

**IN THE THIRD SESSION OF THE FIFTH PARLIAMENT OF THE FOURTH
REPUBLIC OF GHANA**

**REPORT OF THE FINANCE COMMITTEE ON THE
SUPPLEMENTARY ESTIMATES FOR THE 2011
FINANCIAL YEAR**

1.0 INTRODUCTION

The Supplementary Estimates for the 2011 financial year were laid in the House on Thursday, 14th July, 2011 and referred to the Finance Committee for consideration and report, pursuant to article 179 (8) of the 1992 Constitution and Order 143 of the Standing Orders of the House.

The Committee, in considering the Supplementary Estimates, met with the Hon. Minister of Finance and Economic Planning (MOFEP), Dr. Kwabena Duffuor, his two deputies, Hon. Seth Terkper and Hon. Fiifi Kwetey, as well as the technical team/officials from the Ministry of Finance and Economic Planning, Ghana Revenue Authority (GRA), Controller and Account-General's Department (CAGD) and the Attorney-General's Department; and hereby presents this Report.

2.0 REFERENCES

The Committee referred to and/or was guided by the following documents during the consideration of the Supplementary Budget:

- i. The 1992 Constitution of the Republic of Ghana.
- ii. The Standing Orders of the House.
- iii. The Budget Statement and Economic Policy of Government for the 2011 Financial Year.
- iv. The 2011 Appropriation Act.

- v. The Mid-Year Review of the Budget Statement and Economic Policy and Supplementary Estimates of the Government of Ghana for the 2011 Financial Year.
- vi. The Petroleum Revenue Management Act, 2011 (Act 815).

3.0 BACKGROUND

3.1 Subsequent to the approval of the 2011 Budget Statement and Economic Policy of the Government in 2010 and the coming into effect of the 2011 Appropriation Act, it has become necessary for the Hon. Minister for Finance and Economic Planning to present to the House a review of the performance of the Economy and the Supplementary Estimates in accordance with Article 179 (8) of the Constitution and the Order 143 of the Standing Orders of Parliament.

3.2 Since December, 2010 when the 2011 Budget Statement and Economic Policy were approved by the House, many significant developments have arisen on the macro-economic front, especially with regard to petroleum benchmark revenue and financial developments associated with domestic borrowing.

3.3 As a result of the build-up in the stock of domestic debt and related high cost of borrowing as well as the need to liquidate some arrears and outstanding commitments, payments will exceed earlier estimates for 2011, thereby requiring additional resources to meet those additional payments.

3.4 The Supplementary Receipts and Payments to be undertaken have given rise to the need for some adjustments to be made in the Annual Estimates approved for the 2011 fiscal year. It is as a result of this, that these supplementary Estimates have been laid before the House for consideration and approval in accordance with article 179 (8) of the Constitution and Order 143 of the Standing Orders of the House.

4.0 TOTAL SUPPLEMENTARY PROVISION FOR 2011

The total amount of **one billion, four hundred and sixty-three million, one hundred and twenty-three thousand, five hundred and fifty-nine Ghana Cedis (GH¢1,463,123,559.00)** is being requested for Parliament's approval as Supplementary Expenditure for the 2011 financial year.

5.0 SPECIFIC AREAS EARMARKED FOR SUPPLEMENTARY EXPENDITURE

Seventeen specific areas have been earmarked to benefit from additional/supplementary allocations for the 2011 financial year to help create jobs and employment opportunities for the youth, provide crucial economic and social infrastructure and to improve sanitation.

ATTACHMENT: The breakdown/details of expenditure covered under the Supplementary Budget is captioned **APPENDIX '4B' and attached to this report.**

The sources of revenue to finance the supplementary expenditure are attached to this report as "APPENDIX 4A"

6.0 OBSERVATIONS

6.1 The Committee noted that developments in both the domestic and global environments have necessitated some variations in the assumptions underlying the 2011 Budget Statement and Economic Policy presented to the House in November, 2010.

