



GOVERNMENT OF **ARUBA**

Minister of Finance
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EXECUTIVE QUARTERLY REPORT

2023

Colophon

Title	:	Executive Quarterly Report 2023 GOA
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		Customs Department
		Department of Human Resources
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		Quarterly reports (preliminary figures) of the General Government

Disclaimer

This report is a free translation of the “Uitvoeringsrapportage 4e 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.
- In December 2023, the LAft was updated to incorporate the new fiscal norms and thus extending the operational period of CAft.

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. Refer to Table 2 (page 8) for a summary of the 2023 budget and the preliminary results of the Central Government for 2023.

Preliminary results and findings

The preliminary results at the end of 2023 indicates that the overall balance of the General Government is AFL 282.4 million, i.e. 4.1% of the GDP.

The 2023 GDP is forecasted at AFL 6,817.0 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	-288.2	-1,322.4
Loan maturities	471.3	1,417.9
Financial balance	183.1	95.5
General Government		
Financial deficit/surplus	282.4	
as % of GDP	4.1%	
GDP	6,817.0	

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, Jan 2024.

2023 delivered AFL 1,715.7 million in revenues which is 103.4% of the budget. Direct and indirect taxes are the main contributors in the revenue category with a share in total revenues of 36.2% and 43.3% respectively. In comparison to 2022, revenues increased by AFL 348.6 million.

Expenditures for 2023 totaled AFL 1,501.2 million and comprise 98.6% of the budget. The highest expenditure categories include personnel cost (30.4%), interest expenditure (17.6%), subsidies (14.9%), goods and services (13.0%), and contributions & depreciation (12.4%). The preliminary operational result at the end of 2023 amounts to AFL 214.5 million.

Capital account realization of revenues equaled 90.7% and its realization of expenses totaled 83.4% of the budget, thus providing for a net capital balance deficit of AFL 31.4 million. The result of the operational and capital balance equals a financial balance of AFL 183.1 million for the Central Government for 2023. The financial balance is equal to 2.69% of the GDP.

The debt position at the end of 2023 is AFL 5,562.8 million, of which AFL 5,427.8 million are loans.

Table 2: Preliminary results 2023

<i>in AFL thousands</i>			
<i>Revenues</i>	<i>Actual 2023</i>	<i>Budget 2023</i>	<i>% Budget</i>
Direct taxes	620,912	547,750	113.4%
Indirect taxes	742,594	722,749	102.7%
Administrative fees	25,684	25,261	101.7%
Premiums, penalties & other fees	62,378	78,276	79.7%
Interest revenues	1,068	340	314.0%
Non-tax revenues	177,167	198,902	89.1%
Internal capital settlements	2,789	4,125	67.6%
Other revenues	83,088	81,197	102.3%
	1,715,680	1,658,600	103.4%

<i>Expenditures</i>	<i>Actual 2023</i>	<i>Budget 2023</i>	<i>% Budget</i>
Personnel costs	456,787	466,585	97.9%
Goods & services	195,302	209,283	93.3%
Interest expenditures	263,740	262,511	100.5%
Subsidies	223,109	224,117	99.6%
Transfers	176,210	174,655	100.9%
Contributions & depreciation	186,037	184,600	100.8%
	1,501,187	1,521,752	98.6%

Operational balance	214,493	136,848	156.7%
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<i>Capital revenues</i>	<i>Actual 2023</i>	<i>Budget 2023</i>	<i>% Budget</i>
Sale of assets	139	2,150	6.5%
Capital revenues	-	-	-
Domestic credit repayment	4,523	6,473	69.9%
Grants	-	-	-
Remitted depreciation	34,072	34,072	100.0%
	38,733	42,695	90.7%

<i>Capital expenditures</i>	<i>Actual 2023</i>	<i>Budget 2023</i>	<i>% Budget</i>
Investments	43,309	51,632	83.9%
Capital transfers	11,006	12,015	91.6%
Domestic lending	15,770	20,400	77.3%
	70,085	84,047	83.4%

