



Translation advice pertaining to the draft budget for 2024

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

Dear Ms. Francis,

On September 15, 2023, the Board of financial supervision of Bonaire, Sint Eustatius, and Saba (Cft) received Sint Eustatius' draft budget (DB) for the budgetary year 2024. Pursuant to 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 DB would have to be submitted to the Island Council by September 1, 2023 at the latest, accompanied by an explanatory statement regarding the manner in which the findings and recommendations of the Cft were taken into account. Attached to this letter you will receive the advice of the Cft pertaining to the DB.ⁱ In Annex 1 to this letter you will find a further clarification and substantiating figures to this advice.

Conclusion

The DB shows a deficit of 0.7 million USD for the year 2024. According to the multi-annual estimate, this deficit will continue to rise to 1.5 million USD in 2027. Therefore, over several years, the budget will not meet the central balance norm set out in the FinBES Act.ⁱⁱ

Sint Eustatius states it will be able to off-set the deficit in 2024 by withdrawing funds from the general reserve. However, the FinBES Act stipulates that a balanced budget is required. The general reserve is intended to serve as a buffer to off-set risks that cannot be covered and to off-set unexpected setbacks, and not to cover budgeted deficits.

Sint Eustatius bases its multi-annual estimate of the income from taxes and local levies on the actual figures up until June of 2023. These actual figures show that the income from taxes and local levies, and most notably, the income from airport and seaport taxes, remain below the budget for 2023. In its DB, Sint Eustatius budgets lower income from taxes and local levies during the period 2024-2027. The Cft considers this estimate to be realistic.

According to the Cft, a reduction in income should be accompanied by an appropriate level of expenditure, in order for the budget to remain balanced. However, in its DB, Sint Eustatius budgets a higher expenditure in comparison to the budgetary year 2023, which would give rise to structural budget deficits in the 2024-2027 period.

For some time now, the Cft has been expressing its concerns about the development of the expenses and the lack of a structural containment of expenditure.ⁱⁱⁱ

Now that the DB shows budget deficits over several years, a balanced recalibration of expenditure is necessary. The Cft request Sint Eustatius to critically assess if all of the proposed expense increases are in fact necessary, and to take measures to assure a balanced budget over several years.

Explanatory statement

Sint Eustatius presents a non-balanced budget for the 2024-2027 period. In these years, the budget is balanced by means of withdrawals of funds from the general reserve. Sint Eustatius states its financial resilience makes it possible to do so. According to the FinBES Act and the Decree on Budget and Justification Public Entities BES (BBV BES), withdrawals from the general reserve to balance the budget are not permissible. After all, the general reserve is intended explicitly to off-set unexpected setbacks in the implementation of the budget. By using the reserves to cover structural expenses, the general reserve is improperly used.

For 2024, on balance Sint Eustatius estimates an increase in income of 0.4 million USD in comparison to 2023. This increase is explained by the structural rise of the free allowance that Sint Eustatius received in 2023. By contrast, Sint Eustatius estimates lower income from taxes and local levies in comparison to the budgetary year 2023. The restoration of this income since the days of the Covid-19 crisis is not progressing as successfully as expected.

The DB is based on an increased expenditure of 1.2 million USD on balance in 2024 in comparison to the level of 2023. In its DB, Sint Eustatius states that the increases relate to staff expenses, housing expenses, operating expenses and the item grants and transfers. However, substantiating figures are not provided, therefore, the Cft cannot accurately assess to which extent these expenses are realistic.

As prescribed in the BBV BES, the budget is structured according to the functional categories. In its DB, Sint Eustatius no longer includes an overview based on economic categories, whereas previous budgets, implementation reports and annual accounts did include this overview. This limits the possibilities to gain insight into Sint Eustatius' financial position. Furthermore, this leaves the Cft unable to assess the development of the expenses – and the income, to a lesser extent – from a multi-annual perspective. The Cft requests Sint Eustatius to reintegrate the overview of the income and expenses based on economic categories into the budget.

For 2024, Sint Eustatius budgets 51.5 million USD in investments financed from special grants. The investments have been specified, but they are not further explained, which means the Cft cannot assess if Sint Eustatius will realize the full amount in 2024. Furthermore, the effect of the investments on the maintenance and depreciation expenses has not been specified. The Cft requests Sint Eustatius to provide a further explanation of both of the aforementioned matters in the budgets.

Reference
Cft 202300100
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Trusting to have provided you with sufficient information.

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

Msc. L.M.C. Ongerling, MA

A copy of this letter was sent to:
The Head of Finance of the Public Entity of Sint Eustatius

ⁱ Pursuant to Article 17 of the FinBES Act, the Cft provides advice for the DB 2024. The FinBES Act, supplemented by the criteria set out in the Decree on Budget and Justification Public Entities (BBV BES), forms the framework for the assessment of the DB.

ⁱⁱ Article 15, paragraph 2, of the FinBES Act sets out the requirement that the budget be balanced.

ⁱⁱⁱ Cft, reference Cft 202300071, Reaction second implementation report and advice first amendment of draft budget 2023, dated August 16, 2023.