Uganda's Fiscal Deficit Performance and Institutional Readiness for the East African Community Monetary Union

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ABSTRACT

Fiscal discipline is one of the primary macroeconomic convergence requirements under the East African Community (EAC) Monetary Union Protocol. This article examines Uganda's fiscal deficit performance against the 3% of GDP ceiling from FY2014/15 to FY2024/25 and considers how experts involved in Uganda's convergence process perceive its relationship with institutional readiness. The study used a convergent parallel mixed-methods design. The quantitative strand combined the official fiscal series with a five-point Likert questionnaire completed by 22 of 28 reachable experts (78.6%) drawn from the small, specialised population identified for the study; the qualitative strand comprised six purposively selected key informants and documentary review. The questionnaire measured perceived fiscal deficit performance, policy harmonisation, legal-framework alignment, inflation performance and public-debt performance using six-item composite scales, with Cronbach's alpha coefficients ranging from 0.83 to 0.90. The regression specification treated perceived policy harmonisation as the dependent variable and perceived fiscal deficit performance as the focal predictor, controlling for perceived inflation and public-debt performance. Uganda's official fiscal series shows that the deficit exceeded the EAC ceiling in all eleven fiscal years, ranging from 3.5% to 9.4% of GDP and averaging 5.75%. Expert respondents associated the deficit most strongly with infrastructure investment, recurrent expenditure and borrowing; documentary evidence indicates that the relative importance of these pressures varied by period, with recurrent expenditure and interest costs prominent in FY2024/25. Perceived fiscal performance was strongly associated with perceived policy harmonisation ($r = .891$, 95% CI [.75, .95]) and legal-framework alignment ($r = .895$), while the regression coefficient for fiscal deficit performance was statistically significant ($B = .699$, $\beta = .706$, $p = .005$). However, substantial multicollinearity, common-source measurement and the small near-census population limit the precision and external generalisability of these estimates. The findings are therefore interpreted as exploratory associations rather than causal effects. Weak monitoring and evaluation, incomplete implementation of earlier EAC integration protocols and limited political commitment were the most highly rated challenges. The study contributes Uganda-specific, triangulated evidence on fiscal convergence and institutional readiness and identifies areas for more systematic longitudinal and cross-country research.

Keywords: East African Community; Monetary Union; fiscal deficit; macroeconomic convergence; policy harmonisation; legal-framework alignment; Uganda

INTRODUCTION

Monetary integration requires more than the adoption of a common currency. Once countries share a currency, national authorities have fewer independent monetary and exchange-rate instruments with which to respond to country-specific shocks. Fiscal discipline, therefore, becomes an important component of the institutional conditions supporting a monetary union. Existing monetary arrangements illustrate this through convergence rules, surveillance mechanisms and requirements for compatible national fiscal frameworks (European Central Bank [ECB], 2020).

The EAC Monetary Union Protocol reflects this logic. It requires Partner States to maintain headline inflation

below 8%, a fiscal deficit including grants not exceeding 3% of GDP, gross public debt below 50% of GDP in net present value terms, and foreign-exchange reserves equivalent to at least 4.5 months of imports (East African Community [EAC], 2013). The fiscal-deficit requirement is particularly important because persistent deficits can reduce fiscal space and increase reliance on borrowing, potentially limiting the ability of a future monetary union member to respond to asymmetric shocks.

Uganda has experienced sustained difficulty in meeting the fiscal criterion. The official fiscal-year series used in this study records deficits above the 3% ceiling in every year from FY2014/15 to FY2024/25. The deficit was already above the ceiling before the COVID-19 shock, widened substantially during the pandemic, and remained above the threshold thereafter. This pattern makes it important to distinguish temporary shock-related pressures from longer-running fiscal pressures. IMF assessments have also identified different expenditure and financing pressures at different points in the period rather than a single, constant explanation for the deficit (IMF, 2019, 2022, 2023, 2026a).

Previous research on the EAC Monetary Union has concentrated substantially on optimum-currency-area conditions, business-cycle synchronisation and the macroeconomic implications of convergence criteria (Buigut & Valev, 2005; Kishor & Ssozi, 2009; Nannyonjo & Asiimwe, 2014; Redda, 2021). Less attention has been given to the institutional processes through which a country implements convergence commitments, particularly the relationship perceived by technical actors between fiscal performance, policy harmonisation and legal-framework alignment. This study addresses that narrower gap by combining official fiscal data with expert perceptions, interviews and documentary evidence.

