

# Enterprise Support Project

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- Revised as of March 1, 2021

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## Abbreviations and Acronyms

|       |   |
|-------|---|
| AR    | Asset or Non-Structural Repair  |
| BC    | Business Continuity   |
| CBCS  | Central Bank of Curaçao and Sint Maarten ( <i>Centrale Bank van Curaçao en Sint Maarten</i> ) |
| CITES | Convention on International Trade in Endangered Species of Wild Fauna and Flora               |
| DA    | Designated Account  |
| E&S   | Environmental and Social  |
| EHS   | Environment, Health, and Safety   |
| EIA   | Environmental Impact Assessment   |
| EMP   | Environmental Management Plan   |
| ESHS  | Environmental, Social, Health and Safety  |
| ESMF  | Environmental and Social Management Framework   |
| ESMP  | Environmental and Social Management Plan  |
| ESMS  | Environmental and Social Management System  |
| ESP   | Enterprise Support Project  |
| FI    | Financial Institution   |
| FM    | Financial Management  |
| FMA   | Financial Management Assistant  |
| FMO   | Financial Management Officer  |
| GDP   | Gross Domestic Product  |
| GRM   | Grievance Redress Mechanism   |
| GRS   | Grievance Redress System  |
| IFR   | Interim Financial Report  |
| IFRS  | International Financial Reporting Standards   |
| IPM   | Integrated Pest Management  |
| M&E   | Monitoring and Evaluation   |
| MSME  | Micro, Small, and Medium Sized Enterprise   |
| NPL   | Non-performing Loan   |
| NRPB  | National Recovery Program Bureau  |
| NRRP  | National Recovery and Resilience Plan   |
| ODS   | Ozone Depleting Substance   |
| PA    | Project Account   |
| PAO   | Portfolio and Accounting Officer  |
| PCBs  | Polychlorinated biphenyl compounds  |
| PFI   | Participating Financial Institution   |
| PIU   | Project Implementation Unit   |

|      |   |
|------|---|
| PM   | Project Manager                                 |
| PMP  | Pest Management Plan                            |
| POP  | Persistent Organic Pollutant                    |
| POM  | Project Operations Manual                       |
| PPSD | Project Procurement Strategy for Development    |
| RAP  | Resettlement Action Plan                        |
| SDTF | Single Donor Trust Fund                         |
| SA   | Sub-Grant and Credit Agreement                  |
| SMEs | Small and Medium Sized Enterprises              |
| STEP | Systematic Tracking of Exchanges in Procurement |
| TA   | Technical Assistance                            |
| WC   | Working Capital                                 |
| WIB  | Windward Islands Bank                           |

## Definitions

**Asset:** An asset that is productive that has the ability to generate profits and cash flow. This includes machinery; computers and electronic products; electric equipment, appliances and components; transportation equipment and commercial vehicles; furniture and related products; and other durable goods including containers for storage. All construction in respect of structures (including, but not limited to, prefab, immovable property, internal and external walls whether load bearing or otherwise, roofing and floors, columns and beams) and land is excluded.

**Non-structural repair:** Refers to minor repairs including, but not limited to, painting, beautification, plastering, carpeting, tiling, and basic roof repair. Includes replacement and repair of external windows and doors with conditions applied. Excludes any structural repairs defined below.

The replacement and repair of external windows and doors is eligible if they are hurricane resistant and can withstand:

- a basic wind speed >180mph without fail;
- a minimum structural wind load to the force equivalent of 200 mph which is for Category 5.
- impact as proven with three missile strikes, ASTM E 1886 & ASTM E 1996 Missile C (4 ft long 2" x 4" wooden missile at 40 ft/sec, or 27 mph).

The above criteria may also be met by adding shutters made of metal, fabric or wood.

**Structural repair:** any internal or external load-bearing component of the building that is essential to the stability of the building or any part of it, including (but not limited to) foundations, floors, walls, installation of roofs or extensive roof repair, columns and beams and any component that forms part of the external walls or building roof.

**Working Capital:** Funds available for day-to-day operations including inventory.

**Package Structure:** For all registered enterprises: For Assets and non-structural Repairs (AR): structured as grant in respect of 65% of the required proceeds and loan in respect of 35% of the required proceeds. For Working Capital (WC): 100% loan with 80/20 % risk sharing between Project (NRPB) and PFI.

**This Project Operations Manual (POM) presents guidelines and procedures for the implementation of the Enterprise Support Project (ESP).** The purpose of the POM is to define responsibilities, eligibility and procedures related to the implementation of the project, that are in line with all applicable World Bank policies. This will be a living document that may be adjusted from time to time upon proposal by NRPB and no-objection from the World Bank.

The POM provides information that pertains to: MSME eligibility, Participating Financial Institution (PFI) eligibility, communication, loan and grant application process, loan and grant processing, disbursement, repayment, safeguards, procurement, Financial Management, Monitoring & Evaluation, and reporting.

Reference documents are: (i) the Grant Agreement and (ii) the Disbursement and Financial Information Letter and its annexes.

# 1 Project Description

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## Project Development Objective

The development objective is to support the recovery of micro, small, and medium sized enterprises through direct and financial assistance to contribute to the restoration of economic activity in Sint Maarten.

## Project Components

There are three components to the project:

- Component 1: Direct financial support to MSMEs for investment and working capital (US\$32.50 million)
- Component 2: Study of financial solutions for improved disaster resilience (US\$0.40 million)
- Component 3: Lender training, project implementation, audit and M&E (US\$2.10 million).

### **Component 1: Direct financial support to MSMEs for investment and working capital (US\$32.50 million).**

- **Description:** This component will provide tailored packages to eligible MSMEs of grants and loans for Asset and Repair (AR) investments, as well as Working Capital (WC) loans.
- **Structure:** a) The AR investment is structured so that 65 percent of the investment is a grant and 35 percent is a loan; b) The WC loan is structured as a loan. The packages will be adapted to each MSME loan application and are fully flexible.
- **MSME Eligibility:** MSME eligibility will be based on official registration and preference will be given to those MSMEs who were affected by the hurricane and to existing businesses. In addition, new MSMEs are eligible.
- **Provision:** Packages will be disbursed to MSMEs through Participating Financial Institutions (PFIs), who will assess the individual loan applications from MSMEs and make an independent financing decision. The PFIs will bear all of the credit risk for the loan portion of the AR package, and 20 percent of the credit risk for the WC loan package.

### **Component 2: Study of financial solutions for improved disaster resilience (US\$0.40 million).**

- **Description:** This component will be a longer-term study to understand how the range of financial solutions can strengthen disaster resilience. This will explore the need to build resiliency in the economy looking ahead.
- **Mechanisms:** The study will explore financial instruments, markets, tools, and solutions for improving disaster resilience in Sint Maarten. Such markets or instruments may include private insurance, public asset insurance, sovereign insurance markets, regulation, and supervision of insurance and reinsurance. Some of the tools that may be explored include catastrophe modelling and valuations and appraisal standards.

- **Rationale:** Although the majority of the project is targeted at short-term assistance, there is a concurrent need to think longer term and strengthen disaster resilience.

**Component 3: Lender training, project implementation, audit and M&E (US\$2.10 million).**

- **Description:** This component will provide training to Financial Institutions (FI) to improve their MSME lending skills and training sessions of Business Continuity Planning for both MSMEs and FIs. This component will also fund implementation support to ensure that the governance of the project is well managed. This includes an annual project audit and a one-time third-party verification exercise. Although the FIs will be the MSME-facing entity, it will be important to ensure that they are regularly assessed and that there is monitoring and evaluation (M&E) reporting for the project.

**Project Implementing Unit**

- **The Project Implementation Unit is within the National Recovery Program Bureau (NRPB).** The Government has established the NRPB, the bureau responsible for the implementation of all recovery and resilience projects selected by Steering Committee of the Single Donor Trust Fund (SDTF) under the Sint Maarten National Recovery and Resilience Plan (NRRP).
- **The main responsibilities of the PIU at NRPB are summarized below.**

| Main responsibilities of the NRPB:   |
|--|
| <ul style="list-style-type: none"> <li>• Project Management</li> <li>• Financial Management</li> <li>• PFI Eligibility</li> <li>• Funds Disbursements</li> <li>• Funds Tracking</li> <li>• Audit</li> <li>• Communication</li> <li>• E&amp;S Safeguards Compliance</li> <li>• Procurement Verification</li> <li>• Working with PFIs and MSMEs</li> <li>• Addressing Grievances</li> <li>• Citizen Engagement</li> <li>• Accounting</li> <li>• <b>Location:</b> Sint Maarten.</li> <li>• <b>At least 3 full-time employees:</b> <ul style="list-style-type: none"> <li>– Project Manager</li> <li>– Portfolio and Accounting Officer</li> <li>– Operations Officer(s)</li> <li>– Additional staffing and expertise mobilized on a need basis for Procurement and Environmental &amp; Social Safeguards</li> </ul> </li> </ul> |

- The NRPB prepares and submits to the World Bank quarterly unaudited Interim Financial Reports (IFRs) and the annual financial statements, to be audited by an external audit firm that is acceptable to the World Bank. The NRPB will coordinate with other Trust Fund projects and with relevant ministries and conduct consultative and reporting functions.
- The CBCS shall support the NRPB in the implementation of the Project through: (a) the provision of capacity building and advise to the Project Implementation Unit, and especially to the Portfolio and Accounting Officer. (b) the sharing of non-confidential information regarding financial intermediaries. C) the opening of accounts, executing of payment instructions and generating of account statements.
- **Project Consultants and Roles.** The PIU will hire four to five team members.
- The project has developed an internal **Conflict of Interest Guide** to minimize the notion and avoid cases of conflict of interest for the Enterprise Support Project within the NRPB.

| PIU  | Consultant                                    | Role  | Timing for Hiring                  |
|------|---|---|------------------------------------|
| NRPB | <b>Project Manager (PM)</b>                   | Project management, project reporting, M&E, communication, grievances in second line, coordination with CBCS, coordination of Component 2.<br><br>The Project Manager will report, until further notice, to the Deputy Director of the NRPB.  | Required before effectiveness      |
| NRPB | <b>Portfolio and Accounting Officer (PAO)</b> | Financial management and accounting (for all components). Responsible for project budgeting, financial reporting, and disbursements, maintaining a portfolio of all loans and tracking payments and loan quality. Coordinate with OO and other relevant NRPB staff for on-site PFI reviews. Coordinates with the Head of Financial Management Department of the NRPB for financial management matters and the annual audit for ESP.<br><br>The PAO will report to the Project Manager of ESP. | Before disbursement of Component 1 |
| NRPB | <b>Operations Officer (OO)</b>                | Support MSMEs/PFIs with applications, E&S screening, basic procurement matters, check compliance of project with PFIs, addressing grievances where not personally involved.<br><br>The Operations Officer will report to the Project Manager of ESP.  | Before disbursement of Component 1 |

|      |  |  |                |
|------|--|--|----------------|
| NRPB | <b>Operations Officer 2 / Procurement Officer (PO)</b> | <p>Support MSMEs/PFIs with applications, E&amp;S screening, basic procurement matters, check compliance of project with PFIs, addressing grievances where not personally involved.</p> <p>Ex-post review of sample of MSME packages. Training lead for Component 3. Conduct procurement for Component 2 (disaster resilience study) and Component 3 (training). Works on procurement for annual audit with PAO. PO will coordinate all procurement related matters with the Head of the Procurement Department of the NRPB.</p> <p>The Operations officer / Procurement Officer will report to the Project Manager of the ESP.</p> | From July 2020 |
| NRPB | <b>Junior Operations Officer</b>                       | <p>a) Support to small businesses with loan/grant applications,</p> <p>b) Prepare and conduct eligibility verification,</p> <p>c) Log and provide support in monitoring applications.</p>  |                |
| NRPB | <b>Environment &amp; Social Safeguards Support</b>     | <p>On a need basis for E&amp;S screening is required</p> <p>This support will be provided by the NRPB's Safeguards Department.</p>   | -              |

## 2 Eligibility Criteria for MSMEs

Which enterprises are eligible?

|  |
|--|
| <b>For-profit enterprises</b>  |
| <b>With monthly revenue &lt;NAf. 100,000 (US\$ 55,866)</b>   |
| •On average over the last calendar year.   |
| <b>Registered and up to date with the Chamber of Commerce of Sint Maarten and registered with the Tax administration</b>   |
| •At the time of the application for the package, as long as it is required by Law for the industry in which the enterprise operates.   |
| <b>Operating in most industries</b>  |
| •With a few exceptions such as weapons and munitions, gambling, casinos, wildlife products, unbounded asbestos fibers, commercial logging (see supplemental form for full exclusion list). |
| <b>That abides by all environmental and social policies</b>  |
| Both local and from World Bank environmental and social (E&S) stewardship policies.  |
| <b>Is in good standing</b>   |
| The enterprise and its owners/ leadership is not under investigation, nor have recently been convicted of fraud, corruption or any financial crime such as embezzlement or tax evasion.    |

### Additional considerations:

- The definition of MSME is based on the SME Policy Framework (2014) of the Ministry of TEATT. This definition may be revised upon the course of project implementation.
- If need be, priority will be given to MSMEs that suffered from the hurricane.

What are the main characteristics of the packages?

- **The packages are composed of:**
  - Asset and Non-Structural Repair (AR): 65% grant and 35% loan.
  - Working Capital (WC): 100% loan.
- **The interest rate:**
  - Will be determined by the PFIs depending on the MSME project's risk profile.
  - There is an interest rate cap agreed for each package of the project. For WC it is 4 percent and for AR loans it is 8 percent.

- **Grace period:**
  - Up to 6 months at discretion of the PFI in respect of principal and/or interest. Interest will, however, accrue during the grace period.
- **Tenor:**
  - Up to December 30, 2024.
- **Amount:**
  - The maximum amount per MSME is US\$150,000 for the complete package value including up to \$60,000 for WC Sub-loans.
  - The average amount per MSME will be monitored at a PFI level, both the average per PFI and the dispersion between MSMEs. The monitoring framework will also track the percentage of packages that are below US\$25,000. The project target is to support financing towards at least 600 MSMEs by December 2024.
- **Number of packages:**
  - Two packages per MSME are authorized but must be below US\$150,000 in aggregate amount. This will be verified by NRPB based on the Chamber of Commerce ID or an alternative ID for industries that are not required to register at the Chamber of Commerce.
  - Connected MSMEs cannot get more than three times US\$150,000. Connected MSMEs are defined as MSMEs who have a common owner with more than 40% ownership of each of the MSMEs.
- **Loan currency:**
  - US Dollars (US\$) or Antillean Guilder.
- **For refinancing:**
  - Yes, to free up collateral only up to a maximum of US\$20,000 as part of the WC Sub-loans, under the following conditions:
    - the existing loan is performing; and
    - was originated before the launch of this project.
- **For loan prepayment:**
  - Yes, without penalty.

### Ineligible Use of Proceeds

- Package proceeds may not be used for purposes such as:
  - Real estate speculation.
  - Land acquisition, including other expenditures such as the purchase of real property.
  - Projects that would involve the use of pesticides.
  - Projects that involve tobacco, gambling, or casinos.
  - Projects that use persistent organic pollutants (POPs).
  - For the complete list see the Supplemental form 1 in Annex 1. Application Content and Application Form
- The MSMEs will apply for AR grant and Sub-loan or WC Sub-loans through the PFIs, either

attending to the physical branch/subsidiary or online, using the standard PFI loan application process and a supplemental form provided by the project covering environmental, social and procurement requirements under the Project. See annex 1 and 2 for further information.

### 3 Workflow

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Application Process for MSMEs and subsequent steps for Processing and disbursement:

1. MSME reviews the documents published by NRPB (eligibility criteria, and the supplemental forms provided by the project covering environmental, social and procurement requirements under the Project as annexed 1 and 2).
  - a. The MSME fills in the supplemental form 1. The OOs assists the MSME with supplemental form 1 and advises on procurement guidelines if needed.
  - b. The MSMEs applies for AR grant and Sub-loan and WC Sub-loans at the PFI branch/subsidiary or online using the standard bank loan application process.
  - c. The OO pre-screens the application by verifying the eligibility of the client and the procured items and verifies that environmental and social safeguards are met.
  - d. If MSMEs are categorized as medium or high risk for environmental and social safeguards, an E&S Specialist investigates the MSME's application.
  - e. Once the prescreening is positive, the PFI receives confirmation from NRPB to review the loan documentation as prepared by the loan officer. The PFI preliminarily approves or rejects the application based on the MSME's business plan, loan application and risk assessment.
  - f. If the application is for AR, the MSME will fill out application form 2. The NRPB team will assist the MSME in filling out this form where necessary.
  - g. If the application is declined, PFI will inform the applicant and the NRPB, the latter for monitoring purposes. **<End of workflow>-**
2. With a preliminary approval, PFI will send the package to the NRPB's email [espapplication@nrpbxm.org](mailto:espapplication@nrpbxm.org). Packages may be submitted any day of the month.
3. NRPB team (assigns tracking number) and reviews the received packages from the PFI's:
  - a. The OO transfers the request to the database, checks for
    - i. similar applications at other PFIs or approved agreements with the MSME within the project; and
    - ii. linked applications in holdings and joint ventures with shared ownership of >40%.

- b. The OO reviews the AR application to ensure that procurement guidelines have been followed.
  - c. If there are issues, PIU officer (OO or PAO) in coordination with the loan officer will contact the applicant and attempt to resolve the issues.
  - d. If the issues can be resolved, the OO clears the application and forwards the application to the PM (or delegated the PAO).
  - e. If the issues cannot be resolved, the PM will contact the PFI and inform the PFI that there were procurement or safeguards issues that could not be overcome, and the application is declined. **<End of workflow>**
  - f. The PM verifies and may approve.
  - g. The PIU will inform the PFI via email that the application was approved and include any conditions that may have been added regarding procurement or safeguards.
4. The Credit Agreement is signed between PFI and MSME, upon approval of PM.
5. The Beneficiary agreement is signed between NRPB and MSME.
6. PFI sets a funding date based on whether there are conditions that must be met prior to disbursement.
7. On the 10th of each month (or next business day), the PFI submits a report to the NRPB with a list of loans that will be funded in the following month through an Excel spreadsheet template (as referenced in annex 3) prepared by the NRPB with the following information for each loan that is ready to be funded:
  - Tracking number
  - Name of Borrower
  - Amount of the grant/loan package to be disbursed and key financing terms (interest rate, maturity)
8. NRPB will disburse funds for the total of loans and grants to each PFI by the 25th of the month (or next business day).
9. The PFI will schedule the initial disbursement to the MSME within 3 business days of receiving the disbursement from the NRPB. It is recorded that the PFI is entitled to disburse the relevant AR Sub-loan and/or WC Sub loan in tranches and may make subsequent disbursements as appropriate.
10. On the 10<sup>th</sup> of each month (or next business day), the PFI will report the loan status for each loan currently outstanding using the template provided by the NRPB (Reference is made to annex 3).
11. For AR purchases >US\$2,500, the PAO may pay a visit to the MSME on a sample basis.

