International Journal of Trend in Scientific Research and Development (IJTSRD)
Volume 10 Issue 5, Sep-Oct 2026 Available Online: www.ijtsrd.com e-ISSN: 2456 – 6470

Institutionalising Next-Generation Public Financial Management Reforms in Uganda: From Fragmented Instruments to an Integrated, Risk-Based and Intelligence-Driven PFM Architecture Evidence from Auditor-General Findings, Comparative International Practice and Digital Transformation Imperatives

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ABSTRACT

Uganda's Public Financial Management (PFM) system has undergone four decades of reform, culminating in the PFM Reforms Strategy 2025–2030. Yet successive Auditor-General reports (2024–2025) continue to document persistent weaknesses: unreliable asset valuation, chronic domestic arrears, weak linkage between budgets and results, unmanaged contingent liabilities, and performance degradation in the Integrated Financial Management System (IFMS). This paper argues that Uganda's principal PFM challenge is no longer the absence of reform instruments, but the incomplete integration, institutionalisation, enforcement and intelligence of the instruments it already has. We develop a five-level PFM maturity framework - compliance, digital, integrated, risk-based and predictive/next-generation PFM - and use it to distinguish mature but incompletely institutionalised reforms (e.g., medium-term expenditure frameworks, gender- and climate-responsive budgeting, spending reviews) from genuinely emerging next-generation instruments (e.g., AI-assisted audit, real-time fiscal-risk analytics, predictive arrears management, and API-based fiscal transparency). Drawing on Auditor-General reports, the PEFA 2024 Uganda assessment, IMF and World Bank diagnostics, and comparative regional practice from Rwanda and Kenya, the paper maps Uganda's position on the maturity framework across ten PFM functions and identifies why persistent weaknesses recur despite reform activity, giving explicit attention to institutional fragmentation, incentives and political economy alongside technical and technological constraints. Particular attention is given to IFMS transaction-processing latency as a contributing - rather than sole - operational driver of arrears accumulation, and to the Treasury Inspectorate and Policy Department (TIPD) as a potential institutional anchor for closing the evidence-to-policy loop between audit findings and reform. The paper's contribution is threefold: empirical, in demonstrating the persistence of specific PFM weaknesses through audit evidence; conceptual, in developing a maturity framework for the transition from digital to next-generation PFM; and policy-relevant, in offering a sequenced, Uganda-specific reform roadmap intended to inform the mid-term review of the PFM Reforms Strategy 2025–2030.

How to cite this paper: Charles Stephen Mwasa | Ssemanda Ronald | Mbabazi Mbabazize "Institutionalising Next-Generation Public Financial Management Reforms in Uganda: From Fragmented Instruments to an Integrated, Risk-Based and Intelligence-Driven PFM Architecture Evidence from Auditor-General Findings, Comparative International Practice and Digital Transformation Imperatives" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-10 | Issue-5, October 2026, pp.271-289, URL: www.ijtsrd.com/papers/ijtsrd142209.pdf

IJTSRD142209

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KEYWORDS: *Public Financial Management; Uganda; PFM maturity model; Auditor-General; PEFA; fiscal risk; political economy of reform; digital financial architecture; East Africa; IFMS.*

1. INTRODUCTION

Public Financial Management (PFM) is the institutional infrastructure through which governments mobilise, allocate and safeguard public resources to achieve development goals. It spans the entire budget cycle - formulation, execution, accounting and reporting, and external audit - and is central to fiscal discipline, allocative efficiency and accountability (Simson et al., 2011; Gumisiriza & Mukasa, 2022). For Uganda, the stakes have intensified with the Tenfold Growth Strategy, which aims to expand the economy from USD 50 billion to USD 500 billion by 2040, an ambition that presupposes a PFM system capable of managing resources at a scale far beyond current performance (MoFPED, 2025).

Uganda's response has been the PFM Reforms Strategy 2025–2030, framed as "PFM for Growth and Improved Service Delivery." This strategy builds on four decades of continuous reform, beginning with the Economic Recovery Programme (1987) and the Public Finance Act (1988), through the introduction of the Integrated Financial Management System (IFMS) in 2004, the Public Finance Management Act (2015), and recent digital initiatives such as e-Government Procurement (2022) and climate-responsive budgeting (2023) (REAP Timeline, 2024).

Yet despite this trajectory, Auditor-General reports continue to surface recurring weaknesses: unreliable public asset valuation, chronic domestic arrears, weak linkage between budgets and results, inadequately disclosed contingent liabilities, and operational degradation in IFMS (Auditor General, 2025). The PEFA 2024 assessment similarly recorded stagnation in external scrutiny and fiscal-risk reporting, with Uganda scoring D+ on fiscal-risk disclosure and C+ on performance information for service delivery (PEFA Secretariat, 2024).

These findings point to a puzzle that is conceptual as much as empirical: Uganda already possesses a substantial inventory of PFM instruments - a medium-term expenditure framework, a treasury single account, IFMS, e-procurement, programme-based budgeting, and climate- and gender-responsive budgeting requirements. If the instruments exist, why do the same categories of Auditor-General finding recur year after year? One explanation, increasingly prominent in international practice, is that the unresolved gaps sit in a distinct category of "next-generation" reform: AI-enabled audit and anomaly detection, consolidated fiscal-risk statements, independent fiscal institutions, rules-anchored medium-term fiscal frameworks, systematic spending reviews, sovereign asset–liability management, and integrated digital financial infrastructure (World Bank FMUP, 2026; IMF eLibrary, 2026). A competing, and in our view complementary, explanation is that Uganda's problem is less the absence of new instruments than the incomplete integration, institutionalisation and enforcement of the instruments it already has, compounded by the political-economy incentives that shape how those instruments are used in practice.

This paper adjudicates between - and ultimately combines - these two explanations. Its central research question is:

> ***Why do recurring PFM weaknesses persist in Uganda despite four decades of reform, and what institutional, technological and governance changes are required to transition from incremental, fragmented reform to an integrated, next-generation PFM architecture?***

This question is addressed through three secondary questions: (i) which categories of PFM weakness recur most persistently in Uganda's Auditor-General findings, and why; (ii) where does Uganda sit on a maturity continuum from compliance-based to next-generation PFM, function by function; and (iii) what sequencing of institutional, technical and governance reform is feasible given Uganda's political economy and administrative capacity?

Correspondingly, the paper's objectives are to: (1) identify persistent weaknesses in Uganda's PFM system through systematic analysis of Auditor-General findings; (2) develop and apply a PFM maturity framework that benchmarks Uganda's reform programme, function by function, against international and regional practice, drawing on PEFA, IMF and World Bank diagnostics and comparative evidence from Rwanda and Kenya; and (3) translate this evidence into a sequenced, politically realistic reform roadmap, with particular attention to digital financial architecture and to IFMS transaction-processing performance.

The paper's contribution is threefold. Empirically, it grounds the next-generation PFM discourse in country-specific audit evidence rather than treating international good practice as a checklist transplanted without regard to local institutional realities. Conceptually, it develops a five-level PFM maturity model that distinguishes mature-but-incomplete reforms from genuinely emerging next-generation instruments, and applies that model systematically across Uganda's PFM functions. Policy-relevant, it produces a sequenced roadmap, anchored in an identifiable institutional home - the Treasury Inspectorate and Policy Department (TIPD) -

intended to inform the mid-term review of the PFM Reforms Strategy 2025–2030.

2. Conceptualising Next-Generation PFM: A Maturity Framework

The term "next-generation PFM" is used widely in Fund and Bank practice literature but is rarely defined with precision, and the manuscript literature this paper engages with is no exception. Left undefined, the term risks conflating two analytically distinct categories: reforms that are internationally mature but incompletely institutionalised in a given country, and reforms that are genuinely emergent even in well-resourced systems. This section defines both terms and develops a maturity framework used throughout the paper.

