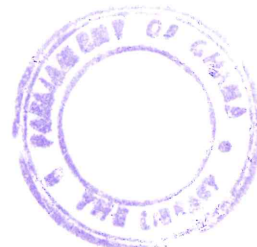


**IN THE SECOND SESSION OF THE SIXTH PARLIAMENT OF
THE FOURTH REPUBLIC OF GHANA**



**REPORT OF THE COMMITTEE OF THE WHOLE ON THE
PROPOSED FORMULA FOR THE SHARING OF THE
DISTRICT ASSEMBLIES COMMON FUND**

FOR THE YEAR 2014

MARCH, 2014

REPORT OF THE COMMITTEE OF THE WHOLE ON THE PROPOSED FORMULA FOR THE SHARING OF THE DISTRICT ASSEMBLIES COMMON FUND FOR THE YEAR 2014

1.0 INTRODUCTION

The Formula was laid before Parliament by the Hon. Majority Leader and Minister for Government Business Hon. Benjamin Kumbour on Wednesday, 26th March, 2014 in accordance with Article 252(2) of the 1992 Constitution and Section 7(a) of the District Assemblies Common Fund Act, 1993 (Act 455).

The Rt. Hon. Speaker referred the proposed formula to the Committee of the Whole for consideration and report.

The Committee of the Whole met on Thursday, 27th March, 2014 and deliberated on the proposed formula and reports accordingly.

2.0 BACKGROUND

Parliament is mandated by Article 252(2) of the 1992 Constitution of Ghana and the District Assembly Common Fund Act, 1993 (Act 455) to make provision for the allocation of not less than 5% of the total revenue of Ghana to the District Assemblies Common Fund for the implementation of developmental programmes in the Metropolitan, Municipal and District Assemblies (MMDAs).

As at now 7.5% of the total tax revenue of Ghana is allocated to the District Assemblies Common Fund.

By the provision of Section 7(a) of the District Assemblies Common Fund Act 1993 (Act 455), the Administrator of the Fund is to propose annually for the consideration and approval of Parliament a formula for sharing the Common Fund.

3.0 **ACKNOWLEDGMENT**

The Committee during its deliberations on the Formula met with the Hon. Akwasi Opong-Fosu, Minister for Local Government and Rural Development, the Chief Director of the Ministry of Local Government and Rural Development and the Administrator of the District Assembly Common Fund, Mr. Kojo Fynn as well as officials from the District Assembly Common Fund.

The Committee was grateful to these persons for their immense contributions to our deliberations.

4.0 **REFERENCES**

In considering the Formula, the Committee made references to the following documents:

- i. The 1992 Constitution of the Republic of Ghana
- ii. The Local Government Act (1992) Act 462
- iii. The District Assemblies Common Fund Act (1993) Act 455
- iv. The Standing Orders of Parliament
- v. The 2013 Report of the Committee of the Whole on the proposed Formula for sharing District Assemblies Common Fund
- vi. The 2014 proposed Formula for sharing of the District Assembly Common Fund

5.0 PRINCIPLES UNDERLYING THE FORMULA

The Committee was informed by the Administrator that the guiding principles in choosing the factors and corresponding indications in developing the DACF Formula remained the same as in 2013.

In developing the Formula, the “Basic Needs” approach to development was adopted and considered as a factor in the Formula with the following as its indicators:

- Health Service
- Education Service
- Water Coverage
- Tarred Roads Coverage

Under the above factors, those who have more facilities get less in order to bridge the development gap between the MMDAs.

Additionally, the Formula also takes into account other factors such as:

- i. Responsiveness
- ii. Service Pressure
- iii. Equality and
- iv. Reserve

6.0 SOURCE OF DATA

The Committee was informed that Data for the determination of the Formula is obtained from Central Sources. This is to prevent MMDAs from influencing the data used and also to prevent falsification.

6.1. POPULATION

The Committee was informed that the Administrator obtained the data on population from the Statistical Service. The population data used is that of the 2010 population Census.

6.2. EDUCATION

The Committee was also informed that the Data on Education was obtained from the Ministry of Education. Data required included education facilities, pupil and trained teacher population. The data on education covered all the MMDAs except the new Districts where data is shared between the new and the old Districts.

6.3 HEALTH

The data on Health was provided by the Ministry of Health. The data provided includes health facilities such as Public Hospitals, Clinics, Health Posts and CHIPS Compounds as well as Doctors and Nurses population.

