



Translation of: Reaction to the fourth implementation report 2023 of the Public Entity Saba

Original title: Reactie op de vierde uitvoeringsrapportage 2023 van het openbaar lichaam Saba

In case of differences in interpretation between the English and the Dutch version of the text, or in legal proceedings or escalation procedures pursuant to applicable regulations, the original Dutch version shall always be leading.

Dear Mr. Johnson,

On January 29, 2024, the Board of financial supervision of Bonaire, Sint Eustatius and Saba (Cft) received Saba's implementation report (UR) on the fourth quarter of 2023. The fourth UR does not contain a modification of the draft budget (OBW). With this letter you receive Cft's reaction to this UR.¹ In Annex 1 to this letter you will find a further clarification and substantiating figures to the reaction.

Conclusion

Up to and including the fourth quarter of 2023, Saba realizes a positive result of USD 1.0 million, including the income and expenses related to special benefits. This is a preliminary result; the surplus for the annual accounts 2023 may still vary due to possible expenses or income. Saba states that in any case an amount of USD 0.7 million in pending dues for 2023 (for goods and services) shall still be included in the balance. The budget including its modifications is based on a zero result for 2023. The positive result can mainly be explained because of the fact that the regular expenses are lower than budgeted.

For several years now, the financial resilience of the Public Entity has not been at the level determined by Saba's Island Council. Therefore, Saba has limited possibilities to compensate non-covered risks. The Cft advises Saba to add the realized surplus to the general reserve, so as to strengthen the financial resilience.

Explanatory statement

In 2023, the Public Entity Saba implemented three modifications of budget (BW).² With its third BW, Saba incorporated the incidental supplement of USD 5.2 million to the free allowance for 2023.³ Partly as a result of this supplement, up to and including the fourth quarter of 2023, Saba realized USD 26.0 million in regular income and USD 25.0 in regular expenses, and therefore the preliminary positive result of USD 1.0 million. In 2023, Saba did not make use of the unforeseen cost item. Furthermore, the expenses for energy and other goods and services were lower than budgeted.

The income up to and including the fourth quarter of 2023 from local levies (USD 0.8 million) was lower than budgeted (USD 1.0 million). This can be partially explained by the fact that in the third and fourth quarters of 2023, no lodging tax was collected. However, also in comparison to 2022, the income from local levies was lower. Aside from the lodging tax, this applies predominantly to the income from port dues and ground lease payments. The Cft requests Saba to carefully monitor the development of the income from local levies and to include an explanation of the prognosis for 2024 in the first UR for that year.

Up to and including the fourth quarter of 2023, Saba realized USD 22.5 million in income and expenses related to special benefits (balance). As of December 31, 2023, the preliminary final balance of pending special benefits amounts to USD 32.5 million.

For several years now, Saba's financial resilience, the indicator of the extent to which the financial position of the Public Entity is sufficient to absorb the estimated risks, has not complied with the policy established by the Island Council. Furthermore, Saba does not take into consideration the degree of liquidity of the assets, which according to the Cft should be considered when determining financial resilience. The Cft advises Saba to add the surplus realized in 2023 to the general reserve, and to not use it for other purposes. In doing so, the financial resilience of the Public Entity can be strengthened.

Trusting to have provided you with sufficient information.

Sincerely,

The Chair of the Board of financial supervision of Bonaire, Sint Eustatius and Saba

[signature]

Ms. L.M.C. Ongerling, MA

A copy of this letter was sent to:

The Island Council of the Public Entity Saba

The Head of Finance of the Public Entity Saba

Annex 2: Endnotes

¹ Pursuant to Article 22 of the Act on Finances of the Public Entities Bonaire, Sint Eustatius and Saba (*Wet financiën openbare lichamen Bonaire, Sint Eustatius en Saba* - FinBES Act), the Cft responds to the fourth UR of 2023. The FinBES Act, supplemented by the criteria set out in the Decree on Budget and Justification Public Entities BES (BBV BES), forms the framework for the assessment of the UR.

² Cft, reference 202300038, Reaction to the first implementation report and advice pertaining to the first modification of draft budget 2023, dated May 10, 2023. Cft, reference 202300069, Reaction to the second implementation report and advice pertaining to the second modification of budget 2023, dated August 11, 2023. Cft, reference 202300118, Reaction to the third implementation report and advice pertaining to the third modification of draft budget 2023, dated November 09, 2023.

³ BZK, reference 2023-00006444420, Supplement to free benefit 2023 (October 2023), dated October 30, 2023.