Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 04-Dec-2018 | Report No: PIDISDSA25733

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
St Maarten	P168549	Sint Maarten Enterprise Recovery Project	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
LATIN AMERICA AND CARIBBEAN	22-Oct-2018	18-Dec-2018	Finance, Competitiveness and Innovation
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Government of Sint Maarten	National Recovery Program Bureau / Interim Recovery Committee, Centrale Bank van Curacao en Sint Maarten	

Proposed Development Objective(s)

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

Components

Component 1: Direct financial support to MSMEs for investment and working capital
Component 2: Study of financial solutions for improved disaster resilience
Component 3: Training, project implementation, audit and monitoring and evaluation

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	35.00
Total Financing	35.00
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	35.00
Miscellaneous 1	35.00

Environmental Assessment Category

F-Financial Intermediary Assessment

Have the Safeguards oversight and clearance functions been transferred to the Practice Manager? (Will not be disclosed)

Yes

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

1. **Sint Maarten is a high-income constituent country[1] of the Kingdom of the Netherlands in the Caribbean. It occupies the southern half of an island shared with the French overseas collectivity of Saint Martin.** It is the most densely populated country in the Caribbean with a population of roughly 40,000 and a per capita Gross Domestic Product (GDP) of US$27,200 as of 2016.[2] Sint Maarten and Curaçao form a currency union with a joint central bank, the *Centrale Bank van Curaçao en Sint Maarten* (Central Bank of Curaçao and Sint Maarten, or CBCS) and a shared currency, the Netherlands Antillean guilder (NA f.), which maintains a fixed exchange rate to the U.S. dollar. Sint Maarten is currently rebuilding from damage caused by Hurricane Irma, a category 5 hurricane, that ravaged the island in September 2017, claiming lives and significantly deteriorating the socio-economic environment on the island.

2. **Sint Maarten is highly vulnerable to adverse climatic events due to its location within the hurricane belt and has been exposed to high winds and numerous hurricanes in the past decades.** These hazards have had catastrophic impacts on the economy, which relies on tourism. In 2016, tourism accounted for 45 percent of its GDP and 73 percent of its foreign exchange. The economy is driven by retail and wholesale trade, hotels and restaurants, real estate, transport and communication, yacht repair, and harbor services. Prior to the hurricane, Sint Maarten's capital, Philipsburg, was the second most visited port in the Caribbean, and its airport serves as a hub for several nearby smaller islands. Between 2012 and 2016, Sint Maarten received a yearly average of 1.8 million cruise passengers and 500,000 visitors arriving by air, who together spent about US$820 million a year.[3] Sint Maarten's nominal GDP was estimated at about US$1.07 billion in 2016.

3. **Sint Maarten remains in need of assistance after Hurricane Irma.** While loss of life was limited, total damages and losses were estimated at about US$2.4 billion or 220 percent of 2016 GDP. Of these total damages, approximately 130 percent of GDP in damages were in private housing, tourism and commerce sectors, and the publicly owned airport and harbor. Losses (foregone production and decline in economic flows over 2017 to 2019) were estimated at about 90 percent of GDP, mostly in the tourism sector.[4] As a result, Sint Maarten's economy is expected to contract by 8.5 percent in 2018, following an estimated 4.5 percent contraction in 2017. Growth is projected to rebound in 2019 and the economy is expected to return to its pre-Hurricane Irma real GDP level by 2025. Private external finance from direct investment, loans, pay-out of insurance claims, and funds held abroad will be needed to finance reconstruction of private properties and businesses. A sharp decline in tax revenue has cut public resource availability, while the need for public expenditure to rebuild public infrastructure and assist the affected population has risen sharply.

4. **From an enterprise perspective, the hurricane has significantly depressed economic activity and improving resiliency is critical for the future.** The hurricane has significantly affected the tourism sector.

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[1] Sint Maarten is one of the four constituent countries of the Kingdom of the Netherlands, along with Netherlands, Aruba, and Curaçao.
[2] From Central Bank of Curaçao and Sint Maarten, based on 2018 estimates.
[3] Data from the International Monetary Fund (IMF) and Statistical Yearbook, 2017, Department of Statistics Sint Maarten.
[4] Draft National Recovery and Resilience Plan (2018).

