



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

REPORT

OF

**THE COMMITTEE OF THE
WHOLE**

ON

**THE PROPOSED FORMULA FOR
DISTRIBUTING THE DISTRICT
ASSEMBLIES' COMMON FUND FOR
THE YEAR 2008**

1.0 BACKGROUND AND INTRODUCTION

Article 252 (2) of the 1992 Constitution of Ghana and the District Assemblies Common Fund Act, (1993), Act 455 mandates Parliament to make provision for the allocation of **not less than five per cent (5%)** of the total revenue of Ghana to the District Assemblies' Common Fund for the implementation of development programmes in the Metropolitan, Municipal and District Assemblies. Section 7(a) of the District Assemblies' Common Fund Act, (1993) Act 455 also requires the Administrator of the District Assemblies' Common Fund to propose annually for the approval of Parliament a Formula for Sharing the Common Fund to the District Assemblies.

In pursuance of Article 252 (2) of the 1992 Constitution and Section 7 (a) of the District Assemblies' Common Fund (DACF) Act (1993), Act 455, the Hon. Minister for Local Government, Rural Development and Environment, Mr. Kwadwo Adjei-Darko, on Wednesday, 12th March, 2008 laid before Parliament the Proposed Formula for Sharing the 2008 District Assemblies' Common Fund.

Mr. Speaker referred the Proposed Formula to the Committee of the Whole for consideration and report.

The Committee of the Whole met on Thursday, 13th March, 2008, deliberated on the Proposed Formula and accordingly reports:

2.0 ACKNOWLEDGEMENT

The Committee acknowledges the contribution of Members and the under-listed State Officials who participated in the deliberations:-

- i. The Hon. Minister for Local Government, Rural Development and Environment
- ii. The Administrator of the District Assemblies' Common Fund and his officials

3.0 REFERENCES

The Committee of the Whole in considering the Proposed Formula referred to the following documents:

- i. The 1992 Constitution of the Republic of Ghana
- ii. The Standing Orders of Parliament
- iii. The Local Government Act, (1993) Act 462
- iv. The District Assemblies' Common Fund Act, (1993) Act 455
- v. The 2007 Report of the Committee of the Whole on the Proposed Formula for Sharing the District Assemblies' Common Fund

5.0 DEVELOPMENT OF THE FORMULA

5.1 Considerations in Developing the Formula

Since the Common Fund is to be used solely for development in areas where development was not evenly distributed, especially between urban and rural areas, the Common Fund should help redress the imbalance in development.

Per capita Gross Domestic Product (GDP) estimates had, until the 1960s, been accepted as the comparative measure of the level of development.

The conceptual shift in the meaning of development since the 1960's has necessitated a change of the key indicators as well. Thus, the mainstay of development now is the "basic human needs" approach and not only economic indicators.

Development of the Formula involves identifying factors which are quantifiable and capable of depicting all the considerations of the Formula. Verifiable indicators are then derived for these factors, measured and combined in a mathematical relationship to arrive at a component proportion for each District.

The philosophical basis of this Formula is to address the level of imbalance in resource allocation for development. With these considerations in view, the following **five (5) factors** have been adopted in the 2008 Proposed Formula.

- i. **The Need Factor:** - The need factor takes into consideration the level of development of each district with the view to addressing imbalances in the level of development.
- ii. **Responsive Factor:** - This factor aims at motivating Districts to generate more local revenue for their development projects.

- iii. **Equality Factor:** - This factor ensures that each District should have access to some minimum amount of fund for development.
- iv. **Service Pressure Factor:** -The rationale behind this factor is to ensure that highly populated areas are compensated for the over-utilisation of their facilities.
- v. **Reserve:** - There should be a Reserve Fund to cater for contingencies and bulk purchases for the Districts and also cater for the Monitoring and Evaluation of the Districts by the Office of the Administrator. The Reserve fund has been increased in 2008 to cater for sanitation in the country and also to fund the proposed District Development Fund (DDF) programme.

6.0 PROPOSALS FOR 2008

In the 2008 Budget, the Ministry of Finance and Economic Planning proposed to allocate an amount of **Two hundred and thirty-six million, one hundred and ninety-seven thousand, five hundred Ghana cedis(GH¢ 236,197,500)** representing 7.5% of the total national revenue into the District Assemblies' common Fund

After allowing for 15% reserve, the remaining amount is distributed among all the MMDAs using the following factors and indicators:

A. **Need Factor**

- (a) **Health** (i) Facilities
 - (ii) Doc/Pop. Ratio
 - (iii) Nurses/Pop. Ratio
- (b) **Education** (i) Facilities
 - (ii) Teacher/Pupil Ratio
- (c) **Water** Water Coverage

B. **Responsiveness Factor**

The ability of MMDAs to improve upon their local revenue mobilisation

C. **Service Pressure**

This is measured by the Population Density of the MMDAs

D. Equality Factor

No indicators are required.

E. Sanitation Factor

The Sanitation Fund is to be shared among the Metropolitan and Municipal Assemblies.

Proposed Weighting Scenarios

Three (3) different scenarios for weighting were presented in the Proposed Formula. These Scenarios have been obtained by varying the weights for the **Need Factor, Service Pressure, Responsiveness** and the **Equalisation Factors**.

