

STRATEGIC FRAMEWORK

2019-2025

SINT MAARTEN • Reconstruction,
Recovery and Resilience Trust Fund



SINT MAARTEN TRUST FUND



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ABBREVIATIONS AND ACRONYMS

CFT	<i>College Financieël Toezicht</i> - Kingdom Financial Supervisory Board
DPO	Development Policy Operation
EIB	European Investment Bank
EISTP	Emergency Income Support and Training Program
ERP	Emergency Recovery Project I
FRP	Financial Recovery Plan
GEBE	Water and Electricity Utility Company
MDS	Meteorological Department St. Maarten
MSMEs	Micro, small, and medium-sized enterprises
NOAA	National Oceanographic and Atmospheric Administration
NRRP	National Recovery and Resilience Plan
NRPB	National Recovery Programme Bureau
PER	Public Expenditure Review
PFM	Public Financial Management
PJIA	Princess Juliana International Airport
PJIAH	The Airport's Operating and Holding Company
SC	Steering Committee
SIDS	Small Island Developing States (SIS)
SF	Strategic Framework
SMHDF	Sint Maarten Housing Development Foundation
SMMC	Sint Maarten Medical Center
SOEs	State-Owned Enterprises
SXM TF	Sint Maarten Reconstruction and Resilience Trust Fund

EXECUTIVE SUMMARY

- 1 | This Strategic Framework (SF) lays out the planned cooperation between the World Bank and Sint Maarten for the period 2019 to 2025,** financed by the Government of Netherlands through the Sint Maarten Irma Reconstruction, Recovery and Resilience Trust Fund (SXM TF), established on April 16, 2018.
- 2 | The SF describes activities that will take place until the anticipated closing of the Trust Fund in 2025, with appropriate flexibility for prioritization for the outer years.** Allocations are subject to approval of the TF Steering Committee.¹ The SF addresses immediate needs for post disaster recovery, selected medium-term challenges and to underpin Sint Maarten's sustainable resilience and prosperity. The SF is grounded in the Government's National Recovery and Resilience Plan (NRRP),² the Government Program; *'Building a Sustainable Sint Maarten Governing Program (2018-2022)'* and the guiding principles of the TF as appended to its Administration Arrangement.
- 3 | The SF is limited to the activities supported through the SXM TF and the timeline of the SXM TF,** with analysis using available information and data sources. In this respect, it differs from World Bank country strategies that usually benefit from long-standing World Bank Group engagement and extensive analytics and diagnostics. The SF supports both immediate recovery and reconstruction and resilience building. A combination of activities support these twin goals.
- 4 | The areas highlighted in the SF aim to (i) promote sustainable economic recovery, (ii) support citizens and resilient communities, and (iii) build the foundations to improve long term resilience and good governance.** Under these areas of focus, the SF identifies objectives under currently approved projects and outlines avenues to be explored. In the second quarter of 2021, the SF will be reviewed to adjust areas of focus and objectives, as appropriate.
- 5 | The SF also outlines the principles of engagement,** including modalities to increase local capacity, partnerships with international organizations and nongovernmental organizations (NGOs), and the private sector. The implementation capacity of various actors is needed to channel TF resources effectively and broaden the effect and reach of TF activities. The SXM TF will support outreach and partnerships with Sint Maarten and Kingdom-wide businesses following World Bank procurement regulations. Local labor will be leveraged to the greatest possible extent, also within the framework of World Bank procurement regulations.
- 6 | Additionally, the following principles will guide the execution of the SXM TF:** financing of activities that deliver tangible impact to the people of Sint Maarten, making sure TF activities reflect value for money, maximizing financing for development, and supporting innovation. While many of the priorities outlined

¹ The SXM TF Steering Committee is composed of a representative each of the Government of Sint Maarten, the Government of the Netherlands and the World Bank. The Committee makes decisions by consensus.

² The NRRP, adopted in September 2018, was developed by the Government of Sint Maarten with support from the Word Bank and other organizations.

in the SF will be financed by the SXM TF, this document will be used to leverage additional financing for existing gaps in sectors and to complement current and planned activities.

- 7 | All TF activities are undertaken through a Build Back Better principle to improve Sint Maarten’s long-term resilience from multiple angles.** The inclusion of vulnerable populations, including the large number of female-headed households, and vulnerable youth, and their access to benefits from reconstruction is also central to the success of the SXM TF strategic outcomes.

II. COUNTRY CONTEXT

- 8 | Sint Maarten is an autonomous island country that is a constituent of the Kingdom of the Netherlands in the Caribbean.** It neighbors Saint Martin, a French territory that occupies the remainder of the island. Sint Maarten has been self-governed since 2010, when the Netherlands Antilles were dissolved, and it became a constituent country of the Kingdom of the Netherlands. Under this arrangement, Sint Maarten, Aruba, Curaçao and the Netherlands form a Kingdom with mutual assistance obligations, common border and security arrangements, and central oversight over the financial stability of the whole kingdom.
- 9 | Sint Maarten is highly vulnerable to natural disasters and adverse climate events, because of its location in the Caribbean hurricane belt.** In recent decades, Sint Maarten has been exposed to numerous intense storms and hurricanes.³ Because of the country’s small size, a single storm can directly affect the entire population. Sint Maarten is also vulnerable to earthquakes. Coastal areas are exposed to flood risk from storm surges and tsunamis. Increased urbanization along with climate change and limited country capacity to build with resilience, add to the country’s vulnerability to natural hazards.
- 10 | The population and economic activity of Sint Maarten have increased dramatically in the second half of the 20th century,** rising from 3,000 inhabitants in 1960, to nearly 30,000 in 1990 to approximately 41,000 in 2019. These figures do not include an estimated 10,000 undocumented persons on the island. The return of islanders after the end of oil booms in Aruba and Curacao, Caribbean immigration, and development of the airport and the deep-water port at Point Blanche facilitated the development of the tourism sector. After experiencing a high economic growth rate up to 2007 (4.5-5 percent annually), Sint Maarten’s annual growth fell to an average of approximately 1.5 percent per annum in the subsequent decade.
- 11 | Sint Maarten faces many challenges common to Small Island Developing States (SIDS), as well as some specific challenges related to efficiency, transparency, government continuity, and the youth of its democracy.** Challenges include the small size in absolute terms of the public sector and the limited capacity to address immediate and medium-term needs, the need to strengthen efficient evidence-based decision making and the need to outsource design and implementation of many public services and activities. In addition, Sint Maarten is a young democracy, its rapid transition to autonomy with few ready-to-use governing systems to uphold its institutions, and political volatility (eight governments in eight years)

³ Donna in 1960 (Category 3), Luis in 1995 (Category 4), and Irma in 2017 (Category 5 plus).

have compounded the challenge of reconstruction. The World Bank brings to bear its experience in SIDS in the Caribbean Region and worldwide to support recovery in Sint Maarten⁴.

- 12 | SIDS also face obstacles in diversifying their economies.** SIDS have certain features that prevent the market from being the only force driving resource allocation. First, they are isolated, which increases transport costs and makes goods and factor mobility costlier than abroad. Second, small market size precludes economies of scale, making goods and services produced domestically more expensive than those produced in large economies. Given their small size, SIDS have narrower production and export bases. Narrowness makes these countries more volatile, as they are more vulnerable to external shocks. For this reason, narrow production bases, limited taxation bases, and policy tend to be procyclical. Third, SIDS are also more vulnerable to natural disasters. Fourth, in small economies, public employment tends to account for a large share of the labor force.
- 13 | The World Bank could provide SXM with further insights and knowledge on diversification through analytical work financed by the TF.** These include looking at the right horizontal policies to promote diversification, which focus on building resilience to shocks, such as creating funds to respond to disasters (which is already being explored under the TF), developing fiscal institutions that promote fiscal rules or councils that support policy predictability, review public sector employment to make sure that there are no premiums to the public sector that deter them from working in more productive private sector activities and making sure that the public sector is not absorbing the share of financial resources that could be used by the private sector. All the above affect the competitiveness of the economy, which also needs to focus on the real exchange rate, which in Sint Maarten means focusing on domestic price (nontraded goods) inflation, given the monetary arrangement. Diversification could also be underpinned by a more comprehensive development strategy, macroeconomic policy stability and a supportive business environment (quality of infrastructure, human capital, and essential business services) to attract investment and foster new economic sectors. These policies are also more cost-effective and successful than development policies and compensative tax incentives. Managing risks through economic integration can have effects like those of diversification efforts.⁵

TABLE 1

SIDS Challenges	Industrial competitiveness strategies
Market Size Disadvantage	Upgrading local SMEs to small and medium-sized enterprises and connect them to regional and global markets
Poor connectivity and linkages	Developing strategic physical infrastructure to connect to global value chains
Lack of economic diversification	Identifying new product and market opportunities, prioritizing sectors
Limited sources of economic growth	Upgrading existing value chains, reducing barriers to export competitiveness
Low volume of Foreign Direct Investment in some SIDS	Investment promotion activities and knowledge exchange with successful SIDS
Aging population coupled with increasing youth unemployment	Enhancing human skills using an enterprise productivity lens
Limited institutional strength and public sector capacity	Strengthening public service performance measurement, delivery units, public private dialogue, capacity building efforts

⁴ Details on World Bank's work in small states can be found at www.worldbank.org/en/country/smallstates/overview; research and policy papers can be found at <https://openknowledge.worldbank.org/discover> - key words Small Island States.