Before the hurricane there were a total of 4,115 hotel and timeshare rooms on the Dutch side. As of October 2018, the capacity approached 65 percent of this level. Damages to the main airport and hotels have significantly reduced the number of overnight tourist arrivals and the airport is running at 60 percent throughput of the pre-hurricane levels (for both landing slots and passenger throughput), though cruise arrivals are now resuming to pre-hurricane levels. However, as most of the income on the island was derived from overnight stays of tourists arriving by air, the impact has been significant for enterprises and households. Many businesses have closed, and out-migration has increased. For surviving enterprises, there is a need to maintain workers and continue the post-disaster recovery investment to restore to pre-hurricane enterprise capital and labor levels.

Sectoral and Institutional Context

5. **Larger tourism assets in Sint Maarten—the airport and the hotels—play a critical role in the economy driving tourist arrivals and generating economic activity for other businesses.** This sector is slowly recovering with the number of available rooms growing, renewed support for a country-level marketing plan, and increasing airport passenger handling throughput. Work to repair the airport to handle capacities commensurate to pre-hurricane levels and concurrently provide for interim capacity, while the permanent structure is repaired, is ongoing. Although the hotel inventory will take longer to return, the majority of hotels have decided to reinvest and upgrade their properties**,** and almost all hotels have reinvestment plans to restore their room capacities over the next one to four years. Nevertheless, because some are struggling to secure financing and overcome short term cash flow challenges, while insurance payouts are still outstanding, a due diligence exercise is underway to assess hospitality financing needs and determine if a justification exists to provide public financing to address these needs in the future.

6. **There is a dire need to provide assistance to micro, small and medium sized enterprises (MSMEs), as many continue to struggle post hurricane.[5]** The cascade generated from larger tourism assets—the airport and the hotels—plays a critical role in the overall economy, particularly for MSMEs. These large assets function as anchors that drive overnight tourist arrivals, that in turn generate economic activity for other businesses. While reconstruction efforts are ongoing, and the economy slowly recovers, MSMEs need support to recover and maintain their business to minimize the adverse impact on employment and overall economic activity. Two surveys of enterprises were conducted by the World Bank in February and August 2018 to assess the damages to enterprises and asset replacement needs, respectively.

7. **These surveys confirmed that enterprises need financial support.** The support is needed for working capital, asset purchases, basic nonstructural repairs, and improvements to the facade of buildings, so they can return their operations to pre-hurricane levels. Enterprises reported median damages of US$50,000 to buildings, US$65,000 to enterprises' fixed assets, and US$40,000 to stock and inventory. Most enterprises were either not insured or underinsured. A reported 10 percent of enterprises closed as a result of the hurricane. Of those open, two-thirds were operating below pre-hurricane

[5] According to the SME Policy Framework of the Ministry of Tourism, Economic Affairs, Transport, and Telecommunication (TEATT), MSMEs are defined based on monthly gross turnover, as follows: (a) micro enterprises: up to NA f. 15,000 (US$8,380); (b) small: from NA f. 15,000 (US$8,380) to NA f. 50,000 (US$27,933); (c) medium: from NA f. 50,000 (US$27,933) to NA f. 100,000 (US$55,866); and (d) large: above NA f. 100,000 (US$55,866). This a standard definition also adopted in Curaçao. Currently, financial institutions (FIs) segment their credit portfolio based on loan size.

capacities. Many enterprises survived by: borrowing from family and friends, refinancing, through receiving extended grace periods offered by some lenders, using retained earnings, or extended supplier credit. The main obstacles to business operations listed by enterprises in August 2018 in descending order were: economic uncertainty, access to finance, taxes, and crime. Enterprises have not received any public financial support to date.

8. **While the economy is not at full potential, there is a need to stimulate the MSME sector to restore its capacity.** Some of these surviving enterprises have utilized most to all of their available liquid reserves or used other sources to help rebuild their businesses. A large percentage of MSMEs are not able to get financing as the commercial banks have high collateral requirements. Further, many have existing debt obligations or their collateral has been destroyed and are thus at their borrowing capacity because of the hurricane**.** The environment for lending is underdeveloped as there is no credit bureau or collateral registry, and, further, the market for unsecured lending is limited. Although the banking sector has remained well capitalized, with some increases in loan delinquency rates as a result of the hurricane, the hurricane has exacerbated the already limited access to finance for MSMEs. The four commercial banks that dominate the market focus mainly on personal and large corporate real estate lending, and have limited offerings for MSME financing. The local development bank has a portfolio of 250 loans across the Dutch Antilles, some of which are MSME loans in Sint Maarten, but its portfolio has had low growth. A new microfinance institution that expanded into Sint Maarten last year (with 130 loans to date) has begun to serve the MSME segment. This proposed Enterprise Recovery Project therefore focuses on providing access to finance to MSMEs.

