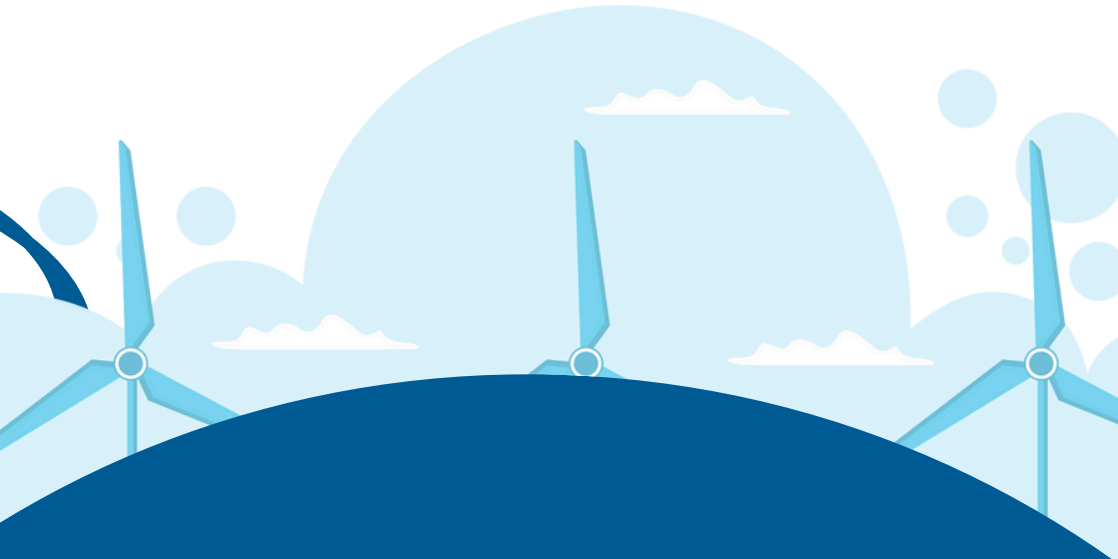




Civil Society Budget Advocacy Group



CSO POSITION PAPER ON SUSTAINABLE ENERGY DEVELOPMENT PROGRAM IN RESPONSE TO UGANDA'S FY2025/26 BUDGET



Presented to the Uganda Parliament, 2025

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1.0 ABOUT CSBAG

Civil Society Budget Advocacy Group (CSBAG) is a coalition formed in 2004 to bring together civil society actors at national and district levels to influence public resource allocation and accountability. Since 2004 CSBAG engages Uganda's budget process to incorporate the views of the marginalized people in the national budget. In line with this, CSBAG annually produces CSO positions papers that present alternative budget proposals, providing recommendations to the Government of Uganda's proposed public expenditure framework for the forthcoming fiscal year.

2.0 INTRODUCTION

The sustainable energy development programme aims to meet the energy needs of the country by providing adequate, affordable, clean, and reliable energy for sustainable socio-economic growth and development. This is manned by mainly the Ministry of Energy and Mineral Development and Agencies such as Electricity Regulatory Authority (ERA), Uganda Electricity Transmission Company Limited (UETCL), Uganda Electricity Distribution Company Limited (UEDCL) and many others.

The availability of reliable energy supply is critical for economic growth, poverty reduction, as well as the social and cultural transformation of society. The impact of growth on the demand and consumption of energy is usually experienced through expanded industrial and service sectors and increased income levels. Sustainable development and utilization of energy resources are required to allow the current and future generations to meet their energy needs.

This is complemented by Agenda 2063 (Aspiration 1). Furthermore, Sustainable Development Goal (SDG) 9 calls for building resilient infrastructure, promoting inclusive and sustainable industrialization as well as fostering innovation. In particular, the East African Vision 2050 sets an ambitious target of increasing energy production from 3,965MW in 2014 to an estimated 70,570MW in 2030. Additionally, the Uganda Vision 2040 aims to have access to clean, affordable, and reliable energy to facilitate industrialization, among others.