The data on health sector continue to pose challenge due to the fluid nature of human resource professional in that sector, thereby creating disparity between the data and the reality.

Also some of the health facilities do not have a common point for coordinating data as some are under Ghana Health Service and others under Mission Health deal with the Christian Health Association of Ghana (CHAG).

6.4 **INTERNALLY GENERATED FUND**

Local Government Account Unit of the Controller and Accountant General's Department provides data on MMDAs Internal Revenue Collection.

6.5 **WATER COVERAGE**

The Committee was further informed that data on Water Coverage was sourced from the Community Water and Sanitation Agency and Ghana Water Company. Community Water and Sanitation provided data on rural water coverage and Ghana Water Company provided that of urban Water Coverage.

6.6 **TARRED ROADS**

Tarred Roads data was obtained from Department of Urban and Feeder Roads. Highways data is excluded as most of the MMDAs have highways passing through them.

7.0 **APPLICATION FOR 2014**

The Committee was informed that the 2014 Budget allocation included some Priority Interventions Programme (PIPs) under the Ministry of Local Government and Rural Development which is applied to the two main modes of transfers.

(a) **Indirect Transfers**

In order not to interrupt planned programmes of MMDAs, a portion of the Fund is set aside to be transferred indirectly to the MMDAs through the Priority

Intervention Programmes (PIPs) such as School Feeding, Sanitation and Waste Management, Sanitation Guards and National Borehole Programmes.

(b) **Direct Transfer**

The remaining Fund would be applied to the Formula for equitable distribution in 2014.

8.0 WEIGHING SCENARIO

Mr. Speaker, the Committee observed that the different Weighing Scenarios presented by the Administrator were as follows:

2014 Proposed Weighting

| <u>FACTORS</u> | <u>SCENARIO A</u> | | <u>SCENARIO B</u> | | <u>SCENARIO C</u> | |
|-------------------------------|-------------------|------------|-------------------|------------|-------------------|------------|
| | % | % | % | % | % | % |
| EQUALITY | | 40 | | 50 | | 45 |
| NEEDS | | 50 | | 45 | | 45 |
| Health facility/Population | 10 | | 12 | | 9 | |
| Health Professionals | 8 | | 5 | | 8 | |
| Education Facility/Population | 10 | | 12 | | 10 | |
| Teacher/Pupils | 10 | | 8 | | 8 | |
| Roads Coverage | 6 | | 4 | | 5 | |
| Water Coverage | 6 | | 4 | | 5 | |
| RESPONSIVENESS | | | | | | |
| Revenue Improvement | | 5 | | 3 | | 6 |
| SERVICE PRESSURE | | | | | | |
| Population Density | | 5 | | 2 | | 4 |
| | | <u>100</u> | | <u>100</u> | | <u>100</u> |

8.1. OBSERVATIONS OF THE SCENARIOS

Mr. Speaker, Comparison of all the Scenarios shows that each MMDAs had an increase and there is an indication that Scenario C presented even distribution followed by Scenario B. The Administrator therefore recommends Scenario C for the consideration and approval of the House.

The details of Scenario C are as follows:

| | % | % |
|---------------------------------------|----|-------------------|
| EQUALITY | | 45 |
| NEED | | 45 |
| <u>Health</u> | | |
| Health Facility/Population | | |
| Ration | 9 | |
| Health Professionals/Population Ratio | 8 | |
| <u>Education</u> | | |
| Education Facility/Population Ratio | 10 | |
| Trained Teacher/ Pupil Ratio | 8 | |
| <u>Road</u> | | |
| Tarred Roads Coverage | 5 | |
| <u>Water</u> | | |
| Water Coverage | 5 | |
| RESPONSIVENESS | | |
| Revenue Improvement | | 6 |
| SERVICE PRESSURE | | |
| Population Density | | 4 |
| | | <u>100</u> |

9.0 Mr. Speaker, the annual proposed allocation by the Administrator from the District Assemblies Common Fund for 2014 is as per Table 'A' below:

