

> Return address PO Box 20011 2500 EA The Hague

State Secretary for Kingdom Relations and Digitalisation  
Drs A.C. (Alexandra) van Huffelen  
PO Box 20011  
2500 EA The Hague

**Raad voor het Openbaar Bestuur**

Korte Voorhout 7  
Den Haag  
Postbus 20011  
2500 EA Den Haag  
[www.raadopenbaarbestuur.nl](http://www.raadopenbaarbestuur.nl)

**Contactpersoon**

Gerber van Nijendaal  
T 06 1179 4387  
[gerber.nijendaal@raadopenbaarbestuur.nl](mailto:gerber.nijendaal@raadopenbaarbestuur.nl)

**Kenmerk**

2024-000090871

**Uw kenmerk**

2023-0000677877

Date 11 februari 2024  
Subject Adviesaanvraag onderzoek eilandelijke taken en middelen  
Caribisch Nederland

Dear Ms Van Huffelen,

Consultancy firm IdeeVersa conducted a research on the island tasks and resources of the Caribbean Netherlands by order of the Ministry of the Interior and Kingdom Relations.<sup>1</sup> You are asking the Council for Public Administration (Dutch: Raad voor het Openbaar Bestuur - ROB) to reflect on the outcomes and recommendations of this report. The Council is pleased with the opportunity to do so. The Council considers the request for an opinion as a recognition that the three islands (Bonaire, Sint Eustatius and Saba), which together form the Caribbean Netherlands, are a full-fledged part of the Netherlands. The key criterion in answering the current request for an opinion is whether the recommendations of IdeeVersa will result in a better allocation of resources, which does justice to the tasks faced by the public entities, as well as the relevant costs.

[Summary](#)

- 1. The reform of administrative and financial relations with the Caribbean Netherlands requires more than some technical adjustments. It will be paramount to get the basic aspects organised by applying general principles of financial relations with due allowance for the special situation of the public entities.*
- 2. Characterisation of the public entities as special municipalities provokes a comparison with Dutch municipalities, however, this does not do enough justice to the great diversity among the three islands involved, their scale,*

<sup>1</sup> The State Secretary of the Interior and Kingdom Relations, Digitalisation and Kingdom Relations, *Request for an opinion regarding research into island tasks and resources of the Caribbean Netherlands*, 9 November 2023.

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*geographical location, substantially different tasks and cultural backgrounds.*

3. *Above all, the establishment of a proper and supported outline of the tasks and the level of ambition for each island task is a relevant factor. IdeeVersa's report provides a proper basis, but ignores the fact that the currently available resources largely determine the quality level of implementation. Any possible backlogs and the intended and desired level of quality consequently remain out of focus.*
4. *The current method of funding and supervision prevent the island governments from exercising full overall managerial and financial responsibility. Current legislation places a very strong emphasis on supervision, audits, administration and accountability. The structure of supervision and management of finances is not only unnecessarily burdensome, however, it does not promote the development of self-responsibility either.*
5. *In order to enable public entities to perform their tasks efficiently, structurally and with the greatest autonomy, the following measures must be taken:*
  - *There should be a support structure that enables public entities to sustainably strengthen their knowledge, skills and capacity;*
  - *Structurally increasing the free allowance by:*
    - *radical reduction of the number and level of special allowances*
    - *an efficient and transparent system for and granting wage-price adjustments prior to the financial year*
    - *including maintenance costs of investments in the free allowance;*
    - *including cost dynamics in the development of the free allowance.*
6. *In addition, on the condition that the public entities have a well-organised financial management, they should be able to borrow from the central government to make investments.*
7. *The Council advocates a stronger coordinating and directing role for the Interior Ministry in alignment between the ministries and the public bodies. This calls for a non-binding operating framework that provides guidance in giving structure to the administrative and financial principles between ministries and public entities. Reducing the number of special allowances and the accountability burden should be a spearhead with respect to this.*

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**1.**

**Preliminary remarks on responding to the request for an opinion**

The Council wishes to make two comments prior to responding to the request for an opinion:

