Global Environment Facility
Trust Fund Grant Agreement

(Marine Electronic Highway Demonstration Project)

between

INTERNATIONAL MARITIME ORGANIZATION

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated June 19, 2006
GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated June 19, 2006, between INTERNATIONAL MARITIME ORGANIZATION (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution 94-2);

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding Parts A, B.2, B.3, B.4, D and E of the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2;

(D) by a GEF Grant Agreement to be entered into between the Republic of Indonesia and the Bank, the Bank has agreed to make available to the Republic of Indonesia a GEF grant in the amount of one million four hundred and forty thousand Dollars ($1,440,000), for purposes of Part B.1 of the Project;

(E) a Memorandum of Understanding has been entered into among the Republic of Indonesia, Malaysia, the Republic of Singapore and the Recipient on September 8, 2005, to provide a framework for participation, collaboration, commitment and co-operation to implement the Marine Electronic Highway Demonstration Project in the Straits of Malacca and Singapore (the Memorandum of Understanding); and

(F) a Memorandum on Arrangements has been entered into among the Republic of Indonesia, Malaysia, the Republic of Singapore, the Recipient, the International Hydrographic Organization, the International Association of Independent Tanker Owners and the International Chamber of Shipping on September 8, 2005, as an implementing arrangement in accordance with Article IV of the Memorandum of Understanding to support, promote and collaborate in the implementation of the Marine
Electronic Highway Demonstration Project in the Straits of Malacca and Singapore (the Memorandum on Arrangements); and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the “General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

(i) Article I;

(ii) Sections 2.01 (2), (3), (4), (5), (6), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;

(iii) Section 3.01;

(iv) Sections 4.01 and 4.06;

(v) Sections 5.01, 5.02, 5.03, 5.04, 5.05, 5.06, 5.07 and 5.09;

(vi) Sections 6.01, 6.02 (c), (e), (i), (l), (m), (n), (o) and (p), 6.03 (a), (b), (c), (d) and (e), 6.04 and 6.06;

(vii) Section 8.01 (b);

(viii) Sections 9.01 (a), 9.04, 9.05, 9.06 and 9.07;

(ix) Sections 10.01, 10.03 and 10.04;

(x) Article XI; and

(xi) Sections 12.01 (c), 12.03 and 12.04.
(b) The General Conditions shall be modified as follows:

(i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01(6) and 5.01(a) thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;

(ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;

(iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;

(iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;

(v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;

(vi) a new subparagraph is added after subparagraph (o) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”;

(vii) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 of the General Conditions are replaced with the words “corrupt, fraudulent, collusive or coercive”;

(viii) the first sentence of Section 10.01 of the General Conditions is deleted;

(ix) Section 10.04 of the General Conditions is amended to read: “Any dispute arising out of or relating to this Agreement which is not settled by agreement of the parties shall be finally settled by arbitration in accordance with the UNCITRAL Arbitration Rules in force on the date of this Agreement. The place of arbitration shall be Washington, D.C. In the event of a conflict between the UNCITRAL Arbitration Rules and the terms of this Agreement, the terms of this Agreement shall govern.”; and

(x) Section 12.03(b) of the General Conditions is amended to read: “If, before the Effective Date, any event shall have occurred which would have entitled the Bank to suspend the right of the
Recipient to make withdrawals from the Grant Account if the Grant Agreement had been effective, the Bank may postpone the dispatch of the notice referred to in paragraph (a) of this Section until such event or events shall have ceased to exist.”

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Eligible Categories” means Categories (1) through (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement.

(b) “Eligible Expenditures” means the expenditures for goods and services referred to in Section 2.02 of this Agreement.

(c) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement.

(d) “MEH” means the Marine Electronic Highway system to be established under the Project.

(e) “MEH Data Center” means the data centers to be established under the Project in the Republic of Indonesia, Malaysia and the Republic of Singapore.

