

**Assessment of Local Revenue Collection and Sharing Arrangements
In Rural Districts:
A Case Study of Moroto District Local Government**

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ABSTRACT

This study, builds on the tax reform studies already conducted in local governments. It attempts to assess the current practices of local revenue collection and sharing in rural districts, as a means of shedding light on; the status of fiscal transfer system between LGs and administrative units in rural districts of Uganda, using Moroto district local government as a case study.

The study focused on, the aggregate local revenue performance, the factors affecting local revenue collections and sharing, it tried to determine how administrative units are coping with the impact of the current LR sharing practices. Lastly, it examined the suitability of the current practice of local revenue sharing policy in relation to the current practices.

The analytical constructs were based on; the comparison of average LR performance of the district, against the average performance of other districts with similar characteristics. Factors such as LR collection capacity of the district, adherence to LR sharing policies as stipulated by the 1997, Local Governments Act and the 2007, Local Governments Finance and Accounting Regulation, were used to support the analysis. The findings of the study showed; huge local revenue collection gaps in the district, with LR contributing not more than 2 percent of the district budget, hence increasing the district's dependency on central government grants, which accounts for over 85 percent of the total district budget. It was further noted that, the current LR sharing in LGs does not take place as provided for by the 1997, Local Governments Act. Finally, on the basis of the findings of this study, it is recommended that; an alternative policy that reduces on the number of LG tiers over which LR is shared in poor rural district be developed, rather than the biased formula based approach currently in use.