2.1. Defining "next-generation" PFM

We define next-generation PFM as reforms that move public financial management beyond transaction-level compliance and digitisation toward fiscal management that is integrated, predictive, risk-based, performance-oriented and whole-of-government. Operationally, this definition rests on five dimensions:

- **Predictive** - oriented toward forecasting and early warning (e.g., of arrears, fiscal risk or asset deterioration) rather than retrospective correction after the fact.
- **Risk-based** - fiscal risks are identified, quantified, disclosed and actively managed, rather than surfaced only after crystallisation.
- **Integrated** - budget, treasury, procurement, assets, debt, payroll and revenue systems are functionally connected rather than operating as parallel, loosely coupled systems.
- **Performance-oriented** - resources are credibly linked to outputs and outcomes, with that linkage embedded in budget documentation and audit.
- **Data-driven and whole-of-government** - real-time analytics inform decision-making, and central government, local governments, state-owned enterprises, public–private partnerships and other fiscal entities are considered together rather than in isolation.

2.2. Two categories of reform

Applying this definition requires distinguishing two categories of instrument that are often collapsed together in the international literature:

- **Category A - mature but incompletely institutionalised reforms.** These include the medium-term expenditure framework, systematic spending reviews, gender-responsive budgeting, climate-informed budgeting and fiscal-risk reporting. None of these is new; each has a substantial international track record extending back one to three decades. Where they are absent or weak in Uganda, the gap is one of institutionalisation, resourcing and enforcement rather than of instrument availability.
- **Category B - genuinely emerging next-generation reforms.** These include AI-assisted audit and anomaly detection, predictive expenditure and commitment controls, real-time fiscal-risk analytics, integrated fiscal data warehouses, API-based fiscal transparency, digital-identity-linked expenditure controls, and predictive arrears management. These instruments are still maturing even in well-resourced PFM systems, and their adoption in Uganda would represent genuine frontier practice rather than catch-up.

This distinction matters for policy sequencing: Category A gaps are, in principle, closable through sustained institutionalisation of existing instruments, while Category B gaps require new technical and institutional capability. Section 8 applies this distinction when assessing Uganda's position function by function, and Section 9 reflects it in the sequencing of the reform roadmap.

2.3. A five-level PFM maturity model

To operationalise this framework analytically, we propose a five-level PFM maturity model, adapted from the emerging-architecture literature (Cangiano, Curristine & Lazare, 2013; Allen, Hemming & Potter, 2013) and from PEFA's own diagnostic logic (PEFA Secretariat, 2024). The model is not intended as a strict ladder that every PFM function must climb in sequence - some functions may combine features of adjacent levels - but as an analytical device for locating current practice and identifying the next feasible step.

Level	Character	Illustrative Features
Level 1	Compliance PFM	Basic budget control, legal and regulatory foundations, manual or semi-manual processing, audit focused on regularity.
Level 2	Digital PFM	Core systems automated (e.g., IFMS, e-procurement); transaction processing digitised; reporting largely retrospective.
Level 3	Integrated PFM	Budget, treasury, procurement, payroll, assets and debt systems interoperate; consolidated in-year reporting; single treasury account operational.

Level 4	Risk-based PFM	Fiscal risks (SOEs, PPPs, contingent liabilities, climate/disaster exposure) identified, quantified and disclosed; independent or quasi-independent scrutiny; rules-anchored fiscal frameworks.
Level 5	Predictive / Next-generation PFM	Real-time analytics and AI-assisted anomaly detection; predictive arrears and commitment management; whole-of-government, whole-of-balance-sheet fiscal management; open, API-based fiscal data.

Figure 1. PFM Reform Maturity Model: Compliance → Digital → Integrated → Risk-based → Predictive PFM.

Section 8 uses this model to assess ten Ugandan PFM functions - budget formulation, treasury management, accounting and reporting, procurement, asset management, debt management, fiscal-risk management, external audit, performance management and digital architecture - against these five levels, drawing on the evidence presented in Sections 6 and 7.

2.4. Situating the framework in the literature

The maturity framework developed above combines two strands of literature. The first is the global discourse on next-generation PFM reforms, which since the mid-2020s has extended the traditional budget-cycle model of PFM (Allen, Hemming & Potter, 2013) in response to two converging pressures: rising global public debt and advances in data analytics, artificial intelligence and digital payment infrastructure (IMF, 2023; World Bank, 2024). This literature identifies AI-embedded audit and anomaly detection (World Bank GovTech, 2024), consolidated fiscal-risk statements (IMF Fiscal Transparency Evaluation, 2023), independent fiscal institutions (OECD, 2022), rules-anchored medium-term fiscal frameworks (Cangiano, Curristine & Lazare, 2013), climate-informed budgeting (IMF, 2023), gender-responsive budgeting at scale (Budlender, 2021), systematic spending reviews (Robinson, 2019) and sovereign asset–liability management (IMF, 2022) as the leading edge of PFM practice.

The second is the "best-fit" literature on institutional reform, which cautions against transplanting reform instruments without regard to local institutional capacity, political economy and sequencing constraints (Andrews, 2013; Pritchett, Woolcock & Andrews, 2010). This literature is essential to the present paper because it explains why instrument adoption and instrument institutionalisation are analytically distinct: a reform can be legally adopted - as Uganda's MTEF, gender-budgeting requirement and climate-budget tagging all have been - without being functionally embedded in day-to-day fiscal decision-making. Kenya's experience with sub-national IFMIS roll-out illustrates the same point from a technological angle: digital PFM tools can widen, rather than close, accountability gaps where connectivity and technical capacity are uneven (World Bank, 2022).

The paper's gap-mapping method (Section 4) and maturity assessment (Section 8) operationalise both strands together: each recurring Auditor-General finding is cross-referenced against the next-generation instrument that international practice associates with resolving it, against the maturity level Uganda has reached on that function, and against the institutional and political-economy conditions (Section 7) that shape whether further institutionalisation is plausible.

3. Evolution of PFM Reform in Uganda, 1986–2026

Uganda's PFM Reforms Strategy 2025–2030 is the latest chapter in a reform trajectory stretching back four decades. Understanding this trajectory analytically - rather than simply narrating it - is important because many of the cross-cutting weaknesses documented in recent Auditor-General reports are not newly emergent problems but the unresolved residue of earlier reform phases (Auditor General, 2025). Table 1 therefore sets out, for each reform generation, not only its key milestones but what each phase achieved and what it left unresolved, directly supporting the paper's thesis of unfinished reform cycles rather than a simple absence of reform effort.

Period	Reform Character / Milestones	What Improved	What Remained Unresolved
1986–1991	Post-conflict stabilisation. Economic Recovery Programme (1987); Public Finance Act (1988).	Restored basic fiscal order and macroeconomic control after conflict.	Deeper institutional capacity, sub-national systems and accountability mechanisms were not addressed (Kuteesa et al., 2019).
1992–2000	Structural adjustment and decentralisation. Civil Service Reform Programme (1992);	Embedded decentralisation constitutionally and introduced multi-year	Weak local government capacity meant accountability gaps persisted at sub-national

	1995 Constitution; PEAP (1997); MTEF (1998); Budget Act (1999).	budgeting.	level, limiting the effectiveness of fiscal devolution (Francis & James, 2003).
2001–2010	Legal codification and first-generation systems. Public Finance and Accountability Act (2003); PPDA Act (2003); IFMS introduced (2004); Fiscal Decentralisation Strategy (2006); LG Financial Management Reform Programme (2008).	Improved compliance and transparency through Uganda's first PFM laws and automated systems.	Reforms were largely donor-driven and technocratic, leaving fiscal-risk management and sustainability unaddressed (World Bank, 2010).
2011–2020	Fiscal-crisis-driven consolidation. TSA (2011); PFM Act enacted (2015) with 2016 Regulations; Programme-Based Budgeting (2016); gender/equity budgeting requirement (2018).	High-profile scandals (e.g., UGX 60 billion lost in OPM; UGX 340 billion paid to ghost pensioners) catalysed a stronger legal framework and consolidation of cash management through the TSA.	Reform remained reactive and crisis-driven rather than proactive; development partners suspended direct budget support in 2012 (Transparency International, 2013).
2021–2025	Digital transformation and REAP consolidation. Budget Transparency Initiative (2021); e-GP (2022); SDG/green budget alignment (2023); REAP concludes (June 2025), 85% domestically financed.	Delivered Uganda's strongest recent gains in budget transparency and digital tax administration.	IFMS performance degradation and arrears accumulation persisted, undermining operational efficiency (PEFA Secretariat, 2024).
2025–2030	Current strategy phase. PFM Reforms Strategy 2025–2030 ("PFM for Growth and Improved Service Delivery"), informed by the 2024 PEFA assessment, the 2022 PIMA and the NDP III mid-term review.	Consolidates prior reform generations under a single strategy with an explicit growth rationale.	Whether the strategy closes structural gaps inherited from earlier phases, or defers them again, is the central question this paper investigates (MoFPED, 2025).

