

February 1, 2011

CONFORMED COPY

Mr. Douglas Williams
Director General, Caribbean Program
Canadian International Development Agency
Canadian High Commission
Bishop's Court Hill
P.O. Box 404
Bridgetown, Barbados

Re: Trust Fund Administration Arrangement between the Government of Canada represented by the Minister of International Cooperation acting through the Canadian International Development Agency and International Bank for Reconstruction and Development and the International Development Association concerning the Multi-Donor Trust Fund Supporting Economic Management in the Caribbean (TF No. 071579)

Dear Sir:

1. We are pleased to acknowledge on behalf of the International Bank for Reconstruction and Development ("IBRD") and the International Development Association ("IDA") (collectively, the "Bank") as trustee (the "Trustee") of the Multi-Donor Trust Fund Supporting Economic Management in the Caribbean (the "SEMCAR Trust Fund") (TF No. 071579) the intention of the Government of Canada as represented by the Minister of the International Cooperation acting through the Canadian International Development Agency ("CIDA") (the "Donor") to make available as a grant the sum of nineteen million two hundred thousand Canadian Dollars (CAD 19,200,000) (the "Contribution") for the SEMCAR Trust Fund in accordance with the terms of this Arrangement. Other donors are also expected to contribute to the Trust Fund on the terms and conditions specified in the Annexes to this Arrangement.
2. The Contribution will be used to finance the Activities and may be withdrawn to finance the categories of expenditure, all as set forth in annex 1 to this Arrangement ("Annex 1") and will be administered by the Bank on behalf of the Donor in accordance with the terms of this Arrangement including the standard provisions set forth in Annex 2 to this Arrangement. Both Annex 1 and Annex 2 constitute an integral part of this Arrangement, and will form an integral part of all agreements entered into between the Bank and Donors that provide Contributions to be administered by the Bank for the Trust Fund.
3. The Donor hereby authorizes the Bank to transfer, promptly following countersignature of this Arrangement by the Donor, one million four hundred thousand Canadian Dollars (CAD 1,400,000) from the Donor Balance Account (TF029048) to the Multi-Donor Trust Fund Supporting Economic Management in the Caribbean (SEMCAR Trust Fund) (TF071579).
4. The Donor will deposit the remaining amount of the Contribution into such bank account designated by the Bank in installments in accordance with the following schedule:

- (a) by March 31, 2011 upon countersignature of this Arrangement, for the Donor's fiscal year 2010-2011, an amount of eight million Canadian Dollars (CAD 8,000,000);
- (b) after April 1, 2011 and before March 31, 2012, for the Donor's fiscal year 2011-2012, an amount of seven million Canadian Dollars (CAD 7,000,000); and
- (c) after April 1, 2012 and before March 31, 2013, for the Donor's fiscal year 2012 - 2013, an amount of two million eight hundred thousand Canadian Dollars (CAD 2,800,000).

This installment schedule of payments may only be amended in writing between the Donor and the Bank.

5. When making each such deposit, the Donor will instruct its bank to include in its payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by the Donor for SEMCAR Trust Fund (TF071579), and the date of the deposit (the "Deposit Instruction"). In addition, the Donor will provide a copy of the Donor's Deposit Instruction to the Bank's Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to (202) 614-1315.

6. In the event of any remaining funds, the Contribution funds will be returned to the Donor in accordance with paragraph 8.3 of Annex 2 to this Arrangement. All such funds will be transferred to the Donor Balance Account (TF No. 29048) held at the Bank.

7. The Bank will convert the Contribution funds into the holding currency of the Trust Fund, namely United States Dollars, promptly upon receipt of the Contribution funds and the Deposit Instruction containing the information specified in paragraph 4 at the exchange rate obtained by the Bank on the date of the conversion. Where the Contribution proves to be insufficient to complete the activities as a result of an exchange rate fluctuation, neither the Bank nor the Donor will bear any responsibility for providing any additional financing.

8. Except as provided for in paragraph 4 above, any notice, request or other communication to be given or made under this Arrangement will be in writing and delivered by mail, facsimile or e-mail to the respective party's address specified below or at such other address as such party notifies in writing to the other party from time to time:

For the Bank

Kathy Lalazarian
Sr. Public Sector Specialist
LCSPS
The World Bank
1818 H Street NW
Washington, DC 20433
USA

Telephone: (202) 473-8533
Fax: (202) 614-0764
Email: klalazarian@worldbank.org

For the Donor

Director General, Caribbean Program
Canadian International Development Agency
Canadian High Commission
Bishop's Court Hill
P.O. Box 404
Bridgetown
Barbados

Telephone: (246) 629-3550

Fax: (246) 629-3623

9. No offer, gift or payment, consideration or benefit of any kind, which constitutes an illegal or corrupt practice, was or will be made to anyone, either directly or indirectly, as an inducement or reward for the award or execution of this Arrangement.