Table A

Comparative Annual Allocation of 2014 and 2013

| | 2014 | | 2013 | | % INCREASE |
|-------------------------------------|--------------------|----------------------|--------------------|----------------------|--------------|
| | GHC'000 | GHC'000 | GHC'000 | GHC'000 | |
| PRIORITY INTERVENTION PROJECTS | | | | | |
| SCHOOL FEEDING | 200,000,000 | | 199,000,000 | | |
| SANITATION/WASTE MGT (LIGUID/SOLID) | 145,000,000 | | 90,000,000 | | |
| SANITATION GUARDS | 30,000,000 | | 30,000,000 | | |
| SEED CAPITAL FOR NEW MMDAS | | | 14,000,000 | | |
| NATIONAL BOREHOLE PROGRAMME | 25,000,000 | | | | |
| SUB TOTAL | | 400,000,000 | | 333,000,000 | 20.12 |
| RESERVE | | | | | |
| CONSTITUENCY PRO. (MP) | 61,639,413 | | 45,971,478 | | |
| MP'S MONITORING | 34,244,118 | | 34,478,609 | | |
| RESERVE FUND | 20,546,471 | | 22,985,739 | | |
| RCC | 20,546,471 | | 17,239,304 | | |
| ADMIN. OFFICE | 6,848,824 | | 5,746,435 | | |
| SUB TOTAL | 143,825,296 | 143,825,296 | 126,421,565 | 126,421,565 | 13.77 |
| MMDAS | | | | | |
| INDIRECT | | | | | |
| GYEEDA-SANITATION MODULE | 286,287,379 | | 286,287,379 | | |
| TRAINING | 6,848,824 | | 5,746,435 | | |
| CURED LEPERS | 2,739,529 | | 2,298,574 | | |
| DIRECT | 15,067,412 | | 12,642,156 | | |
| PWD | | | | | |
| NET MMDA | 514,996,287 | | 382,890,841 | | |
| SUB TOTAL | | 825,939,431 | | 689,865,385 | 19.72 |
| TOTAL FUND | | 1,369,764,728 | | 1,149,286,950 | 19.18 |

10.0 OBSERVATIONS

The Committee observed that the total allocation to the DACF increased from **1,149,286,950** in 2013 to **1,369,764,728** in 2014. An increase of about **19.18%**.

The Committee further observed that allocation to priority intervention increased from **333,000,000** in 2013 to **400,000,000** in 2014 representing an increase of about 20.12%.

Reserve Fund increased from **126,421,565** in 2013 to **143,825,296** in 2014 representing an increase of about **13.77%**.

The Committee further observed that Indirect Transfers increased from **689,865,385** in 2013 to **825,939,431** in 2014. This represents an increase of about **19.72%**.

The Committee observed that the DACF owes beneficiary institutions for both 3rd and 4th Quarter of 2013 due to non-release of funds by the Ministry of Finance and this situation has negatively impacted on the growth and development of MMDAs.

The Committee further observed that data provided for Water and Roads may not be realistic for some MMDAs, especially the newly established ones as fresh data was not available at the time of preparing the Formula and the Administrator was compelled to share the same data between the old and the new MMDAs. This situation does not augur well for equitable distribution.

11.0 RECOMMENDATIONS

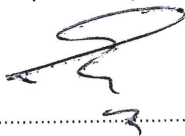
The Committee wishes to recommend to the Ministry of Finance to consider the issue of release of Funds very seriously as the matter borders on infringements on the laws of Ghana. The Minister of Finance should therefore ensure that this statutory obligation is fulfilled by the timely payment of all arrears due to the Fund.

The Committee also recommends to the Administrator of the Fund to ensure that realistic data is provided by the central sources to enable the Fund share the available resources fairly and equitably for equitable development.

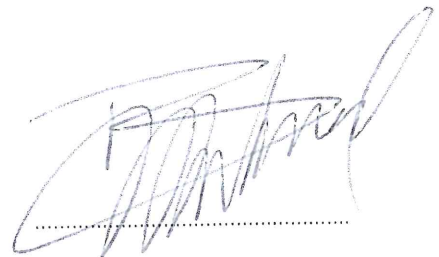
12.0 CONCLUSION

Mr. Speaker, having carefully considered the proposals for the sharing of the DACF for 2014, the Committee recommends for the approval **Scenario C** of the **Weighing Formula** as the basis for the distribution of an amount of **One Billion, One Hundred and Forty-Nine Million, Two Hundred and Eighty-Six Thousand, Nine Hundred and Fifty Ghana Cedis (GH¢ 1,149,286,950)** allocated to the District Assemblies Common Fund in the 2014 Budget.

Respectfully Submitted.



HON. EBO BARTON-ODRO
(FIRST DEPUTY SPEAKER)



INUSAH MOHAMMED
(CLERK, COMMITTEE ON LOCAL
GOVERNMENT AND RURAL
DEVELOPMENT)

MARCH, 2014