Translation of: Reaction to third implementation report and advice pertaining to third draft budget amendment 2026

Original title: Reactie derde uitvoeringsrapportage en advies derde ontwerpbegrotingswijziging 2026

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 Mr. Levenstone,

On October 28, 2026, the Board of financial supervision of Bonaire, Sint Eustatius and Saba (Cft) received Saba's implementation report (UR) on the third quarter of 2026. The third UR also contains the third draft budget amendment (OBW) of the budgetary year 2026. With this letter you receive the Cft's reaction to the UR and the advice pertaining to the OBW.[1] In Annex 1 to this letter you will find a further clarification and substantiating figures to the reaction and the advice.

Conclusion
By means of the third OBW of 2026, Saba increases both the income and the expenses by USD 0.8 million to USD 46.3 million, which means that for the time being, the budget including the amendments meets the central budgetary standard set forth in the FinBES Act.[2]

In its response to the second UR of 2026, the Cft requested Saba to keep monitoring the development of the local levies, and to follow up on the recommendations given by the external auditor regarding the 2025 annual accounts.[3] The third UR shows that Saba complies with both requests. This contributes to further enhancement of financial management. The Cft applauds these developments.

Subsequent steps
The Cft requests that in the fourth UR of 2026, you report on the further progress of the improvement of financial management, in accordance with the promises you made when submitting the 2027 draft budget to the Island Council. In this context, the Cft requests that you pay specific attention to the follow-up of the findings of the external accountant regarding the 2025 annual accounts.

Explanatory statement

Realization income and expenses

In the first nine months of 2026, the income has developed in line with the budget. Up to and including September 2026, Saba realizes USD 35.2 million in income, which amounts to approximately 76 percent of the budget including amendments.

The realization of the expenses does not reach the level that was budgeted. Up to and including the third quarter, the expenses amount to USD 32.0 million, which is 69 percent of the budget including amendments. The lower realization is mainly caused by personnel expenses that do not reach the budgeted level, since vacancies could not be filled (timely).

The third UR shows that Saba realized the investment budget virtually in its entirety. Up to and including the third quarter, 96 percent of the USD 0.5 million that was budgeted for investments in 2026, was realized. These are investments from own resources, excluding special benefits.

Preliminary result

The third UR shows a preliminary surplus of USD 3.3 million in the first nine months of 2026. However, in 2026 in its entirety, Saba expects to realize a budgetary balance. Considering the fact that the realization of the expenses – mainly the personnel expenses – does not yet reach the budgeted levels, the Cft deems it more likely that Saba will close the year with a slightly positive result.

Third draft budget amendment 2026

In its response to the second UR of 2026, the Cft observed that the realization of some local levies did not reach the budgeted level. The Cft requested Saba to keep monitoring the realization and to adjust the budget where necessary. Saba complied with this request and adjusts the estimated income from local levies and fees downward by USD 0.3 million by means of the third OBW.

On balance, the third OBW increases both the income and the expenses by USD 0.8 million. The proposed amendments are mainly of a technical and occasional nature. The Cft has no remarks regarding the proposed amendments, and issues a positive advice on the third OBW of 2026.

Financial management

Regarding the 2025 annual accounts, the external auditor identified three new findings. These are related to uncertainty regarding the legal basis for the collection of a number of local levies, shortcomings in the administrative processing of expenses of new projects, and deficiencies of the password policy for accessing digital financial systems.[4]

In the third UR, Saba explains that all three findings are followed up on. For instance, a plan of approach was drawn up to update the retributions ordinance, thus enhancing the legal basis for the local levies.

The shortcomings in the administrative processing of expenses of new projects have meanwhile been resolved. The measures taken were presented to the auditor during the interim review. Furthermore, Saba is working on reducing the vulnerabilities in the digital financial infrastructure. In the third UR, Saba states that the ICT department is currently investigating the shortcomings and exploring possible solutions.

Trusting to have provided you with sufficient information.

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

[signature]
Hans Hoogervorst

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, Statia and Saba (*Wet financiën openbare lichamen Bonaire, Sint Eustatius en Saba* - FinBES Act), the Cft responds to the third UR of 2026. Pursuant to Article 21 paragraph 2 in conjunction with Article 17 paragraph 2 of the FinBES Act, Cft issues an advice regarding the third OBW for 2026. The FinBES Act, supplemented by the criteria set out in the Decree on Budget and Justification Public Entities BES, forms the framework for the assessment of the UR and the OBW.
[2] Article 15 paragraph 2 of the FinBES Act.
[3] Cft, reference Cft 202600083, Reaction to the second implementation report and advice pertaining to the second draft budget amendment 2026, dated August 13, 2026.
[4] Cft, reference Cft 202600059, Advice pertaining to Saba's 2025 annual accounts, dated July 15, 2026.