REPUBLIC OF GHANA

# 2023

# FORMULA FOR SHARING

# THE

# DISTRICT ASSEMBLIES COMMON FUND

# EXECUTIVE SUMMARY

## 1.0 INTRODUCTION

The 1992 constitution provides under Article 252 that not less than 5% of total revenue shall be allocated into the District Assemblies Common Fund.

On the basis of this, Parliament enacted the 2023 Appropriation Act and allocated an amount of **Four billion, five hundred and fifty four million, thirty four thousand and six hundred and fifty seven Ghana cedis (GHC4,554,034,657)** to the District Assemblies Common Fund for application in the 2023 fiscal year.

The Formula for distribution is therefore based on this allocation. Parliament is hereby requested to consider and approve the 2023 Formula for implementation in this fiscal year.

## SUMMARY OF ALLOCATION

The total allocation for the year is based on 5% of projected total revenue for 2023.

The Fund allocation for the year 2023 is GHC4,554,034,657 as compared to GHC3,342,970,840 allocated for 2022.

# ALLOCATION STATEMENT 2023

| | PROP. % | GHC 2023 | GHC | PROP% | GHC 2022 | GHC |
|---|---|---|---|---|---|---|
| INSTITUTIONAL SUPPORT | 8.33 | | 379,351,087 | 5.95 | | 198,871,27 |
| 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 | | 412,164,36 |
| 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 | | | | 1.82 | 60,900,400 | |
| INFRASTRUTURAL BUILDINGS | 1.54 | 70,000,000 | | | | |
| 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 | | 1,590,547,804 |
| 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 | | 3,342,970,849 |

## 3.0 INSTITUTIONAL SUPPORT

An amount of GHC379.35million has been allocated to cater for institutional support in the 2023 Formula  This financial support to the following institutions/ organizations are as follows:-

(a) National Youth Programme  -  An amount of GHC113.85million is to be used to facelift the youth infrastructure and other programs.

(b) National Employment Support  -  An amount of GHC 227.70million is to be used to support youth employment programmes

© National Disaster Support  -  An amount of GHC37.80million to support National Disaster Management Organisation (NADMO) programme

## 4.0 NATIONAL PROJECTS

GHC668.62milliion of the Fund has been allocated towards National projects as follows:-

### (a) Education Policy  Programmes

An amount of GHC78.62million  for educational policies programmes.

### (b) Special Projects

An amount of GHC150million for the Rural/Urban Development Special Projects.

(i)  This is to support both rural/urban special projects such as Markets, Astroturf, toilets, boreholes, street lightings, sewerage/fumigation etc.

**(c) National Sanitation Support**

A total amount of GHC120million 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 GHC160million has been allocated in the 2023 Formula to cater for the construction, renovation and completion of MMDAs offices MMDCE's residencies, Births and Deaths Head and 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 & 2024 fiscal years as follows:

(i)     About 120 courts buildings & 140 bungalows for the Lower Courts (Circuits& Districts) across the country

(ii)    20 Courts and 20 Residential Accommodation for the High Courts.

(iii)   22 residential accommodation and ancillary facilities for the Courts of Appeal and 6 flat apartments for the Judiciary Staff in Kumasi

An amount of GHC160million 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

**(f) Other Funds**

An amount of GHC1,119,223,608.50 and GHC1,519,297,388.19 representing a shortfall in Common Fund releases for 2020/2021 respectively is owed to the Fund (source; Auditor General Report 2020/2021. This and any other funds that will be realised to the Fund e.g. interest on investment placement would be applied to complete all on-going approved projects by Parliament such as

MMDAs Assembly buildings, Local Government Service Training Schools at Akomadan and Institute of Local Government Studies, at Madina and Tamale, Courts and Bungalow for the Judiciary, Construction/renovation of RCCs Office Blocks, purchasing of lands for MMDAs projects, construction of toilets, boreholes, fumigations, evacuation of landfill sites, purchase of street lights, desk and chairs for basic schools, drains and roads etc.

