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CHALLENGES IN DISTRICT ASSEMBLIES COMMON FUND AND MINERALS DEVELOPMENT FUND DISBURSEMENTS:

The Implication for Local Governance and Decentralisation

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ABBREVIATIONS

ACEP	Africa Centre for Energy Policy
BECE	Basic Education Certificate Examination
CHPS	Community-Based Health Planning and Services
DACF	District Assemblies Common Fund
DDF	District Development Facility
GDP	Gross Domestic Product
GoG	Government of Ghana
IBP	International Budget Partnership
IGF	Internally Generated Fund
MCDS	Mining Community Development Scheme
MDF	Minerals Development Fund
MIIF	Minerals Income Investment Fund
MMDA	Metropolitan, Municipal and District Assembly
MP	Member of Parliament
NADMO	National Disaster Management Organisation
OASL	Office of the Administrator of Stool Lands
SDG	Sustainable Development Goals
SLR	Stool Lands Revenue
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations International Children's Emergency Fund
WHO	World Health Organisation

EXECUTIVE SUMMARY

The Constitution of Ghana acknowledges the importance of decentralisation and requires that Government is intentional in providing the necessary resources to subnational authorities for their management and execution of policies. Hence, the constitution specifies that the Central Government must allocate at least five per cent of national revenue into a fund known as the District Assemblies Common Fund (DACF). Monies accrued to the Fund are distributed among all Metropolitan, Municipal and District Assemblies (MMDA). Over the years, DACF has become an essential revenue source for MMDAs since other primary income-generating sources such as Internally Generated Funds are small, emanating from low economic activities and weak revenue collection efforts.

Mining communities receive additional revenue from the Minerals Development Fund (MDF) to address the harmful effects of mining and promote local economic development and alternative livelihood projects in their communities. MDF was established in 1993 as an administrative provision and codified into law through the Minerals Development Fund Act (Act 912) in 2016. The MDF and DACF have been essential sources of revenue for MMDAs in mining communities, especially in funding health, education and infrastructure.

However, challenges including late and partial disbursement to the Funds impede the MMDAs' ability to deliver essential development plans. The Funds also act as funding sources for other institutions and national level interventions. Additionally, disbursements also suffer from top tier deductions due to the application of some legislative frameworks such as the Earmarked Funds Capping and Realignment Act, 2017 (Act 947). These deductions have grave impacts on funds disbursed to MMDAs to further development plans, especially in the education and health sectors.

The education and health sectors are important to economic growth at the local level and require significant investments from MMDAs. These sectors face challenges which include inadequate access to teaching and learning materials, high pupil to teacher ratios, inadequate health infrastructure and high patient to doctor ratios. The socio-economic impacts of mining such as increasing cases of school dropouts and high incidence of respiratory diseases, further worsen the challenges in the health and education sectors for mining communities.

This report assesses the implications of government policies that reduce disbursements to

MMDAs through DACF and MDF, particularly in financing development in education and healthcare within the mining communities. It also analyses the importance of MDF and DACF for the development planning, and implementation of programmes in mining communities. This study focuses on three mining districts: Tarkwa Nsuaem Municipality and Prestea Huni-Valley Municipality located in the Western Region, and Asutifi North District located in the Ahafo Region.

The findings of the study are given below:

1. DACF and MDF are essential sources of funds for MMDAs in mining communities. Cumulatively, they contribute over 40 per cent of MMDAs' total revenue, and largely constitute the main source of funding for development projects in the communities.
2. Even though these two funds are essential, they experience significant delays in their disbursements. MDF, however, is more reliable than DACF in terms of amount and frequency of disbursement.
3. The education and health sectors are priorities for MMDAs' utilisation of funds. This notwithstanding, significant challenges that militate against quality education and healthcare delivery exist, mainly due to the inadequacy of funds obtained by MMDAs.
4. The introduction of laws and policies to absorb part of the DACF and MDF at the national level erode actual disbursement to MM DAs to facilitate context-driven development and quick response to emerging developmental challenges at the local level.

In line with the findings of the study, the following recommendations are made:

1. The DACF and MDF should be excluded from the Earmarked Funds Capping and Realignment Act and further legislation that encumbers the funds. Consistently, the passage of new laws that allow the state to reassign portions of DACF and MDF reduces the amount of revenue available to MMDAs and makes it difficult for them to fund local development and, by extension, achieve the object of the funds.
2. Government should timely disburse funds to MMDAs to prevent delays and cost overruns on project execution at the local level.
3. District assemblies should have the capacity to track and validate disbursements of MDF and DACF allocated to them. This will help them identify the challenge to revenue generation and further demand Government's action to meet its funding responsibilities.

INTRODUCTION

Deepening decentralisation is a constitutional aspiration of Ghana and has become an essential component of its local governance system. The Constitution, 1992 requires that deliberate efforts are made to "enhance the capacity of local government authorities to plan, initiate, co-ordinate; manage and execute policies in respect of all matters affecting the people within their areas, with a view to ultimately achieving localisation of those activities."[1] The Constitution requires that these local governments (Metropolitan, Municipal and District Assemblies (MMDA)), which number about 260, are equipped with adequate and reliable resources. In partial fulfilment of local governments' funding requirement, the Constitution establishes the District Assemblies Common Fund (DACF). It prescribes a minimum allocation of five per cent of total government revenue to the Fund annually.

Beyond the constitutional provision, the Local Governance Act, 2016 (Act 936) permits MMDAs to generate revenue from other sources. The Act specifies three primary revenue sources for MMDAs; (i) Decentralised Transfers, (ii) Donations and Grants, and (iii) Internally Generated Funds (IGF). Decentralised Transfers are revenues received from the Central Government, including the District Assemblies Common Fund (DACF), the District Development Facility (DDF), Compensations and other government grants. Development partners give donations and grants to support specific projects or initiatives. MMDAs obtain IGFs from fees, rates and licenses issued by the districts as part of their operations (see Box 1).

Box 01

Sources of Funds for MMDAs

A. Central Government Transfers

i. Compensations (Salaries, Goods and Services, Asset Transfers)
ii. District Assemblies Common Fund (DACF)
iii. District Development Facility (DDF)
iv. Other government grants.

B.Local Revenues (Internally Generated Funds)

i. Rates
ii. Lands and Royalties
iii. Fees
iv. Licenses (Business Permits)
v. Investment income
vi. Fines, Penalties and Forfeits
vii. Rents

C. Donations and grants

i. Support from donors or development partners

[1]Article 240 (2b) of the Constitution of Ghana, 1992

Over the years, DACF has become an essential source of revenue for MMDAs because IGFs, in most cases, are meagre due to low economic activities and weak efforts at revenue mobilisation. Limited resources and the lack of political will usually constrain the enforcement of bills, fees and rates collection.[2]

Local government authorities in mining communities receive additional revenue for development to address the socioeconomic impact of mining operations through the Minerals Development Fund (MDF) established in 1993. The Fund was codified into law through the Minerals Development Fund Act (Act 912) in 2016. Since the institution of MDF and its subsequent passage into law, the Fund has been an essential source of income for MMDAs in mining communities. Box 2 provides a list of MMDAs that host large scale mining companies. Generally, MMDAs have utilised these funds for various development projects that cut across multiple sectors such as health, education, sanitation and roads. Therefore, the importance of MDF as a funding source cannot be overemphasised.

Box 02

List of mining districts hosting large scale mining companies.

District assembly	Region	Large scale mining companies
Amansie South District Assembly	Ashanti	Asanko Mines
Asutifi North District Assembly	Ahafo	Newmont Goldcorp Mining Company
Bibiani Anhwiaso Bekwai Municipal Assembly	Western North	Chirano Mines, Ghana Bauxite Company
Birim North District Assembly	Eastern	Newmont Goldcorp Mining Company
Upper Denkyira West Municipal Assembly	Central	Perseus Mining
Elembelle District Assembly	Western	Adamus
Mpohor Wassa East District Assembly	Western	Golden Star Wassa
Prestea Huni-Valley Municipal Assembly	Western	Golden Star Bogoso, Goldfields Tarkwa, Goldfields Damang
Sefwi Wiawso Municipal Assembly	Western North	Chirano Mines
Tarkwa Nsuaem Municipal Assembly	Western	Golden Star Bogoso, Goldfields Tarkwa, Ghana Manganese, Anglogold
Wassa Amenfi East District Assembly	Western	Perus Mining
Yilo Krobo District Assembly	Eastern	West Africa Quarries

Source: Ghana Extractive Industries Transparency Initiative (GHEITI) (2019).

[2] Dzansi et al. (2018). Survey of Local Government Revenue Mobilization Capacity in Ghana, 2017: Summary and Policy Implications. International Growth Centre (IGC). Available at https://www.theigc.org/wp-content/uploads/2019/01/Dzansi-et-al-2018-Final-report_rev-Nov-2018.pdf

District Assemblies Common Fund (DACF) and Minerals Development Fund (MDF) disbursements are cash revenues within the control of MMDAs to empower them to finance local level development needs. Mining communities generally face socioeconomic challenges that require active, stable and efficient revenue sources to address. These include pressures on infrastructure, as well as employment and environmental challenges. Therefore, DACF and MDF are critical sources of revenue for mining districts.[3] However, disbursement challenges of these funds from Central Government have heightened over the years. Usually, the funds are either disbursed late or partially disbursed. Some government institutions and national level interventions also source their primary funds from DACF, which continue to reduce the funds received from Central Government. This is also worsened by additional laws that enable the Minister responsible for finance to cap funding made to statutory funds. These cumulatively deepen the pressures on the funds and affect the delivery of planned development programmes.