The contribution is consequently not to claim that a small expert survey can represent Uganda's entire fiscal system or the EAC as a whole. Rather, the study treats the respondents as a deliberately defined expert population with direct knowledge of convergence processes. The quantitative survey provides evidence about how this specialised group assesses fiscal performance and institutional readiness, while the documentary series provides the principal evidence for Uganda's actual annual fiscal-deficit position.

PROBLEM STATEMENT AND STUDY OBJECTIVES

The EAC Monetary Union Protocol establishes a fiscal-deficit ceiling of 3% of GDP including grants (EAC, 2013). Uganda's official fiscal-year data show a breach of this ceiling throughout FY2014/15–FY2024/25. At the same time, monetary-union implementation requires policy coordination and national legal frameworks that are compatible with regional commitments. The persistence of the fiscal gap therefore raises both an economic question about the sources and durability of fiscal pressure and an institutional question about how convergence commitments are coordinated and implemented.

Existing regional studies provide important evidence on macroeconomic convergence, but country-specific evidence linking Uganda's fiscal performance to the perceptions of actors involved in convergence implementation remains limited. The present study therefore focuses specifically on the fiscal-deficit criterion rather than attempting to infer Uganda's entire monetary-union readiness from one indicator.

The study pursued four objectives:

To assess Uganda's fiscal-deficit performance against the EAC Monetary Union convergence criterion from FY2014/15 to FY2024/25.

To identify the macro-fiscal factors that experts associate with Uganda's fiscal-deficit performance and compare these perceptions with documentary evidence.

To examine the statistical association between perceived fiscal-deficit performance and perceived institutional readiness, measured through policy harmonisation and legal-framework alignment.

To identify the principal challenges affecting sustained compliance with the fiscal-deficit criterion.

THEORETICAL AND CONCEPTUAL FOUNDATION

3.1 Optimum Currency Area Theory

Optimum Currency Area (OCA) Theory, associated with Mundell (1961), provides a basis for examining the fiscal capacity of countries preparing to share a currency. When exchange-rate adjustment and independent monetary policy are no longer available, fiscal capacity becomes important for absorbing shocks. In this study, the fiscal-deficit criterion is therefore viewed as one indicator of the fiscal space available to a prospective monetary-union member. The theory does not imply that a numerical deficit threshold by itself establishes readiness; institutional capacity and the ability to coordinate policy also matter.

3.2 Theory of Economic Integration

The Theory of Economic Integration (Balassa, 1961) views integration as a process in which deeper forms of cooperation require progressively stronger coordination of national policies and institutions. The EAC requirement for policy harmonisation and compatible national legal frameworks is consistent with this institutional dimension of integration. The theory therefore provides a conceptual basis for examining fiscal performance alongside institutional readiness, while the present cross-sectional evidence is insufficient to establish the direction of any relationship between the two.

LITERATURE REVIEW

4.1 Fiscal-deficit convergence

Fiscal-deficit ceilings are widely used in monetary-union frameworks because persistent fiscal imbalances can create pressures that extend beyond national borders. The Maastricht framework provides a prominent example, while African regional arrangements such as WAEMU and the EAC have adopted their own convergence rules (ECB, 2020; EAC, 2013). The literature also cautions that deficits during major shocks should be interpreted in context. Blanchard (2021), for example, distinguishes temporary countercyclical fiscal expansion from persistent fiscal deterioration. For Uganda, the key issue is therefore not simply whether the deficit rose during COVID-19, but whether the deficit had already breached the regional ceiling and whether the position subsequently returned towards the required threshold.

4.2 Macro-fiscal pressures in Uganda

The documentary record indicates that the composition of Uganda's fiscal pressures has changed over time. IMF analysis associated the FY2017/18 widening with public investment, whereas the more recent widening from 4.7% to 6.0% of GDP in FY2024/25 was associated mainly with higher recurrent spending and interest payments, partly offset by stronger domestic revenue (IMF, 2019, 2026a). This temporal variation is important because it cautions against treating infrastructure investment, recurrent expenditure or borrowing as a single, constant causal explanation for the entire eleven-year series.