## 5.0  RESERVE

An amount of about GHC539.32million has been set aside to cater for the following details:

### (a) Constituency Labour Projects

This is to provide funding for Constituency Labour Projects undertaken by Members of Parliament. The projected amount of about GHC227.70million would be shared equally for all the 275 Members of Parliament.

### (b) Constituency Labour Monitoring & Evaluation

This is to provide support for Constituency Monitoring and Evaluation of projects by Members of Parliament. An amount of GHC136.62million 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 with documentary evidence of the usage of the funds.

### (c) Regional Co-ordinating Councils

A provision of GHC40million 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 are being resourced to enable them 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.

### (d) Reserve Fund

An amount of GHC50million has been set aside to cater for national emergencies. Out of which an amount of GHC2million has been allocated to provide financial support for the operations of the Peace Council.

### (e) District Assemblies Common Fund Operations

An amount of GHC15million 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, goods and services, monitoring and evaluation of the MMDAs and CAPES

### (f) Local Government Services/Institute of Local Government Studies Infrastructural Buildings

An amount of GHC70million has been allocated to support infrastructure in the above institutes.

### INDIRECT PROGRAMMES

Total of Indirect Programmes amounting to GHC64.55million has been earmarked for the following:

(a) Distressed District Support – GHC50million has been allocated to pay for debts owed by some MMDAs, land to be bought for their infrastructure development and other emergencies.

(b) Training: - GHC10million has been allocated for Human Resource development training programmes as follows:-
- 50% for Staff of Local Government Services.
- 30% for MMDCEs and other staff/members of all MMDAs.
- 20% for Institute of Local Government Studies.

(c) Cured Lepers – GHC4.55million has been set aside to cater for cured lepers. 75% for infrastructure and 25% for feeding through Lepers Comission/Aid, etc

## DIRECT TRANSFERS (MMDAs)

The total direct transfer to the MMDAs is estimated at GHC2,902.18million representing 63.73% of the total allocations as follows:-

### (a) Annual Budget Funding Amount (ABFA)

In line with the Petroleum Revenue Management Act, 2011, (Act 815) as amended by Act 893, the Administrator of the DACF is requested to supervise and ensure that the disbursement and utilization of the ABFA portion of the Common Fund transferred falls within the approved priority areas mainly Agriculture, Education and Health Delivery, roads, rails and other critical infrastructural and Industrial development for 2023. A total of GHC616.95 million has been included in the MMDAs direct allocation to cater for these priority areas.

(b) GHC2,149million is allocated to the MMDAs development programmes. The estimated ratios and allocation for 2023 to the MMDAs is based on the recommended Scenario attached in Table 7 and 8.

(c) Persons with Disability (PWD) has been set at GHC136.62million. 25% for the construction, renovation and refurbishment of Disability institutions all over the country. The remaining 75% 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.

## Indicative Allocation for 2024 and 2025

We have worked out the broad allocations for 2024 and 2025 fiscal years using the Scenario recommended as attached in Table 9. The proposed allocations for 2024 and 2025 are **GHC5.5bllion and GHC6.6billion** 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.

## 7.0    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 DACF will factor the responsiveness component as DACF Responsiveness Factor Grant (RFG) (VII) into the assessment.

Last year DACF excluded its counterpart funding for DACF/RFG VI due to insufficient inflows from the Donor Partners because the main Partner KFW did not participate.

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.

## 7.1 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 261 being the number of MMDAs. No indicators are therefore required.

## 7.2 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. The 2021 population census had been inputted into 2023 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.

## 7.3 LOCATION QUOTIENT

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

Where Si is the number of "S" facility in district "I" and 'S' is the total number of facility S in the country. Ni 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.

## 7.4   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.

## 7.5   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 Tarred Roads and Nurses/Population ratio. Tarred road was dropped in the subsequent year due to

late submission of data. However, in 2011 the Tarred 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.

In 2018 the management of the Donor Partner Support to Metropolitan/Municipal/Metropolitan/District Assemblies which was formally handled by the District Development Facility Secretariat (DDF) at the Ministry of Local Government and Rural Development came under the District Assemblies Common Fund. The Reponsiveness Factor component has been added to the Donors 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 (Responsivness 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.