This study assesses the implications of government policies that reduce disbursements to MMDAs through DACF and MDF, particularly in financing development in education and healthcare within the mining communities. The study analyses the importance of MDF and DACF for development planning and implementation of programmes in mining communities by focusing on three mining districts: Tarkwa Nsuaem Municipality and Prestea Huni-Valley Municipality located in the Western Region, and Asutifi North District located in the Ahafo Region. These three districts contribute over 50 per cent of total gold production in Ghana. In 2019, the large scale mining companies in these districts produced about 1.7 million ounces of gold, representing about 59 per cent of total gold production.[4] The following section justifies selecting the education and health sectors.

[3] The term "districts" is used interchangeably to refer to Districts, Municipalities and Metropolitan areas.
[4] Ghana Chamber of Mines. (2020). Performance of the Mining Industry in 2019.

JUSTIFICATION FOR THE SELECTION OF THE EDUCATION AND HEALTH SECTORS

Education, whether formal or informal, is vital for sustainable development. Every sector of the economy relies on quality human resource for its growth and development. Investing in education has the potential of providing long term benefits that place a country in a strategic position, translating into higher productivity.[5] For these reasons and more, governments devote significant portions of their national expenditures to support the education sector. Generally, Ghana has met the UNESCO education expenditure benchmark (Incheon Declaration) that requires that at least 15 per cent of total government expenditure is invested in the education sector,[6] taking the quality of investments as a given.

Despite these investments, there are significant challenges in the education sector, particularly within the mining communities. Preliminary investigations by ACEP and Wacam reveal challenges such as inadequate teaching and learning materials to foster effective learning among pupils. Of the three study districts, only Asutifi North District had achieved the national pupil-teacher ratio benchmark of 30 pupils to one teacher. Pupil to teacher ratios for Asutifi North as of the 2016/2017 school year ranged between 17-30 students per teacher. Prestea Huni-Valley and Tarkwa Nsuaem recorded high pupil to teacher ratios (30-40 pupils per teacher for Tarkwa Nsuaem Municipality and 40-52.5 pupils per teacher for Prestea Huni-Valley Municipality). [7]

Mining activities present other challenges beyond the inadequacy of educational resources. Studies on the social impacts of mining have shown that illegal mining activities contribute to increasing school dropouts[8]. Some children of school-going age are forced to work at illegal mining sites to support their families. The flamboyant lifestyle of illegal miners also entices them compared to some income earners from other economic activities. These educational challenges result in poor outcomes at various levels of education. According to UNICEF's 2018 – 2019 District League Table[9], Tarkwa Nsuaem ranked 112th out of 216 districts, recording a pass rate of 73 per cent in the Basic Education Certificate Examination (BECE). Asutifi North District also ranked below the 50th percentile (170th position) with a BECE pass rate of 56 per cent. Prestea Huni Valley was the only municipality within the study areas to have ranked within the 50th percentile (34th position), recording a 94 per cent pass rate.

[6]Owusu-Nantwi, V. (2015). Education Expenditures and Economic Growth: Evidence from Ghana. Journal of Economics and Sustainable Development. 6. 69-77.
[7]Ofori, C. G., Zuanah S., Boakye, B. (2020). Making petroleum investments work for sustainable agriculture and education in Ghana. Africa Centre for Energy Policy (ACEP). Available at https://storage.googleapis.com/stateless-acep-africa/2020/12/Making-Petroleum-Investments-Work-For-Sustainable-Agriculture-And-Education-In-Ghana.pdf
[7]USAID Partnership for Education. (2018). Evaluating systems teacher rationalization, retention, and language study: National situation analysis. Available at https://pdf.usaid.gov/pdf_docs/PA00TQB8.pdf
[8]Azumah, F. D., Baah, E., & Nachinaab, J. O. (2020). Causes and Effects of Illegal Gold Mining (Galamsey) Activities on School Dropout and Residents at the Tutuka Central Circuit in Obuasi Municipality in Ashanti Region, Ghana. Journal of Education, 0022057420905109.
[9]The DLT is a composite index assessing basic social services in all local government areas across all Districts, Municipal and Metropolitan areas in Ghana

Recent studies have revealed significant relationships between health and economic wellbeing. The World Health Organisation (WHO) notes that the health sector is essential in determining economic development, as it positively impacts the performance of other sectors of the economy.[10] This is because a healthy human resource drives productivity. The importance of healthcare is profound as a substantial number of the UN's Sustainable Development Goals (SDGs) indirectly contribute to sustaining people's health. Goal 3 of the SDGs is primarily to "ensure healthy lives and promote wellbeing for all at all ages." Targets for this goal include reducing maternal and child mortality, increasing investment in healthcare systems, and achieving universal health coverage. A quality healthcare system thrives on adequate and quality healthcare facilities and personnel.

Further, citizens need to have equal access to quality and affordable healthcare. The districts selected for the study have significant healthcare challenges which require immediate intervention. ACEP and Wacam's preliminary investigations show that government hospitals in Prestea Huni-Valley do not meet the standards of Ghana Health Service (GHS) to provide advanced care such as surgery and other diagnostic medical services. At the time of the field survey, the District Hospital in Asutifi North was still under construction. Emergency cases are therefore referred to other hospitals outside the district. Tarkwa Nsuaem Municipality, however, has a municipal hospital that handles emergency cases from other districts.

In addition to inadequate healthcare facilities, the various districts also lack adequate health workers. Data from the three mining districts indicate that contrary to WHO's recommended patient to doctor ratio of 1,000 patients to one doctor, the study districts' ratios are higher. Even though Tarkwa Municipality has a relatively lower patient to doctor ratio, it is six times higher than the WHO recommended ratio. Patient to doctor ratios in the various districts can improve if the health facilities are increased and upgraded to accommodate more health personnel. Box 3 provides a list of the study districts' health statistics.

[10]Boyce, T., & Brown, C. (2019). Economic and social impacts and benefits of health systems. World Health Organisation, Regional Office for Europe. Available at https://www.euro.who.int/__data/assets/pdf_file/0006/395718/Economic-Social-Impact-Health-FINAL.pdf?ua=1

Box 03

Health statistics in study areas

	Asutifi North	Pestea Huni-Valley	Tarkwa Nsuaem
Population (2019 estimate)	64,716	196,182	186,743**
Health Facilities			
Private / Government Hospitals	2*	2	2**
Health Centres/Clinics	5	16	9**
Total	**7**	**18**	**28**
Community Based Units			
CHPS compounds	5	16	35**
Ratios			
Doctor-patient ratio	1:64,716	1:32,555	1:6000
Nurse-Patient ratio	1:1,470	1:2,668	1:350

Data source:
2019-2022 Composite Budgets for the districts by the Ministry of Finance
* The District hospital in Asutifi North was under construction as at the time of the study
**Dietler et al. (2020). Rapid health situation assessment report. World Health Organisation. Available at https://wwwafro.who.int/sites/default/files/2020-06/ASGM%20 Ghana%20RHA%20 Report%2021052020_web.pdf

Field interactions results indicate that some pregnant women and nursing mothers have to travel to access basic curative and preventive healthcare services at Community-Based Health Planning and Services (CHPS), increasing the risk of maternal and child mortality. Women are also generally less able to afford private health insurance to guarantee their access to healthcare and medications for complicated health conditions. The health directorates in all three districts disclosed that logistical challenges worsen women's access to quality health care. This hinders the provision of domiciliary care to people in the communities, particularly pregnant women and nursing mothers, thereby increasing maternal and child mortality.

Notwithstanding the importance of education and healthcare to economic growth, the challenges mentioned above continue to be prevalent in the districts under study. These require significant investment from MMDAs in the education and health sectors.

SOCIOECONOMIC IMPACTS OF MINING IN THE THREE SELECTED AREAS

The mining and quarrying sector is second to the agriculture sector as the largest employer in mining districts. The 2010 population census shows that about 22.6 per cent of the Tarkwa Nsuaem Municipality's labour force are employed in the mining and quarrying sector. Employment in this sector for Prestea Huni Valley Municipality and Asutifi North District is about 18 and 8 per cent of the labour force, respectively. Beyond employment creation, the mining sector serves as an income-generating source for the nation, out of which a portion is given to district assemblies in host mining communities to support development planning. At the end of 2019, gold alone contributed about seven per cent to GDP. Similarly, large scale gold mining companies made payments worth about GHS4.07 billion to the state in the form of royalties, corporate income taxes and employee taxes,[11] which account for about nine per cent of Government's tax revenue.