10. No member of the Canadian House of Commons will be admitted to any share or part of this Arrangement or to any benefit to arise therefrom.

11. No current or former public office holder or public servant of the government of Canada who is not in compliance with the conflict of Interest and Post-Employment Code for Public Office Holders or the Values and Ethics Code for the Public Service will derive a direct benefit from this Arrangement.

12. Any payment to be made under this Arrangement is subject to there being an appropriation by the Parliament of Canada for the fiscal year in which the payment is to be made. If Donor's appropriation is changed by the Parliament of Canada, the Donor may reduce the Contribution or terminate this Arrangement.

13. This Arrangement may be amended only by written approval between the Bank and the Donor; provided, however, that Annex 1 and Annex 2 to this Arrangement may only be amended with the agreement of all Donors contributing to this Trust Fund.

14. This Arrangement is not an international treaty. It is an administrative arrangement between the Bank and the Donor.

Please confirm your agreement with the foregoing, on behalf of the Donor, by signing, dating, and returning to us the enclosed copy of this Arrangement. Upon receipt by the Bank of

the copy of this Arrangement countersigned by you, this Arrangement will become effective as of the date of the countersignature.

Sincerely,

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION**

By /s/ Francoise Clottes
Director
Caribbean Country Management Unit
Latin America and the Caribbean Region

AGREED:

CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

By /s/ Douglas Williams
Authorized Representative
Title: Director General, Caribbean Program
Date: February 2, 2011

ANNEX 1

**Description of Objectives, Activities, Eligible Expenditures and Governance Structure
under the Multi-Donor Trust Fund Supporting Economic Management in the Caribbean**

1. Definitions

Unless the context otherwise requires, the several terms defined in this Arrangement have the respective meanings therein set forth, and the following additional terms and expressions have the following meanings:

(a) “Annual Work Plans” means each plan of activities and budget for the Project prepared annually by the Recipient, the Bank and the IMF, respectively, and endorsed by the Steering Committee in accordance with Section 4.3.1 of Annex 1 to this Arrangement.

(b) “Activities” means all the activities financed out of the proceeds of the Trust Fund set forth or referred to in Section 2.3 of this Annex 1.

(c) “Bank-executed Activity” means an activity to be carried out by the Bank under Section 2.3 (b) of this Annex 1.

(d) “Donor Committee” means the committee referred to in Section 4.2 of this Annex 1.

(e) “IMF” means the International Monetary Fund.

(f) “Letter of Understanding” means a letter of understanding to be executed between the IMF and the Bank, in accordance with Section 1.3 of Annex 2 to this Arrangement.

(g) “Project Management Team” means the body referred to in Section 4.1 of this Annex 1.

(h) “Project” means a specific development Recipient-executed project financed or to be financed out of the proceeds of the Trust Fund for Activities, and such term excludes Bank-executed Activities and IMF-executed Activities, respectively;

(i) “Program” means the program consisting of the Recipient-executed Activities, Bank-executed Activities and the IMF-executed Activities set forth in Section 3.1 through 3.3 of Annex 1 to this Arrangement, and as detailed in the Program Document.

(j) “Recipient” means the Member Country or any agency of the Member Country, or other legal entity, including a regional entity or a non-governmental organization (other than the IMF) to which any grant has been, or is proposed to be, made;

(k) “Trustee” means the Bank acting as trustee of the Trust Fund;

2. Trust Fund Objective; Scope and Activities

2.1. The objective of the Program Supporting Economic Management in the Caribbean supported by the Trust Fund is to improve economic management, regional integration and competitiveness in the Caribbean sub-region by facilitating the emergence of efficient, effective, accountable and regionally-integrated institutions, policies, processes as well as information and communication technology (ICT) in tax, customs and public financial management systems, through the provision of policy advice, technical assistance and selected investments in information and communication technology.

2.2. For the purposes of the Trust Fund, the Caribbean sub-region comprises: (i) the following countries: Antigua, Barbados, Belize, Commonwealth of Dominica, Grenada, Cooperative Republic of Guyana, Jamaica, Saint Kitts & Nevis, Saint Lucia, Suriname, Trinidad & Tobago, and Saint Vincent; and (ii) any other country as may be added to this list by writing between the Bank and all Donors (“Member Countries”).