C. Proposed Development Objective(s)

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

Key Results

10. The PDO-level indicators are (a) cumulative number of MSMEs receiving packages for assets, repairs or working capital, and (b) volume of grants and loans supported through the project over its lifetime. These indicators are disaggregated by gender.

D. Project Description

11. **The project comprises three components.** The first component will finance a line of credit and grants, managed through the CBCS to participating financial institutions (PFIs), which will on-lend and on-grant these funds to eligible MSMEs. PFIs will provide tailored packages of grants and loans for asset purchase or repairs, as well as working capital loans if required, under special terms and conditions established by the project. The second component will finance an analytical study on the range of financial solutions to strengthen disaster resilience in the future. The third component will cover project management and implementation, as well as training to PFIs' loan officers in both MSME lending and business continuity.

12. **The proposed project considers the underwriting and screening requirements of MSMEs as well as governance and implementation challenges.** Custom financing packages will be available to MSMEs to

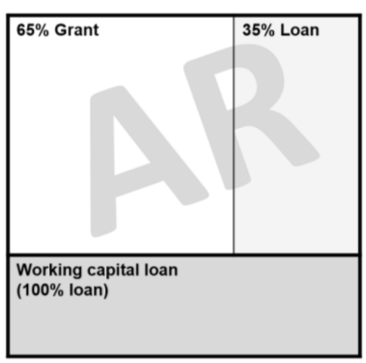
apply for in the form of a combination of (a) grants and loans for assets or repairs (ARs) and (b) working capital (WC) loans. Assets to be financed by the project will be productive capital assets while repairs will be limited to basic nonstructural repairs. The AR will be part grant and part loan. The combination of grants and loans for the financing of investments assets and repairs, and loans for WC responds to the needs underlined by enterprises in the surveys undertaken. These MSME packages will be administered by PFIs, who will bear the credit risk for the loan portion of the packages. 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. There will also be startup and refinancing windows as well. The liquidity of the packages (both loan and grant) will come from the project and will be disbursed by the CBCS.

13. **The loans (for the loan part of the AR and the WC) will initially be priced using interest rates below regular market conditions.** This is in accordance with the World Bank's policy on Financial Intermediary Financing (FIF), which provides exceptions for subsidized financing conditions under special country and economic circumstances, such as the impact of the hurricane in the case of Sint Maarten. This short-term pricing will be reassessed during a midterm review of the project to establish if it is still warranted. The policy encourages project supported lines of credit to return to market determined interest rates as soon as possible.

14. **Beyond this immediate assistance the project will also include two additional components.** Component 2 will finance an analytical study on the range of financial solutions to strengthen disaster resilience in the future, and Component 3 will finance the training of MSME loan officers in MSME lending and business continuity planning. This train-the-trainer model strives to improve longer-term capacity of the financial sector to cater to financing needs of MSMEs, and to strengthen resiliency of MSMEs so that they themselves can implement business continuity planning. Component 3 also includes project management and implementation.

15. **Component 1: Direct financial support to MSMEs for investment and working capital (US$33.00 million).** This component will provide tailored packages to eligible MSMEs of grants and loans for AR investment, as well as WC loans if required. The AR investment is structured so that 65 percent of the investment is a grant and 35 percent is a loan. The WC loan is structured as a loan. This is shown in Figure 1. These will be administered by the PFI, who will take the credit risk on the loan portion of the packages.

Figure 1. AR and WC MSME Packages at Emergency Pricing



16. **MSME eligibility will be based on the MSME definition in Sint Maarten as well as other criteria.** Communication and outreach will be critical for raising awareness of the structure of the program. Eligible

MSMEs must comply with the medium or smaller definition, which corresponds to an average monthly revenue of US$55,866 or less over the last calendar year. Eligible MSMEs will need to be registered with the Chamber of Commerce, and those that sustained damages and those with longer histories of operations in the economy will be given priority. There will be a window for startups, who will benefit from a lower grant percentage, and a window for loan refinancing, limited to debt obligations originated after the hurricane.

17. **Component 2: Study of financial solutions for disaster resilience (US$0.4 million).** With a view to sustainability and to strengthening longer term disaster resilience through the financial sector, this component will finance a study of financial instruments, markets, tools, and solutions available to improve 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, catastrophe modelling and valuations and appraisal standards.

