



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 12-Dec-2018 | Report No: PIDISDSC25128

**BASIC INFORMATION****A. Basic Project Data**

Country St Maarten	Project ID P167974	Parent Project ID (if any)	Project Name Sint Maarten Airport Terminal Reconstruction Project (P167974)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Feb 04, 2019	Estimated Board Date Apr 05, 2019	Practice Area (Lead) Transport
Financing Instrument Investment Project Financing	Borrower(s) Sint Maarten Government	Implementing Agency Princess Juliana International Airport Operating Company N.V.	

Proposed Development Objective(s)

The development objective is the reconstruction of the Princess Juliana International Airport to the pre-Irma passenger capacity with increased natural disaster resilience.

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

Total Project Cost	107.50
Total Financing	107.50
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS**Non-World Bank Group Financing**

Counterpart Funding	7.00
Borrower/Recipient	7.00
Trust Funds	50.50
Free-standing Single Purpose Trust Fund	50.50



Other Sources	50.00
EC: European Investment Bank	50.00

Environmental and Social Risk Classification

Moderate

Concept Review Decision

Track II-The review did authorize the preparation to continue

B. Introduction and Context

Country Context

- Sint Maarten is a high-income constituent country¹ 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 38,000 in an area of 34 square km and a per capita Gross Domestic Product (GDP) of \$25,3812. Sint Maarten is currently rebuilding from damage of hurricane Irma that has claimed lives and deteriorated the socio-economic environment in the island.
- Sint Maarten is highly vulnerable to natural disasters and adverse climatic events due to its location within the hurricane belt.** For the past decades, the country has been exposed to high winds and numerous hurricanes, including notably intense storms: Donna in 1960 (Category 3), Luis in 1995 (Category 4), and Irma 2017 (Category 5 on Saffir-Simpson scale). Due to the size of the country, a single storm has the potential to directly impact the entire population. High winds, rainfall and flooding are the principal risk factors while the country is also vulnerable to earthquakes. Coastal areas are exposed to flood risk from storm surge and tsunamis. Increased urbanization along with climate change and limited country capacity to build with resilience adds to its vulnerability to natural hazards.
- Natural hazards have catastrophic impacts on the country's economy since it relies on tourism.** Tourism accounted for 45 percent of its GDP and 73 percent of its foreign exchange in 2016. In addition, activities in the transport, storage and communication sector also related to tourism contributed 11 percent of GDP. The harbor of Sint Maarten is a significant port for cruise tourism in the Caribbean, with 1.7 million cruise passengers per year. The airport is an important hub for regional travel with a large network of connecting flights across the Caribbean. However, the tourism industry has not led to high growth in recent years and tourism economy is vulnerable to seasonality and weather.

¹ Sint Maarten is one of the four constituent countries of the Kingdom of the Netherlands, along with Netherlands, Aruba, and Curacao

² From Central Bank of Curacao and Sint Maarten, based on 2018 estimates.



