

PARLIAMENT OF GHANA LIBRARY



**2020**

**FORMULA FOR SHARING**

**THE**

**DISTRICT ASSEMBLIES COMMON FUND**

## **EXECUTIVE SUMMARY**

### **1.0 INTRODUCTION**

The 1992 constitution, under article 252 imposes an obligation on the Administrator of the District Assemblies Common Fund to present to Parliament a Formula for the distribution of monies allocated by Parliament for the Assemblies every year. The Fund is to be distributed among the Assemblies on the basis of a formula proposed by the Administrator of the Fund and approved by Parliament.

### **2.0 SUMMARY OF ALLOCATION**

The total allocation for the year is therefore based on 5% of projected national revenue for 2020, 2021 and 2022 fiscal years respectively.

The Fund allocation for the year 2020 is about GHC2,313million (the appropriation Act 2019, Act 951) compared to GHC2,079.4million allocated for 2019.

2020 FORMULA FOR SHARING THE DISTRICT ASSEMBLIES COMMON FUND

**ALLOCATION STATEMENT 2020**

PARLIAMENT OF GHANA 1992

	PROP. %	GHC	GHC	PROP.	GHC	GHC
		2020			2019	
<b>INSTITUTIONAL TRANSFERS</b>	<b>14.42</b>		<b>333,537,849</b>	<b>13.42</b>		<b>279,100,590</b>
NATIONAL YOUTH AUTHORITY (ACT.939)	4.00	92,508,262		4.00	83,177,065	
YOUTH EMPLOYMENT AGENCY (ACT.887)	9.00	208,143,590		8.00	166,354,129	
NATIONAL DISASTER MGT. ORG.(ACT.927)3%	1.42	32,885,997		1.42	29,569,397	
<b>NATIONAL PROJECTS</b>	<b>19.32</b>		<b>446,789,948</b>	<b>16.11</b>		<b>334,982,799.</b>
NATIONAL EDUCATION POLICIES	1.77	41,000,000		2.00	41,588,533	
LOCAL GOVERNMENT SPECIAL PROJECT	4.32	100,000,000				
GHANA SCHOOL FEEDING				4.81		<b>100,000.00</b>
WASTE MGT. (LIQUID/SOLID/ SEWERAGE TREATMENT PLANT	6.30	145,798,948		4.00	83,094,266	
CONSTRUCTION OF MMDAS BUILDING	3.46	80,000,000		4.81	100,000,000	
CONSTRUCTION OF COURTS/RES. BUILDINGS	3.46	80,000,000		0.50	10,300,000	
<b>RESERVE</b>	<b>13.86</b>		<b>320,531,305</b>	<b>13.77</b>		<b>286,234,448</b>
CONSTITUENCY LABOUR PROJECTS(MPS)	5.00	115,635,328		5.00	103,971,331	
CONSTITUENCY LABOUR MONITORING AND EVALUATION (MPS)	3.00	69,381,197		3.00	62,382,798	
RESERVE FUND	2.00	46,254,131		2.00	41,588,532	
RCC	1.50	34,690,598		1.50	31,191,399	
DACF OPERATIONS	0.63	14,570,051		0.63	13,100,388	
DACF OFFICE BUILDING/ADM. RESIDENCE				0.10	2,000,000	
INSTITUTIONS UNDER MLGRD.	1.73	40,000,000		0.96	20,000,000	
MLGRD OFFICE BUILDING	-	-		0.58	12,000,000	
<b>MMDAS - INDIRECT</b>	<b>2.00</b>		<b>46,257,345</b>	<b>6.30</b>		<b>131,079,427</b>
YEA-SANITATION MODULE (ARREARS)	1.47	34,000,000		5.77	120,000,000	
TRAINING	0.43	9,944,638		0.43	9,000,000	
CURED LEPERS	0.10	2,312,707		0.10	2,079,427	
<b>MMDAS - DIRECT</b>	<b>50.40</b>		<b>1,165,581,105</b>	<b>50.40</b>		<b>1,048,029,349</b>
PEOPLE WITH DISABILITIES (PWD)	3.00	69,381,197		3.00	62,382,798	
NET MMDAS	47.40	1,096,199,908		47.40	985,646,551	
<b>TOTAL FUND</b>	<b>100.00</b>		<b>2,312,706,550</b>	<b>100</b>		<b>2,079,426,613</b>