18. **Component 3: Lender training, project implementation, audit and monitoring and evaluation (US$1.60 million).** This component will finance the training of financial institutions (FIs) with a view to improving their MSME lending skills and training in business continuity planning. This component will also fund implementation support and project governance. Although the FIs will be the MSME-facing entities, they will be regularly audited and a monitoring and evaluation (M&E) reporting system will be established for the project.

E. Implementation

Institutional and Implementation Arrangements

19. **The National Recovery Program Bureau (NRPB) and the CBCS will be the implementing agencies for this project.** The Government is establishing an NRPB that will be responsible for the implementation of most recovery and resilience projects selected by the Sint Maarten Irma Reconstruction, Recovery and Resilience Trust Fund. The NRPB will be responsible for overall project management procurement, safeguards, legal, M&E, and reporting. The CBCS will be responsible for qualifying PFIs and for the day-to-day financial management (FM) aspects of the project, including accounting, reporting, and managing disbursements to and from PFIs. The NRPB and the CBCS will collaborate in the preparation and submission of 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. Before the NRPB is in place, its project implementation responsibilities will be carried out by the Interim Recovery Committee (IRC) which reports to the Prime Minister and Minister of General Affairs and which was established by the Government to coordinate Trust Fund projects until the NRPB is in place. The financial intermediaries and the IRC will engage in outreach events and conduct workshops to ensure that all businesses—including the most marginalized—are aware of the project and understand how to access it. The IRC will also establish a formal grievance mechanism for the project and conduct citizen engagement (CE) surveys.

20. **The project will make use of a detailed Operations Manual (OM) to ensure coordination across the NRPB and the CBCS, as well as with PFIs.** The OM provides information that pertains to MSME eligibility, PFI eligibility, communication, loan and grant application process, loan and grant processing, disbursement, repayment, safeguards, procurement, FM, M&E, and reporting.

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F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The project activities will take place in Sint Marteen, specifically in the buildings (and attached grounds) of micro, small, and medium sized enterprises.

G. Environmental and Social Safeguards Specialists on the Team

Gibwa A. Kajubi, Social Specialist
Yasmin Tayyab, Social Specialist
Nyaneba E. Nkrumah, Environmental Specialist
Michael J. Darr, Environmental Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	This project has triggered Safeguards Policy OP/BP 4.01 (Environmental Assessment) related to the potential risk associated with the project's Component 1 activities. Component 1 (Direct financial support to MSMEs for investment and working capital) will tailor financial packages (grants and lines of credit) to eligible MSMEs through the use of PFIs, which may be banks or some other type of financial institution approved by the Central Bank (one of the project implementation partners) and the World Bank. The project will invest in MSMEs that are engaged primarily in the tourism and services sectors (for examples, restaurants, shops, and tour operators). Non-tourism businesses in need of rehabilitation may include agro-processing, equipment supply, retail, business or health services, light industry, or other enterprises. The specific MSME activities and location are not yet defined but the grants and loans 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. All Category A risk profiled activities will

	be screened out. The Environmental and Social Management Framework (ESMF) prepared for the project includes a process to exclude such subprojects from becoming eligible for finance, as well as those that would trigger safeguards policies not within the remit of the project. OP/BP 4.01 is triggered for two reasons: (a) there are a range of construction / rehabiliation projects from various sectors, with varying levels of potential environmental impacts and risks depending on the nature of the MSME and (b) the PFIs may not have the capacity to manage environmental risks in projects. These risks to the project will be managed through the ESMF. The project has prepared an ESMF before appraisal that assesses the potential risks and mitigation measures for the subprojects. In addition, the ESMF outlines a process (and checklist) for the PFIs to follow to ensure that all subprojects are screened for environmental and social risks and impacts before implementation, that applicable permits are obtained, and that any additional assessment is undertaken to develop the appropriate Environmental and Social Management Plan (ESMP), commensurate with the risk. Most projects will involve small works to rehabilitate buildings related to the tourism and services sectors, for which a simplified ESMP has been included in the ESMF. The ESMF also flags more complex projects (for example, repairs to agro-processing, light industry, supply or storage facilities) that would require more detailed assessment (for example, Pest Management Plans, and an Environmental Impact Assessment) if it has significant pest management, permitting, or liability issues, or if it has the potential to affect physical cultural resources or natural habitats. In terms of capacity to manage environmental risks, the PFIs identified by the Central Bank have been assessed (financial capacity, environmental management capacity, and so on) by the World Bank. In general the capacity is limited for environmental and social management, so measures to address this (recruitment of appropriate

