March 15, 2016

Dr. The Honourable Timothy Harris
Prime Minister and Minister of Finance,
Sustainable Development, National Security,
People Empowerment and Constituency Empowerment
Government of St. Kitts and Nevis,
3rd. Floor, Government Headquarters
Church Street
Basseterre, St. Kitts and Nevis

Dear Prime Minister:

Re: SEMCAR Budget and Revenue Systems Enhancement Project
SEMCAR Grant No.TF0A2236

In response to the request for financial assistance made on behalf of Saint Kitts and Nevis ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by the Canadian Department of Foreign Affairs, Trade and Development ("Donor" under the Multi-Donor Trust Fund Supporting Economic Management in the Caribbean, TF No. 071579, proposes to extend to the Recipient for the benefit of Belize, Grenada, Saint Kitts and Nevis, and Saint Lucia ("Member Countries"), a grant in an amount not to exceed six hundred and twenty thousand United States Dollars (U.S.$620,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of Part I of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Sophie Sirtaine
Country Director
Caribbean Country Management Unit
Latin America and the Caribbean Region

AGREED:

SAINT KITTS AND NEVIS

By: ______________________

Authorized Representative

Name: TIMOTHY HARRIS
Title: PRIME MINISTER
Date: 2 June 2016

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement as follows:

(a) "ASYCUDA World" means the Automated System for Customs Data that is produced by the vendor UNCTAD.

(b) "Beneficiary Countries" means the countries of Antigua and Barbuda, Belize, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines and Beneficiary Country means each one of them.

(c) "BI" means Business Intelligence.

(d) "CED" means the Customs Excise Division of Antigua and Bermuda established within the Ministry of Finance and Corporate Governance.

(e) "ICT" means Information and Communication Technology.

(f) "Inland Revenue Department" means the department established in each Beneficiary Country with the responsibility for tax administration.

(g) "Operating Costs" means the incremental expenses incurred by the PMU's on account of Project implementation, management and monitoring, including dissemination of Project related information and publications, office rent and utilities, office equipment, insurance, maintenance and repair, vehicle insurance, local travel, communication, translation and interpretation, bank charges, salaries of contractual staff (excluding consultants services and salaries of officials of the Recipient's civil service) and other miscellaneous costs directly associated with the Project as agreed by the Bank and based on periodic budgets.

(h) "PMU" means the Project Management Unit maintained within the Recipient's Ministry of Sustainable Development.

(i) "RIT" means the Regional Implementation Team that is established for the purposes referred to in Section 2.03 of this Agreement.

(j) "SEMCAR" means Supporting Economic Management in the Caribbean.

(k) "SIGTAS" means Standard Integrated Government Tax Administration System.

(l) "SmartStream" means the Public Financial Management software used by the Beneficiary Countries.
“Training” means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Project, including tuition, visa, travel per diem and hotels and subsistence costs for training and workshop participants, and costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training and to workshop activities.

Article II
Project Execution

2.01 Project Objectives and Description. The objective of the Project is to upgrade or modernize selected Information Technology Systems of eligible public sector institutions of the Beneficiary Countries. The Project consists of the following parts:

Part 1: Strengthening the SIGTAS Tax Administration System

Strengthening SIGTAS in selected Beneficiary Countries to support effective operational management and decision making by improving data quality and enabling the use of business intelligence through:

(a) the designing, development and implementation of ICT applications to enable SIGTAS to perform BI and produce reliable performance management reports;

(b) the purchasing of hardware, computers, servers, licenses, business intelligence applications and other related goods that are required to improve SIGTAS; and

(c) provision of support for Part 1 of the Project to: (i) carry audits; (ii) carry out financial management and procurement; (iii) monitor and evaluate Project activities; (iv) provide Training and the required goods; and (v) financing of Operating Costs.