2.3. The activities to be supported under the Trust Fund (“Activities”) are as follows:

(a) **Recipient-executed Projects** designed to support activities to establish foundation and strengthen capacities to modernize regional and country specific ICT systems in tax, customs and public financial management.

(b) **Bank-executed Activities** in support of tax, customs and public financial management reform in the Caribbean Sub-region, consisting of technical assistance, capacity building and business process reengineering.

(c) **IMF-executed Activities** as set forth in the Letter of Understanding.

(d) **Trust Fund Management and Administration.** Establishment and operation of the Project Management Team; management of the Trust Fund; and supervision, monitoring and evaluation of Projects.

2.4. The Activities set forth in paragraphs (a) through (d) of this Section are detailed in the Program Document, as said Program Document may be modified from time to time with mutual consent of the Donors and the Trustee with inputs from the IMF with respect to the IMF-executed Activities.

3. Eligible Expenditures

3.1. **Recipient-executed Activities.** The proceeds of the Trust Fund made available to Recipient for Projects (under Section 2.3(a) of this Annex 1) may be utilized to finance eligible expenditures described in the individual Grant Agreement.

3.2. **Bank-executed Activities and Trust Fund Management and Administration.** The proceeds of the Trust Fund made available to the Bank for Bank-executed Activities under Section 2.3 (b) of this Annex 1 and for Trust Fund Management and Administration activities under Section 2.3 (d)

of this Annex 1 may be utilized for associated overheads, consultant fees, contractual services, field assignment benefits, media and workshop costs, staff costs, travel expenses, extended term consultants, staff costs (no indirect cost), temporary support staff costs, equipment costs purchase and equipment costs lease.

3.3. IMF-executed Activities. The proceeds of the Trust Fund made available to the IMF for IMF-executed Activities under Section 2.3 (c) of this Annex 1 may be utilized to finance expenditures described in the Letter of Understanding.

3.4. The foregoing categories of expenditures may include financing of such taxes as may be levied in the territory of the Recipient.

4. Governance Structure

4.1. Project Management Team

4.1.1. The Project Management Team will be responsible for, *inter alia*: (i) preparing annual work plans (together with a budget and financing plans) for endorsement by the Steering Committee, and approval by the Donor Committee; (ii) appraising Recipient-executed Projects proposed for financing out of Trust Fund proceeds; (iii) supervising and reporting on the progress of Recipient-executed Projects; (iv) reporting on the progress of Program activities; and (v) monitoring and evaluating the Trust Fund.

4.1.2. The Project Management Team will be established by the Trustee and will be located at the Trustee's Latin America and Caribbean Region Vice-Presidency. It will be headed by a program manager who will be assisted by suitably qualified and experienced staff in adequate numbers.

4.1.3 The Project Management Team will prepare and submit to the Donor Committee semi-annual progress reports, referred to in Section 7 of Annex 2 which will describe in detail the operations of the Program, including the receipt and use of Contributions and the activities financed therefrom.

4.2. Donor Committee

4.2.1. The Donor Committee will be responsible for: (i) making decisions about allocations of proceeds from the Trust Fund as set forth in the annual work plan; (ii) providing general guidance for operations of the Program Supporting Economic Management in the Caribbean (the Program); (iii) setting work plan priorities, including approving annual work plan of the Program, and monitoring and reviewing overall progress of the Program and financial reports submitted by the recipients of the proceeds of the SEMCAR Trust Fund; and (iv) seeking additional Contributions to the Trust Fund, as needed.

4.2.2. The Donor Committee will comprise of the representatives of the contributing Donors. The Donor Committee may invite representatives of other entities to attend one or more of its meetings as observers.

4.2.3. The Donor Committee will determine its procedures and regulate its proceedings, and will meet as often as its members consider necessary to conduct its business and, in any event, not less than once every year.

4.3. Steering Committee

4.3.1 The Steering Committee will be responsible for endorsing the semi-annual and annual progress reports, and the Annual Work Plans in view of priority activities taking into account the collective commitment to the Program by the respective countries in the Caribbean Sub-region.

4.3.2. The Steering Committee will comprise the following members: (i) representatives of each country in the Caribbean Sub-region that are beneficiaries of the SEMCAR program; (ii) representative of the Contributing Donors; (iii) the IMF; and (iv) the Trustee. The Steering Committee may invite representatives of other institutions to join the Steering Committee as members or attend one or more of its meetings as observers.

4.3.3. The Steering Committee will determine its procedures and regulate its proceedings. It will meet as often as its members consider necessary to conduct its business and, in any event, not less than once every year.

