

**IN THE SECOND SESSION OF THE EIGHTH PARLIAMENT OF THE
FOURTH REPUBLIC**

REPORT OF THE COMMITTEE OF THE WHOLE

ON

**THE PROPOSED FORMULAR ON THE DISTRICT ASSEMBLIES'
COMMON FUND FOR THE YEAR 2022**

APRIL, 2022

REPORT OF THE COMMITTEE OF THE WHOLE
ON THE PROPOSED FORMULA FOR THE DISTRIBUTION
OF THE DISTRICT ASSEMBLIES COMMON FUND FOR 2022

1.0 INTRODUCTION

1.1 The Proposed Formula for the Distribution of the District Assemblies Common Fund for 2022 was laid before Parliament on Friday, 1st April, 2022 by the Hon. Majority Leader and Minister for Parliamentary Affairs, Mr. 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 for consideration and report.

1.2 The Committee met with the District Assemblies Common Fund Administrator, Mrs. Irene Naa Torshie Addo and other officials of the District Assemblies Common Fund to consider the Referral. The Committee is grateful to the officials for their assistance.

2.0 REFERENCES

2.1 The Committee referred to the following statutes and documents:

- i. The 1992 Constitution of the Republic of Ghana
- ii. The Standing Orders of Parliament of Ghana
- iii. The Local Governance Act (2016), Act 936
- iv. The Formula for the Sharing of the District Assemblies Common Fund for 2021
- v. The Report of the Committee of the Whole on the Formula for the Distribution of the District Assemblies Common Fund for 2021

3.0 BACKGROUND AND PRINCIPLES UNDERLYING THE FORMULA

3.1 Since 1960s, there has been a conceptual shift in the meaning of development and it is now considered as a multi-dimensional process involving not only economic growth but also improvement in other living conditions such as health

and education. It also includes access to potable water, good roads, adequate food supply, employment among others. Development is defined in terms of satisfying “basic human needs”.

3.2 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 (DACF) for the implementation of developmental programmes in the Metropolitan, Municipal and District Assemblies (MMDAs). The allocation to the Fund for the 2022 fiscal year is 5% of total tax revenue of the Country as approved in the 2022 Budget Statement and Economic Policy of the Government. Consequently, **the Appropriation Act of 2022 has allocated an amount of GH¢3,342,970,849.00 to the Fund for the 2022 Fiscal Year.**

3.3 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 the distribution of DACF. In developing the Formula for the distribution of the Fund, 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

3.4 Under the afore-listed factors, MMDAs that have more facilities/services would receive less in order to bridge the development gap amongst them. The Formula also considered factors like the **Responsiveness of MMDAs to their own revenue generation** and service delivery because it has been observed that when

the Assemblies expect sizable grants from Central Government, relax in their quest to improve upon revenue collection. It has also been argued that Central Government transfers such as DACF, serve as a disincentive to local revenue mobilisation efforts. The Responsiveness Factor was therefore used as an incentive to encourage MMDAs to scale-up their efforts toward revenue mobilisation. The District Performance Assessment Tool (DPAT)/District Development Facility (DDF) Secretariat factored the Responsiveness Component as DACF Responsiveness Factor Grant (RFG) in their assessment.

3.5 Another factor considered was the **Service Pressure Factor** and that was to assist MMDAs maintain their facilities to enable them cater for the pressures put on them as a result of Rural/Urban Migration.

3.6 There was also the **Equality Factor**, where MMDAs would receive a certain minimum amount from the allocation to serve as a start-up fund before all the other factors would be applied.

4.0 SOURCES OF DATA FOR THE FORMULA

4.1 Data for the determination of the Formula was obtained from Central sources so as to prevent any influence by MMDAs and possible falsification.

4.2 Population

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

4.3 Education

4.3.1 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.

