



Focus on the Dutch contribution to the reconstruction of Sint Maarten

2018



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Sint Maarten is an island country that is part of the Kingdom of the Netherlands

Saint Martin is an island in the northeastern Caribbean, comprising a French part and a Dutch part. It is home to a total of around 73,000 inhabitants and has a surface area of 87 square kilometres.¹ The Dutch part of the island covers an area of around 34 square kilometres and has a population of around 41,000. The Dutch part of the island, known as Sint Maarten, has been one of the four constituent countries of the Kingdom of the Netherlands since 10 October 2010.² The other three constituent countries are the Netherlands, Aruba and Curaçao. All these countries have their own responsibility for organising their governance, education and legal systems.³ By dint of her responsibility for upholding the Kingdom Charter, the Dutch Minister of the Interior and Kingdom Relations is under an obligation to guarantee⁴ legal security, good governance and the observance of human rights in the Caribbean part of the Kingdom of the Netherlands.⁵

Sint Maarten has a surface area of 34 km² and a population of 41,000

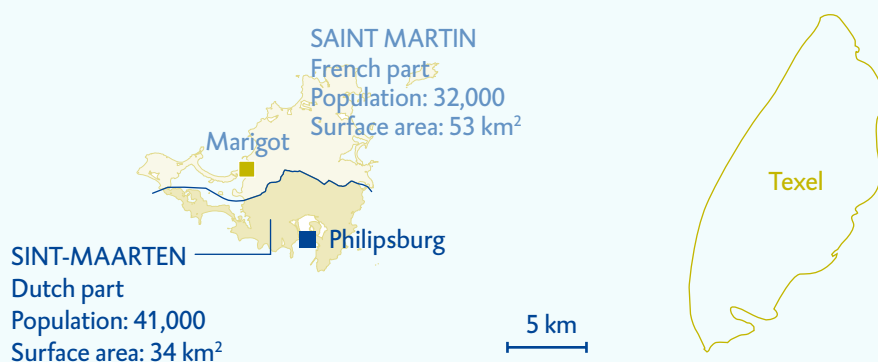


Figure 1 Map of Sint Maarten

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Summary

In September 2017, the Caribbean island of Saint Martin was hit by a massive hurricane. Hurricane Irma not only caused a great deal of human suffering, it also wreaked a huge amount of material damage to the island's infrastructure, homes and businesses. In response to this calamity, the Dutch government decided to allocate a total of €550 million for the reconstruction of the island. The bulk of this sum, viz. a maximum of €470 million, is to be spent by a Trust Fund managed by the World Bank. In deciding that expenditure should be managed by the World Bank, the State Secretary for the Interior and Kingdom Relations intended to ensure that the funds in question would be spent in an ethically sound, lawful and efficient manner. Moreover, the management structure has been designed in such a way that both the Netherlands and Sint Maarten are required to approve all the reconstruction projects that receive funding. The thinking behind this is that this should help to generate political support for the projects in question.

However, complaints have been voiced from various quarters about the rate of progress of the reconstruction effort. However, the funds allotted to reconstruction projects must be spent both lawfully and efficiently. This focus audit examines the arrangements made with regard to the spending of the Dutch funds allocated to the reconstruction programme, and the effects of these arrangements on the progress of reconstruction work on Sint Maarten.

Current situation regarding the spending of reconstruction funds

As at November 2018, the Dutch government had transferred a total of €262 million to the Trust Fund. As at 30 November 2018, a total of €109 million had been allocated to a number of recipients, for spending on a range of projects. Only a small proportion of this sum has actually been spent on the projects in question. Although further projects worth a total of €153.5 million are in the pipeline, no binding arrangements have yet been made with the intended beneficiaries.

In other words, over half the aggregate Dutch contribution has already been allocated to specific projects. At the same time, Sint Maarten is still working on a framework document setting out the Trust Fund's strategic priorities, the idea being that this document should be used to assess retrospectively whether the money has been spent on the right things. As long as this framework document has not been finalised, there are only limited opportunities for comparing the merits of current and future project proposals, thus complicating any long-term, strategic management of expenditure.

The reconstruction work in practice

Our interviews in Sint Maarten revealed that some of those involved with the reconstruction programme were satisfied with relations with the World Bank. They said that the requirements set by the latter helped to guarantee that proper care was taken in spending the funds, although they pointed out at the same time that the various procedures prescribed by the World Bank were time-consuming.

The main obstacle standing in the way of a rapid reconstruction is the lack of manpower and expertise on Sint Maarten. If the reconstruction programme is to make faster progress, Sint Maarten will not only need financial support, but also assistance in spending the money. We found that officials on Sint Maarten needed assistance from the Netherlands and/or the World Bank.

Delays are arising in the implementation of a number of projects. For example, not a single roof has been repaired with money from the Trust Fund. Repair work on the electricity grid and the water storage systems has been at a standstill since the end of October. The World Bank requires the local water and utilities company (GEBE) to satisfy a number of requirements that are intended to ensure that the reconstruction funds are spent with due care. For example, GEBE is not allowed to engage local suppliers it has used in the past without holding a public tendering procedure.

Two projects that have been quick to get off the ground, however: the funding of a new hospital and a training and income support programme. Detailed plans had already been made for both projects before the World Bank came into the picture, which meant that they were able to get off to a quick start.

All in all, there is a difficult dilemma here, in that the need for prudence, lawfulness and efficiency on the one hand must be weighed against the need for rapid reconstruction on the other. One of the consequences of the priority that has been given to prudence is that, for the moment, most money has been spent on planning and on funding existing plans and making sure they are sustainable in the long term. As a result, the population of Sint Maarten have not seen many tangible results of the reconstruction projects financed from the Trust Fund.

1 Introduction

In September 2017, a number of Caribbean islands, including the Dutch Windward Islands of Sint Maarten, Saba and Sint Eustatius, were hit by two devastating hurricanes within the space of two weeks. Hurricane Irma and Hurricane Maria not only caused a great deal of human suffering, they also wreaked a huge amount material damage to the islands' infrastructure, homes and businesses. The Dutch government responded immediately, sending emergency relief to the three islands and helping the local authorities maintain public order and repair the infrastructure.⁶

Hurricane Irma passed straight over the Windward Islands

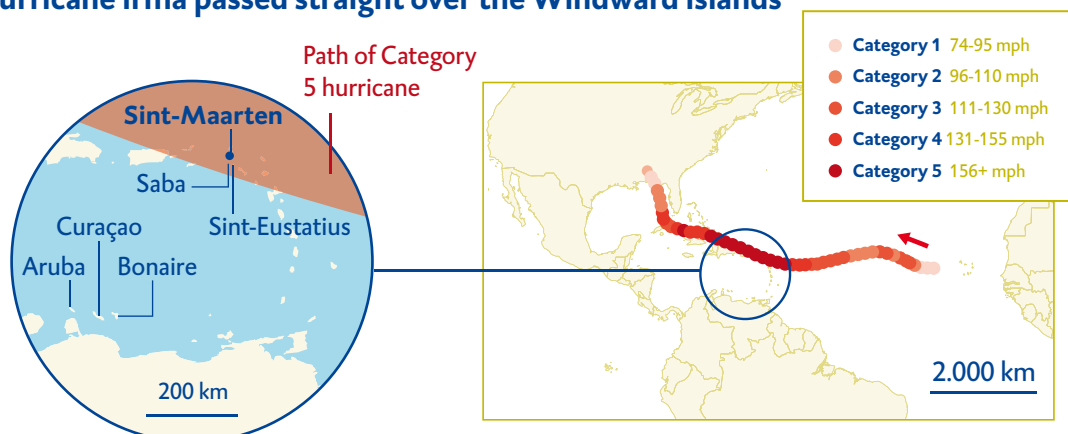


Figure 2 *The path of Hurricane Irma*

90% of the buildings on Sint Maarten were damaged⁷ and it quickly became clear that a large part of the island would need to be rebuilt. Not only that, the buildings on the island also needed to be made better resistant to the powerful hurricanes that are annual occurrences in the Caribbean. With the aid of the World Bank, the government of Sint Maarten estimated the total cost of all reconstruction work at around €2 billion.⁸ In response, the Dutch government allocated a total of €550 million to the reconstruction of the island, the bulk of which, viz. a maximum of €470 million, is to be spent during the period up to the end of 2015 by a Trust Fund managed by the World Bank. The remaining €80 million will be used for providing direct support to Sint Maarten, for example in the form of liquidity support and technical assistance.

1.1 Background

Complaints have been voiced from various quarters about the progress of the reconstruction work.⁹ For example, the Dutch National Ombudsman concluded, in tandem with his colleague on Sint Maarten, that “*a large number of people on Sint Maarten are still in urgent need of concrete help*”. They claimed that only a small number of relief projects had actually got off the ground. The same concerns were expressed by the Dutch House of Representatives in a debate on the Kingdom Relations budget for 2019. The House was worried that very few reconstruction projects on Sint Maarten were actually getting off the ground, and that many people were being left to their own devices and were dependent mainly on their ability to improvise. It was also felt that the World Bank’s procedures were bureaucratic and unnecessarily complex. In response to these concerns, the State Secretary for the Interior and Kingdom Relations said that although he, too, would like to see the reconstruction programme proceeding at a higher pace, he nevertheless wanted to ensure that the money was properly spent.¹⁰

1.2 About this study

This study focuses on that part of the Dutch contribution to the reconstruction of Sint Maarten that is spent by the Trust Fund managed by the World Bank. We examined the arrangements made between the Dutch government and the World Bank about how Dutch funds should be spent. We also looked at how these arrangements panned out in practice and what impact they had on the progress of the reconstruction programme. We did this in the form of a focus study, in which we present the facts without making any judgements or recommendations. See the appendix for further information on the methods used in this study.

1.3 Format

Chapter 2 describes the chain of events starting with Hurricane Irma and ending with the establishment of the Trust Fund. Chapter 3 discusses the current situation regarding the payments made from the Trust Fund and analyses the pattern of spending to date. Chapter 4 describes the success factors and obstacles in the relations between Sint Maarten, the Netherlands and the World Bank. These success factors and obstacles are illustrated by four reconstruction projects that we looked at in more detail. Chapter 5, finally, examines the arrangements made between the Dutch government and the World Bank about the way in which the money in the Trust Fund should be spent.

2 The chain of events since Hurricane Irma

This section discusses the chain of events starting with Hurricane Irma and ending with the establishment of the Trust Fund. The main events are shown on the timeline in Figure 3.

