



ANNUAL REPORT 2018

Sint Maarten Recovery, Reconstruction and Resilience Trust Fund





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April – December 2018

Prepared by
Sint Maarten Trust Fund Secretariat
Caribbean Country Management Unit
Latin America and the Caribbean Region
World Bank

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Acknowledgments

This report provides an overview of activities executed under the Sint Maarten Reconstruction, Recovery and Resilience Trust Fund, managed by the World Bank. This report was prepared by the Secretariat of the Sint Maarten Recovery, Reconstruction, Resilience Trust Fund in the Caribbean Country Management Unit, Latin America and the Caribbean Region of the World Bank. It covers the period from the signing of the Trust Fund in April 2018 to December 2018 and briefly updates on developments of the first two months of 2019. It also describes advance work initiated prior to the TF signing.

The Sint Maarten Recovery, Reconstruction and Resilience Trust Fund (SXM TF) is a single-donor trust fund, financed by the Netherlands. It is a tripartite undertaking of the Government of the Netherlands, the Government of Sint Maarten and the World Bank. It provides support for the recovery and reconstruction of Sint Maarten in the aftermath of Hurricane Irma of 2017 and aims to strengthen the country's resilience to disasters.

In preparing this report, the SXM TF Secretariat team benefited from the guidance and insights of the Interim Recovery Committee of the Government of Sint Maarten and of the Ministry of Interior and Kingdom Relations of the Netherlands.



1. Introduction

On September 6, 2017, Sint Maarten, an autonomous constituent country of the Kingdom of the Netherlands with a population of over 40,000 people, was severely struck by Hurricane Irma. Damages and losses¹ were estimated by the Government of Sint Maarten and the World Bank to amount to US\$ 2.7 billion (US\$ 1.4 billion and US\$ 1.3 billion respectively, each about 129 percent of GDP).

In response to the disaster, the Government of the Netherlands made available immediate bilateral aid and substantial private donations were also provided by the public. In addition, in December 2017, the Netherlands set aside Euro 550 million to support Sint Maarten.

On April 16, 2018, the Sint Maarten Recovery, Reconstruction and Resilience Trust Fund (SXM TF) financed by the Netherlands was established for up to Euro 470 million (US\$ 553.4 million equivalent). The SXM TF is a tripartite undertaking of the Government of the Netherlands, the Government of Sint Maarten and the World Bank to provide support for the recovery and reconstruction of Sint Maarten and the strengthening of the country's resilience to disasters. It is managed through the Trust Fund Secretariat established under the Caribbean Country Management Unit in the World Bank's Latin America and Caribbean Region. Its activities are approved by the Steering Committee of the Trust Fund and implemented by the Government of Sint Maarten in partnership with the World Bank. Trust Fund activities also benefit from complementary technical assistance and expertise provided by the Government of the Netherlands. This report describes the main activities and implementation progress of SXM TF activities from inception until end December 2018. An addendum in Annex 1 provides updates from January to end February 2019.

Prior to the creation of the SXM TF Sint Maarten, the World Bank and the Netherlands collaborated in the formulation of Sint Maarten's National Recovery and Resilience Plan (NRRP)², developed by the Government of Sint Maarten with financial support from the Government of the Netherlands and technical support from the World Bank.

The priorities set out in the NRRP together with the Guiding Principles provided in the SXM TF Administration Arrangement have provided a framework for the orientation, prioritization and selection of activities during the first emergency phase of SXM TF operations.

Over this initial period, SXM TF activities have focused on addressing key bottlenecks to the country's recovery. By end August 2018, three projects for US\$102.7 million were launched to: (i) provide income support to the under- and un-employed; (ii) repair and expand existing hospital services, build new hospital facilities to category 5+ resilient standards; and (iii) finance repairs to critical infrastructure and housing and strengthen disaster preparedness. In September 2018, with SXM TF resources, Sint Maarten



1 Damages refer to damages to buildings and assets. Losses due to disruption of access to goods and services are defined as changes in economic flows and higher costs in production arising from the disaster.

2 National Recovery and Resilience Plan, Government of Sint Maarten, June 2018.

joined the Caribbean Catastrophic Risk Insurance Facility (CCRIF) which will provide payouts within 14 days in case of an eligible catastrophic event, improving the country's resilience. Also, key positions of the National Recovery Planning Bureau (NRPB) have been filled and a Director selected. In December 2018, the US\$25 million debris removal project (including putting out fires in Sint Maarten's dump sites) was approved, air quality testing was completed, and the report released. Fire suppression equipment is being procured. Three projects under preparation focus on rebuilding the airport's terminal in a context of improved governance, improving long term waste management and providing resources for asset reconstitution and working capital to micro, small and medium enterprises (MSMEs). Analytical work has also been launched, among others, to review public expenditures and analyze the housing and waste sectors.

1.1. Impact of Hurricane Irma

One of the most powerful hurricanes ever recorded in the Atlantic, Hurricane Irma made landfall on September 6, 2017 in Sint Maarten as a Category 5+ hurricane, with sustained winds of 185 mph (296 km/h). The storm's highest wind velocities battered the island for over two hours and a storm surge flooded the lower coastal areas. Much of the damage caused by Hurricane Irma was exacerbated by Hurricane Maria two weeks later, causing further damage to homes, schools, and public buildings compromised by Irma.

Sint Maarten's tourism sector, which accounts about half of the national economy, was badly impacted. In 2016, tourism contributed 73 percent to the country's total foreign exchange income. Sint Maarten's harbor is a significant port for cruise tourism in the Caribbean, with 1.7 million cruise passengers visiting per year and Princess Juliana International Airport serves as a hub for regional travel, with a large network of connecting flights across the Caribbean. Public finances have faced a sharp decline in tax revenue due to the economic contraction.

As a result of the storm, Sint Maarten's economy contracted by 4.5 percent in 2017 and is expected to contract by around 8.5 percent in 2018. However, growth driven by reconstruction expenditures and tourism recovery is expected to rebound in 2019, converging to the historical trends by 2023.³ Private external finance from direct investments, loans, pay-out of insurance claims and funds held abroad will be needed to further finance reconstruction of private properties and businesses.

While SXM TF is a high-income country with per capita income of almost US\$25,400, it has contained pockets of poverty. The social and economic impacts of Hurricane Irma are likely to have increased poverty levels in Sint Maarten. A UNDP benchmark for poverty based on minimum wage indicates that about 27 percent of households (approximately 3,762 households) were classified as poor and living on revenues at or below the minimum wage in 2017.⁴ However, Sint Maarten's overall unemployment rate (6.2 percent) and youth unemployment rate (23.8 percent) in 2017 rose significantly following the hurricane due to the closing of tourism businesses. In addition, though some have recovered, many Micro, Small, and Medium-sized enterprises (MSMEs) have experienced significant loss of capital due to the impacts of the hurricane.



³ IMF – Article IV Assessment, Curaçao and Sint Maarten, November 9, 2018.

⁴ Minimum wage amounts to US\$850 per month in 2017.

In the first six months of implementation, the NRRP and the guiding principles of the SXM TF have provided a prioritization framework for project selection. Emergency activities were prioritized by the Government of Sint Maarten and the Government of the Netherlands, with guidance of the World Bank during several technical missions, prior to TF signing and subsequently endorsed by the SXM TF Steering Committee. Early funding was directed chiefly to Community Recovery including income support, hospital repair and resilience, and emergency repairs to critical infrastructure (see below).

