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POLICY **BRIEF**

THE MISSING LINK; POLICY AND FUNDING GAPS DELAYING UGANDA'S STANDARD GAUGE RAILWAY (SGR)

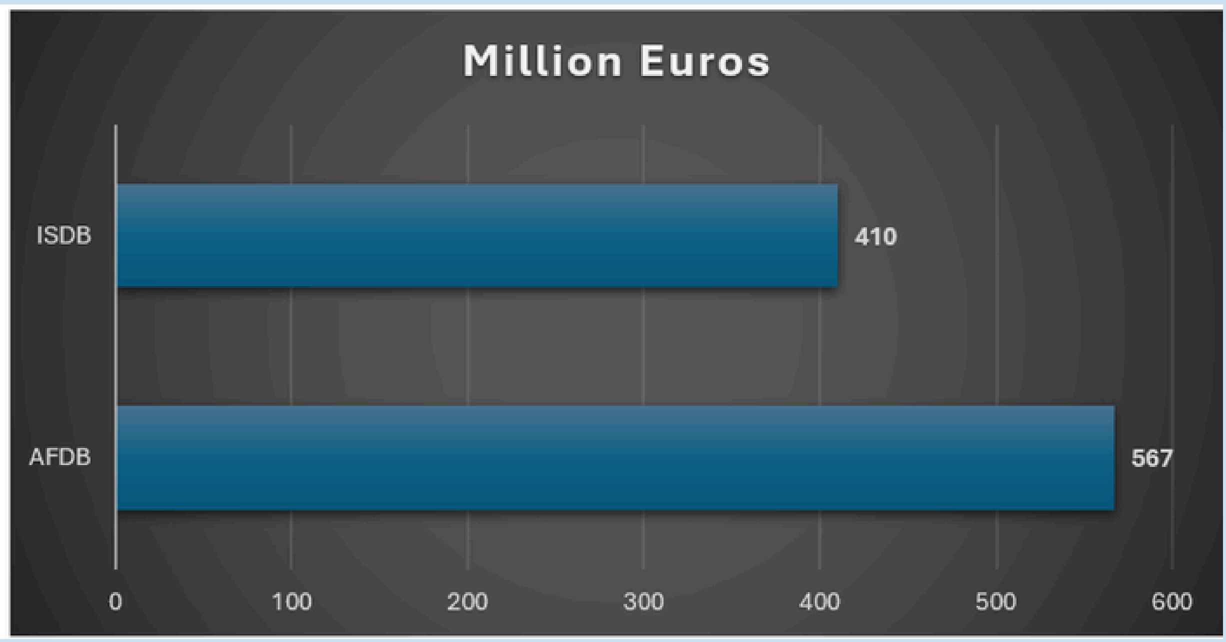
Throughout history, railways have been identified as a major enabler of economic change due to their capacity to propel production and improve the competitiveness of a country. However, for a long time, railway development has lagged behind demand in Uganda, yet it is a major driver of economic growth.

In the recent past, the Government has prioritized chiefly the road transport subsector to the extent that over 85% of the transport sector budget has been allocated to infrastructure development, where the road network has improved significantly.

The existing Meter Gauge Railway (MGR) from Malaba to Kampala was built over 70 years back, characterized by low freight capacity, very low speeds, numerous temporary speed restrictions, and low reliability and safety, all resulting in poor railway transport services. As a result, railway services have generally needed to be more efficient, reliable, and thus unattractive to the public, leading to a very marginal performance in cargo volumes per year.

The long-delayed Standard Gauge Railway (SGR) project in Uganda has received a significant boost after the African Development Bank (AfDB) pledged to provide US$650 million (approximately UGX2.45 trillion) toward the construction of the 326-kilometre Malaba-Kampala railway line.

Table 01: Total pledges (Euros) from Islamic Development Bank and African Development Bank towards the Standard Guage Railway project.



The commitment, announced on the sidelines of the 2026 AfDB Annual Meetings in Brazzaville, Republic of Congo, marks one of the most concrete financing assurances the project has received since Uganda abandoned efforts to secure funding from Chinese lenders and turned to alternative development partners.