12. Monthly repayments from the MSME to the PFI for the loan portion of the package.
13. Quarterly repayments from PFI to NRPB accounts at a commercial bank.

#### Notes on the workflow:

- MSMEs can reach the NRPB at [enterprisesupport@nrpbxm.org](mailto:enterprisesupport@nrpbxm.org) and +1 721 5856413 for general information about the project and explanatory questions.
- General rule, PFI loan officers are the first point of contact for existing clients that have accounts or loans at PFIs. PFI loan officers may also accept applications from Eligible Beneficiary Enterprises with whom they do not have an existing business relationship. The OO of the NRPB or his/her delegate, may also be the first point of contact for Eligible Beneficiary Enterprises without an existing business relationship with the PFI.
- On procurement matters, the NRPB will ensure that AR purchases above US\$2,500 have three quotes. All assets above US\$2,500 are recommended to have at least 24-month warranty.
- An Environmental & Safeguards Specialist from the NRPB's Safeguards Department will provide support on demand in reviewing MSME applications.
- For quarterly repayments to the NRPB, the PFI will include a report that provides a substantiation and breakdown of funds being reported/transferred into designated NRPB account.

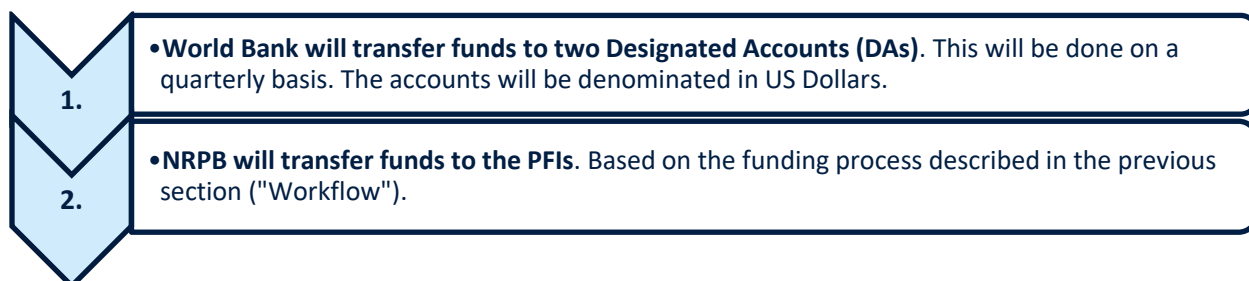
## 4 Disbursement from the World Bank

The disbursement methods for each disbursement category, as defined in the financing agreement, are described in the Disbursement and Financial Information Letter. In addition, in the Legal Agreement eligible expenditures are summarized in the following table with disbursement categories:

| Category  | Amount of the Grant Allocated<br>(expressed in USD) | Percentage of Expenditures to<br>be Financed (inclusive of<br>Taxes)  |
|---|---|---|
| (1) AR grants, AR Sub-loans,<br>and WC Sub-loans under<br>Component 1 of the Project  | 32,500,000  | 100% of amounts disbursed<br>under a grant or a Sub-loan<br>Agreement |
| (2) Goods, consulting services,<br>non-consulting services,<br>Training, and PIU Operating<br>Costs, under Component 2<br>and Component 3 of the<br>Project | 2,500,000   | 100%  |
| <b>TOTAL AMOUNT</b>   | 35,000,000  |   |

- Component 1: Based on the expected demand for loan applications.
- Component 2: Based on the Terms of Reference of the resilience study.
- Component 3: Based on the expenses detailed in the Budget.

The basic disbursement process from the World Bank is the following:



### Flow of Funds and Disbursement

**Designated Accounts (DA).** NRPB will open two DAs held at the CBCS for this project. One DA (DA-A) will be utilized for Disbursement Category 1 (component 1), while the other DA (DA-B) will be for Disbursement Category 2 (components 2 and 3). There will be four operating accounts under DA-A two in US Dollars (one PFI disbursement account and one PFI reflows account) and two in local currency (one PFI disbursement account and one PFI reflows account).<sup>1</sup>

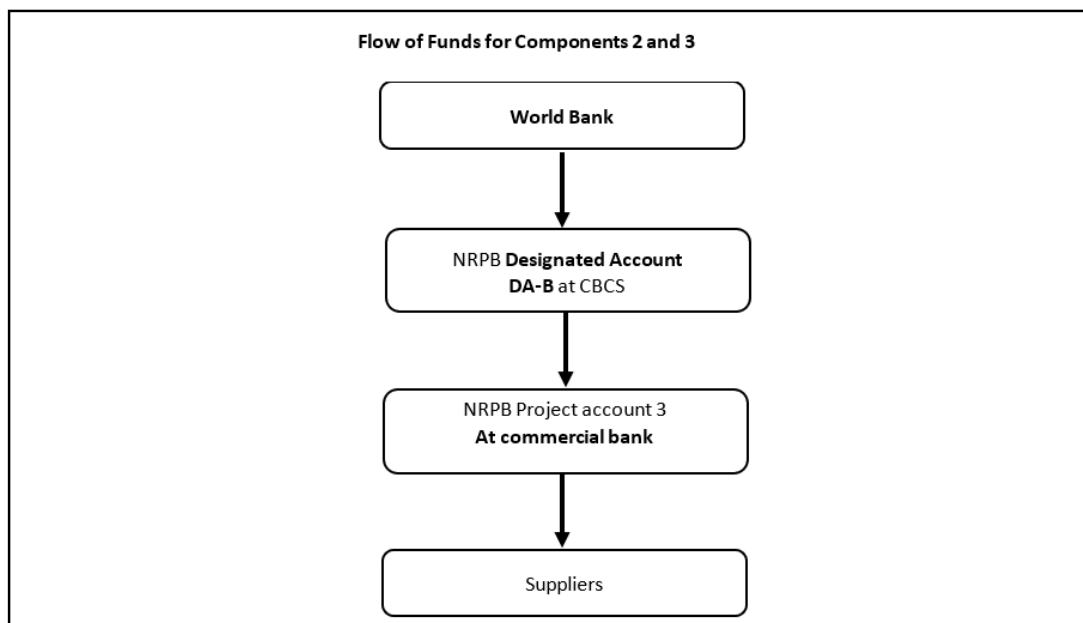
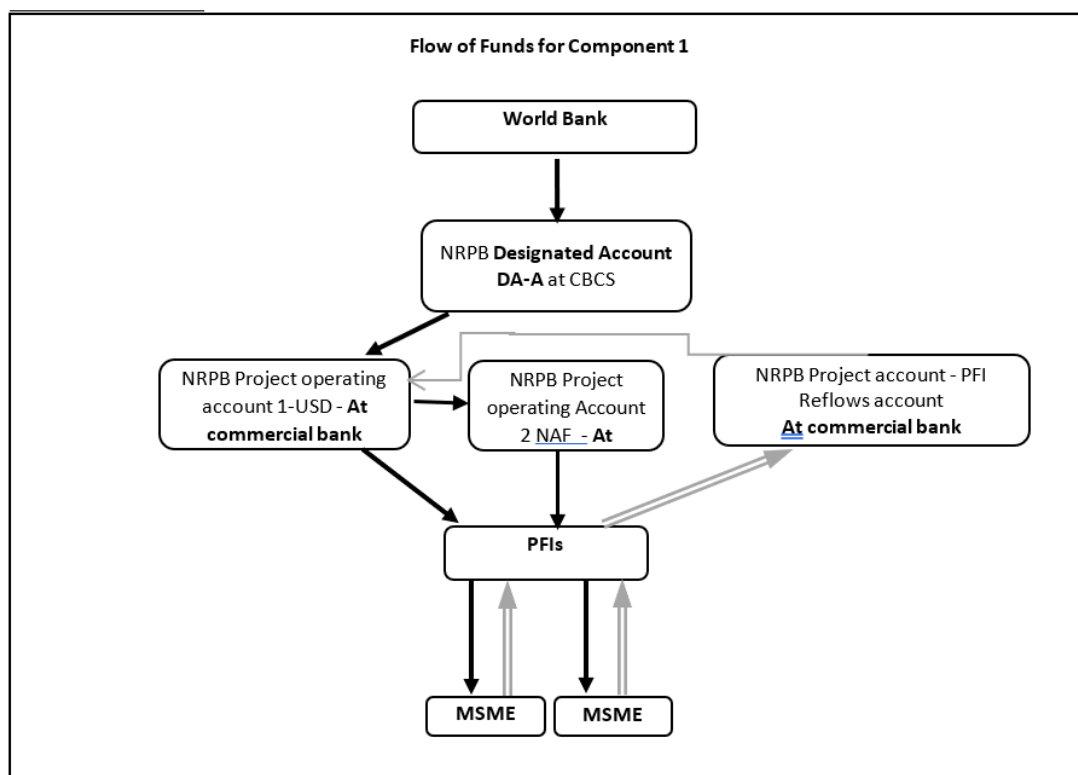
In addition, one operating account in US Dollars under DA-B for Disbursement Category 2 to finance related goods and services under components 2 and 3. The operating accounts are held at a commercial bank.

Withdrawal application requests for Advance/Replenishment to the DAs (if needed) and withdrawal application to document the project expenditures incurred should be submitted to the World Bank on a quarterly basis.

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<sup>1</sup> As per Jan 31, 2021 there is no local currency reflow account opened. However provisions have been made in the POM to allow for this.

*Flow of funds – Comp. 1*



- **The following disbursement methods will be available: Advance, Reimbursement, and Direct Payment.** Disbursements for (Components 1, 2 and 3) will be primarily based on the use of Advances to DAs.
- **Disbursements will be report based.** Advances will be provided to the DAs based on six month's forecasts and subsequent quarterly IFRs will be used for documentation of expenditures and the request for subsequent advances. For Category 1, expenditures will be recognized upon the actual transfer of the funds for AR or WC from the PFIs to the MSMEs and not upon the approval of the related AR and WC MSME package. For Category 2, expenditures will be recognized upon the payment of the receipt of the goods or related services. IFRs will include a custom field to measure the flow-usage of loan facilities so that these can be counted as disbursed once an MSME uses a loan provided by the PFI. The minimum application size for Direct Payments and Reimbursements and overall disbursement arrangements will follow standard disbursement policies and procedures established in the Disbursement Guidelines for Investment Project Financing, dated February 2017, and in the Disbursement and Information Letter of the project.

### Component 1 Flow of Funds:

- This section highlights the flow of funds for component 1 and the responsibilities of the PAO in coordination with FMO. The bookkeeping and internal accounting for the project will be done on a *Cash (Component 2 and 3)* and *Accrual* basis (Component 1). This section also outlines the journal entries used for recording disbursements to MSMEs. The charts under this section exhibit the entries used from the initial payment to the PFI's from the project funds, then from the PFI's to the MSMEs, and ultimately the repayment of the loan portion by the MSMEs back to the project.



### Disbursements to the PFI:

- On the 10<sup>th</sup> of every month, each PFI submits a reporting template that contains their funding request based on approved loans. A payment certificate is made by the PAO with the total disbursement request and sent through via the approval process. FMO receives this request and disburses accordingly. The disbursement to the PFI is recorded in QuickBooks under account Advance payments for each respective PFI.

Accounting Entry of Disbursements to PFIs<sup>2</sup>

## Disbursement to PFIs

- Debit -Advance payments (account nr 2500)
- Credit- NRPB Operating Account

Table below highlights exact booking for disbursements to PFIs

| Class              | Type                    | Package                       | Account Name           |
|--------------------|-------------------------|-------------------------------|------------------------|
| Liability Accounts | Other Current Liability | Asset & Repair Sub-Grant (SG) | Advance Payment_PFI_SG |
| Liability Accounts | Other Current Liability | Asset & Repair Sub-Loan (SL)  | Advance Payment_PFI_SL |
| Liability Accounts | Other Current Liability | Working Capital (WC)          | Advance Payment_PFI_WC |

Disbursements from the PFI to MEMSE:

- On the 10<sup>th</sup> of every month, the PFI submits a loan activity report which reflects the status of existing loans already disbursed. This report confirms the amount disbursed from the PFI to the MSME. The PAO reviews this report and forwards the report to FMO. FMO reviews the report and records the advance payments to the expense account or accounts receivable account. The subgrants (SG) are recorded as expenses. The AR sub-loans and WC sub-loans are recorded as accounts receivables in Quickbooks.<sup>3</sup> MSMEs are identified with the last 5 digits of their Crib Number.

<sup>2</sup> Refer to flow of funds component 1 chart on pg 17 for operating account references

<sup>3</sup> Note: for World Bank reporting purposes, all disbursements to MSMEs are recorded as expenses. However, to ensure that repayments are monitored accurately, loan portions are booked in Quickbooks as receivables.

## Accounting Entry of Disbursements from PFI to MSMEs

|  |   |
|--|---|
| Disbursement from PFI to MSME - AR Loan  | <ul style="list-style-type: none"> <li>•Debit - Accounts Receivable AR sub-Loan</li> <li>•Credit - Advance payments (account nr 2500)</li> </ul>        |
| Disbursement from PFI to MSME - AR Grant | <ul style="list-style-type: none"> <li>•Debit - Direct Financial Support AR sub-grant.</li> <li>•Credit - Advance payments (account nr 2500)</li> </ul> |
| Disbursement from PFI to MSME - WC Loan  | <ul style="list-style-type: none"> <li>•Debit - Accounts Receivable WC sub-Loan</li> <li>•Credit - Advance payments (account nr 2500 )</li> </ul>       |

Table below highlights exact booking of Disbursement from PFI to MSMEs

| Class                   | Type                | Package                       | Account Name  |
|-------------------------|---------------------|-------------------------------|---|
| <b>Expense Accounts</b> | Expense             | Asset & Repair Sub-Grant (SG) | Direct Financial Support: Sub-Grants Assets & Repairs_PFI_MSME <sup>4</sup> |
| <b>Asset Accounts</b>   | Accounts Receivable | Asset & Repair Sub-Loan (SL)  | Accounts Receivable_PFI_SL_MSME   |
| <b>Asset Accounts</b>   | Accounts Receivable | Working Capital (WC)          | Accounts Receivable_PFI_WC_MSME   |

## Repayments

- The repayments from MSME loans (AR and WC) will be transferred by the PFI to NRPB within 5 days of the end of each calendar quarter. The PFI will include a report to substantiate funds being reported/transferred.
- This transfer will include regularly scheduled principal payments from Sub-loans, the final payment for the losses on AR Sub-Loans and payment for 20% of the losses on WC Sub-loans.
- A report generated by the PFI will be submitted to substantiate transfer amounts. The reports will be reviewed and reconciled against monthly reports and internal database. The repayment amounts will be booked against the accounts receivable.

<sup>4</sup> Each MSME is identified by the last 5-digits of the crib number.

- Repayments from MSME loans will be deposited in an account held at a commercial bank and owned by the NRPB. It may be used for re-lending once the entire funds for the Enterprise Support Project have been disbursed.
- The PFI will also provide the NRPB with their own quarterly financial reports on disbursements to and reimbursement from MSMEs, recovery of doubtful and **bad debts** and reimbursement to NRPB. This report is due within 20 days after the end of the quarter and will be reviewed and reconciled against monthly reports and internal database.
- Revenue generated from repayments from MSMEs and sales of securities/collateral are recorded as follows:

Repayment to Project by MSMEs

- Debit -NRPB Reflow Account
- Credit- Account Receivable (AR Sub-Loan, or WC loan)

Recovery of Funds from Asset Sale ( @ Break Even)

- Debit - NRPB Reflow Bank Account
- Credit- Account Receivable (AR Sub-Loan, or WC)

Recovery of Funds from Asset Sale (@ Loss)

- Debit- NRPB Reflow Bank Account
- Debit -Gain/Loss on Security
- Credit- Account Receivable (AR Sub-Loan, or WC)

Recovery of Funds from Asset Sale (@ gain)

- Debit- NRPB Reflow Bank Account
- Credit - Gain/Loss on Security
- Credit- Account Receivable (AR Sub-Loan, or WC)

Table below highlights exact booking of Repayments or Recovery from MSMEs

| Class  | Type   | Description                  | Account Name                               |
|--------|--------|------------------------------|--|
| Equity | Income | Revenue from MSME repayments | Gain/Loss on Sale of Security <sup>5</sup> |

<sup>5</sup> Gain/Loss on Security refers to the amount earned or lost on the sale of an asset that must be sold to recoup funds from non-performing loans. If the asset is sold for more than the balance due on the loan, then it is a gain. If it is sold for less than the balance due on the loan, then it is a loss.

- For the project, non-performing sub-loans are defined as those loans which are 90 days past due. The reimbursement of non-performing loans will be due to the NRPB upon (i) the date which falls 270 days after the date of default or (ii) by December 31, 2024. Recoveries will be split in accordance with the individual package risk sharing profile.
- Receivables which are deemed no longer collectible will be booked as follows as a Gain/loss on security.

| Class           | Type    | Account Name  |
|-----------------|---------|---|
| Expense Account | Expense | Gain/Loss on Security: Sub Loans Assets & Repair_PFI_MSME       |
| Expense Account | Expense | Gain/Loss on Security: Sub Loans Working Capital_PFI Debit_MSME |

Table 1: Consolidated PFI Reporting Obligations

| Report Name             | Frequency | Due Date                     |
|-------------------------|-----------|------------------------------|
| Monthly Funding Request | Monthly   | 10 <sup>th</sup>             |
| Loan Activity Report    | Monthly   | 10 <sup>th</sup>             |
| Repayment Report        | Quarterly | Within 5 days of Qtr end     |
| Qtrly Financial Report  | Quarterly | Within 20 days after Qtr end |

#### Repayments of ineligible expenditure of grants by MSMEs

- In case of ineligible expenses of grants by MSMEs, as identified by the NRPB's auditor or by the NRPB's project team or the World Bank, the NRPB will liaise with MSMEs to clarify the findings and, if applicable, take reasonable steps to recover these ineligible expenses directly from the MSMEs in accordance with the Beneficiary Agreement.
- The NRPB cannot reimburse ineligible expenses of MSMEs to the World Bank or to the Project accounts using funds from other projects or funds within the project.
- The World Bank has a defined internal procedure to assess and declare ineligible expenditures. As part of these internal procedures, NRPB will be consulted and given appropriate time to clarify/respond to the issues being questioned. After declaration is formally processed, common practice is that reimbursement will be requested from NRPB within 60 days. An extension of this time frame may be requested and granted at the Bank's discretion.