ANNEX 2

Standard Provisions Applicable to the Multi Donor Trust Fund Supporting Economic Management in the Caribbean

This Annex will be applicable to and forms an integral part of all agreements and arrangements entered into between the Bank and the Donors that provide Contributions to be administered by the Bank for the Trust Fund.

1. Administration of the Contributions

1.1. The Bank will be responsible only for performing those functions specifically set forth in this Arrangement and will not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Arrangement will be considered a waiver of any privileges or immunities of the IBRD and IDA under their Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2. The Contribution will be administered in accordance with the Bank's applicable policies and procedures, as the same may be amended from time to time, including its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank's obligations to give effect to the relevant decisions of the Security Council, taken under Chapter VII of the Charter of the United Nations. The Donor acknowledges that this provision does not create any obligations of the Bank under the anti-terrorist financing and asset control laws, regulations, rules and executive orders of an individual member country that may apply to the Donor, nor will it be deemed a waiver, express or implied, of any of the privileges and immunities of the Bank.

1.3. For funds from the SEMCAR Trust Fund to finance IMF-executed Activities (the "IMF Funds"), the Bank will transfer funds to IMF under the Letter of Understanding between the Bank and IMF.

1.4. The Donors acknowledge and agree that the Bank has no responsibility, under the Administration Arrangement or otherwise for (i) confirming the use of IMF funds; (ii) implementing, monitoring, supervising, evaluating, or providing quality assurance for activities financed by IMF Funds; (iii) providing Donors with financial, progress, results or impact reporting for activities financed by IMF Funds, other than transferring reports provided by IMF as a facilitating activity by the Project Management Team; (iv) any misuse or misprocurement with respect to IMF Funds; or (v) pursuing any Donor interests or IMF undertakings with respect to IMF Funds. The Donors acknowledge and agree that any financial statements with respect to the use of IMF Funds are the responsibility of IMF. The Donors further acknowledge and agree that any Donor remedy or pursuit of Donor interests with respect to IMF Funds will arise directly between each Donor and IMF, without involvement of the Bank.

2. Commingling, Exchange and Investment of the Contributions

2.1. The Contributions will be accounted for as a single trust fund and will be kept separate and apart from the funds of the Bank. The Contributions may be commingled with other trust fund assets maintained by the Bank.

2.2. The Contributions may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

2.3. The Bank will invest and reinvest the Contributions pending their disbursement in accordance with the Bank's policies and procedures for the investment of trust funds administered by the Bank. The Bank will credit all income from such investment to the Trust Fund to be used for the same purposes as the Contributions.

3. Administrative Cost Recovery

3.1. In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Arrangement, the Bank may deduct and retain for its own account an amount equal to two percent (2 %) of each Contribution. In addition, costs for program management as defined in Annex 1 up to a maximum of one million one hundred sixty three thousand United States Dollars (USD1,163,000) will be charged to the Trust Fund on an actual basis. If the contributions increase beyond what was originally expected at the time of counter-signature of the first administration agreement or arrangement, and the administrative costs increase as a result, the Donors acknowledge that an additional administrative fee may be applied to such new contributions.

3.2. In order to assist in the defrayment of the costs of administration and other expenses incurred by IMF-executed Activities under the Letter of Understanding, IMF may levy a charge for programme support costs equivalent to seven percent (7 %) of expenditures of any Transferred Amount, and retain the funds recovered through this charge for IMF's own account.

4. Grants to Recipients

4.1. The Bank will, as administrator of the Trust Fund on behalf of the Donors, enter into grant agreement (the "Grant Agreements") with eligible recipients selected in accordance with the terms of Annex 1 (the "Recipients") consistent with the purposes of this Arrangement and on the terms and conditions set forth in the Grant Agreements. Grant Agreements may be entered into up to the maximum amount of the Contributions that all Donors have agreed to make available under the Administration Agreements or Arrangements between the Bank and the Donors. Upon request by a Donor, the Bank will furnish a copy of the Grant Agreements to the Donors.

4.2. The Bank will be responsible for the supervision of the activities financed under the Grant Agreements. Subject to the consent of the relevant Recipients, representatives of the Donors may be invited by the Bank to participate in Bank supervision missions related to the Trust Fund.

4.3. The Bank will promptly inform the Donors of any significant modification to the terms of any Grant Agreements and of any contractual remedies that are exercised by the Bank under any Grant Agreements. To the extent practicable, the Bank will afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

4.4. For IMF-executed Activities, the Bank will, as administrator on behalf of the Donors, transfer funds to IMF through the Letter of Understanding. IMF will be responsible for the supervision of activities financed under the Letter of Understanding implemented by entities other than the IMF.