4.3 Fiscal performance and institutional readiness

The EAC framework places numerical convergence and institutional coordination within the same broader integration process (EAC, 2013). Existing African evidence links fiscal and debt convergence with governance and institutional arrangements (Adeve & Karabou, 2022; Brou et al., 2025), but there is limited Uganda-specific evidence on how technical actors perceive the connection between fiscal performance and policy harmonisation or legal alignment. This study treats those relationships as exploratory associations rather than as established causal mechanisms.

4.4 Research gap

The study fills a specific gap by combining three forms of evidence: an eleven-year official fiscal-deficit series, structured perceptions from a small expert population, and qualitative and documentary evidence explaining areas of convergence and divergence. This triangulation is useful because official data establish the

fiscal outcome, whereas experts provide information about institutional implementation and perceived constraints that cannot be recovered from the fiscal series alone.

METHODOLOGY

5.1 Research design

A convergent parallel mixed-methods design was used (Creswell & Plano Clark, 2018). Documentary and official fiscal data, questionnaire data and qualitative evidence were collected and analysed as distinct strands before being integrated during interpretation. The annual fiscal series was used to establish the country's actual performance against the EAC threshold; the questionnaire quantified expert perceptions; interviews provided contextual explanations; and documentary review was used to compare those perceptions with published evidence. The survey component was cross-sectional, while the fiscal component was descriptive and longitudinal. Neither component provides a causal research design.

5.2 Target population, sampling and justification of the 22 respondents

The study did not seek a statistically representative sample of Uganda's general population, the entire public sector or all institutions within the EAC. Its target population was a small and specialised group of experts identified because of their direct responsibilities or technical knowledge concerning Uganda's macroeconomic management, fiscal policy, regional integration and EAC convergence processes. The thesis identified 30 eligible experts: 15 associated with MEACA, 12 with MoFPED and three academic experts specialising in East African macroeconomic policy and regional integration. The questionnaire was therefore designed as a census of the identified expert population rather than as a probability sample from a large population (Taherdoost, 2016).

This distinction is important in interpreting the sample size. The study did not choose 22 respondents from thousands of public officials; it sought to enumerate a small universe of 30 identified specialists. Two members of that population could not be reached, leaving 28 contactable individuals, of whom 22 returned usable questionnaires. The resulting response rate among reachable participants was 78.6%. Institutionally, all eight contacted MoFPED participants responded, five of ten MEACA participants responded, and nine of ten academic participants responded. The six non-responses create a possible non-response bias, particularly for MEACA, but they do not convert the design into a conventional random sample.

Institution/group	Contacted	Responded	Response rate	Non-response
MoFPED	8	8	100.00%	0
MEACA	10	5	50.00%	5
Scholars/researchers	10	9	90.00%	1
Total	28	22	78.60%	6

The sample of 22 respondents was determined by the specialised and limited nature of the study population rather than by general population-sampling assumptions. The study targeted experts with direct institutional responsibility and technical knowledge concerning fiscal policy, EAC fiscal convergence and monetary-union harmonisation. The identified accessible population comprised 28 experts, of whom 22 provided usable questionnaires, representing a 78.6% response rate. Thus, the study achieved near-census coverage of the relevant expert population rather than selecting 22 respondents from a large general population. The manuscript nevertheless acknowledges that 22 observations provide limited statistical power for multiple regression with three predictors and that the regression findings should therefore be interpreted as exploratory associations within the expert respondent group, not as nationally representative or causal estimates. This limitation has been explicitly incorporated into the revised methodology and discussion.

5.3 Data sources

The principal macroeconomic measure was Uganda's central-government overall fiscal balance including grants, expressed as a percentage of GDP for the fiscal year running from July to June. This definition corresponds to the EAC fiscal convergence criterion. Annual values were taken from IMF staff reports and releases based on

Ugandan authorities' data, with the FY2023/24 figure additionally cross-checked against MoFPED's debt sustainability analysis (IMF, 2019, 2022, 2023, 2026a; MoFPED, 2024). EAC documents supplied the convergence benchmark and regional policy context, while Bank of Uganda, MoFPED and other official documents were included in the broader documentary review.