Part 2: Infrastructure Equipment for the ASYCUDA World Customs Administration System

(a) providing support to procure selected hardware and software equipment for the successful implementation of ASYCUDA World in Antigua and Barbuda; and

(b) provision of support for Part 2 of the Project to: (i) carry out audits; (ii) carry out financial management and procurement; (iii) monitor and evaluate Project activities; (iv) provide Training and the required goods; and (v) financing of Operating Costs.

Part 3: Strengthening the SmartStream Financial Management System

Providing support to selected Beneficiary Countries to improve their public financial management operations and access to critical financial data by upgrading selected SmartStream components, through:

(a) the provision of services required to migrate SmartStream to a higher version in selected Beneficiary Countries;

(b) the procurement of hardware, computers, servers, licenses, production applications and other related goods that are required to improve SmartStream;
(c) the carrying out of training to improve utilization of SmartStream; and

(d) provision of support for Project management to: (a) carry out Project audits; (b) comply with the financial management and procurement obligations under the Project; (c) monitor and evaluate Project activities; (d) provide training and the acquisition of goods required thereof and financing of Operating Costs.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Part I of the Project through the Inland Revenue Department with the assistance of the PMU in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); and (c) this Article I.

2.03. **Institutional and Other Arrangements.**

A. **Institutional Arrangements**

(1) The Recipient shall maintain, at all times during Project implementation, a PMU led by a Project Manager and assisted by adequate professional, technical, and administrative staff (including procurement and accounting specialists), with experience, qualifications, responsibilities, and resources satisfactory to the World Bank; and responsible for coordinating all activities of the Project, including fiduciary support to the Regional Implementation Team.

(2) To promote effective implementation of Part I of the Project, the Recipient shall ensure that each of the Beneficiary Countries and agencies appoints a focal person to participate in a Regional Implementation Team responsible for making decisions regarding Part I of the Project and ensuring coordination among all the beneficiary institutions and agencies. The RIT shall meet on a quarterly basis to review the indicators and progress in implementing Part I of Project.

B. **Implementation Arrangements**

The Recipient shall maintain, throughout Project implementation, a RIT with membership, functions and responsibilities satisfactory to the World Bank, including, *inter alia*, providing guidance and decision making to the PMU on the implementation of the Project.

2.04. **Donor Visibility and Visit.**

(a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor to visit any part of the Member Countries territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.**
(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.06. Financial Management.

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than 45 days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. Procurement

(a) General. All goods, non-consulting services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:


(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014) (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 125 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Limited International Bidding; (B) National Competitive Bidding; (C) Shopping; (D) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the World Bank; (E) Direct Contracting; (F) Force Account; (G) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the World Bank; (H) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the World Bank; and (I) Community Participation procedures which have been found acceptable to the World Bank.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; (F) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the World Bank; (G) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (H) Selection of Individual Consultants; and (I) Single-source procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

(f) **Document Retention.** Notwithstanding the provisions of paragraphs 2(j) and 5 of Appendix I to the Procurement Guidelines, and paragraphs 2(k) and 5 of Appendix I to the Consultant Guidelines, the Recipient: (i) shall retain all documentation with respect to each contract as described in said paragraphs for at least seven years and six months after the Closing Date set forth in Section 3.03 of this Agreement, (ii) shall furnish such documentation to the World Bank at any time upon request, and (iii) hereby authorizes the World Bank to disclose such documentation to the Donor.
Article III  
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services and consultants’ services, Training and Operating Costs under Part 1 of the Project</td>
<td>620,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>620,000</td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is August 31, 2016.
Article IV
Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Financial Secretary.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

  Government of St. Kitts and Nevis,
  3rd. Floor, Government Headquarters
  Church Street
  Basseterre, St. Kitts and Nevis
  Fax: (869) 465-1001

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

  International Bank for Reconstruction and Development
  International Development Association
  1818 H Street, N.W.
  Washington, D.C. 20433
  United States of America

  Telex: 248423 (MCI) or 64145 (MCI)
  Facsimile: 1-202-477-6391