Table 1. Evolution of PFM Reform in Uganda: Achievements and Unresolved Gaps by Generation.

Read across rows rather than down columns, Table 1 shows a consistent pattern: each reform generation addressed the binding constraint of its moment - fiscal collapse, decentralisation, legal codification, crisis response, digitisation - while leaving a residue of unresolved institutional weakness that the next generation inherited rather than resolved. The weaknesses documented in Section 6 (asset valuation, arrears, results-orientation, contingent liabilities and IFMS performance) are, in this reading, not new problems but the accumulated residue of six successive reform generations, none of which fully closed the gap between instrument adoption and institutionalised, enforced practice.

4. Methodology

This study employs a qualitative, document-based comparative policy analysis, a method well suited to synthesising institutional evidence and benchmarking reform trajectories across countries, while remaining transparent about the limits this places on causal inference. The analysis draws on three categories of sources. First, primary Ugandan government documents: the Auditor-General's Annual Performance Report to Parliament for FY2023/24 and related entity-level audit reports for FY2024/25, the PEFA 2024 Uganda Assessment (with supplementary gender and climate-change modules), and the PFM Reforms Strategy 2025–2030 issued by MoFPED. Second, international diagnostic and practice literature, notably IMF technical assistance reports, World Bank GovTech diagnostics on digital solutions for PFM, and publications from the IMF Fiscal Affairs Department and World Bank Governance Global Practice. Third, regional comparative material, including Rwanda's PEFA 2022 assessment, IMF programme reviews for Rwanda, East African Community fiscal-surveillance documentation, and independent analyses of sub-national PFM digitalisation in Kenya and Tanzania.

4.1. A structured coding methodology for audit findings

To move the analysis beyond narrative description, recurring findings across the Auditor-General's FY2023/24 and FY2024/25 reports were coded using a structured seven-field schema applied consistently to each finding: the audit finding itself; whether it recurs across the two most recent reporting cycles; its likely root cause as stated or reasonably inferable from the audit narrative; the PFM function it implicates (e.g., asset management, cash management, budget execution); the existing institutional or policy response, if any; the resulting gap; and the next-generation or institutionalisation reform proposed to close it. Table 2 illustrates the schema applied to the six cross-cutting weaknesses discussed in Section 6; a full finding-by-finding register of this kind, extending across all entity-level reports, is a natural next step for follow-on empirical work and is flagged as a direction for future research in Section 13.

Audit Finding	Recurs FY23/24 & FY24/25	PFM Function	Existing Response	Gap	Proposed Reform
Unreliable / volatile asset valuation (307% single-year revaluation change)	Yes	Asset management	Ad hoc Valuation Committees; multi-year validation exercise	No continuously maintained, IFMS-integrated asset register	Integrated Government Asset Management System (Section 10.3)
Chronic domestic arrears prioritised over new commitments	Yes	Cash / commitment management	Treasury guidance requiring arrears clearance first	Arrears management is reactive, not governed by forward commitment control	Predictive commitment-control and arrears-management chain (Section 10.4)
Weak budget–plan–results linkage (alignment scores as low as 31.9%)	Yes	Performance / results	NPA alignment assessments	Outputs not consistently expressed as measurable indicators	Institutionalised performance-budgeting linkage; spending reviews
Unquantified contingent liabilities (land compensation, disaster risk)	Yes	Fiscal risk	IMF-supported climate/fiscal-risk technical assistance	No standing, disclosed consolidated fiscal-risk statement	Consolidated Fiscal Risk Statement (Section 8; 10.1)
System-generated payment errors; IFMS processing delays	Yes	Information systems / treasury	Ad hoc case-by-case correction	No workload separation, capacity monitoring or automated control	IFMS performance remediation programme (Section 10.5)
Stagnant external-scrutiny pillar (PEFA Pillar VII unchanged)	Yes (PEFA 2024 vs. prior cycle)	External audit / scrutiny	Auditor-General mandate; PAC process	No independent, ex-ante or in-year fiscal scrutiny capacity	Feasibility study on independent fiscal scrutiny (Section 12)

Table 2. Illustrative Application of the Audit-Finding Coding Schema to Six Cross-Cutting Weaknesses.

This paper deliberately reports recurrence qualitatively - as "recurring across the two most recent reporting cycles" - rather than constructing a numerical recurrence index from more than two years of data, since the source material reviewed does not extend far enough back to support a statistically meaningful multi-year index without risking spurious precision. A quantified Audit Finding Recurrence Index, built from a longer time series of entity-level reports, is identified in Section 13 as a priority for follow-on empirical research.

4.2. Comparative country selection

Rwanda and Kenya were selected as comparators on three explicit criteria: East African Community membership and consequent exposure to the same regional fiscal-surveillance architecture (EAC Secretariat, 2023); the availability of comparable PEFA and IMF diagnostic material; and contrasting reform trajectories that offer analytically useful variation - Rwanda for its comparatively durable fiscal-risk consolidation (IMF, 2022), Kenya for the cautionary lessons of its sub-national IFMIS roll-out (World Bank, 2022). Where comparative evidence is presented in Section 9, it is organised consistently across the same functional categories used in the maturity assessment - fiscal-risk reporting, digital PFM, SOE reporting, spending reviews, external scrutiny, asset management and open fiscal data - so that the comparison is structured rather than illustrative.

4.3. Analytic stages and limitations

The analysis proceeded in three stages: thematic coding of recurring Auditor-General findings (Section 6); mapping of each theme against the maturity framework and corresponding next-generation instrument (Sections 8 and 10); and regional benchmarking to distinguish Uganda-specific weaknesses from broader East African patterns (Section 9). The study's most significant limitation is that it is document-based: it does not incorporate primary interviews with PFM practitioners, accounting officers or parliamentarians, and therefore cannot independently verify the political-economy and implementation-capacity dynamics discussed in Section 7, which are instead reconstructed from the institutional literature and from patterns visible in the audit and PEFA record. It also relies on the accuracy and currency of institutional sources, which may reflect political or bureaucratic bias. Claims about causal relationships - most importantly the relationship between IFMS transaction latency and arrears accumulation discussed in Section 6 - are accordingly stated as contributing associations rather than established causal effects, pending the transaction-level data analysis proposed in Section 13.

5. Institutional Context: The Inspection–Policy Nexus

The analysis in this paper is conducted from the institutional vantage point of Uganda's Department of Treasury Inspectorate and Policy (TIPD), which sits within the Accountant General's Office of MoFPED. TIPD combines two functions that are often institutionally separated in PFM systems. The Inspectorate Unit inspects Ministries, Departments and Agencies (MDAs), Local Governments and Missions Abroad, coordinates the annual Board of Survey, and supports both the Public Accounts Committee (PAC) and the Local Government Public Accounts Committee (LG-PAC) of Parliament. The Policy Unit is tasked with continuous review of PFM legislation, standards and accounting practice.