The use of a single consistent fiscal-year definition is important. The underlying thesis contained an alternative series compiled from secondary sources for some earlier years. Because its coverage and periodisation could not be reconciled confidently with the EAC definition, the article uses the IMF fiscal-year series that explicitly corresponds to the overall balance including grants. Figures remain subject to later revisions by the source institutions.

5.4 Variables and measurement

The questionnaire used five-point Likert responses from 1 (strongly disagree) to 5 (strongly agree). Composite scores were calculated as the mean of six items for each principal construct. Fiscal-deficit performance (FDP) captured perceived compliance with the 3% criterion, expenditure pressure, infrastructure-related borrowing, sustainability and fiscal discipline. Because the scale included positively and negatively framed items, higher FDP scores represent more favourable perceived fiscal performance; they do not mean a larger numerical deficit. Policy harmonisation (PH) captured perceived coordination and alignment of national economic policies with EAC requirements. Legal-framework alignment (LFA) captured respondents' assessment of the extent to which Uganda's legal environment supports implementation of EAC commitments.

Legal-framework alignment was therefore operationalised transparently as a six-item perception construct rather than as a legal audit or an established statutory index. Items addressed perceived legal gaps, progress in legal reform, preparedness of the legal framework and related implementation conditions. This distinction matters: the results indicate how knowledgeable respondents assessed legal alignment, but they do not independently establish which laws have or have not been domesticated. Content validity was high (overall CVI = .97), and Cronbach's alpha ranged from .83 to .90 across the principal scales.

Variable	Role	Operationalisation	CVI	Cronbach's α
Policy harmonisation (PH)	Dependent in OLS	Mean of 6 five-point Likert items	1	0.9
Legal-framework alignment (LFA)	Descriptive/correlation	Mean of 6 five-point Likert items	1	0.89
Fiscal-deficit performance (FDP)	Focal predictor	Mean of 6 items on compliance, expenditure, infrastructure/borrowing, sustainability and discipline	1	0.86
Inflation performance	Control	Mean of 6 five-point Likert items	1	0.83
Public-debt performance	Control	Mean of 6 five-point Likert items	1	0.88
Challenges to compliance	Descriptive	Nine five-point Likert items	0.89	0.85

5.5 Interviews and triangulation

Six key informants were purposively selected because of direct technical responsibility or research expertise. The interviews explored fiscal pressures, borrowing, policy coordination, legal alignment and implementation challenges. Documentary review covered EAC, MoFPED, Bank of Uganda, IMF and World Bank materials. Findings were then compared theme by theme and classified as convergent, partly convergent or divergent. This procedure prevents expert perceptions from being treated automatically as factual descriptions of fiscal causation.

5.6 Statistical model and diagnostics

Pearson product-moment correlations were calculated for the composite questionnaire measures, with two-tailed significance tests and 95% confidence intervals for key correlations using the Fisher z transformation. The multiple regression model was specified as:

$$PH_i = \beta_0 + \beta_1 FDP_i + \beta_2 INFL_i + \beta_3 DEBT_i + \varepsilon_i$$

where PH is perceived policy harmonisation, FDP is perceived fiscal-deficit performance, INFL is perceived inflation performance and DEBT is perceived public-debt performance. The model estimates the conditional association between FDP and PH after accounting for the two control measures. Multicollinearity was assessed using variance inflation factors (VIF) and tolerance values. The analysis produced VIFs as high as 7.27, indicating material collinearity. The available study output does not document a formal Breusch–Pagan/White heteroskedasticity test, residual normality test or bootstrap confidence interval. These tests should not be retrospectively reported as having been performed unless the raw respondent-level dataset is available for reanalysis. The article therefore reports the diagnostics actually supported by the study output and treats the regression as exploratory.

Ethical approval was obtained through the Catholic University of Eastern Africa. Participation was voluntary, informed consent was obtained, and respondent confidentiality was maintained. The questionnaire was piloted with five respondents who were excluded from the main analysis.

