

Special Purpose Grants Awarded to the Caribbean Netherlands

2021



Netherlands
Court of Audit

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1.

Executive summary

Bonaire, St Eustatius and Saba (the Caribbean Netherlands) have been constituent parts of the Kingdom of the Netherlands since 2010, each with its own local government analogous to that of a municipality. Ministers can award earmarked grants to these public bodies to achieve specific objectives set in advance. The House of Representatives asked us in October 2019 to audit the coordination and supervision of special purpose grants and the provision of information on them to parliament.

Between 2011 and 2019, 310 special purpose grants were awarded to Bonaire, St Eustatius and Saba, worth \$162.6 million in total.¹ They were awarded for a very wide range of objectives and represent a growing proportion of the public bodies' revenues.

Our audit conclusions are as follows.

The Minister of the Interior and Kingdom Relations (BZK) has not introduced sufficient policy coherence or adequately promoted the public bodies' policy freedom

The Minister of BZK is responsible for coordinating policy and as such is required by law to promote the public bodies' policy freedom and oversee the coherence of central government policy in the Caribbean Netherlands. The growing proportion of special purpose grants and the declining proportion of general grants in the total revenues of Bonaire, St Eustatius and Saba is at odds with the goal of promoting the public bodies' policy freedom. Furthermore, policy coherence cannot be overseen effectively because there is little coordination between the ministers who award

special purpose grants and the Ministers of BZK and Finance. In addition, ministers seldom take into account the structural costs incurred by the public bodies for the improvements delivered by means of special purpose grants, such as higher maintenance costs. Not allowing for the full costs and benefits (incidental and structural) in turn creates new socioeconomic disadvantages.

Steps have been taken to improve coordination by means of the administrative agreements between the Netherlands and Bonaire and Saba.

Shortcomings in the supervision of the regularity, efficiency and effectiveness of expenditure

There are shortcomings in Bonaire and St Eustatius's supervision of the regularity, efficiency and effectiveness of the use of special purpose grants. The public bodies' annual accounts are regularly submitted to the island councils after their due date, they often receive a disclaimer of opinion from the auditor and the accounting information is inadequate. Saba does account well for special purpose grants in its annual accounts, which have received an unqualified auditor's report since 2014. Finally, Bonaire and Saba do not yet have a public audit institution. St Eustatius has had one since 2020.

Information provided to parliament is not traceable

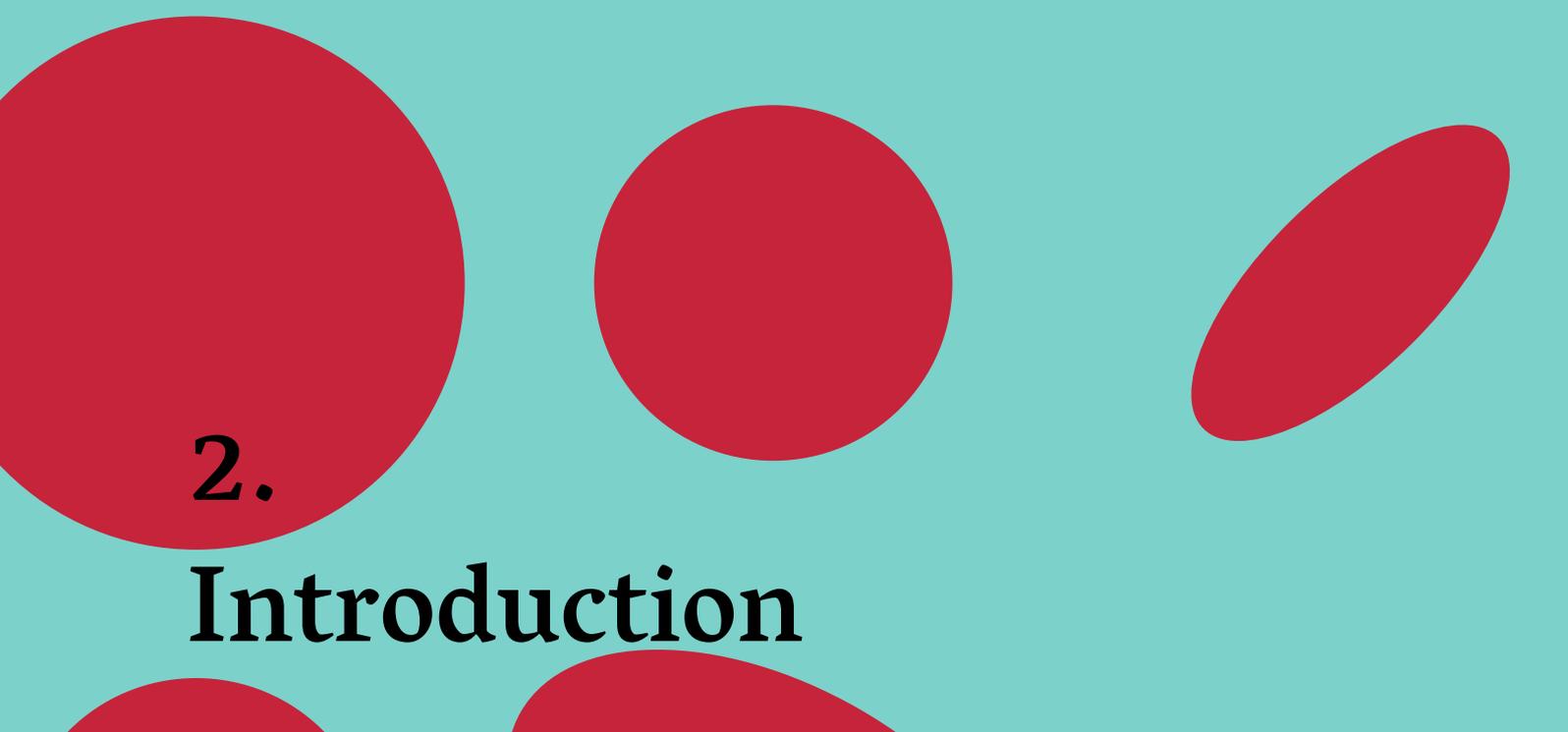
The accounts rendered to parliament in the Netherlands are not traceable or complete and budget checks are inadequate. The Ministers of BZK and Finance, however, intend to submit an amended, more detailed statement of special purpose grants to the House of Representatives as from May 2021.

Recommendations

The Council of State made a series of recommendations in July 2019 to work towards the level of public services required in the Caribbean Netherlands by integrating implementation agendas and pooling finances in an investment fund to be managed by the Minister of BZK as part of the BES Fund. As the recommendations provide for an integrated solution to the problems with special purpose grants considered in this report, we recommend that the government give priority to working out and implementing the Council of State's recommendations.

We further recommend that the Ministers of BZK and Finance prepare comprehensive and correct statements of special purpose grants that include policy-related information on the intended goals and the progress, status and achievement of the projects and activities funded by means of special purpose grants.

The quality of Bonaire and St Eustatius's financial management has been inadequate for many years. We recommend that the Minister of BZK vigorously continue and where necessary accelerate the measures already taken in this area and support the public bodies.



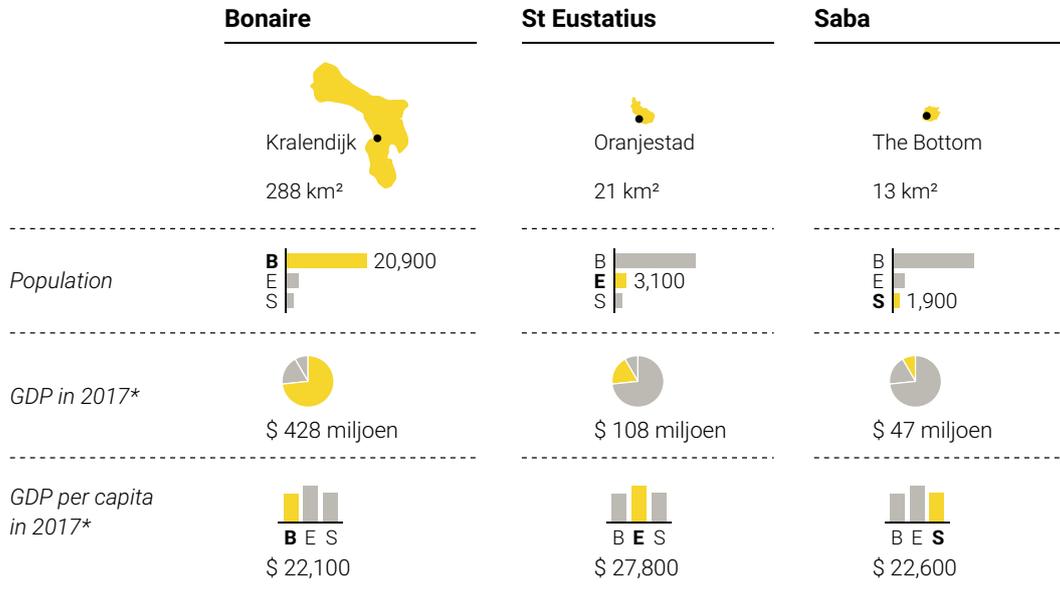
2.