6.2 The Committee also noted that with the passage of the Petroleum Revenue Management Act (PRMA), 2011, Act 815, key provisions in the law have direct implications for the estimation of the Benchmark Revenue, determination of the Annual Budget Funding Amount (ABFA) and transfer of funds into the Ghana Petroleum Funds Account.

6.3 The Committee noted further that increases in crude oil production volumes and rising world market price have meant upward adjustment in

revenue projections. Additionally, there has been the receipt of two (2) major inflows from the World Bank and the sale of AngloGold Ashanti shares in lieu of royalties as well as increased revenue collections from the Ghana Revenue Authority through enhanced tax administration measures.

As regards the rationale behind the decision for the sale of shares in AngloGold Ashanti without Parliamentary approval, it was indicated that the shares were held by Government in lieu of royalties and hence Government only sold them to realize the deferred royalties.

The Committee nonetheless expressed concern about the transaction and requested more information about it since the information was thought to be very useful. It was further explained to Members that the Ministry of Finance and Economic Planning duly sought the legal opinion of the Attorney-General and Minister of Justice who cleared the transaction to go ahead. A letter from the Attorney-General's Department was produced to the Committee to buttress the point.

6.4 The Committee noted further that total revenue and grants for the 2011 financial year have been revised upwards; from GH¢10,601,122,515 to GH¢11,967,355,592, resulting mainly from revisions to both oil and non-oil revenue; indicating an additional revenue inflow to government of about GH¢1,366,233,077.

6.5 The Hon. Minister of Finance and Economic Planning indicated to the Committee that there is the need to ensure the setting of realistic expenditure levels in the Budget, and to avoid budget overruns, some of the expenditure estimates for 2011 have therefore been revised upwards in accordance with provisions of the Petroleum Revenue Management Act. Seventy percent (70%) of the Benchmark Revenue amounting to GH¢646.4 million would be allocated as the Annual Budget Funding Amount (ABFA).

6.6 It is significant to recall that for any financial year, a minimum of seventy percent (70%) of the ABFA shall be used for public investment expenditures consistent with the long-term national development plan approved by Parliament.

6.7 The Committee also noted that an amount of GH¢327.3 million has been estimated to be transferred to the Ghana National Petroleum Corporation as its equity and cash ceded to it out of the carried and participating interest. Pursuant to the provisions of the PRMA, a total amount of GH¢277.0 million is estimated to be transferred into the Ghana Petroleum Funds as savings.

6.8 It was noted further that as part of the strategy to clear arrears and commitments from previous years, cash payments have been made to contractors, trade creditors of the Tema Oil Refinery and the Volta River Authority as well as the Statutory Funds in respect of arrears owed them. Total expenditure and provisions made for the clearance of arrears during the 2011 fiscal year have also been revised upwards by GH¢1,459.4 million from GH¢12,844.8 million to GH¢14,304.2 million.

6.9 The Committee was informed that the net domestic financing of the budget is estimated at GH¢1,545.3 million and that the higher net domestic financing was partly due to the borrowing of GH¢445 million to pay part of Tema Oil Refinery's (TOR) debt owed to Ghana Commercial Bank.

It was further noted that government has cleared a total outstanding amount of GH¢572.3 million owed by TOR to Ghana Commercial Bank.

6.10 It was observed that total expenditure, including payments of arrears and commitments for the 2010 fiscal year amounted to GH¢12,219.3 million, equivalent to 24.9 percent of GDP. The outturn was 4.5 percent higher than the budget target of GH¢11,696.7 million. The higher-than-budgeted expenditures were mainly as a result of the rise in expenditures on goods and services, foreign-financed investment, arrears clearance, domestic interest payments and domestic investment.

6.11 The Hon. Deputy Minister of MOFEP, Mr. Seth Terkper informed the Committee that the Supplementary Budget seeks to make provision for more resources to finance public investment expenditures in a manner consistent with the PRMA. Seventy 70 percent (70%) of the ABFA will hence be used to fund domestically financed capital expenditure. As a result, other cash expenditure (Item 4) has been revised upwards from GH¢257.3 million to GH¢641.4 million which includes an allocation of

GH¢100 million to the Ministry of Roads and Highways to begin works on the Eastern Corridor roads.