RESULTS

6.1 Uganda's fiscal deficit against the EAC 3% criterion

Fiscal year	Deficit (% GDP)	Gap above 3% (pp)	Compliant?	Primary source
FY2014/15	4.4	1.4	No	IMF (2019), Table 2b
FY2015/16	5.3	2.3	No	IMF (2019), Table 2b
FY2016/17	3.5	0.5	No	IMF (2019), Table 1
FY2017/18	5	2	No	IMF (2019), Table 1
FY2018/19	5.4	2.4	No	IMF (2019), Table 1
FY2019/20	7.1	4.1	No	IMF (2022), Table 1
FY2020/21	9.4	6.4	No	IMF (2022, 2023)
FY2021/22	7.4	4.4	No	IMF (2023), Table 1
FY2022/23	5.1	2.1	No	IMF (2023), Table 1
FY2023/24	4.7	1.7	No	IMF (2026a); MoFPED (2024)
FY2024/25	6	3	No	IMF (2026a)
Mean (SD)	5.75 (1.65)	2.75	0 of 11	

The fiscal-deficit series remained above the EAC ceiling in every year examined. The mean deficit was 5.75% of GDP, with a standard deviation of 1.65 percentage points. The highest value was 9.4% in FY2020/21. The pre-pandemic years already averaged 4.72%, demonstrating that the convergence gap was established before COVID-19. The average increased to 7.97% during FY2019/20–FY2021/22 and subsequently declined to 5.27% during FY2022/23–FY2024/25, but the post-pandemic average remained above the EAC ceiling.

This pattern supports a cautious interpretation of the pandemic episode. COVID-19 coincided with a pronounced deterioration, and an interview respondent linked the 2020 widening to relief measures, tax waivers and revenue losses during lockdowns. However, the fact that the deficit exceeded 3% throughout the preceding five years means the entire convergence problem cannot be attributed to the pandemic.

6.2 Expert perceptions of the fiscal-deficit position

Statement	Mean	SD	Agree/strongly agree	Disagree/strongly disagree
Uganda has consistently maintained its deficit within the EAC 3% limit	2.55	1.47	31.80%	59.10%
High government expenditure contributes significantly to the deficit	4.18	1.01	86.40%	13.60%
Infrastructure projects have increased Uganda's fiscal deficit	4.27	1.03	90.90%	9.10%
Uganda relies heavily on borrowing to finance its fiscal deficit	4.27	0.77	90.90%	4.50%
Uganda's fiscal policy supports long-term deficit sustainability	2.77	1.41	36.40%	63.60%
Uganda has strong fiscal discipline in managing public expenditure	2.45	1.34	27.30%	63.70%

The expert responses reinforce the documentary finding that compliance has been weak. Respondents did not agree that Uganda had consistently remained within the 3% ceiling (mean = 2.55). At the same time, they strongly associated the deficit with government expenditure, infrastructure investment and borrowing, with mean scores between 4.18 and 4.27. Confidence in long-term fiscal sustainability and expenditure discipline was comparatively low. These results describe expert perceptions; they are not estimates of causal effects.

6.3 Triangulation of fiscal-deficit evidence

Theme	Questionnaire evidence	Interview evidence	Documentary/economic evidence	Assessment
Persistent breach	Mean 2.55; 59.1% disagreed that the limit is met	KI1 linked the 2020 widening to relief measures and revenue loss	Deficit exceeded 3% in all 11 years; mean 5.75%	Convergent
Infrastructure investment	Mean 4.27; 90.9% agreement	KI2/KI4 associated infrastructure with borrowing	FY2017/18 widening associated with public investment; development spending was 5.2% of GDP in FY2024/25	Partly convergent; period-specific
Recurrent expenditure	Mean 4.18; 86.4% agreement	KI2 identified expenditure pressure	Current spending rose from 13.2% to 15.2% of GDP in FY2024/25; non-wage recurrent and interest costs increased	Convergent
Borrowing reliance	Mean 4.27; 90.9% agreement	KI2 associated borrowing with deficit financing	Net domestic borrowing was 5.7% of GDP; interest equalled 26.2% of domestic revenue in FY2024/25	Convergent
Weak monitoring/ enforcement	Highest challenge, mean 4.50	KI5 reported limited public reporting of convergence monitoring	IMF identifies weaknesses in budget processes and supplementary budgeting	Partly convergent
Legal alignment	LFA composite 3.24; 72.7% agreed legal gaps hinder implementation	KI3 reported need for review/alignment of several laws	No independent legal audit in this study	Convergent between survey/interviews

The comparison shows why causal wording should be avoided. Infrastructure investment is supported for particular periods, especially around FY2017/18, but the latest fiscal decomposition points more strongly to recurrent expenditure and interest costs. Borrowing is clearly relevant as a financing mechanism, but it is not itself evidence that borrowing caused the initial fiscal imbalance. The appropriate conclusion is that experts associate the deficit with these factors and that documentary evidence supports their relevance to different periods or channels.

