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Report No: PAD2908

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF US\$22.5 MILLION

TO

SINT MAARTEN

FOR AN

EMERGENCY INCOME SUPPORT AND TRAINING PROJECT

July 30, 2018

Social Protection & Jobs Global Practice  
Latin America And Caribbean Region

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## CURRENCY EQUIVALENTS

Exchange Rate Effective {July 16th, 2018}

Currency Unit = Netherlands  
Antillean Guilder

Naf 1.82 = US\$1

## FISCAL YEAR

January 1 - December 31

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## ABBREVIATIONS AND ACRONYMS

Bank	World Bank
CFW	Cash for Work
CMU	Country Management Unit
DLI	Disbursement Linked Indicators
EA	Environmental Assessment
EISTP	Emergency Income Support and Training Program
EEP	Eligible Expenditure Program
EUR	Euro
ESAP	Environmental and Social Action Plan
GDP	Gross Domestic Product
GRS	Grievance Redress Service
FM	Financial Management
FMSB	Financial Management Sector Board
FY	Fiscal Year
IFC	International Finance Corporation
IFRs	Interim Financial Reports
IPF	Investment Project Financing
IRC	Interim Recovery Committee
M&E	Monitoring and Evaluation
MIS	Management Information System
MOF	Ministry of Finance
MSMEs	Micro, Small, and Medium-Sized Enterprises
NAf	Antillean Guilder
NRPB	National Recovery Program Bureau
NRRP	National Recovery and Resilience Plan
PAD	Project Appraisal Document
PDO	Project Development Objective
POM	Project Operations Manual
PPSD	Project Procurement Strategy for Development
RF	Results Framework
RPF	Resettlement Policy Framework
SDTF	Single Donor Trust Fund
SMTF	Sint Maarten Training Foundation
SORT	Systematic Operations Risk-Rating Tool
STP	Skills and Training Program
SZV	Social and Health Insurances (SZV)
TEATT	Ministry of Tourism, Economic Affairs, Transport and Telecommunication
TF	Trust Fund
ToR	Terms of Reference

UNDP	United Nations Development Programme
VROMI	Ministry of Public Housing, Spatial Planning, Environment and Infrastructure
VSA	Ministry of Public Health, Social Development and Labor (Volksgezondheid, Sociale Ontwikkeling en Arbeid)



**BASIC INFORMATION**

Country(ies)	Project Name		
St Maarten	Emergency Income Support and Training Project		
Project ID	Financing Instrument	Environmental Assessment Category	Process
P167368	Investment Project Financing	C-Not Required	Urgent Need or Capacity Constraints (FCC)

**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input checked="" type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input checked="" type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
02-Aug-2018	30-Jun-2020

Bank/IFC Collaboration

No

**Proposed Development Objective(s)**

The objective of the Project is to provide temporary income support, improve the employability of affected beneficiaries in targeted sectors, and strengthen the social protection system’s capacity for shock-response and protection of the poor.

**Components**



Component Name	Cost (US\$, millions)
Component 1. Supporting the implementation of the Emergency Income Support and Training Program (“EISTP”)	20,560,385.00
Component 2. Strengthening institutional capacity to enhance the social protection system	1,124,000.00
Component 3. Project Management	815,615.00

**Organizations**

Borrower:	Sint Maarten
Implementing Agency:	National Recovery Program Bureau

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

<b>Total Project Cost</b>	22.50
<b>Total Financing</b>	22.50
<b>of which IBRD/IDA</b>	0.00
<b>Financing Gap</b>	0.00

**DETAILS****Non-World Bank Group Financing**

Trust Funds	22.50
Free-standing Single Purpose Trust Fund	22.50

**Expected Disbursements (in US\$, Millions)**

WB Fiscal Year	2019	2020
Annual	16.08	6.42
Cumulative	16.08	22.50

**INSTITUTIONAL DATA**



**Practice Area (Lead)**

Social Protection & Labor

**Contributing Practice Areas**

**Climate Change and Disaster Screening**

This operation has been screened for short and long-term climate change and disaster risks

**Gender Tag**

**Does the project plan to undertake any of the following?**

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

No

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

**Risk Category**

**Rating**

1. Political and Governance

● Substantial

2. Macroeconomic

● Substantial

3. Sector Strategies and Policies

● Moderate

4. Technical Design of Project or Program

● Substantial

5. Institutional Capacity for Implementation and Sustainability

● High

6. Fiduciary

● High

7. Environment and Social

● Low

8. Stakeholders

● Moderate

9. Other

10. Overall

● Substantial



**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any waivers of Bank policies?

Yes  No

**Safeguard Policies Triggered by the Project**

**Yes No**

Environmental Assessment OP/BP 4.01

✓

Performance Standards for Private Sector Activities OP/BP 4.03

✓

Natural Habitats OP/BP 4.04

✓

Forests OP/BP 4.36

✓

Pest Management OP 4.09

✓

Physical Cultural Resources OP/BP 4.11

✓

Indigenous Peoples OP/BP 4.10

✓

Involuntary Resettlement OP/BP 4.12

✓

Safety of Dams OP/BP 4.37

✓

Projects on International Waterways OP/BP 7.50

✓

Projects in Disputed Areas OP/BP 7.60

✓

**Legal Covenants**

**Sections and Description**

Grant Agreement (GA), Schedule 2, Section I.A.1. The Recipient shall maintain throughout Project implementation, with composition, resources, terms of reference and functions acceptable to the World Bank, the Interim Recovery Committee (IRC) and, subsequently, the National Recovery Program Bureau (NRPB), to be responsible for: (a) the implementation of the Recipient’s National Recovery and Resilience Plan and specifically to manage the program of projects financed by the Trust Fund; and (b) the management, coordination and implementation of the Project, including the collection of the required information on the Disbursement Linked Indicator (DLI) and financial flows of the Project, and ensuring that the relevant agencies carry out the Project in accordance with the GA and the Project Operations Manual (“POM”).

**Sections and Description**





GA, Schedule 2, Section I.A.2. For Part 1 of the Project, the Recipient shall, through the Sint Maarten Training Foundation (SMTF), ensure that: (a) the skills training is in compliance with the designed curriculum, as set forth in POM and satisfactory to the World Bank; (b) Eligible Beneficiaries are selected and prioritized based on established criteria and following established application and qualification processes, set forth in POM, satisfactory to the World Bank; (c) Eligible Beneficiaries receive the appropriate stipends and transportation costs, and their health insurance premiums are paid, all on a timely basis; and (d) Eligible Beneficiaries are certified in accordance with the process set forth in the POM and in a manner acceptable to the World Bank.

Sections and Description

GA, Schedule 2, Section I.A.4. The Recipient shall ensure that any contracts or agreements financed by the Project, including for trainers, trainees, contractors and their workers under the Project, include Codes of Conduct, in form and substance acceptable to the World Bank

Sections and Description

GA, Schedule 2, Section I.A.5. Not later than thirty (30) days following the Effective Date, the Recipient shall establish, and thereafter maintain and publicize throughout Project implementation, a Project feedback and grievance redress mechanism, in form and substance satisfactory to the World Bank, to hear and determine fairly and in good faith all feedback and complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by said feedback and grievance redress mechanism, in a manner satisfactory to the World Bank.

Sections and Description

GA, Schedule 2, Section I.B and Section I.A.3. To facilitate the carrying out of Part 1 of the Project, the Recipient shall make part of the proceeds of the Grant available to SMTF under a Subsidiary Agreement, under terms and conditions approved by the World Bank, and shall cause SMTF, through the Subsidiary Agreement, to maintain, at all times during the execution and until completion of the Project, responsibilities, structure and functions satisfactory to the World Bank and with staff in adequate numbers and with adequate qualifications.

Sections and Description

GA, Schedule 2, Section I.C. The Recipient shall finalize, by no later than sixty (60) days following the date of this Agreement, and thereafter maintain throughout Project implementation, the POM in form and substance satisfactory to the World Bank, and ensure that the Project is carried out in accordance with the POM; the POM shall include, inter alia, for Part 1 of the Project, (i) the criteria for the selection of Eligible Beneficiaries, (ii) the criteria for beneficiary participation and satisfactory performance, (iii) the targeted sectors of the Emergency Income Support and Training Project (EISTP), (iv) the process for verifying that the training is consistent with the designed course, (v) the process for verifying participation by Eligible Beneficiaries, and (vi) the process for and substance of exit interviews for Eligible Beneficiaries after participating in the EISTP.



Sections and Description

GA, Schedule 2, Section I.D. The Recipient shall prepare and furnish to the World Bank not later than April 1st of each year during the implementation of the Project, a proposed Annual Work Plan and Budget, afford the World Bank a reasonable opportunity to exchange views with the Recipient, and ensure that the Project is implemented with due diligence during said following year.

Sections and Description

GA, Schedule 2, Section III.A. By not later than fourteen (14) days after the date of this Agreement, the Recipient shall finalize and publicly disclose an initial procurement plan for the Project, which shall be in form and substance satisfactory to the World Bank.

Sections and Description

GA, Schedule 2, Section IV.B.2. The Recipient may request partial disbursement of the amount allocated to each Disbursement Linked Result (“DLR”) for amounts corresponding to the degree of achievement of at least the minimum target defined for the respective DLR. The World Bank may decide, at any time, in its sole discretion, by notice to the Recipient, to: (i) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Grant then allocated to the relevant DLR, which in the opinion of the World Bank, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with a formula set forth in the Additional Instructions; or (ii) reallocate all or a portion of the proceeds of the Grant then allocated to said DLR to another Category; or (iii) cancel all or a portion of the proceeds of the Grant then allocated to said DLR.

Sections and Description

GA, Schedule 2, Section IV.B.3. If, at any time, the World Bank determines that any portion of the amounts withdrawn by the Recipient pursuant to the DLRs was (a) made for ineligible expenditures, or (b) not in compliance with the provisions of this Section, the Recipient shall promptly refund any such amount to the World Bank as the World Bank shall specify by notice to the Recipient, and the World Bank shall cancel such refunded amount.

**Conditions**

Type

Effectiveness

Description

GA, Sections 5.01 and 5.02. The Recipient shall provide a legal opinion or legal opinions acceptable to the Bank showing that: (a) the execution and delivery of the GA on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action, including the recognition that the Minister of General Affairs has been authorized and thus has the legal capacity to carry out the Project, through the Interim Recovery Committee, on behalf of the Recipient, in accordance with this Agreement; (b) the Sint Maarten Training Foundation has the legal capacity to carry out Part 1 of the Project on behalf of the Recipient; and (c) the provision of income support in exchange of training participation under Part 1 of the Project neither replaces the participants’ employment relationship with



	their respective employers nor creates an employment relationship.
Type Disbursement	Description GA, Schedule 2, Section IV.B.1(a). No withdrawal shall be made for Part 1 of the Project until the Subsidiary Agreement is executed by the Recipient and SMTF, acceptable by the World Bank in accordance with Section I.B of Schedule 2 to this Agreement.
Type Disbursement	Description GA, Schedule 2, Section IV.B.1(b). Retroactive financing for Eligible Expenditures may be provided under Part 1 of the Project for an aggregate amount not to exceed USD 3,288,410, made prior to the date of the GA but on or after February 15, 2018.
Type Disbursement	Description GA, Schedule 2, Section IV.B.1(c). Withdrawals may only be made with respect to each Disbursement Linked Result (“DLR”) for which a withdrawal request has been submitted if the Recipient, has also submitted: (i) supporting documentation confirming the Recipient's achievement of the respective DLRs set forth in the table below, and as further elaborated in the Additional Instructions and Verification Protocols; and (ii) evidence, in form and substance satisfactory to the World Bank, of the respective Eligible Expenditures incurred under the EISTP in an amount equal to at least the amount withdrawn in respect of the DLR have been incurred.



**EMERGENCY INCOME SUPPORT AND TRAINING PROJECT**

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## I. STRATEGIC CONTEXT

### A. Country Context

1. Sint Maarten is a high-income constituent country<sup>1</sup> of the Kingdom of the Netherlands in the Caribbean. It occupies the southern half of an island shared with the French overseas collectivity of Saint Martin. It is the most densely populated country in the Caribbean with a population of over 40,000 and a per capita Gross Domestic Product (GDP) of \$25,3812. Sint Maarten is currently rebuilding from damage caused by Hurricane Irma that claimed lives and deteriorated the island's socio-economic environment.
2. Sint Maarten is highly vulnerable to natural disasters and adverse climatic events due to its location within the hurricane belt. In past decades, the country has been exposed to high winds and numerous hurricanes, including notably intense storms: Donna in 1960 (Category 3), Luis in 1995 (Category 4), and Irma 2017 (Category 5 on Saffir-Simpson scale). Due to the size of the country, a single storm has the potential to directly impact the entire population. High winds, rainfall and flooding are the principal risk factors, while the country is also vulnerable to earthquakes. Coastal areas are exposed to flood risk from storm surge and tsunamis. Increased urbanization along with climate change and limited country capacity to build with resilience adds to its vulnerability to natural hazards.
3. Natural hazards have catastrophic impacts on the country's economy since Sint Maarten relies on tourism, which accounted for 45 percent of its GDP and 73 percent of its foreign exchange in 2016. In addition, activities in the transport, storage and communication sectors related to tourism contributed 11 percent of GDP to the country's total foreign exchange income in 2016. The harbor of Sint Maarten is a significant port for cruise tourism in the Caribbean, with 1.7 million cruise passengers per year. The airport is an important hub for regional travel with a large network of connecting flights across the Caribbean. However, the tourism industry has not led to high growth in recent years and the tourism economy is vulnerable to seasonality and weather.

#### Urgent Need of Assistance

4. Sint Maarten needs urgent assistance after the Hurricane Irma, a category 5 hurricane, hit the island on September 6, 2017, with winds of more than 185 mph (296km/h) leaving a trail of devastation throughout the country. During the landfall, the storm's eye passed directly through Sint Maarten exposing it to the highest wind velocities in the storm. Irma was shortly followed by smaller-scale Hurricane Maria on September 19 further damaging the country's infrastructure. The World Bank estimates damages and losses related to Hurricane Irma at US\$ 1.38 billion and US\$ 1.35 billion (both

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<sup>1</sup> Sint Maarten is one of the four constituent countries of the Kingdom of the Netherlands, along with Netherlands, Aruba, and Curacao.

<sup>2</sup> From Central Bank of Curacao and Sint Maarten, based on 2018 estimates.



about 129 percent of GDP), respectively, affecting 90 percent of all infrastructure and large parts of the natural environment.

5. Reconstruction and recovery needs are greater than currently identified public and private resources. Sint Maarten's economy is expected to contract 8.5 percent in 2018, following an estimated 4.5 percent contraction in 2017. Growth is projected to rebound in 2019 and the country is expected to return to its pre-Hurricane Irma real GDP level by 2025. Private external finance from direct investment, loans, pay-out of insurance claims, and funds held abroad will be needed to finance reconstruction of private properties and businesses. A sharp decline in tax revenue due to the economic contraction following the disaster has cut public resource availability while the need for public expenditure to rebuild public infrastructure and assist the affected population has risen sharply.

6. The social and economic effects of Hurricane Irma and the disaster's impact on poverty levels could be significant if action is not immediately taken. In the absence of a national poverty line for Sint Maarten, a UNDP benchmark for poverty based on minimum wage<sup>3</sup> indicates that 26.87 percent of households (approximately 3,762 households) are poor and live on revenues at or below the minimum wage (NAF 1.530.53 or approximately US\$850 per month in 2017). Although little is known about the distribution of disaster impacts and their effect on vulnerable groups in Sint Maarten, international experience indicates that the poorest and most vulnerable groups are likely disproportionately affected by the disaster, including Sint Maarten's large number of female-headed households (38.7 percent of all households), who depend on the income of women post hurricane.

