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

Original title: Reactie tweede uitvoeringsrapportage en advies tweede 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 July 30, 2026, the Board of financial supervision of Bonaire, Sint Eustatius and Saba (Cft) received Saba's implementation report (UR) on the second quarter of 2026 and the second draft budget amendment (OBW). In Annex 1 to this letter you will find a further clarification and substantiating figures to the reaction and the advice.

Conclusion
The Cft's judgment on Saba's second UR and second OBW 2026 is positive. The Cft expects that in 2026, Saba will meet the central budgetary standard set forth in the FinBES Act. The budget is increased by USD 1.6 million on both the income and the expenses side. The realization of the income and expenses develops in accordance with the budget, which is an improvement in comparison to the first UR of 2026. Further improvement of financial management remains important. It is also important to keep monitoring the local levies that are currently not reaching the budgeted levels in order to be able to absorb any possible decreases in income in a timely manner.

Subsequent steps
The Cft recommends:
1. To keep monitoring the development of the local levies and – if complete realization is no longer plausible – to adjust the estimates in the upcoming budget amendment to those data.
2. To follow up on the recommendations given regarding the 2025 annual accounts to improve financial management in the next UR.

Explanatory statement
<u>Implementation report</u>
In the first six months of 2026, the income develops in line with the budget, and amounts to USD 25.8 million which corresponds to a realization of 57 percent of the second OBW and 59 percent of the adopted budget (VB). Saba expects to realize the 2026 income in accordance with the budget. The Cft asks you to pay specific attention to the realization of local levies, mainly the tourist tax and waste levy, which are currently somewhat below the budgeted levels.

The expenses amount to USD 20.3 million, which means they amount to 46 percent of the VB 2026 and 45 percent of the second OBW. This means there is a clear improvement in comparison to the first UR, in which the realization of expenses did not yet meet the budgeted levels. It remains important, however, to monitor the realization of the expenses and to adjust the budget where necessary if the realization again fails to reach the budgeted levels.

In the second UR 2026, the investments show a realization of 73 percent, which is a considerable improvement in comparison to the second UR of 2025, in which the realization was 25 percent. The Cft applauds this development.

Result

The second UR shows a preliminary surplus of USD 5.5 million up to and including the second quarter. The realized positive result in the second quarter exceeds the expected amount, which is mainly caused by the income that is a little higher than the budgeted level, and the expenses that are a little lower. In 2026 in its entirety, however, Saba anticipates realizing a budgetary balance.

Financial management

The follow-up of the points of attention identified for the 2025 annual accounts is not reported on in this UR. This regards the collection of payment arrears and the cleanup of the accounts receivable overview, as well as the three new auditor findings, the uncertainty surrounding the legal basis of several local levies, the administrative processing of expenses of new projects and the deficiencies of the password policy for digital financial systems.[1] The Cft requests Saba to report on these matters in the next UR.

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

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[1] Cft, reference Cft 202600059, Advice pertaining to Saba's 2025 annual accounts, dated July 15, 2026.