



Translation reaction to the third execution report and advice pertaining to the third modification of draft budget 2023

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 Mr. Johnson,

On October 30, 2023, the Board of financial supervision of Bonaire, Sint Eustatius and Saba (Cft) received Saba's execution report (UR) on the third quarter of 2023. The third UR contains the third modification of draft budget (OBW). With this letter you receive Cft's reaction to this UR and the advice pertaining to the third OBW 2023.¹ In Annex 1 to this letter you will find a further clarification and substantiating figures to the reaction and the advice.

Conclusion

Up to and including the first quarter of 2023, Saba realizes a positive result of USD 3.6 million. This result is explained by lower expenses. Particularly the category of other expenses turns out to be lower than budgeted. This deviation from the budget is not further explained by Saba in its third UR, therefore, the Cft cannot assess to which extent the lower expenses should lead to a modification of the budget. The Cft requests Saba to further explain the realization of the expenses in the third OBW and, wherever necessary, to lower the expenses item amount, before submitting the OBW to the Island Council.

With its third OBW, Saba increases both its income and its expenses by USD 7.5 million. An amount of USD 7.2 million regards the income and expenses associated with special benefits. However, a specification per special benefit is not given. The Cft requests Saba to clarify in its third OBW which special benefits have been included in the OBW. Furthermore, Saba has included a supplement to the free allowance of USD 0.3 million in its third OBW, which is allocated to the waste processing as part of the Nature and Environment Policy Plan (NEPP).²

Explanatory statement

The third UR shows USD 34.8 million in income and USD 31.2 million in expenses, including the income and expenses associated with special benefits (USD 19.8 million). This means that up to and including the third quarter, Saba realizes a surplus of USD 3.6 million. This result is predominantly explained by lower expenses. When so requested, Saba states it made commitments for USD 2.2 million. However, these commitments have not been further specified, therefore, it is unclear if and when these commitments shall effectively lead to expenses. Furthermore, Saba received funding from the Caribbean Netherlands portfolio for the implementation of the NEPP. These funds shall not lead to expenses for this year, and Saba shall need to reserve them for the next budgetary year.

On October 30, 2023, the Public Entity of Saba received an incidental supplement of USD 5.2 million to the free allowance for 2023.ⁱⁱⁱ Since this pledge was made in October, after the statutory deadline for submission of the UR, the supplement to the free allowance could not be included in the third OBW. The Cft recommends to still include the supplement to the free allowance in the third OBW, before submitting this OBW to the Island Council. In that regard, Saba should take into account which amount can still be reasonably spent in 2023.

The development of income from local levies is in line with the budget. In its reaction to the first and second execution reports of 2023, the Cft recommended to carefully monitor the revenue from the income from lodging tax and construction dues, and, where necessary, to modify the budget in the forthcoming modification of budget (BW).^{iv} Saba followed the Cft's recommendation; the income from local levies for motor vehicle tax and lodging tax has been lowered.

The third OBW 2023 is based on a zero result for the entirety of 2023. With the third OBW, both the income and the expenses are increased by USD 7.5 million. An amount of USD 7.2 million regards the income and expenses associated with special benefits. Of this amount, USD 1.1 million is allocated to the repairs of the hurricane damages that arose in 2017. The other USD 6.1 million will be spent on other projects financed from special benefits. However, the third OBW lacks a specification, and it is therefore unclear which projects it concerns. Furthermore, with the third OBW the regular income and expenses are increased with USD 0.3 million

Trusting to have provided you with sufficient information.

Sincerely,

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

[signature]

Mr. L.M.C. Ongerling, MA

A copy of this letter was sent to:

The Island Council of the Public Entity of Saba

The Head of Finance of the Public Entity of 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 third UR. 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 Amounts are rounded off to whole millions in USD, this may lead to differences due to rounding off.

ⁱⁱⁱ BZK, reference 2023-0000644420, Supplement to free allowance 2023 (October 2023), dated October 30, 2023.

^{iv} Cft, reference 202300069, Reaction to the second execution report and advice pertaining to the second modification of draft budget 2023, dated August 11, 2023.