7. Sint Maarten's overall unemployment rate (6.2 percent) and youth unemployment rate (23.8 percent) in 2017<sup>4</sup> have significantly risen following the hurricane due to the shutting down of tourism businesses. The tourism sector suffered from significant damages to the airport, accommodations, and tour operator equipment, dramatically reducing the number of tourist arrivals. Micro, small, and medium-sized enterprises (MSMEs) have experienced significant loss of capital due to the impacts of the hurricane. Households need access to finance to rebuild homes and fully reengage in economic activities. Rapid economic recovery and reconstruction are critically needed to generate revenues and avoid further job loss, and support to stimulate access to finance and business recovery are needed to enable the private sector to grow and contribute to Sint Maarten's overall economic recovery.

8. The current project is part of a much larger recovery effort to address its most urgent needs following Hurricane Irma (e.g. initial debris removal, sheltering roofless populations, resumption of government and business services). Recovery needs are massive and the country has limited capacity to manage large-scale resilient reconstruction. To support rapid and sustainable recovery, the Government of Netherlands has established a EUR 470 million Single Donor Trust Fund (SDTF) managed by the World Bank. Although the World Bank has not operated in Sint Maarten to date, its global experience in disaster risk management and response, its capacity to mobilize technical expertise in a broad range of relevant sectors, as well as its longstanding history of managing funds and activities on behalf of donors, attest to the institution's comparative advantage in managing the Trust Fund and supervising its activities. The SDTF will finance selected activities in support of recovery, reconstruction, and resilience under the framework of the Sint Maarten's National Recovery and Resilience Plan (NRRP), which outlines the

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<sup>3</sup> Developed by UNDP in 2015.

<sup>4</sup> According to the Sint Maarten Government Statistical Yearbook 2017.



country's recovery needs. The STDF is governed by a Steering Committee composed of one representative each of the Government of Sint Maarten, the Government of the Netherlands, and the World Bank, and which is mandated to approve recovery projects as well as required capacity building activities. The Steering Committee decides by consensus of its members, approves projects and monitors the progress of agreed activities. Standard World Bank project preparation, management, and implementation arrangements are followed: projects are prepared and supervised by the World Bank in collaboration with and executed by the Government of Sint Maarten. The SDTF was established on April 16, 2018, and on June 12, 2018, the Steering Committee approved four emergency projects: (1) Sint Maarten Emergency Recovery Project I (P167339), (2) Sint Maarten Emergency Debris Management Project (P167347), (3) Emergency Income Support and Training Project (P167368), and (4) Sint Maarten Hospital Resiliency & Preparedness Project (P167532).

9. Based on the country's urgent need for assistance and complementing the above projects, the proposed Sint Maarten **"Emergency Income Support and Training Project"** is being prepared under the provisions of paragraph 12 of the World Bank's Operational Policy (OP) on Investment Project Financing (IPF) - on "Projects in Situations of Urgent Need of Assistance or Capacity Constraints". These provisions allow for the preparation and approval of this operation in an expedited manner. This is because Sint Maarten has faced a natural disaster which under the policy is defined as "an event that has caused, or is likely imminently to cause a major adverse economic and/or social impact". The World Bank and Sint Maarten recognize the urgency of pursuing emergency reconstruction efforts and agreed to prepare the proposed operation in an expedited manner. While Sint Maarten has not previously been a client of the World Bank, the Bank is well positioned to support risk assessments, risk reduction, preparedness, financial protection, and resilient recovery and reconstruction.

10. Despite the availability of external grant financing such as the SDTF to support public-sector reconstruction and recovery efforts, Sint Maarten's Government will face budgetary shortfalls, projected to last from 2018 to at least 2020. Sint Maarten is subject to a rules-based fiscal framework, monitored by a Board for Financial Supervision, which is accompanied by a low-cost "standing subscription" borrowing arrangement with the Netherlands.

11. The Government is working to adopt a medium-term fiscal framework that should set revised fiscal targets in view of the current exceptional circumstances. This medium-term fiscal framework, including multi-annual revenue and expenditure projections, would be needed to outline borrowing requirements over the next few years and to address any accumulated debt and debt service in the longer term. Strengthening fiscal management, including budget preparation, implementation, and accountability capabilities, is needed to assure adequate implementation of reconstruction and recovery activities as well as fiscal sustainability.

## **B. Sectoral and Institutional Context**

12. The NRRP outlines the Government's vision, principles, and a proposed approach for rebuilding a "better and stronger Sint Maarten". It aims at accelerating the restoration of the social and economic infrastructure, based on a consensus of all stakeholders, and following the "Build Back Better" principle. The NRRP emphasizes the need to restore business activities as a priority, while acknowledging the need to address the significant social disruption generated by the disaster.





13. Employment in the tourism sector<sup>5</sup> has been significantly and adversely impacted by the hurricane. Prior to the hurricane, tourism created employment for approximately one third of the employed population.<sup>6</sup> Nearly six months after the hurricane, the hospitality industry is estimated to be working at just 17 percent capacity and is likely to take another year until it returns to full capacity. The Labor Office has reported increasing cases of job dismissals particularly from the tourism sector, but these have not reached dramatic levels yet due to business initiatives to reduce working days (underemployment) rather than laying off workers.

14. Businesses in the tourism sector have led the response to mitigate the social impact of the sudden rise in unemployment with the creation of a pilot program named Skills and Training Program (STP) focused on the hospitality industry. In December 2017, a group of hotels created the Sint Maarten Training Foundation (SMTF) and later, with a government subsidy, started the STP that provided a stipend of between 40 and 50 percent of pre-hurricane wages to idle workers and required, in return, a commitment from those workers to use the idle time to participate in training activities while the hotels are re-built. In exchange, employers are, in principle, committed to retaining workers during this period.

15. The STP has been successful to date. So far, it has covered about 700 under-employed beneficiaries – 60 percent of which are women – and the attendance rate hovers around 80 percent. The first phase of the Program (February to July 2018), as noted, has been largely centered on training in the hospitality industry.<sup>7</sup> Consistent with the “Build Back Better” principle, the program has been successful as a means to: (i) find an appropriate solution to workers’ income loss; (ii) prevent mass lay-offs and unemployment, particularly in the hospitality industry; and (iii) create an opportunity during this down time to train and upgrade the skills of workers in the hospitality industry, particularly those in hotels, restaurants and casinos.

16. The Program has not only been relevant to addressing the post-disaster employment impacts caused by Hurricane Irma, but to addressing the low levels of skilled labor among Sint Maarten’s labor force. One of the labor market challenges in Sint Maarten is the low levels of education and relevant market skills among persons of working age. The 2017 Labor Force Survey noted that approximately 61.6 percent of employed persons have completed education up to secondary level, and close to a third of the employed completed up to elementary school.<sup>8</sup> Additionally, the International Monetary Fund (IMF) recently noted that there is a mismatch between the country’s labor supply skills and the skills needed by employers;<sup>9</sup> the mismatch is further compounded by the limited number of technical and vocational training institutions and certifying agencies. As such, there is increased need to improve workers’ skills and thereby their employability.<sup>10</sup>

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<sup>5</sup> A sector refers to a large segment of the economy. Industry describes a much more specific group of companies or businesses.

<sup>6</sup> National Recovery and Resilience Plan, Government of Sint Maarten, June 2018. Labor Force Survey 2017: tourism based-economy includes wholesale and retail industries, hotels, restaurants and catering.

<sup>7</sup> Ministerial Decree, February 15<sup>th</sup>, 2018. The hospitality industry includes, in particular hotel, restaurant and casino businesses.

<sup>8</sup> Secondary level refers to secondary 2 level, internationally equivalent to a high-school degree. Labor Force Survey 2017.

<sup>9</sup> International Monetary Fund, IMF Country Report No. 16/276, August 2016 Kingdom of the Netherlands – Curacao and Sint Maarten.

<sup>10</sup> The strategic plan 2016-2026 of Ministry of Education, Culture Youth and Sport identified the need to implement new policies and legislation in such a way that students leaving the formal education sector possess the required knowledge and skills for continued education, employment or entrepreneurship.



17. Given the success of the STP to date, the Government of Sint Maarten has requested World Bank assistance to continue and expand it. A second phase, “Emergency Income Support and Training Program” would extend the program by eighteen months. During Phase 2, the coverage, number and type of sectors involved would be increased.

18. In addition to specific shock-related employment concerns, some groups, such as women and youth, remain vulnerable to poverty. Unemployment among women is 16 percentage points higher than men, with 42 percent for men and 58 percent for women. In addition to lagging in job insertion, women head 38.7 percent of households in the country and have dependents, most of them children. As previously noted, this reveals the vulnerability of an important proportion of households that rely on the income of women. Unemployment among youth is nearly three times higher than the national rate of around 6 percent, out of which women unemployment rate is 62 percent, compared to men’s rate of 38 percent, which reveals considerable labor insertion gaps among this group.

19. The degree to which the hurricane affected poverty among these vulnerable groups is not precisely known; however, due to the severity of Hurricane Irma, it is anticipated that poverty would have increased. Global experience shows that vulnerable groups, who are already struggling with poverty, typically have fewer resources to allow them to weather such a shock, and they often utilize negative coping mechanisms to manage (such as reducing expenditures on food, consumption of electricity, water, and basic sanitation needs). Thus, they potentially face a significant worsening of their socio-economic conditions and merit particular attention in recovery programs.

20. The Government of Sint Maarten, along with foundations and international donors, has made significant efforts to respond to urgent needs caused by Hurricane Irma. The Government currently has several of programs addressing income support to meet the basic needs of the affected populations through non-financial and financial aid programs, including vouchers and unconditional cash transfers.

21. However, the efficiency and effectiveness of the Government’s response may be impacted by its programs’ designs, the need for updated service delivery tools and integrated information systems, and fragmentation of the safety net. An integrated information system such as a Social Registry,<sup>11</sup> currently lacking in the country, could guide the emergency response for maximum efficiency. In addition, the Government needs to have the tools to assess the extent of the socio-economic effects of the disaster and better ascertain whether existing programs are adequate to meet current needs. Thus, a socio-economic needs assessment is required. Moreover, a communication strategy would help to promote the programs and contribute to increase uptake of beneficiaries and social programs’ transparency. Both the socio-economic needs assessment and the communication strategy will consider the different needs of men and women to better identify interventions to address gender gaps in Sint Maarten.

22. Based on the above, the Government of Sint Maarten has prioritized the implementation of the Emergency Income Support and Training Project (EISTP) as a mean to prevent income loss and large lay-offs, while also addressing the need for medium-term investments to enhance the institutional capacity,

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<sup>11</sup> Social Registry: is an integrated information system to support assessment of needs, intake, registration, and determination of potential eligibility of households or individuals to receive social programs. *Social Registry Information Systems for Social Assistance (and Beyond)*, World Bank, March 9, 2017.



instruments and information systems to support both quick responses in post disaster situations as well as protection of the poor and vulnerable.

### **C. Higher Level Objectives to which the Project Contributes**

23. The project will support the objectives of Sint Maarten’s NRRP to restore economic, community and governance infrastructure and service delivery. The project is aligned with the World Bank’s twin goals of ending poverty and boosting shared prosperity by supporting populations affected by the hurricane, and contributing to strengthening future resilience, to underpin sustainable and inclusive growth.

24. This Project addresses the needs for immediate recovery and reconstruction, by: (i) providing income support to cope with income loss due to under-employment and unemployment; (ii) providing training to beneficiaries to build or enhance skills; and (iii) strengthening the capacity of the Government to monitor and target assistance programs. The Project aims to prioritize women to narrow gender gaps in access to technical training, social safety nets and better jobs. The Project integrates gender along with other cross-cutting issues, such as post-disaster sustainable economic recovery objectives.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. PDO**

25. The objective of the Project is to provide temporary income support, improve the employability of affected beneficiaries in targeted sectors, and strengthen the social protection system’s capacity for shock-response and protection of the poor.

### **B. Project Beneficiaries**

26. The Project will benefit under-employed and unemployed populations in targeted sectors, with an emphasis on women and youth.

27. The Project will benefit approximately 1,800 program beneficiaries during an eighteen-month implementation period of the Emergency Income Support and Training Program (EISTP).

### **C. PDO-Level Results Indicators**

28. Progress towards the project development objectives will be measured by the following indicators:

- a) Number of Eligible Beneficiaries enrolled in the EISTP receiving income support on a monthly-basis in exchange for their participation in EISTP training, and who have achieved the minimum required attendance rate.<sup>12</sup>

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<sup>12</sup> Participation in training will be measured by at least 70 percent attendance rate each month.



- b) Percentage of beneficiaries who complete training in an occupational area<sup>13</sup> (disaggregated by gender).
- c) Number of records in the Social Registry.

### III. PROJECT DESCRIPTION

#### A. Project Components

##### **Component 1. Supporting the Implementation of an Emergency Income Support and Training Program (“EISTP”) (US\$20.56 million)**

29. The objective of this Component is to provide temporary income support to under-employed and unemployed persons in exchange for their participation in short-term skills training in selected occupational areas provided under EISTP. Training would take place for at least 13.5 days per month for up to 18 months depending on the occupational area. Approximately 1,800 beneficiaries are expected to benefit from the Emergency Income Support and Training Program (EISTP).

30. While the project implementation is expected to last 24 months, the implementation of Component 1 is scheduled to last up to 18 months given the temporary nature of the income support and training program. The Project will continue to be implemented by the Sint Maarten Training Foundation (SMTF), a private not-for profit institution, which will enter into a participation commitment letter directly with the training beneficiaries, and will pay a monthly stipend that will also cover transportation costs. Additionally, beneficiaries will receive health insurance benefits while in the program, for which the Ministry of Public Health, Social Development and Labor (VSA in Dutch) issued an Instruction<sup>14</sup> on May 30, 2018, to the Health and Social Insurance Fund (SZV).

31. The training will include a balanced combination of in-class theoretical and practical training as well as training in socio-emotional skills. The training curriculum, further detailed in the Project’s Operational Manual (POM), will be delivered on a modular basis and will contain a set of core courses for the initial stage of the training, to be followed by specialized training in certain occupational areas.<sup>15</sup> Specialized training will largely be centered on the hospitality industry, including culinary arts, housekeeping, bartending, client service etc., and the construction sector. Training will be mainly delivered by the SMTF, which is the principal executing agency for the program. However, in order to expand the number of training courses offered, SMTF may enter into inter-institutional collaboration agreements with other training institutions that provide courses and issue certifications.

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<sup>13</sup> Selected occupations refer to occupations in different industries of economic sectors that demand a need for the program.

<sup>14</sup> Instruction is the legal term which refers to the written request issued by VSA to SZV for compliance. VSA has the mandate to instruct SZV to take specific actions as instructed within the law.

<sup>15</sup> Core courses, are general courses delivered to all beneficiaries, such as socioemotional skills etc., and would be taken by beneficiaries regardless of the occupational area for which they are receiving training, and will last approximately three months. Specialized courses are courses delivered to beneficiaries following a learning track for a specific occupation and will last at least 3 additional months.