		specialists, training, and associated costs) have been included in the ESMF and the Project Appraisal Document (PAD), including training and outreach through the PIU's Operations Officer and/or contracted consultants as needed. Component 2, technical assistance 'Study of financial solutions for improved disaster resilience' finances a technical study that is unlikely to trigger any safeguard policies. However, despite this, the study will be screened to ensure that there are no related safeguard risks. In the event that there are, appropriate environmental and social risk management measures will be developed before implementation. Component 3, 'Lender Training, Project Implementation, Audit and Monitoring and Evaluation', does not have any environmental or social risk associated with its activities.
Performance Standards for Private Sector Activities OP/BP 4.03	No	OP 4.03 does not apply because the project or project components are not designed, owned, constructed, and/or operated by a private entity, as defined under the policy.
Natural Habitats OP/BP 4.04	Yes	The project activities will take place on/in buildings and their related grounds. All areas of natural habitat will be screened out through the ESMF. If any sensitive areas are identified they are flagged for further assessment through the ESMF screening process.
Forests OP/BP 4.36	No	The subprojects will talk place in/on buildings and their related grounds. All forested areas will be screened out through the ESMF.
Pest Management OP 4.09	Yes	It is conceivable that pesticides (algaecides, herbicides, and so on) may be used to clean buildings that have been in a state of disrepair for over many months and that treatments for pest infestations (termites, other insects) may be required. For this reason, pesticides financed by the project must comply with the requirements and standards acceptable to the World Bank. The ESMF includes an outline of a pesticide management plan that can be further developed and finalized in the unlikely case that any significant pesticide use or purchase would occur, but in most cases the ESMF specifies standard mitigation measures for routine pesticide applications.

Physical Cultural Resources OP/BP 4.11	Yes	The policy is triggered to ensure that any historical buildings are considered during screening and that chance find procedures are included as standard practice in ESMFs. Appropriate provisions will be included in the ESMF to manage these cases properly according to policy requirements.
Indigenous Peoples OP/BP 4.10	No	The policy is not triggered because there are no individuals in Sint Maarten who meet the criteria to be considered indigenous under the policy.
Involuntary Resettlement OP/BP 4.12	No	Given that the project will on lend or provide grants through financial intermediaries, the project is categorized as F. The project has prepared an ESMF to mitigate social impacts. All sub projects will be assessed as per the guidelines and exclusion list in the ESMF. As such, all Category A sub projects that re-quire land purchase will be excluded from financial eligibility. The Involuntary Resettlement policy (OP 4.12) will not be triggered. The project is designed to exclude land purchase. Therefore, no funds will be used to purchase land and any other space in a manner that could result in the displacement of persons. In the event the sub-projects lead to loss of peoples' livelihood permanently or temporarily due to the refurbishments of buildings or other improvements planned under Component 1 (Direct financial support to MSMEs for investment and working capital), the client will prepare a livelihood restoration plan. No sub-projects will result in permanent or temporary physical displacement of persons due to the exclusionary restriction that includes exclusion of land purchase.
Safety of Dams OP/BP 4.37	No	The policy is not triggered as it does not involve dams.
Projects on International Waterways OP/BP 7.50	No	The policy is not triggered as it will not involve international waterways.
Projects in Disputed Areas OP/BP 7.60	No	Any subprojects in disputed areas will not be eligible for financing under the project as per ESMF provisions

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The environmental and social risk is rated Moderate. This is because the subprojects will be restricted to repairs that are nonstructural in nature. The environmental capacity of lenders is mixed across the market, and measures will be put in place to ensure that the implementation units and partners—the IRC, the Central Bank, and the financial institutions—understand the World Bank safeguards and their role in monitoring and supervising the subprojects. These measures have been outlined in the ESMF and disclosed to all stakeholders. Specific environmental and social risks for small construction projects in tourism and services will include biodiversity, noise, pesticide use, waste management and emissions; and for general construction activities community and traffic safety, labor practice and working conditions, permit, gaps and regulatory issues are the main potential issues. The use of project proceeds to purchase land has been restricted. Failure to adequately address these risks may result in higher insurance and operational costs and associated liability and reputational risks. These risks will be mitigated by the ESMF for the project, which has been included in the OM, and which specifies screening, documentation, and reporting for the PFIs and oversight by the NRPB/IRC. In-country permitting systems and World Bank EHS (Environmental, Health and Safety) Guidelines will be referenced for MSMEs with potentially significant environmental and social issues. In addition, lenders are responsible for upholding environmental limitations imposed by local law.