More complex projects aimed at economic recovery, including airport reconstruction, support to MSMEs, and long-term waste management solutions were also prioritized. Their preparation is well advanced. Resources were included in the second tranche of funding received from the Netherlands to potentially fund a Development Policy Operation (budget support). Ongoing analytical work on public expenditures, the housing sector, and tourism promotion and support (among others) will contribute to future funding decisions. At the request of the Steering Committee, the World Bank is drafting a strategic framework for the Sint Maarten Trust Fund that outlines short, medium- and long-term priorities for Sint Maarten's reconstruction, resiliency and economic recovery. A draft will be prepared for consideration for the Steering Committee in March 2019.

2.1. National Recovery and Resilience Plan

The SXM TF Trust Fund supports activities and programs aligned with the NRRP of the Government of Sint Maarten published in June 2018 and endorsed by Sint Maarten's Parliament in August 2018. The NRRP was developed with inputs from all main stakeholders in Sint Maarten, the Government of the Netherlands, other international organizations and with the technical support of the World Bank. More than 170 national and international experts contributed to it. The electronic version can be found online at: <http://www.sintmaartengov.org/government/AZ/NRPB/Presentations/NRRP%20final.pdf>

The overarching goal of the NRRP is to restore, secure, and strengthen the well-being of the people of Sint Maarten by means of a resilient community in a healthy living environment; a resilient, growing, and more diversified economy; and a transparent, effective government with enhanced capacity. The NRRP foresees community, economic and government recovery through investments in priority sectors particularly affected by the 2017 hurricanes (see Figure 1 below).

The NRRP assesses that US\$2.3 billion will be required for recovery and resilience interventions over the next seven years under these three pillars, primarily in housing (22.8%), tourism and commerce (19%), governance and public financial management (9.4%); solid waste management and sanitation (8.3%), Airport investments (7.6%) and education, youth and culture (5.1%).

Figure 1: Three pillars of the National Recovery and Resilience Plan

| Community Recovery and Resilience | Economic Recovery and Resilience | Government Recovery and Resilience |
|---|----------------------------------|--|
| Housing | Macroeconomic Outlook | Disaster Risk Management |
| Health | Tourism and Commerce | Governance and Public Financial Management |
| Employment, Livelihoods and Social Protection | Finance | Justice, Public Safety and Security |
| Solid Waste | Airport | Additional Public Buildings |
| Education | Ports and Marinas | |
| Environment | Roads and Drainage | |
| | Water | |
| | Electricity | |
| | ICT | |

Community Recovery and Resilience

The top priorities of the NRRP are the basic needs of the people of Sint Maarten—such as food, shelter, health and psychosocial care, education, and livelihoods and preparation for future hurricane seasons. Therefore, the NRRP focuses on the **sustainable recovery of affected communities**. This requires investments in housing; social sectors such as education, health, social protection; and environmental and infrastructure services such as waste management, environment, biodiversity and ecology. Priority is given to repairs of critical infrastructure (including shelters), emergency equipment and training, restoration of the electricity and water systems, repairs of roofs and social housing, social protection mechanisms, and the setting up of the NRPB as a central coordination mechanism.

Economic Recovery and Resilience

Economic recovery will depend on rebuilding key infrastructure and focus for the foreseeable future on promoting resilience in the country's tourism sector. Priority is given in the NRPP to rebuilding the Princess Juliana International Airport, ports and marinas and to rebuild to higher standards to ensure resilience to future disasters, restoring business continuity and a strategy to foster the broadening of business activity. An important pillar of medium-term recovery is a well-functioning and stable financial sector, providing increased and inclusive access to finance. The strengthening of fiscal resilience is also critical including by broadening the tax base and raising the efficiency of tax collection. Furthermore, rebuilding utility networks (electricity, drinking water), roads and drainage and telecommunications infrastructure are part of the economic recovery.

Government Recovery and Resilience

Longer-term, under the pillar **of government recovery** the NRRP aims to implement a more resilient governance and public financial management system, by improving the resilience of government and emergency entities to disasters and putting in place disaster risk management tools to inform, measure, and respond to disaster risk. Improved Public Financial Management (PFM) is expected to benefit investor

confidence, foster public support for government initiatives, and aid in the recovery and longer-term development efforts. Key to an enhancing PFM and Governance is modernizing the Government's Information Communication and Technology Systems (ICT).

2.2. Guiding Principles for Trust Fund Use

The objective of the Netherlands support to Sint Maarten is to *“support the material and non-material reconstruction and recovery of St Maarten wherever necessary, so as to restore vital infrastructure and sustainably boost the country's resilience to the effects of possible future disasters, natural and otherwise”*⁵.

To achieve this objective, the Trust Fund incorporates the guiding principles set out in the appendix to the Administration Agreement which underlines that eligible activities will (i) address the damage caused by Hurricane Irma, (ii) make significant improvements to the pre-hurricane situation on the island; (iii) and restore vital infrastructure whose breakdown would threaten social peace or national security. They express the intent to boost the country's resilience by improving crisis management and disaster preparedness, by promoting economic diversification and the enhancement of good governance, and by strengthening civil society. In addition, they emphasize the preference for projects “with a long-term vision that respect both people and the environment”⁶.

As per above guidelines, projects are assessed against their **necessity** (there are no other sources of funding), **additionality** (they crowd in private financing where possible), **suitability** (appropriate in scale considering capacity), **effectiveness** (will attain the objective and is consistent with Sint Maarten's long-term policy orientations), and **efficiency and legitimacy** (has safeguards in place to ensure both).

Finally, guidance from the Netherlands has emphasized the **centrality of good governance** to all activities undertaken by the SXM TF, both in terms of the anticipated results as well as the method of execution of all activities and oversight. The latter is supported by the strict application of World Bank processes and procedures for financial management, procurement and social and environmental safeguards to all Trust Fund financed activities.

2.3. Build Back Better Principle

To reduce current and future disaster-related losses both, SXM TF interventions are designed to “build back better” by repairing or replacing assets in a more resilient and sustainable manner. Simultaneously, they aim to shorten and make recovery processes more efficient, and to ensure inclusiveness.

Annex 1 provides an overview of the alignment per area of intervention of current Trust Fund Activities with the NRRP.



⁵ Sint Maarten Irma Recovery, Reconstruction, and Resilience Trust Fund, Administration Agreement, April 27, 2018, Appendix.

⁶ Ibid.



3. Activity Summary

3.1. Overview

As of December 31, 2018, the Netherlands has transferred at total of US\$305.7 million (EUR 262 million equivalent) to the Trust Fund. The first tranche of US\$134.4 million (EUR 112 million equivalent) was received on April 27, 2018 and the second tranche of US\$175 million (EUR 150 million equivalent) was received on November 5, 2018. By end December 2018, US\$127.7 million or 42% of the transferred resources were approved for projects in Sint Maarten.

Investment Projects executed and being prepared by the Government of Sint Maarten with the Support of the World Bank

Of the first tranche of US\$134.4 million received end April 2018, US\$127.7 million or approximately 95 percent was made available by end December 2018 to Sint Maarten to disburse in the form of four projects. Of this amount a total of US\$17.8 million was disbursed and US\$84.9 million remain to be disbursed for project activities over the next five years.