3.0 **INSTITUTIONAL TRANSFERS**

The Financial provisions of the following organizations request the DACF to provide source of funding for the implementation of their various objectives/programmes.

(a) Youth Employment Agency	- (Section 23(c) of Act 887)	-	9%
(b) National Youth Authority	- (Section 17(b) of Act 939)	-	4%
(c) National Disaster Management- Fund (NADMO) Three percent of share of the District Assemblies Common Fund for each District Assembly subject to the Formula (3%)	(Section 39 (c) of Act 927)	-	1.42%

An amount of GHC333.5million has therefore been allocated to cater for the above organisations in 2020.

4.0 **NATIONAL PROJECTS**

It is planned to utilize GHC446.8million of the Fund towards National projects as follows:-

(a) **Education Policies**

An amount of GHC41million has been allocated to cover National Education Policies/Programmes to be undertaken by Ministry of Local Government and Rural Development.

(b) **MMDAS Office Buildings**

An amount of GHC80million has been allocated in the 2020 Formula to cater for the construction/renovation of forty(40) office accommodation for some MMDAs.

(c) **Local Government Special Projects**

An amount of GHC100million has been allocated for the Local Government Special Projects. This amount is to be used as follows:-

(i) **National Borehole Programmes**

An amount of GHC20million has been earmarked to drill 800 - 1000 boreholes in some MMDAs.

(ii) **District Health and Sanitation Support**

GHC10million has been allocated for provision of 100 – 150 toilets.

(iii) **Rural Development Support**

GHC10million has been allocated for rural development of the districts.

(iv) **MMDAs Disaster Support**

GHC60million has been allocated to manage sanitation issues and public health outbreak such as corona virus, cholera etc. through fumigation and provision of accessories such as sanitizers, masks, dustbins, detergents, cleaning kits etc.

(d) **Construction of Courts/Residential Buildings**

An amount of GHC80million has been budgeted to cater for the construction of fifty(50) court buildings and fifty (50) residential accommodation for the judiciary.

(e) **Waste Management (Liquid/Solid Waste/Sewerage Treatment Plant)**

An amount of GHC145.8million is earmarked to cater for the management of Liquid/Solid Waste and treatment of Sewerage Plants in the country.

5. **RESERVE**

An amount of about GHC320.5million has been set aside to cater for the following details:

1. **Constituency Labour Projects**

This is to provide funding for Constituency Labour Projects undertaken by Members of Parliament. The projected amount of GHC115.6million would be shared equally for all the 275 Members of Parliament.

2. **Constituency Labour Monitoring & Evaluation**

This is to provide support for Constituency Monitoring and Evaluation of projects by Members of Parliament. An amount of GHC69.4million would be shared equally amongst all the Members of Parliament. This amount will be accounted for by Members of Parliament signing for the quarterly release.

**3. Regional Co-ordinating Councils**

A provision of GHC34.7million has been earmarked to cater for all the sixteen(16) Regional Co-ordinating Councils to enable them perform their monitoring and supervisory functions over the MMDAs, The Regional Planning and Co-ordinating Units would be resourced adequately to enable the units carry out their roles to monitor and evaluate development projects in the regions. The amount due to each region is therefore to be used as follows:–

- (a) 60% for General Administration and
- (b) 40% for Regional Planning and Co-ordinating Units (RPCUs) for monitoring.

**4. Reserve Fund**

An amount of GHC46.3million has been set aside to cater for national emergencies.