1. IdeeVersa's report is based on the existing system of administrative and financial relations and consequently makes recommendations. Although the Council appreciates this approach, it believes that the current system does not do enough justice to the position of the islands as special municipalities of the Netherlands. Characterisation of the public entities as special municipalities provokes a comparison with Dutch municipalities, yet risks ignoring the fundamental differences. The special municipalities of Bonaire, Sint Eustatius and Saba differ substantially from municipalities in the European Netherlands because of the great diversity among the three islands involved, the scale, the geographical location, the different cultural backgrounds and the fact that they are also responsible for tasks that, in the European Netherlands, are entrusted to provinces, district water boards, regions or even the State. A relevant factor will therefore be that the special position of the Caribbean municipalities is taken as a starting point in giving structure to administrative and financial relations. The Council believes that the application of the comply-or-explain principle may falsely create the impression that legislation for the European-Dutch municipalities is the standard instead of the desired result for the Caribbean Netherlands. The emphasis should be on 'explain' because circumstances require customisation. After all, measures must be assessed for their impact on the residents of the Caribbean Netherlands.<sup>2</sup> This requires leeway for a form of differentiation tailored to the specific situation, also among the islands. A relevant factor in this will be to pay attention not only to finances, but also to the administrative organisation, instruments, institutions and culture.<sup>3</sup> The Council is aware that these fundamental issues are not at hand at present, but would like to emphasise this message in view of the upcoming reform of the Bonaire, Sint Eustatius and Saba Public Entities Act (WolBES) and the Bonaire, Sint Eustatius and Saba Public Entities Finances Act (FinBES).<sup>4</sup>
  
2. The report is based on the existing tasks and related expenses. The Council believes that the report on the current island tasks and resources provides a proper basis for the Caribbean Netherlands to clarify the tasks and associated costs. Any remaining differences of opinion about whether a certain matter is an island task or a task for the central government, should be clarified quickly. At the same time, it is an established fact that the currently available resources largely determine the quality level of the execution of the tasks. Any possible backlogs and the intended and desired level of quality are remaining out of focus. This is no fault of the report's

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<sup>2</sup> *Parliamentary Papers II, 2022/23, 36 200 IV, no 85.*

<sup>3</sup> *ROB, Rust-Reinheid-Regelmaat. Evenwicht in de bestuurlijk-financiële verhoudingen, March 2021.*

<sup>4</sup> The Council previously drew attention to the special position of the Caribbean Netherlands in its opinion *Van crisis naar opgave. Over de blijvende gevolgen van de coronapandemie voor gemeenten en openbare lichamen in Caribisch Nederland*, March 2022.

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authors. Not only did the assignment not provide for this, it is also questionable whether it would be reasonably possible to objectively identify all costs associated with the envisaged quality level at this stage. However, this needs to be taken into account when answering the question of whether the allocation of resources does justice to the costs the islands would have to incur in order to meet the envisaged quality level. There is currently no clear-cut view on this. The Council calls for all policy areas to set a level of ambition for 2030 (and possibly beyond), and to review costs and funding on this basis as a follow-up to the IdeeVersa report.

#### *Reading guide*

The basic principles set out in the request for an opinion are the starting point for responding to the request for an opinion. These form the basis of the assessment of the proposals. In addition, three specific questions were asked in the request for an opinion and will be reviewed next. Two recommendations will be highlighted separately. In conclusion, the Council will address the recommendations from the underlying report. There is some overlap in the discussion of the three sections.

## **2. Assessment of the principles**

In the request for an opinion, you mentioned the following basic principles for the financial relationship between the central government and the Caribbean Netherlands:

1. Public entities must be enabled to perform their tasks efficiently, structurally and with the greatest autonomy.
2. Public entities must have the required implementation capacity in order to carry out their tasks.
3. The execution of tasks should be accompanied by the least possible implementation burden for and between the public entities and the central government.
4. The accompanying financial system should be as robust as possible, with demographic developments, maintenance and mutual agreements and consultation on administrative and financial relations well secured.