4. **Sint Maarten needs urgent assistance after the Hurricane Irma, a category 5 hurricane, hit the island on September 6, 2017, with winds of more than 185 mph (296km/h) leaving a trail of devastation throughout the country.** During the landfall, the storm's eye passed directly through Sint Maarten exposing it to the highest wind velocities in the storm. Irma was shortly followed by another smaller-scale hurricane Maria on 19th of September further damaging the country's infrastructure. The World Bank estimates damages and losses related to Hurricane Irma at US\$ 1.38 billion (129.5 percent of GDP) and US\$ 976.5 million (91.8 percent of GDP), respectively, affecting 90 percent of all infrastructure and large parts of the natural environment.
5. **Reconstruction and recovery needs are greater than currently identified public and private resources.** Sint Maarten's economy is expected to contract 8.5 percent in 2018, following an estimated 4.5 percent contraction in 2017. Growth is projected to rebound in 2019 and the country is expected to return to its pre-Hurricane Irma real GDP level by 2025. Private external finance from direct investment, loans, pay-out of insurance claims, and funds held abroad will be needed to finance reconstruction of private properties and businesses. A sharp decline in tax revenue due to the economic contraction following the disaster has cut public resource availability while the need for public expenditure to rebuild public infrastructure and assist the affected population has risen sharply.
6. **The social and economic effects of Hurricane Irma and the disaster's impact on poverty levels could be significant if action is not immediately taken.** In the absence of a national poverty line for Sint Maarten, a UNDP benchmark for poverty based on minimum wage³ indicates that 26.87 percent of households (approximately 3,762 households) are poor and live on revenues at or below the minimum wage (NAF 1.530.53 or approximately US\$850 per month in 2017). Although little is known about the distribution of disaster impacts and their effect on vulnerable groups in Sint Maarten, international experience indicates that the poorest and most vulnerable groups are likely disproportionately affected by the disaster, including Sint Maarten's large number of female-headed households (38.7 percent of all households), who depend on the income of women post hurricane.
7. **Sint Maarten's low unemployment rate (6.2 percent) and youth unemployment rate (25 percent) in 2017 have significantly risen following the hurricane due to the shutting down of tourism businesses.** The tourism sector suffered from significant damages to the airport, accommodations, and tour operator equipment, dramatically reducing the number of tourist arrivals. Micro, small, and medium-sized enterprises (MSMEs) have experienced significant loss of capital due to the impacts of the hurricane. Households need access to finance to rebuild homes and fully reengage in economic activities. Rapid economic recovery and reconstruction are critically needed to generate revenues and avoid further job loss, and support to stimulate access to finance and business recovery are needed to enable the private sector to grow and contribute to Sint Maarten's overall economic recovery.

³ Developed by UNDP in 2015.



8. **While Sint Maarten has made substantial efforts to address the most urgent needs following Hurricane Irma, recovery needs are massive, and the country has limited capacities to manage large-scale resilient reconstruction.** To support rapid and sustainable recovery, the Government of Netherlands has established a EUR 470 million Single Donor Trust Fund (SDTF) managed by World Bank. Although the World Bank has not operated in Sint Maarten to date, its global experience in disaster risk management and response, its capacity to mobilize technical expertise in a broad range of relevant sectors, as well as its longstanding history of managing funds and activities on behalf of donors, attest to the institution's comparative advantage in managing the Trust Fund and supervising its activities. The SDTF will finance selected activities in support of recovery, reconstruction, and resilience under the framework of Sint Maarten's National Recovery and Resilience Plan (NRRP), which outlines the country's recovery needs. The SDTF is governed by a Steering Committee composed of one representative each of the Government of Sint Maarten (GoSM), the Government of the Netherlands, and the World Bank and is mandated to approve short, medium, and long-term recovery projects as well as required capacity building activities. The Steering Committee decides by consensus of its members and meets biannually to approve projects and monitor the progress of agreed activities. Standard World Bank project management and implementation arrangements are followed: projects are prepared and supervised by World Bank in collaboration and executed by the GoSM. The SDTF was established on April 16, 2018.