Net capital balance	-31,352	-41,352	75.8%
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Financial balance	183,141	95,496	191.8%
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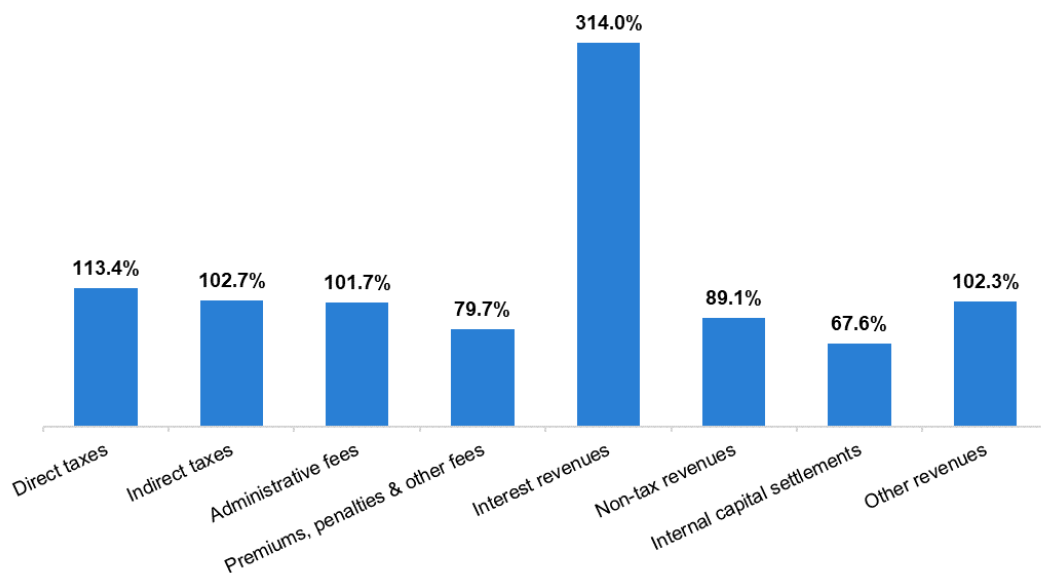
Source table: Department of Finance.

Note: Personnel costs includes employer's contribution.

3. Budget Execution

Revenues

Graph 1: Revenue results as percentage of the 2023 budget

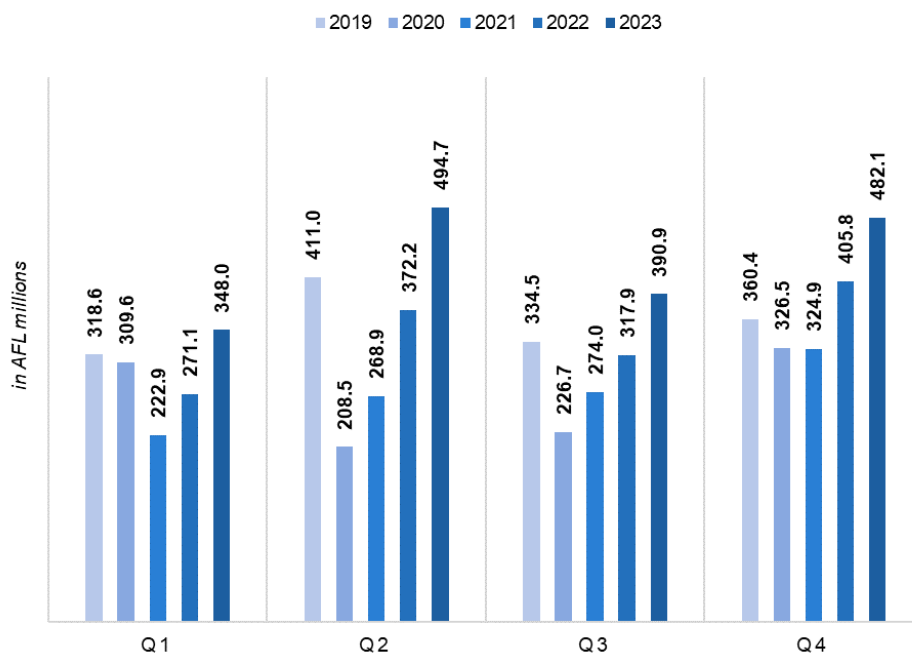


Source graph: Department of Finance.

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.

