

**Opening remarks by
the President of the Centrale Bank van Aruba
for the Presentation by
IMF Executive Director, Dr. Paul Hilbers**

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Aruba

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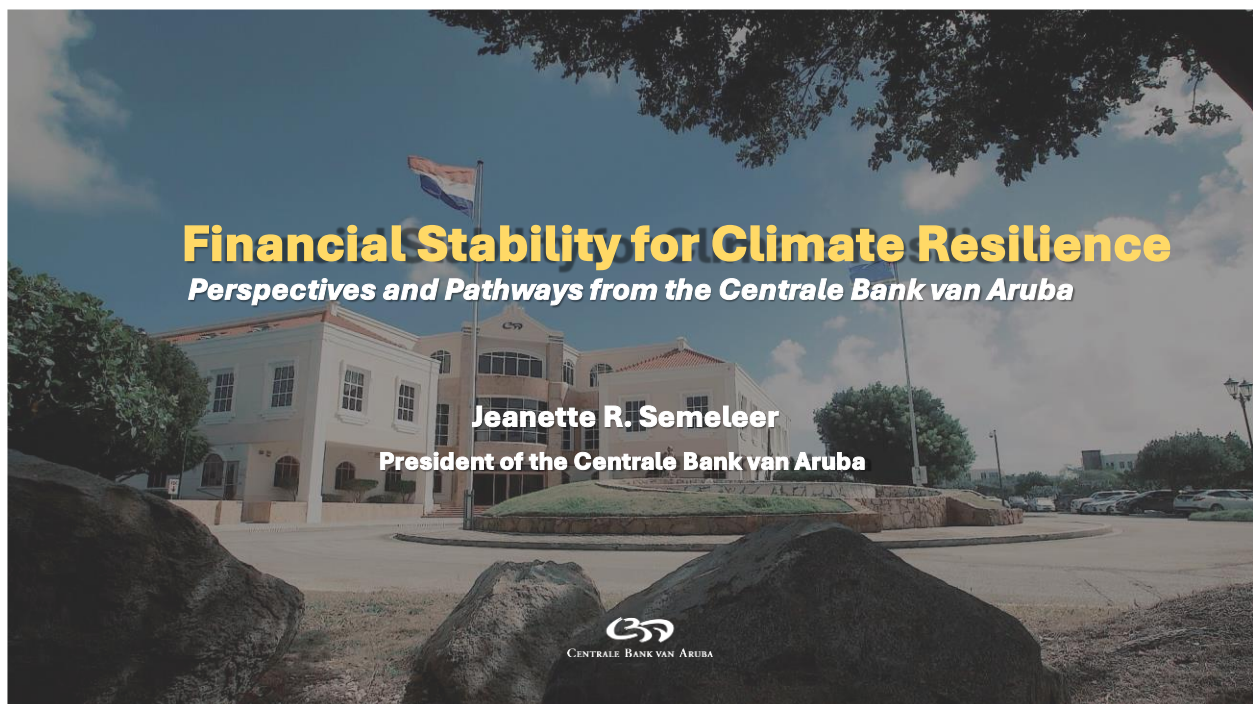
President

Esteemed Excellencies, our Supervisory Board members, CEO's, Directors, and Colleagues.

Bon tardi y bon bini na Banco Central di Aruba.

Allow me to extend a special welcome to our guest of honor, Dr. Paul Hilbers, Executive Director at the IMF.

You honor us with your visit at a critical juncture in our development as an island nation, as well as at the CBA. Permit me a few minutes to set the scenery, and share with you a few perspectives of, and pathways by the CBA on financial stability and climate change.



As a light prelude, and using a bit of our imagination, here we see two pictures of two “institutions”:

On the left, we see the CBA, as the authority and regulator of our “monetary crown jewels”.

On the right, we see a representation of Nature, as the authority and regulator of natural resources, ecology, and “ocean crown jewels”.

So, what do these two “authorities” have in common?

Introduction



Although from vastly different domains, both are the respective authorities and regulators of the stock and flow of resources and reserves.

Both authorities understand the importance of stable and sustainable circulation of “currency”. If circulation increases and velocity accelerates, both the economy and the environment “heat up” substantially.

