



Challenges in the Implementation of Fiscal Decentralization and Its Effects on the Health Sector in Uganda

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Abstract: This article was written to show how decentralized services such as health do not match with adequate financial resources for Local Governments to deliver health services effectively in Uganda. The study reviews various writers on fiscal decentralization Programmes and high lights the problems affecting Uganda's Health sector service delivery. The Main issues of concern regarding Fiscal decentralization and social economic development are tax jurisdiction, expenditure responsibilities and resource allocation. The study was conducted to assess the impact of Fiscal decentralization process on social economic development in Uganda and it focused on challenges affecting health sector and why such policy has failed to reduce poverty and inequality of the people of Uganda. The Study was based on the resource dependency theory by Ram Mudambi (2010), which posits that power is based on control of resources that are considered strategic within the organization and is often expressed in terms of budget and resource allocation.

The effects of citizens participation in planning and budgeting needs the access to resources which are in most cases controlled by the national governments. The article describes the structural and reforms in Uganda's health Sector Services and it assess its performance. This article shows how participatory monitoring and evaluation is critical in financial accountability and how lack of multiplicity of financial resources still undermine planning and target setting in Uganda. The article discusses how abolition of graduated personal Tax left local governments with limited finances to deliver services. This reduced the autonomy of local governments and health care services in rural areas remain out of reach of the people and fiscal decentralization has not led to improved services. The article recommends the review of the fiscal decentralization Act to empower local governments in resource mobilization and in decision making regarding funds from the central government.

1. INTRODUCTION

Fiscal decentralization refers to the process of devolving fiscal responsibility to lower levels of governments in accordance with their local need and preferences, it consists of fiscal instruments and procedures that are aimed at helping in the delivery of public goods (Birds, Ebel, and Wallich, 2015). In general, Fiscal decentralization means that the authority of tax collection or expenditure is transferred from superior offices to subordinate offices (Choi, 2011) for the purposes of producing appropriate public services for improving public welfare for residents. Thiessen (2011) views fiscal decentralization as entailing "a transfer of responsibility associated with accountability to sub-national governments"

Fiscal decentralization stimulates the search for program and policy innovation, first of all because it is per se, an innovative practice of governance. Second, because through its implementation, lower level of public officers assume new responsibilities through decentralization which requires improved planning, budgeting and management techniques and practices; the adoption of new tools and the development of improved human resources to operate the decentralized programs (UNDP, 2012)

It suggests that close match between revenue and expenditure assignment at sub-national level benefits a locative efficiency, hence economic growth. That is a convergence of revenue and expenditure at sub-national levels of government which lead to higher growth rates. This belief is further evidenced in various studies though there could be implications for resource redistribution.

Fiscal decentralization is often seen as part of reform package to improve efficiency in public sector, to increase competition among sub national governments in delivery of public services, and to stimulate economic Growth. (Bird& Wallich, 2003)The main issues of concern regarding fiscal decentralization and social economic development are tax jurisdiction, expenditure responsibilities and resource allocation. This is the problem which has been existing in Uganda between the central government and district local governments.

2. BACK GROUND OF THE STUDY

Most governments worldwide have decentralized levels of decision making in which choices made at each level regarding the provision of public services are influenced by the demands for these services by the persons living in such jurisdiction (Francis& James, 2013). This scenario is prevalent in federal and non-federal systems of government. African countries embarked on fiscal decentralization as a way of economic and institutional reforms with a view of promoting efficient service delivery (Saito, 2012). According to Azfar et al (2012), Uganda undertook to pursue decentralization as a process to widen its support by increasing the people`s participation in decision making process at the grass roots through the local government system. Bitarabeho (2011) asserts that this was hoped to contribute to development and reduction of poverty among the poor and the country at large. There are several ways in which local governments can promote economic Growth in their Local communities. Local governments may pursue social economic development by seeking to attract new businesses or expand existing ones. To achieve this, Governments may build industrial parks, hire development professionals, or go to other states or countries to look for investors. Various incentive packages may also be offered to encourage businesses to locate in areas. The general aim is to make a locality an attractive place for business too as well as residents. However, politicians are generally interested in increasing tax revenues received from growing levels of economic activity in order to meet the demand for public services. The quest for more businesses by governments through economic developments incentives could lead to decrease in economic growth.