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

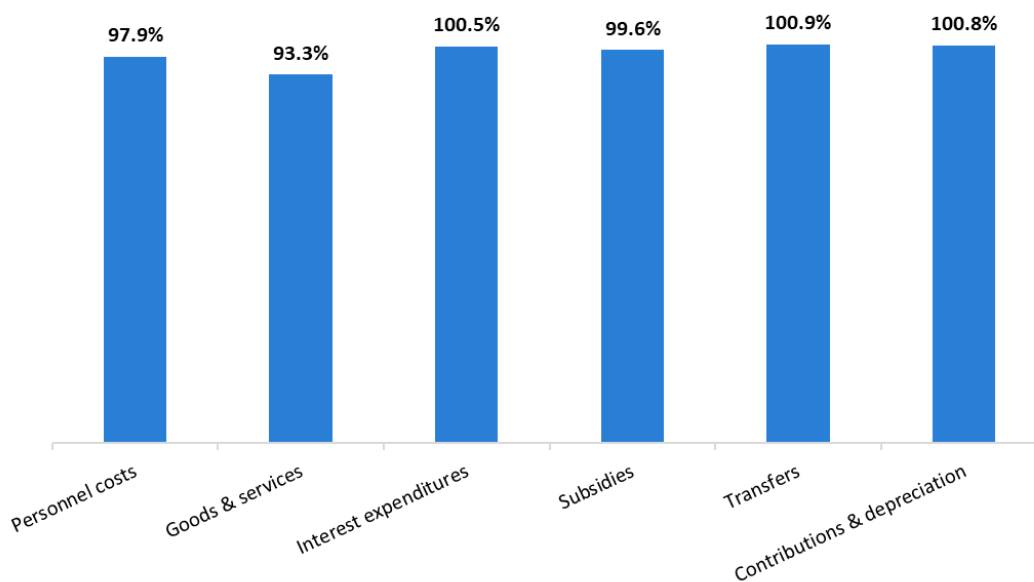


Source graph: Department of Finance.

Note: Graph does not include capital revenues.

Expenditures

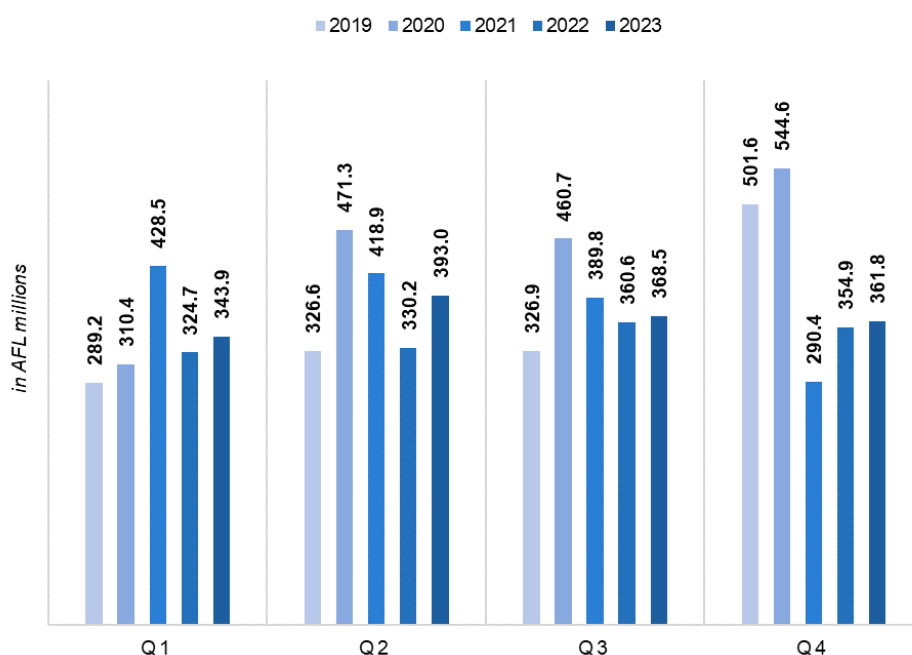
Graph 3: Expenditure results as percentage of the 2023 budget



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 third quarter of 2023, a decrease of 15 FTE is recorded. Personnel costs, including overtime allowances, increased by AFL 31.1 million compared to 2022. This can largely be explained by the complete rollback of the salary reduction measure introduced during the Covid-19 pandemic.

