INFORMATION MEMORANDUM

THE REPUBLIC OF CONGO
U.S.$477,790,000

U.S. Dollar Notes Due 2029 (the "*Securities*")

Pursuant to an exchange agreement dated as of November 15, 2007 (the "Exchange Agreement") among the Republic of Congo (the "Republic"), BNP Paribas, as Closing Agent and Reconciliation Agent, the Syndicate Agents (as defined therein) and the Purchasers (as defined therein), certain private creditors of the Republic known as the "London Club" agreed with the Republic to restructure the Eligible Debt (as defined herein) of the Republic held by them by way of an exchange of Reconciled Discounted Exchangeable Debt (as defined therein) for the Securities. These creditors tendered the entirety of their Eligible Debt and related Interest Arrears, which was reconciled, converted into U.S. dollars and multiplied by a mutually agreed discount factor. The Securities were issued to each such creditor in the amount of such creditor's Reconciled Discounted Exchangeable Debt (as defined herein).

The Securities will mature on June 30, 2029. Interest on the outstanding principal of the Securities will be payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2007. A first amortization payment of 5% of the nominal amount of all Securities issued was paid to the account of the Trustee on the Closing Date, and the Trustee transferred such payment to Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") for distribution to the Holders as promptly as practicable in accordance with the procedures of Euroclear and Clearstream, Luxembourg. The remaining principal amount will be repayable in 34 semi-annual installments, beginning on December 31, 2012, and thereafter on each Payment Date as set forth in "Terms and Conditions of the Securities".

The Securities have been issued pursuant to an indenture with HSBC Bank USA, N.A., as Trustee for the bondholders, dated as of November 15, 2007 (the "Trust Indenture"), as supplemented by a Supplemental Indenture dated as of April 15, 2008 (the "Supplemental Indenture"), and are governed by the law of the State of New York.

The Securities contain provisions, commonly known as "collective action clauses", regarding acceleration and voting on future amendments, modifications and waivers. Under these provisions, which are described in "Terms and Conditions of the Securities – Events of Default" and "- Modifications", the Republic may amend the payment provisions of the Securities and certain other provisions with the consent of the Holders of specified percentages of the Outstanding Principal Amount of the Securities, as set forth in the Trust Indenture. The Securities will also be subject to "collective enforcement clauses" providing for legal action only through the Trustee, either on its own initiative or as instructed by Holders with at least 25% of the outstanding principal amount of the Securities and, under specified circumstances, for enforcement by Holders without the Trustee.

FOR A DISCUSSION OF RISK FACTORS ASSOCIATED WITH AN INVESTMENT IN THE SECURITIES, SEE "RISK FACTORS" BEGINNING ON PAGE 15 OF THIS INFORMATION MEMORANDUM.

The Securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any other jurisdiction. The Securities will be offered in the United States only to qualified institutional buyers and accredited investors in reliance upon an exemption from the registration requirements of the Securities Act and to persons outside the United States under Regulation S of the Securities Act. The Securities will be subject to restrictions on resale under applicable law. See "Jurisdictional Restrictions".

Delivery of the Securities was made on December 7, 2007. The Securities have been delivered in book-entry form through the facilities of Euroclear and Clearstream, Luxembourg and registered in the name of a common depositary of Euroclear and Clearstream, Luxembourg, or a nominee thereof. The Republic has applied to admit the Securities to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market of the Luxembourg Stock Exchange. This Information Memorandum constitutes a prospectus for the purpose of the Luxembourg law dated July 10, 2005 on Prospectuses for securities.

The date of this Information Memorandum is August 1, 2008



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The Securities are direct, general and unconditional obligations of the Republic. The Securities constitute unconditional general obligations of the Republic, ranking at least *pari passu* in priority of payment, with (i) all other unsecured and unsubordinated External Indebtedness (as defined herein); and (ii) all unsecured and unsubordinated guarantees or other obligations of the Republic with respect to any External Indebtedness (as defined herein) of any Governmental Entity (as defined herein).

The Securities will be issued in registered form only. Securities sold in offshore transactions in reliance on Regulation S under the Securities Act ("Regulation S") will be represented by a Global Security in fully registered form (the "Unrestricted Global Security"), which shall be registered in the name of a nominee of, and deposited with, the common depositary of Euroclear and Clearstream, Luxembourg. Securities sold in the United States to qualified institutional buyers (each a "qualified institutional buyer") as defined in, and in reliance on, Rule 144A under the Securities Act ("Rule 144A") and accredited investors as defined in, and in reliance on, Rule 501(a)(1), (2) or (3) under the Securities Act will be represented by a Global Security in fully registered form (the "Restricted Global Security"), which shall be registered in the name of a nominee of, and deposited with, the common depositary of Euroclear and Clearstream, Luxembourg. See "Book-Entry Settlement and Clearance." Except as described herein, definitive Securities will not be issued in exchange for beneficial interests in the Global Securities. See "Terms and Conditions of the Securities — Replacement, Exchange and Transfer of Securities". For restrictions on transfer applicable to the Securities, see "Jurisdictional Restrictions".

The Republic has taken reasonable care to ensure that the information contained in this Information Memorandum is true and correct in all material respects and not misleading as of the date hereof, and that, to the best of the knowledge and belief of the Republic, there has been no omission of information which, in the context of the issue of the Securities, would make this document as a whole or any such information misleading in any material respect. The Republic accepts responsibility accordingly.

This Information Memorandum does not constitute an offer by, or an invitation by or on behalf of, the Republic to subscribe to or purchase any of the Securities. Each recipient shall be deemed to have made its own investigation and appraisal of the financial condition of the Republic. The distribution of this Information Memorandum or any part of it and the offering, possession, sale and delivery of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Republic to inform themselves about and to observe any such restrictions. See "Jurisdictional Restrictions" for a description of further restrictions on the offer, sale and delivery of Securities and on distribution of this Information Memorandum and other material relating to the Securities.

This Information Memorandum may only be used for the purposes for which it is published.

No person is authorized to give any information or to make any representation not contained in this Information Memorandum in connection with the issue and sale of the Securities and any information or representation not contained herein must not be relied upon as having been authorized by or on behalf of the Republic. Neither the delivery of this Information Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that the information herein is correct as at any time subsequent to the date hereof.

Each person that acquires Securities will be deemed to have represented, warranted and agreed at the Closing Date:

1. that it:

    a. is not a "**U.S. Person**" as that term is defined by Regulation S of the Securities Act and that it is acquiring the Securities in the context of a transaction that is taking place outside the United States (an "offshore transaction") in conformity with the provisions of Regulation S of the Securities Act; or

b. is (i) an "**accredited investor**" within the meaning of Rule 501(a)(1), (2) or (3) of the Securities Act, (ii) a legal entity whose shareholders or partners ("equity owners") are all accredited investors as defined by Rule 501(a)(1), (2) or (3) of the Securities Act or (iii) a "**qualified institutional buyer**" ("**QIB**") as defined by Rule 144A of the Securities Act;

2. that it is not acquiring the Securities with a view to their sale or distribution within the meaning of the Securities Act;

3. that it is acquiring the Securities on its own behalf or for the account of a person meeting the requirements of paragraph 1 above;

4. that it acknowledges that the Securities have not been, and will not be, registered under the Securities Act; and that it will not be able to offer, sell or deliver the Securities to investors other than (i) persons it reasonably believes to be "qualified institutional buyers" ("QIB") within the meaning of Rule 144A of the Securities Act that are acquiring such securities on their own behalf, (ii) persons acquiring the securities in the context of transactions conducted outside of the United States ("offshore transactions") in accordance with Regulation S of the Securities Act, (iii) under an exception to the registration requirements set out in Rule 144 of the Securities Act; (iv) the Republic or (v) in the context of a transaction that is registered under the Securities Act;

5. that neither it nor any person acting on its behalf has offered to sell or has sold the Securities under circumstances other than those described in paragraph 4 above;

6. that it understands that the Securities will bear the following notice concerning the Securities Act for a period of two years following their issuance:

   THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY OTHER STATE OF THE UNITED STATES OR OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR TO OR FOR THE ACCOUNT OF ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED) EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR IN A TRANSACTION NOT REQUIRING REGISTRATION UNDER SUCH ACT. THIS SECURITY IS TRANSFERABLE ONLY AS PROVIDED HEREIN AND IN THE TRUST INDENTURE.

7. that it acknowledges that the Republic will rely on the above-mentioned representations and that if any such representation proves to be false, it shall promptly notify the Republic; and

8. that it shall not offer to sell or sell the Securities either directly or indirectly in the United States or to a U.S. Person for a period of 40 days following their issuance (except for resale in the United States to QIBs who agree to accept delivery subject to the transfer restrictions mentioned above, to the extent permitted by Rule 904 of Regulation S.

This Information Memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The Securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

In any European Economic Area ("EEA") Member State that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the "Prospectus Directive"), this Information Memorandum is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Directive.

This Information Memorandum has been prepared on the basis that any offer of Securities in any Member State of the EEA (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Securities. Accordingly any person making or intending to make any offer within the EEA of the Securities may only do so in circumstances in which no obligation arises for the Republic to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. The Republic has not authorized, nor does it authorize, the making of any offer (other than permitted public offers) of Securities in circumstances in which an obligation arises for the Republic to publish a prospectus for such offer.

Each person in a Member State of the EEA which has implemented the Prospectus Directive (each, a **"**Relevant Member State") who receives any communication in respect of, or who acquires any Securities under, the offers contemplated in this Information Memorandum will be deemed to have represented, warranted and agreed to and with the Republic that:

(a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any Securities acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Securities acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Republic has been given to the offer or resale; or (ii) where Securities have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Securities to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this representation, the expression an "offer to the public" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

PRESENTATION OF CERTAIN INFORMATION

Economic and financial data and statistical information included in this Information Memorandum are based upon the latest official data and information available at the date of this Information Memorandum. Economic and financial data and statistical information provided in this Information Memorandum may be subsequently revised in accordance with the Republic's ongoing review of such data and information, and the Republic is not obligated to distribute such revised data and information to any investor. Economic and financial data and statistical information may, in particular, be subject to revision. In addition, some economic and financial data and statistical information for 2006 and all such data and information for 2007 presented herein are estimates based on the latest available data.

In this Information Memorandum, all references to "the CFA Franc" and "CFAF" are to the lawful currency of the Republic, all references to "U.S. dollars" and "U.S.$" are to the lawful currency of the United States of America and all references to "Euro" and "€" are to the lawful currency of the European Union.

EXCHANGE RATES

The CFA Franc has been pegged to the Euro at a rate of CFAF 655.957 = €1 since January 1999.

GOVERNING LAW AND ENFORCEMENT OF CLAIMS

The Republic is a foreign sovereign state. It may be difficult for you to obtain or enforce judgments of courts in the United States against the Republic.

The Securities, the Trust Indenture and the Supplemental Indenture are governed by the law of the State of New York.

In the Trust Indenture and the Securities, the Republic has irrevocably submitted to the non-exclusive jurisdiction of the Supreme Court of the State of New York, County of New York, of the United States District Court for the Southern District of New York and of the Commercial Court ("*Tribunal de Commerce*") of Paris in any suit, action or proceeding arising out of or relating to the Securities, the Trust Indenture, the other Restructuring Agreements (as defined in the Trust Indenture) or any other agreement entered into in connection with the issuance or performance of any of the foregoing.

The Republic has irrevocably waived, to the extent it may effectively do so, any right to raise as a defense a lack of subject matter jurisdiction, lack of personal jurisdiction, inconvenient forum (*forum non conveniens*) or improper venue relating to such a suit, action or proceeding, as well as any other objection to such suit, action or proceeding, including but not limited to those based on venue, residence, domicile or any right to a trial by jury. The Republic has agreed that it shall treat as final any judgment rendered in any such suit, action or proceeding that is not, or no longer, susceptible to appeal, and it agreed that such a judgment may be executed and enforced in all other jurisdictions by respecting the relevant legal requirements, including by means of a legal proceeding relating to execution of such judgment.

In addition, the Republic agreed to maintain in both New York and Paris a person who acts as, or who fills the function of, respectively, New York service agent (the "New York Service Agent") and Paris service agent (the "Paris Service Agent") to receive on behalf of itself and its property service of copies of the summons and complaint and any other process that may be served in a suit, action or proceeding. The New York Service Agent will initially be the chargé d'affaires a.i., and, upon his appointment, the ambassador of the Republic to the Permanent Mission of the Republic to the United Nations in New York, and the Paris Service Agent will be the ambassador of the Republic in Paris. Furthermore, if the Permanent Mission of the Republic of Congo to the United Nations in New York ceases to be maintained, or if an Embassy ceases to be maintained in Paris, or if the legal advisors to the Holders of at least 50% of the Outstanding Principal Amount (as defined in the Trust Indenture) judge that the designation of the ambassador to such Permanent Mission or that of the ambassador of the Republic in Paris for purposes of receiving service of process is in fact no longer effective for purposes of commencing legal proceedings against the Republic, then the Republic shall irrevocably appoint or choose a different agent (acceptable to Holders of at least 50% of the Outstanding Principal Amount) with whom the Republic shall elect domicile (as appropriate), for purposes of receiving service of process in such city, and the Republic will ensure that it maintains an agent for service of process in New York and Paris at all times. A final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

Except as otherwise provided, nothing in this section shall affect the right of the Trustee or (in connection with legal actions or proceedings by any Holder as permitted by the Trust Indenture) any Holder to serve legal process in any other manner permitted by law or affect the right of the Trustee or any Holder to bring any action or proceeding against the Republic or its property in the courts of other jurisdictions, subject to the provisions below.

To the extent that the Republic has or hereafter may acquire or have attributed to it any immunity under any law from jurisdiction of any court or from any legal proceedings (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself, its assets or its property, the Republic has waived, to the fullest extent it may effectively do so, any right to rely upon such immunity in respect of its obligations under the Trust Indenture, the Securities and the other

Restructuring Agreements. Without limiting the generality of the foregoing, the Republic agreed that the waivers set forth in this section shall be to the fullest extent permitted under the United States Foreign Sovereign Immunities Act of 1976, as amended (the "Immunities Act"), and that such waiver is intended to be irrevocable for purposes of the Immunities Act. The foregoing waiver shall not apply: (i) to property used by diplomatic or consular missions of the Republic, (ii) to property of a military character or under the control of a military authority or defense agency of the Republic, (iii) to property located within the Republic and dedicated to a public or governmental use (as distinguished from property dedicated to commercial use), (iv) to shares in the *Société Nationale des Pétroles du Congo*, or, (v) to shares or interests in Congolese public sector entities, or in private sector entities that are held directly or indirectly by the Republic to the extent these entities provide a public or governmental service and Congolese law protects these shares or interest from attachment or seizure prior to judgment or in aid of execution.

Notwithstanding the foregoing, the Republic has reserved the right to plead sovereign immunity under the Immunities Act in connection with legal proceedings initiated against it under the United States federal securities laws or under the securities law of any U.S. state, and the Republic's appointment of the New York Service Agent or the Paris Service Agent shall not apply for any such legal proceedings.

FORWARD-LOOKING STATEMENTS

This Information Memorandum includes forward-looking statements that reflect the Republic's current views with respect to future events. The words "expects", "intends", "anticipates", "believes", "projects", "estimates" and similar expressions identify forward-looking statements. These forward-looking statements are based upon estimates and assumptions made by the Republic or its officials that, although believed to be reasonable, are subject to certain known and unknown risks and uncertainties. These risks and uncertainties include, among others, the following:

- political, economic and other conditions in the Republic and globally;
- the actual rates of growth, if any, for gross domestic product ("GDP") and other economic indicators of the Republic in any relevant year or other period;
- the financial condition of the Republic;
- changes in interest rates or exchange rates;
- a reduction in the foreign currency reserves of the Republic;
- legislative, regulatory or administrative initiatives affecting businesses, financial institutions and foreign investment in the Republic;
- the financial condition and liquidity of banks and other financial institutions in the Republic;
- climatic or geological occurrences;
- trade and tariff policies of the Republic's trading partners;
- declines in the Republic's tax revenues;
- receipt of bilateral and multilateral donor financing;
- the Republic's ability to execute its comprehensive debt management strategy;
- prevailing conditions in domestic international and multilateral lending markets and domestic and international capital markets, which may affect the Republic's ability to finance budgetary requirements and to refinance outstanding debt and other obligations; and
- any other factors identified in this Information Memorandum.

All forward-looking statements contained in this Information Memorandum are qualified in their entirety by these factors. You are cautioned not to place undue reliance on these forward-looking statements. The Republic disclaims any obligation or undertaking to publicly update or revise any forward-looking statement contained in this Information Memorandum, whether as a result of new information, future events or otherwise. Future events or circumstances could cause actual results to differ materially from historical results or those anticipated.

SUMMARY

This summary highlights information contained in this Information Memorandum and may not contain all of the information that may be important to you. You should read this summary along with the more detailed information elsewhere in this Information Memorandum and the Trust Indenture.

Issuer: The Republic

Currency: USD

Amount of Issuance: USD 477,790,000.00

Denominations: The Securities are denominated in minimum amounts equal to USD 1,000 and integral multiples thereof. In this connection, all Exchangeable Debt converted to USD was rounded to the nearest multiple of USD 1,000.

Ranking: The obligations pursuant to the Securities constitute unconditional general obligations of the Republic, ranking at least *pari passu* in priority of payment, with (i) all other unsecured and unsubordinated External Indebtedness of the Republic; and (ii) all unsecured and unsubordinated guarantees or other obligations of the Republic with respect to any External Indebtedness of any Governmental Entity.

First Amortization: On the Closing Date, the Republic paid to the account of the Trustee a first amortization of the principal of the Securities in the amount of 5% of the nominal amount of all Securities issued (the "**First Amortization**"). Thereafter, the Trustee transferred such payment to Euroclear and Clearstream, Luxembourg for distribution to the Holders as promptly as practicable in accordance with the procedures of Euroclear and Clearstream, Luxembourg.

Amortization: The remaining principal amount of the Securities after the First Amortization will be repayable in 34 semi-annual installments, beginning on December 31, 2012, as follows:

Amortization Installments	**Percentage of the Principal Amount (After Deduction of the First Amortization of 5%)**
1-2	1%
3-8	2%
9-26	3%
27-34	4%

Final Maturity: June 30, 2029

Interest Rate: The outstanding principal of the Securities will carry interest at the fixed annual rates indicated hereafter, such interest accruing as from June 30, 2007.

Period	**Annual Rate**
For semi-annual periods 1 through 3, beginning June 30, 2007	2.5%
For semi-annual periods 4 through 12	3.0%

For semi-annual periods 13 through 16	3.5%
For semi-annual periods 17 through 20	4.0%
From the twenty-first through the final semi-annual period	6.0%

Interest will be calculated on a 30/360 basis.

Optional Redemption: With 45 days prior notice to Holders of Securities, the Republic may redeem the Securities in whole or in part on any interest payment date, at par, without premium or penalty; provided that no default in the payment of principal of, or interest on, the Securities has occurred and is continuing. Any partial redemption of Securities shall be made on a pro rata basis to all Holders thereof based on the outstanding principal amount held by them, as determined by the Trustee. Partial redemptions will be applied to installments in inverse order of their maturity.

Form: The Securities will be issued in registered form only.

Meetings of Holders and Written Resolutions: Meeting Notice: The Republic is free to convene a meeting of Holders of Securities at any moment and for any purpose upon giving notice as provided below. Upon written request made by the Holders of at least 10% of the Outstanding Principal Amount, the Trustee shall convene a meeting of the Holders of Securities. At the election of the Republic or the Trustee, as the case may be, such meetings shall take place in Paris, New York or London, and Holders of Securities shall be given notice of the meeting no fewer than 30 days and no more than 60 days before it is scheduled to occur.

Quorum: During meetings of Holders of Securities, the required quorum for any resolution that does not relate to a Reserve Matter (a "**Non-Reserve Matter**") shall be Holders present or represented holding at least 50% of the Outstanding Principal Amount. If a quorum is not present within 30 minutes following the time initially set for the meeting, the meeting will be postponed for a period equal to at least ten calendar days and no more than 45 calendar days. Upon issuance of a notice to reconvene any meeting which has been postponed due to absence of a quorum, the necessary quorum to adopt any Non-Reserve Matter shall be Holders present or represented owning at least 25% of the Outstanding Principal Amount.

No Quorum Requirement for Reserve Matters: No quorum is required for resolutions relating to Reserve Matters.

Meeting Resolutions: Provided that a quorum exists, Non-Reserve Matters will be adopted with the consent of the Republic and of the Holders, present or represented, of at least 66⅔% of the Attending Principal Amount.

Reserve Matters will be adopted with the consent of the Republic and of the Holders, present or represented, of at least 75% of the Outstanding Principal Amount.

Written Resolutions: Written resolutions relating to Non-Reserve Matters will be adopted when they are signed by Holders owning at least 66⅔% of the Outstanding Principal Amount. Written resolutions relating to Reserve Matters will be adopted when they are signed by the Republic and Holders owning at least 75% of the Outstanding Principal Amount.

Legal Effect of Resolutions: Each resolution adopted in conformity with the provisions of the present clause shall be binding on each Holder of Securities (and on such Holder's successors and assigns), without regard to whether that Holder consented to the adoption of the resolution. Notwithstanding the fact that the Securities held directly

or indirectly by the Republic or by a Governmental Entity shall not be taken into account in calculating the Outstanding Principal Amount or in calculating the percentages applicable to collective action by the Holders of Securities or to Events of Default, the Holders of such Securities (and their successors and assigns) will be bound by all resolutions adopted by the Holders of Securities.

Reserve Matters: "**Reserve Matters**" will consist of all resolutions relating to the Trust Indenture or to the Securities and resulting in:

- a change to an interest payment date or a principal payment date in respect of the Securities,
- a reduction of the principal amount of the Securities,
- a reduction in the interest rate or the amount of interest payable in respect of the Securities, including interest on past due amounts,
- a change in the amortization schedule for the principal of the Securities,
- a change to the terms and conditions relating to the payment of any Additional Amounts in respect of the Securities,
- a waiver of an Event of Default resulting from a failure to pay principal, interest or additional amounts owed to Holders,
- a change in the currency in which the Securities are denominated,
- a change to the majority requirement relating to the adoption of Reserve Matters,
- a change to the law governing the Securities or the Trust Indenture,
- a change to submission to jurisdiction of the New York courts,
- a change to the requirement to maintain an agent in New York and Paris for purposes of receiving service of process,
- a change to the Republic's waiver of sovereign immunity,
- a change to the *pari passu* status of the Securities,
- an authorization of the Trustee, on behalf of all Holders of the Securities, to mandatorily exchange or substitute all the Securities for, or convert all the Securities into, other obligations or securities of the Republic or any other entity,
- a change to the definition of Outstanding or Outstanding Principal Amount, or of the use in the terms of the Securities or in the Trust Indenture of the expressions "owned directly or indirectly by the Republic" or "owned directly or indirectly by the Republic or by a Governmental Entity", and
- a change of the definition of Reserve Matters.

Required Information: Before seeking adoption of a Reserve Matter, the Republic shall provide to the Trustee the following categories of information, and the Trustee shall forward such information to the Holders of Securities:

- a description of the economic and financial circumstances which, in the view of the Republic, justify such a decision,
- in the event that an agreement or a program with the IMF is in effect, a copy of such agreement or program (as well as any related technical memoranda), and
- a description of the Republic's proposed treatment for other major categories of Indebtedness (including Bilateral Debt and Multilateral Debt, as well as Indebtedness with trade and local creditors) in connection with the Republic's efforts to resolve the situation giving rise to the need for such a decision.

Certification: In advance of any vote on a Reserve Matter, the Republic shall deliver to the Trustee a certificate signed by a duly authorized representative of the government of the Republic that contains a certification as to the principal amount of Securities owned, directly or indirectly, by the Republic or by any Governmental Entity, or, if no Securities are owned by the Republic or any Governmental Entity, a certificate signed by a duly authorized representative of the government of the Republic to this effect.

Enforcement: The Trustee shall have no obligation to bring legal proceedings on behalf of any Holder of Securities unless or until the Trustee has received the following documents (the "**Enforcement Conditions**"): (a) one or more demands for acceleration (an "**Acceleration Request**") from Holders representing in the aggregate at least 25% of the Outstanding Principal Amount, (b) one or more demands that the Trustee bring legal proceedings on behalf of the Holders (an "**Enforcement Request**") from Holders representing in the aggregate at least 25% of the Outstanding Principal Amount and (c) an indemnity satisfactory to the Trustee from Holder(s), providing coverage against the costs, losses, liabilities, fees and expenses which the Trustee may incur in bringing legal proceedings (an "**Indemnification Agreement**"); it being specified that any Holder shall have the right to become party to an Indemnification Agreement at any time.

Provisions relating to the management of legal proceedings by the Trustee on behalf of Holders appear in the Trust Indenture.

No Holder of Securities shall have the right to bring legal proceedings against the Republic with respect to the Trust Indenture or the Securities, unless all of the following conditions are fulfilled (the "**Conditions for Enforcement Without Trustee**"):

- the Trustee has received one or more Acceleration Requests and one or more Enforcement Requests from, in each case, Holders representing in the aggregate at least 25% of the Outstanding Principal Amount,
- such Holder has made an Acceleration Request and an Enforcement Request,
- one of the following two situations has occurred: either (i) the Trustee has failed to bring legal proceedings within 60 days following the signing of an Indemnification Agreement or (ii) such Holder has attempted in good faith to conclude an Indemnification Agreement with the Trustee, but no such agreement was reached within 60 days following the Enforcement Request and the Holder pleads in the Enforcement Without Trustee that the Indemnification Agreement proposed by, or acceptable to, such Holder during such 60-day period was reasonable; *provided* that the Republic shall be entitled to oppose such Enforcement Without Trustee by such Holder if the reasonableness of such Indemnification Agreement is not sufficiently established by such Holder, and
- a rescission of the relevant Acceleration Request was not made by Holders of more than 50% of the Outstanding Principal Amount.