Sectoral and Institutional Context

9. **Princess Juliana International Airport (PJIA) is the main international airport serving the entire island of Saint Martin, for both Dutch and French sides.** This airport also serves as an important air hub for Saba and St. Eustatius (part of the Kingdom of The Netherlands) as well as other smaller islands such as Anguilla and St. Barthélemy. In 2016 the airport handled over 1.8 million passengers and 62,144 aircraft movements. PJIA is operated by Princess Juliana International Airport Operating Company N.V. (PJIAE). PJIAE is fully owned by the Princess Juliana International Airport Holding Company N.V. (PJIAH), which in turn is owned 100% by the Government of Sint Maarten (GoSM). The GoSM is the Concessor, while the Holding Company (PJIAH) is the Landlord with PJIAE being the tenant, operator, and concessionaire of the airport and all its facilities.
10. **PJIA's terminal building and facilities were severely damaged during Hurricane Irma and Hurricane Maria and are not fully functional since then.** The passenger airport terminal, a four-story building with an area of 30,500 sqm, and the air traffic control tower were severely damaged by strong wind and rainwater. The roof of the terminal building was destroyed, the entrance doors were blown out. Due to the roof damage, salty water (mix of rainwater and salt spray from the large breaking waves at sea) entered the building, resulting in significant damage to equipment and the facilities inside and subsequent mold growth. The entire terminal, except a part of the luggage handling section on the runway side where the damage was not significant, has not been functional since then. However, the main steel structure of the building and the building foundation survived the storm well. The current building structure is 12 years old, quite solid, and has sustained practically with no damages other than the roof and the entrance doors. The windows (except one) also withstood the category 5 impact.



11. **Rapid reconstruction of the airport terminal is a high priority for the GoSM to avoid slowing down a recovery process given the importance of tourism to the Sint Maarten economy.** The airport is currently operating with the help of temporary passenger processing pavilions. Passenger traffic is about 30-50% of pre-Irma levels in 2018, consistent with the severe reductions in hotel capacity (currently about 34% of pre-Irma levels). The provisional passenger facilities can accommodate only 30% of the original peak capacity, which will be a serious bottleneck very soon as the hotel industry is recovering. The GoSM estimated that 56% of room capacity will be available by the end of this year. As the reconstruction works require at least 18-month duration, without the immediate start of the works, the limited airport capacity will become a serious bottleneck of the tourism industry recovery, which will, in turn, impede the economic recovery of the island.
12. **Demand projections show a recovery period before reaching similar pre-Irma traffic in 2025.** PJIA started operating using temporary tents or pavilions while the terminal is reconstructed. Traffic will remain low during the reconstruction works and is expected to increase gradually after the terminal is completed in 2020 to reach pre-Irma levels by 2022. Traffic will also depend on the timely reconstruction of the hotels and other infrastructure to support tourism. During the ramp-up period, PJIAE will have lower revenues and a reduced capacity for debt service, particularly considering the additional financing required for the reconstruction.
13. **The involvement of the Bank-managed Trust Fund will support a fast reconstruction of the PJIA facilities, help the PJIAE in achieving a sound financial situation, and as a result, promote a rapid economic recovery of Sint Maarten.** It is currently difficult for PJIAE to mobilize resources from the private financial market to reconstruct the airport and to continue their operation. The financing of the TF will ensure that the airport reconstruction is completed as quick as possible, so that the PJIAE uses accumulated cash and revenues for operating expenses and re-generates sufficient additional revenue after the reconstruction to service the debt and to continue their business in a sustainable manner. This will significantly contribute to tourism sector recovery of the island. Also, the Bank assists PJIAE in mobilizing other sources of financing (i.e. EIB) to minimize the need for allocation of the TF.

Higher Level Objectives to which the Project Contributes

14. **The project will support the implementation of Sint Maarten's National Recovery and Resilience Plan (NRRP),** which lays out priorities and a roadmap for the recovery, reconstruction, and resilience of Sint Maarten following the effects of Hurricane Irma. The GoSM aims to quickly restore economic, community and governance infrastructure and service delivery. These goals are also reflected in the design of the SDTF, which will support this and other projects.
15. **The GoSM's NRRP outlines the Government's vision, principles and a proposed approach for rebuilding a "better and stronger Sint Maarten" following Hurricane Irma.** It aims at accelerating the restoration of the social and economic infrastructure, based on a consensus of all stakeholders, and following the "Build Back Better" principle. The NRRP vision emphasizes the need to restore business activities as a priority while acknowledging the need to address the significant social disruption generated by the disaster.



16. **The project is aligned with the World Bank’s twin goals of ending extreme poverty and boosting shared prosperity.** It will target the most in-need and vulnerable population immediately affected by the hurricane, help the country to recover and resume growth, and contribute to strengthening the economic and social resilience of the country in the future, thus contributing to sustainable and inclusive growth.

