



# Translation of: Reaction to the second implementation report and advice pertaining to the second draft budget amendment 2024

Original title: Reactie tweede uitvoeringsrapportage en advies tweede ontwerpbegrotingswijziging 2024

*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. Johnson,

On July 30<sup>th</sup>, 2024, the Board of financial supervision of Bonaire, Sint Eustatius and Saba (Cft) received Saba's implementation report (UR) on the second quarter of 2024. The second UR contains the second draft budget amendment (OBW) of the budgetary year 2024. With this letter you receive the Cft's reaction to the UR and the Cft's advice pertaining to the second OBW 2024.<sup>1</sup> In Annex 1 to this letter you will find a further clarification and substantiating figures to this reaction.

## **Conclusion**

According to the Cft, the second UR does not provide sufficient insight into the realization of the regular income and expenses in relation to the budget. The Cft would gladly engage in conversation with Saba to improve the information value of the third UR of 2024. Up to and including the second quarter of 2024, Saba virtually realizes a zero result. The budget, including the amendments proposed in the second OBW 2024, is based on a zero result for 2024.

With its second OBW of 2024, Saba increases both its income and its expenses by USD 7.6 million. USD 0.9 million thereof relates to the special benefits.

Furthermore, the second OBW concerns an increase of the regular income and expenses related to the increase of the free allowance. Since no separate overview of the income and expenses of the special benefits has been included in the UR, the Cft is unable to assess if with the budget amendment, the realization differences in comparison to the budget of the second quarter are sufficiently taken into account.

## **Explanatory statement**

### Quality and completeness of the UR

The Cft requested Saba to include the special benefits in the budget for 2024.<sup>2</sup> Saba honored this request by including the entire amount in special benefits, and the budget for 2024 now provides a more realistic view on the total expected income and expenses in 2024. However, the special benefits have not yet been included in the multiannual budget. The Cft requests Saba to include the special benefits in the multiannual budget when drawing up the budget for 2025.

In the UR, no distinction is made between the regular income and expenses and the income and expenses associated with the special benefits. Consequently, any possible deviations between the realization and the budget are not reflected. At current, Saba is unable to provide a separate overview of the special benefits, therefore, the Cft is unable to assess the completeness of the OBW.

The Cft would like to engage in conversation with Saba to discuss the possibilities to present a separate overview of the income and expenses associated with the special benefits in the third UR of 2024, taking into account both the implementation capacity of the Public Entity and the Cft's need for information.

#### Result

Up to and including the first quarter of 2024, Saba realizes USD 17.2 million in income and expenses, which leads to a virtually zero result. Saba anticipates to realize a zero result in 2024.

#### Second OBW 2024

The second OBW for 2024 entails an increase of both the income and the expenses of USD 7.6 million. USD 0.9 million thereof relates to the special benefits and USD 5.3 million to the increase of the free allowance. The remaining amount of USD 1.4 million originates from special-purpose reserves, that are used for specific projects for which resources were reserved prior.

The USD 7.6 million in additional expenses are partially spent on the salaries due to the salary indexation arising from the implementation of a new labor union agreement. Furthermore, USD 2.3 million is included in special-purpose reserves for future projects, such as public housing, infrastructure, maintenance, the financial resilience and the unforeseen expenses item. The Cft cannot deduce from the OBW which part of this increase is of structural nature, which leaves it unclear if the structural increase of the income by USD 5.3 million fully covers the structural additional expenses.

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 Island Council of the Public Entity Saba

The Head of Finance of the Public Entity Saba

## **Annex 2: Endnotes**

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<sup>1</sup> 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 second UR of 2024. 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 Cft 202200148, Advice pertaining to the draft budget 2023, dated November 21<sup>st</sup>, 2022.