The four ongoing projects include 1) an **Emergency Recovery Project I** for US\$55.2 million aimed at urgent repairs and reconstruction and containing resources for the setting up of the National Recovery Bureau, 2) an **Emergency Income Support and Training Project** for US\$22.5 million which provides training and stipends to under- and un-employed persons, 3) a **Hospital Resiliency and Preparedness Project** for US\$25 million which finances the repair and expansion of the existing Sint Maarten Medical Center and co-finances the building of a new hospital to Hurricane Category 5+ standards, and 4) an **Emergency Debris Management Project** for US\$25 million which finances debris removal and fire suppression at the waste disposal sites.

Another US\$120 million approximately are programmed to be committed for three projects under preparation: 1) the **Enterprise Recovery Project** for US\$35 million; 2) the **Airport Terminal Reconstruction Project** for US\$50M, and 3) the **Long-Term Waste Management Project** for US\$35M (estimated). Details on project content and implementation can be found under section 3.3 below.

Analytical Work

In addition, to underpin future projects and contribute to knowledge and policy improvements, a **program of analytical work** is being carried out in collaboration with the Government of Sint Maarten and local stakeholders. This work is listed in section 3.4. Resources allocated for this work at this time total a little under US\$1 million but are expected to rise to US\$2 million once all activities approved by the Steering Committee have been fully funded. Details are provided in Section 3.3.

Resources for the preparation and supervision of projects have amounted to US\$1.8 million to date.

Resources are based on standard World Bank norms for preparation and supervision of projects, taking into consideration the need for speed and complexity of preparation, as well as needed ongoing capacity development due to limited capacity on the ground.

A financial overview is provided in annex A, including **Program Management costs**. Kindly note that program costs include all support to date, including retroactive financing of the assistance and expertise provided for the development of the NRRP during the February – August 2018 period.

3.2. Projects under Implementation

All projects are implemented by the Government of Sint Maarten, or agencies designated by the Government of Sint Maarten, with support from the World Bank. Since the launch of the Sint Maarten Trust Fund in April 2018, four projects have been approved⁷ for a total of US\$127.7 million. While this investment program is still in its first six months of implementation, several actions have been taken that will contribute to the accomplishment of the anticipated project results.

| | Projects under Implementation | Approved | Commitments (US\$ millions) | Disbursements (US\$ millions) |
|--------------|---|----------|--------------------------------|----------------------------------|
| 1 | Emergency Recovery Project I (P167339) | 7/10/18 | 55.2 | 10.6 |
| 2 | Emergency Income Support and Training Project (P167368) | 8/02/18 | 22.5 | 6.7 |
| 3 | SXM TF Hospital Resiliency & Preparedness (P167532) | 8/16/18 | 25.0 | 0.5 |
| 4 | Emergency Debris Removal Project (P167347) | 12/20/18 | 25.0 | |
| TOTAL | | | 127.7 | 17.8 |

Emergency Recovery Project I

The Emergency Recovery Project (US\$ 55.2 Million), approved in July 2018, contributes to Sint Maarten's immediate emergency recovery needs. The project finances the repair of critical infrastructure (including shelters), emergency equipment and training, restoration of the electricity and water system, repairs of roofs and social housing, and the setting up of the NRPB. As of today over US\$10.6M have been disbursed to the Government of Sint Maarten under this project.

Results: An important early achievement of this project in September 2018 was the effective insurance of Sint Maarten under the Caribbean Catastrophe Risk Insurance Facility (CCRIF) against the impact of tropical cyclones, earthquakes, and excess rainfall. This means that Sint Maarten is now eligible for rapid payouts of emergency cash when eligible weather events such as excessive rainfall, high winds, or an earthquake of defined magnitude strike. Following hurricanes Irma and Maria in 2017, CCRIF made payouts totaling US\$55 million to nine countries, all paid within 14 days of disaster occurrence.

Once basic arrangements were in place, the project focused on tendering urgent contracts for repairs to shelters, to roofs of houses, to the police station, and on the purchase of daily coverage materials, a substance used to seal the surface at the solid waste site, heavy equipment, and personal protection equipment to help better control the fires on the waste disposal sites at the Pond Island. Contracts for a first batch of government-led roof repairs, based on assessment of damage and confirmation of eligibility



⁷ Approved projects are endorsed for financing by the SXM TF Steering Committee, have completed the full preparation, appraisal and approval process of the World Bank, this includes the signing of a legally binding grant agreement between the World Bank and the Government of Sint Maarten or its appointed representatives.

of beneficiaries, for repairs of 109 household units of Sint Maarten Housing Development Foundation (SMHDF), and for the police station were tendered in November and works are expected to be launched in January 2019. The project is cognizant that a large number of roof repairs still need to be addressed. Alternative approaches are being developed, including the use of the Non-Governmental Organizations (NGOs), foundations and international organizations. Procurement packages are being finalized for goods to strengthen the capacity of first responders. The recent hiring by the Interim Recovery Committee (IRC) of a Program Manager has significantly improved project implementation capacity. The formal appointment of the Director of the NRPB, expected in early January 2019, will further strengthen the management capacity of the program.

The NRPB was established and key staff is being hired. Until such hiring is complete, the IRC is tasked with advancing activities across all components. Between July and September, the project finalized its implementation arrangements. This includes approving a Project Operations' Manual, environmental & social management and procurement plans, establishing a Grievance Redress Mechanism, and putting in place subsidiary agreements with the public utility company, Gemeenschappelijk Elektriciteitsbedrijf Bovenwindse Eilanden (GEBE), and the SMHDF.

Early experiences show the challenges in getting quality technical packages developed and price inflation on incoming bids. Because of that, the shelter repair package had to be nullified and retendered. Similar challenges can be expected with the roof repair program, due to the limited market of contractors.

Emergency Income Support and training Project

The objectives of the Emergency Income Support and Training Project (US\$ 22.5 Million), approved in August 2018, are to provide temporary income support and improve the employability of un- and under-employed workers, initially in the hospitality industry and progressively in other sectors, and to strengthen the social protection system. The project is built upon an initiative by key actors in the tourism industry who launched the Sint Maarten Training Foundation (SMTF) and started the Hospitality Training Program first financed privately and then supported by Government in the aftermath of Hurricane Irma. The program was designed to sharpen employee skills and pay them a stipend as well as cover their health insurance, while damaged hotels could not offer them work or salary. The scheme prevented large layoffs, supported the income of staff in need, while improving the competitiveness of participants. The project builds upon this model by expanding the sectors of intervention of the project (to include construction, for instance) and expanding the scope of eligible persons to the unemployed on Government's roster, providing access to some of the most vulnerable people on the island, regardless of their previous employment.

Results: Early results include an increase in the number of participants from around 730 in August to 873 in December, of which approximately 60 percent are women. In late August, a construction training module was added with about 80 people enrolled. Participants receive hands-on training three times a week as well as a stipend during their training period and health insurance. The program aims to finance stipends for up to 1800 under-employed and unemployed persons over eighteen months in exchange for their participation in skills training. Some participants have exited the program as hotels are resuming business while new participants are entering the program. Early anecdotal testimony from participants indicates high levels of satisfaction with the program and its benefits. Several participants have also underlined the effect of the program on their career ambitions. Efforts are being made to increase the proportion of youth benefitting from the program. Approximately 120 participants obtained an international certification on Hospitality Training, entitled, "Guest Services Professional (Gold) by the American Hotel and Lodging Association by the end of 2018.

