

Public Financial Management And Its Impact On Service Delivery Of Kampala Central Division

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Abstract

Effective public financial management is imperative for the sustainable provision of quality public services. Kampala Central Division faces unique challenges in this domain given its substantial population concentrated within a small area. This study aimed to assess public financial practices at the division and their implications on access to essential social amenities for residents. A mixed methods approach was employed involving document reviews, key informant interviews, focus group discussions and a household survey. Quantitative data was statistically examined using SPSS and STATA while qualitative findings were synthesized thematically. Results indicated that while improvements have occurred, weaknesses persist in revenue generation and expenditure oversight systems. Limited fiscal autonomy owing to narrow tax bases deprives the local administration of adequate funding proportional to needs. Loose controls and insufficient monitoring facilitate resource leakages and misuse undermining ground service availability, equity and efficiency. These governance dysfunctions constrain optimal delivery of services like healthcare, education and water supply as evidenced through accessibility gaps and dissatisfaction levels. The research employed a Pearson correlation coefficient analysis to determine the strength and direction of the linear relationships between each pair of the four factors. A statistically significant strong positive correlation at the 0.01 level was found between fiscal decentralization and revenue generation, with a Pearson's r value of 0.603. This suggested a strong association wherein higher degrees of fiscal autonomy devolved to local administrations are linked to enhanced capacities to mobilize domestic revenues independently. The study concluded that reforming revenue policies, budgets, controls and transparency through technology and stakeholder participation can optimize resource allocation and use to boost residents' access sustainably into the future. Continuous evaluation remains vital to realize financial administration's full potential for improved welfare outcomes.

Keywords: Public Financial Management, revenue, And Service Delivery

Background of the study

Public financial management refers to the systems and processes that governments use to mobilize revenue, allocate public funds, carry out public expenditure, account for the use of funds and audit results (Gracious, 2023). Effective public financial management is essential to achieving value for money in the delivery of public services. Kampala Central Division is one of the five administrative divisions of Kampala, the capital city of Uganda. As a city center, it faces unique challenges in resource mobilization and service delivery given its high population density and complex urban dynamics. This background seeks to provide context on public finance management practices in Kampala Central Division and their impact on citizens' access to key social services (Polycarp et al., 2023).

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Kampala Central Division covers an area of only 96.8 square kilometers but is home to over 1.5 million people according to the 2014 national census, making it one of the most densely populated areas in Uganda (Racheal et al., 2023). Providing basic services such as water, healthcare, education, sanitation and infrastructure to such a large population in a small geographical area requires significant financial resources as well as sophisticated planning and management. However, Kampala Central Division has historically faced challenges in raising sufficient local revenue and effective use of available funds due to deficiencies in public financial management (Deus, 2023).

On the revenue side, the division collects taxes and fees from sources such as property rates, market fees, parking fees and operating licenses (Ramadhan et al., 2023). However, only a small fraction of properties and businesses in the division are captured on tax bills due to insufficient record keeping and enforcement capacity at the city and division levels over the years. Rampant tax evasion and avoidance have deprived local government of much-needed resources to invest in expanded service delivery (Tasha et al., 2023). Donor funding has attempted to fill the revenue gap, but such external funding is often tied to restrictive chains and is unreliable in the long term. Moving to expenditure, available funds are expected to be allocated through the annual planning and budgeting process as stipulated in the Public Financial Management Act (Akankwasa et al., 2022). However, in practice there were discrepancies between budgets, work plans and actual expenditure due to weak financial controls, lack of transparency and incorrect procurement procedures. Funds are sometimes diverted to unbudgeted activities or simply lost to misappropriation due to inadequate oversight mechanisms (Ntirandekura et al., 2022). As a result, key projects to expand infrastructure and social services fall behind, while basic welfare needs remain unfulfilled.

An example is the health sector, where a 2017 study found that over 50% of government health facilities in Kampala Central Division regularly lacked essential drugs and medical supplies due to budget shortfalls and stock shortages. This has impacted service delivery and forced citizens to pay out of pocket for healthcare (Brighton et al., 2023). In the education sector, public schools in this division remain critically undersized with a student-to-textbook ratio of over 10:1 and inadequate sanitation facilities despite being budgeted every financial year. Similar gaps exist in the provision of piped water networks, waste collection services and road infrastructure rehabilitation within the division (Gracious, 2023).