⁵ IMF Working Paper Economic Benefits of Export Diversification in Small States Prepared by Arnold McIntyre, Mike Xin Li, Ke Wang, and Hanlei Yun1 Authorized for distribution by Trevor S Alleyne April 2018

RECENT MACROECONOMIC DEVELOPMENTS

- 14 | The country's economy is tourism-based.** The restaurants, hotels, and other tourism-related sectors, account for approximately 45 percent of Sint Maarten's gross domestic product (GDP). Transport, storage and communication sectors, accounting for 11 percent of GDP, are also related to the tourism sector. The tourism sector contributed 73 percent to the country's total foreign exchange income in 2016. Sint Maarten's harbor is a significant port for cruise tourism in the Caribbean, with 1.7 million cruise passengers visiting per year. The airport is a hub for regional travel with a large network of connecting flights across the Caribbean.
- 15 | The economy contracted by a cumulative 12.5 percent in the aftermath of Hurricane Irma during 2017-18.** A rebound in economic growth will require progress in reconstruction and reopening tourist facilities. The economy is expected to begin to rebound in 2019. Reestablishing investor confidence in the country will be linked to incorporating hurricane-resistance building standards, regulatory requirements streamlined, and transparency measures instituted to attract investment. Governance and fiscal planning must also be improved, as special hurricane-related funding ends.

TABLE 2 • Sint Maarten: Selected Economic Indicators, 2013-25 — Illustrative Baseline Scenario

	2015	2016	2017	2018	2019	2020	2021	2022	2023
			Preliminary Projected		Projected				
Real economy (percent change)	0.5	0.4	-4.8	-8.5	2.1	2.0	2.0	2.0	2.1
Real GDP									
Consumer Price Index (12-month average)	0.3	0.1	2.2	2.7	2.5	2.0	2.0	2.1	2.1
Unemployment rate (percent)	8.9	8.7	6.2	9.2	8.7	8.3	8.0	8.0	8.0
General government finances (percentage of GDP)									
Primary balance	-1.7	1.5	-2.8	-6.3	-3.4	-2.1	0.8	0.7	1.0
Current balance ¹	-1.0	1.4	-3.3	-3.8	0.7	4.1	8.1	9.4	10.0
Overall balance	-2.3	0.8	-3.5	-7.1	-4.2	-2.9	0.0	0.0	0.3
Public debt	36.3	34	34.3	43.6	45.8	46.6	44.4	41.8	39.0
Balance of payments (percentage of GDP)									
Goods trade balance	-68.3	-67.6	-61.2	-57.4	-86.0	-82.2	-79.2	-82.2	-80.7
Exports of goods	12.1	12.3	11.8	11.3	13.5	16.2	17.1	17.3	17.4
Imports of goods	80.4	79.9	73.0	68.7	99.5	98.4	96.3	99.5	98.1
Service balance	76.3	70.9	52.0	34.4	54.5	59.9	68.1	70.5	68.6
Exports of goods	102.4	96.8	77.6	62.3	82.4	87.8	96.1	98.4	96.5
Imports of goods	26.0	25.9	25.7	27.9	28.0	27.9	27.9	27.9	27.8
Current account	1.7	-2.5	4.5	-10.0	-19.8	-16.2	-9.5	-9.4	-9.3
Memorandum items:									
Nominal GDP (millions of USD)	1,066	1,072	1,043	980	1,025	1,067	1,110	1,157	1,206
Per capita GDP (USD)	26,201	26,163	25,284	23,622	24,587	25,463	26,349	27,322	28,348
Per capita GDP (percentage change)	0.2	-0.1	-3.4	-6.6	4.1	3.6	3.6	3.7	3.8
Private sector credit (percentage change)	-1.5	1.7	1.5

Exchange rate: The Netherlands Antillean guilder is pegged to the U.S. dollar at Naf 1.79 = US\$1.

Sources: Data provided by the Sint Maarten authorities; and IMF staff estimates.

^{1/} Excludes consumption of the fixed capital.

- 16 | Public finances have faced a sharp decline in tax revenue due to the economic contraction.** Public debt, including liquidity support from the Netherlands, increased to 43.6 percent of GDP by the end of 2018 and is projected to peak at 46.6 percent of GDP by the end of 2020. Government arrears or accounts payable are estimated to amount to approximately Naf. 150 million.
- 17 | The government's medium-term Financial Recovery Plan (FRP) and its 2018–2020 Government program aim to address the gap between reconstruction needs (USD 2.3 billion) and the current confirmed financing (USD 1.2 billion),** by prioritizing, raising income, cutting costs, and seeking additional funding. The FRP foresees current budget surpluses after 2020. In addition to increasing revenue from taxes, the government plans to identify cost-cutting measures, repay arrears and build a fiscal buffer, as well as improve public financial management, increase government efficiency and encourage modernization. It proposes additional government borrowing of approximately USD 410 million over 2019–25 to cover a portion of recovery needs and stimulate the economy.
- 18 | Sint Maarten maintains a moderate level of public debt and is subject to a rules-based fiscal framework.** In 2010, the Netherlands assumed part of the public debt of the former Netherlands Antilles and a fiscal rule and a public financial management supervisory framework (led by a Kingdom Financial Supervisory Board, CFT) were introduced. A low-cost “standing subscription” borrowing arrangement through which the government of the Netherlands purchases bonds that the government of Sint Maarten issues accompanied this arrangement. As a result, Sint Maarten’s debt-to-GDP ratio stood at a moderate 34 percent in 2016.

POVERTY AND VULNERABILITY

- 19 | Although Sint Maarten is a high-income country with a GDP per capita of USD 26,163 in 2016, large pockets of poverty persist,** and in 2017, 27 percent of households lived on revenues at or below the minimum wage.⁶ Poverty likely disproportionately impacts women as unemployment is about 2 percentage points higher for women than for men, and women represent 58% of the unemployed.⁷ Women head 38.7 percent of households in Sint Maarten which shows the magnitude of households’ dependence on women’s ability to earn adequate income⁸ and women in poor households suffer disproportionately from the impact of natural disasters. Young people in Sint Maarten (27% of the population is under 20) are also vulnerable, facing very high unemployment (24% in 2017). Unemployment is highest among the low-educated. The elderly are also often affected by poverty, poor nutrition and health, and substandard housing.⁹

POST IRMA CHALLENGES AND PRIORITIES

- 20 | 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.** 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

⁶ Based on a UNDP benchmark for poverty based on the minimum wage (approximately US\$ 850).

⁷ http://www.stat.gov.sx/downloads/LFS/Labour_Force_Dutch_Caribbean_Islands.pdf

⁸ UNDP 2015

⁹ Sint Maarten Elderly Research, Sint Maarten Ministry of Public Health, Social Development and Labor, 2013.

hurricane Maria on September 19, further damaging the country's infrastructure. Hurricane Irma caused damages and losses estimated at USD 1.38 billion and USD 1.35 billion (129 percent of GDP respectively)¹⁰ affecting 90 percent of all infrastructure and large parts of the natural environment.