These principles are unquestionable also for the Council. They also apply unreservedly to the Euro-Dutch municipalities. At the same time, the Council makes a number of comments to put these principles in perspective. In the first principle, there is a structural tension between the principle of island autonomy and the open economy based on it on the one hand, and the responsibility felt by the Netherlands for sound public administration, resulting in stringently regulated administrative and financial supervision of public entities, on the other. According to the Council, the minimum frameworks for proper implementation of tasks should be clear. Taking heed of what the public entities can handle will be essential. However, with respect to this, the public entities must be free to implement their own policy using their own methods.

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Implementation capacity comprises financial resources, administrative capacity and sufficient instruments to implement the intended policy. The total resources available must be sufficient to achieve the intended facilities level. However, the tasks of the public entities are unclear and, in particular, the level of ambition on these tasks. FinBES does not specify the scope of the free allowance and the tasks that the individual islands should pay from the free allowance. Although the IdeeVersa report takes stock of the current tasks and ambitions and states what is needed for this in the funding of the free allowance, it does not make clear what the *intended* level of ambition is on the various tasks and what is needed for that in terms of funding. The process that was supposed to lead to a joint level of ambition set by the various ministries and public entities in the various policy areas has stalled in many of them.

Recommendation

*Start a process to draw up jointly-determined ambition levels in various policy areas for 2030 and possibly beyond. Subsequently, explore what is needed in terms of financial resources, instruments and official capacity in order to achieve these ambitions.*

As for the method of funding ambitions, the large number and large share of special allowances in the total finances of the public entities, apart from the large administrative burden involved, detracts from their autonomy. The amounts often become available only at the end of the year, making an orderly budgeting process an impossible task.

Recommendation

*The Council advocates a stronger coordinating and directing role for the Interior Ministry in the coordination between the ministries and the public bodies. This calls for a non-binding operating framework that provides guidance in giving structure to the administrative and financial principles between ministries and public entities. Reducing the number of special allowances and the accountability burden should be a spearhead with respect to this.*

The Council further believes that the current legal frameworks of WoIBES and FinBES are an obstacle to working towards a situation that does more justice to the autonomy of the various islands. The discussions to provide more space and autonomy for the islands in proposed amendments to WoIBES and FinBES therefore have the Council's agreement.

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Recommendation

*The effort to increase the islands' autonomous discretion should be supported by the inclusion in the FinBES of a provision stating that special allowances should be limited for special designated situations.*

You rightly point to the necessary implementation power of the Caribbean public entities. The implementation power is determined by the type of tasks and the available resources: money, powers and manpower. Increasingly, this also applies to a large number of European-Dutch municipalities. More and more implementation issues have been placed with municipalities that impose a heavy burden on the municipal organisation. However, whereas European-Dutch municipalities can make full or partial use of intermunicipal cooperation and support from water boards and provinces for some tasks, this possibility is lacking for the Caribbean municipalities. The Caribbean municipalities moreover are faced with specific tasks that, due to the limited scale of the municipalities, being an island and their geographical location, weigh relatively heavily on the implementation capacity, such as the operation of a port and airport.

Recommendation

*In order to reinforce the implementation power of the Caribbean public entities, it is advisable to set up a structure from which they can draw knowledge, expertise and capacity. The obvious thing to do is to consider if the existing support from the Association of Netherlands Municipalities can be reinforced, but also if a more structural sharing of knowledge and/or personnel with individual Dutch municipalities could provide a solution. A form of adoption of a public body by a municipality and/or province could also provide a solution for a more sustainable relationship. Making long-term secondments appealing is an option worth considering.*

Obviously, the implementation of tasks should be accompanied by the least possible implementation burden for and between the public entities and the central government. However, reducing implementation burdens often involves loss of control, less certainty and a possible increase in unwanted differences. The precautionary principle often prevails; as a result, the good intention to reduce administrative burdens often fails to materialise.