**5. District Assemblies Common Fund Operations**

An amount of GHC14.6million has been allocated to the Office of the DACF as approved by Parliament pursuant to section 132 of the Local Governance Act 936, 2016. This would cater for the compensation cost of employees as well as the Monitoring and Evaluation of their operations.

**6. Institutions under the MLGRD**

An amount of GHC40million has been allocated to support institutions under the Ministry of Local Government and Rural Development that supports the MMDAs.

This amount is to be allocated as follows:

- (a) GHC15million - Akomandan (OHLGS)
- (b) GHC10million - Madina(ILGS) fully furnished 80 bedroom facility, 2 seminar rooms, laundry, convenient shop and gym
- (c) GHC 5million - Tamale (ILGS) – for the completion of the auditorium and 60 room capacity
- (d) GHC10million – OHLGS to be used for the completion of an ultra-modern office building

### **INDIRECT PROGRAMMES**

Total of Indirect Programmes amounting to GHC46.3million has been earmarked for the following:

YEA – Sanitation Module (Arrears):- In 2020 an allocation of GHC34million has been made to clear the arrears.

Total indebtedness to the programme was GHC321.3million which was to be paid over three years. In 2017 an amount of GHC111.9million was allocated however an amount of GHC106.6 was paid due to inadequate inflows of Funds.

An allocation of GHC93.5million was again made in 2018 however GHC88.5 was paid. In 2019, an amount of GHC120million was allocated and GHC96million is expected to be paid leaving an outstanding balance of about GHC30.2million.

1. Training: - GHC9.9million has been allocated for Human Resource Training. Out of which 20% will be used to service the activities of the Institute of Local Government Studies at Madina. The remaining 80% is for Human Resource Development of MMDAs.
2. Cured/Uncured Lepers – GHC2.3million has been set aside to cater for cured lepers.

### **DIRECT TRANSFERS (MMDAs)**

The total direct transfer to the MMDAs is estimated at GHC1,165.6million representing 50.40% of the total allocations as follows:-

1. GHC1,096million is allocated to the MMDAs development programmes. The estimated ratios and allocation for 2020 to the MMDAs is based on the recommended Scenario attached in Table 9 and 10.
2. Persons with Disability (PWD) has been set at GHC69.4million. 20% of PWD component has been allocated for children with special needs and another 20% for the renovation and refurbishment of Disability institutions all over the country, The remaining 60% of the Fund would be made available to the PWD accounts in the MMDAs. The distribution of this

fund reflects the size of the Persons with Disability in the respective districts.

**4.0 Indicative Allocation for 2020 and 2021**

We have worked out the broad allocations for 2020 and 2021 fiscal years using the Scenario recommended as attached in Table 9. The proposed allocations for 2021 and 2022 are GHC2,581.80million and GHC2,983million respectively from the National Budget statement. These are just indicative figures and would be revised/finalized using actual weightings and amounts in their respective years.

**5.0 \*Accra Sewerage Treatment Plant, Mudor**

An amount of GHC95million which was given to Accra Sewerage Treatment Plant (Lavendar Hill) and Korle-Bu Medical Waste Disposal, Mudor Fecal Waste in 2016 by government through DACF is expected to be paid back within the next two years (2021-2022)



## PRINCIPLES UNDERLYING THE FORMULA

There is no significant change in the guiding principles of choosing the Factors and the corresponding indicators in developing the DACF Formula. The Factors and Indicators should be Relevant, Comprehensive, Reliable, Measurable and Simple to interpret.

The DACF Formula is developed to allocate the Funds evenly to address the development gaps between the rural and urban districts in the country. Since the late 1960s, there has been a conceptual shift in the meaning of development. Development is now considered as a multi-dimensional process involving not only economic growth, but also improvement in other living conditions such as health, education, access to potable water, good roads, adequate food supply, employment etc, thus defining development these days, in terms of satisfying “basic human needs’.