This dual mandate is analytically significant because it addresses a structural weakness commonly observed in PFM systems: compliance evidence generated through inspection, internal audit and external audit is produced by one institutional actor, while policy responses - legislative amendment, standard-setting, capacity investment - are designed by another (Allen, Hemming & Potter, 2013). Where this separation is rigid, audit findings recur across financial years without being systematically translated into rule changes or institutional reform. Uganda's experience illustrates the challenge directly: successive Auditor-General reports have highlighted recurring weaknesses in asset valuation, arrears management and fiscal-risk disclosure, yet these findings have not consistently triggered policy adjustment (Auditor General, 2025; PEFA Secretariat, 2024).

The Auditor-General should, in this respect, be understood as one node within a wider accountability architecture rather than solely as a source of findings. That architecture includes the audit-follow-up process, PAC and LG-PAC recommendations, the Treasury Memoranda issued in response to those recommendations, and the rate at which recommendations are implemented and repeat findings avoided. The deeper analytical question this raises - and one the present paper can only partially answer given its document-based method (Section 4.3) - is why audit recommendations do not consistently translate into sustained corrective action. Three plausible, non-exclusive explanations recur in the institutional literature and are examined further in Section 7: first, that inspection and policy functions, even where nominally combined as in TIPD, are not adequately resourced or empowered to close the loop from finding to standard change; second, that accounting officers face weak sanctions for non-implementation of Treasury Memoranda; and third, that political incentives around supplementary expenditure and off-budget commitments work against the enforcement logic that audit follow-up assumes.

By combining inspection and policy functions, TIPD is, in principle, better positioned than a purely inspectorate function to close this evidence-to-policy loop - a proposition developed formally as the PFM Evidence-to-Policy Feedback Loop in Section 12. Whether this potential is realised in practice depends on the extent to which the

reform agenda identified in this paper is actively championed, resourced and integrated into Uganda's broader PFM strategy, and on the political-economy conditions examined in Section 7. Comparative literature suggests that institutional arrangements integrating oversight and policy functions are more effective at sustaining reform momentum, provided they are backed by political commitment and adequate resources (Andrews, 2013; World Bank, 2024).

6. Findings I: Persistent PFM Weaknesses in Uganda

A systematic reading of the Auditor-General's Annual Performance Report for FY2023/24 and entity-level reports for FY2024/25, coded using the schema set out in Section 4.1 and summarised in Table 2, surfaces six recurring categories of weakness. Each recurs across both reporting cycles examined, supporting the paper's central claim that these are structural rather than isolated compliance failures.

6.1. Asset valuation and management

Government's asset revaluation exercise recorded an increase from UGX 26.269 trillion to UGX 80.807 trillion - a 307 percent single-year change. The Auditor-General noted that Valuation Committees lacked the competence to produce reliable estimates, and that asset validation remains an unresolved, multi-year exercise. This anomaly points to the absence of a continuously maintained public asset register integrated with financial reporting, a gap that undermines fiscal credibility (Auditor General, 2025).

6.2. Chronic domestic arrears

Accounting officers reported that arrears must, by Treasury guidance, take priority in current-year budgets before new commitments are honoured. This practice demonstrates that arrears management remains reactive rather than governed by forward-looking commitment control, perpetuating fiscal stress and crowding out new expenditure (PEFA Secretariat, 2024).

6.3. Weak linkage between budgets, plans and results

National Planning Authority assessments cited in Auditor-General reports show entities scoring as low as 31.9 percent on alignment between Budget Framework Papers and Annual Budgets against National Development Plan III output indicators. Accounting officers acknowledged that planned annual outputs are not consistently expressed as measurable performance indicators, undermining results-based accountability (MoFPED, 2025).

6.4. Unmanaged contingent liabilities

Contingent liabilities - particularly land compensation and disaster risk - remain inadequately quantified, disclosed and tracked. Recurrent findings on delayed land compensation and resettlement, as well as funding gaps against approved multi-year disaster-preparedness strategies, point to fiscal exposures that are not systematically integrated into budget documentation. This omission increases Uganda's vulnerability to shocks and erodes fiscal transparency (IMF, 2023).

6.5. Information-systems performance and control

System-generated errors - including payment overpayments attributed to "system error" - and inconsistent enforcement of Treasury guidance point to continuing gaps in automated, real-time control within IFMS. Beyond isolated errors, a broader operational concern, corroborated by user-level experience across MDAs and Local Governments, is that IFMS has become noticeably slow in processing transactions. Delays in payment initiation, approval workflows and report generation are particularly acute at peak periods such as quarterly releases, mass payroll runs and financial-year-end closure.

This performance-degradation finding is analytically distinct from, but plausibly compounds, the arrears problem described in Section 6.2: slow processing delays payments to suppliers and Local Governments, and could therefore contribute to the arrears stock repeatedly flagged by the Auditor-General (World Bank, 2024). We stress, however, that this relationship should be read as a contributing operational factor rather than the primary or sole cause of arrears accumulation. Uganda's audit and PEFA evidence also identifies inadequate cash releases, commitment-control weaknesses, supplementary expenditure, poor cash forecasting, procurement delays, insufficient budget provisions and payment-verification problems as drivers of arrears (PEFA Secretariat, 2024; Auditor General, 2025), and the present document-based analysis cannot isolate the marginal contribution of IFMS latency from these other factors without the transaction-level dataset proposed in Section 13 - specifically, transaction-initiation time, approval time, payment-processing time, system downtime, transaction volumes and the payment backlog, tested for association with the arrears stock over time. Until such analysis is available, IFMS latency is best characterised as a plausible contributing factor requiring empirical substantiation rather than an established causal driver of arrears.

6.6. Synthesis

Taken together, these findings describe a PFM system that has succeeded in digitising transaction processing and strengthening budget transparency - moving convincingly from Level 1 (Compliance) to Level 2 (Digital) on the maturity framework introduced in Section 2 - but has not yet closed the loop on asset and fiscal-risk management, results-based accountability, and automated, high-performance control, all of which are prerequisites for Level 3 (Integrated) and Level 4 (Risk-based) maturity. These are precisely the areas taken up by the next-generation reform agenda discussed in Sections 8 and 10. Before turning to that agenda, however, Section 7 asks why these specific weaknesses persist across six reform generations, an analytical step the international next-generation PFM literature frequently skips.

7. Why Do These Problems Persist? Political Economy and Institutional Constraints

The weaknesses documented in Section 6 could be, and often are, framed as purely technical or technological problems awaiting a technical or technological fix: a better valuation methodology, a faster IFMS, a more complete fiscal-risk statement. This framing is necessary but not sufficient. A purely technocratic reading of the evidence in Table 1 leaves an important question unanswered: why have six successive reform generations, each equipped with its own technical fix, left recurring weaknesses in the same functional areas? This section argues that the answer lies partly in incentives, institutional fragmentation and enforcement - the political economy of PFM reform - and that next-generation instruments will have limited effect unless designed with these constraints in mind.

7.1. Incentives facing accounting officers

PFM outcomes reflect not only the availability of rules and systems but the incentives facing the officials who operate within them. Accounting officers face competing pressures: political direction to deliver visible outputs within a financial year, budget ceilings that may not reflect actual programme costs, and - as Section 6.2 shows - a Treasury instruction to clear arrears before committing new expenditure, which can itself create incentives to under-report or defer recognition of emerging arrears rather than disclose them fully. Where sanctions for weak financial management are inconsistently applied, and where career consequences for recurring audit findings are limited, the marginal incentive to invest scarce administrative effort in closing a finding that recurred in the prior year, rather than in visible service delivery, is often weak (Andrews, 2013).

