**AMENDED**

**NATIONAL ASSEMBLY OF THE FIRST SESSION OF THE**

**TENTH PARLIAMENT OF GUYANA (2012-2013)**

**REPORT OF**

**THE SPECIAL SELECT COMMITTEE OF THE**

 **NATIONAL ASSEMBLY**

 **ON THE**

**THEFISCALTRANSFERS BILL 2012 – BILL NO. 20/2012**

**PRESENTED TO THE NATIONAL ASSEMBLY**

**BY**

**MR. BASIL WILLIAMS, M.P.**

**CHAIRMAN OF THE COMMITTEE**

 **ON**

**18TH JULY, 2013**

**REPORT OF THE SPECIAL SELECT COMMITTEE OF THE NATIONAL ASSEMBLY**

**ON THE FISCALTRANSFERS BILL 2012 – BILL NO. 20/2012**

**Publication**

1. The Fiscal Transfers Bill 2012 – Bill No. 20/2012seeks to provide for the objective criteria for the allocation of resources to local authorities and for matters connected therewith. This Bill was published on9th August, 2012.

**Introduction and First Reading**

2. The Bill was introduced in the National Assembly and read for a first time on 9th August, 2012.

**Committal to Select Committee**

3. Following its first reading, the Bill was committed to a Special Select Committee by the National Assembly for consideration.

**Members of the Committee**

4. At a meeting held on 18thOctober, 2012 the Committee of Selection nominated the following Members to comprise the Special Select Committee to consider the Fiscal Transfers Bill 2012 – Bill No. 20/2012.

**Members of the People’s Progressive Party/Civic (PPP/C) (4)**

Hon. Ganga Persaud, M.P.,

Minister of Local Government and Regional Development

Ms. Gail Teixeira, M.P., Chief Whip

Bibi S. Shadick, M.P.

Mr. Neendkumar, J.P, M.P.

**Members of A Partnership for National Unity (APNU) (4)**

Ms.Amna Ally, M.P., Chief Whip

Mr. Basil Williams, M.P.

Lt. Col. (Ret’d) Joseph Harmon, M.S.M., M.P.

Mr. Ronald Bulkan, M.P.

**Member of the Alliance For Change (AFC) (1)**

Dr. VeerasammyRamayya, M.P.

**First and Second Meetings of the Committee - Election of Chairman**

5. At the first meeting held on 28th November, 2012, both the Hon. Ganga Persaud, M.P., Minister of Local Government and Regional Development and Mr. Basil Williams, M.P., were nominated as Chairperson for the Committee.

6. Since there were two nominations a division was sought and carried with an equality of votes. The Presiding Member did not have an original or casting vote, hence, the election for the Chairmanship was deferred to another date.

7. At the second meeting held on 20th December, 2012, Mr. Basil Williams was elected as Chairman of the Committee by a majority vote.

**Other Meetings of the Committee**

8. The Committee met on sixteen other occasions. However, theFiscal Transfers Bill 2012 – Bill No. 20/2012 was considered at the following meetings:

6th Meeting held on 8th February, 2013;

7th Meeting held on 13th February, 2013;

8th Meeting held on 20th February, 2013;

9th Meeting held 1st March, 2013;

10thMeeting held on 7th March, 2013;

11thMeeting held on 15th March, 2013;

16th Meeting held on 14th June, 2013;

17th Meeting held on 28th June, 2013; and

18th Meeting held on 5th July, 2013.

9. The attendance record is at Appendix I.

**Procedure of the Committee**

10. At its 3rd Meeting held on 16th January, 2013, the Committee agreed to the following:

(i) thatit would commence its work on the Local Government Commission Bill 2012 – Bill No. 13/2012;

 (ii) that it would consider the Bill, Clause by Clause;

 (iii) that the Clerk of the Committee would circulate the Reports and any relevant information with regard to the previous Local Government Bills 2009 in the 9th Parliament; and

 (iv) that the Clerk of the Committee provide Members with a schedule of meetings.