32. This Component will use a results-based approach,<sup>16</sup> meaning that periodic disbursements will be made by the Bank based on the achievement of pre-determined indicators and targets (i.e. Disbursement Linked Indicators (DLIs), and Disbursement-linked Results (DLRs) and against projected eligible expenditures as detailed in Annex 4). This mechanism was selected as it provides a focus on the achievement of results, ensures a steady cash flow, which is critical given the Government's restricted financial situation, and reduces the risk of cash flow in the project. This approach provides a practical way of measuring, monitoring and verifying achievements of the results. The Component will finance the Government's eligible expenditures under the EISTP including: (i) stipends for beneficiaries in the EISTP; (ii) health insurance premiums for beneficiaries in the EISTP; (iii) transportation costs for beneficiaries; (iv) operating costs including reasonable SMTF incremental expenses (none of which would have been incurred by the SMTF in absence of the Project) including staff salaries', communications, utilities, minor miscellaneous expenditures and other expenses to be agreed between the Government and the World Bank; and (v) training costs which include, but may not be limited to trainer fees, training certification costs, interpreter fees, training materials, rent cost, accommodation for trainers, flight costs, transportation for trainers, and other miscellaneous expenses

33. The Project will also provide retroactive financing up to an estimated amount of approximately US\$3,288,410 million against expenditures, mainly for stipends paid to beneficiaries under Phase 1 of the Program. Retroactive financing will apply from on or after February 15, 2018 until the signing date of the Project's Grant Agreement and commensurate with existing World Bank policy

34. Disbursements will be triggered by evidence presented on achievement of one Disbursement-Linked Indicator. This DLI is the "Number of eligible beneficiaries enrolled in the EISTP receiving income support on a monthly basis in exchange for their participation in EISTP training, and who have achieved the minimum required attendance rate." The DLI totals a maximum of US\$17.27 million, and will be disbursed in bi-annual installments as described in Annex 4.

35. The amount disbursed for the DLIs cannot exceed the Government's eligible expenditures in the same period, nor can cumulative disbursements exceed the overall amount allocated to this Component.

36. Bi-annually, the Government, through the Interim Recovery Committee (IRC), and then later through the National Recovery Program Bureau (NRPB),<sup>17</sup> will provide the supporting documentation for eligible expenditures incurred (see below). In addition, SMTF will submit monthly reports to the IRC, which will then report on compliance to the IRC-NRPB.

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<sup>16</sup> This Component will use the Bank's investment disbursed-link indicator (DLI) mechanism to focus on achievement of results. Achieved DLI targets will trigger project disbursements upon DLIs' evidence verification protocol and eligibility of expenditures.

<sup>17</sup> Before the National Recovery Program Bureau (NRPB) is in place, the project implementation responsibility will be carried out by the Interim Recovery Committee (IRC), which was established to coordinate Trust Fund projects until the Bureau is in place.



Table 1: Disbursement Linked Indicators

DLI	Description	Amount (million)	Fixed/Scalable amount	Procedure
1	Number of eligible beneficiaries enrolled in the EISTP receiving income support on a monthly basis in exchange for their participation in EISTP training, and who have achieved the minimum required attendance rate	US\$17.27	Scalable (1).	Receipt of participants' payroll who are receiving stipends, transportation, and health premiums; unannounced visits to verify student attendance; payment list of eligible beneficiaries sent to the banks for payment through bank account; receipt of payment of beneficiaries paid through checks.
	(1) The scalability of the target can fluctuate, according to the established targets for each semester. Some beneficiaries are expected to exit the Program when businesses re-open.			

**Component 2. Strengthening Institutional Capacity to Enhance the Social Protection System (US\$1.12 million)**

37. The objective of this Component is to improve the social protection system’s capacity to better coordinate social programs, and respond to disasters and other shocks by developing an integrated information system to support needs assessments, registration, identification and selection of the people in most need and the vulnerable. As such, the Component will focus on developing a Social Registry and improving Government’s capacity to administer it. The Social Registry will support the identification and registration of socio-economic needs of individuals and households (i.e., health, education, housing, etc.) to improve efficiency of the social protection system by improving targeting of benefits, efficiency in the allocation of resources, and coordination and program design in the social projection system. It will also be a tool to generate quick responses in post-disaster situations (by having a ready list of those least likely to be able to cope with a shock).

38. **Development of a Social Registry:** The development of the Social Registry implies carrying out a socio-economic needs assessment and developing an integrated information platform. A socio-economic needs assessment will be financed to identify those in long-term poverty and those affected by Hurricane Irma, and to define their needs (e.g., employment, housing, access to utilities, health care, education, etc.) The assessment will be carried out through a census-based design covering approximately 14,000 households, or other complementary or related methods for collecting information, allowing a geo-referenced mapping of the entire population and their respective needs. The data collection will be carried out in coordination with the Department of Statistics of the Ministry of TEATT through a firm or group of trained enumerators. The assessment will consider the different socio-economic needs of men and women to better identify interventions to address gender gaps in Sint Maarten. Concomitantly with the data collection, a beneficiary registry module will be developed as part of the Social Registry.

39. The socio-economic needs assessment will generate gender-disaggregated data that will populate the Social Registry. The Social Registry will be housed in the Ministry of Public Health, Social Development



and Labor (VSA in Dutch) and will be integrated and linked with other existing registries. Individual programs will maintain their own systems for administrative purposes, and will use the Social Registry to select the beneficiaries according to each program’s eligibility criteria. Data gathering for the Social Registry and its use will comply with appropriate privacy requirements.

40. This Component will finance, inter alia, the expenditures related to the implementation of socio-economic needs assessment and the development and management of the social registry. Such expenditures include consultant services to carry out a technical review of the existing registries, design and development of the social registry, software, computer equipment, furniture, data collection, training enumerators, supervision for data collection, and connectivity to allow uploading information in the system from mobile devices, and other related technical assistance agreed with the World Bank.

41. **Component 3: Project Management (US\$ 0.82 million):** This Component will support overall management and communication for all Project activities and will consist of two Sub-components.

42. **Sub-component 3.1. Project Management Support (US\$ 0.53 million).** Due to the stretched staff capacity at VSA, the Sub-component will finance a Project Coordinator to coordinate and assist the IRC, and later the NRPB with inter alia, the preparation of technical inputs and monitoring of the EISTP. The Sub-component will also finance a technical specialist each for Component 1 and 2 who will serve as intermediaries to provide technical inputs and follow-up on their respective components. All positions will be hired by IRC and will sit in VSA.

43. The Sub-component will finance equipment, communication (not related to Sub-Component 3.2 Communications Strategy), consumables, salaries, and travel expenses for project implementation support. Other consultant services, non-consulting services and goods to help coordinate and support the implementation of the Project will be procured as needed.

44. To ensure the integrity of the eligible expenditures incurred under Component 1, IRC, this Sub-component will finance an independent audit for the verification of the DLIs of the EISTP under Component 1 and a financial audit for the Project.

45. **Sub-Component 3.2. Communications Strategy (US\$0.29 million).** A communication campaign to raise the population’s awareness of the socio-economic assessment and key services available will be developed. The campaign will improve beneficiaries’ program take-up and will increase program transparency. The communication strategy will include actions tailored to promote women’s participation in EISTP and other initiatives.

**B. Project Cost and Financing (US million)**

Project Components	Project cost	Trust Funds
Component 1: Supporting the Implementation of an Emergency Income Support and Training Program	20,560,385	20,560,385





Component 2: Strengthening institutional capacity to enhance the social protection system	1,124,000	1,124,000
Component 3: Project Management	815,615	815,615
<b>Total Costs</b>	22,500,000	22,500,000
Total Project Costs	22,500,000	22,500,000
<b>Total Financing Required</b>	22,500,000	22,500,000

### III. IMPLEMENTATION

#### A. Institutional and Implementation Arrangements

46. The Government is establishing the aforementioned NRPB that will be responsible for the implementation of this Project as well as all other recovery and resilient projects selected by the SDTF's Steering Committee under the NRRP. The NRPB will carry out technical, administrative, legal, financial and procurement responsibilities and will be staffed to lead Project implementation. It will have overall responsibility for ensuring compliance with fiduciary agreements, procurement guidelines, social and environmental management, monitoring, reporting and evaluation of processes and results. It will also coordinate technical designs of the emergency projects with relevant ministries and conduct consultative and reporting functions.

47. However, before the NRPB is in place, the project implementation responsibility will be carried out by the IRC, which was established to coordinate Trust Fund projects until the NRPB is in place. Before the IRC is substituted by the NRPB, it will serve as a primary Project Implementation Unit (PIU) for the Project. The IRC includes technical, administrative, legal, financial and procurement staff to handle Project implementation. It acts as an overarching project implementation support unit coordinating with and assisting all co-executing ministries/agencies, and reports directly to the Minister of General Affairs. The World Bank will provide support and capacity building during Project implementation to the IRC and the NRPB. Project implementation will be carried out in accordance with all the terms and conditions agreed to between the Government of Sint Maarten and the World Bank as set forth in the Grant Agreement.

48. VSA will be the main line Ministry responsible for the technical inputs and oversight in the preparation and implementation of specific activities. A Project Coordinator will be hired by the IRC and will sit in VSA to coordinate and assist the IRC, and later NRPB, with, inter alia, the preparation of technical inputs such as technical specifications and Terms of Reference (ToRs) as needed by the Project, and the reporting and daily monitoring on implementation. In addition, technical specialists for each Component, hired by the IRC, will sit in VSA and will serve as intermediaries with the relevant divisions within VSA to provide technical inputs and follow-up on their respective components. The NRPB will assess the continuity of the Project Coordinator and the technical specialists after the first year of project implementation to prevent overlaps with the respective staff of the NRPB.





49. VSA will be responsible for technical oversight and for providing inputs in the preparation and implementation of specific activities under Component 1. Moreover, VSA will ensure that the training is provided according to the conditions established in the POM and will monitor training conducting spot checks to verify that courses are being delivered as designed. VSA will also assist with registration of unemployed beneficiaries, giving priority to vulnerable women and youth. VSA will design and undertake exit interviews and other mechanisms to follow-up with beneficiaries during and after their participation in the training program, including beneficiaries that have dropped out.

50. VSA will also be technically responsible for the implementation of Components 2 and 3. In particular, for Component 2 to ensure delivery of outputs, VSA will work in close collaboration with the IRC, and later with the NRPB, for the procurement of goods, consultancies, and other non-consulting services needed to achieve the intended results. The Project Coordinator in VSA will help manage the activities of Component 2 with the support of the aforementioned technical specialist. To enhance institutional ownership in the development of the Social Registry, VSA will appoint a Ministry's staff member to provide the close oversight needed for successful roll-out of the Social Registry and to work in close collaboration with the technical specialist. Additionally, VSA will identify a division within the Ministry to house the social registry and its supporting systems. This will be specified in the POM.

51. TEATT, in line with its institutional mandate of developing employment and stimulating various sectors of the economy, will support VSA in engaging with interested underemployed persons, and will have a structured dialogue with employers and sectorial representatives to inform them about of the EISTP and potential opportunities for their participation.

52. The SMTF will be responsible for ensuring compliance with the selection criteria for beneficiaries (as established in the POM); delivering training according to the designed curriculum; entering into collaboration agreements with leading training institutions; documenting and verifying attendance; and documenting the DLI achievement following the protocol established in Annex 4. SMTF will be responsible for reporting to the IRC on the program's progress each month.

53. For the implementation of Component 1, the Government will enter into a subsidiary agreement with the Sint Maarten Training Foundation as executing agency to implement EISTP under this Component. This agreement will outline the technical and fiduciary roles and responsibilities of each of the parties, namely TEATT, VSA, and IRC-NRPB. The Project will build on the existing organizational and management structures of SMTF. The Foundation will include the original Board as agreed with the Government, and will be complemented by representatives from VSA, TEATT, and one representative of the Hospitality and Trade Association (SHTA), and the Marine Industry. The main role of the Board will be to monitor the implementation of the Program, within the SMTF.

54. Financing under Component 1 will provide disbursements of eligible expenditures under the EISTP, triggered by achievements of results' targets under specific DLIs and disbursed against verification of both the eligible expenditures mentioned above and compliance with the indicators. An independent firm or a public audit institution will review, on an ongoing basis, reports of eligible expenditures and verify compliance with the DLIs. Specific protocols to define the DLIs are included in Annex 4 and are recorded in the POM. Audits under Component 1 will be carried out by a public audit institution or an



independent firm. The IRC/NRPB is responsible for the coordination with the public audit institution or independent audit firm. Audit procedures and responsibilities will be detailed in the POM.

55. The IRC, through VSA, and later the NRPB, will be responsible for (i) collecting the required information on DLIs from SMTF and financial information (ii) ensuring that the necessary audit reports are prepared on time, (iii) requesting disbursements from the SDTF as necessary, (iv) transferring funds to the SMTF on time, (v) preparing reports, and (vi) submitting Statements of Expenses according to the procedures established in the POM. The structure of flow of funds is discussed under the Financial Management Arrangements section and described in detail in the POM.

## **B. Results Monitoring and Evaluation**

56. The IRC, and later the NRPB, will be responsible for the overall project Monitoring and Evaluation (M&E), and regular reporting to the World Bank. A results-based M&E system would monitor Project implementation using the following methods and tools: (a) the project Results Framework as it defines indicators, baselines and targets; (b) an M&E strategy with information requirements, tools, and methodologies for data collection, analysis, and reporting; (c) comprehensive M&E plan with guidance on roles and responsibilities with respect to data collection and reporting; and (d) periodic assessments and evaluations including baseline studies, beneficiary assessments, midterm evaluations and ex-post evaluations. The IRC, and then the NRPB will be responsible for process and performance monitoring of individual activities and will consolidate, validate, and analyze all M&E data provided by other ministries.

57. The IRC, and then the NRPB will develop the necessary monitoring information system (MIS) to house Project's data and continuously update indicator results. The project monitoring will occur as a periodic function and will include process reviews, reporting on outputs and maintenance of progressive records. The baseline studies will be conducted at the start of the project followed by systematic data collection, analysis and reporting to the World Bank per agreed requirements and timeline during the Project implementation and closure.

58. VSA will submit monitoring reports to the IRC for onward submission to the World Bank, as requested by the IRC, and later the NRPB, for overall Project implementation progress. For Component 1, the SMTF will maintain a database to store all information related to enrolled beneficiaries, including their attendance records, payments, etc., which will be accessible to the audit institution or independent firm hired to verify compliance of DLIs. All beneficiaries' attendance records will be entered into a monitoring database to facilitate verification of attendance, stipend eligibility, and for reporting on beneficiary progress during training. SMTF will submit monthly reports to IRC reporting on beneficiary attendance, attrition, and other trends, to inform reporting on DLIs and for ensuring that lessons learned are routinely documented.

## **C. Sustainability**

59. The combination of income support and training has been a useful response in other emergency contexts. Therefore, this type of program could be expected to remain as part of the social protection system in Sint Maarten, to be used flexibly for some population groups depending on economic and social conditions. The institutional adoption of the Social Registry, and interlinkage of this system with other



related information systems in the Government will inform policy design and decision-making. VSA will establish strategies to update and maintain the data in the registry.

60. Furthermore, training will enhance beneficiaries' future education and employment prospects. Additionally, the strengthening and pertinence of the training services (including more attention to design, promotion to the community and relevance to the economic sectors) should contribute to sustainability.

61. Finally, the design of Component 1 includes scale-up during the downtime of the hospitality industry during initial months of Project implementation, with diminishing demand as the sector's activity improves by the end of the Project. When economic conditions improve, the demand for the training program would diminish gradually, as workers have increased incentive to leave for better-paying and higher quality jobs.

## **IV. KEY RISKS**

### **A. Overall Risk Rating and Explanation of Key Risks**

62. The overall risk rating for this Project is Substantial. The main reasons for the rating are the high risks associated with the institutional capacity and fiduciary areas as explained below.

63. Political and Governance risk is rated substantial. While this risk is largely outside the project control, the level is considered substantial, considering recurring elections cycles and the several of governments in recent years. In addition, there are high expectations by the population on the speed of hurricane reconstruction efforts, which could lead to social dissatisfaction. As mitigation measures, the Project will apply the following: (a) design and implementation of a transparent communication plan informing the public on project activities; and (b) a close monitoring of project progress. The communication plan and monitoring methodology will be included in the Project Operations Manual (POM).

64. Macro-economic risk has been assessed as substantial. A significant contraction in economic activity due to the destruction of productive capital will make room for a recovery as private and public reconstruction takes place and tourism gradually resumes. Private and public external finance will be available to finance part of the reconstruction and recovery efforts, with a diligent and effective use of funds critical for a fast recovery of the economy of Sint Maarten. Measures to strengthen public finance as well as to address household and private sector credit constraints will be needed to assure adequate replacement of destroyed capital and "build back better". There remains considerable risk that a delay in economic recovery or new natural disaster could aggravate public and private credit constraints, leading to insufficient investment for economic activity to return to its long-run growth path.