Introduction

The Kingdom of the Netherlands has consisted of the countries of Aruba, Curaçao, St Maarten and the Netherlands since the dissolution of the Netherlands Antilles in 2010. Bonaire, St Eustatius and Saba (the Caribbean Netherlands) have been constituent parts of the country of the Netherlands as public bodies since the same date. Administrative and financial relations between central government and the three public bodies are regulated in the Public Bodies (Bonaire, St Eustatius and Saba) Act (WOLBES), the Public Bodies (Bonaire, St Eustatius and Saba) Finances Act (FINBES) and the allocation of tasks agreed between central government and the public bodies in 2010. On behalf of the government, the Minister of the Interior and Kingdom Relations (BZK) coordinates relations with the Caribbean Netherlands.²

Figure 1: Bonaire, St Eustatius and Saba together form the Caribbean Netherlands.

Bonaire, St Eustatius and Saba have been public bodies and constituent parts of the Netherlands since 2010



Bonaire, St Eustatius and Saba are Dutch public bodies with their own governments analogous to municipalities in the European Netherlands. They differ from municipalities in the European Netherlands in that:

- they are not subject to the Municipalities Act
- they are not part of a province
- they have their own financial supervisor (CFT-BES)
- owing to their isolated location, there is only limited cooperation with other municipalities/public bodies.

*Source: Statistics Netherlands (2020)

2.1 Background to this requested audit

On 2 October 2019 the House of Representatives asked us to audit the special purpose grants that the public bodies of Bonaire, St Eustatius and Saba receive from central government (House of Representatives, 2019). The request was made in the light of a review of the relationship between the Ministry of BZK and the Caribbean Netherlands. We informed the House that we would honour its request by letter of 12 November 2019 (Netherlands Court of Audit, 2019).

2.2 About this report

This audit report answers the questions the House of Representatives put to us:

1. What is the Ministry of BZK's status in the light of the minister's (state secretary's) responsibility for coordinating policy on the public bodies in the Caribbean Netherlands and for relations with them?
2. What mechanisms have been put in place to supervise the regularity, efficiency and effectiveness of the special purpose grants awarded under section 92 of the Public Bodies (Bonaire, St Eustatius and Saba) Finances Act, including payments to develop agriculture?
3. What is the quality of the information provided to the House of Representatives on these grants and payments, including information on the exercise of supervision?

2.3 Structure of this report

This report answers the questions as follows. Chapter 3 looks at the development of special grants awarded to the Caribbean Netherlands, considering them from the perspective of central government expenditure in the Caribbean Netherlands and the public bodies' revenues. Chapter 4 begins by outlining the administrative and financial relations between central government and the public bodies and looks at the Minister of BZK's responsibility for policy coordination. Chapter 5 describes the supervision of the regularity, efficiency and effectiveness of special grants and the exercise of supervision in practice. It also considers whether the information provided to the House of Representatives provides an insight into the regularity, efficiency and effectiveness of special grants. In chapter 6 we present our conclusions and recommendations. The report closes with the government's response and our afterword in chapter 7.

3.

Special purpose grants

Ministers can award earmarked grants to Bonaire, St Eustatius and Saba from their own budgets. The grants can be one-off or temporary, with the minister concerned deciding the purpose and size in advance. They are referred to as special purpose grants and are similar to the special-purpose grants ministers award to municipalities in the European Netherlands.

Examples of special purpose grants³

- \$1.0 million awarded by the Ministry of Agriculture, Nature and Food Quality (LNV)⁴ to Bonaire to develop the agriculture sector.
- \$150,000 awarded by the Ministry of Health, Welfare and Sport (VWS) to St Eustatius to combat obesity.
- \$5.3 million awarded by the Ministry of Economic Affairs and Climate Policy (EZK) to Saba to construct a solar park.

This chapter outlines the development of special purpose grants awarded to the Caribbean Netherlands since 2010. We first describe the legal basis on which ministers can award special purpose grants to Bonaire, St Eustatius and Saba. We then consider special purpose grants in the light of total central government expenditure in the Caribbean Netherlands and the public bodies' revenues. To close, we consider the information sources we used for this audit of special purpose grants.

3.1 Legal basis

Special purpose grants are awarded by or pursuant to an act of parliament analogous with the Grants to Local Government Act. Exceptions can be made in incidental cases provided the grant is awarded for no more than four years.⁵ The Public Bodies (Bonaire, St Eustatius and Saba) Finances Act (FINBES) recognises two types of special purpose grant:⁶

- temporary special purpose grants, which can be awarded by order in council;
- one-off special purpose grants, which can be awarded by ministerial order.

Special purpose grants are awarded from a minister's budget for a specific purpose.⁷ If the funds are not spent on the prescribed goal, or if the goal is not achieved, the minister concerned can reclaim them.⁸ The grounds to justify the award of a special purpose grant are less strict than those required to award special-purpose grants to municipalities in the European Netherlands (see box below).

Grounds for special purpose grants less strict than those for special-purpose grants

Section 16 of the Grants to Local Government Act lays down that central government can award special purpose grants to municipalities in the European Netherlands only in exceptional cases. Municipal tasks should preferably be funded from a municipality's own funds (taxes and levies) or from general grants. This hierarchy indicates that the government must have good reason for not funding local government tasks from a municipality's own funds or a general grant. The hierarchy attempts to allocate funds at local level as effectively as possible while maximising the municipalities' responsibility for their own revenue and expenditure and minimising the administrative burden.

Unlike the Grants to Local Government Act, the FINBES does not require the government to award special purpose grants to Bonaire, St Eustatius and Saba in exceptional cases only. A special grant awarded to a public body therefore requires less justification than a special purpose grant awarded to a municipality in the European Netherlands.

3.2 Financial context

Several funding flows are relevant to the financial relationship between central government and the public bodies and the tasks they perform:⁹

1. **Central government expenditure in the Caribbean Netherlands**, consisting of:
 - a. expenditure on central government tasks (e.g. healthcare and education);
 - b. payments, including special purpose grants, to local governments (e.g. special purpose grants to improve airports);
 - c. transfer income (e.g. state pensions);
 - d. transfers from the BES Fund, from which the public bodies receive general grants.
2. **The public bodies' revenues**, consisting of:
 - a. general grants from the BES Fund;
 - b. income from island taxes and levies;
 - c. special purpose grants from central government.

Besides these revenues, the public bodies can also receive interest-free loans from central government and funds from international organisations and the European Union.

Total central government expenditure in the Caribbean Netherlands has risen from €200.3 million in 2012 to €531.1 million in 2020. The largest expenditure items are healthcare and education (€249.2 million in 2020) and payments to local government (€89.0 million in 2020). The latter includes special purpose grants.

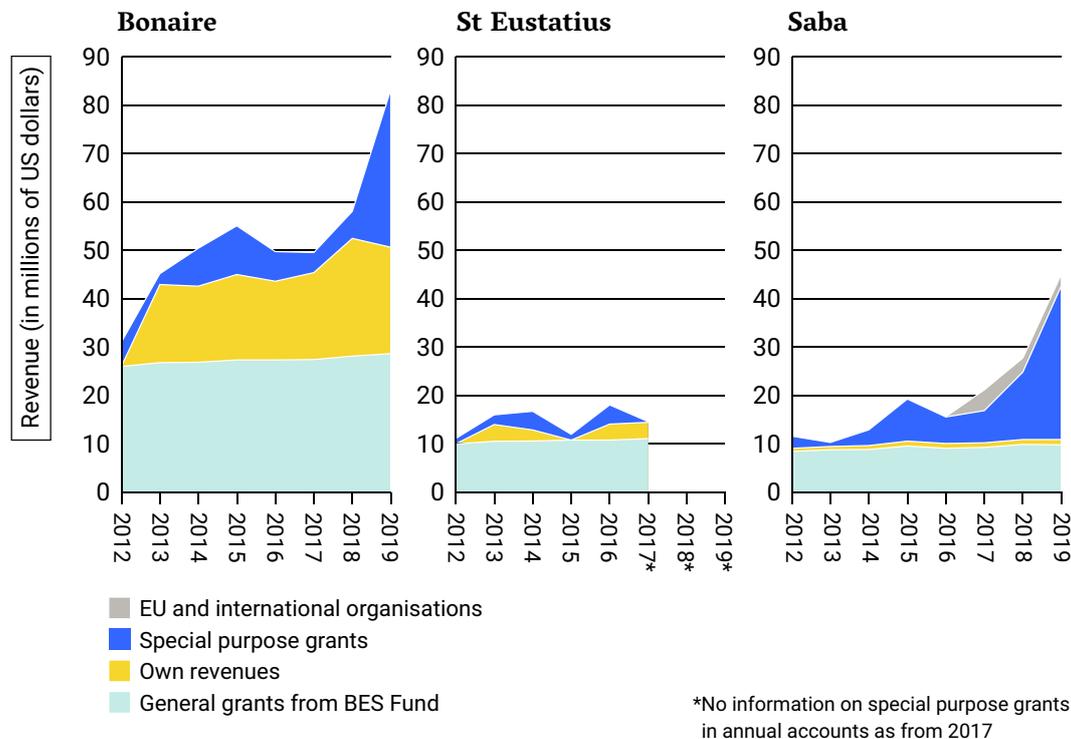
The general grants the public bodies receive from the BES Fund are similar to the general grants municipalities in the European Netherlands receive from the Municipalities Fund. The general grant was set in 2010 based on the allocation of tasks agreed between the public bodies and central government, and on the islands' annual accounts. The amount of the general grant was increased on a structural basis in 2012. Since then, it has been indexed against inflation and, since 2018, wages.