Enforcement Without Trustee: In the event that all of the Conditions for Enforcement Without Trustee have been fulfilled for a given Holder, that Holder shall be entitled to pursue any type of recourse available to it under the Trust Indenture, the Securities and applicable law (an "**Enforcement Without Trustee**") under the following conditions:

- it shall undertake the Enforcement Without Trustee on behalf of all Holders of Securities,
- it shall be diligent in pursuing the Enforcement Without Trustee,
- it shall employ the services of a law firm that is internationally respected for its handling of complex financial lawsuits governed by New York law,
- it shall not settle the claim unless it has the consent of Holders of at least 75% of the Outstanding Principal Amount,
- the Holders of at least 50% of the Outstanding Principal Amount may, to the extent permitted by applicable law, (i) replace the plaintiff in such legal proceedings by another Holder, provided that doing so does not materially interfere with the ongoing legal proceedings, (ii) designate one or several other Holders to lead such legal proceedings without changing the identity of the plaintiff or (iii) require that the management of the Enforcement Without Trustee be shared by the plaintiff with one or several other Holders, and
- any sum recovered by such Holder in the context of the Enforcement Without Trustee, including any sum arising from any settlement or any other type of resolution between such Holder and the Republic following the commencement of an Enforcement Without Trustee, shall be for the joint benefit of all Holders (other than the Republic or any Governmental Entity) and shall be turned over to the Trustee so that it may be shared among the Holders in proportion to their respective shares of the outstanding principal amount, after deduction of the amounts necessary to reimburse such Holder for its reasonable costs and expenses incurred in pursuing the Enforcement Without Trustee.

Holders' Committee:

At any time following the occurrence of an Event of Default, the Holders of at least 50% of the Outstanding Principal Amount may, by written notice delivered to the Trustee, appoint certain Holders or designate representatives of such Holders to serve on a committee ("**Holders' Committee**"), with a view toward facilitating communications and negotiations with the Republic. Such appointment shall not become effective if Holders of at least 25% of the Outstanding Principal Amount have, within 45 days following the notification of such appointment furnished by the Trustee to the Republic and the Holders, expressed opposition to such appointment in writing to the Trustee. A Holders' Committee can be dissolved by the Holders of at least 50% of the Outstanding Principal Amount by written notice delivered to the Trustee.

At its discretion, the Holders' Committee may, among other things:

- hire legal or financial advisors to assist it in representing the interests of the Holders,
- adopt any rules relating to its functioning that it deems appropriate, and
- initiate discussions and negotiations with the Republic and/or with other creditors of the Republic.

Provisions relating to the absence of liability of the members of the Holders' Committee are set forth in the Trust Indenture.

The Republic is under no obligation to recognize a Holders' Committee and retains discretion whether or not to do so. If the Republic elects to recognize a Holders' Committee, it shall reimburse the reasonable fees and expenses (including the reasonable fees and expenses of the Holders' Committee's legal and financial advisors, if any) incurred by the Holders' Committee beginning from the date of such

recognition. Recognition shall occur by the delivery by the Republic to the Trustee of a written notification (in the form attached to the Trust Indenture) of its decision to recognize a Holders' Committee and to assume such fees and expenses.

Trading on the Euro MTF Market: Application has been made for the Securities to be admitted for trading on the Euro MTF market of the Luxembourg Stock Exchange.

Events of Default: Upon the occurrence and continuance of any one of the following events (each an "**Event of Default**"):

Payment Default: The Republic fails to pay interest or principal on the Securities when such are due and payable, and such failure continues unremedied for a period of 30 calendar days; or

Other Defaults: The Republic fails duly to observe or perform any one of its other covenants or agreements set out in the Securities or in the Trust Indenture, and such failure continues for a period of 60 calendar days after written notice of such default or breach has been provided to the Republic by the Trustee; or

Cross Default: (a) any Publicly Issued External Indebtedness or External Indebtedness Issued by a Governmental Entity in an aggregate amount greater than USD 30 million (or the equivalent thereof in another currency(ies)) is declared payable before its scheduled maturity date or is accelerated in connection with an event of default provided under the terms of such Indebtedness, and such declaration, acceleration or prepayment is not annulled or rescinded within 30 calendar days; or (b) the Republic fails to pay the principal on any Publicly Issued External Indebtedness, or a Governmental Entity fails to pay the principal on any External Indebtedness Issued by a Governmental Entity, in an aggregate amount in excess of USD 30 million (or the equivalent thereof in another currency(ies)) when due (after expiration of any applicable grace period); or

Seizure: A writ, execution order, attachment, or similar process or measure having similar effect has been levied against all or any substantial part of the assets or property of the Republic in connection with the execution of a judgment against the Republic (other than a judgment on Eligible Debt) for the payment of an amount in excess of the equivalent of USD 25 million, and such writ, execution order, attachment, or other similar process or measure is not discharged or lifted within 60 calendar days, unless the Republic has posted a bond or is diligently conducting a defense with respect to such writ, execution order, attachment or other similar process or measure such that it cannot be executed against such assets or property; or

Declaration of a Moratorium: The Republic declares a moratorium on the payment of principal or interest on its Publicly Issued External Indebtedness; or

Validity: The Republic formally challenges the validity of the Securities or of any of the Restructuring Agreements in a legislative, administrative or judicial proceeding; or

Ineligibility for Use of IMF General Resources: The Republic becomes the subject of a formal declaration of ineligibility to use the general resources of the IMF and such declaration remains in effect for a period in excess of 90 days; or

Change of Law: Any treaty, constitutional provision, law, convention, regulation, ordinance, decree, consent, approval, permit, license or other authority necessary to

enable the Republic to perform any of its material obligations under the Trust Indenture or the Securities, or necessary for the validity, enforceability or binding nature thereof (a) expires or ceases to be in force and effect or (b) is modified in such a manner that has a material adverse effect on the Holders' rights or remedies;

then, the Holders of at least 25% of the Outstanding Principal Amount may, in accordance with the terms and conditions of the Trust Indenture and upon written request addressed to the Trustee (who shall in turn forward such communication to the Republic and all Holders of Securities), declare the Securities immediately payable. Upon such a declaration, the Outstanding Principal Amount, any interest accrued and unpaid thereon and any other amounts due in relation to the Securities shall become immediately payable, without any further demand, presentment or notice of any kind, to which the Republic expressly waives any right.

Waiver of an Event of Default: Holders of more than 50% of the Outstanding Principal Amount may waive an Event of Default (other than a payment default of principal, interest or additional amounts due to Holders) in accordance with the terms of the Trust Indenture. In which case, such Holders shall address a written request to the Trustee, who shall in turn forward it the Republic and all Holders of Securities. Holders may waive an Event of Default resulting from a failure to pay principal, interest or additional amounts due to Holders pursuant to the conditions for approving Reserve Matters.

Rescission of Acceleration: At any time after all sums payable under the Securities have been paid (other than any debt arising solely from the acceleration) and all other defaults relating to the Securities have been cured, Holders of more than 50% of the Outstanding Principal Amount may rescind such acceleration in conformity with the terms of the Trust Indenture. In which case, such Holders shall address a written request to the Trustee, who shall in turn forward it to the Republic and all Holders.

Holders of at least 75% of the Outstanding Principal Amount may, in conformity with the terms of the Trust Indenture, rescind a declaration of acceleration. In which case, such Holders shall address a written request to the Trustee, who shall in turn forward it to the Republic and all Securities Holders and the acceleration shall thereby be rescinded.

Negative Pledge Covenant: So long as any Security shall remain Outstanding or any amount payable by the Republic under the Trust Indenture shall remain unpaid, the Republic agrees that the Republic shall not create, incur, assume or suffer to exist any Lien (as defined in the Trust Indenture) on the assets or property of the Republic to secure External Indebtedness of the Republic, other than any Permitted Lien (as defined in the Trust Indenture), unless the Republic causes such Lien to secure equally and ratably the obligations of the Republic with respect to the Securities.

Applicable Law: The Securities and the Trust Indenture are governed by and construed in accordance with the laws of the State of New York, United States of America.

Global Securities: The Securities are evidenced by two global securities deposited with a common depository named or approved by Clearstream, Luxembourg and Euroclear: a restricted global security (in the case of Securities delivered to Qualified Institutional Buyers and Accredited Investors) and an unrestricted global security (in the case of Securities delivered to Non-U.S. Persons). Except as provided in the Trust Indenture, beneficial interests in the global securities will be shown on, and transfers thereof will be effected only through, records maintained by Clearstream, Luxembourg and Euroclear and their

	direct and indirect participants.
Minimum Tradeable Amounts:	In the case of Securities issued in the offering to U.S. Persons and constituted by a global bond, beneficial interests in such global bond will be transferable in minimum amounts of USD 250,000.
Issuance and Transfer Restrictions:	The Securities will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Issuance and transfer of the Securities will be subject to compliance with the applicable securities laws of the United States in accordance with the procedures described in "Jurisdictional Restrictions", with the tax laws of the United States and with the securities and tax laws of other jurisdictions, to the extent applicable. See "Jurisdictional Restrictions".
Taxes:	All payments by the Republic (directly or through a trustee paying agent) in respect of the Securities shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments, fees or other governmental charges of whatever nature (including penalties, interest and any additions with respect thereto) ("**Taxes**") imposed or levied by or on behalf of (i) the Republic, (ii) any jurisdiction from or through which the Republic or any trustee paying agent makes a payment on the Securities, or (iii) any political subdivision or taxing authority thereof or therein (the "**Relevant Tax Jurisdiction"**), unless such withholding or deduction is required by law. See Section 3.2 of the Trust Indenture. A description of certain important U.S. Federal Income Tax Considerations for U.S. Holders (as defined below) is set forth on page 64 of this Information Memorandum.
Trustee, Transfer Agent, Registrar and Trustee Paying Agent:	HSBC Bank USA, N.A.
Luxembourg Listing Agent:	Dexia Banque Internationale à Luxembourg

DOCUMENTS INCORPORATED BY REFERENCE

This Information Memorandum should be read and construed in conjunction with the following documents which have been previously published or are published simultaneously with this Information Memorandum and that have been filed with the Luxembourg competent authority, and shall be incorporated in, and form part of, this Information Memorandum (together, the "**Documents Incorporated by Reference**"):

(a) The Republic's Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, dated and published on June 29, 2006;

(b) The Republic's budget for the year 2007, as set forth in Finance Law no. 04/2007 dated January 10, 2007;

(c) The Republic's Article IV Consultation Report prepared by the International Monetary Fund in consultation with the Republic, dated April 9, 2007 and published on June 18, 2007 (the "2007 Consultation Report");

(d) The Report on Progress Toward Meeting the Completion Point Triggers Under the Enhanced Heavily Indebted Poor Countries Initiative, dated April 9, 2007 and published on June 21, 2007; and

(e) The Republic's budget for the year 2008, as set forth in Finance Law no. 5/2008 dated February 15, 2008.

Notwithstanding the foregoing, any statement contained in the Documents Incorporated by Reference shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

The Documents Incorporated by Reference are available on the website of the Luxembourg Stock Exchange ("www.bourse.lu"). For Luxembourg Stock Exchange purposes, the Documents Incorporated by Reference will also be available free of charge to the public at the premises of the Listing Agent in Luxembourg.

DOCUMENTS ANNEXED TO THIS INFORMATION MEMORANDUM

In addition, the Form of Security is included as an Annex A to this Information Memorandum and supplements the information herein.

THE EXCHANGE

On June 29, 2007, the Republic and the Private Creditors Coordination Committee (London Club) (the "Committee") reached an agreement in principle on the restructuring of the London Club debt of the Republic (the "Restructuring").

On September 28, 2007, the Minister for the Economy, Finance and Budget of the Republic of the Republic sent the following communication to the private creditors of the Republic known as the London Club creditors. This communication presents the general context and the structure of the Restructuring:

Communication from the Minister for the Economy, Finance and Budget of the Republic of Congo

To: Creditors of the Republic of Congo (London Club)

From: His Excellency Monsieur Pacifique Issoïbeka, Minister for the Economy, Finance and Budget

Date: September 28, 2007

Subject: Restructuring Plan of the Eligible Debt of the Republic of Congo

We refer to the various negotiations between the Minister of Economy, Finance and Budget of the Republic of Congo, on behalf of the Republic, and the Private Creditors Coordination Committee. On June 29, 2007, these discussions led to an agreement in principle on the restructuring of the Congolese external debt known as London Club debt, which amounted to USD 2,284 million as of June 30, 2006, including USD 1,967 million of interest arrears accumulated since 1984.

This restructuring plan, which the Government of the Republic of Congo is pleased to submit for your approval, consists of exchanging the principal amount and interest of the eligible debt for securities issued by the Republic. These instruments will be issued in US dollars. The restructuring plan is detailed in the attached Term Sheet for the Restructuring of Eligible Debt.

The search for an agreement on the treatment of the Republic of Congo's private debt falls within the context of efforts undertaken by the Government to stabilize the country's economic and financial situation, which has been severely jeopardized by the successive waves of civil unrest that the Congo experienced in the 1980s and 1990s. First, these efforts centered on the reconstruction of the economic and social infrastructure destroyed by the war and the return to a proper functioning of the State and of the democratic institutions. Secondly, these efforts focused on the negotiation and conclusion of arrangements with the international financial community so that it could support the country in the restructuring of its economy and offer it a framework for the treatment of its external debt through the Initiative for Heavily Indebted Poor Countries (HIPC).

In this context, implementation of the restructuring plan of the debt owed to the London Club creditors is designed to:

- normalize the Congo's relations with private creditors to encourage the return of external capital, and, in particular, of foreign direct investment, which is needed to strengthen the growth potential of the economy; and

- provide a lasting solution to the Congo's external debt problem by making its debt service payments compatible with the country's financial capacity and with its investment, social spending and poverty reduction requirements.

I. ECONOMIC DEVELOPMENTS

1. Historical Background

After decades of civil unrest that caused significant damages to its economic and financial infrastructure, the Republic of Congo has since the beginning of the millennium undertaken a significant effort to restructure and boost its economy. It has also undertaken to normalize its financial relations with the international community.

The first objective of the Government has been to rebuild the economic and social infrastructure, which underwent severe damage or destruction during the years of civil turmoil. This situation had led to the deterioration of all of the economic and social indicators of the country and, in particular, to the destruction of the school and health apparatus as well as to the interruption of the provision of essential services such as drinkable water and electricity. It had also resulted in widespread displacements of populations and, as a result, in an important disorganization of the economic system. As a consequence, GDP contracted by approximately 3 points between 1990 and 2001; real income per capita dropped by almost one half from its level eleven years earlier, and more than 70% of the population had fallen below the poverty line. In the area of the public finances, the budget deficit reached 8.4% of GDP in 2000 and was accompanied by a large accumulation of domestic payment arrears by the government; the banking system was totally ruined; external debt increased from 175% to almost 240% of GDP, and the country had virtually ceased payments on its foreign obligations. The economy survived only thanks to the maintenance of a certain level of activity in the oil sector.

Faced with this situation, the authorities have attempted progressively to restore a proper and democratic functioning of the State and of the political institutions. At the economic level, they have implemented an emergency program that benefited from various contributions from external partners, including the World Bank through post-conflict assistance. Undertaken within the framework of a series of reference programs defined with the IMF, these efforts have led to a relative recovery of the economy. GDP has grown by an average of 4 ½% per annum since the beginning of the decade (6 ¼% in the non-oil sector) and the country's economic and social infrastructure has been progressively rehabilitated. Meanwhile, the budget situation has been gradually stabilized, and an important train of structural reforms launched. These encouraging results made it possible in December 2004 to enter into a multi-year economic and financial program supported by the IMF under the Poverty Reduction and Growth Facility (PRGF).

The normalization of payments was carried out in several steps. First, the Government adopted and implemented a program of reduction of domestic payment arrears so as to restore confidence among private operators and accompany the restructuring efforts of the banking system. Second, outstanding arrears to multilateral creditors, in particular the African Development Bank (AfDB), were cleared. Finally, in December 2004, the Republic of Congo signed an agreement with the Paris Club under the so-called "Naples Terms" (involving a minimum 67% cancellation of eligible debt service) to restructure its bilateral official debt — a significant step toward the final resolution of the debt problem under the HIPC Initiative.

Given the level of indebtedness of the Republic of Congo, and its performance under the program supported by the PRGF, the Boards of Directors of the World Bank and the IMF formally decided in March 2006 that the Republic was eligible for the HIPC Initiative ("decision point"). This decision enabled the Congo to benefit, shortly thereafter, from an additional reduction of its external debt service obligations to Paris Club member countries (increasing to a minimum of 90% of the cancellation of eligible debt service). Reaching this stage provided the country with the appropriate framework to engage in negotiations with its private and official bilateral non-Paris Club creditors to secure a comparable debt reduction, in accordance with the requirements of the Paris Club.

The signature of various agreements with the official non-Paris Club creditors of the Congo is being finalized on this basis. Likewise, the formal negotiations with the London Club Committee led to the

conclusion in June 2007 of an agreement in principle, the terms of which are deemed to be broadly consistent with the Paris Club requirement of comparability of treatment between creditors. Once adopted, these terms will serve as a basis for the negotiations with the Congo's non-insured supplier creditors in order to guarantee the comparability of treatment of all creditors of the Republic.

2. Economic and Financial Performance in 2006 and Early 2007

The Congo's performance under the PRGF program in 2006 was uneven. At more than 6%, real economic growth, while lower than expected, remained sustained both in the oil and non-oil sectors. The global budgetary surplus reached approximately 17% of GDP, and the balance of payments remained in surplus owing to the high prices of crude oil and to the debt reductions granted by official creditors. However, there were some program slippages in a few areas. In particular, security issues in the region and the obligations of the Congo on account of its chairmanship of the African Union gave rise to expenditures higher than forecast. In addition, the damages caused to the railways, power generation and water provision facilities by the exceptional rains in the fall of 2006 resulted in important immediate reconstruction needs. With expenditure overruns of almost 3% of GDP, the non-oil primary deficit thus rose to more than 52% of non-oil GDP, or 20 percentage points of non-oil GDP in excess of target. Also, the constraints the Congo is still facing in terms of institutional capacity led to delays in the implementation of the structural reforms envisaged in the PRGF program.

These difficulties prevented the conclusion of the third review under the PRGF program with the IMF. Accordingly, a nine-month reference program ending in September 2007 was developed with the support of the IMF staff to help strengthen performance and permit a quick reactivation of the PRGF program. The progress realized in the first months of 2007 is encouraging in this respect.

3. Medium-Term Strategy

The authorities have designed a medium-term development and poverty reduction strategy (PRSP), in close cooperation with civil society and multilateral financial institutions. The progressive restoration of macroeconomic balance is indeed only a step, necessary but not sufficient, toward the return to healthy and sustainable growth. Indeed, the latter must reach, and remain at, 7% on the average in the non-oil sector for poverty, which still affects some 50% of the population, to be significantly reduced. In these circumstances, it is imperative for the Congo to diversify its economic base, which still depends on oil operations for up to 80% of export receipts and 70% of government revenue. The country hence remains highly vulnerable to exogenous shocks and faces an urgent need for broadening the sources of employment in the non-oil sector. At the same time, it continues to be confronted with very significant reconstruction requirements in transportation, energy generation and water supply, as well with the need to strengthen human capital and improve social services (education, health etc.).

Given the expected decline in oil production starting in the next decade, a central objective of the Government is to bring about a gradual modification of the structure of the economy by establishing over the next few years a framework conducive to the development of private activities in the non-oil sector. Attainment of this objective will call for completion of significant investments in infrastructure and in health and education. It will also require a measurable improvement in the business environment, in particular through the promotion of transparency and good governance, the reform of the judiciary and the fight against corruption. It is clear, then, that the country remains confronted with major challenges for its development.

Against this background, the Congolese authorities invite their partners to beware of the somewhat artificial comfort caused by the current improvement in the country's financial position in response to prevailing oil prices. This financial improvement is traceable mostly to the limited absorption capacity of the country against the huge needs identified by the populations in the context of the PRSP exercise. This is the very reason why the Government has decided to allocate part of the increase in its resources to a revenue stabilization fund. The resources of this fund, which are to be used in agreement with the

IMF, are designed to smooth out public sector receipts over time so as to carefully spread the volume of public sector spending in accordance with the evolution of the economy's absorptive capacity. This prudence is also aimed at establishing a cushion against potential exogenous shocks, such as a fall in oil prices or a drop in oil output.

The Government of the Republic of Congo must reconcile the restoration of its financial relations with external partners with the expectations of the population regarding improvements in their living standards and the strengthening of the nation's productive capacity. The authorities have therefore made the choice of taking advantage of the upturn in oil prices both to honor their obligations vis-à-vis foreign partners in a way that is compatible with the country's medium-term payment capacity and to meet the most urgent domestic needs.

II. THE DEBT PROBLEM

1. The Congo's External Debt

The success of the strategy adopted by the authorities inevitably depends on a satisfactory resolution of the external debt problem and on the restoration of the Congo's international creditworthiness. One of the conditions for the country's development will indeed be its capacity to attract the necessary foreign investment and to encourage the growth of national saving.

The debt sustainability analyses (DSA) prepared by the IMF and the World Bank to support the determination of eligibility of the Congo to the HIPC Initiative — a preliminary DSA prepared in 2004 and the final DSA of January 31, 2006 in support of the proposed adoption of the decision point — bring into stark relief the unsustainable level of the Republic of Congo's external indebtedness and the significant obstacle it poses to the implementation of the poverty reduction strategy – as well as to reaching the Millennium Development Goals (MDG), the set of objectives designed to improve living standards as defined by the Millennium Declaration by the Member States of the United Nations (UN). At the end of 2004, nominal debt represented almost 200% of GDP, more than 230% of exports of goods and services, and close to 615% of the country's tax revenues, one of the highest such ratios in the world. In net present value (NPV) terms, these ratios were only marginally lower as most of the debt had been contracted on commercial terms.

The simulations provided by these analyses also indicate that the traditional mechanisms of debt reduction (the so-called "Naples Terms") would fall well short of allowing the Congo to reach the debt sustainability thresholds set by the indicators retained for the HIPC Initiative. The debt/budget revenue ratio would have declined to only 370% at the end of 2004, compared with a maximum target of 150% under the HIPC Initiative. It is these considerations, combined with the performance of the Congo under the PRGF program, that led the international community, in March 2006, to approve the eligibility of the Congo to the "decision point" under the HIPC Initiative, and therefore to launch the process of alleviating the country's external debt burden. The April 2006 additional relief by the Paris Club was granted on these bases.

The decisions of the Paris Club are nevertheless conditional upon the granting by other creditors of conditions at least as favorable as the Club's, and this participation in the joint effort is, in any event, required by the need to meet the debt sustainability thresholds. The agreement in principle reached by the Congo with the London Club Committee represents an important step toward meeting this objective, even though its implementation will have a significant financial impact on the Congo's treasury cash flow owing to the weight of the down-payment that has to be made on the closing date.

2. Restructuring Plan of the London Club Debt

The attached Term Sheet for the Restructuring of Eligible Debt sets out in detail the terms of the operation that is being proposed to the creditors, as it emerges from the agreement in principle signed

between the Republic and the Private Creditors Coordination Committee on June 29, 2007. The main provisions of that agreement are as follows:

- the debt eligible as part of the restructuring plan corresponds to the total amount of principal outstanding under the original debt agreements;

- the eligible interest amounts for each original debt agreement are computed by multiplying the eligible debt by a coefficient determined as indicated in the attached Term Sheet; non-eligible interest arrears are abandoned;

- the exchange of principal and related eligible interest for USD 22-year securities, amortized in 34 semi-annual installments growing from 1% in year 5 to 4% in year 18, with a fixed annual interest rate rising from 2.5% the first year to 6.0% after the tenth year; and

- at the closing date of the transaction, a first payment will be made on the securities for the equivalent of 5% of the nominal amount of the securities being issued. The Republic will use its own resources, without contribution from its financial partners, to meet such payment.

III. CONCLUSION

The attached restructuring plan offers the various parties involved the possibility of working together toward a satisfactory solution to the difficult problem of the private external debt of the Republic of Congo.

The Republic wishes to take this opportunity to express its warm gratitude for the support of its various multilateral and bilateral partners in the search for a solution to its external indebtedness problem that can prove durable and remain compatible with its economic situation and its debt-servicing capacity.

The Republic also thanks the members of the Coordination Committee for their understanding and appreciation of the efforts undertaken by the Congo to restore economic and financial equilibrium and to ensure a lasting alleviation of the poverty of the population and the growth of the economy.

We thank in advance the external bank creditors of the Congo. We hope that they will all respond favorably to the Eligible Debt Restructuring Plan that is being proposed by the Congo and which will allow it to re-establish its financial credibility vis-à-vis the international community. For their part, the Congolese authorities will see to it that the Republic complies with the obligations arising out of the restructuring of the eligible debt that is being proposed to you.