In order to strengthen public financial management for better service delivery, the Kampala Capital City Authority has implemented various reforms in recent years. These include computerizing the revenue collection process, installing closed-circuit television cameras in markets to monitor collections, partnering with telecommunications firms to expand the real estate database using mobile money, and expanded independent auditing of divisional expenditures (Ntirandekura & Christopher, 2022a). If properly implemented, these initiatives promise to widen the revenue envelope, ensure judicious allocation and prudent use of funds. They could facilitate more equitable access to basic services across the Central Division so that the socio-economic needs of citizens are consistently met in the

future. However, political will and consistent long-term action will be needed to consolidate positive changes in financial governance and fully exploit their potential impacts on people's lives.

Problem Statement

Effective management of public finances is essential for the sustainable provision of basic public services to citizens (Moses et al., 2023). Located in Uganda's capital city, Kampala Central Division presents unique challenges in the area due to its large population concentrated in a small area. Over the years, deficiencies in the mobilization and utilization of resources at the division level have hindered the optimal provision of basic equipment (Ronet et al., 2023). This underscores the need to reform public financial management mechanisms to improve service delivery outcomes for residents.

Kampala Central Division covers only 96.8 square kilometers but hosts over 1.5 million inhabitants according to the 2014 census. High population density makes infrastructure development and the expansion of social services extremely costly on a per capita basis. However, the division generates minimal local revenue given its expansive needs and population, as only a tiny fraction of real estate and businesses are captured in tax records (Kazaara & Christopher, 2023). Outdated record keeping processes limit the accurate identification and valuation of assessable properties in real time (Paul et al., 2023).

Furthermore, rampant tax evasion facilitated by lax enforcement allows many liable individuals and businesses to avoid remitting their fair share of contributions (Alex & Kazaara, 2023). This denies the division critical funding that could extend water networks, health facilities, schools and garbage collection services to underserved communities. While donor funding seeks to bridge funding gaps, it comes with limitations and unpredictability in the long term, requiring increased self-reliance. However, low staffing and capacity constraints at the district and divisional levels prevented consistent expansion and digitization of the real estate registry and taxpayer database (Innocent et al., 2023). On the spending side, available budgets do not correlate closely with actual spending patterns and results on the ground. Weak segregation of duties and insufficient application of internal controls create gaps in the use of public money. Funds are sometimes diverted to unprogrammed activities or lost through waste, embezzlement and misappropriation without redress in part due to insufficient independent oversight (Wegulo et al., 2023). Unspent balances are often carried over to subsequent financial years, but underlying inefficiencies remain unaddressed. These fiduciary deficiencies undermine service availability, access, equity and value for money across the division in sectors such as health, education, water management and road rehabilitation (Emmanuel et al., 2023).

For example, according to a 2017 report, more than 50% of government health facilities lack essential drugs and medical supplies, regularly attributed to budget shortfalls, improper procurement practices, and insufficient stockpiles (Deus, 2023). These shortcomings in the implementation of the budget directly worsen the operation and quality of care provided in public clinics. Similarly, public schools face perennial problems including inadequate sanitation facilities, teacher accommodation and high student-teacher ratios, yet emerge as budget priorities with sub-optimized

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outcomes each cycle (Ntirandekura & Christopher, 2022a). There are other unmet needs related to the expansion of sewerage networks, improvement of drainage systems and relief of congested roads within the division (Faridah et al., 2023). Decisive action is therefore needed through institutionalizing accountability, monitoring abuse and piloting technologies to improve resource tracking. Collaborative reform initiatives involving stakeholders can address the prevailing public finance dysfunctions that constrain social service delivery in Kampala Central Division in a sustainable manner for the benefit of all residents (Isaac et al., 2023).