Cleanup of damaged buildings may require use of mildewcides, herbicides, and so on, and termite treatment may require pesticides; therefore, pesticides financed by the project must comply with requirements and standards acceptable to the World Bank as per OP/BP 4.09 (Pest Management). The Natural Habitats (OP/BP 4.04) and Physical Cultural Resources (OP/BP 4.11) policies have been triggered because of effects on historical buildings and the possible participation of ecotourism-related MSMEs, which can negatively affect natural habitat or physical cultural resources if not properly managed. In addition, the World Bank Policy on Involuntary Resettlement, OP 4.12, will not apply as 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 (Direct financial support to MSMEs for investment and working capital), 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. Investments will not be financed, under this project or in the future, that result in involuntary taking of land or loss of income sources or means of livelihood, whether or not the affected persons must move to another location or involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the displaced persons. No large-scale, significant, or irreversible impacts are identified.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The project is expected to improve MSME compliance with national laws and will provide PFIs an ESMF instrument that they can use for their longer-term improvement in environmental and social lending practices, resulting in long-term, indirect benefits.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

Alternatives would be addressed in the context of technology improvement for individual MSMEs through standard permitting measures or through the application of World Bank Group EHS Guidelines for complex or larger projects (if applicable).

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

An ESMF has been prepared and disclosed. According to the ESMF, MSMEs are required to certify conformance with requirements for environmental, social and health safety (ESHS) performance, and PFIs are required to effectively screen the MSMEs, and ensure that ESHS requirements are clearly included in Sub-grant and Credit Agreements. The MSME screening and processing procedure involves the following steps: (a) compare to the World Bank Group's exclusion list, (b) check local permit status, (c) check availability of land for business expansion, (d) assign E&S risk category, (e) undertake field visits (optional), (f) prepare documentation, and (g) guarantee administration, evaluation, and reporting.

The project will build the safeguards functions into the Operations Officer role. The NRPB (initially the IRC) will serve as one PIU and require that PFIs provide periodic reports on the status of their E&S management efforts and portfolios. The IRC will serve as one PIU and will implement the ESMF and ensure safeguards policies are followed. Additional support from the IRC currently includes technical, administrative, legal, financial and procurement staff to handle project implementation, and an additional Operations Officer with ESHS experience will be added for this project to perform most safeguards functions. The Operations Officer role should be sufficient to address most safeguards aspects for simple, small construction/rehabilitation subprojects but an external consultant will be contracted (and will be on retainer) to assist with more complex assessments, training, and outreach, as needed.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

An in-person stakeholder consultation held in Sint Maarten on October 11, 2018 and comments were received during this in-person consultation. Comments centered on (a) retroactive financing, (b) helping applicants with applications, (c) reducing the burden for light construction, and (d) ensuring that there is a good communication strategy so that applicants are aware of the safeguard policies and application requirements. In response, the ESMF was revised to simplify requirements for light construction, and the PIU will plan outreach events to assist applicants and train PFIs. The ESMF was disclosed on November 14, 2018 on the Government's National Recovery Program Bureau's website. The financial intermediaries and the IRC will engage in outreach events and conduct workshops to ensure that all businesses—including the most marginalized—are aware of the project and understand how to access it and what the safeguards requirements are. Results of the disclosure/consultation are included in the final ESMF. Further the IRC will also have a formal grievance mechanism for the project as well as will conduct citizen engagement surveys.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
08-Oct-2018	14-Nov-2018	

"In country" Disclosure
St Maarten
11-Oct-2018

Comments

Pest Management Plan

Was the document disclosed prior to appraisal?	Date of receipt by the Bank	Date of submission for disclosure
Yes	08-Oct-2018	14-Nov-2018

"In country" Disclosure
St Maarten
11-Oct-2018

Comments

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?
No

OP/BP 4.04 - Natural Habitats

Would the project result in any significant conversion or degradation of critical natural habitats?

If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?

OP 4.09 - Pest Management

Does the EA adequately address the pest management issues?
Yes
Is a separate PMP required?
No
If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

OP/BP 4.11 - Physical Cultural Resources
Does the EA include adequate measures related to cultural property?
Yes
Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?
Yes

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?
Yes
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?
Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?
Yes
Have costs related to safeguard policy measures been included in the project cost?
Yes
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?
Yes
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?
Yes

CONTACT POINT

World Bank

Nadeem M. Karmali
Senior Financial Sector Economist

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