Biometric Registration for 2012 Election

6.12 The Committee was informed by the Hon. Minister of Finance and Economic Planning that the budget for the Electoral Commission (EC) still stands at GH¢25 million to advance the course of democracy through transparent, free and fair elections, and that the Ministry will support the Commission to replace the voters register through a biometric registration exercise for the conduct and supervision of the 2012 elections. In addition, there is a provision of GH¢5 million in the Supplementary Estimates for the Commission.

6.13 As regards the issue of funding for the 2012 general elections, the Committee was informed that over GH¢80.0 million will be needed by the Electoral Commission for the biometric registration exercise for the 2012 electoral process. Out of this amount, GH¢50.8 million would be required in 2011. In the meantime, Government has released GH¢50.0 million to the Electoral Commission to implement activities preceding the 2012 Presidential and Parliamentary elections.

6.14 The Committee was also informed of developments on Savannah Accelerated Development Authority (SADA) since its inception and the progress made so far. It was noted that a comprehensive long-term development strategy and work plan has been prepared and a permanent Secretariat is being established in the Northern Region to facilitate the implementation of the programme. An additional GH¢5 million has been allocated to the Savannah Accelerated Development Authority for the 2011 financial year.

6.15 The Ministry has also embarked on an effective way of dealing with the issue of "ghost names" on our payroll, using the electronic approach. It entails the capturing of biometric data of employees in the payroll system to check fraud and impersonation; a system that has proven to be successful in most countries that experienced payroll fraud in the past.

The process of capturing finger prints of pensioners and their dependants has already begun in the regions and is expected to be completed soon. It has started looking at the Pensioners' list in the Eastern Region and it is expected that by the end September, 2011, the Pensioners' list in all the regions would have been audited and pensioners biometric information captured. The Committee was pleased to note that in the Eastern Region alone, out of about 16,000 names on the pension payroll in the Region, only 9,000 were found to be genuine after the completion of the electronic exercise in the Region.

6.16 Upon the Committee's request, the Ministry of Finance and Economic Planning, furnished Members with data and assumptions used for computation of Petroleum Benchmark Revenue, the Annual Budget Funding Amount and transfers into the Petroleum Funds. This is in consonance with the PRMA.

The Formulae are as follows:

- i. **Benchmark Revenue = (Expected current receipts from oil) + (Expected gas royalties) + (Expected dividends from the National Oil Company)**

- ii. **Expected current receipt (CR) = The Expected Price (EP) x Expected Quantity (EQ)**

The Ministry of Finance and Economic Planning also furnished Members with information on the Sale of Government's Shares in AngloGold Ashanti, offered in lieu of royalty payments. It was noted that a stability agreement was signed in 2004 between AngloGold Ashanti and Government of Ghana to limit the former's payment to only 3% instead of 3 – 6%.

It was also noted that AngloGold Ashanti offered Government of Ghana a total of **4,883,426** Shares. The breakdown is as follows:

- a. **2,658,000 - Shares for stability agreement**
- b. **2,225,426 - Right offer shares**

The sale of the shares yielded a total of US\$208 million (thus @ 43.97 US\$ per share). The relevant details are attached to this report.

The Committee noted that GSGDA priority areas on which oil revenue are to be spent in 2011 pursuant to section 21(5) of the Petroleum Revenue Management Act (Act 815) include:

- Expenditure and amortization of loans for oil and gas infrastructure
- Road infrastructure
- Agricultural modernization
- Capacity building (including oil and gas); and
- Energy

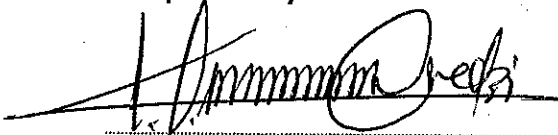
It was observed that "Energy" was inadvertently omitted from the list of expenditure areas to benefit from oil revenue as captured in paragraph 116 of the Mid-Year Review and Supplementary Estimates document.