Prior to the establishment of the Trust Fund, the Netherlands sent emergency relief and early recovery aid

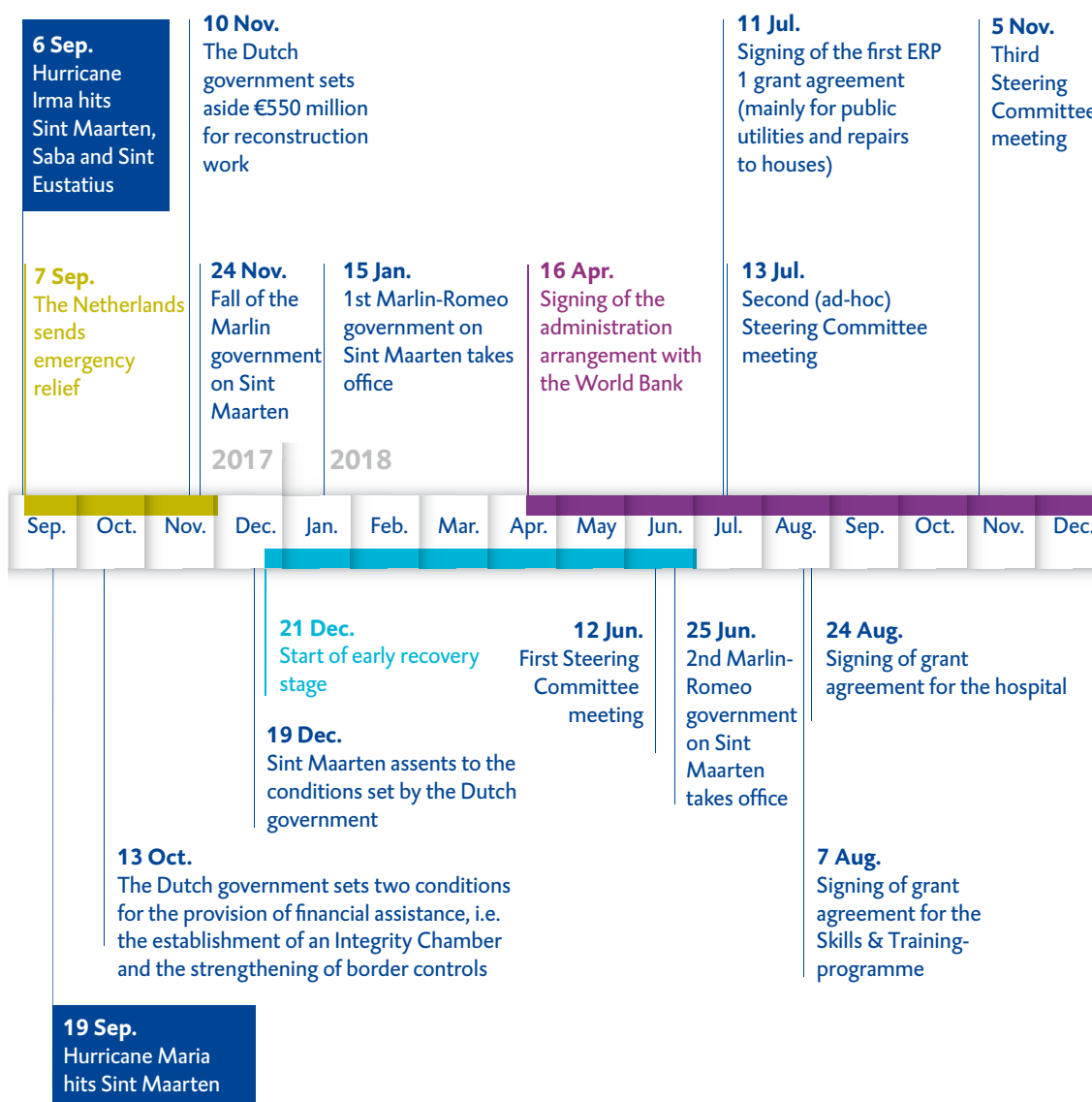


Figure 3 Timeline showing the main events since Hurricane Irma

2.1 Emergency relief

Immediately after Hurricane Irma, the Dutch government sent emergency relief to Sint Maarten to meet the population's basic needs for things like housing, food and drinking water, but also with a view to maintaining public order and repairing the infrastructure that was needed to allow relief supplies to be delivered.¹¹ In addition to deploying members of the armed forces and police officers during the emergency relief stage, the Netherlands also sent emergency relief worth €55 million to Sint Maarten, Saba and Sint Eustatius.¹²

2.2 Establishment of the Trust Fund

The Dutch Minister of the Interior and Kingdom Relations informed the government of Sint Maarten in October 2017 that the Dutch government was prepared to set up a fund for the reconstruction of Sint Maarten. The Dutch government set aside a total of €550 million for this purpose. The provision of this financial aid was, however, subject to two conditions set by the Dutch government. These were intended to ensure that the money would be properly spent and that all decisions on expenditure would be taken in accordance with high standards of ethical behaviour. The first of these conditions was that an 'Integrity Chamber' should be established and the second was that the Royal Dutch Border Police and the Dutch Customs Authority would help to strengthen border controls.¹³ The government of Sint Maarten resisted these conditions at the outset, in particular against the idea of an Integrity Chamber. However, following the resignation of the caretaker Prime Minister, William Marlin, the parliament of Sint Maarten finally gave their formal assent to both conditions in December 2017.¹⁴

2.3 The decision to bring in the World Bank

Before any money could be spent, the first step was to find a suitable means of disbursing it, the idea being to ensure that the money from the Netherlands was spent in a lawful and efficient manner. Although the idea was for Sint Maarten to retain responsibility for and control of the reconstruction programme, the Dutch government wanted to ensure that the money was spent in a lawful manner.

Three alternative means of disbursing the money were considered:

1. The money could be transferred in the form of a gift from the Netherlands to Sint Maarten. The government of Sint Maarten would then be completely free to decide how the Dutch money should be spent

2. The money could be spent directly by Dutch ministry officials on Sint Maarten. The Dutch government and the government of Sint Maarten would then have to negotiate on each individual project;
3. A reconstruction programme could be set up, to be handled by an international organisation such as the World Bank.

The State Secretary for the Interior and Kingdom Relations decided that the first two of these options were not suitable, as neither country had sufficient manpower or expertise to handle a project of this scale. If Sint Maarten were to be made solely responsible for the programme, the Dutch government would not be able to exercise sufficient control over the way the money was spent, thereby creating a risk that the priorities set by the Dutch government would not be met in full. The State Secretary also believed there was a risk in this case of the money ending up in the wrong hands, thus preventing the population of Sint Maarten from benefiting from the Dutch aid.

For this reason, it was decided that the third alternative, i.e. using the services of an international organisation, was the best option. This would still enable the Netherlands to exercise control over the way in which the money was spent: more specifically, the Dutch government would be able to specify the terms of the mandate, set certain conditions, disburse the money in tranches, and have a seat on the Steering Committee that would act as the programme's governing body. Moreover, this option would also generate greater political support, given that the government of Sint Maarten would itself be required to agree with all the reconstruction activities. Also, some international organisations possess the relevant expertise and the necessary staff resources. A comparison of various international organisations resulted in the selection of the World Bank as the best option. The State Secretary informed the Dutch House of Representatives about this decision on 21 December 2017.¹⁵

2.4 Early- recovery stage

As the State Secretary for the Interior and Kingdom Relations realised that it was going to take some time for the Trust Fund to be fully operational, he decided to launch an 'early recovery stage' to run up to the date on which the World Bank took over responsibility for the programme. The Dutch government earmarked €7 million for this stage, to meet the most urgent needs of the population of Sint Maarten.¹⁶ These projects, the bulk of which were performed by international organisations and local NGOs (non-governmental organisations), placed special emphasis on the most vulnerable population groups on the island. For example, a series of projects were launched in January 2018 for undertaking repair work on houses, distributing daily meals at all primary schools and offering psychosocial help to children.¹⁷

3 The current situation regarding the spending of reconstruction aid

The Trust Fund is to be filled in a process consisting of four tranches (see section 5.1.2). The Netherlands transferred the second tranche to the World Bank in October 2018, bringing the total amount paid into the fund to €262 million. The last two tranches, of €120 million and €88 million, are due to be paid on 15 April and 15 October 2019 respectively. The tranches are paid in euros, and these are converted into dollars as soon as they reach the Trust Fund. All the figures quoted in this report are in euros.¹⁸

The total value of the projects currently under preparation or in progress is approximately €262.5 million. There is no direct link between the projects and the various tranches. Figure 4 shows the various projects and their current status. A total sum of around €109.1 million has already been allotted to a number of specific projects, most of it (€85.6 million) to concrete reconstruction projects. Also included in this figure is €15.3 million worth of liquidity support for Sint Maarten and €8.2 million worth of fees paid to the World Bank for services rendered.¹⁹ Further details of this expenditure are given later on in this chapter.

The Steering Committee has also endorsed allocations of approximately €96.5 million to projects the details of which still need to be worked out. These projects are currently being planned by the World Bank. The grant agreements are likely to be signed in the near future, after which the projects can get underway. A further two projects worth €57.0 million are also in the planning stage, although preparations are not yet as advanced as in the case of the other projects. The various stages in the project planning process are explained in more detail in section 5.2.

Finally, the Trust Fund also has revenue in the form of interest payments. Interest payments of €0.9 million were received during the period up to 15 October 2018. These are added to the total amount of money available for spending on Sint Maarten.

€262.5 million of the money in the Trust Fund has already been earmarked for projects

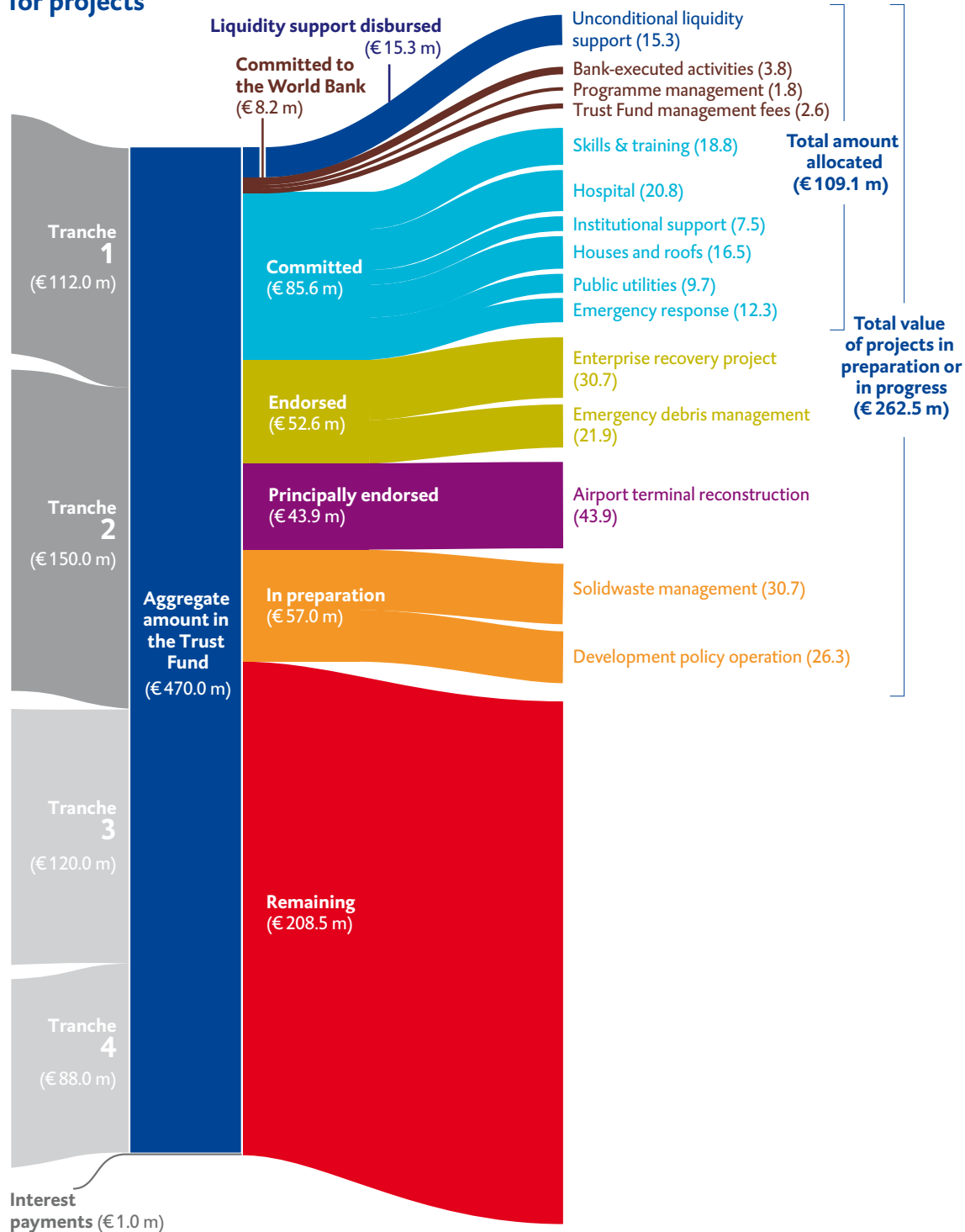


Figure 4 Current state of disbursements from the Trust Fund

3.1 Liquidity support

Sint Maarten has had a cash flow problem for some time now and this was exacerbated by the effects of Hurricane Irma.²⁰ For this reason, the Dutch government decided at the end of November 2017 to grant Sint Maarten liquidity support of €22.8 million to cover its cash requirement for 2017.²¹ This support was provided from the direct support granted to Sint Maarten, i.e. from that part of the overall allocation of €550 million from the Dutch government that is not spent by the Trust Fund.

