



Translation of: Advice pertaining to the draft budget for 2025

Original title: Advies bij de ontwerpbegroting 2025

In case of differences in interpretation between the English translation 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 Ms. Francis,

On August 15th, 2024, the Board of financial supervision of Bonaire, Sint Eustatius and Saba (Cft) received your Executive Council's draft budget (OB) for 2025, along with the request to issue an advice thereon pursuant to Article 17 paragraph 3 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). With this letter, you receive the aforementioned advice.¹ In Annex 1 to this letter you will find a further clarification and substantiating figures.

Conclusion

In 2024, Sint Eustatius expects to realize a surplus of USD 1.2 million and for 2025 it estimates a surplus of USD 1.9 million, which means that for the time being, the requirement to compensate the deficit that was realized in 2023 is met, albeit with some risks. The OB 2025 is incomplete since Sint Eustatius did not incorporate the special benefits into the budget. Therefore, the budget does not provide a realistic insight into the expected income and expenses in the period of 2025-2028.

Explanatory statement

Budgetary result and risks

In the OB, Sint Eustatius presents multiannual surpluses for the period 2025-2028, increasing from USD 1.9 million in 2025 to USD 3.2 million in 2028.² This means Sint Eustatius meets the central budgetary standard set forth in the FinBES Act.³ Furthermore, Sint Eustatius meets the requirement to compensate the deficit of USD 2.1 million that was realized in 2023 in its budget for the current year (2024) and the budget for the upcoming year (2025).

However, the Cft does see risks in the budget which may lead to lower surpluses than the ones that were budgeted for 2024 and 2025. For 2024 and 2025, Sint Eustatius estimates USD 2.6 million and USD 2.7 million, respectively, in income from the seaport. However, the second implementation report for 2024 shows that this income does not meet the budgeted level, and in the years 2021-2023, this income amounted to approximately USD 2.0 million. Sint Eustatius states it is preparing a master plan to increase the income from the seaport, yet does not provide a timeline for such plan. The Cft considers there is a risk that the income from the seaport that was estimated for 2024 and 2025 will not be realized in its entirety.

The Cft also questions the feasibility of the estimation of the (increasing) interest income. Sint Eustatius receives a variable interest, based on the Secured Overnight Financing Rate. It is expected that this interest will decrease. The Cft requests that Sint Eustatius further substantiate the estimation of the interest income in the OB.

Special benefits

The OB is structured based on income and expenses, which means the requirements of Article 13, paragraph 1 of the FinBES Act are met. Sint Eustatius presents the overview of the income and expenses both according to the Functional Structuring Regulation BES (*Regeling functionele indeling BES*),⁴ and based on economic categories. This enhances the insight into the Public Entity's financial position.

Both for the budgetary year 2025 and multiannually, the OB does not include all expected income and expenses. In the OB, Sint Eustatius does provide an overview of the special benefits balance by the end of June 2024, however, it does not include the income and expenses associated with the special benefits in the OB 2025 nor in the multiannual estimate 2026-2028. Therefore, the budget does not meet the requirements of Article 47 of the Decree on Budget and Justification Public Entities BES (*Besluit begroting en verantwoording openbare lichamen BES – BBV BES*), and the budget does not provide an accurate reflection of the total amount of the budget and therefore, Sint Eustatius' financial standing.⁵

Interest-free loan

For 2026, Sint Eustatius includes an interest-free loan of USD 1.5 million for (an investment contribution to) the construction of the new building of the Gwendoline van Putten school. The Cft points out that – in accordance with Article 89 of the FinBES Act – the Cft has an advisory role regarding the loan application. One of the main assessment criteria will be to which extent the Public Entity has the financial means to make the investment at the expense of the free allowance.

Unqualified audit opinion

The budget lacks an explanation of the required improvement of the financial management. For its annual accounts for 2023, Sint Eustatius again received a statement that the auditor refrains from issuing an opinion, yet it does not explain in the budget which steps the Public Entity intends to take to obtain an unqualified audit opinion in the foreseeable future.

Despite the fact that the auditor observes that the quality of the financial management has improved, there are still shortcomings regarding the internal auditing, obligations that are not reflected in the budget, and the representation of the tangible fixed assets. The OB does not show if, and if so, in which manner, the Public Entity intends to address these shortcomings. The Cft reiterates its request to Sint Eustatius to draw up a new improvement plan for financial management, for the purpose of obtaining an unqualified audit opinion regarding the annual accounts within the foreseeable future.⁶

Subsequent steps

The Cft recommends you implement the following amendments to the OB before submitting it to the Island Council:⁷

- Revise the estimate of the income from the seaport based on the 2023 realization and the preliminary realization for 2024.
- Provide further substantiating figures and textual explanation of the multiannual estimate of the interest income.

- Include the special benefits in the budget and provide a separate clarification of the multiannual course of the special benefits.
- Draw up an updated improvement plan for financial management for the purpose of obtaining an unqualified audit opinion, and report on the progress in the implementation reports.

Due to the relatively late submission of the OB to the Cft, there is limited time left to incorporate these recommendations. After all, in accordance with Article 17 paragraph 4 of the FinBES Act, the OB that you submit to the Island Council by September 1st, 2024 at the latest, must be accompanied by this advice and an explanation to which extent and in which manner this advice was taken into account. When submitting the adopted budget to the Minister of the Interior and Kingdom Relations (BZK), the Cft shall verify to which extent its recommendations have been incorporated.

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 Head of Finance of the Public Entity Sint Eustatius

Annex 2: Endnotes

¹ 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 OB.

² These surpluses are partly driven by the structural increase of the free allowance. A study of IdeeVersa showed that the tasks and resources from the free allowance were not balanced, due to which the islands Bonaire, Saba and Sint Eustatius were not given the opportunity to structurally perform their tasks adequately. In light of this study, the free allowance has been structurally increased for all three islands.

³ Article 15 paragraph 2 of the FinBES Act.

⁴ Article 16 of the BBV BES sets forth that the income and expenses are structured by main functions and functions, the prescribed structure has been adopted by Ministerial Decree.

⁵ Article 19 paragraph 2 sub c of the FinBES Act.

⁶ Cft, reference Cft 202400089, Advice pertaining to Sint Eustatius' annual accounts for 2023, dated July 25th, 2024.

⁷ Article 17 paragraph 4 of the FinBES Act.