Some Members were however of the opinion that the sale of the AngloGold shares abroad constituted international business or economic transaction and that the transaction should have been brought to Parliament for consideration and approval pursuant to article 181(5) of the 1992 Constitution. They advised the Ministry of Finance and Economic Planning to take steps to rectify any anomaly in the said transaction.

7.0 RECOMMENDATION AND CONCLUSION

The Committee, after careful consideration of the Supplementary Estimates for the 2011 financial year, recommends to the House to approve the sum of **one billion, four hundred and sixty-three million, one hundred and twenty-three thousand, five hundred and fifty-nine Ghana Cedis (GH¢1,463,123,559.00)** as Supplementary Budget for 2011 financial year for the purpose of meeting expenditure to carry out Government's activities in accordance with Article 179(8) of the Constitution.

Respectfully submitted.



**HON. JAMES KLUTSE AVEDZI
CHAIRMAN**



**PEACE A. FIAWOYIFE (MS.)
CLERK**

19TH JULY, 2011

APPENDIX 4B: SUPPLEMENTARY APPROPRIATION FOR 2011 - PAYMENTS

	2011 Budget Estimate	2011 Revised Budget	2011 Supplementary Budget
APPROPRIATION	13,557,800,451	15,020,924,010	1,463,123,559
TOTAL EXP. & NET LENDING	12,670,764,086	13,534,030,225	863,266,139
Recurrent	8,924,860,930	9,222,489,848	297,628,918
Non-interest expenditure	7,093,560,930	7,534,089,848	440,528,918
Wages & Salaries	3,732,761,500	3,910,405,093	177,643,593
Goods & Services	604,230,000	836,366,026	232,136,026
Transfers	2,352,688,250	2,383,437,549	30,749,299
Pensions	282,300,000	282,300,000	0
Gratuities	94,400,000	94,400,000	0
Social Security	363,300,000	363,300,000	0
National Health Fund (NHF)	477,672,730	495,412,729	17,739,999
o/w Social Intervention Programmes	93,227,132	96,704,172	3,477,040
Other transfers	1,107,765,520	1,120,774,820	13,009,300
Retention of Internally-generated fu	818,117,820	818,117,820	0
Lifeline consumers of electricity	28,810,000	28,810,000	0
Tax Expenditure (Exemptions)	260,837,700	273,847,000	13,009,300
Subsidies to utility companies	27,250,000	27,250,000	0
o/w TOR for under-recovery/Debt	27,250,000	27,250,000	0
Reserve Fund	403,881,180	403,881,180	0
Interest Payments	1,831,300,000	1,688,400,000	-142,900,000
Domestic	1,372,200,000	1,372,200,000	0
External (Due)	459,100,000	316,200,000	-142,900,000
Capital expenditure	3,745,903,155	4,361,540,377	615,637,221
Capital (domestic financed)	1,587,502,755	2,078,712,377	491,209,621
Development	1,587,502,755	2,078,712,377	491,209,621
Education Trust Fund	376,879,513	394,983,513	18,104,000
o/w Social Intervention Programmes	101,757,469	106,645,549	4,888,080
Road Fund	154,300,000	154,300,000	0
Petroleum Related Fund	6,100,000	6,100,000	0
Dist. Ass. Common Fund	530,738,000	554,623,850	23,885,850
o/w Social Intervention Programmes	159,221,400	166,387,155	7,165,755
Other cash expenditure	257,300,000	641,367,862	384,067,862
Transfer to GNPC	262,185,243	327,337,152	65,151,909
Capital (foreign financed)	2,158,400,400	2,232,828,000	74,427,600
OTHER PAYMENTS	887,036,365	1,486,893,785	599,857,420
Road Arrears	0	221,800,000	221,800,000
Non-Road Arrears	214,020,000	588,320,000	374,300,000
Tax Refunds	53,252,435	53,252,435	0
Amortisation	619,763,930	623,521,350	3,757,420