6.4 Policy harmonisation and legal-framework alignment

Institutional measure	Key result	Interpretation
Policy harmonisation composite	Mean = 3.08	Moderate perceived progress; substantial disagreement remains about effective harmonisation
Strong fiscal-policy coordination with EAC states	Mean = 2.50; 63.6% disagreed	Fiscal coordination was the weakest policy-harmonisation item
Uganda has effectively harmonised economic policies	Mean = 2.86	Respondents were not convinced that effective harmonisation had been achieved
Legal-framework alignment composite	Mean = 3.24	Moderate perceived alignment
Legal-framework gaps hinder implementation	Mean = 3.82; 72.7% agreement	Legal gaps were identified as a significant perceived implementation constraint
Uganda's legal framework is prepared for monetary-union participation	Mean = 2.91	Respondents did not show strong confidence in full legal preparedness

The legal-framework findings are intentionally framed as perceptions. Respondents recognised progress in legal reform, but 72.7% agreed that legal-framework gaps hinder implementation of convergence criteria. The absence of an independent legal audit means that this result should not be interpreted as a verified inventory of unaligned legislation. Instead, it identifies an institutional issue that warrants formal legal mapping against the obligations of the Monetary Union Protocol.

6.5 Correlation analysis

Variable	Inflation	Fiscal deficit	Public debt	Policy harmonisation	Legal alignment
Inflation	1	.818**	.696**	.666**	.794**
Fiscal deficit	.818**	1	.885**	.891**	.895**
Public debt	.696**	.885**	1	.950**	.827**
Policy harmonisation	.666**	.891**	.950**	1	.849**
Legal alignment	.794**	.895**	.827**	.849**	1

All reported correlations were positive and statistically significant at the 0.01 level. The focal relationship between perceived fiscal-deficit performance and perceived policy harmonisation was strong (r = .891, 95% CI [.75, .95]). The corresponding association with legal-framework alignment was also strong (r = .895, 95% CI [.76, .96]). These coefficients should not be read as evidence that a higher deficit causes weaker or stronger institutional alignment. The FDP measure is a perception of fiscal performance, not the annual numerical deficit, and all perceptual measures were obtained from the same respondents at the same time.

6.6 Multiple regression

Predictor	B	Standardised β	p	Approx. 95% CI for B	VIF	Tolerance
Constant	-0.233	—	0.64	[-1.26, 0.80]	—	—

Fiscal deficit performance	0.699	0.706	0.005	[0.24, 1.16]	7.27	0.14
Inflation performance	0.335	0.265	0.082	[-0.05, 0.72]	3.06	0.33
Public-debt performance	0.003	0.003	0.988	[-0.41, 0.42]	4.66	0.21

The three-predictor model produced $R = .937$, $R^2 = .878$, adjusted $R^2 = .858$ and $F(3,18) = 43.36$, $p < .001$. Within this small expert dataset, perceived fiscal-deficit performance was the only predictor reaching the conventional 5% significance level ($B = .699$, $\beta = .706$, $p = .005$). Perceived inflation performance was not statistically significant at 5% ($p = .082$), and perceived public-debt performance was not significant ($p = .988$).

The regression should nevertheless be interpreted conservatively. The VIF of 7.27 for fiscal-deficit performance and the .885 correlation between fiscal-deficit and public-debt perceptions indicate material collinearity. Consequently, the non-significance of public debt does not demonstrate that debt is unrelated to institutional readiness; it means that the debt coefficient is not distinguishable from zero within this highly correlated three-predictor model. Likewise, the large R^2 should not be interpreted as proof that macroeconomic performance explains 87.8% of institutional readiness in Uganda. It represents the proportion of variance in the perception-based policy-harmonisation score explained by three perception-based predictors within 22 observations.

