

**IN THE SECOND SESSION OF THE SEVENTH  
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 2018**

*22<sup>nd</sup>* MARCH 2018



# **REPORT OF THE COMMITTEE OF THE WHOLE ON THE PROPOSED FORMULA FOR THE SHARING OF THE DISTRICT ASSEMBLIES' COMMON FUND FOR THE YEAR 2018**

## **1.0 INTRODUCTION**

The proposed Formula for the Distribution of the District Assemblies' Common Fund for the Year 2018 was presented to Parliament by the Deputy Majority Leader, Hon. Sarah Adwoa Safo on behalf of the Hon. Majority Leader on Tuesday 20<sup>th</sup> March 2018 in accordance with Article 252 of the 1992 Constitution and Sections 125 and 129(a) of the Local Governance Act, 2016 (Act 936), and referred to the Committee of the Whole for consideration and report.

Subsequently, the Committee met on Wednesday 21<sup>st</sup> March 2018 and considered the referral. The Committee was grateful to the Hon. Minister for Local Government and Rural Development, Hajia Alima Mahama, represented by the Deputy Minister, Hon. Augustine Collins Ntim, the Administrator of the District Assemblies Common Fund, Hon. Irene Naa Torshie Addo as well as officials from the District Assemblies' Common Fund for their invaluable contribution during the deliberations on the proposed Formula.

## **2.0 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 Governance Act (2016), Act 936
- iii. The Earmarked Funds Capping and Realignment Act, 2017 (Act 947).
- iv. The Appropriation Act (No.2) 2017 (Act 951)
- v. The Standing Orders of Parliament
- vi. The 2017 Report of the Committee of the Whole on the proposed Formula for Sharing District Assemblies Common Fund

### **3.0 BACKGROUND**

Article 252 of the 1992 Constitution and Section 126(1) of the Local Governance Act, 2016 (Act 936) enjoins Parliament to make provision for the allocation of not less than 5% 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).

Section 129(a) of the Local Governance Act, 2016 (Act 936), enjoins the Administrator of the Fund to propose annually for the consideration and approval of Parliament a formula for the distribution of DACF.

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

In developing the Formula, the Administrator was guided by the "Basic Needs" approach to development with the following indicators:

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

Under this approach, MMDAS with more facilities/services receive less in order to bridge the development gap between the Assemblies.

The proposed Formula also took into account other factors such as:

- i. Responsiveness
  - a. Improvement in revenue generation and collection
  - b. Budget implementation status
- ii. Service Pressure and
- iii. Equality

### **5.0 PROPOSED WEIGHTING SCENARIO**

Three different scenarios of weighting were presented to the Committee as shown in Table 1.

**Table 1: 2018 Proposed Weighting**

FACTOR	SCENARIO A		SCENARIO B		SCENARIO C	
	%	%	%	%	%	%
<b>EQUALITY</b>		<b>36</b>		<b>45</b>		<b>40</b>
<b>NEEDS</b>		<b>48</b>		<b>41</b>		<b>44</b>
Health facility/PR**	8		8		8	
Health Professionals/PR**	8		5		8	
Educational Facility/PR**	14		12		12	
Teacher/Pupils Ratio	8		8		6	
Roads coverage	4		4		4	
Water coverage	6		4		6	
<b>RESPONSIVENESS</b>		<b>10</b>		<b>10</b>		<b>10</b>
Revenue improvement	5		5		5	
Budget implementation status	5		5		5	
<b>SERVICE PRESSURE</b>		<b>6</b>		<b>4</b>		<b>6</b>
Population Density	6		4		6	
		<b>100</b>		<b>100</b>		<b>100</b>

Source: 2018 District Assemblies Common Fund Formula, p. 16.

\*\*PR (Population ratio)

The Committee was informed that the three scenarios were obtained by varying the weights for the Need Factor, Service Pressure, Responsiveness and the Equality.

