

IN THE THIRD SESSION OF THE EIGHTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA

REPORT OF THE COMMITTEE OF THE WHOLE

ON THE

PROPOSED FORMULA FOR THE DISTRIBUTION OF
THE DISTRICT ASSEMBLIES
COMMON FUND
FOR 2023

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MARCH, 2023

REPORT OF THE COMMITTEE OF THE WHOLE
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OF THE DISTRICT ASSEMBLIES COMMON FUND FOR 2023

1.0 INTRODUCTION

1.1 The **Proposed Formula for the Distribution of the District Assemblies Common Fund for 2023** was laid before Parliament on Friday, 17th March, 2023 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, sections 125(3) and 129(a) of the Local Governance Act, 2016 (Act 936) and Standing Order 181. The Hon 2nd Deputy Speaker, Andrew Asiamah Amoako 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-Lartey 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

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 2023;
- v. The Report of the Committee of the Whole on the Formula for the Distribution of the District Assemblies Common Fund for 2022;
- vi. Budget Statement and Economic Policy of the Government of Ghana for the 2022 Financial Year, and
- vii. Budget Statement and Economic Policy of the Government of Ghana for the 2023 Financial Year.

3.0 BACKGROUND AND PRINCIPLES UNDERLYING THE FORMULA

3.1 Since 1960, 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 ALLOCATION FOR 2023

Pursuant to Article 252(2) of the 1992 Constitution of Ghana and Section 126(1) of the Local Governance Act, 2016 (Act 936), Parliament is mandated to make provision for the allocation of not less than five per cent (5%) 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 2023 Budget Statement and Economic Policy of Government which was approved by Parliament allocated 5% of the total tax revenue of the Country to the Fund. Accordingly, **the Appropriation Act of 2023 allocated an amount of GH¢4,554,034,657.00 to the Fund for the 2023 Fiscal Year.**

3.3 PRINCIPLES UNDERLYING THE FORMULA

Section 129(a) of the Local Governance Act, 2016 (Act 936) provides that the Administrator of the Fund proposes annually, for the consideration and approval of Parliament, a formula for the distribution of DACF. The underlying principle guiding the development of the Formula takes into consideration the provision of basic needs required for development. Consequently, factors such as Health Service, Education Service and Water Coverage are considered, hence, Assemblies with less facilities are provided with more facilities/services to bridge the development gap.

3.4 In addition to the above, the Formula takes into account the responsiveness of MMDAs to their own revenue generation as well as service delivery since over the years, reliance by the MMDAs on expected grants from Central Government has been a disincentive to improve on their own local revenue collection. Hence, the use of the Responsiveness Factor as an incentive to encourage MMDAs to scale-up their efforts toward revenue mobilisation.

4.0 INSTITUTIONAL SUPPORT

An amount of GH¢379.35 million has been allocated to cater for institutional support in the 2023 Formula. The financial support to the institutions/organisations are as follows:

- (a) National Youth Programme - An amount of GH¢113.85 million is to be used to facelift the youth infrastructure and other programmes.
- (b) National Employment Support - An amount of GH¢ 227.70 million is to be used to support youth employment Programmes
- (c) National Disaster Support - An amount of GH¢37.80 million is to be used to support the National Disaster Management Organisation (NADMO) Programme



5.0 NATIONAL PROJECTS

An amount of GH¢668.62 million of the Fund has been allocated towards National projects. The allocation is as follows:

(a) Education Policy Programmes

Under the educational policies programmes an amount of GH¢78.62 million has been allocated;

(b) Special Projects

The Rural/Urban Development Special Projects has also allocated an amount of GH¢150 million. This is to support both rural/urban special projects such as markets, astroturf, toilets, boreholes, street lightings, sewerage/fumigation, etc.

(c) National Sanitation Support

An amount of GH¢120million is earmarked to cater for the management of liquid/solid waste, treatment of sewerage plants and other sanitation issues in the country.

(d) Construction/Renovation of MMDAs and other Buildings

An amount of GH¢160million has been allocated in the 2023 Formula to cater for the construction, renovation and completion of MMDA offices and MMDCE residencies, Births and Deaths Head Office, Regional Offices and other buildings.

(e) Construction of Courts/Residential Buildings

The construction of some Courts and Bungalows for the Judiciary are to be completed in the 2023 and 2024 fiscal years as follows:

- (i) One Hundred and twenty (120) Court buildings and 140 bungalows for the Lower Courts (Circuits and Districts) across the Country;

- (ii) Twenty (20) Courts and 20 Residential Accommodation for the High Courts, and
- (iii) Twenty-two (22) residential accommodation and ancillary facilities for the Courts of Appeal, and six (6) flats and apartments for the Judiciary Staff in Kumasi.

