

**IN THE FOURTH SESSION OF THE SIXTH
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 2016**

MARCH, 2016

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FORMULA FOR THE SHARING OF THE DISTRICT ASSEMBLIES COMMON
FUND FOR THE YEAR 2016**

1.0 INTRODUCTION

The Formula was laid before Parliament by the Hon Majority Leader, Hon. A.S.K .Bagbin on Tuesday, 15th March, 2016 in accordance with Article 252(2) of the 1992 Constitution and Section 7(a) of the District Assemblies Common Fund Act, 1993 (Act 455).

The Rt. Hon. Speaker referred the proposed formula to the Committee of the Whole for consideration and report.

The Committee of the Whole met on Tuesday, 15th March, 2016, deliberated on the proposed formula and reports accordingly.

2.0 BACKGROUND

Parliament is mandated by Article 252(2) of the 1992 Constitution of Ghana and the District Assembly Common Fund Act, 1993 (Act 455) to make provision for the allocation of not less than 5% of the total revenue of Ghana to the District Assemblies Common Fund for the implementation of developmental programmes in the Metropolitan, Municipal and District Assemblies (MMDAs).

As at now 7.5% of the total tax revenue of Ghana is allocated to the District Assemblies Common Fund.

By the provision of Section 7(a) of the District Assemblies Common Fund Act 1993 (Act 455), the Administrator of the Fund is to propose annually for the consideration and approval of Parliament a formula for sharing the Common Fund.

3.0 **ACKNOWLEDGMENT**

The Committee during its deliberations on the Formula met with the Hon. Collins Dauda, Minister for Local Government and Rural Development, the Administrator of the District Assembly Common Fund, Mr. Kojo Fynn as well as officials from the District Assembly Common Fund.

The Committee was grateful to these persons for their immense contributions to our deliberations.

4.0 **REFERENCES**

In considering the Formula, the Committee made references to the following documents:

- i. The 1992 Constitution of the Republic of Ghana
 - ii. The Local Government Act (1992) Act 462
 - iii. The District Assemblies Common Fund Act (1993) Act 455
 - iv. The Standing Orders of Parliament
 - v. The 2015 Report of the Committee of the Whole on the proposed Formula for sharing District Assemblies Common Fund
 - vi. ~~The 2016 proposed Formula for sharing of the District Assembly Common Fund~~
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5.0 PRINCIPLES UNDERLYING THE FORMULA

The Committee was informed by the Administrator that the guiding principles in choosing the factors and corresponding indications in developing the DACF Formula for 2016 remained the same as it was in 2015.

In developing the Formula, the "Basic Needs" approach to development was adopted and considered as a factor in the Formula with the following as its indicators:

- Health Service
- Education Service
- Water Coverage
- Tarred Roads Coverage

Under the above factors, those who have more facilities get less in order to bridge the development gap between the MMDAs.

Additionally, the Formula also takes into account other factors such as:

- i. Responsiveness
- ii. Service Pressure
- iii. Equality and
- iv. Reserve

6.0 SOURCE OF DATA

The Committee was informed that Data for the determination of the Formula is obtained from Central Sources. This is to prevent MMDAs from influencing the data used and also to prevent falsification.

6.1. POPULATION

The Committee was informed that the Administrator obtained the data on population from the Statistical Service. The population data used is that of the 2010 population Census.

6.2. EDUCATION

The Committee was also informed that the 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.

6.3 HEALTH

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

The data on the health sector continues to pose a challenge due to the fluid nature of human resource professional in that sector, thereby creating disparity between the data and the reality.

6.4 INTERNALLY GENERATED FUND

Local Government Account Unit of the Controller and Accountant General's Department provides data on MMDAs Internal Revenue Collection.

6.5 **WATER COVERAGE**

The Committee was further informed that data on Water Coverage was sourced from the Community Water and Sanitation Agency and Ghana Water Company. Community Water and Sanitation provided data on rural water coverage and Ghana Water Company provided that of urban Water Coverage.

6.6 **TARRED ROADS**

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

7.0 **APPLICATION FOR 2016**

The Committee was informed that the 2016 Budget allocation included some Priority Interventions Programme (PIPs) under the Ministry of Local Government and Rural Development and the Ministry of Gender and Social Protection which are applied to the two main modes of transfers.

(a) **Indirect Transfers**

In order not to interrupt planned programmes of MMDAs, a portion of the Fund is set aside to be transferred indirectly to the MMDAs through the Priority Intervention Programmes (PIPs) such as School Feeding, Sanitation and Waste Management and National Policy on Capitaion Grants

(b) **Direct Transfer**

The remaining Fund would be applied to the Formula for equitable distribution in 2016.

