

IN THE SECOND MEETING OF THE FIRST SESSION OF THE  
EIGHTH 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 2021

PARLIAMENT OF GHANA LIBRARY

30<sup>TH</sup> JUNE 2021

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FORMULA FOR THE SHARING OF THE DISTRICT ASSEMBLIES COMMON  
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## **1.0 INTRODUCTION**

The Proposed Formula for the Distribution of the District Assemblies Common Fund was laid before Parliament on 10<sup>th</sup> June 2021 by the Majority Leader and Minister for Parliamentary Affairs, 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 30<sup>th</sup> June 2021 and considered the referral.

The Committee met with the Administrator of the District Assemblies Common Fund, Mrs. Irene Naa Torshie Addo and officials from the District Assemblies Common Fund and considered the Proposed Formula.

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

## **2.0 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 the Sharing of the District Assemblies Common Fund for 2020
- v. The Report of the Committee of the Whole House on the Formula for Distribution of the District Assemblies Common Fund, 2020

## **3.0 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 five percent 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 2021 fiscal year is 5% of total tax revenue of the country as approved in the 2021 Budget Statement and Economic policy of the Government. Consequently, the Appropriation Act, 2021 (Act 1069) has allocated an amount of two billion, four hundred and two million, three hundred and thirty one thousand and nine hundred and ten Ghana cedis (Gh¢2,402,331,910.00) to the fund for the 2021 fiscal year.

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.

#### **4.0 PRINCIPLES UNDERLYING THE 2021 FORMULA**

The Administrator informed the Committee that there were no significant changes in the guiding principles of choosing the factors and corresponding indicators in developing the DACF Formula for 2021. The Formula is developed to allocate the Funds evenly to address the developmental gaps between the rural and urban Districts in the country.

In developing the Formula, the 'Basic Needs' approach to development was adopted and considered as a factor 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 amongst the MMDAs.

Additionally, the Formula also considered responsiveness, service pressure and quality factors. The Committee was informed that when local authorities expect sizable grants from central government, they relax in their efforts to improve on their revenue collection. It has been argued that central government transfers such as the DACF serve as a disincentive to local revenue mobilisation efforts. The Responsiveness Factor is therefore used to serve as an incentive to MMDAs to double their efforts towards revenue generation.

However, 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 Service Pressure 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, for the Equality Factor, a percentage of the Fund is shared equally among all the MMDAs before all the other factors are applied.

#### **5.0 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 any possible falsification.

##### **5.1 Population**

Population data was obtained from the Statistical Service based on the projected data for 2020.

## 5.2 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.

## 5.3 Health

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

The health sector data 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.

## 5.4 Water Coverage

The 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.

## 5.5 Tarred Roads Coverage

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

## 6.0 PROPOSED WEIGHTING SCENARIO

The Administrator presented three different scenarios of weighting. It was noted that these scenarios were similar to that presented in 2020 with a minor variation on the needs for education as shown in Table 1.

*Table 1: 2021 Proposed Weighting*

FACTOR	SCENARIO A		SCENARIO B		SCENARIO C	
	%	%	%	%	%	%
EQUALITY		60		55		50
NEEDS		35		40		45
Health Facility/Population	5		6		7	
Health Professionals	5		6		7	
Educational Facility/Population	13		12		12	
Teacher/Pupils	6		6		8	
Roads Coverage	3		5		5	
Water Coverage	3		5		6	
SERVICE PRESSURE		5		5		5
Population Density	5		5		5	
		100		100		100

*Source: 2021 District Assemblies Common Fund Formula, p. 17*

## 6.1 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 A 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 A.

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

Table 2: Scenario A

FACTOR	SCENARIO A	
	%	%
EQUALITY		60
NEEDS		35
Health facility/population	5	
Health	5	
Professionals/population		
School facility/population	6	
Classrooms	7	
Facility/population		
Teacher/Pupils ratio	6	
Tarred Roads coverage	3	
Water coverage	3	
SERVICE PRESSURE		5
Population Density	5	
		100

Source: 2021 District Assemblies Common Fund Formula, p.19.

## 7.0 ALLOCATION FOR 2021

The Committee observed that the annual allocation to the DACF in 2021 as contained in the Appropriation Act, 2021 (Act 1069) was two billion, four hundred and two million, three hundred and thirty one thousand and nine hundred and ten Ghana cedis (GhC2,402,331,910.00). The total allocation was based on 5% of projected national tax revenue for 2021 fiscal year.

Details of the distribution of the Fund, based on the recommended Formula for 2021 as compared to 2020 is presented in Table 3.