Notwithstanding employment creation prospects in mining communities, the increasing appetite for jobs in the extractive sector weakens diversification in other sectors.[12] Information gathered from field interviews indicates that some community members, especially the youth, prefer to work in the mining companies than in other sectors such as agriculture. This is against the reality that the mining industry cannot absorb all prospective employees or youth within the community. The youth focus more on seeking direct employment from the mines rather than exploring opportunities in other sectors or creating linkages between other sectors and the mining sector. This contributes to unemployment in the mining communities and leads to the loss of livelihoods.

Mining activities can pose adverse effects on the environment and health of host communities. Some studies have identified skin and respiratory (cold, catarrh) diseases, fevers, diarrhoea and risk of malaria as being prevalent in mining communities, which often arise from increased environmental pollution.[13] Other environmental impacts of mining activities include air, water and noise pollution and destruction of farmlands. The movement of large machinery and blasting of ore-bearing rocks create noise and air pollution. The health effects of dust exposure are well documented by WHO.[14]

[11]Ghana Chamber of Mines. (2019). Publish what you pay. Available at http://ghanachamberofmines.org/wp-content/uploads/2020/07/chamber-ad.pdf

[12]Aryee, B. N. . (2001). Ghana's mining sector: its contribution to the national economy. Resources Policy, 27(2), 61–75. doi:10.1016/s0301-4207(00)00042-8

[13]Emmanuel, A. Y., Jerry, C. S., & Dzigbodi, D. A. (2018). Review of Environmental and Health Impacts of Mining in Ghana. Journal of health & pollution, 8(17), 43–52. https://doi.org/10.5696/2156-9614-8.17.43

[14]Bickis, U. (1998). Hazard prevention and control in the work environment: airborne dust. World Health Organisation, 13, 16. Available at https://www.who.int/occupational_health/publications/en/oehairbornedust3.pdf

Addressing these socioeconomic impacts of mining which have bearing primarily on the health, education, and livelihoods of people in host communities, require proactive leadership at the local level with adequate resources.

This requires careful planning and implementation of programmes at the local government level to systematically assess the challenges and impacts, plan and implement programmes that help to address same. DACF and MDF are two important sources of funding that could help address some of these challenges, if they are adequately and timeously disbursed to MMDAs.

THE ARCHITECTURE OF THE DISTRICT ASSEMBLIES COMMON FUND AND MINERALS DEVELOPMENT FUND

The District Assemblies' Common Fund

In Ghana, the Central Government imposes most of the taxes on citizens and businesses, which leaves little room for MMDAs to impose same at the local level. Therefore, local governments depend largely on Central Government transfers to complement the limited internally generated funds. The District Assemblies' Common Fund was established under Article 252 of the Constitution of Ghana, 1992, to serve as a mechanism for transferring Central Government's resources to aid MMDAs in their development planning and implementation efforts. The Constitution provides that Government should disburse a minimum of five per cent of its income into the Fund. Parliament passed the District Assemblies' Common Fund Act, 1993 (Act 455), to provide further legislation on its operationalisation. Act 455 was repealed in 2016 and was modified and absorbed in sections 125 to 136 of the Local Governance Act, 2016 (Act 936).

To provide an equitable distribution of Central Government resources, DACF is shared according to a formula, prescribed by the Fund's Administrator and approved by Parliament, before disbursements are made to local government units. Generally, the Administrator considers four main factors; Needs Factor, Responsiveness Factor, Service Pressure Factor, and Equality Factor (See Box 4 for details on the various factors). However, the Responsiveness Factor was excluded from the determining factors considered in the formula for 2020. [15]

Box 04

Indicators for DACF disbursement

A. **Needs Factor**
   i. Level of health services enjoyed by people in each MMDA.
   ii. Number of basic education facilities and Human resources in each MMDA.
   iii. Per centage of population with access to clean and potable water.
   iv. Total road network in relation to tarred roads in each district (this excludes highways).

B. **Service Pressure Factor:** The service pressure factor accounts for the pressure on the utilization of facilities in urban MMDAs and compensates MMDAs for such utilizations in by visitors.

C. **Responsiveness Factor:** This factor serves as an incentive to MMDAs in their efforts at generating IGFs. This is to reduce MMDA's overreliance on transfers from Central government.

D. **Equality Factor:** A portion of the fund is equally shared among the MMDAs.

[15]DACF Secretariat. (2020). 2020 formula for sharing the District Assemblies Common Fund. Retrieved from Parliament of Ghana Library.

Funds from DACF are disbursed to MMDAs every quarter. For districts having limited capacity for IGF mobilisation, DACF is an important source of revenue.[16] In some districts, it accounts for majority of their total revenue. The overdependence on DACF from such districts further worsens the challenges that MMDAs face as a result of the Central Government's deductions and delays in disbursements. These deductions and delays in DACF disbursement for MMDAs that are highly dependent on DACF further weakens their ability to meet the development needs of the people.

The architecture of the Minerals Development Fund

The Minerals and Mining Act, 2006 (Act 703) as amended requires mining companies to pay a portion of their gross revenues to Government as mineral royalties. The Minerals Development Fund (MDF), established by the MDF Act (Act 912), receives 20 per cent of the mineral royalties. The beneficiaries of MDF are the mining communities, holders of interest in land within the mining community, traditional and local government authorities within the mining community and institutions responsible for mining development (Section 2(a), (b) and (c) of Act 912).

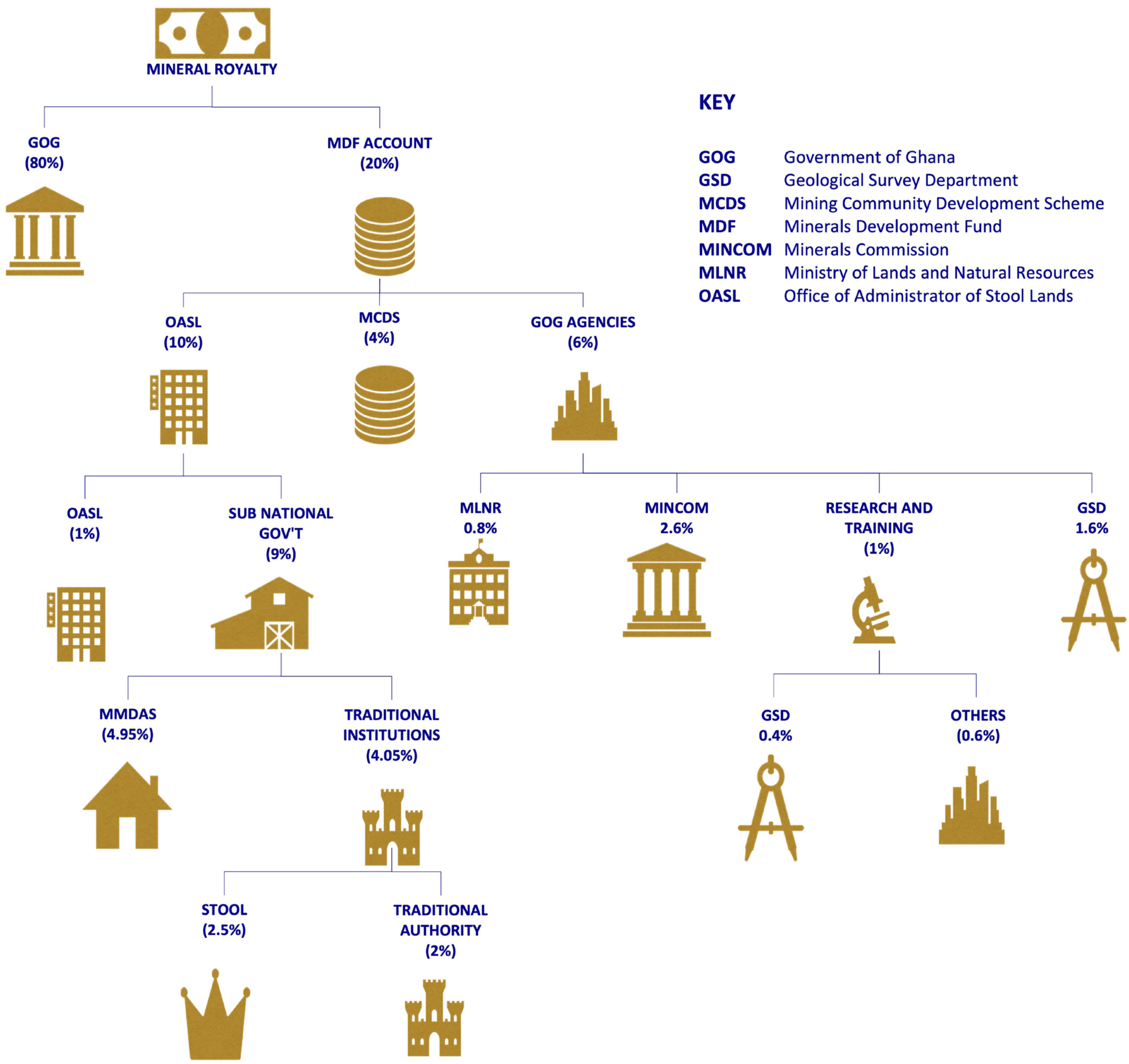
Fifty per cent of funds disbursed to MDF is transferred to the Office of the Administrator of Stool Lands (OASL). OASL retains 10 per cent of the amount transferred to it to cater for administrative costs. The Office then transfers 20 per cent of the remainder (which is treated as 100 per cent) to the traditional authority, 25 per cent to the traditional council, and the remaining 55 per cent to district assemblies within the mining communities.