The ministries' annual accounts disclose a limited number of individual special grants. Most are included in the item 'Payments to local governments'. The annual accounts do not specify the individual amounts that make up the item. The public bodies' annual accounts include statements of all the individual special purpose grants they receive. Between 2011 and 2019, ministers awarded 146 special purpose grants worth \$74.2 million to Bonaire and 110 special purpose grants worth \$74.6 million to Saba. Between 2010 and 2016, they awarded a total of 54 special purpose grants to St Eustatius worth \$13.8 million.¹⁰ Special purpose grants are therefore an important source of revenue for the public bodies (see figure 2). The recent increase consists largely of funds granted since 2017 to recover from hurricane damage, funds provided under the administrative agreement known as the Bonaire

and Saba Package and funds from the regional budgetary envelope. The number of special grants that the public bodies must account for has accordingly increased.

Figure 2 Revenue of the public bodies (in millions of US dollars)

Growing proportion of special purpose grants



There are significant differences in the size of the special purpose grants. A third of them amounted to less than \$100,000 but the Minister of Infrastructure and Water Management (I&W) awarded Saba a special purpose grant of \$13.8 million to rebuild its port. Special purpose grants are awarded for a wide variety of reasons: from building a new library and appointing a neighbourhood sports coach to combatting erosion and improving childcare. In most cases, the public bodies themselves are responsible for the tasks and services concerned.

3.3 Information on special grants

The Ministers of BZK and Finance are required by law to submit a statement of special purpose grants to parliament each year. The public bodies also report in their annual accounts on the special grants they receive and spend. Table 1 summarises the financial information on special grants provided by these two sources.¹¹

Table 1 Financial information on special purpose grants, 2011-2019

	Special purpose grants	
	Number	Aggregate amount
Annual letter from Ministers of BZK and Finance to parliament *	Not disclosed	€176,248,143
Public bodies' annual accounts**	310	€133,246,742 ¹²

* As this letter was not submitted in several years, no information is available for 2012.

** Figures for St Eustatius are not available for the years 2017-2019.

Both sources are incomplete. The ministers' statements to parliament do not include figures for 2012. St Eustatius's annual accounts do not include statements of special purpose grants awarded in 2017 and 2018. Furthermore, St Eustatius's annual accounts for 2019 had not been submitted by early April 2021. This is why the aggregate amounts from the two sources do not agree with each other.

The statements the Ministers of BZK and Finance submit to parliament break down the special purpose grants awarded by the ministries as follows (table 2).

Table 2 Financial information on special purpose grants disclosed in letters to parliament, 2011-2019

Ministry	Amount awarded (in euros)
I&W	63,115,390
BZK	59,754,338
OCW	24,328,936
EZK	12,500,000
LNV	8,020,000
VWS	5,574,479
J&V	1,500,000
SZW	1,455,000
Total	176,248,143

We asked the Ministries of BZK and Finance for the information underlying the statements submitted to parliament. We asked for a statement of all special purpose grants awarded and associated documents (orders and decisions). The ministries did not have such a statement and we were thus unable to verify the information submitted to parliament.

We therefore compiled an aggregate statement of all special purpose grants received and spent by the three public bodies between 2010 and 2019 from the public bodies' annual accounts. The information on special purpose grants presented in this report is based on that statement.

4.

Minister of BZK's policy coordination

This chapter answers the House of Representatives' questions regarding the Minister of BZK's coordination of policy: *What is the Ministry of BZK's status in the light of the minister's (state secretary's) responsibility for coordinating policy regarding the public bodies in the Caribbean Netherlands and for relations with them?*

As coordination is based on the statutory arrangement of administrative and financial relations, we first describe those relations and then consider the minister's policy coordination. We close the chapter with the main recommendations made in an advisory report of the Council of State and in the report on the 2019 Interministerial Policy Review (IBO) of Kingdom Relations. These two reports include proposals to increase the effectiveness and efficiency of central government policy in the Caribbean Netherlands by strengthening the Minister of BZK's policy coordination.

4.1 Administrative relationship

The legal basis of the administrative context in which the ministries and public bodies' work and cooperate with each other is the Public Bodies (Bonaire, St Eustatius and Saba) Act (WOLBES). It sets out the positions, tasks and powers of the island councils, governors, executive councils, the joint audit institution¹³ and the joint ombudsman. It also sets out the relationship between the public bodies and central government and the position and powers of the Kingdom representative.

The administrative relationship also determines the allocation of tasks to central government and the public bodies. Tasks are allocated on the principle that as many

as possible are performed at island level. The principle of decentralisation laid down in the Dutch Municipalities Act is also included in the WOLBES (the Minister of BZK '*promotes decentralisation to the municipalities*)¹⁴.

Minister of BZK's policy coordination

The Minister of BZK is responsible for coordinating central government policy on the Caribbean Netherlands. This entails:

- **integrated consideration and prioritisation of policy proposals.** Ministries should consult the Ministry of BZK in advance to discuss policy proposals and measures of relevance to central government policy in the Caribbean Netherlands;¹⁵
- **the public bodies experiencing central government policy as a 'coherent package'.** The Minister of BZK's policy coordination must promote the unity and coherence of the ministries' implementation of central government policy on the public bodies;¹⁶
- **promotion of the public bodies' policy freedom and decentralisation.** The Minister of BZK must promote the public bodies' policy freedom and decentralisation. Measures regarding certain aspects of central government policy are proposed only if they cannot be promoted efficiently and effectively by the island authorities.¹⁷

4.2 Financial relationship

The legal basis of the financial context in which the ministries and public bodies work and cooperate with each other is the Public Bodies (Bonaire, St Eustatius and Saba) Finances Act (FINBES). The FINBES sets out the positions, tasks and powers of the Board of Financial Supervision for Bonaire, St Eustatius and Saba (CFT-BES), the Minister of BZK, the Minister of Finance, the ministers of the other ministries, the island councils and the island executives with regard to the public bodies' finances. It also sets out the arrangement of the public bodies' financial function – including their budgets and the annual accounts. Furthermore, the FINBES lays down the public bodies' powers to raise local taxes, the financial relationship with central government – including the BES Fund – and special purpose grants.

Under the FINBES, ministers should consult the Ministers of BZK and Finance in a timely manner to discuss special grant proposals.¹⁸ The Minister of Finance carries out budget checks. The FINBES also states that where central government policy proposals lead to a change in the public bodies' performance of their tasks or activities, the financial consequences for the public bodies should be assessed and supported by quantitative data. The funding method proposed to absorb these financial consequences for the public bodies must also be explained. Ministers must

consult the Ministers of BZK and Finance to discuss such proposals in a timely manner.¹⁹ The Ministers of BZK and Finance must also be consulted if a special purpose grant awarded to improve services in the Caribbean Netherlands will lead to higher structural costs for the public bodies.

4.3 Coordination in practice

Our audit found that the Minister of BZK did not coordinate policy in the Caribbean Netherlands effectively.

Growing number of earmarked special purpose grants reduces the public bodies' policy freedom

Firstly, central government is substantively and financially involved – sometimes intensively – in various tasks that are a responsibility of the public bodies.²⁰ Financial involvement usually, but not always, takes the form of special purpose grants that are awarded to the public bodies in order to improve socioeconomic conditions, deliver improvements and reduce the cost of services to citizens and businesses. The growing proportion of special purpose grants (earmarked payments) and the falling proportion of general funds in the public bodies' total revenues is at odds with the goal of promoting the public bodies' policy freedom. Bonaire, St Eustatius and Saba have become more dependent on central government in recent years.

Required coordination of special purpose grant proposals is limited, but there are signs of improvement

There is only limited coordination of special purpose grant proposals between ministers and the Minister of BZK. Where prior coordination does take place, it is often informative in nature. However, the Minister of BZK is sometimes not informed of a special purpose grant until it is or has been awarded. We found that the Ministers of BZK and Finance were not actively fulfilling their tasks of coordinating policy and carrying out budget checks respectively.

As only limited coordination takes place, the Minister of BZK cannot effectively monitor the unity and coherence of the projects financed by means of special purpose grants. Nor can she guarantee that the long-term consequences for the public bodies are considered in advance when ministries propose a special purpose grant.