11. At its Meetings held on 1st March and 17th May, 2013 the Committee agreed that the following Experts should be invited to make an oral presentation on the Formulae for Fiscal Transfers:

* + - * 1. Mr. Vincent Alexander; and
				2. Mr. NavinChandarpal

Both Experts appeared before the Committee on 7th March, 2013. Mr. Alexander appeared on 14th June, 2012 to provide clarification on his submission.

**Consideration of the Bill**

12. The Committee commenced consideration of the Bill on 8th February, 2013.

13. The following Clauses were amended: 1, 2, 3, 4, 6 including Marginal Note, 8and 9 including Marginal notes, Schedule, and Enactment,

14. The following Clauses were accepted as presented: 5, 7 and 10.

15. A new Schedule was drafted and acceptedand the original schedule was deleted.

16. The details of the amendments made to the Bill by the Committee are reflected in the matrix attached at Appendix II.

**Amended Bill**

17. Appendix III is the amended Bill which reflects the changes detailed and outlined in Appendix II.

**Report of the Special Select Committee**

18. At its meeting held on 5th July, 2013 the Special Select Committee on the Fiscal Transfers Bill 2012 – Bill No. 20/2012 agreed that this Report, on its consideration of the Bill, should be presented to the National Assembly.

19. The Report is hereby submitted.

**Minutes and Verbatim Records**

20. The Minutes and the Verbatim Records have been prepared and will be available at the Parliament Office.

……………………………………………

Basil Williams, M.P.

Chairman of the

Special Select Committee on the

Fiscal Transfers Bill 2012 – Bill No. 20/2012

*Committees Division*

*Parliament Office*

*Public Buildings*

*Brickdam*

*Georgetown*

*5th July, 2013.*

**SPECIAL SELECT COMMITTEE ON THE**

* **LOCAL GOVERNMENT (AMENDMENT) BILL 2012 – BILL NO. 12/2012;**
* **THE LOCAL GOVERNMENT COMMISSION BILL 2012 – BILL NO. 13/2012;**
* **MUNICIPAL AND DISCTRICT COUNCILS (AMENDMENT) BILL 2012 – BILL NO. 19/2012; AND**
* **THE FISCAL TRANSFERS BILL 2012 BILL 2012 – BILL NO. 20/2012**

**ATTENDANCE RECORD (2012-2013)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **NAME** | **Nov.** | **Dec.** | **Jan** | **Feb.** | **March** | **May** | **June** | **July**  |
| **28th**  | **20th**  | **16th**  | **23rd**  | **30th**  | **8th**  | **13th**  | **20th**  | **1st**  | **7th** | **15th**  | **21st**  | **10th**  | **17th** | **31st**  | **14th**  | **28th**  | **5th**  |
| Hon. Ganga Persaud, M.P.,Minister of Local Government and Regional Development | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Ex. | Pr. | Ex. | Pr. | Ex. | Pr. | Pr. | Ex. |
| Ms Gail Teixeira, M.P., Chief Whip. | Pr. | Pr. | Ex. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. |
| Bibi Safora Shadick, M.P. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Ex. | Pr. | Pr. | Ex. | Pr. |
| Mr. Neendkumar, J.P., M.P. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Ex. | Ex. | Pr. |
| Ms Amna Ally, M.P., Chief Whip | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Ex. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. |
| Mr. Basil Williams, M.P. (Chairman) | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. |
| Lt. Col. (Ret’d) Joseph Harmon, M.S.M., M.P. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Ex. | Pr. | Pr. | Ex. | Pr. | Pr. | Pr. | Pr. |
| Mr. Ronald Bulkan, M.P. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Pr. | Ex. | Pr. | Pr. | Pr. | Pr. |
| Dr. Veerasammy Ramayya, M.P. | Ex.  | Pr.  | Pr.  | Pr.  | Pr. | Pr.  | Pr.  | Pr.  | Pr.  | Ex.  | Pr. | Abs | Pr.  | Pr. | Ex. | Pr. | Pr.  | Pr. |