Out of the remaining 50 per cent in the Fund, 20 per cent is transferred to the Mining Community Development Scheme (MCDS). MCDS is a scheme established by the MDF Act to facilitate the socioeconomic development of the mining communities. The remainder is allocated among other beneficiary institutions in the mining sector including the Ministry responsible for mines (Ministry of Lands and Natural Resources), Minerals Commission and Geological Survey Department. Figure 1 provides detailed information on the proportion of funds from MDF that goes to the various beneficiary institutions.

As shown in Figure 1, the share of royalties allocated to the subnational governments in mining communities is about 4.95 per cent of the total mineral royalties mining companies pay to Government. Similarly, allocation to MCDS is about four per cent of total royalties received. The MDF is one of the stable revenue sources for MMDAs in mining communities, although there are consistent delays in its disbursement.

[16] DACF Secretariat. (2014). Sustainable Fiscal Decentralisation: Going Beyond DACF Funding. In the Common Fund Newsletter. Available at http://www.commonfund.gov.gh/DACF%20Newsletter.pdf.

Figure 1: Architecture of the Minerals Development Fund



Source: Africa Centre for Energy Policy (2020)

IMPORTANCE OF MDF AND DACF TO MMDAs

Analysis of revenues from study mining districts

Tables 1 to 3 present revenues from the study districts between 2017 and 2019. There are four key sources of revenue available to the districts namely; IGF, MDF, DACF and Government of Ghana (GoG) transfers for goods and services and salary payments (compensations).

Prestea Huni-Valley Municipality recorded a total revenue of about GHS5.7 million in 2017, and this increased to GHS9.9 million in 2018. In 2019, the total revenue reduced to about GHS6.4 million. Out of these amounts, the share of direct transfers from DACF to the municipal assembly was about GHS1.6 million in 2017 representing about 28 per cent of total revenue. In 2018, allocations to DACF reduced to GHS1.38 million and further reduced to GHS1.1 million in 2019, representing 14 per cent and 17 per cent of total revenues respectively. Allocation from the MDF to the district in 2017 was about GHS1.12 million which constituted about 19 per cent of total revenue. This increased to GHS3.61 million in 2018 but reduced to GHS1.67 million in 2019 representing 36 per cent and 26 per cent of total revenues respectively.

The total revenue for Asutifi North District was about GHS5.84 million in 2017, increasing to GHS9.18 million in 2018 and GHS10.04 million in 2019. The share of direct transfers from DACF for the district was about GHS1.75 million representing 30 per cent of total revenues in 2017, reducing to GHS1.41 million representing 15 per cent of total revenue. In 2019, disbursement to DACF further reduced to GHS1.5 million representing about 15 per cent of total revenues. Allocations to MDF for the district in 2017 was about GHS480 thousand representing about 8 per cent of total revenues. This increased to GHS2.26 million representing a quarter of total revenues in 2018. For 2019, disbursement from MDF to the district increased to about GHS2.75 million, about 27 per cent of total revenues to the district.

The total revenue for Tarkwa Nsuaem Municipal Assembly was about GHS12.5 million in 2017 and increased to about GHS13.7 million in 2019. The share of DACF was about 1.98 million in 2017 (15.8 per cent of total revenue), increasing to GHS2.18 in 2018 (16 per cent) and reducing to about GHS1.2 million (9 per cent) in 2019. The value of MDF disbursements for the period under review increased from GHS2.22 million (17.8 per cent) in 2017 to GHS4.31 million (32.8 per cent) in 2018 and to about GHS7.1 million (52 per cent) in 2019.

Table 1: Revenues for Prestea Huni-Valley Municipal Assembly from 2017 to 2019

	2017		2018		2019	
Revenue source	**Amount (GHS million)**	**%**	**Amount (GHS million)**	**%**	**Amount (GHS million)**	**%**
IGF (excl. MDF)	1.29	22%	1.59	16%	1.03	16%
MDF	1.12	19%	3.61	36%	1.67	26%
Stool Land Revenue (SLR)	0.80	14%	0.28	3%	0.13	2%
Compensation	0.52	9%	1.71	17%	0.90	14%
DACF	1.73	30%	1.67	17%	1.30	2
o/w MMDAs direct	*1.62*	*28%*	*1.38*	*14%*	*1.11*	*17%*
o/w MPs share	*0.11*	*2%*	*0.29*	*3%*	*0.18*	*3%*
DDF	0.11	2%	0.69	7%	1.22	19%
Others	0.19	3%	0.44	4%	0.23	4%
Total	5.76		9.99		6.47	

Source: Composite Budget for 2020-2023, Prestea Huni-Valley Municipal Assembly

Table 2: Revenues for Asutifi North District Assembly from 2017 to 2019

	2017		2018		2019	
Revenue source	**Amount (GHS million)**	**%**	**Amount (GHS million)**	**%**	**Amount (GHS million)**	**%**
IGF	0.84	14%	1.70	19%	1.17	12%
MDF	0.48	8%	2.26	25%	2.75	27%
SLR	-		0.06	1%	0.49	5%
Ground rents	0.88	15%	0.88	10%	0.88	9%
DACF	1.87	32%	1.96	21%	1.96	20%
o/w MMDAs Direct	*1.75*	*30%*	*1.41*	*15%*	*1.50*	*15%*
o/w MP's share	*0.11*	*2%*	*0.30*	*3%*	*0.34*	*3%*
o/w PwDs share	*0.005*		*0.25*		*0.12*	
DDF	0.00		0.00	0%	-	0%
M-SHAP	-		0.00	0%	-	0%
Others[17]	1.76	30%	2.32	25%	2.79	28%
Total	**5.84**		**9.18**		**10.04**	

Source: Composite Budget for 2020-2023, Asutifi North District Assembly

[17]The category marked "others" have a higher value since it includes employee compensation

Table 3: Revenues for Tarkwa Nsuaem Municipal Assembly from 2017 to 2019 Source: Tarkwa Nsuaem Municipal Assembly

	2017		2018		2019	
Revenue source	**Amount (GHS million)**	**%**	**Amount (GHS million)**	**%**	**Amount (GHS million)**	**%**
IGF	3.57	28.6%	3.60	27.4%	3.58	26%
DACF	1.98	15.8%	2.18	16.6%	1.22	9%
DDF	-	0.0%	0.41	3.1%	0.97	7%
GOG Transfer	3.08	24.6%	2.63	20.0%	0.83	6%
MDF	2.22	17.8%	4.31	32.8%	7.10	52%
Donor	1.65	13.2%		0.0%		0%
Total	**12.51**	**100%**	**13.14**	**100%**	**13.71**	**100%**

Source: Tarkwa Nsuaem Municipal Assembly

Comparatively, revenues from MDF are substantially higher than direct allocations from DACF. For example, the share of MDF in the total revenue from 2017 to 2019 for Asutifi North district assembly is about 22 per cent, compared to DACF's share of 19 per cent. Similar trend occurs in Prestea Huni-Valley Municipality as MDF formed 28 per cent of the total revenues from 2017 to 2019, compared to DACF which was about 18.5 per cent of total revenues. For Tarkwa Nsuaem Municipality, MDF and DACF accounted for 34 per cent and 14 per cent of total revenues respectively (cf. Figures 2, 3 and 4). Interactions with officials from the study district assemblies also indicate that despite the challenges with delays in disbursements, the frequency of disbursement for MDF is comparatively better than DACF. This makes MDF a more stable and reliable source of funding for district assemblies in mining communities.