65. The risk for institutional capacity for implementation and sustainability is high. This is for two reasons: (i) country capacity has been constrained in general by the hurricane damage; and (ii) this is the first World Bank engagement in the country so the counterparts are not familiar with Bank requirements.



In addition, the recovery program needs to be implemented rapidly, initially by an interim agency and subsequently by a new agency, compounding this risk area. The Bank will provide the necessary implementation support, including by bringing in international expertise where relevant. The implementation support also includes adequate resources to support project implementation and capacity building, however, this risk can only partially be mitigated and some residual risk remains.

66. Fiduciary risk is high, largely due to lack of familiarity of the counterparts with Bank requirements, particularly on procurement, and the fact that new institutions will be implementing several projects at once. Mitigating measures include hands on support from the Bank FM and procurement teams in the IRC, then the NRPB, which aims to reduce this risk as implementation gets underway. Implementation of standard FM and procurement practices may be further supplemented with outside capacity as needed.

67. The environmental and social risk is rated low. The environmental and social safeguards are not triggered for this project. The Project activities will support the Government in carrying out initiatives involving, stipends, health insurance benefits, and training as well as strengthening of information systems which will not have environmental impacts. These risks are mitigated by the fact that there is no resettlement while planned training and monitoring will address occupational health and safety concerns. While no social or environmental safeguards are triggered as a direct result of the Emergency Income Support and Training Project there are a number of potential social issues that need to be considered and mitigated; specifically, ensuring that: (a) trainers, trainees and participants in the project are protected and treated fairly in their projects; and (b) there is a Grievance Redress Mechanism (GRM) made accessible to them resolve issues as they arise.

68. The risk related to the technical design is rated Substantial due to two reasons: (i) as an emergency project the design elements did not benefit from a long-standing engagement with the client, and (ii) the implementation capacity of the designed project is limited as the NRPB will be established as a new institution to manage post-Irma recovery activities. This risk is mitigated by striving to keep the design simple and suitable for rapid implementation while supporting capacity building of the NRPB. It is expected that continued joint work of the Bank and Government counterparts during the short preparation phase will also help mitigate the risk, but implementation capacity remains high and will be monitored under the institutional capacity risk.

## **V. APPRAISAL SUMMARY**

### **A. Economic and Financial (if applicable) Analysis**

69. The Project will provide the unemployed and under-employed with emergency income support and skills training. Emergency income support will reduce the need for the families of beneficiaries to use negative coping mechanisms in response to income shocks. The Project will also take advantage of downtime in the hospitality industry to update the skills of the under-employed and train the unemployed in skills necessary for the labor force, potentially increasing earnings in the context of both groups. The Project will strengthen social registries and information systems, which will play an important role in improving delivery of Social Protection and Labor market programs and services in the future.



70. Quantifying the benefits of: (i) the stipend (e.g., avoiding negative coping mechanisms), as well as (ii) the strengthening of the social protection system is methodologically difficult. As such, estimation of the internal rate of return and net present value takes into consideration only the labor market benefits associated with the training. Estimates indicate that the Project's internal rate of return is 8.1 percent, comparing Project costs to the expected flow of additional income to be received by beneficiaries over their lifetime. The Project's net present value is estimated at US\$135.3 thousand, assuming a social discount rate of 8 percent. Consequently, the Project is attractive from an economic perspective. Nonetheless, given the uncertainty surrounding the recovery of Sint Maarten's tourism sector, in the case that the sector does not recover as expected, the actual internal rate of return and net present value could be significantly lower. More detailed economic analysis is contained in Annex 6.

71. Improving efficiency and effectiveness of social assistance: A Social Registry will contribute to develop a more robust and reliable information basis for social assistance recipients, which in turn will help to reduce leakages, double dipping, and fraud. Also, the social registry will contribute to reduce the intrinsic costs associated with targeting beneficiaries. Estimates based on international experiences (World Bank, 2014) indicate that targeting potential beneficiaries of social assistance can account for 25 to 75 percent of all administrative costs related to the implementation of social programs. The development of the Social Registry will also contribute to the consolidation of several administrative processes linked to targeting and registration of several assistance programs, thus reducing administrative costs. Finally, the harmonization and the update of targeting processes across programs will reduce leakage of benefits, thus making spending on assistance programs more progressive and effective. In other words, it will be *more likely* that benefits reach the individuals they are meant to help and *less likely* that they are channeled to individuals that do not truly need support.

### **Rationale for Public Sector Intervention**

72. The negative impact of Hurricane Irma on Sint Maarten's economy, and on households deriving income from the tourism sector necessitates a speedy response to ensure: (i) the country remains competitive with respect to tourism; and (ii) that its citizens can meet their basic needs. Given that the private sector is burdened by reconstructing physical infrastructure in a context of reduced income from tourism, it is poorly positioned to absorb the entirety of costs associated with skills training and providing income support. In addition, given the inability of the private sector to maintain employment at pre-Irma levels and the lack of income for the unemployed-and under- employed from other sources, it is possible that a portion of individuals previously working in the tourism sector would fall into poverty in the absence of government intervention.

73. The mobilization of public resources to support the Emergency Income Support and Training Program (Phase 2 of the Skills and Training Program), and associated income support, is warranted to ensure the hospitality industry is well-positioned to retake its role as a leading tourist destination and to help prevent un- and under- employed hospitality workers from falling into poverty. The systems to be developed under Component 2 will help improve the management of public resources and coordination of publicly-funded programs.



### **World Bank's Value-added**

74. The World Bank has a wealth of experience providing technical assistance to countries with respect to the development challenges to be addressed by this Project. The activities under the Project would benefit from the Bank's expertise, given constrained capacity in the post-disaster climate. The World Bank's considerable technical experience in the Caribbean on these topics, makes it well-positioned to address the small-island constraints faced by Sint Maarten in labor and social sectors, and particularly qualified to support the implementation of this Project.

### **B. Technical**

75. The Project design was chosen to strengthen and scale up the Sint Maarten Skills and Training (STP) Pilot program. It aims to provide income support to improve the employability of the un-employed, and to strengthen the skills of the under-employed as achieving these objectives will contribute to sustainable recovery from Hurricane Irma.

76. The design reflects global best practices in the delivery of skills training and activation programs. International experience has shown that training programs are most effective when they include: (i) integration of life skills and counseling; (ii) a combination of on the job training and classroom components; and (iii) engagement of employers, all of which have been integrated in the design of the Program.

77. The Project also builds on experience from the "Employability Through Training" program implemented by VSA in 2011. That program's goal was to provide social skills training, specific technical skills training, and practical work experience through partnerships with local businesses, to better prepare the unemployed for work.

78. In addition, the use of different disbursement designs for each component was adopted after careful consideration by the World Bank team and the Government, who agreed that the proposed approach would maximize incentives to implement effectively.

### **C. Financial Management**

79. Financial management responsibilities of the Project will initially be undertaken by IRC, and then subsequently transferred to the NRPB. Given that the NRPB is not yet operational, the FM assessment was conducted on the IRC in accordance with IPF Policy and the Financial Management Practice Manual (issued by the Financial Management Sector Board (FMSB) on March 1, 2010). It was concluded that the IRC has an adequate financial management system that can provide, with reasonable assurance, accurate and timely information on the status of the funds as required by the Bank. Once the NRPB becomes operational, a FM Assessment will be performed on the NRPB to ensure it is capable to manage the FM functions prior to transferring this responsibility for them.



#### **D. Procurement**

80. Procurement activities for the supply of goods, non-consulting and consulting services under the Project, financed totally or partially with SDTF proceeds, will have to comply with the World Bank's "Procurement Regulations for IPF Borrowers" (November 2017). The IRC, and its successor the NRPB (once set up), will be responsible for carrying out the procurement of all the activities financed under the Project. Once the NRPB is established a new procurement capacity assessment will take place. Based on the current information, it was determined that the procurement risk is rated as High.

81. The Bank's procurement risk assessment confirmed that the country, not being a client of the Bank, has not had any experience with World Bank Projects before, has limited capacity to carry out the procurement, and lacks sufficient staff with experience to conduct international procurement. In addition, despite all efforts made to streamline procurement procedures and establish implementation arrangements to simplify the procurement procedures of the project, lead times to navigate the government's procurement processes and procedures are likely. Therefore, a close guidance from the World Bank's team to support, predominantly, the higher risk activities for the hiring of consultancy services will take place. IRC is committed to build their in-house capacity and therefore, a team of three procurement specialists were assigned to handle the overall project's procurements, work with the World Bank and get the knowledge transferred (capacity building).

82. The Recipient, with close support from the World Bank's team, has prepared a simplified version of the Project Procurement Strategy for Development (PPSD) that describes how procurement in this operation will support the PDO and deliver value for money under a risk-based approach. As a result of the information provided in the PPSD, it was concluded that most of the activities are low value and low risk. However, the following two main activities were assessed as high-risk activities in the document, and will require close Bank's support: (i) Consultancy for the design and development of the Social Registry; and (ii) Consultancy for Data collection to execute a socio-economic needs assessment. If during project implementation the conditions of the activities change from the ones analyzed in the PPSD, the strategy will be updated accordingly to reflect the best fit for purpose procurement arrangements to achieve the desired value for money. The details for these and any other additional activities will be detailed in the Procurement Plan that will be finalized and publicly disclosed, not later than fourteen days after the signing date of the Grant Agreement, which shall be in form and substance satisfactory to the World Bank.

#### **E. Environmental and Social Safeguards (including Safeguards)**

83. Given the nature of project activities — which support the Government in carrying out initiatives involving stipends, health insurance benefits and training, as well as strengthening of information systems — the environmental safeguard policies are not triggered because these activities are not expected to have environmental impacts. In addition, given the large number of people to be trained, social issues may arise with regards to the fair treatment of participants in the project which could lead to complaints, thus requiring the management of these complaints. The project will ensure that Trainers and Trainees participating the project receive fair treatment and are offered a safe training and working environment. The project will follow internationally accepted best-practices related to Health & Safety (H&S) in the workplace.





84. Employers/Trainers/Contractor and/or Sub-contractors should require workers to abide by a Code of Conduct that would be explained during induction and reinforced along with regular H &S training. The Code of Conduct will detail, measures and standards of professional conduct for people working on the project, including preventing sexual harassment and responding to matters of violence (including gender-based and abuse against minors). The code of conduct will be shared with workers, community and all persons working on the project, and abiding by the Code of Conduct will be a condition for continued participation in the project.

85. Grievance Redress Mechanism. Not later than thirty days (30) days following the Effective Date, the Recipient shall establish, and thereafter maintain and publicize throughout Project implementation, a Project feedback and Grievance Redress Mechanism, in form and substance satisfactory to the World Bank, to hear and determine fairly and in good faith all feedback and complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by said feedback and grievance redress mechanism, in a manner satisfactory to the World Bank.

#### **F. World Bank Grievance Redress**

86. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the World Bank's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).





## VII. RESULTS FRAMEWORK AND MONITORING

### Results Framework

#### Project Development Objective(s)

The objective of the Project is to provide temporary income support, improve the employability of affected beneficiaries in targeted sectors, and strengthen the social protection system’s capacity for shock-response and protection of the poor.

PDO Indicators by Objectives / Outcomes	DLI	CRI	Unit of Measure	Baseline	End Target
<b>Provide temporary income support and improve employability</b>					
Number of Beneficiaries enrolled in the EISTP receiving income support on a monthly basis in exchange for their participation in EISTP training, and achieved the minimum attendance rate	DLI 1		Number	727.00	1,155.00
<b>Provide income support and improve employability</b>					
Number of Beneficiaries enrolled in the EISTP receiving income support on a monthly basis in exchange for their participation in training and achieved the minimum attendance rate – female			Number	420.00	670.00
Percentage of beneficiaries who complete training in an occupational area			Percentage	0.00	50.00
Percentage of beneficiaries who complete training in an occupational area – percentage female			Percentage	0.00	50.00
<b>Strengthen institutional capacity to enhance the social protection system</b>					
Number of records in the Social Registry			Number	0.00	1,000.00



<b>Intermediate Results Indicators by Components</b>	<b>DLI</b>	<b>CRI</b>	<b>Unit of Measure</b>	<b>Baseline</b>	<b>End Target</b>
<b>Component 1 Supporting the implementation of the Emergency Income Support and Training Program-EISTP</b>					
Beneficiaries of labor market programs		Yes	Number	727.00	1,800.00
Beneficiaries of labor market programs - Female		Yes	Number	420.00	1,080.00
Percentage of unemployed beneficiaries as a share of total number of beneficiaries in the Program			Percentage	0.00	20.00
Percentage of unemployed beneficiaries, of which youth			Percentage	0.00	20.00
Percentage of unemployed beneficiaries that complete training in an occupational area			Percentage	0.00	50.00
<b>Component 2. Strengthening Institutional Capacity to Enhance the Social Protection System</b>					
The Social Registry is designed and developed			Text	None	Registry developed



**Monitoring & Evaluation Plan: PDO Indicators**

<b>Indicator Name</b>	Number of Beneficiaries enrolled in the EISTP receiving income support on a monthly basis in exchange for their participation in EISTP training, and achieved the minimum attendance rate
<b>Definition/Description</b>	This indicator measures the number of beneficiaries enrolled in the training program, who have received income support in exchange for participation in the training program and have achieved the minimum required monthly attendance rate of 70%. This is a DLI.
<b>Frequency</b>	Quarterly
<b>Data Source</b>	SMTF reports
<b>Methodology for Data Collection</b>	
<b>Responsibility for Data Collection</b>	SMTF, IRC-NRPB
<b>Indicator Name</b>	Number of Beneficiaries enrolled in the EISTP receiving income support on a monthly basis in exchange for their participation in training and achieved the minimum attendance rate – female
<b>Definition/Description</b>	
<b>Frequency</b>	Quarterly
<b>Data Source</b>	SMTF reports
<b>Methodology for Data Collection</b>	
<b>Responsibility for Data Collection</b>	SMTF, VSA



<b>Indicator Name</b>	Percentage of beneficiaries who complete training in an occupational area
<b>Definition/Description</b>	This indicator measures the share of enrolled beneficiaries who have successfully completed the recommended modules for their occupational area based on their intake process. The denominator is the total number of enrolled beneficiaries and the numerator is the number of enrolled beneficiaries who have successfully completed the recommended modules in their occupational area. This indicator is a measure of skills acquisition facilitated by the training program. This indicator is cumulative.
<b>Frequency</b>	Quarterly
<b>Data Source</b>	SMTF reports
<b>Methodology for Data Collection</b>	
<b>Responsibility for Data Collection</b>	SMTF
<b>Indicator Name</b>	Percentage of beneficiaries who complete training in an occupational area – percentage female
<b>Definition/Description</b>	
<b>Frequency</b>	Quarterly
<b>Data Source</b>	SMTF reports
<b>Methodology for Data Collection</b>	
<b>Responsibility for Data Collection</b>	SMTF



<b>Indicator Name</b>	Number of records in the Social Registry
<b>Definition/Description</b>	The number of complete records entered in the social registry for households aligned to the variables in the social registry. Cumulative.
<b>Frequency</b>	Yearly
<b>Data Source</b>	VSA
<b>Methodology for Data Collection</b>	
<b>Responsibility for Data Collection</b>	VSA

**Monitoring & Evaluation Plan: Intermediate Results Indicators**

<b>Indicator Name</b>	Beneficiaries of labor market programs
<b>Definition/Description</b>	
<b>Frequency</b>	Quarterly
<b>Data Source</b>	SMTF reports
<b>Methodology for Data Collection</b>	
<b>Responsibility for Data Collection</b>	SMTF