**Pr. - Present**

**Abs. - Absent**

**Ex. - Excused**

***Committees Division***

***Parliament Office***

***Public Buildings***

***Georgetown***

***31st March, 2014.***

**APPENDIX II**

**MATRIX SHOWING AMENDMENTS APPROVED BY THE COMMITTEE ON**

**THE FISCAL TRANSFERS BILL 2012 - BILL 2012 – BILL NO. 19/2012**

|  |  |
| --- | --- |
| **THE BILL** | **AMENDMENTS** |
| **Arrangement of Sections****Section 1**Short title and commencement. | **Short title.** |
| **The Enactment** A.D. 2012 Enacted by the Parliament of Guyana | **A.D. 2013** Enacted by the Parliament of Guyana |
| **Clause 1****Marginal Note**Short title and commencement.1. This Act may be cited as the Fiscal Transfers Act 2012 and shall come into operation on the date the Minister by order appoint.
 | **Short title.**1. **This Act may be cited as the Fiscal Transfers Act 2013.**
 |
| **Clause 2**2. In this Act –“donor agency”“garnering” “local authority” means a municipal council, a neighbourhood democratic council, a district council, a village council, a community council, a country authority, and any other similar organ;“set of conditions”“stipulated performance indicators” | **Insertion of definition of “donor agency” above the definition of “garnering”****“donor agency” means a financial institution whose business includes lending money and making grants to countries or corporations including the World Bank, the Inter-American Development Bank, the Caribbean Development Bank, and the European Union;**Unaltered “local authority” means a municipal council, a **neighbourhood democratic council, a village council, a community council, and any other** similar organ;UnalteredUnaltered |
| **Clause 3****Subclause (1)****Subclause (2)****Subclause (2)(a)****(a)** with the prior written approval of the Minister, such approval not to be unreasonably withheld and such approval or disapproval to be given within thirty-five days, approach donor agencies for financial and other resources in the form of grants which may be used to fund capital projects or employment costs;**Subclauses (b) to (f)** **Subclause (3)** (3) The additional revenues shall, except where the Minister directs otherwise, be paid into the general revenue account of the local authority, from which account disbursements may be made in keeping with financial regulations governing such funds. | UnalteredUnaltered1. with the prior written approval of the **Minister responsible for Local Government**, such approval not to be unreasonably withheld and such approval or disapproval to be given within thirty-five days, approach donor agencies for financial and other resources in the form of grants which may be used to **fund projects or employment costs**;

Unaltered**Renumber subclause 3 as subclause 4 and insert the following as a new subclause 3 –**1. **A local authority may enhance its revenue by a fiscal transfer to it from another local authority taking into account the mutual benefits to the local authorities.**
2. The additional revenues shall, except where the Minister directs otherwise, be paid into the general revenue account of the local authority, from which account disbursements may be made in keeping with financial regulations governing such funds.
 |
| **Clause 4**1. and (b)

 (c) the budget as submitted, shall include notes indicating the basis for all revenue forecasts, including with specific regards to property rates, the percentage of billable rates collected or are to be collected; with the notes also providing explanations for any differences in expected and actual collection of property taxes for all actual, budget and supplementary information required to be contained in that budget;(d) (e) (f) and (g) (h) any other condition the Minister may by regulations prescribe. | Unaltered(c) the budget as submitted, shall include notes indicating the basis for all revenue **forecasts, with specific** regards to property rates, the percentage of billable rates collected **or to be collected**; with the notes also providing explanations for any differences in expected and actual collection of property taxes for all actual, budget and supplementary information required to be contained in that budget;Unaltered (h) any other condition the Minister may by regulations, **subject to affirmative resolution of the National Assembly**, prescribe. |
| **Clause 5**  | Unaltered |
| **Clause 6****Marginal Note**Formula for fiscal transfers.**Subclause (1)** 1. The annual subvention or fiscal transfers, from central government to local authorities, or from one local authority to another local authority, shall be based primarily on a set of conditions and stipulated performance indicators so as to form an aggregate sum arrived at, based on the prescribed formulae referred to in sections 7, 8 and 9.
2. The formulae for fiscal transfers referred to in subsection (1) shall be used to allocate financial resources to a local authority from the aggregate sum appropriated in the annual budget to local authorities.
3. All grants or disbursements under this Act shall be aimed at improving the overall performance of the local authority.
4. The formulae for fiscal transfers shall be governed by sections 7, 8 and 9.
 | **Fiscal transfers.**1. The annual subvention or fiscal transfers, from central government to local **authorities, shall** be based primarily on a set of conditions and stipulated performance indicators so as to form an aggregate sum **referred to in the Schedule.**