## 5 Contract Provisions

### Subsidiary Agreement (SA) between the NRPB and PFIs

Once the eligibility of the PFI has been confirmed by the NRPB, and the World Bank has given its no-objection to a PFI, a Subsidiary Agreement (SA) will be signed between the NRPB and the PFI. The SA will specify the mutual responsibilities, terms and conditions of participation of the PFI in the project.

### Beneficiary Agreement (BA) between NRPB and Beneficiary

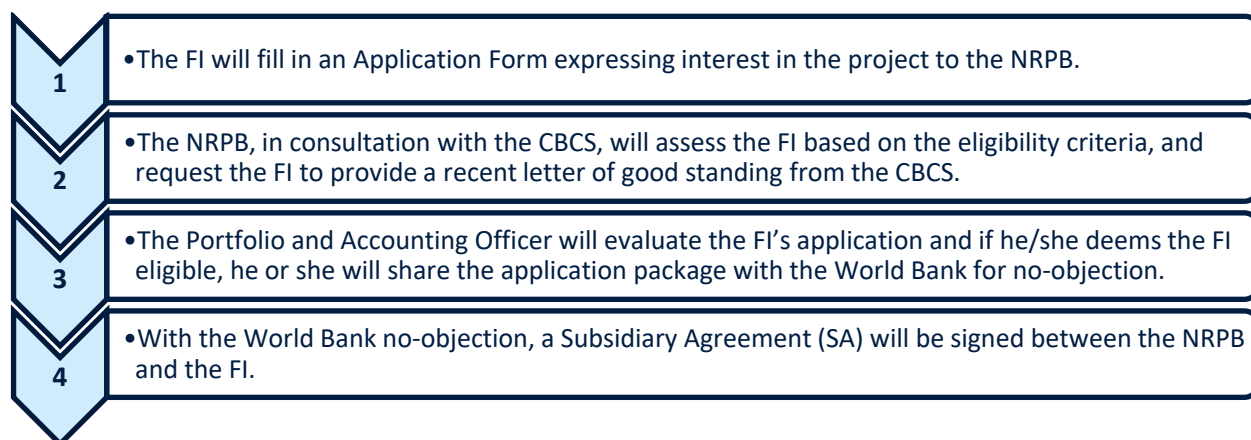
The BA specifies the mutual responsibilities, terms and conditions of eligible beneficiaries and the NRPB. The details of the terms and conditions can be found in the BA.

## 6 PFI Eligibility Criteria

|   |   |
|---|---|
| <b>Who can participate</b>                | <ul style="list-style-type: none"> <li>Any Financial Institution (FI) that meets the eligibility criteria set out below can participate</li> </ul>  |
| <b>Eligibility criteria</b>               | <ul style="list-style-type: none"> <li>Regulated and licensed to operate in Sint Maarten</li> <li>Have a proven track record of lending to businesses in Sint Maarten</li> <li>Have at least one branch operating in Sint Maarten</li> <li>Demonstrate full and continuous compliance with the technical and prudential standards applicable to their activities</li> <li>Passes the financial due diligence that is based on profitability, capital adequacy, asset quality, prudential compliance, corporate governance, and risk management</li> </ul> |
| <b>Application process for future FIs</b> | <ul style="list-style-type: none"> <li>The FI has to fill in an application expressing interest to the NRPB and attach a letter of good standing of the CBCS.</li> <li>The NRPB will assess the FI application based on the eligibility criteria</li> <li>If the NRPB, in consultation with the CBCS, confirms that the FI meets the criteria, it will share the application package with the World Bank for a determination of no-objection</li> <li>A SA will be signed between the NRPB and the FI</li> </ul>  |

### Eligibility and Selection

- The NRPB, in consultation with the CBCS, will be responsible for certifying new FIs that wish to participate in the project.
- The requirements for Financial Institutions (FIs) to participate in the project are:
  - Be a financial intermediary accepted by the NRPB and the CBCS;
  - Have expressed interest in participation in the facility; and
  - Meet the eligibility criteria set out in the table above.
- Application Process for PFIs



### On-going Verification

- Each year, the PAO and the PM, supported by the CBCS will review all of the PFIs. They will jointly determine whether the PFI is complying with the obligations set out in the Subsidiary Agreement as signed by the NRPB and the PFI.

### Suspension and Exits for PFIs

The right of the PFI to use the proceeds may be:

- a. Suspended, in whole or in part, by the NRPB immediately upon written notice to the PFI that an Event of Default of the Subsidiary Agreement has occurred; or
- b. Terminated, in whole or in part, by the NRPB if the Event occurred is of such nature which could not be stopped or reversed, and immediately upon written notice to the PFI if such right shall have been suspended pursuant to sub-paragraph (a).
- c. For so long as a suspension in accordance with sub-paragraph (a) above is continuing, no further disbursements by the NRPB to the PFI shall be made.
- Upon any termination set out in sub-paragraph (b) above, the NRPB may, upon notice to the PFI:
  - a. cancel amounts available to be disbursed to the PFI in accordance with the SA; and
  - b. exercise its right to declare that all amounts of the Sub-Financing then withdrawn by it, be due and payable within 120 days;
  - c. exercise its right to declare that any costs and fees associated with the recovery of the amounts of the Sub-Financing then withdrawn have to be paid by the PFI to the NRPB within 120 days;
  - d. An "Event of Default" under the SA will be deemed to have occurred if:
    - e. the PFI does not pay on the due date any amount payable to the NRPB pursuant to this Agreement at the place and in the currency in which it is expressed to be payable;
    - f. the PFI does not comply with any provision of the SA;

- g. any representation or statement made or deemed to be made by the PFI in this Agreement is or proves to have been incorrect or misleading in any material respect when made or deemed to be made;
- h. the Eligible Beneficiary Enterprise does not comply with any provision of the Beneficiary Agreement;
- i. the PFI:
  - i. is unable or admits inability to pay its debts as they fall due;
  - ii. suspends making payments on any of its debts; or
  - iii. by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- j. a moratorium is declared in respect of any indebtedness of the PFI;
- k. any insolvency or corporate, legal or other procedure is taken in respect of the PFI which amounts to a suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganization by way of voluntary arrangement, scheme of arrangement or otherwise) of the PFI;
- l. any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the PFI; or
- m. if any proceeds are determined by the NRPB to have been used to finance Excluded Activities, constitute Ineligible Expenditures and/or otherwise in breach of any term of WB's "Anti-Corruption Guidelines"<sup>6</sup>

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<sup>6</sup> Link to the Anti-Corruption Guidelines: Link to the Guidelines:

[https://policies.worldbank.org/sites/ppf3/PPFDocuments/40394039anti-corruption%20guidelines%20\(as%20revised%20as%20of%20july%201,%202016\).pdf](https://policies.worldbank.org/sites/ppf3/PPFDocuments/40394039anti-corruption%20guidelines%20(as%20revised%20as%20of%20july%201,%202016).pdf)

## 7 Procurement for MSMEs (AR)

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The Goods and Consultancy services contracts may be procured through acceptable Commercial Practices defined below:

Organizational arrangements of the MSMEs to conduct procurement shall take into consideration the need for economy, efficiency and transparency of the various procurement activities defined in the MSME application, their timing and quality of the procured goods and consultancy services. Procurement guidelines can be found in annex 1 and 2.

For contracts estimated to cost below US\$2,500, the PAO will verify the proof of purchase through a review of invoices and contracts and conducting on-site verifications on a sample basis.

For procurement of goods and services for contracts estimated to cost US\$2,500 or more, the MSMEs will be required to provide 3 (three) relevant quotations and a detailed specification of the proposed purchase review and approval. If three viable, competitive quotations cannot be obtained, a justification should be documented prior to NRPB consent.

Contracts may also be placed based on direct/single source in cases where benefit of competition has been considered and rejected for sound reasons. Direct/single source selection may be considered with proper justification notes in file.

In principle, selection of suppliers/firms/individuals will be based on consideration of price, quality, reliability and performance and the contract award shall be made to the lowest responsive and qualified bidder. If award is made not to lowest responsive bidder, a justification note shall be filed in the documents. Awardees shall not award contracts to their parent or affiliate companies unless there is an established arm's length arrangement.

All procurement complaints received will be forwarded to the World Bank for review and comments and/or action as appropriate. All contract information and project-related facilities shall be available to World Bank's staff and auditors for their review.

### Guideline for procurement of used/second-hand goods

ESP has an internal guideline for the purchase of used/second-hand machines and equipment that provides a framework to assist in reviewing applications and advising MSMEs. Financing of used goods is only possible if the following conditions are met:

- The cost for the new item is above USD 20,000;
- Equipment/vehicles/machinery have a 50% or more of their useful life left;
- Comparison of new vs used goods are submitted and show good value and condition for used assets;
- Used vs used comparison is submitted and proves the purchase of the used good is appropriate. If not, a justification is required regarding why this cannot be obtained otherwise.
- Either a guarantee is provided from the seller for at least 10% of its useful life (Guarantee can be financed)

- A quality certificate (e.g. verified 50+ point inspection list) or mechanic report from a certified mechanic or appropriate entity must be provided.

Exceptions or additional conditions may apply on a case-by-case basis.

### Guideline for procurement of vehicles

ESP will have an internal guide for the purchase of passenger vehicles that contains thresholds and other conditions that must be met by MSMEs to be eligible for financing of vehicles. Luxury vehicles, which will be defined in the guide, are excluded from being financed under the project. Exemptions to the guide may be applied based on the sector in which a business operates. These include but are not limited to sectors such as the **transportation and logistics industry** and its sub-sectors.

### IBRD's Guidelines and Standard Documents:

The IBRD's Procurement and Consultant Guidelines, Standard Procurement Documents are available at [www.worldbank.org/procurement](http://www.worldbank.org/procurement) and the List of Debarred Firms is available at [www.worldbank.org/debarr](http://www.worldbank.org/debarr). The NRPB staff are obliged to refer to the World Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated January 2011" (Anti-Corruption Guidelines) as well as the Procurement and Consultant Guidelines. Although this project is not financed by the IBRD, these guidelines will be used.

Any contracts with suppliers and consultants shall include World Bank's standard clauses on Fraud and Corruption and also the standard Audit clause.

### Checks on Procured Items

The PAO will coordinate the ex-post check on procured items by MSMEs on sample basis. The OO, verifies the procurement ex-ante. For more information, see the "Team Roles of NRPB" section.

## 8 Monitoring and Evaluation (M&E)

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- The M&E activities will be financed under Component 3. The NRPB will provide, on a semiannual basis, through project progress reports, results of its M&E activities.
- The responsibilities for the M&E are detailed in the following sub-sections.

### M&E by the NRPB

- The NRPB will be responsible for monitoring and evaluating progress towards achieving the Project Development Objective (PDO). The NRPB will also be responsible for monitoring and evaluating the PDO-level and intermediate results indicators for the project.
- The NRPB will be responsible for tracking all the results in the Results Framework and will leverage the loan and grant ledger<sup>7</sup> to complement any further information that may be required at the loan and grant package level.
- The NRPB will provide, on a semiannual basis, through project progress reports, results of its M&E activities to the World Bank.
- In addition, the project will include a Citizen Engagement survey to obtain feedback from beneficiaries of the project.
- The NRPB will be responsible for FM given the project's interaction with PFIs (for Component 1), the need for regular tracking of disbursements to PFIs and the monitoring of reflows. This FM function will, by definition, incorporate reporting.
- The NRPB will commission the project's audit, that will be financed from Component 3 budget or the NRPB's operational budget.
- For component 1, the NRPB will keep a ledger of all loans and grants by PFI and update the financial performance of the loans on a quarterly basis. This ledger will form the basis of the PDO-level indicators that will be tracked.
- The NRPB will complete the Interim Financial Reports (IFRs) and these will include a custom indicator to measure where (in which sectors and for what intended uses) the working capital facilities have been utilized as attached to the IFRs. For Components 2 and 3, the NRPB will also perform the FM responsibilities and these will be included in the IFRs.

### Database

Recording and reporting will be done by the PAO as well as the OOs. The recording by the PAO will be done in a database that is initially populated by the OO. This will include all approved loans with details from the application form as well as loan approval information which includes the value (of AR and WC), the interest rate as well as the tenor. This will be populated by the OO and the PAO will monitor this.

The PFI exposure and entire portfolio will be tracked in the project database.

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<sup>7</sup> The loan and grant ledger will be built using the data from the application forms.

## Conditions on PFI Reporting

- PFIs will submit Disbursement Report to the NRPB on a monthly basis for disbursement purposes.
- PFIs will report to the NRPB on a quarterly basis for repayment of MSME loans. Repayments from MSME loans will be transferred by PFIs to a separate account at a commercial bank owned by the NRPB on a quarterly basis. The PFIs will receive the monthly repayment from the recipient MSMEs and transfer the principal portion to this account within 5 days of the end of each quarter.
- PFIs will have to report all the package applications they receive, whether they are approved or denied.

## Consolidated Reporting Requirements

### 8.1.1 Monthly

#### 8.1.1.1 Monthly reporting from PFI to NRPB

On the 10th of each month (or next business day), the lender shall submit a report to the NRPB with a list of loans that will be funded in the following month. The name, address and NRPB issued tracking number must be included on the report. Such report is based on an Excel spreadsheet prepared by NRPB (see Annex 3), including data on each package such as: MSME ID, MSME Name, amount for AR, amount for WC, interest rate, and loan maturity.

Subsequently on the 10th day of each month (or the next business day), the PFI will submit to the NRPB a report with the details of the status of each loan that has been funded (see Annex in 3).

### 8.1.2 Quarterly

#### 8.1.2.1 Quarterly IFR reporting

The Project will produce quarterly consolidated unaudited (IFRs). The quarterly consolidated IFRs will be submitted by the NRPB to the Bank within 45 days after the end of concerned quarter. The IFR should be submitted (i.e. emailed) to the Bank's TTL copying the Bank's FM and Disbursement Officer(s).

#### 8.1.2.2 Quarterly M&E reporting

| Monitoring & Evaluation Plan: PDO Indicators and Intermediate Result Indicators             |  |                                      |                          |  |
|---|--|--------------------------------------|--------------------------|--|
| Quarterly Frequency   |  |                                      |                          |  |
| Indicator Name  | Definition/Description   | Indicator                            | Datasource               | Methodology for Data Collection  |
| <b>Cumulative number of MSMEs receiving packages for assets, repairs or working capital</b> | This is the total number of MSMEs that receive packages. It will be measured based on disbursements. | Project Development Objective (PDO). | Ledger of MSME packages. | This will be the running sum of unique MSMEs. The MSME ID from the Chamber of Commerce will be |

|   |   |                            |                          |   |
|---|---|----------------------------|--------------------------|---|
|   |   | From the IFRs.             |                          | used as the unique field.                         |
| <b>Volume of grants and loans supported through the project over its lifetime</b> | This indicator is the cumulative volume of grants and loans supported through the project for MSMEs. It will be calculated by summing the quarterly disbursements to the PFI. | PDO.<br><br>From the IFRs. | Ledger of MSME packages. | Using the disbursement data for payments to PFIs. |

### 8.1.3 Semi-Annual

| Semi-Annual Frequency  |   |   |  |   |
|--|---|---|--|---|
| Monitoring & Evaluation Plan: PDO Indicators and Intermediate Result Indicators                                    |   |   |  |   |
| Indicator Name   | Definition/Description  | Indicator   | Datasource                                   | Methodology for Data Collection                       |
| <b>Cumulative number of women owned or managed MSMEs receiving packages for assets, repairs or working capital</b> | This seeks to measure the outcome for women owned or managed MSME access to the project. The submitted documents by MSME will capture whether MSME is women owned or managed. | PDO.<br><br>Collected by the NRPB.                                | Application forms and documents for project. | NRPB receives application documents from the clients. |
| <b>Volume of grants and loans supported through the project to women owned or managed MSMEs over its lifetime</b>  | This seeks to measure the outcome for women owned or managed MSME access to the project. The submitted documents by MSME will capture whether MSME is women owned or managed. | PDO.<br><br>Collected by the NRPB.                                | Application forms and documents for project. | NRPB receives application documents from the clients. |
| <b>Cumulative number of MSMEs that are new for participating lenders</b>   | This seeks to measure the outcome for increased access to finance (A2F). The credit report of the PFI will indicate whether has had a loan with the PFI before.               | Intermediate Result Indicator (IR).<br><br>Collected by the NRPB. | PFI credit report .                          | NRPB receive the credit report of the PFI..           |

|  |  |                                   |                             |  |
|--|--|-----------------------------------|-----------------------------|--|
| <b>Percentage of loan packages by volume that include grants</b> | This seeks to track the type of packages being issued to ensure that the AR grant-loan facility is being used. The approved CA/BA will have the final breakdown and the NRPB will need to capture these percentages.   | IR.<br><br>Collected by the NRPB. | Project ledger or database. | NRPB will receive copies of all CA/BA forms from PFIs. |
| <b>Percentage of loan packages that are less than US\$25,000</b> | This seeks to track the percentage of packages being issued to the micro segment as defined by package size to ensure that the facility is including micro enterprises. The approved CA will have the final breakdown and the NRPB will need to capture these percentages. | IR.<br><br>Collected by the NRPB. | Project ledger or database. | NRPB will receive copies of all CA forms from PFIs.    |

#### 8.1.4 Annual

| Annual Frequency  |   |           |  |   |
|---|---|-----------|--|---|
| Monitoring & Evaluation Plan: PDO Indicators and Intermediate Result Indicators       |   |           |  |   |
| Indicator Name  | Definition/Description  | Indicator | Datasource   | Methodology for Data Collection   |
| <b>Percentage of beneficiaries that feel project activities reflected their needs</b> | A survey will measure the satisfaction of the project's final beneficiaries regarding the activities implemented under the project. During Midterm Review and every year after that, the NRPB will organize workshops (including online virtual workshops) targeting different project stakeholders or beneficiaries. Workshops will be organized taking into account the type of product or activity, the type of beneficiary, and geographical location. To measure the level of satisfaction amongst the beneficiaries, the NRPB will develop a set of questions and other tools with the support of the WB team. Field visits and interviews will also be considered. | IR.       | Survey and field visits.   | Survey and outcomes of field visits.  |
| <b>Percentage of MSME packages that are non-performing</b>                            | This is defined as the total number of outstanding packages that have their loan portions non-performing. Non-performance is defined as 90 days overdue.  | IR.       | This will be measured from the ledger of MSME packages and their repayments. | The data will come from the database that will track loan and repayment profiles. |

|   |  |     |                             |                             |
|---|--|-----|-----------------------------|-----------------------------|
| <b>Study undertaken for improving financial solutions for disasters</b>                                 | This indicator will ensure that the study from Component 2 is complete.  | IR. | NRPB procurement forms.     | NRPB procurement forms.     |
| <b>Cumulative number of loan officers trained in MSME lending</b>                                       | This will measure the number of loan officers from FI trained in MSME lending.                                       | IR. | NRPB training session logs. | NRPB training session logs. |
| <b>Cumulative Number of enterprises and loan officers trained in business continuity planning (BCP)</b> | This will measure the number of enterprises and loan officers from FI trained in business continuity planning (BCP). | IR. | NRPB training session logs. | NRPB training session logs. |

#### *8.1.4.1 Annual ESMF reporting*

The MSME shall submit to the NRPB, as soon as available, but in any event within 45 days after the end of the calendar year, an annual report on environmental and worker health and safety matters relating to the project and its operations, for further details see Annex 4.