The government of Sint Maarten has again asked for liquidity support for 2018. In the light of the budget deficit for 2018, Sint Maarten inevitably needed financial support to enable it to meet all its financial obligations. In July 2018, the Council of Ministers of the Kingdom of the Netherlands²² decided to grant this support.²³ The Council of Ministers made clear that any future liquidity support should be provided through a World Bank programme. For this reason, the liquidity support will now be provided by the Trust Fund, which will make use of two channels to this end. The first channel is a transfer of €15.3 million from the Trust Fund to Sint Maarten, which took place in October 2018. As a result, the effective amount of money available in the Trust Fund is no longer €470.0 million, but €454.7 million. The second channel is the Development Policy Operations project, through which conditional liquidity support of €26.3 million is provided from the Trust Fund. This liquidity support is subject to certain conditions relating to good governance. The State Secretary for the Interior and Kingdom Relations has not yet informed the House of Representatives about this.

Table 1 Aggregate expenditure on liquidity support (in millions of euros)

Type of support	Charged to	Value
Liquidity support, 2017	Direct support	€ 22.8*
Liquidity support, 2018	Trust Fund	€ 15.3
Conditional liquidity support (DPO)	Trust Fund	€ 26.3
Total		€ 64,4

*Not paid from the Trust Fund, so not visible in Figure 4.

3.2 World Bank fees

Fees of approximately €8.2 million have been paid to the World Bank to date.²⁴ The payments made to the World Bank fall into three categories. The bulk is intended for activities performed by the World Bank itself, for which a total of €3.8 million has been earmarked with the Steering Committee's approval for the period up to the end of 2019.

The amount in question is used to pay for the planning and monitoring of a number of specific projects (€3.1 million), as well as for World Bank analyses and technical support (€0.7 million).²⁵ The latter figures include an extra payment to the World Bank representing 17% of the staff expenses in relation to these activities. The Steering Committee will first need to give its approval should extra funds be needed to pay for this type of activity.

A further €1.8 million has been set aside for programme management by the World Bank.²⁶ This figure covers the cost of organising meetings, communications and preparing progress reports.

Finally, the Netherlands also pays the World Bank a fee for managing the Trust Fund. This is intended to cover overhead expenses such as payroll accounts and other ancillary activities. It is not used to carry out project work. The fee charged is 3% of the total expenditure on reconstruction projects. To date, around €2.6 million has been allocated for the payment of these fees to the World Bank.²⁷ The aggregate figure for the entire life of the Trust Fund is likely to work out at around €12 million.²⁸

The fee charged for this particular Trust Fund is lower than the standard fee charged by the World Bank for managing other Trust Funds. The customary percentage charged is 5% of the value of the activities performed by the recipient. A special rate has been arranged to account for the fact that the Trust Fund has just one donor.²⁹ This should generate a saving of around €4.5 million.³⁰

4 The reconstruction programme in practice

This chapter describes how the reconstruction work is proceeding in practice, the sort of obstacles that have been encountered and the factors that stand to determine its success. Our findings are based primarily on our fieldwork on Sint Maarten and our meetings with 30 local interviewees. We first discuss the absence of a Strategic Results Framework and the effect this has on the management of the Trust Fund. We then examine the problems surrounding the number of operational staff available on Sint Maarten, before discussing World Bank procedures and the impact these have had on the rate of progress in the reconstruction of Sint Maarten. We briefly discuss the extent to which local businesses have been engaged to work on reconstruction projects. All these various points are illustrated by four case studies, i.e. four concrete reconstruction projects that we examined in detail during our mission to Sint Maarten.

4.1 Strategic Results Framework

The government of Sint Maarten has drawn up a National Recovery and Resilience Plan (NRRP) with the aid of the World Bank. The NRRP contains an analysis of the damage and financial losses caused by Hurricane Irma and describes the financial requirements for the reconstruction of the island. The NRRP outlines the stages of the reconstruction process, sets a number of basic priorities and also examines the alternatives for financing the reconstruction work.³¹

It has been estimated that the NRRP will cost approximately €1.9 billion to implement in its totality. In other words, the Dutch contribution of €550 million will not be enough to cover the full cost of the NRRP.³² The NRRP assumes that insurance companies will pay out a total of between €267 and €360 million (USD 320-430 million), leaving a financing gap of some €1 billion. Among the potential sources of finance cited in the NRRP are the national budget of Sint Maarten, the private sector, private savings and additional support from the international community. This means in any event that certain priorities will have to be set for spending from the Trust Fund: only a limited number of the requisite reconstruction projects can be funded from the money provided by the Netherlands.

The Netherlands supplies around a quarter of the aggregate funding needed for reconstruction purposes

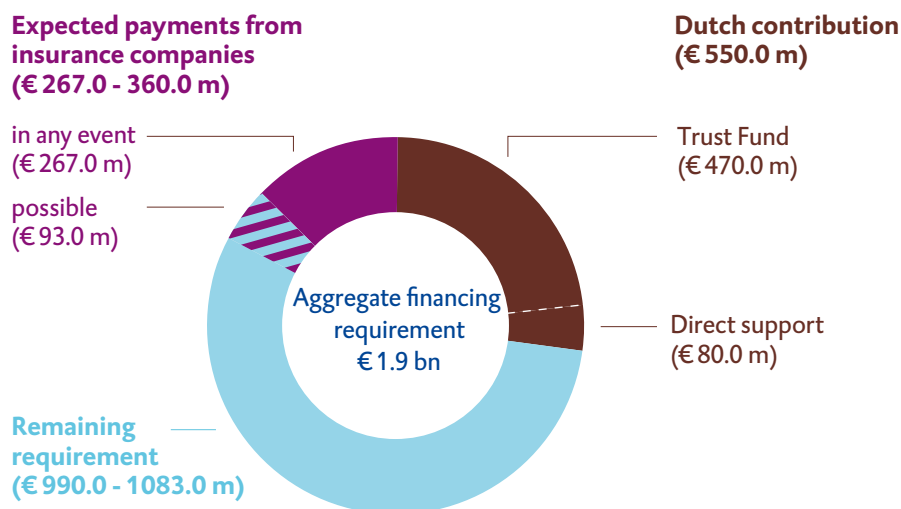


Figure 5 Breakdown of aggregate financial requirement for reconstruction purposes

When the Trust Fund was set up, the Dutch government supplied a set of criteria that can be used for assessing whether or not a project qualifies for financing from the Trust Fund. These criteria are set out in the box below.

Criteria for deciding whether a project is eligible for financing³³

1. *Necessity*: the project is a vital part of the reconstruction and no other sources of finance are available other than public funds (at least for part of the financing requirement);
2. *Additionality*: the Dutch contribution must be supplementary to whatever finance can be raised on the market;
3. *Suitability*: the nature and type of project, as well as the process involved, are commensurate with the scale of Sint Maarten (the main factors in this respect being absorption capacity and operational capacity);
4. *Effectiveness*: the project helps to achieve the overall objective and ties in well with the long-term strategy for Sint Maarten;
5. *Efficiency and legitimacy*: the efficiency and legitimacy of all projects and all expenditure are guaranteed.

In order to be able to decide after the event whether the money in the Trust Fund has been spent on the right things, and whether spending has been efficient, it is important to formulate a clear final objective in advance.³⁴ The State Secretary for the Interior and Kingdom Relations agreed with the World Bank that the latter is to lay down this final objective in the form of a Strategic Results Framework.³⁵ In order to secure local political support, the State Secretary and the World Bank asked the government of Sint Maarten to formulate these strategic objectives. As no such long-term strategy had been finalised by the end of November 2018, no consensus has emerged about the clearly measurable objectives that the Trust Fund should be intended to achieve.

This has made it difficult to draw up a full list of projects that the various parties would like the Trust Fund to finance in the future, including their associated costs. As a result, there are only limited opportunities for comparing project proposals with proposals for future projects. It should be borne in mind that almost half of the Trust Fund has already been allocated to projects.

4.2 Operational capacity on Sint Maarten

There is a huge need for reconstruction on the island but only limited operational capacity.³⁶ The government is already under great pressure, in the wake of Hurricane Irma, to perform its regular tasks.³⁷ Moreover, €550 million is a large amount of money for a small country, representing as it does around 65% of Sint Maarten's gross domestic product (GDP).³⁸ To give an impression of the relative scale of the fund, around €479.1 billion would be required if a programme of a similar scale were to be performed in the Netherlands.³⁹ It follows that the government of Sint Maarten is not used to spending this sort of money within a relatively short space of time. The State Secretary for the Interior and Kingdom Relations already pointed out, earlier on in the process, that Sint Maarten has a limited absorption capacity.⁴⁰ This is an aspect that was confirmed by our study: the government of Sint Maarten has neither the capacity nor the expertise that are needed to carry out all the reconstruction projects within the desired time limits.

According to the government of Sint Maarten, additional capacity and expertise are indispensable in order to successfully complete the reconstruction projects.⁴¹ During all interviews we conducted on the island, people said that the biggest threat posed to the reconstruction programme at present is the lack of capacity and expertise. This problem also makes it difficult to satisfy all the requirements and formalities laid down by the World Bank.

There are three options in this respect:

1. The government of Sint Maarten could recruit experts;
2. The World Bank could supply technical assistance;
3. Technical assistance could be supplied by the Dutch government.

These three options are briefly discussed below.

4.2.1 Experts could be recruited by the government of Sint Maarten

The need for additional capacity and expertise is one of the main reasons why the government of Sint Maarten decided to set up a National Recovery Programme Bureau (NRPB; see section 5.1.4). The idea is that the staff of the NRPB should possess the expertise required to follow the procedures prescribed by the World Bank and to ensure that projects are carried out properly. The government of Sint Maarten believes that the presence of the NRPB should enable it to adhere to the World Bank's quality guidelines⁴² and will also relieve the government departments on Sint Maarten of some of their responsibilities for the reconstruction effort.

Unfortunately, it is taking longer than expected to get the NRPB operational. In the meantime, an Interim Recovery Committee (IRC) is performing the tasks the NRPB is supposed to perform. Members of the IRC indicated that they are having difficulties coping with the pressure of work. The IRC has a staff of eight, instead of the intended 20 who ultimately have to work for the NRPB. Moreover, the work these eight officials are performing for the IRC comes over and above their existing responsibilities for the government of Sint Maarten. There is a shortage of experienced project managers, engineers and public procurement officers. The recruitment of experts is proving to be a slow process, with only a small number of candidates applying for vacancies. An alternative option would be to take on external consultants, but this is costly.