Local governments vary in the extents to which their citizens are involved in local economic development planning and implementation. When citizens in a locality are involved in the economic development process through focus groups, neighborhood associations, advisory groups or committees and other citizen input mechanisms as they can potentially increase the efficiency of local governments and this may promote economic growth. Local governments may also get feedback from residents in the community on the problems of the availability or delivery of public services and this may affect the rate of social economic development.

However, to promote social economic development and to provide public services, local communities need resources (financial, material, and human). Local governments may have to increase taxes to fund economic growth activities. The drawback of taxation is that it could ultimately lead to decrease in economic growth. When people are taxed, their disposable personal income decreases and they spend less since their purchasing power also decreases and this could dampen economic growth.

Developments in democratic governance in Africa in recent years has increased attention to the quality of social economic development and service delivery and have facilitated the process of deepening centralization of service delivery. Uganda government devolved all responsibilities of public service provision to lower level of local government. An essential aspect of improving social service delivery is capacity of the DLGs to manage the process. This explains the weak relationship between expenditure and the outcomes of service delivery in many developing countries and in Uganda in particular.

In principle, devolution and delegation of power to lower local governments was expected to encourage more community participation in planning and budgeting and to hold local policy makers accountable for the quality of social service provided, such as health, education, agricultural services and water and infrastructure. This involved delegation of authorities to improve access to public services, increase participation in decision making; develop local capacity and enhance transparency and accountability (Mugabi, 2014). Decentralization was therefore envisaged to contribute to poverty reduction and development through the bottom up approach to planning and monitoring service delivery such as health, education, agriculture among others.

Decentralization facilitates decision making and monitoring at districts and lower levels of local governments involving community participation. In the process, the District local governments (DLGs) become accountable for resources allocated and monitoring the quality of services provided. It is believed that decentralization systems offer opportunities for increased beneficiaries involvement in the direct decision making process in services prioritization, quality, cost and preferences. This is attributed to the fact that DLGs are more acquainted to the beneficiaries' requirements, responsive to new development and in contact with communities.

Social economic development in Uganda is often marred by cases in which expenditure does not reflect the quality and outcomes of the services delivered. This has in part been attributed to weak institutional processes and governance among some DLGs. Poor delivery of services implies that most of the intended beneficiaries do not have access to the service or if they do the quality is not commensurate to the resource invested (Mirmirani and LLacqua, 2008). It is not uncommon to visit a health facility for example with no doctor at the duty station to serve clients or the personnel are available, there are no drugs , equipment or even electricity the hospital like Kambuga in Kanungu District is a ghost! This suggests there could weaknesses in the institutional design and framework for the sector service delivery. Thus the next subsection contributes directly to policy evaluation of the institutional arrangements for fiscal decentralized service delivery in Uganda (Mirmirani & LLacqua, 2008)

In Uganda, promotion of social economic development is still a problem due to inadequate financial resource management and allocation patterns at local level and personnel quality and management. Following fiscal decentralization, funds intended for service delivery are used for administrative purposes and others are diverted for personal gain. The indicators of poor performance are evidenced by poor social economic welfare such as disease, poor infrastructure and if this problem is not addressed, it will affect social economic and human capital development. It is against this background that this study was conducted to investigate the impact of fiscal decentralization process on social economic development in Uganda.

3. THE PROBLEM WITH UGANDA'S FISCAL DECENTRALIZATION IN HEALTH SECTOR

In an effort to enhance local government social economic development, Uganda has decentralized most of its social services. Although this initiative sounds good, it has not served the intended goal. The local people who are the beneficiaries in this case struggle to get their entitlements and their voices are still not heard. Social services that would enhance social economic development are still in poor condition and some of the un privileged groups (poor people) still die of preventable diseases like malaria and tuberculosis. According to MDG report (2012), we can't end poverty in 2020 as government claims when there are still severe inequalities existing amongst population in both the rural and urban areas and when one billion of the world's population still surviving on \$1.25 per day, mothers die during child birth and children die of un controlled disease , have low incomes. Children are malnourished and this has been attributed to a huge gap of inequalities that exist amongst not only in the world but in Uganda in particular. Fiscal decentralized services agitated for by the MDG appear problematic as many citizens still don't seem to have access to all services (Ruiters and Niekerk, 2012). As a result, the under privileged still live below the poverty line with the lowest social economic status among the people of Uganda. This still occurs despite the fact that fiscal decentralization embraces citizen participation, accountability and monitoring and evaluation in the promotion of social economic development. This paper therefore focuses on challenges of fiscal decentralization and its effects on health sector in Uganda and why such policy has failed to reduce poverty and inequality of people of Uganda and therefore its effects on Health sector in the country.