#### *8.1.4.2 Annual Grievance reporting*

NRPB will ensure that complaints are recorded in a systematic way so that information can be easily retrieved for reporting and analysis in an aggregated and anonymous form. Those records are kept for a maximum duration in accordance with the law.

NRPB will keep comprehensive records about:

1. How the complaint was managed;
2. The outcome/s of the complaint including whether it or any aspect of it was substantiated, any recommendations made to address problems identified and any decisions made on those recommendations, and
3. Any outstanding actions that need to be followed up.

The NRPB will report on:

1. The number of complaints received;
2. The outcome of complaints, including matters resolved at the frontline;
3. Issues arising from complaints;
4. Systemic issues identified, and
5. The number of requests received for internal and/or external review of complaint handling.

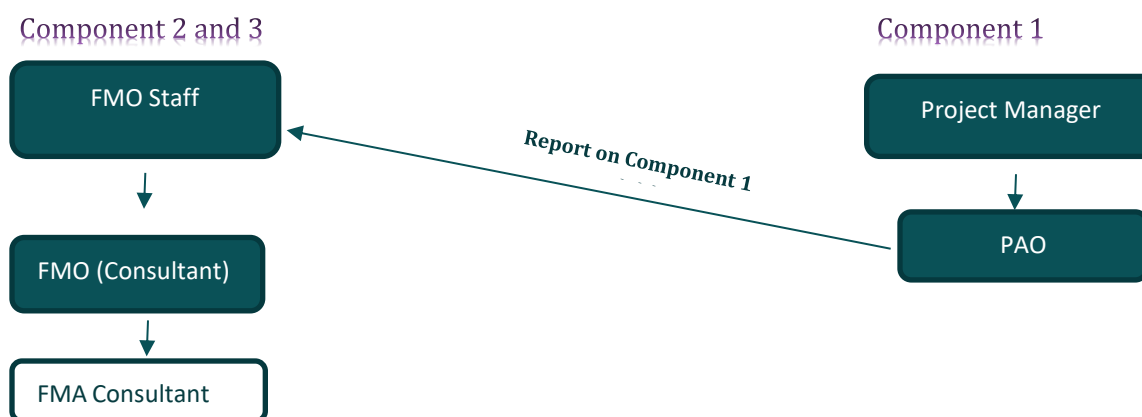
## 9 Financial Management

### Financial Management Responsibility

A separate Financial Management Manual exists for the NRPB. This chapter provides additional information for the purpose of the Enterprise Support Project.

#### 9.1 Staffing

- The financial management and accounting functions of the project are the responsibility of the NRPB's FM Department with the support of the Portfolio and Accounting Officer (PAO) for the ESP.
- The FM Department consists of Head of FM, the FMO and the FMA. The FMA and FMO report to the Head of FM. The FMA records all entries in QB and the FMO reviews. The Head of FM works closely with the PAO in preparing and submitting the IFR on a timely basis.
- Under the general guidance of and reporting to Financial Management Officer, the PAO will carry out the day-to-day financial management functions. The CBCS will support the PAO when needed.
- She/he will ensure that a proper financial management system is in place, with appropriate internal controls, records, and books of accounts; that these are reliable, timely, and in accordance with generally acceptable accounting principles; and that financial and other reports as needed are maintained and prepared on a timely basis, communicated to the appropriate users, and properly filed at the NRPB. The World Bank's Financial Management Specialist will provide support, and hands-on training on the World Bank's policies and guidelines to the Portfolio and Accounting Officer, as needed.



### Budgeting

## 9.2 Budgeting

- The PAO, under the supervision of NRPB's Financial Management Officer, will prepare a project budget covering the entire implementation period. Furthermore, annual budgets including a detailed disbursement plan per quarter will be prepared and submitted to the Bank for Non-Objection before the beginning of each period by the PAO. The budget and the disbursement plan will be developed based on the initial procurement plan, implementation schedule and estimated payments cycles, and revised on quarterly basis.
- The Project Manager will review and provide initial approval to the budget or make changes as he/she determines are appropriate. This budget will be periodically reviewed and updated, as needed, to reflect the progress of implementation.
- The budget should be broken down by project component and disbursement category.
- Quarterly variance analysis (comparing actual expenditures versus budgeted expenditures) should be prepared, and all variances of 15% or more between budgeted and actual amounts should be flagged and explained.

## 9.3 Accounting

The accounting method will be on a *Cash* (Comp 2 and 3) and *Accrual* (Comp 1) basis. NRPB performs the necessary reconciliations to report to the Bank using cash basis. For Component 1, expenditures are recognized upon the actual transfer of the funds for AR or WC from the PFIs to the MSMEs and not upon the approval of the related AR and WC MSME package. For Components 2 and 3, expenditures are recognized upon the payment of the receipt of the goods or related services. As there are no fixed assets on the balance sheet or inventory there will be no need to adopt valuation conventions or inventory management choices (FIFO or LIFO). Further, as there are no assets there is no depreciation either.

### Accounting Procedures

- Each transaction must have the recommendation of the Project Manager, and approval by the Deputy Director and the Director of the NRPB. The PAO with the support of the FM department will be responsible for providing a complete explanation of any expense not considered petty cash (US\$75 or less). The project transactions will be accounted for using an off-the-shelf accounting software, QuickBooks, already in use at NRPB.

### Accounting System

- The accounting system for this project is the Intuit QuickBooks Enterprise Solutions 19.0 (Multi-user) software to maintain the project accounts. The project accounting system will be maintained by the FM department with the support of the Portfolio and Accounting Officer, who will only have viewing rights.
  - The chart of accounts will be designated by projects components, sub-components, activities and disbursement categories.

## Internal Control

- The internal controls are designed to prevent or detect errors or irregularities, which would have an impact on the financial statements. The accounting system could be complemented by excel spreadsheets, if needed.
- Control activity will include (but is not limited to):
  - 1) segregation of duties;
  - 2) review authorization of transactions;
  - 3) retention of records; and
  - 4) supervision and monitoring of operations.

The following general guidelines should be adhered to:

- 1) All payments must be supported by documents such as invoices, receipts and contracts.
- 2) All payments must always be made by bank or wire transfers unless there is a necessity to pay by cheque/cash.
- 3) All payment documents (invoices, contracts, engagement etc.) will be prepared by PAO and signed by respective staff prior to payments being made. The payment certificate indicates invoice #, amount, grant #, category etc.

When a payment is made to any firm, including disbursements to PFIs, an official receipt or payment receipt should be obtained.

## Automated system and the embedded controls

To ensure the integrity of Project Accounting and Financial Management System, NRPB shall establish proper internal check and internal control mechanism. It includes establishment of procedures and systems for ensuring standard internal control such as checking of expenditures, appropriate documentation, levels of authorization, periodic bank reconciliation and physical verification. NRPB will develop a system to ensure that expenditures are incurred with due regard to effectiveness and efficiency. For this purpose, the PAO will check the accuracy of records/documents provided by the technical project managers.

## Separation of Functional Responsibilities

A person should not have complete control of a transaction from beginning to end. There should be clear understanding as to who will approve, what is to be approved and the limitations of authorization. The approving officers should not have responsibility for posting or the ability to change accounting records.

Assignment of Responsibility for Every Function: Employee responsibilities should be clearly defined to avoid overlapping or unassigned areas of responsibility (e.g., an organization chart should be prepared). Staff must know their responsibilities and whom they report to.

## Review and Approval

The PAO will be managing the component 1 database, disbursement and reflows. For the disbursements, a payment certificate is submitted and approved by the Project Manager, Deputy Director and Director.

## Filing System/ documentation archiving

NRPB shall ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing the expenditure are retained until at least five years after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the grant account was made. The documents will be stored digitally in a secure online environment.

## Maintenance of Cash book, General Ledger and Other Registers

NRPB will maintain a Cash Book for the Project. All receipts and payments will be posted in the Cash Book on a regular basis. The entries will mention the date, project category, account name, the account code, the cash transfer number and a short description of the transaction. The Cash Book will be reviewed, summarized, closed and signed on the last working day of the month by the FMO. The monthly closing balance will have details of balances available in the Bank and the details of the Petty Cash (if applicable).

The FMO will maintain a General Ledger. The entries will mention the date, project category, account name, the account code, the bank transfer number and a short description of the transaction.

At the end of the month, an overview will be prepared showing monthly totals of payment under each account and category. The FMO will also maintain and record details of all bank transfers made.

A monthly Trial Balance based on the General Ledger and Cash Book will be prepared. Since the project will be using QuickBooks, the Trial Balance and General Ledger will be self-generated by QuickBooks. Bank Reconciliation Statements.

- Monthly bank reconciliations must be prepared on all bank accounts and signed by the FMO. The FMA will prepare the monthly bank reconciliations, the PAO will be reviewing them and cannot be the one signing.
- The reconciliation statement for the Designated Accounts must also be submitted to the World Bank, together with a copy of the bank statement, when submitting a withdrawal application for replenishment of the Designated Accounts.

## Financial Reporting and External Audits

The PAO in cooperation with the FMO will be responsible for Interim financial reporting and annual financial statements as described in Schedule 2 Section II. B of the Grant Agreement. The format of the financial statement is annexed to the DFIL.

- **Unaudited Interim Financial Reports (IFRs)** are required quarterly and should be submitted to the World Bank within 45 days of each calendar quarter, following the format detailed in the Disbursement and Financial Information Letter. The Portfolio and Accounting Officer is responsible for compiling the financial section of the report.
- **Audited Financial Statements:** Annual external audits of the Project Financial Statements, are required. The audit will be performed by acceptable auditors to the Bank and conducted according to Terms of Reference acceptable to the Bank. The audit report will include the required financial statements (i.e. Sources and Uses of Funds, Statement of Expenditures (SOE), and the Designated Account) , as agreed with the WB as well as supporting schedules providing sufficient information on the project. The amounts in these financial statements would be required to be reconciled with the amounts in Bank's disbursement records (Client Connection). The management letter will also be an integral part of the audited financial statements.

All records evidencing expenditures under the Project are retained in accordance with the Standard Conditions for Grant Financing Made by the Bank Out of Trust Funds Bank Policy. For all contracts requiring the World Bank's prior review, full documentation will accompany "no-objection" requests. Detailed documentation will be retained by the NRPB for inspection during supervision missions and for audit by external auditors acceptable to the World Bank.

## 10 Grievance Redress Mechanism

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- A grievance redress mechanism (GRM) is a set of arrangements that enable resident communities, employees, outgrowers, and other affected stakeholders to raise grievances with the project and seek redress when they perceive a negative impact arising from the project's activities.
- It is a key way to mitigate, manage, and resolve potential or realized negative impacts, as well as fulfill obligations under international human rights law and contribute to positive relations with communities and employees.
- A GRM is an important tool that enables Project Implementation Units (PIUs) to learn about and resolve concerns before they escalate. GRMs should permit a peaceful and timely resolution of problems, assuring stakeholders that their concerns have been heard and that the institutionalized mechanism will yield a fair and impartial outcome.

### Project Grievance Procedures and Communication

- The project's GRM is integrated in the NRPB's GRM procedure.
- Information may be made available to all stakeholders as part of the overall community engagement strategy and may include community announcements such as through posters or on local radio. The NRPB needs to ensure that procedures are clear and understandable to the entire range of stakeholders.
- The NRPB will partner with PFIs to ensure a timely response to complaints where they occur.
- Reported issues should include: a name, date, and contact information, with a detailed

description of the case.

### Project Grievance Redress Mechanism

Any person or entity who believes their rights have been adversely affected by the Enterprise Support Project may report such grievance to the NRPB through the NRPB's complaint procedure:

<https://nrpbxm.org/complaints-procedure/>

### World Bank Corporate Grievance Redress Mechanism

- Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns.
- Alternatively, they may submit their complaint to the World Bank's Independent Inspection Panel which determines whether harm occurred, or could occur, as a result of World Bank non-compliance with its policies and procedures.
- Credit decisions made by PFIs are not subject to the grievance procedure.

## 11 Environmental and Social Management Framework

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Project activities will be screened for potential environmental and social risks and impacts according to the processes and procedures indicated in the Project's Environmental and Social Management Framework (ESMF), as included in Annex 4.

The ESMF describes the potential environmental and social positive impacts and the potential environmental, social and health and safety risks associated with the project and its components. The ESMF sets out the responsibilities of the NRPB, the requirements for PFIs and MSMEs to manage E&S risks, the processes and procedures for stakeholder engagement and grievance redress during project implementation. The NRPB will use screening and management protocols to reduce ESHS risk. The application procedures will follow a set of steps which are designed to ensure that environmental considerations are taken into account. The ESMF can be revised during project implementation to adjust to project needs and subject to clearance from the World Bank. The Supplemental Form, as in annex 1, includes the list of excluded activities and the E&S questionnaire.

## 12 Communication Strategy

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The objective of the communication strategy is to foster and maintain a favorable acceptance of the ESP project by all stakeholders and to ensure that information about the project is easily accessible. Secondly, to ensure all MSMEs on Sint Maarten, are aware of the project and know where they can apply and receive more information. The main communication is through the ESP webpage which holds all information about the project and requirements for applying to the project. Social media is also used to communicate targeted messages. Billboards, radio commercials, radio interviews, news paper adverts and several virtual and physical stakeholder's information session have all been used. In 2021 animated videos are used to inform MSME's about the project and requirements. The Primary stakeholders are the MSMEs and PFIs and other stakeholders are the government and strategic partners and the general public of Sint Maarten.

## ANNEX 1 – Supplemental Application Form 1

### ENVIRONMENTAL AND SOCIAL SAFEGUARDS AND PROCUREMENT

*This form is required before the financial institution evaluates your grant-loan application.*

### Basic information of the business

|                        |                                  |
|------------------------|----------------------------------|
| Name                   | First name, Last name            |
| Business name          | Click or tap here to enter text. |
| CRIB number            | Click or tap here to enter text. |
| Telephone number       | Click or tap here to enter text. |
| Email address          | Click or tap here to enter text. |
| Address, City/District | Street, number, District / City  |

### Environmental and Social screening

Excluded Activities:

*Guidance: If intended activities fall within the categories below, the business will not be eligible for the Enterprise Support Project.*

| Does your intended activity fall within the following categories?                            | YES/ NO/<br>Not<br>Applicable | Comments   |
|--|-------------------------------|--|
| Land acquisition   | Choose an item.               | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Load bearing construction works  | Choose an item.               | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Activities that affect water bodies in disputed areas  | Choose an item.               | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Production or trade of weapons and munitions   | Choose an item.               | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Adult entertainment  | Choose an item.               | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Production or trade of strong alcoholic beverages (excluding beer, and bars and restaurants) | Choose an item.               | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Production or trade of tobacco   | Choose an item.               | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Gambling, casinos activities, and equivalent activities.                                     | Choose an item.               | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |

|   |                                |  |
|---|--------------------------------|--|
| Trade in wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)  | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Purchasing/selling radioactive materials or unbounded asbestos fibers   | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Activities that involve the purchase, use or selling of Persistent organic pollutants (POPs), Polychlorinated biphenyl compounds (PCBs, a class of synthetic organic chemicals), Pesticides/herbicides subject to international phaseouts or bans, Ozone depleting substances subject to international phaseout | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| <b>Does your intended activity fall within the following categories?</b>  | <b>YES/ NO/ Not Applicable</b> | <b>Comments</b>  |
| Purchasing, use or selling Pharmaceuticals subject to international phaseouts or bans   | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Commercial logging operations or the purchase of logging equipment for use in primary tropical forest   | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Drift net fishing in the marine environment using nets longer than 2.5 km   | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Activities that require significant labor influx.   | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Activities that adversely affect vulnerable people and underserved groups (for example, elderly poor pensioners, the physically challenged, women, particularly head of households or widows) living in the area.   | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Activities that are in noncompliance with labor principles, occupational health and safety, and legislation relevant to the country   | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Activities that have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works.  | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Activities that would involve conversion or degradation of natural habitats or which would involve the harvesting, use, or change in management of forest or coastal resources  | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Activities in an international waterway or in a disputed area   | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Activities that are illegal under country laws, regulations, or ratified international conventions and agreements   | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Activities that involve international trade in waste or waste products, except for nonhazardous waste destined for recycling  | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Activities that involve degradation of a national park, similar protected area or national monument   | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| Activities that involve real estate speculation   | Choose an item.                | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |

## Additional screening questions

|                                       |                     |                 |
|---------------------------------------|---------------------|-----------------|
| <b>Additional screening questions</b> | <b>YES/ NO/ Not</b> | <b>Comments</b> |
|---------------------------------------|---------------------|-----------------|

|  | applicable      |  |
|--|-----------------|--|
| 1.a. Are the business required environmental, social and labor Licenses or Permits invalid or in default?  | Choose an item. | Insert comments, especially if YES or 'Not Applicable' was selected.   |
| 1.b. Are there reasonable grounds to determine that the business that requires a permit, license, or other approval, has not taken appropriate steps with relevant authorities to obtain these?                                      | Choose an item. | Insert comments, especially if YES or 'Not Applicable' was selected.   |
| 2.a. Did the business receive any environmental and social/labor fines, fees, penalties, claims, or warnings from relevant authorities within the last five years?   | Choose an item. | Insert comments, especially if YES was selected.                       |
| 2.b. If the business has outstanding fees, fines or penalties, is there reasonable evidence that appropriate steps have been taken with relevant authorities?  | Choose an item. | Insert comments, especially if NO was selected.                        |
| 3. Are there media reports or complaints from the public, the community, or the NGOs about the business's activities (past, current or proposed)?  | Choose an item. | Insert comments, especially if YES was selected.                       |
| 4. Is the business under any type of investigation for fraud, corruption or any financial crime such as embezzlement or tax evasion?   | Choose an item. | Insert comments, especially if YES was selected.                       |
| 5. Is one of the owners or officials of the business under any type of investigation, or has one of the owners or officials ever been convicted of fraud, corruption or any financial crime such as embezzlement or tax evasion?     | Choose an item. | Insert comments, especially if YES was selected.                       |
| 6.a. Does the business release emissions to the atmosphere (dust, odors, fumes, exhaust gases, volatile organic compounds)?  | Choose an item. | Insert comments, especially if YES was selected.                       |
| 6.b. If the business releases emissions to the atmosphere, do those emissions meet the criteria as determined by Sint Maarten Legislation  | Choose an item. | Insert comments, especially if NO was selected.                        |
| 7.a. Does the business have activities which cause excessive noise or vibration?   | Choose an item. | Insert comments, especially if YES was selected.                       |
| 7.b. If the business produces noise or vibration, do those noise and vibration levels meet the criteria as determined by Sint Maarten Legislation?   | Choose an item. | Insert comments, especially if NO was selected.                        |
| 8.a. Does the business release discharges to waterways (streams, ponds, lagoons), the ocean, green areas or the public road?   | Choose an item. | Insert comments, especially if YES was selected.                       |
| 8.b. If the business releases discharges, do those discharges meet the criteria as determined by Sint Maarten Legislation?   | Choose an item. | Insert comments, especially if 'Not Applicable' was selected.          |
| 9. Does business use substantial quantities of natural resources such as land, water, natural materials (sand, stone, soil, organic material), fuels or energy, especially any resources which are non-renewable or in short supply? | Choose an item. | Insert comments, especially if 'YES' or 'Not Applicable' was selected. |
| 10. Does the business violate any national guidelines and good practices for Covid-19 prevention provisions at work places?  | Choose an item. | Insert comments, especially if 'YES' was selected.                     |
| 11. Does the business violate any national law or good practice for occupational health and safety, industrial hygiene, and employee well-being?   | Choose an item. | Insert comments, especially if 'YES' was selected.                     |
| 12. Are there any areas around the business location which are occupied by sensitive land uses e.g. hospitals, schools, places of worship, community facilities, cultural heritage sites?  | Choose an item. | Insert comments, especially if 'Not Applicable' was selected.          |

|   |                 |   |
|---|-----------------|---|
| 13. Has the business been involved with any significant accidents, incidents, fatalities, or worker health and safety fatalities in the last five years?  | Choose an item. | Insert comments, especially if 'Not Applicable' was selected. |
| 14. Does the business engage in work in the following sectors: <ul style="list-style-type: none"> <li>• agriculture</li> <li>• Dredging</li> <li>• Chemical processing</li> <li>• Waste management (solid or liquid)</li> <li>• Oil and gas processing, storage, transportation, or sale</li> <li>• Civil works and infrastructure (water supply, roads, electricity)</li> <li>• Development or conversion of previously undeveloped land</li> <li>• Marine sports/recreational activities, Fishing, aquaculture, or silviculture</li> <li>• Manufacturing of textiles, leather, metals, or plastics</li> <li>• Significant amounts of pesticides or herbicides.</li> </ul> | Choose an item. | Insert comments, especially if 'YES' was selected.            |

| Additional screening questions   | YES/ NO/<br>Not applicable | Comments  |
|--|----------------------------|---|
| 15. Is there evidence that the business property has drums, pits, stockpiled chemicals, spills, stained soils, dead vegetation, polluted waterways, or other contamination or pollution?   | Choose an item.            | Insert comments, especially if 'Not Applicable' was selected. |
| 16. Is the business or any of its activities located in or around a natural area (forest, park, proposed conservation zone) near a protected area.   | Choose an item.            | Insert comments, especially if 'Not Applicable' was selected. |
| 17. Will the business affect coastal or marine areas (beaches, seagrass, coral reefs) or involve aquaculture, fishing, or harvesting of marine resources?  | Choose an item.            | Insert comments, especially if 'YES' was selected.            |
| 18. Is the business located on or around areas which are important or sensitive for reasons of their ecology, e.g. wetlands, watercourses or other water bodies, the coastal zone, previously undeveloped hillsides forests or woodlands, areas used by protected, important or sensitive species of fauna or flora, which could be affected by business activities? | Choose an item.            | Insert comments, especially if 'Not Applicable' was selected. |
| 19. Will the business affect a national monument or areas of known national, or regional cultural, heritage resources (historic structures, artefacts, or landmarks)?  | Choose an item.            | Insert comments, especially if 'YES' was selected.            |
| 20. In case of a positive answer to questions 16 to 19, is there an assessment of any potential impacts (reports, studies, or ESIA) ?  | Choose an item.            | Insert comments.  |

## Procurement Requirements for Asset and Repair Financing: Part 1 (pre-PFI approval)

### Guidance:

- *This part of the form needs to be filled in and delivered to the financial institution together with the business plan and other required documents.*
- *All Assets and Repairs included in the financial projections must be included in the tables below under Goods, Services or Works. This is not required for Working Capital.*
- *The definition of procurement is: the action or process of finding and agreeing to terms, and purchasing goods, services or works.*
- *The 'Key technical specifications' should be at least 2 lines.*
- *The 'Estimated cost (US\$)' should be quoted in US Dollars and include taxes, shipping and the installation service.*
- *Similar items must be grouped in one single line. See example 0 in the Goods table for the purchase of 3 laptops.*

Does your application have an Assets and Repairs (AR) component? Choose an item.

- Goods

| Item no. | Description                             | Key technical specifications   | Estimated cost (US\$)            |
|----------|---|--|----------------------------------|
| 0        | 3 laptops                               | 13 inch laptops with minimum requirements: i5 processor, 8 GB of RAM, 128 GB SSD hard drive. | 2,500                            |
| 1        | Click or tap here to enter description. | Click or tap here to enter technical specification.  | Click or tap here to enter cost. |
| 2        | Click or tap here to enter description. | Click or tap here to enter technical specification.  | Click or tap here to enter cost. |
| 3        | Click or tap here to enter description. | Click or tap here to enter technical specification.  | Click or tap here to enter cost. |
| 4        | Click or tap here to enter description. | Click or tap here to enter technical specification.  | Click or tap here to enter cost. |
| 5        | Click or tap here to enter description. | Click or tap here to enter technical specification.  | Click or tap here to enter cost. |
| 6        | Click or tap here to enter description. | Click or tap here to enter technical specification.  | Click or tap here to enter cost. |
| 7        | Click or tap here to enter description. | Click or tap here to enter technical specification.  | Click or tap here to enter cost. |
| 8        | Click or tap here to enter description. | Click or tap here to enter technical specification.  | Click or tap here to enter cost. |
| 9        | Click or tap here to enter description. | Click or tap here to enter technical specification.  | Click or tap here to enter cost. |
| 10       | Click or tap here to enter description. | Click or tap here to enter technical specification.  | Click or tap here to enter cost. |
| 11       | Click or tap here to enter description. | Click or tap here to enter technical specification.  | Click or tap here to enter cost. |
| 12       | Click or tap here to enter description. | Click or tap here to enter technical specification.  | Click or tap here to enter cost. |

## Services / Works

| Item no. | Description                             | Key technical specifications (2 or 3 lines)                                | Estimated cost (US\$)            |
|----------|---|--|----------------------------------|
| 0        | <i>Repairs bar</i>                      | <i>Repair the walls and fix the tile floors. Change doors and windows.</i> | <i>5,000</i>                     |
| 1        | Click or tap here to enter description. | Click or tap here to enter technical specification.                        | Click or tap here to enter cost. |
| 2        | Click or tap here to enter description. | Click or tap here to enter technical specification.                        | Click or tap here to enter cost. |
| 3        | Click or tap here to enter description. | Click or tap here to enter technical specification.                        | Click or tap here to enter cost. |
| 4        | Click or tap here to enter description. | Click or tap here to enter technical specification.                        | Click or tap here to enter cost. |
| 5        | Click or tap here to enter description. | Click or tap here to enter technical specification.                        | Click or tap here to enter cost. |
| 6        | Click or tap here to enter description. | Click or tap here to enter technical specification.                        | Click or tap here to enter cost. |
| 7        | Click or tap here to enter description. | Click or tap here to enter technical specification.                        | Click or tap here to enter cost. |
| 8        | Click or tap here to enter description. | Click or tap here to enter technical specification.                        | Click or tap here to enter cost. |
| 9        | Click or tap here to enter description. | Click or tap here to enter technical specification.                        | Click or tap here to enter cost. |
| 10       | Click or tap here to enter description. | Click or tap here to enter technical specification.                        | Click or tap here to enter cost. |
| 11       | Click or tap here to enter description. | Click or tap here to enter technical specification.                        | Click or tap here to enter cost. |

*With my signature, I confirm that, to the best of my ability, the data included in this form is accurate and understand that if in the review of this form, or during the tenor of the package it is found out that the information provided is inaccurate, my company will not be allowed to participate in the project now or in the future and the support may be annulled.*

**Date:** Click or tap to enter a date.

**Business Signature**

## ANNEX 2 – Supplemental Application Form 2

### SINT MAARTEN ENTERPRISE SUPPORT PROJECT (ESP) SUPPLEMENTAL APPLICATION FORM 2: PROCUREMENT

*This form is required after PFI pre-approves loan-grant financing but before the NRPB provides final approval*

#### **Basic MSME Information**

|               |  |
|---------------|--|
| Name          |  |
| Business name |  |
| CRIB number   |  |

#### **Procurement Requirements**

*Guidance:*

- *This form will be required after the PFI has approved the grant-loan application.*
- *It should include all purchases (including taxes, shipping and installation) of over US\$ 2,500.*
- *Similar items must be grouped in one single contract.*
- *Three quotes are required for each purchase. Quotes need to be invoices or supporting proof such as the screenshot of the online store's cart if the item is to be bought online. If three quotes are not provided, justification need to be included in the 'Justification' column below.*
- *Items may be bought locally or internationally.*
- *Selection of suppliers/firms/individuals must be based on consideration of price, quality, reliability and performance and the contract award shall be made to the lowest responsive and qualified bidder. If award is made not to lowest responsive bidder, a justification note shall be filed in the 'Justification' column of the table below.*
- *MSMEs shall not award contracts to their parent or affiliate companies unless there is an established arm's length arrangement.*
- *This procurement plan will be reviewed by the Project staff and may be audited by the World Bank staff. If evidence of mis-procurement is found in your application, your application will be rejected and your business will not be allowed to participate in the project in the future.*
- *Post-review of the items purchased will be done on a sample basis.*

#### **Goods**

| Item no. | Description | Key technical specifications | Cost (US\$) | 3 quotes checkbox | Justification |
|----------|-------------|------------------------------|-------------|-------------------|---------------|
| 1        |             |                              |             |                   |               |
| 2        |             |                              |             |                   |               |
| 3        |             |                              |             |                   |               |
|          |             |                              |             |                   |               |

|  |  |  |  |  |  |
|--|--|--|--|--|--|
|  |  |  |  |  |  |
|  |  |  |  |  |  |

**Works**

| Item no. | Description | Key technical specifications | Cost (US\$) | 3 quotes checkbox | Justification |
|----------|-------------|------------------------------|-------------|-------------------|---------------|
| 1        |             |                              |             |                   |               |
| 2        |             |                              |             |                   |               |
| 3        |             |                              |             |                   |               |
| 4        |             |                              |             |                   |               |
| 5        |             |                              |             |                   |               |
| 6        |             |                              |             |                   |               |

*Disclaimers:*

- *The IBRD's Procurement and Consultant Guidelines ("Procurement Regulations for Investment Project Financing (IPF) Borrowers for Goods, Works, Non-Consulting, and Consulting Services, date July 1, 2016, revised August 2018.") apply. They are available at: <https://www.worldbank.org/en/projects-operations/products-and-services/procurement-projects-programs>*
- *The Anti-Corruption Guidelines ("Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated January 2011") apply. They are available at: <https://policies.worldbank.org/sites/ppf3/PPFDocuments/Forms/DispPage.aspx?docid=4039>*
- *With my signature, I confirm that, to the best of my ability, the data included in this form is accurate and I understand that if in the review of this form it is found out that the information provided is inaccurate, my company may not be allowed to participate in the project now or in the future.*

**Date MSME****Signature**

## ANNEX 3 – Reporting Templates

### A. Sint Maarten Enterprise Support Project: **Monthly Report of Loan Status**

Balance and Status as of the Last Business Day of the Month

|                         |  |
|-------------------------|--|
| <b>Name of PFI:</b>     |  |
| <b>Reporting Month:</b> |  |

|                          | Borrower Name | Lender Loan Number | NRPB Loan Number* | Women owned (y/n) | Women managed (y/n) | Type of Financing (AR/WC) | Date of Disbursement | Paid to Date | Loan Status | Balance Outstanding | Maturity Date | Interest Rate |
|--------------------------|---------------|--------------------|-------------------|-------------------|---------------------|---------------------------|----------------------|--------------|-------------|---------------------|---------------|---------------|
| Loan 1                   |               |                    |                   |                   |                     |                           |                      |              |             |                     |               |               |
| Loan 2                   |               |                    |                   |                   |                     |                           |                      |              |             |                     |               |               |
| Loan 3                   |               |                    |                   |                   |                     |                           |                      |              |             |                     |               |               |
| <b>Total Outstanding</b> |               |                    |                   |                   |                     |                           |                      | \$0          |             | \$0                 |               |               |

\* Only if NRPB uses a different number than the lender loan number

### B. Sint Maarten Enterprise Support Project: **Monthly Disbursement Report**

|                         |  |
|-------------------------|--|
| <b>Name of PFI:</b>     |  |
| <b>Reporting Month:</b> |  |

|                              | Borrower Name | Lender Loan Number | NRPB Loan Number* | Amount of AR Grant Funding | Amount of AR Loan Funding | Amount of WC Loan Funding | Maturity Date | Total Funding for Individual Borrower |
|------------------------------|---------------|--------------------|-------------------|----------------------------|---------------------------|---------------------------|---------------|---------------------------------------|
| Loan 1                       |               |                    |                   |                            |                           |                           |               | \$0                                   |
| Loan 2                       |               |                    |                   |                            |                           |                           |               | \$0                                   |
| Loan 3                       |               |                    |                   |                            |                           |                           |               | \$0                                   |
| <b>Total Funding Request</b> |               |                    |                   | \$0                        | \$0                       |                           |               | \$0                                   |

\* Only if NRPB uses a different number than the lender loan number

## ANNEX 4—Environmental & Social Management Framework

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### 1. Environmental and Social Management Framework

#### A. Statement of Policy and Purpose

The Sint Maarten Enterprise Support Project (SMESP) will take steps to address and mitigate environmental or social effects before implementing the subproject. Projects receiving the SMESP assistance must abide by all local environmental and relocation policies and laws as well as meet project specific requirements such as avoiding the use of any banned chemicals. Special attention is required for COVID 19 prevention, notably by establishing a COVID 19 prevention and safety plan (as described in “*Bijlage 2 bij landsbesluit van 10 mei 2020, nummer 2020/0324*” ) In addition, all enterprises seeking financial support must ensure that the finances are not utilized to purchase land and any person or business affected during the upgrade, rehabilitation, or expansion of enterprises is adequately relocated and/or compensated to meet the World Bank Policy on *Involuntary Resettlement OP/BP 4.12*.

The environmental and social questionnaire as integrated in supplemental form 1 of the application process must be completed. The questionnaire is designed to automatically ask follow-up questions as necessary. A full discussion of the environmental and social requirements and the questions for the questionnaire are included in the following paragraphs.

The SMESP aims to ensure that the program proceeds will not be used for any activity that could harm the environment or people. To that end, the SMESP is committed to:

- Providing environmental support in all areas of its operations;
- Ensuring environmentally and socially responsible financial investment and development;
- Ensuring compliance with relevant laws, regulations, and standards within Sint Maarten;
- Preventing the sale of land as a use of proceeds for the SMESP;
- Supporting transactions that do not adversely affect vulnerable people and underserved groups (for example, elderly poor pensioners, the physically challenged, women, particularly heads of households or widows, and so on) living in the area; and
- Ensuring that people are not displaced or lose access or assets because of project activities.

The SMESP, as well as the PFIs, must follow the micro, small, and medium sized enterprise (MSME) application processing procedures; credit documentation; and the administration, evaluation, and reporting procedures listed in this section. As part of their risk management activities, the PFIs will actively engage with the MSMEs through the due diligence and liaison process.

#### B. Introduction and Background

The World Bank Group Strategy sets out the corporate goals of ending extreme poverty and promoting shared prosperity in all its partner countries. Securing the long-term future of the planet, its people, and its resources; ensuring social inclusion; and limiting the economic burdens on future generations will underpin these efforts. The two goals emphasize the importance of economic growth, inclusion, and sustainability—including strong concerns for equity.

The World Bank is globally committed to environmental sustainability, including stronger collective action to support climate change mitigation and adaptation, recognizing this as essential in a world of finite natural resources. Equally, social development and inclusion are critical for all of the World Bank's development interventions and for achieving sustainable development. For the World Bank, inclusion means empowering all people to participate in, and benefit from, the development process. Inclusion encompasses policies to promote equality and nondiscrimination by improving the access of all people, including the poor and disadvantaged, to services and benefits such as education, health, social protection, infrastructure, affordable energy, employment, financial services, and productive assets.

The Environmental and Social Management Framework (ESMF) is an instrument that helps PFIs and MSMEs identify appropriate methods and tools to assess and manage the potential environmental and social risks and impacts of the project.

The National Recovery Program Bureau will be responsible for ensuring that the PFIs and MSMEs carry out the project with due diligence and efficiency in compliance with all requirements pertaining to environmental and social protection applicable under national laws and regulations and the ESMF.

### **C. Project Description**

The objective is to support the recovery of micro, small, and medium sized enterprises through direct and immediate financial assistance to contribute to the restoration of economic activity in Sint Maarten. The main project beneficiaries will be MSMEs. The definition of MSMEs for this project is the Sint Maarten definition of MSMEs based on monthly firm turnover. Eligible lenders include any regulated lender in Sint Maarten. This includes credit unions, development banks, and commercial banks. The PDO-level indicators are (a) Cumulative number of MSME receiving packages for assets, repairs or working capital (Number), and (b) Volume of grants and loans supported through the project over its lifetime (Amount (USD)).

The project proposes three main components: (1) direct financial support to MSMEs for investment and working capital; (2) a study of financial solutions for disaster resilience; and (3) lender training, project implementation, audit, and monitoring and evaluation.