Figure 2: Share of MDF and DACF in total revenue from 2017 to 2019 for Prestea Huni-Valley Municipal Assembly

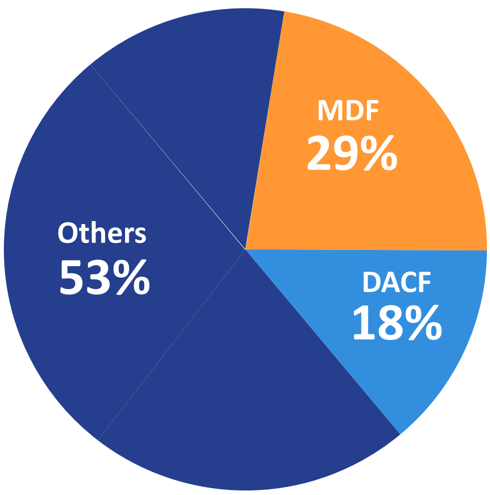


Figure 3: Share of MDF and DACF in total revenue from 2017 to 2019 for Asutifi North District Assembly

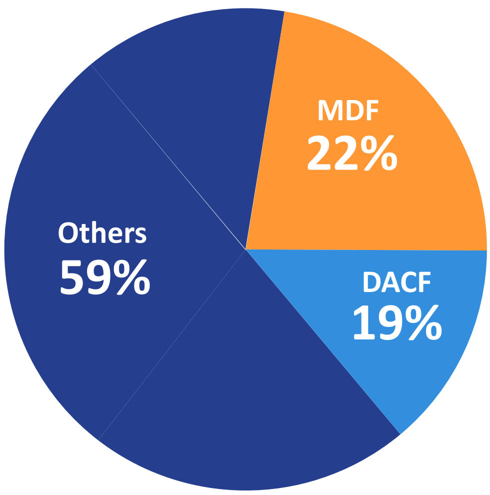
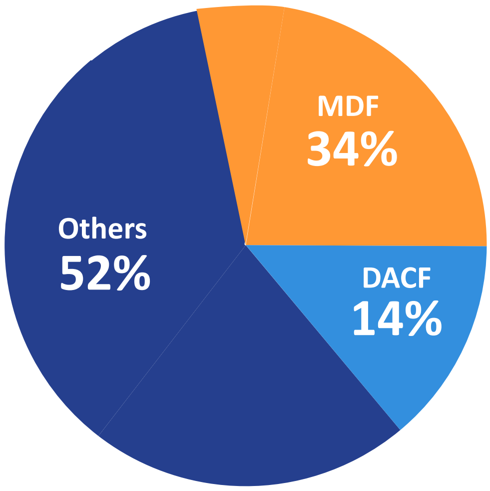


Figure 4: Share of MDF and DACF in total revenue from 2017 to 2019 for Tarkwa Nsuaem Municipal Assembly



DACF and MDF remain important sources of revenue to districts. Between 2017 and 2019, the two funds contributed over 40 per cent of the study mining districts' total revenue. Given the extent of control MMDAs in mining communities have over these funds, and the magnitude of the funds, they are essential in supporting recurrent and capital expenditure of the assemblies.

IMPORTANCE OF DACF AND MDF IN MMDAs' BUDGET

The National Medium Term Policy Framework requires MMDAs to work out a programmes-based budget that aligns with the people's varying needs. The MMDAs, therefore, draft their budgets along five programmes with specific funding sources.

Box 05

Programmes under the Programmes-Based budgeting framework for MMDAs

a. **Management and Administration:** This programme provides administrative support for the assembly. Essentially, funds are provided to ensure effective and efficient mobilisation and utilisation of funds.

b. **Infrastructure Delivery and Management:** The Infrastructure Delivery and Management programme ensures sustainable and cost-effective development of human settlements in accordance with sound environmental and planning principles. The programme also oversees the preparation and physical planning of infrastructure and settlements. It also provides physical and socio-economic infrastructure such as potable water, electricity, and road construction and maintenance.

c. **Social Services Delivery:** This programme aims to provide access to basic education, improved access to health service delivery and ensuring the livelihood improvement and inclusion of the vulnerable and disadvantaged in society.

d. **Economic Development:** The economic development programme seeks to promote growth of micro and small enterprises and improve agricultural productivity through modernisation.

e. **Environmental and Sanitation Management:** This programme aims to prevent and mitigate disasters in the districts, in line with national policies.

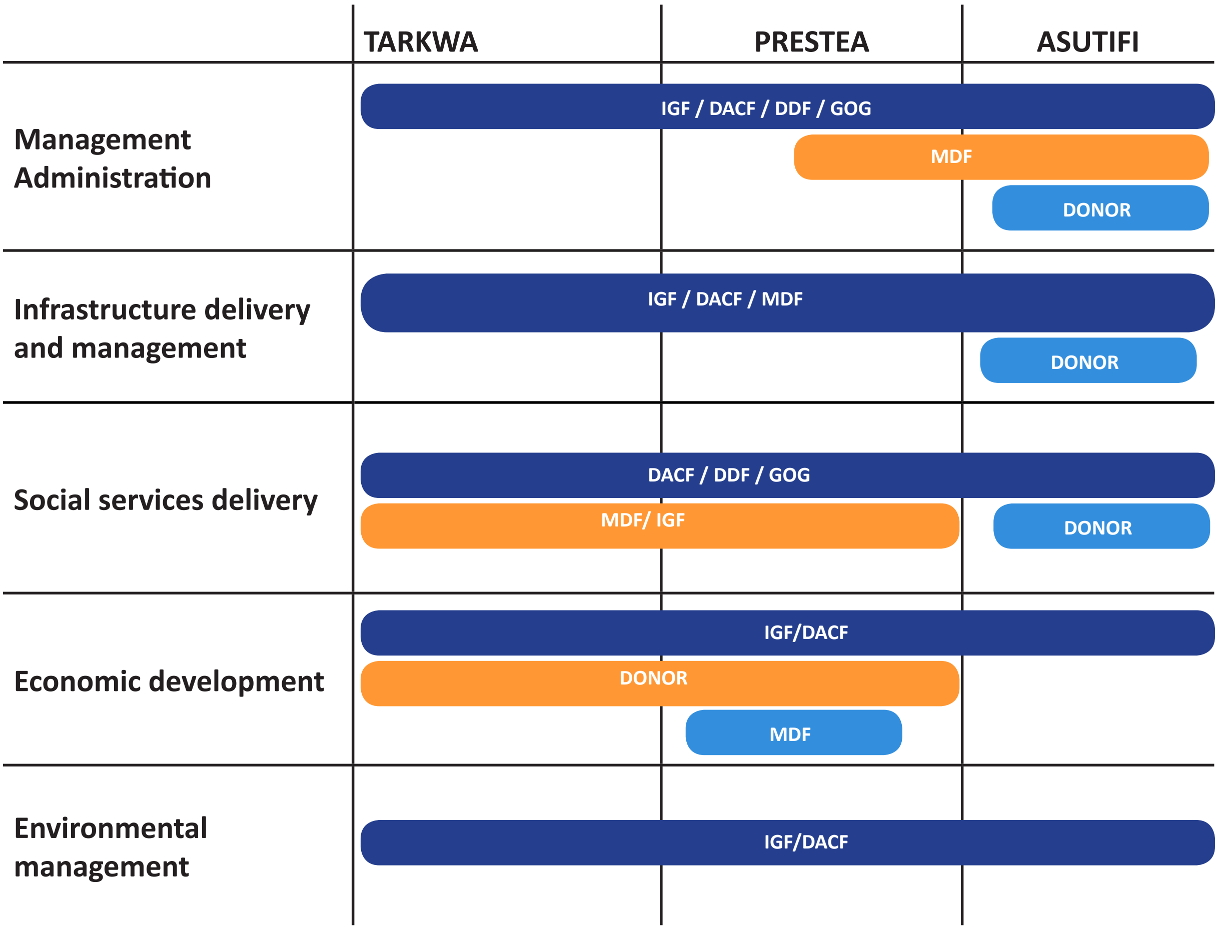
DACF and MDF are highly essential in achieving the objectives of the various programmes under the budgets. Figure 5 provides the funding sources for the various programmes for the medium-term expenditure framework (2020-2023) within the study MMDAs. As shown in Figure 4, funds from DACF feature prominently across all programmes for the three study districts. Consequently, inadequate disbursement of DACF to the districts results in thin spreading of funds over each programme area with implications for delays in implementation and cost overruns.

Funds from MDF contribute to the Infrastructure Delivery and Management programme for all the three districts. This indicates that generally, mining districts rely on MDF to finance capital investments. Between 2008 and 2018, MDF had been used to finance about 87 projects in the Asutifi North District, with a total expenditure of about GHS21 million. Within the same period, about 97 projects worth about GHS13 million were financed from MDF in the Prestea Huni-Valley Municipality.[18]

Some limited amounts also go to support the Management and Administration programme area in Prestea Huni-Valley Municipality and Asutifi North District. Interviews with Assembly officials indicate that, MMDAs generally spend more of MDF on capital projects and less on administrative expenses. According to the officials of the assemblies, this is done to guide the effective utilisation of mineral royalties.