The Council cannot escape the impression that the lack of trust from the central government plays a major role with regard to the Caribbean public entities. Some public entities have better-organised finances and administration than others. It would be useful to give more space and trust to public entities that have already shown for several years that their affairs are well organised, so that they are faced with less of an implementation burden. In the reform of WolBES and FinBES, this customisation should be facilitated.

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*Make better use of the possibility offered by the WolBES<sup>5</sup> to differentiate in the implementation of tasks so that the implementation burden is in line with the vulnerability of the administrative tasks.*

The desire for a robust system is understandable. However, besides robust (being able to deal with setbacks), the system must also be adaptive: it must contain mechanisms to respond flexibly to changing circumstances. To this end, these circumstances must also be monitored to make sure that funding and instruments can be adjusted if necessary. The current situation, where costs and funding are out of sync, has arisen partly because of the failure to monitor circumstances and the cost developments these circumstances entail. That the fact that the State fulfils its obligation under Article 87 of the FinBES and accounts for the financial consequences of new or intensified tasks or activities for the public entities, is a relevant factor.

The normative nature of the financial rules of the game is determined by more than just laws and regulations; attitude and behaviour also play an important role. A well-developed system of agreements between levels of government administration, traditions and practice developed in the Netherlands does not (yet) exist for the administrative and financial relations between the Netherlands and the BES islands. First and foremost, the legal and administrative agreements will need to be complied with. In doing so, it will be essential to monitor developments objectively in order to make timely adjustments, instead of the current situation with no proper monitoring of cost developments since 2015.

*Recommendation*

*Besides creating clear intergovernmental frameworks, rules of play and structural consultation, circumstances and their consequences for the costs of the Caribbean public entities must be monitored objectively. However, a relevant aspect to this is to observe a reasonable monitoring period in order to set up a realistic outline of the costs, and to make sure that changes do not follow each other at too fast a pace.*

These recommendations call for stringent control and coordination of the ministries' efforts from the Ministry of the Interior and Kingdom Relations. Well-intentioned efforts by individual ministries result in an untidy and inconsistent approach towards the tasks facing the islands.

### **3. The three specific sub-questions**

- 1. Can comparisons be drawn with European-Dutch municipalities? For example: even those municipalities do not always have sufficient resources to perform all tasks properly: how do municipalities, departments and the Municipal Fund deal with this? What can we learn from municipalities?*

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<sup>5</sup> Article 137 WolBES.

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The question of whether comparisons can be drawn with European-Dutch municipalities is very generic. Characterisation of Caribbean public entities as special municipalities elicits comparisons with Dutch municipalities, but also detracts from their independent status. The principle of *comply or explain* is that all policy intensifications and the resulting legislation and/or financial consequences (will) apply to the Caribbean Netherlands unless there are reasons not to do so. This may imply that circumstances require customisation, so as to still achieve the desired result in the Caribbean Netherlands.<sup>6</sup>

The ability of public entities to make their own policy choices is determined by the degree of policy freedom they have in that area. Having to weigh the options is inherent in public administration. After all, needs are seemingly endless and resources limited. Choices have to be made. The question, however, is whether it is possible to make choices and what limits those choices. Legitimate tasks involving a prescribed level of provision result in unavoidable costs.

Costs for co-government tasks imposed on the Caribbean public entities must be reimbursed under Section 136(3) WolBES.<sup>7</sup> This also applies to obligations arising from international obligations/directives, which the islands must comply with. Moreover, in many cases the geographical and physical circumstances limit the possibilities to actually weigh the options.

The possibilities for the Caribbean public entities to make policy choices are also determined by the free financial space within the free allowance and the possibilities to generate their own income. The IdeeVersa report shows that the free allowance hardly offers room for own considerations because the resources are necessary to meet the minimum level of the Caribbean Netherlands reference framework. From 2012 to summer 2022, the level of the free allowance from the BES fund was based on the lower limit of the Dutch Caribbean reference framework. It is also noted that the scope for investment with own resources is limited, as the islands' ability to borrow is now limited and cumbersome.<sup>8</sup> The possibilities to absorb risks are limited. The limited tax capacity of the public entities, perhaps with the exception of Bonaire, also offers few opportunities to make their own choices.

