I. Introduction and Context

Country Context
Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago all benefit from the Supporting Economic Management in the Caribbean (SEMCAR) program. The recent global financial crisis exacerbated the economic challenges faced by most of these Caribbean countries. Of these twelve SEMCAR countries, ten are yet to achieve the pre-crisis growth in gross domestic product (GDP). Moreover, with the exception of Suriname and Trinidad and Tobago, all countries have high debt ratios; the average gross public debt as a percentage of GDP stood at 92.3% for these ten SEMCAR countries in 2012, led by St. Kitts and Nevis with gross public debt of 144.9% followed by Jamaica at 143.3%. The key priority for countries in this region is thus to reinvigorate growth along with balancing imperatives such as reducing unemployment and poverty rates, restoring fiscal and debt sustainability, diversification of the economy, and securing a more sustainable external position.

Despite having diverse drivers of growth, countries in the Caribbean are united in their economic characteristics – they are small economies, very open to international trade, and highly exposed to natural disasters and economic shocks. The size of these countries constrains the achievement of
economies of scale and economic specialization. Most of them lack resources to undertake well
structured, wide ranging economic reforms. However, when acting as a unified region, they present
a substantial and influential economy with considerable pooled resources. This unique situation
renders these countries with both a challenge to overcome differences and move towards regional
integration, and an opportunity to fight issues specific to the region together and be able to reap
economies of scale in interventions, so as to address these structural economic issues.

**Sectoral and Institutional Context**
In 2009, the Canadian Department of Foreign Affairs, Trade and Development (DFATD)
completed a review of revenue administration and public expenditure information and
communication technology (ICT) systems in selected Caribbean countries. This background work
indicated that there were some urgent needs both on the ICT side and on the policy side that needed
to be addressed quickly in order to address critical limitations hindering the efficient mobilization
and management of public resources. In some cases, reforms are required before substantial
changes to the ICT are introduced, but in many cases the ICT systems in use need to be stabilized
and made more functional.

In general, revenue and budget systems need to be improved in order to meet the basic business
requirements of most governments in the Caribbean. Specifically, on the revenue side more
functional systems are needed to address a broad range of institutional weaknesses in order to
achieve lasting performance improvements and to attain macroeconomic targets. Similarly, on the
expenditure side, financial management systems are outdated and cannot produce sufficiently
accurate or timely information, and thus countries are restricted in the extent to which they can
realize benefits of newly introduced reforms. These complications arise as a consequence of issues
being experienced with core systems that support key areas like tax, customs and public financial
management (PFM).

First, in terms of tax administration, the current ICT system SIGTAS—while a major step forward a
number of years ago—has some critical shortcomings in functionality and is inadequate for
supporting most modernized procedures. The existing weaknesses of SIGTAS affect core tax
administration functions like registration, data management/reporting and collections enforcement.
There is only partial system support in restricting redundant taxpayer registration, and there are
gaps in reporting capabilities of the system on taxpayer registrations. Moreover, it does not manage
tax files based on taxpayer identification, though this is an international practice, therefore there are
risks of fraud or administrative errors. At the same time, a key challenge is that the SIGTAS
application is hosted on outdated servers, and there has been no support from the vendor (CRC
Sogema) for the product since its introduction in the 1990’s. As an alternative, the system is being
maintained by the Inland Revenue Departments (IRDs) through their internal ICT capacities. As it
relates to reporting, SIGTAS provides limited flexibility, and analyses are consequently done only
in Excel. Even in cases where select reports are generated out of SIGTAS, severe errors have been
noted, correction of which becomes a tedious exercise. As a consequence, SIGTAS urgently needs
to be enhanced to provide information to support tax collection and compliance programs. Its
current limitations are having a negative impact on the theoretical and operational technical
assistance being provided by the SEMCAR program and other development partners to improve the
overall efficiency and effectiveness of the tax administration in the region.