Pacifique Issoïbeka
Minister of Economy, Finance and Budget

Waivers under Existing Debt Agreements

In connection with the Restructuring, the Republic requested certain waivers and amendments in respect of existing debt agreements. These waivers concerned, in particular, the provisions that would conflict with the participation of holders of Eligible Debt in the Restructuring or which would require them to share any cash or instruments received at the time of the exchange of Eligible Debt in connection with the Restructuring. The amendments were designed, in particular, to allow holders of Eligible Debt under such Eligible Debt Agreements to participate in the Restructuring and to conform certain negative pledge, *pari passu* and reporting covenants and events of default, acceleration and other provisions in such Eligible Debt Agreements to those of the Securities.

RISK FACTORS

An investment in the Securities involves a significant degree of risk. Investors are urged to read carefully the entirety of this Information Memorandum and to note, in particular, the following considerations.

Risks of Participating in the Exchange

Ongoing Debt Restructuring

The Republic is currently restructuring several categories of its debt obligations and there is no assurance that the comprehensive debt management strategy described in this Information Memorandum will succeed or that the Republic will achieve the macro-economic stability and sustainable debt profile that is the object of its debt management strategy.

Potential Challenges to the Republic's Payments on the Securities

The Republic's payments on the Securities may be attached, enjoined or otherwise challenged by holders of Eligible Debt that declined to participate in the Exchange or by other creditors of the Republic. Creditors have, in recent years, used litigation tactics against sovereign debtors that have defaulted on their sovereign bonds—for example, Peru, Nicaragua and Argentina—to attach or interrupt payments made by these sovereign debtors to, among others, holders of bonds who have agreed to a debt restructuring and accepted new securities in an exchange offer. The Republic may become subject to suits to collect on defaulted Eligible Debt or other indebtedness. The Republic cannot assure you that a creditor will not be able to interfere, through an attachment of assets, injunction, temporary restraining order or otherwise, with payments made under the Securities.

Future Access to Financing

The Republic may be unable to meet future debt service obligations out of current revenues and it may have to rely in part on additional financing from the domestic and international capital markets (or multilateral or bilateral sources) in order to do so. In the future, the Republic may not be able or willing to access such markets or sources of funding, and the Republic's ability to service its public debt, including the Securities, may be adversely affected.

No Established Market for the Securities

The Securities will be a new issuance of securities without established trading markets. The Republic cannot predict the extent to which investor interest will lead to the development of an active trading market for the Securities or how liquid those markets may become. The Republic has applied to admit the Securities to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market. No assurance can be given as to the liquidity of the trading market for the Securities. If an active trading market for the Securities fails to develop or continue, this failure could adversely affect the trading price of the Securities.

Risks Relating to the Republic

Fixed Exchange Rate

Since January 1999, the Republic has maintained a fixed exchange rate of CFAF 655.957/€1. If domestic or international circumstances were to force the Republic to abandon its fixed exchange rate policy in the future, the cost of servicing the Republic's external debt (including the Securities) could escalate sharply, possibly forcing the Republic into another round of debt restructuring.

Debt Sustainability

The International Monetary Fund (the "IMF") has classified the Republic as a poor performer using the Country Policy and Institutional Assessment (CPIA). The Republic's debt sustainability outlook is subject to its ability to adopt a medium-term fiscal strategy designed to reduce its non-oil deficit. In the absence of significant fiscal adjustment, the Republic may face debt distress well within the 20-year forecast horizon, which may affect the trading market for the Securities. Additionally, new large and nontransparent loans linked to foreign-financed projects could jeopardize the Republic's debt sustainability and weaken its governance and transparency agenda.

Election Cycle

Recent parliamentary elections in the Republic have led to pressures to increase government spending. If the Republic succumbs to such pressure and increases government spending during election periods, fiscal discipline may be compromised and structural reforms delayed, adversely affecting the Republic's ability to service its external debt, including the Securities.

Economic, Political or Social Conditions

The Republic is an emerging market economy and investing in securities of emerging markets issuers involves special risks. These risks include the possibility of economic, political or social instability that may be caused by many different factors, including the following:

- high interest rates;
- devaluation or depreciation of the currency;
- declines in the economic activity of major trading partners;
- inflation;
- exchange controls;
- wage and price controls;
- climatic or geological occurrences;
- financial crises in other emerging market countries that can have a "contagious" effect on investor appetite for emerging market securities as a class;
- changes in governmental economic, tax or other policies;
- the imposition of trade barriers; and
- qualification for continuing access to preferential trade arrangements with foreign governments, particularly the United States.

Enforcement of Civil Claims

The Republic is a foreign sovereign state. Consequently, it may be difficult to obtain or enforce judgments against the Republic. See "Governing Law and Enforcement of Claims".

In addition, the Republic reserves its right to plead its sovereign immunity under the United States Foreign Sovereign Immunities Act of 1976 in connection with legal proceedings initiated against it under United States federal securities law or under the securities law of any U.S. state, and its designation of an agent for service of process in New York or Paris shall not apply for any such legal proceedings.

Any of these factors, as well as volatility in the markets for securities similar to the Securities, may adversely affect the liquidity of, and the trading market for, the Securities.

THE REPUBLIC

Territory, Population and Society

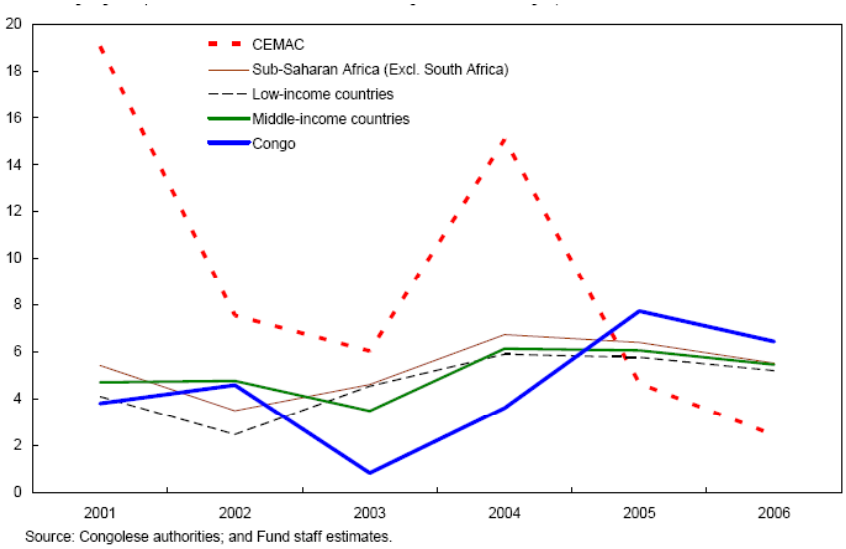
The Republic is located in sub-Saharan Western Africa, bordering the South Atlantic Ocean, between Angola and Gabon. It encompasses 342,000 square kilometers, and has 169 kilometers of coastline. Half of the Republic lies above the Equator, while half lies below it, resulting in a seasonally split tropical climate. The largest of the many rivers in the Republic is the Congo River, the most powerful river in Africa. The rainy seasons last from March to June and October to December, with dryer periods in January and February and from June to October. The Republic enjoys persistent high temperatures and humidity.

The Republic shares borders with Angola (201 km), Cameroon (523 km), the Central African Republic (467 km), the Democratic Republic of the Congo (2,410 km) and Gabon (1,903 km). The terrain of the Republic ranges from coastal plains to fertile valleys, with a central plateau and forested flood plains. The highest point in the Republic is Mount Berongou (903 m). The main cities in the Republic are the capital Brazzaville, with a population of 800,000, Pointe-Noire (population 450,000) and Dolisie (population 150,000). The Republic has 12 administrative subdivisions (*départements*). The official language of the Republic is French. Local languages include Lingala and Kituba (Kincongo).

The Republic's population was estimated at 3,800,610 as of July 2007. Approximately 46.3% of the population is under the age of 14 and approximately 75% of the population under the age of 45. According to 2007 estimates, average annual population growth is 2.639%. The Republic's population is concentrated in the southwestern portion of the country, leaving the vast areas of tropical jungle in the north virtually uninhabited. The Republic is one of the most urbanized countries in Africa, with 70% of its total population living in Brazzaville, Pointe-Noire, or along the 332-mile railway that connects them. The work force is estimated at 40% of the population, two-thirds of which works in agriculture. 48% of the Republic's population is Kongo, 20% is Sangha, 12% M'Bochi and 17% Teke, with Europeans and other ethnic groups estimated at 3% of the population. The Republic hosts about 63,000 refugees from neighboring states, primarily from the Pool border area of the Democratic Republic of the Congo. It is estimated that 48,000 persons were displaced as of 2006, mainly due to multiple civil wars since 1992.

A 2007 estimate placed average life expectancy at 53.29 years. The adult literacy rate (defined as over 15, able to read and write) was estimated at 83.8% (2003 estimate). Infant mortality rates were estimated at 83.26 deaths/1,000 live births in 2007.

Per capita gross domestic product (adjusted for purchasing power parity) was estimated at $1,400 in 2006. The table below illustrates the Republic's real GDP growth from 2001-2006, in percent. The Republic's growth performance in 2005-06 was above the average for the Communauté Economique et Monétaire de l'Afrique Centrale ("CEMAC") region and low-and middle-income countries.



Source: 2007 Article IV IMF Consultation Report

Historical Background

First inhabited by Pygmies, the Republic was later settled by Bantu groups that also occupied parts of present-day Angola, Gabon, and Democratic Republic of the Congo (formerly Zaire), forming the basis for ethnic affinities and rivalries among those states. Several Bantu kingdoms - notably those of the Kongo, the Loango, and the Teke - built trade links leading into the Congo River basin. The first European contacts came in the late 15th century, and commercial relationships were quickly established with the kingdoms--trading for slaves captured in the interior. The coastal area was a major source for the transatlantic slave trade, and when that commerce ended in the early 19th century, the power of the Bantu kingdoms eroded.

The area came under French sovereignty in the 1880s. Pierre Savorgnan de Brazza, a French empire builder, competed with agents of King Leopold of Belgium's International Congo Association (later Zaire) for control of the Congo River basin. Between 1882 and 1891, treaties were secured with all the main local rulers on the river's right bank, placing their lands under French protection. In 1908, France organized French Equatorial Africa (AEF), comprising its colonies of Middle Congo (modern Congo), Gabon, Chad, and Oubangui-Chari (modern Central African Republic). Brazzaville was selected as the federal capital.

Economic development during the first 50 years of colonial rule in the Republic centered on natural resource extraction by private companies. In 1924-34, the Congo-Ocean Railway (CFCO) was built at a considerable human and financial cost, opening the way for growth of the ocean port of Pointe-Noire and towns along its route.

During World War II, the AEF administration sided with Charles de Gaulle, and Brazzaville became the symbolic capital of Free France during 1940-43. The Brazzaville Conference of 1944 heralded a period of major reform in French colonial policy, including the abolition of forced labor, granting of French citizenship to colonial subjects, decentralization of certain powers, and election of local advisory assemblies. The Republic benefited from the postwar expansion of colonial administrative and infrastructure spending as a result of its central geographic location within AEF and the federal capital at Brazzaville.

The Loi Cadre (framework law) of 1956 ended dual voting roles and provided for partial self-government for the individual overseas territories. Ethnic rivalries then produced sharp struggles among the emerging Congolese political parties and sparked severe riots in Brazzaville in 1959. After the

September 1958 referendum approving the new French Constitution, AEF was dissolved. Its four territories became autonomous members of the French Community, and Middle Congo was renamed the Republic of Congo. Formal independence was granted in August 1960.

The Republic's first President was Fulbert Youlou, a former Catholic priest from the Pool region in the southeast. He rose to political prominence after 1956, and was narrowly elected President by the National Assembly at independence. Youlou's three years in power were marked by ethnic tensions and political rivalry. In August 1963, Youlou was overthrown in a three-day popular uprising (Les Trois Glorieuses) led by labor elements and joined by rival political parties. All members of the Youlou government were arrested or removed from office. The Congolese military took charge of the country briefly and installed a civilian provisional government headed by Alphonse Massamba-Debat. Under the 1963 constitution, Massamba-Debat was elected President for a five-year term and named Pascal Lissouba to serve as Prime Minister. However, President Massamba-Debat's term ended abruptly in August 1968, when Capt. Marien Ngouabi and other army officers toppled the government in a coup. After a period of consolidation under the newly formed National Revolutionary Council, Major Ngouabi assumed the presidency on December 31, 1968. One year later, President Ngouabi proclaimed the Republic to be Africa's first "people's republic" and announced the decision of the National Revolutionary Movement to change its name to the Congolese Labor Party (PCT).

On March 18, 1977, President Ngouabi was assassinated. An 11-member Military Committee of the Party (CMP) was named to head an interim government with Colonel (later General) Joachim Yhomby-Opango to serve as President of the Republic. Accused of corruption and deviation from party directives, Yhomby-Opango was removed from office on February 5, 1979, by the Central Committee of the PCT, which then simultaneously designated Vice President and Defense Minister Col. Denis Sassou-Nguesso as interim President. The Central Committee directed Sassou-Nguesso to take charge of preparations for the Third Extraordinary Congress of the PCT, which proceeded to elect him President of the Central Committee and President of the Republic. Under a congressional resolution, Yhomby-Opango was stripped of all powers, rank, and possessions and placed under arrest to await trial for high treason.

After two decades of turbulent politics bolstered by Marxist-Leninist rhetoric, and with the collapse of the Soviet Union, the Congolese gradually moderated their economic and political views to the point that, in 1992, the Republic completed a transition to multi-party democracy. Ending a long history of one-party Marxist rule, a specific agenda for this transition was laid out during the Republic's national conference of 1991 and culminated in August 1992 with multi-party presidential elections. Sassou-Nguesso conceded defeat and the Republic's new President, Prof. Pascal Lissouba, was inaugurated on August 31, 1992.

Congolese democracy experienced severe trials in 1993 and early 1994. President Lissouba dissolved the National Assembly in November 1992, calling for new elections in May 1993. The results of those elections were disputed, touching off violent civil unrest in June and again in November. In February 1994, all parties accepted the decisions of an international board of arbiters, and the risk of large-scale insurrection subsided.

However, the Republic's democratic progress encountered difficulties in 1997. As presidential elections scheduled for July 1997 approached, tensions between the Lissouba and Sassou-Nguesso camps mounted. When President Lissouba's government forces surrounded Sassou-Nguesso's compound in Brazzaville with armored vehicles on June 5, Sassou-Nguesso ordered his militia to resist. A four-month conflict began that destroyed or damaged much of Brazzaville. In early October, Angolan troops invaded the Republic on the side of Sassou-Nguesso and, in mid-October, the Lissouba government fell. Soon thereafter, Sassou-Nguesso declared himself President and named a 33-member government.

In January 1998, the Sassou-Nguesso regime held a National Forum for Reconciliation to determine the nature and duration of the transition period. The forum, tightly controlled by the government, decided elections should be held in about three years, elected a transition advisory legislature,

and announced that a constitutional convention would finalize a draft constitution. However, fighting in late 1998 between government forces and a pro-Lissouba and pro-Kolelas armed opposition disrupted the transition to democracy. This new violence also closed the economically vital Brazzaville-Pointe Noire railroad, caused great destruction and loss of life in southern Brazzaville and in the Pool, Bouenza, and Niari regions, and displaced hundreds of thousands of persons. In November and December 1999, the government signed agreements with representatives of many, though not all, of the rebel groups.

The December accord, mediated by President Omar Bongo of Gabon, called for follow-on, inclusive political negotiations between the government and the opposition. During the years 2000-01, Sassou-Nguesso's government conducted a national dialogue (Dialogue Sans Exclusive), in which the opposition parties and the government agreed to continue on the path to peace. Ex-President Lissouba and ex-Prime Minister Kolelas refused to agree and were exiled. They were tried in absentia and convicted in Brazzaville of charges ranging from treason to misappropriation of government funds. Ex-militiamen were granted amnesty, and many were provided micro-loans to aid their reintegration into civil society. Not all opposition members participated. One group, referred to as "Ninjas," actively opposed the government in a low-level guerrilla war in the Pool region of the country. Other members of opposition parties have returned and have opted to participate to some degree in political life.

A new constitution was drafted in 2001, approved by the provisional legislature (National Transition Council), and approved by the people of the Republic in a national referendum in January 2002. Presidential elections were held in March 2002, and Sassou-Nguesso was declared the winner. Legislative elections were held in May and June 2002. In March 2003 the government signed a peace accord with the Ninjas, and the country has remained stable and calm since the signing. Internally displaced persons are returning to the Pool region. President Sassou-Nguesso allowed Kolelas to return to the Republic for his wife's funeral in October 2005 and subsequently asked that Parliament grant Kolelas amnesty. Parliament complied with Sassou-Nguesso's request in December 2005.

Form of Government

The Republic is a presidential republic, in which the President is both head of state and head of government, with a multi-party system. Since 1997, Denis Sassou-Nguesso has been the President of the Republic. The President belongs to the Congolese Labour Party, or PCT. The President appoints a Council of Ministers to serve as his cabinet. Before the 1997 civil war, the Republic's system of government was similar to that of the French. The new constitution (adopted by popular vote in 2002), returns to the earlier model with a seven-year presidential term (election by popular vote) and a bicameral national parliament. The last presidential election was on 10 March 2002.

Executive power is exercised by the government. Legislative power is vested in both the government and the two chambers of the Parliament. The two chambers of the Parliament consist of the Senate (66 seats; members are elected by popular vote to serve five-year terms) and the National Assembly (137 seats; members elected by popular vote to serve five-year terms). The last Senate elections were held on 11 July 2002, (next to be held in 2008) and the last National Assembly elections were held on 24 June and 5 August 2007 (next to be held in 2012).

The judicial branch of the Congolese government is headed by the Supreme Court or Cour Supreme.

Memberships in International Organizations

The Republic is a member of the United Nations and the African Union, as well as a member of many specialized regional African agencies. The Republic has been a member of the World Bank since 1963. It is also a member of the International Monetary Fund and the World Trade Organization.

RECENT DEVELOPMENTS

On March 27, 2008, the Republic sent the following communication and economic update to the International Monetary Fund:

Brazzaville, March 27, 2008

The Minister of Economy,
Finance, and Budget

to:

Mr. Dominique Strauss-Kahn
Managing Director International
Monetary Fund Washington, D.C.
20431 USA

Dear Mr. Strauss-Kahn:

The government of the Republic of Congo (Congo) pursued a Staff Monitored Program (SMP) during April-September 2007, with the intent of establishing a track record of performance that would support a subsequent move to a Poverty Reduction and Growth Facility (PRGF) arrangement. While we made some progress under the SMP, we also had fiscal slippages and did not implement some key structural measures in a timely manner, which prevented the successful completion of this program.

The fiscal slippages were associated mainly with unanticipated costs of the legislative elections last year, higher subsidies to the petroleum sector due to high world oil prices, and higher than budgeted domestically-financed investment. On structural policies, delays in implementation reflected low capacity and the need to enhance program monitoring. In this regard, we established a new reporting and monitoring structure, which will foster strong program ownership and our relations with the IMF. A policy committee headed by the President of the Republic will manage Congo's program and relations with the IMF, and it will be supported by a technical monitoring committee headed by a special advisor to the President of the Republic. The resident representatives of the IMF and the World Bank have been invited to serve as advisors to the technical committee. The technical committee has been heavily engaged with Fund staff, and we believe the flow of information and dialogue has already been improved.

We are determined to make a break from the past, and to establish a satisfactory record of macroeconomic and structural policy implementation. In this regard, we request a new Staff Monitored Program covering the period January 1 through June 30, 2008. The policies and objectives of this SMP are detailed in the attached Memorandum of Economic and Financial Policies (MEFP). This SMP is designed to facilitate the move to a PRGF arrangement, by demonstrating the government's resolve to pursue fiscal consolidation, enhance governance and

transparency, and reassure Congo's external creditors that we are committed to macroeconomic stabilization and structural reform.

We believe that the policies and measures set forth in the MEFP are adequate to achieve the objectives of the program, but we will take any further action that may become appropriate for this purpose. During the implementation of the SMP, we will consult with IMF staff on the adoption of measures that may become appropriate for that purpose, at the initiative of the government, or whenever the IMF staff requests such a consultation.

The government intends to make the contents of this letter, the attached MEFP, and the staff report accompanying this request available to the public, and it authorizes the IMF to post them (after Fund management approval and transmission to the Executive Board) on its external website.

Sincerely yours,

/s/
Pacifique Issoïbeka
Minister of Economy, Finance, and Budget

Attachment: Memorandum of Economic and Financial Policies

ATTACHMENT I

REPUBLIC OF CONGO

Technical Memorandum of Understanding

January 1 Through June 30, 2008

1. This technical memorandum of understanding (TMU) sets out the modalities for tracking the staff monitored program (SMP) of the government of the Republic of Congo for the period January 1-June 30, 2008.

I. QUANTITATIVE CRITERIA AND INDICATORS

2. **The quantitative indicators are**:

a. floor on the basic primary non-oil fiscal balance, cumulative starting from January 1, 2008 for the SMP;
b. no accumulation of new medium or long term nonconcessional external public or publicly guaranteed debt (including leasing) (a continuous quantitative indicator);
c. no accumulation of new external public or publicly guaranteed debt (including leasing) with an initial maturity of less than one year (a continuous quantitative indicator);
d. a ceiling on the accumulation of new oil-collateralized external debt contracted by or on behalf of the central government (a continuous quantitative indicator);
e. a ceiling on new nonconcessional external debt contracted by the SNPC (with or without government guarantee), starting from January 1, 2008 (a continuous quantitative indicator), unless otherwise indicated in paragraph 12;
f. no accumulation of new external payment arrears with respect to the service on non-reschedulable external debt (see paragraph 12 below for the definition), starting from January 1, 2008 for the indicators of the first half of 2008 (a continuous quantitative indicator); and
g. no accumulation of new domestic payment arrears, starting from January 1, 2008 (a continuous quantitative indicator).

II. DEFINITIONS AND COMPUTATION

A. Government

3. Unless otherwise indicated, "government" is defined as the central government of the Republic of Congo and does not therefore include local governments, the central bank, and any public entity with autonomous legal personality not covered by the government's consolidated financial operations table (tableau des opérations financières de l'Etat— TOFE).

B. Non-Oil Basic Primary Fiscal Balance

4. The scope of the government's fiscal operations table (TOFE) includes the general budget and the special accounts of the Treasury (including the forestry and road funds) and the government debt management agency (Caisse Congolaise d'Amortissement, CCA).

5. **The government's non-oil basic primary fiscal balance** is equal to total non-oil revenue excluding grants, minus total expenditure (including net credit), less interest on debt and less foreign-financed public capital expenditure. It is calculated from the budget execution outturn reported every month in the TOFE prepared by the Ministry in charge of finance.

6. **The government's total revenue is reported in the TOFE on a cash basis.** It includes all revenue collected by the Treasury (including tax and customs receipts, oil revenues, service revenues, and forestry revenues), whether they result from past, current, or future liabilities. Revenues also include those recorded on a gross basis, in the special accounts.

7. **Expenditures are reported on a payment order basis.** They include current expenditures, domestically-financed capital expenditures, foreign financed capital expenditure as well as net lending. Current expenditures include expenditures on wages, goods and services, common charges, interests on debt (domestic and foreign), transfers and subsidies and other current expenditures.

C. Foreign Debt and Arrears

8. **The definition of government used for the various foreign debt indicators** includes government, as defined in paragraph 3, public institutions of an administrative nature, public institutions of a scientific and/or technical nature, public institutions of a professional nature, public institutions of an industrial and/or commercial nature, and local governments, with the sole exception of the national oil company (SNPC)—see paragraph 12 below.

9. For the purposes of this memorandum, "debt" and "concessional loans" are defined as follows:

- As specified in the guidelines adopted by the Executive Board of the IMF[1], debt will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until some time after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided which the landlord has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. The debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments that cover the operation, repair, or maintenance of the property.

[1] [1] See Executive Board Decision No. 6230-(79/140) as amended by Decisions Nos. 11096-(95/100) and 12274-(00/85).

Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

- Loan concessionality is assessed on the basis of the commercial interest reference rates (CIRRs) established by the OECD. A loan is said to be on concessional terms if, on the date of conclusion of the contract, the ratio of the net present value of the loan, calculated on the basis of the reference interest rates, to its nominal value is less than 50 percent (i.e., a grant element of at least 50 percent). For debts with a maturity exceeding 15 years, the ten-year reference interest rate published by the OECD is used to calculate the grant element. For shorter maturities, the six-month market reference rate is used.

10. The quantitative indicative target related to external debt apply not only to debt as defined in the above-mentioned guidelines, but also to commitments incurred or guaranteed for which no value has yet been received or on which only partial drawings have been made. However, this does not apply to financing from the IMF or to Treasury bills and bonds issued by the Congolese Treasury in CFA francs on the CEMAC regional market.

11. For foreign debt with an initial maturity of less than one year, normal short-term import and export credit are excluded from the scope of the indicator, including the prepayments.

12. The ceiling on any new nonconcessional foreign debt with a maturity of more than one year incurred or guaranteed by the SNPC, with or without government guarantee, will be observed continuously. The SNPC may borrow only to finance investments related to its core activities (research, exploration, production, refining and distribution of oil, construction of their Brazzaville headquarters, creation and strengthening of its database, etc.). In addition, these investments must be included in the SNPC's investment budget approved by its board of directors. The ceiling on debt does not apply to changes in loan accounts with oil field partners or to loans with maturities of less than one year.

13. The accumulation by the government of external payment arrears is the difference between (i) the gross amount of external debt service payments due (principal and interest, including moratorium and/or late interest, as appropriate) and (ii) the amount actually paid during the period under consideration. Under the program, the government commits itself to not accumulate external payment arrears on non-reschedulable debt (that is, debt to Paris Club creditors contracted after the cutoff date and debt to multilateral creditors). Non-accumulation of external payment arrears is an indicator to be continuously observed.