4.2.2 The World Bank could provide technical assistance

The agreement with the World Bank includes a clause for technical assistance to be provided to Sint Maarten.⁴³ Such assistance would be paid from the Trust Fund. The World Bank mainly provides assistance with specific projects, for example with the preparation of the National Recovery and Resilience Plan (NRRP) and with the establishment of the NRPB.

4.2.3 Technical assistance could be supplied by the Dutch government

The necessary expertise could also be supplied by the Netherlands. This form of technical assistance is paid for from the direct support provided to Sint Maarten by the Netherlands, i.e. from that part of the €550 million budget that is not spent by the Trust Fund.

As long as there are funds available, the Netherlands can supply technical assistance subject to certain conditions. First of all, the assistance must be directly related to the impact of Hurricane Irma and must be necessary for the reconstruction of Sint Maarten. Secondly, it must be temporary. Finally, there must be no possibility of other parties (i.e. private-sector suppliers, the government of Sint Maarten or the World Bank) carrying out the work in question. The Dutch government supplies technical assistance in situations in which the World Bank is either unwilling or unable to do the work, and also in situations in which the Dutch government does not want the World Bank to do the job. This is not something on which firm arrangements have been made. Instead, a decision is made on pragmatic grounds on a case-by-case basis.

The government of Sint Maarten is entitled to submit requests for technical assistance to the State Secretary for the Interior and Kingdom Relations. A total of 29 such requests have now been made, 11 of which have been granted by the State Secretary. As far as the remaining requests are concerned, a decision will be taken as to whether they could be passed on either to the World Bank or to other organisations. The State Secretary took the view that certain of the requests he turned down were not directly related to the reconstruction work.

4.3 Relations with the World Bank and their impact on the reconstruction programme

The World Bank has plenty of experience with reconstruction projects in the wake of natural disasters and other calamities on ‘small island states’, including Caribbean islands. However, prior to Hurricane Irma, the World Bank had not had any experience in working with the government of Sint Maarten.⁴⁴ In other words, the two parties need to get to know each other. The World Bank needs to get to know the government of Sint Maarten and the local community. For its part, the government of Sint Maarten has to familiarise itself with World Bank procedures. We found that, for the time being, the two parties have not been entirely successful in this respect.

Local perceptions about relations with the World Bank tend to vary. A number of those we spoke to were satisfied with the situation, although they did say that the many procedures that have to be observed took up a great deal of time and manpower. Nonetheless, they said that the same procedures offered them a degree of certainty and helped to ensure that due care was exercised in spending the money from the Trust Fund and that there were sufficient checks and balances. Moreover, they felt that the involvement of the World

Bank had presented a valuable learning experience: officials on Sint Maarten had learned all sorts of new skills from the World Bank that would raise the quality of public services in the long term. For instance, the World Bank had organised a number of courses, for example on public procurement.

The same interviewees commended the World Bank's flexibility, citing the fact that World Bank staff with whom they had dealings were available 24/7 and regularly visited the island to assess the current state of affairs. It was also said that the rules were bent where possible. For example, the World Bank normally insisted that companies tendering for a contract should have recorded a turnover at least equal to the cost of the project for at least three years in succession. However, where large projects were concerned, there was virtually not a single company on Sint Maarten that could satisfy this condition. In that case, the World Bank relaxed the requirement so as to give local companies a chance of competing for the contract.

Other interviewees, on the other hand, were less positive about relations with the World Bank, claiming that all the rules and procedures, coupled with a lack of capacity on Sint Maarten, had led to delays in a number of projects. They were astounded by how difficult it was proving to get projects started in good time. They did not share the enthusiasm shown by the first group of interviewees about the World Bank's flexibility, complaining that the World Bank was not prepared to diverge from procedures for pragmatic reasons so as to speed up the process. Moreover, they regarded the procedures as being pointless.

4.4 Using local firms

During a general debate in the Dutch House of Representatives on 16 February 2018, the State Secretary for the Interior and Kingdom Relations stressed that, if the Dutch government wanted to ensure that the money intended for the reconstruction of Sint Maarten was properly spent, “we will have to look for multipliers – and these are of course to be found in local labour”.⁴⁵ A number of interviewees also said that they were in favour of using local NGOs who were familiar with the local market. They claimed that, during the early recovery stage, a number of these organisations had demonstrated their ability to perform reconstruction projects. They also pointed out that using the services of local firms could give a boost to the economy of Sint Maarten.

Other interviewees pointed to the limited absorption capacity of the local market and expressed concern that local firms would find it hard to comply with the World Bank's requirements and procedures. There was a risk that small firms lose out to international companies with more experience with World Bank tender procedures. Moreover, they said, there was already a lot of demand for private-sector suppliers since Hurricane Irma had hit the island. They were concerned that it could well be more attractive for local firms to work for private-sector clients who were not tied to World Bank procedures.

4.5 Reconstruction projects in practice

The following section describes four reconstruction projects on Sint Maarten that we looked at in more detail. The four projects involve repairs to houses and roofs, the restoration of public utilities, the construction of a new hospital and the 'Skills & Training' programme. The first appendix of this report describes the methods we used and explains why we selected these four projects in particular.

Repairs to roofs and houses



Many houses suffered damage to their roofs when Hurricane Irma hit the island. Today, over a year after the hurricane, many damaged roofs are still covered with blue tarpaulins.⁴⁶ Many people find it difficult to understand why it is taking so long to get help to them.⁴⁷ Members of vulnerable population groups in particular – people like the elderly, single mothers and those on low incomes – are not in a position either to pay for repairs to their homes or to carry out the necessary repairs themselves. The Dutch government allocated funds for repairs to houses, both during the early recovery stage and in the form of the payment made into the Trust Fund.

- Amount**
€ 10 million
- Grant agreement**
Government of Sint Maarten
- Contractor**
NRPB (repairs carried out by contractors selected by tender procedure) and the SMHDF
- Aim**
Repair roofs and houses used by vulnerable population groups and make them hurricane-proof



Early recovery stage

A number of housing repair programmes operated by international organisations and local NGOs were funded during the early recovery stage, so that members of the most vulnerable population groups on the island quickly had a roof over their heads.⁴⁸ The total amount involved was approximately €3.0 million. On 8 October 2018, the State Secretary for the Interior and Kingdom Relations told the Dutch House of Representatives that the current situation was that 122 houses had been repaired and that work was being carried out on a further 93 houses.⁴⁹ This was a smaller number than originally projected, partly because the UNDP (United Nations Development Programme) had not been able to repair as many roofs as had been planned and had also run into delays. There were various reasons for this, one of which was that shortages on the supply side of the market in the wake of the hurricane had pushed up prices of labour and materials in the Caribbean.

A further problem was the fact that many houses had been damaged much more badly than had initially been thought. As a result, the cost of the repair work that needed to be carried out to make them hurricane-proof was higher than planned. Materials also took longer than expected to arrive and only a small number of contractors had expressed interest in tendering for public procurement contracts. In consultation with the Ministry of the Interior and Kingdom Relations, it was decided to revise down the number of houses that the UNDP would be responsible for repairing, i.e. from 500 to 75.

Contribution from the Trust Fund

Based on estimates, the Ministry of Housing, Spatial Planning, the Environment and Infrastructure (VROMI) expects the roof repair programme to be able to handle a maximum of 350 roofs. Following the completion of the early recovery stage, the government of Sint Maarten estimated that around 500 houses inhabited by people who were unable to carry out the repairs themselves, still needed to be repaired. According to some of the people we spoke to, the actual number is much higher as not everyone who is in need has registered with the Ministry of Public Health, Social Development and Labour (VSA). The problem is that households have to self-register for help. It is unclear how many vulnerable households are in need of help but unable to register for assistance, for example because they are not mobile or not sufficiently assertive. Those households who have registered for assistance are subjected to a thorough assessment procedure, the criteria including the level of earnings and the family situation. Priority is given to the elderly, single parents and other households with children. The Ministry of VROMI also performs a loss assessment, in order to decide which houses are technically fit to be repaired in such a way as to make them hurricane-proof. The NRPB will be inviting tenders for repair contracts. A sum of €5.8 million will be made available from the Trust Fund for spending on the roof-repair programme.⁵⁰

The Trust Fund will also be allocating €4.2 million to the Sint Maarten Housing Development Foundation (SMHDF).⁵¹ Whereas the roof-repair programme is intended exclusively for home-owners, the money paid to the SMHDF is intended to be spent on repairs to rented housing in the public sector. The SMHDF received over 3,000 requests for repairs from tenants in the wake of the hurricane. As many tenants fell into arrears with their rents after the hurricane, the SMHDF has not enough money to pay for these repairs. This is why the Trust Fund is making a contribution to the SMHDF.

Future prospects

The Interim Recovery Committee (IRC) issued the first call for tenders for roof repairs on 17 November 2018. Further tender procedures for roof repairs are likely to follow in the coming months.

Reflection

A number of interviewees said that, due to a lack of capacity and experience with World Bank procedures, the IRC was finding it hard to organise tender procedures that satisfy all the World Bank's requirements. They said that the business of repairing houses seemed like a straightforward process, but had proved to be extremely complex in practice. Careful planning was essential, particularly where there was a need to ensure that houses are more robust than they used to be in the past. The problem is that the government of Sint Maarten does not at present have sufficient staff capacity to do this planning. Moreover, certain information needs to be obtained before repair work can start, i.e. about who owns the house in question and whether the residents are insured against hurricane damage. It is important to avoid a situation, for example, in which, after the roofs of rented dwellings have been repaired, the tenants are required to pay a higher rent or are evicted. Many of the NGOs that carried out repairs during the early recovery stage had access to this type of information, which allowed them to get down to work without delay. However, the government of Sint Maarten does not have a comprehensive database with full information on all those in need who registered with the Ministry of VSA. As a result, it takes the government a great deal of time to work out which households are eligible for state assistance, and the roof-repair programme cannot get underway as quickly as had been hoped.

The restoration of public utilities



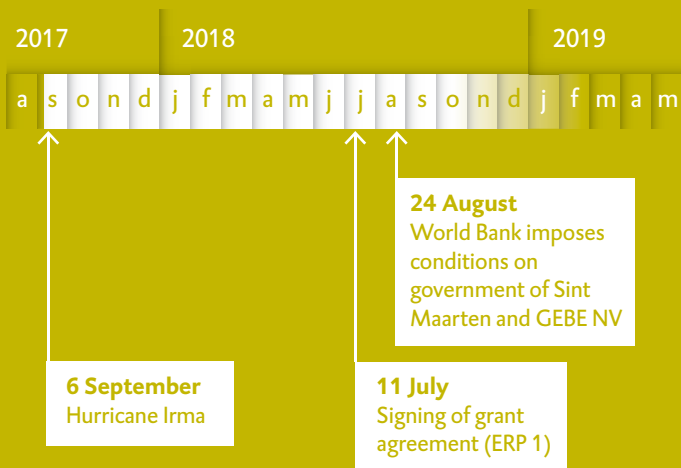
Following Hurricane Irma, many residents of Sint Maarten were forced to spend weeks – and in some cases even months – without electricity. GEBE is the local water and utilities company that is responsible for both electricity and water supplies. GEBE was able to restore power supplies to certain parts of the island within 48 hours of the hurricane. However, water storage tanks were also damaged and GEBE’s headquarters were destroyed.

GEBE does not have sufficient funds to carry out the remaining repairs. As a result, the power supply on Sint Maarten remains in a precarious state.⁵² GEBE has reported that 94% of the high-voltage cables and 84% of the low-voltage cables are already buried underground. The remaining overhead cables remain vulnerable to hurricane damage in the future.