The incidental funding of structural tasks only allowing short-term steering of (partial) tasks frustrates the budget process of public entities. The fact that resources are often incidental makes an integrated assessment between policy areas impossible. The timing within which resources become available often does not correspond to the islands' budget cycle either. Unlike the European-Dutch municipalities, the financial needs of the islands are more often (partially) solved in an incidental manner through the various departments. All this makes the Caribbean public entities more dependent on the central government than desirable.

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<sup>6</sup> Parliament, 36 200 IV, no 85.

<sup>7</sup> By analogy with Article 108(3) of the Municipalities Act.

<sup>8</sup> Under Article 89 FinBES, the central government can provide interest-free loans to public entities.



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### *Preliminary conclusion*

Caribbean public entities are comparable to European-Dutch municipalities to a limited extent. The high degree of dependence on the Dutch government, the fact that they are bound by laws and regulations, international obligations, the geographical and physical conditions such as being an island, the scale and the financial system limit the possibilities to make their own choices. Being able to make considerations of their own is an important condition for a well-functioning local democratic process. It is therefore essential for the system to create conditions to enable this. This starts with fixing the flaws in the system:

- Structural tasks should be funded from structural rather than incidental resources.
- Investment maintenance charges should be part of the free allowance.
- The free allowance should allow for cost dynamics.

The Council therefore endorses the recommendations of IdeeVersa's report.

2. *What developments should be subject to adjustment of the free allowance, and how can this be done? Demographic developments, task shifts (and/or task expansion/reduction) as well as the current method of indexing to prices and wages are some of the aspects to be considered. Small scale or limited fiscal capacity may also be a factor to this.*

In the current situation, the principle of proportionality applies to all European-Dutch municipalities: if the central government spends more in a year, the municipal fund automatically (and proportionally) increases: the 'together up, together down' principle. Not all (but most) central government spending is included in this methodology. The current outgoing government plans to link the growth of the general allowance to the multi-year growth of gross domestic product (GDP) from 2027 onwards. The indexation has two purposes: to ensure that the real amount available for performing the tasks remains the same and to allow municipalities and provinces to share in the development of prosperity. It makes sense to align the indexation of the BES fund with the municipal fund system, based on the principle that anything offered to the European-Dutch municipalities should not be withheld from the Caribbean municipalities.

#### **Link to GDP**

The choice of linking general-allowance growth to multi-year GDP growth was motivated by the assumed stability of this methodology. While this methodology is effectively more stable than linking the general allowance to the accrual-relevant expenditure, it is not necessarily more stable than the current arrangement in which the volume growth of the general allowance is set for four years on the basis of the growth of government expenditure in the multi-year budget. In addition, while the growth is stable, it does not sufficiently allow for the increase in the much more steeply rising healthcare costs. As a result, municipalities stealthily see their free spending space within the general allowance eroded. This has prompted municipalities to call for an investigation into how the GDP system

relates to the dynamics on cost development of healthcare, among other things.

The free allowance of the BES fund should link up with the costs of the tasks. That is, the free development should be adjusted for developments in wages and prices to enable the public entities to continue to perform their tasks in the following year. The current method of compensation for wages and prices falls short. The basis on which wage costs are calculated seems outdated: the percentage does not match the wage-cost increase of comparable bodies such as Rijksdienst Caribisch Nederland (RCN). In addition, the islands do not receive the compensation until halfway through the year. This results in the situation that the free allowance to the public entities gradually becomes a little smaller in real terms.

#### Recommendation

*The Council recommends that the system for wage and price adjustments be determined prior to the budget year on the basis of a clear frame of reference in line with the actual wage and price costs of the Caribbean public entities.*

Costs do not only rise because of higher wages and prices, but also because of developments in volume factors, particularly the number of inhabitants. Bonaire's population growth in recent years has not been taken into account in the development of the free allowance. As a result, Bonaire has lost out on a great deal of money. An annual adjustment of the free allowance for the number of inhabitants is the minimum necessary to enable the public entities to carry out their tasks properly. More generally, periodic adjustment of the free allowance based on the development of the main cost indicators will be desirable. Detecting the other main cost indicators in addition to the number of inhabitants is relevant to this. These could include the age and socio-economic composition of the population.