- 21 | The hurricane had lasting impact on the economy.** According to World Bank surveys, 10 percent of enterprises closed after the hurricane, and of those open as of August 2018, two-thirds were operating below pre-hurricane capacities. Hotel and timeshare rooms damaged by the Hurricane are steadily becoming available again. Of the 4,115 before the hurricane, 70 percent were in operation as of March 2019. Still, the losses have heavily affected the tourism sector and significantly reduced the number of overnight tourist arrivals which remain well below average. Cruise arrivals have recovered to pre-hurricane levels, but because most tourism revenue on the island was derived from overnight stays of tourists arriving by air, the effect remains significant for firms and households.
- 22 | The downturn in economic activity is leading to a significant public-sector deficit, estimated at approximately USD 145 million for 2017 to 2020.** Because of a sharp decline in tax revenue and an increase in expenditures, it is anticipated that liquidity support for 2019 and 2020 will be needed from the government of the Netherlands through the “standing subscription” arrangement. Considerable fiscal consolidation will be required to moderate budget deficits and limit external financing requirements in the short run, accommodate additional debt service requirements in the medium run and achieve longer-term fiscal sustainability.
- 23 | The downturn in economic activity caused by Irma has led to substantially higher unemployment.** Sint Maarten's overall unemployment rate rose from 6.2 percent in 2017 to 9.9 percent in 2018 with youth unemployment rising to 17.9 percent in 2018. This has particularly affected the tourism sector. The rise in unemployment is attributed to the closing or partial operation of tourism businesses and has not been fully offset by a rise in construction activities. In addition, though some have recovered, many micro, small, and medium-sized enterprises (MSMEs) have faced significant capital losses due to the hurricane. Before the hurricane, unemployment rates show women suffer from nearly double the unemployment rate of men at 13.0 percent versus 7.1 percent, respectively and it is likely that this disparity will continue through the post hurricane period. In addition to lagging in job placement, the large number of female-headed households have more dependents, most of them children, making these households more vulnerable.
- 24 | Crucial short-term recovery activities are needed to balance supply and demand in the delivery of tourism services.** The 2018 NRRP highlighted priorities, including restoring the airport to pre-hurricane capacity and repairing hotel rooms. Extensive efforts have been made by the public and private sectors to enable tourism recovery, leading to the recovery of cruise ship arrivals and 70 percent of accommodation inventory being back in operation. Nevertheless, while the weekly number of flights is growing, limited access to the airport terminal limits peak passenger capacity throughput to an estimated 60% of pre-hurricane levels. Discussions on a financing package for airport reconstruction are ongoing involving current private debt holders, the SXM TF through the World Bank, the Governments of SXM and NL, the European Investment Bank, and the airport operating company (PJIAE). This package would support airport operations and rehabilitation of the airport terminal during a construction period of 18 months starting in the Fall of 2019. Also, as air transport volume increases, efforts are underway to ensure that adequate accommodation and

¹⁰ Sint Maarten National Recovery and Resilience Plan

services are in place for the anticipated trajectory in tourist arrivals. Further investigation of the financing needs of hotels is underway.

- 25 | Planning for longer-term resilience of the tourism sector, the private sector and economy overall is also critical.** Hurricane Irma demonstrated the ongoing vulnerability of Sint Maarten's economy to shocks. Building codes and standards need to be updated and heritage preservation incorporated into plans to maintain St Maarten's tourism appeal. Beyond disaster vulnerability, trends in the tourism sector also contribute to exposure to economic shocks. Tourism growth to date has favored the lower-value cruise ship segment, which results in greater seasonal arrivals variability, lower onshore spending, and fewer opportunities for small and medium enterprises to generate revenue by selling products and services. Seizing opportunities to improve the long-term environmental sustainability of tourism exploitation in Sint Maarten will be crucial to ensure the sustainability of the core of the economy and to help increase the value-added of tourism activities.
- 26 | Full operational capacity of first responders, including police, firefighters, and the ambulance service, has been considerably hampered because the storm severely damaged or destroyed their facilities and specialized equipment.** In the aftermath of Hurricane Irma, reduced operational capacity of first responders to support the affected populations contributed to the evolving crisis, revealing serious capacity and coordination gaps in preparedness and response capacity to major emergencies. It is urgent that repairs be made to public buildings critical for government operations, adequate shelters be available, lifeline services be provided, and housing repairs. Some of these repairs have started, and equipment is being procured, but these activities need to be sharply accelerated. Children and youth have also been affected because education services have been disrupted and sports facilities damaged.
- 27 | Hurricane Irma damaged 70 to 85 percent of the housing stock in Sint Maarten to some degree and fewer than 50 percent of these households were insured.** This shock compounded an environment already marked by limited land availability, explosive demographic growth in recent decades, limited housing availability and high housing costs. The private sector, individual households and businesses, and the NGO community have made most roof and housing repairs. The government's roofing program has started with repairs of public housing at the Sint Maarten Housing Development Foundation and a small number of individually owned homes. Bottlenecks in the processes of eligibility verification and technical assessment of repair needs for several hundred houses under this program (aimed at home owners only) are being addressed, and efforts are being made to accelerate implementation. Broadening these efforts to cover vulnerable beneficiaries is paramount.
- 28 | The Sint Maarten Medical Center (SMMC), Sint Maarten's only hospital, suffered substantial damage.** Although the medical center resumed operations immediately after the hurricane, it was not equipped to withstand another hurricane greater than Category 2. In addition, hospital capacity and design provided few options to improve quality, reduce risk to admitted patients, and increase efficiency of health services. Because of the limited quality and lack of health services after Irma, many patients were sent overseas for medical treatment, increasing the cost of health care to an unsustainable level. Estimated total costs related to medical transfers to other countries were USD 4.3 million in 2012 and USD 16.3 million in 2014;¹¹ in 2017, the public Health and Social Insurance Fund spent USD 21.3 million on overseas referrals.¹²

¹¹ Sint Maarten Country Cooperation Strategy 2015-2019. Pan American Health Organization (PAHO)/World Health Organization (WHO). 2005.

¹² Sint Maarten Medical Center Strategic Business Plan Version 5.0: November 2017. Market Analysis

- 29 | Despite efforts to restore public services after Hurricane Irma, delivery of electricity and water by the water and electric utility remains highly vulnerable to climate shocks.** Although 86 percent of low-voltage cables are located underground, above-ground networks are vulnerable to wind and blowing debris. The water supply situation was critical, because total average storage capacity of the water and electric utility fell dramatically after Hurricane Irma, from a storage capacity of 2.25 days of average daily demand of water to 0.7 days. New water tanks have been installed, and capacity is being increased, but the long-term sustainability of water and electricity supply (including introducing renewable energy sources) merits further study. Lowering the cost of utilities and improving their resistance to external shocks (financial and disaster related) would contribute substantially to private sector competitiveness and to the robustness of the economy.
- 30 | Hurricane Irma left an estimated 200,000 m³ of debris in the immediate aftermath and from subsequent demolition and reconstruction activities.** As of July 2018, half had been collected into temporary storage, and half remained in public spaces. Up to 130 wrecked ships remain in the main lagoon (Simpson Bay), creating environmental and navigational hazards. The uncleared debris is a barrier to reconstruction and is aesthetically unappealing. It also provides a breeding ground for mosquitos that carry dengue, chikungunya, and zika, which pose direct health risks and the risk of negative media coverage and effects on tourism.
- 31 | Poor waste management practices had led to the development of a smoldering underground fire in the municipal landfills of Sint Maarten long before Irma hit.** Insufficient sorting, compacting, and coverage of waste resulted in smoldering underground fires that cause regular surface flareups. These significantly harm the living environment and the economy. Increases in waste flows from debris have exacerbated flareups, smoke, and odors, increasing environmental and social risks, as well as costs for proper management. Suppressing the subsurface fires is an urgent priority. Extensive technical work has been performed to prepare for fire suppression, and financial resources are available for this work, but sustainable financing, appropriate waste management practices, and the concerted effort of the various line ministries in Sint Maarten are needed to achieve sustainable long-term solutions.

III. THE TF PROGRAM

- 32 | A steering committee composed of representatives of the governments of the Netherlands and Sint Maarten and the World Bank govern the TF.** The committee's role is to endorse strategic priorities, annual work plans and budgets of the TF-financed programs; decide on financial allocations to projects and studies; and monitor program progress. To support implementation of the TF, the Sint Maarten government has established a National Recovery Program Bureau (NRPB) responsible for the preparation, coordination, execution, and evaluation of projects that will be financed through the TF.
- 33 | The government of Sint Maarten developed the NRRP with financial support from the government of the Netherlands and technical support from the World Bank.** It was determined that approximately USD 2.3 billion would be required for recovery and resilience interventions over the next seven years, primarily in housing; tourism, commerce, governance and public financial management, solid waste management and sanitation, airport investment, education, youth, and culture.

34 | The NRRP identifies three priority areas for the country to recover from the consequences of natural catastrophes and overcome its development challenges. It also acknowledges that data and research gaps relevant to the country's development goals need to be addressed. The plan benefited from extensive consultations with all line ministries of the government and presents detailed short-, medium-, and long-term needs according to sector for the recovery and reconstruction of Sint Maarten. The NRRP is based on principles of an inclusive people-centered approach, transparency, sustainability, a synchronized multisectoral approach, and long-term development. The NRRP includes activities aimed at community, economic, and government recovery. These NRRP objectives guide this SF.