7.2. Political priorities and supplementary expenditure

Uganda's budget process, like that of many PFM systems, coexists with a supplementary-expenditure channel that allows political priorities to bypass the sequencing and prioritisation logic of the annual budget. Frequent or large supplementary expenditure undermines the credibility of the medium-term expenditure framework discussed in Section 2.2 as a Category A reform, and can itself be a proximate driver of the arrears and commitment-control weaknesses documented in Section 6.2, independent of any IFMS performance issue. A next-generation MTFF (Section 8) with binding ceilings is, in this light, as much a political commitment device as a technical instrument, and its credibility depends on whether escape clauses are used narrowly and transparently or become a routine channel for circumventing the ceiling.

7.3. Weak sanctions and institutional fragmentation

Section 5 identified the separation of evidence-generating and policy-designing functions as a structural weakness that TIPD's dual mandate is, in principle, positioned to address. In practice, institutional fragmentation extends beyond TIPD's own boundaries: fiscal-risk information relevant to SOEs and PPPs sits with different institutional actors than the Auditor-General's core findings; debt data sits with the Directorate of Debt and Cash Management; and disaster and climate risk data sits with sector ministries and the National Planning Authority. Consolidating this information into the fiscal-risk statement proposed in Section 10.1 is therefore not only a technical data-integration exercise but an exercise in aligning the incentives of multiple institutional actors who do not currently have a strong mandate, or reward, for sharing fiscal-risk information centrally.

7.4. Implications for reform design

These dynamics do not counsel inaction; they counsel a specific design discipline. Next-generation instruments proposed later in this paper are more likely to be institutionalised, rather than adopted and left dormant like some Category A instruments before them, where they satisfy three conditions: they create a visible, low-cost win for the political leadership in the near term (favouring the sequencing logic of Section 11, which front-loads measures with fast, demonstrable payoff); they attach clear institutional ownership and, where feasible, consequences to non-implementation, rather than adding a further reporting obligation without enforcement teeth; and they reduce, rather than add to, the coordination burden facing accounting officers, for example by

embedding controls directly within IFMS workflows (Section 10.5) rather than creating parallel reporting requirements. This political-economy lens is applied directly in Sections 8 through 12, where each proposed reform is assessed not only for technical merit but for institutional feasibility.

8. Uganda Against the Next-Generation PFM Maturity Framework

Applying the five-level maturity model from Section 2.3 to the evidence in Sections 6 and 7, Table 3 assesses ten PFM functions in Uganda. Each assessment is deliberately conservative: a function is placed at the highest level for which the evidence reviewed shows institutionalised, rather than pilot or partial, practice, and the "next step" column distinguishes Category A institutionalisation gaps from Category B next-generation gaps using the taxonomy introduced in Section 2.2.

PFM Function	Current Maturity Level	Evidence	Next Step (Category A / B)
Budget formulation	Level 2–3 (Digital / partially Integrated)	Programme-based budgeting and MTEF practice established; Budget Framework Papers digitised.	A: legislate a rules-anchored MTFF (Section 10.2).
Treasury / cash management	Level 2–3	TSA operational since 2011; consolidation achieved but liquidity management remains partial (Section 10.2).	A/B: TSA as a real-time liquidity platform.
Accounting and reporting	Level 2	IFMS provides digitised transaction recording; reporting is largely retrospective.	B: real-time analytics and reporting database separation (Section 10.5).
Procurement	Level 2	e-GP introduced (2022); end-to-end digital procurement not yet complete.	A: complete end-to-end e-procurement.
Asset management	Level 1–2	307% revaluation anomaly; no continuously maintained, integrated asset register (Section 6.1).	B: Integrated Government Asset Management System (Section 10.3).
Debt management	Level 2–3	Debt management functional but liability-centred; not yet integrated with asset side of the balance sheet.	B: sovereign asset–liability management.
Fiscal-risk management	Level 1–2	Climate/fiscal-risk technical assistance received; no standing, disclosed, consolidated statement (Section 6.4).	B: Consolidated Fiscal Risk Statement (Section 10.1).
External audit / scrutiny	Level 2	Auditor-General functioning and constitutionally embedded; PEFA Pillar VII (external scrutiny) stagnant.	A/B: independent fiscal scrutiny feasibility study (Section 12).
Performance management	Level 1–2	NPA alignment scoring as low as 31.9% (Section 6.3); outputs not consistently measurable.	A: institutionalise spending reviews and performance-budget linkage.
Digital architecture	Level 2	Individual systems (IFMS, e-GP, EFRIS) digitised but not interoperable; no unified fiscal data warehouse.	B: integrated digital PFM architecture (Section 10.6).

Table 3. Uganda's Position on the PFM Maturity Framework, by Function.

Two patterns are worth drawing out. First, no function assessed has reached Level 4 or 5: Uganda's PFM system is best characterised as consolidating Level 2 (Digital) gains while beginning, unevenly, to move toward Level 3 (Integrated) in budget formulation and treasury management. This supports the paper's central thesis (Section 9.5) that Uganda's most urgent task is integration and institutionalisation of what exists, not a further proliferation of instruments. Second, the functions furthest behind - asset management and fiscal-risk management - are precisely those where Category B (genuinely emerging) instruments are required, because Category A institutionalisation alone (better valuation committees, more technical assistance) has already been tried across multiple reform generations (Table 1) without closing the gap. Section 10 develops the architecture required to advance these functions; Section 11 sequences that architecture into a feasible roadmap.

9. International and Regional Benchmarking

9.1. PEFA, IMF and World Bank evidence

Uganda's 2024 PEFA assessment, which for the first time incorporated supplementary gender and climate-change modules, found that overall fiscal discipline improved between 2016 and 2022. Gains were most evident in strategic resource allocation, including budget documentation, transparency, timing of transfers to sub-national governments, revenue accounting and legislative budget scrutiny. However, Pillar VII (External Scrutiny and Audit) remained unchanged, a stagnation that undermines the credibility of audit-recommendation follow-through (PEFA Secretariat, 2024).

Complementary IMF technical assistance reports note that Uganda has established a framework for climate sensitivity in public financial and investment management, with clear allocation of responsibilities and requirements to identify climate expenditure in budget documentation, though this remains at an early, diagnostic-tagging stage. World Bank GovTech diagnostics similarly emphasise that digital technology is transforming budgeting, tax administration, procurement and fraud detection worldwide, while cautioning that data quality and institutional readiness, not technical capability alone, are the binding constraints in fragile and low-income settings (World Bank, 2024).

9.2. Global next-generation PFM trends and Uganda's current status

Table 4 maps eight global trends against their status in Uganda's current reform programme. Consistent with the caution urged in Section 4 regarding strong international claims, the detection-rate figure cited for AI-embedded audit below should be read as an illustrative benchmark reported in parts of the practitioner literature rather than a universally validated standard; the precision, methodology and comparability of such figures vary considerably across Supreme Audit Institutions and would need independent verification before being used as a target for Uganda's own programme.

Global Trend	International Practice	Status in Uganda's Current Programme
AI-embedded audit and expenditure control	Anomaly-detection algorithms establish behavioural baselines and flag high-risk transactions in real time; some leading Supreme Audit Institutions report high detection rates for high-risk transactions, though methodologies vary.	Referenced in strategy narrative as "digital innovation"; no dedicated AI-audit or anomaly-detection workstream is named.
Consolidated fiscal-risk statements (SOEs, PPPs, contingent liabilities)	Increasingly treated as core annual budget documentation rather than a supplementary note.	Fiscal-risk work exists through IMF technical assistance and contingent-liability guidelines, but is not a standing, disclosed, consolidated statement.
Independent fiscal institutions / fiscal councils	A growing number of countries add independent scrutiny of fiscal forecasts and rules compliance, complementing the Supreme Audit Institution.	Not featured; oversight remains concentrated in MoFPED, Parliament and the Office of the Auditor-General.
Medium-term fiscal frameworks anchored in explicit rules	MTFFs moving "from paper to practice," with rules-based ceilings embedded in law.	MTEF practice and a Charter for Fiscal Responsibility exist; a legislated, rules-anchored MTFF is not a named Strategy deliverable.
Deeper "greening" of PFM	Climate-informed investment appraisal, climate-adjusted debt sustainability analysis, dedicated green financing instruments.	Climate budget tagging exists (IMF-supported); remains at diagnostic/pilot stage.
Gender-responsive budgeting at scale	Moving from pilots to fully institutionalised, resourced components of budget guidelines and audit.	PEFA 2024 introduced Uganda's first formal gender assessment as a benchmark; not yet a resourced pillar.
Systematic spending reviews	Recurring, structured reallocation exercises distinct from incremental annual budgeting.	Not evident as an institutionalised, recurring mechanism.