**Renumber subclauses (2) (3) and (4) as subclauses (5) (6) and (7) and insert the following clauses immediately after subclause (1) as subclauses (2) (3) and (4) -**1. **In arriving at the determination of the annual subvention from central government to local authorities referred to in subsection (1) it is acknowledged that central government has a responsibility to provide financial resources to local authorities to supplement their own revenues and in order to assist them to discharge their functions and responsibilities.**
2. **The revenues raised by the local authorities and shown in their respective budgets will be utilised in the discharge of their functions and responsibilities.**
3. **The aggregate sum referred to in subsection (1) shall be identified as a line item in the national budget.**
4. **The fiscal transfers referred to in the Schedule shall** be used to allocate financial resources to a local authority from the aggregate sum appropriated in the annual budget to local authorities.

**(6)** All grants or disbursements under this Act shall be aimed at improving the overall performance of the local authority.1. **The fiscal transfers under sections 6 (5), 8 and 9 shall be governed by the formulae in the Schedule.**
 |
| **Clause 7** | Unaltered |
| **Clause 8** **Marginal Note**Fiscal transfer formula for municipalities.**Subclause (1)** **Subclause (2)** (2) The remaining fifty percent of the sum appropriated by Parliament annually to municipalities shall be allocated to the municipalities in accordance with their population size, geographic area and rate of collection. | **Fiscal transfer for municipalities.**Unaltered (2) The remaining fifty percent of the sum appropriated by Parliament annually to municipalities shall be allocated to the municipalities in accordance with their population size, geographic area and rate of collection **in accordance with the Schedule**. |
| **Clause 9****Marginal Note**Fiscal transfer formula for neighbourhood democratic councils.**Subclause (1)****Subclause (2)** (2) The remaining fifty percent of the sum appropriated by Parliament annually to neighbourhood democratic councils shall be allocated to the neighbourhood democratic councils in accordance with their population size, geographic area and rate of collection. | **Fiscal transfer for neighbourhood democratic councils.**Unaltered(2) The remaining fifty percent of the sum appropriated by Parliament annually to neighbourhood democratic councils shall be allocated to the neighbourhood democratic councils in accordance with their population size, geographic area and rate of collection **in accordance with the Schedule.** |
| **Schedule** | **Deleted** |
| **Insert the following as a new schedule immediately after clause 9.** **“SCHEDULE” cls. 6(5),6(7), 8 and 9**1. The Following shall apply for the purpose of determining how the annual appropriations, in the National Budget, for the local authorities (the Neighbourhood Democratic Councils and the Municipalities, except Georgetown) shall be distributed among those neighbourhood and municipal councils, respectively.

or1. The following shall be the bases for the distribution of the appropriation of the annual budgetary provisions for the local authorities (Neighbourhood Democratic Councils; and Municipalities except Georgetown among the aforementioned councils, respectively).
2. The total appropriation for each category of local authorities: neighbourhoods and municipalities except Georgetown, shall be distributed thus: (a) 50% of each appropriation shall be equally divided among the local authorities of the respective category.