In macroeconomic terms, we know this effect as ‘inflation’, and in some extreme cases, it can lead to hyperinflation and severe crisis. Alternatively, if there is no circulation (of money and capital), economies stagnate, and a recession can occur due to, e.g., external sector shocks and banking liquidity crunches. To counteract these undesirable situations, central banks play an important monetary and financial buffering role.

Now, **in environmental terms**, increased and unstable circulation is better known as ‘planetary threat’, consisting of, amongst others, global warming, ocean decay, and the loss of biodiversity and life. On the other hand, if circulation (of air and sea) declines and deviates considerably, we encounter acute and chronic episodes of climate shifts. These can lead to less rain and prolonged drought, rising average air and sea temperatures, as well as sea level rise and coastal erosion.

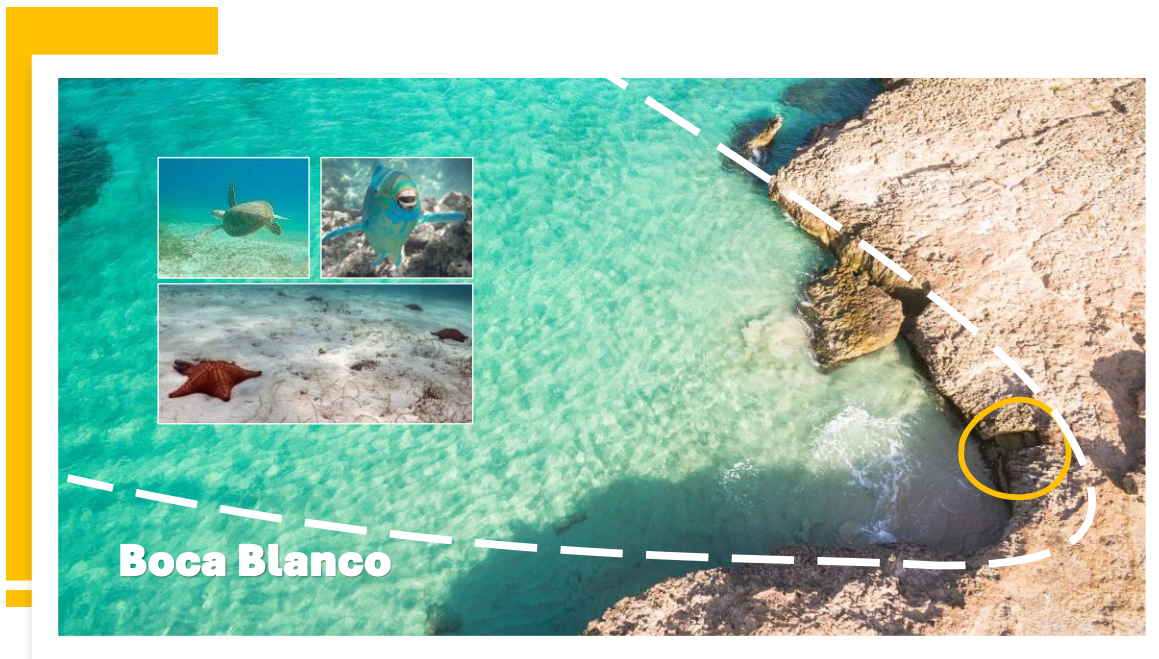
An even more important, and increasingly, urgent question is why the symbiotic relationship between “macroeconomy” and “environment” is relevant to central banking, especially in small-island tourism economies?

I am already hinting towards at least one explanation, which is the nature-based, sun-sea-sand model of many small-island tourism economies, including that of Aruba. Although we often hear and read about ‘nature-based solutions’ for addressing climate change, our main economic pillar and source of foreign exchange earnings are tourism activities. These activities are deeply intertwined with the health and wealth of our nature, our ocean, and our biodiversity.

On a small side note, what is this extremely popular place called?

If we count the number of stairs (see yellow circle), we see that there are at least 5 stairs, and not three. But that is not my point.

If we take a step back and look at the larger scenery – the bigger picture –, we see that this coastal rock formation mimics an “open mouth”, a “white open mouth” (see white dotted line). This “white mouth”, – and what is originally named “Boca Blanco” –, is one of Aruba’s prime marine biodiversity hotspots.



It harbors many of our protected marine species, including sea stars, turtles, and parrot fish. These and other species play a pivotal role in maintaining a balanced ecosystem, effortlessly producing stability and regulated circulation.