<b>Indicator Name</b>	Beneficiaries of labor market programs - Female
<b>Definition/Description</b>	
<b>Frequency</b>	Quarterly
<b>Data Source</b>	SMTF reports
<b>Methodology for Data Collection</b>	
<b>Responsibility for Data Collection</b>	SMTF
<b>Indicator Name</b>	Percentage of unemployed beneficiaries as a share of total number of beneficiaries in the Program
<b>Definition/Description</b>	This indicator measures the number of unemployed persons participating in the training program. The denominator is the total number of enrolled beneficiaries and the numerator is the number of enrolled unemployed beneficiaries. This indicator is included to measure the program's flexibility to include not only under-employed persons, but also include the unemployed persons. Cumulative.
<b>Frequency</b>	Quarterly
<b>Data Source</b>	SMTF reports, VSA
<b>Methodology for Data Collection</b>	
<b>Responsibility for Data Collection</b>	SMTF



<b>Indicator Name</b>	Percentage of unemployed beneficiaries, of which youth
<b>Definition/Description</b>	This indicator measures the share of enrolled unemployed beneficiaries that are youth between the ages of 18-24. The denominator is the total number of enrolled unemployed beneficiaries and the numerator is the number of enrolled unemployed beneficiaries that are youth in this age range. The share of unemployed youth beneficiaries is measured to track the program's contribution to providing income support and improving skills acquisition of unemployed youth, who account for a disproportionate share of the unemployed.
<b>Frequency</b>	Quarterly
<b>Data Source</b>	SMTF reports, VSA
<b>Methodology for Data Collection</b>	
<b>Responsibility for Data Collection</b>	VSA



<b>Indicator Name</b>	Percentage of unemployed beneficiaries that complete training in an occupational area
<b>Definition/Description</b>	This indicator measures the share of enrolled unemployed beneficiaries who have successfully completed the recommended modules for their occupational area based on their intake process. The denominator is the total number of enrolled beneficiaries and the numerator is the number of enrolled unemployed beneficiaries who have successfully completed the recommended modules in their occupational area. This indicator is a measure of skills acquisition facilitated by the training program. This indicator is cumulative.
<b>Frequency</b>	Quarterly
<b>Data Source</b>	SMTF reports, VSA
<b>Methodology for Data Collection</b>	
<b>Responsibility for Data Collection</b>	VSA
<b>Indicator Name</b>	The Social Registry is designed and developed
<b>Definition/Description</b>	The social registry system has been developed, completed and is ready to use.
<b>Frequency</b>	Yearly
<b>Data Source</b>	VSA
<b>Methodology for Data Collection</b>	
<b>Responsibility for Data Collection</b>	VSA





**Disbursement Linked Indicators Matrix**

<b>DLI 1</b>	Number of Eligible Beneficiaries enrolled in the EISTP receiving income support on a monthly basis in exchange for their participation in EISTP training, and have achieved the minimum attendance rate			
<b>Type of DLI</b>	<b>Scalability</b>	<b>Unit of Measure</b>	<b>Total Allocated Amount (USD)</b>	<b>As % of Total Financing Amount</b>
Outcome	Yes	Number	17,271,975.00	76.76
<b>Timetable</b>	<b>Value</b>		<b>Allocated Amount (USD)</b>	<b>Formula</b>
Baseline	727.00			
December 2018	1,155.00		6,750,975.00	scalable
June 2019	750.00		5,260,500.00	scalable
December 2019	750.00		5,260,500.00	scalable



## ANNEX 1: DETAILED PROJECT DESCRIPTION

1. The objective of the Project is to provide temporary income support, improve the employability of affected beneficiaries in targeted sectors, and strengthen the social protection system's capacity for shock-response and protection of the poor.

### **Component 1. Supporting the Implementation of the Emergency Income Support and Training Program ("EISTP") (US\$20.56 million)**

2. The objective of this Component is to provide income support to under-employed and unemployed persons in exchange for their participation in short-term skills training in selected occupational areas. This Component will achieve the objectives of providing temporary income support and improving the employability of affected beneficiaries in targeted sectors by financing the implementation and scale up of the first phase of the Skills and Training Program (STP). The STP seeks to: (i) find an appropriate solution to workers' income loss; (ii) prevent mass lay-offs and unemployment, particularly in the hospitality industry; and (iii) create an opportunity during this down time to train and upgrade the skills of workers in the hospitality industry, particularly those in hotels, restaurants and casinos.

3. Toward these ends, Phase 2 of the STP, named "Emergency Income Support and Training Project (EISTP)" aims to provide income support to selected individuals in exchange for their participation in the training program and who have achieved the minimum required attendance rate which is 70 percent. The training will take place at least 13.5 days per month for up to 18 months depending on the occupational area, which will also help improve their employability. The first phase of the Program was subsidized by Government, while the second phase will be financed through the SDTF. Phase 2 – EISTP- will aim to increase coverage in terms of the number of beneficiaries and the number of economic sectors attended to by the Program. The Program is implemented through the Sint Maarten Training Foundation (SMTF), a not-for-profit organization created to provide professional trainings following Hurricane Irma which will continue to administer the program under Phase 2. Approximately 1,800 beneficiaries will receive income support through their participation in EISTP which will be expanded and has been revised based on lessons learned from the first phase. The EISTP will run for up to 18 months starting from signing date of the Grant Agreement.

4. VSA will oversee the Program to ensure that: i) trainings are delivered in compliance with the designed curriculum; ii) stipends are paid in a timely manner; and iii) regular unannounced site visits take place to monitor delivery of trainings and attendance.

#### *Main program features:*

5. *Eligible Beneficiaries, Enrollment into the Program and Scalability of Program Coverage.* Project beneficiaries comprise the under-employed and unemployed populations in targeted sectors whose incomes and employment were interrupted by Hurricane Irma, with an emphasis on vulnerable women and youth. Under-employed refers to individuals who receive a payment for rendering services on a reduced workday schedule. Unemployed refers to individuals who are not employed before and after September 1, 2017 upon occurrence of Hurricane Irma.



6. Beneficiaries in targeted sectors can enroll if they are:
  - a) Under-employed and can attend training during the hours provided,<sup>18</sup> and are Dutch nationals or documented residents
  - b) Unemployed, Dutch nationals or documented residents. Interested unemployed prior to or after Hurricane Irma would need to register at the Labor Office in VSA.
  
7. With respect to unemployed beneficiaries referred by VSA to the SMTF, VSA will give priority to vulnerable women and youth. While in the Program, all beneficiaries must be registered in the VSA Labor Office or Social Services (which will transfer the information to the Social Registry, once this has been developed). Before enrolling, potential beneficiaries will complete an intake process and training program provided by the SMTF, comprising the recommended modules to undertake during the training, among other things. To avoid recurrent exits and entries that could disrupt the Program's development, beneficiaries, in principle, cannot enroll twice, unless the circumstances of the individual are of great hardship according to the procedures included in the POM.
  
8. A beneficiary will be considered trained when he or she has successfully completed the recommended modules for their occupational area, and has complied with the minimum monthly attendance rate of at least 70 percent.
  
9. By ensuring that women and men continue to have equal access to the EISTP, the project will improve human endowments by also giving unemployed women an opportunity for technical training and access to social safety net services, which can also lead to better jobs in the future. This is particularly relevant in a context where poor women have limited resources to cope with the effects of natural disasters.
  
10. Regarding the scalability of Program's coverage, the number of beneficiaries enrolled in the Program will be gradual and can fluctuate, according to the established targets for each semester. Some beneficiaries are expected to exit the Program when businesses re-open.
  
11. *Targeted sectors.* The Program will primarily target the hospitality industry, in particular hotels, restaurants, and casinos; however other sectors such as the marine industry, construction, retail and others may join the program upon recommendation by the SMTF Board based upon analysis of the economic recovery.
  
12. *Beneficiary benefits.* A stipend will be provided on a monthly basis to beneficiaries while in the training program if they achieve at least 70 percent monthly attendance rate. All beneficiaries' attendance records will be entered into a monitoring database of the SMTF. If a beneficiary does not meet the required attendance for the period, they will not receive the stipend for that month. The Program will also provide a health insurance benefit to all beneficiaries while in the Program, for which VSA has issued an Instruction<sup>19</sup> to the Health and Social Insurance Fund (SZV). Given that neither the under-employed nor unemployed would meet the minimum work days required for health insurance coverage by the SZV, the health

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<sup>18</sup> Any arrangements between the underemployed and their employers are outside the remit of this training program.

<sup>19</sup> Instruction is the legal term which refers to a written request issued by VSA to SZV for compliance. VSA has the mandate to instruct VSA to take specific actions as instructed within the law



insurance coverage has been negotiated between VSA and SZV to guarantee coverage at the minimum wage during training participation. Additionally, transportation costs for the beneficiaries will be financed by the Project for each beneficiary while enrolled in the program. The details of verification of attendance the stipends, payment process, transportation costs, and health premiums will be described in the POM.

13. Training design. The training will contain a balanced combination of in-class theoretical and practical training as well as socio-emotional skills. The curriculum will be designed on a modular basis and will contain a set of core courses to be followed by specialized training in occupational areas which will be further detailed in the POM.<sup>20</sup> Specialized training will largely be centered on occupational areas in the hospitality industry, including culinary arts, housekeeping, bartending, client service etc., and the construction sector. Training will be mainly delivered by the SMTF, which is the principal executing agency for the program; however, in order to expand the number of training courses offered, SMTF may enter into inter-institutional collaboration agreements with other training institutions with proven experience that can issue certifications accredited according to international or national standards. Moreover, the SMTF could familiarize the training program with other participating sectors, so these sectors can acknowledge the training's relevance for the labor market.

14. *Grievance Processes:* A grievance mechanism will be established to review and address complaints and other grievances by training beneficiaries. Both VSA and SMTF will be involved establishing clear service standards for ensuring that grievances are addressed in minimal time frames and effectively communicated. These details will be articulated in the POM.

15. *Results-based approach.*<sup>21</sup> Periodic fund advances will be disbursed by the Bank based on the achievement of pre-determined indicators and targets (i.e. Disbursement Linked Indicators – DLIs and Disbursement-linked Results (DLRs) and against projected eligible expenditures as detailed in Annex 4. This mechanism was selected as it provides a focus on the achievement of results, ensures a steady cash flow, which is critical given the Government's restricted financial situation, and reduces risk of cash flow in the project. This approach provides a practical way of measuring, monitoring and verifying achievements of the results.

## **Component 2. Strengthening institutional capacity to enhance the social protection system (US\$1.12 million)**

16. The objective of this Component is to improve the social protection system's capacity to better coordinate social programs, and respond to disasters and other shocks by developing an integrated information system to support assessment of needs, registration, identification and selection of the people in most need and vulnerable. As such, the Component will focus on developing a Social Registry and improving Government's capacity to administer it. The Social Registry will support the identification and registration of socio-economic needs of individuals and households (i.e health, education, housing, etc.) to

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<sup>20</sup> Core courses, are general courses delivered to all beneficiaries, such as socioemotional skills, and others as it may be designed and would be taken by beneficiaries regardless of the occupational area for which they are receiving training, and will last approximately 3months. Specialized courses are courses delivered to beneficiaries following a learning track for a specific occupation and will last at least 3 additional months.

<sup>21</sup> This Component will use the Bank's investment disbursed-link indicator (DLI) mechanism to focus on results. Achieved DLI targets trigger project disbursements upon DLIs' evidence verification protocol and eligibility of expenditures.



improve efficiency of the social protection system by improving targeting of benefits, efficiency in the allocation of resources, coordination and program design in the social projection system. It will also will be a tool to generate quick responses in post-disaster situations (by having a ready list of those least likely to be able to cope with a shock).

17. The development of the Social Registry implies carrying out a socio-economic needs assessment and developing an integrated information platform. The Social Registry will be developed in two phases: The first will consist of the preparation of a socio-economic needs assessment. The assessment will be carried out through a census-based design covering approximately 14,000 households nationwide or other complementary or related methods for collecting information, allowing a georeferenced mapping of the entire population and their respective needs. The data collection will be carried out in coordination with the Department of Statistics of TEATT by a firm or group of trained enumerators. The assessment will consider the different socio-economic needs of men and women to better identify interventions to address gender gaps in Sint Maarten. Concomitantly with the data collection, a beneficiary registry module will be developed as part of the Social Registry. For data collection and needs assessment, a socio-economic data-collection form will be developed with VSA. Prior to collecting information nation-wide, an assessment will be done on its feasibility and strategy, and a pilot will be carried out on a small sample of households to validate the form and test the methodology. Upon completion of this pilot, adjustments will be made as needed prior to data collection roll-out. In parallel the design and development of the system of the Social Registry will take place.

18. The information collected through the form will be used to map and georeference the population and their socio-economic needs, such as employment, housing, access to utilities, health care, education, etc. Both instruments will support the Government in designing social programs and policies.

19. The Social Registry will be housed in the VSA and will be integrated and linked to other existing registries.<sup>22</sup> Individual programs will maintain their own systems for administrative purposes, and will use the Social Registry to select the beneficiaries according to each program's eligibility criteria. The Social Registry will consist of three modules: The Social Registry, Registry of Beneficiaries and the Case Management Registry.

### **Component 3: Project Management (US\$0.82million)**

20. This Component will support overall management and communication activities of all Project activities.

21. **Sub-component 3.1. Project Management Support (US\$0.53 million).** Principally, this Sub-component will finance the technical staff for project's implementation. Therefore, this Sub-component will finance a Project Coordinator to coordinate and assist with the Interim Recovery Committee (IRC), later the National Recovery Program (NRPB), with inter alia, the preparation of technical inputs and follow-up of the EISTP. The Sub-component will also finance a technical specialist for each Component hired by the IRC

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<sup>22</sup> The principal existing registries, include the information systems managed by the Department of Social Development, Family and Humanitarian Affairs; Labor Affairs Office, Department of Social Welfare.



later the NRPB and will serve as intermediaries, to provide technical inputs and follow up of their respective components. All positions will be hired by IRC and will sit in VSA.

22. **Sub-Component 3.2. Communications Strategy (US\$0.29 million).** A communication campaign to raise the population's awareness of the socio-economic assessment and key services available will be developed. The campaign will improve beneficiaries' program take-up and will increase program transparency. The communication strategy will include actions tailored to promote women's participation in EISTP and other initiatives.



## ANNEX 2: IMPLEMENTATION ARRANGEMENTS

### Project and Institutional Implementation Arrangements

1. The Government is establishing the aforementioned National Recovery Program Bureau (NRPB) that will be responsible for the implementation of this project as well as all other recovery and resilient projects selected by the SDTF's Steering Committee under the NRRP. The Bureau will carry out technical, administrative, legal, financial and procurement responsibilities and be staffed to lead project implementation. It will have overall responsibility for ensuring compliance with fiduciary agreements, procurement guidelines, social and environmental management, monitoring, reporting and evaluation of processes and results. It will coordinate technical designs of the emergency projects with relevant ministries and conduct consultative and reporting functions.

2. However, before the NRPB is in place, the project implementation responsibility will be carried out by the IRC, to coordinate Trust Fund projects until the Bureau is in place. Before the IRC is substituted by the NRPB, it will serve as a primary project implementation unit (PIU) for the project. The IRC includes technical, administrative, legal, financial and procurement staff to handle Project implementation. It acts as an overarching project implementation support unit coordinating with and assisting all co-executing ministries/agencies, and reports directly to Minister of General Affairs. The World Bank will provide support and capacity building during Project implementation to the IRC and the NRPB. Project implementation will be carried out in accordance with all the terms and conditions agreed between the Government of Sint Maarten and the World Bank as set forth in the Grant Agreement.