Steps have been taken to improve this situation in recent years. The administrative agreements between central government and Bonaire (2018) and Saba (2019) and the interministerial BES(t) 4 Kids programme are good examples of a more integrated

and coherent approach to improving socioeconomic conditions in the Caribbean Netherlands and effective coordination of the ministries' measures.

Lack of consideration for financial consequences of improvements delivered by special purpose grants

Ministers have awarded many special purpose grants of varying natures and sizes under the Special purpose Grants for Integrated Projects in Bonaire, St Eustatius and Saba (Temporary Measures) Decree.²¹ From central government's perspective, these special purpose grants are pooled, but from the public bodies' perspective, they represent a large and growing number of special purpose grants that they have to administer and account for (see chapter 2).

We found that almost none of the ministers considered the structural financial consequences of the improvements delivered or to be delivered by special purpose grants, such as higher maintenance costs. Most special purpose grants are awarded to improve socioeconomic conditions or services for which the public bodies are responsible but lack sufficient funds. When ministers propose awarding a special purpose grant, they often fail to consider the potential structural financial consequences for the public bodies and how they will be met. The waste management case considered in the box below is a good example of this.

Special waste management grant awarded to Saba

Saba received a \$1.5 million special purpose grant from the Ministry of Infrastructure and Water Management (I&W) in 2014 to invest in a waste separation plant. According to the State Secretary for I&W lack of waste separation and recycling was a risk to the public health, nature and economy of the Caribbean Netherlands. (Ministry of I&W, 2013). It was therefore decided to modernise waste management on Saba.

The special grant entailed a change in the public body's waste management tasks but the Ministry of I&W failed to explain the financial consequences for Saba. The net cost of waste management has risen to about \$1.3 million per annum since 2014. Saba has had to meet this higher, structural cost from its own budget.

The financial consequences of some projects financed by special purpose grants have been taken into account. For example, the Minister of Education, Culture and Science (OCW) awarded special purpose grants to Bonaire, St Eustatius and Saba to

improve educational buildings. To ensure that the public bodies would have sufficient funds to maintain and replace the improved accommodation, the Minister of OCW increased the general grant by \$1.6 million as from 2012.

Not taking the structural financial consequences of improvements to be delivered by special grants into account leads to two efficiency problems. Firstly, the ministers and public bodies do not consider the full costs and benefits (incidental and structural) in advance. This creates the risk of socially inefficient projects where the costs outweigh the benefits.

Secondly, if no allowance is made for the financial consequences for the public bodies, public services in the Caribbean Netherlands are likely to deteriorate again and the central government will again have to intervene to eliminate the resultant socioeconomic disadvantages. As general grants from the BES Fund are indexed against prices and wages and no allowance is made for the potentially higher cost of improved services, there is a real risk that the general grant will be too low to meet the maintenance budget required for the improved services and socioeconomic conditions.

An associated problem is that the general grant takes no account of population growth in the Caribbean Netherlands. Population size, however, determined the amount of the general grant, which was set by means of a baseline survey performed for the Minister of BZK in 2012 (Ideevera, 2012). By departing from the system underlying the general grant, the Minister of BZK runs the risk that, on account of demographic change, the general grant does not provide the funds necessary to finance the public bodies' tasks.

4.4 Recommendations of the Council of State and the Interministerial Policy Review of Kingdom Relations

Various studies and evaluations have concluded that central government policy on the Caribbean Netherlands is disjointed and fragmented and that central government funding is opaque (e.g. Spies Committee, 2015). In response, an Interministerial Policy Review (IBO) of Kingdom Relations was published in June 2019 and the Council of State published an advisory report in July 2019.

Both reports include proposals to improve the effectiveness and efficiency of central government policy in the Caribbean Netherlands by strengthening the Minister of BZK's policy coordination. The reports' main recommendations regarding special grants were:

- make a distinction between a transition phase to improve socioeconomic conditions and a desired, more stable steady state;
- working during the transition phase with integrated implementation agendas for each public body;
- augment the BES Fund with an investment fund that pools the resources available to improve socioeconomic conditions. The investment fund should be managed by the Minister of BZK for the phased financing of the implementation agendas;
- expand the statement of central government expenditure in the Caribbean Netherlands in the Ministry of BZK's budget and improve the transparency for parliament of the various funding flows to the Caribbean Netherlands.

Government response to the Council of State's advisory report and the IBO

In response to the Council of State's advisory report and the IBO, the government confirmed in a letter to the House of Representatives in October 2019 that the diversity of funding flows and uncertainty in the allocation of tasks to central government and the public bodies impeded the Minister of BZK's policy coordination and reduced insight into the relationship between expenditure and policy (BZK, 2019a).

Further to the government's response, the Minister of BZK launched a programme to enrich and clarify the allocation of tasks and so improve the match between the public bodies' tasks and their capacities.

The government has taken a series of measures to strengthen the Minister of BZK's policy coordination. It will follow up on the IBO and the Council of State's recommendation to expand the statement in the Ministry of BZK's budget of central government expenditure in the Caribbean Netherlands. The government will use the statement to link expenditure to results in order to improve the Minister of BZK's assessment and management of policy on the Caribbean Netherlands. The statement should also improve the transparency to parliament of the various funding flows by making a distinction between funds for island tasks and those for central government tasks, identifying incidental and structural funding and naming recipients.

The government has undertaken to retain the current ministerial consultation structure in which the Caribbean Netherlands Steering Group is the gatekeeper to the cabinet. To improve transparency, the coherence of plans and integrated policy

formulation, all the ministries' budgetary plans will be discussed by the Caribbean Netherlands Steering Group in spring 2021. During its preparation of the 2021 budget, the government considered the Council of State's recommendation to add an investment fund to the BES Fund. We understand from the Ministry of BZK that studies have been carried out and the Minister of BZK is preparing a decision on the matter.

5.

Supervision of special purpose grants

This chapter answers the following two audit questions that the House of Representatives asked:

- What mechanisms have been put in place to supervise the regularity, efficiency and effectiveness of the special grants granted under section 92 of the Public Bodies (Bonaire, St Eustatius and Saba) Finances Act, including payments to develop agriculture?
- What is the quality of the information provided to the House of Representatives on these grants and payments, including information on the exercise of supervision?

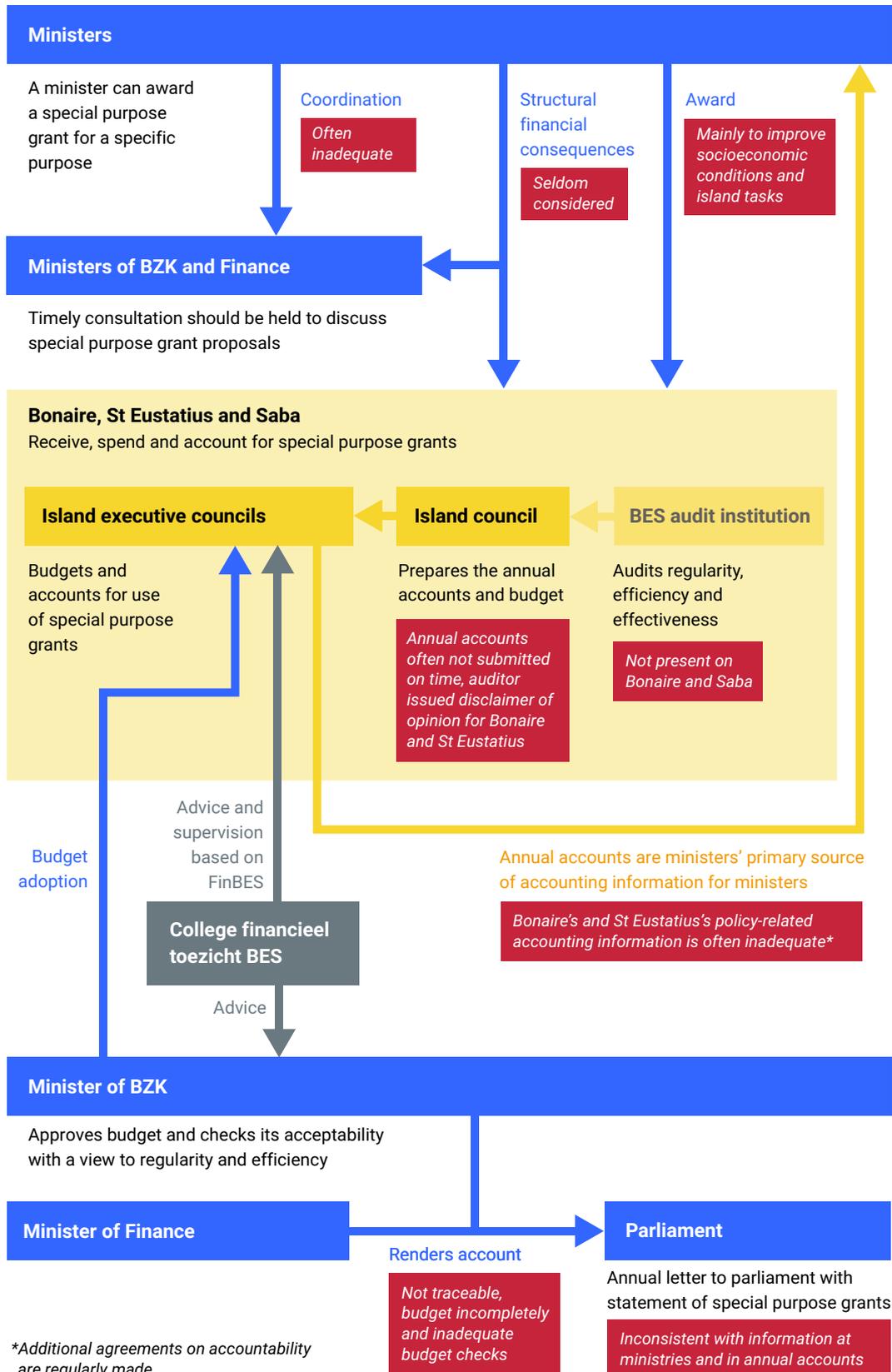
The framework to prepare and organise the public bodies' budgets and accounts, financial management and financial supervision is formed by the FINBES, WOLBES, Public Bodies (Bonaire, St Eustatius and Saba) Budget and Accounts Decree (BBV BES) and island ordinances on financial management (BZK, 2018). Supervision of the regularity, efficiency and effectiveness of special grants falls under this framework.

