

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION1818 H Street N.W.
Washington, D.C. 20433
U.S.A.(202) 473-1000
Cable Address: INTBAFRAD
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August 30, 2010

Sir K. Dwight Venner
Governor Eastern Caribbean Central Bank
P.O. Box 89
Basseterre
St. Kitts
West Indies

**Re: OECS: IDF Grant for Strengthening Accountability of the
Non-Banking Financial Sector Project
IDF Grant No. TF096989**

Dear Governor:

In response to the request for financial assistance made on behalf of the Eastern Caribbean Central Bank (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”) proposes to extend to the Recipient, for the benefit of: Antigua and Barbuda, Commonwealth of Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St Vincent and the Grenadines (“Member Countries”), a grant from the World Bank’s Institutional Development Fund (“IDF”) in an amount not to exceed four hundred fifty five thousand Dollars (U.S.\$455,000) (“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 the project described in the Annex (“Project”).

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. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within sixty (60) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Even if this Agreement has become effective pursuant to the previous paragraph, it shall terminate if it has not been implemented or has not disbursed any funds before November 30, 2010, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Very truly yours,

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By p.p. David Warren
Yvonne M. Tsikata
Director
Caribbean Country Management Unit
Latin America and the Caribbean Region

AGREED:

EASTERN CARIBBEAN CENTRAL BANK

By: /s/ K. Dwight Venner
Authorized Representative

Name: K. Dwight Venner

Title: Governor

Date: September 27, 2010

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008.
- (2) Disbursement Letter dated August 30, 2010, 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 July 1, 2008 (“Standard Conditions”), with the modifications set forth in Section I of the Appendix to this Agreement, 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, and the following additional terms have the following meanings:

(a) “Eastern Caribbean Central Bank” means the bank established and operating pursuant to the Agreement Establishing the Eastern Caribbean Central Bank signed on July 5, 1983, and the enactment of implementing legislation by the participating governments, which include Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Anguilla.

(b) “NBFIs” means non-banking financial institutions.

(c) “OECS” means the Organization of Eastern Caribbean States, which is established under the Treaty establishing the Organization of Eastern Caribbean States (Treaty of Basseterre, 1981) signed on June 18, 1981.

(d) “Project Countries” means Antigua and Barbuda, Commonwealth of Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St Vincent and the Grenadines, all members of OECS, and participating in the Project.

(e) “ROC” means the inter-sector Regional Oversight Committee established by the Member Countries, and referred to in paragraph 2.03 (a) of this Agreement.

(f) “SRU” means Single Regulatory Unit of the Project Countries, a beneficiary of the Grant, and responsible for the regulation of the non-banking financial sector.

Article II

Project Execution

2.01. *Project Objectives and Description.* The objectives of the Project are to improve the regulatory oversight and provide normative basis and technical assistance to the local NBFIs with a view to enhance stability of the local financial institutions and contribute to the sustainable growth of the local private sector. The Project consists of the following parts:

Part I: Development of Medium-term Business Plans for SRUs

Developing medium-term business plans to make the SRUs fully independent functional bodies, including: (i) the carrying out of a stocktaking exercise aimed at reviewing the status of the establishment of the SRU, and implementation of the harmonized legislation regulating non-banking financial sector in the respective Project Countries and (ii) the provision of technical advisory services to the SRUs on key business aspects to be reflected in the business plans, based on the results of the stocktaking exercise and international best practices; and (iii) the drafting of the business plans including conducting a regional workshop for members of the OECS governments and regional donors, to facilitate the presentation and consideration of said plans.

Part II: Supporting the Implementation and Enforcement of the Updated Legal Framework

Providing support to the SRUs working group for the drafting of harmonized: (i) rules and regulations, specifying financial reporting and disclosure requirement to be followed by registrants; (ii) manuals and guidelines for off-site and on-site supervision, as well as reporting formats for data collection for off-site examinations; and (iii) external audit guidelines.

Part III: Specialized Training Program and Training of SRU Supervisors

Ensuring the SRU supervisors' understanding of the nature, risks and methodologies of the institutions they regulate as well as their application of new guidelines and standards through: (i) the development and testing of a hands-on training module; (ii) the identification of delivery mechanisms to ensure sustainability; and (iii) the provision of training to SRU supervisors of the Project Countries.