These are represented by Scenarios A, B and C as follows:

Factor	Scenario A		Scenario B		Scenario C	
	%	%	%	%	%	%
Equality		45		50		40
Need	40		40		45	
Health Facilities	7		6		8	
Doc/Pop.	8		8		8	
Nurse/Pop.	8		8		8	
Educ. Facilities	6		5		7	
Tr/Pup.	6		6		8	
Water Coverage	5		7		6	
Responsiveness	10		4		5	
Improvement						
Service Pressure	5		6		10	
		-----		-----		-----
		100		100		100
		====		====		====

6.1 RESERVE FUND

10% of the Common Fund has always been set aside as Reserve fund. An additional 5% has been set aside in the 2008 formula to manage Sanitation in the Country and also to fund the proposed District Development Fund (DDF) Programme. These are deducted before the Formula is applied to the remaining 85%.

The Reserve fund is set aside for the purpose of:

- 1) Funding MPs Constituency Project
- 2) Funding Regional Coordinating Councils
- 3) Counterpart Fund for Projects
- 4) Office of the Administrator
- 5) Contingency Fund

7.0 ANALYSIS OF THE SCENARIOS AND ADOPTION OF SCENARIO B

Simple comparison between the three scenarios shows that under Scenario **A**, 68 Districts received their highest amounts. Under Scenario **B**, 87 Districts received their highest amounts while under Scenario **C**, 20 Districts received their highest amounts. However, the highest allocation of Two million, nine hundred and ninety four thousand Ghana cedis (**GH¢2,994,000.00**) is for **Ledzokuku/Krowor Municipal Assembly** and the lowest of Eight hundred and sixteen thousand six hundred Ghana cedis (**GH¢816,600.00**) is for **Kpando District**. As a result, Scenario **B** becomes the best and the obvious choice for adoption.

8.0 OBSERVATIONS

The Committee made the following observations during its deliberations:

i. Increment of the Fund from 5% to 7.5%

The committee observed that the DACF has been increased from 5% to 7.5% of the total National revenue. This, in the view of the committee will help make more resources available to the districts for their developmental projects. However the increase in the Fund must correspond with the transfer of additional responsibilities and expenditure from the central government to the Districts.

ii. **Dropping of the Tarred Road Index**

The committee also observed that the tarred road indicator under the need factor has been dropped from this years formula. The dropping of this indicator is likely to affect the allocations to Districts in the rural areas.

iii. **Reserve Fund**

The committee further observed that in 2007, 75% of the fund was disbursed to all MMDA's leaving a balance of 25% which was set aside as total Reserve fund out of which 15% was meant for sanitation management in the country and 10% meant for MP's Constituency Projects and other expenditures. However, in 2008 85% was set aside for disbursement to the MMDA's leaving 15% as the Reserve fund out of which 10% is meant for MP's Constituency projects and other expenditures with 5% meant for sanitation and the proposed DDF. This implies that 10% of the fund which was part of the reserve for last year has been added to the main fund to be distributed among all the MMDAs increasing the fund from 75% to 85% and reducing the reserve fund from 25% to 15%

iv **Conflict Between MPs and DCEs**

The Committee observed that the decision by the administrator of the common fund to set aside 2% of the MP's share of the common fund for monitoring and to allow MP's to access the amount from the office of the administrator would go a long way to ease the existing tension between MP's and District Chief Executives (DCE's).

10.0 **RECOMMENDATIONS**

The Committee makes the following recommendations:

- i. Necessary steps should be taken to ensure that additional responsibilities and expenditure are transferred from the central government to the District Assemblies to commensurate with the increase in the DACF.

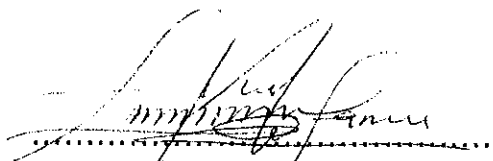
- ii. The tarred road as an indicator should be re-introduce as a major indicator in developing next year's formula for sharing the common fund. This will ensure that less developed District get access to more funds for development.
- iii. The committee recommends that necessary steps should be taken to ensure that Assemblies make judicious and effective use of the increase in the sanitation fund to improve the sanitation conditions in the country.
- iv. The Committee also recommends that appropriate measures are put in place to ensure that MP's properly account for the monies given them for Monitoring.

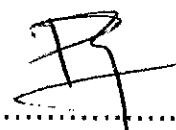
11.0 CONCLUSION

In conclusion, an amount of **Two Hundred and Thirty Six Million, One Hundred and Ninety-Seven Thousand Five Hundred Ghana Cedis (GH¢236,197,500.00)** allocated in the 2008 Budget Estimates into the District Assemblies' Common Fund has already been approved by Parliament.

The Committee, having satisfied itself with the Proposed Formula for Sharing the District Assemblies' Common Fund for 2008, accordingly recommends for its approval by the House.

Respectfully Submitted.


.....
EPHRAIM AMU
(ASST. CLERK, C'TTEE ON
LOCAL GOVT & RURAL DEV'T)


.....
HON. F. W. A. BLAY
(FIRST DEPUTY SPEAKER &
CHAIRMAN, C'TTEE OF THE
WHOLE)

17TH MARCH, 2008