The budgets for the three MMDAs also indicate that Social Services Delivery in Tarkwa Nsuaem and Prestea Huni-Valley municipalities were partly funded from MDF. Portions of MDF also funded Economic Development for Prestea Huni-Valley municipality

Figure 5: Mapping of MMDA programmes to funding sources

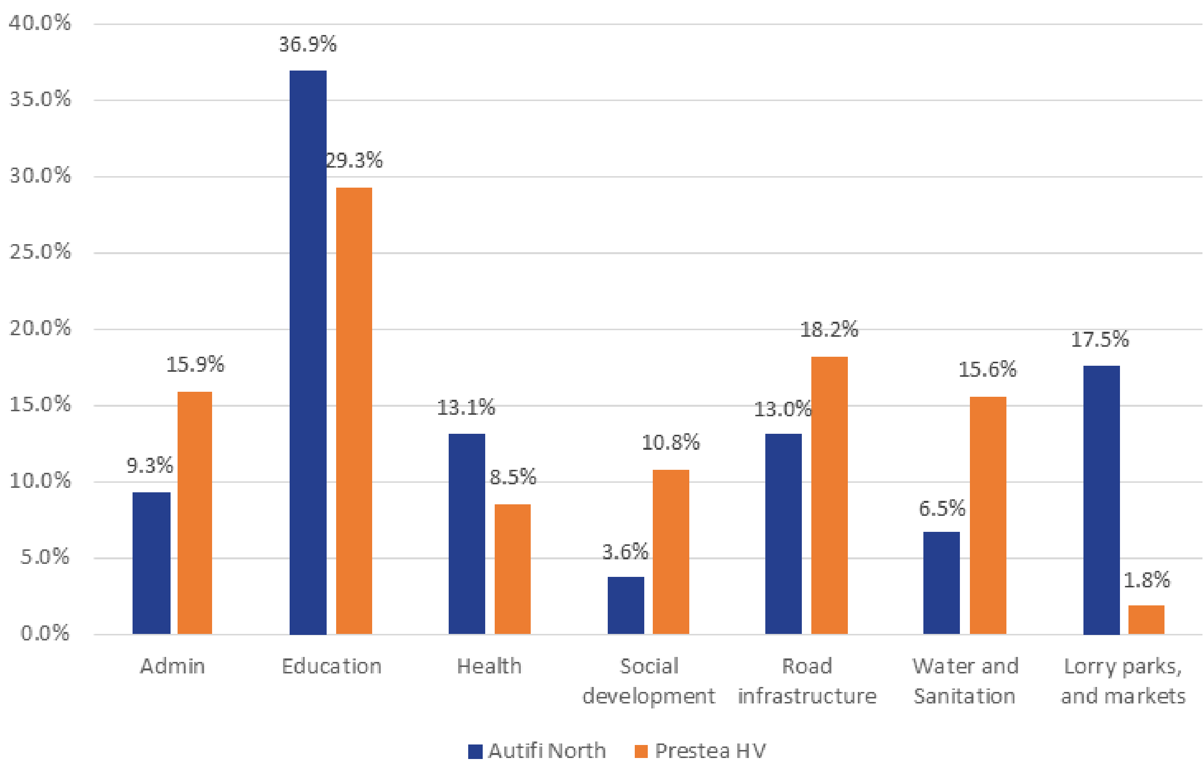


[18]Africa Centre for Energy Policy. (2020). Promoting gender budgeting: The case of mineral royalty utilisation in Ghana. Available at https://storage.googleapis.com/stateless-acep-africa/2020/11/Promoting-Gender-Budgeting-The-Case-Of-Mineral-Royalty-Utilization-In-Ghana.pdf

REVENUE UTILISATION AND BUDGETING IN EDUCATION AND HEALTH AMONG STUDY MMDAs

A recent study by ACEP revealed that MMDAs largely spent their MDF receipts in the education and health sectors. [19] Between 2008 to 2018, MDF investments in education for Asutifi North District formed about 36 per cent of total MDF receipts over the period. Prestea-Huni-Valley Municipality also utilised about 29 per cent of its total MDF receipts in education. These were primarily used to cater for staff accommodation, classroom renovations and provision of teaching and learning materials. The report further indicates that 13 per cent of total MDF receipts from 2008 to 2018 was spent in the health sector for Asutifi North, and 8.5 per cent for Prestea Huni Valley (see Figure 6). These were used to construct staff accommodations, CHPS compounds, and to provide the necessary services for improved healthcare in the district.

Figure 6: Utilisation of MDF receipts for Prestea Huni-Valley and Asutifi North Districts from 2008 to 2019



Education and health sectors form the key components of social services delivery for MMDAs. In the 2020 budgets of the study MMDAs, proposed expenditure in the education and health sectors were higher compared to other economic/sectoral classifications. In Asutifi North District, proposed expenditure in education and health sectors cumulatively formed about 26

[19]Africa Centre for Energy Policy. (2020). Promoting gender budgeting: The case of mineral royalty utilisation in Ghana. Available at https://storage.googleapis.com/stateless-acep-africa/2020/11/Promoting-Gender-Budgeting-The-Case-Of-Mineral-Royalty-Utilization-In-Ghana.pdf

per cent of total expenditure for the district, of which 18 per cent was marked for education, and the remaining for the health sector. The proposed expenditure for education and health in Prestea Huni-Valley Municipality was about 35 per cent of total expenditure, while that of Tarkwa Nsuaem was about 26 per cent.

Actual utilisation and budgeted expenditures of funds for the selected MMDAs show considerable investment in education and health. However, as already indicated, pertinent challenges in education and health exist which require adequate funding. Beyond efficiency in the utilisation of funds, the challenge for MMDAs border primarily on their inability to raise the required funds for development financing. Statutory funds from DACF and MDF are therefore necessary to complement the efforts of MMDAs in financing requisite investments in education and health, as well as other sectors of the local economy.

GOVERNMENT POLICIES AND LEGISLATIONS THAT AFFECT REVENUE FLOWS TO MMDAs

The preceding sections have shown the importance of MDF and DACF for development financing in mining communities. A further examination of the fiscal regime suggests that the imposition of centralised deductions have implications for the amount of money available for district assemblies. Some of these deductions are imposed by new laws and policies such as the Earmarked Funds Capping and Realignment Act (Act 947), National Disaster Management Organisation Act (Act 927), National Youth Authority Act (Act 939) and Youth Employment Agency Act (Act 887). This section provides an analysis of such deductions and how they impact available resources for MMDAs.

The Earmarked Funds Capping and Realignment Act (Act 947)

Parliament of Ghana passed the Earmarked Funds Capping and Realignment Act (Act 947) in 2017. The object of the Act was to free up funds of some specific Earmarked Funds to ensure that tax revenue encumbered by those Funds as a result of allocations is limited to 25 per cent of tax revenue. The justification provided by Government for introducing the Act was to fix the rigidities in the budget introduced by the many earmarked funds. At the time, there existed 14 earmarked funds which constituted about 25.2 per cent of tax revenue in 2014, increasing to about 32.9 per cent in 2016. According to Government, the implication of this rigidity was the difficulty in shifting public spending from one expenditure line to another even at times where it is necessary to do so.

While Government sought to reduce allocations for the earmarked funds, the target areas for the freed-up funds were recurrent expenditures such as interest payments and amortisation of loans, and payment of wages and salaries. These two expenditure areas constituted about 74.1 per cent of government revenue in 2016.[20] The identified earmarked funds include the National Health Fund, the Education Trust Fund, and the Road Fund, the Minerals Development Fund and the District Assemblies Common Fund among others. The overall effect of capping the funds is that investment in sectors that the earmarked funds support is limited in their ability to effectively deliver their object. It also raises policy credibility concerns because some of the funds result from additional financial impositions on citizens to achieve specific objectives, most of which remain work-in-progress. For instance, the Road Fund was instituted to finance routine and periodic maintenance and rehabilitation of public roads (Road Fund

[20] Memorandum to Parliament of Ghana on the Earmarked Funds Capping and Realignment Bill.

Act, 1997). Therefore, encumbering revenue from this Fund stifles investments needed for road maintenance which is a necessary public good.

Box 06

List of identified earmarked funds to be capped

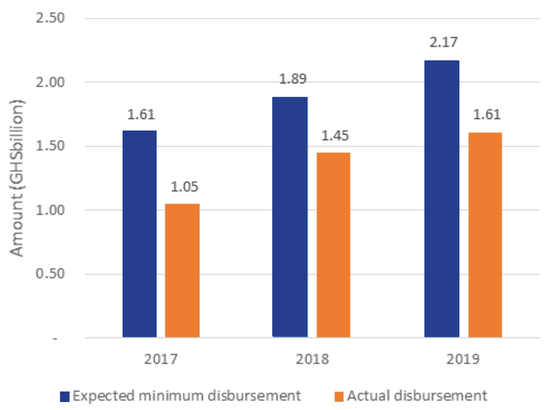
Grants to other Government Units
National Health Fund
Education Trust Fund
Road Fund
Petroleum Related Funds (Energy Fund)
District Assemblies Common Fund
Retention of Internally Generated Funds (IGF)
Transfers to Ghana National Petroleum Corporation (GNPC) from petroleum revenue

Other Earmarked Funds
Youth Employment Agency
Students Loan Trust
Export Development Levy
Ghana Airport Company Limited
Minerals Development Fund
Ghana Revenue Authority (GRA) Retention
Plastic Waste Recycling Fund

DACF and MDF have been impacted by Act 947 since it was enacted in 2017. In 2017, Government's tax revenue amounted to about GHS32.2 billion, of which at least GHS1.6 billion should have been allocated to DACF. However, disbursement to DACF was about 1.04 billion, representing about 64.9 per cent of the minimum expected disbursement. In 2018 and 2019, about 76.6 per cent and 73.9 per cent of expected disbursement were transferred to DACF. This indicates that transfers to DACF fell short of the constitutionally required amount by an average of approximately 28.1 per cent from 2017 to 2019.