Water supplies have also not been fully restored. Eight of the 14 water storage tanks were either damaged or destroyed by Hurricane Irma. A further four tanks need to be repaired or rebuilt in order to attain the desired storage capacity of between two and four days’ daily water consumption.

GEBE is in a delicate financial position.⁵³ Not all of the island’s big hotels and holiday resorts are operational yet, and are not using any power or water. GEBE’s revenue has fallen by 22.3% since the hurricane and it is now spending €0.9 million more each month than it is receiving in revenue. Although GEBE has a cash reserve for dealing with unexpected losses and natural disasters, this had already been severely depleted even before Hurricane Irma

- Amount**
€9.7 million
- Grant agreement**
Government of Sint Maarten
- Contractor**
GEBE NV (wholly owned by government of Sint Maarten)
- Aim**
Repair and improve the water network and electricity grid



hit the island. Today, only €10.8 million remains of the reserve of over €30.2 million that GEBE had available to it in 2014.⁵⁴ The government of Sint Maarten, which is GEBE's sole shareholder, got GEBE to pay it millions of euros worth of dividends each year.⁵⁵ A further complicating factor is that the government of Sint Maarten typically fails to pay its own water and electricity bills (or to do so on time).⁵⁶

The project

Sint Maarten, the Netherlands and the World Bank decided to allocate €9.7 million to GEBE so that it can speed up the process of transferring the remaining overhead cables to underground trenches (€2.6 million) and also so that it can purchase new water tanks (€6.6 million).⁵⁷ The two figures quoted include payments for repairs that have already been completed. The relevant grant agreement also includes the provision of technical assistance in preparing a new business plan for GEBE, with a view to improving its efficiency and capital structure (€0.5 million).⁵⁸

Progress

The World Bank has imposed certain conditions, both on GEBE and on the government of Sint Maarten, regarding expenditure from the Trust Fund. For example, GEBE is not allowed to ask its regular contractors to dig trenches for underground cables, without holding a public tendering procedure. GEBE is also not allowed to order the water tanks from its previous supplier without any form of tendering procedure. The World Bank imposes these requirements in order to ensure that the money from the Trust Fund is spent in a fully transparent manner.

The World Bank has not yet spent the €9.7 million pledged to GEBE. The World Bank has imposed a number of extra conditions in addition to the requirement that contracts should be awarded by a public tendering procedure. For example, the World Bank insists that the government of Sint Maarten should pay its water and electricity bills (on time) and that it should not allow its payment arrears (of €3.9 million) to rise any further. The World Bank also wants the government to forgo dividend payments from GEBE for 2018 (worth €3.6 million) and also not to charge GEBE any concession rights for 2017 and 2018 (worth €4.5 million). Further stipulations are that GEBE should undertake risk

analyses and identify potential external sources of funding. Finally, the rates charged to big hotels and resorts should be cost-effective rather than special rates based on individual arrangements.

Relations between GEBE and the World Bank

GEBE experiences the relationship with the World Bank as difficult. GEBE's experience has been that the World Bank's insistence on public tender procedures has caused delays in repair work. Things will move faster, GEBE believes, if it is able to sign contracts with local firms whom it knows and trusts. GEBE alleges that the World Bank is prepared to transfer the money only if external financiers are willing to lend to GEBE. However, GEBE claims that these external lenders first want to see the money from the Trust Fund transferred before they lend any money themselves. GEBE is also unhappy with the World Bank's insistence on greater efficiency.

Future prospects

GEBE wants to replace its oil-fired generators in the not too distant future. The government of Sint Maarten is the main decision-maker in terms of strategic energy planning, as any plans for the future will have a direct impact on the inhabitants of Sint Maarten. Although the Steering Committee discussed whether this could be financed by the Trust Fund, the talks did not result in any specific proposal because GEBE was unable to meet the requirements regarding sustainability and external finance, and also because it is not entirely clear whether the need to replace the generators may be regarded as a reconstruction project triggered by Hurricane Irma.

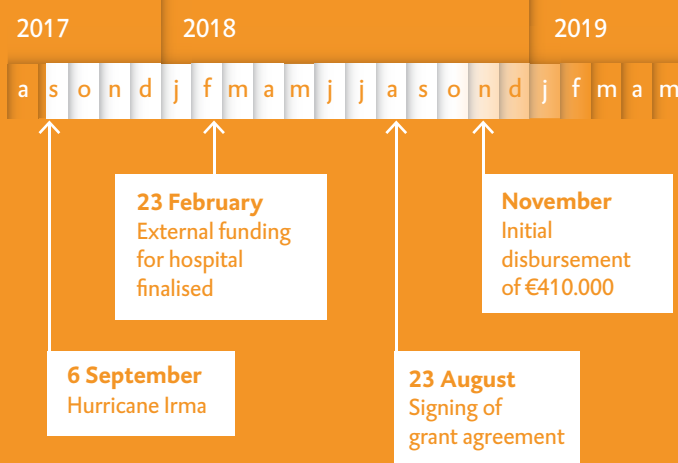
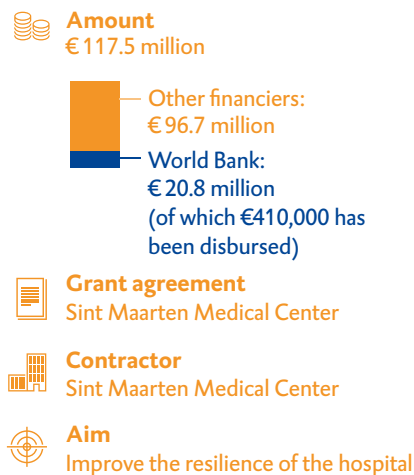
Reflection

GEBE is currently facing financial difficulties, some of which were already present before Hurricane Irma. GEBE has not received any money from the Trust Fund because of its failure to comply with the conditions set by the World Bank in relation to tender procedures and financial management. Repair work is currently at a standstill for this reason. GEBE needs more money in the long term, but will first have to identify potential external sources of finance. GEBE claims that it will be easier to raise finance from external sources once there is clarity about payments from the Trust Fund.

Funding a hurricane-proof hospital



The Sint Maarten Medical Center (SMMC) is a 66-bed hospital.⁵⁹ As it is too small to provide a full range of medical services on Sint Maarten, patients are regularly transferred to Colombia, Guadeloupe, Curaçao or Aruba. This costs the island's Social Health Insurance Company (SZV) around 30 million Antillean guilders (approximately €14 million) a year. With a view to reducing the level of cost, plans had already been made – before Hurricane Irma hit the island – for building a new, bigger hospital that would be capable of providing a wider range of care services. Both the SZV and the pension fund were among the potential backers prepared to contribute towards the cost of building the new hospital. The financing package had been more or less finalised shortly before Hurricane Irma struck.⁶⁰



Hurricane Irma left the hospital facing a combination of flooding and leaks, but it managed to become operational again more or less straight afterwards.⁶¹ The hospital's emergency generator restored supplies of water and electricity, allowing a large number of patients to be treated on the spot. Patients requiring more intensive or special care had to be evacuated.⁶²

The experience with Hurricane Irma made clear that the new hospital must be capable of withstanding extreme natural disasters. For this reason, the design of the building was adjusted to ensure that it would be capable of withstanding category 5 hurricanes and

higher.⁶³ The risk of flooding also means that key equipment will have to be moved from the cellar to a new fourth floor. The revised plans should enable the SMMC to remain operational in an emergency for between two and four weeks, without having to rely on external assistance.

The adjustments made to the original design have raised the cost of the project, which is now too high to be covered in its entirety by the original group of financiers. If no extra finance is found, some of the plans will have to be shelved. One of the possibilities involves not building one of the wings included in the plans. However, in order to avoid this situation, talks were started with the World Bank with a view to raising the extra finance required. In the end, the Steering Committee agreed to fund the plans for building a hurricane-proof hospital from the Trust Fund, which means that the entire hospital can now be built according to plan. Some of the money from the World Bank will also be invested in the current hospital, which is to remain in use for some four years while the new building is under construction. The plan is to make the current hospital hurricane-proof and to add a number of new facilities.

The project

The World Bank project consists of three components with a total value of €20.8 million. Of this figure, €14.2 million is to be spent on the construction of a new hospital. A total of €6.4 million will be invested in hurricane-proofing the current hospital, and €0.3 million will be spent on project management.⁶⁴ The World Bank made the first payment to the SMMC at the end of November.⁶⁵ The idea is for the foundation stone for the new hospital to be laid during the first half of 2019.

Under the grant agreement between the World Bank and the SMMC, the hospital is required to submit half-yearly progress reports in writing to the World Bank. In addition, the SMMC is required to have annual audits performed by external auditors; the audit reports are sent to the World Bank. The hospital is obliged to notify the World Bank in the event of the project being delayed by more than three months or in the event of an increase of over 15% in the cost of the project.

Relations with the World Bank

Both the Minister of Public Health, Social Development and Labour (VSA) and the hospital director were positive about the working relationship with the World Bank. Although they felt that meeting the World Bank's requirements was a time-consuming business, they acknowledged that the World Bank had offered both help and expertise. During the early stage of the project, a World Bank team visited every three months to be updated on the progress of the project and the two parties phoned each other every week. The ministry's experience was that, provided both the hospital governing board and ministry officials were proactive and cooperative, things moved forward quickly. Most World Bank projects took between one year and 18 months to set up; this one got off the ground in five months.

Reflection

The important thing with large, complex projects – as many reconstruction projects are – is to plan everything carefully in advance. This takes time, though. In the case of the new hospital, a detailed plan had already largely been put in place before Hurricane Irma hit the island. This was a key factor in arranging the finance for the project at short notice.

Moreover, some interviewees said that the hospital was a good example of a project for which sufficient expertise was already available on Sint Maarten. The SMMC reckoned that it had enough in-house capacity to manage the project. Moreover, the support provided by the World Bank was perceived as being both pleasant and professional.

The Skills & Training programme

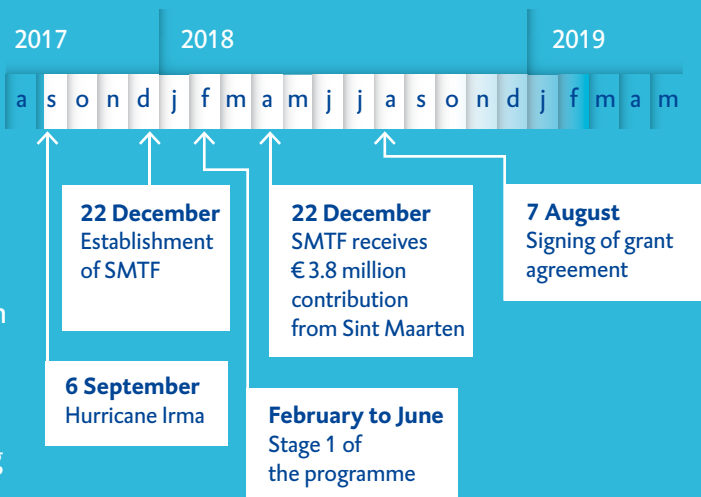


The economy of Sint Maarten depends largely on tourism, an industry employing one third of the population and generating 45% of the island's GDP in 2016. A large number of hotels and other tourist facilities were devastated by Hurricane Irma, forcing them to close down, some temporarily, others permanently. There was a risk of large numbers of people being laid off, leading to large-scale unemployment on the island.