The Committee was informed that under all the scenarios presented, most MMDAs had an increase. A critical examination of the three scenarios indicates that Scenario B is evenly distributed followed by Scenario A. It was also stated that greater number of MMDAs would receive their highest allocations under Scenario B compared to the other two Scenarios.

The Administrator accordingly recommended Scenario B to the House for approval. The details of Scenario B is as follows:

**Table 2: Scenario B**

FACTOR	SCENARIO B	
	%	%
<b>EQUALITY</b>		<b>45</b>
<b>NEEDS</b>		<b>41</b>
<b>Health</b>		
Health Facility/PR**	8	
Health Professionals/PR**	5	
<b>Education</b>		
Trained Teacher/Pupil Ratio	8	
School Facility/PR**	6	
Classroom Facility/PR	6	
<b>Road</b>		
Tarred Roads coverage	4	
<b>Water</b>		
Water coverage	4	
<b>RESPONSIVENESS</b>		<b>8</b>
Revenue improvement	5	
Budget implementation status	5	
<b>SERVICE PRESSURE</b>		<b>4</b>
Population Density	4	
		<b>100</b>

Source: 2018 District Assemblies Common Fund Formula, p. 17-18.

\*\*PR (Population ratio)

## **6.0 ALLOCATION FOR 2018**

The Committee observed that the annual allocation to the DACF in 2018 as contained in the Appropriation (No.2) Act, 2017 (Act 951) was Gh₵1,812,144,435.00. The total allocation was based on 5% of projected national tax revenue for 2018.

Details of the distribution of the Fund based on the recommended Formula for 2018 as compared to 2017 is presented in Appendix 1.

## 7.0 OBSERVATIONS

### 7.1 Capping of Earmarked Funds

The Committee observed that the capping of earmarked funds as provided for by the Earmarked Funds Capping and Realignment Act, 2017 (Act 947) has drastically reduced funds that should accrue to the DACF.

For instance prior to the enactment of Act 947, 7.5% of total tax revenue was earmarked for the DACF. This implies that the estimated amount for the Fund for year 2018 would have been about Gh¢2.71 billion (based on 7.5% of total tax revenue for 2018). However due to the provisions of Act 947 which capped the total allocation to the Fund at 5%, the total amount due the Fund for 2018 is Gh¢1,812,144,435.00.

It was noted that having capped the amount due the Fund to 5%, the Budget Statement and Economic Policy of the Government for 2018 Fiscal Year made further allocations from the 5% due the Fund to finance other Projects and Programmes. For instance at page 184 of the Budget Statement, the following allocations have been made to finance Government priority projects:

- i. National Builders Corp Gh¢300,000,000.00;
- ii. National School Feeding Programme Gh¢423,795,450.00 and
- iii. Planting for Food and Jobs Gh¢300,000,000.00.

This implied that total amount available to the Administrator to disburse to the Assemblies is Gh¢788,348,985.00.

The Committee is of the view that the amount left for the Fund to disburse to the various MMDAs is woefully inadequate. The shortfall will seriously impair the planned activities of the MMDAs who needed these funds to complete the numerous projects being undertaken by the Assemblies.

In order not to defeat the purpose for which the DACF was established, the Committee recommends that the Ministry of Finance should strictly adhere to the provisions of the Earmarked Funds Capping and Realignment Act, 2017

(Act 947) and not further offload programmes unto the already capped funds of the Fund.

## **7.2 District Assemblies Common Fund Responsiveness Factor Grant (DACF RFG)**

The Committee was informed that from 2018, the DACF will manage and disburse the District Development Fund (DDF), the Donor Partner Support to MMDAs. The Committee was informed that the decision to allow the DACF manage and disburse the DDF as part of the Responsiveness Factor component of DACF is to strengthen the performance based grant for improved service delivery as well as incorporate the achievements of the DDF/FOAT into the DACF Responsiveness Factor. The main strategy is to use the District Performance Assessment Tool (DPAT), which is a common assessment tool to evaluate all MMDAs and the result used to allocate and distribute the DACF RFG due to all the Assemblies.