Conserving this and other biodiversity hotspots is fundamental to not only protecting nature, but also preserving nature-based solutions in the form of foreign exchange earnings from tourism export. Likewise, our quality of life and livelihoods are intertwined with nature, and the many “boca’s” and “beaches” across the island.

In terms of protecting our nature and heritage, and perhaps by properly educating our visitors, we should restore “tres trapi” to its original name as “Boca Blanco”.

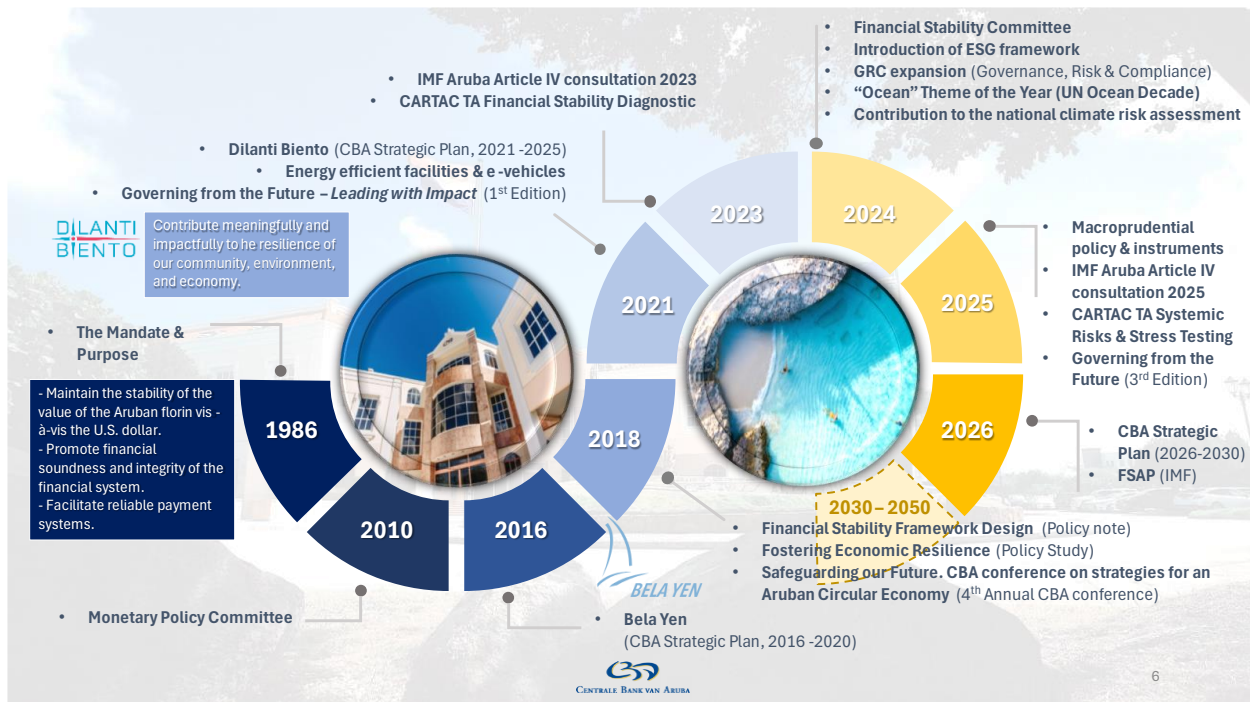
Now back to the CBA.

As you can see from this interesting slide, our journey with the florin currency started in 1986, when the CBA was officially established. Coincidentally, or not, 1986 is also the year that Dr. Paul Hilbers received his PhD in International Economics from the Vrije Universiteit Amsterdam, and wrote the book “The Role of Currency Baskets in the International Monetary System”.

The mandate of the CBA then, and now, is to maintain the stability of the florin, promote financial soundness and integrity of the financial system, and facilitate reliable payment systems. While our monetary mandate remains unchanged for almost 40 years, the global context in which we operate, has shifted and transformed in epic proportions.

Moving away from credit ceilings, by 2010, we introduced the reserve requirement as one of our main monetary policy tools, and the Monetary Policy Committee was formally introduced, bringing also the needed transparency regarding the decisions made in this important committee.

I am happy to note that, despite the many headwinds and changes in the economic climate, currently our international reserves are also adequate in terms of the IMF recommendations of 4-to-6 months import coverage, accounting for natural disasters.