#### ***Component 1: Direct financial support to MSMEs for investment and working capital (US\$32.50 million)***

This component will provide tailored packages to eligible MSMEs of grants and loans for Asset or Repair (AR) investments, and loans for Working Capital (WC). This component relies on the underwriting and repayment collection capabilities of the qualifying PFIs to disburse tailored packages to eligible MSMEs that combine grants and loans for AR, and loans for working capital. Because the Sint Maarten economy is based on tourism, the project will mostly invest in MSMEs that are engaged in the tourism industry (for example, restaurants, shops, tour operators). The specific MSME activities and location are not yet defined but the grants will be used only for basic nonstructural repairs inside the buildings and on the façade of buildings. Such activities may include painting and caulking, tiling, roof repairs, fencing, and so on. Funding for assets shall also exclude construction. Non-tourism businesses in need of rehabilitation may include agroprocessing, equipment supply, retail, business or health services, light industry, or other enterprises. All Category A (Very high) risk profiled activities will be screened out. The ESMF includes a

process to exclude such subprojects from becoming eligible for finance and incorporates an exclusion list.

***Component 2: Study of financial solutions for disaster resilience (US\$0.4 million)***

This component will be a longer-term study to explore financial instruments, markets, tools, and solutions for improving disaster resilience in Sint Maarten. Such markets or instruments may include private insurance, public asset insurance, sovereign insurance markets, regulation, and supervision of insurance and reinsurance. Some of the tools that may be explored include catastrophe modelling and valuations and appraisal standards.

***Component 3: Lender training, project implementation, audit, and monitoring and evaluation (US\$2.1 million)***

This component will provide training to FIs to improve their MSME lending skills and training in BC planning for MSMEs. This component will also fund the implementation support to ensure that the governance of the project is well managed. Although the PFIs will be the MSME-facing entity, it will be important to ensure that these are regularly audited and that there is monitoring and evaluation (M&E) reporting for the project.

**D. Project Location**

The specific locations of the individual MSMEs for which the SMESP will provide assistance are not known at this time, but they could be located anywhere in Sint Maarten (the Dutch side of the island). The SMESP is sector-neutral, but the MSMEs to be supported will likely include hospitality, tourism, business services, and related businesses.

**E. Environmental and Social Risks and Impacts**

***Potential Environmental and Social Risks and Impacts and Mitigation Measures***

There are several potential positive and negative impacts that can occur because of providing funding for a small business loan. The chart below provides a short list of potential negative impacts from a hypothetical loan to rebuild a damaged restaurant:

**Table 1 Example of Potential negative Impacts**

| <b>Activity</b>  | <b>Potential Negative Impacts</b>   |
|--|---|
| Creation of jobs for residents                               | Creates a new source of waste for the neighborhood, including organic and inorganic waste   |
| Demolition of building materials from the damaged restaurant | May create increased solid waste disposal problems or require handling of mold, asbestos, or other materials                            |
| Traffic from construction crews and materials delivery       | Inconvenience and risk to road safety for drivers and pedestrians; increase in particulate emissions from service and delivery vehicles |

The degree or magnitude of potential environmental, social, health and safety (ESHS) risk is a combination of the probability of certain hazard occurrences and the severity of impacts resulting from such an

occurrence. Specific ESHS risks may be present from a variety of factors such as the issues associated with an MSME's operations, the industry sector, the regulatory climate, and the geographic context. ESHS impacts refer to any change, potential or actual, to (a) the physical (manmade), natural, or cultural environment and (b) impacts on surrounding community and workers, resulting from the project activity to be supported, all of which can negatively affect the performance of the MSME as well as the reputation of the lender. ESHS impacts typically include environmental pollution; hazards to human health, safety, and security; impacts to communities, including temporary and/or permanent dislocation of people and businesses; and threats to a region's biodiversity and cultural heritage. ESHS mitigation measures refer to the suite of actions that can be undertaken to minimize exposure to risk and manage negative impacts before they become significant or result in an adverse outcome.<sup>8</sup>

The degree of potential risk, specific ESHS risks and impacts, and mitigation measures are summarized in the following table in the context of the SMESP.

**Table 2. Potential ESHS Risks, Impacts, and Mitigation Measures of the SMESP**

|                     |   |
|---------------------|---|
| Risks               | Failure to comply with the permitting system in Sint Maarten, which exposes MSMEs and their lenders to regulatory sanctions; poor MSME practice in the control of emissions and waste; poor MSME planning for effects on historical or cultural assets, traffic patterns, community safety, potential dislocation of people and small businesses, labor health and welfare; gender exclusion and differentiated access to funds for differently empowered groups; failure to provide full access to information about the SMESP to all persons; and credit risks for lenders, associated liability, and reputation of lenders |
| Impacts             | Closure of MSMEs; fines or delays; escalation of costs for production; increased insurance cost; environmental pollution; loss of livelihood and/or shelter; loss of biodiversity or cultural resources; damage to cultural resources; reduced community safety; accidents and injuries to workers; liability of MSMEs and lender; damaged reputation of MSMEs and lender from media coverage, citizen campaigns, and government investigations   |
| Mitigation Measures | The Operations Officer together with the E&S specialist screens MSMEs for ESHS compliance and performance to verify eligibility. They also provide liaison and guidance for regulatory and technical issues to PFIs and MSMEs, ensure lender agreements include ESHS requirements, and periodically supervise and report. The MSMEs to certify accurate information in applications, commit to compliance and good performance, and report periodically on ESHS matters.  |

## **F. Requirements for PFIs and MSMEs**

MSMEs will be required to conform to requirements for ESHS performance. The PFIs will need to verify MSME eligibility for the SMESP and the NRPB will ensure that the ESHS requirements are agreed with prior to the loan agreements. The SMESP Operations Officer, together with an E&S specialist where needed, effectively screens the MSMEs on EHS requirements.

The MSMEs are responsible for ESHS compliance. They need to provide evidence that they have acquired and keep in force the relevant license or permit, if required, as well as take all appropriate steps to protect

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<sup>8</sup><https://firstforsustainability.org/risk-management/understanding-environmental-and-social-risk/>

worker health and safety. The SMESP and the PFIs may also provide technical guidance to MSMEs, such as World Bank Group Environment, Health, and Safety (EHS) Guidelines or good practice documents. The objective is to help the MSMEs move beyond compliance and on to cleaner production and improved environmental sustainability that would help reduce costs (for example, due to use of less water and energy, generation of less wastes, and higher efficiencies) and also help prevent any future potential environmental problems. These will be made available to the MSMEs and may also create MSME financing opportunities should an MSME desire financing to move to cleaner, environmentally friendly, and more sustainable production, for example, to attract international investors or enter new markets.

### **G. Stakeholder Engagement and Grievance Redress**

The SMESP Operations Officer (OO) will act as first line on ESHS Safeguards will be available to provide outreach and assistance to the PFIs and MSMEs in reviewing specific situations.

The OO, together with the PM will also address any grievances that are submitted with respect to the project. A Grievance Redress Mechanism to register, track, address, and resolve complaints or related issues has been developed and is included in this Operations Manual.

### **H. Screening and Environmental Management Procedures**

The NRPB will use the exclusionary list included in the supplemental application form in annex 1 when reviewing applications. The procedures are applicable to all the MSMEs. The MSME screening and processing procedure involves the following five general steps:

- (1) Review answers to supplemental form
- (2) Assign ESHS risk category
- (3) Additional investigation (optional)
- (4) Prepare loan documentation
- (5) Administration, evaluation, and reporting

The application procedures will follow a set of steps which are designed to ensure that environmental and social considerations are considered, for which the applicable steps must be completed and approved as part of the application process. The forms and procedures can be made available online to facilitate the application process. Additional details and guidelines on the screening and management procedures can be found in the following paragraphs.

Training will take place as needed and will be the responsibility of the SMESP.

### **I. Environmental and Social Requirements**

The environmental and social requirements applicable to the project include the following:

- EHS laws and regulations in Sint Maarten
- World Bank Safeguards Policies
- World Bank Group EHS Guidelines for general and sector-specific activities

## **J. Sint Maarten Specific Environmental Regulatory Requirements**

Loans made using funds from the SMESP will be subject to national ESHS (environmental, social, health and safety) regulatory requirements in Sint Maarten. In most cases, such as minor repairs, it is expected that no permit would be required, although building codes, the building ordinances, the waste ordinance and any other relevant ordinances would need to be adhered to. In cases where environmental damage could occur, then a Hindrance Permit may be required. Part of the screening and verification process is to ensure that any permits, if required, are in place, or at least requested by the applicant MSME.

## **K. World Bank Safeguards**

There are 10 World Bank Safeguards Policies:<sup>9</sup>

1. Environmental Assessment - OP/BP 4.01
2. Natural Habitats - OP/BP 4.04
3. Forests - OP/BP 4.36
4. Pest Management - OP 4.09
5. Physical Cultural Resources - OP/BP 4.11
6. Indigenous Peoples - OP/BP 4.10
7. Involuntary Resettlement - OP/BP 4.12
8. Safety of Dams - OP/BP 4.37
9. Projects on International Waterways - OP/BP 7.50
10. Projects in Disputed Areas - OP/BP 7.60

The SMESP triggers some of the safeguard policies, as detailed in the following paragraphs.

## **L. Environmental Assessment (OP/BP 4.01)**

The project triggers Safeguards Policy OP/BP 4.01 (Environmental Assessment) given the potential for negative environmental and social impacts. The project is classified as Category FI according to OP/BP4.01.

The specific individual MSME subprojects to be financed under the project will not be known until after subproject approval; however, it is expected that most of the projects will involve hospitality, tourism, retail, and business services. Very high-risk (Category A) MSMEs as well as those on the WBG Exclusion List will be screened out, so that the potential environmental impacts associated with the likely (presently anticipated) type of MSMEs to be engaged should be relatively minor to moderate and should not involve significant environmental impacts, and with appropriate standard mitigation measures, the potential negative impacts should be managed appropriately. This ESMF has been developed to manage the potential associated environmental and social impacts and risks, to establish requirements both at the SMESP level and at the PFI and MSME levels. Additional screening/exclusion criteria are included in the ESMF to exclude any project that would trigger an additional Safeguards Policy or result in an unacceptably high level of ESHS risk.

The ESMF outlines measures to protect workers and promote safe and healthy working conditions in line with this policy related to MSMEs financed and the PFIs. In addition, the types of MSME activities that

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<sup>9</sup><https://www.worldbank.org/en/projects-operations/environmental-and-social-policies>

presently are anticipated to receive a package are not expected to have significant community safety issues; however, the ESMF will include appropriate mechanisms for screening and impact management (for example, related to transport/road safety, emergency response). As needed, the ESMF excludes certain project types (for example, those involving use of armed security personnel, transport of significant quantities of hazardous materials) given that the SMESP staff or individual banks would likely not be in a position to perform the necessary due diligence for the risks involved. Finally, pollution prevention and response to accidents involving pollutant releases are addressed as part of the ESMF. The expected projects associated with the MSMEs are not anticipated to generate significant impacts on air quality, water quality, solid waste, and noise level, and so on, but if such situations are identified, then the MSME must adequately address them using World Bank EHS Guidelines or in-country laws, whichever is more stringent.

#### **M. Pest Management (OP4.09)**

The Safeguards Policy on Pest Management (OP4.09) is also triggered, given the importance of pest control in retail buildings and restaurants and the associated need for the use and purchase of pesticides (which include herbicides, fungicides, mildewcides, algacides, and other chemicals used for control of organic processes). To ensure that harmful pesticides are not used, the policy requires that any pesticide it finances be manufactured, packaged, labeled, handled, stored, disposed of, and applied according to standards acceptable to the World Bank and excludes certain formulated products, as well as requiring training, equipment, and facilities to handle, store, and apply these products properly.

Pesticides for routine use must be applied by licensed, registered contractors. In addition, a list of excluded pesticides is provided in section 3 of this Annex.

#### **N. Natural Habitats (OP/BP 4.04)**

This policy strictly limits the circumstances under which any World Bank-supported project can affect or alter natural habitats (land and water areas where most of the native plant and animal species are still present) as well as parks, natural areas, or other declared protected areas. Projects must avoid, minimize, restore, or offset any activities that cause degradation of natural habitat. Projects that would cause significant conversion or degradation of critical natural habitat (legally protected areas, or those with high conservation value) are not eligible for funding.

It is unlikely that this policy will be needed as the SMESP package may only be used for nonstructural repairs to buildings. It has been triggered as a precaution.

Screening criteria will identify any projects that could potentially significantly affect natural habitats, protected or sensitive areas, or forest resources or their management. If identified as a concern, the MSME must provide evidence that the appropriate mechanisms for impact management are in place, through expanded due diligence by NRPB team and PFIs and the completion of any additional safeguards studies indicated by the policy guidance.

#### **O. Physical Cultural Resources (OP/BP 4.11)**

This policy seeks to avoid or mitigate adverse impacts on cultural resources (movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance)

from development projects that the World Bank finances. If a project may affect physical cultural resources, measures to minimize or mitigate effects must be included in an Environmental Impact Assessment (EIA) or other assessment process. In the context of the SMESP, this may include historic buildings, facades, or other physical cultural resources valued by the community or as defined in local regulations. Further, if any artifacts or resources are uncovered during earth-moving activities, work must stop, and the relevant government agency must be notified to determine whether the activity may proceed or if rescue/relocation is required under Sint Maarten regulations, laws, and protocols.

#### **P. Involuntary Resettlement (OP/BP 4.12)**

The project is designed to exclude land purchase. Therefore, no funds will be used in a manner that could result in the displacement of persons due to land purchase. In the event the subprojects lead to loss of peoples' livelihood permanently or temporarily due to the refurbishments of buildings or other improvements planned under Component 1, the client will prepare a Livelihood Restoration Plan. No subprojects will result in permanent or temporary physical displacement of persons due to the exclusory restriction.

#### **Q. Other Safeguard Policies**

Screening and exclusion criteria are provided to ensure that any MSMEs or activities that would trigger any other World Bank Safeguard Policies (other than those described above) would not be eligible for funding under the project.

These additional screening and exclusion criteria would exclude any projects related to), Forests (which would trigger OP/BP 4.36), or Indigenous Peoples (OP/BP 4.10). There are no projects affecting international waterways (OP/BP 7.50) nor would there be any in disputed areas (OP/BP 7.60).

#### **R. World Bank Group EHS Guidelines**

The World Bank Group has developed guidelines for EHS that serve as useful references for general issues as well as sector-specific activities.<sup>10</sup> The MSMEs can utilize these guidelines as referenced compliance standards for emissions, waste management, and good industry practice. Sint Maarten may have developed standards for many specific industrial activities, which would also apply. In the case of duplication of compliance standards, the more stringent shall apply. In general, the World Bank Group EHS Guidelines are applied to more complex projects with potentially significant emissions, discharges, or other environmental issues.

#### **S. Environmental Management Plan for Construction/Rehabilitation Works**

Most of the physical footprint of the project's Component 1 will involve the rehabilitation of buildings for tourism-related businesses such as hotels, restaurants, office buildings, and so on. Non-tourism businesses in need of rehabilitation may include agroprocessing, equipment supply, retail, business or health services, light industry, or other MSME. Section 4 provides a standard Environmental Management Plan (EMP) for these low risk types of activities and will form part of the grant/loan agreement for the MSMEs that are engaging in these sorts of construction/rehabilitation works.

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<sup>10</sup><http://www.ifc.org/ehsguidelines>.

If a project requires additional studies (e.g. an EIA, a PMP, or other additional assessment) due to affecting physical cultural resources, natural habitat, or has significant pest management issues, then the associated studies will specify any additional requirements to the EMP in Section 4.

## T. Institutional Arrangements

The SMESP PIU will use the questionnaire provided by the SMESP to determine if an MSME client meets project requirements regarding environmental and social responsibilities.

It is important that the operations of businesses assisted by the SMESP do not harm the environment or affect communities negatively. The restrictions on the types of businesses that are eligible address most environmental issues. The SMESP should be contacted before submission of an application if the lender has any questions regarding whether a particular loan meets the environmental criteria. The SMESP PIU staff will include an Operations Officer with basic ESHS capacity. The Operations Officer will be responsible for reviewing the supplemental forms and will work together with an Environmental and Safeguards Specialist who will lead on reviewing medium and high-risk assessment reviews.

The SMESP PIU Operations Officer will also be responsible for the training and outreach for the PFIs and will be available to aid the PFIs and MSMEs in reviewing specific situations. Additional resources for training and outreach may be contracted based on need.

### 2. Environmental Management Procedures

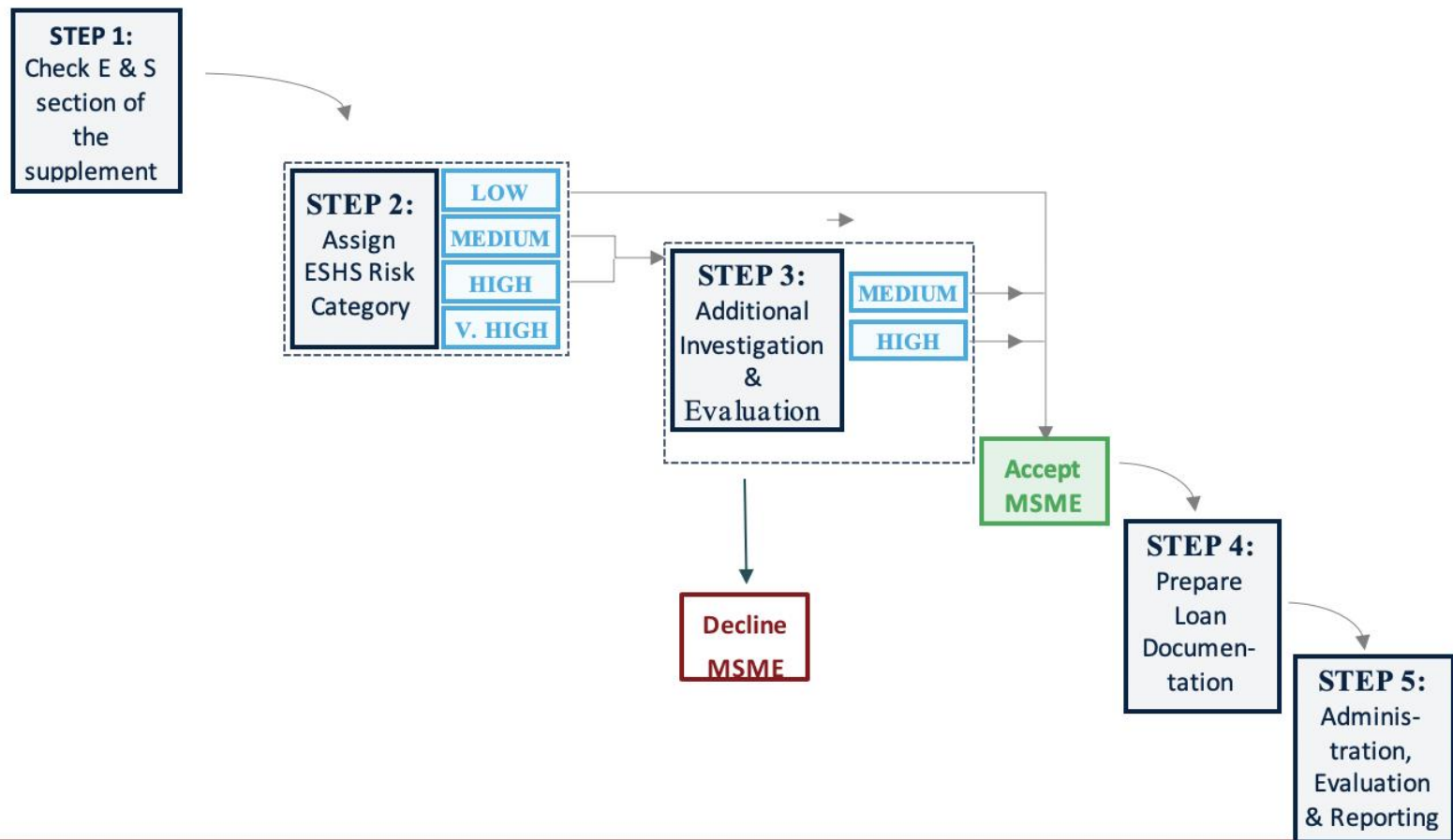
The PIU will use screening and management protocols to reduce ESHS risk. The procedures are applicable to the MSMEs from a variety of sectors, including tourism and hospitality, as well as non-tourism businesses in need of rehabilitation such as agroprocessing, equipment supply, retail, business or health services, light industry, or other enterprises. The MSME screening and processing procedure is described below. The application procedures will follow a set of steps which are designed to ensure that environmental considerations are taken into account. The steps are summarized in Figure 4, for which the applicable steps must be completed and approved as part of the application process. The forms and procedures can be made available online to facilitate the application process.