An amount of GH¢160 million has been budgeted to cater for these projects. The remaining amount needed to complete the entire project is to be charged to the 2024 Formula.

6.0 SOURCES OF DATA FOR THE FORMULA

The data for the determination of the Formula was obtained from central sources. This is to prevent any influence by MMDAs and possible falsification.

6.1 Population

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

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 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.

6.4 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.

6.5 Tarred Roads Coverage

Data on Tarred Roads was obtained from Departments of Urban and Feeder Roads. Data on highways 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 similar to what was presented in 2022 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 Scenario

FACTOR	SCENARIO A		SCENARIO B		SCENARIO C	
	%	%	%	%	%	%
EQUALITY		60		55		50
NEEDS		35		40		45
Health Facility/Population ratio	5		6		7	
Health Professionals/Population ratio	5		6		7	
Educational Facility/Population	11		12		12	
Teacher/Pupil ratio	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. 15 and 16

Table 2: 2023 Proposed Weighting Scenario

FACTOR	SCENARIO A		SCENARIO B		SCENARIO C	
	%	%	%	%	%	%
EQUALITY		60		55		50
NEEDS		38		40		45
Health Facility/Population ratio	6		6		7	
Health Professionals/Population ratio	6		6		7	
Educational Facility/Population ratio	12		12		12	
Teacher/Pupil ratio	8		6		8	
Roads Coverage	3		5		5	
Water Coverage	3		5		6	
SERVICE PRESSURE		2		5		5
Population Density						
		100		100		100

Source: 2023 District Assemblies Common Fund Formula, p. 17 and 18

7.2 A CRITICAL EXAMINATION OF THE THREE SCENARIOS

The comparison shows that under all the scenarios most MMDAs had an increase. A critical examination of the three scenarios indicates that scenario "A" is evenly distributed followed by "B" and "C" respectively. Scenario "A" was recommended because a greater number of MMDAs would receive the highest allocations compared with the two other Scenarios, "B" and "C". The Administrator accordingly recommends scenario A for approval by the House. The details of scenario A is as follows:

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The details of **Scenario "A"** are as follows:

Table 2: Scenario A

FACTOR	SCENARIO A	
	%	%
EQUALITY		60
NEEDS		38
Health Facility/Population ratio	6	
Health/Professionals/Population ratio	6	
Education/facility/Population	12	
Trained Teacher/Pupils ratio	8	
Road Coverage	3	
Water Coverage	3	
SERVICE PRESSURE		2
Population Density	-	
		<u>100</u>

Source: 2023 District Assemblies Common Fund Formula, p.18.

8.0 ALLOCATION FOR 2021 AND 2022

- 8.1 The allocation to DACF in 2021 as contained in the Appropriation Act, 2021 (Act 1069) was GH¢2,402,331,910.00. 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 and Economic Policy for 2022 was approved by Parliament and same is contained in the Appropriation Act of 2022.
- 8.2 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.

9.0 OBSERVATIONS

9.1 SHORTFALL IN RELEASES

The Committee was informed that the Office of the District Assembly Common Fund is owed an amount of GH¢6.4 billion as a result of non-release of allocations for the years 2019 to 2022. The Committee noted that an amount of GH¢1,119,223,608.50 and GH¢1,519,297,388.19 representing a shortfall in Common Fund releases for 2020 and 2021 respectively is owed to the Fund.

It was again noted that out of the allocation of GH¢3.342 billion earmarked for the Fund for the year 2022, the Ministry of Finance has released an amount of GH¢1.17 billion. However, out of the amount released, only a paltry sum of GH¢300 million has been paid to the Office of the District Assemblies Common Fund by the Controller and Accountant General's Department. The allocations for the 2nd, 3rd, and 4th quarters of the year 2022 are yet to be released. The Committee considers the non-release of the funds as a breach of Article 252(2) of the 1992 Constitution and urges the Ministry of Finance to release the arrears of GH¢2.172 billion of the Fund for the year 2022 within the shortest possible time.

9.2 EARMARKED PROJECTS UNDER DACF

The Committee noted that the DACF has allocated an amount of GH¢160million in support of the construction, renovation and completion of MMDA offices, the Head Office of the Births and Deaths Registry as well as court buildings and bungalows for the Judiciary. The DACF would also complete the construction of the Local Government Service Training School at Akomedan and the Institute of Local Government Studies at Madina and Tamale in 2023.

It is envisaged that the DACF would in the near future assist Parliament to construct a 50-bed hospital to cater for the health needs of Hon

Members and Staff of Parliament. This proposal was made due to the growing health needs of Hon Members which require the services of a modern health facility to cater for the general well-being of Hon Members.

The Committee recommends that the DACF should ensure that all on-going projects be completed before new ones are started.