Sovereign asset–liability management & open fiscal data	Whole-of-balance-sheet approaches; open fiscal-data APIs and participatory budget portals.	Debt management remains largely liability-centred; open budget portals are referenced but not detailed as an interoperable, funded workstream.

Table 4. Global Next-Generation PFM Trends Compared with Uganda's Current Reform Programme.

9.3. Regional experience: Rwanda and Kenya

Applying the selection criteria set out in Section 4.2, regional comparison highlights both opportunities and risks for Uganda. Rwanda's PEFA assessment found strengthened fiscal discipline between 2016 and 2020, largely attributable to comprehensive fiscal-risk reporting that included State-Owned Enterprises, sub-national governments and PPPs. Rwanda's IMF-supported programme continues to track PFM digitalisation and SOE governance as explicit structural benchmarks, demonstrating that fiscal-risk consolidation must be actively maintained rather than treated as a one-off exercise (IMF, 2022).

Kenya's IFMIS has substantially improved national-level fiscal management, but county-level experience shows that digital PFM tools can widen accountability gaps where connectivity and technical capacity are uneven - a cautionary lesson directly relevant to Uganda's planned expansion of IFMS to all Local Governments (World Bank, 2022), and to the political-economy design discipline argued for in Section 7.4.

Within the East African Community (EAC), partner states, including Uganda, have undergone IMF Fiscal Transparency Evaluations and report annually on their Medium-Term Convergence Programmes. The EAC Secretariat, the IMF Fiscal Affairs Department and the East African Regional Technical Assistance Centre convene regional PFM workshops on medium-term fiscal frameworks and programme-budgeting challenges directly relevant to Uganda's reform agenda (EAC Secretariat, 2023).

9.4. Synthesis: strategy pillars against the next-generation agenda

Strategy Pillar	Institutionalised Strength	Next-Generation Gap
Resource mobilisation	Digitalised domestic revenue administration; strong e-invoicing platform (EFRIS).	AI-assisted risk-based compliance analytics not yet a scaled workstream.
Expenditure control / audit	Digitalised transaction processing; audit-recommendation implementation target set (65% by 2030).	AI-enabled anomaly detection and IFMS performance/latency not addressed as named workstreams.
Public investment management	PIMA-informed reforms; PPP Unit and Project Analysis Department in place.	Consolidated fiscal-risk statement covering SOEs/PPPs/contingent liabilities not a standing instrument.
Fiscal decentralisation	IFMS expansion to all Local Governments planned; programme-based budgeting.	Capacity/connectivity sequencing risk (per Kenya's county experience) not explicitly addressed.
Transparency / oversight	Open budget portals referenced; strengthened audit functions.	External-scrutiny pillar stagnant per PEFA 2024; no independent fiscal institution; spending reviews absent.

None of these gaps reflects an absence of ambition. Rather, and consistent with the maturity assessment in Section 8, they show a system still consolidating first-generation digitalisation and expenditure-control gains before layering in the more analytically demanding, data-intensive reforms that better-resourced or middle-income PFM systems are now piloting at scale.

10. Proposed Next-Generation PFM Architecture for Uganda

This section translates the maturity gaps identified in Section 8 into a concrete architecture, organised around six components: a consolidated fiscal-risk statement; the Treasury Single Account as a liquidity-management platform; an integrated government asset-management system; predictive commitment and arrears control; IFMS performance remediation; and an integrated digital PFM architecture with an accompanying governance framework for the AI components embedded within it.

10.1. A consolidated fiscal-risk statement

A consolidated Fiscal Risk Statement covering State-Owned Enterprises, PPPs, guarantees, land-compensation obligations and disaster-related liabilities would directly address Uganda's unquantified exposures (Section 6.4), following Rwanda's model of comprehensive fiscal-risk reporting (IMF, 2022). Consistent with the political-economy discussion in Section 7.3, the statement's design should assign clear reporting ownership to each

contributing institutional actor (Directorate of Debt and Cash Management for guarantees, PPP Unit for PPP exposures, sector ministries for disaster and land-compensation obligations) rather than treating consolidation as a purely technical data-aggregation task performed after the fact.

10.2. The Treasury Single Account as a real-time liquidity-management platform

The TSA has, since 2011, achieved cash consolidation, but the evidence in Section 8 suggests it has not yet matured into an active liquidity-management instrument. We recommend reframing the TSA's next development phase explicitly: from consolidation of government cash toward a real-time government liquidity-management platform, encompassing cash forecasting integrated with commitment data, active idle-balance management, payment scheduling aligned with revenue inflows, and bank reconciliation integrated with payment infrastructure rather than performed as a separate periodic exercise. This reframing directly supports the commitment-control chain proposed in Section 10.4 and the arrears-reduction objective identified throughout Section 6.

10.3. An integrated government asset-management system

The asset-valuation anomaly documented in Section 6.1 is a symptom of a lifecycle problem, not merely a valuation-methodology problem. Public asset management in Uganda needs to address the full lifecycle - planning, acquisition, recognition, valuation, custody, utilisation, maintenance, impairment and disposal - rather than periodic revaluation alone. We propose an Integrated Government Asset Management System linked to IFMS, e-GP, physical verification processes, geospatial (GIS) information, maintenance scheduling and disposal, so that asset records are continuously updated as transactions occur rather than reconstructed retrospectively through Boards of Survey. This is the Category B instrument identified for asset management in Table 3, and is a precondition for the sovereign asset–liability management envisaged at Level 4–5 of the maturity framework.

10.4. Predictive commitment and arrears management

The next-generation response to arrears (Section 6.2) should not rest on faster transaction processing alone. We propose predictive commitment and arrears management across the full expenditure chain: Budget → Commitment → Purchase Order → Contract → Invoice → Verification → Payment. Automated alerts, embedded within IFMS workflow rather than added as a parallel reporting tool (consistent with the design discipline argued in Section 7.4), could identify commitments exceeding available resources at the point of commitment rather than at payment, contracts statistically likely to generate arrears based on historical patterns, and invoices approaching payment deadlines before they lapse into arrears. This addresses the qualification in Section 6.5: even where IFMS latency is only a contributing factor in arrears accumulation, predictive commitment control addresses the structural drivers - inadequate cash releases, weak commitment discipline and poor forecasting - identified as the primary causes in the audit and PEFA record.

10.5. IFMS performance remediation

The immediate priority within the digital architecture is IFMS transaction-processing latency, addressed with appropriate causal caution in Section 6.5. Recommended interventions are: separating transactional and analytical workloads through a dedicated reporting database, so that report generation does not compete with live transaction processing; processing high-volume batches (e.g., mass payroll runs) asynchronously; commissioning an independent capacity and performance audit to establish a verified baseline before further intervention; and moving toward horizontally scalable, load-balanced infrastructure. Because this paper's method cannot establish the precise causal contribution of latency to arrears (Section 6.5), we recommend that the independent capacity audit include collection of the transaction-level data proposed in Section 13, so that the remediation programme's impact on arrears can itself be evaluated empirically rather than assumed.