- Amount**
€ 18.7 million
 - Disbursed: € 5.6 million
 - Amount remaining: € 13.2 million
- Grant agreement**
Government of Sint Maarten
- Contractor**
Sint Maarten Training Foundation (SMTF)
- Aim**
Provide temporary income support and improve the employability of participants

The project

Two of the larger hotels on Sint Maarten, together employing over 1,000 people, banded together to make a plan for countering the situation. They set up an organisation called the Sint Maarten Training Foundation (SMTF) and launched a Skills & Training programme offering staff no longer employed on full-time contracts an opportunity to learn new skills. In exchange for taking part in the programme, the employees in question received between 40 and 50% of their normal salaries and were able to remain their health insurance. A total of 720 people took part in the programme between February and June 2018. The scheme helped to prevent massive redundancies, provided a means of compensating for the loss of income suffered by the employees in question, and also formed an opportunity for raising quality standards in the tourism industry.



Initially, participation was open only to staff of the two hotels who had devised the scheme. Gradually, however, more and more employers signed up to it, thus opening the doors to a wider pool of participants. Since the scheme has been funded by the World Bank, it has been opened up to other residents of Sint Maarten who are without any form of employment. They can register with the government and are then accepted on the scheme if they meet the criteria agreed with the World Bank. Preference is given to women (especially those from vulnerable population groups) and adolescents.

Participants must attend at least 70% of the lessons in order to qualify for income support. A biometric system (i.e. a fingerprint scanner) is used to register attendance. The SMTF reported an average 90% attendance rate in October 2018.

Contribution from the Trust Fund

At the outset, the scheme was funded by the hotel chains themselves. However, this proved not to be viable in the long term and so an application was made for funding from the Dutch early recovery fund. Although this application was rejected, talks were then started with the World Bank. In the meantime, the government of Sint Maarten decided that it would be a good idea to keep the scheme going and awarded a grant of around €3.8 million (USD 4.5 million). In August 2018, an agreement was signed with the World Bank for a €18.8 million grant, €17.1 million of which was to be spent on the Skills & Training programme. A total of around 1,800 local residents are expected to take part in the courses.⁶⁶

The €17.1 million grant covers both the cost of the allowance paid to participants and a contribution towards the fixed costs of the programme, e.g. teachers' salaries, materials, rent and communications. We learned during our meetings with SMTF representatives that about 80% of the money went towards income support for participants, while around 20% was spent on programme costs.

Not all the money is transferred at once. Instead, funding is based on results.

Every quarter, a report is compiled showing how many participants have achieved the desired attendance rate. It is on the basis of this information that the World Bank decides how much to pay for the quarter in question. A total of €5.6 million had been disbursed as at 15 October 2018.⁶⁷

The SMTF sends the World Bank quarterly progress reports.⁶⁸ The programme is subject to an independent financial audit every six months.⁶⁹

Future prospects

The idea is to broaden the curriculum during the coming months. The programme was initially made up exclusively of courses relating to the hotel and tourism industry, but will now be extended to include courses in construction. Plans are being made for further extending the curriculum in consultation with the trade unions. The World Bank will be funding the scheme up to the end of December 2019, after which the future is unclear.

Reflection

The Skills & Training programme was put in place on Sint Maarten shortly after the hurricane hit the island, in order to meet a clear need. The World Bank took over the funding of the programme after it had been in operation for a short while, at which point there was already a clear plan on the table and the SMTF had already organised the logistics. This enabled the first grant to be disbursed shortly afterwards.

5 What arrangements have been made?

This chapter examines the arrangements that have been made about the way in which the Dutch contribution to the reconstruction of Sint Maarten should be spent from the Trust Fund managed by the World Bank. As mentioned earlier, the maximum amount involved is €470 million. The objective of the Trust Fund is to assist with the social, economic and governance aspects of the reconstruction of Sint Maarten and thereby boost the island's resilience. The Trust Fund is also intended to strengthen the (administrative) capacity of the government of Sint Maarten.⁷⁰ The Dutch government wants to help Sint Maarten achieve a better and lasting level of protection against future hurricanes and other natural disasters, based on the principle of 'Building Back Better'. This means, for example, that all new buildings should be capable of resisting Category 5 hurricanes and higher.⁷¹

When the Trust Fund was established, the State Secretary for the Interior and Kingdom Relations cited three policy priorities (alongside the more general objectives) that the Dutch government wishes to pursue in spending the money in the fund.⁷² These are:

1. Building sustainable waste management and water treatment systems;
2. Safeguarding the accessibility of the island (i.e. the airport and the harbour) in order to strengthen the economy;
3. Good governance, with special emphasis on governance, policy, finance and public order and safety.

5.1 The governance structure

This section looks at the way in which the Trust Fund is managed (as represented diagrammatically in Figure 6).

The Steering Committee is the pivot in the Trust Fund's governance structure

The Netherlands is entitled to suspend or cease payments to the Trust Fund at any time, and can also terminate the Trust Fund at any time

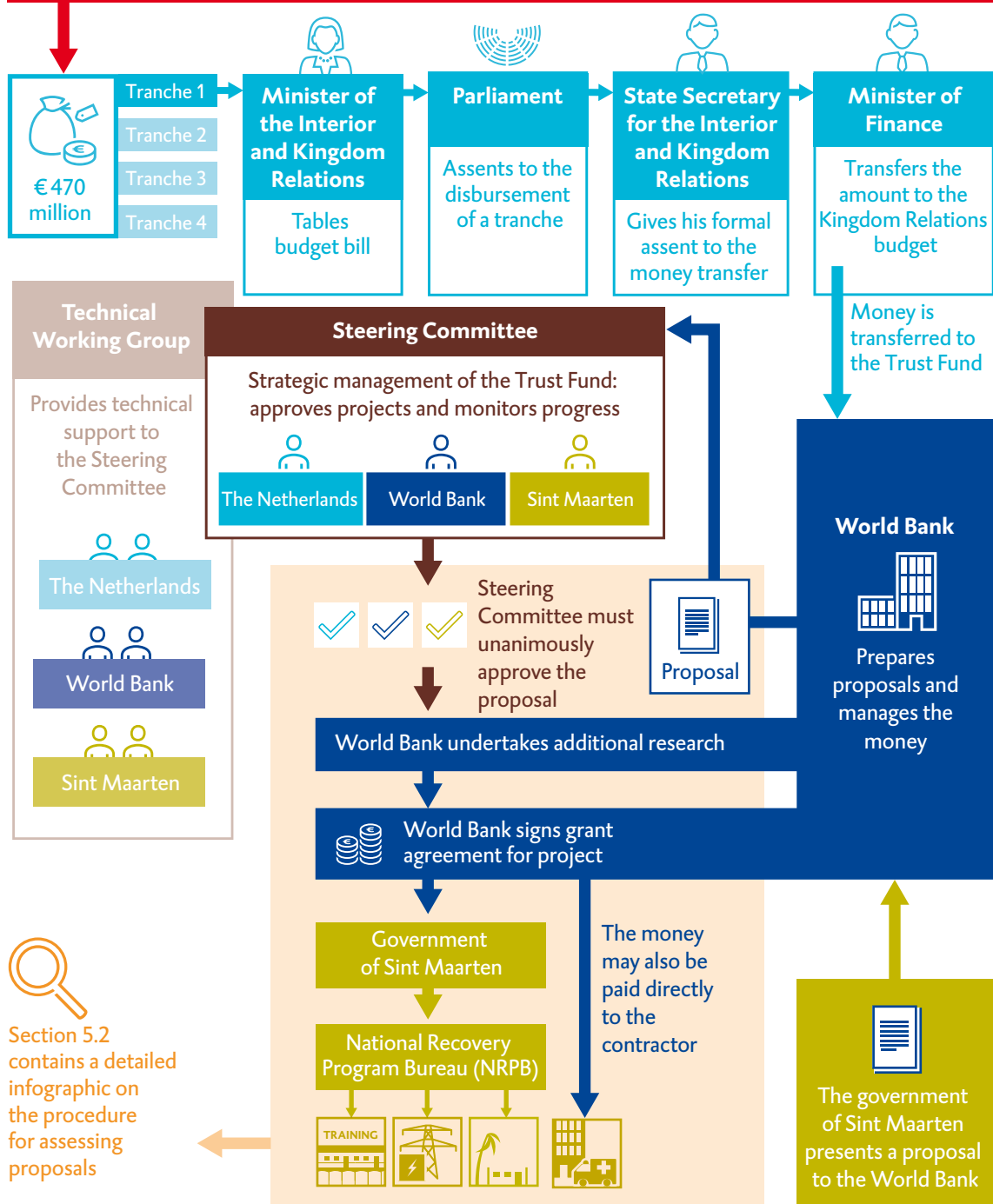


Figure 6 The governance structure of the Trust Fund

5.1.1 The Steering Committee

The Steering Committee is the pivot in the Trust Fund's governance structure. The Netherlands, the World Bank and Sint Maarten have each appointed one representative to the Steering Committee.⁷³ Together, they are responsible for managing the Trust Fund: they approve projects and monitor progress.⁷⁴

The Steering Committee takes decisions on the basis of consensus, i.e. by unanimity. In principle, the Steering Committee meets twice a year, although the World Bank may convene an *ad-hoc* meeting if requested to do so by one of the members, for example if a decision urgently needs to be taken about a proposal. These meetings are the only occasions on which project proposals may be approved.⁷⁵

The Steering Committee receives technical support from a Technical Working Group consisting of government officials from the Netherlands, Sint Maarten and the World Bank. Together, they do the groundwork for the Steering Committee meetings and provide administrative support for the members of the Steering Committee. The members of the Technical Working Group share information with each other; it also provides an informal forum for discussing and resolving any problems that may arise. The Technical Working Group plays a facilitating and advisory role; it is not a decision-making body.⁷⁶

5.1.2 The role played by the Netherlands

There are various means by which the Netherlands can influence the way in which the money in the Trust Fund is spent. As a member of the Steering Committee, the Netherlands is entitled to approve or reject project proposals, and to monitor the progress of projects that are being executed. The Netherlands can also use its seat on the Steering Committee to ensure that the agreements made about the object and scope of the Trust Fund are properly applied.⁷⁷ The Dutch representative on the Steering Committee receives support in this respect from the Ministry of the Interior and Kingdom Relations.

The Netherlands also has a degree of control over the payments made into the Trust Fund, which are made in the form of four separate tranches. Although the Netherlands and the World Bank agreed on a schedule of payments in advance, they also agreed on the principle of departing from this schedule if necessary.⁷⁸ The idea is to keep in step with the situation on the ground and with the current need for finance, i.e. the Trust Fund should be replenished whenever it becomes depleted, thus creating scope for new projects.⁷⁹

The tranches are paid in line with the standard budgetary process.⁸⁰ If the Minister of the Interior and Kingdom Relations wishes to transfer a tranche, he or she is required to submit a budget bill to the Dutch House of Representatives. Both the parliament and the Minister of Finance must then approve the bill before the amount in question may be transferred to the World Bank in accordance with the State Secretary's instructions. This is the only occasion on which the Dutch parliament is able to exert any direct control over the process, although there are certain opportunities for exerting control indirectly, for example by calling the State Secretary to account or by asking written questions.

Finally, as a donor, the Netherlands is entitled to suspend or cease payments to the Trust Fund at any time, without having to give any explanation. Similarly, it is also entitled even to completely terminate the Trust Fund, again at any time and without having to give any explanation.⁸¹ If a decision is taken to wind up the Trust Fund, any remaining funds in relation to which no commitments have been undertaken in the form of a grant agreement with a third party, automatically revert to the Netherlands.⁸²

5.1.3 The role played by the World Bank

In addition to being a member of the Steering Committee, the World Bank is also the trustee of the Trust Fund. In this capacity, it receives the tranches from the Netherlands and manages a separate bank account for the Trust Fund. The World Bank also acts as the Trust Fund's administrative centre, i.e. it manages the Trust Fund.⁸³ Once the Steering Committee has given the green light to a proposal for spending money from the Trust Fund, the World Bank then formulates a more detailed plan. After identifying exactly how the amounts in question are to be spent, the World Bank signs grant agreements either with the government of Sint Maarten or directly with the contractors involved.

