finance.

The Central Government's debt composition is presented in Table 5: Public Debt. To make the debt management strategy more insightful, a distinction is made between loans, short-term debt (i.e. Unmet Financing Requirement, abbreviated as UFR) and deferred liabilities.

Total debt increased by AFL 44.9 million in the reporting period, largely due to the position of the creditors increasing by approximately AFL 84.4 million.

The debt position at the end of the first quarter is AFL 5,760.6 million, which is 88.3% of GDP.

Table 5: Public Debt

<i>in AFL millions</i>	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1
Domestic loans	2,477.3	2,460.9	2,459.7	2,529.9	2,528.7
Government bonds	1,891.9	1,891.9	1,891.9	2,002.4	2,002.4
Commercial loans	354.9	339.8	339.8	300.9	300.9
Other loans	230.5	229.2	227.9	226.6	225.3
External loans	3,237.9	3,191.5	3,000.0	2,954.9	2,916.8
Loans N.I.O.	6.3	4.8	4.8	4.8	4.8
The Netherlands	1,441.1	1,440.9	1,440.8	1,439.6	1,439.5
Other loans EUR	5.4	4.8	4.5	4.7	4.8
Loans USD	1,785.1	1,741.0	1,549.9	1,505.8	1,467.7
Total loans	5,715.2	5,652.5	5,459.7	5,484.8	5,445.5
as % of GDP	101.2%	95.7%	92.3%	92.7%	83.4%
	298.1	317.6	356.5	230.9	315.1
UFR	178.9	198.6	237.7	112.3	196.7
Treasury bills	110.0	110.0	110.0	110.0	110.0
Long lease agreement	9.2	9.0	8.8	8.6	8.4
Total debt	6,013.3	5,970.1	5,816.1	5,715.7	5,760.6
as % of GDP	106.4%	101.1%	98.3%	96.6%	88.3%
GDP	5,650.0	5,904.0	5,916.0	5,916.0	6,526.0

Source table: Department of Finance.

Source GDP: Department of Economic Affairs, Commerce & Industry (May 2023).

5. General Government

According to art. 14 of the LAft, the stipulated norms apply to the General Government. It has been agreed upon that the entities forming the General Government will be determined biannually.

Since 2017, the General Government consists of the following entities:

- Government of Aruba (GOA)
- Uitvoeringsorgaan Algemene Ziektekosten Verzekering (AZV)
- Sociale Verzekeringsbank (SVB)
- Aruba Tourism Authority (ATA)
- Servicio di Limpieza di Aruba (Serlimar)
- Stichting Educacion Profesional Basico (SEPB)
- University of Aruba (UA)

On March 21, 2023, the State Secretary of Kingdom Relations approved the Government of Aruba's proposal to maintain the composition of the General Government for the year 2022. For the year 2023 and onwards, the State Secretary would like to make new arrangements for the involvement of the Central Bureau of Statistics of the Netherlands in the process for determining the entities that are included in the General Government. Pending this cooperation, the aforementioned entities will be provisionally included in this report as the General Government.

The 2023 first quarter operational results are presented below in Table 6: Operational results of the General Government.

Table 6: Operational results of the General Government

<i>in AFL thousands</i>				
	<i>Revenues 2023</i>	<i>Expenditures 2023</i>	<i>Results 2023</i>	<i>Projected results 2023</i>
GOA	348,035	352,418	-4,383	71,543
AZV	128,398	123,390	5,008	18,865
SVB	101,624	91,040	10,585	49,790
ATA	33,479	18,855	14,624	50
Serlimar	6,710	7,979	-1,269	166
SEPB	5,482	5,254	229	-609
UA	3,859	4,119	-260	-250
Consolidation differences	-13,175	-14,083	908	-30,000
Total	614,412	588,970	25,442	109,555

Source table: Department of Finance and General Government.

Note: Preliminary figures. Consolidation differences capture a number of flows between GOA and the other entities that are part of the General Government.



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