
ENHANCING LOCAL GOVERNMENT SERVICE DELIVERY IN UGANDA: LESSONS FROM JAPAN'S FISCAL DECENTRALIZATION PRACTICES

Final Report

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Outline.

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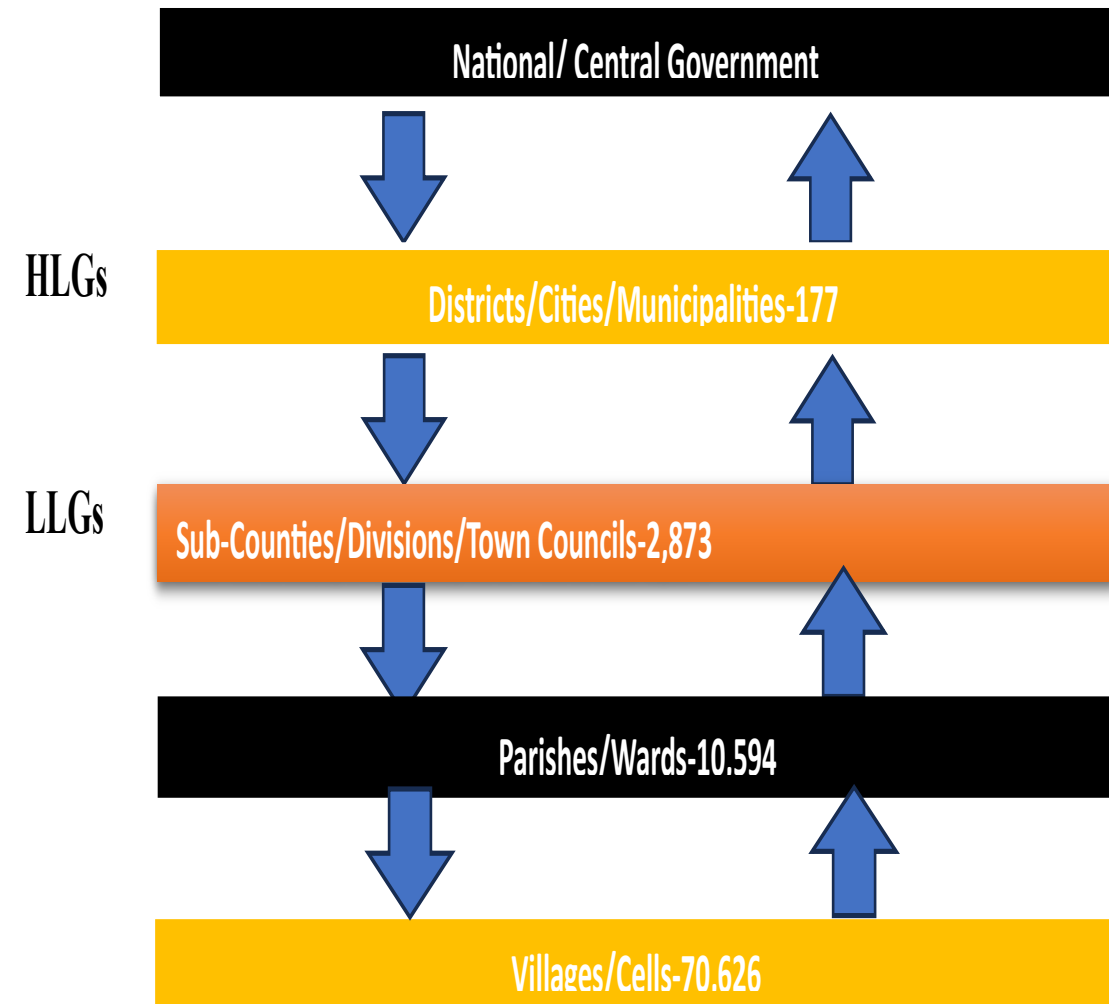
Local Government System In Uganda

Uganda's Local Government System is structured to promote decentralization and citizen participation in governance based on the 1995 Constitution of Uganda and the Local Government Act (CAP. 138)

The system has the following features;

- Local Councils (LCs) structure with elected leaders from LC1 to LC5;
- Administrative and Technical Staff with each LG having a Chief Administrative Officer (CAOs) for the districts or Town Clerk (TCs) for the cities and Municipalities;
- LGs have legal Authority to make-decision on local matters and can sue or be sued in the courts of law.