3. ACTIVITY SUMMARY

Approved in August 2018, the objective of the Sint Maarten Hospital Resiliency and Preparedness Project (US\$ 25 Million from Trust Fund; US\$75 Million from Sint Maarten Medical Center Foundation) is to improve the disaster-preparedness and continuity of hospital services at the Sint Maarten Medical Center, the only hospital on the island⁸. The project also co-finance the building of the new Sint Maarten General Hospital to ensure that the new facility is resilient to category 5+ Hurricanes. The new, 110-bed, hospital will substantially increase hospital capacity and enhance health services to the people of Sint Maarten. Furthermore, the project finances critical upgrades to the existing hospital during the transition period. More specifically, the current building is being fortified, and generator capacity will be doubled to ensure the continuity of essential medical services in case of major power interruptions during emergencies. The project will also finance upgrades to the existing hospital which will continue to receive patients during the construction period, including improving operating theatres, increasing dialysis capacity, and expanding in-patient care. This expansion will significantly reduce costly medical referrals abroad. The project is directly implemented by the Sint Maarten Medical Center, at the request of the Government of Sint Maarten and in partnership with the Ministry of Health, Social Protection and Labor and with Sint Maarten's Health Insurance provider.

Results: The project has quickly started its implementation since its approval. The project financed reinforcements to the existing hospital roof, which were completed in late October. Procurement processes have been initiated for the essential upgrades to the existing hospital, including the fire detection and alarm system, medical gas distribution and a generator. Adjustments to the new hospital design and soil studies, which are required to finalize its upgraded resilient design, are ongoing and completed (respectively). A ceremonial groundbreaking for the new hospital construction took place on December 3rd and the initiation of site preparation works for the new hospital construction is expected to begin once co-financing arrangements are finalized.

Emergency Debris Management Project

The problems at the Municipal Pond disposal site are decades old and have never been properly addressed. The site lacks an efficient and sanitary waste disposal system, and most of the debris is not separated, recycled, treated or disposed appropriately. This has created environmental and social challenges.

Hurricane Irma caused extensive property damage, producing debris both from the damage itself, and the subsequent demolition and reconstruction activities in Sint Maarten. It was estimated that 100,000 m³ debris has been cleared and collected at a site adjacent to the existing municipal waste site. Another 100,000 m³ remains in public spaces or is expected to be produced by the ongoing demolition and reconstruction activities. Up to 130 shipwrecks remain in the main lagoon in Simpson Bay. Post-Irma, with massive amounts of debris being disposed of, the problem has been escalated to crisis, where deep underground smoldering fires cause flare ups and endanger surrounding neighborhoods.

The Emergency Debris Management Project (US\$25 million) aims to manage debris from the hurricane and from reconstruction activities to facilitate recovery and to reduce risks caused by poor waste management. This includes clearance, collection, and processing debris, extinguishing longstanding smoldering subsurface fires in the waste disposal sites, salvaging the many vessels that remain in the Simpson Bay and improving landfill management in the Municipal Pond disposal site. A key objective



⁸ In terms of the impact of Hurricane Irma on the existing hospital, services were limited for several days and the hospital gradually regained part of its service capacity. However, precarious conditions remain. For example, the fire detection system and generator are still not functional. Out-of-country referrals have increased as well as the increased use of containers for storage and work spaces.

of the project is to suppress the smoldering fires and the improvement of air quality for Sint Maarten's citizens and visitors.

Given the urgency to find solutions many activities have been undertaken in advance of project approval. These include environmental studies and testing to determine the best approach to fight the fires, advice to the Ministry of VROMI on strengthening the day to day management of the site, procurement of dedicated equipment for better fire control on the sites, and support to government for the establishment of a resettlement action plan for a limited number of families living very close to firefighting activities. The project Grant Agreement was signed on December 21, 2018.

3.3. Projects under Preparation

In total, close to 70 percent of received resources (tranches 1 and 2) and 40 percent of total Trust Fund resources is expected to be committed by end June 2019. Three projects are under preparation to address key challenges underlined in the NRRP and prioritized by the Netherlands' guiding principles for the Trust Fund. These aim at rebuilding the airport's terminal, improving waste management in the longer term, and supporting Micro, Small and Medium Enterprises (MSMEs) in their recovery. The Enterprise Recovery Projects, Airport Reconstruction and Solid Waste & Environmental Improvements Projects together will amount to approximately US\$120 million USD. Work is ongoing on a Development Policy Operation which would provide budget support to Sint Maarten (for an estimated US\$30 million). A DPO would help set Government reform goals needed to increase efficiency in government spending and tax collection.

| Sint Maarten RETF Projects under Preparation | | Estimated amount (US\$ millions) | Estimated Month of Approval ⁹ |
|--|--|-------------------------------------|---|
| 1 | Enterprise Recovery Project (P168549) | 35.0 | March 2019 |
| 2 | Airport Terminal Reconstruction (P176974) | 50.0 | April 2019 |
| 3 | Solid Waste Management and Environmental Improvement | 35.0 | 2019 (tbc) |
| TOTAL | | 120.0 | |

Enterprise Recovery Project

This Enterprise Recovery Project (estimated US\$ 35 Million) aims to support the small business sector with financial packages for asset replacement and working capital. The support is being administered through local financial institutions (FI). A large percentage of MSMEs are unable to get financing from lenders as they have collateral requirements they cannot meet, as many of their assets that were financed have been damaged or destroyed. The Enterprise Recovery Project will provide, subject to a business plan that is acceptable to a local FI, financial packages for MSMEs in the form of a combination of grants and loans. The total number of assisted enterprises is projected to reach 300 in the first year and close to 600 in the fourth year. The project design was informed by the results of two surveys conducted in 2018 which demonstrated the need for both loans and grants. The project also includes a component of training to enterprises and lenders with the intention to encourage FIs to get more involved in lending to MSMEs and improve business continuity practices for disaster resilience. The project also includes financing a study to identify financial instruments for disaster resilience.

The World Bank, and its partners- the NRPB and the Central Bank of Curaçao and Sint Maarten (CBCS)



⁹ Estimated timelines are subject to change to meet operational requirements, including appropriate consultation and safeguard preparation, in line with WB fiduciary and safeguard policies. In-country safeguard constraints may also impact timelines.

- will work with FIs who will support eligible enterprises. Three FIs have been pre-qualified for the initial roll-out of the project, other FIs will be able to join once the project is effective in Q2 of 2019. Project approval is expected in March 2019 and the Grant Agreement of the project is scheduled to be signed in March 2019.