5.1 Legal organisation

The FINBES, WOLBES and the island financial management ordinances empower several parties to supervise the regular, efficient and effective use of special purpose grants (see figure 3).

Figure 3: Supervision of the regular, efficient and effective use of special grants

Problems with special purpose grants at several steps in the process



Supervisory tasks and roles have been allocated to the following actors.

5.1.1 Ministers

Every minister can, subject to condition, award a special purpose grant to a public body to perform a specific public task.²² A minister should hold timely consultations with the Ministers of BZK and Finance to discuss a proposal to award a special purpose grant.²³ If the special purpose grant is not spent on the required goal or if the goal is not delivered, the minister can recover the funds.

The Minister of BZK prepared an interministerial policy framework in 2012 to set out common rules for special grants (BZK, 2012). The policy framework names the public bodies' annual accounts as the primary source of accounting information on special purpose grants. The accounts can include information that enables the minister to account to parliament.

The policy framework also states that ministers can rely on the accuracy and completeness of the accounting information on special purpose grants because the CFT-BES oversees their preparation. The policy framework requires every new or amended special purpose grant to be submitted to the cabinet for approval in accordance with the procedure in place for special-purpose grants awarded to municipalities in the European Netherlands.

5.1.2 The Minister of BZK

The Minister of BZK must approve the budgets adopted by the island councils and verify their acceptability with a view to the regularity, efficiency and auditability of financial management.²⁴ The use of special purpose grants should be disclosed in the budget because the public bodies may not incur expenditure that is not included in their approved budgets or budget amendments.²⁵

5.1.3 The Ministers of BZK and Finance

In analogy with section 20 of the Grants to Local Government Act, the FINBES states that the Ministers of BZK and Finance must publish '*a statement of the special grants, with the amounts reserved for them in the current budget, on the third Wednesday of May each year*'.²⁶ The statement should disclose the special purpose grants that the public bodies are eligible for and the amounts reserved for them in the current budget.²⁷

5.1.4 Board of Financial Supervision

The FINBES names the CFT-BES as adviser to the public bodies, and tasks the Minister of BZK with supervision of the public bodies' compliance with the FINBES, including its provisions on the execution of the budget and budget accountability, financial management and administrative organisation.²⁸ The CFT-BES has the power to engage an auditor to examine the regularity and efficiency of the management conducted or carry out an audit of the management and design of the financial organisation.²⁹

5.1.5 The island councils

The island councils adopt the budgets, annual accounts and annual report and issue island ordinances regarding the assessment of the regularity of financial management and the design of the financial organisation.³⁰ At the request of an island council, the BES audit institution can carry out an audit of the regularity, efficiency and effectiveness of the management conducted by the island's administrators.³¹

5.1.6 The island executives

The island executives render account in their annual accounts for the management conducted and the receipt and use of special purpose grants and other funds³² and state what policy goals, social outcomes and results have been delivered and at what cost.³³ The island executives must prepare a statement of special purpose grants and include it in their annual accounts. For each special purpose grant and each year, they must state the opening balance, amounts received, costs and closing balance.³⁴ The island executives are also responsible for ensuring the financial records are designed so as to promote the regularity, efficiency, effectiveness and audit of the management conducted and accountability for it.³⁵

5.1.7 The BES audit institution

The joint audit institution audits the efficiency, effectiveness and regularity of the management conducted by the islands' administrators.³⁶ It can carry out an audit at the request of one or more of the island councils.³⁷

5.1.8 The Dutch parliament

The Ministers of BZK and Finance submit an annual statement to parliament of the special purpose grants and the amounts reserved for them in the current budget.³⁸

5.2 Supervision in practice

Our audit found shortcomings in the public bodies' supervision of the regularity, efficiency and effectiveness of the use of special purpose grants on Bonaire and St Eustatius. The causes of these shortcomings were the submission of annual accounts to the island councils after their due date, often with the auditor issuing a disclaimer of opinion on them, and the accounts of Bonaire and St Eustatius often being inadequate. Saba does account adequately for special purpose grants in its annual accounts; the auditor has issued an unqualified opinion on them since 2014. Bonaire and Saba do not yet have an audit institution. St Eustatius has had a Court of Audit since 2020. Finally the account rendered to the Dutch parliament is not traceable or complete and budget checks are inadequate. These shortcomings are shown in red in figure 3.

5.2.1 The public bodies' annual accounts

Disclosures in the public bodies' annual accounts should provide an insight into the regularity of the use of special grants. An unqualified auditor's opinion has been expressed on the reliability and regularity of Saba's annual accounts since 2014.³⁹ Saba's annual accounts also include financial information on special grants. The auditor did not express an opinion on the reliability and regularity of Bonaire's and St Eustatius's annual accounts. Furthermore, St Eustatius's accounts for 2017 and 2018 do not include a statement of special purpose grants and the accounts for 2019 had not been submitted by early April 2021.

5.2.2 Accounting information

In accordance with the policy framework in place for special grants, the public bodies' annual accounts are the ministers' primary source of information to account for the progress and goals delivered by the projects funded by means of special grants. Decisions to award a special purpose grant, moreover, can include agreements on the required progress and accounting information, and staff at the ministries are in regular contact with the public bodies regarding the progress of projects funded by special purpose grants. Accounting for special grants places a relatively onerous administrative burden on the public bodies.

Where policy-related information to account for special purpose grants is prepared by or in cooperation with the public bodies in the form of interim or final reports, extensive and detailed information is provided on the use of special purpose grants and the results and goals attained. In some cases, ministers' letters to parliament

or the ministries' annual reports refer to these reports. The BES(t) 4 Kids project considered in the box below is a good example of this.

BES(t) 4 Kids project

To improve the quality of childcare and make it more widely available in the Caribbean Netherlands, the Ministers of SZW, OCW, VWS and BZK and the public bodies together decided to award structural funds via a special grant for the BES(t) 4 Kids project until 2022. In 2020, €9.8 million was provided from the regional budgetary envelope. Concrete steps will be taken in 2020 and 2021 to arrive at a structural financing arrangement.

The BES(t) 4 Kids project is seen by stakeholders as an example of good cooperation between central government and the public bodies. The stakeholders are well informed of project developments and the ministers concerned have sent several letters to inform parliament about the project's progress.

Most of the available interim and final reports also consider how the results attained can be embedded. Saba and Bonaire's final reports on the special waste management grant and the special agriculture grant awarded by the Ministry of I&W and the Ministry of LNV respectively are good examples of this. The box below looks at the final report on agricultural projects on Bonaire.

Agriculture on Bonaire

Since 2010 the public body of Bonaire has received two special grants from the Ministers of EZK and LNV totalling about \$2.8 million for the development of the agricultural sector. The annual letter to parliament and Bonaire's annual accounts do not include any information on the two projects' goals or progress.

The POP Bonaire programme was launched in 2014 to promote sustainable farming and rural development. The detailed final report prepared in 2019 after the programme's completion states that between 2014 and 2018 the programme laid the foundations for the development of market-driven horticulture, an agriculture knowledge centre (three horticulture manuals and a workbook on sustainable goat farming), professionalisation of goat farming, rural tourism (tourist routes) and rural development. It has been agreed that annual reports will be issued on the use of follow-up special grants awarded by the Ministry of LNV and the activities funded by them. This accounting information can be included in the public bodies' annual reports and accounts.