3. VSA will be the main line Ministry responsible for the technical inputs and oversight in the preparation and implementation of specific activities. A Project Coordinator will be hired by the IRC and will sit in VSA to coordinate and assist with the IRC, and later NRPB, with inter alia, the preparation of technical inputs such as technical specifications and Terms of Reference (ToRs) as needed by the Project and reporting and daily monitoring of the implementation. In addition, technical specialists for each Component, hired by the IRC, will sit in VSA and will serve as intermediaries with the relevant divisions within VSA to provide technical inputs and follow up on their respective components. The Government, will assess the continuity of the Project Coordinator and the technical specialists after the first year of project implementation to prevent overlaps with staff in the NRPB.

4. VSA will be responsible for the technical oversight and for providing inputs in the preparation and implementation of specific activities of Component 1 to IRC. Moreover, VSA will ensure that the training is provided according to the conditions established in the POM and will monitor training conducting spot checks to verify that courses are being delivered as designed. VSA will also assist with registration of unemployed beneficiaries, giving priority to vulnerable women and youth. VSA will design and undertake exit interviews and other mechanisms to follow-up with beneficiaries during and after their participation in the training program, including beneficiaries that have dropped out.

5. VSA will also be technically responsible for the implementation of Components 2 and 3. In particular, for Component 2, to ensure delivery of outputs, VSA will work in close collaboration with the IRC, and later with the NRPB, for the procurement of goods, consultancies, and other non-consulting



services needed to achieve the intended results. The Project Coordinator in VSA will help manage the activities of Component 2 with the support of the aforementioned technical specialist. To enhance institutional ownership in the development of the Social Registry, VSA will appoint a Ministry's staff member to provide the close oversight needed for successful roll-out of the Social Registry and to work in close collaboration with the technical specialist. Additionally, VSA will identify a division within the Ministry to house the social registry and its supporting systems. This will be specified in the POM

6. TEATT, in line with its institutional mandate of developing employment and stimulating various sectors of the economy, will support VSA in engaging with interested underemployed persons, and will have a structured dialogue with employers and sectorial representatives to inform them of the EISTP and potential opportunities for their participation.

7. The SMTF will be responsible for ensuring compliance with the selection criteria for beneficiaries (as established in the POM); delivering training according to the designed curriculum; entering into collaboration agreements with leading training institutions; documenting and verifying attendance; and documenting the DLI achievement following the protocol established in Annex 4. SMTF will be responsible for reporting to IRC on the program's progress each month.

8. For the implementation of Component 1, the Government will enter into a subsidiary agreement with the Sint Maarten Training Foundation as executing agency to implement EISTP under this Component. SMTF, a not-for-profit organization funded by two major hotel groups, and created in December 2017, will provide training under this Component. To this end, SMTF will sign a training participation agreement with the beneficiary as part of the enrollment process. Such participation agreement will include, inter alia, the responsibilities of the SMTF and the beneficiary towards the Program.

9. The subsidiary agreement between SMTF and Government will outline the technical and fiduciary roles and responsibilities of each of the parties, namely TEATT, VSA, and IRC-NRPB. The Project will build on the existing organizational and management structures of SMTF. The SMTF will include the original Board, as agreed with the Government, and will be complemented by representatives from VSA, TEATT, one representative of the Hospitality and Trade Association (SHTA) and the Marine Industry. The main role of the Board will be to monitor the implementation of the Program, within the SMTF.

10. The SMTF has been successfully implementing the Skills and Training Program, and has entered into collaboration agreements with hospitality industry leaders to develop the thematic courses, (including the National Restaurant Association Solutions,<sup>23</sup> American Hotel and Lodging Educational Institute (AHLEI), South Sea Training,<sup>24</sup> British Butler, and Samaritans Purse (CPR training), and has recruited qualified trainers. In order to expand the number of training courses offered, SMTF may also need to enter into collaboration agreements with other training institutions that provide certified courses in accordance with international and national standards. The quality of the training programs will be ensured by performing unannounced site visits, delivering certified training courses as accredited by international or national

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<sup>23</sup> The National Restaurant Association Solutions is the owner of certain AHLEI training and certification programs and licensee of the Marks and RLA Hospitality and Tourism Consultants on behalf of on behalf of Sint Maarten Training Foundation (Sublicense).

<sup>24</sup> South Sea Training is a leading institution providing training for food safety.





standards and through the socialization of the training curriculum with sector representatives, to acknowledge its relevance for the labor market.

11. Financing under Component 1 will provide disbursements of eligible expenditures under the Emergency Income Support and Training Project (EISTP), triggered by achievements of results' targets under specific DLIs and disbursed against verification of both the eligible expenditures mentioned above and compliance with the indicators. An independent firm or a public audit institution will review, on an ongoing basis, reports of eligible expenditures and verify compliance of the DLIs. Specific protocols to define the DLIs are included in Annex 4 and are recorded in the POM. Audits under Component 1 will be carried out by SOAB or an independent firm. The IRC/NRPB is responsible for the coordination with the public audit institution or independent audit firm. Audit procedures and responsibilities will be detailed in the POM.

## **Financial Management**

### **Risk assessment**

12. The overall FM responsibilities of this Project will eventually be undertaken by the NRPB, which is a new entity that is not yet operational. Once the NRPB is operational, a FM Assessment will be performed to ensure they are capable to manage the FM functions prior to transferring this responsibility and function to them. Given that the IRC, SMTF and NRPB are all unfamiliar with World Bank's financial management procedures; and the activities will be implemented by multiple implementing entities, the overall financial management risk is assessed as ***Substantial***.

### **Staffing**

13. There are three financial management specialists assigned to the IRC, who will have the overarching responsibility for the financial management aspects of the projects. Two additional individuals will also be assigned to the IRC, who will execute the daily accounting functions for the project. The Sint Maarten Training Foundation will execute the activities under Component 1, and thus will also have a Financial Controller assigned to the Project, who will be supported by a Payroll Officer and Accounting Clerk. They will monitor the receipt and expenditures for this component, and report to the IRC. The Bank's FMS will provide hands-on training on the World Bank's policies and guidelines to the FM staff.

### **Budgeting**

14. A consolidated budget for the life of the Project will be prepared by the IRC in collaboration with the respective implementing entities. This budget will be periodically reviewed and updated as needed to reflect the progress of implementation. A consolidated quarterly variance analysis (actual versus budgeted expenditures) should also be prepared and be provided as part of the quarterly progress reports.

### **Accounting and Internal Controls**

15. The consolidated accounting of the Project will be done by the IRC, later the NRBP. The accounting records for the Project will be maintained in the accounting system, QuickBooks, which will be updated



with the project's transactions periodically. QuickBooks' chart of accounts will be designed by projects, components, sub-components, activities and disbursement categories. The Sint Maarten Training Foundation will utilize the Agilisys Visual Accounting System, integrated with Datamagine document management software system. Agilisys Visual's chart of accounts will also be designed such that expenditure categories funded by the TF are clearly identified. Beneficiaries' attendance will be monitored through attendance registers. For some facilities both bio-metric and attendance registers will be used for attendance monitoring. On a periodic basis, the SMTF will report to IRC, on the uses of funds specifically in relation to Component 1 activities. The financial management procedures will be guided by a financial manual maintained by the IRC, which will be updated throughout the life of the project as needed to reflect the current procedures and processes. Project operations will be guided by a POM.

### **Consolidated - Flow of Funds Arrangements**

16. The following disbursement methods will be available: Advance, Reimbursement and Direct Payment.

17. For the advance modality, the project will maintain two segregated designated accounts (DA-A & DA-B), which will be maintained by IRC at the Central Bank of Curacao & St. Maarten. The purposes of both are outlined below:

#### Designated Account – A

18. DA-A will be established specifically for the receipt of funds under Component 1 "Supporting the Implementation of the Emergency Income Support and Training Program". The World Bank will make the first advance based on projected expenditures to be incurred for the next six-month period. Subsequent advances will be based on an expenditure forecast statement, documentation of expenditures made with the amounts advanced in the previous period, and the verification of DLI achievement. The Bank will provide advances up to an aggregate amount pre-determined for each semester. A Customized Spending Report showing eligible expenditures paid under EISTP, DLI achievement and disbursement calculation will be required for disbursements.

19. The IRC will transfer funds from DA-A to a segregated operating account maintained by SMTF, at a commercial bank deemed acceptable to the Bank. From this account, the foundation will finance eligible expenditures, duly justified to deliver the training related to: (i) stipends for beneficiaries in the EISTP; (ii) health insurance premiums for beneficiaries; (iii) transportation costs for beneficiaries; and (iv) operating costs including reasonable incremental expenses (none of which would have been incurred by the SMTF in absence of the Project) including: staff salaries', communications, utilities, minor miscellaneous expenditures and other expenses as agreed between the Government and the World Bank under Component 1; and (v) training costs which include, but may not be limited to: trainer fees, training certification costs, interpreter fees, training materials, rent cost, accommodation for trainers, flight costs, transportation for trainers, and other miscellaneous expenses under Component 1.

20. With respect to the payment of health premiums, the SMTF will make payments to the Health and Social Insurance Fund (SZV), based on the list of beneficiaries enrolled in the Program.

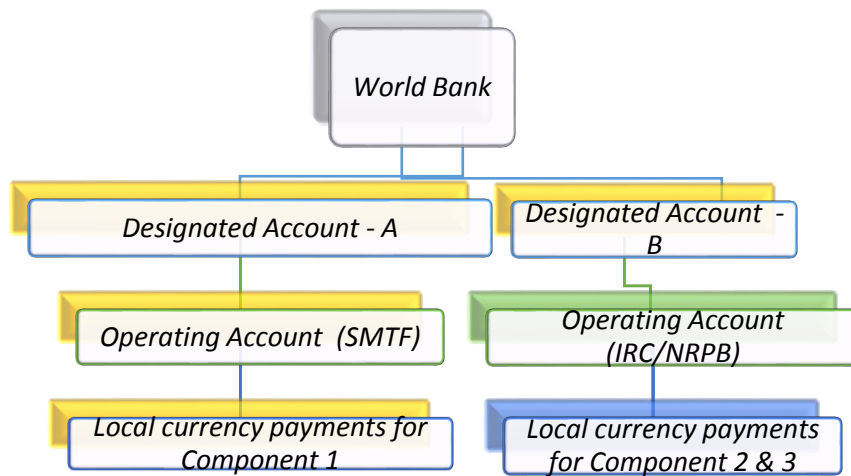


Designated Account – B

21. Funds will be advanced by the World Bank to another segregated Designated Account (DA-B) for all expenditures related to components 2 and 3. This account will facilitate USD payments under the project, as well as a further transfer of funds to a segregated local currency operating account maintained by IRC, at the Windward Island Bank (WIB). The local currency account will be used finance local currency expenditures under component 2 and 3.

22. Overall, Advances will be based on six-month cash forecast statements, and subsequently, quarterly Interim Financial Reports (IFRs), which will be used for the documentation of expenditures.

23. The overall disbursement arrangements will follow standard disbursement policies and procedures established in the Disbursement Guidelines for Investment Project Financing dated February 2017, and in the Disbursement and Financial Information Letter of the Project.



**Audit and Reporting**

24. Unaudited Consolidated Interim Financial Reports (IFRs) are required quarterly and are to be submitted to the Bank within 45 days of each calendar quarter. Consolidated external audits are required bi-annually for the first year (from the grant agreement effectiveness date to December 2019), and thereafter covering one fiscal year (ending December 31). The audit reports are due to the World Bank no later than six months after the end of each audit period.

25. With respect to Component 1, an audit will be carried out on an ongoing basis to implement and comply with the DLIs verification protocol as described in Annex 4.



## **Procurement**

26. For Components 2 and 3 under this Project, Procurement for the supply of goods, non-consulting services and consulting services financed totally or partially by the Project will comply with World Bank's Procurement Regulations for IPF Borrowers, dated November 2017. World Bank-financed Open International and National Competitive Procurement shall be done using Standard Procurement Documents acceptable to and previously agreed with the World Bank.

27. The IRC, and its successor the NRPB (once set up), will be responsible for carrying out the procurement of all the activities financed under the Project. The procurement risk assessment confirmed that the country, not being a client of the Bank, has not had any experience with World Bank Projects before, has limited capacity to carry out the procurement and lacks sufficient staff with experience to conduct international procurement. In addition, despite all efforts to streamline procurement procedures and establish implementation arrangements to simplify the procurement procedures of the project, lead times to navigate the government's procurement processes and procedures are likely. Therefore, a close guidance from the World Bank's team to support, predominantly, the higher risk activities for the hiring of consultancy services will take place. IRC is committed to build their in-house capacity and therefore, a team of three procurement specialists were assigned to handle the overall project's procurements work with the World Bank and get the knowledge transferred (capacity building). Once the NRPB is established a new procurement capacity assessment will take place. Based on this assessment the procurement risk is rated as High.

28. The Recipient, with close support from the World Bank's team, has prepared a simplified version of the Project Procurement Strategy for Development (PPSD) that describes how procurement in this operation will support the PDO and deliver value for money under a risk-based approach. As a result of the information in the PPSD, it was concluded that most of the activities are low value and low risk. However, the following two main activities are assessed as high-risk activities in the document, and will require close Bank's support: (i) Consultancy for the design and development of the Social Registry; and (ii) Consultancy for Data collection to execute a socio-economic needs assessment. If during project implementation the conditions of the activities change from the ones analyzed in the PPSD, the strategy will be updated accordingly to reflect the best fit for purpose procurement arrangements to achieve the desired value for money. The details for these and any other additional activities will be detailed in the Procurement Plan that will be finalized and publicly disclosed not later than fourteen days after the signing date of the Grant Agreement, which shall be in form and substance satisfactory to the World Bank

29. *Procurement Plan.* The project is expected to finance, goods, consultancy services and non-consultancy services under Components 2 and 3. The activities expected to be carried out during the first 18 months and procurement arrangements for each of them are detailed in the Procurement Plan. In accordance with paragraph 5.9 of the Procurement Regulations, the Bank's Systematic Tracking and Exchanges in Procurement (STEP) system will be used to prepare, clear and update Procurement Plans and conduct all procurement transactions for the Project. The Procurement Plan is being finalized based on the findings of the PPSD and will be publicly disclosed, not later than fourteen days after the signing date of the Grant Agreement.



30. *Frequency of Procurement Supervision.* In addition to prior review supervision to be carried out by the World Bank office, the capacity assessment of the implementing agencies recommends annual or bi-annual supervision missions to visit the field to carry out post review of 1:10 procurement actions.



## ANNEX 3: IMPLEMENTATION SUPPORT PLAN

### Strategy and Approach for Implementation Support

1. Given that the Project is focused on supporting post-disaster socio-economic recovery efforts after Hurricane Irma, in a small island state where institutional capacity remains uncertain given that the country has had no experience with the World Bank before, the fragile macro-economic context and vulnerability to new shocks during the next hurricane season, continuous, timely, and flexible implementation support will be critical to achieve a successful Project implementation.
2. As this is the first World Bank engagement with Sint Maarten, and counterparts are therefore unfamiliar with the World Bank's processes and guidelines and given the constrained institutional capacity, the purpose of the ISP is to ensure that adequate and efficient Bank's technical implementation support to the Government is in place to support the achievement of the PDO. The ISP focuses on implementing the risk mitigation measures described in the SORT. Therefore, the ISP emphasizes the need for: (i) open and continuous communication with all key counterparts, including the IRC (initially), NRPB, SMTF, VSA and TEATT; (ii) technical and fiduciary implementation support, including the need to bring in international expertise if necessary; and (iii) adequate resources to support Project implementation and capacity building. The following key areas and actions have been defined as part of the plan:
  - (a) Coordination: The task team will closely monitor Project implementation to promote coordination, and identify possible lack of communication, duplication of efforts, delays in implementation, and delays in achievement of DLIs.
  - (b) Procurement: Given that Components 2 and 3 will finance some procurable expenditures including consultancies, hardware, software and equipment, the World Bank's procurement specialist will work closely with the IRC, later the NRPB and technical specialists to ensure that procurement processes are well implemented and follow Bank's procurement regulations. In addition, the Bank's procurement specialist will provide training before Project effectiveness and during Project implementation.
  - (c) Financial Management: During implementation, the Bank's financial management specialist will routinely review the Project's accounting, reporting, and internal controls to ensure they are satisfactory to the Bank. In addition, the FM Specialist and the TTL will review the DLI supporting evidence and, jointly with Disbursement Specialist, will ensure eligibility of expenditures.