8.0 **WEIGHING SCENARIO**

Mr. Speaker, the Committee observed that the Administrator presented three (3) different Weighing Scenarios as follows:

2016 Proposed Weighting

<u>FACTORS</u>	<u>SCENARIO A</u>		<u>SCENARIO B</u>		<u>SCENARIO C</u>	
	%	%	%	%	%	%
EQUALITY		35		45		40
NEEDS		48		45		44
Health facility/Population	8		12		8	
Health Professionals	8		5		8	
Education Facility/Population	12		12		10	
Teacher/Pupils	10		8		8	
Roads Coverage	4		4		6	
Water Coverage	6		4		6	
RESPONSIVENESS		12		8		12
Revenue Improvement	6		4		6	
Budget Implementation Status	6		4		6	
SERVICE PRESSURE						
Population Density		5		2		4
		<u>100</u>		<u>100</u>		<u>100</u>

8.1 OBSERVATIONS OF THE SCENARIOS

Mr. Speaker, the Administrator observed that comparison of all the 2016 Scenarios show that greater number of Districts will receive higher allocations under **Scenario C** compared to the other Scenarios. The Administrator therefore recommends **Scenario C** for the consideration and approval of the House. The details of **Scenario C** are as follows :

	%	%
EQUALITY		40
NEED		44
<u>Health</u>		
Health Facility/Population		
Ration	8	
Health Professionals/Population Ratio	8	
<u>Education</u>		
Education Facility/Population Ratio	10	
Trained Teacher/ Pupil Ratio	8	
<u>Road</u>		
Tarred Roads Coverage	4	
<u>Water</u>		
Water Coverage	4	
RESPONSIVENESS		12
Revenue Improvement	6	
Budget Implementation Status	6	
SERVICE PRESSURE		
Population Density		4
		<u>100</u>

9.0 ALLOCATION FOR 2015

Mr. Speaker, the annual allocation to the District Assemblies Common Fund in the 2016 Budget Statement is **GH¢ 2013.9 million**.

Details of the distribution of the Fund to MMDAs and provisions for Priority Interventions for 2016 with comparative provisions for 2015 are in **Table 'A' below**:

TABLE "A" Comparative Annual Allocation of 2016 and 2015

YEARS	2016	2015	
	GHC'000	GHC'000	%
PRIORITY INTERVENTION PROJECTS			
SCHOOL FEEDING	269,000	230,000	17
NATIONAL EDUCATION POLICIES/PROGRAMMES	112,200		
SANITATION/WASTE MGT (LIGUID/SOLID)	300,000	200,000	50
ACCRA SEWAGE TREATMENT	95,000		
SEED CAPITAL FOR NEW MMDAS		37,000	
NATIONAL BOREHOLE PROGRAMME		25,000	
SUB TOTAL	776,200	467,000	66
RESERVE			
CONSTITUENCY PRO. (MP)	140,974	111,014	

RESERVE FUND	27,170	21,396	27
RCC	27,170	21,396	27
ADMIN. OFFICE	10,070	7,132	41
SUB TOTAL	205,384	160,938	28
MMDAs			
INDIRECT			
YOUTH EMPLOYMENT AGENCY	133,800		
GYEEDA-SANITATION MODULE (AREARS)	179,111	323,691	
TRAINING	8,056	7,132	13
CURED LEPERS	2,920	2,853	2
SUB-TOTAL	323,887	333,676	
DIRECT			
PWD	37,000	22,000	68
NET MMDA	671,442	602,305	11
SUB TOTAL	708,442	624,305	13
TOTAL FUND	2,013,913	1,585,919	27

10.0 OBSERVATIONS

The Committee observed that the total allocation to the DACF increased from **GH¢1,585,919 in 2015 to 2013.9 million in 2016**, an increase of about **19.18%**. The increase is mainly as a result of high projected revenue in the 2016 fiscal year.

The Committee further observed that allocation to priority intervention increased from **GH¢ 467,000 in 2015 to GH¢776,200 in 2016** representing an increase of about **66%**.

Reserve Fund increased from GH¢ 160,938 to GH¢ 205,384 representing an increase of about **28%**.

The Committee again observed that in order to stimulate checks on the effective utilization of budgetary allocations to MMDAs, the 2016 Formula introduced Budget Implementation Status as an additional sub-factor to the existing revenue generation under the Responsiveness Factor.

The Committee further observed that whilst interventions such as the National Borehole programme have been faced out from the Common Fund Formula in 2016, new programmes such as the National Educational Policies and Programmes have been introduced .

The Committee further observe that the Fund is still in arrears in respect of the last quarter of 2014. The Administrator however informed the Committee that the Ministry of Finance assured him that the arrears will be cleared between June and July this year.

Mr. Speaker, Members express worry about the fact that only about 25% of the Fund go to District Assemblies directly for application and the rest of the disbursements are done by Central Government under the various priority intervention.

It is the view of the Committee that this situation does not give ample opportunity to District Assemblies to determine their own priorities.

It also does not give room for even distribution of the Fund as most priority intervention are targeting some specific communities and projects, thus depriving non beneficiary communities of their fair share.

11.0 RECOMMENDATIONS

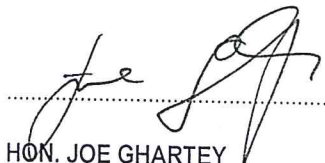
The Committee wishes to recommend to Government and the Administrator to consider capturing the identifiable priority interventions by giving them the needed weightings under the various factors used in the determination of the formula by the Administrator.

The Committee wishes to further urge the Minister responsible for Finance to ensure timely release of funds in the 2016 fiscal year in order not to continue with the stifling conditions under which MMDAs found themselves in 2015.

12.0 CONCLUSION

Mr. Speaker, having carefully considered the proposals for the sharing of the DACF for 2016, the Committee recommends to the House to adopt its Report and for the approve **Scenario C** of the **Weighing Formula** as the basis for the distribution of an amount of **GH¢ 2013.9 million** allocated to the District Assemblies Common Fund in the 2016 Budget.

Respectfully Submitted.



HON. JOE GHARTEY

(SECOND DEPUTY SPEAKER)



INUSAH MOHAMMED

(CLERK TO THE COMMITTEE)

MARCH 2016