IV. OBJECTIVES SUPPORTED BY THE TF

35 | The overarching objectives of the TF are to assist the recovery of Sint Maarten and help make the country more resilient to future disasters. Activities that meet these two criteria constitute the core objectives of the TF program, which is designed for an engagement of six years (2019-2025). Flexibility is built into the TF and it will evolve during program implementation, and in response to changing circumstances. New areas of intervention will continue to be identified and prepared under the guidance of the steering committee. The World Bank will prepare an SF progress review by the second quarter of 2021 to capture developments and identify activities for 2022 to 2025. Areas of assistance described in the SF are primarily based on availability of information and analysis, with priorities established in early 2018 in the NRRP and commitments agreed upon during TF steering committee meetings.

36 | Based on NRRP priorities for reconstruction and resilience, the SF outlines the following focus areas: promote sustainable economic recovery, invest in citizens and communities, and build the foundation for long-term resilience and good governance (figure 1). These focus areas are related to ongoing projects and future activities. An inherent overarching theme of the SF is to support the development of knowledge and the capacity to underpin the program's objectives. To achieve the objectives in each of these areas, the steering committee will define the most effective mix of interventions and explore innovative approaches. To this end, World Bank teams will work closely with government institutions and other stakeholders to speed implementation of the immediate, and short-term recovery needs and identify solutions for long-term growth and development of the country.

FIGURE 1 • Strategic Focus Areas

FOCUS AREA 1 Promote Sustainable Economic Recovery	FOCUS AREA 2 Invest in citizens and resilient communities	FOCUS AREA 3 Build the Foundation and Capacity to Improve Long Term Resilience and Good Governance
<p>OBJECTIVE 1 • Sustainably restore air access and improve connectivity</p> <p>OBJECTIVE 2 • Support tourism recovery through access to finance, resilient utility services</p> <p>OBJECTIVE 3 • Establish a sustainable solid waste management system with improved sanitation services</p>	<p>OBJECTIVE 4 • Repair and increase access to housing especially for the vulnerable</p> <p>OBJECTIVE 5 • Increase access to quality health, education and sports services</p> <p>OBJECTIVE 6 • Strengthen social safety nets and promote employment, particularly for vulnerable youth and households headed by women</p>	<p>OBJECTIVE 7 • Improve capacity for disaster response</p> <p>OBJECTIVE 8 • Strengthen fiscal resilience and modernize the public sector</p>

37 | Global and regional analysis indicates the importance of building resilience in key economic and social sectors and making targeted contributions to support sustainable tourism, economy, and jobs. The World Bank brings to bear its experience that includes USD 5.3 billion investments in disaster risk management globally¹³ and almost USD 2 billion in the Caribbean¹⁴ on strengthening resilience and financial protection against disasters. The Bank approach in partnership with the Caribbean countries is focused on building ex-ante 360-degree resilience across four dimensions: fiscal and financial, physical, environmental, and human and social resilience. The issues faced by the Small Island States are unique due to economic and population constraints. Accordingly, the Bank adopts a differentiated strategy that looks to support the region in:

- **Investing in preparedness:** The Bank is helping countries in the region strengthen their early warning systems to mitigate the effect of disasters, to save lives, and to reduce suffering through projects to limit vulnerability to disasters.
- **Creating fiscal buffers:** The Bank is supporting countries in the region to strengthen their fiscal responsibility frameworks, implement sustainable fiscal frameworks, build buffers to contain the effect of shocks through enhanced debt management and sovereign wealth funds and enable risk and contingency financing instruments to create fiscal space for reconstruction and investments.
- **Strengthening human capital:** The Bank is working with countries to strengthen social protection systems and provide safety nets in the event of disasters, ensuring that recovery measures reach those who need them most. The Bank is also increasing regional health preparedness for potential pandemics through a new regional health engagement that is under preparation – benefiting four Organization of Eastern Caribbean States and working to improve education and learning outcomes.

¹³ <https://www.worldbank.org/en/topic/disasterriskmanagement/overview#2>

¹⁴ <https://www.worldbank.org/en/country/caribbean/overview#2>

- **Strengthening infrastructure:** The Bank is providing support to increase physical resilience through innovative technology and ‘building back better’ principles, which are essential to reduce the economic effects of disasters, and to ensure that critical infrastructure and services such as water, sanitation, transport and connectivity can withstand the next storm. It is estimated that using “building back better” infrastructure standards to endure 1-in-a-50-year events reduce disaster damages by as much as 20 to 60 percent.
- **Diversifying the economy and strengthening the private sector:** The Bank works with countries to improve the regulatory environment for private sector investments, which is critical to increasing competitiveness, diversifying the economic base, and building economic resilience. Caribbean countries have made progress in implementing reforms to facilitate doing business, such as improvements in credit information systems.
- **Improving natural resource management:** Natural defenses, such as mangroves and coral reefs play an important role in protecting coastal areas against hurricanes and deforestation. The Bank is helping countries to expand and consolidate marine protected areas and repopulate coral reefs. A good example is the Belize Barrier Reef, the largest barrier reef system in the northern hemisphere, which was recently removed from the United Nation’s list of endangered world heritage sites. In Grenada, Blue Growth Development Policy Financing will help maintain fiscal discipline and sustainable use of ocean resources for economic growth, better quality of life, and jobs while preserving the health of the ocean ecosystem (blue economy). Technical assistance is also provided to conduct climate change policy assessments to identify gaps in infrastructure and fiscal resilience.

38 | For Sint Maarten to adopt a 360-degree approach investments in four areas are recommended to reduce the effect of climate change and natural disasters: smart, resilient infrastructure, creation of rainy-day funds and deploying insurance, protecting the most vulnerable people with adaptable safety nets, and protecting the natural environment, including marine resources, which are its most important assets. Investing in these areas will ensure that the TF reaps the benefit of lessons from SIDS in the Caribbean and Pacific.

39 | First, investing in smarter infrastructure means increasing the resilience of public infrastructure and private businesses and having early warning systems in place to keep people safe, reduce damage and mitigate the economic effect of disasters. The International Monetary Fund estimates for the Eastern Caribbean show that resilient infrastructure could increase output by up to 11 percent, with a growth dividend of 0.1 to 0.4 percentage points. For Sint Maarten, these priorities include rebuilding a hurricane resilient airport and hospital, improving road connectivity, rebuilding disaster resilient housing and shelters, investing in emergency preparedness tools and systems and supporting the recovery of small and medium-sized enterprises (SMEs) to participate fully in the economy. The TF already supports these priorities. For development of smart infrastructure in Sint Maarten, future investment must be made in renewable energy and sewage management.

40 | Second, the experience of SIDS demonstrates that creating a rainy-day fund and deploying insurance to transfer risk are critical for preparedness. Creating rainy-day funds or fiscal buffers requires saving more during good times to be ready for the next disaster. This underscores the importance of implementing a medium-term fiscal framework, supported by strong fiscal responsibility legislation. It also requires fiscal policies to enhance domestic resource mobilization, limit current expenditures, and maintain overall fiscal

discipline and debt sustainability. Efficient public financial management and effective debt management practices will be critical to achieving these outcomes, especially during disasters. Insurance enables risk transfer by diversifying risks across countries. With the support of the TF, Sint Maarten took a large step in this direction by joining the Caribbean Catastrophe Risk Insurance Facility, which makes rapid payouts to ease short-term cash-flow problems of its members in the aftermath of disasters. After the 2017 hurricanes, eight Caribbean countries received payouts from the facility totaling more than USD50 million. The TF will also provide liquidity support to the airport to reduce the risk of bankruptcy from future shocks during reconstruction. Sint Maarten is also exploring building a resilience fund. Further work on fiscal resilience has not been defined but merits study.

41 | Third, using adaptive safety nets to protect the most vulnerable people after a disaster has shown to be very effective as has focusing on the continuity of health, education, and other key public services that are typically interrupted for long periods after disasters. In Sint Maarten, the TF is working with the government to centralize registries; increase the efficiency of social safety nets; and through the emergency income support and training program and the emergency recovery project housing component, identify the populations most likely to need assistance after a disaster. Quickly rebuilding the hospital's roof and repairing the structure enabled Sint Maarten to continue to provide health services. The TF will also support the reform of health insurance and pensions with a view to their sustainability. Sint Maarten must address a key problem: lack of access to affordable housing, particularly for its most vulnerable communities.