C. Proposed Development Objective(s)

The development objective is to reconstruct the Princess Juliana International Airport with increased natural disaster resilience.

Key Results

Indicators for the proposed project include:

- Restored passenger handling capacity of the terminal to the Pre-Irma level
- Improved resilience of the terminal against the Irma-level hurricane events

D. Concept Description

17. **This Project addresses needs for immediate recovery and reconstruction of the Princess Juliana International Airport (PJIA).** As an island economy with no roadway links to other islands, restoring airport capacity is vital to economic recovery as well as disaster relief and emergency activities during the future natural disaster events. The proposed project includes interventions to rebuild the terminal infrastructure and capacity building in the areas of resilience and air traffic safety of the airport.

Component 1: Reconstruction of the PJIA passenger terminal

18. **This component consists of the internal reconstruction of the PJIA passenger terminal and assists in the reconstruction program of the PJIA which was heavily damaged by hurricanes in September 2017.** PJIA’s reconstruction program includes the reconstruction of the passenger terminal as well as the other airport facilities such as air traffic tower and firefighter facilities. As requested by the GoSM and PJIAE, the project will focus on the terminal reconstruction, which is the most critical to recover the passenger capacity of the PJIA.

19. **The vast majority of internal facilities, equipment, and furniture of the PJIA terminal need to be replaced or repaired due to extensive water and mold damage.** PJIAE’s plan is to reconstruct the terminal keeping the existing foundation and steel building superstructure and rebuild the whole internal installation. This approach is considered appropriate given speed and cost advantages and the nature of the damage to the facility. Further, the previous terminal provided a high level of service without any major design flaws, therefore design changes are not needed. Additionally, a full demolition approach before reconstruction



would add another 6 to 9 months to the overall timeline for reopening the terminal and increase the direct constructions costs by about 15 to 20%.

20. **The PJIAE’s reconstruction program of the terminal includes the following series of works:** (i) Preliminary internal demolition (completed); (ii) Terminal roof repair and betterment (ongoing): this will be completed in March 2019; (iii) 1st phase of the terminal reconstruction for partial opening of the ground floor (ongoing): This work is to open to the passengers a part of ground floor for temporary operations and will be concluded by December 2018; and (iv) 2nd phase of the terminal reconstruction: the entire internal facility and equipment reconstruction. The first three works above, demolition, cleaning, roof repairing, and partial reconstruction are implemented by PJIAE’s own financing resources and insurance proceeds and concluded before the internal reconstruction work begins.

21. **The project finances only the work of the 2nd phase of the terminal reconstruction, that is, internal facility and equipment reconstruction.** The planned work will rebuild the whole internal installation, including dry walls, furniture/counters, electrical systems, IT, baggage system, security installations, etc. Design of the work will be finalized by January 2019. PJIAE has estimated that reconstruction will cost about US\$107 million including 5% contingency. PJIAE plans to start the work in May 2019 and the work is expected to last for 18 months.

Component 2: Project Management and Capacity Building

22. **The component would support project management and capacity building.** The component will support, among others, operating costs required for meeting the Bank’s requirements on environmental and social safeguard and fiduciary. Furthermore, the component will finance capacity building activities such as resilience and air traffic safety management, based on the needs assessment during appraisal.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

The risks are rated as moderate.

Note To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.



CONTACT POINT

World Bank

Satoshi Ogita
Senior Transport Specialist

Borrower/Client/Recipient

Sint Maarten Government
May-Ling Chun
Director of Tourism
may-ling.chun@sintmaartengov.org

Implementing Agencies

Princess Juliana International Airport Operating Company N.V.
Ravi Daryanani
Chief Financial Officer
rdaryanani@sxmairport.com

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Satoshi Ogita
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Approved By

Practice Manager/Manager:		
Country Director:		