Yet while government officials have welcomed the pledge as a breakthrough for one of Uganda's most ambitious infrastructure projects, lawmakers remain concerned about the railway's financial sustainability, unresolved land acquisition challenges, and the enormous funding gap that still threatens implementation.

It’s remembered that the Government officials have consistently argued that the railway is essential to reducing transport costs, improving trade competitiveness, and accelerating industrialization under Uganda's Tenfold Growth Strategy. The railway's total cost stands at approximately €2.7 billion (UGX11.86 trillion). The AfDB contribution therefore covers only a fraction of the required financing. Parliament’s Committee on Physical Infrastructure recently warned that Uganda still lacks a fully disclosed financing framework capable of assuring taxpayers and lenders of the project's fiscal viability.

In its scrutiny of the Ministry of Works and Transport's Ministerial Policy Statement for Financial Year 2026/27, the committee expressed concern that government has not publicly presented a comprehensive debt-servicing model for the project. There is no publicly disclosed revenue model or debt service schedule to demonstrate SGR's fiscal viability against the €2.7 billion debt obligation. It should be noted that without a clear repayment strategy, Uganda risks adding to an already growing public debt burden while exposing taxpayers to future financial liabilities.

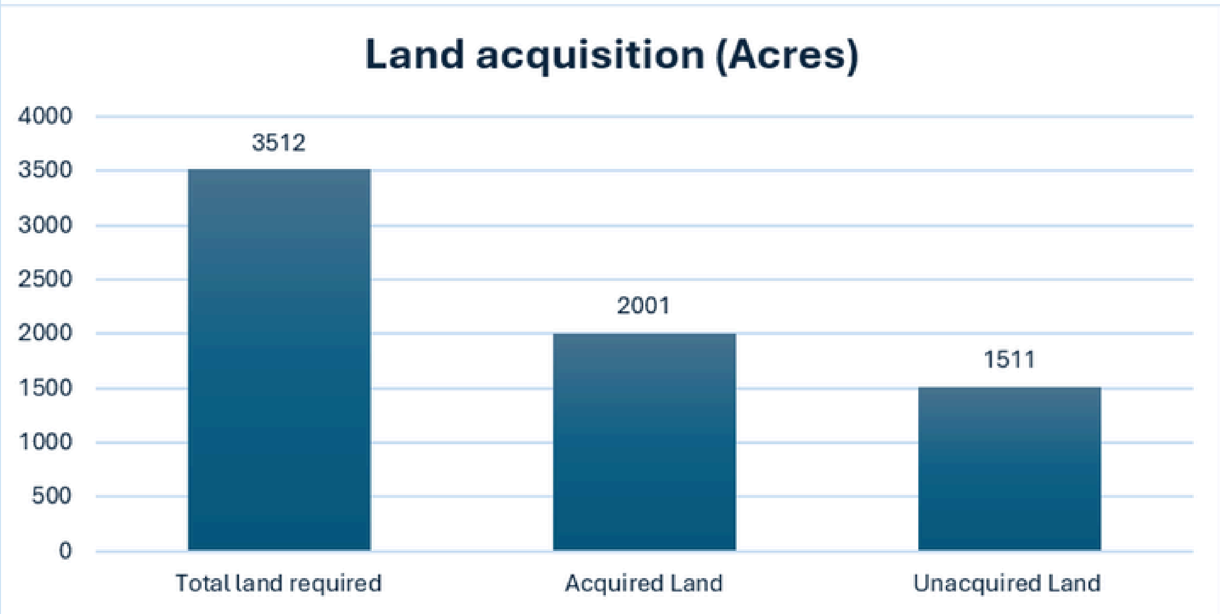
We need to task our government to have a detailed financing plan outlining confirmed lender commitments, co-financing arrangements for the remaining funds, and contingency measures should the targeted November 2026 financial closure fail to materialize.