Table 3: ALLOCATION STATEMENT FOR 2021 AND 2020

ALLOCATION	2021	Prop %	2020	Prop %
<b>INSTITUTIONAL SUPPORT</b>	<b>200,000,000.00</b>	<b>8.33</b>	<b>333,537,849.00</b>	<b>14.42</b>
National Youth Programme	60,000,000.00	2.50	92,508,262.00	4.0
Youth Employment Support	120,000,000.00	5.0	208,143,590.00	9
National Disaster Support	20,000,000.00	0.83	32,885,997.00	1.42
<b>NATIONAL PROJECTS</b>	<b>629,873,068.00</b>	<b>26.20</b>	<b>446,789,948.00</b>	<b>19.32</b>
National Education Policies	15,000,000.00	0.62	41,000,000.00	1.77

Rural Development Special Project <sup>1</sup>	50,000,000.00	2.08	80,000,000.00	3.46
Ghana School Feeding Programme	244,500,000.00	10.18	-	-
National Sanitation Support <sup>2</sup>	120,000,000.00	5.0	145,798,948.00	6.30
Construction/Renovation of MMDAs and other Buildings	100,373,068.00	4.17	80,000,000.00	3.46
Construction of Courts/Residential buildings	100,000,000.00	4.16	100,000,000.00	4.32
<b>RESERVE</b>	<b>299,186,553.00</b>	<b>12.47</b>	<b>320,531,305</b>	<b>13.86</b>
Constituency Labour Projects (MPs)	120,116,596.00	5.0	115,635,328.00	5.00
Constituency Labour Monitoring and Evaluation(MPs)	72,069,957.00	3.0	69,381,197.00	3.00
Reserve Fund	40,000,000.00	1.68	46,251,131.00	2.00
RCCs	20,000,000.00	0.83	34,690,598.00	1.50
DACF Operations	12,000,000.00	0.5	14,570,051.00	0.63
Local Govt Service	35,000,000.00	1.46	40,000,000.00	1.73
<b>MMDAs-INDIRECT</b>	<b>62,402,332.00</b>	<b>2.60</b>	<b>46,257,345.00</b>	<b>2.00</b>
Distress District Support	50,000,000.00	2.08	34,000,000.00	1.47
Training	10,000,000.00	0.42	9,944,638.00	0.43
Cured and Uncured Lepers	2,402,332.00	0.10	2,312,707.00	0.10
<b>MMDAs-DIRECT</b>	<b>1,210,869,957.00</b>	<b>50.40</b>	<b>1,165,581,105.00</b>	<b>50.40</b>
Persons with Disabilities (PWD)	72,069,957.00	3.0	69,381,197.00	3.00
Net MMDAs	1,138,800,000.00	47.40	1,096,199,908.00	47.40
<b>TOTAL FUND</b>	<b>2,402,331,910.00</b>	<b>100</b>	<b>2,312,706,550.00</b>	<b>100</b>

Source: 2021 District Assemblies Common Fund Formula.

## 8.0 OBSERVATIONS

### 8.1 Allocation for Institutional Support

The Committee was informed that the Formula was developed having regard to the decision of the Supreme Court in the case of *Kpodo and Anor v Attorney General*. However, the Administrator took note of some priority programmes such as youth development, employment support and support for disasters that require urgent attention. A total amount of 200 million Ghana Cedis representing 8.33% has therefore been earmarked for these activities.

### 8.2 National Projects

The Committee observed that the Fund has proposed to utilise a total amount of about 630 Million Ghana Cedis representing about 26% of the total allocation to support national projects compared to about 447 Million representing 19% for the same programme in the

<sup>1</sup> It was called Local Government Special Project in the 2020 Formula

<sup>2</sup> It was called Waste Management(Liquid/Solid) in the 2020 Formula

2020 Formula. The significant increase is attributable to an allocation of 244 Million Ghana Cedis to support the School Feeding Programme in the 2021 Formula.

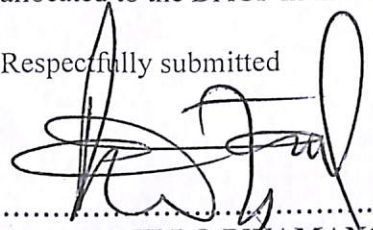
### 8.3 Report on Previous Year's Disbursements

The Committee reiterated its previous years recommendation that in preparing the Formula, the Administrator should provide a report on disbursements in respect of the previous year's Formula to enable the House make an informed decision on the Formula for the ensuing year. The Administrator agreed to the recommendation and assured the House of her preparedness to periodically (half yearly) brief the House on the performance of the Formula in respect of disbursements.

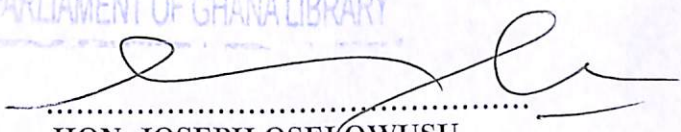
### 9.0 RECOMMENDATION AND CONCLUSION

Having carefully considered the proposals for the sharing of the DACF for 2021, the Committee recommends to the House to adopt its Report and approve Scenario A of the Weighting Formula as the basis for the sharing of an amount of **GHC2,402,331,910.00** allocated to the DACF in the 2021 Budget.

Respectfully submitted



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**MR. CAMILLO PWAMANG**  
**CLERK TO THE COMMITTEE**



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**HON. JOSEPH OSEI OWUSU**  
**CHAIRMAN OF THE COMMITTEE**  
**AND FIRST DEPUTY SPEAKER**

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