5.1.4 The role played by Sint Maarten

The government of Sint Maarten is involved in project planning and submits proposals for new projects to the World Bank. Although other parties, including local NGOs and local residents, are also entitled to present proposals to the World Bank, all proposals submitted to date have come from the government of Sint Maarten.

A representative of the government of Sint Maarten also has a seat on the Steering Committee, which means that all new reconstruction projects require Sint Maarten's approval. The government of Sint Maarten is also responsible for implementing the majority of the reconstruction projects. The government of Sint Maarten is in the process of establishing a National Recovery Program Bureau (NRPB), which will help with the

spending of the money set aside for reconstruction purposes (see section 4.2.1). The NRPB is responsible for the planning, coordinating and implementing of projects that are financed from the Trust Fund.⁸⁴ Its job includes making sure that projects are being prepared in time and that the planning procedures meet the required standards.⁸⁵ The NRPB is an autonomous administrative authority that is answerable to the prime minister of Sint Maarten.⁸⁶ It is funded in the form of regular contributions from the Trust Fund.

5.2 From proposal to project

The Trust Fund is able to finance two distinct types of activity, i.e. bank-executed activities and recipient-executed activities. Bank-executed activities are activities (such as studies and analyses performed for possible future projects) for which the World Bank is responsible. Recipient-executed activities are reconstruction projects for which the recipient is responsible. Although the recipient is usually the government of Sint Maarten, it may also be another party such as the hospital or an NGO.

A project proposal passes through a number of stages before the recipient (i.e. not the World Bank) can gain access to money from the Trust Fund. These stages are shown in Figure 7.

First of all, a proposal must be submitted to the World Bank. Before this happens, however, the government of Sint Maarten drafts what is known as a ‘content of proposal’, a document briefly describing the problem and the proposed solution. The World Bank can submit the proposal it has received to the Steering Committee, which takes a decision in principle. If the decision is principally endorsed, the World Bank then draws up a ‘concept note’, setting out (among other things) the objectives that the proposal seeks to achieve, strategic choices in relation to the project plan, various project components and a timetable.⁸⁷ The concept note goes back to the Steering Committee, which takes a final decision on it.⁸⁸ If the project is approved, the World Bank then prepares a ‘project appraisal document’ containing all the details of the project and updating the information in the concept note.⁸⁹ This document requires the approval of the World Bank’s Board of Directors.

The project appraisal document forms the basis for the implementation of the project. Grant agreements are signed with the recipients of money from the Trust Fund (more than one grant agreement may be signed in relation to the same project). In some cases, the grant agreement is signed directly with the contractor responsible for implementing the project. This applies, for example, to the funding of the new hospital, in relation to



	1	2	3	4	5	
Summary	Introduction	Since Irma	Spending	In practice	Agreements	Appendices

which the grant agreement was signed directly with the Sint Maarten Medical Center. In other cases, the grant agreement is signed with the government of Sint Maarten⁹⁰ and the NRPB assumes responsibility for the implementation of the project⁹¹ (although the latter is entitled to invite contractors to tender for certain parts of the project).

A project proposal has to pass through five stages before the project can start

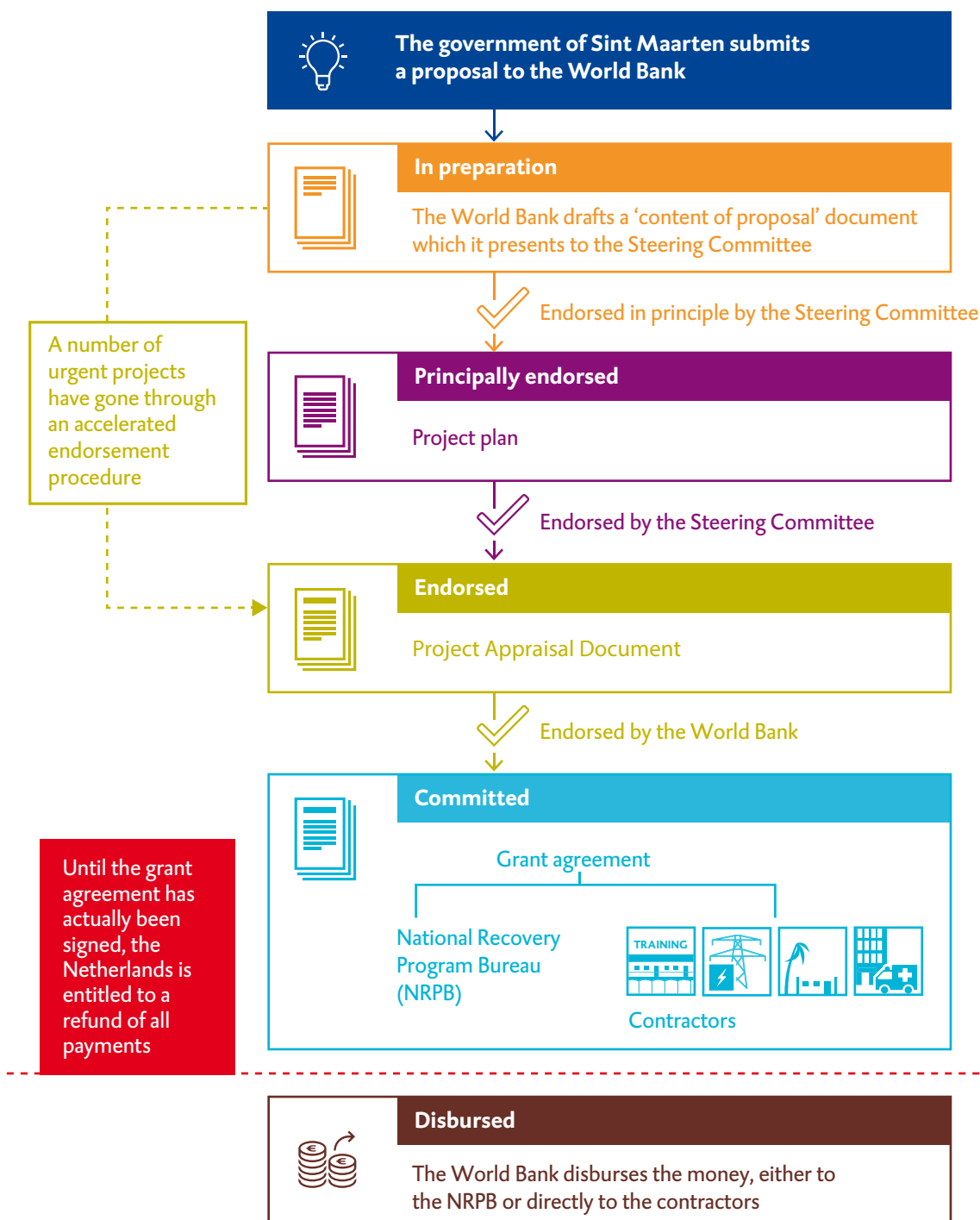


Figure 7 A proposal must pass through an approval procedure before the project can start

5.3 Monitoring, evaluation, supervision and reporting

The World Bank's audit mechanisms are used for evaluating, monitoring and reporting on the spending of Dutch money from the Trust Fund. The State Secretary for the Interior and Kingdom Relations has made certain arrangements with the World Bank about this.⁹² These are shown in Figure 8.

5.3.1 Monitoring and reporting by the World Bank

The World Bank monitors, and reports on, the progress of projects in accordance with its own standards.⁹³ This means that every project is monitored by a World Bank project manager whilst it is in progress. The project manager regularly visits the island in order to keep track of progress and his or her findings are recorded on various standard World Bank reporting forms.⁹⁴ The grant agreements also contain arrangements with the recipients of money from the Trust Fund about the way in which they should report to the World Bank.⁹⁵ The World Bank produces a six-monthly progress report setting out the conclusions of all the various progress reports on individual projects. These six-monthly progress reports are discussed during the Steering Committee's half-yearly meetings. The State Secretary for the Interior and Kingdom Relations has promised to inform the Dutch House of Representatives about these reports.⁹⁶ The first report is due to be produced in December 2018.

Every year, the World Bank commissions an audit report from an external auditor.⁹⁷ This report covers all the Trust Funds managed by the World Bank, and not just the specific Trust Fund for Sint Maarten. The Dutch government is entitled, in exceptional situations, to ask for an audit of the financial statements prepared for the Trust Fund for Sint Maarten. This type of audit is also performed by the World Bank's external auditors.⁹⁸

The State Secretary for the Interior and Kingdom Relations may also decide, in consultation with the World Bank, to monitor or evaluate certain projects himself. In such an event, the World Bank is required to supply the State Secretary with all relevant information, within the limits of its own policy rules. The State Secretary has agreed with the World Bank that this type of monitoring or evaluation may not take the form of a financial, compliance or any other form of audit of the Trust Fund.⁹⁹

No more than six months after the Trust Fund is terminated (in December 2025), the World Bank is obliged to produce a final report on all the activities financed by the Trust Fund.¹⁰⁰

