

CONFORMED COPY

LOAN NUMBER 7355-GA

Loan Agreement

(Natural Resources Management Development Policy Loan)

between

GABONESE REPUBLIC

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated March 13, 2006

LOAN AGREEMENT

AGREEMENT, dated March 13, 2006, between GABONESE REPUBLIC (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received from the Borrower on May 18, 2004, a “Letter on Policy for Forests, Fisheries and Aquaculture, Protected Areas and Environment” (PSFE) and on August 31, 2005 a “Letter on Policy Reform for the Mining Sector”, describing a program of actions, objectives, and policies designed to promote growth and achieve sustainable reductions in poverty (hereinafter called the Program), declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during the execution thereof; and

(B) on the basis, *inter alia*, of the foregoing, the Bank has decided in support of the Program to provide such assistance to the Borrower by making the Loan in two tranches as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans” of the Bank dated September 1, 1999 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 41, is modified to read:

“‘Project’ means the program, referred to in the Preamble to the Loan Agreement, in support of which the Loan is made.”;

(b) Section 3.08 is modified to read:

“Each withdrawal of an amount of the Loan from the Loan Account shall be made in the Loan Currency. The Bank, at the request and acting as an agent of the Borrower, shall purchase with the Loan Currency withdrawn from the Loan Account such currencies as shall be required to meet payments to be financed out of the proceeds of the Loan.”;

- (c) Section 5.01 is modified to read:

“The Borrower shall be entitled to withdraw the proceeds of the Loan from the Loan Account in accordance with the provisions of the Loan Agreement and of these General Conditions.”;

- (d) the last sentence of Section 5.03 is deleted;

- (e) Section 9.07 (c) is modified to read:

“(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.”; and

- (f) Section 9.05 is deleted in its entirety and Sections 9.06, 9.07 (as modified above), 9.08 and 9.09 are renumbered, respectively, Sections 9.05, 9.06, 9.07 and 9.08.

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

- (a) “Deposit Account” means the account referred to in Section 2.02 (b) of this Agreement;

(b) “EITI” means the “Extractive Industries Transparency Initiative”, an international initiative aiming at increasing transparency by institutionalizing reconciliation between payments made to the Government by oil and mining companies and payments received by the Government from oil and mining companies and referred to in Paragraph 3 of Schedule 2 to this Agreement;

(c) “MEFEPEPN” means the Borrower’s ministry of forest economy, water, environment, fisheries and protection of nature, and any successor thereto;

(d) “MMEPRH” means the ministry in charge of mining, energy, oil and hydraulic resources and any successor thereto;

(e) “Prior Actions” means actions taken by the Borrower to fulfill parts of the objectives of the Program, referred to in Paragraph 2 of Schedule 4 to this Agreement and which include the: (i) adoption of the Letter of Sector Policy for the PSFE; (ii) preparation of the rules governing the procedures applicable to the flow of funds for this Loan; (iii) launching of the process to contract financial management experts to assist in the financial management and monitoring of the use of the proceeds of this Loan; (iv) adoption of moratorium on the allocation of new logging permits; (v) disclosure of the list of logging permits and their tax collection status; (vi) decision to cancel the SNBG monopoly on January 1st 2006; (vii) finalization of the draft new legislation on national parks; (viii) disclosure of the list and map of mining and oil permits in and around national parks; (ix) disclosure of list of industrial fishing permits, and their tax collection status; (x) adoption of the decree on the geo-positioning system for monitoring industrial fisheries; and (xi) formal expression of interest of the Government of Gabon to adhere to the EITI initiative;

(f) “PSFE” means the Borrower’s program related to the forest, environment and fisheries sectors, referred to in Paragraph 3 of Schedule 2 to this Agreement; and

(g) “SNBG” means *Société Nationale de Bois Gabonais*, the Borrower’s national timber marketing company.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to twelve million and two hundred thousand Euro (Euro 12,200,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) Subject to the provisions of paragraphs (b), (c) and (d) of this Section and as shown in Schedule 1 to this Agreement, the Borrower shall be entitled to withdraw the amount of Euro 12,169,500 from the Loan Account in support of the Program.

(b) Except as the Bank may otherwise agree: (i) all withdrawals from the Loan Account shall be deposited by the Bank into an account held in Dollars, designated by the Borrower and acceptable to the Bank (the Deposit Account); and (ii) the Borrower shall ensure that upon each deposit of an amount of the Loan into said Deposit Account, an equivalent amount is accounted for in the Borrower’s budget management system, in a manner acceptable to the Bank.

(c) The Borrower undertakes that the proceeds of the Loan shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 2 to this Agreement. If the Bank determines at any time that an amount of the Loan was used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of said payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

(d) No withdrawals shall be made from the Loan Account after the aggregate amount of the Loan withdrawn from the Loan Account has reached the amount of Euro 4,130,500 unless the Bank is satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank:

(A) with the progress achieved by the Borrower in the carrying out of the Program;

(B) that the macroeconomic policy framework of the Borrower is satisfactory, as measured on the basis of indicators agreed between the Borrower and the Bank; and

(C) that the actions described in Schedule 4 to this Agreement have been taken.

If, after said exchange of views, the Bank is not so satisfied, the Bank may give notice to the Borrower to that effect and, if within 90 days after such notice, the Borrower has not taken steps satisfactory to the Bank, in respect of (A), (B), and (C) above, as the case may be, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof.