We analysed the financial and policy-related information in the available annual accounts of the public bodies.⁴⁰ An analysis of the cumulative receipt and use of special purpose grants found that the public bodies had spent a growing percentage of the funds they had received, although there was a decline in the percentage spent in 2019 owing to the increase in special purpose grants awarded in recent years for multiyear projects. The cumulative special purpose grants received and spent in 2011-2019 are shown in appendix 3.

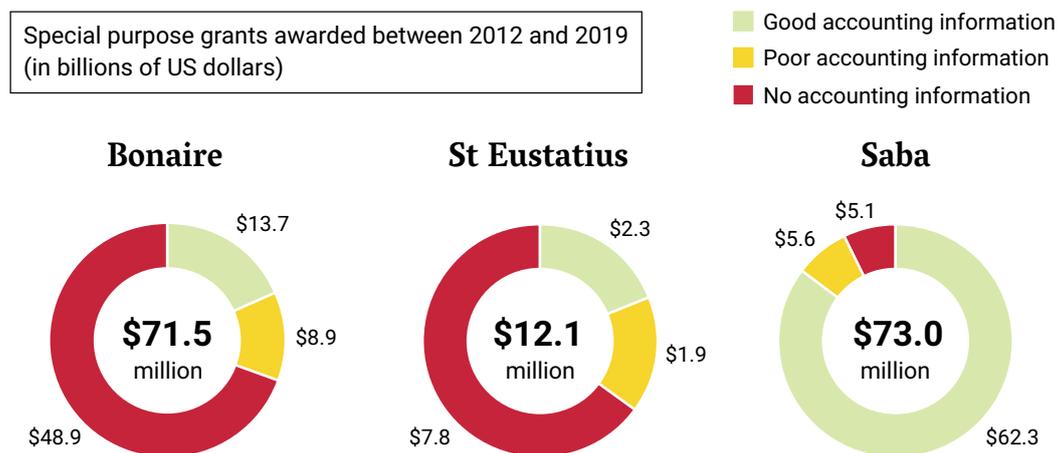
We divided the quality of the policy-related accounting information into three categories:

- 'good accounting information' (green): the annual accounts include information on the progress and results delivered;
- 'poor accounting information' (orange): only limited information on the results delivered;⁴¹
- 'no accounting information' (red): no progress information.

The analysis is summarised in figure 4.

Figure 4: Quality of policy-related accounting information on special grants in the annual accounts of Bonaire, St Eustatius and Saba (in millions of US dollars).

Very little policy-related accounting information in annual accounts of Bonaire and St Eustatius



The analysis produced the following picture. In 68.4% of cases where all or part of a special purpose grant was awarded to and/or spent by Bonaire, the annual accounts included no policy-related accounting information. The annual accounts presented no information whatsoever on the progress or results of the projects and activities funded by special purpose grants. In 12.4% of cases, we qualified the policy-related information

as 'poor', in 19.2% as 'good'. We conclude from this that the annual accounts contain no accounting information on most of the special purpose grants awarded to Bonaire.

The picture for St Eustatius is similar. The annual accounts contained no policy-related information to account for 65% of the special purpose grants awarded to and/or spent by St Eustatius. In 15.8% of cases, we qualified the policy-related accounting information as 'poor' and in 19.2% as 'good'.

Both the financial and policy-related information on special purpose grants in Saba's annual accounts were good. In 85.3% of the cases, we qualified the policy-related accounting information on special purpose grants awarded to and/or spent by Saba as 'good', in 7.7% of cases as 'poor' and in 7% of cases there was no accounting information.

5.2.3 Provision of information to parliament

In 2011, 2014, 2019 and 2020, the Ministers of BZK and Finance sent a statement of special purpose grants to parliament. In June 2019, the State Secretary for BZK informed the House of Representatives that this annual publication requirement had not been met since 2015. The minister subsequently sent a retrospective statement to parliament of the actual amounts awarded in the years 2015 to 2018. The format and information value of this statement of special purpose grants differ from the statement of special purpose grants awarded to municipalities in the European Netherlands (see box below).

Statements of special-purpose grants awarded to municipalities in the European Netherlands and special grants awarded to Bonaire, St Eustatius and Saba

The statutory publication requirement under section 94 of the FINBES is analogous with that in section 20 of the Grants to Local Government Act. The statements of special grants (awarded to the public bodies) and of special-purpose grants (awarded to municipalities in the European Netherlands) that the Ministers of BZK and Finance send to the House of Representatives⁴² differ from each other regarding their format and information value. The former is limited to the total amount of actual and budgeted special grants per ministry with a brief, incomplete explanatory note on each special grant's purpose. It contains no further information on the actual and budgeted amounts of each special grant or on the goals and/or status of the projects funded. On the basis of such information, parliament cannot assess whether the objectives are being delivered.

To date, the Ministry of BZK has based the statement to parliament on information requested from each ministry. The Ministry of Finance carries out a budget check of the information in the statement. It has stated, however, that it does not have the underlying information necessary to carry out the check and therefore confines itself to checking the plausibility of the information in the statement.

The Ministers of BZK and Finance do not have a statement of or an insight into the special purpose grants awarded to the public bodies. We cannot reconcile the financial information in the letters to parliament with the information in the public bodies' annual accounts (see chapter 2).

Further to the recommendations in the Council of State's report and the IBO of Kingdom Relations, the government is mapping out how the statement of special purpose grants can be expanded to increase insight into the financial support provided to the Caribbean Netherlands (BZK, 2020). The Ministry of BZK has been working out how to improve the statement of special purpose grants since May 2021.

5.2.4 BES audit institution

Contrary to the provisions of the WOLBES and the FINBES, the public bodies have not had an audit institutions for the past 10 years. In anticipation of an amendment to the law, a Court of Audit became operational on St Eustatius in 2020. In our audit of the budget chapter for Kingdom Relations (Caribbean Netherlands) for 2015, we stressed the importance of having a local audit institution in the Caribbean Netherlands to strengthen the transparency of public accountability and audit at local level, as it is at municipal, provincial and national level in the European Netherlands (Netherlands Court of Audit, 2016). By examining the use of public funds, an audit institution contributes to the transparency of public accountability.

5.2.5 Policy framework for special purpose grants

According to the Ministry of BZK, the policy framework it prepared and agreed with the House of Representatives in 2010 for the ministries to award special purpose grants to the public bodies was used for several years but is no longer applied on account of 'a new reality'. The Ministry of BZK explained that the policy framework was no longer applicable owing to the increase in the number of special purpose grants.

6.

Conclusions and recommendations

On the basis of the audit requested by the House of Representatives, we conclude that:

- the Minister of BZK has not fully succeeded in strengthening the coherence of central government policy in the Caribbean Netherlands or promoting the public bodies' policy freedom. Steps have been taken to improve coordination of central government policy on the public bodies by means of the administrative agreements concluded between the Netherlands and Bonaire and Saba;
- there are shortcomings in the supervision of the regularity, efficiency and effectiveness of expenditure;
- the information the Ministers of BZK and Finance share with parliament is not traceable, provides no insight into the results achieved and cannot be reconciled with information provided by the public bodies.

The financial relationship between central government and the public bodies is not in balance: earmarked special purpose grants have increased sharply as a percentage of the public bodies' revenues in recent years: from 12% in 2012 to 45% in 2019.⁴³ Special purpose grants are used principally to improve socioeconomic conditions and services that the public bodies are responsible for. However, there are not enough safeguards in place to ensure the public bodies have sufficient funds to sustain any improvements that are made.

There is also little coherence in the financial relationship between central government and the public bodies. Ministers award special purpose grants for many diverse activities; advance coordination is required with the Ministers of BZK and Finance but

rarely takes place. These ministers do not have information on or an insight into the special purpose grants that central government awards to the public bodies.

Part of this problem has already been described in the Council of State's advisory report to the government in July 2019. The Council of State made recommendations to improve socioeconomic conditions in the Caribbean Netherlands. The main points relate to:

- making a distinction between a transition phase to improve socioeconomic conditions and a desired more stable steady state;
- working during the transition phase with integrated implementation agendas for each public body;
- adding an investment fund managed by the Minister of BZK to the BES Fund to finance the activities in the implementation agendas.

The Council of State's advisory report proposes that the Minister of BZK should manage the investment fund. She would thus gain an instrument to coordinate the ministers' efforts and thus improve the efficiency of expenditure. By pooling and phasing the funds spent on improving socioeconomic conditions, central government could work coherently and efficiently towards the desired steady state ⁴⁴ for the Caribbean Netherlands and better manage the accountability burden on the public bodies.

Recommendation 1: work out and implement the Council of State's recommendations

We recommend that the government give priority to working out and implementing the recommendations in the Council of State's advisory report. The advisory report proposes an integrated solution to the problems surrounding special purpose grants discussed in this audit report.

To gain more insight into and control over the financial relationship between central government and Bonaire, St Eustatius and Saba, we make the following 2 further recommendations to the Ministers of BZK and Finance.