Monitoring and reporting in accordance with World Bank standards

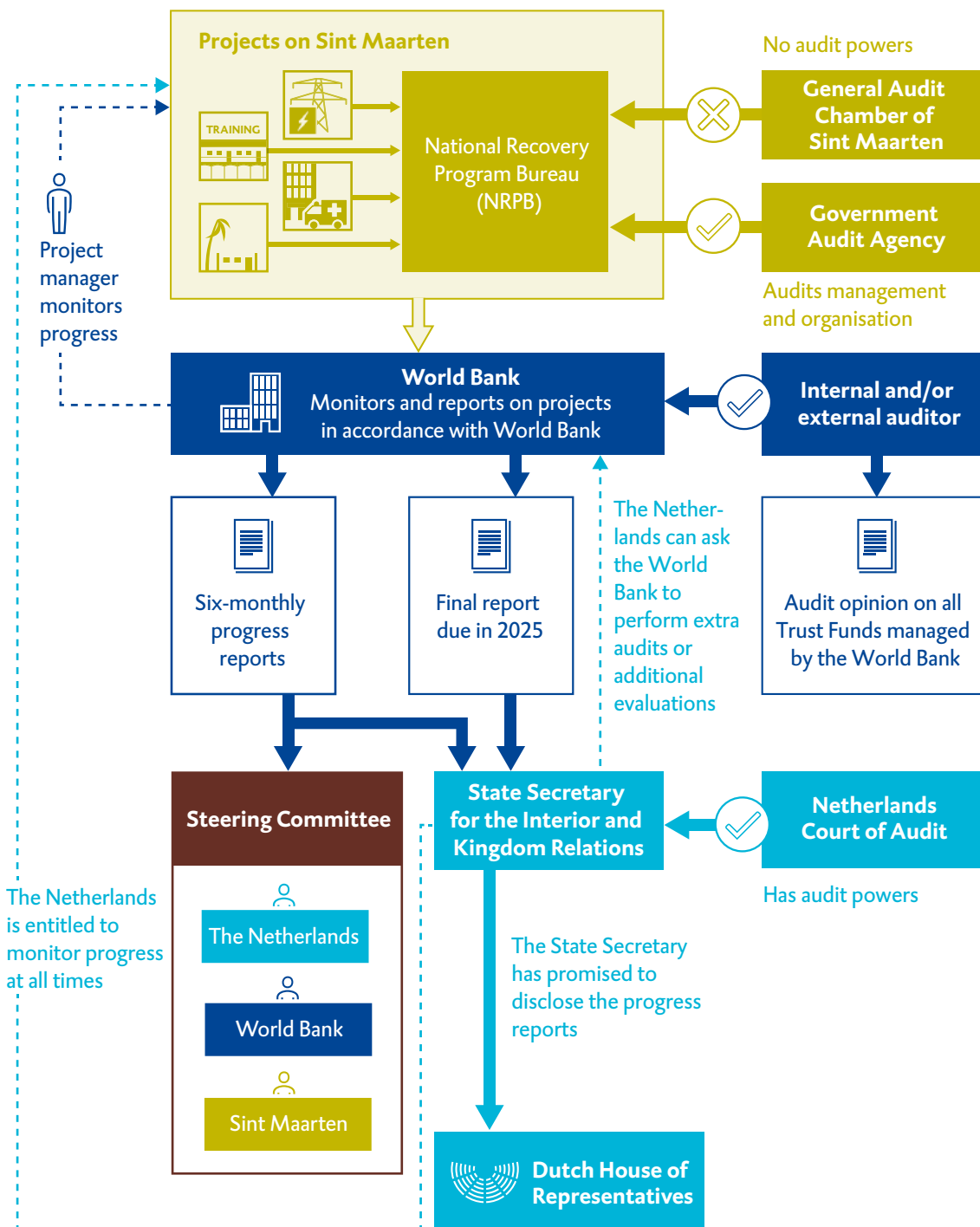


Figure 8 The process of monitoring and reporting on spending by the Trust Fund

5.3.2 External audits by audit offices

Two audit offices may play a role in auditing the way in which Dutch reconstruction funds are spent, i.e. the General Audit Chamber of Sint Maarten and the Netherlands Court of Audit. The General Audit Chamber of Sint Maarten has not been allotted any tasks relating specifically to audits of the way in which money intended for the reconstruction of Sint Maarten is spent. The Trust Fund is filled with Dutch tax revenue the bulk of which is spent by the NRPB. The NRPB is an autonomous administrative authority, which means that it is not an ordinary public-sector organisation.¹⁰¹ In other words, the money does not pass through Sint Maarten's government budget and hence falls outside the mandate of the General Audit Chamber of Sint Maarten. At the same time, the parliament of Sint Maarten is entitled to ask the General Audit Chamber to take action if the NRPB is founded to be gravely negligent in discharging its duties.¹⁰² The NRPB is subject to an external management and organisational audit by the Government Audit Agency (SOAB).¹⁰³

The Netherlands Court of Audit can use its audit powers to audit decisions taken by the Dutch government on the spending of reconstruction funds. The Netherlands Court of Audit does not have any audit powers in relation to the World Bank, which means that communication with the World Bank is dependent on the World Bank's consent. The World Bank has a policy of its own on contacts with national audit offices.¹⁰⁴ Due to the duration of the procedure that needs to be followed for the World Bank to be able to disclose any information to us, we were not able to talk to any World Bank representatives during the relatively short period of our study. See the appendix on audit methods for further information on this point.

5.4 The end of the Trust Fund

The World Bank expects the Trust Fund to be fully depleted by December 2025. In principle, the Trust Fund will be terminated on 31 December 2025. Should there still be money in the Trust Fund on this date, it is theoretically possible for the Trust Fund to remain in operation. Any money remaining when the Trust Fund is terminated is refunded to the Netherlands.¹⁰⁵



Summary	1 Introduction	2 Since Irma	3 Spending	4 In practice	5 Agreements	Appendices
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Appendix

- 1 Methods
- 2 Abbreviations
- 3 Bibliography
- 4 Endnotes



Appendix 1 Methods

This appendix briefly describes the methods used for this focus audit.

What is a focus audit?

A focus audit is a new type of audit performed by the Netherlands Court of Audit which differs from standard audits in that it has a much shorter lead time (around 14 weeks), focuses on a topical issue, and starts out from a precise and clearly defined question. A focus audit must lead to a clear, concise publication that does not contain any recommendations.

Audit questions

This focus audit centred on the following question:

What are the consequences of the governance structure for the planning and progress of the chosen reconstruction projects on Sint Maarten funded from the Trust Fund?

This central audit question was then subdivided into the following sub-questions:

1. What agreements have been made about the way in which the Dutch contribution to the reconstruction of Sint Maarten should be spent?
2. Are these agreements observed in practice, and what effect does this have on the planning and progress of the reconstruction effort on Sint Maarten?

Methods

We answered the first sub-question with the aid of a literature study and a series of interviews. In the case of the second sub-question, we performed detailed research into four specific reconstruction projects on Sint Maarten, for which we also studied documents and conducted interviews. To this end, the research team travelled to Sint Maarten for a field mission lasting from 19 to 28 October.

Selection of case studies

We decided to select for our case studies a number of projects for which grant agreements had already been signed. The situation at present is that three grant agreements have been signed, viz. for the Emergency Recovery Project 1 (ERP1), the Skills & Training programme, and the construction of a new hospital. ERP1 consists of four components:

- Emergency measures for the recovery of disaster first responders and preparedness facilities;
- Restore and Increase Resilience of Utilities Services after Hurricane Irma;
- Housing and Public Buildings Repair and Reconstruction;
- Institutional Support for Reconstruction.

Commitments have been undertaken for a total of six projects. We selected four of these:

- Repairs to roofs and houses (ERP1);
- The restoration of public utilities (ERP1);
- Funding a hurricane-proof hospital;
- The Skills & Training programme.

We decided to start with the two projects for which separate grant agreements have been signed. These are both relatively large-scale, high-cost projects. Moreover, the Ministry of the Interior and Kingdom Relations has designated the Skills & Training programme as an example of best practice in this respect. This is particularly interesting, given that it may serve as a model for future projects.

We then selected two projects from the ERP1. We chose the ‘Repairs to roofs and houses’ project, because the complaint voiced most frequently in the media and in the parliament is that many local residents of Sint Maarten are still without a roof over their heads. We also chose the project for restoring public utilities because access to electricity and water may be regarded as a basic need for the inhabitants of Sint Maarten.

Literature study

We studied a wide range of documents for the purpose of this study. Most of these were internal documents obtained from the Ministry of the Interior and Kingdom Relations.

Interviews

We conducted a number of interviews for the purpose of this study. We spoke on a number of occasions with officials from the Directorate-General for the Reconstruction of the Dutch Windward Islands at the Ministry of the Interior and Kingdom Relations. We also interviewed a number of other relevant actors in the Netherlands, from both within and beyond the ranks of central government.

We also conducted 17 interviews on Sint Maarten with a total of 30 interviewees and visited the Skills & Training programme. Among those we talked to were two ministers, Sint Maarten’s representative on the Steering Committee, officials from a number of ministries and the staff of several NGOs. The interviewees are listed in the table below.

Table 2 Interviewees on Sint Maarten

Interviewees	Number of interviews
Officials from Ministry of Housing, Spatial Planning, the Environment and Infrastructure (VROMI)	3
Officials from Ministry of Public Health, Social Development and Labour (VSA)	2
Staff of international organisations and NGOs	3
Staff of executive agencies	5
Member of Interim Recovery Committee	1
Steering Committee representative	1
Permanent Representation of the Netherlands on Sint Maarten	1
Other	1

We were not able to speak with a World Bank representative for the purpose of this study. We do not have any formal powers in this respect, and so any interviews would have to be voluntary. The World Bank has its own policy on contacts with national audit offices, and this revolves around the principle that a unilateral audit by the national audit office of an individual country is not compatible with the governance structure of a multilateral institution such as the World Bank. Moreover, it is stated that the World Bank has its own robust policy on ethical standards of behaviour, on which outsiders should be able to rely. Nevertheless, the World Bank’s policy does acknowledge that it may on occasion be useful to assist with audits performed by national audit offices. The World Bank’s policy indicates that it is prepared to answer requests for the clarification of information already in the public domain. The Board of Directors decides on a case-by-case basis on any request to undertake an audit of World Bank activities. Where a national audit office asks to be supplied with confidential information, the request is passed on to the World Bank’s Audit Committee, the board of which decides whether to disclose the information requested.

We have asked for an interview with the responsible project manager at the World Bank, but this request was turned down. The World Bank said that it might be prepared to answer written questions. However, the procedure for doing so proved too time-consuming for this to be practical within the relatively short duration of this study. In short, we did not have any contacts with the World Bank in the context of this study.

Appendix 2 Abbreviations

IRC	Interim Recovery Committee
NGO	Non-governmental organisation
NRPB	National Recovery Program Bureau
NRRP	National Recovery and Resilience Plan
SMHDF	Sint Maarten Housing Development Foundation
SMMC	Sint Maarten Medical Center
SMTF	Sint Maarten Training Foundation
SOAB	Government Audit Agency (of Sint Maarten)
SZV	Social Health Insurance Company
UNDP	United Nations Development Programme

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- 26 The World Bank, 2018g
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- 28 Assuming that the World Bank will be responsible for performing around 10-15% of all activities.
- 29 This arrangement has been laid down in a ‘*Single Donor Cost Recovery Framework*’ drawn up for this purpose by the World Bank.
- 30 It is not possible to put a precise figure on this fee, as it depends on the scale of the activities performed by the World Bank as compared with those performed by the recipient.
- 31 Ministry of the Interior and Kingdom Relations, 2018
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- 33 The World Bank, 2018b
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- 35 The World Bank, 2018b, Annex 1 Trust Fund Description, article 4
- 36 Ministry of General Affairs of Sint Maarten, 2018
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- 53 The World Bank Group, 2018d
- 54 These figures have been converted at an average exchange rate of 1 Antillean Guilder (ANG) = €0.45. GEBE had an equity capital of ANG 67 million in 2014; by April 2018, this was less than ANG 24 million. Concession payments for 2017 and 2018 totalled

ANG 10 million and a dividend of ANG 8 million was paid in 2017. The situation in 2018 is that GEBE is spending ANG 2 million more per month than it is receiving in revenue. Payment arrears now (i.e. in 2018) stand at ANG 8.6 million.

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- 72 The World Bank, 2018b, Appendix *Guiding principles of the Government of the Netherlands regarding the execution of the Trust Fund for the recovery of Sint Maarten.*
- 73 Frans Weekers represents the Netherlands in the Steering Committee. Marcel Gumbs represents Sint Maarten and Tahseen Sayed represents the World Bank.
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- 75 The World Bank, 2018b
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- 79 Ministry of the Interior and Kingdom Relations, 2018

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- 91 The duties of the NRPB are performed by the Interim Recovery Committee until the Bureau is operational
- 92 Ministry of the Interior and Kingdom Relations, 2018
- 93 The World Bank, 2018e, article 22
- 94 An Implementation Status Report is used for compiling interim monitoring reports on activities performed by the recipient. Interim monitoring reports on activities performed by the World Bank are drawn up with the aid of a Grant Reporting and Monitoring (GRM) mechanism. Once a project has been completed, an Implementation Completion Report is compiled on it. This is a final report on the project contents and project finances. It is not an evaluation project.
- 95 “For Recipient-executed (RE) projects, task teams perform regular implementation support missions. In addition, the grant recipient will report on project progress in accordance with the terms of the Grant Agreement between the World Bank and the recipient.” The World Bank, 2018e
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Information

The Netherlands Court of Audit
Communications Department
P.O. Box 20015
2500 EA The Hague
The Netherlands
T: +31-70-342 44 00
E: voorlichting@rekenkamer.nl
I: www.rekenkamer.nl

Translation

Tony Parr

Cover

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