Between 2015 and January 2023, Uganda maintained contractual arrangements with China Harbour Engineering Company (CHEC) to construct the Malaba-Kampala section. However, negotiations with Chinese financiers repeatedly stalled, largely because Kenya had delayed extending its own Standard Gauge Railway from Naivasha toward the Ugandan border. The absence of guaranteed regional connectivity weakened the project's attractiveness to Chinese lenders and eventually led to the termination of the CHEC arrangement after eight years of inactivity.

The collapse forced Uganda to rethink its financing strategy and seek support from multilateral lenders, including AfDB and the Islamic Development Bank (IsDB). Earlier this year, IsDB committed €410 million toward the project following a broader US$800 million financing framework announced in May 2025.

However, The Islamic Development Bank (IsDB) contribution accounts for only about 15 percent of the total project cost, leaving more than €2.2 billion yet to be secured and the latest AfDB commitment narrows that gap but does not eliminate concerns about how the remaining financing will be mobilized. Beyond financing, land acquisition continues to threaten the project's timeline. Only 2,001 of the required 3,512 acres have been acquired, representing 57 percent of the land needed for the railway corridor.

Table 02: Status of land acquisition for the Standard Gauge Railway.



The challenge is particularly acute in the densely populated Buikwe-Mukono-Wakiso-Kampala corridor, where compensation disputes and delayed payments continue to slow progress. Out of 12,307 Project Affected Persons (PAPs) identified, only 7,279 have been compensated. Government has so far paid UGX330.91 billion in compensation against a total assessed value of UGX822.84 billion, leaving nearly UGX492 billion unpaid and this means approximately 5,028 affected persons, representing 41 percent of all PAPs, are yet to receive compensation.

Table 03: The status for compensation of the project Affected Person for the Standard Guage Railway Project.

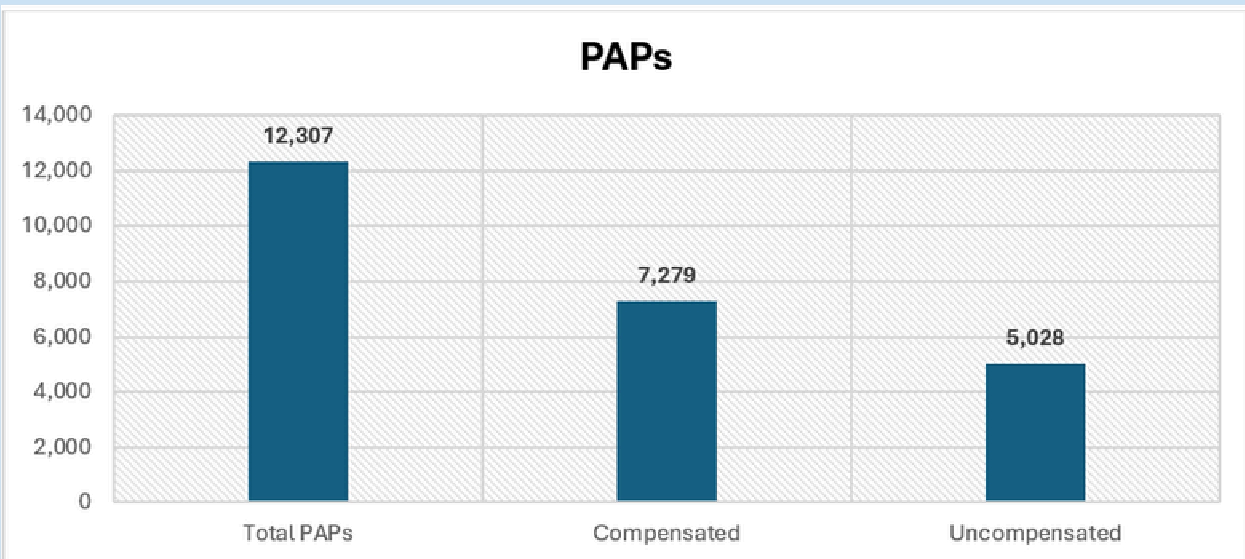
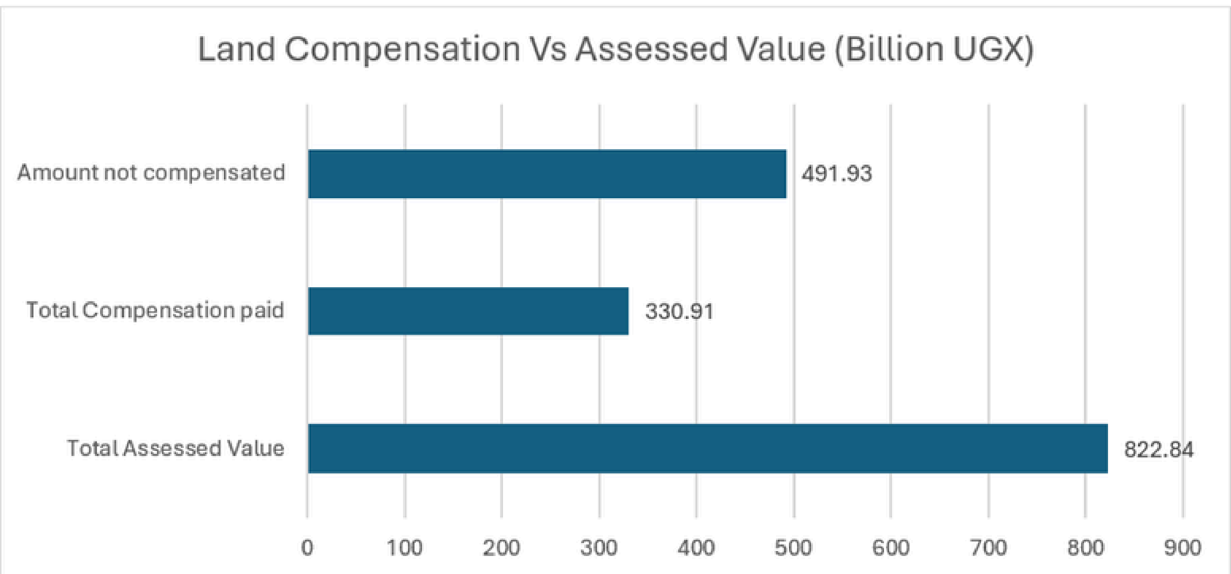