In 2016, we launched our first strategic plan called “Bela Yen”, meaning full steam ahead. By 2018, we design an initial Financial Stability framework, we produced an extensive policy report on Fostering Economic Resilience of Aruba, emphasizing the vulnerabilities of our small, open, nature-based economy, as well as the need for strengthening our adaptative capacity and resiliency as a country, especially in terms of “bouncing forward” after a major crisis. And this was two years prior to the COVID pandemic.

During that same period, many of you might remember that you were present at CBA conference on “Safeguarding our Future” where we, including the IMF, explored and discussed the many strategies for an Aruban Circular Economy.

During 2021, in a post-pandemic time, we set out our second strategic plan “Dilanti Biento”, meaning staying ahead and pushing for a forward-thinking vision and strategy. It ushered a new conviction and journey that our mandate was fundamental to our purpose, namely to “contribute meaningfully and significantly to enabling the resilience of our community, environment, and economy”.

Part of this contribution is the publication by our research department “Govern from the Future” and “Lead with Impact”, comprising various interesting topics, including climate change, that still resonate today, and are highly relevant for Aruba’s sustainable development.

In 2023, several of these topics and themes were emphasized by the IMF in Aruba's Article IV mission. Two of which, financial stability and climate change, are well noted in the IMF report.

And I will tell you, having just recently returned from the IMF and World Bank Spring Meetings, financial stability, economic sustainability, and climate change are squarely on everyone's agenda.

More specifically, in recent years, climate change has shifted from an agenda item to an actionable program of strengthening climate adaptation, resilience, and finance. And yes, we still have some ways to go...

In 2023, the IMF also reinforced our conviction and commitment to promoting financial stability, with the recommendation to expand CBA's legal mandate to incorporate the promotion of financial stability. I am pleased to announce that recently, we have approved the official charters for the Financial Stability Committee and Financial Stability Working Group. The establishment of a separate department is in the making, as financial resources are now available.

In 2024, we also intend to introduce the ESG framework into our operations and governance, thereby also further strengthening our corporate governance, risk management, and compliance in concurrence with international developments.

Earlier this year, and in line with the "UN Ocean Decade", we adopted the "Ocean" as our corporate educational theme. Since then, we have organized several internal seminars on the "sustainable ocean economy", including a presentation by the Aruba Conservation Foundation on the importance of the ocean and marine conservation.

And more recently, the CBA supported, together with a Coalition of the Willing, consisting of both public and private sector institutions, the launch of a national assessment on climate and ocean risks, which is conducted by the Stimson Center on National Security and Justice.

Indeed, financial stability and climate resilience are not merely "nice to have"; they are actually "must have", if we are to truly safeguard our economic security and macroeconomic stability, as well as the health and wealth of our ecology and society.

As we look towards, and govern from, the future, we expect to continue our journey in pursuit of our duties and ambitions in 2025, and beyond.

In addition, you can expect the introduction of macroprudential policies and instruments, as well as the IMF Article IV consultation that is scheduled for early 2025. Likewise, a Financial Sector Assessment Program, the so-called FSAP, is planned for late 2026. Both the IMF Art IV mission and the FSAP will dedicate attention to climate change, and climate-related financial and economic risks.

Likewise, you can also expect the publication of our third edition of *Governing from the Future*; it promises to be yet another interesting and thought-provoking study.

And by 2026, the CBA will embark on its third strategic plan 2026 – 2030. This will likely be an epic journey, especially considering the many challenges and changes specifically related to our central bank specifically, as well as Aruba’s national aspirations in terms of:

- Meeting the UN Sustainable Development Goals by 2030
- Achieving the energy policy objectives for 2030-2035
- In addition to conserving and protecting 30 percent of our natural and marine habitats by 2030; the so-called “30 by 30” initiative.

I am confident that the recently submitted draft ordinance on the Rights of Nature and Ocean is leap for our country, being an even more foundational “climate changer” for Aruba’s ecology.

Ladies and gentlemen,

To conclude, yes we may inhabit different professional worlds and domains, each with their own authorities and responsibilities, but we all share the same island and the same future. So, the decisions we make in the coming months – not years – are defining of that future we aspire. Going forward, let our collective actions and shared responsibilities govern our path and destiny.

Masha danki.