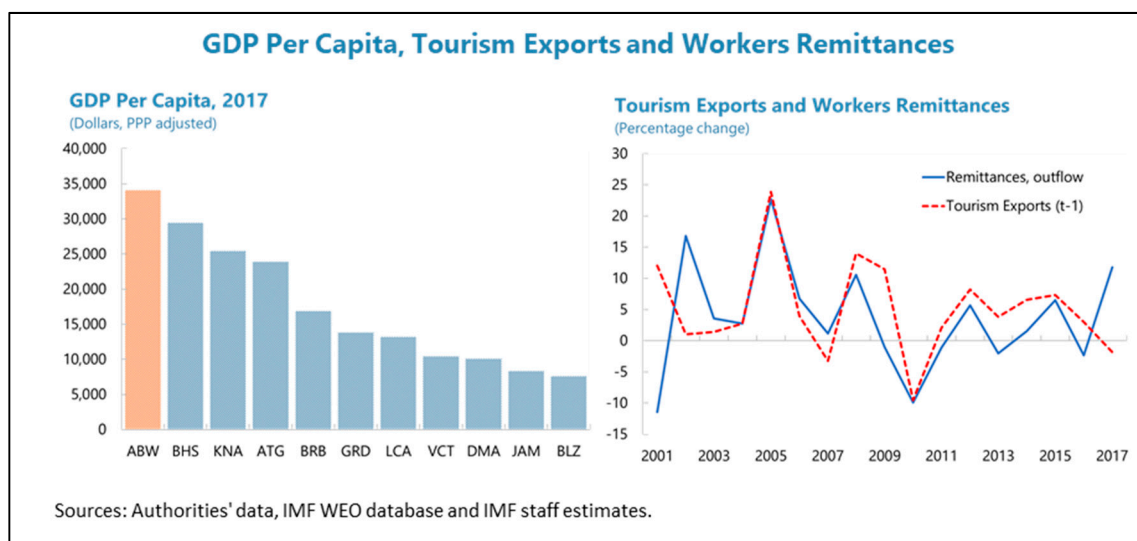


6. **There are high leakages through imports.** Analyzing leakages is complex and faces data limitations, but general import dependence can be one indicator. Among the tourism-dependent Caribbean countries, Aruba has the highest share of imports in GDP. In a study based on data for 1979-1980, the leakage rate from tourism in Aruba is estimated at 58 percent—that is, for each dollar of tourism receipt 58 cents flows out.<sup>9</sup> Staff's analysis, based on a bivariate regression of data for 1992-2017, indicates that a one percent increase in tourism exports, increases the demand for non-oil imports by 0.4 percent, on average. This would imply a slightly lower leakage rate of 56 percent. There is large uncertainty surrounding this estimate, and it is also apparent in the data that tourism exports have accelerated faster than imports, suggesting that the leakage rate may have decreased over time (see chart). There is some evidence that all-inclusive tourists on average spend less money in the local economy compared to other types of tourists.<sup>10</sup> This is most likely because all-inclusive tourists spend much of their time within the resort and hence make less excursions and buy less souvenirs etc. All-inclusive hotels with foreign ownership will also lead to profits being redistributed outside of the local economy.<sup>11</sup>

7. **There are high leakages through remittances.** Unlike a majority of the other tourism-dependent Caribbean countries, the outflow of workers remittances in Aruba is consistently higher than the inflow, likely reflecting Aruba's high GDP per capita and limited labor supply which attracts labor from other countries. Even though the outflows are at a relatively low level of 2.8 percent of GDP, there also seems to be a strong correlation between tourism exports and outflows of remittances, implying that more tourism also increases economic leakages through workers remittances.



<sup>9</sup> This refers to both first (direct)- and second-round (indirect and induced) leakages. First-round leakage is money flowing out immediately upon receipt (or never entering the economy), and second-round leakage refers to money that circulates at least once in the local economy before flowing out. The first-order leakage amounts to around 40 percent. It was found to be lower within the hotel industry than in other industries. See Seward, S.B and Spinrad, B. K., "Tourism in the Caribbean – The economic impact", International Development Research Centre, 1982.

<sup>10</sup> For instance, see Andersson, W., "Estimating the Economic Impact of All-Inclusive Package Tourism in the Balearic Islands", 2012.

<sup>11</sup> Aruba has already introduced a cap on the share of all-inclusive hotel rooms, which hence could be beneficial for the economy.



# KINGDOM OF THE NETHERLANDS—ARUBA

## STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION DISCUSSIONS—INFORMATIONAL ANNEX

May 6, 2019

Prepared by

Western Hemisphere Department

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## FUND RELATIONS

(As of March 31, 2019)

### Membership Status

The Kingdom of the Netherlands joined the Fund on December 27, 1945. On February 15, 1961, The Kingdom accepted the obligations of Article VIII, Section 2, 3, and 4 of the Articles of Agreement for all territories.