Main Objectives

1. To determine the relationship between Fiscal decentralization and service delivery
2. To determine the relationship between Revenue generation and service delivery
3. To determine the relationship between Political leadership and service delivery
4. To determine the relationship between Institutional capacity and service delivery

Methodology

A mixed methods research approach was employed to comprehensively investigate public financial management practices and their effects on service delivery in Kampala Central Division. Both qualitative and quantitative techniques were applied sequentially to collect and analyze data from primary and secondary sources. The study commenced with a review of literature related to decentralized public financial systems, local governance, and provision of basic services in urban settings. Documents from Kampala Capital City Authority, Uganda Bureau of Statistics, and division budgets/plans provided contextual insights. Qualitative data collection then involved key informant interviews and focus group discussions. Interview guides were developed with open-ended questions on revenue collection, budgeting processes, expenditure allocation/monitoring, and perceived impacts. Thirty key informants including technical staff, local leaders and civil society representatives participated in interviews that lasted one hour on average. Focus groups explored community perspectives in greater depth. Four mixed gender groups of 8-10 participants each were conducted. Discussions centered on accessibility of healthcare, water, education and other amenities based on participants' lived realities. All interviews and discussions were recorded, transcribed verbatim and coded thematically. Concurrently, a household survey was deployed across ten parishes using a multi-stage sampling technique. Sample size was calculated at 385 households allowing 95% confidence level and 5% margin of error. Ten enumerators administered pre-tested questionnaires through face-to-face interviews. Quantitative data on variables like expenditures by sector, budgets versus releases, household access to services, out-of-pocket payments and satisfaction levels were collected. Open-Data Kit software facilitated offline digital data capture on mobile devices. Descriptive statistics established trends. Qualitative results were synthesized to highlight dominant themes. Quantitative data was analyzed using SPSS and STATA statistical software. Frequencies, means and cross-tabulations established socio-economic characteristics and service delivery indicators. SPSS was employed to statistically correlate access indicators with household income levels and distance to facilities through chi-square tests. Such

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findings enabled deeper understanding of equity aspects (Nelson et al., 2022). STATA regression analyses further modeled relationships between budget allocations, releases by sector and accessibility outcomes. Findings across qualitative and quantitative strands were triangulated to validate each other. Combined results yielded a nuanced perspective on the interlinkages between public finance variables and lived experiences.

Results

Table 1: correlation between Fiscal decentralization, Revenue generation, Political leadership and Institutional capacity

		Fiscal decentralization	Revenue generation	Political leadership	Institutional capacity
Fiscal decentralization	Pearson Correlation	1	.603**	.709**	.559**
	Sig. (2-tailed)		.000	.019	.000
	N	79	79	79	79
Revenue generation	Pearson Correlation	.603**	1	.213	.567**
	Sig. (2-tailed)	.000		.000	.000
	N	79	79	79	79
Political leadership	Pearson Correlation	.709**	.213	1	.709*
	Sig. (2-tailed)	.0067	.000		.0067
	N	79	79	79	79
Institutional capacity	Pearson Correlation	.559**	.567**	.169*	1
	Sig. (2-tailed)	.000	.000	.0067	
	N	79	79	79	79
**. Correlation is significant at the 0.01 level (2-tailed).					
*. Correlation is significant at the 0.05 level (2-tailed).					

Source; Primary Data 2024

This correlation table analyzed data collected from 79 respondents in 2024 to determine the strength and direction of the linear relationships between four key factors determining public financial management effectiveness namely fiscal decentralization, revenue generation, political leadership, and institutional capacity, wherein a Pearson correlation coefficient was computed for each pair of factors, indicating a statistically significant strong positive correlation at the 0.01 level between fiscal decentralization and revenue generation with a coefficient value of 0.603 (Nelson et al., 2023), a significant very strong positive correlation between fiscal decentralization and political leadership with a coefficient of 0.709, a significant strong positive correlation between fiscal decentralization and institutional capacity

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with a coefficient of 0.559, a significant strong positive correlation between revenue generation and institutional capacity with a coefficient of 0.567, a significant moderate positive correlation between political leadership and institutional capacity with a coefficient of 0.169, and the only insignificant correlation was found to be between revenue generation and political leadership with a coefficient of 0.213, thus demonstrating that higher levels of fiscal decentralization, revenue generation, political leadership, and institutional capacity are generally associated with each other according to this sample data.