4.4 Health

4.4.1 The Ministry of Health provided data on Health. The data provided included Doctors and Nurses population and health facilities such as Public Hospitals, Clinics, Health Posts and Community Health Planning and Services (CHPS) Compounds. The health sector data continues to pose a great challenge to the development of the Formula due to the fluid nature of its human resource professionals. The fluidity creates disparity between the data and adversely affects the authenticity of the information provided in some of the health facilities.

4.5 Water Coverage

4.5.1 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.

4.6 Tarred Roads Coverage

4.6.1 The data on 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.

5.0 PROPOSED WEIGHTING SCENARIO

5.1 The Administrator presented three different scenarios of weighting similar to what was presented in 2021 except some few variations in the figures or weights allocated to some of the Factors as shown in Tables 1 and 2.

Table 1: 2022 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	6		7		7	
Educational Facility/Population	11		11		12	
Teacher/Pupils	6		7		8	
Roads Coverage	3		4		5	
Water Coverage	4		5		6	
SERVICE PRESSURE		5		5		5
Population Density	5		5		5	
		100		100		100

Source: 2022 District Assemblies Common Fund Formula, p. 15 and 16

Table 2: 2021 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: 2022 District Assemblies Common Fund Formula, p. 16 and 17

5.2 Scenario A was recommended because greater number of MMDAs would receive the highest allocations compared with the two other Scenarios, B and C.

6.0 ALLOCATION FOR 2021 AND 2022

6.1 The allocation to DACF in 2021 as contained in the Appropriation Act, 2021 (Act 1069) was GhC2,402,331,910.00. The total allocation was based on 5% of projected national tax revenue for 2021 Fiscal Year. For 2022, an amount of GH¢3,342,970,849.00 contained in the Budget Statement for 2022 was approved by Parliament and same is contained in the Appropriation Act of 2022.

6.2 Details of the approved Formula for 2021 and the proposed Formula for the Fund for 2022 are contained in the Appendix attached to the Report.

7.0 OBSERVATIONS

Delays in Releases into the Fund

7.1 The Committee observed that even though, the District Assemblies Common Fund Administrator had received released letters of an amount of about GH¢1.9 Billion out of the amount of about GH¢2.4 Billion approved for the District Assemblies Common Fund for 2021, only an amount of about GH¢465 million constituting 19.3% was what had actually been received. The Committee was informed that the MMDAs could not initiate or complete most of their projects

earmarked for 2021 as a result of the delays in the transfer of funds to the Assemblies. The Committee noted that the untimely releases of funds to MMDAs was a major cause of delays in the completion of projects.

- 7.2 The Committee was of the view that, since the Fund was a major source of inflow for MMDAs, they should not be denied of resources for development.
- 7.3 The Committee therefore recommends that the Ministry of Finance be made to appear before the House to give an assurance on how the Ministry intends to deal with the matter as considered very serious.

Reduction in the Allocation to the Fund

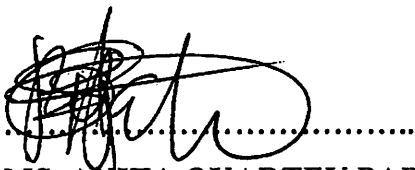
- 7.4 As already mentioned, an amount of GH¢3,342,970,849.00 contained in the Budget Statement for 2022, was what Parliament approved and contained in the Appropriation Act of 2022. The Committee observed however that, in a letter of 29th March, 2022, the Ministry of Finance had instructed the Administrator of the Fund to go by an amount of GH¢2,387,410,261.00 in computing the Formula for the distribution. According to the Ministry of Finance in the said letter, the reduction was based on fiscal measures approved by Cabinet to address the current economic challenges.
- 7.5 The Committee considers the reduction as improper and illegal since the Fund was Constitutionally created or established and that the letter from the Ministry of Finance should be withdrawn. The Committee directed the Administrator to work with the amount in the Appropriation Act of 2022 which the GH¢3,342,970,849.00. The Administrator then proposed that **the difference of about GH¢960 Million be distributed among Special Projects, RCCs, MPs Emergency Development Fund, Persons With Disabilities (PWDs), HIV and cured lepers.**