Section 2.03. The Closing Date shall be December 31, 2008 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions but not including the fourth anniversary of such date; and (ii) seventy five one hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment charges shall be payable semiannually in arrears on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

(i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;

(ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and

(iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

Section 2.10. The Minister of Finance, and any person whom he or she shall designate in writing, is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Bank on any proposed action to be taken after the disbursement of the Loan which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program including, but not limited to, any action specified in Schedule 4 to this Agreement.

Section 3.02. Without limitation upon the provisions of Section 9.01(a) of the General Conditions, the Borrower shall:

(a) promptly furnish to the Bank such information relating to the provisions of Article II of this Agreement as the Bank may, from time to time, reasonably request, and

(b) upon the Bank's request:

(i) have the Deposit Account audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than four months after the date of the Bank's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning the Deposit Account and the audit thereof as the Bank shall have reasonably requested.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that the Borrower:

(a) has contracted financial management specialists to assist MEFEPEN and MMEPRH in developing and managing their budget in compliance with terms of reference satisfactory to the Bank; and

(b) has adopted a regulation related to the management of the proceeds of this Loan in consultation and agreement with the Bank.

Section 5.02. The date 120 days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.10 of this Agreement, the Ministry of Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

The Minister of Planning
Libreville
Gabonese Republic

Cable address:	Telex:	Facsimile:
		(241) 77 35 90

For the Bank:

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

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

GABONESE REPUBLIC

By: /s/ Guy-Marcel Eboumy
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: /s/ Nils O. Tcheyan
Authorized Representative

SCHEDULE 1

Withdrawal Schedule

	Amount in Euro
Tranche 1	4,100,000
Tranche 2	8,069,500
Front-End Fee (Section 2.04)	30,500
Total	12,200,000

SCHEDULE 2

Excluded Expenditures

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Loan shall not be used to finance any of the following expenditures:

1. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Bank shall have financed or agreed to finance, or which the Bank shall have financed or agreed to finance under another loan, credit, or grant;

2. expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

<u>Group</u>	<u>Subgroup</u>	<u>Description of Items</u>
112	-	Alcoholic beverages
121	-	Tobacco unmanufactured, tobacco refuse
122	-	Tobacco manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

3. all activities not included in the government's annual Program for Forest, Fisheries, Biodiversity and Environment (PSFE) or in the government's annual programs for Mining Sector Reform and the implementation of the EITI.

4. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
5. expenditures for environmentally hazardous goods (for purposes of this paragraph the term “environmentally hazardous goods” means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party, and any other goods designated as environmentally hazardous by agreement between the Borrower and the Bank);
6. expenditures on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
7. expenditures under a contract in respect of which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Payment Date	Installment Share (Expressed as %)
March 15, 2009	2.72
September 15, 2009	2.82
March 15, 2010	2.91
September 15, 2010	3.02
March 15, 2011	3.12
September 15, 2011	3.23
March 15, 2012	3.34
September 15, 2012	3.46
March 15, 2013	3.58
September 15, 2013	3.71
March 15, 2014	3.84
September 15, 2014	3.97
March 15, 2015	4.11
September 15, 2015	4.25
March 15, 2016	4.40
September 15, 2016	4.56
March 15, 2017	4.72
September 15, 2017	4.88
March 15, 2018	5.05
September 15, 2018	5.23
March 15, 2019	5.41
September 15, 2019	5.60
March 15, 2020	5.80
September 15, 2020	6.27

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Actions Referred to in Section 2.02 (d) (C) of this Agreement

1. A satisfactory financial audit of all expenditures made under the first tranche of the Loan has been completed under terms of reference and by an auditor satisfactory to the Bank.
2. Prior Actions undertaken by the government prior to the negotiations of this Agreement have been continuously implemented, satisfactory to the Bank.
3. For the purpose of the forest policy area, the Borrower's government has:
 - (a) approved, rejected or requested additional information on all forest management plans within six months after their submission on the basis of technical justification based on forest management regulations prepared in consultation and in agreement with the Bank ;
 - (b) enforced the forest fiscal regime set forth in law 015/2003 of December 30, 2003; has agreed with the Bank prior to submitting any amendment to this fiscal regime; and has cancelled all forest permits that did not comply with the area tax by the end of each fiscal year;
 - (c) recruited an internationally-recognized third-party observer to assist the Borrower's MEFEPEN in monitoring logging activities, and to ensure public information on forest control and penalties, under terms of reference and through a selection process undertaken in consultation and in agreement with the Bank;
 - (d) adopted transparent procedures and criteria for the auctioning of forest permits, and a participatory three-year plan for future forest permits and concessions, in consultation and in agreement with the Bank;
 - (e) completed the restructuring of the SNBG, which will not be entrusted with monopoly nor regulatory function and will not overlap with public bodies' mandates, in consultation and in agreement with the Bank;
4. For the purpose of the biodiversity and environment policy area, the Borrower's government has:
 - (a) continuously implemented the PSFE social and environmental management plan, in consultation and in agreement with the Bank;

(b) conducted or caused to be conducted a socio-environmental impact assessment prior to any new industrial mining project under terms of reference developed in consultation and in agreement with the Bank.

5. For the purpose of the mining and oil policy area, the Borrower's government has:

(a) completed a socio-economic and environmental review of the industrial mining sector, under terms of reference and following a selection process implemented after consultation and in agreement with the Bank, and

6. For the purpose of the fisheries policy area, the Borrower's government has:

(a) designed and enforced conservation measures aimed at protecting and/or restoring populations of fish in over-exploited and/or fragile marine areas of the Gabonese Republic;

(b) completed a socio-economic and environmental review of the industrial fisheries sector, under terms of reference and following a selection process undertaken in consultation and in agreement with the Bank