

**REPORT OF THE COMMITTEE OF THE WHOLE ON THE PROPOSED  
FORMULA FOR THE SHARING OF THE DISTRICT ASSEMBLIES COMMON  
FUND FOR THE YEAR 2017**

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## **1.0 INTRODUCTION**

The Proposed Formula for the Distribution of the District Assemblies Common Fund was laid before Parliament on 27<sup>th</sup> June 2017 by the Majority Leader, Hon. Osei Kyei-Mensah-Bonsu, in accordance with Article 252(2) of the 1992 Constitution and Sections 125(3) and 129(a) of the Local Governance Act, 2016 (Act 936).

The Rt. Hon. Speaker referred the Proposed Formula to the Committee of the Whole House for consideration and report. The Committee met on 27<sup>th</sup> June 2017 and considered the referral.

## **2.0 ACKNOWLEDGEMENT**

The Committee met with the Hon. Minister for Local Government and Rural Development, Hajia Alima Mahama, the Administrator of the District Assemblies Common Fund, Ms. Irene Naa Torshie Addo as well as officials from the District Assemblies Common Fund and considered the Proposed Formula.

The Committee extends its gratitude to the Hon. Minister, the Administrator and the officials who attended upon the Committee to assist it deliberate on the Proposed Formula.

## **3.0 REFERENCES**

The Committee referred to the following statutes and documents:

- i. The 1992 Constitution of the Republic of Ghana
- ii. The Local Governance Act (2016), Act 936
- iii. ~~The Standing Orders of Parliament~~
- iv. ~~The Proposed Formula for Distributing the District Assembly Common Fund for Year 2017~~
- v. The Report of the Committee of the Whole House on the Formula for Distribution of the District Assemblies Common Fund, 2016

## **4.0 BACKGROUND**

Parliament is mandated by Article 252(2) of the 1992 Constitution of Ghana and Section 126(1) of the Local Governance Act, 2016 (Act 936) to make provision for the

allocation of not less than 5% of the total revenue of the country to the District Assemblies Common Fund for the implementation of development programmes in the Metropolitan, Municipal and District Assemblies (MMDAs).

The allocation to the Fund for the 2017 fiscal year is 5% of total tax revenue of the country instead of 7.5% for the 2016 fiscal year. The reduction is attributed to change in policy of Government to cap overall transfers to earmarked Funds at 25% of tax revenue as contained in the Budget Statement and Economic Policy of Government for 2017.

By the provision of Section 129(a) of the Local Governance Act, 2016 (Act 936), the Administrator of the Fund is to propose annually for the consideration and approval of Parliament, a formula for distribution of the Fund to MMDAs.

## **5.0 PRINCIPLES UNDERLYING THE 2017 FORMULA**

The Administrator informed the Committee that there was no significant change in the guiding principles of choosing the factors and corresponding indicators in developing the DACF Formula for 2017.

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/services receive less in order to bridge the development gap between the MMDAs.

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

- i. Responsiveness
  - a. Improvement in revenue generation and collection
  - b. Budget implementation status
- ii. Service Pressure and
- iii. Equality

## **6.0 SOURCES OF DATA FOR THE FORMULA**

The Committee was informed that data for the determination of the Formula was obtained from central sources. This is to prevent MMDAs from influencing the data used and also to prevent falsification. However data on project implementation status was sourced from the MMDAs and Regional Coordinating Councils (RCCs) monitoring and evaluation reports.

## **6.1 Population**

Population data was obtained from the Statistical Service. The population data used was the 2010 population Census. Since the newly established MMDAs were created after the 2010 Population Census, the Population figures for the old MMDAs were shared equally between the old and the new MMDAs.

## **6.2 Education**

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 in the country except the new Districts where data is shared with the old Districts.

## **6.3 Health**

The Ministry of Health provided the data on 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 the health sector continues to pose a great challenge to the development of the Formula due to the fluid nature of human resource professionals in that sector. The fluidity creates disparity between the data and the reality in some health facilities.

## **6.4 Internally Generated Fund**

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

## **6.5 Water Coverage**

Data on Water Coverage was sourced from the Community Water and Sanitation Agency and Ghana Water Company. Whereas the Community Water and Sanitation Agency provided data on rural water coverage, the Ghana Water Company provided that of urban water coverage.

## **6.6 Tarred Roads**

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

## **7.0 PROPOSED WEIGHTING SCENARIO**

7.1 The Administrator presented three different scenarios of weighting. It was noted that these scenarios were similar to that presented in 2016 with a minor variation on the needs for education as shown in Table 1.

