



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

Original title: Reactie derde uitvoeringsrapportage en advies tweede ontwerpbegrotingswijziging 2023

*In case of differences in interpretation between the English and the Dutch version of the reaction and/or 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 November 8, 2023, the Board of financial supervision of Bonaire, Sint Eustatius and Saba (Cft) received Sint Eustatius's third execution report (UR) and the second modification of the draft budget (OBW) on the budgetary year 2023. With this letter, you receive the Cft's reaction to the third UR and the advice pertaining to the second OBW 2023.<sup>1</sup> In Annex 1 to this letter you will find a further clarification and substantiating figures to the reaction.

## **Conclusion**

Up to and including the third quarter of 2023, Sint Eustatius realizes a negative result of USD 0.1 million as a consequence of the fact that the income from local levies falls short, and that expenses are higher. Earlier, the Cft stressed the importance of Sint Eustatius making timely adjustments in order to control expenses. The third UR again shows that the expenses are insufficiently controlled and managed during the budgetary year.

With the second OBW, Sint Eustatius budgets a deficit of USD 0.4 million for the entirety of 2023. Therefore, Sint Eustatius does not meet the central balance norm set out in the Act on Finances of the Public Entities Bonaire, Sint Eustatius and Saba (*Wet financiën openbare lichamen Bonaire, Sint Eustatius en Saba* - FinBES Act). With the OBW, the expenses for 2023 are increased, while according to the Cft it is of importance to contain expenditure wherever possible. Furthermore, the manner in which Sint Eustatius modifies the expense estimate is not realistic.

The Cft requests Sint Eustatius to revise the second OBW and to modify it in such a manner that the budget contains realistic estimates and is balanced, before submitting the second OBW to the Island Council.

## **Explanatory statement**

Up to and including the third quarter of 2023, Sint Eustatius realizes a negative result of USD 0.1 million, while the adopted budget for 2023 was still based on a surplus of USD 0.08 million for the entirety of 2023. In its first modification of the budget for 2023, Sint Eustatius decreased the budgeted surplus to USD 0.03 million, mostly as a consequence of higher staff expenses, housing expenses and office expenses. In its

second OBW, Sint Eustatius now budgets a budgetary deficit for 2023 of USD 0.4 million. In doing so, the central balance norm set out in the FinBES Act is not met.

In its reaction to the second UR, the Cft remarked that the income from local levies was lower than expected when compared to the budget.<sup>2</sup> The Cft called on Sint Eustatius to carefully monitor the development of the income from local levies and also to identify measures to be able to lower the expenses, should the intended measures to increase income remain ineffective. Sint Eustatius did not follow this recommendation. Despite the fact that the third UR again shows that the income from local levies is lower than expected in comparison to the budget, the expenses are still increased with the second OBW.

On balance, Sint Eustatius increases the expenses with USD 1.1 million. However, the Cft does not consider this upward adjustment to be realistic, since in its second OBW Sint Eustatius supposes that the realized expenses up to and including the third quarter make up 75 percent of the total expenses for 2023. Subsequently, Sint Eustatius increases the total expenses in its second OBW, so that the remaining 25 percent can be spent in the fourth quarter. In doing so, the seasonal patterns are not taken into account, and neither is any attempt made to contain the expenses and to avoid a deficit for 2023.

On balance, in its second OBW, Sint Eustatius increases the income with USD 0.6 million. The increase in income is caused by a downward adjustment of the income from the sea port on the one hand, and a supplement to the free allowance on the other. The Cft is unable to deduce the exact amount of the supplement to the free allowance from the second OBW, and therefore requests Sint Eustatius to specify this. If any corrections were made to the free allowance, Sint Eustatius needs to clarify this. To conclude, the Cft observes that the realization of the tax income, on the other hand, is higher than estimated. The Cft recommends Sint Eustatius to thoroughly analyze the development of the income yet again, and to adjust the OBW accordingly where needed.

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 Executive Institute of the Public Entity Sint Eustatius

The Head of Finance of the Public Entity Sint Eustatius

## **Annex 2: Endnotes**

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<sup>1</sup> Pursuant to Article 22 of the FinBES Act, the Cft responds to the second 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.

<sup>2</sup> Cft, reference 202300071, Reaction to the second execution report and advice pertaining to the first modification of draft budget 2023, dated August 16, 2023.