#### Recommendation

*Examine the main factors affecting the costs of the Caribbean public entities. Adjust the free allowance to the public entities periodically, for example once every four years, based on developments in these factors.*

Further to this, the State should efficiently comply with Article 87 FinBES and therefore account for the financial consequences of new or intensified tasks or activities. Costs of co-management tasks imposed on public entities should be reimbursed in full by the central government. Objective monitoring of the cost developments of these tasks will have to take place.

#### Preliminary conclusion

The starting point should be that the free allowance links up with the costs over time as much as possible. Costs increase due to wage and price developments, volume growth and changing requirements. As regards the growth of the municipal fund, the criterion of proportionality is highly valued: decentralised authorities should share proportionally in changes to expenditure or prosperity.

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This can be effected by linking it to the growth of national spending, as in the current 'up-and-down together' system, or on the basis of a proportionate share in national prosperity growth based on GDP, as envisaged from 2027. The question is: what is the best system to allow public entities to share proportionally, while keeping the level of the free allowance relatively stable. A link to GDP may not be the obvious solution, as this is mainly the GDP of the European Netherlands anyway. On the other hand, it makes more sense to align the indexation of the BES fund with the municipal fund system.

3. *In connection with the previous sub-question: to what extent could the BES fund align with (the systematics of) the Municipal Fund (Gemeentefonds) in the future, or is a different approach justified that better aligns with the small scale and the specific Caribbean situation?*

This question is an extension of the previous two questions.

#### *Preliminary conclusion*

Given the small scale and the fact that each Caribbean public body faces different tasks in different circumstances, an allocation system such as the system of the Municipal and Provincial Funds is not the obvious solution. Setting up an entire system for issues that essentially should be relatively straightforward would seem a bit like overdoing it. A fixed amount based on set tasks and ambitions would make more sense.

However, this fixed amount will have to be adjusted to changes to wages and prices, for volume growth and for increasing needs and standards. It is tempting to opt for a system that is in line with that of the municipal fund and the free allowance, and consequently, from 2027 onwards, to keep pace with the multi-year change in GDP. It provides some protection against arbitrariness. At the same time, for the time being, the initial situation of the Caribbean Netherlands is not in order and given the different nature and scope of the problems on the islands, customisation is required. It would make more sense for the Caribbean Netherlands to have the free allowances keep up with changes to the size of the accrual-relevant expenditure.

Another relevant factor is to improve supervision of the functioning of the system of financial relations. This can be done by providing insight into the development of tasks and resources, the extent to which they are balanced and the development of the islands' financial position.

## **4.** **Other proposed adjustments**

### *Equalising tax capacity*

The report suggests that in case the State contributes more, the islands should levy higher taxes proportionally, and consequently contribute more to providing for themselves. The basic principle that the allocation of the necessary resources to the public entities allows for the possibilities of generating their own income is, in the Council's view, no more than reasonable. The distribution of the general

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allowance from the municipal fund also allows for tax capacity. In a certain sense, this is also an expression of self-responsibility.

The Council has two comments on the application of this basic principle to the Caribbean Netherlands:

- Before proceeding to a 50% equalisation of tax capacity, the costs need to be fully identified and included in the costing. This is not yet the case. This argues in favour of including the scope of the current tax capacity as a fixed amount for the time being and only eventually moving to an equalisation of 50% of the current tax capacity.
- Tax capacity should be based on an objective and reasonably stable base. The fact that the actual taxes collected may vary from year to year is irrelevant to this, however, the scope of the tax collection capacity should not fluctuate significantly. A three-year average could be assumed for the tourist tax. Land tax as a local tax, in line with the property tax, also provides a good basis in principle.