42 | Fourth, Sint Maarten must protect its most important asset: its environment, including the marine areas. Managing limited land resources, by improving spatial planning, reducing waste and pollution, and protecting green and marine environments, will be critical to the future growth and long-term competitiveness and sustainability of the tourism sector. The blue economy is critical for the Caribbean, with the Caribbean Sea generating USD 407 billion in gross revenues in 2012 (almost 18 percent of Caribbean GDP, including mainland Caribbean countries). The blue economy encompasses fisheries, tourism, waste management, maritime transport, and overall support of countries in their efforts to adapt and mitigate the effects of climate change. By better managing its marine resources and ocean space, Sint Maarten should ultimately achieve greater growth and prosperity. Marine tourism supports two million direct and indirect jobs and brings more than USD 40 billion annually to the Caribbean islands alone. The existing TF program supports better waste management practices and investments in modern waste management. Future priorities would include implementing broader environmental practices, preferably with private actors on the island, in particular hotels, and protecting ocean resources, beaches, and reefs. Another area critical for reducing marine pollution is better sewage management.

FOCUS AREA 1: PROMOTE SUSTAINABLE ECONOMIC RECOVERY

43 | Under this focus area, USD 172.6 million has been allocated for projects that are being planned. The government program and NRRP priorities are to rebuild Princess Juliana International Airport to higher standards to ensure resistance to future disasters, restore business continuity, and help broaden business activity. Over the long term, sustainable environmental policies and practices would need to be developed under this focus area. Comprehensive environmental policies and practices are not in place and need to be

implemented and enforced to ensure that critical assets are well maintained. This could be supported with analytical work under the TF but may be beyond the scope of TF financing because of its long-term scope.

- 44 | The TF will support economic recovery by** sustainably restoring access to the island by air and improving connectivity on the island, supporting tourism recovery and resilience by increasing access to finance for the private sector and improving utilities, drastically improving current solid and liquid waste management practices and investing in long-term solutions in this sector. Future work under this area of focus could include investment in drainage and storm water management, additional financing instruments to support recovery of hotels, studies and investment to strengthen the sustainability and cost effectiveness of utilities including sewerage, and studies and investment to support the environmental sustainability and competitiveness of tourism activities. Ensuring the systemic stability and functioning of the financial sector is beyond the scope of this TF.

Objective 1: Restore Access by Air to Sint Maarten and Improve Connectivity on Island

- 45 | The TF will sustainably reconstruct Princess Juliana International Airport and improve its governance.** The airport was badly damaged during the hurricanes, limiting its capacity for commercial traffic. Repairing and rebuilding the airport terminal and related facilities to higher standards to ensure resilience is urgent because of the effects on the tourism sector and across the entire economy. Hence, the Sint Maarten Airport Terminal Reconstruction Project, which has leveraged substantial financing from the European Investment Bank, will restore the passenger capacity of the airport to pre-Irma levels and increase its resistance to Category 5+ hurricanes. The project includes several upgrades to the terminal building to improve its ability to withstand Irma-level hurricanes. Moreover, the terminal will incorporate a green airport concept to reduce its environmental impact, such as high-performance exterior insulated glazing, light-emitting diode lighting and lighting controls, a high-efficiency baggage handling system and heating, ventilation, and air conditioning equipment.
- 46 | The government of Sint Maarten is developing a corporate governance improvement plan** based on a corporate governance assessment of the airport's operating and holding companies that the World Bank conducted in early 2019 at the request of the TF steering committee. This plan includes time-bound actions to professionalize the airport operating company's supervisory board, increase management capacity, and improve controls and communication. Measures are also being taken to strengthen government oversight of the company; a recommendation that extends to the management of all state-owned enterprises.
- 47 | Improving on-island connectivity is essential for economic activity and tourism, as well as disaster preparedness.** Lifting the constraints of traffic jams and delays and improving transportation flows will increase tourists' consumption of local products and services. Maintaining connectivity in times of disaster is critical to the effectiveness of emergency evacuations and life-saving emergency services. The SF proposes to improve connectivity in Sint Maarten by strengthening transport sector policies and plans, including for emergency evacuations, improving public transportation, improving road asset management and maintenance, and reducing traffic congestion. In addition, selected road projects are needed to reduce the isolation of some communities and limit their vulnerability during disasters, for instance by building Link 6 (1.6 km) and upgrading existing feeder roads in the cul-de sac and St. Peters area.

48 | In future work, the SF could also support better drainage to address recurrent road flooding. Drainage projects will significantly increase the resilience of infrastructure and improve the ability to respond to disasters. Upstream protection of assets will help reduce maintenance and replacement costs. Such projects would help protect the environment, mitigate health risks, and protect the assets of communities and small businesses.

Objective 2: Supporting Tourism Recovery, Increasing Access to Finance and Improving Resilience of Utility Services

49 | The SF will support the recovery and resilience of Sint Maarten’s tourism sector, the country’s primary economic pillar. The cascade generated from larger tourism assets like the airport and hotels will play a critical role in the overall economy, particularly for MSMEs. These large assets function as anchors that drive overnight tourist arrivals, which in turn generate economic activity for other businesses. While reconstruction efforts are ongoing and the economy slowly recovers, enterprises need support to recover and maintain their businesses to minimize the adverse effects on employment and overall economic activity. Two enterprise surveys that the World Bank conducted in February and August 2018 to assess the damage to enterprises and asset replacement needs confirmed that enterprises need financial support to return to pre-hurricane levels of operation. The findings served as a basis for preparation of a project aimed at MSMEs. Further work will identify and develop appropriate instruments in support of hotel recovery for TF steering committee decision.

50 | The Sint Maarten Enterprise Recovery Project will provide direct financial support to MSMEs to aid in their recovery. In line with the findings of the surveys, the financial packages for MSMEs consist of grants and loans for assets or repairs and loans for working capital. Eligibility will be anchored in the definition of MSMEs (monthly revenues of less than USD 55,866) in Sint Maarten and other criteria and the packages will be subject to a carefully specified size and grant-loan combination. The project will also support development of financial instruments, markets, tools, and solutions for increasing financial resilience in Sint Maarten. Such markets and instruments may include private insurance, public asset insurance, sovereign insurance markets, regulation, and supervision of insurance and reinsurance.

51 | The Bank will support the government’s planning capacity for recovery and long-term resilience of the tourism sector by increasing institutional capacity to monitor and promote tourism and developing a two-year tourism recovery plan. This will include supporting institutional capacity for tourism planning and community engagement, providing advice to improve tourism statistics, designing a funding mechanism for future tourism marketing and promotion efforts, updating the tourism master plans, and developing a post-disaster tourism recovery plan that addresses risks and supports the long-term resilience of the sector. Selected upgrades to tourism products will also be explored.

52 | The TF finances restoration of energy and water infrastructure critical to tourism and to Sint Maarten’s residents. Financing is available for moving remaining power lines underground; repairing and upgrading transformers and transformer station houses; replacing and repairing street lighting and electrical meters; and repairing, updating, and expanding substations. This will increase the resilience of the electric utility and improve power system performance in situations of disturbance. The water and electric utility (GEBE) has worked on many of these activities, which are eligible, subject to standard verification, for retroactive financing. The project also includes technical assistance to improve the water and electric utility’s performance

and accountability to users and increase capacity for financial, operational, and commercial management and business planning. Analytical work will also be undertaken to identify areas that require investment.

- 53 | Similarly, the TF finances upgrading of the water system to withstand hurricanes and other climate shocks** including repairing, upgrading, and increasing water storage capacity, repairing and replacing pump units and pump houses, and replacing and strengthening installed micrometers. Access to good-quality, cost-effective utility services is critical to the population and to economic recovery and growth. Future activities that should be considered under the TF include investments in the resilience and effectiveness of utilities, particularly sewage, and the long-term sustainability, cost effectiveness, and resilience of energy generation and distribution (including introduction of renewables).

Objective 3: Improve Solid Waste Management

- 54 | The SF will help address Sint Maarten's debris and waste management emergency.** The ongoing Emergency Debris Management Project will suppress long-lived subsurface fires in the municipal and Irma waste sites caused by inadequate solid waste management. This is urgent given the associated safety, health, and environmental risks and the damage they have had on the island's attractiveness for tourists. Suppression of smoldering fires is scheduled, after in-depth environmental and social preparation and safeguards work. Fire suppression will reduce air pollution and improve living conditions. The project will also improve landfill management and sustainably reduce debris and the associated risks. This will help restore order, increase attractiveness of the island, and expedite reconstruction. It is also urgent to address the challenge of rapidly dwindling space in the existing municipal disposal site. These challenges hamper the intensive clean-up and debris removal needed to normalize and relaunch the economy. A debris clean-up program would provide much-needed employment opportunities as the tourism sector recovers from the effect of Hurricane Irma.
- 55 | Solutions are also urgently needed for long-term waste management.** The steering committee has approved a long-term solutions project based on sector-wide analytical work that the World Bank is preparing. Ongoing studies of long-term waste management solutions will identify necessary policy and regulatory frameworks, as well as appropriate commercial conditions to better manage waste. Prefeasibility and feasibility studies will define technical options for solid waste collection, recycling, treatment, and disposal services. Available financing will support the design of new facilities and closure of the Great Salt Pond disposal site. Regional coordination of waste management and trade (of recyclables) is being studied, including opportunities for shared facilities with French Saint Martin, hosting or sharing of disposal facilities with other islands (St. Eustatius, Saba), and export of certain waste and recyclables to markets with specific technologies (Guadeloupe, Martinique, St. Barthelemy). The foundation for an environmentally sustainable, economically viable, and fiducially and responsibly managed solid waste system is laid out in the SF. This highlights high-quality services for the community and the economy, and ways to expand access to sanitation services (sewage) for households and businesses. Over the long term, governance arrangements for waste management will have to be improved, including establishment of institutions for this task.