Recommendation 2: draw up comprehensive and accurate statements of special purpose grants

We find it positive that the Ministers of BZK and Finance intend to expand the annual statement of special purpose grants they send to parliament in May 2021. We recommend that the Ministers of BZK and Finance prepare a comprehensive and accurate statement that includes policy-related information on the intended goals and the progress, status and achievements of the projects and activities funded by special purpose grants.

Recommendation 3: put the financial management of Bonaire and St Eustatius in order

The quality of Bonaire and St Eustatius's financial management has been inadequate for many years. We drew attention to this in our accountability audits for 2018 and 2019. Without orderly and auditable financial management, Bonaire and St Eustatius cannot produce reliable information on the expenditure they incur. We recommend that the Minister of BZK vigorously continue and where necessary accelerate the measures taken in this area and support the public bodies.

7.

Response of the government and the Court of Audit's afterword

The State Secretary for the Interior and Kingdom Relations (BZK) responded to our draft report on behalf of the government on 4 June 2021. His response is summarised below. We have published the full response on our website at www.rekenkamer.nl. We close this chapter with our afterword.

7.1 Response of the government

Coordination of special purpose grants

The government recognises our findings regarding the Ministries of BZK and Finance's coordination of special purpose grants. The ministers concerned and the Ministers of BZK and Finance do not always coordinate special purpose grants. The Council of State and the Interministerial Policy Review of Kingdom Relations came to the same conclusion. The State Secretary for BZK notes that the government has taken remedial steps. The statement of central government expenditure in the Caribbean Netherlands in budget chapter IV, Kingdom Relations, for instance, has been expanded and better use is made of the main budget decision moment by weighting and prioritising policy frameworks. Finally, the statement of special purpose grants has been improved and elaborated upon.

The State Secretary for BZK explained that the current government had improved coordination, in part by improving interministerial consultation structures and making multi-year plans and through administrative agreements. He acknowledges that further improvements are still possible in the coordination and consultation between

the ministries and BZK and Finance. The government is studying opportunities to appoint an official committee to which all special grants must be put for assessment. The ministry concerned will remain responsible for the grant.

Policy freedom of public bodies

The State Secretary for BZK takes a different perspective to our conclusion that, given his responsibility for coordination, he inadequately promotes the public bodies' policy freedom. He admits that more use is being made of special purpose grants than in the past but this is in keeping, he writes, with the government's conscious decision to manage and steer some island tasks more directly. Special purpose grants allow the government to do so. Given the number of special purpose grants (more than 300 in 2011-2019), the government wonders whether they are necessary in all cases, partly in view of the implementation burden they place on the public bodies. The government recognises that attention needs to be paid to the structural funding of island tasks. This issue will be considered when the review of the allocation of tasks between central government and the public bodies has been completed.

Supervision of the regularity and efficiency of expenditure

The government acknowledges that financial management in the Caribbean Netherlands (especially on Bonaire and St Eustatius) has been a matter of concern for many years. Priority should be given to improving the situation in the years ahead. Annual accounts submitted by the public bodies after their due date, with a disclaimer of audit opinion or other qualification automatically affect the government's own accountability for special purpose grants to parliament. This calls into question whether the agreed procedure of accounting to parliament on the basis of the public bodies' annual accounts is still appropriate. At the same time, the State Secretary for BZK does not want to increase the administrative burden on the public bodies, especially not on Saba, which adequately accounts for special purpose grants every year. The government expects the audit institutions on Bonaire and Saba – like that on St Eustatius – to be operational soon. This will help strengthen supervision of regularity and efficiency.

Provision of information to parliament

The government recognises that there are shortcomings in the provision of information on special purpose grants to parliament. The State Secretary for BZK admits that the statement of special purpose grants is drawn up as a memorandum account and BZK and Finance thus have to rely on information provided by the ministries concerned. The provision of information on special purpose grants can be improved

further in the years ahead. Nevertheless, the Ministries of BZK and Finance's understanding of the grants and improvements in the provision of information to parliament are matters of concern.

Recommendations

The State Secretary writes that our recommendations closely match the initiatives the government has already taken. The government expects the next government to vigorously continue them.

7.2 Court of Audit's afterword

Although the new statement of special purpose grants that the Ministers of BZK and Finance sent to the House of Representatives on 1 June 2021 fell outside the scope of our audit, in our opinion the information it provides on intended results, monitoring and attainment represents a meaningful improvement. We expect the Ministers of BZK and Finance to keep the underlying accounts as accurately as possible and ensure they are consistent with the public bodies' annual financial statements. The information provided in letters to the House will then be traceable, complete and correct. We consider the current improvements to be important steps to strengthen the government-wide coordination of policy in the Caribbean Netherlands and the provision of information to parliament.

The current situation, in which many special purpose grants are awarded every year, however, is not yet conducive to a sustainable financial relationship between central government and the public bodies. We stress the importance of striking the right balance between policy freedom on the one hand and improving socioeconomic conditions in the Caribbean Netherlands by means of financial support from the Netherlands on the other. The improvements need not always be managed and steered by central government. The public bodies could be given more responsibility for them, certainly if local finances are in order and small amounts are involved that impose a relatively high accountability burden on both the Caribbean Netherlands and the European Netherlands. Striking the right balance is ultimately a question for the government and parliament.

Appendices

Appendix 1 Cumulative special grants received and spent

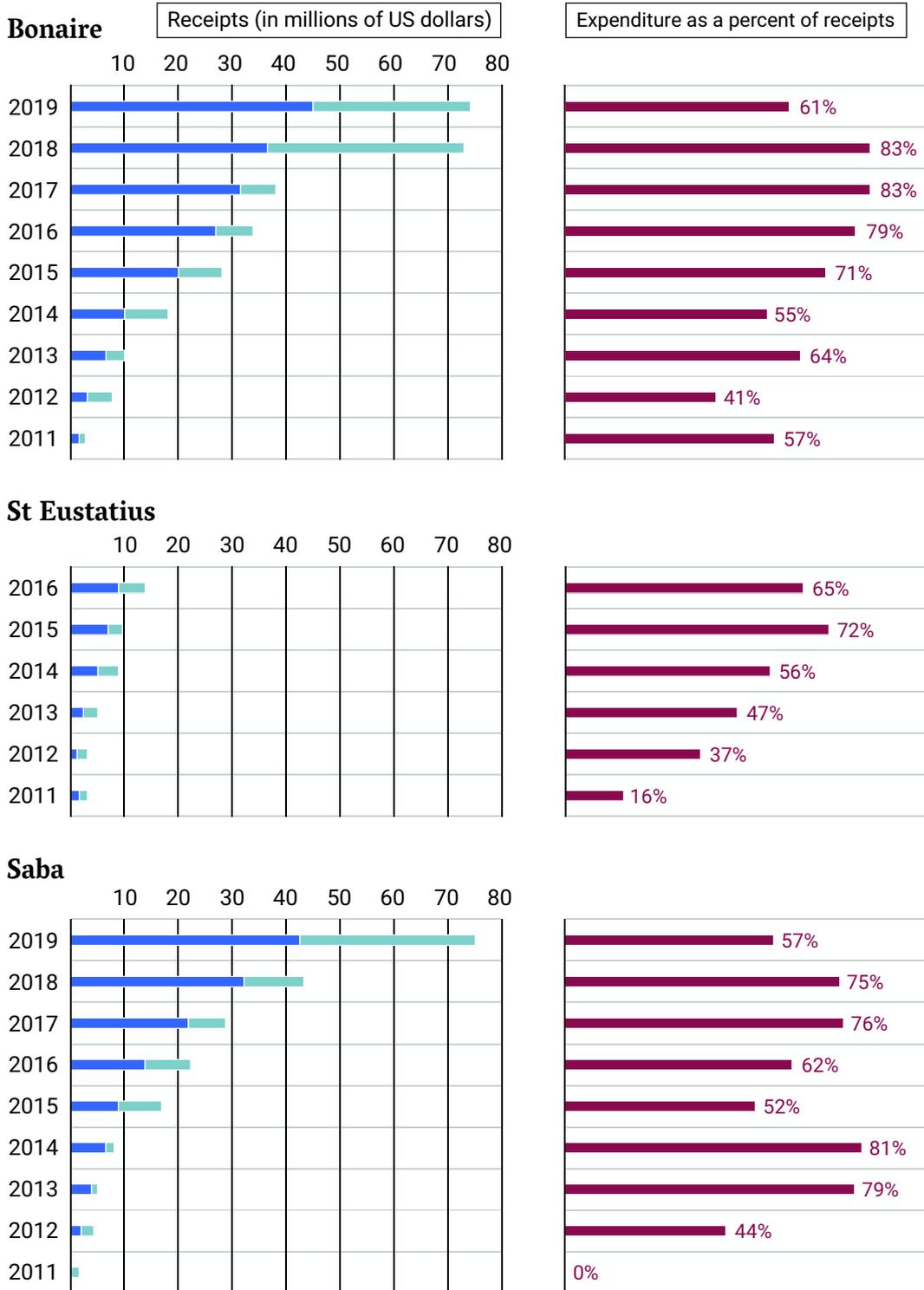
The figure below shows the cumulative special grants received and spent and the percentage of the grants spent by the public bodies each year. Expenditure as a percentage of total grants awarded has increased over time at all three public bodies: an ever higher percentage of the special grants received has been spent.