#### *A sustainable investment facility*

Caribbean public entities will need to have the option of borrowing to make investments. This possibility does justice to their independent position. IdeeVersa proposes the creation of a 'sustainable investment facility' for the purpose of such funding: a kind of pooled special allowance from which public entities can draw funds on the basis of plan/project financing. This may seem a well-intended plan, but is not expected to solve the underlying problem of coordinating the required investments from the line ministries. In the Council's view, this solution is moreover unnecessarily complicated. The Council therefore advocates opening the possibility for Caribbean public entities to borrow from the central government. A condition for the ability to borrow is that the public entities have a well-organised financial management. This means that they can clearly meet the obligations arising from taking out the loan and that costs of maintenance and replacement have been taken into account in the investment. The level of the organisation of their financial management varies from one public body to another. The possibilities for taking out a loan may therefore differ.

## **5. Final review**

The IdeeVersa report and the resulting recommendations provide a major step towards fixing the flaws in the current funding of Caribbean island tasks. However, this fits in with a pattern of providing solutions within a system that has fundamental flaws. The Council for Public Administration (Dutch: Raad voor het openbaar bestuur - Rob) and the Council for Financial Relations (Dutch: Raad voor Financiële verhoudingen - Rfv) mentioned at the time the WoIBES and FinBES were created, that they understood the political-administrative reasons for a stringently regulated administrative and financial framework at that time. At the same time, the Councils stressed the need to work towards a situation where

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more justice could be done to the autonomy of the islands.<sup>9</sup> The Councils now have stated that only a modest start has been made on this so far. The adjustments proposed in the IdeeVersa report will help to increase the autonomy of the islands, however, they do not suffice. The movement towards greater autonomy requires an effort from both the central government and the Caribbean municipalities themselves:

- The current method of funding and supervision prevent the island governments from exercising full integral administrative and financial responsibility. Not only do they structurally have insufficient resources, the provision of part of the resources during the budget year also constitutes an impediment to a balanced and integral consideration of the use of resources. The huge amount of special allowances, which must always be accounted for separately, is an enormous burden for the public entities. Current legislation places very strong emphasis on supervision, audits, administration and accountability. The way supervision and management of finances are designed is not only unnecessarily burdensome, but does not work in favour of developing self-responsibility either. Supervisory policies should be set up more risk-oriented and proportional.
- The Council notes that Bonaire, Sint Eustatius and Saba have made various steps in the reorganisation of their financial management and budget policies. The financial key figures that municipalities and provinces must include in the sections on resilience and risk management provide a proper basis for an assessment of the financial position and resilience.<sup>10</sup> However, these will need to be established unambiguously and objectively. In order to move towards greater autonomy, however, a number of essential basic conditions must be met. The Council recommends a clear formulation of these conditions. The supervision by the Financial Supervision Board should not only be applied repressively, but should also contribute to increasing the administrative and financial competences that strengthen the independence and autonomy of the Caribbean public entities.

In brief, the reform of administrative and financial relations requires more than the proposed adjustments. A proper organisation of the basic elements by applying general principles of financial relations with due allowance for the special situation of the Caribbean public entities, will be paramount. The administrative organisation, instruments and institutions and culture will also have to be taken into consideration. The situation must be avoided that the special situation of the Caribbean public entities results in a disproportionately rigged system of audits, supervision, accountability and administration that forms an impediment to the intended development of the islands.

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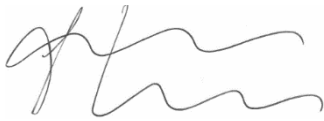
<sup>9</sup> Council for Public Administration and Council for Financial Relations, *Advies wetgeving openbare lichamen Bonaire, Sint Eustatius en Saba*, September 2008.

<sup>10</sup> The five key figures are: 1.a. net debt ratio; 1.b. net debt ratio adjusted for all loans granted; 2. solvency ratio; 3. land development; 4. structural development space; 5. tax capacity.

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Sincerely,

Council for Public Administration,



Han Polman  
Chairman of the Council for Public Administration



Iris Sluiter  
secretary-director