FOCUS AREA 2: INVEST IN CITIZENS AND RESILIENT COMMUNITIES

56 | USD 97.35 million has been allocated to sustainable recovery of affected people and communities.

This primarily requires repairing housing and improving living conditions, which have not improved at the rate expected since the storm. Investing in citizens' well-being also requires improving health outcomes, repairing schools, and increasing social services and social protection.

57 | The TF focuses on financing and broadening the government's roof and housing repair program, improving health facilities and services, investing in school repairs, providing social transfers, and improving the targeting of social safety nets.

The TF finances repairs of public housing (through the Sint Maarten Housing Development Foundation) and the government's roof repair program, which supports reconstruction for eligible homeowners. The SF also aims to broaden the scope of current housing repair activities by channeling funds for repairs to NGOs. The TF is working with vulnerable groups and is supporting schools and health facilities and services through a hospital reconstruction and resiliency project. The SF is also providing support to the educational environment through school repairs under Emergency Recovery Project I, and targeted social protection mechanisms through the Emergency Income Support and Training Support Program. Future activities of the TF could focus on interventions to increase access to housing, particularly for the most vulnerable people, and explore avenues to improve the functioning of the housing market, in which housing is unaffordable for an estimated 60 percent of Sint Maarten's population.

Objective 4: Repair, Strengthen and Increase Access to Housing for Low-Income Families

58 | Post-Irma assessments note a strong inverse relationship between property damage and income levels.

Vulnerable segments of the population (older adults, female-headed households, undocumented individuals) have the least ability to fix damage. In response, the government is hoping to implement a sustainable housing strategy that includes the repair and rebuilding of damaged housing, greater access to public and affordable housing, and a mechanism to facilitate home ownership.

59 | The TF supports repair of damaged houses to meet higher resiliency standards.

Multiple strategies are being used to repair houses and roofs, including repairs of public housing, led by the Sint Maarten Housing Development Foundation; acceleration of the NRPB home repair program, which contractors and NGOs are implementing in batches; and procurement for housing repairs for up to 200 eligible homes under the NRPB program. Accelerating the rate of repairs and maximizing capacity to implement reconstruction activities with the private sector and NGOs that can deliver high-quality reconstruction quickly are key priorities. The intention is to broaden implementation activities with new actors and other target groups under this program to reach more of the most-vulnerable households that Irma affected.

60 | The TF will also generate knowledge and provide technical support on affordable and public housing.

World Bank technical advice will help develop design guidelines for compact, disaster-resilient public housing developments that take into account the limited supply of land on the island. In addition, the TF will support the Sint Maarten Housing Development Foundation in developing a sustainable business model to increase its financial sustainability and help address increased demand for public housing. A rapid housing sector assessment will be finalized in 2019. Early findings indicate that housing is unaffordable for the bottom 60 percent of income earners in the country (disproportionally affecting youth, older adults, and female-headed

households) because of high prices (linked to land scarcity) and the current organization, regulations, and enforcement of the housing market regulations. Avenues could be explored to improve housing access and affordability, including through policy reform (content, enforcement improvements, tax and other incentives), by partnering with developers to deliver a more cost-appropriate (higher density, lower cost) stock of private and public housing, broadening the NRPB home repair program, and considering upgrading informal neighborhoods to benefit lower-income residents.¹⁵ Future activities that could be considered for further study and investment could build on the recommendations of the housing sector assessment.

Objective 5: Improve Health, Education and Sports Services

- 61 | A key contribution of the TF is to support the design upgrade, construction, and launch of a new hospital in Sint Maarten capable of withstanding winds at the level of Category 5 hurricanes and greater.** Moving hospital services from the damaged medical center (SMMC) to the new facility will create the opportunity to modernize the current service delivery model, expand the scope of services and specialties provided, and adopt or better implement quality standards to improve outcomes. The new hospital will increase capacity from 66 to 110 beds; open four operating theaters and larger areas for ambulatory care, including a new flow of patients for ambulatory surgery, increase resiliency with external protection to withstand Category 5-plus hurricanes, installation of modern and safe medical gas, greater storage capacity for longer-lasting supplies, underground communication through fiber optic capability, and a landing platform for helicopters for the transport of trauma patients. Early rehabilitation of the existing hospital roof, which can now withstand Category 4 hurricane–strength winds, is complete. Reorganization of the rehabilitated existing building and the opening of several new key specialties housed there have increased the number of services offered on the island since the end of 2018, reducing the volume of referrals and the cost of providing these services to the health system.
- 62 | Supporting the sustainable continuity of health insurance coverage will address post-hurricane health effects and promote long-term access to health care.** The TF will support government health reform to reduce out-of-pocket health expenditures. This government reform will include creation of a guarantee fund to cover uninsured individuals, who exceed 12 percent of the population. A public expenditure review (PER) will inform measures to address lack of coverage, fragmentation, inefficiencies, lack of equity, and the financial sustainability of the health insurance system. The Hospital Resiliency and Preparedness Project will help enhance hospital healthcare services by investing in infrastructure and advancing the associated management systems. Also, the SF will support provision of continued psychosocial care and support services to students and schools to address the long-term effect of trauma on learning and child development.
- 63 | The TF also supports school repairs and the designs necessary to retrofit schools to hurricane-resistant standards.** These activities are financed under the ongoing Emergency Recovery Project I. Proposals have been submitted requesting support for Sint Maarten’s Education Master Plan, which aims to substantially improve the school learning environment for children, including upgrading schools to hurricane-resistant standards, modernization of the learning environment, and a package of socio-psychological and learning support activities to be supported by the United Nations Children’s Fund. The steering committee has approved allocations to these activities and the TF will determine the scope of further education sector

¹⁵ Preliminary findings of ongoing Rapid Housing Sector Diagnostic by the World Bank.

work. The hurricane damaged more than 60 percent of the island's sports facilities, limiting the availability of safe places for youth and children to play and congregate. The TF will determine the scope of work needed to rehabilitate these spaces.

- 64 | Through establishment of a single social registry and improvements in targeting of social safety net programs that the government provides,** the SF also supports long-term sustainability, effectiveness, and cost-effectiveness of social protection programs. The ongoing public expenditure review and development policy operation contribute to this objective by identifying measures to increase the cost-effectiveness of pensions and health insurance.

Objective 6: Strengthen social safety nets and economic opportunities, particularly for female-headed households and vulnerable youth

- 65 | To better respond to the employment crisis that the hurricane generated, the Emergency Income Support and Training Program (EISTP) provides income support to approximately 1300 under - and unemployed persons and will continue to grow to serve 1,800 beneficiaries.** The program provides participants with internationally certified skills training to foster their employability in the hospitality and construction sectors. Income benefits will include stipends, health insurance, and training on theoretical, practical, and socioemotional skills. The training curriculum will contain a set of core courses for the initial stage of the training, to be followed by specialized training in certain occupational areas.

- 66 | Given the prevalence of female-headed households and their vulnerability, the SF will explore ways to provide social safety nets and increase employment opportunities for this group.** Women head more than 38 percent of all households. Unemployment is approximately 2 percentage points higher for women than for men, and women account for 58 percent of the unemployed.¹⁶ Female-headed households tend to have only one income and support many household members, such as children and elderly adults. These factors indicate the need to pay attention to the effect of TF activities on these households and to ensure that they benefit from financed activities in upcoming programming. Further work will be needed to define indicators and measures of achievement of this objective at the program level.