The Administrator noted that managing the DDF will help improve disbursement of the DDF as funds will be made available as counterpart funding support. She noted that in the past, the Ministry of Finance either delayed or was unable to make funds available for the counterpart funding support and this stalled disbursement of funds from the donors to the DDF. An amount of US\$20million has therefore been earmarked in this year's formula as counterpart fund for the DDF.

## **7.3 MMDAs Allocation**

The Committee was happy to observe that Government policy objective to redirect at least 50% of DACF to the MMDAs directly had been fulfilled. It was noted that a total of Gh¢964,974,315.00 representing 53.25 percent will be disbursed directly to the Assemblies.

Although the Administrator promised last year to wean off some national programmes from the Fund and increase further the direct allocation to MMDAs, it could not achieve it. However, it was noted the amount allocated



to cover National priority education programmes to be undertaken by the Ministry of Education was however reduced from Gh¢70.1million in 2017 to Gh¢20million in 2018. The Committee urged the Administrator to increase the allocation to undertake educational programmes given that basic education is one of the primary responsibilities of the Assemblies. The Administrator accepted the recommendation and increased the allocation from Gh¢20million to Gh¢40million.

#### **7.4 Institutional Transfers**

The Committee was informed that the financial obligation of the following organisations requires that DACF provide funding for the implementation of their programmes. They are:

- a) Youth Employment Agency(Section23(c) of Act 887 - 10%
- b) National Youth Authority (Section 17 (b) of Act 939) - 5%
- c) National Disaster Mgt. Organisation (Section 39 (c) of Act 927- 1.50%

An amount of Gh¢299.14million was therefore allocated to cater for the above organisations in 2018.

The Committee was further informed about an apparent overlap in the provision of funds to the above organisations. It was noted that these organisations benefit directly from other sources of funds and there is therefore the need to review the funding sources to some of the institutions stated in the Earmarked Funds Capping and Realignment Act, 2017 (Act 947).

#### **7.5 Newly established MMDAs**

The Committee was informed that a total of Thirty-Eight (38) new Assemblies have been established bringing the total number of MMDAs to benefit from the Fund in 2018 to 254. Since the 38 new MMDAs were recently inaugurated, the Administrator could not provide separate data on the affected Assemblies. She indicated that the new Assemblies would have to depend on the data of their parent Assemblies, for their share of the Fund. The

Committee implored the Administrator and the Ministry of Local Government and Rural Development to do everything within their powers to ensure that the needed data for the new Assemblies was provided to enable them access their fair share of the allocation. The Committee further requested the Administrator to provide adequate seed capital and funding to enable the newly established Assemblies to take off successfully.

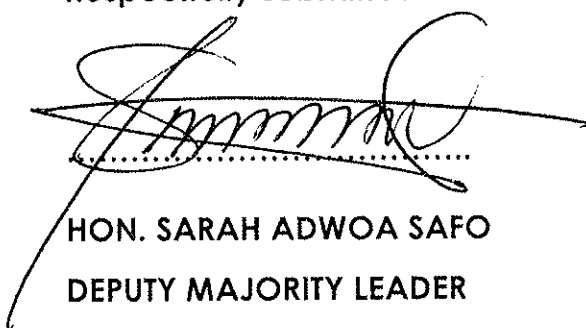
### **7.6 Construction of the district courts.**

The Committee noted that there was the need to strengthen governance at the local level and that justice delivery was a key component in that regard. It was noted that whereas almost all structures and Agencies at the local level have been supported with the Fund, the judiciary has over the years been neglected. It was noted that most of the court buildings at the local level are in deplorable state. The Committee therefore recommended that an amount be ceded from the Fund for the rehabilitation and the provision of Court infrastructure in some MMDAs. The Administrator proposed an amount of Gh¢10million which was accordingly accepted by the Committee for the purpose.