APPENDIX 4A: SUPPLEMENTARY APPROPRIATION FOR 2011 - RECEIPTS

	2011 Budget Estimate	2011 Revised Budget	2011 Supplementary Budget
TOTAL RECEIPTS	13,557,800,451	15,020,924,010	1,463,123,559
TOTAL REVENUE & GRANTS	10,601,122,515	11,967,355,592	1,366,233,077
TAXES ON INCOME & PROPERTY	3,334,799,497	3,935,394,102	600,594,605
Personal	1,334,200,000	1,364,900,000	30,700,000
Self employed	119,050,000	145,750,000	26,700,000
Companies	1,128,900,000	1,178,934,100	50,034,100
Company tax on oil	198,447,798	603,764,335	405,316,537
Others	554,201,699	642,045,667	87,843,968
Other direct taxes /1	416,223,699	504,067,667	87,843,968
o/w Royalties from Oil	123,406,407	201,250,375	77,843,968
NFSL	97,478,000	97,478,000	0
Airport tax	40,500,000	40,500,000	0
TAXES ON DOMESTIC GOODS	455,400,000	472,740,900	17,340,900
Excise Duty	125,400,000	142,740,900	17,340,900
Petroleum tax	330,000,000	330,000,000	0
TAXES ON INTERNATIONAL TRADE	1,335,863,805	1,411,306,805	75,443,000
Imports	1,273,677,000	1,349,120,000	75,443,000
Import duty	1,273,677,000	1,349,120,000	75,443,000
Exports	62,186,805	62,186,805	0
Cocoa	62,186,805	62,186,805	0
VAT	1,937,650,000	2,028,170,000	90,520,000
Domestic	829,250,000	870,380,000	41,130,000
External	1,108,400,000	1,157,790,000	49,390,000
National Health Insurance Levy (NHIL)	477,672,730	495,412,729	17,739,999
CEPS Collection	226,300,000	231,560,000	5,260,000
VATS Collection	161,600,001	174,080,000	12,479,999
SSNIT Contribution	89,772,729	89,772,729	0
Other revenue measures	141,630,000	158,601,000	16,971,000
Mobile Phone Tax on Air Time/CST	141,630,000	158,601,000	16,971,000
Import Exemptions	260,837,700	273,847,000	13,009,300
Tax Revenue	7,712,451,003	8,527,098,808	814,647,804
Non-tax revenue	1,355,667,583	1,845,399,055	489,731,472
Retention	818,117,820	818,117,820	0
Lodgement	537,549,763	1,027,281,235	489,731,472
Fees & Charges	147,564,520	147,564,520	0
Dividend/Interest & profits from Oil	262,185,243	445,769,014	183,583,772
Dividend/Interest & profits (Others)	127,800,000	127,800,000	0
Sale of Shares in lieu of Royalties (Anglo)g	0	306,147,701	306,147,701
TOTAL REVENUE	9,299,521,315	10,620,871,592	1,321,350,277
GRANTS	1,301,601,200	1,346,484,000	44,882,800
Project grants	784,183,200	811,224,000	27,040,800
Programme grants	281,387,000	291,090,000	9,703,000
HIPC Assistance (multilaterals)	128,745,500	133,185,000	4,439,500
Multilateral Debt Relief Initiative (MDRI)	107,285,500	110,985,000	3,699,500
International Monetary Fund	0	0	0
World Bank	97,440,000	100,800,000	3,360,000
African Development Bank	9,845,500	10,185,000	339,500
OTHER RECEIPTS	2,956,677,936	3,053,568,418	96,890,482
Programme and Project Loans	1,618,716,200	1,997,034,000	378,317,800
Exceptional Financing	118,175,000	122,250,000	4,075,000
Domestic Borrowing	1,219,786,736	1,545,284,418	325,497,682
Other Financing	0	-122,000,000	-122,000,000
Discrepancy	0	-489,000,000	-489,000,000

2011 BENCHMARK REVENUE ESTIMATES

In consonance with the PRMA, Annual Benchmark Revenue from petroleum operations is estimated as follows:

$$\text{Benchmark Revenue} = (\text{Expected current receipts from oil}) + (\text{Expected gas royalties}) + (\text{Expected dividends from the national oil company})$$

The current receipt from oil is estimated as follows:

$$\text{Expected current receipt (CR)} = \text{The Expected Price (EP)} \times \text{Expected Quantity (EQ)}$$

The Expected Price (EP) is estimated as a seven-year moving average, the seven years being the four years immediately prior to the current financial year, the current financial year itself and two years immediately following the current financial year.

