

# CSBAG BUDGET NEWS



## Dramatic journey to the Umeme Shs700 Billion loan approval in Parliament



A Umeme staff member at work (Photo: Xclusive News UG)

The processes that led to the passing of Parliament's approval of the Shs700 Billion loan for the Umeme buyout were dramatic. Majority of the key processes happened between March 17 and March 20 this year. Between the mentioned days, two Parliamentary committees were engaged in intense sessions to interface with stakeholders in Uganda's electricity sector to fetch their input so that informed decisions could be arrived at while scrutinizing the Shs700 Billion loan request.

On Tuesday 18 March, the committee on Natural Resources and the committee on National Economy sat in separate rooms at the same time to get views from key electricity stakeholders in Uganda. The two invited officials from Ministry of Energy and key figures from Electricity Regulatory Authority (ERA) and Uganda Electricity Distribution Company Limited (UEDCL).

Consequently, Minister of Energy Ruth Nankabirwa and UEDCL Managing Director Paul Mwesigwa went to the Natural Resources committee, chaired by Herbert Edmund Ariko, while ERA CEO Ziria Tibalwa Waako appeared before the National Economy committee, chaired by John Bosco Ikojo.

### Not ready?

In both committees, submissions by the government officials showed that key persons meant to ensure that there is a smooth transfer and takeover from Umeme to UEDCL appeared ill-prepared and seem to have been rushing due to the fast-paced deadline of the Umeme contract with government.

For instance, members of the Natural resources were assured by Minister Nankabirwa and UEDCL boss Mr Mwesigwa that Uganda was ready for the takeover from private firm Umeme and therefore only needed funds to facilitate the process.

On the contrary, the chief Executive Officer of ERA Ms Ziria Tibalwa told the members of the Committee of National Economy that Uganda was not ready and therefore there was still a lot to learn in the process. Ms Tibalwa had also appeared before the committee to offer support for government's request for USD50 Million to bankroll processes of the UEDCL to take over. "On our side, we aren't even ready with the US\$50 Million for UEDCL to start, let alone, the Concession agreement wouldn't allow UEDCL to step in," Ms Tibalwa told MPs. She added .

"This is a learning process for Government that as we continue as Government in engaging in new contracts, we need to find ways of flexibility and escape routes where UEDCL should have started working hand in hand with Umeme, where UEDCL would invest long before the concession agreement,". While the two committees were in separate sessions giving contrasting responses, it was clear that the government had not resolved on the exact amount of money for the Umeme buyout.

It was revealed that the exact amount could only be established after the Auditor General, Mr. Edward Akol, had assessed the investments made by Umeme in Uganda to determine the exact value of the buyout fee. It was stated that this could only happen at the end of March, which is also the deadline for Umeme's operations in Uganda.

Minister Nankabirwa informed the Natural Resources committee that, since the exact amount for the Umeme buyout had not been established, she would meet with the Minister of Finance the following day (Wednesday, March 19)

to determine how to request sufficient funds from Parliament without underestimating the value that the Auditor General would assess by the end of March 2025. Therefore, it was not surprising that Parliament was presented with a loan request of Shs700 billion as a buyout fee on Thursday, March 20th, 2025.

### Dramatic scenes on the floor of Parliament

On Thursday, after Parliament was recalled from recess, the plenary sitting, chaired by House Speaker Ms Anita Annet Among, was furnished with the main report and minority reports on the Umeme buyout tabled by the committee on National Economy.

The committee on National Economy visits all projects under UMEME. UMEME is a listed company, Ugandans who own shares in UMEME should be briefed on the status of their shares," Mr Tebandeke said.

A majority of submissions in Parliament showed that MPs were in support of recommitting the two reports. The Maracha County MP Mr Denis Oguzu was bitter and tough on government for the manner in which the loan was being rushed and processed. Mr Oguzu asked why government was not talking about the Escrow account in the process of the said Umeme buyout.

"In the Leasing and Assignments Agreement, there is an account called the Escrow Account on which Umeme has been paying rent and other incomes. To date, nobody in this country knows what that account is holding and yet this same agreement provides that if there are any obligations, they can be paid from that account," Mr Oguzu said. He also claimed that the government officials responsible for the buyout had been negligent, leading to panic and undue pressure on Parliament "I have information that the President directed some people to work on this two years ago, in 2022, but they slept on job.

That is why we are in a situation of emergency. You can imagine, all these documents, we received them yesterday. I read through these documents the whole night, that is why I am able to raise these things," Mr Oguzu said. Some MPs expressed fears that the Shs700 Billion was way too high compared to the likely outcomes of the assessment by Auditor General.

In response, the state minister for Finance in charge of General Duties Mr Henry Musasizi told Parliament that any excesses would be kept in case the Auditor General's assessment generated a figure less than Shs700 Billion. But government was not about to give up considering that they were racing against a deadline to secure the funds and also finance the buyout whose deadlines in less than a fortnight away.

In fact, it is for this reason that the Attorney General Mr Kiryowa Kiwanuka put up a spirited defence for lawmakers to approve the government request for the Shs700 Billion loan. "This matter of Umeme has been with us for a very long time. It is a very urgent matter and the deadline upon which we are supposed to make this payment ends on 31st March 2025.

If we don't, there will be penalties and costs," Mr Kiryowa said. As the House was treated to a heated debate on the matter, Hon. Otingiw Isaac of Padyere constituency rose up and suggested, through a motion, that Parliament approves the Shs700 billion loan request. It is at this point that Speaker Among ruled that the loan be approved.

[ATTACHED TO THIS EMAIL IS THE COPY OF THE NATIONAL ECONOMY REPORT ON THE UMEME SHS700 BILLION LOAN].

## CSBAG EVENTS



### #UGBUDGET25

We recently held a reflection and planning meeting at Rhinocamp Sub-county, where over 15 PBCs participated in AGMs across 6 primary schools. The meetings yielded significant achievements, including the start of school feeding programs, construction and renovation of teacher houses, and the selection of PBC members to key PTA positions.

The buyout payment is due within 30 days of the concession's end (April 2025), with escalating interest penalties for delays (up to 20% p.a.) Despite knowing about the buyout since 2022, the government only recently sought a USD 190 million loan from Stanbic Bank, raising concerns about last-minute planning and potential interest penalties

Source: CSO ANALYSIS: IMPLICATIONS OF UGANDA'S GOVERNMENT BUYOUT OF UMEME