9.3 **RECONCILIATION OF AMOUNT IN ARREARS**

The Committee observed the inconsistencies in the releases to the DACF for the year 2019 to 2022. It was therefore recommended that an ad hoc committee made of the Leadership of the House and Members of the Committee on Local Government and Rural Development meet with officials of the DACF, Controller and Accountant General's Department and the Ministry of Finance to reconcile the arrears owed to the Fund.

9.4 **RESERVE FUND**

The Committee further observed that an amount of GH¢50 million has been set aside to cater for national emergencies, out of which GH¢2 million has been allocated for the operations of Peace Council. Since DACF is already confronted with financial difficulties, a concern was raised as to whether the quantum of the Reserve Fund was not too huge. The Administrator explained to the Committee that the amount was not huge, considering the demands that the Administrator receives from the Office of the President, Parliament, and other state institutions in times of emergency.

9.5 **INSTITUTIONAL SUPPORT**

The Committee observed that in the proposed Formula for 2023, an amount of GH¢379.35 million has been allocated for **institutional support** with GH¢113.85 million to cater for the National Youth Programme, GH¢227.70 million for National Employment Support and GH¢37.80

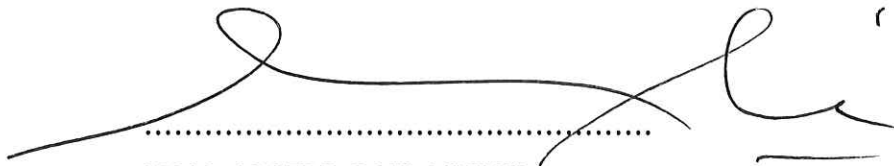
million for National Disaster Support. An issue was raised about the quantum of the financial support to the National Youth Programme.

The Committee was informed that the Programme actually needs more support than what has been allocated because of the enormity of support needed by the youth.

10. CONCLUSION

The Committee after careful examination of the Formula for the sharing of the DACF for 2023, recommends that the House **adopt its Report and approve Scenario A of the Weighting Formula as the basis for sharing the amount of GH¢4,554,034,657.00 allocated to DACF in the Budget Statement and Economic Policy of the Government of Ghana for the 2023 Financial Year.**

Respectfully submitted,



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



**MS. ANITA QUARTEY-PAPAFIO
CLERK TO THE COMMITTEE**

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APPENDIX

ALLOCATION STATEMENT 2023

	PROP. %	GHC	GHC	PROP%	GHC	GHC
		2023			2022	
INSTITUTIONAL SUPPORT	8.33		379,351,087	5.95		198,871,275
NATIONAL YOUTH PROGRAMME	2.50	113,850,866		1.79	59,685,257	
NATIONAL EMPLOYMENT SUPPORT	5.00	227,701,733		3.75	119,370,513	
NATIONAL DISASTER SUPPORT	0.83	37,798,488		0.59	19,815,505	
NATIONAL PROJECTS	14.68		668,625,860	32.28		579,000,000
NATIONAL EDUCATION PROGRAMME	1.73	78,625,860		1.76	59,000,000	
SPECIAL PROJECTS	3.29	150,000,000		17.95	600,000,000	
NATIONAL SANITATION SUPPORT	2.64	120,000,000		3.59	120,000,000	
CONSTRUCTION/RENOVATION OF MMDAS AND OTHERS BUILDINGS	3.51	160,000,000		4.49	150,000,000	
CONSTRUCTION OF COURTS/RES. BUILDINGS	3.51	160,000,000		4.49	150,000,000	
RESERVE	11.84		539,322,773	12.33		412,164,360
CONSTITUENCY LABOUR PROJECTS(MPS)	5.00	227,701,733		4.93	164,926,572	
CONSTITUENCY LABOUR MONITORING AND EVALUATION (MPS)	3.00	136,621,040		2.14	71,622,308	
RESERVE FUND	1.10	50,000,000		1.20	40,000,000	
RCC	0.88	40,000,000		1.88	62,778,029	
DACF OPERATIONS	0.33	15,000,000		0.36	11,937,051	
LOCAL GOVERNMENT SERVICE/ILGS INFRASTRUTURAL BUILDINGS	1.54	70,000,000		1.82	60,900,400	
MMDAS - INDIRECT	1.42		64,554,035	1.87		62,387,410.
DISTRESSED DISTRICT SUPPORT	1.10	50,000,000		1.50	50,000,000	
TRAINING	0.22	10,000,000		0.30	10,000,000	
CURED LEPERS	0.10	4,554,035		0.07	2,387,410	
MMDAS - DIRECT	63.73		2,902,180,903	47.58		1,590,547,80.
PERSONS WITH DISABILITIES (PWD)	3.00	136,621,040		2.82	94,400,337	
NET MMDAS	60.73	2,765,559,863		44.76	1,496,147,466	
TOTAL FUND	100.00		4,554,034,657	100.0		3,342,970,84.