The Expected Quantity (EQ) is calculated as expected average Government take in gross oil over a three year horizon, the three years being the immediately preceding, the current financial year, and the one year ahead projection following the current financial year.

The **EP** is estimated using monthly data on oil prices for the period January 2007 to December 2013. A seven year moving average of the data was used to project an average price of US\$99.618 was arrived at. This was approximated to **US\$100.00** which was used for the budget. Please refer to Appendix 1.

Noting that the actual data on oil quantities for 2010 was zero, the EQ was estimated as **84,737 barrels per day** using oil volume projection for 2011 submitted by the Ghana National Petroleum Corporation. The decision to adopt this approach to estimate the EQ was informed by a possible biased average for the volume of oil when the formula is used against the unbiased expected price estimation as stipulated by the formula.

Based on the above, oil receipts for 2011 are estimated as:

Total Oil Revenue (GHC)	= 1,250,783,725
Company Taxes	= 603,764,335
Royalties	= 201,250,375
Carried and Participating Interest	= 445,769,014

Data used for computation of oil price moving average is available upon request.

ANNUAL BUDGET FUNDING AMOUNT - SOURCE AND ALLOCATION

	Item	Amount
ABFA		646,412,601
	of which Capital Expenditure	452,488,821
	of which recurrent expenditure	193,923,780
GSGDA PRIORITY AREAS BUDGETARY ALLOCATIONS		
	RECURRENT EXPENDITURE / CAPITAL INFRASTRUCTURE	193,923,780
expenditure and amortisation of loans for oil and gas infrastructure	expenditure and amortisation of loans for oil and gas infrastructure	136,423,780
Capacity building (including oil and gas)	Capacity building for all MDAs including oil and gas	57,500,000
	CAPITAL EXPENDITURE	452,488,821
Road and Other Infrastructure	Road (On-going and New)	340,000,000
Road and Other Infrastructure	Water	23,000,000
Agriculture Modernisation	Agriculture (irrigation, feeder roads etc)	18,950,000
Agriculture Modernisation	Lands and natural resource	5,630,000
Road and Other Infrastructure	Energy	12,000,000
Road and Other Infrastructure	transport	14,324,539
Road and Other Infrastructure	Counterpart funding for Infrastructure and others	30,354,135
Road and Other Infrastructure	Contingency	8,230,147

Notes

1. Physical infrastructure (not restricted to roads infrastructure only)
2. Distribution consistent with provisions in the PRMA and in line with GSGDA priority areas
3. A portion of recurrent expenditure in oil and gas will be capitalised
4. Agriculture is not only treated as an MDA but a sector consistent with the National Accounts.

SECURITIZATION

BONDS ISSUED TO CREDITORS

GCB Overdraft Facility to TOR	572.3
Liabilities to SSNIT	319.0
Total	891.3

**SALE OF GOVERNMENT OF GHANA SHARES IN ANGLOGOLD ASHANTI
OFFERED IN LIEU OF ROYALTY PAYMENTS**

1. Through a stability agreement signed in 2004 between AngloGold Ashanti and GoG, to limit the former's payment of royalty to **only 3%** instead of **3-6%**, AngloGold Ashanti offered GoG a total **4,883,426** shares broken down as follows:
 - a. **2,658,000 shares** for the stability agreement
 - b. **2,225,426 rights offer shares**

2. The following are worth noting about the above transaction:
 - a. The royalty shares are considered as invested royalties which could be redeemed at any point in time to support the national budget;
 - b. The **4,883,426** royalty shares is different from the **6,373,650** shares issued in exchange of original Ashanti Goldfield shares during the merger of Ashanti Gold Field and AngloGold Ashanti in 2004;
 - c. The royalty shares were sold in 2010 to take advantage of the high share prices then;
 - d. Government engaged Macquarie Capital Limited, UK as the transaction advisor;
 - e. The sale place on Wednesday 19th January 2011; and
 - f. The share yielded USD208 MILLION (43.97 USD per share)

In case of reply the
Number and date of this
letter should be quoted.