Solid Waste Management and Environmental Improvement Project

The Solid Waste Management and Environmental Improvement Project (estimated US\$35 million) aims to improve long-term waste management and environmental protection and will be informed by a forthcoming study on long-term solutions to sustainable solid waste. Its broader objective will be to implement key elements of the government's long-term waste strategy and its Roadmap for Sustainable Waste Management. The project will draw upon an ongoing analytical exercise, the Long-Term Waste Management Advisory Services and Analytics (ASA), to develop sound evidence-based solutions for the island's waste management in the long run. It is expected that solution elements and options can be considered by mid-2019. The ASA work will fill knowledge gaps pertaining to basic waste data (e.g. waste volume, composition, and origin etc.), the existing market for recycling and disposal of relevant types of wastes in the region, as well as technical, financial, and regulatory solutions to waste reduction, processing, and disposal, and an eventual follow-up on potential site selection and construction of a future sanitary landfill, as the current dumpsite is reaching its capacity and expected to close in the coming few years.

Airport Terminal Reconstruction

The Airport Terminal Reconstruction Project (estimated amount US\$50 million) aims to support the reconstruction of the terminal of the Princess Juliana International Airport (PJIA) to the pre-Irma passenger capacity with increased natural disaster resilience. PJIAE is the main international airport serving Sint Maarten and Saint Martin (1.8 million passengers and 62,144 aircrafts per year), as proposed under the Reconstruction Plan prepared by the Princess Juliana International Airport Operating Company (PJIAE). At the request of the SXM TF Steering Committee and in keeping with the Maximizing Financing for Development guiding principles set by the Netherlands, the World Bank has approached external investors, including the European Investment Bank (EIB), to co-finance this project. Current projections estimate the terminal reconstruction work to cost approximately US\$107 million, of which US\$50 million would come from the SXM TF and US\$50 million is from an EIB loan, with the remainder being contributed by PJIAE. The SXM TF resources would be granted to the Government of Sint Maarten, who would on-lend these to PJIAE for the purposes of reconstructing the airport terminal at concessional rates. Discussions have been engaged with the airport's current bondholders to close the financial package. The project is currently scheduled for approval in April 2019.

As part of the preparation of the project, and as decided by the Trust Fund Steering Committee, the World Bank has conducted a Corporate Governance Assessment of the Princess Juliana Airport Operating and Holding Companies to inform investment decisions by the SXM TF Steering Committee.

3.4. Analytical Work

When the NRRP was formulated it became clear that certain information gaps exist. The following analytical work is underway to generate knowledge needed for the achievement of NRRP objectives. This knowledge will also inform decisions for new funding under future tranches of the SXM TF.

| Activities | | Expected Delivery of Products ¹⁰ |
|---|---|---|
| Community Recovery and Resilience | | |
| 1 | Safe Schools and Shelters | Q3 CY19 |
| 2 | Low income and Affordable Housing Reconstruction Analysis | Q2 CY19 |
| 3 | Long Term Waste Solutions | 2019 (tbc) |
| 4 | Sint Maarten Country Environmental Analysis | Q2 CY19 |
| Economic Recovery and Resilience | | |
| 5 | Informing SME and Tourism Recovery in Sint Maarten | Q2 CY19 |
| 6 | Corporate Governance Review of Airport | Q2 CY19 |
| Government Recovery and Resilience | | |
| 7 | Public Expenditure Review | Ongoing |
| 8 | Government Functional review | 2019 (tbc) |

In addition, at its meeting on November 6, 2018, the Trust Fund Steering Committee decided to assess the establishment of a facility or project aimed at supporting the efforts of NGOs in Sint Maarten and from the region and opportunities to expand collaboration with International Organizations in the context of recovery, reconstruction and resilience. Work on this topic starts in January 2019.



4. Current Constraints & Solutions

4.1. Implementation observations

New work environment

Since the signing of the SXM TF in April, four projects were developed and are being implemented, with three more projects under preparation, despite capacity constraints in a completely new work environment. All projects currently under implementation were prepared in approximately one half to one third of the average time it takes to prepare a World Bank-managed project. This is despite the fact that Sint Maarten, the World Bank and the Ministry of Interior and Kingdom Affairs of the Netherlands have started a new working relationship, involving a steep learning curve to understand how each of the institutions operates.

Project management capacity constraints and its solutions

Program implementation remains highly challenging, considering the extreme constraint of capacity on the island. Capacity is affected first by the limited numbers of people in Government able to manage several large projects at once, and second, by the limited availability of technical, engineering, and procurement capacity within Government. Hence, ministries and IRC require hands on support especially in the areas of technical design, procurement aspects, environmental and social safeguards and supervision. In response, the World Bank and the Netherlands have mobilized additional expertise and support from outside sources, including technical assistance from the World Bank staff by placing experienced engineers, procurement and safeguards consultants at the service of the IRC and ministries involved in the recovery and reconstruction. Additional time and resources are needed to better address these capacity constraints, while the staffing of the NRPB needs to be accelerated. To provide further support, a World Bank office headed by senior staff and supported by technical and procurement expertise is being set up in Philipsburg. Further support on procurement and safeguards will be considered to facilitate operational efficiency of all projects going forward.

Options to expand the delivery of activities through a framework agreement with a design and supervision consultancy and involving the non-governmental sector are also being explored.

The initial procurement efforts to attract firms for urgent repair works show that there are market limitations. These limitations are partly explained by the fact that existing construction firms are busy with post-Irma works and thus face challenges in undertaking additional projects. The small size and capacity of the market makes it difficult to find firms that can respond to demand for goods, works and services in a flexible and rapid manner. The lack of familiarity with competitive procurement procedures required by the World Bank, leads to incomplete bids and inflated prices. To address these market constraints, efforts are being made to attract regionally and globally operating firms to address the current market failures.

Communication Strategy

To improve the understanding of SXM TF activities and report on results, a communications strategy with increasing engagement of the Government of Sint Maarten and of World Bank is being implemented informing on SXM TF activities, their rationale, and outcomes.

Information on the SXM TF program can be found on the SXM TF Web Site at <https://www.worldbank.org/en/country/sintmaarten>



Annexes

Annex 1: Alignment of NRRP and Trust Fund activities

Pillar 1 – Community Recovery and Resilience

| NRRP Listed Areas of Engagement | Trust Fund Projects and Analytical Work |
|---|---|
| Housing <ul style="list-style-type: none"> Repair assistance Increase access to affordable housing Strengthen housing for climate resilience Facilitate ownership | Housing Related Activities <ul style="list-style-type: none"> Emergency Recovery Project I (US\$55.2M): Roof and Social housing repairs, Technical Assistance for housing policy and resilience standards Low Income and Affordable Housing Reconstruction Analysis (ASA) |
| Health <ul style="list-style-type: none"> Resilient hospital construction Enhancing secondary healthcare services Ensure sustainable continuity of insurance coverage | Health Related Activities <ul style="list-style-type: none"> Hospital Resiliency and Preparedness Project (US\$25M): repairs and upgrading of existing and construction of a new hospital to Hurricane 5+ resistant standards. Public Expenditure Review (ASA – analysis of health insurance cost and sustainability) |
| Employment, Livelihoods and Social Protection <ul style="list-style-type: none"> Strengthen social assistance through trainings and programs to supplement household income Build additional shelters Improve social services and their targeting | Social Protection and Emergency Recovery Related Activities <ul style="list-style-type: none"> Emergency Recovery Project I (US\$55.2M): rehabilitating 13 public shelters Emergency Income Support and Training Project (\$22.5m): Stipends, training and improvement of targeted social services Safe Schools and Shelters Assessment (ASA) |
| Solid Waste: <ul style="list-style-type: none"> Remove debris caused by Irma and address dump fires Implement recycling program to reduce waste Upgrade sewage networks | Solid Waste Related Activities <ul style="list-style-type: none"> Emergency Debris Management Project (US\$25M) (under preparation): Extinguishing fires, debris clearance, collection, and processing and improving landfill management Long-term Waste Solutions Analysis (ASA) supporting the development of Government's roadmap for sustainable solid waste management Solid Waste Management and Environmental Improvement Project (US\$35M estimated) (planned) Investments in long term solutions |
| Education <ul style="list-style-type: none"> Repair and rebuild resilient schools, psychosocial support, improve safety and preparedness Strengthen legislation for resilience Train teachers in disaster management Strengthen programs for vulnerable children Improve vocational and tertiary education options in St. Maarten | Education Related Activities <ul style="list-style-type: none"> Emergency Recovery Project I (US\$55.2M): Repairing schools and community facilities Safe schools and shelters (ASA): define repairs and resilience plans for schools. |
| Environment <ul style="list-style-type: none"> Rehabilitate and protect natural and built environments Strengthen environmental protection | Environment Related Activities <ul style="list-style-type: none"> Solid Waste Management and Environmental Improvement Project (US\$35M estimated) (planned) Country Environmental Analysis (ASA) |