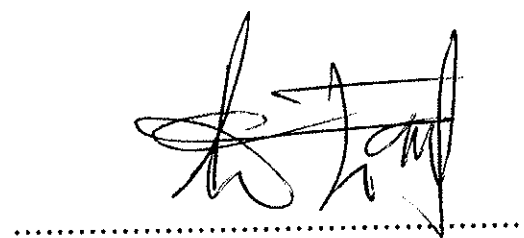
### **8.0 RECOMMENDATION AND CONCLUSION**

Having carefully considered the proposals for the sharing of the DACF for 2018, the Committee recommends to the House to adopt its Report and approve Scenario B of the Weighting Formula as the basis for the sharing of an amount of **Gh¢1,812,144,435.00** allocated to the DACF in the 2018 Budget.

**Respectfully submitted**



HON. SARAH ADWOA SAFO  
DEPUTY MAJORITY LEADER  
FOR THE COMMITTEE



CAMILLO PWAMANG  
CLERK TO THE COMMITTEE

**APPENDIX 1: ALLOCATION STATEMENT FOR 2018**

ALLOCATION	2018	Prop %	2017	Prop. %
<b>INSTITUTIONAL TRANSFERS</b>	<b>299,001,665.00</b>	<b>16.50</b>	<b>257,602,391.00</b>	<b>16.35</b>
National Youth Authority(Act 939)	90,607,222.00	5.0	78,796,767.00	5.00
Youth Employment Agency(Act 887)	181,214,444.00	10	157,593,534.00	10.0
National Disaster Mgt. Organisation (Act 927)	27,179,999.00	1.50	21,212,090.00	1.35
<b>NATIONAL PROJECTS</b>	<b>210,000,000.00</b>	<b>11.59</b>	<b>252,622,435.00</b>	<b>16.03</b>
National Education Policies	40,000,000.00	2.21	70,129,123.00	4.45
Waste Management(Liquid/Solid)	120,000,000.00	6.62	110,315,474.00	7.00
Accra Sewerage Treatment Plant(Lavender Hill)	-	-	39,871,164.00	2.53
Seed Capital for New MMDAs Building	40,000,000.00	2.21	32,306,674.00	2.05
Seed Capital for District Courts	10,000,000	0.55		
<b>RESERVE</b>	<b>241,457,338.00</b>	<b>13.32</b>	<b>211,175,335.00</b>	<b>13.40</b>
Constituency Labour Projects(MPs)	90,607,224.00	5.00	78,796,767.00	5.00
Constituency Labour Monitoring and Evaluation(MPs)	54,364,335.00	3.00	47,278,060.00	3.00
Reserve Fund	36,242,890.00	2.00	31,518,707.00	2.00
RCC	36,242,890.00	2.00	31,518,707.00	2.00
DACF Operations	9,060,722.00	0.50	7,879,677.00	0.50
DACF Office Building	4,000,000.00	0.22	14,183,418.00	0.90
MLGRD OFFICE BUILDING	20,000,000.00	1.10	-	-
<b>MMDAs-INDIRECT</b>	<b>101,321,117.00</b>	<b>7.70</b>	<b>121,347,021</b>	<b>7.70</b>
YEA-Sanitation Module(Arrears)	93,508,973.00	5.16	111,891,409.00	7.10
Training	6,000,000.00	0.33	7,879,677.00	0.50
Cured Lepers	1,812,144.00	0.10	1,575,935.00	0.10
<b>MMDAs-DIRECT</b>	<b>960,364,315.00</b>	<b>53.00</b>	<b>733,188,157.00</b>	<b>46.52</b>
Persons with Disabilities(PWD)	54,364,333.00	3.00	47,278,060.00	3.00
Net MMDAs	905, 999,982.00	50.25	685,910,097.00	43.35
<b>TOTAL FUND</b>	<b>1,812,144,435.00</b>	<b>100</b>	<b>1,575,935,339.00</b>	<b>100</b>

Source: 2018 District Assemblies Common Fund Formula