## 8.0  APPLICATION FOR 2023

District Assemblies Common Fund Budget Allocation for 2023 includes some Institutional support and National Projects.

The 2023 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 improves the lives of the people of each Assembly.

(b) **Direct Transfer**

Direct transfer of about GHC2,765million has been allocated to the MMDAs as shown in Tables 7 and 8 in ratios and monetary terms respectively.

## DISTRICT ASSEMBLIES COMMON FUND RESPONSIVENESS FACTOR GRANT(RFG)

The main strategy is to use a common assessment tool, known as the District Performance Assessment Tool (DPAT) to distribute the DACF Responsiveness Factor component and the Donor Fund. The Common Performance Assessment Tool, DPAT is to evaluate all MMDAs and the results is used to allocate the DACF RFG to be approved by a Steering Committee. It must be noted that the Steering Committee is an advisory body to the DACF,RFG in the sharing of the Funds, however the decision of the Steering Committee is not legally binding since it is not backed by any law.

Last year no allocation was made to the project known as DACF/RFG VI due to inadequate inflows from the donors. Only SECO, a Swiss Development Partner supported the project with GHc32million. The Administrator is in negotiation with SECO to keep the allocation against DACF/RFG VII.

## 8.1 PROPOSALS FOR 2023 – DIRECT TRANSFER

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

**NEED FACTOR**

(a) **Health**

    a. Facilities/Population Ratio

    b. Health Professionals/Population Ratio

(b) **Education**

    a. School Facilities/Population Ratio

    b. Classroom facilities/population

    c. Teacher/Pupil Ratio

(c) **Water**

> a. Water Coverage Ratio

(d) **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.

## 8.2 PROPOSED WEIGHTING SCENARIOS

We presented three different scenarios of weighting for 2022 in which scenario A was chosen.

## PROPOSED WEIGHTING SCENARIOS - 2022

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

# 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 | 5 | | 6 | | 7 | |
| Education facility/ population | 11 | | 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 |
| | | ------- | | -------- | | -------- |

## 2023 PROPOSED WEIGHTING SCENARIO

| FACTOR | SCENARIO A | | SCENARIO B | | SCENARIO C | |
|---|---|---|---|---|---|---|
| | % | % | % | % | % | % |
| **EQUALITY** | | 60 | | 55 | | 50 |
| **NEEDS** | | 38 | | 40 | | 45 |
| Health facility/ population | 6 | | 6 | | 7 | |
| Health Professionals | 6 | | 6 | | 7 | |
| Education facility/ population | 12 | | 12 | | 12 | |
| Teacher/Pupils | 8 | | 6 | | 8 | |
| Roads coverage | 3 | | 5 | | 5 | |
| Water Coverage | 3 | | 5 | | 6 | |
| **SERVICE PRESSURE** | | 2 | | 5 | | 5 |
| Population Density | | | | | | |
| | | -------- | | -------- | | -------- |
| | | **100** | | **100** | | **100** |
| | | -------- | | -------- | | -------- |

In 2023 Budget Statement, the approved allocation into the District Assemblies Common Fund is GHC4,554,034,657. The scenarios are therefore applied after allowing for the Institutional Transfers, Reserve and other National Projects.

### Projections for 2024 and 2025

Projections for 2024 and 2025 amounting to GHC5,473.7billion and GHC6,611.8billion 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:

|  | % | % |
|---|---|---|
| **EQUALITY** |  |  |
| **NEEDS** |  | **60** |
|  |  |  |
| Health |  | **38** |
| Health Facility/ Population Ratio | 6 |  |
| Health Professional/ Population ratio | 6 |  |
| Education |  |  |
| Trained Teacher/ Pupil Ratio | 8 |  |
| Education Facility/Population Ratio | 12 |  |
| Road |  |  |
| Tarred Roads Coverage | 3 |  |
| Water |  |  |
| Water Coverage | 3 |  |

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## SERVICE PRESSURE

Population Density                                    2

                                                ------------

                                                   100

                                                =======


HON. IRENE NAA TORSHIE ADDO-LARTEY

ADMINISTRATOR                                    MARCH, 2023