4. RELATED THEORETICAL REVIEW

The resource dependency theory was used for this study. The basis of resource dependency theory posits that power is based on control of resources that are considered strategic within the organization and is often expressed in terms of budget and resource allocation (Ram Mudambi, 2007). The resource dependency theory proposes that actors lacking in essential resources will seek to establish relationships with (ie. be dependent upon) others in order to obtain needed resources. These questions are argument that local governments are autonomous and have powers of planning and budgeting. In this the relationship between central government and local government in Uganda is abused on the

resource dependency theory. The district local developments grants are incentive based policy instrument predicated on resource dependency theory. This theory puts forth that changes in resource availability will threaten organizations and discourage adaptation for continued existence.

The resource dependency theory focuses on the exercise of power, control and negotiation of interdependencies to secure stable in flow of vital resources and reduce uncertainty (Carpenter, 2012). From a resource dependency point of view, performance measurements systems, embedded in local development grants implementation can be considered as tools closely linked with the exercise of power, self-interest and political advocacy.

5. EFFECT OF CITIZENS PARTICIPATION IN PLANNING AND BUDGETING

Over the years, decentralization has been tipped as a perfect mechanism to improve service delivery. Lately, it has been viewed as a fundamental means of a wider local government reform to attain improved equality, efficiency, quality and financial soundness. Coelho and Nobre (2014) observe that local councils should be responsible for the overseeing and authorizing annual plans from the sector service managers at every government level. Fiscal decentralization of services provision has also resulted in the mandatory establishment of local councils at state and municipal levels as well as guaranteeing local access to national funds, these councils have come to play a key role in local politics, becoming important for participation, decision making and public accountability for the government's actions (Menino, 2012).

At the time of independence in 1962, health services in Uganda were the responsibility of both the MOH and the local authorities. Planning, budgeting and providing and enhancing social economic development through provision of quality services have become the sole responsibility of districts since decentralization and this is usually the work of civil servants and political leaders at the district (Villadsen, 2014). The author further asserts that civil servants at the sector including health through tax and revenue collection. At the policy making level, revenue collected locally is viewed as prerequisite for implementation of district projects to enhance social economic developments.

Originally decentralization in Uganda was done to promote public participation in decision making on the affairs that affect their lives. However decision making does not necessarily mean implementation or acting upon such decisions. The nature of decentralization does not fully guarantee action upon decisions being made by the citizens sector. Decentralized planning needs the access to resources which are in most cases controlled by the national government. In this regard, the WHO health system frame work gives provision for the decentralized health planning. Therefore, health planning needs to recognize the building blocks for the health system strengthening.

The main purpose of fiscal decentralization in health sector is to give people care through provision of comprehensive, integrated, equitable, quality and responsive` crucial health services (WHO 2011). This enables needy people to access the health services whenever they need them and enables universal coverage. This allows for effective utilization of health services by the beneficiaries regardless of race, education level, geographical location and economic status thus reducing mortality rates. Continuous community action helps to uplift health and disease prevention which is the most effective way of sustainability.

According to Menimo, (2010) health and territorial development councils , have worked better in policy making where `popular participation` through institutionalized units are emphasized. Menimo cites one example of Brazil where municipalities and other small units of government are responsible for implementation and management of local units that work with in standards of National Health council for effective and efficient delivery of quality Health services.

A comparative study of the experiences of Uganda with decentralization of the Health sector (Jeppson & Okuonzi, 2012) describes the structural and governance reforms in Uganda's health services and provides an assessment of its performance. The study which used a range of data sources including a study tour to Zambia, extensive document review, interviews with key informants in the health care systems and many years of firsthand experience by the authors with the sector found that prior to the 1990s, Uganda had a highly centralized health care system with considerable differences in Health services standards between urban and rural areas (Jeppson & Okuonzi, 2012). He further asserts that, after decentralization the central government through the ministry of Health (MoH) is responsible for

resource allocation and hospitals. However, it has developed much of the responsibility of operating the lower health units such as health centers and dispensaries to lower levels of local governments where civil servants at the district can plan and provide health centers for better education and health services delivery but this is decentralization where financial resources still remain at the centre.

The WHO report (2011) further stresses the need for communities to holistically be included in participation process. This is meant to ensure sustainability and people centered health services which improve the overall performance of the health facilities. For instance, the effectiveness and management in the service delivery of the decentralized units like Districts, relies on the `competence` of a number of members in the district health management teams within the health facility. Their competence enables excellent planning, implementation, monitoring and evaluation of education infrastructure and service delivery but can they do this without financial decentralization?