(f) “Memorandum of Agreement” means the memorandum of agreement entered into between the Republic of Indonesia and the Recipient on May 31, 2006, specifying: (i) the functions of the Project Management Office; (ii) the staffing (including support staff) and the facilities (including office space), to be provided to the Project Management Office; and (iii) who shall be responsible for providing the required staff, the facilities, and the operating costs of the Project Management Office.

(g) “Procurement Plan” means the Recipient’s procurement plan, dated February 10, 2006, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 of this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation.

(h) “Project Area” means the area of the Strait of Malacca from One Fathom Bank (Permatang Sedepa) to the whole of the Strait of Singapore.

(i) “Project Implementation Plan” means the plan, acceptable to the Bank, and adopted by the Republic of Indonesia and the Recipient for purposes of the carrying out of the Project.
“Project Management Office” means the office established at Batam, Republic of Indonesia, to administer and manage the Project.

“Project Steering Committee” means the committee established at the regional level to implement the Project and to administer and manage the MEH system, and includes representatives of the Republic of Indonesia, Malaysia, Republic of Singapore, the Recipient (as the Secretariat of the Committee), the International Hydrographic Organization (as observer), the International Association of Independent Tanker Owners (as observer) and the International Chamber of Shipping (as observer).

“Report-based Disbursements” means the Recipient’s option for withdrawal of funds from the GEF Trust Fund Grant Account referred to in Part A.5 of Schedule 1 to this Agreement.

“Special Account” means the account referred to in Part B of Schedule 1 to this Agreement.

**ARTICLE II**

**The GEF Trust Fund Grant**

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount equal to six million eight hundred and sixty thousand Dollars ($6,860,000).

Section 2.02. The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A, B.2, B.3, B.4, D and E of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

Section 2.03. The Closing Date shall be June 30, 2011, or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

**ARTICLE III**

**Execution of Parts A, B.2, B.3, B.4, D and E of the Project**

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out Parts A, B.2, B.3, B.4, D and E of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and maritime practices and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts A, B.2, B.3, B.4, D and E of the Project.
(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out Parts A, B.2, B.3, B.4, D and E of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods and services required for Parts A, B.2, B.3, B.4, D and E of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank’s approval.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to Parts A, B.2, B.3, B.4, D and E of the Project.

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.
(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:

(i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Bank’s representatives to examine such records; and

(iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient’s progress reporting obligations set out in paragraph 10 of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

(i) sets forth sources and uses of funds for Parts A, B.2, B.3, B.4, D and E of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the GEF Trust Fund Grant, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under Parts A, B.2, B.3, B.4, D and E of the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under Parts A, B.2, B.3, B.4, D and E of the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.
ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) the GEF Trust Fund Grant Agreement between the Republic of Indonesia and the Bank referred to in Whereas Clause (D) of this Agreement, shall have failed to become effective six months after its signing or such later date as the Bank may agree;

(b) the Memorandum of Understanding referred to in Whereas Clause (E) of this Agreement shall have been amended, suspended, waived or terminated so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement;

(c) the Memorandum on Arrangements referred to in Whereas Clause (F) of this Agreement shall have been amended, suspended, waived or terminated so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement; and

(d) the Memorandum of Agreement shall have been amended, suspended, waived or terminated so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.

ARTICLE VI

Effectiveness, Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the GEF Trust Fund Grant within the meaning of Section 12.01 (c) of the General Conditions:

(a) The GEF Trust Fund Grant Agreement referred to in Whereas Clause (D) of this Agreement shall have been executed on behalf of the Republic of Indonesia and the Bank.

(b) The Recipient shall have provided to the Bank a Project management memorandum, acceptable to the Bank, in accordance with paragraph 4 of Schedule 4 to this Agreement.