5. Procurement

5.1. For Recipient-executed activities, the Grant Agreements will provide that the Contributions will be used by the Recipients to finance expenditures for goods and services, as the case may be, in accordance with the Bank's Guidelines on "Procurement under IBRD Loans and IDA Credits" and the Bank's Guidelines on the "Selection and Employment of Consultants by World Bank Borrowers," as in effect at the date of entry into the respective Grant Agreements.

5.2. For Bank-executed activities, the employment and supervision of any consultants and the procurement of any goods financed by the Contributions will be the responsibility of the Bank and will be carried out in accordance with its applicable policies and procedures.

5.3 For IMF-executed Activities, the employment and supervision of consultants and the procurement of goods financed by the SEMCAR Trust Fund will be the responsibility of IMF and will be carried out in accordance with the IMF's policies and procedures.

6. Accounting and Financial Reporting

6.1. The Bank will maintain separate records and ledger accounts in respect of the Contributions deposited in the Trust Fund account and disbursements made therefrom.

6.2. The Bank will furnish to the Donors current financial information relating to receipts, disbursements and fund balance in United States Dollars of the Trust Fund with respect to the Contributions via the World Bank's Trust Funds Donor Center secure website. Within six (6) months after all commitments and liabilities under the Trust Fund have been satisfied and the Trust Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in United States Dollars of the Trust Fund with respect to the Contributions will be made available to the Donors via the World Bank's Trust Funds Donor Center secure website.

6.3. The Bank will provide to the Donors, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (1) a management assertion together with an attestation from the Bank's external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the Bank's external auditor's opinion thereon. The cost of the single audit will be borne by the Bank.

6.4. If a Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank's external auditors of the Trust Fund, the Donor and the Bank will first consult as to whether such an external audit is necessary. The Bank and the Donor will agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank will arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, will be paid by the requesting Donor.

6.5. The Bank will provide the Donors with copies of all financial statements and auditors' reports received by the Bank from the Recipients pursuant to the Grant Agreements.

6.6 For IMF-executed Activities, IMF will (under the terms of the Letter of Understanding) provide on an annual basis, copies of all financial statements, in accordance with IMF's policies and procedures to the Donor Committee through the Project Management Team.

7. Progress Reporting and Annual Work Plans

7.1 The Bank and IMF (under the terms of the Letter of Understanding) will each prepare semi-annual reports on progress in carrying out their respective activities, on an agreed uniform format and will each submit those reports, to the Project Management Team for submission to the Steering Committee and Donor Committee, respectively, as one report for distribution to the Donors.

7.2 The Bank and IMF (under the terms of the LOU) will each prepare a final report on their respective activities, on an agreed uniform format and will each submit those reports, to the Project Management Team for submission to the Donor Committee, as one report for distribution to the Donors.

7.3 Any Donor may review or evaluate activities financed by the SEMCAR Trust Fund. The Donor and the Bank will agree on the scope and conduct of such review or evaluation, and the Bank will provide all relevant information within the limits of its policies and procedures. All associated costs will be borne by the Donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund. IMF-executed Activities may be subject to an ex post evaluation under the terms of the Letter of Understanding.

7.4. The Bank and IMF (under the terms of the Letter of Understanding) will during each year prepare and submit to the Project Management Team for submission to the Steering Committee, for its endorsement, a proposed annual work plan and budget containing all their respective activities proposed to be carried out under the Project in the following year.

8. Disbursement; Cancellation; Refund

8.1. It is expected that the Contributions will be fully disbursed by the Bank by December 31, 2013. The Bank will only disburse Contributions for the purposes of this Arrangement after such date with the written approval of the Donors.

8.2. Any Donor or the Bank may, upon three (3) months' prior written notice, cancel all or part of the Donor's pro rata share, of any remaining balance of the Contributions that is not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Arrangement prior to the receipt of such notice, including the Grant Agreements.

8.3. Following the final disbursement date specified in paragraph 8.2, the Bank will return any remaining balance of the Contributions to the Donors or to the relevant Donor Balance Account on a pro rata basis based on the Donors' paid Contributions. In the event of a cancellation the Bank will promptly return to the relevant Donor or to the relevant Donor Balance Account the Donor's pro rata share of uncommitted Contributions in accordance with paragraph 8.2.

9. Disclosure

The Bank will disclose this Arrangement and related information on this Trust Fund in accordance with the World Bank Policy on Access to Information. By entering into this Arrangement, Donors consent to disclosure of this Arrangement and related information on this Trust Fund.