MINISTRY OF JUSTICE
P. O. BOX MB. 60
ACCRA

8

REPUBLIC OF GHANA

13 January 2011

Dear Sir/Madam

**SALE OF 4,883,426 SHARES IN ANGLOGOLD ASHANTI LIMITED
BY THE GOVERNMENT OF THE REPUBLIC OF GHANA**

I am the Attorney General of Ghana, the legal advisor to the Government of the Republic of Ghana (Government). Having examined all the relevant laws, regulations and documents, I hereby confirm in my official capacity that:

1. The Government has complied with all necessary requirements under the Ghana (Constitution) of 1992 (the Constitution), laws and regulations in force in Ghana, has full power, and all authorisations, approvals and consents required by it have been unconditionally obtained and are in full force and effect, in order to:
 - (a) sell 4,883,426 ordinary shares in AngloGold Ashanti Limited (Shares); and
 - (b) enter into one or more agreements with Macquarie Capital (Europe) Limited (Macquarie) mandating Macquarie to advise the Government, structure the sale of, and sell the Shares (the Sale) on its behalf (together the Mandate), including but not limited to the engagement agreement concluded by the Government and Macquarie on 30 December 2010 and the placing agreement concluded by them on 13 January 2011.
2. Pursuant to The Financial Administration Act 2003 (the Act) the Government has full right, power and authority to conclude the Mandate with Macquarie.
3. Neither the Mandate nor the Sale conflicts or will conflict with or result in a breach or violation of any of the terms or provisions of, constitute a default under, any applicable law, statute, indenture, loan agreement or

other agreement or instrument known to me to which the Government is a party and/or to which it and/or any of its property or assets is subject.

4. Neither the Mandate nor the Sale require approval from Parliament in accordance with Article 181(5) of the Constitution because they are not transactions of such nature as would require such approval.
5. Dr. Kwabena Duffuor, the Minister of Finance and Economic Planning on behalf of the Government, has been appointed to this office in accordance with the Constitution and has authority to execute the instructions for the Sale and all associated documents required for the implementation of the Sale (together the Instructions).
6. All the agreements and other documents comprising the Mandate have been duly authorised by and executed and delivered on behalf of the Government and constitutes valid, irrevocable and binding legal obligations of the Government enforceable in accordance with their terms. The Instructions will constitute valid, irrevocable and binding legal obligations of the Government enforceable in accordance with their terms.
7. It is not necessary or advisable under the laws of Ghana, to ensure the legality, validity, enforceability or admissibility in evidence of the Mandate or the Instructions, that:
 - (a) any of them be filed or recorded or enrolled with any authority in Ghana or any political subdivision thereof;
 - (b) any tax or duty whatsoever be paid; or
 - (c) any other action whatsoever be taken.
8. Neither the Government nor its properties, assets or revenues have any right of immunity, on any grounds, from any legal action, suit or proceeding, from set off or counterclaim, from the jurisdiction of any court, from service of process, attachment upon or attachment in aid of execution of judgment or from execution of a judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of judgment in Ghana and England with respect of its obligations, liabilities or any other matter arising out of or in connection with the Sale, the Instructions and/or the Mandate.

The properties, assets and revenue do not include any diplomatic or consular assets or properties, assets or properties belonging to the Ministry of Defence, assets or properties specifically required for the

protection of national security, or the Consolidated Fund as defined in the Financial Administration Act, 2003 (Act 654).