Local Government System In Uganda...



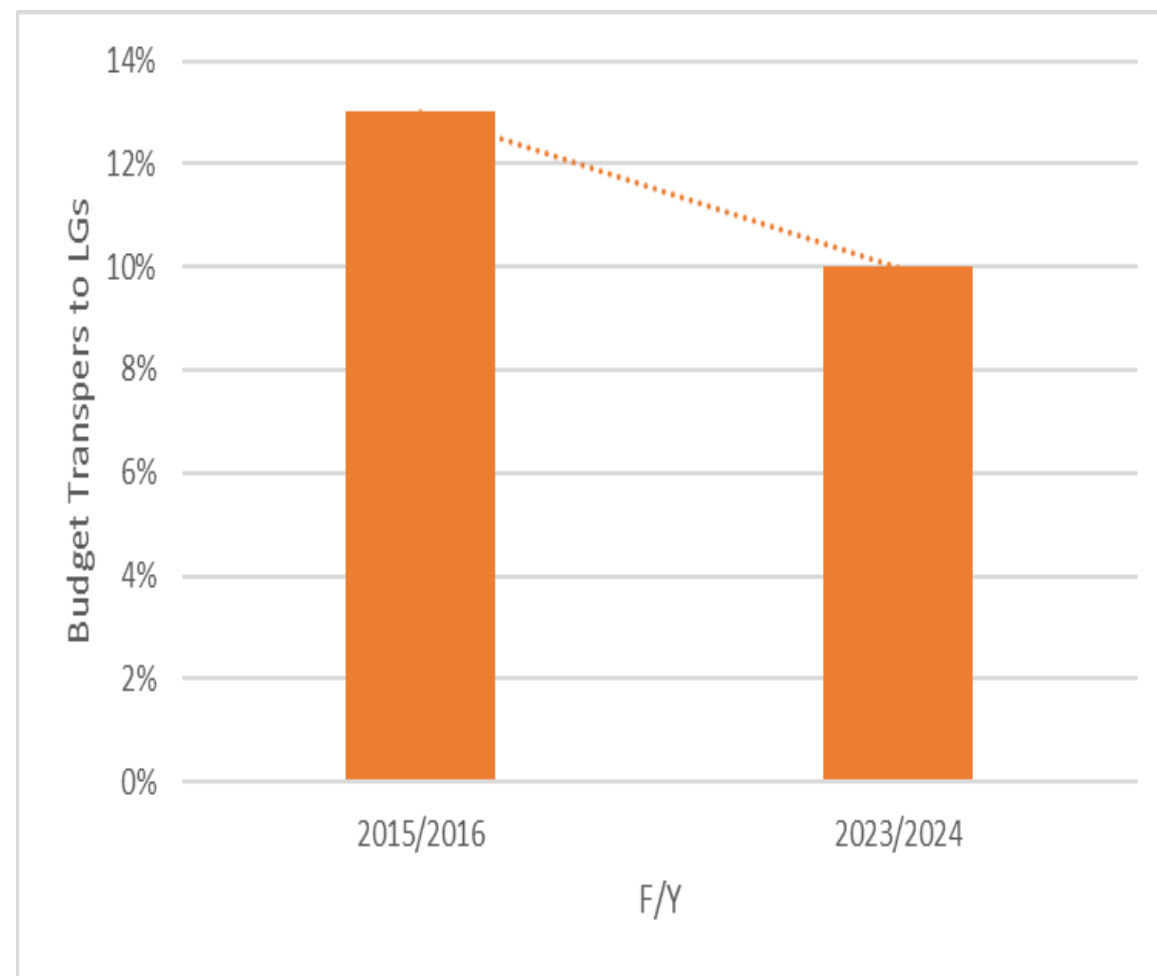
The LGs are tasked with the roles of;

- *Revenue Mobilization,*
- *Service Delivery,*
- *Accountability and Oversight, and*
- *Participation and Representation.*

The Fiscal Challenge

One of Uganda's Decentralization policy objectives is to enhance fiscal transfers, financial accountability, and link tax payment with service provision.