10.6. An integrated digital PFM architecture

Uganda's digital financial ecosystem - spanning treasury systems, tax administration, payment rails and digital identity - has progressed institution by institution rather than as an integrated architecture (Table 3, Digital architecture row). Figure 2 depicts the target architecture: core operational systems (Budget System, IFMS, TSA/Payment Systems, e-GP, URA/EFRIS, HCM/Payroll/Pensions, Asset Management and Debt Management) feeding a consolidated Fiscal Risk module and a central Data Warehouse, which in turn supports AI/Analytics tools, external audit, Parliament and public fiscal-data disclosure.

Figure 2. Uganda's Target Next-Generation Digital PFM Architecture

[Budget System] [IFMS] [TSA / Payment Systems] [e-GP] [URA / EFRIS] [HCM / Payroll / Pensions] [Asset Mgmt] [Debt Mgmt]

↓ (interoperable data feeds)

[Consolidated Fiscal Risk Module]

↓

[National Fiscal Data Warehouse (open APIs)]

↓

[AI / Analytics (anomaly detection, forecasting, predictive controls)]

↓ ↓ ↓

[External Audit] [Parliament / PBO] [Public Fiscal-Data Disclosure]

Note: schematic representation of target-state interoperability; arrows indicate primary data flow, not implementation sequence (see Section 11 for sequencing).

10.7. A responsible AI governance framework for PFM

The AI-assisted audit and analytics components proposed above (Sections 10.1, 10.4, 10.6 and Table 4) are forward-looking, but their adoption without a governance framework carries material risk. AI-embedded audit and anomaly detection must contend with false positives and false negatives that misdirect scarce audit capacity, algorithmic bias arising from historical data that itself reflects uneven enforcement, poor or incomplete underlying data (a binding constraint given the asset and fiscal-risk data gaps documented in Sections 6.1 and 6.4), cybersecurity exposure created by a more interconnected digital estate, privacy risk where systems are linked to digital identity (Section 10.6), a need for explainability where AI outputs inform audit findings or sanctions against accounting officers, and the risk that automated flags are treated as determinative rather than as inputs to human judgement.

We propose a Responsible AI for PFM framework resting on seven principles: human oversight of all AI-generated findings before they trigger administrative or audit action; explainability, such that flagged transactions can be traced to an interpretable basis; auditability of the AI models themselves, including version control and periodic independent review; data-quality assurance prior to deployment, given the data gaps identified elsewhere in this paper; a dedicated cybersecurity and data-governance framework, consistent with the recommendation in Section 10.6; privacy safeguards for any system linked to digital identity or payroll data; and clear accountability, such that responsibility for an AI-assisted finding rests with an identifiable institutional owner rather than being attributed to the system itself. This framework should be established before, or alongside, the pilot AI-assisted anomaly-detection measures sequenced as an immediate-term priority in Section 11.

10.8. Embedding climate and gender considerations at scale

Uganda should scale green PFM from diagnostic tagging toward full integration: climate-adjusted appraisal criteria in public investment screening, climate-adjusted debt sustainability analysis, and exploration of green financing instruments (IMF, 2023). Such measures would embed disaster risk into fiscal planning rather than addressing it post-shock, and would feed directly into the consolidated fiscal-risk statement proposed in Section 10.1. Similarly, Gender and Equity Budgeting should be elevated from a Budget Framework Paper requirement into a fully resourced, audited pillar. The PEFA 2024 gender assessment provides a baseline for embedding gender markers into the Chart of Accounts and IFMS reporting (Budlender, 2021) - a Category A institutionalisation task in terms of the taxonomy set out in Section 2.2, since gender-responsive budgeting is a mature international instrument requiring resourcing rather than invention.

11. Sequenced Reform Roadmap

The reforms proposed in Sections 8 through 10 are consolidated below into a sequenced roadmap aligned with Uganda's PFM Reforms Strategy 2025–2030. None of these measures requires abandoning the current strategy; rather, they deepen existing pillars and provide a coherent progression from near-term measures that strengthen control and risk visibility, through medium-term reforms that embed rules and institutions, to long-term structural measures that institutionalise sustainability, equity and openness. Sequencing follows the political-economy design discipline argued for in Section 7.4: immediate-term measures are selected for feasibility and

visible payoff, medium-term measures for institutionalisation of Category A instruments, and long-term measures for the Category B architecture set out in Section 10.

Priority Reform	Timeframe	Expected Outcome
Structured audit-finding coding register (Section 4.1), extended to a full multi-year Audit Finding Recurrence Index	Immediate	Targeted legislative and standard-setting responses rather than repeated case-by-case Treasury Memoranda.
IFMS transaction-processing performance remediation, with independent capacity audit and transaction-level data collection (Section 10.5)	Immediate	Faster payment processing; empirically testable contribution to reduced domestic arrears.
Responsible AI for PFM governance framework (Section 10.7), established ahead of AI pilots	Immediate	Governance safeguards in place before AI-assisted tools begin influencing audit or expenditure decisions.
Pilot AI-assisted anomaly detection in inspection and Board of Survey processes	Immediate	Earlier detection of high-risk transactions and asset-valuation errors, within the governance framework above.
Terms of reference for a consolidated annual Fiscal Risk Statement, with institutional ownership assigned by contributing entity (Section 10.1)	Immediate–Medium	Comprehensive, disclosed view of fiscal exposure across SOEs, PPPs and contingent liabilities.
Feasibility study on strengthening independent fiscal scrutiny, assessed against the institutional criteria in Section 12	Medium	Addresses PEFA Pillar VII stagnation; clarifies whether a new institution or strengthened existing arrangements is preferable.
Legislate a rules-anchored Medium-Term Fiscal Framework, with escape-clause discipline informed by Section 7.2	Medium	Binding debt/deficit ceilings; credible in-year fiscal discipline.
Institutionalise gender- and climate-responsive budgeting as resourced Strategy components (Section 10.8)	Medium	GRB and climate budgeting move from pilot to scaled, audited practice.
Introduce a systematic, recurring spending-review cycle	Medium	Identification of savings and reprioritisation toward growth priorities.
Reframe the TSA as a real-time liquidity-management platform (Section 10.2); interface with National Payment Systems rails	Medium	Reduced float and reconciliation delays; fewer cash-management-driven arrears.
Deploy predictive commitment and arrears management across the expenditure chain (Section 10.4)	Medium	Commitments and contracts flagged for arrears risk before payment lapses occur.
Extend EFRIS into risk-based tax-compliance analytics; expand digitalised Government-to-Person/Business payments; link digital identity to payroll and pensions; adopt the cybersecurity and data-governance framework (Section 10.7); complete end-to-end e-procurement	Medium	Modernised digital financial ecosystem; reduced leakage and fraud exposure.
Deploy the Integrated Government Asset Management System (Section 10.3), migrate IFMS toward a modern, cloud-enabled architecture ("IFMS 2.0")	Long-term	Resolves recurring asset-valuation weaknesses; sustainable, modular platform supporting future functionality.
Build the national fiscal data warehouse and open API ecosystem (Section 10.6); connect to sovereign asset–liability management	Long-term	Technical foundation for whole-of-balance-sheet fiscal management and open, participatory budgeting.
Deepen EAC regional fiscal and payment-system harmonisation	Long-term	Interoperable regional PFM and payment infrastructure.

Table 5. Sequenced Reform Roadmap.

Institutional responsibility for championing this roadmap rests naturally with TIPD, given its statutory access to both the evidentiary base (inspection findings, Board of Survey results, Auditor-General and PAC recommendations) and the policy levers (legislative review, national standards, Treasury guidance) required to act on that evidence, as argued in Sections 5 and 7. Effective implementation will require close coordination with the Reform Coordination Unit, the Directorate of Debt and Cash Management, the PPP Unit and the Budget Directorate - the same institutional actors whose fragmented ownership of fiscal-risk data was identified as a constraint in Section 7.3.