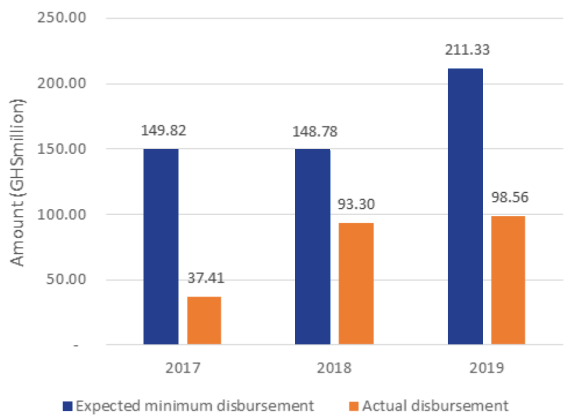
The MDF has witnessed similar deductions as a result of Act 947. For instance, in 2017 Government disbursed about five per cent of mineral royalties to the MDF instead of the 20 per cent allocation as specified by Act 912. Disbursement to MDF increased to about 12.5 per cent of mineral royalties in 2018 and reduced to about 9.3 per cent in 2019. Transfers to MDF on the average fell short of the legally required value by about 55 per cent.

Figure 7: Expected DACF disbursement and actual disbursement from 2017 to 2019



Source: Ministry of Finance

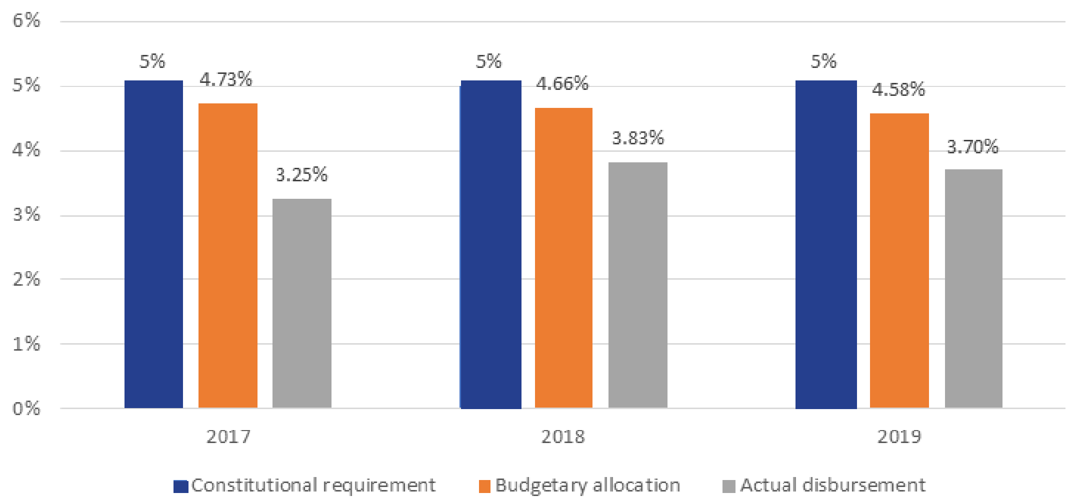
Figure 8: Expected MDF disbursement and actual disbursement from 2017 to 2019



Source: Ministry of Finance

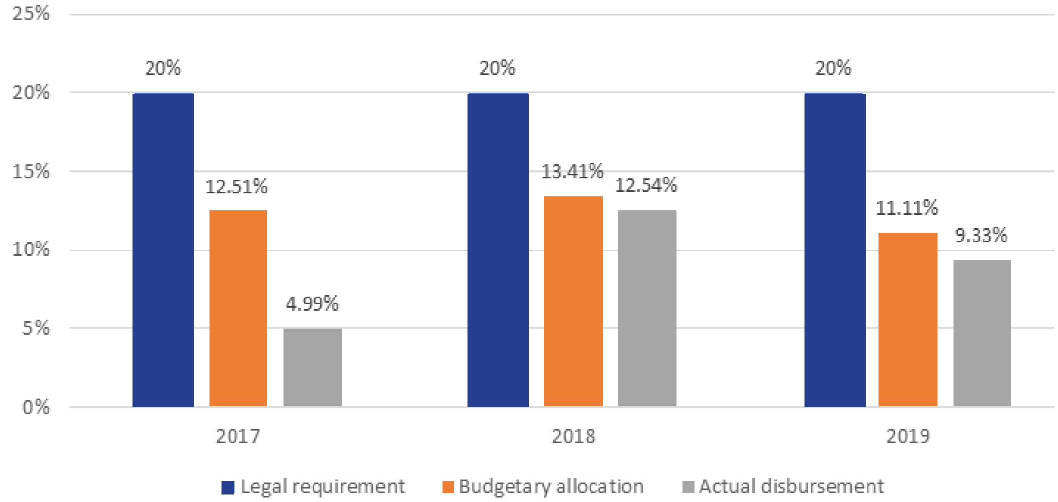
The budgetary allocations to these funds did not reflect the provisions in the Constitution (in the case of DACF) and Act 912 (in the case of MDF). The Constitution provided that at least five per cent of total revenue is disbursed into DACF while Act 912 required 20 per cent of mineral royalties to be transferred to MDF. According to the Government's budget, an average of 4.7 per cent of total revenue was allocated to DACF between 2017 and 2019. Also, budgetary allocations to MDF averaged 12.3 per cent of mineral royalties. However, the pattern of actual disbursement did not follow the Government's planned allocation even with the application of Act 947. Actual disbursement into the DACF averaged about 3.6 per cent of total government revenue from 2017 to 2019. Similarly, disbursement to MDF accounted for about 8.9 per cent of mineral royalty receipts.

Figure 9: Budgetary allocations and actual disbursements into DACF from 2017 to 2019



Source: Ministry of Finance

Figure 10: Budgetary allocations and actual disbursements into MDF for 2017 and 2019



Source: Ministry of Finance

Act 947 introduces a top tier reduction in disbursements to MDF and DACF which has implications on the provision of adequate funds for district level development. The ensuing sections provide other statutory levies imposed on the common Fund which impact negatively on district assemblies' funding for developmental projects.

Statutory Deductions from DACF

The District Assemblies Common Fund was introduced for the purpose of promoting the decentralisation agenda to provide funds for district assemblies in furtherance of development projects. Over the years, the Fund has suffered deductions made at source before they are transferred into the accounts of the district assemblies. In 2019, about 36.2 per cent of the total allocation to DACF was allocated to other national projects and reserves, and this reduced slightly to 35.2 per cent in 2020.[21] These allocations were made to cater for national educational policies, local government funding, operations of the regional co-ordinating council, and payment of arrears under the sanitation module of the Youth Employment Agency.

Beyond these national level deductions, some national institutions source their funding directly from DACF. Youth Employment Agency, established under Act 887 has the objective of developing, co-ordinating, supervising and facilitating job creation for the youth in the country. Section 23 (c) of the Act allocates about 10 per cent of DACF to the agency as one of its main sources of funding. In 2019, about eight per cent of DACF allocations were disbursed to the agency, while nine per cent was disbursed in 2020.

[21]DACF Secretariat. (2020). 2020 formula for sharing the District Assemblies Common Fund. Retrieved from Parliament of Ghana Library.

National Disaster Management Organisation (NADMO) Act (Act 927) established in 2016, also sources about three per cent of funds allocated to DACF for their operations. Although Act 927 is established to help decentralise and strengthen the operations of the organisation in managing disasters more efficiently at the local level, deductions are made at source before DACF funds are transferred to the accounts of the local authorities. About 1.42 per cent of funds from DACF were disbursed to NADMO for 2019 and 2020.

The most recent institution that sources financing from DACF is the National Youth Authority, established under Act 939 in 2016. The objects of the authority are to develop the creative potential of the youth; develop a dynamic and disciplined youth imbued with a spirit of nationalism, patriotism and a sense of propriety and civic responsibility; and to ensure the effective participation of the youth in the development of the country. The authority also sources five per cent of DACF for its operations.

Per the requirement of their respective legal frameworks, these institutions cumulatively constitute about 18 per cent of transfers from DACF, further reducing actual disbursements to district assemblies for development financing. In 2019 and 2020, actual disbursements to these institutions accounted for 13.42 per cent and 14.42 per cent of DACF respectively.

Cumulatively, transfers from DACF to national institutions and national level projects account for about 49.6 per cent of DACF disbursements, leaving about 50.4 per cent to district assemblies for their projects. These allocations are further worsened by first-tier reductions imposed by Act 947, which have negative impacts on inflows to MMDAs as well as institutional funds such as NADMO and YEA. Increasingly, these allocations tend to reduce the level of disbursements to DACF which defeat the main purpose for which the funds were established.