(c) The Project Implementation Plan, acceptable to the Bank, shall have been adopted by the Recipient and endorsed by the Republic of Indonesia, Malaysia and the Republic of Singapore, in accordance with paragraph 5 of Schedule 4 to this Agreement.
Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VII

Privileges and Immunities

Section 7.01. Nothing in or relating to this Agreement shall be deemed a waiver, express or implied, of any of the privileges and immunities which the Recipient or its officers, experts and subsidiary organizations may enjoy, whether pursuant to the Convention on Privileges and Immunities of the Specialized Agencies or any other convention or agreement, law, order or decree of an international or national character.

ARTICLE VIII

Representative of the Recipient; Addresses

Section 8.01. The Director of the Marine Environment Division of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

International Maritime Organization
4 Albert Embankment
London SE1 7SR
United Kingdom

Telex: 23588 IMOLDN G
Facsimile: 44 207 587 3210

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in London, United Kingdom, as of the day and year first above written.

INTERNATIONAL MARITIME ORGANIZATION

By /s/ Jean-Claude Sainlos

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT as an Implementing Agency of the Global Environment Facility

By /s/ Jeffrey Gutman

Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the GEF Trust Fund Grant Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>464,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services</td>
<td>4,664,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Incremental operating costs</td>
<td>672,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Management Fee</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Unallocated (except Category (4))</td>
<td>560,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6,860,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule:

   (a) the term “incremental operating costs” means the reasonable costs of incremental expenditures incurred by the Project Management Office, the Project Steering Committee, the Working Groups and the Technical Committees in the carrying out of the Project (which expenditures would not have been incurred absent the Project), including communications, office supplies, advertising of bidding, printing and publication of Project information, rental of meeting facilities and project-related travel expenses; but in all cases excluding staff salaries; and

   (b) the term “management fee” means the fee of the Recipient for the services provided for the management of the Project.
3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than $200,000 equivalent per contract; (b) services of individual consultants costing less than $50,000 equivalent per contract; (c) services of consulting firms under contracts costing less than $100,000 equivalent per contract; (d) incremental operating costs; and (e) management fees, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. The Recipient may request withdrawals from the GEF Trust Fund Grant Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the GEF Trust Fund Grant Account, the Recipient shall submit to the Bank only a statement with the projected sources and applications of funds for Parts A, B.2, B.3, B.4, D and E of the Project for the six-month period following the date of such request.

B. Special Account

1. The Recipient may open and maintain in Dollars a special deposit account in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the GEF Trust Fund Grant Account of amounts to be deposited into the Special Account shall be made as follows:

   (a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

   (b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:
(a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the GEF Trust Fund Grant Account; or

(c) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to the applicable paragraphs of Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the GEF Trust Fund Grant Agreement.
Annex A

to

SCHEDULE 1

Operation of Special Account When Withdrawals Are Not Report-based Disbursements

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of $600,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.

   (b) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the GEF Trust Fund Grant minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.
Annex B
to
SCHEDULE 1

Operation of Special Account When Withdrawals Are Report-based Disbursements

1. Withdrawals from the GEF Trust Fund Grant Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the GEF Trust Fund Grant, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.
SCHEDULE 2

Description of the Project

The objectives of the Project are:

(a) to assist the Republic of Indonesia, Malaysia, the Republic of Singapore and representatives of some of the large commercial ship owners that use the Strait of Malacca and the Strait of Singapore, to collectively decide whether to establish a marine electronic highway for the entire length of the Straits of Malacca and Singapore; and

(b) to improve maritime safety and reduce environmental damage to the globally-significant shared natural resources of the Straits of Malacca and Singapore.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objectives:

Part A: Marine Electronic Highway System Design, Coordination and Operation

1. System Planning and International Maritime Organization Management

   (a) Management of the operational aspects of the Project by the International Maritime Organization.

   (b) Development of a system for the management and on-line access and storage of data and information, including links to the MEH Data Centers and financial and economic assessments.

   (c) Development of criteria and measurable indicators for Project performance assessment, including the carrying out of a baseline survey to compile and analyze data and information covering a period of about thirty years up to the inception of the Project, as a basis for evaluation of the impact of the MEH system.