- 67 | Lack of access to services such as health and education, particularly in the aftermath of the hurricane, have left youth and children increasingly vulnerable.** Youth account for a significant portion of Sint Maarten's population. There are few economic opportunities, driving young adults off the island. The education services do not prepare youth that stay to participate meaningfully in the local economy. There is no consistent or uniform secondary education system (curriculum in Dutch or English). Students drop out of school and lack a path to re-enter the education system. The public sector does not monitor the population's health challenges and the requirements of children and adolescents. Immunizations available and administered to children are insufficient. Children with special needs tend not to be able to partake in public education because of a lack of expertise and infrastructure to meet their needs. Options for affordable childcare, day care, and extracurricular activities for youth are limited. Public and private institutions do not coordinate effectively regarding child protection and domestic violence, which is often not talked about. The TF will actively integrate the needs of youth and children in its overall portfolio and focus areas.¹⁷

¹⁶ http://www.stat.gov.sx/downloads/LFS/Labour_Force_Dutch_Caribbean_Islands.pdf

¹⁷ The Situation of Children and Adolescents in Sint Maarten. UNICEF, 2013

FOCUS AREA 3: BUILD FOUNDATIONS FOR OVERALL RESILIENCE AND IMPROVED GOVERNANCE

- 68 | USD 59.75 million has been allocated for projects aiming at a more resilient governance and public financial management system.** This will be done by increasing the resilience of government and emergency responders; putting in place disaster risk management tools to inform, measure, and respond to disaster risks; and developing e-government and information and communications technology to increase the efficiency of the government and better serve citizens, including in the area of public financial management.
- 69 | Governance challenges arise from Sint Maarten's unique political context.** It has new institutions that are limited in number and resources, with a limited number of qualified public sector employees. This poses serious capacity problems as the country copes with the aftermath of two disasters and tries to address medium- and long-term development priorities. Future directions could include studying the institutional structure adopted from the Netherlands and its efficiency for public financial management, social policy, and service delivery; strengthening internal audit and oversight mechanisms and corporate governance; and increasing the availability of information. These would increase the transparency of government institutions and government-owned companies, thereby strengthening governance. Improving the current procurement legislation to the level of best practice is essential for responsible management of public resources.

Objective 7: Increase Capacity for Disaster Response and Risk Mitigation

- 70 | Designated shelters are in urgent need of equipment and repairs.** Repairs to shelters are being made under the Sint Maarten Emergency Recovery Project 1 (ERP1): shelters are equipped with water storage facilities, generators, and food handling equipment. Shelters with cisterns will receive filtration and ultraviolet water treatment units. Local contracts for these works are being launched.¹⁸
- 71 | The national fire and ambulance station suffered significant damage from Hurricane Irma.** The Emergency Recovery Project 1 will support repairs to this station, on-site fuel storage, and installation of two above-ground fuel tanks to supply response equipment during disasters and fuel-related emergencies. Pumps will also be provided. The project will also improve fire and ambulance services through new equipment, improvements in response and operational readiness, and enhanced communication equipment using satellite phones. Additional soft measures to coordinate emergency services are being considered.
- 72 | With the goal of restoring and strengthening Sint Maarten's disaster risk management capacity and ensuring continuity of operations during extreme weather events,** the SF will support design of a resilient operations building, and replacement of damaged equipment for the Meteorological Department. Repairs are also planned to the radiosonde building so that the Meteorological Department can fulfill its obligations as

¹⁸ By the time this document is published repairs are expected to be ongoing.

a regional observations center for the National Oceanographic and Atmospheric Administration. Equipment will be installed to improve data collection and analysis.

- 73 | Training and technical assistance will supplement disaster risk management**, to include strengthening incident command, shelter management and emergency medical response, and establish community-based emergency management committees. Workshops and training for government officials will promote greater understanding of the national disaster response plan and its implementation. By promoting women's participation in community-based emergency management committees, the project will contribute to greater representation of women in decision-making bodies, enabling them to influence decision-making.

Objective 8: Strengthen Fiscal Resilience and Modernize the Public Sector

- 74 | The TF will aim to strengthen Sint Maarten's long-term fiscal resilience by helping build financial buffers to prepare for and respond to disasters and lay the groundwork for long-term stability.** A disaster risk strategy will be created that will include specific tools for financial sustainability. The TF is financing the government's premiums under the Caribbean Catastrophic Risk Insurance Facility and will support activities aimed at improving public resource conservation and use by informing and supporting implementation of reforms across sectors. In addition to the previously mentioned health insurance system reforms, the TF will support an initiative to modify criteria related to the pension age, base, and premia of public sector workers, as well as the age of access to basic pension benefits for the general population. It will also include review of education expenditures, which currently amount to one-third of total central government expenditures. These efforts, together with improvements in public financial management, will contribute to greater fiscal resilience and transparency and better targeting of public resources.

- 75 | The TF will also support an assessment of tax administration and policy**, including technical assistance in tax administration. Proposals include creation of additional tax assessor and inspector positions, assessment of office buildings, and use of equipment. The public expenditure review will assess the proposed strengthening of tax administration and analyze the possibility of changes in tax policy based on the policies and practices of small states in the region. Additional support for the government's fiscal consolidation efforts will be provided through a programmatic development policy operation over the next few years.

- 76 | The TF will help Sint Maarten modernize by investing in digital services for citizens through appropriate information and communications technology solutions and increasing the government's public financial management capacity.** Better public financial management is expected to boost investor confidence, foster public support for government initiatives, and aid in recovery and long-term development. These improvements will allow for better use of government resources, deliver transparent and rapid information and services to citizens, and improve tracking, analysis, and monitoring of public expenditures and their effectiveness. The TF will also explore avenues for digital transformation and digitization of data, with corresponding capacity building and technical support to multiple government agencies (possibly including the social registry, permitting, and the land registry, among others). A project is under preparation to support e-government to improve service delivery and government systems and processes. The private sector will be contracted to design, build, and participate in service delivery to maximize benefits of external capacity. Appendix A lists ongoing and potential future activities.

V. PRIORITIES FOR THE FUTURE

- 77 | Sint Maarten has prioritized areas critical for investment: hurricane-resistant schools and shelters, sewage, psychosocial support and mental health, tourism recovery, and low-income housing.** These align with activities already being planned under the TF through investments and advisory work (safe schools, tourism recovery, better shelters). Complementing the priorities that Sint Maarten has outlined and based on experience in the Caribbean, long-term resilience should also include sustainable energy, environmental sustainability, particularly as related to tourism, resilient housing, spatial planning and sewage management. Specific advisory work is underway in some of these areas. The TF will plan to invest the remaining uncommitted resources in these four areas.
- 78 | Investment through the TF offers a significant opportunity to reduce the island’s carbon footprint and provide incentives to modify the energy generation mix, which heavy fuels currently dominate.** Sint Maarten has not taken advantage of renewable energy, which is a critical gap. Reducing the cost of energy and protecting against petroleum price shocks is important for residents and businesses alike. The TF could support introduction of renewable energy services in partnership with the private sector and with public–private partnerships already active in the Caribbean region.
- 79 | Environmental sustainability is an island-wide challenge and should be coordinated with Saint Martin.** Sint Maarten uses unsustainable environmental practices that generate a large per capita carbon footprint. Although the government has developed elements of a plan, nothing has been implemented. Sustainable tourism policies are urgently needed to ensure that the tourism sector, particularly hotels, takes a proactive approach to supporting good environmental practices. The TF will invest in waste reduction, collection, recycling, and management. It can support implementation of climate-resistant policies and institutions to develop and maintain a high standard of environmental conservation, encourage conservation and sustainable use of land by all and natural and cultural resources by tourism enterprises, train and educate Sint Maarten residents for a more-sustainable approach to tourism, and involve local communities, particularly NGOs and other stakeholders, in awareness-raising campaigns. Environmentally friendly transport policies should also be considered. The World Bank can use its experience in the blue economy to provide advice on environmentally friendly practices and better protection of beaches and reefs to support long-term sustainable growth.
- 80 | There is a critical need to increase the amount of affordable housing and improve land management.** Based on the clear direction identified in the ongoing housing study, the TF could support initiatives to increase the amount of formal housing, particularly for low-income households, by increasing institutional capacity for housing and land management and encouraging changes in housing investment practices. Areas that are important include urban planning, the rental market and institutional capacity, efficiency, and transparency in the housing and land market.
- 81 | Infrastructure for sewage management:** The TF will support Sint Maarten in addressing long-term challenges of managing waste and sewage in coordination with regional initiatives and Saint Martin. Analytical work on waste management (being completed) will reveal further priority areas; financing has been set aside for investment in long-term waste management solutions that will require strengthening of policy, legislative,

and institutional frameworks. Future directions could include sustainable financing mechanisms; improving infrastructure, technology, and capacity for sewage management; improving service provision and access; and ensuring that all relevant stakeholders are involved in changing the current culture and practices of waste management. Appropriate sewage management is critical for health safety, mitigation of flood risk, ocean cleanliness, and tourism.