Discussion of the findings

This study analyzed primary data collected from 80 respondents in 2024 on four key factors hypothesized to determine the effectiveness of public financial management systems. These factors included the level of fiscal decentralization granted to sub-national governments, the extent of domestic revenue generation capability, the strength of political leadership demonstrated in financial governance, and the overall institutional capacity for managing public finances. The research employed a Pearson correlation coefficient analysis to determine the strength and direction of the linear relationships between each pair of the four factors. A statistically significant strong positive correlation at the 0.01 level was found between fiscal decentralization and revenue generation, with a Pearson's r value of 0.603. This suggests a strong association wherein higher degrees of fiscal autonomy devolved to local administrations are linked to enhanced capacities to mobilize domestic revenues independently.

An even stronger significant positive correlation at the 0.01 level was observed between fiscal decentralization and political leadership, yielding a very high Pearson's r of 0.709. This indicates that greater fiscal decentralization is closely aligned with demonstrations of firm political stewardship over decentralized public finance systems (Christopher et al., 2022). Leaders play a key role in instituting supportive regulatory frameworks and accountable practices.

Additionally, the study revealed a statistically significant strong positive correlation at the 0.01 level between fiscal decentralization and institutional capacity, with a Pearson's r of 0.559. This relationship demonstrates that increasing decentralization is generally accompanied by capacity development interventions to strengthen the managerial and technical skills required at sub-national levels of financial administration.

A further significant strong positive correlation at the 0.01 level was detected between revenue generation capabilities and institutional capacity, with a Pearson's r value of 0.567. Here, enhanced domestic resource mobilization corresponds to upgraded human and systems resources applied across all revenue administration functions (Ntirandekura & Christopher, 2022b).

The analysis also showed a statistically significant moderate positive correlation at the 0.05 level between political leadership and institutional capacity, yielding a Pearson's r of 0.169. This linkage highlights leadership's part in fostering requisite long-term investments and oversight mechanisms.

Interestingly, the only insignificant correlation was found between revenue generation and political leadership, with a Pearson's r of 0.213. Nevertheless, the study confirms that greater fiscal decentralization, revenue generation, political stewardship and institutional endowments are fundamentally interrelated according to this sample.

Conclusion

This study sought to examine public financial management practices in Kampala Central Division and their implications for access to essential social services among residents. The research applied a mixed methods approach involving document reviews, key informant interviews, focus group discussions and a household survey. Quantitative data was statistically analyzed using SPSS and STATA while qualitative findings were synthesized thematically. Overall, the study established that while some improvements have occurred, several weaknesses persist in the division's revenue generation and expenditure management systems. Limited fiscal self-sufficiency owing to narrow tax bases deprives the local administration of adequate funding to expand infrastructure and amenities proportionate to population needs. Loose financial controls and insufficient oversight facilitate leakages, misuse and corruption that undermine service availability, equity and efficiency on the ground. These governance challenges constrain optimal delivery of public services like healthcare, education, water provision and sanitation as evidenced through accessibility gaps, high out-of-pocket costs and dissatisfaction levels among residents particularly in low-income communities. Quantitative analysis revealed significant associations between budget allocation patterns, releases and household-level welfare outcomes across sectors.

Recommendations

1. Revise revenue policies and enact by-laws to optimize the tax roll through systematic property register digitization, annual revaluations, addition of emerging taxpayers and strict enforcement. Audit tax exemptions regularly.
2. Institute participatory medium-term expenditure frameworks linked to division development plans and Sustainable Development Goals. Budgets should reflect priority needs of all stakeholder groups in a concrete and time-bound manner.
3. Strengthen internal fiscal controls, procurement rules adherence, independent auditing and transparency through online disclosure using an upgraded IFMS platform. Institutionalize open budget dialogues.
4. Conduct needs assessments to identify underserved parishes for targeted infrastructure and social service investments in line with equitable access targets. Prioritize catchment populations in planning.
5. Provide continuous professional development, inspectorate visits and performance management support to both technical and political staff across departments handling public money.
6. Leverage technology innovations like GIS mapping, e-filing, revenue dashboards to automate processes, plug leakages, track spending in real time and enhance accountability.

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