The decision making process through participatory, bottom up planning, local needs focused at all levels of local governments and is a very important aspect of government management of health service delivery (Steffesen,2010). This is in line with the principles of decentralization but with no financial decentralization, nothing can work.

Christine Wong and West (2005), point out in their study that, setting conditions while planning minimizes ambiguous decision making and tends to deepen on local leaders decisions.

In Uganda, the legal instruments such as the institution of Uganda, 1995 and local Government Act 1997, empowers the local with the responsibility of delivering services to Local Committees promoting participatory decision making. Furthermore, Steffensen,(2010) contends that citizen participation in planning and budgeting, local governments across and within sectors, decision making and budgeting in the local government play a major role in determining the efficiency and effectiveness of local governments in delivering services to their citizens.

The general arguments for decentralizing health care is that greater citizen/community participation in health policy and local accountability could lead to improved quantity (including coverage) and quality of health service (Livtack and Seddon 2009).

The highly differentiated levels of health provision (ie. Primary, secondary and tertiary) and several additional aspects of health care , such as family planning, information campaigns, and the training and supervision of personnel make the effects of decentralization on this service more difficult to understand.

Moreover, Demello (2014) stated that fiscal decentralization in the health sector tends to be more complex than in other sectors because diseconomies of scale. He argues that these diseconomies of scale tend to discourage sub-national governments in the provision of costly curative treatment and immunization. At the same time scale tend to discourage sub-national governments in the provision of costly curative treatment and immunization. At the same time, he argues, spillover effects tend to discourage the national provision of preventive health care, particularly immunization and epidemiological controls. In addition, Anwar(2006) asserts that there is always some degree of local governments to follow priorities established by the central government to use its spending power in providing conditional grants for the purchase of equipment , drugs and build health centres for improved service provision. This is in agreement with resource dependency theory. Contrary to the above, by central government overly getting involved in local government decision making, this biases the system towards centralized outcomes and yet the grants are intended to facilitate Fiscal decentralized decision making for service delivery of health services.

6. EFFECT OF MONITORING AND EVALUATION IN HEALTH SECTOR

Participatory monitoring and evaluation is critical in financial accountability. Therefore involvement of communities in monitoring and evaluation is essential for accountability and health service delivery (Uganda Debt Network 2003). Onyach Ola in Okidi (2008) argues that continuous monitoring and evaluation overtime has promoted a series of refinements of the local government development programs; leading to substantial improvements in loyal government planning, resource allocation, investments, management of development resources especially through increased transparency and decision making which have enhanced health services delivery. However, Williamson Tim (2003)

argues lack of multiplicity of financial resources still undermine planning and target setting. Local development grants ensure that health funding decisions are based on transparent assessment of results against time bound targets (the Global Fund, 2009). It is therefore important to note that the basis of the disbursement of local development grants is increasingly on the achievement of performance and supervision processes. Based on the a fore mentioned statement, local development grants have put in place monitoring and reporting mechanisms to measure progress towards achievement of performance targets set. It is worth noting that local development grants are monitored and evaluated for four major impact evaluation (Jasszolt, 2009)

The local Government information and communication system (LOGICS) which is the monitoring and evaluation system, which was developed to monitor the performance of local governments in areas of administration and health service delivery in Uganda. The annual performance process and development grant reporting tools for monitoring grant utilization are in place. Annual performance assessment overtime has successfully measured the performance promoting local governments in a robust and standard manner. This is a very useful tool in promoting local government performance in health service provision, identifying tracks trends performance in health service delivery (steffen, 2009)

7. FACTORS THAT AFFECT FISCAL DECENTRALIZATION IN HEALTH SECTOR

One of the most critical factors that constrain decentralization programs and local government management of Health service delivery is due to limited sources of local tax revenue. This factor is of major importance because all activities performed by local government LGs require adequate financial resources. The imperatives of adequate financial and staff resources was also recognized by the Green (2010) which examines the reason for district creation in Uganda made a qualitative case of green`s conclusion that decentralized services such as health did not match with adequate financial resources for LGs to deliver health services effectively.