D. Oil-Collateralized Foreign Debt

14. Oil-collateralized external debt is external debt which is contracted by giving an interest in oil. Pre-financing is defined as an oil-collateralized loan which is repaid by the sale of the oil in a different calendar year. New pre-financing by or on behalf of the government is strictly prohibited under the program. The refinancing and/or deferral of the existing stock and/or due dates are permitted but should not give rise to an augmentation of the existing stock of oil-collateralized debt. The government undertakes not to contract any new oil-collateralized debt.

III. STRUCTURAL MEASURES

15. Structural measures are listed in Table 2 attached to the Memorandum of Economic and Financial Policies regarding the staff-monitored program:

Structural measures under the SMP

- The government will adopt by March 31, 2008 a comprehensive action plan with a timetable to address institutional and procedural deficiencies in the commercialization of Congolese oil, to bring them in line with best international practice.

- The government will adopt by March 31, 2008 a comprehensive action plan with a timetable for reforming CORAF, taking on board the recommendations of the diagnostic study of its operations by an international consultant.

- Completion by June 30, 2008 of a technical and financial audit, by an independent, internationally recognized firm, of current transfers and a representative sample of capital expenditures executed during the period from January 1, 2006 to December 31, 2006, based on terms of reference satisfactory to IMF and World Bank staff. Publication of the audit report on the website of the Ministry of Finance (www.mefb-cg.org).

- Adoption by June 30, 2008 of a three-year action plan to strengthen public investment management, with assistance from the French Cooperation agency, World Bank, and other development partners.

- Quarterly adjustment (within four weeks from the end of the quarter) in petroleum entry distribution and/or retail prices to ensure that oil subsidies for 2008 remain within budget limits (CFAF 35 billion for the full year). The price adjustments should not pass-through any decline in world oil prices.

- Quarterly certification, on a continuous basis, of oil revenue by an internationally recognized audit firm─with on quarter lag─using the same specifications as for the 2003 certification and with no restrictions on access to information; certification reports to be published on the website of the Ministry of Economy, Finance, and Budget (www.mefb-cg.org).

- Publication of all invitations to bid and the bids themselves for government procurement contracts above CFAF200 million on the government website (www.mefb-cg.org)

- No granting, on a continuous basis and as of the date of promulgation of the 2008 budget law, of new tax and customs exemptions (except those under international conventions).

- Centralization of all public revenues and execution of all public payments at the Treasury.

- No recourse, on a continuous basis and as of the date of promulgation of the 2008 budget law, to emergency payment and cash advance procedures, except in national situations stated in the organic budget law.

IV. INFORMATION FOR PROGRAM MONITORING

16. The government will submit the following information to the staff of the International Monetary Fund through its Resident Representative, and within the time period specified below.

A. Oil Sector

17. Regarding the oil sector, the government will submit the following information to IMF staff within four weeks after the end of the month:

- the monthly data on oil production by oil field, production costs, volume exported, export prices, and the operations of the national oil company (SNPC);
- the breakdown concerning the share of crude oil that accrues to the government, by oil field, distinguishing the type of resource to which this share relates (royalties, profit oil, etc.);
- any change in the tax parameters; and
- a breakdown of oil prices.

B. Government Finance

18. Regarding government finance, the government will submit the following information to IMF staff:

- A table on government fiscal operations (TOFE) and its annexes. The annexed tables include (i) the breakdown of oil revenue in value terms with the corresponding notes on computation, (ii) excess oil trends and any bonus payments, (iii) the breakdown of tax and nontax revenue, and central government expenditure, particularly transfers and common charges; and (iv) a report on the amounts of and rationales for emergency payment and cash advance procedures. The provisional TOFE and its annexes will be reported monthly within four weeks from the end of the month, whereas the final TOFE and its annexes will be reported within six weeks from the end of each month.
- Monthly data on the prices and taxation of petroleum products. These data will include: (i) the price structure in effect during the month; (ii) the details of computation of the price structure, (f.o.b. Mediterranean price) at retail prices, including the border impact prices, taxes, transit costs, economic adjustments, ex-refinery prices (for CORAF and imports), entry distribution prices, margins and fees, transport costs and losses, financing expenses, and insurance ; (iii) amounts
- released for sale; and (iv) a breakdown of the tax revenue from oil products— customs duties and value-added tax—and direct/indirect subsidies incurred by the budget. These data will be reported within four weeks from the end of the month.
- The Treasury balance to monitor expenditures. It will include the amount of commitments, payment orders, and payments, for both current and capital expenditure. It will be produced on a quarterly basis, and submitted to Fund staff no later than four weeks after the end of each quarter.

- Data on implementation of the public investment program, including the breakdown relating to financing sources. If the data on the execution of investments financed with foreign grants and loans are not available on schedule, a linear estimate of execution in comparison with annual forecasts will be used. These data will be reported on a quarterly basis within four weeks from the end of the quarter.

- Complete monthly data on non-bank domestic financing of the budget (net bank credit to, and net non-bank credit to the government). These data will be reported monthly within four weeks from the end of the month.

- The table used to monitor the expenditure process will list the amount of commitments, payment orders, and payments, for both operating and capital expenditures. It will be produced on a quarterly basis, and submitted to Fund staff no later than four weeks after the end of the quarter.

- A quarterly table for monitoring poverty reduction expenditures, based on the pro-poor sectors defined in the interim poverty reduction and strategy paper (I-PRSP)— basic health care and education; infrastructure and rural integration; water and electricity; disarmament, demobilization and reintegration; social protection, and agriculture). The quarterly tables will be submitted within four weeks of the end of the quarter.

- A monthly table of prepayments, which will also indicate the nature of the expenditures (current transfers, investment, etc.) and the justification for the need to use the prepayment option.

- Quarterly financial reports from the main state enterprises, including SNPC, SNE, SNDE, SOTELCO within four weeks of the end of the quarter.

- A provisional income statement of CORAF for 2008 showing the financing requirement from the government. A provisional income statement will be sent to the IMF within four weeks from the end of each quarter.

C. Monetary Sector

19. The government will submit on a monthly basis, within four weeks of the end of the month, the following preliminary information:

- data on net bank credit to the government;

- the consolidated balance sheet of the monetary institutions, the central bank survey, and the commercial banks survey;

- the integrated monetary survey;

- the table of lending and deposit rates; and

- the usual banking supervision indicators for banks and non-bank financial institutions, where necessary.

20. The final data for the integrated monetary survey will be transmitted within six weeks of the end of the month.

D. Balance of Payments

21. The government will submit the following information to IMF staff:

- any revised balance of payments data (including services, private transfers, official transfers, and transactions for the capital and financial account) as soon as the data are revised; and
- foreign trade statistics (volume and price) prepared by the national statistics agency within three months of the end of the reporting month.

E. Debt

22. The government will submit the following to the staff of the IMF within four weeks of the end of the month:

- data on the stock, accumulation, and payment of domestic arrears;
- data on the stock, accumulation, and payment of external payment arrears;
- a breakdown of estimated domestic and external public debt service, service due, and actual payments, including breakdowns of principal and interest and by creditor;
- the list and amounts of new external debt incurred or guaranteed by the government, including detailed information on the terms and conditions (currency, interest rate, grace period, and maturity) stated in the original agreement; and
- actual disbursements of foreign financial assistance (project and non-project), including new borrowing and any external debt relief granted by foreign creditors (CCA tables).

F. Real Sector

23. The government will submit the following to the staff of the IMF:

- monthly itemized consumer price indices, within four weeks of the end of the month;
- any revision of the national accounts; and
- any other indicators and statistical data used to track overall economic developments, including information on activity in the forestry sector and wood-processing industry, as well as the short-term economic bulletins prepared monthly.

G. Structural Reforms and Other Data

24. The government will submit the following information to the IMF staff:

- a monthly detailed table concerning the implementation of structural measures under the

program;

- any study or official report on the economy of the Republic of Congo, within two weeks of its publication; and

- any decision, order, law, decree, ordinance, or circular having economic or financial implications for the program, within two weeks from the time it is published, or, at the latest, from its entry into force.

ATTACHMENT II

Memorandum of Economic and Financial Policies

January 1 Through June 30, 2008

I. BACKGROUND

1. Under Congo's Poverty Reduction and Growth Facility (PRGF) arrangement approved by the Fund's Executive Board in December 2004, the government implemented a number of reforms aimed at stabilizing the macroeconomic situation, enhancing transparency, governance, and public financial management. Together with favorable external developments and internal peace and social stability, the successful implementation of the PRGF arrangement during 2004-06 allowed Congo to achieve a number of important objectives:

- Overall real GDP growth was relatively strong during this period, averaging about 6 percent and this included an expansion of the non oil sector of a slightly lower magnitude. Inflation averaged about 3 percent per year, broadly in line with the CEMAC convergence criterion.

- The external position strengthened markedly, reflecting increasing oil production and favorable world oil prices. At the end of 2006, our foreign reserves increased to the equivalent of 10½ months of imports (about US$ 1.8 billion) from only 1.4 months at end-2004.

- The decision point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative was reached in March 2006, and we benefited from a debt rescheduling from the Paris Club, and interim relief under the enhanced HIPC Initiative from some multilateral and bilateral creditors.

2. Regrettably, we could not conclude the third review under the PRGF arrangement in 2006 because of fiscal slippages and delays in structural reform.. To signal our intention to resume support under the PRGF we requested a Staff Monitored Program (SMP) covering the period April through September 2007, but persistent fiscal slippages, weaknesses in institutional and administrative capacity, as well as unforeseen factors, compromised the implementation of the program.

3. We recognize that weak program ownership has played an important role in unsuccessful policy implementation. For this reason, we have established a new reporting and monitoring structure, which we believe will result in strong performance under this new SMP, and later under a PRGF arrangement. A policy committee headed by the President of the Republic will manage Congo's programs and relations with the Fund and World Bank, and it will be supported by a technical monitoring committee, headed by a special advisor to the President of the Republic. The resident representatives of the IMF and the World Bank have been invited to serve as advisors to the technical committee. For the Fund's part, we are encouraged by the efforts to streamline conditionality and ensure its macro relevance. We believe that, together, these developments will improve the likelihood of program success, which is critical to Congo's key objectives of enhancing growth, reducing poverty, and achieving external sustainability through debt relief under the enhanced HIPC Initiative.

II. RECENT DEVELOPMENTS

4. Overall economic activity declined in 2007 because of a temporary fall in oil production caused by an accident on the Nkossa oil platform. However, the non oil economy continued to expand at a healthy pace (about 6½ percent), and above the growth rate experienced during the past several years. Food prices fell as a result of improvements in the transportation network, leading to a decline in annual inflation in 2007. The current account moved into deficit last year, reflecting the decline in oil production and imported equipment to repair the oil platform. The external position, however, was helped by an agreement with London Club creditors, which led to debt relief amounting to US$ 1.6 billion. This agreement is consistent with the enhanced HIPC Initiative and accounts for more than half of the total relief envisaged at the completion point.

5. Monetary conditions were appropriate for Congo during 2007. Broad money slowed from its strong increases in previous years, which reflected the build up of government deposits with commercial banks. The financial sector remained sound according to the regional banking supervisor (COBAC). A new bank specializing in home mortgages was recently created and a new commercial bank has just been licensed.

6. The fiscal stance weakened in 2007 because of an overshoot in expenditure. The overshoot was associated mainly with unanticipated costs of the legislative elections last year (some re-voting took place because of irregularities in some constituencies), higher subsidies to the petroleum product sector due to high world oil prices, and higher than budgeted domestically-financed investment. In the latter case, we had intended to limit this investment to CFAF 344 billion, but it proved difficult to reverse the over execution of this spending which took place in the third quarter of the year. Overall, these developments, together with a decline in oil revenue (related to the temporary decline in oil production), resulted in a sharp fall in the basic primary surplus to about 13.9 percent of GDP in 2007, from 21.5 percent a year earlier.

7. While there were delays in implementing structural reform under the previous SMP, important progress has been made more recently. We completed several audits that were undertaken to help increase the transparency of oil costs and revenue. We took actions to enhance governance through the creation of an anti-corruption observatory, sending them the audit report on the award of Marine XI concession. We presented a draft law to parliament on conflict of interest and asset disclosure of public officials, and adopted a decree to ensure that all new oil concessions will be awarded through a competitive bidding process. We re-entered the Kimberly process for diamond certification and reapplied to the Extractive Industries Transparency Initiative (EITI). We completed diagnostic studies on how to improve the financial and operating performance of the national oil refinery and the oil-marketing company (SNPC). As agreed with Fund staff, the government raised petroleum product prices earlier this year, to help reduce subsidies to the petroleum product sector, which had been a major source of fiscal slippage last year. Finally, we have adopted a public finance reform program with the support of the Fund, World Bank, European Union, and other donors.

III. MEDIUM-TERM OBJECTIVES AND POLICY FRAMEWORK

8. The Poverty Reduction Strategy (PRS), which is expected to be finalized shortly, provides the foundations for the government's medium-term policy framework. This framework is based on the need to: (i) diversify the economy to reduce our dependence on oil, which we recognize fully as an exhaustible resource; (ii) enhance public financial management and the management of our natural resources (including oil, forests, and minerals); (iii) build human capital, by

improving the allocation of resources in the social sector (health and education); (iv) continue to improve governance and transparency, which would bolster Congo's attractiveness for domestic and foreign investment; (v) rebuild the country's economic infrastructure, especially the transportation network; (vi) and consolidate macroeconomic stability. We believe that we have the financial resources necessary to achieve these broad objectives, but we also require technical assistance to increase institutional and administrative capacity. Here, strong donor coordination could help buttress our own efforts.

9. In the event, economic policies over the medium term will be aimed at:

- Overall real GDP growth of 9-10 percent through 2010 and continued robust activity in the non oil economy. This would yield good progress toward reaching the income Millennium Development Goal.

- Inflation of about 3 percent per year, which is in line with the CEMAC convergence criterion, which would help preserve Congo's international competitiveness under the fixed exchange rate regime.

- Gradual but continued fiscal consolidation to ensure that the nation's oil wealth is preserved over the long term, and to improve the contribution of the non oil sector to national wealth. By doing so, this will help prevent a decline in living standards when oil production declines. In this regard, we will target a progressive decline in the non-oil primary deficit over the medium term. Achieving this objective will require tight control over current and capital spending, which will be supported by concerted effort to enhance public financial management.

- External sustainability, through prudent debt management and benefiting from HIPC debt relief.

IV. Economic Policies for 2008 Under the SMP

10. The economic outlook for 2008 appears favorable, with continuing high world oil prices, an increase in oil production, and a buoyant non oil sector driven by strong domestic demand. Overall real GDP growth is projected to be about 9 percent, with low inflation. Oil receipts are expected to boost official reserves to a record 19 months of imports (39 percent of GDP), which further strengthens our external position and provides a buffer against exogenous shocks. To achieve these objectives, the fiscal stance will be tightened and the regional central bank will contain the growth of broad money. Structural policies will focus on improving public financial management and the financial and operating performance of key state-owned enterprises in the oil sector, and complete the reform agenda from last year.

A. Fiscal Policy

11. The key fiscal objective is to reestablish the credibility and integrity of the budget as the government's main fiscal instrument. This implies keeping within the budgeted envelope for all categories of expenditure, including capital, eliminating the recourse to emergency and cash advance payment procedures, and ensure the timely receipt of oil revenue in conformity with the organic budget law.

12. Parliament has endorsed the 2008 budget, which is broadly in line with understandings reached with Fund staff. The program targets a domestic basic primary surplus of about 22 percent of GDP, which is a dramatic improvement over last year. This is equivalent to a reduction in the non oil primary deficit of about 15 percentage points of non oil GDP, to about 41 percent of non oil GDP.

13. The improvement in the primary surplus reflects a rolling back of previous fiscal slippages, as total revenue remains broadly the same as last year (at about 20 percent of non-oil GDP). We have not introduced new taxes in the budget, but we will protect the revenue target through a number of ongoing measures. These include: the regular and timely transfer of (certified) oil receipts to the budget; the centralization of all public revenue; tax and customs administration reform through computerization and implementation of recent recommendations from audits in these areas; fight against fraud and tax evasion; and the progressive reduction of, and, no granting of new tax and customs exemptions (except those in international conventions, structural benchmark).

14. On primary spending, the 2008 budget envelope has been reduced by about 15 percentage points of non-oil GDP to about 61 percent of non-oil GDP. We will achieve the reduction in annual spending mainly through an expected decline in litigation fees related to our external liabilities, lower subsidies to the petroleum product sector because of the increase in petroleum prices, and through a stabilization of domestically-financed capital spending. Despite our strong desire for increasing capital spending—given our pressing infrastructure needs—the level of capital spending will be reduced by CFAF 28 billion compared to the budget, in order to take into account the acceleration of some disbursements in the latter part of last year, capacity considerations, and the need to assess the effectiveness of our investment program before ratcheting it up further. An audit of a sample of such spending associated with 2006 and current transfers, will be completed by end-June 2008 (structural benchmark), and, together with World Bank assistance with developing an action plan by end-June 2008 to improve public investment management (including aligning it with the PRS) (structural benchmark), we could anticipate expanding our capital budget in the medium term. Oil subsidies have weighed heavily on the budget in the past and to alleviate this burden, we will, if necessary, undertake quarterly adjustments in petroleum entry distribution and/or retail prices to stay within the budgeted ceiling (structural benchmark). The need for, and size of, domestic fuel price adjustments will largely be determined on the basis of CORAF's financial position through the year. The 2008 budget provides for an increase in pro-poor spending and a CFAF 20 billion (about 1.3 percent of non-oil GDP) contingency reserve, which we have set aside to help avoid further fiscal slippages.

15. We have established an action plan aimed at improving public financial management (with assistance from the Fund, World Bank, and other donors), which is a prerequisite for expanding the budget envelope further. As part of this action plan, we intend: to adopt the presidential decree establishing the new functional budget classification system (by-end March 2008), and use it for implementation monitoring; continue to apply a monthly monitoring system to ensure that cash advance and exceptional payment procedures are not used, in line with the organic budget law (structural benchmark); improve the expenditure chain from commitment to execution; make progress in establishing a new procurement code; and establish an adequate management and control framework, for the use of HIPC resources. Once these requirements are met, the government intends to use these HIPC resources in line with understandings reached earlier with our development partners. Also, to strengthen control over public spending, the Ministry of Finance and Budget will provide training and hold seminars to build capacity of

budget managers in line ministries, and immediately issue a Ministerial order which will prohibit payment orders beyond the budgeted amounts across all ministries, departments, and agencies.

16. In the same vein, we will continue to pursue the implementation of measures aimed at improving the governance, transparency, and the management of natural resources. These measures include: the quarterly certification of oil revenue by an internationally recognized audit firm (structural benchmark); the audit of oil costs for productions sharing agreements; and awarding of new oil concession contracts through a competitive bidding process. Also, we will make a determined effort to implement the requirements of the EITI.

B. Monetary and Financial Sector Policies

17. Monetary and exchange rate policy is conducted at the regional level by the Bank of Central African States (BEAC) and Congo is a member of the CEMAC region whose common exchange rate is fixed to the euro. During the next year or so, the BEAC will continue to focus on achieving low inflation and reserve accumulation in support of the exchange rate peg. At the national level, to enhance liquidity management and separate monetary from fiscal policy, we will (i) make efforts to repay accumulated statutory advances (amounting to CFAF 154 billion), given the high cost of holding these advances (interest rates are above 5 percent) and the government's significant cash position and BEAC deposits, and (ii) progressively move towards a single Treasury account at the central bank, as recommended by the report on the regional Financial Sector Stability Assessment completed in 2006.

18. We have recently completed (with Fund and World Bank assistance) an action plan for the development of the financial sector. With our CEMAC partners, we envisage taking a number of actions in the near term that should help expand private sector credit, including the liberalization of lending and deposit rates, and to finalize the corporate financial statement registry, the central credit bureau, and the payment risk management system. These reforms should increase information available to borrowers and investors as well as decrease the cost of borrowing for smaller enterprises. The audit of the two pension Funds; the National Social Security (Caisse nationale de sécurité sociale) and the Government Employee Pension (Caisse de retraite des fonctionnaires) were completed recently. These audits include recommendations to place these Funds on a sound financial footing, while updating the regulatory and supervisory framework. In the area of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), we will continue our efforts to establish by end-March 2008 the National Financial Investigation Unit (Agence Nationale d'Investigation Financière, ANIF), in compliance with CEMAC regulations. Other measures that we intend to implement at the national level over the medium term include actions aimed at improving the business environment and legal and accounting frameworks.

C. External Debt Management

19. The government is in the process of formulating a new external debt management strategy, although there is no intention of seeking foreign loans on non-concessional terms. Rather, this strategy is being designed to help strengthen debt management procedures and criteria, as well as institutional capacity to contract and monitor the debt by public sector entities, and minimize the risk of default. To diversify the sources of financing, the new strategy will introduce a domestic debt issuance policy, in line with the regional CEMAC guidelines. While debt management will remain the responsibility of the Ministry of Finance, a new National Debt Committee will provide support to the new debt strategy. We will continue centralizing debt data at the debt management unit (Caisse Congolaise d'Amortissement), including collateralized debt,

and publishing the related data and projections on the government external site during the first half of this year. Also, we will ensure consistency of our data, reconcile them regularly with the balance of payments and budget, and publish an annual national debt report.

20. The government will step up efforts to normalize relations with external creditors. Following the recent agreement with the London Club, we are seeking comparable treatment from suppliers, non–London Club commercial creditors, and litigating creditors. The government will also seek to sign bilateral agreements with the remaining Paris Club creditors as soon as possible.

V. Reform of State-Owned Enterprises

21. Improving the operating and financial performance of the national oil refinery (CORAF) and more effective commercialization of government oil (through SNPC) are important aspects of the governance agenda. Over the medium term, the government intends to develop a comprehensive strategy aimed at improving sector performance through upgrading SNPC's accounting framework, monitoring closely the technical and economic aspects of the operations of private oil companies, developing a sector data base, and evaluating all possible institutional, contractual, and regulatory reforms that could ensure that Congo is obtaining the maximum benefit─while respecting its legal obligations and the sanctity of private property rights─from its oil resources. To undertake some of this work, the government intends to prepare terms of reference (by mid-year) and obtain adequate sector expertise, including from the World Bank.

22. By end-March 2008, the government will adopt a comprehensive action plan with a timetable for reforming CORAF (structural benchmark), taking on board the recommendations of the diagnostic study of its operations by an international auditor completed earlier. Among other things, this plan should include measures: to address priorities for rehabilitation investment and the operational improvements suggested by the auditor; allow CORAF to become an independent cost and profit entity, establishing its own analytical accounting system, and able to purchase the adequate crude oil and to independently export surplus products, and to move out of the refinery accounts the petroleum products remaining subsidies by establishing a pricing system with export-import price parities. For the SNPC, the government will adopt a comprehensive action plan with a timetable by end-March 2008 (structural benchmark) to address institutional and procedural deficiencies in the commercialization of Congolese oil, to bring them in line with best international practice. As part of their efforts to enhance transparency, the authorities will continue with the practice of conducting and publishing audits of oil costs in the years ahead.

VI. Program Monitoring Under the SMP

23. The SMP will be monitored through staff assessments based on quantitative targets and structural benchmarks for end-March and end-June 2008, as set out Tables 1 and 2, respectively. Detailed definitions and reporting requirements for all quantitative indicators and structural benchmarks are contained in the accompanying Technical Memorandum of Understanding (TMU, Annex II). The authorities will make available to Fund staff all core data, appropriately reconciled, and on a regular and timely basis, as specified in the TMU.

24. The first staff assessment of the SMP is expected to take place in May 2008, with the second review in August, if the relevant data and information is made available.

Table 1. Republic of Congo: Proposed Quantitative Indicative Targets, Jan 1 - Jun 30, 2008
(Billions of CFA francs, unless otherwise indicated; cumulative from January) [1]

Target End-Mar. 08		Target End-Jun. 08	Indicative Target End-Sep. 08	Indicative Target End-Dec. 08
Quantitative targets				
Nonoil primary fiscal balance (floor)	-198.5	-387.1	-506.8	-629.2
New medium or long-term nonconcessional external debt (including leasing) contracted or guaranteed by the government (ceiling) 2, 3	0.0	0.0	0.0	0.0
New external debt (including leasing) with an original maturity of less than one year (ceiling)	0.0	0.0	0.0	0.0
New oil-collateralized external debt contracted by or on behalf of the central government (ceiling) 3	0.0	0.0	0.0	0.0
New nonconcessional external debt contracted by SNPC (ceiling) 3	0.0	0.0	0.0	0.0
New external arrears on nonreschedulable debt 3	0.0	0.0	0.0	0.0
New domestic arrears 3	0.0	0.0	0.0	0.0
Memorandum items Oil revenue (in billions of CFA francs)		709.1	1130.9	1571.1
Non-oil revenue	338.5 77.0	153.9	230.9	307.8

[1] Quantitative indicative targets are defined in the attached technical memorandum of understanding.
[2] Excluding rescheduling arrangements and disbursements from the IMF; the minimum grant element is set to 50 percent. [3] Continuous.