### General Resources Account

	SDR Million	Percent of Quota
Quota	8,736.50	100.00
Fund Holding of Currency	7,704.47	88.19
Reserve Tranche Position	1,032.04	11.81

### SDR Department

	SDR Million	Percent Allocation
Net cumulative allocation	4,836.63	100.00
Holdings	4,468.14	98.58

### Outstanding Purchases and Loans:

None

### Latest Financial Arrangements:

None

### Projected Obligations to Fund

(SDR million; based on existing use of resources and present holdings of SDRs):

	2019	2020	Forthcoming 2021	2022	2023
Principal	...	...	...	...	...
Charges/Interest	0.67	0.87	0.87	0.87	0.87
<b>Total</b>	0.67	0.87	0.87	0.87	0.87

### Implementation of HIPC Initiative

Not Applicable

### Implementation of Multilateral Debt Relief Initiative (MDRI)

Not Applicable

### Implementation of Post-Catastrophe Debt Relief (CCR)

Not Applicable

### Exchange Rate Arrangements

Aruba has a conventional peg; the Aruban florin has been pegged to the U.S. dollar at Afl. 1.79 per U.S. dollar since January 1, 1986. Prior to that, Aruba's currency was called the Antillean guilder, which maintained a peg against the US dollar (1 U.S. dollar = ANG 1.79) since 1971.

Aruba maintains an unapproved exchange restriction arising from the foreign exchange tax on payments by residents to non-residents (1.3 percent of the transaction value).

### Last Article IV Consultation Discussions

Article IV consultation discussions with Aruba are conducted on a 24-month cycle. The Executive Board concluded the last Article IV consultation discussions on May 17, 2017. The staff report was published in June 2017 (IMF Country Report No. 17/155).

**Resident Representative:** None

Technical Assistance		
Department	Dates	Purpose
FAD	September 4-14, 2018	Assess Aruba's tax system and assist the authorities with developing reform options
CARTAC	January 17-30, 2019	Assist the authorities with improving tax compliance and tax administration

## STATISTICAL ISSUES

I. Assessment of Data Adequacy for Surveillance	
<b>General:</b> Data provision is adequate for surveillance.	
<b>National Accounts:</b> The Central Bureau of Statistics (CBS) has compiled GDP at current prices by the production and expenditure approaches up to 2009 and has recently done so for the period 2013-17. GDP at constant prices by the expenditure approach has been estimated and disseminated by the Central Bank of Aruba (CBA) up to 2017. On the expenditure side, changes in inventories are included in capital formation. Moreover, the data on imports and exports of goods and services do not match BOP statistics, reflecting different methodological approaches and raw data sources.	
<b>Price Statistics:</b> CPI data are compiled and published monthly by the CBS.	
<b>Government Finance Statistics:</b> Government finance statistics are prepared and published on a regular basis, but not directly reported to STA. The presentation of the fiscal accounts could be improved in several respects. First, the residual expenditure category “items not identified elsewhere” (that can amount to 3.9 percent of GDP as of end 2018) should be disaggregated. Second, some items such net lending and tax arrears should be below-the-line in the fiscal tables. Third, the presentation could be further improved by providing more details on the government tax arrears. Finally, quarterly data on government operations need to contain more details on revenues and expenditures and could be reported based on the 2014 GFSM.	
<b>Monetary and Financial Statistics:</b> The methodology used by the CBA for compiling monetary statistics published in CBA’s Monthly Bulletin, Quarterly Bulletin, and Annual Statistical Digest is broadly consistent with the IMF’s Monetary and Financial Statistics Manual 2000 (MFSM). The CBA reports monetary data to STA on a timely basis. The authorities submit the data in the format of Standardized Report Forms developed by STA. Aruba does not report FSIs for dissemination on the FSI Portal. The central bank survey and monetary survey could be made more consistent. At present, there are differences in NFA and government deposit estimates, presented in the two surveys. Central bank’s estimate of NFA is adjusted for revaluation of gold and foreign exchange; likewise, their estimate for government deposits include development fund allocations. None of the adjustments are currently reflected in the monetary survey.	
<b>External Sector Statistics:</b> The CBA reports quarterly balance of payments and an annual international investment position (IIP) statistics to STA. Aruba participates in the Coordinated Direct Investment Survey (CDIS) and the Coordinated Portfolio Investment Survey (CPIS). Monthly data on the official reserve position are published with a lag of one month. A breakdown in holdings of gold and foreign exchange is provided. Aruba does not participate in the World Bank’s Quarterly External Debt Statistics (QEDS) database; however, it disseminates annual data on gross external debt position by sector—including a breakdown by maturity and instrument—in its Annual Statistical Digest. A debt survey covering both public and private sectors provides information on the amount, currency denomination of foreign debt outstanding, as well as on disaggregation by instrument and amortization payments coming due.	
II. Data Standards and Quality	
Aruba started participating in the Fund’s GDDS on August 16, 2017.	No data ROSC has been conducted in Aruba.