Devas (2005) observes that local government and therefore decentralized units and services fall short of what is usually required. Where as many urban local governments and privatized enterprises may be able to raise revenues, for rural local government that (sexena et al, 2010). Besides, with limited management of financial resources or proper auditing of it has become a norm in most countries for local, yet this source is dotted with weakness and challenges (sexena et al, 2010) given that sub-governments are limited in there in fact, the recent with drawal of donor funding to a number of government programs, in Uganda and in Africa further cripples the financial situation in sub governments. The abolition of graduated personal tax left local government with limited finances to fund public services (Muriisa, 2008). Bashasha et al.,(2011) support the above and stated that any traditionally, main local revenue sources in Uganda had been graduated tax, property tax business licenses and market local revenue for rural local government and (MoLG,2006). Unfortunately, this source was scrapped for political reasons as a campaign measure in preparation of the 2006 election, which reduced the autonomy of local governments.

Furthermore, local revenue have been declining and the amount of locally raised revenue as percentage of total local government funding has fallen each financial year. In some local governments, local revenue accounts only on the total budget (MoLG, 2006).

On average, about 80% of the central transfers are conditional ie. earmarked by the centre for the provision specific services leaving local government little power which determines local priorities the remaining 20% of the transfers composed of unconditional and equalization grants (Entiisham,2012).In practice, the unconditional; transfers are mostly used e.g public universities. To worsen the situation, for example, in 2011/2012 the unconditional grant for all local governments decreased from Ush. 156,944 billion (us\$63M) to Ush. 151155 billion (us\$ 60.3M) (national budget 2011/2012). Declining revenues and the failure to use unconditional transfers on service provision have weakened the accountability of local authorities to services beneficiaries, and threaten the autonomous functioning of local governments. In addition, Onyach-Olaa (2012) asserts that the central government transfers to LGs are largely the un conditional grant which is in many Districts, the amount is not adequate to cover the wage bill. LGs have to therefore obtain the rest from their local revenue. The conditional and primary health care, including the local government development program (LGDP) through which grants are available to lower councils for specific projects identified in development plans.

As a special provision based on extent to which these funds are not adequate enough to finance most of the health projects and programs in the Districts meant to provide effective health service to citizens. This weakens the implementation of fiscal decentralized programs thus affecting health service delivery.

According to Klaver, (2011) public has put up immense pressure on local health service delivery and this has resulted to minimum conditions in 2006(MoLG, 2009). But unfortunately health service delivery in both new and old Districts resourcing hasn't been increased. As observed by Okidi and Guloba (2006), by creating new Districts runs the risk which could contribute to lowering local level economic growth.

There is general agreement that the problem highlighted by De Muro, Salvatici and Cornforti (2011) is affecting Uganda. The problems noted by the study is constraining staff recruitment and retention in the LG which includes among others the low salaries which in turn lead to low staff morale to deliver health services.

Furthermore, Parasuraman et al(2014) argue that significant number of local governments do not have the managerial, administrative, financial and institutional capacity to meet the rising needs of local people. This situation is exacerbated by the decline between local government and tertiary sector. As a result these local governments cannot meet their required performance standards hence impacting adversely on health delivery.

In addition to the shortage of funds, local governments also suffer from shortage of health service delivery (Steiner,2006). As Onyach-Olaa (2012) has revealed, local governments in Uganda continue to operate at minimal staffing levels; some instances as low as 10% (Recent Medical strike 2017) of the approved establishment. Furthermore, a study by Azfar et al (2000) found that only 17% of health facility respondents reported that all their employees had no necessary equipment to do their work. In remote districts such as Abim, Kalangala, Kabong, Buvuma and Bukwa a further constraint is the fact that some local governments through the politically oriented District service commissions (DSC) has adverse effects on the quality of service provision (Syteiner,2010)

Jeppsson and Okuonzi (2000) postulates that the general objectives of decentralization were to respond to local needs, existing data show no improvement. In fact, many indicators have either remained the same. For example, a large proportion of Uganda's population still lives below the poverty line, with 25% living in absolute poverty (UBOS 2011). Yet improvements in the health sector were expected to deliver better access to health services, better quality of health care and ultimately a decline in the rate of illness and death (Bashasha et al, 2011). As many people cannot afford private medical services, the government of Uganda decentralized health services to districts and health sub-districts (Health Care). However a recent study by ACODE (2010), found numerous problems facing health centers, including poor funding of health care services and minimal transparency in the use of drugs and medicines; chronic shortage of trained workers especially at lower tier health facilities were used for administrative costs. Consequently, Health care services remain out of reach of the people in the rural areas and decentralization has not led to improved services. Levels of performance monitoring: this emerges where formal process for monitoring and supervision are not allowed or enforced and informal processes are insufficient. Critically, this includes both top-down monitoring and forms of bottom or supervision. Moreover, lack of poorly practiced government regulation is often worse in relation to the public sector (Palmer, 2013). Palmer further asserts that this can manifest itself at different points of the chain of service provision (central to local government; utilities to technicians; district facilities to service provider staff). It can result in forms of exit where users opt out to informal providers as result of desertification or lack of choice in the formal system. Exit could be seen as form of performance monitoring (via market mechanisms) but in many of the cases reviewed, it has served to further undermine formal provision rather than spur reform and in some cases has exposed users to higher risk through the accessing of unregulated provision.