Table 2. Structural Benchmarks Under the SMP, January 1–June 30, 2008

Measures	Date
The government will adopt a comprehensive action plan with a timetable to address institutional and procedural deficiencies in the commercialization of Congolese oil, to bring them in line with best international practice.	March 31, 2008
The government will adopt a comprehensive action plan with a timetable for reforming CORAF, taking on board the recommendations of the diagnostic study of its operations by an international consultant.	March 31, 2008
Completion of a technical and financial audit, by an independent, internationally recognized firm, of current transfers and a representative sample of capital expenditures executed during the period from January 1, 2006 to December 31, 2006, based on terms of reference satisfactory to IMF and World Bank staff. Publication of the audit report on the website of the Ministry of Economy, Finance, and Budget (www.mefb-cg.org).	June 30, 2008
Adoption of a three-year action plan to strengthen public investment management, with assistance from the French Cooperation agency, World Bank, and other development partners.	June 30, 2008
Quarterly adjustment in petroleum entry distribution and/or retail prices to ensure that oil subsidies for 2008 remain within budget limits (CFAF 35 billion for the full year). The price adjustments should not pass-through any decline in world oil prices.	Four weeks after the end of each quarter
Quarterly certification of oil revenue by an internationally recognized audit firm, using the same specifications as for the 2003 certification and with no restrictions on access to information; certification reports to be published on the website of the Ministry of Economy, Finance, and Budget (www.mefb-cg.org).	Continuous, with a one-quarter lag
Publication of all invitations to bid and the bids themselves for government procurement contracts above CFAF200 million on the government's website (www.mefb-cg.org).	Continuous
No granting of new tax and customs exemptions (except those under international conventions).	Continuous
Centralization of all public revenues and execution of all public payments by the Treasury.	Continuous
No recourse to emergency payment and cash advance procedures, except in situations stated in the organic budget law.	Continuous

ECONOMY, PUBLIC FINANCE AND BALANCE OF PAYMENTS

The information in this section is qualified and supplemented by the Documents Incorporated by Reference.

I. ECONOMIC DEVELOPMENTS

1. Historical Background

After decades of civil unrest that caused significant damage to its economic and financial infrastructure, the Republic of Congo has since the beginning of the millennium undertaken a significant effort to restructure and boost its economy. It has also undertaken to normalize its financial relations with the international community.

The first objective of the Government has been to rebuild the economic and social infrastructure, which underwent severe damage or destruction during the years of civil turmoil. This situation had led to the deterioration of all of the economic and social indicators of the country and, in particular, to the destruction of the school and health apparatus as well as to the interruption of the provision of essential services such as drinkable water and electricity. It had also resulted in widespread displacements of populations and, as a result, in an important disorganization of the economic system. As a consequence, GDP contracted by approximately 3 points between 1990 and 2001; real income per capita dropped by almost one half from its level eleven years earlier, and more than 70% of the population had fallen below the poverty line. In the area of the public finances, the budget deficit reached 8.4% of GDP in 2000 and was accompanied by a large accumulation of domestic payment arrears by the government; the banking system was totally ruined; external debt increased from 175% to almost 240% of GDP, and the country had virtually ceased payments on its foreign obligations. The economy survived only thanks to the maintenance of a certain level of activity in the oil sector.

Faced with this situation, the authorities have attempted progressively to restore a proper and democratic functioning of the State and of the political institutions. At the economic level, they have implemented an emergency program that benefited from various contributions from external partners, including the World Bank through post-conflict assistance. Undertaken within the framework of a series of reference programs defined with the IMF, these efforts have led to a relative recovery of the economy. GDP has grown by an average of 4½% per annum since the beginning of the decade (6 ¼% in the non-oil sector) and the country's economic and social infrastructure has been progressively rehabilitated. Meanwhile, the budget situation has been gradually stabilized, and an important train of structural reforms launched. These encouraging results made it possible in December 2004 to enter into a multi-year economic and financial program supported by the IMF under the Poverty Reduction and Growth Facility (PRGF).

The normalization of payments was carried out in several steps. First, the Government adopted and implemented a program of reduction of domestic payment arrears so as to restore confidence among private operators and accompany the restructuring efforts of the banking system. Second, outstanding arrears to multilateral creditors, in particular the African Development Bank, were cleared. Finally, in December 2004, the Republic of Congo signed an agreement with the Paris Club under the so-called "Naples Terms" (involving a minimum 67% cancellation of eligible debt service) to restructure its bilateral official debt - a significant step toward the final resolution of the debt problem under the HIPC Initiative.

Given the level of indebtedness of the Republic of Congo, and its performance under the program supported by the PRGF, the Boards of Directors of the World Bank and the IMF formally decided in March 2006 that the Republic was eligible for the HIPC Initiative ("decision point"). This decision enabled the Republic to benefit, shortly thereafter, from an additional reduction of its external debt service obligations to Paris Club member countries (increasing to a minimum of 90% of the cancellation of eligible debt service). Reaching this stage provided the country with the appropriate framework to engage

in negotiations with its private and official bilateral non-Paris Club creditors to secure a comparable debt reduction, in accordance with the requirements of the Paris Club.

The signature of various agreements with the official non-Paris Club creditors of the Republic is being finalized on this basis. Likewise, the formal negotiations with the London Club Committee led to the conclusion in June 2007 of an agreement in principle, the terms of which are deemed to be broadly consistent with the Paris Club requirement of comparability of treatment between creditors. Once adopted, these terms will serve as a basis for the negotiations with the Republic's non-insured supplier creditors in order to guarantee the comparability of treatment of all creditors of the Republic.

2. Economic and Financial Performance in 2006 and 2007

The Republic's performance under the PRGF program in 2006 was uneven. At more than 6%, real economic growth, while lower than expected, remained sustained both in the oil and non-oil sectors. The global budgetary surplus reached approximately 17% of GDP, and the balance of payments remained in surplus (of $1.14 billion) owing to the high prices of crude oil and to the debt reductions granted by official creditors. However, there were some program slippages in a few areas. In particular, security issues in the region and the obligations of the Republic on account of its chairmanship of the African Union gave rise to expenditures higher than forecast. In addition, the damages caused to the railways, power generation and water provision facilities by the exceptional rains in the fall of 2006 resulted in important immediate reconstruction needs. With expenditure overruns of almost 3% of GDP, the non-oil primary deficit thus rose to more than 52% of non-oil GDP, or 20 percentage points of non-oil GDP in excess of target. Also, the constraints the Republic is still facing in terms of institutional capacity led to delays in the implementation of the structural reforms envisaged in the PRGF program.

These difficulties prevented the conclusion of the third review under the PRGF program with the IMF. Accordingly, a nine-month reference program ending in September 2007 was developed with the support of the IMF staff to help strengthen performance and permit a quick reactivation of the PRGF program. The progress realized in the first months of 2007 was encouraging in this respect.

In 2007, economists forecast economic growth of 6.4% in Africa (6.9% in Sub-Saharan Africa), compared with growth of 5.5% in the previous year, due to factors including continuing institutional and macroeconomic reforms, a return to sociopolitical stability in many nations, a favorable international environment for debt and exchange and the exploitation of new oilfields in certain countries. With respect to the exchange markets, the fall in the principal currency of international transactions, the U.S. dollar, led to rate of 1 USD = 487.9 CFAF in 2007, compared with 1 USD = 522.4 CFAF a year earlier, or a decline of 7.1%.

Non-petroleum primary products continued to increase in price in 2007. The price of agricultural products remained high, largely due to high petroleum prices which increased fertilizer prices and to unfavorable climatic conditions. Thus, cocoa and robusta coffee increased in price by 7% and 10%, respectively, compared with 2006. On the other hand, metals prices declined slightly in 2007 due to the use of substitution products and to a slowdown in worldwide industrial production. The world market in tropical woods was expected to perform favorably in 2007 due to continued high demand and environmentally motivated limits on supply.

Macroeconomic projections for the CEMAC countries for 2007 forecast sustained growth, with a real growth rate of 3.5% compared with 3.7% in 2006. The inflation rate improved from 4.4% in 2006 to a projected 2.4% in 2007, largely due to sound monetary and budget policies and the gradual reduction of the energy crisis in Cameroon and Chad, as well as the return of a certain degree of stability in the Central African Republic. In 2008, a new economic partnership agreement between the CEMAC countries and the European Union will go into effect, which will likely encourage further economic integration.

With respect to economic cooperation agreements, the Republic renewed or continued cooperative agreements with other African countries including South Africa, Benin and Namibia. The Republic also entered into a bilateral framework agreement with France for the 2007-2011 period in the context of which both countries hope to modernize and consolidate their commercial relations. 2007 was also marked by

reforms aimed at reinforcing international cooperation and addressing the challenges of globalization. Negotiations with the WTO continued to be beset with disagreements between developed and developing nations regarding agricultural subsidies, tariffs and economic partnership agreements. The African Union seeks a negotiating structure including all African nations rather than negotiations with regions of the Continent.

Changes in GDP

	2005	2006	2007*
GROSS DOMESTIC PRODUCT	In billions of CFAF		
By value	**3,210.7**	**4,042.6**	**3,643.9**
Excluding oil revenues	1,151.2	1,269.1	1,391.8
Oil revenues	2,059.5	2,773.5	2,252.1
By volume	**1,071.1**	**1,137.9**	**1,124.6**
Excluding oil revenues	704.8	746.8	796.0
Oil revenues	366.3	391.1	328.6
Rate of growth of GDP	In percentages		
By value	**30.7**	**25.9**	**-9.9**
Excluding oil revenues	8.0	10.2	9.7
Oil revenues	48.2	34.7	(18.8)
By volume	**7.6**	**6.2**	**(1.2)**
Excluding oil revenues	5.3	6.0	6.6
Oil revenues	12.5	6.8	(16.0)

Source: Direction Générale de l'Economie
** estimate*

Exports by economic sectors in 2006 and 2007

(In billions of CFAF)

Sectors	2006	2007*
Goods	**3,146.8**	**2,732.5**
• Crude Oil	2,910.2	2,527.0
• Wood	123.9	107.6
• Manufacturing Industry	54.9	47.6
• Other sectors	57.8	50.2
Services	**138.0**	**119.8**

Source : Direction Générale de l'Economie

** estimates*

Imports by economic sectors in 2006 and 2007

(In billions of CFAF)

Sectors	2006	2007*
Goods	**817.2**	**669.8**
• Oil sector	263.8	216.2
• Other sectors	553.4	453.6
• Agricultural sector	*13.2*	*10.8*
• Wood sector and wood-related industries	*121.9*	*99.9*
• Industrial sector (except wood industry)	*44.8*	*36.7*
• Commercial sector	*128.6*	*105.5*
• Public sector	*171.3*	*140.4*
• Other sectors	*73.6*	*60.3*
Services	**881.1**	**722.0**

Source : Direction Générale de l'Economie

** estimates*

Imports declined from 5.3% in 2006 to 4% in 2007, while exports declined 10.8% compared with 5.9% in 2006, mainly due to the decline in crude oil and unfinished lumber exports. The current account balance in 2006 showed a surplus of 603.7 billion CFAF (14.9% of GDP) compared with 358.1 billion CFAF (11.1% of GDP) in 2005. The balance of revenues declined further, in connection with the increase in the deficit in investment revenues, amounting to –941.9 billion CFAF in 2006 compared with –861.9 billion in 2005.

Production Trends In The Main Economic Sectors in 2006 and 2007

(In billions of CFAF)

Sectors	2006	2007*
Primary sector	**3,606.2**	**3,020.3**
• Agriculture, cattle rearing, hunting and fishing	160.7	177.1
• Forestry and logging	112.0	112.5
• Mining Industry	3,333.5	2,730.7
Secondary sector	**672.1**	**758.8**
• Manufacturing industry	428.3	480.8
• Electricity, gas and water	36.8	42.1
• Construction and Public works	207.0	235.9
Tertiary Sector	**977.6**	**1,018.0**
• Transportation and telecoms	294.3	321.4
• Hotels and restaurants	91.9	102.5
• Public sector services	331.3	310.1
• Commercial services n.d.a	260.1	284.0

Source : Direction Générale de l'Economie

** estimate*

At December 31, 2007, the foreign currency reserves of the Republic amounted to 968.4 billion CFAF, while its gold reserves totaled 4.2 billion CFAF.

Changes in the balance of payments from 2005-2007

(In billions of CFAF)

	2005	2006*	2007**
- Trade balance	1,855.3	2,292.4	1,528.4
- Services balance	(617.9)	(726.6)	(1,528.4)
- Revenue balance (NF)	(861.9)	(941.9)	(698.9)
- Current transfer balance	16.1	(13.4)	(16.5)
- **Current account balance**	**358.1**	**603.7**	**(75.5)**
- Capital account	5.9	0.0	25.0
- Financial account	(119.6)	(124.2)	109.7
Of which direct investment	270.9	447.6	604.2
- Capital and financial transaction account	(113.7)	(124.2)	134.7
- Errors and omissions	(20.8)	(130.5)	-
- **Total balance**	**257.1**	**355.8**	**65.8**

Source : BEAC

** Estimates ** Forecasts*

In total, the balance surplus increased 38.6% to 355.8 billion CFAF in 2006 (8.8% of GDP) from 257.1 billion CFAF in 2005 (8% of GDP), largely due to positive current account balances and trade balances.

The government's budget balances are generally positive. In 2006, total revenues (before contributions) made up 44.3% of GDP, although in 2007 they are expected to decline to 43.8% of GDP due to the reduction in oil-related revenues, which are expected to decline to 36.5% of GDP from 37.9% of GDP in 2006. Government spending is expected to amount to 29.9% of GDP in 2007, while capital spending is expected to increase to 10.5% of GDP compared with 8.7% in 2007. From 2006 to 2007, the primary balance (before contributions) is positive, indicating that the government of the Republic has a firm grip on its domestic spending. Compared with GDP, this balance is expected to amount to 13.9% of GDP in 2007 compared with 17.2% of GDP in 2006.

Changes in public finances from 2005 to 2007

(As % of GDP)

	2005	2006*	2007**
Total revenues (before contributions)	**38.6**	**44.3**	**43.8**
- Oil revenues	31.7	37.9	36.5
- Non-oil revenues	6.9	6.5	7.3
Total expenditure	**22.7**	**27.6**	**29.9**
- Current expenditure	17.9	18.4	19.4
- Capital expenditure (own resources)	4.8	8.7	10.5
- Net loans	-	0.1	-
Rate of growth of expenses (by volume)	13.4	47.7	(0.8)
Primary balance (own resources)	**20.8**	**17.2**	**13.9**
Total balance based on commitments (before contributions)	**15.4**	**16.9**	**13.0**

Source: Direction Générale de l'Economie and financial departments
** Estimates*
*** Forecasts*

In 2006 and 2007, the level of unemployment was uneven across economic sectors, and generally evolved in keeping with the relative performance of those sectors. As a result of an important economic surplus in 2006, and of the wide debate that followed regarding its potential uses, the government has decided to use part of this surplus to raise the salaries of the public servants, which had been frozen since 1994. The average base salary of the public servants has therefore been raised by 5%, in connection with the negotiations held by the government and the trade unions since 2002. The share represented by the wages in the GDP has gradually diminished from 1999 to 2007, decreasing from 6.9% to about 3.5%.

Debt restructuring in recent years, through negotiations with international partners including the Paris Club creditors, the African Development Bank, the IMF and the World Bank, has led to a marked reduction in the total debt of the Republic, from 4,007.9 billion CFAF in 2005 to 3,453.9 billion CFAF as of September 30, 2007. An amount of 283.9 billion CFAF of public debt had been paid as of September 30, 2007, broken down as follows: 213.4 billion CFAF of external debt (including 94 billion CFAF to Paris Club creditors) and 70.5 billion CFAF of domestic debt. Gross debt service was estimated at 214.4 billion CFAF, broken down as follows: 211.2 billion CFAF in external debt servicing (or 98.5% of total debt service) and 3.2 billion CFAF in domestic debt servicing (or 1.5% of total debt service). 84% of the Republic's external debt service related to the Paris Club creditors. As of September 30, 2007, the Republic benefited from debt rescheduling in a total amount of 75 billion CFAF, including 53.5 billion CFAF in Paris Club debt servicing and 21.9 billion

CFAF in arrears owed to various creditors, and from debt cancellation in a total amount of 102.8 billion CFAF, including 34.5 billion CFAF in debt servicing and 68.3 billion CFAF in arrears.

Changes in total outstanding debt from 2005 to September 30, 2007

(In billions of CFAF)

	2005	2006	As of September 30, 2007
I – EXTERNAL DEBT			
- Paris Club	1,606.2	1,467.9	1,395.2
- Multilateral Debt	248.9	220.4	208.4
- Other Bilateral Debt (non Paris-Club)	192.7	192.6	249.8
- Bank Debt (London Club)	909.6	909.6	909.6
- Speculative Funds (disputed debt)	322.6	325.2	211.1
- Pledged Debt	88.5	38.7	30.1
- Various Creditors	133.5	139.4	161.1
Total External Debt	3,502.0	3,293.8	3,165.4
II – DOMESTIC DEBT			
- **Domestic Debt:**	505.9	364.2	288.5
of which social welfare payments	315.7	203.7	158.7
TOTAL PUBLIC DEBT	**4,007.9**	**3,658.0**	**3,453.9**

Source: Public debt, Caisse Congolaise d'Amortissement.

With a favorable economic environment and continued high commodities prices in 2007, the government of the Republic was able to continue its "*Nouvelle Espérance"* social program, as well as to continue activity in the non-petroleum sector, including organizing legislative elections, building urban infrastructure, putting on festivities for the 40th anniversary of independence and coordinating sociocultural and athletic events. However, economists forecast the first decline in eight years in the Congolese economy (including a reduction in GDP of 1.2% in real terms) due to reductions in petroleum production of 16%. These reductions resulted from the maturing of certain oilfields and from the interruption of crude oil extraction at the Nkossa platform following a fire. Further, despite the continued high prices of a barrel of crude oil and the consolidation of non-petroleum sector activity, budget results were on the whole somewhat weak. However, non-petroleum-related GDP was expected to increase by 6.6%, compared with 6% in 2006. As of September 30, 2007, the primary budget surplus amounted to 17.6% of GDP compared with 31% of GDP for the same period of the previous year. This decline in the primary balance resulted from a decline in petroleum revenues and from spending which exceeded forecasts for the first nine months of 2007. Nonetheless, the positive performance of primary products prices, in particular petroleum, made up for the decline in production and contributed to a positive balance of payments. At current rates, GDP was expected to amount to 3,643.9 billion CFAF in 2007, compared with 4,042.7 in 2006.

In 2008, GDP growth is forecast to increase to 9%, compared with –1.2% in 2007 due to oil-related GDP, forecast to increase by 14.3% compared with a decline of 16% in 2007, in connection with the Moho Bilondo oilfield going online, increasing total production to 94.9 million barrels. The non-petroleum sector is forecast to accelerate growth to 6.9%, due largely to growth in the lumber and forestry sector, the secondary sector and the transport and telecommunications sector. The Republic's budget resources expected in 2008 are forecast at 1,671 billion CFAF compared with 1,376.9 billion CFAF in 2007. Revenues are forecast to be 1,621 billion CFAF, mainly from oil exports. External resources of 50 billion CFAF are expected to consist

of 24 billion CFAF in loans from China and the World Bank to finance ongoing projects and 26 billion CFAF in contributions from bilateral and multilateral partners (including Italy, South Korea, the European Union and the African Development Bank). Spending priorities in 2008 are expected to include development of communications and transport infrastructure (including roads, airports and telecommunications), the completion of major urbanization projects in the Cuvette region, urbanization projects in Brazzaville, poverty reduction efforts and spending on the 2008 and 2009 elections.

Changes in the real sector

(% change)

	2007	2008*
By volume		
Oil GDP	(16)	14.3
Non-oil GDP	6.6	6.9
GDP	**(1.2)**	**9.0**
By value		
Oil GDP	(18.8)	31.1
Non-oil GDP	9.7	9.8
GDP	**(9.9)**	**23**
Inflation rate	2.5	3.3
Brazzaville	2.5	-
Pointe-Noire	2.5	-

Source: Direction Générale de l'Economie
** Forecasts*

As discussed below, the Republic is working to address two major challenges: economic dependence on oil revenues and debt.

3. Medium-Term Strategy

The authorities have designed a medium-term development and poverty reduction strategy (PRSP), in close cooperation with civil society and multilateral financial institutions. The progressive restoration of macroeconomic balance is indeed only a step, necessary but not sufficient, toward the return to healthy and sustainable growth. Indeed, the latter must reach, and remain at, 7% on the average in the non-oil sector for poverty, which still affects some 50% of the population, to be significantly reduced. In these circumstances, it is imperative for the Republic to diversify its economic base, which still depends on oil operations for up to 80% of export receipts and 70% of government revenue. The country hence remains highly vulnerable to exogenous shocks and faces an urgent need for broadening the sources of employment in the non-oil sector. At the same time, it continues to be confronted with very significant reconstruction requirements in transportation, energy generation and water supply, as well with the need to strengthen human capital and improve social services (education, health, etc.).

Given the expected decline in oil production starting in the next decade, a central objective of the Government is to bring about a gradual modification of the structure of the economy by establishing over the next few years a framework conducive to the development of private activities in the non-oil sector. Attainment of this objective will call for completion of significant investments in infrastructure and in health and education. It will also require a measurable improvement in the business environment, in particular through the promotion of transparency and good governance, the reform of the judiciary and the

fight against corruption. It is clear, then, that the country remains confronted with major challenges for its development.

Against this background, the Congolese authorities invite their partners to beware of the somewhat artificial comfort caused by the current improvement in the country's financial position in response to prevailing oil prices. This financial improvement is traceable mostly to the limited absorption capacity of the country against the huge needs identified by the populations in the context of the PRSP exercise. This is the very reason why the Government has decided to allocate part of the increase in its resources to a revenue stabilization fund. The resources of this fund, which are to be used in agreement with the IMF, are designed to smooth out public sector receipts over time so as to carefully spread the volume of public sector spending in accordance with the evolution of the economy's absorptive capacity. This prudence is also aimed at establishing a cushion against potential exogenous shocks, such as a fall in oil prices or a drop in oil output.

The Government of the Republic of Congo must reconcile the restoration of its financial relations with external partners with the expectations of the population regarding improvements in their living standards and the strengthening of the nation's productive capacity. The authorities have therefore made the choice of taking advantage of the upturn in oil prices both to honor their obligations vis-à-vis foreign partners in a way that is compatible with the country's medium-term payment capacity and to meet the most urgent domestic needs.

II. THE DEBT PROBLEM

The success of the strategy adopted by the authorities inevitably depends on a satisfactory resolution of the external debt problem and on the restoration of the Republic's international creditworthiness. One of the conditions for the country's development will indeed be its capacity to attract the necessary foreign investment and to encourage the growth of national saving.

The debt sustainability analyses (DSA) prepared by the IMF and the World Bank to support the determination of eligibility of the Republic to the HIPC Initiative — a preliminary DSA prepared in 2004 and the final DSA of January 31, 2006 in support of the proposed adoption of the decision point — bring into stark relief the unsustainable level of the Republic of Congo's external indebtedness and the significant obstacle it poses to the implementation of the poverty reduction strategy – as well as to reaching the Millennium Development Goals (MDG), the set of objectives designed to improve living standards as defined by the Millennium Declaration by the Member States of the United Nations (UN). At the end of 2004, nominal debt represented almost 200% of GDP, more than 230% of exports of goods and services, and close to 615% of the country's tax revenues, one of the highest such ratios in the world. In net present value (NPV) terms, these ratios were only marginally lower as most of the debt had been contracted on commercial terms.

The simulations provided by these analyses also indicate that the traditional mechanisms of debt reduction (the so-called "Naples Terms") would fall well short of allowing the Republic to reach the debt sustainability thresholds set by the indicators retained for the HIPC Initiative. The debt/budget revenue ratio would have declined to only 370% at the end of 2004, compared with a maximum target of 150% under the HIPC Initiative. It is these considerations, combined with the performance of the Republic under the PRGF program, that led the international community, in March 2006, to approve the eligibility of the Republic to the "decision point" under the HIPC Initiative, and therefore to launch the process of alleviating the country's external debt burden. The April 2006 additional relief by the Paris Club was granted on these bases.

The decisions of the Paris Club are nevertheless conditional upon the granting by other creditors of conditions at least as favorable as the Club's, and this participation in the joint effort is, in any event, required by the need to meet the debt sustainability thresholds. The agreement in principle reached by the Republic with the London Club Committee represents an important step toward meeting this objective, even though its implementation will have a significant financial impact on the Republic's treasury cash flow owing to the weight of the down-payment made on the closing date.

LE SYSTEME BANCAIRE

Organisation du système bancaire congolais

I. AUTORITES MONETAIRES ET FINANCIERS

La principale autorité monétaire et financière de la République est le Ministère de l'Economie, des Finances et du Budget à Brazzaville. Le Ministre de l'Economie, des Finances et du Budget est M. Pacifique ISSOIBEKA

II. INSTITUT D'EMISSION

La Banque des Etats de l'Afrique Centrale (BEAC) est l'institut d'émission monétaire du franc CFA pour les états de la Communauté économique et monétaire de l'Afrique centrale (CEMAC), dont la République. La BEAC sert aussi comme commission bancaire pour les pays de la CEMAC.

Les missions de la CEMAC

Dès leur accession à l'indépendance, les pays d'Afrique Centrale (Cameroun, République Centrafricaine, République du Congo, Gabon, Guinée Equatoriale et Tchad) prennent conscience de créer une institution de coopération régionale. A ce titre, ils signent le 08 décembre 1964 le Traité instituant l'Union Douanière et Économique de l'Afrique Centrale (UDEAC). Par la suite, les 22 et 23 novembre 1972, ces états signent deux conventions de coopération monétaire, l'une entre eux, l'autre avec la France, et se dotent ainsi d'une monnaie commune (le franc de la coopération financière en Afrique). La Guinée Equatoriale adhère à l'UDEAC le 1er janvier 1985, devenant ainsi le sixième membre. La coopération monétaire a fonctionné à la satisfaction des États membres, mais elle est restée déconnectée de la coopération économique.

