

Ministerie van Binnenlandse Zaken en
Koninkrijksrelaties

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To the President of the House of Representatives of the
States General
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**Ministry of the Interior and
Kingdom Relations**

Turfmarkt 147
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PO Box 20011
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Reference
2022-0000264266

Your reference

Datum 9 June 2022
Betreft Bijlage 1 - English: Allocation of income and expenditure to
the Caribbean Netherlands

On the 9th of July, 2015, the Ministry of the Interior and Kingdom Relations sent an overview to the House of Representatives of the States General with a global breakdown of income and expenditure per island in the Caribbean Netherlands.¹ This overview showed that, respectively, 47.2%, 24.1%, and 16.9% of the cash flows to Bonaire, St. Eustatius, and Saba are covered by the national insurance and tax revenues from the islands.

Last year a request was received from the Central Government Commissioner of St. Eustatius for an updated overview of the global allocation of income and expenditure. In the interest of transparency in general, the State Secretaries of Digitalisation and Kingdom Relations and of Finance, grant this request. This letter shall be sent to the House of Representatives of the States General and to the Public Entities of Bonaire, St. Eustatius, and Saba.

For the sake of comparability of this overview with the overview for 2014, an attempt has been made to give this letter as similar a structure as possible and the same distribution methods - including the CN key - have been used.

The choice for budgetary year 2019

This overview is based on the 2019 budget year. This is to provide a realistic picture of the global distribution of income and expenditure per island. After all, in 2020 the central government spent about €100 million extra on support packages because of the Corona pandemic on Bonaire, Sint Eustatius and Saba compared to the years before. In addition, the Central Government also received in total some 10 million euros less in taxes and premiums from the Caribbean Netherlands. Therefore, 2020 would lead to a distorted picture of the global distribution. Therefore, the global distribution 2019 gives the most recent, realistic picture of how the expenditure for the Caribbean Netherlands relates to the income received by the Central Government from the Caribbean Netherlands.

¹ *Parliamentary Papers II* 2014/15, 32893-5.

Tax and national insurance income

The Tax Office / Caribbean Netherlands (B/CN) itemised the income of the national taxes and national insurance contributions² for each of the three islands of the Caribbean Netherlands on a cash basis for the 2019 calendar year. In total, in 2019 B/CN received an amount of about €162 million on a cash basis in national taxes and national insurance contributions.

Broken down by island, the following picture emerges:

Income 2019 from national taxes and national insurance contributions

	In USD 1,000,000	In € 1,000,000 ³	
Bonaire	152,02	133,35	82,34%
St. Eustatius	22,60	19,81	12,23%
Saba	10,03	8,80	5,43%
Total	184,63	161,96	100%

National expenditure Caribbean Netherlands

To prepare a breakdown of central government expenditure on Bonaire, St. Eustatius, and Saba, the 2019 budgetary year was chosen. For slightly less than half of the expenditure, it is possible to determine exactly what expenses were incurred for which island. For the remaining expenditure, the same principles as in the overview for 2014 were used as much as possible to arrive at a breakdown per island:

- The expenditure for Kingdom responsibilities, e.g. defence and foreign affairs, is - as in the previous overview for 2014 - not included, as this expenditure benefits all countries of the Kingdom.
- It was decided to also include incidental cash flows - like the special allowances - to the islands. This can again result in a distortion due to, for example, multi-year expenditure in the course of which a large amount did or rather did not materialise in 2019. An example is the expenditure of the Ministry of Infrastructure and Water Management for the airport on St. Eustatius (€5.9 million). However, as was the case for the 2014 overview, the consideration was that not including incidental expenditure would not provide a good picture of the total central government expenditure.
- The expenditure of the Ministry of Social Affairs and Employment (mainly benefits) and study finance (Ministry of Education, Culture and Science) has a strong relationship with the number of inhabitants; therefore, these expenses were allocated in proportion to the number of inhabitants per island. For the distribution of the number of inhabitants, the CBS figures of 2019 were used⁴.

² This regards, on the one hand, the contributions for the AOV, the contributions for the AVV and the income-dependent contribution for the healthcare insurance and, on the other hand, the contributions for employee insurance schemes paid by the employer.

³ This is based on an average USD/€ exchange rate for 2019 of 1.17. This is based on the 2019 Macro Economic Outlook (MEO), which is used to determine the exchange rate.

⁴ Statistics Netherlands (CBS). Caribbean Netherlands; population; gender, age, civil status 2019. Last modified on: April 23, 2021 [Dataset].

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- Some of the expenditure (almost €53 million) benefited all three islands and could, therefore, not be broken down. This applies, for example, to the police personnel rotating between the three islands. In order to allocate the central government expenditure in the best possible way, the so-called CN key was used for the expenditure that cannot be broken down, as in the previous overview:
 - o Half of the expenditure is divided equally among the three islands and the other half in proportion to the number of inhabitants. This expresses that the number of inhabitants is important, but that the small scale of the Windward Islands causes additional costs compared to Bonaire, which has a larger population.
- The Free Allowance is calculated by taking the gross free allowance and adding the additional LPO (wage and price development adjustment).
- In the enclosure you can find a specified overview of the various expenses per island with explanatory notes, where appropriate.