**Table 3. Steps in the MSME Application Process**

| Step | Activity                                  | Performed by        | Timeline                | Verified by                |
|------|---|---------------------|-------------------------|----------------------------|
| 1    | Review Supplemental form                  | In loan application | 1 day                   | SMESP <sup>a</sup>         |
| 2    | Assign ESHS risk category                 | OO                  | 2 days                  | PM                         |
| 3    | Additional investigation (optional)       | NRPB                | Varies by risk category | PM                         |
| 4    | Prepare package documentation             | OO                  | 3 days                  | SMESP                      |
| 5    | Administration, evaluation, and reporting | OO/PFI              | Quarterly/annually      | SMESP and World Bank Group |

Note: a. Verification will be completed by the SMESP Operations Officer during random audits of loans.

Figure 4. Steps in the MSME Application Process



### **Step 1 – Review Supplemental application form**

The project activities that are not eligible for financing because they would either trigger additional safeguards policies or contravene the safeguards parameters of the program with the World Bank by triggering additional policies or because they are listed on the World Bank Group Exclusion List can be found in the Supplemental application form in annex 1 .

### **Step 2 - Check Local Permit Status**

The Country of Sint Maarten has requirements for local permitting that must be met if certain alternations are made to a building or its surrounding area. [The Building Ordinance AB1993-13](#) governs the application for and requirements related to these permits.

Sint Maarten has specific rules that protect certain identified monuments, and there are requirements to maintain the local or landscape. These regulations allow the Government of Sint Maarten to specify the types of building materials that may be used, the limitations on changing the façade, the shape of the roof, and other appearance items. They also govern the demolition of a building. If a loan involves nonstructural repairs that affect the appearance of a monument, meeting these requirements must be one of the requirements of the loan.

A Hindrance Permit may be needed if the loan finances specific types of activities that can cause danger, damage, and/or nuisance to the environment or the surroundings. The regulations generally pertain to regulating, preventing, and/or limiting soil pollution, water pollution, noise pollution, air pollution, odor pollution, or have a negative impact on the safety of an area.

Permits maybe required for earth displacement. Any of the following activities must be permitted before the commencement of the activity:

- (a) Digging, raising, or leveling of the ground
- (b) Placing roads and other hardening of terrain
- (c) Works that can influence the water management and groundwater level
- (d) Uprooting of trees or pruning that leads to uprooting of other shrubbery
- (e) Demolishing of structures

### **Step 3 – Check Availability of Land for Business Expansion**

If land is required for business expansion this needs to be determined. No SMESP proceeds can be used for the acquisition of land. Therefore, if land is required for business expansion it must already be available and financed before any proceeds are granted.

### **Step 4 - Assign ESHS Risk Category**

The supplemental form 1 is required to be completed to determine the ESHS Risk category of an MSME. The supplemental application form 1 identifies Low-Risk. Medium- and High-Risk MSMEs.

With assistance and information from the MSME, the OO will fill out the supplemental application form in annex 1. The Supplemental application form must be completed for every application. The MSME must review, accept, and certify the information on the form as 'True', 'Complete', and 'Correct'.

If the response to the E&S screening questions 1 through 17 is negative or not applicable, then the MSME is automatically considered as Low Risk, and no further investigation is needed. In these cases, the application moves forward for processing and loan/grant documentation.

If any of the responses to any of the queries in items 1 through 14 are in the affirmative, then the MSME is either Medium Risk or High Risk, and the MSME must be further investigated. If any of the responses are 'Not Known', then the E & S Specialist must further investigate the MSME.

If the response to any of the questions 15 through 17 is in the affirmative, then the MSME is at least considered High Risk and the E&S Specialist must further investigate the MSME.

The MSMEs deemed Medium Risk may be subject to additional assessment or investigation as appropriate, based on supplementary form, advice of E&S specialist and in the judgment of the SMESP Operational Officer. All the MSMEs deemed High Risk must be subject to an additional assessment, as described in Step 5 below.

Note that the assignment of ESHS risk categories using the supplementary forms is subjective and will require the use of professional judgment by the SMESP Operations Officer (low risk ) and the E&S specialist (medium and high risk), who may elect to seek supporting or expert opinion as is deemed necessary or appropriate on a case-by-case basis. The SMESP may adjust the questions and logic for risk assignment from time to time based on experience and judgment, taking into account such factors as scale of the enterprise, location in or near protected areas or other sensitive areas, complaints or violations noted, or other information in the screening forms.

### **Step 5 – Additional Investigation (Optional)**

If an application should involve any factors that may represent potential significant or material ESHS risks, as determined earlier, then additional investigation is warranted by the SMESP. This may apply to a Medium Risk MSMEs and will always apply to High Risk MSMEs. Additional investigation may be limited to the review of additional information, plans, studies, permits, or assessments and may also include site visit, an audit, facility inspection, or other physical review. Regardless of the mechanism chosen, the investigation must determine if there are any unaddressed significant negative ESHS risks or impacts.

Additional assessment studies (ESIA, audits, permits, approvals, PMPs, Livelihood Restoration Plan, land titles, or other documents) may also be provided by the MSME as evidence of good practice, compliance, or satisfactory resolution of any ESHS issues identified in Tier 2 screening.

A site visit, audit, or inspection will help assess the state of the company operations, in particular issues of encroachment or informal and illegal settlement on the business premises and other social issues such as housekeeping, worker health and safety, environmental health and safety, and human resources management issues. Any such site visit, audit, or inspection must take into context the cultural heritage of the population. Site visits must be made to all companies where the ESHS risk status has been deemed as High Risk. A site visit checklist should be used in conjunction with the relevant and applicable World Bank Group EHS Guidelines (general and sectors) with equivalent or supporting information from other sources (for example, ESAT (Environmental and Social Assessment Tool), European Bank for

Reconstruction and Development (EBRD), or Entrepreneurial Development Bank<sup>11</sup> checklists or fact sheets, available from the previously referenced websites) to ensure that any negative impact is either eliminated or reduced to the maximum extent possible.

The results of the additional investigation can then be used to inform and revise the final determination of ESHS risk status. The SMESP Project Officer together with the E&S specialist will assign a final category of Medium Risk or High Risk based on experience and judgment, as well as expert advice where needed. It may be necessary to engage the services of a professional engineer if there are questions about drainage, structural integrity, building code, or ordinance issues.

Because of the additional investigations, there may be recommendations for ESHS actions, special conditions such as updating a monitoring plan, or other requirements to improve MSME performance, update compliance status, or otherwise reduce ESHS risk. In these cases, the PFIs will include recommendations in the loan documentation that address any social issues or other negative impacts that were identified and require periodic reporting on these recommendations or special conditions. This will normally be the case for High Risk MSMEs which have complex or sensitive ESHS situations.

### **Step 6—Prepare Loan Documentation**

Following the evaluation and documentation of ESHS risk, the PFIs are in a position to approve the application, subject to conditions that will describe measures being taken to control the ESHS risk or reject the MSME's participation due to unacceptably high ESHS risk.

The outcome of the environmental and social risk evaluation is summarized and included in the documentation submitted in the approval package, as follows:

- The MSMEs deemed Low Risk will only require the use of standard, general conditions, including the standard EMP for construction/rehabilitation works (see section 4).
- The MSMEs deemed Medium Risk will require the standard, general conditions and any special requirements if deemed necessary by the SMESP staff and/or PFI.
- The MSMEs deemed High Risk will require the standard, general conditions, as well as all of the actions, RAP, monitoring plans, permit updates, periodic audits, and other necessary information from the additional investigation conducted after the supplemental form appraisal.

The standard language related to environmental and social matters appears in the following paragraphs and will be included in the Beneficiary Agreement between MSME and NRPB, as general conditions for approval of the loan. The NRPB may adjust the language of the conditions as deemed necessary or appropriate, using subjective judgment and professional experience, calling upon the advice of peers or third parties as deemed prudent. Additional conditions will be written by the PFI Loan Officer on a case-by-case basis, taking into account the regulatory requirements, findings of the site visit, or other information. Reporting by the MSMEs shall also include updates and status reports on any of the relevant or special conditions described herein.

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<sup>11</sup> *Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden*)

### ***Representations and Warranties***

- (a) The MSMEs operations and activities are in compliance with all applicable environmental, health, safety and labour regulatory requirements.
- (b) The MSMEs operations and activities do not involve any activity included in the List of Excluded Activities.
- (c) With respect to the MSMEs operations and activities, to the best of its knowledge and belief after due inquiry, there are no substantial or material liabilities, claims, or unmitigated risks to the MSMEs employees, buildings or offices, or assets due to environmental, occupational health and safety, or labour-related issues.

### ***Covenants***

The MSME shall:

- (a) Maintain all operations and activities in compliance with all applicable environmental, health, safety and labour regulatory requirements, including laws, regulations, and applicable land titles, permits/authorizations;
- (b) Ensure that all required permits are obtained and in force through the life of the agreement;
- (c) Not undertake any operation or activity included in the List of Excluded Activities;
- (d) Ensure that potentially adverse project-related environmental effects, from wastewater effluent, surface drainage, air emissions, and any other potential damage to the natural environment, are adequately mitigated;
- (e) With respect to the MSME's employees, buildings and offices, and assets, take all reasonable and prudent actions to avoid substantial or material liabilities, claims, or unmitigated risks due to environmental, occupational health and safety, or labour-related issues, and if such event does occur, take the appropriate and reasonable actions to adequately resolve and mitigate such liability, claim, or risk;
- (f) Ensure that appropriate health and safety and environmental protection measures are being used in connection with the implementation and operation of the facilities.
- (g) Promptly notify the NRPB of any incident or accident relating to its operations which could have a significant or material adverse effect on the environment, community or worker health and safety, such as worker health and safety accident resulting in death, hospitalization or more than 5 days of loss of worker time, material environmental health and safety regulatory noncompliance. The notification should include actions to resolve the issue/incident; and
- (h) *Environmental, Health and Safety Permits, Laws, and Regulations*
  - a) The MSME shall ensure that all required permits are obtained and in force through the life of the agreement. Where applicable, the MSME shall ensure that potentially adverse environmental effects, from wastewater effluent, surface drainage, and air emissions and any other potential damage to the natural environment are adequately permitted and mitigated in the operation and maintenance of project facilities.
  - b) The MSME shall ensure that appropriate health and safety and environmental protection measures are being used in connection with the implementation and operation of the facilities.
  - c) Additional recommendations from the site visit or by the environmental expert audit may include, as applicable, the following optional conditions or restrictions:
    - (i) As applicable, any project-specific environment clause which should be added to the MSME finance agreement

- (ii) As applicable, any project-specific administrative measures (that is, if supervision by the PFI or reporting by the MSME is required)

### ***Reporting***

The MSME shall furnish to the NRPB immediate notice (within 3 days) of any incident or accident relating to its operations which had an adverse effect on the environment or worker health and safety. In particular, such adverse effect is deemed to have occurred

- (a) Where the applicable law requires notification of the accident/incident to the authorities; and
- (b) Where the accident/incident involves fatality of worker(s) or multiple serious injury requiring hospitalization.

The MSME shall submit to the NRPB, as soon as available, but in any event within 45 days after the end of the calendar year, an annual report on environmental and worker health and safety matters relating to the project and its operations, in a form satisfactory to the World Bank, which shall include copies of any information on environmental matters that the Company may have to make available to the authorities and, in any event

- (a) The current status of environmental and worker health and safety permits, licenses, or other approvals required for operations (including copies of renewals or modifications of any such approvals);
- (b) A summary of incidents of noncompliance with the application of the environmental law, (including legal or administrative action or proceedings involving the MSME or fines, penalties, or increased charges imposed on the MSME);
- (c) Progress made on the implementation of any improvements recommended for environmental management or performance;
- (d) Worker health protection and safety initiatives (including training programs) taken by the MSME; and
- (e) Public complaints/representation, if any.

The report shall state the steps taken or proposed by the MSME to address any problems in the above areas and shall identify the person at the company with overall responsibility for environmental health and safety matters.

### ***Special Conditions***

In addition to the standard conditions stated earlier, the following requirements are included to take into account the regulatory requirements, findings of the site visit, or other information as appropriate and prudent to ensure that the MSME is fulfilling the intent to achieve full compliance status (such as a RAP) with laws, regulations, permit conditions, or compliance plans, as applicable. Reporting by the MSMEs shall also include updates and status reports on any of the relevant or special conditions described herein.

## **Step 7 - Administration, Evaluation, and Reporting**

As part of administration, the SMESP will maintain information on the MSME E&S performance in its portfolio. The SMESP will require the following information of the MSMEs annually and will provide a

summary report annually for the MSME portfolio funded by the project.

Requested from MSME:

1. Give details of any material environmental issues associated with their activities during the reporting period, in particular
  - a) Any accidents/litigation/complaints.
  - b) Any incidents of noncompliance with applicable environmental, health, and safety regulations and standards, such as fines, penalties, or excess fees for noncompliance; and
  - c) Any incidents of noncompliance by them with environmental covenants/conditionality imposed by the World Bank.
2. Give details of any loans used to finance environmental improvements, such as energy efficiency, waste minimization, switch to cleaner technology, and reduction of permit fees or fines due to environmental improvements.
3. Give details of any MSME failures due to environmental problems.
4. State any difficulties and/or constraints related to the implementation of the environmental procedures.

In the annual report the NRPB will:

1. Provide breakdown of portfolio by type of transaction, industry sector, and environmental risk classification (low, medium, and high environmental risk MSMEs).
2. Describe how environmental procedures have been integrated into the transaction approval process.
3. Give details of any transaction rejected on environmental grounds, in particular, for actual or perceived noncompliance.
4. Give details of any other transaction rejected on health, and safety grounds.
5. Give details of any material environmental issues associated with Participants during the reporting period, in particular
  1. Any accidents/litigation/complaints.
  2. Any incidents of noncompliance with applicable environmental, health, and safety regulations and standards, such as fines, penalties, or excess fees for noncompliance; and
  3. Any incidents of noncompliance by Participants with environmental covenants/conditionality imposed by the World Bank.
6. Give details of any loans used to finance environmental improvements, such as energy efficiency, waste minimization, switch to cleaner technology, and reduction of permit fees or fines due to environmental improvements.
7. Give details of any MSME failures due to environmental problems.
8. Describe how the MSME's environmental performance is monitored (for example, site visit by the World Bank or NRPB staff, inspection by environmental/health authorities, copies of updated permits, reports from the MSME). Include information on monitoring of special conditions from permits or other compliance-related items that were included in the loan agreement.
9. State any difficulties and/or constraints related to the implementation of the environmental procedures.

The SMESP Operations Officer will perform a yearly review of the portfolio and review a sample of the activity of the participating lenders to see what additional plans may be undertaken. The review will

determine if the current ESMF is still valid or if they need to be updated. Based on the results of the annual reporting, the SMESP staff will utilize and evaluate this information to determine if any new ESHS plans are required. The annual portfolio review will allow the process to be guided by how the market is changing. Follow-ups on individual MSMEs will be performed if deemed necessary.

### 3. Pest Management Plan Guidelines

If an MSME purchases or uses chemicals to manage pests (including herbicides, fungicides, insecticides, mildewcides, or other pesticides), then at a minimum, the MSME must not purchase or use chemicals which are currently or are soon to be prohibited by law or international agreement. A list of these pesticides appears in this document. In addition, the MSME must adhere to good practice and follow the laws and guidelines that are available in the host country.

When there are significant pest management issues identified, a Pest Management Plan (PMP) will need to be prepared. Significant pest management issues are described as (a) new land-use development or changed cultivation practices in an area, (b) significant expansion into new areas, (c) diversification into new crops in agriculture, (d) intensification of existing low-technology systems, (e) proposed procurement of relatively hazardous pest control products or methods, or (f) specific environmental or health concerns (for example, proximity of protected areas or important aquatic resources or worker safety issues). A PMP is also prepared when pest control products represent a large component of the project. The World Bank Group Pest Management Policy refers to 'pesticides' to include all chemicals used for the control of target pests (that is, herbicides, fungicides, insecticides, mildewcide, biocide, algacide, and so on).

The PMP is a comprehensive framework through which pest management is defined and accomplished. The plan should identify elements of the program to include health and environmental safety, pest identification, and pest management, as well as pesticide storage, transportation, use, and disposal. The PMP is to be used as a tool to reduce reliance on pesticides, enhance environmental protection, and maximize the use of integrated pest management techniques. The PMP should apply to all the activities and individuals working on the project or activity. The PMP should be consistent with IPM and emphasize that nonchemical control efforts will be used to the maximum extent possible before pesticides are used.

The PMP must contain pest management requirements; outline the resources necessary for surveillance and control; and describe the administrative, safety, and environmental requirements. The plan should provide guidance for operating and maintaining an effective pest management program/activity. Pests included in the plan may be weeds and other unwanted vegetation, crawling insects, and other vertebrate pests. Without control, these pests provoke plants' diseases. Adherence to the plan will ensure effective, economical, and environmentally acceptable pest management and will maintain compliance with pertinent laws and regulations.