(b) the remaining 50% of each appropriation shall be divided among the local authorities within the respective categories by applying the following formula to each category.(i) The formula shall comprise three factors:- area of the local authority, hereafter referred to as A- population of the local authority area, hereafter referred to as B- percentage collection of revenue for the preceding year, for the local  authority, hereafter referred to as C(ii) Each factor shall be indexed thus**A** area >/=25 sqmls (1.0)  area <25 sqmls>/=10 sqmls (0.8) indexed as  area < 10 sqmls>/= 5 sqmls (0.65) x area < 5 sqmls (0.5)**B** population >/= 25,000 (1.0) population < 25,000 >/=10,000 (0.8) indexed as population < 10,000 >/=7,000 (0.65) y population < 7,000 (0.5)**C** collection >/= 70% (1.0) collection < 70%/= 50% (0.8) indexed as collection <50%/= 35% (0.65) z collection < 35% (0.5) each of the aforementioned indexes shall be represented by x, y and z  respectively. (iii) The weight of the factors in the formula shall be: A - 30% B - 30% C - 40% (iv) The formula shall be: Ax + By + Cz i.e the application of each index for each factor for each local authority to the weight of the factor and the summation of the result there from (v) Each result will represent the percentage of the amount automatically allocated that will be allocated on the basis of the formula: Ax + By + Cz” |
| **EXPLANATORY MEMORANDUM**This Bill seeks to give effect to article 77 (A) of the Constitution. The ultimate aim of the Bill is to make a local authority as autonomous as possible including its ability to sustain itself financially.Under the present financial dispensation, the revenue sustaining the local authorities comes from rates and taxes that are collected, Central Government and other sources.Under the present fiscal arrangements as set out in this Bill there is emphasis on more revenue collection in clause 3. There is provision in clause 4 for the eligibility for the fiscal transfers to a local authority governed by a set of conditions each of which has to be complied with in order to benefit from a fiscal transfer.The formulae under which fiscal transfers are based are provided in clauses 7, 8 and 9; and all grants and disbursements shall be aimed at improving the overall performance of local authorities.Minister of Local Government and Regional Development | **The fiscal transfers under clauses 6(5), 6(7), 8 and 9 from central government to local authorities shall be in accordance with the Schedule; and all grants and disbursements shall be aimed at improving the overall performance of local authorities.****Minister of Local Government** **and Regional Development** |

**APPENDIX III**

**GUYANA**

**BILL No. 20 of 2012**

**FISCAL TRANSFERS BILL 2012**

**ARRANGEMENT OF SECTIONS**

**SECTION**

1. **Short title.**
2. Interpretation.
3. Garnering of resources.
4. Conditions for transfers.
5. Grants.
6. **Fiscal transfers.**
7. Treatment of Georgetown City Council.

8. **Fiscal transfer for municipalities.**

 9. **Fiscal transfer for neighbourhood democratic councils.**

 10. Regulations.

**SCHEDULE**

**A BILL**

**Intituled**

AN ACT to provide for the objective criteria for the allocation of resources to local authorities and for matters connected therewith.

Enacted by the Parliament of Guyana:-

**A.D. 2013**

**Short title.**

Interpretation.

1. This Act may be cited as the Fiscal Transfers Act **2013.**

2. In this Act –

**“donor agency” means a financial institution whose business includes lending money and making grants to countries or corporations including the World Bank, the Inter-American Development Bank, the Caribbean Development Bank, and the European Union;**

“garnering” means measures designed to collect and boost the revenue of local authorities;

**“local authority” means a municipal council, a neighbourhood democratic council, a village council, a community council, and any other similar organ;**

“set of conditions” means the criteria used to determine the sum of money appropriated by Parliament annually to local authorities and of which fifty percent is allocated equally among those local authorities with the remaining fifty percent being allocated to the local authorities in accordance to variables, such as population size, geographical area or stipulated performance indicators, which may be changed by the Minister by regulations;

“stipulated performance indicators” means the rate of collection of taxes by each local authority.

Garnering of resources.