Les États membres de l'UDEAC doivent faire face à de nouveaux défis internationaux, entre autres un mouvement accéléré de la globalisation qui ouvre le marché national à la concurrence des entreprises extérieures avec un risque sérieux de marginalisation pour les économies faibles et parallèlement, la formation ou le renforcement des blocs régionaux à compétence élargie, qui jouent les premiers rôles dans les négociations économiques internationales.

Dans cette optique, la CEMAC, qui remplace l'UDEAC, vise les objectifs suivants : l'harmonisation des politiques et l'élaboration d'un cadre juridico-économique favorable à la relance de l'investissement et la réalisation d'un marché commun. Pour y parvenir, elle impose une nouvelle approche de l'intégration fondée sur quelques principes de base :

- la convergence et la cohérence des politiques économiques ;
- la stabilité de la monnaie
- la participation renforcée des acteurs privés
- un développement harmonieux et partagé entre les États membres

Le Traité instituant la CEMAC a été signé le 16 mars 1994 à N'Djaména. Les Chefs d'État et de gouvernement des pays membres, ont lancé officiellement les activités de la Communauté Économique et Monétaire de l'Afrique Centrale le 25 juin 1999, avec la nomination des responsables des divers organes créés et l'adoption d'un plan d'action dit « Déclaration de Malabo ».

Les missions de la BEAC

La Banque des États de l'Afrique Centrale (BEAC) a pour missions :

- d'émettre la monnaie des pays membres de la CEMAC et en garantir la stabilité.
- de définir et de conduire la politique monétaire applicable dans les pays membres de la CEMAC.
- de conduire les opérations de change.
- de détenir et gérer les réserves de change des pays membres.
- de promouvoir le bon fonctionnement du système des paiements dans l'Union.

Le fonctionnement de la BEAC

Les différents organes et structures ci-après participent à l'administration, la gestion et au contrôle de la BEAC.

1. Le Comité Ministériel de l'UMAC

Régi par la Convention de l'Union Monétaire de l'Afrique Centrale, le Comité Ministériel, composé de deux Ministres pour chaque Etat membre, dont le Ministre des Finances, examine les grandes orientations en matière de politique économique des Etats et assure leur cohérence avec la politique monétaire commune. Le Comité Ministériel, entre autres, décide de l'augmentation ou de la réduction du capital de la BEAC, donne un avis conforme sur les propositions de modification des statuts de la BEAC soumises par le Conseil d'Administration, ratifie les comptes annuels de la BEAC approuvés par le Conseil d'Administration et décide, sur proposition de celui-ci, de l'affectation des résultats et statue, sur proposition du Conseil d'Administration, sur la création et l'émission des billets de banque et des monnaies métalliques ainsi que sur leur retrait et leur annulation.

2. Le Conseil d'Administration de la BEAC

Le Conseil d'Administration administre la BEAC et veille à son bon fonctionnement. Il définit et met en œuvre la politique monétaire de l'Union.

Le Conseil d'Administration est composé de 13 Administrateurs répartis comme suit : quatre représentants pour la République du Cameroun, trois pour la République française, deux pour la République gabonaise et un pour chacun des pays suivants : la République centrafricaine, la République du Congo, la République de Guinée Equatoriale et la République du Tchad. Chaque Administrateur a un suppléant désigné pour la durée de son mandat. Les Administrateurs suppléants de la République centrafricaine, de la République du Congo, de la Guinée Equatoriale et du Tchad siègent au Conseil, avec voix consultative.
Le Conseil d'Administration se réunit au moins quatre fois par an et aussi souvent que nécessaire, sur convocation de son Président ou à la demande des Administrateurs d'un Etat. Les Administrateurs sont désignés pour une durée de trois ans renouvelable.

3. Le Collège des Censeurs

Le Collège des Censeurs est composé de trois censeurs : un camerounais, un français et un gabonais représentant les autres Etats membres. Les Censeurs contrôlent l'exécution du budget de la BEAC et la régularité de l'ensemble de ses opérations. Ils assistent, avec voix consultative, aux réunions du Conseil d'Administration et à celles des Comités Monétaires et Financiers Nationaux où leurs avis sont obligatoirement consignés au procès-verbal.

4. Le Comité d'Audit

Le Comité d'Audit a essentiellement des missions de surveillance et programmation des activités du contrôle externe de la BEAC.

5. Les Comites Monétaires et Financiers Nationaux

Les Comités Monétaires et Financiers Nationaux traitent de tous les problèmes monétaires et de crédit. Ils procèdent à l'examen des besoins généraux de financement de l'économie de l'Etat membre et proposent au Conseil d'Administration les objectifs de refinancement arrêtés dans le cadre de la programmation monétaire. Ils reçoivent leurs attributions du Conseil d'Administration et sont composés, dans chaque Etat membre :

1. des Ministres représentant les Etats membres au Comité Ministériel ou leur représentant ;
2. des Administrateurs de la BEAC représentant les Etats membres au Conseil d'Administration ;
3. une personnalité nommée par le Gouvernement de l'Etat membre ;
4. le Gouverneur ou son représentant ;
5. deux Censeurs dont le censeur français.

Le Directeur National de la BEAC en est le rapporteur.

6. Le gouvernement de la BEAC

Le Gouverneur de la BEAC est nommé par la Conférence des Chefs d'Etat de la CEMAC. La durée de son mandat est de cinq ans renouvelable. Il assure la direction de la BEAC et veille au respect de ses statuts. Il convoque le Conseil d'Administration, fixe l'ordre du jour de ses travaux et préside ses délibérations. De même, le Gouverneur représente la BEAC vis-à-vis des tiers. Il organise et dirige les services de l'Institut d'Emission. Le Gouverneur est assisté, dans l'exercice de ses fonctions, par le Vice-Gouverneur et le Secrétaire Général, nommés tous les deux pour cinq ans renouvelable, par la Conférence des Chefs d'Etat de la CEMAC.

7. L'administration générale

Au siège central, l'Institut d'Emission fonctionne avec neuf Directions Centrales, cinq Départements et une Cellule d'Etudes. Les Départements et la Cellule d'Etudes sont directement rattachés au Secrétariat Général. Les Directions Centrales assurent la gestion comptable de la BEAC, mettent en œuvre sa politique monétaire auprès des établissements de crédit et des entreprises intéressées, et s'occupent des autres tâches administratives, pédagogiques et informatiques de la BEAC. Elles gerent aussi les relations entre la BEAC et les institutions internationales

Sous l'autorité du Gouverneur et du Vice-Gouverneur, le Secrétaire Général assure la coordination administrative de la BEAC, la gestion de son patrimoine mobilier et immobilier ainsi que le déploiement optimal de la logistique nécessaire à l'exercice de toutes les activités de la BEAC. Les Départements l'aident dans ces tâches. Un Département traite aussi des problèmes juridiques.

8. Les services extérieurs

La BEAC compte six Directions Nationales, treize Agences, cinq Bureaux, deux Dépôts et une Délégation Extérieure.

Les Directions Nationales de la BEAC sont dans chaque Etat membre de la CEMAC: Cameroun, Centrafrique, République du Congo, Gabon, Guinée Equatoriale et Tchad. Elles sont dirigées par des Directeurs Nationaux. La Direction Nationale de la République se trouve à Brazzaville. Son Directeur National est M. Mathias DZON.

Dans l'ensemble de la Zone d'Emission, la BEAC dispose de treize Agences dont six abritent les locaux des Directions Nationales et ont le statut de siège social. Il s'agit des Agences de Bangui, Brazzaville, Libreville, Malabo, N'Djaména et Yaoundé. Les sept autres étant Bafoussam, Bata, Douala, Garoua, Limbé, Pointe-Noire et Port-Gentil.

La BEAC dispose aussi de cinq bureaux : un au Cameroun (Nkongsamba), deux au Gabon (Oyem et Franceville) et deux au Tchad (Sarh et Moundou) ; ainsi que de deux dépôts de billets et monnaies en République centrafricaine, à Berbérati et à Bouar. La BEAC dispose en outre d'une représentation en France : le Bureau Extérieur de Paris.

9. Le commissariat aux comptes

Le cabinet Ernst & Young a été choisi comme Commissaire aux Comptes de la BEAC depuis octobre 2000. Son opinion sur les comptes, le rapport d'audit ainsi que le rapport sur le Compte d'Opérations son présentés au Conseil d'Administration et au Comité Ministériel.

La Caisse Congolaise d'Amortissement

La Caisse Congolaise d'Amortissement à Brazzaville gère la dette de la République. Son directeur général par intérim est M. Théodore IKEMO.

III. BANQUES ET INSTITUTIONS FINANCIERES :

Les principales banques et institutions financières de la République sont la Banque Congolaise Internationale (BCI), Crédit du Congo, La Congolaise de Banque (LCB), BGFIBANK-Congo et Alios Finance Congo (ex SOCOFIN). La BCI a son siège à Brazzaville, ainsi qu'une agence à Pointe-Noire. Le Crédit du Congo est l'ancien Crédit Lyonnais, ayant changé de dénomination en mars 2007. Son siège social est à Brazzaville, avec une direction générale à Pointe-Noire. La LCB et BGFIBANK-Congo ont leurs sièges à Brazzaville. Alios Finance Congo a son siège à Pointe-Noire. Les Mutuelles Congolaises d'Epargne et de Crédit (MUCODEC) sont une autre institution bancaire, avec son siège à Brazzaville.

TERMS AND CONDITIONS OF THE SECURITIES

This section of this Information Memorandum sets forth the text of the Terms and Conditions of the Securities that appear on the reverse of each of the Securities (the "Terms and Conditions"). Certain provisions of the Securities refer to and are subject to the Trust Indenture and the Supplemental Indenture. The description of the Securities set forth herein does not purport to be complete and is qualified in its entirety by reference to the Securities, the Trust Indenture and the Supplemental Indenture. The Republic urges you to read the Trust Indenture and the Supplemental Indenture for a complete description of the Republic's obligations and your rights as a holder of the Securities.

1. General. (a) This Security is a duly authorized debt security of the Republic, designated as its "U.S. Dollar Notes Due 2029" (each Security, a "Security" and, collectively, the "Securities"), and issued pursuant to a Trust Indenture dated as of November 15, 2007 between the Republic and HSBC Bank USA, N.A., as Trustee (the "Trustee"), as amended from time to time (the "Indenture"). The Holders of the Securities shall be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of the Indenture. A copy of the Indenture is on file and may be inspected at the Corporate Trust Office of the Trustee in The City of New York during normal business hours and upon reasonable notice. All capitalized terms used in this Security but not defined herein shall have the meanings assigned to them in the Indenture.

(b) The Securities have been authorized by the Minister of Economy, Finance and Budget of the Republic of Congo in accordance with the Authorization dated as of December 7, 2007.

(c) The Securities are in fully registered form, without coupons. Securities will be originally issued and represented by two registered global securities (each, a "Global Security") held by or on behalf of the Depositary. Securities in certificated form (the "Certificated Securities") shall be available only in the limited circumstances set forth in the Indenture. The Securities, and transfers thereof, shall be registered as provided in Section 2.6 of the Indenture. Any person in whose name a Security shall be registered may (to the fullest extent permitted by applicable law) be treated at all times, by all persons and for all purposes as the absolute owner of such Security regardless of any notice of ownership, theft, loss or any writing thereon.

The Securities shall be issued in denominations of U.S.$1,000 and integral multiples of U.S.$1,000 in excess thereof.

2. Payments and Trustee Paying Agents. (a) The final installment of the payment of principal of the Securities shall be payable against surrender of such Securities at the Corporate Trust Office of the Trustee in The City of New York or, subject to applicable laws and regulations, at the office outside of the United States of any paying agent that shall be appointed by the Trustee, at the expense of the Republic (each, a "trustee paying agent"), by U.S. dollar check drawn on, or by transfer to a U.S. dollar account maintained by the Holder with, a bank located in The City of New York. Interim installments of principal payments, and payment of interest (including Additional Amounts), on Securities shall be made to the persons in whose name such Securities are registered at the end of the fifteenth day preceding the date on which such amount is to be paid (each, a "Record Date"), whether or not such day is a Business Day (as defined below), notwithstanding the cancellation of such Securities upon any transfer or exchange thereof subsequent to the Record Date and prior to such payment date; provided, however, that if and to the extent the Republic shall default in the payment of an interim principal installment or the interest due on such payment date, such defaulted amount shall be paid to the persons in whose names such Securities are registered as of a subsequent record date established by the Republic by notice, as provided in Paragraph 6 hereof, by or on behalf of the Republic to the Holders of the Securities not less than 15 days preceding such subsequent record date, such record date to be not less than 10 days preceding the date of payment of such defaulted amount. Interim installments of principal payments, and payment of interest on Securities shall be made by providing to the Trustee or, as agreed with the Trustee, to a trustee paying agent, the amount of such payment, in U.S. dollars in immediately available funds, not later than 10:00 A.M. local time on the second Business Day prior to the Payment Date, and directing the Trustee to hold these funds in trust for the Trustee and the beneficial owners of the securities in accordance with their respective interests and (a) for payments on a Global Security, to make a wire transfer of such amount in U.S. dollars to the Depositary, which will receive the funds in trust for

distribution to the beneficial owners of the Securities; provided that the Republic may, subject to applicable laws and regulations, make payments of principal of and interest on the Securities by mailing, or directing the Trustee to mail, from funds made available by the Republic for such purpose, a check to the person entitled thereto, on or before the due date for the payment at the address that appears on the security register maintained by the Registrar on the applicable Record Date and (b) for payments on Certificated Securities, to make such payment to the Holder (i) by a U.S. dollar check drawn on a bank in The City of New York mailed to such Holder at such Holder's registered address or (ii) upon application by the Holder of at least U.S.$1,000,000 in principal amount of Certificated Securities to the Trustee not later than the relevant Record Date, by wire transfer in immediately available funds to a U.S. dollar account maintained by the Holder with a bank in The City of New York. "Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in each of New York City, Paris, London, Luxembourg or Tokyo (or in the city where the relevant trustee paying agent or Transfer Agent is located) are not authorized to be open or are obligated by law or regulation to be closed.

(b) In any case where the date of payment of the principal of, or interest (including Additional Amounts), on the Securities shall not be a Business Day, then payment of principal or interest (including Additional Amounts) need not be made on such date at the relevant place of payment but may be made on the next succeeding Business Day. Any payment made on a date that is the next succeeding Business Day following the date on which such payment is due as set forth herein shall have the same force and effect as if made on the date on which such payment is due, and no interest shall accrue for the period after such date.

(c) Interest in respect of any period of less than one year shall be calculated on the basis of a 360-day year of twelve 30-day months.

(d) Subject to applicable abandoned property laws, any monies deposited with the Trustee for the payment of the principal of or interest (including Additional Amounts) on any Security and not applied but remaining unclaimed for five years after the date upon which such principal or interest shall have become due and payable shall be repaid to the Republic upon written request without interest, and the Holder of any such Security may thereafter look only to the Republic for any payment to which such Holder may be entitled, and all liability of the Trustee with respect to such monies shall thereupon cease. The Republic shall hold returned, unclaimed monies in trust for the relevant Holder of the Security until such time as the claims against the Republic for payment of such amounts shall have been prescribed pursuant to paragraph 8 hereof.

3. Replacement, Exchange and Transfer of Securities. (a) Upon the terms and subject to the conditions set forth in the Indenture, in case any Security shall become mutilated, defaced or be apparently destroyed, lost or stolen, the Republic in its discretion may execute, and upon the request of the Republic, the Trustee shall authenticate and deliver, a new Security bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Security, or in lieu of and in substitution for the apparently destroyed, lost or stolen Security. In every case, the applicant for a substitute Security shall furnish to the Republic and to the Trustee such security or indemnity as may be required by each of them to indemnify, defend and to save each of them and any agent of the Republic or the Trustee harmless and, in every case of destruction, loss, theft or evidence to their satisfaction of the apparent destruction, loss or theft of such Security and of the ownership thereof. Upon the issuance of any substitute Security, the Holder of such Security shall pay a sum sufficient to cover any stamp duty, tax or other similar governmental charges that may be imposed in relation thereto and any other commercially reasonable expenses (including the fees and expenses of the Trustee) connected with the preparation and issuance of the substitute Security.

(b) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Paragraph 3(e) hereof, a Certificated Security or Securities may be changed for an equal aggregate principal amount of Certificated Securities in different authorized denominations, and a beneficial interest in the Global Security may be exchanged for Certificated Securities in authorized denominations or for a beneficial interest in another Global Security by the Holder or Holders surrendering the Security or Securities for exchange at the Corporate Trust Office of the Trustee in The City of New York or at the office of a Transfer Agent, together with a written request for the exchange. Certificated Securities shall only be issued in exchange for interests in a Global Security pursuant to Section 2.6(f) of the Indenture. The exchange of the Securities shall be made by the Trustee in The City of New York.

(c) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Paragraph 3(e) hereof, a Certificated Security may be transferred in whole or in a smaller authorized denomination by the Holder or Holders surrendering the Certificated Security for transfer at the Corporate Trust Office of the Trustee in The City of New York or at the office of a trustee paying agent accompanied by an executed instrument of transfer substantially as set forth in the Indenture. The registration of transfer of the Securities shall be made by the Trustee in The City of New York.

(d) The costs and expenses of effecting any exchange, transfer or registration of transfer pursuant to this Paragraph 3 shall be borne by the Republic, except for the expenses of delivery (if any) not made by regular mail and the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge or insurance charge that may be imposed in relation thereto, which shall be borne by the Holder of the Security.

(e) The Trustee may decline to accept any request for an exchange or registration of transfer of any Security during the period of 15 days preceding the due date for any payment of principal of or interest on the Securities.

4. Trustee. For a description of the duties and the immunities and rights of the Trustee under the Indenture, reference is made to the Indenture, and the obligations of the Trustee to the Holder hereof are subject to such immunities and rights. HSBC Bank USA, N.A. will initially serve as Trustee under the Indenture.

5. Trustee Paying Agents; Transfer Agents; Registrar. So long as the Securities are Outstanding, the Trustee shall appoint, without liability and at the expense of the Republic, a trustee paying agent for payment on the securities and the Republic shall appoint a Transfer Agent for payment on the Securities and a Registrar, each having a specified office in The City of New York. The Trustee has initially appointed HSBC Bank USA, N.A. as trustee paying agent and the Republic has initially appointed HSBC Bank USA, N.A. as Transfer Agent and Registrar. If necessary to reduce or eliminate the deduction or withholding of tax, as directed by the Republic, the Trustee shall also maintain, without liability and at the expense of the Republic, a trustee paying agent in a member state of the European Union that is not obliged to deduct or withhold tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2002 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Subject to the foregoing, the Republic shall have the right at any time to instruct the Trustee to terminate any such appointment of a trustee paying agent and shall have the right at any time to vary or terminate any such appointment of a Transfer Agent or Registrar and to appoint any other paying agents or Transfer Agents in such other places as it may deem appropriate for the purpose of making payments for the exclusive benefit of Holders. Notwithstanding the foregoing, the trustee paying agent and any trustee paying agent appointed hereunder shall be agents solely of the Trustee, and the Republic shall have no authority over or any direct relationship with the trustee paying agent or any such trustee paying agent.

6. Notices. All notices to the Holders shall be published (a) in a leading newspaper having general circulation in New York City and (b) if and for so long as the Securities are listed on a securities exchange outside of the Republic as required for continued listing thereon. Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices shall be mailed to Holders of Securities at their registered addresses as recorded in the books and records of the Trustee. Notice sent by registered or certified mail, postage prepaid, shall be deemed to have been given, made or served five Business Days after it has been sent.

7. Further Issues of Securities. Subject to Section 2.1 of the Indenture, the Republic may from time to time without the consent of the Holders of the Securities create and issue additional debt securities ranking *pari passu* with the Securities and having terms and conditions which are the same as those of the Securities, or the same except for the amount of the first payment of interest, which additional debt securities may be consolidated and form a single series with the outstanding Securities, except that (i) any such additional debt securities may have a different issue date and a different initial interest period, and (ii) any such additional debt securities may have, for a limited period or permanently, different ISINs and other identifying numbers as deemed necessary or appropriate by the Republic in order to comply with tax or

securities laws. No issue of Additional Securities shall utilize the same ISIN or "Common Code" number as a Security already issued hereunder, unless such Security and the Additional Securities are treated as part of the same issue of debt instruments for U.S. federal income tax purposes.

8. Prescription. All claims against the Republic for payment of principal of or interest (including Additional Amounts) on or in respect of the Securities shall, to the extent permitted by New York law, be prescribed unless made within five years from the date on which such payment first became due, or a shorter period if provided by New York law.

9. Covenants. Certain covenants of the Republic with respect to this Security are set forth in Article Three of the Indenture.

10. Events of Default. The Events of Default with respect to this Security are set forth in Article Four of the Indenture. If an Event of Default shall occur and be continuing, the principal of the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

11. Redemption. (a) The Republic may redeem the Securities, in whole or in part on any Interest Payment Date (each, a "Redemption Date"), at par, by giving the Trustee not less than 45 days prior written notice of such Redemption Date and the principal amount of Securities to be redeemed on such date, provided that no default in the payment of principal of, or interest on, the Securities has occurred and is continuing. The Trustee shall promptly notify the Holders thereof, at the expense of the Republic.

(b) All redemptions shall be at 100% of the outstanding principal amount of the relevant Securities, together with accrued interest to the Redemption Date.

(c) If not all Securities are being redeemed, the Trustee shall determine the portion to be redeemed from each Holder by calculating the amount of Securities owned by each Holder relative to the outstanding principal amount of Securities held by such Holders. The Trustee shall, not less than 30 days prior to the Redemption Date, give notice of the proportionate principal amount to be redeemed to the Republic and each Holder. Partial redemptions will be applied to installments in inverse order of their maturity.

12. Conversion / Buy Back. This Security may be eligible (a) for conversion into capital within the framework of any operation or program under which other External Indebtedness can be converted into capital, and (b) for any buy back plan under which is eligible other Publicly Issued External Indebtedness having a remaining term no more than one year greater or less than the remaining term of the Securities, it being specified that such buy back may take place at different prices provided comparable treatment is ensured among all the different types of Indebtedness involved. The Republic shall propose any amendment to the laws and regulations in force that could be necessary to render the Securities eligible to participate on a non-discriminatory basis in such operations or programs (including, for instance and as appropriate, the issuance of decrees governing the conversion of debt, or authorizing foreign creditors, or any of their agents or subsidiaries, to hold capital securities in the relevant entities, or authorizing the payment of dividends or distributions to such creditors).

13. Repurchases. This Security may be repurchased by the Republic or any Governmental Entity (whether in the form of cash, debt securities, investments or otherwise) at any price and at any time, by public tender or in the open market, provided, however, that:

(a) no default in the payment of principal of, or interest on, the Securities exists and is continuing;

(b) the Republic's obligations to make payments of principal and interest with respect to each of the Securities that is repurchased by, or on behalf of, the Republic or any Governmental Entity is cancelled; *provided* that the Republic shall not be required to cancel any Security purchased or otherwise acquired by, or on behalf of, the Republic or any Governmental Entity if such Security was purchased or otherwise acquired for purposes of (i) securing External Indebtedness of a State-Controlled Entity incurred in connection with, or on or after the date of, such purchase or acquisition of such Security, (ii) capitalizing distressed financial institutions of

the Republic, (iii) in the case of State-Controlled Entities regularly engaged in the business of investing or trading in securities, for the purpose of conducting such business in the ordinary course for their own accounts or the accounts of customers other than the Republic or (iv) using such Securities as a means to satisfy obligations of the Republic or of any Governmental Entity; and

(c) in the case of a public tender offer to purchase the Securities, such offer is made ratably to all Holders of the Securities in proportion to each Holder's share of the outstanding principal amount of Securities.

14. Authentication. This Security shall not become valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee or its agent.

15. Governing Law. THIS SECURITY AND THE INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, UNITED STATES OF AMERICA.

16. Currency Indemnification. The obligation of the Republic to any Holder under the Securities that has obtained a court judgment affecting the Securities or the Indenture shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which the Security is denominated (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by such Holder of any amount in the Judgment Currency, such Holder may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency (or, if it is not practicable to make that purchase on that day, on the first Business Day on which it is practicable to do so); *provided* that if the amount of the Agreement Currency so purchased is less than the amount originally to be paid to such Holder in the Agreement Currency, the Republic agrees, as a separate obligation and notwithstanding such judgment, to pay the difference, and if the amount of the Agreement Currency so purchased exceeds the amount originally to be paid to such Holder, such Holder agrees to pay to or for the account of the Republic such excess; provided, however, that such Holder shall not have any obligation to pay any such excess as long as a default by the Republic in its obligations hereunder has occurred and is continuing, in which case such excess may be applied by such Holder to such obligations.

17. Warranty of the Republic. Subject to Paragraph 14 hereof, the Republic hereby certifies and warrants that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Security and to constitute the same legal, valid and binding obligations of the Republic enforceable in accordance with their terms, have been done and performed and have happened in due and strict compliance with all applicable laws.

18. Descriptive Headings. The descriptive headings appearing in this Security are for convenience of reference only and shall not alter, limit or define the provisions hereof.