Box 07

Deductions from DACF for various institutions and other national projects

Institution	% of DACF	
	2019	**2020**
Institutional Transfers		
National Youth Authority (5% of DACF)	4.00	4.00
Youth Employment Agency (10% of DACF)	8.00	9.00
National Disaster Management Organisation (3% of DACF)	1.42	1.42
Sub Total	**13.42**	**14.42**
National Projects		
National Education Policies	2.00	1.77
Local Government Special Project	-	4.32
Ghana School Feeding	4.81	-
Waste Management (Liquid/Solid/ Sewerage Treatment Plant)	4.00	6.30
Construction of MMDAs building	4.81	3.46
Construction of courts' Residential Buildings	0.50	3.46
Sub Total	16.12	19.31
Reserve		
Constituency Labour Projects (MPs)	4.00	5.00
Constituency Labour Monitoring and Evaluation	3.00	3.00
Reserve Fund	2.00	2.00
Regional Coordinating Council	1.50	1.50
DACF Operations	0.63	0.63
DACF Office Building/ Administrator's residence	0.10	-
Institutions Under Ministry of Local Government and Rural Development (MLGRD)	0.96	1.73
MLGRD Office Building	0.58	-
Sub Total	12.77	13.86

MMDAs Indirect Transfers		
Yea-Sanitation Module (Arrears)	5.77	1.47
Training	0.43	0.43
Cured Lepers	0.10	0.10
Sub Total	6.30	2.00
MMDAs Direct Transfers		
People with Disabilities	3.00	3.00
Net MMDAs	**47.40**	**47.40**
Sub Total	50.40	50.40

Source: Parliament of Ghana

The Agyapa investment model and its implication for MMDAs

The Minerals Income Investment Fund (MIIF) Act (Act 978) was passed in 2018 to allow the MIIF to invest part of Ghana's mineral income in a special purpose vehicle. The objective of the Act is to;

1. maximise the value of the income due to the Republic from the mineral wealth of the country for the benefit of its citizens;
2. monetise the minerals income accruing to the Republic in a beneficial, responsible, transparent, accountable and sustainable manner; and
3. develop and implement measures to reduce the budgetary exposure of the Republic to minerals income fluctuations.

As a first step in meeting the Act's objectives, the Government intends to sell part of its future royalty flows from 48 mining leases that constitute a substantial portion (about 95 per cent) of royalties obtained from the country's mineral resources. This led to incorporating Agyapa Royalties Limited as the royalty streaming company to offtake Ghana's royalty for investment. The agreement's details suggest that Ghana frontloads its royalty inflows to Agyapa for an upfront payment of $500 million. Also, the country shall receive annual dividends from profits and returns on investments as a shareholder with a 51 per cent stake in the company. Technically, the agreement does not significantly impact MDF inflows to MMDAs. However, general inflows to MMDAs can be affected considerably.

Under the Agyapa model, Ghana shall assign about 76 per cent of its royalty, which hitherto would have gone into Ghana's consolidated fund to support national development financing, to the company. Revenues from mineral royalties in 2020 amounted to about GHS1.376 billion, forming about three per cent of the country's total tax revenue. Given the future outlook of gold production and price, Ghana stands the chance of obtaining high receipts from gold royalties. However, Agyapa shall absorb a significant portion of Ghana's mineral royalty receipts, while Government receives dividends that are significantly lower than the amount assigned to the company. This has two main implications for district assembly funding.

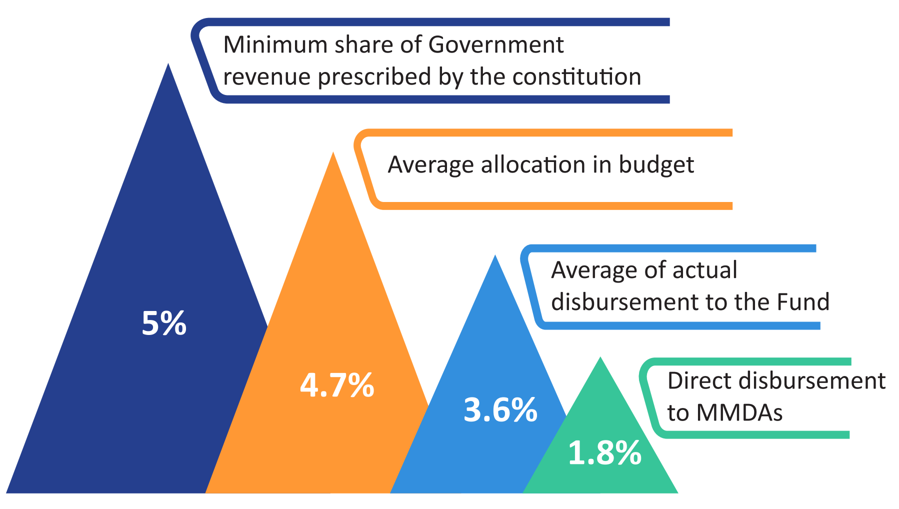
First, the consolidated fund is denied a substantial amount for development financing, which can potentially impact DACF funding. Second, the reduction in government revenue due to the assignment of royalties has the potential to allow Government to further cap disbursements to statutory funds to free up resources. MDF and DACF have already suffered significant reductions in actual allocations as a result of Act 947. This could be worsened upon the introduction of the Agyapa investment model.

Box 08

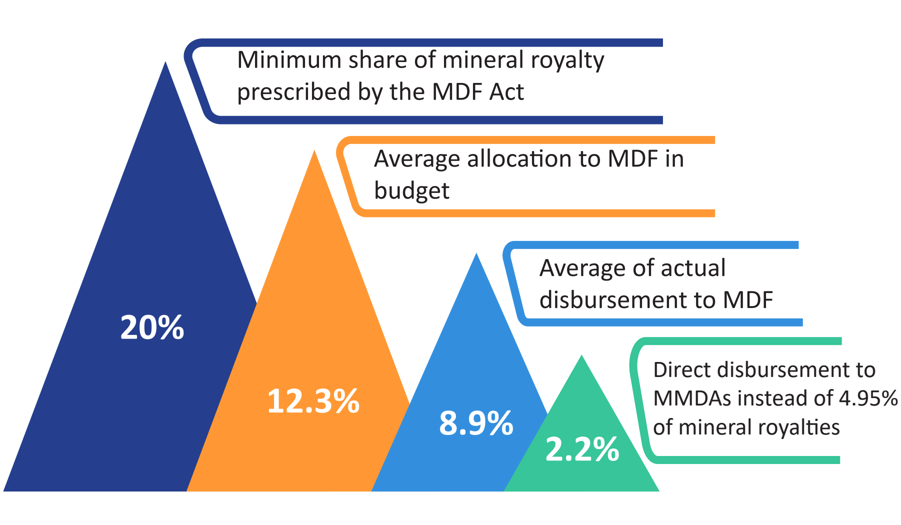
Impacts of policies and regulations on Revenue flow to MMDAs

Government policies and legislations such as the Earmarked Funds Capping and Realignment Act, the Youth Employment Agency Act, National Youth Authority Act, NADMO Act among others absorb a significant portion of funds disbursed to DACF and MDF.

Disbursements to DACF between 2017 to 2019 show that averagely, direct disbursements to MMDAs represent only 1.8 per cent of tax revenue, compared to the minimum five per cent disbursement required by the Constitution (as shown in the figure below)



Over the period, MDF has also received an average of about 8.9 per cent of mineral royalties instead of the prescribed 20 per cent required by Act 912. Direct disbursement to MMDAs have averaged about 2.2 per cent of mineral royalties, instead of the expected disbursement of about 4.95 per cent (as shown below).



SUMMARY OF FINDINGS AND RECOMMENDATIONS

Decentralisation as a constitutional imperative seeks to empower MMDAs to plan and implement local development policies. To this extent, the Constitution further provides that at the minimum, Central Government which controls bulk of the national revenue is required to disburse five per cent of its revenue to the District Assemblies Common Fund (DACF). Mining communities or districts have additional resources from the Minerals Development Fund (MDF) to address development challenges that are linked to resource extraction. However, inadequate funding constrains the object of decentralisation. For mining communities, the challenge is enormous as they require more resources to address mining induced developmental challenges in the communities, particularly in education and health.

This report assessed the importance of MDF and DACF for development planning and implementation in mining communities, and examined the implications of government policies that reduce disbursements to MMDAs through DACF and MDF, focusing on three mining districts. The findings of the study are given below:

1. DACF and MDF are essential sources of funds for MMDAs in mining communities. Cumulatively, they contribute over 40 per cent of MMDAs' total revenue, and largely constitute the main source of funding for development projects in the communities.
2. Even though these two funds are essential, they experience significant delays in their disbursements. MDF, however, is more reliable than DACF in terms of amount and frequency of disbursement.
3. The education and health sectors are priorities for MMDAs' utilisation of funds. This notwithstanding, significant challenges that militate against quality education and healthcare delivery exist, mainly due to the inadequacy of funds obtained by MMDAs.
4. The introduction of laws and policies to absorb part of the DACF and MDF at the national level erode actual disbursement to MMDAs to facilitate context-driven development and quick response to emerging developmental challenges at the local level.

In line with the findings of the study, the following recommendations are made:

1. The DACF and MDF should be excluded from the Earmarked Funds Capping and Realignment Act and further legislation that encumbers the funds. Consistently, the passage of new laws that allow the state to reassign portions of DACF and MDF reduces the amount of revenue available to MMDAs and makes it difficult for them to fund local development

and, by extension, achieve the object of the funds.

2. Government should timely disburse funds to MMDAs to prevent delays and cost overruns on project execution at the local level.
3. District assemblies should have the capacity to track and validate disbursements of MDF and DACF allocated to them. This will help them identify the challenge to revenue generation and further demand Government's action to meet its funding responsibilities.

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