Second, with respect to customs, Antigua and Barbuda is using the Customs Automated Services
Online (CASE), which does not provide support for a number of important functions such as recording manifests and conducting audits. Further, the reports generated through the CASE application do not address the demands of the Customs and Excise Department (CED) and thus the users rely on Microsoft Excel and Word to generate critical reports. There is no electronic data exchange implemented for the CASE application with other ICT systems in PFM, revenue administration and banking institutions. In contrast, most member states of SEMCAR are using current versions of the United Nations Conference in Trade and Development’s (UNCTAD) Automated System for Customs Data (ASYCUDA) system. To address the functionality gaps, the CED initiated in January 2015 a project to replace CASE with ASYCUDA World using funding from the European Union (EU) with a budget of US$2 million, insufficient to fund the entire replacement of CASE. The implementation of ASYCUDA is scheduled to be completed in December 2016, while the first module should go live on October 2, 2015. Given the country’s fiscal constraints, Antigua and Barbuda requested the SEMCAR Steering Committee’s assistance with the acquisition of hardware and software equipment in support of the ASYCUDA Project. The Committee endorsed the proposal, which was included in the work program of SEMCAR.

Third, with respect to PFM, challenges are also seen on the software side. Both advanced reforms and more basic processes require improved financial management information systems (FMIS) to accurately track cash flow, control expenditures and produce meaningful financial reports. The SmartStream package has been the most prevalent integrated FMIS solution in the region, and its use has improved expenditure management and budget control in the countries where it has been implemented. Countries however differ in the extent to which they have upgraded the package and are using its full potential. The SmartStream version currently in use by St. Lucia for instance is four releases behind the presently available release, and this is posing a number of serious technical and operational constraints which affect the effectiveness of the system and related business operations. Modern features and enhancements that are available for SmartStream are not accessible to users in countries like St Lucia. Likewise, adoption of a revised Chart of Accounts (CoA) is another core element of the PFM reform being supported by SEMCAR in St Lucia, where limitations of the outdated SmartStream application are hampering progress. Moreover, missing add-ons like SmartBuilder are preventing countries like Belize to develop their own simple SmartStream-compatible client/server applications and adapt existing SmartStream programs. This module can also be used to link other vendors’ applications into SmartStream’s workflow environments, thus providing for some integration of the FMIS. The countries do not have sufficient resources to purchase computers and other similar tools to facilitate upgrade to SmartStream 8.0.2. In some instances, there are compatibility issues between the Microsoft operating system and existing PFM software, which result in: (i) users face severe performance issues at peak times; (ii) the operating system cannot be installed on modern servers so replacement server hardware cannot be installed in the event of a server failure; and (iii) lack of support – Microsoft ceased support for Windows Server 2003 operating system on July 14, 2015.

**Relationship to CAS/CPS/CPF**

The project seeks to support modernization of selected public sector entities in the Organization of Eastern Caribbean States (OECS) in accordance with objectives specified under the second pillar of the 2015-2019 OECS Regional Partnership Strategy (RPS) – Public Sector Modernization. The operation is specifically related to the area of the RPS that commits to supporting OECS governments to build more efficient, transparent and accountable public administrations, more robust institutional capacity and stronger frameworks for partnership with the private sector. In this
regard the project will concentrate on upgrading selected ICT systems that need urgent attention in order to enhance the efficiency of the public administration or enable the fiscal gains that are needed to enhance the sustainability of public finances.

II. Project Development Objective(s)  
Proposed Development Objective(s)  
SEMCAR’s overall objective is to improve economic management, regional integration and competitiveness in up to 12 Caribbean countries through more efficient, effective and accountable public institutions, policies, processes and ICT systems. This is being achieved through the provision of policy advice, technical assistance and selected ICT investments. The Project Development Objective (PDO) of the proposed operation is to strengthen and modernize selected ICT systems in Tax, Customs, and Public Financial Management used by targeted institutions in Antigua and Barbuda, Belize, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. The proposed operation is expected to contribute to SEMCAR’s key results through: (i) improved revenue collection due to more efficient processing and clearance procedures, (ii) enhanced investment climate and economic development due to efficiency gains, and (iii) greater access to crucial information that will allow for the formulation of more sound macro-economic and fiscal policies. Therefore, the ICT investments aimed for under the project will enable the Recipients to institutionalize and operationalize key policies and processes developed under SEMCAR, and thereby contribute to improved economic management in the region.

