

**IN THE FIRST 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 2013**

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1.0 INTRODUCTION

On Monday, 29th April, 2013, the Hon. Majority Leader and Minister for Government Business, Dr. Benjamin Kumbour laid before Parliament, the Proposed Formula for sharing the 2013 District Assemblies Common Fund.

This was done pursuant to 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 Monday, 29th April, 2013 and deliberated on the Proposed Formula and reports accordingly.

2.0 BACKGROUND

According to Article 252 (2) of the 1992 Constitution of Ghana and the District Assemblies Common Fund Act, 1993, (Act 455) Parliament is mandated 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 (MMDAs). As at now **7.5%** of the total tax revenue of Ghana is the allocation to the District Assemblies Common Fund.

By the stipulations in Section 7(a) of the District Assemblies Common Fund Act, 1993 (Act 455) the Administrator of the District Assemblies Common Fund is to propose annually for the approval of Parliament a Formula for Sharing the Common Fund to the District Assemblies.

3.0 ACKNOWLEDGEMENTS

The Committee during its deliberations on the formula met with the Hon. Akwasi Opong-Fosu, Minister for Local Government and Rural Development and The Administrator of the District Assemblies Common Fund, Mr. Kojo Fynn and his officials.

The Committee is grateful to these persons for their immense contributions.

4.0 **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 Local Government Act, (1993) Act 462
- iii. The District Assemblies Common Fund Act, (1993) Act 455
- iv. The Standing Orders of Parliament
- v. The 2012 Report of the Committee of the Whole on the Proposed Formula for Sharing the District Assemblies Common Fund
- vi. 2013 proposed formula for the Sharing of the District Assemblies Common Fund.

5.0 **PRINCIPLES UNDERLYING THE FORMULA**

Mr. Speaker, in developing the formula the Committee was informed that the Administrator was guided by the "basic human needs" principle to development, and therefore considered its indicators to be the Needs Factor, Responsiveness Factor, Equality Factor and the Service Pressure Factor.

These factors when properly applied will ultimately ensure that perceptions about unfair and discriminatory approaches to development would be avoided.

Mr. Speaker, the Committee learned that in developing the formula, the Administrator identified factors which were quantifiable and capable of depicting all the considerations of the formula. He also ensured that the factors and their corresponding indicators were simple to interpret, relevant, comprehensive, reliable and measurable. The factors include:

- i. **The Need Factor**
Under this factor, the Administrator considered availability or non-availability of health and educational facilities in a district, access to potable water and Tarred Road Coverage as a determinant of how much money should go to that district.

ii. **Responsiveness Factor**

The responsiveness factor considered Assemblies approach to revenue generation outside the Common Fund allocation.

iii. **Service Pressure Factor**

Urban areas should be compensated for the over-utilization of their facilities and the maintenance of these existing facilities.

iv. **Equality Factor**

The underlying principle is that districts should not be deprived of needed funds to pursue developmental goals. By employing this factor, it ensured that districts receive a certain minimum amount of funds even if all other factors go against them.

v. **Reserve**

There should be a reserve fund to cater for contingencies and bulk purchases for the districts.

6.0 SOURCES OF DATA USED

Mr. Speaker, the Committee was informed that Data used in the Formula is obtained from central sources. This is to avoid Metropolitan, Municipal and District Assemblies (MMDAs) influence over the data used and to prevent any falsification.

6.1 Population

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

6.2 Education

The Committee was further informed that Data on Education was obtained from the Ministry of Education. Data required includes Education Facilities, Pupil and Trained Teacher Population. Education data covers all the MMDAs except the new Districts where data is shared with the old District.

6.3 Health

The Committee was informed that Health Data is supplied by the Ministry of Health. The data supplied includes Health facilities such as Public Hospitals, Clinics, Health Posts and CHIPS Compound as well as Doctors and Nurses population. The health sector data continue to pose a great challenge to the development of the Formula.

6.4 Internally Generated Revenue (IGF)

Local Government Accounts Unit of the Controller and Accountant General's Department provides data on Metropolitan, Municipal and District Assemblies (MMDAs) Internal Revenue Collection.

6.5 Water Coverage

Data on Water Coverage was sourced from both the Community Water and Sanitation Agency and the Ghana Water Company. While the Community Water and Sanitation Agency gave out rural coverage, the Ghana Water Company also gave out urban coverage.

6.6 Tarred Road Coverage

Tarred Roads data was obtained from Department of Urban and Feeder Roads. Data on Feeder and Urban roads were used. Highway data was excluded as most MMDAs have the highway passing through and has little economic benefit to the entire MMDA.

7.0 REVIEW AND INTRODUCTION OF NEW FACTORS

It may be recalled that at the inception of the Common Fund, GDP was a major component of the "need factor". With passing years, its reliability reduced and had to be dropped. In 2001 the Formula was reviewed with the inclusion of Doctor / Population ratio and Teacher / Pupil ratio.

In 2002, the "Need Factor" was again expanded to include Water coverage as an indicator. It is measured in terms of the percentage of Metropolitan, Municipal and District Assemblies (MMDAs) population that have access to potable water.