Part IV: Knowledge-sharing and Monitoring of Grant Activities and External Audit

Ensuring knowledge-sharing and monitoring of Grant activities through: (i) the financing of four semi-annual meeting of the ROC; and (ii) the carrying out of an external audit of the activities supported by the Grant.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project 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 ("Anti-Corruption Guidelines"), with the modifications set forth in Section II of the Appendix to this Agreement; and (c) this Article II.

2.03. ***Institutional and Other Arrangements.*** For purposes of carrying out the Project, the Recipient shall:

(a) Maintain at all times during Project implementation a regional oversight committee (ROC) comprising, *inter alia*, representatives of the Project Countries' non-banking financial sector, all with terms of reference, qualifications and functions satisfactory to the World Bank. The ROC shall be responsible for, *inter alia*: (i) monitoring the implementation of the Grant activities; (ii) ensuring the needs of beneficiaries SRUs are met; and (iii) ensuring knowledge-sharing among said beneficiaries SRUs.

(b) Appoint a Project coordinator with terms of reference, qualifications and functions satisfactory to the World Bank, whose functions shall include, *inter alia*, providing Project oversight during the carrying out of Grant activities.

2.04. ***Project Monitoring, Reporting and Evaluation.*** (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank's request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover such period as shall be indicated in the World Bank's request and shall be furnished to the World Bank not later than one month after the date of such request.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

- (i) Number to countries endorsing the SRU business plan: at least three MOFs endorse the medium-term business plans developed by the SRUs in their respective countries.
- (ii) Percentage of registrants (NBFIs) receiving new rules and regulations: at least fifty percent (50%) of the existing registrants receive newly prepared guidelines, rules and regulations.
- (iii) Percentage of planned supervisions carried out by using new rules and procedures: at least twenty five percent (25%) of planned supervisions are carried out by using new rules and procedures.

(c) The Recipient shall, upon the World Bank's request, 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 five months after the Closing Date.

2.05. ***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 forty-five (45) days after the end of each calendar semester, covering the semester, 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. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. ***Procurement***

(a) General. All 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 Sections I (excluding paragraph 1.24) and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the World Bank in May 2004 and revised in October 2006 and May 2010 ("Consultant Guidelines").

(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 the Consultant Guidelines.

- (c) 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 may be used for the procurement of consultants' services for those assignments which the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source Selection; and (F) Selection of Individual Consultants.
- (d) Review by the World Bank of Procurement Decisions. Except as the World Bank shall otherwise determine by notice to the Recipient, the first contract to be procured under each of the agreed methods shall be subject to Prior Review by the World Bank, with the exception of Single-source Selections for which the World Bank Prior Review is required for all contracts.

**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) Article III of 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:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Consultants' Services	288,000	100%
(2) Training and Workshops	167,000	100%
TOTAL AMOUNT	455,000	

For the purposes of this Section, the term "Training and Workshops" means: (a) reasonable travel, room, board and per diem expenditures incurred by trainees and/or participants in connection with their participation in training and/or workshops; (b) training or workshop facility rentals; and (c) training and workshop material preparation, acquisition, reproduction, printing and distribution expenditures.

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 countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.

**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 its Governor.

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

P.O. Box 89
Basseterre
St. Kitts
West Indies

Telex:	Facsimile:
(869) 465-2537	(869) 465-9562

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
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

APPENDIX

Modifications to the Standard Conditions and the Anti-Corruption Guidelines

Section I. The Standard Conditions are modified as follows:

1. The provisions of Section 4.02 (j) of the Standard Conditions are modified to read as follows:

... (j) *Ineligibility.* IBRD or IDA has declared the Recipient (other than the Member Country) ineligible to receive proceeds of any financing made by IBRD or IDA or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA, as a result of: (i) a determination by IBRD or IDA that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Recipient is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. The reference to “Member Country” in the Standard Conditions means Antigua and Barbuda, Commonwealth of Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St Vincent and the Grenadines.

Section II. The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

1. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in

connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”