In developing the DACF Formula, the “**Basic Needs**” approach to development is adopted and considered as a Factor in the Formula with the following as its indicators:

- Health Services
- Education Services
- Water Coverage
- Tarred Road Coverage

Under this Factor, those who have more facilities/services receive less to bridge the development gap.

In addition to the ‘basic needs’ Factor, the Formula also takes into account other factors in its development. The **Responsiveness** of the Metropolitan, Municipal and District Assemblies (MMDAs) to their own revenue generation and service delivery. It has been observed that when local authorities expect sizable grants from central government they relax in their efforts to improve on their local revenue collection. It has been argued that central government transfers such as the DACF serve as a disincentive to Local Revenue Mobilization efforts. The **Responsiveness Factor** is therefore used to serve as an incentive to Metropolitan, Municipal and District Assemblies (MMDAs) to double their efforts towards Revenue Generation.

This year the Responsiveness Factor has been excluded from the factors considered In the Formula. The DPAT/DDF Secretariat instead will factor the responsiveness component as DACF Responsiveness Factor Grant (RFG) into their assessment.

The other Factor considered apart from the basic needs has been the **Service Pressure Factor**. This Factor is to cater for the pressures put on facilities as a result of Rural/Urban migration in urban areas. The result from this factor is to assist the Assemblies to maintain the facilities.

Finally, each Metropolitan, Municipal and District Assemblies (MMDAs) receives a certain minimum allocation to serve as a start-up Fund before all other Factors are applied. This is termed in the Formula as **Equality Factor**. A percentage of the Fund is shared equally among the MMDAs before other factors are applied.

## **2.1 CHOICE OF INDICATORS AND MEASURES FOR THE FACTORS**

In choosing the various indicators, emphasis is placed on those indicators for which data is readily available and disaggregated down to the Metropolitan, Municipal and District Assemblies (MMDAs) level.

The following indicators and measures are chosen for each of the Factors:

### **(i) NEED FACTOR**

#### **Health Services**

This indicator measures the level of health services enjoyed by the people in each MMDA. The selected measures for health services are the number of health facilities such as hospitals, clinics, health centres, CHPS Compound and Health professionals\ population ratio.

#### **Education Services**

Under this indicator, consideration is given to the number of basic education facilities in each MMDA as well as their Human Resource. The selected measures for this are the number of schools in each MMDA and the trained teacher/pupil ratio.

#### **Water coverage**

The percentage of population having access to clean and potable water.

**Tarred Road Coverage**

This indicator takes care of the total road network (excluding Highways) in relation to tarred roads in each district.

**(ii) SERVICE PRESSURE FACTOR**

This indicator tries to compensate Urban Assemblies for the over-utilization of their facilities by visitors.

**(iii) EQUALITY FACTOR**

This involves a straight-forward division of a portion of the fund by 260 being the number of MMDAs. No indicators are therefore required.

**2.2 SOURCES OF DATA USED**

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 possible falsification.

**Population**

Population data is obtained from the Statistical Service. In response to a request to provide current projected population data, the Ghana Statistical Service provided projected 2019 data which had been inputted into the 2020 Formula.

**Education**

Data on Education is 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.

**Health**

The data supplied includes Health facilities such as Public Hospitals, Clinics, Health Posts and CHPS compound as well as Doctors and Nurses population. The health sector data continues to pose a great challenge to the development of the Formula. Key among them is the data on human resource professionals. The fluidity of these professionals creates disparity between the data and the reality in some health facilities.

**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 provided urban coverage.

**Tarred Road Coverage**

Tarred Roads data was obtained from Departments 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.

**2.3 LOCATION QUOTIENT**

Location quotient is the method used to mathematically derive proportions from the data on Needs Factor. It is defined as: 
$$\frac{S_i/S}{N_i/N}$$

Where  $S_i$  is the number of "S" facility in district "I" and 'S' is the total number of facility S in the country.  $N_i$  is the population of district 'I' and N is the population of the country.