On the basis of the explained assumptions and guiding principles, the following picture emerges of the expenditure per island:

Central government expenditure 2019 (in €1,000,000)

Bonaire	268,80	60%
St. Eustatius	99,34	22%
Saba	76,10	18%
Total	444,24	100%

Recapitulating

With due observance of the assumptions and guiding principles explained above, this roughly results in the following tax and national insurance income and expenditure for the Caribbean Netherlands:

Balance income and expenditure per island	Central government expenditure CN (in €1,000,000)	Taxes and national insurance contributions (in €1,000,000)	Income expressed in % of central government expenditure 2019	Income expressed in % of central government expenditure 2014
Bonaire	268,80	133,35	49.6%	47.2%
St. Eustatius	99,34	19,81	19.9%	24.1%
Saba	76,10	8,80	11.6%	16.9%

In conclusion, in 2019 the Central Government received about €162 million in income from the Caribbean Netherlands and incurred about €444 million in expenditure for the welfare of the inhabitants of the Caribbean Netherlands. This means that 49.6%, 19.9% and 11.6% respectively of the central government's expenditure on Bonaire, Sint Eustatius and Saba is covered by the income from these islands.

I trust to have complied with the request.

The State Secretary of Finance – Taxation and Tax Office,

Marnix L.A. van Rij

The State Secretary of the Interior and Kingdom Relations,
Digitalisation and Kingdom Relations

Drs A.C. van Huffelen

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Enclosure

Allocation central government expenditure 2019 (allocation per island)

Amounts in 2019 in thousands of €	Bonaire	St. Eustatius	Saba	For the benefit of all islands
Expenditure Ministry of BZK				
❖ Enhancement of socio-economic structure	9,78	5,03	2,98	
❖ Housing market	1,35	2,74	0,10	0,05
❖ Government services and information society				2,35
❖ Other expenditure Kingdom Relations (Emergency Relief and Reconstruction)		5,82		
Expenditure Ministry of JenV				
❖ Police				24,52
❖ Security and prevention of criminality				7,00
❖ Punish and protect				8,20
Expenditure Ministry of OCW				
❖ Primary education	13,21	3,97	1,79	0,38
❖ Secondary education	11,12	3,09	2,09	
❖ Vocational and adult education	7,01	4,61	2,96	1,57
❖ Student finance ⁵	2,67	0,42	0,25	
❖ Research and scientific policy		0,50		2,00
Expenditure Ministry of Finance				
❖ Taxes ⁶	11,17	1,73	0,98	
❖ Financial markets				2,25
Expenditure Ministry of IenW				
❖ Soil and subsoil	5,15	1,24	0,33	0,07
❖ Roads and traffic safety	8,55	5,77	0,97	
❖ Aviation	0,65	10,18	1,66	0,33
❖ Shipping and ports	2,11	5,59	21,35	0,45
❖ Sustainability	0,08	1,03	0,04	
❖ Environmental safety and environmental risks	0,35			
❖ Meteorology, seismology, and earth observation				0,86
❖ Enforcement and supervision				0,74
❖ Overheads				0,06
Expenditure Ministry of EZK				
❖ Properly operating economy and markets				0,03
❖ Business policy: sustainable and innovative entrepreneurship	0,03	0,02	0,02	1,07
❖ Effective power supply and limitation of the climate change	3,25	2,46	1,08	0,01
Amounts in 2019 in €	Bonaire	St. Eustatius	Saba	

⁵ Allocated in proportion to the number of inhabitants.

⁶ Allocated on the basis of rough estimate Tax Office CN.

Expenditure Ministry of LNV				
❖ Nature and biodiversity	0,92	0,39	1,94	
Expenditure Ministry of SZW⁷				
❖ Welfare, Participation Act, and Supplementary Benefits Act	2,43	0,38	0,23	
❖ Incapacity for work	0,51	0,08	0,05	
❖ Unemployment	0,04	0,01	0,00	
❖ Sickness and pregnancy	2,48	0,39	0,24	
❖ Childcare	0,00	0,00	0,00	
❖ Old-age provision	13,01	2,03	1,24	
❖ Surviving dependants	0,95	0,15	0,09	
❖ Parent allowance	2,59	0,40	0,25	
❖ General	3,44	0,54	0,33	
Expenditure Ministry of VWS⁸				
❖ Public health	1,50	0,26	0,22	
❖ Care-wide policy	97,71	16,71	14,14	
❖ Overheads	4,18	0,72	0,61	0,85
❖ Youth	3,89	0,67	0,56	
BES Fund				
❖ Free allowance	24,47	9,66	8,40	
❖ Not directly allocable expenditure ⁹	29,89	12,09	10,81	
Total per island	268,80	99,34	76,10	

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⁷ All expenditure for SWZ is in proportion to number of inhabitants.

⁸ The following allocation key was used for the expenditure of VWS: 76% of the expenditure for Bonaire, 13% for St. Eustatius, and 11% for Saba.

⁹ This is all the expenditure included above in the column "For the benefit of all islands". The breakdown by island takes place in conformity with the CN key (57% Bonaire, 23% St. Eustatius, 20% Saba).