Table 04: The status of land compensation for the Standard Guage Railway project.



These unresolved claims could jeopardize lender confidence and delay right-of-way clearance, a critical condition for project implementation. Equally concerning is the fact that only 944.9 acres of acquired land have been formally titled and transferred to government ownership.

It should be noted that the untitled parcels remain vulnerable to legal disputes and ownership challenges that could complicate project execution and therefore the Uganda Land Commission should expedite titling and transfer processes to minimize future legal risks.

Although financing negotiations continue, preliminary works have already commenced. In October 2024, government signed an Engineering, Procurement and Construction (EPC) Turkey Contract with Turkish firm Yapi Merkezi valued at €2.7 billion.

President Yoweri Museveni officially launched the project in November 2024, describing it as a transformative investment capable of reducing freight transport costs and boosting Uganda's competitiveness. However, implementation has proceeded under a Limited Notice to Proceed arrangement pending financial closure.

Government has already released €75 million to facilitate preliminary activities, including the establishment of labour camps, construction of a sleeper manufacturing factory, installation of batching plants, and completion of engineering surveys.

These early works are intended to ensure the project can quickly transition into full-scale construction once financing is secured. The SGR remains one of Uganda's most strategically important infrastructure projects. Government estimates that the railway could significantly reduce cargo transport costs, ease pressure on roads, lower maintenance expenditures, and improve regional trade connectivity, it’s aligned with Uganda Vision 2040, the National Development Plan IV, and broader African Union infrastructure integration objectives under the Programme for Infrastructure Development in Africa (PIDA).

However, large-scale infrastructure investments must be accompanied by transparent financing arrangements, realistic revenue projections and respect rights along its entire chain.