In 2004 the Need Factor was further revised with the introduction of Tarred Roads and Nurses / Population ratio. Tarred road was dropped in the subsequent years due to

late submission of data. However, in 2011 the Tarred Roads was reintroduced with data sourced from the Departments of Urban Roads and Feeder Roads. These are the two main departments for roads whose activities are carried out at the Metropolitan, Municipal and District Assemblies (MMDAs) basis.

8.0 WEIGHTING SCENARIO FOR 2012

Mr. Speaker, the Administrator presented three different scenarios of the weighting to the House. Based on the analysis of the scenarios, the Committee recommended that Scenario A where the greatest number of Districts received their highest allocations compared to the other two scenarios was approved for 2012.

The details of SCENARIO A were as follows:

	%	%
<u>EQUALITY</u>		40
<u>NEED</u>		50
<u>HEALTH</u>		
Health Facilities/ Population Ratio	8	
Doc/Pop Ratio	5	
Nurse/Pop Ratio	5	
<u>EDUCATION</u>		
Education Facilities Population Ratio	10	
Trained Teacher	8	
Pupil Ratio		
<u>Road</u>		
Tarred Roads Coverage	6	
<u>WATER</u>		
Water Coverage	8	
<u>RESPONSIVENESS</u>		
Revenue Improvement		6
<u>SERVICE PRESSURE</u>		
Population Density		4
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9.0 PROPOSALS FOR 2013

District Assemblies Common Fund Budget Allocation for 2013 includes some Priority Intervention Programmes (PIPs) under the Ministry of Local Government and Rural Development. The 2013 Formula is applied with the consideration of the two main methods of transfer to the MMDAs- direct and indirect.

(a) **Indirect Transfer**

In order not to interrupt the programme planned for the MMDAs, a portion of the Fund has been set aside to be transferred indirectly to the MMDAs. This Fund eventually improves the lives of the people of each MMDA. Pursuant to this Priority Intervention Programmes (PIPs), the Ministers of the Local Government Rural Development and Finance and Economic Planning have outlined the following priority programmes for the year 2013.

• School Feeding	-	17.3	%
• Sanitations / Waste Management	-	2.6	%
• Sanitation Guards	-	2.6	%
• National Sanitation	-	5.2	%
• Seed Capital	-	1.2	%

(b) **Direct Transfer**

The remaining Fund (after the PIPs) would be applied to the formula and the Monetary Allocation for 2012 is shown in Table A.

9.1 **Annual Allocation**

As stated earlier under 2013 Formula, provision is made for Priority Intervention Programmes under Ministry of Local Government and Rural Development, other National Programmes and the Reserve Fund.

9.2 **Priority Intervention Programme**

It is planned that 28.9% of the Fund would be used for Priority Intervention Programmes.

Other National Programmes

• Ghana Youth Employment and Entrepreneurial Development Agency (GYEEDA) (Sanitation Model)	-	35%
• People With Disability	-	1.5%
• Training	-	0.5%
• Cured Lepers	-	0.3%

The rise of the GYEEDA to 28% is mainly due to the following factors:-

- a. Increased price of Five Hundred Ghana Cedis (GH¢500.00) per headcount as the programme has not benefited from price review since inception in 2006
- b. Increased number of participants from twenty-seven thousand (27000) to thirty-seven thousand (37000)
- c. Increase in the number of MMDAs from 170 to 216

9.3 The Reserve Fund

11% has been set aside as Reserve Fund. The details of the 11% is as follows:

- Constituency Labour Project – 4%
This is to provide funding for Constituency Labour Project by Members of Parliament
- Constituency Labour Monitoring and Evaluation 3%
This is to provide support for Constituency Monitoring and Evaluation by Members of Parliament
- Regional Co-coordinating Council – 1.5%
Funding for Regional Co-ordinating Councils in their monitoring and supervisory functions
- Reserved Fund 2%
To provide urgent funding for contingency / emergency expenditure
- Office of the Administrator District Assemblies Common Fund – 0.5%
For Operational Support, Monitoring and Evaluation by the Office of the Administrator

The proposed indicators and factors to be considered for 2013 are as follows:

9.4 Proposed Weighting Scenarios for 2013

FACTOR	SCENARIO A		SCENARIO B		SCENARIO C	
	%	%	%	%	%	%
<u>EQUALITY</u>		40		50		45
<u>NEEDS</u>		50		45		45
Health Facilities	8		9		10	
Population						
Doctor Population	5		3		4	

Nurse/Population	5	4	4
Educ. Facilities	10	9	10
Population			
Teacher/Pupil	8	8	8
Roads coverage	6	6	4
Water Coverage	8	6	5

RESPONSIVENESS

Improvement	5	3	6
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SERVICE PRESSURE

Population Density	5	2	4
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	100%	100%	100%
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9.5 Observations on the Scenarios

Mr. Speaker, comparative analysis of the above scenarios shows that under all scenarios each MMDA had an increase. A critical examination of the scenarios indicated that Scenario C is evenly distributed followed by B. The Administrator therefore concluded that Scenario C would yield the highest possible benefit to the MMDAs.