The location quotient ranks all the districts in terms of the endowment of the facility in question. It is intended that the less endowed Metropolitan, Municipal and District Assemblies (MMDAs) gain more than the better endowed; the reciprocal of the location quotient is what is used.

**2.4 WEIGHTING THE FACTORS**

The indicators are combined by weights to arrive at the share proportion of each Metropolitan, Municipal and District Assemblies (MMDAs). Three scenarios for weighting are usually presented for consideration.

**2.5 REVIEW AND INTRODUCTION OF NEW FACTORS**

Every year an attempt is made to refine the sharing Formula. 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 further refined with the inclusion of Health Professionals/Population and Teacher/Pupil ratio.

In 2002, the "Need Factor" was refined with the introduction of Water coverage as an indicator. This indicator 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 again refined with the introduction of Tarded Roads and Nurses/Population ratio. Tarded road was dropped in the subsequent year due to late submission of data. However, in 2011 the Tarded 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) level.

Responsiveness factor was refined in 2016 with the introduction of Budget Implementation Status. This indicator measures performance of the MMDAs in terms of compliance with their budget and budgetary provision.

### 3.0 **APPLICATION FOR 2019**

District Assemblies Common Fund Budget Allocation for 2019 includes some Institutional transfers and other National Projects under the initiatives of the Ministry of Local Government and Rural Development.

The 2019 Formula also includes Reserve Fund, Indirect and Direct Transfers to MMDAs.

#### (a) **Indirect Transfer**

In order not to interrupt programmes planned for the MMDAs, a portion of the Fund has been set aside to be transferred indirectly to the MMDAs which eventually improve the lives of the people of each Assembly.

#### (b) **Direct Transfer**

Direct transfer of about GHC1,100million has been allocated to the MMDAs as shown in Tables 9 and 10 in ratios and monetary terms respectively..

## **NEW DEVELOPMENTS**

### **DISTRICT ASSEMBLIES COMMON FUND RESPONSIVENESS FACTOR GRANT**

From the year 2018 management of Donor Partner Support to Metropolitan/Municipal/District Assemblies formally handled by the District Development Facility Secretariat (DDF) at the Ministry of Local Government and Rural Development has come under the District Assemblies Common Fund. The Responsiveness Factor component has been added to the Donor Partners Support and known as District Assemblies Common Fund Responsiveness Factor Grant (DACF RFG))

The proposal is to strengthen the performance based grant component i.e (Responsiveness factor) of the DACF for improved service delivery to incorporate the achievements of the DDF/FOAT into the DACF responsiveness factor component.

This has mobilized additional resources as a top up to the DACF as well as to eliminate the required GoG contribution of 20million USD to the DDF facility. For 2019, an additional inflows of GHC58million from GIZ was made available to the districts.

The main strategy is to use a common assessment tool, District Performance Assessment Tool (DPAT) to distribute the DACF Responsiveness Factor and the Donors' Fund. A common Performance Assessment is the District Performance Assessment Tool which is used to evaluate all MMDAs and the results is used to allocate the DACF RFG due to all Assemblies.

This year a provision of 10%, representing (GHC110million) of the RFG has been set aside to be added to the DPs Fund for distribution to the MMDAs. The DPAT results will be used to determine each MMDAs share.

The allocations of DACF RFG will be applied to District Performance Assessment Tool (DPAT) to determine each MMDAs share.

3.1 **PROPOSALS FOR 2019 – DIRECT TRANSFER**

We propose again to use the under listed factors and indicators.

**NEED FACTOR**

(1) **Health**

- a. Facilities/Population Ratio
- b. Health Professionals/Population Ratio

(2) **Education**

- a. School Facilities/Population Ratio
- b. Classroom facilities/population
- c. Teacher/Pupil Ratio

(3) **Water**

- a. Water Coverage Ratio

(4) **Tarred Roads**

- a. Roads Coverage Ratio

The calculations of these indicators are presented in Tables 1A, 1B, 2A , 2B, 3 and 4.

