



Translation of: Reaction to the fourth implementation report 2023 of the Public Entity Sint Eustatius

Original title: Reactie op de vierde uitvoeringsrapportage 2023 van het openbaar lichaam Sint Eustatius

In case of differences in interpretation between the English 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 February 2, 2024, the Board of financial supervision of Bonaire, Sint Eustatius and Saba (Cft) received the fourth implementation report (UR) for the budgetary year 2023 of Sint Eustatius. Pursuant to 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 UR on the fourth quarter of 2023 would have to be submitted by January 29, 2024 at the latest. With this letter you receive the Cft's reaction to the fourth UR.¹ In Annex 1 to this letter you will find a further clarification and substantiating figures to the reaction.

Conclusion

Up to and including the fourth quarter of 2023, Sint Eustatius virtually realizes a zero result. In its third UR of 2023, Sint Eustatius still assumed there would be a deficit of USD 0.4 million for the budgetary year 2023. In the last quarter of 2023, Sint Eustatius has been able to turn this deficit into a budgetary balance, as a consequence of (incidental) supplements to the free allowance and by controlling the expenses at the budgeted level.

In the last quarter of 2023, Sint Eustatius received several incidental supplements to the free allowance which were already allocated, for example to poverty reduction and digitalization issues.² These funds were provided so late that they could no longer be fully spent in 2023. Therefore, in its fourth UR, the Public Entity includes a reservation among the expenses, so that the funds may be utilized in 2024. According to the Cft, this is not the correct manner of administrative processing. The Cft recommends Sint Eustatius to create a special-purpose reserve for this allocated free allowance, and in doing so, to explicitly state and clarify the prescribed allocation of the funds.

Explanatory statement

In its adopted budget 2023, Sint Eustatius estimated USD 49.0 million in income and USD 48.9 million in expenses. During the budgetary year, Sint Eustatius' Island Council adopted two budget modifications. The budget, including these modifications, shows USD 50.7 million in income and USD 51.1 million in expenses, which results in a budgeted deficit of USD 0.4 million. The fourth UR of 2023 shows that Sint Eustatius realizes USD 51.8 million in income and expenses up to and including the fourth quarter, which leads to a (preliminary) zero result in the budgetary year 2023.

In 2023, the Cft repeatedly urged Sint Eustatius to aim for control of expenses so as to avoid a deficit for the budgetary year 2023.³ Control and management of expenses is all the more important now that Sint Eustatius' adopted budget for 2024 barely leaves any room to off-set any unexpected setbacks.⁴ The Cft is pleased to observe that Sint Eustatius presents a zero result in its fourth UR and proposes to remain dedicated to improving financial control and maintaining a budgetary balance.

Pursuant to the FinBES Act, the free allowance serves to benefit the general resources. The Public Entities themselves may determine which tasks and activities are funded from the general resources. In the fourth quarter, Sint Eustatius received USD 2.7 million in incidental supplements to the free allowance which were already allocated. The Cft is aware of the complex administrative processing of these funds due to the timing and the specific nature of such supplements to the free allowance.

On February 2, 2024, the draft of a Royal Decree (KB) by means of which the administrative intervention in Sint Eustatius shall be terminated was submitted to the Senate and Parliament by the Secretary of State for the Interior and Kingdom Relations (BZK).⁵ As soon as this KB enters into force, the regular administrative relations in accordance with the Act on Public Entities Bonaire, Sint Eustatius and Saba and the FinBES Act shall be applicable once again. The Secretary of State for BZK concludes that fundamental steps have been taken with regard to getting the financial management in order, and states that by now the budgets, the implementation reports and the annual accounts meet the requirements of the FinBES Act and the Decree on Budget and Justification Public Entities BES.

The Cft endorses the conclusion drawn by the Secretary of State for BZK that Sint Eustatius has taken major steps to improve financial management. However, the Cft does also observe that further improvements must necessarily be made to regain order in the budgetary and justification processes. As an example, in 2023, the process for modification of budget was not yet duly followed. Neither the first nor the second modification of budget 2023 was adopted until December 2023, while pursuant to the FinBES Act, the Public Entity is not allowed to incur expenses that are not budgeted in an adopted budget or an adopted budget modification.⁶ The Cft urges Sint Eustatius to continuously pay attention to the budgetary and justification processes.

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

The Secretary of State for the Interior and Kingdom Relations

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 fourth 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 Dutch Ministry of the Interior and Kingdom Relations, reference 2023-0000644419, Supplement to free allowance 2023 (October 2023), dated October 30, 2023.

³ Cft, reference Cft 202300071, Reaction second implementation report and advice first modification of budget 2023, dated August 16, 2023. Cft, reference Cft 202300122, Reaction to the third implementation report and advice pertaining to the second modification of draft budget 2023, dated November 22, 2023.

⁴ Cft, reference Cft 202300127, Submission of adopted budget 2024 Sint Eustatius, dated November 23, 2023.

⁵ This regards a draft of a Royal Decree establishing the time of entry into force of Article 16 of the Provisions Restoration Act of Sint Eustatius.

⁶ Cft, reference Cft 202300136, Submission of first and second adopted modification of budget 2023 Sint Eustatius, dated December 22, 2023.