PROPOSED ANNUAL ALLOCATION

A total amount of **One Billion, One Hundred and Forty-Nine Million, Two Hundred and Eighty-Seven (GH¢1,149,287)** was approved for the DACF for the year 2013.

Mr. Speaker, the annual proposed allocation by the Administrator from the District Assemblies Common Fund for 2013 in comparison with the 2012 allocation is shown as per Table A below:

Table A: Proposed Annual Allocation

	2013 GHC'000	GHC'000	2012 GHC'000	GHC'000	% INCREASE
TOTAL FUND		1,149,287		821,665	39.9
Less: Priority Intervention Programme		333,000		273,360	21.8
School Feeding Programme	199,000		60,000		

Sanitation/Waste Mgt. (Liquid/Solid)	30,000		60,000	
Sanitation Guards	30,000		27,360	
National Sanitation Programme	60,000			
Seed Capital	14,000		42,000	
LESDEP Beneficiaries			84,000	
RESERVES		816,287 89,792	548,305 60,313	48.9
Constituency Project (MP's)	32,652		21,932	
MPs Monitoring	24,489		16,449	
Reserve Fund	16,326		10,966	
R.C.C	12,244		8,225	
Administrator's Office	4,081		2,742	
MMDAs	726,495		487,992	
INDIRECT		292,761	234,453	24.9
NYEP	286,231		230,066	
Training	4,081		2,742	
Cured Lepers	2,449		1,645	
DIRECT		433,734	253,539	71.1
PWD	12,224		8,225	
NET MMDA	421,490		245,315	
GRAND TOTAL	<u>1,149,287</u>	<u>816,287</u>	<u>821,665</u>	<u>48.9</u>

10.0 OBSERVATIONS

The following observations were made during the consideration of the proposed formula:

- The Committee observed that the total allocation to the DACF increased from GH¢ 821,665 in 2012 to GH¢1,149,287 in 2013 i.e. an increase of about 48.9%.
- It was further observed that the total of GH¢89,792 Reserve was calculated as 11 % of the Net value of GH¢816,287. However, it was agreed between the Committee and the Administrator that the 11% Reserve Fund should be calculated as a percentage of the total allocation of GH¢ 1,149,287. This

amendment was intended to insure that MMDAs fully benefit from the purpose for which the Fund was established.

- The Committee observed that the 7.5% of total tax revenue allocated to the DACF was done at a time when the total number of MMDAs was 170 while the total number of constituencies was 230. Keeping the percentage of allocation at the 7.5% levels will not yield the nation the needed speedy development.
- The Committee further observed that some Assemblies have resorted to financing projects directly from the office of the Administrator of Common Fund by issuing letters indicating Resolutions taken by the Assemblies concern requiring the Fund to make payments for those procurements on their behalf.
- This practice, quite apart from preventing Assembly Members from exercising full oversight over the nature of such procurements, has also led to some Assemblies registering negative figures when monies are been transferred to the Assemblies for development purposes.

11.0 RECOMMENDATIONS

In view of the above, the Committee makes the following recommendations to Government, the Minister of Local Government and Rural Development and the Office of the District Assemblies Common Fund Administrator:

- a. With the increase of MMDAs from 170 to 216 and the number of Constituencies from 230 to 275, the Committee wishes to recommend to Government to consider increasing the total allocation to DACF to 10% in order to ensure meaningful growth and development at the local level of governance.
- b. The Ministry of Local Government and Rural Development and the Minister of Finance are being urged to consider looking at other sources of Funds to finance priority intervention projects in order to ensure that resources are released to decentralised units to enable them address local challenges.
- c. The Committee therefore wishes to recommend to the Administrator of Common Fund not to honour such request henceforth. Instead, the Assemblies should be made to use their

internal mechanisms and appropriate Committees to ensure that procurements are made in the most transparent manner for the benefit of the people

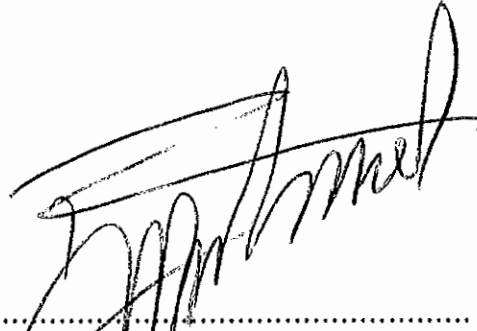
12.0 CONCLUSION

Mr. Speaker, having carefully considered the Proposals for the Sharing of the District Assemblies Common Fund for 2012, the Committee recommends for approval of Scenario C of the weighting formula as the basis for the distribution of the approved amount of **One Billion, One Hundred and Forty-Nine Million, Two Hundred and Eighty-Seven (GH¢1,149,287)** for the District Assemblies Common Fund.

Respectfully Submitted.



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**HON. EBO BARTON-ODRO
(FIRST DEPUTY SPEAKER)**



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

APRIL, 2013