2. Project Management Office

   (a) Strengthening the capacity of the staff of the Project Management Office, including relevant training.

   (b) Establishment of MEH Data Centers in the Republic of Indonesia, Malaysia and the Republic of Singapore, including provision of relevant training to the staff of the MEH Data Centers in operation and management of the MEH system and in data handling and exchange.
3. **Project Steering Committee Support**

Carrying out of meetings of the Project Steering Committee, the Technical Committees and the Working Groups, including travel and accommodations for participants.

**Part B: Marine Electronic Highway System Development**

1. **Tide and Current Facilities**

   Tidal and current monitoring on the Republic of Indonesia’s coast of the Strait of Malacca, including provision of relevant equipment.

2. **Hydrographic Survey**

   (a) Carrying out of a hydrographic survey within the designated traffic separation scheme in the Strait of Malacca within the Project Area.

   (b) Provision of training to the hydrographic surveyors of the hydro-oceanographic services of the Republic of Indonesia, Malaysia and the Republic of Singapore.

3. **Electronic Navigation Charts**

   Production of high resolution electronic navigation charts for the Project Area, including provision of relevant computer software licenses to the Republic of Indonesia and to Malaysia.

4. **Information Exchange System**

   Establishment of a MEH information exchange system, including data servers, data exchange protocols and training of staff in data exchange.

**Part C: Ship-Board Equipment and Communications**

Carrying out of testing of the demonstration MEH system by about 160 ships fitted with type-approved electronic chart display and information systems, including internet connectivity.
Part D: Marine Environment Protection

1. Oil Spill and Sand Wave Models

Carrying out of a modeling and analysis of: (i) the likely movement of oil spills originating in the Project Area; and (ii) the sand wave formation and movement in the Project Area.

2. Sensitive Area Mapping

Research and development of options for providing real-time geo-referenced environmental protection information to mariners navigating in the Straits of Malacca and Singapore and for conservation and coastal resources management and mapping of sensitive areas.

3. Emergency Response Systems

Carrying out of simulated oil and chemical spill emergency response exercises to determine the cost-effectiveness and efficiency of the MEH system in the event of chemical and oil spill incidents from ships.

Part E: Information Dissemination, Evaluation and Scale-up Plan

1. Website and Publicity

Production and dissemination of information through the Internet on the MEH system, including technical reports, progress reports and a newsletter, and carrying out of national and regional workshops and seminars to provide information and seek feedback on the benefits and applicability of the MEH system.

2. Evaluation

(a) Assessment of the cost and benefits of the establishment and use of the MEH system in terms of maritime safety and marine environment protection, including: (i) the development of criteria and measurable indicators for the socio-economic assessment of the MEH system; and (ii) the carrying out of a socio-economic survey to evaluate the benefits of the MEH system.

(b) (i) Carrying out of an assessment of the technical functionalities of the MEH system, including system performance.

(ii) Carrying out of a continuous monitoring of new and potential technologies that could be linked to the MEH system or enhance its performance, including the carrying out of technical evaluations on the new technologies to determine their suitability, value added contribution, enhancing performance and cost effectiveness.
(c) Carrying out of an assessment of the MEH system, including institutional and legal aspects.

(d) Consolidation of the technical, institutional, legal, financial and economic assessments of the MEH system, including the implementation of the Project, and development of a managing tool blueprint.

3. System Development

Carrying out of marketing strategies to package and market the MEH system and its marine information and other products, and the services it could provide.

* * *

The Project is expected to be completed by December 31, 2010.
SCHEDULE 3

Procurement

Section I. General

A. All goods and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient.

B. Other Procurement Procedures

1. Shopping. Goods estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

Section III. Particular Methods of Procurement of Consultants’ Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Bank agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may
be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants’ Qualifications. Services estimated to cost less than $200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior approval by the Bank.