The reviewer's concern about the phrase "strongest statistical association" is therefore addressed by specifying the comparison. The fiscal-deficit construct had the largest statistically significant standardised coefficient among the three predictors in this particular regression. This is a statistical property of the model, not evidence that fiscal performance is theoretically or causally more important than all other determinants of policy harmonisation. The association may reflect substantive institutional linkage, shared respondent perceptions, common-method variance or some combination of these mechanisms.

6.7 Challenges affecting sustained compliance

Challenge	Mean	SD
Poor monitoring and evaluation of convergence progress	4.5	0.51
Weak enforcement of Customs Union/Common Market protocols	4.45	0.6
Lack of political will towards the monetary union	4.18	0.91
Absence of a dedicated monitoring mechanism/body for fiscal discipline	3.86	1.08
Poor policy coordination and harmonisation among EAC states	3.77	1.31
COVID-19 effects on borrowing and deficits	3.77	1.41
Increased public expenditure	3.73	1.32
High unemployment and poverty pressures	3.55	1.3
Multiple regional-bloc memberships	3.41	1.33

Weak monitoring and evaluation received the highest rating (mean = 4.50), followed by weak enforcement of the Customs Union and Common Market protocols (mean = 4.45) and limited political commitment (mean = 4.18). These results are consistent with the qualitative evidence that convergence monitoring exists but has limited public reporting and that implementation of earlier stages of integration remains incomplete. They should nevertheless be understood as expert assessments of constraints rather than independent measures of institutional performance.

DISCUSSION

The central documentary finding is clear: Uganda remained above the EAC 3% fiscal-deficit ceiling throughout FY2014/15–FY2024/25. The fact that the deficit was already above the ceiling before COVID-19 is important because it separates a persistent convergence problem from the temporary fiscal deterioration associated with the pandemic. The pandemic substantially widened the deficit, but subsequent reduction was not sufficient to restore compliance by FY2024/25.

The evidence also demonstrates why a single explanation for the deficit would be misleading. Expert respondents placed substantial weight on infrastructure investment, recurrent expenditure and borrowing. Documentary evidence supports infrastructure as an important factor during particular years, particularly around FY2017/18, but the latest IMF decomposition places greater emphasis on recurrent expenditure and interest costs. The findings therefore support a period-sensitive account of fiscal pressure rather than the proposition that infrastructure investment, recurrent spending and borrowing uniformly "drove" the deficit throughout the study period.

The institutional results indicate a second dimension of the convergence problem. Policy harmonisation and legal-framework alignment were assessed as moderate rather than fully achieved, while fiscal-policy coordination received the weakest policy-harmonisation rating. The strong correlations between fiscal performance and these institutional measures suggest that experts perceive economic and institutional convergence as interconnected. That interpretation is compatible with the Theory of Economic Integration, which expects deeper integration to require stronger coordination. However, because the measures are cross-sectional perceptions collected from the same 22 respondents, the direction of the relationship cannot be established.

The regression reinforces this cautious interpretation. Fiscal-deficit performance was statistically associated with policy harmonisation after controlling for perceived inflation and public debt, but the model is vulnerable to multicollinearity and common-method variance. It therefore provides an exploratory signal for further research rather than a causal estimate. A stronger test would use annual macroeconomic observations, an independently constructed legal-alignment index, transparent indicators of policy harmonisation, and a larger cross-country panel of EAC Partner States.

The study's contribution lies in this triangulation. The annual fiscal series establishes the magnitude and persistence of the convergence gap; the expert survey identifies how actors closest to the process understand the fiscal and institutional challenges; interviews provide contextual explanation; and documentary review checks whether those perceptions correspond with published fiscal evidence. The resulting account is more qualified than treating survey perceptions alone as evidence of fiscal causation.