9. The choice of the laws of England as the governing law of the Mandate is a valid choice of law under the laws of Ghana and courts of Ghana will honour this choice of law. The Government has the power to submit, and pursuant to the Mandate has legally, validly, effectively and irrevocably submitted, to the jurisdiction of the High Court of England and Wales. The Government has the power and authority:
- (a) to waive and will waive any objection to the venue of any proceedings in any such courts as provided in the Mandate;
 - (b) to designate, appoint and empower and will legally, validly, effectively and irrevocably designate, appoint and empower the Ghanaian High Commissioner to the United Kingdom or such other person occupying this post from time to time, to act as agent for service of process in any suit or proceedings based on, or arising in connection with, the Sale or the Instructions; and
 - (c) to waive and will effectively waive any sovereign immunity it may have in respect of any judgment obtained in any English court arising out of, or in relation to, the Sale or the Instructions.

I am not aware of any reason why the enforcement in Ghana of a judgment in respect of the Sale, Mandate and/or Instructions would be contrary to public policy in Ghana.

Yours faithfully

Betty Mould-Iddrisu

**BETTY MOULD-IDDRISU (MRS)
ATTORNEY-GENERAL AND
MINISTER OF JUSTICE**

PRESS RELEASE

SALE OF GOVERNMENT OF GHANA SHARES IN ANGLOGOLD ASHANTI
OFFERED IN LIEU OF ROYALTY PAYMENTS

On 18 October 2004, the Government of Ghana signed a Stability Agreement with AngloGold Ashanti that allows AngloGold Ashanti to limit its payment of royalty to only 3%, instead of between 3-6%. As a consideration for the Stability Agreement, AngloGold Ashanti offered the Government of Ghana 2,658,000 shares. In addition, AngloGold issued to the Government of Ghana 2,225,426 rights offer shares, bringing the total to 4,883,426 shares. In effect, these shares were issued in lieu of royalty payments which can be treated as invested royalties and could be redeemed at any point in time to support the national budget. These shares are separate from the 6,373,650 shares issued in exchange for the original Ashanti Goldfield shares during the merger of AngloGold and Ashanti Goldfields Company Limited in April 2004, which remain untouched. AngloGold will continue to pay 3% royalty to the Government of Ghana as well as dividends (when declared) on the 6,373,650 shares the Government has in the Company.

By October 2010, royalty payments by the mining companies have been received by the Government. Seeing that the AngloGold share price had reached an all-time high on the stock market, the Ministry of Finance and Economic Planning decided to sell the 4,883,426 royalty shares to take advantage of the higher prices. In December 2010, therefore, the Government engaged Macquarie Capital Limited, UK, as the financial advisor and broker to sell the shares on behalf of the Government. The sale took place on Wednesday, 19 January 2011 through a book building process on the Johannesburg Stock Exchange and did not involve the issue of subscription for any new AngloGold Ashanti ordinary shares. The shares were disposed at the price of ZAR302 (approximately USD43.97) per share, yielding a net of USD208 million for the Government. The transaction was concluded on Tuesday, 25 January 2011.

In the spirit of openness and transparency, the Ministry of Finance and Economic Planning wishes to inform the Ghanaian public about the transaction.

Authorized By the Minister of Finance and Economic Planning

1 February ~~2010~~ 2011

OIL REVENUE RECEIPTS AND DISTRIBUTION FROM JANUARY TO JUNE

RECEIPTS	1ST LIFTING	2ND LIFTING
Royalties	31,055,938	31,994,219
Carried and Participating Interest	81,133,638	83,584,896
Total Receipts	112,189,576	115,579,115
DISTRIBUTION		
Payment for Equity Financing	32,453,455	33,433,958
Carried and Participating Interest less Equity Financing	48,680,183	50,150,938
40% share to be ceded to GNPC	19,472,073	20,060,375
60% share for government	29,208,110	30,090,563
SUMMARY OF DISTRIBUTION		
Total amount due GNPC for Equity financing costs and Operations	51,925,528	53,494,333
Total Benchmark Revenue due Government	60,264,048	62,084,782
o/w Annual Budget Funding Amount	42,184,833	43,459,347
o/w Amount due Petroleum Funds	18,079,214	18,625,435