**SERVICE PRESSURE**

The calculation of the population Density is presented in Table 5.

**EQUALITY FACTORS**

No indicators are required.

3.2 **PROPOSED WEIGHTING SCENARIOS**

We present below three different scenarios of weighting for 2019 in which scenario A was chosen.

**2019 Proposed Weighting****PROPOSED WEIGHTING SCENARIOS**

We present below three different scenarios of weighting. These scenarios have been obtained by varying the weights for the Need Factor, Service Pressure and the Equality.

**2019 Proposed Weighting**

<b><u>FACTOR</u></b>	<b><u>SCENARIO A</u></b>		<b><u>SCENARIO B</u></b>		<b><u>SCENARIO C</u></b>	
	%	%	%	%	%	%
<b><u>EQUALITY</u></b>		<b>60</b>		<b>55</b>		<b>50</b>
<b><u>NEEDS</u></b>		<b>35</b>		<b>40</b>		<b>45</b>
Health facility/ population	5		6		7	
Health Professionals	6		7		7	
Education facility/ population	11		11		12	
Teacher/Pupils	6		7		8	
Roads coverage	3		4		5	
Water Coverage	4		5		6	
<b><u>SERVICE PRESSURE</u></b>		<b>5</b>		<b>5</b>		<b>5</b>
Population Density	5		5		5	
		-----		-----		-----
		<b>100</b>		<b>100</b>		<b>100</b>
		-----		-----		-----



**2020 PROPOSED WEIGHTING SCENARIO**

<b><u>FACTOR</u></b>	<b><u>SCENARIO A</u></b>		<b><u>SCENARIO B</u></b>		<b><u>SCENARIO C</u></b>	
	%	%	%	%	%	%
<b><u>EQUALITY</u></b>		<b>60</b>		<b>55</b>		<b>50</b>
<b><u>NEEDS</u></b>		<b>35</b>		<b>40</b>		<b>45</b>
Health facility/ population	5		6		7	
Health Professionals	6		7		7	
Education facility/ population	11		11		12	
Teacher/Pupils	6		7		8	
Roads coverage	3		4		5	
Water Coverage	4		5		6	
<b><u>SERVICE PRESSURE</u></b>		<b>5</b>		<b>5</b>		<b>5</b>
Population Density	5		5		5	
		<b>100</b>		<b>100</b>		<b>100</b>

In 2019 Budget Statement, the approved allocation into the District Assemblies Common Fund is about GHC2,312.7million. The scenarios are therefore applied after allowing for the Institutional Transfers, Reserve and other National Projects.

**Projections for 2020 and 2021**

Projections for 2020 and 2021 amounting to GHC2,580million and GHC2,983million respectively have been worked out in Table 11.

**OBSERVATION ON THE SCENARIOS**

The comparison shows that under all scenarios most MMDAs had an increase. A critical examination of the three scenarios indicates that Scenario A is evenly distributed followed by B & C.

**RECOMMENDATION**

We wish to recommend Scenario A where the greater number of MMDAs received their highest allocations compared to the other two scenarios.

The details of **SCENARIO A** are as follows:

	%	%
<b><u>EQUALITY</u></b>		
<b><u>NEED</u></b>		<b>60</b>
<b><u>Health</u></b>		<b>35</b>
Health Facility/ Population Ratio	5	
Health Professional/ Population ratio	6	
<b><u>Education</u></b>		
Trained Teacher/ Pupil Ratio	6	
School facility/Population ratio	6	
Classroom facility/population Ratio	5	
<b><u>Road</u></b>		
Tarred Roads Coverage	3	
<b><u>Water</u></b>		
Water Coverage	4	

**SERVICE PRESSURE**

Population Density

5

5

-----

100

=====

**HON. IRENE NAA TORSHIE LARTEY  
ADMINISTRATOR**

**MARCH 2020**