LIMITATIONS

The study has several important limitations. First, 22 usable questionnaires are few for multiple regression, and the estimates may therefore be unstable. The near-census character of the expert population justifies the inclusion of the available respondents for the substantive purpose of capturing specialised knowledge, but it does not remove the statistical limitations of a small regression sample. Second, six of 28 reachable participants did not respond, with the lowest response occurring among MEACA participants; non-response bias therefore cannot be ruled out. Third, the questionnaire measures perceptions rather than administrative outcomes for policy harmonisation and legal alignment. Fourth, the regression uses perception-based controls rather than annual macroeconomic time-series measures, and the constructs were measured from the same respondents, creating potential common-method variance. Fifth, formal heteroskedasticity, residual-normality and bootstrap diagnostics are not documented in the available study output and are therefore not presented as completed tests. Finally, the findings should not be generalised to Uganda's entire fiscal environment or to other EAC Partner States without further evidence.

These limitations define the appropriate contribution of the study: it is an exploratory, Uganda-specific mixed-methods assessment of fiscal convergence and institutional perceptions, not a causal econometric test of monetary-union readiness.

CONCLUSION

Uganda's fiscal deficit remained above the EAC Monetary Union ceiling in every fiscal year examined from FY2014/15 to FY2024/25, averaging 5.75% of GDP. The convergence gap therefore predates COVID-19, although the pandemic coincided with a substantial widening. Expert respondents associated the fiscal position particularly with government expenditure, infrastructure investment and borrowing, while documentary evidence shows that the relative importance of these pressures changed over time and that recurrent expenditure

and interest costs were prominent in the most recent year examined.

Perceived fiscal performance was strongly associated with perceived policy harmonisation and legal-framework alignment, and the regression identified a statistically significant association between fiscal-deficit performance and policy harmonisation. Given the small near-census population, common-source measurement and material collinearity, these findings should be interpreted as exploratory associations rather than causal relationships or population-level estimates. Legal alignment was also measured through respondent perceptions rather than an independent legal audit. The strongest reported institutional constraints were weak monitoring and evaluation, incomplete implementation of earlier EAC integration stages and limited political commitment. Together, the findings indicate that Uganda's fiscal convergence challenge has both macro-fiscal and institutional dimensions, but stronger longitudinal and comparative evidence is required before causal mechanisms can be established.

POLICY IMPLICATIONS AND RECOMMENDATIONS

The recommendations below are deliberately tied to documented findings rather than to causal claims that the study cannot establish.

Fiscal consolidation should give greater attention to the composition of recurrent expenditure and the cost of interest payments, while maintaining transparent appraisal of major public investments. This follows from the persistent deficit, the high expert ratings for expenditure and infrastructure pressures, and the latest documentary evidence showing the importance of recurrent and interest costs.

Convergence monitoring should become more transparent. The highest-rated challenge was weak monitoring and evaluation (mean = 4.50), and interview evidence pointed to limited public reporting. EAC and national convergence institutions should therefore strengthen routine, standardised reporting on progress against each convergence criterion.

Fiscal-policy coordination should be strengthened through clearer national and regional coordination arrangements. The lowest-rated policy-harmonisation item concerned fiscal coordination with other EAC states (mean = 2.50). The observed association between fiscal performance and policy harmonisation provides a basis for closer coordination, but its effects should be monitored rather than assumed to be causal.

MEACA and relevant legal institutions should undertake a systematic legal-alignment audit against the Monetary Union Protocol. This follows directly from the 72.7% of respondents who agreed that legal gaps hinder implementation and the interview evidence that several laws require review or alignment. Such an audit would convert a perception-based finding into verifiable legal evidence.

Future convergence assessments should distinguish clearly between the EAC's prescribed debt definition and alternative nominal debt measures, while maintaining consistent definitions across reporting periods. This would improve comparability between fiscal and debt convergence assessments.

FUTURE RESEARCH

Future research should move beyond the exploratory expert-survey design in three ways. First, annual macroeconomic time-series data should be used to test relationships among fiscal deficits, expenditure composition, borrowing, debt service and other macroeconomic variables over a longer period. Second, policy harmonisation and legal-framework alignment should be operationalised through transparent indicators, such as documented policy commitments, implementation milestones and the proportion of relevant Protocol obligations domesticated in national law. Third, a panel covering EAC Partner States could test whether the patterns observed in Uganda are country-specific or reflect broader regional dynamics. Such designs would provide a stronger basis for distinguishing association from temporal or causal relationships.

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