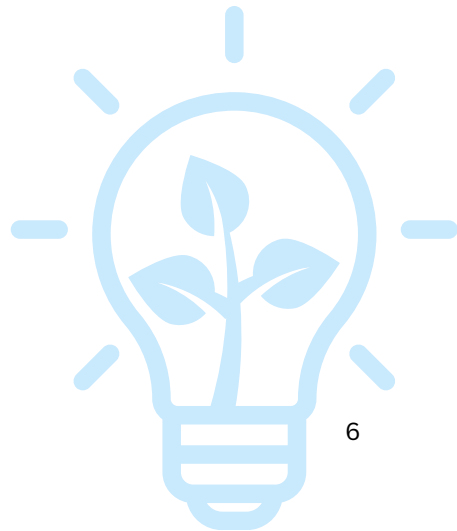
Government of Uganda enacted the National Energy Policy for Uganda 2023 which focuses on expanding the electricity transmission and distribution grid networks; increasing energy efficiency; promoting the use of alternative sources of energy; and strengthening the policy, legal, and institutional framework. Uganda has developed some sub-sectoral policies, including the Renewable Energy Policy (2007), and the Electricity Connections Policy (2018).

The government also further increased household access to electricity from 21% in FY2017/18 to 57% in FY2023/24 as highlighted in the Equal Opportunities Commission (EOC) report 2024 and the Budget Call Circular 1 in FY2025/26 53.9% of the population with access to electricity .

Despite the above efforts to end energy poverty and have a just energy transition while leveraging on its 92% renewable energy potential, the current exploited capacity is at 32%. Uganda’s population still heavily relies on hydropower and biomass, with 95% of households using wood or charcoal for cooking, leading to deforestation and USD 2.3 billion in biodegradation loss annually The Financial Year 2025/26 is the first year of implementing the National Development Plan IV.

53.9%

Ugandan household with access to electricity. Source: FY2025/26 Budget Call Circular



3.0 BUDGET PERFORMANCE FY2023/24-2024/25

According to the National Budget FY2024/25, the Government of Uganda allocated UGX 1.135 trillion to sustainable energy development, accounting for 1.5% of the total Budget FY 2024/25. In comparison to budget allocations of UGX 1.445 trillion in FY 2023/24, the sustainable energy development program suffered about a 21% budget reduction in FY 2024/25. According to the Semi Annual Report FY2023/24, by the end of December 2023, UGX.427.21 trillion (30%) of the approved UGX 1.445 trillion was released and only UGX 307.93 trillion was spent which is 72.08% of the released funds of the Sustainable energy development program. Below is a table highlighting the level of expenditure of the different sub-programms under the sustainable development programme.

Table 1: Sub Programme Budget Performance FY2024/25

Sub-Programme/Cost Centre	Budget (Ug Shs Bn)	Release (Ug Shs Bn)	Expenditure (Ug Shs Bn)	Release as % of Budget	Expenditure as % of Release
Generation	555.101	41.01	38.687	7.39	94.34
Transmission and Distribution	778.389	328.95	232.153	42.26	70.57
Renewable Energy Development	8.413	2.444	1.301	29.05	53.23
Energy Efficiency and Conservation	1.878	0.986	0.638	52.5	64.71
Finance and Administration	101.407	53.82	35.147	53.07	65.3
Overall Performance	1,445.188	427.21	307.926	29.56	72.08

Source: Semi Annual Report FY2023/24 sustainable Energy Development

Overall budget release under the Sustainable Energy Development (SED) Programme was poor at 29.56%. The poor financial performance was due to a low release for generation which was at 7.39% and renewable energy development at 29.05 % as of 31st December 2023.



4.0 PROGRAM ALLOCATIONS FY 2025/26

According to the National Budget Framework Paper FY 2025/26, the sustainable development program has been allocated UGX 1.30 trillion for FY 2025/26. In comparison with the budget allocation of UGX 1.135 trillion in FY 2024/25, the sustainable energy program is expected to increase by UGX 166 billion which cannot offset UGX 310 billion budget cut in FY2024/25. These inconsistencies in budget allocation to the programme present a critical challenge for the program to deliver affordable, reliable, clean, and modern energy services to facilitate industrialization, value addition, competitiveness, and improved quality of life.