3. (1) Each local authority may, in addition to the authorised imposition of rates on immovable property within its boundaries, increase its revenues by garnering of resources by measures, including those mentioned in subsection (2).

 (2) A local authority may –

(a) **with the prior written approval of the Minister responsible for Local Government, such approval not to be unreasonably withheld and such approval or disapproval to be given within thirty-five days, approach donor agencies for financial and other resources in the form of grants which may be used to fund projects or employment costs;**

(b) negotiate with central government for specific revenue sharing contracts;

(c) establish vehicular meters to charge for parking;

(d) establish and charge for vehicle parking facilities;

(e) embark on revenue earning economic projects; or

(f) undertake any other measure agreed to by the Minister.

 **(3) A local authority may enhance its revenue by a fiscal transfer to it from another local authority taking into account the mutual benefits to the local authorities.**

**(4)** The additional revenues shall, except where the Minister directs otherwise, be paid into the general revenue account of the local authority, from which account disbursements may be made in keeping with financial regulations governing such funds.

4. In order to be eligible for fiscal transfers, local authorities shall satisfy the following conditions –

Conditions for transfers.

(a) the budget estimates of a local authority for the following year shall be submitted to the given council by November 15 of the current year;

(b) the budget as submitted, shall include expenditure and revenue data relating to the last year for which actual expenditure and revenue data are available, along with the previous year’s budget estimates;

(c) the budget as submitted, shall include notes indicating the basis for all revenue **forecasts, with specific regards** to property rates, the percentage of billable rates **collected or to be collected;** with the notes also providing explanations for any differences in expected and actual collection of property taxes for all actual, budget and supplementary information required to be contained in that budget;

(d) final financial statements comparing actual and budget expenditure shall be prepared and submitted to the Minister by March 31st of the following year, together with an audited report required by other laws relating to local government;

(e) the budget shall disclose information in the form or manner that costs of all projects and activities involving capital expenditure can be identified, for measuring performance for the improvement in financial management;

(f) disclose performance indicators *viz a viz* percentage of actual collection rate and other revenue collections initiated by the local authority such as parking, market rates etc.;

(g) disclose population profile and new investments, expansion of businesses, new housing and agricultural schemes;

(h) any other condition the Minister may by regulations, **subject to affirmative resolution of the National Assembly**, prescribe.

 Grants.

**Fiscal transfers.**

5. The Minister may establish grants to any local authority.

6. (1) The annual subvention or fiscal transfers, from central government to local **authorities, shall** be based primarily on a set of conditions and stipulated performance indicators so as to form an aggregate sum **referred to in the Schedule.**

**Schedule**

 **(2) In arriving at the determination of the annual subvention from central government to local authorities referred to in subsection (1) it is acknowledged that central government has a responsibility to provide financial resources to local authorities to supplement their own revenues and in order to assist them to discharge their functions and responsibilities.**

 **(3) The revenues raised by the local authorities and shown in their respective budgets will be utilised in the discharge of their functions and responsibilities.**

 **(4) The aggregate sum referred to in subsection (1) shall be identified as a line item in the national budget.**

**Schedule**

 (5) **The fiscal transfers referred to in the Schedule shall** be used to allocate financial resources to a local authority from the aggregate sum appropriated in the annual budget to local authorities.

 (6) All grants or disbursements under this Act shall be aimed at improving the overall performance of the local authority.

 (7) **The fiscal transfers shall be governed by the formulae in the Schedule.**

Treatment of Georgetown City Council.

7. As the capital city, Georgetown City Council will be treated similarly in terms of the set of conditions required to be fulfilled by each local authority but differently and separately in terms of the actual financial allocation, as follows -

(a) it will receive 50% of its allocation automatically based on the available sums allocated by Parliament;

(b) Georgetown City Council formula for the balance of its allocation will be based on a defined set of criteria as follows – (i) target of 60% minimum rate of collection of revenue;

 (ii) stipulated allocation of 30% for population size; and

 (iii) 10% for the geographic location.