**Table 1: 2017 Proposed Weighting**

FACTOR	SCENARIO A		SCENARIO B		SCENARIO C	
	%	%	%	%	%	%
EQUALITY		35		45		40
NEEDS		48		45		40
Health facility/PR**	8		12		8	
Health Professionals/TR**	8		5		8	
School facility/PR**	8		6		6	
Classrooms Facility/PR**	6		6		6	
Teacher/Pupils ratio	8		8		8	
Tarred Roads coverage	4		4		4	
Water coverage	6		4		6	
RESPONSIVENESS		12		8		12
Revenue improvement	6		4		6	
Budget implementation status	6		4		6	
SERVICE PRESSURE		5		2		4
Population Density						
		100		100		100

Source: 2017 District Assemblies Common Fund Formula, p. 14.

\*\*PR (Population ratio)

## 7.2 Observation on the Scenarios

The Administrator informed the Committee that the three (3) scenarios provide for an increase in revenue to most of the MMDAs. A critical examination of the scenarios indicate that Scenario B provides for a more evenly distribution of the Fund to MMDAs than the other two. In addition, a greater number of MMDAs would receive their highest allocations under Scenario B.

The Administrator accordingly recommended Scenario B for approval by the House. The details of Scenario B is as follows:

**Table 2: Scenario B**

FACTOR	SCENARIO B	
	%	%
EQUALITY		45
NEEDS		45
Health facility/PR**	12	
Health Professionals/PR**	5	
School facility/PR**	6	
Classrooms Facility/PR**	6	
Teacher/Pupils ratio	8	

Tarred Roads coverage	4	
Water coverage	4	
RESPONSIVENESS		8
Revenue improvement	4	
Budget implementation status	4	
SERVICE PRESSURE		2
Population Density	2	
		100

Source: 2017 District Assemblies Common Fund Formula, p. 16-17.

\*\*PR (Population ratio)

## 8.0 ALLOCATION FOR 2017

The Committee observed that the annual allocation to the DACF in 2017 as contained in the Appropriation Act, 2017 (Act 945) was Gh¢1,575.9 million. The total allocation was based on 5% of projected national tax revenue for 2017, 2018 and 2019 fiscal years respectively.

Details of the distribution of the Fund, based on the recommended Formula for 2017 as compared to 2016 is presented in Table 3.

Table 3: ALLOCATION STATEMENT FOR 2017 AND 2016

ALLOCATION	2017	Prop %	2016	Prop. %
<b>INSTITUTIONAL TRANSFERS</b>	<b>257,602,391</b>	<b>16.35</b>	<b>133,800,000</b>	<b>6.65</b>
National Youth Authority(Act 939)	78,796,767	5		
Youth Employment Agency(Act 887)	157,53,534	10	133,800,000	6.65
National Disaster Mgt. Organisation (Act 927)	21,212,090	1.35		
<b>NATIONAL PROJECTS</b>	<b>252,622,435</b>	<b>16.03</b>	<b>776,200,000</b>	<b>38.60</b>
National Education Policies	70,129,123	4.45		
Waste Management(Liquid/Solid)	110,315,474	7.00	300,000,000	14.90
Accra Sewerage Treatment Plant(Lavender Hill)	39,871,164	2.53	95,000,000	4.70
Seed Capital for New MMDAs Building	32,306,674	2.05		
Others	-		381,200,000	19.00
<b>RESERVE</b>	<b>211,175,335</b>	<b>13.40</b>	<b>205,419,128</b>	<b>10.20</b>
Constituency Labour Projects(MPs)	78,796,767	5.00	90,626,086	4.50
Constituency Labour Monitoring and Evaluation(MPs)	47,278,060	3.00	50,347,825	2.50
Reserve Fund	31,518,707	2.00	27,187,826	1.35
RCC	31,518,707	2.00	27,187,826	1.35
DACF Operations	7,879,677	0.50	10,069,565	0.50
DACF Office Building	14,183,418	0.90		
<b>MMDAs-INDIRECT</b>	<b>121,347,021</b>	<b>7.70</b>	<b>190,087,130</b>	<b>9.45</b>
YEA Sanitation Module(Arrears)	111,891,409	7.10	179,111,304	8.90
Training	7,879,677	0.50	8,055,652	0.40
Cured Lepers	1,575,935	0.10	2,920,174	0.15
<b>MMDAs-DIRECT</b>	<b>733,188,157</b>	<b>46.52</b>	<b>708,406,758</b>	<b>35.10</b>
Persons with Disabilities(PWD)	47,278,060	3.00	37,000,000	1.80
Net MMDAs	685,910,097	43.35	671,406,758	33.30
<b>TOTAL FUND</b>	<b>1,575,935,339</b>	<b>100</b>	<b>2,013,913,015</b>	<b>100</b>

Source: 2017 District Assemblies Common Fund Formula.