Section IV. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Bank: (a) each contract for goods estimated to cost the equivalent of $200,000 or more; (b) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more and the first contract for consultants’ services provided by a firm and selected on the basis of the consultant’s qualifications. In addition, with respect to the first contract for the employment of an individual consultant and each contract for the employment of individual consultants estimated to cost the equivalent of $100,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Bank. All other contracts shall be subject to Post Review by the Bank.
SCHEDULE 4

Implementation Program

1. The Recipient shall take all steps necessary to ensure that the Project Steering Committee shall be maintained until completion of the Project.

2. The Recipient shall, in accordance with the provisions of the Memorandum of Agreement, establish by December 31, 2006, and, thereafter, maintain until the completion of the Project, the Project Management Office, with terms of reference and staff and at all times acceptable to the Bank, including a Project Manager.

3. The Recipient shall, until completion of the Project, maintain at its headquarters a procurement officer, acceptable to the Bank.

4. The Recipient shall prepare and furnish to the Bank a Project management memorandum, acceptable to the Bank, setting forth the management tasks to be carried out by the Recipient under the Project, including the estimated cost of each task.

5. The Recipient shall adopt and, thereafter apply in the implementation of the Project, the Project Implementation Plan, acceptable to the Bank, which shall include the description of: (a) implementation arrangements; (b) the procurement procedures set forth in Schedule 3 to this Agreement and standard procurement documentation; (c) reporting requirements, financial management procedures and audit procedures as set forth in Article 4 of this Agreement; and (d) the Project Performance Indicators set forth in Schedule 5 to this Agreement, and shall not amend, suspend, abrogate, repeal or waive any provisions of the Project Implementation Plan without the prior agreement of the Bank.

6. The Recipient shall cause the Project Steering Committee to:

   (a) furnish to the Bank for its review and comments not later than September 30 in each year, commencing September 30, 2007, and until completion of the Project, draft revisions to the Project Implementation Plan for the components of the Project not yet carried out, with emphasis on the activities to be carried out in the following calendar year, including the scope of the activities to be carried out, cost estimates, time based implementation schedules, financing plan, budget arrangements, and the relevant procurement plan; and

   (b) finalize the revised Project Implementation Plan by November 30 in each year, commencing November 30, 2007, taking into account the comments of the Bank thereon.

7. In carrying out Part B.3 of the Project, the Recipient shall provide all required technical assistance to the Republic of Indonesia, Malaysia and the Republic of
Singapore to ensure the production of the electronic navigational charts by March 31, 2008.

8. In carrying out Part C of the Project, the Recipient shall provide the required technical assistance to ensure that the International Association of Independent Tanker Owners and the International Chamber of Shipping have each, by December 31, 2008, at least 60 and 100 ships, respectively, equipped with type-approved electronic chart display and information systems, including internet connectivity.

9. In carrying out Part E of the Project, the Recipient shall:

(a) by May 31, 2010, furnish to the Bank the draft final report on the technical, financial, economic, and legal feasibility of a scaled-up Marine Electronic Highway system for the entire Straits of Malacca and Singapore; and

(b) by August, 2010, taking into account the comments of the Bank, furnish to potential participants and beneficiaries of the full-scale Marine Electronic Highway system the finalized feasibility study, including the design of an operational and financing plan and an institutional structure for the scaled-up Marine Electronic Highway system.

10. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of Parts A, B.2, B.3, B.4, D and E of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about June 30 of each year, commencing June 30, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of Parts A, B.2, B.3, B.4, D and E of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of Parts A, B.2, B.3, B.4, D and E of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by September 30 of each year, commencing September 30, 2007, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of Parts A, B.2, B.3, B.4, D and E of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank’s views on the matter.
11. The Recipient shall:

   (a) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about September 30, 2008, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 9(a) of this Schedule 4, on the progress achieved in the carrying out of the Project, including an assessment of the commitment of the partners in the Project, the interest of other countries in the scaled-up marine electronic highway, evaluation of new technologies and their potential applicability and inclusion in the marine electronic highway, and determination of the need for Project restructuring, if any.