However, this is not being achieved because of the declining fiscal transfers to LGs over time for instance, in FY 2023/24, LGs received UGX 5.39 trillion just 10% of the national budget down from 13% in FY 2015/16.



The Fiscal Challenge...

This reduction in fiscal transfers is largely due to the recentralization of previously devolved functions and resources a trend driven by legislative and administrative changes.

Biryomumeisho, S., Ocan, J., and Adyanga, F. A. (2024) highlight several key drivers behind recentralization in Uganda, including issues with accountability, crises in human resource management, political interference by local authorities, and central Government fears of losing control.

The resulting erosion of LGs' financial autonomy undermines service delivery and weakens the overall decentralization agenda in Uganda.

Additionally, other potential sources of local revenue such as **parking fees, advertisement fees, and endowment interest on investments** are not being collected by LGs for reasons such as the underdeveloped businesses in many LGs.

Government Response and Reform Efforts to Address the challenge

The Government of Uganda through the LGFC has implemented a number of reforms as a way of addressing the problem and these are;

- Advocacy for increased funding
- Introduction of the Discretionary Development Equalization Grant (DDEG)
- Automation of the local revenue generation systems (IRAS and eLOgrev)
- Promotion of Local Autonomy among others.

Also, recently under the NDP IV efforts are being made to increase local revenue generation through digital platforms such as the Integrated Revenue Administration System (IRAS) and E-logRev because of the successes registered in some LGs.

Lessons from Japan's Fiscal Decentralization Model

Japan presents a compelling model of decentralized governance characterized by strong fiscal autonomy and efficient service delivery mechanisms.

Key Features of the Japanese Model

- **Revenue source guarantees through the local finance plans;** *these estimate LG incomes and Expenditures annually to guide resource allocation.*
- **Fiscal Transfers;** *on top of the targeted subsidies provided by the central government Ministries, MIC also provides Local Allocation Tax as a way of ensuring equity among municipalities.*
- **Revenue Autonomy;** *Local governments in Japan are given high level of local autonomy to assess and collect local taxes.*
- **Innovative tax collection measures;** *cities have adopted innovative tax collection measures like sending reminders to the tax-payers and use of a flexible tax payment system.*
- **Local Economic Development;** *Japan's cities like Tachikawa, Kokubunji, Sumida, and Mitaka have promoted LED to grow their tax base and ensure fiscal sustainability.*

Recommendations for Uganda

Drawing lessons from Japan, Uganda can enhance its local government performance through the following strategies:

- ❖ **Increased Fiscal Transfers;** *MoFPED in collaboration with NPA, MoLG, and the LGFC on top of the general LG transfers should review and come up with a clear allocation formula for the equalization grant similar to the Local Allocation Tax allocated by Ministry of Internal Affairs and Communication (MIC) in Japan, and also enhance the legal and institutional frameworks to minimize policy reversals.*
- ❖ **Develop Annual Local Government Finance Plans;** *MoFPED, NPA, MoLG and the LGFC should formulate annual finance plans to guide the projected revenues and expenditures for LGs to guide resources allocation*
- ❖ **Strengthen Local Revenue Generation;** *LGs should be empowered to implement local tax regimes and innovative revenue sources such as LG bonds to diversify revenue sources.*
- ❖ **Innovative tax collection measures;** *LGs should adopt innovative tax collection measure like allowing for flexibility in tax payment and sending reminders tax payers.*

Conclusion

Uganda's LGs hold the potential to drive sustainable development at the grassroots.

However, declining fiscal transfers and inadequate local revenue generation remain a big challenge.

Therefore, by adopting some of the key elements of Japan's fiscal decentralization model, Uganda can significantly improve service delivery, increase citizen satisfaction, and strengthen the decentralization process.

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