Table 3: Personnel stock in FTE

Ministry of	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4
Gen Affairs, Innovation, Govt Organization, Infr and Spatial Development	577	562	560	545	547
Labor, Energy and Integration	204	197	196	187	185
Economic Affairs, Communication and Sustainable Development	115	115	115	114	113
Finance and Culture	588	585	579	573	567
Justice and Social Affairs	1,512	1,524	1,518	1,475	1,470
Education and Sport	210	207	208	199	197
Transportation, Integrity, Nature and Elderly Affairs	169	163	165	167	171
Tourism and Public Health	186	178	177	171	166
Total	3,561	3,531	3,518	3,431	3,416
Education personnel	787	777	760	771	767
Coast Guard personnel	26	56	53	49	58
SCP personnel	58	0	0	0	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

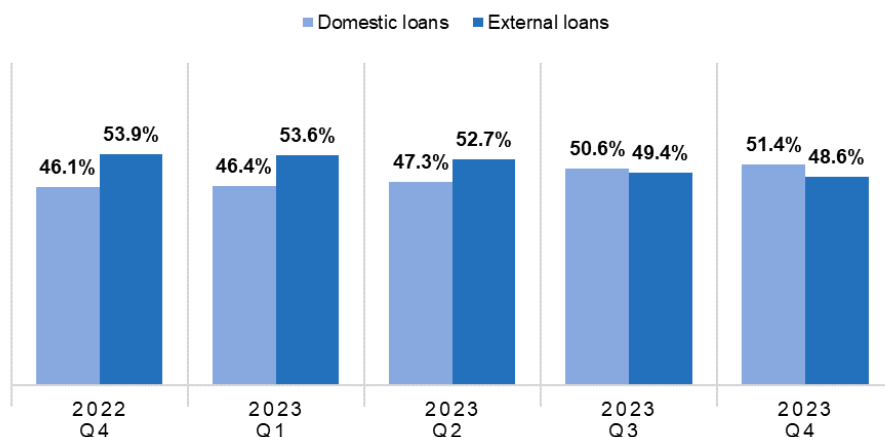
<i>in AFL millions</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
Q1 actual	39.4	61.4	100.8
Q2 actual	154.6	67.5	222.1
Q3 actual	192.4	72.1	264.5
Q4 actual	84.0	63.2	147.2
Total	470.5	264.2	734.7

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 51.4% domestic loans at the end 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 decreased by AFL 56.5 million in the reporting period while the UFR decreased by approximately AFL 60.7 million.

The debt position at the end of 2023 is AFL 5,562.8 million, which is 81.6% of GDP.

Table 5: Public Debt

<i>in AFL millions</i>	<i>2022 Q4</i>	<i>2023 Q1</i>	<i>2023 Q2</i>	<i>2023 Q3</i>	<i>2023 Q4</i>
Domestic loans	2,530.0	2,528.7	2,583.4	2,742.0	2,790.3
Government bonds	2,002.4	2,002.4	2,073.6	2,233.6	2,311.6
Commercial loans	300.9	300.9	285.8	285.8	257.5
Other loans	226.6	225.3	224.0	222.6	221.2
External loans	2,954.9	2,916.8	2,872.7	2,681.5	2,637.4
Loans N.I.O.	4.8	4.8	3.2	3.2	3.2
The Netherlands	1,439.6	1,439.5	1,439.5	1,439.5	1,439.6
Other loans EUR	4.7	4.8	4.5	4.4	4.4
Loans USD	1,505.8	1,467.7	1,425.4	1,234.4	1,190.3
Total loans	5,484.8	5,445.5	5,456.1	5,423.5	5,427.7
as % of GDP	92.7%	92.0%	83.6%	79.6%	79.6%
UFR	230.9	315.1	173.8	195.8	134.9
UFR	112.3	196.7	91.6	131.6	70.9
Treasury bills	110.0	110.0	74.0	56.3	56.3
Long lease agreement	8.6	8.4	8.2	8.0	7.8
Total debt	5,715.7	5,760.6	5,629.9	5,619.3	5,562.7
as % of GDP	96.6%	97.4%	86.3%	82.4%	81.6%
GDP	5,916.0	5,916.0	6,526.0	6,817.0	6,817.0

Source table: Department of Finance.

Source GDP: Department of Economic Affairs, Commerce & Industry (Jan 2024).

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 operational results are presented below in Table 6.

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>
GOA	1,715,680	1,501,187	214,493
AZV	545,891	491,377	54,514
SVB	436,795	380,233	56,562
ATA	122,230	91,164	31,066
Serlimar	30,742	31,326	-584
SEPB	23,596	23,317	279
UA	15,670	17,298	-1,628
Consolidation differences	-97,210	-56,254	-40,956
Total	2,793,394	2,479,648	313,746

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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