12. Institutionalisation and Governance

12.1. The PFM evidence-to-policy feedback loop

Section 5 identified TIPD's combination of inspection and policy functions as potentially significant but underdeveloped in the current strategy narrative. We formalise this potential as a PFM Evidence-to-Policy Feedback Loop, depicted in Figure 3, intended to close the gap - identified in Section 5 and empirically visible in the recurrence documented in Table 2 - between audit finding and sustained corrective action.

Figure 3. PFM Evidence-to-Policy Feedback Loop

Inspection / Audit Finding
↓
Root Cause Analysis (Section 4.1 coding schema)
↓
Policy Response (TIPD Policy Unit)
↓
Treasury Instruction / Accounting Standard
↓
System Change (e.g., IFMS workflow control, Section 10.5)
↓
Implementation (MDAs / Local Governments)
↓
Monitoring (Inspectorate Unit, Board of Survey)
↓
Follow-up (PAC / LG-PAC, Treasury Memoranda)
↓
Closure - or, if unresolved, recurrence back to the top of the loop

Note: the loop closes only when monitoring and follow-up confirm implementation; findings that do not close recur, as documented in Table 2.

The loop's analytical value lies in making explicit a step that is often implicit or absent in practice: the transition from "Treasury Instruction / Accounting Standard" to verified "System Change," and from "Implementation" to independently "Monitored" follow-up. Where this paper's evidence shows recurrence (Table 2, all six illustrative findings recur across both reporting cycles examined), the loop is, by construction, not closing - whether because root-cause analysis is not systematically performed, because policy responses are issued but not embedded as system changes, or because monitoring and follow-up are under-resourced relative to the volume of findings generated. Distinguishing between these possibilities is a priority for the practitioner interviews proposed as future research in Section 13.

12.2. Independent fiscal scrutiny: institutional options

The proposal for enhanced independent fiscal scrutiny (Table 4; Table 5) is potentially significant but requires more careful institutional analysis than a general endorsement of "fiscal councils" in the international literature provides. Uganda already has three actors with partial claims to this space: the Office of the Auditor-General (ex-post, regularity- and performance-focused); the Parliamentary Budget Office, in its current, more limited form; and the Bank of Uganda, with a macro-fiscal surveillance interest. Three institutional options merit comparison rather than a presumption in favour of a new body: (i) strengthening the existing Parliamentary Budget Office's mandate, staffing and independence to provide ex-ante and in-year fiscal scrutiny, which minimises duplication and constitutional complexity; (ii) establishing a dedicated fiscal council as a distinct statutory body, which offers stronger formal independence but raises legal, constitutional, cost and duplication questions, and would need a clearly specified relationship with the Office of the Auditor-General, MoFPED, Parliament and the Bank of Uganda to avoid overlapping mandates; and (iii) a hybrid model in which a strengthened Parliamentary

Budget Office is given statutory independence guarantees without full institutional separation. Given the fragmentation risks discussed in Section 7.3, and absent evidence that Uganda's existing institutions are structurally incapable of performing this function if adequately resourced and empowered, we recommend that the feasibility study sequenced in Section 11 treat option (i) as the presumptive starting point, with option (ii) reserved for the case that a resourced and empowered Parliamentary Budget Office proves insufficient in practice.

12.3. Distinguishing new instruments from better implementation

A recurring theme across Sections 7 through 12 is that Uganda already has MTEF, TSA, IFMS, e-GP, programme-based budgeting, climate budgeting and gender/equity budgeting (Table 1). The problem is therefore substantially one of fragmentation, weak implementation, enforcement and interoperability rather than absence of instruments - the Category A gap identified in Section 2.2. The revised central thesis in Section 13 makes this point explicit: Uganda does not primarily require a further proliferation of new PFM instruments; it requires the transition from fragmented instruments to an integrated, enforceable and intelligence-driven PFM architecture, achieved through the combination of Category A institutionalisation and Category B next-generation instruments set out in Sections 8 through 11.

13. Conclusion

This paper set out to explain why Uganda's PFM system continues to exhibit the same broad categories of Auditor-General finding despite four decades of reform, and to derive a next-generation reform agenda benchmarked against international and regional practice using an explicit maturity framework. The evidence assembled - six recurring categories of weakness (Section 6), a political-economy account of why they persist (Section 7), and a function-by-function maturity assessment (Section 8) - supports a revised central thesis:

> ***Uganda's principal PFM challenge is no longer the absence of reform instruments, but the incomplete integration, institutionalisation, enforcement and intelligence of existing reforms. The transition to next-generation PFM therefore requires moving from fragmented digitalisation and compliance-oriented controls toward an integrated, risk-based, predictive and performance-oriented fiscal architecture - achieved by combining sustained institutionalisation of mature (Category A) instruments with selective, well-governed adoption of genuinely emerging (Category B) next-generation instruments.***

The paper's contribution is threefold. Empirically, it demonstrates the persistence of specific PFM weaknesses - asset valuation, arrears, results-orientation, contingent liabilities and IFMS performance - through a structured reading of Auditor-General evidence (Sections 4 and 6), while explicitly qualifying the strength of the causal claims that document-based evidence can support, most importantly the relationship between IFMS latency and arrears (Section 6.5). Conceptually, it develops a five-level PFM maturity framework and an accompanying Category A/Category B taxonomy (Section 2) that distinguishes institutionalisation gaps from genuinely emergent next-generation gaps, and applies that framework systematically across ten PFM functions (Section 8) - moving the analysis beyond a catalogue of international reforms toward an explanatory account of Uganda's persistent weaknesses. Policy-relevant, it offers a sequenced, politically informed reform roadmap (Sections 10–12) anchored in an identifiable institutional home, TIPD, and explicitly designed around the incentive and fragmentation constraints identified in Section 7, rather than presenting international good practice as a checklist.

This grounding matters for reform sequencing: as Kenya's county-level experience with digital PFM tools illustrates (Section 9.3), transplanting instruments without attention to local capacity and connectivity constraints can widen, rather than close, accountability gaps. The sequenced roadmap in Section 11 is therefore a locally grounded prioritisation of a globally recognised reform agenda, not a substitute for it, and its ordering reflects the political-economy design discipline argued for in Section 7.4 as much as technical logic.

The study's limitations point directly to priorities for further research, three of which we highlight. First, because the analysis is document-based, it cannot fully capture the political-economy and implementation-capacity constraints that structured interviews with PFM practitioners, accounting officers, parliamentarians and civil-society actors would reveal; such interviews would allow direct empirical testing of the incentive dynamics proposed in Section 7 rather than their reconstruction from institutional literature. Second, the paper cannot empirically establish the causal contribution of IFMS latency to arrears accumulation; the transaction-level data collection proposed in Section 10.5 - transaction-initiation time, approval time, processing time, downtime, volumes and payment backlog, tested for

association with the arrears stock - is a direct and tractable next step. Third, extending the audit-finding coding schema in Section 4.1 across a longer time series of entity-level reports would allow construction of the quantified Audit Finding Recurrence Index envisaged but not attempted in this paper, strengthening the empirical claim that Uganda faces structural rather than isolated compliance weaknesses. A fourth, comparative priority is political-economy analysis of why fiscal-risk consolidation has proven more durable in Rwanda than in other East African peers (Section 9.3), and a fifth is stakeholder research on the capacity and connectivity constraints shaping Local Government IFMS expansion, in light of Kenya's experience.

Subject to these caveats, the evidence assembled here supports a clear conclusion: Uganda's PFM system has evolved from the near-absence of budget control in 1986 to a digitised, programme-based, constitutionally audited system that compares favourably on budget transparency by regional standards (Section 3). Yet the persistence of the same categories of Auditor-General finding across six successive reform generations (Table 1) demonstrates that incremental extension of existing tools, on its own, will not close the remaining gaps. The next-generation reforms identified in this paper - properly sequenced, politically informed, and governed with the safeguards set out in Section 10.7 - represent the logical completion of Uganda's four-decade reform trajectory: not a seventh generation of new instruments, but the institutionalisation of an integrated, risk-based and intelligence-driven PFM architecture.

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