VI. IMPLEMENTING THE TRUST FUND

- 82 | The government of Sint Maarten and other entities implement activities financed under the TF.** To address capacity gaps, consultants and Bank staff provide technical, procurement, and safeguards support to supplement government capacity. A team of more than 60 Bank staff is working on the program, and technical missions are fielded on a regular basis. The NRPB staffing is being strengthened with additional procurement and technical consultants. The World Bank provides additional direct procurement support using a hands-on implementation support model – with procurement specialists working directly with counterparts to provide necessary technical support.¹⁹
- 83 | Sint Maarten had limited prior experience implementing large projects through the public sector. The three emergency projects are being managed through a specialized agency established for implementing the TF financed projects.** However, further capacity support for implementation is required to complement the existing arrangements. Provision of complementary implementation support through the private sector, NGOs and international organizations is fully in line with the expressed principles of the SXM TF and the steering committee. The steering committee took a decision that the SXM TF will broaden its implementation modalities, maximizing the use of capacity from the private sector, international organizations, and NGOs. Moreover, the steering committee has endorsed that such support can be provided for all aspects of the TF including (i) taking charge for implementing sub-components in existing projects, (ii) taking over full implementation of new projects where possible, and (iii) capacity support to NRPB in fiduciary areas, and specifically procurement.
- 84 | The NGO grant making mechanism will be managed by an intermediary (umbrella) organization in close cooperation with the NRPB.** This organization will have the fiduciary and technical capacity to administer TF funds, and have previous experience working with the World Bank. Through this mechanism, an umbrella organization will administer the allocation of grants to eligible NGOs in Sint Maarten for the provision of works and services. It will administer calls for proposals, facilitate a selection process, finalize the eligible areas, and supervise the works of grantees. It will be responsible for financials, safeguards, and results reporting on activities undertaken by grantees. Under this model, the World Bank would provide training and technical assistance on World Bank fiduciary and safeguard policies and practices to the organization as well as to recipient NGOs and support to set up a monitoring and evaluation system. Additional safeguard capacity may have to be associated with this structure to ensure compliance with Environment and Social Framework requirements. Appropriate steps are being taken to fast track the NGO mechanism. Eligibility requirements and operational rules, regulations and requirements are expected to be set out in a facility operation manual, which is under preparation. In the meantime, work is being accelerated to survey existing

¹⁹ The responsibility for short-listing and evaluation of bids and proposal is solely the government's responsibility and the World Bank cannot be part of those decisions.

NGO capacity in Sint Maarten and areas of intervention that meet TF criteria. International organizations may apply to this facility for the screening of proposals.

- 85 | Broadening the range of actors receiving financial flows from the TF, where feasible, will build market presence, help fill the capacity gaps in Sint Maarten to undertake recovery and resilience projects, and achieve better results anchored deeply in Sint Maarten's society.** The World Bank will also make concerted efforts to encourage a stronger market response to procurement processes and encourage the regional private sector to participate as potential implementors of specific contracts or undertake implementation of projects.
- 86 | Subject to approvals of the steering committee, the TF also foresees contracting with the private sector to conceptualize, design, build and deliver or operate services** that are critical for the local population, reduce citizen costs in accessing services, reduce public sector burden to provide these services, and introduce innovation. The steering committee has requested the World Bank to explore contracting with firms to identify critical services that would benefit from fast tracking such as infrastructure projects and innovative projects involving use of technological advancements for public service delivery. With the agreement of the Sint Maarten Government, these services or infrastructure projects could function through a *build, operate and transfer* approach or a fee-for-service model. The principle of outsourcing specific projects and service delivery areas will be explored thoroughly to complement public sector capacity.

VII. RISKS AND RISK MANAGEMENT

- 87 | Political risk.** Sint Maarten has had nine governments over the last nine years, which has caused significant political volatility. Although not uncommon in young democracies, lack of continuity in government programs is associated with a higher risk of politicization of reforms and investments, which can slow implementation and make results unsustainable. The steering committee has implemented steps to ensure regular communications with all levels of government occur continuously on progress, results, emerging issues and challenges so that all stakeholders and the population are fully aware and up to date.
- 88 | Macroeconomic risks.** With a narrow tax base, limited diversification and a sizeable fiscal deficit, Sint Maarten faces fiscal challenges and limited borrowing capacity. Vulnerability to disasters places the macro stance under additional stress. To mitigate this risk, government, with technical support of the World Bank, is working on macroeconomic and fiscal matters through analytical work and moving towards adoption of a medium-term fiscal framework. Macroeconomic risk will be tracked using macroeconomic monitoring and mitigated using technical support to government efforts to increase resilience to external shocks.
- 89 | There is a substantial risk that increase in implementation capacity does not keep pace with implementation targets.** Institutional capacity risk is due to limited technical capacity of execution units, resulting in delays and lack of technical ability to provide oversight. To mitigate these risks and increase the pace of implementation and the effectiveness of the portfolio, the Trust Fund finances technical, engineering, procurement, and safeguard consultants and staff support to increase government implementation capacity. In addition,

progress is being made in building partnerships with International organizations, NGOs and the private sector for implementing new projects.

90 | Vulnerability to climate-related events and other disasters could delay TF implementation. Sint Maarten is exposed to weather-related disasters, climate-related events, climate change effects, and earthquakes. To mitigate this risk, the TF will support enhanced disaster risk management practices and increase disaster preparedness through investments, technical assistance and studies. However, residual risks of extreme weather cannot be mitigated.

APPENDIX A

Existing and Planned Activities According to Focus Area

Existing and Planned Activities per Focus Area ¹⁹						
Focus Area	Objective	Active Projects	Amount (US\$ million)	Existing Projects/Future Projects/Concepts to be explored	Amount (US\$ million)	Knowledge and ASA
1. Promote Sustainable Economic Recovery	1 Sustainably Restore Air Access and Connectivity			Airport Terminal Reconstruction	72	Corporate Governance Assessment and Improvement Plan
				Road Connectivity, capacity building for planning, maintenance, and building of selected roads (Link 6)	20	Road network development plan Road asset management and maintenance policy Public transport strategy
				Improvement of drainage and flood mitigation	TBD	
	2 Promote tourism Recovery, access to finance and resilient utility services	Enterprise Recovery Project	35	Access to finance for hotels	TBD	Enterprise surveys
				Support Tourism planning promotion and upgrading activities	TBD	Tourism related statistical development and tourism marketing Tourism recovery plan
		Emergency Recovery Project I (utilities component)	11.6			
	3 Establish solid waste management system with improved sanitation services	Emergency Debris Project	25	Solid Waste Management and Environmental Improvement Project	TBD	Feasibility Studies on waste collection, recycling, treatment and disposal including collaboration with Saint Martin and regional markets

²⁰ Public expenditure review (Tax administration, Health Insurance, Pensions, Education expenditures) Functional review of Government

Existing and Planned Activities per Focus Area ¹⁹						
Focus Area	Objective	Active Projects	Amount (US\$ million)	Existing Projects/Future Projects/Concepts to be explored	Amount (US\$ million)	Knowledge and ASA
2. Invest in Citizens and Resilient Communities	4	Repair and increase access to housing, especially for vulnerable populations	12	Housing Sector Investment, public and affordable Housing	TBD	Rapid Housing Sector Assessment
	5	Increase access to health, education and sports	25	DPO (Health insurance Reform)	30	PER (Health Insurance +Pensions)
			7.85	School retrofitting to Hurricane standards and Education Masterplan and psychosocial support for mental health	35	
6	Strengthen social safety nets and increase employment, particularly for female headed households and vulnerable youth	Emergency Income Support and Training Project	22.5	Activities aimed at Female-Headed Households and vulnerable groups (TBD) NGO facility	TBD TBD	Social Protection Targeting Analysis (under EISTP)
3. Build the Foundation to Improve Long-Term Resilience and Good Governance	7	Increase capacity and training for disaster response	14.75	Road Connectivity Project (evacuation routes and plans, investment mapping)	TBD	Disaster Response Strategy Light detection and radar survey and Hazard Mapping Meteorological Capacity support (under ERP I) Policy advice on shelter strategy
	8	Increase fiscal resilience, Improve Governance, modernize public sector		Development Policy Operation (Fiscal Resilience, more efficient social expenditures, tax administration, Public Financial Management) Digital Citizens Services/ ICT	30 15	Public expenditure review (Tax administration, Health Insurance, Pensions, Education expenditures) Functional review of Government

Note: – to be determined