| NRRP Listed Areas of Engagement | Trust Fund Projects and Analytical Work |
|---|--|
| Macroeconomic Outlook Strengthen capacity for tax collection and fiscal policy formulation | Macroeconomic Related Activities Public Expenditure Review (ASA) |
| Tourism and Commerce <ul style="list-style-type: none"> Secure and strengthen resilience of tourism sector Diversify the economy through supporting SMEs | Tourism and Commerce related activities <ul style="list-style-type: none"> Enterprise Recovery Project (US\$35m, under preparation); access to finance for MSMEs Informing SME and Tourism Recovery (ASA); analysis of tourism support needs |
| Finance <ul style="list-style-type: none"> Increase access to credit and affordability of investment capital | Finance related activities <ul style="list-style-type: none"> Enterprise Recovery Project (US\$35m, under preparation); Financial intermediaries are supported to provide greater access to finance for MSMEs. |
| Airport <ul style="list-style-type: none"> Repair and rebuild airport for greater resilience | Airport related activities <ul style="list-style-type: none"> Airport Terminal Reconstruction Project (US\$50M, under preparation) |
| Ports and Marinas <ul style="list-style-type: none"> Restore ports and marinas while ensuring greater resilience | Ports and Marinas <ul style="list-style-type: none"> Emergency Debris Management Project (US\$25M, under preparation): Vessel Salvaging |
| Roads and Drainage <ul style="list-style-type: none"> Improve the drainage network in communities with recurrent flooding | Roads and Drainage Related Activities |
| Utilities and ICT <ul style="list-style-type: none"> Improve delivery of Water, Electricity, ICT Services | Utilities and ICT related activities <ul style="list-style-type: none"> Emergency Recovery Project I (US\$55.2M) (Water storage and distribution and Electricity repairs) Hospital Resiliency and Preparedness Project (US\$25M) Fiberoptic connection for Hospital |

Pillar 3 Government Recovery and Resilience

| NRRP Listed Areas of Engagement | Trust Fund Projects and Analytical Work |
|---|---|
| Disaster Risk Management <ul style="list-style-type: none"> Strengthen the National Meteorological Service Strengthen and repair communications of the fire department Integrate into the Caribbean Disaster Emergency Agency Develop a risk-financing Strategy/join (CCRIF) | Disaster Risk Management Related Activities <ul style="list-style-type: none"> Emergency Recovery Project I (US\$55.2M); Fire department communication equipment and repairs, capacity building, improvement of hydromet services. Accession into the Caribbean Catastrophe Risk Insurance Facility (CCRIF) Knowledge-sharing about risk financing with other Caribbean countries |

Pillar 3 Government Recovery and Resilience

| NRRP Listed Areas of Engagement | Trust Fund Projects and Analytical Work |
|---|--|
| Governance and Public Financial Management <ul style="list-style-type: none"> • Implement Government Financial Management Information System • Modernize ICT systems • Implement a tax reform • Rebuild the Tax Receivers/Registry building | Governance and Financial Management Related Activities <ul style="list-style-type: none"> • Public Expenditure Review (ASA) – Analysis of public expenditures and systems |
| Justice, Public Safety and Security <ul style="list-style-type: none"> • Repair and Strengthen prisons and police Stations • Relocate and equip the 911 dispatch center • Properly equip law enforcement Staff • Address critical ICT needs. | Justice, Public Safety and Security <ul style="list-style-type: none"> • Emergency Recovery Project (US\$55.2M) – Repairing of two police stations and extension of the Emergency Operations Center |
| Additional Public Buildings <ul style="list-style-type: none"> • Repair additional public buildings such as the Post Office, National Library and the National Civil Aviation building | Additional Public Buildings <ul style="list-style-type: none"> • Emergency Recovery Project (US\$55.2M), Repairing of key Government buildings |

Projects under implementation in **Bold**

Projects under preparation in **Blue**

ASA: Advisory Services and Analytics

Annex 2: Results Framework – Projects under implementation

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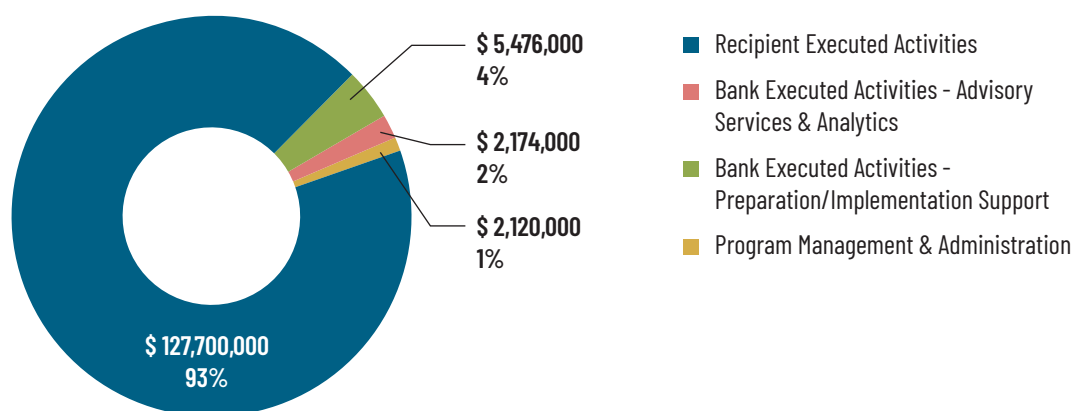
ANNEXES