19. Modifications. The Indenture permits the amendment thereof and the modification of the rights and obligations of the Republic and the rights of the Holders of the Securities under the Indenture at any time by the Republic with the consent of the Holders of specified percentages of the Outstanding Principal Amount of the Securities, as set forth in the Indenture. The Indenture also contains provisions permitting the Holders of specified percentages of the Outstanding Principal Amount of the Securities, on behalf of all Holders, to waive compliance by the Republic with provisions of the Indenture and to waive past defaults under the Indenture and their consequences. Any such amendment, modification, consent or waiver shall, upon receipt of evidence by the Trustee in accordance with Section 6.1 of the Indenture, be conclusive and binding upon such Holders and upon all future Holders of this Security and of any Security issued upon the transfer, exchange or replacement of this Security, whether or not notation of such amendment, modification, consent or waiver is made upon this Security.

BOOK-ENTRY SETTLEMENT AND CLEARANCE

The information in this section concerning Euroclear and Clearstream, Luxembourg and their book-entry systems has been obtained from sources the Republic believes to be reliable, but the Republic makes no representation or warranty with respect to this information. Euroclear and Clearstream are under no obligation to perform or continue to perform the procedures described below, and they may modify or discontinue them at any time. None of the Republic, the Trustee, or the Exchange Agent will be responsible for Euroclear or Clearstream, Luxembourg's performance of each of its obligations under its rules and procedures, or for the performance by direct or indirect participants of its obligations under the rules and procedures of the clearing systems.

The Securities were initially issued in the form of two registered Securities in global form, without interest coupons, as follows:

- Securities offered to Qualified Institutional Buyers and Accredited Investors in reliance upon an exemption from the registration requirements of the Securities Act (including, without limitation, the exemption provided by Section 4(2) of the Securities Act) were initially issued in the form of a Global Security (the "Restricted Global Security") in definitive, fully registered form, without interest coupons, substantially as set forth in the Form of Security, with such applicable legends as are provided for in Annex A; and

- Securities offered outside the United States to Non-U.S. Persons in reliance on Regulation S were initially issued in the form of one Global Security in definitive, fully registered form, without interest coupons, substantially as set forth in the Form of Security, with such applicable legends as are provided for in Annex A. Such Global Securities shall collectively be referred to herein as the "Unrestricted Global Securities".

The Securities have been accepted for clearing and settlement by Euroclear and Clearstream, Luxembourg. Upon issuance, each of the Global Securities were deposited with the common depositary for Euroclear and Clearstream, Luxembourg and registered in the name of the nominee of the common depositary of Euroclear and Clearstream, Luxembourg. Securities issued to U.S. Persons have separate identification numbers (ISIN) from Securities issued to Non-U.S. Persons.

The aggregate principal amount of the Restricted Global Security and the Unrestricted Global Securities may from time to time be increased or decreased by adjustments made on the records of the Registrar, as provided in the Trust Indenture or in the Terms and Conditions of the Securities. As used herein, the term "Restricted Securities" means all Securities required to bear a restrictive legend provided for in Annex A, including the Restricted Global Security and its Successor Securities, but excluding the Unrestricted Global Security. As used herein, the term "Successor Security" means, with respect to any particular Security, each Security issued after, and evidencing all or a portion of the same debt as that evidenced by, such particular Security; and, for the purposes hereof, any Security authenticated and delivered pursuant to the terms of the Trust Indenture in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security. As used herein, the term "Regulation S Securities" means the Unrestricted Global Securities and their Successor Securities.

Beneficial interests in the Global Securities may not be exchanged for Securities in physical certificated form except in the limited circumstances described below.

Each Global Security and beneficial interests in each Global Security will be subject to restrictions on transfer as described under "Notice to Investors".

Book-Entry Procedures for the Global Securities

With respect to all Securities evidencing all or part of the Securities that are registered in the name of a common depositary of Euroclear and Clearstream, Luxembourg, or a nominee thereof ("Global Securities"):

(a) The Restricted Global Security shall bear a legend substantially as follows:

"THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER. THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN A COMMON DEPOSITARY OF EUROCLEAR AND CLEARSTREAM, LUXEMBOURG OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN SECTION 2.6(f) OF THE INDENTURE, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 2.6 OF THE INDENTURE. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH SECTION 2.6 OF THE INDENTURE."

(b) The Unrestricted Global Security shall bear a legend substantially as follows:

"THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER. THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN A COMMON DEPOSITARY OF EUROCLEAR AND CLEARSTREAM, LUXEMBOURG OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN SECTION 2.6(f) OF THE INDENTURE."

(c) Neither any members of, or participants in, Euroclear or Clearstream, Luxembourg ("Agent Members"), as the case may be, nor any other persons on whose behalf Agent Members may act shall have any rights under the Trust Indenture with respect to any Global Security registered in the name of the common depositary of Euroclear and Clearstream, Luxembourg or a nominee thereof, or under any such Global Security, and the common depositary of Euroclear and Clearstream, Luxembourg or any such nominee, as the case may be, may be treated by the Republic, the Trustee and any agent of the Republic or the Trustee, as the absolute owner and holder of such Global Security for all purposes. Notwithstanding the foregoing, nothing herein shall prevent the Republic, the Trustee or any agent of the Republic or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the common depositary of Euroclear and Clearstream, Luxembourg or the nominee thereof, or impair, as between Euroclear and Clearstream, Luxembourg and their Agent Members, and in each case any other Person on whose behalf an Agent Member may act, the operation of customary practices of such Persons governing the exercise of the rights of a Holder of any Security.

Registration, transfer and exchange of the Securities shall only take place pursuant to Section 2.6 of the Trust Indenture, herein incorporated by reference, and the rules of Euroclear and Clearstream, Luxembourg. Certificated Securities shall only be issued in exchange for interests in a Global Security pursuant to Section 2.6(f) of the Trust Indenture.

LISTING AND LISTING AGENT

The Republic has applied to admit the Securities to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF market.

The Luxembourg Listing Agent is Dexia Banque Internationale à Luxembourg, 69, Route d'Esch, L-2953 Luxembourg. Copies of the Republic's Exchange Agreement, Trust Indenture, Supplemental Indenture and the forms of the Securities will be made available for inspection during normal business hours on any day except Saturday, Sunday and public holidays at the offices of the Luxembourg Listing Agent for so long as the Securities are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require.

The contact for the Common Depositary of Euroclear and Clearstream, Luxembourg is Jatinder Dhaliwal, Common Depositary, Corporate Trust & Loan Agency, HSBC Securities Services, 8 Canada Square, London, E14 5HQ United Kingdom, telephone +4420 7991 3745, facsimile +4420 7260 8086, e-mail: jatinder.dhaliwal@hsbc.com.

NOTICE TO INVESTORS

The Securities were issued through two simultaneous offerings not subject to the registration requirements of the Securities Act: one offering in the United States intended for U.S. Persons under Section 4(2) of the Securities Act and a second offering outside the United States intended for Non-U.S. Persons under Regulation S of the Securities Act. Each person that acquired Securities was deemed to have represented, warranted and agreed at the Closing Date:

1. that it:

    a. is not a "**U.S. Person**" as that term is defined by Regulation S of the Securities Act and that it is acquiring the Securities in the context of a transaction that is taking place outside the United States (an "offshore transaction") in conformity with the provisions of Regulation S of the Securities Act; or

    b. is (i) an "**accredited investor**" within the meaning of Rule 501(a)(1), (2) or (3) of the Securities Act, (ii) a legal entity whose shareholders or partners ("equity owners") are all accredited investors as defined by Rule 501(a)(1), (2) or (3) of the Securities Act or (iii) a "**qualified institutional buyer**" ("**QIB**") as defined by Rule 144A of the Securities Act;

2. that it is not acquiring the Securities with a view to their sale or distribution within the meaning of the Securities Act;

3. that it is acquiring the Securities on its own behalf or for the account of a person meeting the requirements of Section (1) above;

4. that it acknowledges that the Securities have not been, and will not be, registered under the Securities Act; and that it will not be able to offer, sell or deliver the Securities to investors other than (i) persons it reasonably believes to be "qualified institutional buyers" ("QIB") within the meaning of Rule 144A of the Securities Act that are acquiring such securities on their own behalf, (ii) persons acquiring the securities in the context of transactions conducted outside of the United States ("offshore transactions") in accordance with Regulation S of the Securities Act, (iii) under an exception to the registration requirements set out in Rule 144 of the Securities Act; (iv) the Republic or (v) in the context of a transaction that is registered under the Securities Act;

5. that neither it nor any person acting on its behalf has offered to sell or has sold the Securities or the Eligible Debt under circumstances other than those described in paragraph 4 above;

6. that it understands that the Securities will bear the following notice concerning the Securities Act for a period of two years following their issuance:

    THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY OTHER STATE OF THE UNITED STATES OR OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR TO OR FOR THE ACCOUNT OF ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED) EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR IN A TRANSACTION NOT REQUIRING REGISTRATION UNDER SUCH ACT. THIS SECURITY IS TRANSFERABLE ONLY AS PROVIDED HEREIN AND IN THE TRUST INDENTURE.

7. that it acknowledges that the Republic will rely on the above-mentioned representations and that if any such representation proves to be false, it shall promptly notify the Republic; and

8. that it shall not offer to sell or sell the Securities either directly or indirectly in the United States or to a U.S. Person for a period of 40 days following their issuance (except for resale in the United States to QIBs who agree to accept delivery subject to the transfer restrictions mentioned above, to the extent permitted by Rule 904 of Regulation S.

Each person that acquires Securities further acknowledges and agrees:

1. that the offering of the Securities in the territory of the Member States of the EEA are made only to qualified investors as defined in the Prospectus Directive. Accordingly, the issuance of the Securities shall not give rise to the publication of a prospectus pursuant to the Prospectus Directive;

2. that, to the extent that a Purchaser is resident in the territory of an EEA member State, such Purchaser acknowledges it may not transfer Securities to persons residing in the territory of an EEA member State other than in compliance with the applicable rules under the Prospectus Directive and the relevant domestic laws and regulations;

3. that each Purchaser wishing to make a transfer of Securities not prohibited herein must comply with the procedures for, and other provisions relating to, transfers set forth in the Trust Indenture and the Supplemental Indenture; and

4. that neither the Republic nor any person representing the Republic has made any representation to it with respect to the Republic or the offering of the Securities, other than the information contained in this Information Memorandum. Each Purchaser represents that it is relying only on this Information Memorandum in making its investment decision with respect to the Securities. It agrees that it has had access to such information concerning the Republic and the Securities as it has deemed necessary in connection with its decision to purchase Securities, including an opportunity to ask questions of and request information from the Government.

JURISDICTIONAL RESTRICTIONS

The distribution of this Information Memorandum is restricted by law in certain jurisdictions. Persons into whose possession this Information Memorandum comes are required by the Republic to inform themselves of and to observe any of these restrictions.

This Information Memorandum does not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not authorized or in which the person making an offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make an offer or solicitation. The Republic does not accept any responsibility for any violation by any person of the restrictions applicable in any jurisdiction.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date**"**), an offer to the public of any Securities which are the subject of the offering contemplated by this Information Memorandum (the **"**Relevant Securities**"**) may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Republic; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Relevant Securities shall require the Republic to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Relevant Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Relevant Securities to be offered so as to enable an investor to decide to purchase or subscribe the Relevant Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive**"** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

This EEA selling restriction is in addition to any other selling restrictions set out in this Information Memorandum.

United Kingdom

The Republic has represented, warranted and agreed that:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of

Section 21 of the FSMA) received by it in connection with the issue or sale of the Relevant Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Republic; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

France

No prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of the Securities that has been approved by the *Autorité des marchés financiers* or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the *Autorité des marchés financiers*; no Securities have been offered or sold nor will be offered or sold, directly or indirectly, to the public in France; the prospectus or any other offering material relating to the Securities have not been distributed or caused to be distributed and will not be distributed or caused to be distributed to the public in France; such offers, sales and distributions have been and shall only be made in France to persons licensed to provide the investment service of portfolio management for the account of third parties and qualified investors (*investisseurs qualifiés*) investing for their own account, all as defined in Articles L. 411-2, D. 411-1, D. 411-2, D. 734-1, D.744-1, D. 754-1 and D. 764-1 of the *Code monétaire et financier*. The direct or indirect distribution to the public in France of any so acquired Securities may be made only as provided by Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the *Code monétaire et financier* and applicable regulations thereunder

United States

See jurisdictional restrictions set forth under "Notice to Investors."

TAXATION

United States Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS INFORMATION MEMORANDUM OR ANY OTHER DOCUMENT REFERRED TO HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY PROSPECTIVE INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE U.S. INTERNAL REVENUE CODE, (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE REPUBLIC IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE REPUBLIC OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN, AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a general summary of certain U.S. federal income tax considerations that generally would be relevant to a beneficial owner of the Securities that is a citizen or resident of the United States or a domestic corporation or otherwise subject to United States federal income tax on a net income basis in respect of the Securities (a "U.S. holder"). It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular investor's decision to invest in the Securities. In particular, this summary deals only with investors that will hold the Securities as capital assets, and it is not directed at initial holders of the Securities. Moreover, it does not address all U.S. federal income tax considerations applicable to investors that may be subject to special tax rules, including, without limitation, banks, insurance companies, tax-exempt entities, dealers or traders in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting, regulated investment companies, real estate investment trusts, persons that hedge their exposure in the Securities or will hold Securities as a position in a "straddle" or conversion transaction or as part of a "synthetic security" or other integrated financial transaction, taxpayers subject to the alternative minimum tax, or persons with a functional currency other than the U.S. dollar. U.S. holders should be aware that the U.S. federal income tax consequences of holding the Securities may be materially different for investors described in the prior sentence.

If a partnership holds the Securities, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership holding the Securities should consult its tax advisor with respect to the U.S. federal income tax treatment of an investment in the Securities.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury Regulations (including proposed regulations) and judicial and administrative interpretations thereof, in each case as in effect or available on the date of this Information Memorandum. All of the foregoing are subject to change; any such change could apply retroactively and could affect the tax consequences described below. The Republic has undertaken no obligation to update the following summary to reflect changes in law. Any investors purchasing Securities after the date of this Information Memorandum should consult their own tax advisors with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of Securities with respect to their particular circumstances.

Taxation of Qualified Stated Interest

Payments of "qualified stated interest" on a Security will be taxable to a U.S. holder as ordinary interest income at the time that such payments are received or accrued (in accordance with the U.S. holder's method of tax accounting). As relevant to the Securities, qualified stated interest generally means stated interest that is unconditionally payable in cash or in property (other than debt instruments of the issuer) at least annually during the entire term of a security at a single fixed rate (or, subject to certain conditions, based on one or more interest indices). Under this definition, interest payments on the Securities will be treated as qualified stated interest only to the extent of the portion of each such payment that corresponds to the 2.5% interest rate

initially applicable to the Securities. The portion of any interest payment that exceeds interest calculated at a 2.5% rate will be treated as part of the "original issue discount" ("OID") on the Securities and will be governed by the OID rules described below.

Premium; Market Discount

A U.S. holder of a Security that purchases the Security at a cost greater than its remaining redemption amount (i.e., the total of all future payments to be made on the Security other than payments of qualified stated interest) will be considered to have purchased the Security at a premium, and may elect to amortize such premium (as an offset to interest income) using a constant-yield method (as discussed below) over the remaining term of the Security.

Such election, once made, generally applies to all notes held or subsequently acquired by the U.S. holder on or after the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service ("IRS"). A U.S. holder that elects to amortize such premium must reduce its tax basis in a Security by the amount of the premium amortized during its holding period. Securities purchased at a premium will not be subject to the OID rules described below. With respect to a U.S. holder that does not elect to amortize bond premium, the amount of bond premium will be included in the U.S. holder's tax basis when the Security matures or is disposed of by the U.S. holder. Therefore, a U.S. holder that does not elect to amortize such premium and that holds the Security to maturity generally will be required to treat the premium as a capital loss when the Security matures.

If a U.S. holder of a Security purchases the Security at a price that is lower than its adjusted issue price by at least 0.25% of its remaining redemption amount multiplied by the number of remaining whole years to maturity, the Security will be considered to have "market discount" in the hands of such U.S. holder. The "adjusted issue price" of a Security at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest) and the amount of OID allocable to all prior accrual periods, reduced by the amount of payments made on the Security other than payments of qualified stated interest. In such case, gain realized by the U.S. holder on the disposition of the Security generally will be treated as ordinary income to the extent of the market discount that accrued on the Security while held by such U.S. holder. In addition, the U.S. holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or maintained to purchase or carry the Security. In general terms, market discount on a Security will be treated as accruing ratably over the term of such Security or, at the election of the holder, under a constant-yield method (as described below).

A U.S. holder may elect to include market discount in income on a current basis as it accrues (on either a ratable or constant-yield basis), in lieu of treating a portion of any gain realized on a sale of a Security as ordinary income. If a U.S. holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. Any such election, if made, applies to all market discount bonds acquired by the U.S. holder on or after the first day of the first taxable year to which such election applies and is revocable only with the consent of the IRS.

Original Issue Discount

The Securities will be treated as being issued with OID for U.S. federal income tax purposes in an amount equal to the excess of (i) the "stated redemption price at maturity" of the Securities over (ii) their "issue price." The "stated redemption price at maturity" of a Security means the sum of all payments due under the Security other than payments of "qualified stated interest," as defined above. The "issue price" of the Securities will be determined under section 1274 of the Code by discounting the payments on the Securities to present value using certain discount rates published by the IRS. U.S. holders may obtain the issue price and certain other information necessary to apply the OID rules from the Republic of Congo C/O Directeur General, Caisse Congolaise d'Amortissement (CCA), Avenue Foch, Bp 2090 Brazzaville, Republic of Congo, Telephone: +242 81 53 52 (the "OID Contact").

In general, a U.S. holder will be required to include OID with respect to a Security in gross income under a constant-yield method over the term of the Security, regardless of whether such U.S. holder is a cash- or

accrual-method taxpayer. More specifically, a U.S. holder will include in ordinary gross income the sum of the daily portions of OID on the Security for all days during the taxable year that it owns the Security. The "daily portions" of OID on a Security are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be of any length and may vary in length over the term of the Security, *provided* that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period.

In the case of an initial holder of a Security, the amount of OID on a Security allocable to each accrual period will be determined by multiplying the adjusted issue price of the Security at the beginning of the accrual period by the yield to maturity of such Security and subtracting from that product the amount of any qualified stated interest allocable to that accrual period. The "yield to maturity" of a Security will be the discount rate that causes the present value of all payments on the Security as of its original issue date to equal the issue price of such Security. The total amount of OID on a Security will be equal to the excess of all payments on the Security (other than qualified stated interest) over the Security's issue price. As a result of this method of including OID in income, the amounts includible in income by a U.S. holder in respect of a Security generally are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

In order to apply the OID rules to debt obligations that, like the Securities, provide the issuer with an option to redeem the debt obligations on one or more dates prior to their stated maturity, it is necessary to make an assumption about whether and when the issuer will exercise this option. Under the relevant Treasury Regulations, the Republic will be deemed to exercise its option to redeem the Securities in a manner that minimizes the yield on the Securities. The information provided by the OID Contact will reflect the application of these rules. If the actual exercise or non-exercise of an option differs from the foregoing assumption then, solely for purposes of calculating the accrual OID for future periods, the Securities will be treated as retired and reissued on the date of such exercise or non-exercise for an amount equal to their adjusted issue price on that date.

A U.S. holder generally may make an irrevocable election to include in its income its entire return on a Security (i.e., the excess of all remaining payments to be received on the Security, including payments of qualified stated interest, over the amount paid by such U.S. holder for such Security) under the constant-yield method described above. For Securities purchased at a premium or bearing market discount in the hands of the U.S. holder, the U.S. holder making such election also will be deemed to have made the aforementioned election to amortize premium or to accrue market discount in income currently on a constant-yield basis.

A subsequent U.S. holder of a Security that purchases the Security at a cost less than its remaining redemption amount also generally will be required to include in gross income the daily portions of OID, calculated as described above. However, if the U.S. holder acquires a Security at a price greater than its adjusted issue price (but lower than its remaining redemption amount), such holder may reduce its periodic inclusions of OID income to reflect the premium paid over the adjusted issue price.

Foreign Tax Credits

Interest income (including Additional Amounts and any tax withheld) on the Securities will be treated as foreign-source income for U.S. foreign tax credit purposes. A U.S. holder may be entitled to claim a deduction or a foreign tax credit for any tax withheld against its U.S. federal income tax liability, subject to applicable limitations. U.S. holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange, Redemption or Other Disposition of the Securities

Upon the sale, exchange, redemption or other disposition of a Security, a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized on the disposition (less any accrued qualified stated interest, which will be taxable as such) and the U.S. holder's adjusted tax basis in such Security. A U.S. holder's adjusted tax basis in a Security generally will equal the cost of such Security to such holder (or, in the case of an initial holder of a Security, the issue price of such Security as determined under the OID

rules), increased by any amounts includible in income by the holder as OID or market discount, and reduced by any amortized premium and any payments other than payments of qualified stated interest made on such Security.

Except as discussed above with respect to market discount, gain or loss recognized by a U.S. holder generally will be long-term capital gain or loss if the U.S. holder has held the Security for more than one year at the time of disposition. Long-term capital gains recognized by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. Any gain or loss recognized by a U.S. holder on the sale or disposition of a Security generally will be treated as U.S.-source income or loss for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

Conversion of the Securities

As noted above under "Terms and Conditions of the Securities", the Securities may be eligible for conversion into capital within the framework of an operation or program under which certain other indebtedness may be converted into capital. U.S. holders should consult their tax advisors regarding the consequences of any such conversion.

Information Reporting and Backup Withholding

Payments in respect of the Securities that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting, and may be subject to backup withholding, unless the U.S. holder (i) is a corporation or other exempt recipient, or (ii) in the case of backup withholding, provides a taxpayer identification number and certifies that it has not lost its exemption from backup withholding. Holders of Securities that are not U.S. holders generally are not subject to information reporting or backup withholding; however, any such holder may be required to provide a certification to establish its non-U.S. status in connection with payments received within the United States or from certain U.S.-related payors. The amount of backup withholding from a payment will be allowed as a credit against a holder's U.S. federal income tax liability and may entitle a holder to a refund provided the required information is furnished to the IRS.

Prospective investors should consult their own tax advisors with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, owning or disposing of Securities with respect to their particular circumstances.

EU Taxation

On 3 June 2003, the European Council of Economic and Finance Ministers adopted Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"). Pursuant to the Savings Directive and subject to a number of conditions being met, Member States are required, since 1 July 2005, to provide to the tax authorities of another Member State, *inter alia*, details of payments of interest within the meaning of the Savings Directive (interests, products, premiums or other debt income) made by a paying agent located within its jurisdiction to, or for the benefit of, an individual resident in that other Member State (the "Disclosure of Information Method").

For these purposes, the term "paying agent" is defined widely and includes in particular any economic operator who is responsible for making interest payments, within the meaning of the Savings Directive, for the immediate benefit of the beneficial owner.

However, throughout a transitional period, certain Member States (the Grand-Duchy of Luxembourg, Belgium and Austria), may instead of using the Disclosure of Information Method used by other Member States, unless during such period they elect otherwise, as applicable, withhold an amount on interest payments. The rate of such withholding tax equals 15% during the first three years, 20% during the subsequent three years and 35% until the end of the transitional period.

Such transitional period will end at the end of the first full fiscal year following the later of (i) the date of entry into force of an agreement between the European Community, following a unanimous decision of the European Council, and the last of Switzerland, Liechtenstein, San Marino, Monaco and Andorra, providing for the exchange of information upon request as defined in the OECD Model Agreement on Exchange of Information on Tax Matters released on 18 April 2002 (the "OECD Model Agreement") with respect to interest payments within the meaning of the Savings Directive, in addition to the simultaneous application by those same countries of a withholding tax on such payments at the rate applicable for the corresponding periods mentioned above and (ii) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request as defined in the OECD Model Agreement with respect to interest payments within the meaning of the Savings Directive.
A number of non-EU countries and dependent or associated territories have agreed to adopt similar measures (transitional withholding or exchange of information) with effect since 1 July 2005.

Other Jurisdictions

Persons subject to taxation in any other jurisdiction should consult their own tax advisors concerning tax considerations under laws and regulations of such jurisdiction.

LEGAL MATTERS

Certain matters of U.S. federal and New York state law will be passed upon for the Republic by Cleary Gottlieb Steen & Hamilton LLP, special U.S. counsel to the Republic.

GENERAL INFORMATION

1 The Global Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The initial common codes and International Securities Identification Numbers have been requested for each of the Unrestricted Global Security and the Restricted Global Security. The initial common codes for the Unrestricted Global Security and the Restricted Global Security are 033498900 and 033499019, respectively, and the initial International Securities Identification Numbers for the Unrestricted Global Security and the Restricted Global Security are XS0334989000 and XS0334990198, respectively.

2 The Republic paid the First Amortization to the account of the Trustee on the Closing Date (December 7, 2007). The Trustee transferred such payment to Euroclear and Clearstream, Luxembourg for distribution to the Holders as promptly as practicable in accordance with the procedures of Euroclear and Clearstream, Luxembourg. Euroclear and Clearstream, Luxembourg informed the Trustee that the payment was made to holders of record as of Monday, December 10, 2007, with payments credited to record holders' accounts in accordance with the procedures of Euroclear and Clearstream, Luxembourg. The First Amortization was treated as a pool factor of 95% for purposes of payment through Euroclear and Clearstream, Luxembourg.

3 The Republic has obtained all necessary consents, approvals and authorizations in the Republic in connection with the issue and performance of the Securities. The issue of the Securities is authorized under Presidential Decree No. 2003-101 of 7 July 2003 (as published in the *Journal officiel*).