Key Results  
Through close coordination with other development partners (IMF, EU, and CARTAC), the project will contribute to achievement of the following high level results targeted by the overall SEMCAR program:

1) SEMCAR Result – Increased ability of tax administration institutions and staff to manage processes and ICT systems in at least five countries. Related Project Indicator – At least five of the targeted countries have tax systems that can perform business analytics and produce more accurate performance management reports.

2) SEMCAR Result – Increased ability of Customs administration institutions and staff to manage processes and ICT systems in at least four countries. Related Project Indicator – Antigua and Barbuda acquires infrastructure equipment for the implementation of the ASYCUDA World Customs Administration System.

3) SEMCAR Result – Increased ability of Ministries of Finance, line ministries and their staff to manage PFM processes, including gender responsive budgeting and ICT systems in at least five countries. Related Project Indicator – At least one of the targeted countries have a SmartStream Financial Management System that is upgraded to a more recent version.

III. Preliminary Description  
Concept Description  
The Project has the following three (3) main components:

Component 1: Strengthening the SIGTAS Tax Administration System  
This component will contribute to establishing a common regionally consistent ICT application for
use in revenue administration. Specifically, the beneficiaries’ use of SIGTAS will be enhanced with
the introduction of a business intelligence (BI) tool and the implementation of a suite of
performance management reports to support effective operational management, in addition to timely
and effective decision making. The component will also support data quality improvement as well
as effective registration and maintenance of a reliable taxpayer database. Activities to be supported
will include: (1) acquisition and installation of necessary hardware components, software and
licensing for selected SIGTAS components; (2) migration of SIGTAS to Oracle 11G in selected
beneficiary countries; (3) purchase and installation of an updated BI solution and integrate it with
SIGTAS in targeted beneficiary countries; (4) carrying out of data analysis and cleansing of
taxpayer registration data; and (5) provision of training to technical staff on maintenance of SIGTAS
and to business users on utilization of the BI solution.

While the existing technical infrastructure will be replaced and a new system for BI will be
implemented, existing core SIGTAS functionalities will remain unchanged. The BI solution to be
implementation in all countries will be based on the solution that is already deployed in St. Kitts and
Nevis. This solution will be extended with implementation functionalities for data analysis and
quality improvement in SIGTAS.

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

Component 2 will support Antigua and Barbuda in strengthening customs administration in its
territory through the implementation of ASYCUDA World. Given the Government's fiscal
constraints, Component 2 will aid Antigua and Barbuda by funding the procurement of requisite
hardware and software that are needed for the successful implementation of ASYCUDA. To this
end, the component will cater to the acquiring of (1) hardware and servers for production
applications, databases, web and other ICT infrastructure; (2) software licenses for databases and
associated servers; and (3) computers, notebooks and other related goods.

Component 3: Strengthening the SmartStream Financial Management System

Component 3 will support the Governments of Belize, Dominica, Grenada, St Lucia and St. Vincent
and the Grenadines to enhance the technical comprehensiveness of their Financial Management
Information Systems by upgrading select hardware and software modules. Activities supported will
include: (1) a region-wide SmartStream Financial Application Review and other similar research;
(2) procurement of hardware, servers and licenses for production applications, databases and other
related ICT infrastructure; (3) migration of SmartStream to the present-day version in selected
countries; (4) provision of training; and (5) acquisition of computers, notebooks and other related
goods.

IV. Safeguard Policies that Might Apply

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