Bonaire spent 57% of the grants it was awarded in 2011. By 2018, the figure had increased to 83%. It fell again in 2019 on account of the recent increase in funds awarded for multiyear projects that have not yet been completed. On St Eustatius, expenditure increased from 11% in 2011 to 65% in 2016. The annual accounts for 2017-2019 contain no information on special grants. On Saba, the proportion spent increased from 44% in 2012 to 75% in 2018. The figure fell again in 2019 on account of the increase in funds awarded for projects that have not yet been completed.

Figure 5: Cumulative special grants received and spent

Growing percentage of special purpose grants actually spent

■ Expenditure ■ Unspent funds



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Public Bodies (Bonaire, St Eustatius and Saba) Act 2010. Act of 17 May 2010 regarding the public bodies of Bonaire, St Eustatius and Saba.

Appendix 3 Audit methodology

The methods we applied to carry out this requested audit are explained in this appendix.

Request

The House of Representatives asked us on 2 October 2019 to carry out an audit of the special grants that the public bodies of Bonaire, St Eustatius and Saba receive from central government. We honoured the request by letter of 12 November 2019 (Netherlands Court of Audit, 2019).

The House of Representatives asked us the following audit questions:

1. What is the Ministry of BZK's status in the light of the minister's (state secretary's) responsibility for coordinating policy regarding the public bodies in the Caribbean Netherlands and for relations with them?
2. What mechanisms have been put in place to supervise the regularity, efficiency and effectiveness of the special grants awarded under section 92 of the Public Bodies (Bonaire, St Eustatius and Saba) Finances Act, including payments to develop agriculture?
3. What is the quality of the information provided to the House of Representatives on these grants and payments, including information on the exercise of supervision?

Method

To answer the audit questions, this report provides a reasoned, general picture of the special grants awarded since 2010, the context in which they were awarded and the regulation and performance of supervision. The picture is based on analyses of information requested and received about the special grants (including budgets, annual accounts and reports, decisions, internal policy documents, letters to parliament, etc.) and on interviews held for this audit with stakeholders at various ministries and the public bodies. This audit report does not include an opinion on the regularity, efficiency and effectiveness of individual special grants.

Analysis of financial information and policy-related accounting information

As the Ministries of BZK and Finance did not have an aggregate statement or accounts of the special grants awarded, we drew on three other sources to prepare such a statement ourselves:

- a. information in the annual statements the Ministers of BZK and Finance shared with parliament;
- b. information we requested from the ministries for this audit;
- c. the annual accounts of the public bodies.

Owing to the gaps and missing information in all three of these sources, we could not reconcile the information. The annual statements that the Ministers of BZK and Finance sent to parliament contain aggregate information that the ministries could not verify. They also lack information on 2012 and policy-related information on all special grants. For the purposes of our audit, we asked ministries for a comprehensive statement of the special grants they awarded, along with the required underlying decisions and orders. Nearly all the ministries provided us with this information; only the Ministry of BZK was unable to produce a comprehensive statement of the special grants awarded.

As the Ministries of BZK and Finance did not have a comprehensive statement of all special grants, we attempted to construct one ourselves using the public bodies' annual accounts. We drew up a statement of financial and policy-related accounting information on all special grants awarded to Bonaire, St Eustatius and Saba between 2010 and 2019, with the exception of special grants awarded to St Eustatius in 2017, 2018 and 2019. St Eustatius does not have statements of special grants or annual accounts for these years. The picture presented in this report of the special grants and accounting information is based on the statement we constructed.

Case selection

On account of the outbreak of the COVID-19 pandemic, we decided not to travel to Bonaire, St Eustatius and Saba for this audit. We were therefore unable to investigate the cases we selected on location.

To illustrate our audit findings we selected three types of project financed by means of 4 special grants. The first was the *BES(t) 4 Kids* programme, which was described by staff at the ministries concerned and the public bodies as a good example ('best practice') of fruitful cooperation between the ministries and Bonaire, St Eustatius and Saba and of goal attainment.

As the House of Representatives' request specifically referred to '*payments to develop agriculture*',⁴⁵ we looked at two special grants awarded for agricultural development projects on Bonaire. In addition, we selected the special grant awarded to Saba to improve waste management. In their own ways, both projects illustrate the consequences of not allowing for the structural financial consequences for the public bodies of improvements financed by special grants.

Appendix 4 End notes

1. Based on information in the annual reports of Bonaire, St Eustatius and Saba.
2. WOLBES, section 211: 1 and Coalition Agreement 2017 Confidence in the Future.
3. The financial information on special grants presented in this audit report is derived from two sources: the annual statements the Ministers of BZK and Finance submit to parliament and the public bodies' annual accounts. The former are denominated in euros, the latter in US dollars. For traceability purposes we use the same currency as the source in this report.
4. These special grants were awarded by the Minister of Economic Affairs in 2014. In 2019 they were set by the Minister of Agriculture, Nature and Food Quality.
5. FINBES, section 92: 2d.
6. FINBES, section 92.
7. In contrast to the general grant that the public bodies receive each year from the BES Fund.
8. Explanatory memorandum to FINBES, section 91.
9. Besides these flows, central government taxes are also raised in the Caribbean Netherlands.
10. St Eustatius' annual accounts for 2017 and 2018 do not include a statement of special grants. The annual accounts for 2019 were not available at the beginning of April 2021.
11. The public bodies' annual accounts also include policy-related accounting information. This is considered further in chapter 4.
12. Amounts in the public bodies' annual accounts are stated in US dollars. For comparative purposes the total amount of \$162,587,675 has been translated into euros at the average exchange rate in the period 2011-2019 (EUR/USD: 1.2202).
13. Although the WOLBES has been in force since 2010, the St Eustatius Court of Audit has been operational since 2020. Bonaire and Saba did not have an audit institution at the beginning of April 2021.
14. Municipalities Act, section 117.
15. WOLBES, sections 211 and 212.
16. Explanatory memorandum to WOLBES section 211, House of Representatives, 2012–2013, 33 691, no. 3.
17. WOLBES, sections 211 and 212.
18. FINBES, section 91.
19. FINBES, section 87 (1-3).
20. Examples include grants for sustainable electricity generation, childcare subsidies and investments in airports and sea ports.

21. This is true of more than half (61%) of the decisions we received.
22. FINBES, section 91: 1.
23. FINBES, section 91: 3.
24. FINBES, section 19: 1 and 2b.
25. FINBES, section 23: 1.
26. FINBES, section 94.
27. Explanatory memorandum to FINBES, section 94, House of Representatives, 2008–2009, 31 958, no. 3.
28. FINBES, section 4: 1a.
29. FINBES, sections 31: 2 and 34: 3.
30. FINBES, sections 18:3, 29:1 and 38: 1.
31. WOLBES, section 183. At the beginning of March 2021 Bonaire and Saba did not have an audit institution. A Court of Audit has been operational on St Eustatius since 2020.
32. FINBES, sections 28: 1 and 29.
33. Bonaire financial management island ordinance, article 10, St Eustatius financial management island ordinance, article 11, and Saba financial management island ordinance, article 11.
34. Budget and Accounts (Bonaire, St Eustatius and Saba) Decree, 20 May 2011.
35. Bonaire financial management island ordinance, article 17, St Eustatius financial management island ordinance, article 26, and Saba financial management island ordinance, article 27.
36. WOLBES, section 183: 1.
37. WOLBES, section 183:2.
38. FINBES, section 94.
39. This does not guarantee that a particular special grant was spent regularly or that the amount disclosed is correct, but it does indicate that the public body's financial records are, in general, adequate.
40. Where special grants are awarded in tranches and/or are spent over several years, the quality of the accounting information is assessed on an annual basis.
41. In some cases it is not clear whether information on progress relates to a special grant or to a related island task. This information is classified as 'poor'.
42. In our 2020 accountability audit of the Ministry of BZK, we found that the Maintenance Report on Special Purpose Grants was last sent to the House of Representatives in January 2018. It contained information on special purpose grants relating to 2016. Since January 2018, the Minister of BZK has provided the House with summary information on special purpose grants.
43. Excluding St Eustatius owing to the absence of annual accounts for 2019. The actual proportion is probably higher.

44. The Council of State describes the steady state as a situation in which necessary improvements have been made in socioeconomic condition in important areas in the Caribbean Netherlands and the public bodies are able to bear their responsibility for formulating and implementing policy and related finances.
45. Letter from the Presidency (2019). *Vaststelling van de begrotingsstaten van Koninkrijksrelaties (IV) en het BES-fonds (H) voor het jaar 2020* [Adoption of the budget statements of Kingdom Relations (IV) and the BES Fund (H) for the year 2020], Parliamentary Paper, House of Representatives 35 300 IV no. 5.

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