More still in Uganda, for example, formal processes for monitoring and supervision are not followed across the chain of health service delivery. This stems from a number of structural and institutional features. In Uganda, it has meant a growth in illegal and unregulated private sector health care, opening up greater health risks for patients (Canmack, 2013). In Uganda, nonfunctioning supervisory

and inspection mechanisms have meant health units and staff has not been subject to active oversight with public medical facilities often closed and high levels of health Centre staff absenteeism alongside reports of shortages of public medical supplies and essential equipment (Booth,2013; Golooba,2011). For patients, this has meant either a lack of access to health facilities (where they are closed) or potentially greater health risks through unregulated and illegal private practice.

In spite of Uganda`s decentralization, widely heralded by the international community, corruption remains wide spread at all levels of society and the country faces major challenges (Transparency International, 2009). The survey report of the inspectorate of Government (2009) noted that corruption in the form of bribery, financial leakages, conflict of interest, embezzlement, false accounting, fraud, influence peddling and nepotism, theft of public funds or theft of public assets remains as impediment to development and barrier to health service delivery in Uganda at national and local government levels.

The majority of citizens surveyed in2005 by a regional research firm, Afro Barometer, Perceived corruption to be rampant. In addition, 36% of respondents to the survey believed that most or all government officials, at central or local level, were involved in corruption.

In fact it is sometimes believed that decentralization in Uganda has led to a dispersion of corruption, refunding the character of corruption relationships from those controlled by the Centre to those controlled by district level officials (Steiner, 2010). For example during the financial year 2009/10 the office of the Auditor General (2011) conducted a value for money Audit on seven districts of Apac, Arua, Bundibugyo, Bushenyi, Kamuli, Moroto, and Mukono focusing on procurement of goods and services during 2007/08, 2008/09 and 2009/10 which revealed numerous corruption problems.

Devas (2005) adds that both the ordinary citizens and the elected local representatives are rarely in position to check in details the use of resources. Instead, accounting systems are extremely weak in local governments and open to all manners of resource misuse and dispute. In many cases, annual accounts are finalized long after the end of the financial year and the central government has displayed inept capacity to perform comprehensive audits on all loxcal governments. Corruption is ever present within decentralization and critics have argued that decentralization has equally decentralized corruption.

8. CONCLUSION

One criticism may be that democracy is not a string instrument for fiscal decentralization because it depends on the income of the people. In addition, it has been shown that the degree of fiscal decentralization varies according to the levels of GDP ie. richer countries tend to be more decentralized than poor countries. The quality of governance in Uganda is still questionable at the District level with low competences of officials, corruption and weak institutions. It is therefore still questionable whether subnational authorities who are still poor can achieve high efficiency in fiscal decentralization. In Uganda, most Districts, if not all depend on central government transfers with very less Revenues derived from property Tax and service charges mostly in urban areas. There is therefore a widening gap between the availability of financial resources and spending needs at the District levels. There is therefore a widening gap between the availability of financial resources and spending needs at district levels. The main reason for this increasing gap is the rapid growth of Uganda population particularly in urban areas and the increased unwanted numbers of political new Districts. This weakens the implementation of the fiscal decentralization and health service delivery in the country.

On average about 80% of the central transfer are conditional ie. earmarked by the Centre for the provision of specific programs, leaving local governments little powers to determine local priorities. The remaining 20% of transfers are composed of un conditional and equalization grants. In practice, the conditional transfers are mostly used to cover administrative costs, including council salaries and allowances rather than for service delivery including health sector.

To worsen the situation, conditional and unconditional grants from the central government have continued to decline. Consequently, Ugandan Districts Health sector services remains affected and fiscal decentralization hasn't enabled sector to deliver the services wanted.

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