The Public Finance Management Act requires government borrowing to be sustainable and capable of generating long-term economic benefits. Similarly, Article 159 of the Constitution requires parliamentary approval for public borrowing, underscoring the legislature's oversight role in major debt-financed projects.
The coming months, particularly by November 2026, could determine whether the Standard Gauge Railway finally becomes a reality or joins the long list of ambitious projects delayed by financing and implementation challenges.

Uganda’s decision to contract Citibank to mobilize funding for its Standard Gauge Railway (SGR) marks a significant turning point for a project that has faced years of delays, largely due to financing challenges. The development was announced during a meeting of East African finance ministers on the sidelines of the 2026 IMF and World Bank Spring Meetings in Washington DC, where Kenya, Rwanda, and Uganda reviewed progress on the regional railway network.

A project long delayed;

Uganda’s SGR journey has been marked by repeated setbacks. Initially conceived as part of a regional plan to link the port of Mombasa to inland East Africa, the railway was expected to be financed largely through external borrowing, particularly from China’s Exim Bank, which funded Kenya’s SGR.

However, Uganda’s plans stalled after China declined to finance the Malaba–Kampala section under earlier terms, citing concerns over project viability and rising debt risks. This forced government to halt procurement processes and re-evaluate its financing strategy. For years, progress remained slow, with work largely limited to preliminary activities such as land acquisition and route planning, while government searched for alternative funding sources.

Regional stakes;

The SGR is seen as a cornerstone project for East Africa’s economic integration. Kenya is pushing to complete its section up to Malaba, while Rwanda has committed to extending the line from Uganda’s border when the time comes. If financing is successfully secured, the SGR could finally move from years of uncertainty into full implementation. The railway is expected to significantly reduce cargo transport costs, ease road congestion, and boost trade competitiveness across the region.

For Uganda, the partnership with Citibank represents not just a financing strategy but a renewed push to revive a long-delayed yet strategically vital project

Factors delaying the Standard Gauge Railway.

- Work scope and project design uncertainties Project work scope changes that arise from lack of client awareness, delayed financing, poor planning phase, and lack of geotechnical expertise, among others. Most construction projects have suffered from unforeseen ground conditions forcing engineers to redesign or adjust during implementation.

The redesign to cope with the ground condition results in the issuance of contract price variations, and often an award extension becomes inevitable.

- Poor monitoring and control; The need for more monitoring of the project's success in Uganda is still a major issue. Projects are laid down, planned, and stopped on paperwork, leading to delays in the project implementation phase. Most of the resources given at the start of the projects are very small and, in many occasions, misused or diverted.

- Political uncertainty; The processes followed in procuring the SGR in Uganda have faced political interferences. The SGR procurement in Uganda did not follow the PPDA Act and regulations (2003). the process lacks transparency and no competition (Parliament of Uganda, 2015). As a result, the procurement process principles of transparency, accountability, fairness, non-discrimination, competition, ethics, and value for money were compromised.

- Economic Inadequate funding, inefficient equipment, and compensation of PAPs; The right of way from Tororo-Kampala was demarcated and gazetted in 2015 at a total land compensation cost estimate of Uganda Shs 584.90 billion to be paid to 10,676 PAPs has taken close to eight years, and only 50% of the land is paid and expropriated amounting to UGX 102 billion only in eight years.

Recommendations.

- The procurement of the SGR should be expedited, and the necessary preparations should not be delayed any further as the SGR is of benefit to the people of Uganda and will lead to more infrastructural developments in Uganda and East African Region as a whole.

- Government of uganda should identify potential funders for the project if the Chinese are still hesitant in financing the SGR.

The government of Uganda needs to lobby for more resources or else make budget cuts on some sectors of the economy such as security so as to cater for the infrastructure development such as the construction of the SGR. Negotiations can also be reached with contractors.

- Government of Uganda should identify competent consultant to supervise the project works and ensure that the desired quality of the SGR project is achieved. The ministry of works and transport should identify a competent consultant to spear head the process. This would help the project to run as per the schedule.

- Timely and adequately compensate all the project affected persons before any commencement of the project activities.

References. (centre, 2025)

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