Table 2: Sustainable Energy Development Programme Vote Budget FY2024/25 and FY2025/26 projection (UGX, BN)

Vote/Institution	Approved Budget FY2024/25 (UGX, BN)	FY2024/25 Spent by End Sept (UGX, BN)	Proposed Budget 2025/26 (UGX, BN)
Ministry of Public Service	0.500	0.060	0.500
Ministry of Foreign Affairs	0.585	0.135	0.585
Ministry of Justice and Constitutional Affairs	0.500	0.010	0.500
Ministry of Finance, Planning and Economic Development	2.610	0.968	1.500
Ministry of Lands, Housing & Urban Development	-	-	0.500
Ministry of Energy and Mineral Development	1,130.020	8.662	1,294.990
National Environment Management Authority (NEMA)	0.100	-	0.100
Uganda National Bureau of Standards (UNBS)	0.950	0.153	0.950
Soroti University	-	-	2.000
Total	1,135.270	9.988	1,301.620

Source: National Budget Framework Paper FY2025/26



5.0

CSO CONCERNS ON SUSTAINABLE ENERGY DEVELOPMENT PROGRAM

5.1 High dependence on external financing

According to the National Budget Framework Paper FY 2025/26, Government projects to increase the budget for the sustainable energy development program by UGX 166 billion in FY 2025/26. This will increase the total budget from UGX 1.135 trillion in FY 2024/25 to UGX 1.30 trillion in FY 2025/26. Whereas this positive, it is still insufficient for Uganda to leverage its 92% renewable energy potential which is currently being utilized at 32% with about 95% of households still using wood or charcoal for cooking, leading to deforestation and USD 2.3 billion in biodegradation loss annually.

Table 3: Financing Sources for Sustainable Energy development for the FY2024/25-2025/26

Amount (UGX, Bn)		FY2024/25	FY2025/26
Recurrent	Wage	7.511	7.511
	Non Wage	38.708	63.012
Development	GoU	141.594	21.021
	Ext. Financing	947.455	1,210.08
Total GoU		187.813	91.544
Total GoU+Ext Fin (MTEF)		1,135.27	1,301.62

Source: National Budget Framework Paper FY2025/26

External financing in FY2025/26 is projected to increase to UGX 1,210.077 billion which is 93% higher than the current financial year external financing budget of amounting to UGX 947.455 billion (83%). This over-reliance on external financing leaves the program highly vulnerable to external shocks coupled with uncertainty susceptible to changes in donor priorities and conditions.

Recommendation(s):

Government should increase domestic financing by at least 50% of the development budget for this programme.

We recommend the reinstatement of the UGX 25.872 billion which was cut in FY2024/25 to the sustainable Energy development programme and recommend its reinvestment in the Ministry of Energy and Mineral Development to support low income households that face affordability challenges.

5.2 Inadequate investment in Energy research and development.

The energy sector is currently facing a significant deficiency in research and development efforts, this hampers innovation and the advancement of renewable energy solutions that are cost effective and sustainable. Furthermore, institutions of higher learning and other innovation hubs are not adequately funded to support research initiatives in this critical area. For instance, only Soroti University is allocated UGX 2.0 billion in NBFP FY2025/26 which is only 0.15% of the program allocation, and yet no funds have been allocated to R&D over the last 2 financial years. This stifles the development of new technologies that could benefit society. Furthermore, according to the Uganda National Renewable Energy Policy (2007), there is a significant need for increased investment in R&D to create energy solutions that are both affordable and suitable for off-grid rural areas which can be achieved in collaboration with universities, private sector and international organizations like UNDP and GIZ, could establish national energy research centers to foster locally relevant innovations.

Recommendation(s):

- Research and development budget should be increased to UGX 5 billion.
- Diversifying players in research and development to include universities, research institutions private sector, and international agencies to have more comprehensive and participatory decision-making and policy influence.

5.3.High cost of clean energy sources

We commend the government for increasing electricity access over the years. According to the 2025 New Year’s Media Briefing on the New electricity tariffs and achievements by the Ministry of Energy and Mineral Development, Hon Ruth Nankabirwa (Minister for Energy and Mineral Development) on 2024 achievements which included, 197,390 new connections were made, raising the total to 2,305,296 households/ premises /Industries customers connected and achieving a 60% access rate. This includes 94,306 connections under the Electricity Access Scale-Up Project (EASP), expansion of the National Grid to Sub-Counties over 210 connected, and installation of Submarine Cable to Kalangala District to mention but a few.