4 Neither the Republic nor any Ministry of the Republic is involved in any litigation or arbitration proceedings which are material in the context of the issue of the Securities nor, so far as the Republic is aware, are any such litigation or arbitration proceedings pending or threatened.

5 Application has been made to list the Securities on the Luxembourg Stock Exchange and to have the global bonds admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange. So long as any of the Securities are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange shall so require, the Republic will maintain a paying agent and transfer agent in Luxembourg.

6. Copies of the following documents may be obtained on any business day (Saturdays, Sundays and public holidays excepted) at the office of the Listing Agent in Luxembourg so long as any of the Securities are listed on the Luxembourg Stock Exchange:

(a) the Exchange Agreement;

(b) the Trust Indenture incorporating the Form of Security and Form of Certificates;

(c) the Supplemental Indenture;

(d) copies of the Constitution of the Republic, and the Presidential Decree of the Republic referred to in paragraph 2 above (in French); and

(e) copies of the annual consultation report prepared for the Republic pursuant to Article IV of the IMF's Articles of Agreement, or other comparable economic information as soon as such becomes available.

7. Other than as disclosed herein, there has been no material adverse change in the financial condition of the Republic which is material in the context of the issue of the Securities since December 31, 2007.

ISSUER

Republic of Congo
c/o Caisse Congolaise d'Amortissement (CCA)
Avenue Foch, BP 2090
Brazzaville
ATTN: Directeur Général

TRUSTEE, TRANSFER AGENT, REGISTRAR AND TRUSTEE PAYING AGENT

HSBC Bank USA, N.A.
10 East 40th Street, 14th Floor
New York, New York 10016-0200

LEGAL ADVISORS TO THE REPUBLIC OF CONGO

As to United States Law
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006

As to United States Law
Cleary Gottlieb Steen & Hamilton LLP
12, rue de Tilsitt
75008 Paris
France

LEGAL ADVISORS TO THE PRIVATE CREDITORS COORDINATION COMMITTEE:

As to United States Law
Winston & Strawn LLP
333 South Grand Avenue
Los Angeles, CA 90071

As to United States Law
Winston & Strawn LLP
25 avenue Marceau
75116 Paris
France

As to Congolese Law
Cabinet d'Avocats Fernand CARLE
BP 607 - Pointe-Noire
Republic of Congo

LUXEMBOURG LISTING AGENT

Dexia Banque Internationale à Luxembourg
69, route d'Esch
L-2953 Luxembourg
Grand Duchy of Luxembourg

CLOSING AGENT

BNP Paribas
3, rue d'Antin
75002 Paris
France

FINANCIAL ADVISORS TO THE REPUBLIC OF CONGO

International Institute for Africa
Sovereign Advisors Limited
5454 Wisconsin Avenue, Suite 1550
Chevy Chase, MD 20815

ANNEX A

FORM OF SECURITY

[FORM OF LEGEND]

[*Include if Security is a Restricted Global Security:* — THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER. THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN A COMMON DEPOSITARY OF EUROCLEAR AND CLEARSTREAM, LUXEMBOURG OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN SECTION 2.6(f) OF THE INDENTURE, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN SECTION 2.6 OF THE INDENTURE. BENEFICIAL INTERESTS IN THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH SECTION 2.6 OF THE INDENTURE.]

[*Include if Security is an Unrestricted Global Security:* — THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER. THIS GLOBAL SECURITY MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN A COMMON DEPOSITARY OF EUROCLEAR AND CLEARSTREAM, LUXEMBOURG OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN SECTION 2.6(f) OF THE INDENTURE.]

[*Include if Security is a Restricted Global Security or Security Issued in Exchange Therefor (Unless, Pursuant to Section 2.8 of the Indenture, the Republic Determines that this Restrictive Legend May Be Removed)* — THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY OTHER STATE OF THE UNITED STATES OR OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR TO OR FOR THE ACCOUNT OF ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED) EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR IN A TRANSACTION NOT REQUIRING REGISTRATION UNDER SUCH ACT. THIS SECURITY IS TRANSFERABLE ONLY AS PROVIDED HEREIN AND IN THE INDENTURE. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LATEST DATE ON WHICH THE REPUBLIC OF CONGO OR ANY AFFILIATE OF THE REPUBLIC OF CONGO WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (1) TO THE REPUBLIC OF CONGO, (2) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON WHOM IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULES 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS SET OUT IN RULE 144 OF THE SECURITIES ACT, OR (5) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT TO THE REPUBLIC OF CONGO'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (4) TO REQUIRE THE

DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.]

[*Insert if Security is an Unrestricted Global Security or Security Issued in Exchange Therefor (Unless, Pursuant to Section 2.8 of the Indenture, the Republic Determines that this Restrictive Legend May Be Removed):* — THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY OTHER STATE OF THE UNITED STATES OR OF ANY OTHER JURISDICTION, AND MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR TO OR FOR THE ACCOUNT OF ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED) EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR IN A TRANSACTION NOT REQUIRING REGISTRATION UNDER SUCH ACT. THIS SECURITY IS TRANSFERABLE ONLY AS PROVIDED HEREIN AND IN THE INDENTURE.]

THIS SECURITY HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR U.S. FEDERAL INCOME TAX PURPOSES. FOR FURTHER INFORMATION, PLEASE CONTACT: REPUBLIC OF CONGO C/O DIRECTEUR GENERAL, CAISSE CONGOLAISE D'AMORTISSEMENT (CCA), AVENUE FOCH, BP 2090 BRAZZAVILLE, REPUBLIC OF CONGO, TELEPHONE: +242 81 53 52, FACSIMILE: +242 81 52 36.

[*Include if Security is a Restricted Global Security:* ISIN XS0334989000
Common Code 033498900]

[*Include if Security is an Unrestricted Global Security:* ISIN XS0334990198
Common Code 033499019]

THE REPUBLIC OF CONGO

U.S. DOLLAR NOTES DUE 2029

Interest Rate	**Final Maturity**	**Dated Date**
Graduated (as provided herein)	June 30, 2029	December 7, 2007

THE REPUBLIC OF CONGO (the "Republic"), for value received, hereby promises to pay to a nominee of the common depositary of Euroclear and Clearstream, Luxembourg, or registered assigns, upon surrender hereof, the principal sum of _____ UNITED STATES DOLLARS (U.S.$) or such other amount as shall be the outstanding principal amount hereof, in accordance with the following:

On the Closing Date, the Republic will pay to the account of the Trustee a first amortization of the Principal Amount hereof, in the amount of 5% of the original principal amount of this Note (the "First Amortization"). The Trustee shall transfer such payment to Euroclear and Clearstream, Luxembourg for distribution to the Holder hereof as promptly as practicable in accordance with the procedures of Euroclear and Clearstream, Luxembourg.

The remaining principal amount of this Note will be repayable in 34 semi-annual installments, beginning on December 31, 2012, and thereafter on each Payment Date (as defined below) as follows:

Amortization Installments	**Percentage of the Principal Amount After Deduction of the First Amortization of 5%**
1-2	1%
3-8	2%
9-26	3%
27-34	4%

The Republic further unconditionally promises to pay interest semi-annually in arrears on the outstanding principal commencing on December 31, 2007 (unless the Closing Date occurs later than such date, in which case the first interest payment will occur on the earlier of June 30 or December 31, as the case may be, to follow the Closing Date) and thereafter on June 30 and December 31 of each year (each an "Payment Date"). The outstanding principal of the Securities will carry interest at the fixed annual rates indicated hereafter (each an "Interest Rate"), and such interest will accrue as from June 30, 2007:

Period	**Annual Rate**
For semi-annual periods 1 through 3, beginning June 30, 2007	2.5%
For semi-annual periods 4 through 12	3.0%
For semi-annual periods 13 through 16	3.5%
For semi-annual periods 17 through 20	4.0%
From the twenty-first through the final semi-annual period	6.0%

The Republic shall pay interest upon overdue installments of principal and/or interest (including Additional Amounts) at the Applicable Interest Rate plus 1%, compounded semi-annually from the applicable Payment Date until the date (whether before or after judgment) on which such principal and/or interest is actually paid. Interest will be calculated on the basis of a 360-day year of twelve 30-day months.

Interest relating to the principal amount amortized in the First Amortization from (and including) June 30, 2007 through (but excluding) the Closing Date shall be payable pro rata to the Holders of the Securities on December 31, 2007 (unless the Closing Date occurs later than such date, in which case the first interest payment will occur on the earlier of June 30 or December 31, as the case may be, following the Closing Date).

Payments as described above shall be made exclusively in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts.

This Security is issued pursuant to the Trust Indenture dated as of November 15, 2007 (the "Indenture") between the Republic and HSBC Bank USA, N.A., as trustee (the "Trustee"), the terms of which Indenture are incorporated herein by reference. Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

All terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

Unless the certificate of authentication hereon has been executed by the Trustee, this Global Security shall not be valid or obligatory for any purpose.

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, the Republic has caused this instrument to be duly executed.

Dated:_____

THE REPUBLIC OF CONGO

By:_____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities issued under the within-mentioned Indenture.

HSBC BANK USA, N.A., as Trustee

Dated: By:_____
Authorized Officer

[FORM OF REVERSE OF SECURITY]

TERMS AND CONDITIONS OF THE SECURITIES

1. General. (a) This Security is a duly authorized debt security of the Republic, designated as its "U.S. Dollar Notes Due 2029" (each Security, a "Security" and, collectively, the "Securities"), and issued pursuant to a Trust Indenture dated as of November 15, 2007 between the Republic and HSBC Bank USA, N.A., as Trustee (the "Trustee"), as amended from time to time (the "Indenture"). The Holders of the Securities shall be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of the Indenture. A copy of the Indenture is on file and may be inspected at the Corporate Trust Office of the Trustee in The City of New York during normal business hours and upon reasonable notice. All capitalized terms used in this Security but not defined herein shall have the meanings assigned to them in the Indenture.

(b) The Securities have been authorized by the Minister of Economy, Finance and Budget of the Republic of Congo in accordance with the Authorization dated as of December ___, 2007.

(c) The Securities are in fully registered form, without coupons. Securities will be originally issued and represented by two registered global securities (each, a "Global Security") held by or on behalf of the Depositary. Securities in certificated form (the "Certificated Securities") shall be available only in the limited circumstances set forth in the Indenture. The Securities, and transfers thereof, shall be registered as provided in Section 2.6 of the Indenture. Any person in whose name a Security shall be registered may (to the fullest extent permitted by applicable law) be treated at all times, by all persons and for all purposes as the absolute owner of such Security regardless of any notice of ownership, theft, loss or any writing thereon.

The Securities shall be issued in denominations of U.S.$1,000 and integral multiples of U.S.$1,000 in excess thereof.

2. Payments and Trustee Paying Agents. (a) The final installment of the payment of principal of the Securities shall be payable against surrender of such Securities at the Corporate Trust Office of the Trustee in The City of New York or, subject to applicable laws and regulations, at the office outside of the United States of any paying agent that shall be appointed by the Trustee, at the expense of the Republic (each, a "trustee paying agent"), by U.S. dollar check drawn on, or by transfer to a U.S. dollar account maintained by the Holder with, a bank located in The City of New York. Interim installments of principal payments, and payment of interest (including Additional Amounts), on Securities shall be made to the persons in whose name such Securities are registered at the end of the fifteenth day preceding the date on which such amount is to be paid (each, a "Record Date"), whether or not such day is a Business Day (as defined below), notwithstanding the cancellation of such Securities upon any transfer or exchange thereof subsequent to the Record Date and prior to such payment date; provided, however, that if and to the extent the Republic shall default in the payment of an interim principal installment or the interest due on such payment date, such defaulted amount shall be paid to the persons in whose names such Securities are registered as of a subsequent record date established by the Republic by notice, as provided in Paragraph 6 hereof, by or on behalf of the Republic to the Holders of the Securities not less than 15 days preceding such subsequent record date, such record date to be not less than 10 days preceding the date of payment of such defaulted amount. Interim installments of principal payments, and payment of interest on Securities shall be made by providing to the Trustee or, as agreed with the Trustee, to a trustee paying agent, the amount of such payment, in U.S. dollars in immediately available funds, not later than 10:00 A.M. local time on the second Business Day prior to the Payment Date, and directing the Trustee to hold these funds in trust for the Trustee and the beneficial owners of the securities in accordance with their respective interests and (a) for payments on a Global Security, to make a wire transfer of such amount in U.S. dollars to the Depositary, which will receive the funds in trust for distribution to the beneficial owners of the Securities; provided that the Republic may, subject to applicable laws and regulations, make payments of principal of and interest on the Securities by mailing, or directing the Trustee to mail, from funds made available by the Republic for such purpose, a check to the person entitled thereto, on or before the due date for the payment at the address that appears on the security register maintained by the Registrar on the applicable Record Date and (b) for payments on Certificated Securities, to

make such payment to the Holder (i) by a U.S. dollar check drawn on a bank in The City of New York mailed to such Holder at such Holder's registered address or (ii) upon application by the Holder of at least U.S.$1,000,000 in principal amount of Certificated Securities to the Trustee not later than the relevant Record Date, by wire transfer in immediately available funds to a U.S. dollar account maintained by the Holder with a bank in The City of New York. "Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in each of New York City, Paris, London, Luxembourg or Tokyo (or in the city where the relevant trustee paying agent or Transfer Agent is located) are not authorized to be open or are obligated by law or regulation to be closed.

(b) In any case where the date of payment of the principal of, or interest (including Additional Amounts), on the Securities shall not be a Business Day, then payment of principal or interest (including Additional Amounts) need not be made on such date at the relevant place of payment but may be made on the next succeeding Business Day. Any payment made on a date that is the next succeeding Business Day following the date on which such payment is due as set forth herein shall have the same force and effect as if made on the date on which such payment is due, and no interest shall accrue for the period after such date.

(c) Interest in respect of any period of less than one year shall be calculated on the basis of a 360-day year of twelve 30-day months.

(d) Subject to applicable abandoned property laws, any monies deposited with the Trustee for the payment of the principal of or interest (including Additional Amounts) on any Security and not applied but remaining unclaimed for five years after the date upon which such principal or interest shall have become due and payable shall be repaid to the Republic upon written request without interest, and the Holder of any such Security may thereafter look only to the Republic for any payment to which such Holder may be entitled, and all liability of the Trustee with respect to such monies shall thereupon cease. The Republic shall hold returned, unclaimed monies in trust for the relevant Holder of the Security until such time as the claims against the Republic for payment of such amounts shall have been prescribed pursuant to paragraph 8 hereof.

3. Replacement, Exchange and Transfer of Securities. (a) Upon the terms and subject to the conditions set forth in the Indenture, in case any Security shall become mutilated, defaced or be apparently destroyed, lost or stolen, the Republic in its discretion may execute, and upon the request of the Republic, the Trustee shall authenticate and deliver, a new Security bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated or defaced Security, or in lieu of and in substitution for the apparently destroyed, lost or stolen Security. In every case, the applicant for a substitute Security shall furnish to the Republic and to the Trustee such security or indemnity as may be required by each of them to indemnify, defend and to save each of them and any agent of the Republic or the Trustee harmless and, in every case of destruction, loss, theft or evidence to their satisfaction of the apparent destruction, loss or theft of such Security and of the ownership thereof. Upon the issuance of any substitute Security, the Holder of such Security shall pay a sum sufficient to cover any stamp duty, tax or other similar governmental charges that may be imposed in relation thereto and any other commercially reasonable expenses (including the fees and expenses of the Trustee) connected with the preparation and issuance of the substitute Security.

(b) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Paragraph 3(e) hereof, a Certificated Security or Securities may be changed for an equal aggregate principal amount of Certificated Securities in different authorized denominations, and a beneficial interest in the Global Security may be exchanged for Certificated Securities in authorized denominations or for a beneficial interest in another Global Security by the Holder or Holders surrendering the Security or Securities for exchange at the Corporate Trust Office of the Trustee in The City of New York or at the office of a Transfer Agent, together with a written request for the exchange. Certificated Securities shall only be issued in exchange for interests in a Global Security pursuant to Section 2.6(f) of the Indenture. The exchange of the Securities shall be made by the Trustee in The City of New York.

(c) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Paragraph 3(e) hereof, a Certificated Security may be transferred in whole or in a smaller authorized denomination by the Holder or Holders surrendering the Certificated Security for transfer at the Corporate Trust Office of the Trustee in The City of New York or at the office of a trustee paying agent accompanied by

an executed instrument of transfer substantially as set forth in the Indenture. The registration of transfer of the Securities shall be made by the Trustee in The City of New York.

(d) The costs and expenses of effecting any exchange, transfer or registration of transfer pursuant to this Paragraph 3 shall be borne by the Republic, except for the expenses of delivery (if any) not made by regular mail and the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge or insurance charge that may be imposed in relation thereto, which shall be borne by the Holder of the Security.

(e) The Trustee may decline to accept any request for an exchange or registration of transfer of any Security during the period of 15 days preceding the due date for any payment of principal of or interest on the Securities.

4. Trustee. For a description of the duties and the immunities and rights of the Trustee under the Indenture, reference is made to the Indenture, and the obligations of the Trustee to the Holder hereof are subject to such immunities and rights. HSBC Bank USA, N.A. will initially serve as Trustee under the Indenture.

5. Trustee Paying Agents; Transfer Agents; Registrar. So long as the Securities are Outstanding, the Trustee shall appoint, without liability and at the expense of the Republic, a trustee paying agent for payment on the securities and the Republic shall appoint a Transfer Agent for payment on the Securities and a Registrar, each having a specified office in The City of New York. The Trustee has initially appointed HSBC Bank USA, N.A. as trustee paying agent and the Republic has initially appointed HSBC Bank USA, N.A. as Transfer Agent and Registrar. If necessary to reduce or eliminate the deduction or withholding of tax, as directed by the Republic, the Trustee shall also maintain, without liability and at the expense of the Republic, a trustee paying agent in a member state of the European Union that is not obliged to deduct or withhold tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2002 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. Subject to the foregoing, the Republic shall have the right at any time to instruct the Trustee to terminate any such appointment of a trustee paying agent and shall have the right at any time to vary or terminate any such appointment of a Transfer Agent or Registrar and to appoint any other paying agents or Transfer Agents in such other places as it may deem appropriate for the purpose of making payments for the exclusive benefit of Holders. Notwithstanding the foregoing, the trustee paying agent and any trustee paying agent appointed hereunder shall be agents solely of the Trustee, and the Republic shall have no authority over or any direct relationship with the trustee paying agent or any such trustee paying agent.

6. Notices. All notices to the Holders shall be published (a) in a leading newspaper having general circulation in New York City and (b) if and for so long as the Securities are listed on a securities exchange outside of the Republic as required for continued listing thereon. Notices shall be deemed to have been given on the date of publication as aforesaid or, if published on different dates, on the date of the first such publication. In addition, notices shall be mailed to Holders of Securities at their registered addresses as recorded in the books and records of the Trustee. Notice sent by registered or certified mail, postage prepaid, shall be deemed to have been given, made or served five Business Days after it has been sent.

7. Further Issues of Securities. Subject to Section 2.1 of the Indenture, the Republic may from time to time without the consent of the Holders of the Securities create and issue additional debt securities ranking *pari passu* with the Securities and having terms and conditions which are the same as those of the Securities, or the same except for the amount of the first payment of interest, which additional debt securities may be consolidated and form a single series with the outstanding Securities, except that (i) any such additional debt securities may have a different issue date and a different initial interest period, and (ii) any such additional debt securities may have, for a limited period or permanently, different ISINs and other identifying numbers as deemed necessary or appropriate by the Republic in order to comply with tax or securities laws. No issue of Additional Securities shall utilize the same ISIN or "Common Code" number as a Security already issued hereunder, unless such Security and the Additional Securities are treated as part of the same issue of debt instruments for U.S. federal income tax purposes.

8. Prescription. All claims against the Republic for payment of principal of or interest (including Additional Amounts) on or in respect of the Securities shall, to the extent permitted by New York law, be prescribed unless made within five years from the date on which such payment first became due, or a shorter period if provided by New York law.

9. Covenants. Certain covenants of the Republic with respect to this Security are set forth in Article Three of the Indenture.

10. Events of Default. The Events of Default with respect to this Security are set forth in Article Four of the Indenture. If an Event of Default shall occur and be continuing, the principal of the Securities may be declared due and payable in the manner and with the effect provided in the Indenture.

11. Redemption. (a) The Republic may redeem the Securities, in whole or in part on any Interest Payment Date (each, a "Redemption Date"), at par, by giving the Trustee not less than 45 days prior written notice of such Redemption Date and the principal amount of Securities to be redeemed on such date, provided that no default in the payment of principal of, or interest on, the Securities has occurred and is continuing. The Trustee shall promptly notify the Holders thereof, at the expense of the Republic.

(b) All redemptions shall be at 100% of the outstanding principal amount of the relevant Securities, together with accrued interest to the Redemption Date.

(c) If not all Securities are being redeemed, the Trustee shall determine the portion to be redeemed from each Holder by calculating the amount of Securities owned by each Holder relative to the outstanding principal amount of Securities held by such Holders. The Trustee shall, not less than 30 days prior to the Redemption Date, give notice of the proportionate principal amount to be redeemed to the Republic and each Holder. Partial redemptions will be applied to installments in inverse order of their maturity.

12. Conversion / Buy Back. This Security may be eligible (a) for conversion into capital within the framework of any operation or program under which other External Indebtedness can be converted into capital, and (b) for any buy back plan under which is eligible other Publicly Issued External Indebtedness having a remaining term no more than one year greater or less than the remaining term of the Securities, it being specified that such buy back may take place at different prices provided comparable treatment is ensured among all the different types of Indebtedness involved. The Republic shall propose any amendment to the laws and regulations in force that could be necessary to render the Securities eligible to participate on a non-discriminatory basis in such operations or programs (including, for instance and as appropriate, the issuance of decrees governing the conversion of debt, or authorizing foreign creditors, or any of their agents or subsidiaries, to hold capital securities in the relevant entities, or authorizing the payment of dividends or distributions to such creditors).

13. Repurchases. This Security may be repurchased by the Republic or any Governmental Entity (whether in the form of cash, debt securities, investments or otherwise) at any price and at any time, by public tender or in the open market, provided, however, that:

(a) no default in the payment of principal of, or interest on, the Securities exists and is continuing;

(b) the Republic's obligations to make payments of principal and interest with respect to each of the Securities that is repurchased by, or on behalf of, the Republic or any Governmental Entity is cancelled; *provided* that the Republic shall not be required to cancel any Security purchased or otherwise acquired by, or on behalf of, the Republic or any Governmental Entity if such Security was purchased or otherwise acquired for purposes of (i) securing External Indebtedness of a State-Controlled Entity incurred in connection with, or on or after the date of, such purchase or acquisition of such Security, (ii) capitalizing distressed financial institutions of the Republic, (iii) in the case of State-Controlled Entities regularly engaged in the business of investing or trading in securities, for the purpose of conducting such business in the ordinary course for their own accounts or the accounts of customers other than the Republic or (iv) using such Securities as a means to satisfy obligations of the Republic or of any Governmental Entity; and

(c) in the case of a public tender offer to purchase the Securities, such offer is made ratably to all Holders of the Securities in proportion to each Holder's share of the outstanding principal amount of Securities.

14. Authentication. This Security shall not become valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee or its agent.

15. Governing Law. THIS SECURITY AND THE INDENTURE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, UNITED STATES OF AMERICA.

16. Currency Indemnification. The obligation of the Republic to any Holder under the Securities that has obtained a court judgment affecting the Securities or the Indenture shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which the Security is denominated (the "Agreement Currency"), be discharged only to the extent that on the Business Day following receipt by such Holder of any amount in the Judgment Currency, such Holder may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency (or, if it is not practicable to make that purchase on that day, on the first Business Day on which it is practicable to do so); *provided* that if the amount of the Agreement Currency so purchased is less than the amount originally to be paid to such Holder in the Agreement Currency, the Republic agrees, as a separate obligation and notwithstanding such judgment, to pay the difference, and if the amount of the Agreement Currency so purchased exceeds the amount originally to be paid to such Holder, such Holder agrees to pay to or for the account of the Republic such excess; provided, however, that such Holder shall not have any obligation to pay any such excess as long as a default by the Republic in its obligations hereunder has occurred and is continuing, in which case such excess may be applied by such Holder to such obligations.

17. Warranty of the Republic. Subject to Paragraph 14 hereof, the Republic hereby certifies and warrants that all acts, conditions and things required to be done and performed and to have happened precedent to the creation and issuance of this Security and to constitute the same legal, valid and binding obligations of the Republic enforceable in accordance with their terms, have been done and performed and have happened in due and strict compliance with all applicable laws.

18. Descriptive Headings. The descriptive headings appearing in this Security are for convenience of reference only and shall not alter, limit or define the provisions hereof.

19. Modifications. The Indenture permits the amendment thereof and the modification of the rights and obligations of the Republic and the rights of the Holders of the Securities under the Indenture at any time by the Republic with the consent of the Holders of specified percentages of the Outstanding Principal Amount of the Securities, as set forth in the Indenture. The Indenture also contains provisions permitting the Holders of specified percentages of the Outstanding Principal Amount of the Securities, on behalf of all Holders, to waive compliance by the Republic with provisions of the Indenture and to waive past defaults under the Indenture and their consequences. Any such amendment, modification, consent or waiver shall, upon receipt of evidence by the Trustee in accordance with Section 6.1 of the Indenture, be conclusive and binding upon such Holders and upon all future Holders of this Security and of any Security issued upon the transfer, exchange or replacement of this Security, whether or not notation of such amendment, modification, consent or waiver is made upon this Security.