The recommended structure of a PMP is presented in the following paragraphs:

1. **Background** which would outline (a) the *purpose* of the plan, (b) identify indicate *pest management authorities*, and (c) pest management program *objective*
2. **Responsibilities of individuals** (MSME manager, SMESP Operations Officer, and so on)

3. **General information** which should provide data on land use and soil, in the area where the pesticides are applied, climate, geomorphology, settlements in the area of concern, population, surface water, and so on, as well as inventory of land use and layout of facilities
4. **Priority of pest management** (for example, undesirable vegetation, vertebrate pests, and so on)
5. **Integrated pest management**
  - 5.1 *Principles of the integrated pest management* are the following:
    - (a) *Mechanical and physical control*. This type of control alters the environment in which a pest lives, traps and removes pests where they are not wanted, or excludes pests. Examples of this type of control include harborage elimination through caulking or filling voids, screening, and so on.
    - (b) *Cultural control*. Strategies in this method involve manipulating environmental conditions to suppress or eliminate pests. For example, spreading manure from stables onto fields to dry prevents fly breeding. Elimination of food and water for pests through good sanitary practices may prevent pest populations from becoming established or from increasing beyond a certain size.
    - (c) *Biological control*. In this control strategy, predators, parasites, or disease organisms are used to control pest populations. Sterile flies may be released to lower reproductivity. Viruses and bacteria which control growth or otherwise kill insects may be used. Parasitic wasps may be introduced to kill eggs, larvae, or other life stages. Biological control may be effective in and of itself but is often used in conjunction with other types of control.
    - (d) *Chemical control*. Pesticides kill living organisms, whether they will be plants or animals. At one time, chemicals were considered to be the most effective control available, but pest resistance rendered many pesticides ineffective. The trend is to use pesticides which have limited residual action. While this has reduced human exposure and lessened environmental impact, the cost of chemical control has risen due to requirements for more frequent application. Since personal protection and special handling and storage requirements are necessary with the use of chemicals, the overall cost of using chemicals as a sole means of control can be quite costly when compared with nonchemical control methods.
  - 5.2 *Integrated pest management outlines*. This subchapter addresses each major pest or category of similar pests, by site, in separate outlines.
  - 5.3 *Annual workload for surveillance, prevention, and control*. In this subchapter should indicate the number of man-hours expended for surveillance, prevention, and control of pests.
6. **Health and safety**. This section contains health and safety requirements as follows:
  - 6.1 *Medical surveillance of pest management personnel*. All personnel who apply pesticides have to be included in a medical surveillance program.
  - 6.2 *Hazard communication*. Pest management personnel are given hazard communication training, to include hazardous materials in their workplace. Additional training is to be given to new employees or when new hazardous materials are introduced into the workplace.
  - 6.3 *Personal protective equipment*. This chapter has to describe approved masks, respirators, chemical resistant gloves and boots, and protective clothing (as specified by applicable laws, regulations, and/or the pesticide label) that are provided to pesticide applicators. These items are used, as required, during the mixing and application of pesticides. Pesticide-contaminated protective clothing is not to be laundered at home but commercially.

Severely contaminated clothing is not laundered but is considered a pesticide-related waste and disposed, as applicable for hazardous waste.

**6.4 Fire protection.** The fire safety protection requirements have to be established; the Pest Management Coordinator has to control implementation of measures to prevent fire.

## 7. Environmental Considerations

**7.1 Protection of the public.** Precautions are taken during pesticide application to protect the public, on and off the installation. Pesticides should not be applied outdoors when the wind speed exceeds 155 m per min. Whenever pesticides are applied outdoors, care is taken to make sure that any spray drift is kept away from individuals, including the applicator. Pesticide application indoors is accomplished by individuals wearing the proper personal protective clothing and equipment. At no time are personnel permitted in a treatment area during pesticide application unless they have met the medical monitoring standards and are appropriately protected.

**7.2 Sensitive areas.** No pesticides are applied directly to wetlands or water areas (lakes, rivers, and so on) unless use in such sites is specifically approved.

**7.3 Endangered/protected species and critical habitats.** Protected migratory birds which periodically appear on the installation cannot be controlled without a permit. The Pest Management Coordinator periodically evaluates ongoing pest control operations and evaluates all new pest control operations to ensure compliance with the list of endangered species. No pest management operations are conducted that are likely to have a negative impact on endangered or protected species or their habitats without prior approval from environmental authorities.

**7.4 Environmental documentation.** An environmental assessment which specifically addresses the pesticide use program on the installation has been prepared. This plan is referenced in the assessment as documentation of pesticide use.

## 8. List of Prohibited Pesticides.

Prohibited pesticides are listed below and include the World Health Organization's dirty dozen' which are prohibited as well:

|                             |
|-----------------------------|
| – 2, 4, 5, -T aldicarb      |
| – Aldrin                    |
| – Binapacryl                |
| – Captafol                  |
| – Chlordane                 |
| – Chlordecone               |
| – Chlordimeform             |
| – Chlorobenzilate           |
| – DDT                       |
| – Dieldrin                  |
| – Dinoseb and dinoseb salts |
| – 1, 2-dibromoethane (EDB)  |
| – Endrin                    |
| – Fluoracetamide            |
| – HCH (mixed isomers)       |
| – Heptachlor                |

|                               |
|-------------------------------|
| – Hexachlorobenzene           |
| – Lindane                     |
| – Mercury compounds           |
| – Mirex                       |
| – Paraquat                    |
| – Pentachlorophenol           |
| – Toxaphene                   |
| – Monocrotophos               |
| – Methamidophos               |
| – Phosphamidon                |
| – Methyl parathion            |
| – Parathion                   |
| – Alpha hexachlorocyclohexane |
| – Beta-HCH                    |
| – Pentachlorobenzene          |

#### **4. Environmental Management Plan (EMP) for small construction/rehabilitation works**

The following are standard mitigation measures for the small civil works which have been determined to be of Low ESHS Risk or minimal environmental impact. These mitigation measures are the core of a generic, standardized EMP for these types of small works and the typical associated minor impacts which can be routinely addressed with good ESHS practice. These measures are general and may be modified to conform with applicable laws and regulations of Sint Maarten and contract procedures for such works. These mitigative measures are intended for relatively simple environmental management issues and are based on good ESHS practice and industry standards. These are the mitigation measures which are expected of all who engage in small construction/rehabilitation works and represent the minimum standard for ESHS for the beneficiaries of the project.

##### **1. Permits and Approvals**

The beneficiary shall be responsible for ensuring that he or she has all relevant legal approvals and permits required to commence works.

##### **2. Site Security**

The beneficiary or his/her contractor shall be responsible for maintaining security over the construction site, including the protection of stored materials and equipment. In the event of severe weather, the site shall be secured and associated equipment in such a manner as to protect the site and adjacent areas from consequential damages. This includes the management of on-site construction materials, construction and sanitary wastes, additional strengthening of erosion control and soil stabilization systems, and other conditions resulting from on-site activities which may increase the potential for damages.

##### **3. Discovery of Antiquities**

If, during execution, earth-moving, or other activities, any material is discovered on-site which may be considered of historical or cultural interest, such as evidence of prior settlements or burial grounds, native or historical activities, evidence of any existence on a site which may be of cultural significance, all work shall stop and the area in which the material was discovered shall be secured, cordoned off, and marked and the evidence preserved for examination by the local archaeological or cultural authority. No item believed to be an artifact must be removed or disturbed by any of the workers. Work may resume upon permission from the appropriate authorities with any restrictions offered to protect the site.

##### **4. Worker Occupational Health and Safety**

The beneficiary or his/her contractor shall ensure that all workers operate within a safe environment. Sanitation facilities shall be provided for all site workers. All sanitary wastes generated because of project activities shall be managed in a manner approved by the local authority responsible for public health. There shall be first aid available on site. Workers must be provided with the necessary protective gear as per their specific tasks, such as hard hats, overalls, gloves, goggles, and boots, as appropriate. All workers must operate within a safe environment. All relevant Labor and Occupational Health and Safety regulations must be adhered to ensure worker safety. Appropriate posting of information within the site must be done to inform workers of key rules and regulations to follow.

## **5. Noise Control**

The beneficiary or his/her contractor shall control noise emissions generated because of on-site activities to the extent possible. In the case of site locations where noise disturbance will be a concern, it shall be ensured that the equipment is in good working order with manufacturer-supplied noise suppression (mufflers and so on) systems functioning and in good repair. Where noise management is a concern, schedule activities during normal working hours (between 8 a.m. and 5 p.m.). Where noise is likely to pose a risk to the surrounding community either by normal works or working outside of normal working hours or on weekends, develop a public notification and noise management plan. Specific elements of the noise control activities shall include the following: construction/work activities will occur within specified daylight hours, for example, 8:00 a.m. to 4:00p.m.; community/public should be informed in advance of any work activities to occur outside of normal working hours or on weekends; sites should be fenced wherever possible; during operations, the engine covers of generators, air compressors, and other powered mechanical equipment shall be closed, and equipment should be placed as far away from residential areas as possible; there will be no excessive idling of construction vehicles at sites; noise suppression equipment or systems supplied by the manufacturer will be utilized; and, it should be ensured that all vehicles and equipment are properly serviced.

## **6. Use and Management of Hazardous Materials, Fuels, Solvents, and Petroleum Products**

The use of any hazardous materials, including oils, fuels, and petroleum products, shall conform to the proper use recommendations of the product. Waste hazardous materials and their containers shall be disposed of in a manner approved by the local authorities. A site management plan will be developed if the operation involves the use of these materials to include estimated quantities to be consumed in the process, storage plans, spill control plans, and waste disposal practices to be followed. This plan and the manner of management are subject to the approval of local authority responsible for safety and waste management. Elements of the hazardous materials management shall include the following: contractor must provide temporary storage on site of all hazardous or toxic substances in safe containers labeled with details of composition, properties, and handling information; the containers of hazardous substances shall be placed in a leak-proof container to prevent spillage and leaching; the wastes shall be transported by specially licensed carriers and disposed of in a licensed facility; paints with toxic ingredients or solvents or lead-based paints will not be used; and banned chemicals will not be used on any project.

## **7. Use and Management of Pesticides**

The project will not fund activities that involve the purchase or use of significant quantities of pesticides, unless a Pest Management Plan has been prepared and approved by the PIU. For incidental, minor use of pesticides, the use of pesticides shall be in accordance with this EMP and shall conform to the manufacturers' recommendations for use and application. Persons using pesticides shall demonstrate that they have read and understood these requirements and are capable of complying with the usage recommendations to the satisfaction of the contracting officer. All pesticides to be used shall conform to the list of acceptable pesticides that are not banned by the relevant local authority. If termite treatment or vector control is to be utilized, exclude the list of prohibited pesticides in Step 2 of the ESMF process and ensure appropriate chemical management measures are implemented to prevent contamination of surrounding areas, and use only licensed and registered pest control professionals with training and knowledge of proper application methods and techniques.

## **8. Use of Preservatives and Paint Substances**

All paints and preservatives shall only be used in accordance with the manufacturers' recommendations for use and application. Information shall be provided to workers which describes the essential components of the materials to be used so that an informed determination can be made as to the potential for environmental effects and suitability can be made. Storage, use, and disposal of excess paints and preservatives shall be managed in conformance with the manufacturers' recommendations and in accordance with local authorities' requirements. If appropriate a Plan should be prepared with a list of materials and estimated quantities to be used and storage, spill control, and waste disposal plans to be observed during the execution of the works.

## **9. Site Stabilization and Erosion Control**

The beneficiary or his/her contractor shall implement measures to manage soil erosion through minimization of excavated area and time of exposure of excavated areas, preservation of existing ground cover to the extent possible, and provision of approved ground cover. Where excavations are made, implement appropriate stabilizing techniques to prevent cave-in or landslide, and ensure that appropriate erosion control measures such as silt fences are installed. Proper site drainage must be implemented. Any drain clogged by construction material or sediment must be unclogged as soon as possible to prevent overflow and flooding. The use of retaining structures and planting with deep-rooted grasses to retain soil during and after works must be considered. The use of bioengineering methods must be considered as a measure to reduce erosion and land slippage. Keep angle of slopes within limits of soil type. Balance cut and fill to limit steepness of slopes. All slopes and excavated areas must be monitored for movement.

All construction materials must be properly stored. Establish appropriate erosion and sediment control measures such as, sedimentation basins, and/or silt fences and traps to prevent sediment from moving off site and causing excessive turbidity in nearby streams, ponds, lagoons, and coastal waters. An erosion management plan must be required where the potential exists for significant sediment quantities to accumulate in, streams, ponds, lagoons and nearshore marine systems. This plan shall include a description of the potential threat, mitigation measures to be applied, and consideration for the effects of severe weather and an emergency response plan. If works are along coastal marine areas or near major streams, ponds, lagoons, water quality monitoring must be done before construction and at regular intervals to determine turbidity levels and other quality parameters. Construction vehicles and machinery will be washed only in designated areas where runoff will not pollute groundwater or natural surface water bodies.

## **10. Air Quality**

The following conditions apply to work sites for the control of air quality including dust control:

- Construction materials such as sand, cement, or other fines should be kept properly covered.
- Cement should be kept stored within a shed or container.
- The sand and fine particles can be moistened with sprays of water.
- Unpaved, dusty construction roads should be compacted and then wet periodically.
- During interior demolition, debris-chutes shall be used above the first floor.
- Demolition debris shall be kept in controlled area and sprayed with water mist to reduce debris dust.

- During pneumatic drilling/wall destruction, dust shall be suppressed by ongoing water spraying and/or installing dust screen enclosures at the site.
- The surrounding environment (sidewalks, roads) shall be kept free of debris to minimize dust.
- There will be no burning of construction/waste material at the site.
- There will be no excessive idling of construction vehicles at sites.
- The bins of all haulage vehicles transporting aggregate or building materials must be covered on all public roads.

## **11. Traffic Management**

In the event that the rehabilitation/construction activities will result in the disruption of area transportation services, including temporary loss of roadways, blockages due to deliveries and site-related activities, the beneficiary or his/her contractor shall prepare a traffic management plan, including a description of the anticipated service disruptions, community information plan, and traffic control strategy to be implemented so as to minimize the impact to the surrounding community. This plan shall consider time of day for planned disruptions and shall include consideration for alternative access routes, access to essential services such as medical, disaster evacuation, and other critical services. The plan shall be approved by the relevant local authority and shall include the following: alternative routes are to be identified in the instance of extended road works or road blockages; the public should be notified of all disturbance to their normal routes; signposting, warning signs, barriers, and traffic diversions must be clearly visible and the public warned of all potential hazards; provision must be made for the safe passages and crossings for all pedestrians where construction traffic interferes with their normal route; there must be active traffic management by trained and visible staff at the site or along roadways, as required, to ensure safe and convenient passage for the vehicular and pedestrian public; and there should be adjustment of working hours to local traffic patterns, for example, avoiding major transport activities during rush hours or times of livestock movement.

## **12. Management of Standing Water**

Under no circumstances shall the beneficiary or his/her contractor permit the collection of standing water as a consequence of contractor activities without the approval of the relevant local environmental health authority. Recommendations from that local authority on how to manage and treat the standing water must be implemented. The condition of the standing water must be monitored by the contractor to ensure that it does not present itself as a breeding ground for any pests such as mosquitoes.

## **13. Management of Solid Wastes - Trash and Construction Debris**

The beneficiary or his/her contractor shall ensure that waste management conforms to the solid waste management policies and regulations of the relevant authority. Under no circumstances shall construction wastes accumulate, to cause a nuisance or health risk due to the propagation of pests and disease vectors. The site waste management plan shall include a description of how wastes will be stored, collected, and disposed of in accordance with policy and legislation. Additionally, provide for the regular removal and disposal of all site wastes and provide a schedule for such removal.

## **14. Management of Liquid Sanitary Wastes**

Provisions must be made for liquid sanitary waste management that conforms to the waste management policies and regulations of the relevant authority. Under no circumstances shall

construction-related liquid wastes accumulate on or off the site or to flow over or from the site in an uncontrolled manner or to cause a nuisance or health risk due to its contents. The site waste management plan shall include a description of how these wastes will be stored, collected, and disposed of in accordance with policy and legislation. Additionally, provide for the regular removal and disposal of all site wastes and provide a schedule for such removal.

Specific elements of liquid waste management shall include the following: abide by all pertinent waste management and public health policy and legislation; waste collection and disposal pathways and sites will be identified for all major waste types expected from demolition and construction activities; construction and demolition wastes will be stored in appropriate bins; liquid and chemical wastes will be stored in appropriate containers separated from the general refuse; all waste will be collected and disposed of properly in approved landfills by licensed collectors; the records of waste disposal will be maintained as proof for proper management as designed; whenever feasible reuse and recycle appropriate and viable materials (except asbestos).

### **15. Special Condition - Management of Asbestos**

In the event that during the course of work activities the contractor discovers asbestos as part of the existing site and is required to stabilize and remove it, the beneficiary must ensure that a qualified contractor is engaged and contact the relevant local authorities immediately. If work has already commenced, all work in the area must stop immediately. An asbestos management plan must be prepared by the contractor and approved by the relevant local health and waste management authorities and the contracting officer describing how this material will be stored, collected, and disposed of in accordance with current law and identifying the approved experienced professional who will undertake this work. The plan must include the following:

- Description of the issue and extent of contamination
- Site safety measures
- Stabilization techniques to be employed
- Storage and transport plan
- Approved disposal procedure
- Worker awareness and training

In preparing the plan, the contractor should liaise with the relevant local health and waste management agencies to ensure the adequacy of the measurements being proposed.

Site management shall consist at a minimum of enclosing relevant sections of the site with appropriate material by the contractor. Where possible, the asbestos and its location must be appropriately contained and sealed to minimize exposure, and any asbestos shall be marked clearly as a hazardous material. Stabilizing friable asbestos will be done before removal (if removal is necessary), and it will be treated with a wetting agent to minimize asbestos dust. Asbestos will be handled and disposed by skilled and experienced professionals using appropriate personal protective equipment such as respirators and tyvek suits which will be provisioned to workers to protect them and prevent contamination with asbestos fibers. Respiratory protection, together with measures to prevent the contamination of clothing and inadvertent transport of asbestos fiber offsite, shall be provided to all exposed workers. If asbestos material is to be stored temporarily, the wastes should be securely enclosed inside closed containments and marked appropriately. Security measures must be implemented against unauthorized removal of asbestos from the site. No removed asbestos will be reused.

## ANNEX 5 – Figure describing the flow of accounting entries for the ESP

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