| Emergency Recovery Project | Emergency Income Support and Training Project | Hospital Resilience and Preparedness Project |
|---|---|--|
| Development Objective: To contribute to Sint Maarten's immediate emergency recovery needs and strengthen institutional capacity to manage resilient recovery and reconstruction. | Development Objective: 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. | Development Objective: To improve the disaster-preparedness and capacity of hospital services in Sint Maarten. |
| <ul style="list-style-type: none"> • Outcome Indicator 1: Number of critical disaster preparedness and response facilities repaired to resilient standards. Baseline: 0; Target: 10 | <ul style="list-style-type: none"> • Outcome Indicator 1: 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. Baseline: 727 (of which 420 are female); Target: 1,155 (of which 670 are female). | <ul style="list-style-type: none"> • Outcome Indicator 1: Overseas medical referrals reduced (percentage) Baseline: 0; Target: 45% |
| <ul style="list-style-type: none"> • Outcome Indicator 2: Share of households with electrical services resilient to hurricanes Baseline: 86%; Target: 93% | <ul style="list-style-type: none"> • Outcome Indicator 2: Percentage of beneficiaries who complete training in an occupational area. Baseline: 0; Target: 50 % (of which half are female) | <ul style="list-style-type: none"> • Outcome Indicator 2: Emergency Disaster Preparedness Plan and Evacuation Plan implemented according to procedures (percentage) Baseline: 60%; Target: 90% |
| <ul style="list-style-type: none"> • Outcome Indicator 3: Water storage capacity of Sint Maarten utility (average daily demand) Baseline: 0.7 days; Target: 2 days | <ul style="list-style-type: none"> • Outcome Indicator 3: Number of records in the Social Registry Baseline: 0 Target: 1,000 | <ul style="list-style-type: none"> • Outcome Indicator 3: Technical audits to evaluate quality and preparedness of service delivery rated satisfactory (percentage) Baseline: 0; Target: 90% |
| <ul style="list-style-type: none"> • Outcome Indicator 4: Housing units repaired to resilient standards Baseline: 0; Target: 350 | | |
| <ul style="list-style-type: none"> • Outcome Indicator 5: Number of public buildings, other than emergency preparedness and response facilities, repaired to resilient standards. Baseline: 0; Target: 8 | | |
| <ul style="list-style-type: none"> • Outcome Indicator 6: Percentage of projects of which the implementation is deemed satisfactory or moderately satisfactory as per the World Bank rating. Baseline: 0; Target: 75% | | |

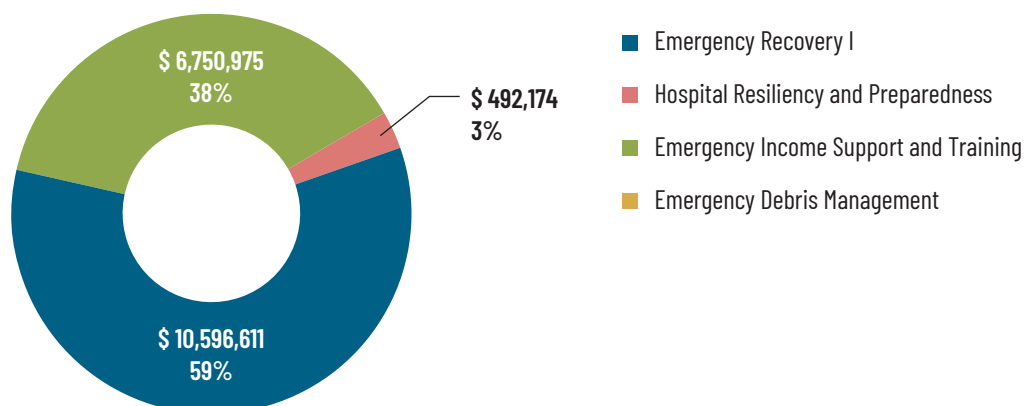
Annex 3: Financial Overview April -December 2018

Total contributions from the donor to the Trust Fund for the period April-December 2018 amounted to \$305.7 million, paid in April and November 2018. Total disbursements (for operations and administration) reached \$21.7 million and undisbursed commitments \$85.5 million. After adjusting for investment income and the admin fee, the Trust Fund balance is \$198.4 million from contributions which will be allotted to existing and new activities. Funds allocated directly to operations, analytical work, and client support (Recipient Executed Activities, Advisory Services and Analytics and Preparation and Implementation Activities) total \$135.4 million and \$2.1 million have been allocated to Program Management and Administration to date.

Allocation of Activity Funds

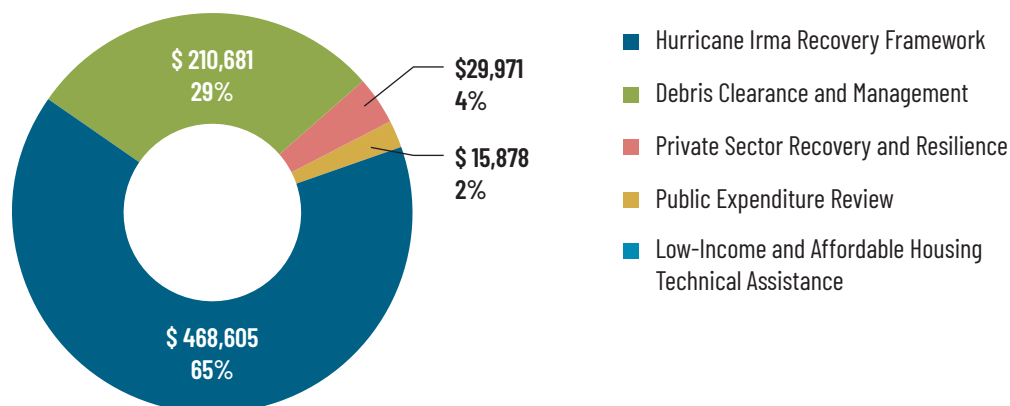


Disbursement of Recipient Executed Activities



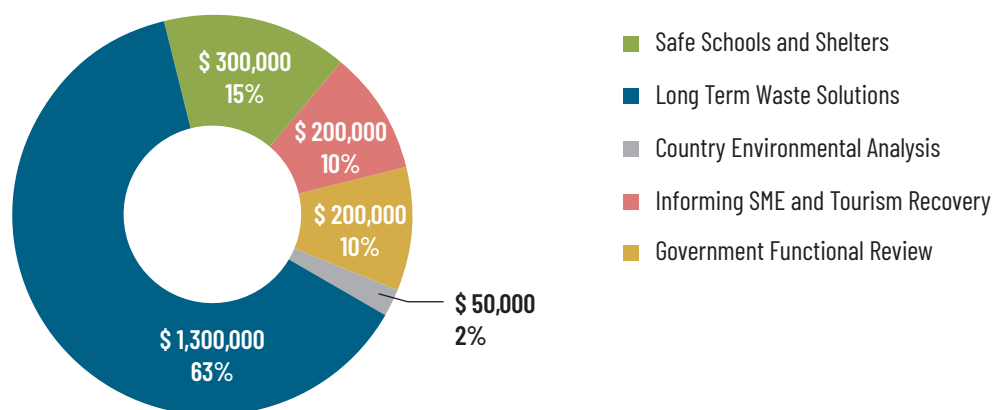
Recipient-executed activities (Investment Projects) were allotted funding in four grants: 1) Emergency Recovery I; 2) Hospital Resiliency and Preparedness; 3) Emergency Income Support and Training; and 4) Emergency Debris Management. Funds disbursed by these grants amounted to USD \$17.8 million, and further \$85.5 million remains available for disbursement under these projects.