### Implementation Support Plan and Resource Requirements

3. Due to the multi-sectoral project design and the fact that the Government is unfamiliar with Bank fiduciary processes, the World Bank implementation support team will comprise staff from Social Protection and Jobs, Finance Competitiveness and Innovation, Financial Management, and Procurement.



As a result, supervision costs are likely to exceed current norms. The ISP will be reviewed regularly, to consider evolving circumstances and adjust as necessary, which will be reflected in Implementation Status Reports (ISRs).

- (a) Tools. The ISP will make use of the following tools for review and technical capacity building: (a) regular implementation support missions, at least twice a year, that will include field visits; (b) use of monitoring and evaluation data for performance adjustment; and (c) securing trust fund resources to supplement delivery of capacity building as applicable, such as the hiring of sectoral specialists for the relevant Ministries.
- (b) Technical Inputs: Sectoral experts will provide technical assistance to the Borrower, organize workshops on best practices, participate in supervision missions to, review and provide guidance on TORs, and assist in establishing sound monitoring and evaluation tools.
- (c) Fiduciary Inputs: Supervision of FM and Procurement would be carried out as part of Project implementation support and would also be provided on a timely basis to respond to Project needs.

4. As this Project is expected to be completed in 24 months, the implementation support plan emphasizes fiduciary capacity building in the first six months and technical follow up throughout project implementation.

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	Technical Assistance, Procurement and Financial Management including training to NRPB/IRC, TEATT and VSA.	Sectoral, FM and Procurement expertise	38 SW	NRPB/IRC to provide staff, space and equipment
12-24 months	Establishing capacity for institutional strengthening	Sectoral, FM and Procurement expertise	29 SW	NRPB/IRC, TEATT and VSA to facilitate space and staff during supervision

Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
FM institutional capacity strengthening	3 SW per FY19; 4SW per FY20. 7SW in total	Three trips per FY	
Procurement institutional capacity strengthening	3 SW per FY19; 2 SW per FY 2020. 5 SW in total	Three trips per FY	



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Establishing capacity for institutional strengthening	26SW per FY19/sectoral; 17 SW FY20/sectoral; 3 SW per FY per specialized consultant (IT specialist and communications consultant) 55 SW in total.	Three trips per FY
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## ANNEX 4: DISBURSEMENT-LINKED INDICATOR

### Disbursement-linked Indicator

1. A Disbursement-linked indicator (DLI) has been established for the implementation of Component 1. Supporting the Implementation of the Emergency Income Support and Training Program (EISTP). The DLI is the *Number of eligible beneficiaries enrolled in the EISTP receiving income support on a monthly basis in exchange for their participation in EISTP training, and who have achieved the minimum required attendance rate (qualified participant)*.<sup>25</sup> This DLI is aligned with the Project Development Objective (PDO) of providing temporary income support and improving the employability of affected beneficiaries in targeted sectors and in consequence with the PDO indicator, “Number of eligible beneficiaries enrolled in the EISTP receiving income support on a monthly-basis in exchange for their participation in EISTP training, and who have achieved the minimum required attendance rate (qualified participant).”
2. This DLI will measure the Program’s result through Disbursement-linked Results (DLRs) consisting of the partial results of the DLIs and would add up to US\$ 17,271,975 under Component 1.<sup>26</sup> The DLR is the “Number of eligible beneficiaries enrolled in the EISTP receiving income support on a monthly- basis in exchange for their participation in EISTP training, and who have achieved the minimum required attendance rate (qualified participant).” The DLR is partially achieved each time an eligible beneficiary has been enrolled in the EISTP, received income support, and has complied with attendance rate according to the DLI matrix and verification protocol included in this annex.
3. The DLI has been structured to be partially achieved through three DLRs in three semesters for a total duration of up to 18 months of the EISTP, starting from the signing date of the Grant Agreement.

### Disbursement mechanisms

4. The DLI disbursement method was found the most appropriate for the EISTP since it is results-based and ensures the cash flow needed in an already restricted financial situation.
5. It was agreed with the Government that the World Bank will disburse against procedures established in the Disbursement-linked Indicator Withdrawal Schedule in this annex.
6. The eligible expenditures, are the expenses duly justified to deliver the training related specifically with the DLI under the Emergency Income Support and Training Program financed by the Grant. Such expenditures consist of the following:

- Stipends for beneficiaries in EISTP;

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<sup>25</sup> Qualified beneficiaries are eligible beneficiaries who have enrolled in the EISTP, received monthly income support in exchange of participating in the training and have achieved the minimum required attendance of 70 percent

<sup>26</sup> The total amount of Component 1 is US\$ 20,560,385 of which up to US\$ 3,288,410 correspond to retroactive financing for eligible expenditures incurred from February 15<sup>th</sup> to signature date of the Grant Agreement commensurate with existing World Bank Policy.



- Health insurance premiums for beneficiaries in EISTP;
- Transportation costs for beneficiaries in EISTP;
- Training costs associated with delivering the training program under Component 1 of the EISTP. Such expenses include, but may not be limited to: trainer fees, training certification costs, interpreter fees, training materials, rent cost, accommodation for trainers, flight costs, transportation for trainers, and other miscellaneous expenses.
- Operating costs including reasonable incremental expenses (none of which would have been incurred by the SMTF in absence of the Project) including: staff salaries', communications, utilities, minor miscellaneous expenditures and other expenses as agreed between the Government and the World Bank under Component 1.

7. To provide the Government with resources to allow the EISTP to continue without disruption, the Project will receive an advance following immediately after the signature of the Grant Agreement and the execution of the Subsidiary Agreement between Ministry of General Affairs and SMTF. A first advance will be disbursed against projected list of eligible expenditures, in a format acceptable to the World Bank, for the first semester of the program; and the second and subsequent DLR disbursements will be made against a expenditures forecast for the requested semester, in a format acceptable to the World Bank, customized spending report from the previous period, and report confirmation of DLI compliance as specified in the Disbursement-linked Indicator Withdrawal Schedule in this annex and in the Disbursement and Financial Information Letter of the project. Any advances made to the Government will have to be returned if DLIs not met by the closing date of the project.

8. The maximum amount to be disbursed cannot exceed the maximum ceiling allocated to the DLR for their respective semester as specified in the Disbursement-linked Indicator Withdrawal Schedule in this annex.

9. The World Bank may decide, at any time, in its sole discretion, by notice to the Government, to: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Grant then allocated to the relevant DLR, which in the opinion of the Bank, corresponds to the extent of achievement of said DLR, said lesser amount to be calculated in accordance with a formula set forth in the DLI and verification protocol matrix; or (b) reallocate all or a portion of the proceeds of the Grant then allocated to said DLR to another Component; or (c) cancel all or a portion of the proceeds of the Grant then allocated to said DLR.

10. To trigger disbursements, the DLI will be considered as achieved when the eligible beneficiary has been enrolled in the EISTP, received the income support, and has complied with the attendance rate per month. For the determination of the eligibility of the eligible expenditures, subject to a financial audit, the attendance rate will not be considered.

#### **Special considerations for the use of advances**

11. For documentation of advances (i.e. being converted to eligible expenditures) the lesser of (i) eligible expenditures spent reported in the Customized Spending Report, and (ii) the amounts confirmed



by the Task Team Leader from the Bank (TTL) pertaining to DLIs which have been achieved and verified in accordance with the verification protocol set in project's operations manual will be documented.

12. In the case of the amounts not disbursed due to lack of sufficient Eligible Expenditures, they are carried forward toward subsequent withdrawals, the value of disbursements in the next disbursement period can be added to the undisbursed amount from previous period, and can be changed from time to time.

### **Verifications Protocols**

13. The DLI will be verified, on an on-going basis, by an independent verification audit carried out by a firm or the public audit institution under the Terms of Reference (ToR) approved and acceptable to the Bank. Unannounced visits will be carried out through visits to a random selection of training classes by the independent firm or the public audit institution and following the verification protocol included in the DLI and verification protocol matrix in this annex. It is intended that the verification process should be completed within forty-five days after the end of the second semester. If the audit is not submitted by the Government by that time, the Bank could withhold the disbursement until such audit is submitted to the Bank.



DLI	Definition Description of Achievement	DLI Target	Disbursement-linked Result (DLR) and Target to Trigger Disbursement			Protocol to evaluate achievement of the DLI and data/result verification			
			2018	2019	2019	Data Source Agency	Independent Verification Audit	Procedure	Frequency
DLI: Number of Eligible Beneficiaries enrolled in the EISTP receiving income support on a monthly basis in exchange for their participation in EISTP training, and who have achieved the minimum required attendance rate, as specified in the Disbursement and Financial Information Letter("Qualifi	Number of eligible beneficiaries enrolled in the EISTP who have received income support in exchange of participating in the training and attended the minimum required 70% attendance per month	1155	Period: Semester 1 Target: 1155 beneficiaries  DLR 1: Number of Eligible Beneficiaries enrolled in the EISTP receiving income support on a monthly basis in exchange for their participation in EISTP training, and who have achieved the minimum required attendance rate.	Period: Semester 2 Target: 750 participants  DLR 2 Number of Eligible Beneficiaries enrolled in the EISTP receiving income support on a monthly basis in exchange for their participation in EISTP training, and who have achieved the minimum required attendance rate. ("Qualified Participants")	Period Semester 3 Target: 750 participants  DLR 3 Number of Eligible Beneficiaries enrolled in the EISTP receiving income support on a monthly basis in exchange for their participation in EISTP training, and who have achieved the minimum required attendance rate. ("Qualified Participants")	SMTF and IRC	Firm or public audit institution	Receipt of participants' payroll who are receiving stipends, transportation, and health premiums; unannounced visits to verify student attendance; payment list of eligible beneficiaries sent to the banks for payment through bank account; receipt of payment of beneficiaries paid through checks.	Every six months



ed Participants")			("Qualified Participants")  DLR Value: US\$ 6,750,975  Scalable: Yes  Minimum target to trigger disbursement: US\$ 4,883,750 per 750 qualified participants  And US\$ 292,250 per additional 50 qualified participants up to a maximum of US\$ 6,750,975	DLR Value: US\$ 5,260,500  Scalable: Yes  Minimum target to trigger disbursement: US\$ 3,507,000 per 500 qualified participants  And US\$ 350,700 per additional 50 qualified participants up to a maximum amount of US\$ 5,260,500	DLR Value: US\$ 5,260,500  Scalable: Yes  Minimum target to trigger disbursement: US\$ 3,507,000 per 500 qualified participants  And US\$ 350,700 per additional 50 qualified participants up to a maximum amount of US\$ 5,260,500				
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**Disbursement-linked Indicator Withdrawal Schedule**

No.	DLI /DLR Disbursement	Estimated Financing Allocated to the DLR	As % of Total DLI	Deadline for DLI achievement	Observations
	DLI Number of Eligible Beneficiaries enrolled in the EISTP receiving income support on a monthly basis in exchange for their participation in EISTP training, and who have achieved the minimum required attendance rate, as specified in the Disbursement and Financial Information Letter (“Qualified Participants”)				
1	<b>DLR 1</b> Disbursement Number 1 - Advance based on projected eligible expenditures for Semester 1	6,750,975	40%	2018	Advance against an expenditure forecast for Semester 1(Signing date – December 2018). To be disbursed after signature and upon effectiveness of Grant Agreement and the Subsidiary Agreement.
2	<b>DLR 2</b> Disbursement Number 2 - Advance based on projected eligible expenditures program for Semester 2	5,260,500	30%	2019	Advance against an expenditure forecast for Semester 2 (January-June 2019); Documentation of eligible expenditures through incurred with first advance through customized spending report;



No.	DLI /DLR Disbursement	Estimated Financing Allocated to the DLR	As % of Total DLI	Deadline for DLI achievement	Observations
					Receipt of participants’ payroll receiving stipends, transportation, and health premiums from the first semester.
3	<b>DLR 3</b> Disbursement Number 3 - Advance based on projected eligible expenditures program for Semester 3	5,260,500	30%	2019	Advance against an expenditure forecast for semester 3 (July – December 2019); Documentation of eligible expenditures incurred with second advance through customized spending report, Receipt of participants’ payroll receiving stipends, transportation, and health premiums from the second semester and audit report for verification of DLI for Semesters 1 and 2 as per the verification protocol
4	Documentation of Semester 3	0.00	N/A	N/A	Documentation of eligible expenditures incurred with third advance through customized spending report; Receipt of participants’ payroll receiving stipends, transportation, and health premiums from the third semester and audit report for verification of DLI for Semester 3 as per the verification protocol.
	<b>Total amount</b>	<b>17,271,975</b>	<b>100%</b>		



**ANNEX 5: SAFEGUARDS ACTION PLAN- NOT APPLICABLE**





## ANNEX 6: ECONOMIC ANALYSIS

### Component 1. Support the Implementation of an Emergency Income Support and Training Program (“EISTP”)

1. **The Project will reduce families’ need to use negative coping mechanisms by providing emergency income support.** Hurricane Irma has contributed to large-scale layoffs in the hospitality sector, resulting in a significant shock to the income of hospitality workers. While some workers were laid off, others are currently only receiving a portion of their pre-Irma salaries (40 to 50 percent). There is a well-developed empirical literature describing the mechanisms used by the poor to cope with income shocks, including a reduction of investment in health and education, the sale of productive assets, and reduced nutritional intake. For example, negative coping mechanisms of this sort can have long-term negative impacts on human development outcomes, especially for children (Dercon, 2002).<sup>27</sup>

2. In this context, the Project will provide: (i) a cash stipend; and (ii) health insurance to approximately 1,800 participating individuals, including the un- and under- employed, amounting to 8.2 percent of the labor force.<sup>28</sup> As such, the stipend is oriented at helping families meet their basic needs with respect to food, housing, and utilities.

3. The stipend is forecast to be approximately US\$ 678, amounting to between 71 and 82 percent of median monthly labor income of between US\$ 830 and US\$ 950 (St. Maarten Labor Force Survey, 2017; St. Maarten Household Budget Survey, 2017)<sup>29</sup> and 78 percent of median household expenditures on food, housing and utilities (St. Maarten Household Budget Survey, 2017).<sup>30</sup> As such, in the case of the unemployed, the stipend would be enough to cover a significant portion of essential household expenditures. With respect to the under-employed, estimated income would amount to US\$ 1,052 (the USD 678 stipend combined with US\$ 374 in salary, e.g., 45 percent of pre-Irma salary), covering 100 percent of essential household expenditures and 70 percent of total household expenditures.

4. For the under-employed, the Program is expected to provide supplementary income support until the hotels in which they work re-open to the public. With respect to the unemployed, the Program will provide income support through December 2019, coinciding with the expected recovery of the economy. In the absence of supplemental income, it is likely that households with unemployed and under-employed members would need to use negative coping mechanisms to meet their basic needs (i.e., reducing expenditures on food, consumption of electricity, water, basic sanitation), which could have negative impacts on labor market participants, as well as their children.

<sup>27</sup> Dercon, S., 2002. Income risk, coping strategies, and safety nets. *The World Bank Research Observer*, 17(2), pp.141-166.

<sup>28</sup> During Phase 1 of the Program, 15 percent of participants were unemployed and 85 under-employed. Projections for Phase 2 indicate that up to 1,105 participants, or 61 percent, will be unemployed.