**Fiscal transfer for municipalities.**

8. (1) A sum equal to fifty percent of the sum appropriated by Parliament annually to municipalities shall be allocated equally among the municipalities.

 (2) The remaining fifty percent of the sum appropriated by Parliament annually to municipalities shall be allocated to the municipalities in accordance with their population size, geographic area and rate of collection **in accordance with the Schedule**.

9. (1) A sum equal to fifty percent of the sum appropriated by Parliament annually to neighbourhood democratic councils shall be allocated equally among the neighbourhood democratic councils.

**Fiscal transfer for neighbourhood democratic councils.**

 (2) The remaining fifty percent of the sum appropriated by Parliament annually to neighbourhood democratic councils shall be allocated to the neighbourhood democratic councils in accordance with their population size, geographic area and rate of collection **in accordance with the Schedule**.

Regulations.

10. The Minister may make regulations, subject to affirmative resolution of the National Assembly, for the more effective implementation of the provisions of this Act.

 **SCHEDULE cls. 6(5), 6(7), 8 and 9**

1. The Following shall apply for the purpose of determining how the annual appropriations, in the National Budget, for the local authorities (the Neighbourhood Democratic Councils and the Municipalities, except Georgetown) shall be distributed among those neighbourhood and municipal councils, respectively.

or

1. The following shall be the bases for the distribution of the appropriation of the annual budgetary provisions for the local authorities (Neighbourhood Democratic Councils; and Municipalities except Georgetown among the aforementioned councils, respectively).
2. The total appropriation for each category of local authorities: neighbourhoods and municipalities except Georgetown, shall be distributed thus:

(a) 50% of each appropriation shall be equally divided among the local authorities of the respective category.

(b) the remaining 50% of each appropriation shall be divided among the local authorities within the respective categories by applying the following formula to each category.

(i) The formula shall comprise three factors:

* area of the local authority, hereafter referred to as A

- population of the local authority area, hereafter referred to as B

- percentage collection of revenue for the preceding year, for the local authority, hereafter referred to as C

(ii) Each factor shall be indexed thus

A

 area >/=25 sq mls (1.0)

 area <25 sq mls >/=10 sq mls (0.8) indexed as

 area < 10 sq mls >/= 5 sq mls (0.65) x

 area < 5 sq mls (0.5)

B

 population >/= 25,000 (1.0)

 population < 25,000 >/=10,000 (0.8) indexed as

 population < 10,000 >/=7,000 (0.65) y

 population < 7,000 (0.5)

C

 collection >/= 70% (1.0)

 collection < 70%/= 50% (0.8) indexed as

 collection <50%/= 35% (0.65) z

 collection < 35% (0.5)

each of the aforementioned indexes shall be represented by x, y and z respectively.

 (iii) The weight of the factors in the formula shall be:

 A - 30%

 B - 30%

 C - 40%

 (iv) The formula shall be: Ax + By + Cz

 i.e the application of each index for each factor for

each local authority to the weight of the factor and the

summation of the result there from

 (v) Each result will represent the percentage of the amount

automatically allocated that will be allocated on the basis of the formula:

Ax + By + Cz

**EXPLANATORY MEMORANDUM**

This Bill seeks to give effect to article 77 (A) of the Constitution. The ultimate aim of the Bill is to make a local authority as autonomous as possible including its ability to sustain itself financially.

Under the present financial dispensation, the revenue sustaining the local authorities comes from rates and taxes that are collected, Central Government and other sources.

Under the present fiscal arrangements as set out in this Bill there is emphasis on more revenue collection in clause 3. There is provision in clause 4 for the eligibility for the fiscal transfers to a local authority governed by a set of conditions each of which has to be complied with in order to benefit from a fiscal transfer.

**The fiscal transfers under clauses 6(5), (6)7, 8 and 9 from central government to local authorities shall be in accordance with the Schedule; and all grants and disbursements shall be aimed at improving the overall performance of local authorities.**

 ………………………………….

**Minister of Local Government**

**and Regional Development**