## 8.0 OBSERVATIONS

### 8.1 Decrease in Allocation

The Committee observed that the total allocation to DACF decreased from GH¢2,013,913,015 in 2016 to GH¢1,575,935,339 in 2017, a decrease of about 28 percent. The decrease in the total allocation to the Fund has led to decline in allocation to finance various programmes within the MMDAs. Programmes under the Reserve Fund and Monitoring and Evaluation were particularly observed to be severely affected by the reduction. The nominal decline in the allocation, the Committee was informed, was mainly due to the Earmarked Funds and Capping Act, 2017 (Act 947) that had reduced the funding rate for the DACF from 7.5% to 5% in 2017.

### 8.2 MMDAs Allocation

The Committee observed that only 43.52% of the allocation for 2017 was to be disbursed directly to the MMDAs with a greater percentage disbursed directly at the central level to finance various programmes and entities at the national level. It was explained that there was an improvement in direct allocation to MMDAs than previous years. The net allocation directly to MMDAs saw an increase of about ~~2.2~~ <sup>10.29%</sup> percent over the 2016 allocation. There was also an increase in the proportionate share in 2017 of 43.52% as compared to 33.30% in 2016. The Committee urged the Administrator to be guided by Government policy by ensuring that direct allocation to the Assemblies is increased significantly in subsequent years.

The Committee was informed that going forward, the cost of Government priority programmes such as the School Feeding Programme, School Uniform Programme and others would be borne by their respective Ministries. It was noted that although an amount of Gh¢ 70.1million had been allocated to cover National priority education programmes to be undertaken by the Ministry of Education, it was explained that this was a one-off funding for 2017 and not intended for subsequent years.

### 8.3 Institutional Transfers

The Committee was informed that the financial obligation of the following organisations requires DACF to provide funding for the implementation of their various programmes. These include:

a) Youth Employment Agency (Section 23(c) of Act 887)	-	10%
b) National Youth Authority (Section 17(b) of Act 939)	-	5%
c) National Disaster Management Organisation (Section 39 (c) of Act 927)	-	1.35%

An amount of Gh¢257million was therefore been allocated to cater for the above organisations in 2017.

The Committee was further informed about an apparent overlap in the provision of funds to the above organisations. It was noted that these organisations benefit directly from other sources of funds and there was therefore the need to review the funding sources to some of the institutions stated in the Earmarked Funds and Capping Act, 2017 (Act 947).

#### 8.4 Audit of Sanitation Budget (YEA-Sanitation Module)

The Committee raised concerns about the arrears of GH¢321.3million owed to Service providers under the YEA-Sanitation module. The Committee was informed that the debt came about as a result of lower inflows into the Fund over the years. An amount of Gh¢111.9million has been budgeted for 2017 to reduce the debt. The Committee urged the Administrator to conduct an audit into the claims.

#### 8.5 Allocation to Cured Lepers

The Committee observed that a total amount of GhC1.575, 935 representing 0.10 percent of the Fund was allocated to cater for cured Lepers in the country. It was noted that out of the amount 25% would be used for feeding, while 75% would go into physical development. While the Committee commends the Administrator, the Committee expressed optimism that the Ministry of Finance would commit itself to timely release of funds for the realisation of the objectives of this social intervention measure for the improvement of the lots of such socially deprived class of persons. It was further recommended that the allocation be increase to cater for all Lepers in the country and that Members of Parliament partner the District Assemblies to have a proper census of the cured lepers in the various Districts.

#### 8.6 Persons with Disability (PWDs)

The Committee noted that a total amount of GH¢47,278,060 representing 3 percent of the Fund has been allocated to PWDs. The Committee was happy to observe an increase in the allocation in 2017 as compared to 2016. The Committee observed that 25% of the allocation would be use to improve twenty-six facilities in disability institutions and rehabilitation centres across the country. Furthermore, the Disability Council will be strengthened to perform its monitoring role as provided for in the Disability Act, 2006 (Act 715). The Committee urge the Administrator to ensure the timely release of funds for implementation of these laudable commitments by Government. It was further recommended that access to the funds allocated by PWDs be improved.

### 9.0 RECOMMENDATION AND CONCLUSION

Having carefully considered the Formula for the distribution of the DACF for 2017, the Committce recommends to the House to adopt its Report and approve Scenario B of the Weighting Formula for the distribution of an amount of Gh¢1,575,935,339.

Respectfully submitted

  
MR. CAMILLO KWAMANG  
CLERK TO THE COMMITTEE

  
HON. JOSEPH OSEI-OWUSU  
CHAIRMAN, COMMITTEE OF THE WHOLE