<sup>29</sup> USD 830 is the estimated labor income of individuals with: i) no education, ii) elementary education complete, or iii) secondary education complete based on the 2017 LFS. This estimate is largely consistent with data from the 2017 HBS (even though data for the survey was collected in 2015) of around US\$ 950 based on the same level of education and occupation type (“Service workers & shop and market sales workers”).

<sup>30</sup> The stipend amounts to 45 percent of the median of total household expenditures of US\$ 1,507 (excluding imputed rent of owner-occupiers). It also amounts to 32 percent of estimated median gross annual household income of US\$2,092 (St. Maarten Household Budget Survey, 2017).



5. The Project will take advantage of downtime in the hospitality sector to update the skills of the under-employed and train the unemployed in skills necessary for the labor force, potentially increasing earnings in the context of both groups. Training in skills useful for the labor market has been found to contribute to increased productivity (World Bank, 2010).<sup>31</sup> In recognition of the link between skills and productivity, the World Bank's STEP framework (Skills Toward Employability and Productivity), prescribes as its third step "Building job-relevant skills" (World Bank, 2010).

6. At the same time, individuals are currently underemployed and unemployed not necessarily because they lack the required skills, but rather because of the damage caused to Sint Maarten's tourism infrastructure by Hurricane Irma. Prior to the Hurricane, unemployment was just 6.2 percent but is forecasted to increase significantly because of the hurricane and shut down of tourism services.<sup>32</sup> Once demand for the hospitality industry's services recovers, it is also likely that the under-employed will begin working at full capacity and that at least some of the unemployed will eventually recover jobs, regardless of whether they develop new skills.

7. Nonetheless, relative to individuals who do not participate in the EISTP, beneficiaries are expected to be more attractive from the perspective of hospitality industry employers, increasing: i) the probability that they have employment, as well as ii) the salary that they can expect going forward. This is because of the EISTP content has been designed to target skills that individuals working in the tourism sector will need once the hospitality sector recovers.

## **Component 2. Strengthening institutional capacity to enhance the social protection system**

8. **Social registries and information systems play an important role in improving delivery of Social Protection and Labor market programs and services, which has been validated in several reviews and assessments.**<sup>33</sup> These instruments are ever more critical in a context of increased climate risk and natural hazards, as experienced by St. Maarten. The design of a social registry and MIS, complemented by a socioeconomic assessment, is expected to improve the effectiveness of support to poor and vulnerable households to help address their myriad vulnerabilities, improve inter-agency efficiency through improved coordination and information sharing among Government agencies in providing support to households; and improving readiness and responsiveness to households in times of crises by providing a reliable repository database of household information.

9. Improving efficiency and effectiveness of social assistance: A Social Registry will contribute to develop a more robust and reliable information basis for social assistance recipients, which in turn will help to reduce leakages, double dipping, and fraud with respect to benefits. Furthermore, the social register will contribute to reduce the intrinsic costs associated with targeting beneficiaries. Estimates based on international experiences (World Bank, 2014) indicate that targeting potential beneficiaries of social assistance can account for 25 to 75 percent of all administrative costs related to the implementation of social programs. The development of the Social Registry will also contribute to the consolidation of several administrative processes linked to targeting and registration of several assistance programs, thus

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<sup>31</sup> Banerji, A., Cunningham, W., Fiszbein, A., King, E., Patrinos, H., Robalino, D. and Tan, J.P., 2010. *Stepping up skills: For more jobs and higher productivity*. Washington, DC: World Bank.

<sup>32</sup> Based on projections in the sensitivity analysis for this economic analysis.

<sup>33</sup>Lindert et al (2017); White et al (2015); Chirchir et al (2014); Rao (2013); Castaneda and Lindert (2005);



reducing administrative costs. Additionally, given the St Maarten’s precarious risk profile, the population of the social registry, would ensure fast response to households in the event of any crisis. Finally, the harmonization and the update of targeting processes across programs will reduce leakage of benefits, thus making spending on assistance programs more progressive and effective. In other words, it will be more likely that benefits reach the individuals they are meant to help and less likely that they are channeled to individuals that do not truly need support.

**Estimation of the internal rate of return and net present value**

10. **An analysis of the principal measurable benefits associated with the Project—an increase in expected earnings—and costs yields an internal rate of return (IRR) of 8.1 percent for beneficiaries exiting the program at age 35.**<sup>34</sup> Costs include those directly attributable to Component 1 of the Project (US\$18.38 million), while benefits were estimated as the difference between the expected salaries of Program beneficiaries and the expected salaries of a group of individuals with similar characteristics that did not participate in the Program (i.e., the counterfactual).

11. The IRR is calculated as the value of “r” obtained from the following equation, where G<sub>x</sub> is the wage gain produced by the program for beneficiaries at age x and C<sub>x</sub> is the cost of the program for beneficiaries at age x.

$$\sum_{x=35}^{60} (G_x - C_x) (1-r)^x = 0 \tag{1}$$

12. The total cost for each year t (corresponding to age x) is estimated based on the total cost of Component 1 (USD 7.86 million in 2018 and US\$ 10.52 million in 2019). As such, the total cost of implementation at each year of implementation is calculated as follows:

$$C_x = B_x \cdot N_x \tag{2}$$

13. Where B<sub>x</sub> and N<sub>x</sub> are the average cost per beneficiary of the program and the total quantity of beneficiaries, respectively, at age x.

14. It is assumed that an individual participating in the EISTP achieves a competitive advantage (additional skills and knowledge), which affects his or her (i) expected wage and (ii) the likelihood of employment. The model assumes that this difference persists throughout the remainder of an individual’s economic life. Expected wages are calculated as the average wage earned, weighted by the probability of employment at each age.<sup>35</sup>

15. Wage gains produced as a result of having participated in the Project are calculated as the difference between wages earned by workers participating in the Program and a counterfactual of workers of the same age that do not. The expected wage earned by each worker participating in the

<sup>34</sup> Participants during Phase 1 were on average 46 years of age. Given that participants in Phase 2 are expected to be younger, the economic model assumes that students are on average 35 years of age when they exit the Program, leaving 25 years of economic life remaining. The age at which St. Maarten residents are eligible for their pension is age 60.

<sup>35</sup> The model assumes median labor income of US\$ 830 for a worker 35 year of age (age of the median worker) with either no education, completed primary school, or completed secondary school. Unemployment is estimated at 10.7 percent (25-44 years of age) and 4.7 percent (45+ years of age) for 2018 and 6.1 percent (25-44 years of age) and 2.7 percent (45+ years of age) for 2019 and beyond (St. Maarten Labor Force Survey, 2017).



Program at age x is calculated as follows:

$$w_x^p = \alpha_x^p \cdot w_x^{p,average} \tag{3}$$

16. Where  $\alpha_x^p$  represents the probability of being employed at age x and  $w_x^{p,average}$  is the average wage of all workers. On the other hand, wages of those in the control group are defined as follows:

$$w_x^{wp} = \alpha_x^{wp} \cdot w_x^{wp,average} \tag{4}$$

17. Where the superscript  $p$  of the previous equation is replaced by  $wp$ , indicating that the variables now refer to individuals that did not participate in the program. The wage gain achieved by the Program, in terms of expected wages, is given by the difference between  $w_x^p$  and  $w_x^{wp}$ . Since not all beneficiaries will assimilate new skills due to constraints such as low initial levels of education and language barriers, the expected wage difference generated by the program is adjusted by  $\epsilon$ , which represents the percentage of individuals that, having participated in the program, did not achieved the expected gains in employability or wages.<sup>36</sup>

$$G_x = (w_x^w - w_x^{wp})\epsilon \tag{5}$$

18. Expected benefits were calculated assuming that 600 beneficiaries exit the Program in 2018 and 1,200 in 2019. Given the uncertainty with respect to just how well Sint Maarten’s tourism sector will recover, the economic analysis considered different combinations of increases in (i) wages and (ii) the probability of an individual being employed, the two channels through which earnings could potentially increase for Project beneficiaries, assuming increases of between 0 and 8 percent for both variables. Results are indicative of the realm of potential rates of return. Using these assumptions as inputs in equations (2) to (4) allows for the estimation of the wage gain associated with participating in the Program by age. Overall, the net present value (NPV) of the Project is US\$ 135.3 thousand assuming 4 percent increases in employability rates and wages and a social discount rate of 8 percent. Using equation (1), the IRR implicit to this flow of costs and wage gains is 8.1 percent. Sensitivity analyses for both the IRR and NPV are presented in Figure 1.

**Figure 1. Sensitivity analysis: Internal Rate of Return and Net Present Value**

		Internal Rate of Return				
		Increase in wages				
		0%	2%	4%	6%	8%
Increase in the probability of being employed	0%		-3.1%	1.6%	5.0%	7.9%
	2%	-3.1%	1.7%	5.1%	8.0%	10.7%
	4%	1.6%	5.1%	8.1%	10.8%	13.3%
	6%	5.0%	8.0%	10.8%	13.3%	15.8%
	8%	7.9%	10.7%	13.3%	15.8%	18.4%
		Net Present Value (thousands of USD)				
		Increase in wages				
		0%	2%	4%	6%	8%
Increase in the probability of being employed	0%	-17,603.2	-13,255.5	-8,907.9	-4,560.2	-212.5
	2%	-13,255.5	-8,820.9	-4,386.3	48.3	4,482.9
	4%	-8,907.9	-4,386.3	135.3	4,656.8	9,178.4
	6%	-4,560.2	48.3	4,656.8	9,265.4	13,873.9
	8%	-212.5	4,482.9	9,178.4	13,873.9	18,569.4

Source: WB team’s calculation

<sup>36</sup> We assume an  $\epsilon$  equal to 10 percent.



19. **Given the uncertainty surrounding the recovery of Sint Maarten’s tourism sector, in the case that the sector does not recover as expected, the actual internal rate of return and net present value could be significantly lower.**

#### Rationale for public sector provision

20. **The negative impact of Hurricane Irma on St. Maarten’s economy, and on households deriving income from the tourism sector, necessitates a speedy policy response to ensure: (i) the country remains competitive with respect to tourism, which represents a significant portion of its GDP; and (ii) that its citizens can meet their basic needs.** For Sint Maarten to recover its competitiveness relative to other tourist destinations, its labor force working in the hospitality industry must maintain existing skills and knowledge, as well as learn new skills and knowledge. Furthermore, in the absence of financial support, it is possible that individuals previously deriving their income from the hospitality sector are unable to meet their basic needs, as well as those of their families, having near- and long- term consequences at a micro and macro level.

21. **Given that the private sector is burdened by reconstructing physical infrastructure in a context of reduced income from tourism, it is poorly positioned to absorb the entirety of costs associated with skills training and providing income support, especially given uncertainty with regards to exactly when the tourism sector will recover.** Sint Maarten’s economy contracted 4.5 percent in 2017 and is expected to contract an additional 8.5 percent in 2018. Although growth is projected to rebound in 2019, the country is only expected to return to pre-Irma real GDP levels in 2025. A post-disaster assessment following Irma estimated damage and losses to the Tourism and Commerce Sectors to be over US\$ 1.1 billion, with recovery needs estimated at US\$ 446 million. The Government and private sector are at work reconstructing the hard infrastructure needed to reestablish Saint Maarten as an attractive tourist destination. However, public finances faced a sharp decline in tax revenue due to the economic contraction and, at the same time, increased expenditure needs to reconstruct public infrastructure and to assist the affected population.

22. **Given the inability of the private sector to maintain employment at pre-Irma levels and the lack of income for the un- and under- employed from other sources, it is possible that a portion of individuals previously working in the tourism sector would fall into poverty in the absence of government intervention.** Before Irma, Sint Maarten had a low unemployment rate of 6.2 percent but is forecasted to increase significantly because of the hurricane and shut down of tourism services. Among the population, 27 percent of households have income at or below the minimum wage, and are therefore classified as “poor” households. With respect to individuals deriving their livelihoods from work in the tourist sector, the hospitality industry has made efforts to keep staff on hand. However, a significant portion of individuals who have kept their jobs are still only working part-time. A smaller portion of the population is currently unemployed. As such, a significant majority of individuals working in the tourism sector pre-Irma are experiencing a gap between their current income and expenses related to meeting the basic needs of their families.



23. **The mobilization of public resources to support EISTP, and associated income support, is warranted to ensure the hospitality sector is well-positioned to retake its role as a leading tourist destination and to prevent un- and under- employed hospitality workers from falling into poverty.** The activities under Component 1 will help mitigate against further job losses in the tourism sector. From a macro perspective, it is necessary to keep the country's labor force healthy and able during the tourism sector's recovery as it begins to increase its demand for the labor force's skills and knowledge. The hospitality sector is the main driver of the country's economy. At the same time, intervention is also necessary to help households meet their basic needs and prevent irreparable damage to St. Maarten's youth deriving from poverty (i.e., poor nutritional outcomes deriving from poor nutritional intake). At an average stipend of US\$ 678 per trainee and an estimated number of 1,800 un- and under- employed persons to receive these stipends (approximately 9 percent of the labor force and up to 46 percent of the unemployed population), investments are warranted as the likely economic and social impact that mass layoffs could result in exceeds the cost of Program implementation. Further, investments in the upgrade of the skills of un- and under- employed beneficiaries will improve their prospects for productive employment in the medium-to-long term.

24. **The systems to be developed under Component 2 will help improve the management of public resources and coordination of publicly-funded programs.** As such, it is imperative that public resources be used to ensure the completion of the social registry and its supporting systems.

#### **Value-added of the Bank's support**

25. **The World Bank has a wealth of experience providing technical and financial assistance to countries with respect to the development challenges to be addressed by this Project.** This includes labor market programs, social registries, household surveys, strengthening SP systems, and using social protection and labor programs to respond to hazards and other shocks through support to many first-generation safety net programs in the Latin America and Caribbean region, including in Brazil, Mexico, and Jamaica. Regarding social registries, the Bank has been a leader both technically and operationally, with flagship reports and think pieces on this topic, most recently, the flagship report by Lindert et al, *Social Registries for Social Assistance and Beyond: A Guidance Note and Assessment Tool*.

26. **The activities under the Project would benefit from the Bank's expertise, given constrained capacity in the post-disaster climate.** Government capacity is understandably constrained given the need to scale-up household support and reconstruction and recovery efforts in the post disaster context. The Bank's extensive knowledge on skills, jobs, and TVET training across the globe will ensure effective oversight of the training program to be financed under Component 1, while expertise on registries has been mobilized to help Government establish the basis for a strong SP system through a social registry. This expertise will help fill gaps in delivering similar programs.

27. **The Social Protection and Jobs Global Practice is well-positioned to address the small-island constraints faced by Sint Maarten in labor and social sectors.** The Global Practice's considerable experience in the Caribbean, makes it uniquely placed to support the implementation of this Project.<sup>37</sup>

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<sup>37</sup> Past and ongoing projects include Antigua and Barbuda: Public and Social Sector Transformation Project (P126791); Dominican Republic Youth Development Project (P096605); Grenada Safety Net Advancement Project (P12128); Jamaica: Social



On skills training, which is supported under Component 1, the Bank has financed programs to deliver skills training and income support in Antigua and Barbuda, the Dominican Republic, Jamaica, and St. Vincent and the Grenadines. The Bank has also assisted other Caribbean countries such as Belize, Grenada, Dominica, the Dominican Republic and Saint Lucia with strengthening their SP systems. More recently, the Bank has provided technical assistance to Dominica, Grenada, Jamaica, and St. Vincent and the Grenadines on strengthening their social protection programs and systems for disaster response. The Global Practice has also produced analytic work on the nuances of social protection and labor in small island contexts, including in the Caribbean.<sup>38</sup>

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Protection Project (P105024) and Social and Economic Inclusion of Persons with Disabilities Project (P144263); St Vincent and the Grenadines (P154253).

<sup>38</sup> See: *Tailoring Social Protection to Small Island Developing States* (World Bank, 2013); *Building Resilience through Social Protection Knowledge Note* (World Bank, 2016)