Disbursement of Bank Executed Advisory Services & Analytical Activities



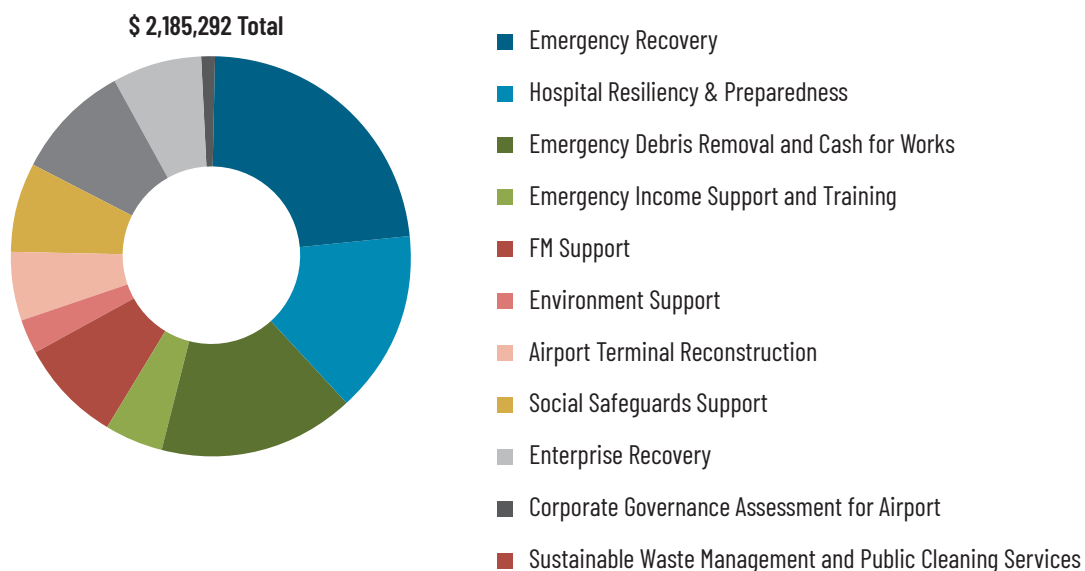
In April-December 2018, Bank-executed Advisory Services & Analytical Activities were allotted funding in five grants: 1) Hurricane Irma Recovery Framework (retroactive funding for the development of the NRPP); 2) Debris Clearance and Management (funding for environmental and firefighting expertise); 3) Private Sector Recovery and Resilience; 4) Public Expenditure Review; and 5) Low-Income and Affordable Housing Technical Assistance. Funds disbursed so far under these grants amounted to \$725,135, with a further \$298,124 in undisbursed commitments.

Allocations for Bank Executed Advisory Services & Analytical Activities



The SXM TF Steering Committee has approved five grants for Advisory Services and Analytical Activities which are ongoing: 1) Safe Schools and Shelters; 2) Long Term Waste Solutions; 3) Country Environmental Analysis; 4) Informing SME and Tourism Recovery; 5) Government Functional Review. Disbursements are not yet shown for December.

Disbursement of Bank Executed Preparation Implementation Support Activities



Bank-executed Preparation/Implementation Support funds were allotted to eleven grants. Total disbursements over the period was \$2.2 million, with a further \$260,124 in undisbursed commitments.

Table I: Disbursement as of December 2018 in USD

Reporting period ended december 31, 2018 (USD)

| | |
|--|---------------------|
| Funds Committed by Government of the Netherlands | \$545,582,200 |
| Funds Received from Government of the Netherlands | \$305,727,000 |
| Investment Income | \$2,917,520 |
| Admin Fee | \$3,081,000 |
| Total Disbursements | \$21,652,587 |
| Operational | \$20,750,187 |
| Non-Operational | \$902,400 |
| Total Commitments | \$85,514,469 |
| Operational (RETF and BETF) | \$85,418,488 |
| Non-Operational (PM&A) | \$95,981 |
| Funds Available for Allocation | \$198,396,464 |
| Funds Outstanding from Government of the Netherlands | \$239,855,200 |

Table II: Summary of Disbursements for Activities

| Activity | Total budget allocated (USD) | April-december 2018 disbursements | April-december 2018 commitments | Available balance* |
|--|------------------------------|-----------------------------------|---------------------------------|--------------------|
| Total | \$137,470,000 | \$21,652,587 | \$85,514,469 | \$30,302,944 |
| Recipient Executed Activities | \$127,700,000 | \$17,839,760 | \$84,860,240 | \$25,000,000 |
| TFOA8079 Emergency Recovery I | \$55,200,000 | \$10,596,611 | \$44,603,389 | |
| TFOA8176 Hospital Resiliency and Preparedness | \$25,000,000 | \$492,174 | \$24,507,826 | |
| TFOA8265 Emergency Income Support and Training | \$22,500,000 | \$6,750,975 | \$15,749,025 | |
| TFOA9261 Emergency Debris Management | \$25,000,000 | | | |
| Bank Executed Activities | \$7,650,000 | \$2,910,427 | \$558,248 | \$4,181,325 |
| Advisory Services & Analytics | \$2,174,000 | \$725,135 | \$298,124 | \$1,150,741 |
| Preparation/ Implementation Support | \$5,476,000 | \$2,185,292 | \$260,124 | \$3,030,584 |
| Program Management & Administration | \$2,120,000 | \$902,400 | \$95,981 | \$1,121,619 |

*Available Balance means total budget minus disbursements and commitments

Annex 4: SXM TF Governance Structure

The Trust Fund is a tripartite partnership between the Government of Sint Maarten, the Government of the Netherlands and the World Bank Group.

Steering Committee

The Trust Fund is governed by a Steering Committee composed of representatives of the Government of Sint Maarten, the Netherlands, and the World Bank. The Steering committee decides on Trust Fund allocations by consensus for the funding of short, medium, and long-term recovery projects and required capacity building activities.

Member of the Steering Committee are the following:

- Sint Maarten - The Honorable Marcel Gumbs, Former Prime Minister
- the Netherlands - Mr. Frans Weekers, Executive Director for the Netherlands, European Bank for Reconstruction and Development
- The World Bank - Ms. Tahseen Sayed, Country Director for the Caribbean

Furthermore, a Technical Working Group composed of technical staff of the three parties prepares the work of the Steering Committee meetings and convenes on a regular basis to discuss results and challenges of the program, take action to resolve pending issues, and resolve differences or clarify information.

The World Bank's Program Manager heads up the Trust Fund's secretariat on behalf of the World Bank.

In Sint Maarten

The NRPB which manages the recovery on the ground, has been created by law in Sint Maarten. Its staff consists of Government employees and consultants, supported by technical advisors of the World Bank and of the Netherlands as appropriate.

Further information about Trust Fund Management can be found in the Trust Fund's Administration Agreement.

Annex 5: Addendum - Program Updates from early January to end February 2019

The following activities have taken place or are being planned as of January and February 2019:

Informal Steering Committee meeting: An informal Steering Committee took place January 24 and 25, 2019. Updates on project activities were discussed. Ongoing and new projects were also discussed at the meeting. The WBG agreed to explore options with non-governmental implementation partners to support efficient implementation for current and future projects. A country strategic framework for the Sint Maarten Trust Fund is also being developed.

New Projects under Preparation

The following new projects are being explored. These include:

- E Government for service delivery and citizen services.
- Connectivity improvements to enhance connectivity constraints for Link 6.



Ministry of the Interior and
Kingdom Relations



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