However, we are concerned about the high cost of clean energy equipment and supplies which is limiting access. According to the National Population Census and Housing Census 2024 report, only 6.5% of households in urban areas used clean energy for cooking as compared to 1.9% o in rural areas.

Recommendation(s):

A cohesive method for rural electrification would be pursued, covering the whole range of energy resources



5.4 UEDCL's capacity to take over UMEME mandate

We commend the government for its advancement to take full control of electricity connection and distribution (enhancing the efficiency and reliability of power distribution) from UMEME with a complete transition expected to be completed on 1st April 2025. However, we are concerned that even when the UMEME's handover of licenses was completed on 31 December 2024, with UEDCL taking charge effective 1 April 2025, to date a lot of preparations need to be undertaken to ensure a smooth transition.

In February 2024, Parliament was informed of plans by the government to borrow US\$765.75 million (UGX2.812 trillion) from external lenders to cover the costs of Umeme's exit. The estimated buyout amount due to Umeme is US\$225.75 million (UGX 859.430 billion). UEDCL requires US\$540 million (Shs 2.051 trillion) for initial investments, with US\$190 million needed during the takeover process and US\$70 million (UGX 257.142 billion) per annum for the next five years.

The transition period started three years ago, and now the government is in the final stages to ensure that by the transition day, everything will be cleared on the side of the government and Umeme.

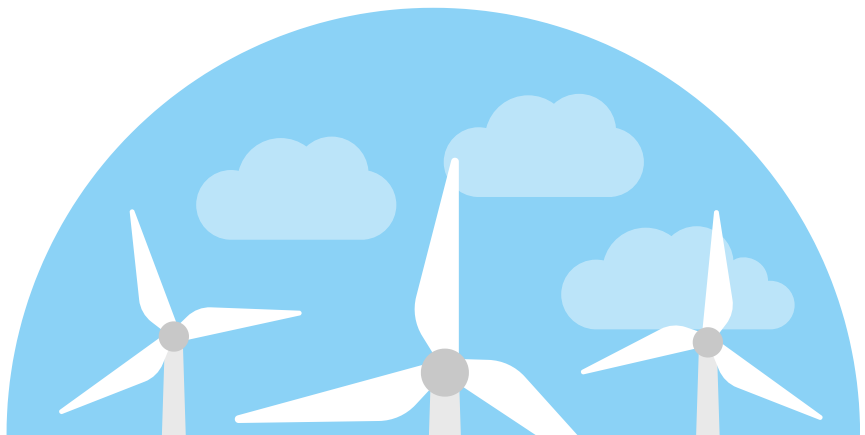
Recommendation(s):

Recapitalize UEDCL to fully enable it to cover annual operational expenses of non-network investments and distribution operation and maintenance costs of US\$62.8 million for the next three years. That's US \$ 21 million annually (UGX 77.03 billion)

Staffing and building capacity of UEDCL staff to handle the additional responsibilities emerging from the takeover of UMEME

6.0 CONCLUSION

In conclusion, the Sustainable Energy Development Programme during the National Development Plan IV (NDP IV) aims to increase access to and consumption of reliable, affordable, clean, and modern energy services. However, several significant concerns must be addressed. These include low budget allocations and high dependence on external financing for the Sustainable Energy Development Programme, inadequate investment in energy research and development, limited financing for renewable energy sub-programs at the local government level, high costs, and limited access to clean and renewable energy sources in rural communities, and the limited capacity of the Uganda Electrical Distribution Company Limited (UEDCL) to assume responsibilities from UMEME. To address these challenges, it is imperative for the government to adopt a comprehensive approach to rural electrification. This should include increased investment in research and development, active engagement with local governments, recapitalization of UEDCL, and prioritization of domestic financing for the programme.



7.0 REFERENCES

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Vision

A Uganda with a people centered budget that dignifies humanity.

Mission

Working towards ensuring that resource mobilization, allocation and utilization is inclusive for a transformed Uganda.

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