   (b) review with the Bank and with the parties to the Memorandum on Arrangements, by December 31, 2008, the report referred to in paragraph (a) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof.
<table>
<thead>
<tr>
<th>Performance Indicators</th>
<th>Baseline</th>
<th>YR1</th>
<th>YR2</th>
<th>YR3</th>
<th>YR4</th>
<th>YR5</th>
<th>Frequency and Reports</th>
<th>Data Collection Instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component One (Part A)</td>
<td>No activity</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>Semi-annual</td>
<td>Progress report</td>
</tr>
<tr>
<td>PIPs prepared and implemented on schedule and updated annually, financial management system effective, disbursements on schedule.</td>
<td>No activity</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>Semi-annual</td>
<td>Progress report</td>
</tr>
<tr>
<td>All partners report project management system is functioning effectively.</td>
<td>No activity</td>
<td>80%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>Semi-annual</td>
<td>Progress report</td>
</tr>
<tr>
<td>Four MEH data centers established. Data production and management system functioning satisfactorily.</td>
<td>No activity</td>
<td>75%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>Semi-annual</td>
<td>Progress report</td>
</tr>
<tr>
<td>MEH demonstration system for congested 300km section</td>
<td>No activity</td>
<td>75%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>Semi-annual</td>
<td>Progress report</td>
</tr>
</tbody>
</table>
of the Straits fully functional.

<table>
<thead>
<tr>
<th>Component Two (Part B)</th>
<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Hydrographic survey of MEH area completed.</td>
<td>No activity</td>
<td>20%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Well-functioning ENCs for MEH demonstration section of the Straits available for use by appropriately-equipped ships in transit.</td>
<td>No activity</td>
<td>25%</td>
<td>100%</td>
<td>100%</td>
</tr>
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</table>

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<thead>
<tr>
<th>Component Three (Part C)</th>
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<tbody>
<tr>
<td>At least 160 large oil tankers and container ships that regularly pass through the Straits are able and choose to navigate through the Straits using electronic charts and all other components of the demonstration MEH system.</td>
<td>Ships use Straits’ Auto Identification System</td>
<td>80%</td>
<td>100%</td>
<td>Quarterly</td>
</tr>
</tbody>
</table>
| Component Four  
(Part D) | Activity | 25% | 100% | 100% | 100% | Progress report |
<table>
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<tbody>
<tr>
<td>Sand wave model for the Straits produced, tested and integrated into the MEH system.</td>
<td>No activity</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Environmentally sensitive areas within and near MEH demonstration area mapped and incorporated into MEH system’s Electronic Navigation Charts.</td>
<td>No activity</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Environment staff in the three littoral states successfully complete simulated marine environment emergency response exercises.</td>
<td>No activity</td>
<td></td>
<td></td>
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</tbody>
</table>

| Component Five  
(Part E) | Activity | 50% | 75% | 90% | 100% | Progress report |
<table>
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<tbody>
<tr>
<td>Well-designed and functioning Web Page created for MEH; suite of informative publications issued.</td>
<td>No activity</td>
<td></td>
<td></td>
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<tr>
<td>Workshop on demonstration system design and initial performance held.</td>
<td>No activity</td>
<td></td>
<td></td>
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<tr>
<td>Evaluation of potential economic, financial and environmental costs/benefits and legal feasibility of MEH system for entire Straits and Environment Fund co-financed by it, based on performance of the demonstration, approved by key stakeholders.</td>
<td>No activity</td>
<td></td>
<td></td>
<td></td>
<td>20%</td>
<td>100%</td>
</tr>
<tr>
<td>If, based on evaluation, key stakeholders decide to develop MEH system for the entire Straits, proposal for its design, financing plan and institutional arrangements prepared.</td>
<td>No activity</td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
<td>On completion</td>
</tr>
</tbody>
</table>