7.6 The Committee agreed to the proposal made by the Administrator.

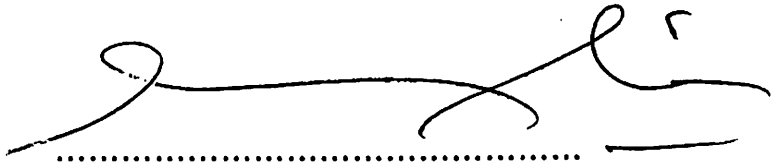
8.0 CONCLUSION

8.1 Having carefully examined the Formula for the sharing of the DACF for 2022, the Committee recommends that the House **adopt its Report and approve Scenario A of the Weighting Formula as the basis for sharing the amount of GH¢3,342,970,849.00 allocated to the DACF in the 2022 Budget Statement and Economic Policy.**

Respectfully submitted.



**MS. ANITA QUARTEY PAPAFO
CLERK TO THE COMMITTEE**



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

April, 2022

APPENDIX

2022 FORMULA FOR SHARING THE DISTRICT ASSEMBLIES COMMON FUND

ALLOCATION STATEMENT 2022

	PROP. %	GHC	GHC	PROP.	GHC	GHC
		2022			2021	
INSTITUTIONAL SUPPORT	8.33		198,871,275	8.33		200,000,000
NATIONAL YOUTH PROGRAMME	2.50	59,685,257		2.50	60,000,000	
NATIONAL EMPLOYMENT SUPPORT	5.0	119,370,513		5.0	120,000,000	
NATIONAL DISASTER SUPPORT	0.83	19,815,505		0.83	20,000,000	
NATIONAL PROJECTS	24.25		579,000,000	26.20		629,873,068
NATIONAL EDUCATION PROGRAMME	2.47	59,000,000		0.62	15,000,000	
SPECIAL PROJECTS	4.19	100,000,000		2.08	50,000,000	
GHANA SCHOOL FEEDING PROGRAMME	-	-		10.18	244,500,000	
NATIONAL SANITATION SUPPORT	5.03	120,000,000		5.0	120,000,000	
CONSTRUCTION/RENOVATION OF MMDAS AND OTHERS BUILDINGS	6.28	150,000,000		4.17	100,373,068	
CONSTRUCTION OF COURTS/RES. BUILDINGS	6.28	150,000,000		4.16	100,000,000	
RESERVE	14.40		343,830,272	12.47		299,186,553
CONSTITUENCY LABOUR PROJECTS (MPS)	5.00	119,370,513		5.00	120,116,596	
CONSTITUENCY LABOUR MONITORING AND EVALUATION (MPS)	3.00	71,622,308		3.00	72,069,957	
RESERVE FUND	1.68	40,000,000		1.68	40,000,000	
RCC	1.68	40,000,000		0.83	20,000,000	
JACF OPERATIONS	0.5	11,937,051		0.5	12,000,000	
LOCAL GOVERNMENT SERVICE	2.55	60,900,400		1.46	35,000,000	
MMDAS - INDIRECT	2.61		62,387,416	2.60		62,402,332
DISTRESSED DISTRICT SUPPORT	2.09	50,000,000		2.08	50,000,000	
TRAINING	0.42	10,000,000		0.42	10,000,000	
CURED LEPERS	0.10	2,387,410		0.10	2,402,332	
MMDAS - DIRECT	50.40		1,203,321,304	50.40		1,210,869,957
PEOPLE WITH DISABILITIES (PWD)	3.00	71,622,308		3.00	72,069,957	
NET MMDAS	47.40	1,131,698,996		47.40	1,138,800,000	
TOTAL FUND	100.00		2,387,410,261	100.00		2,402,331,910