

Infrastructure financing

Uganda rolls the dice on first Sukuk bond

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Uganda is set to issue its first sovereign Sukuk bond—valued at EUR 405.5 million (Shs1.75 trillion) to finance 15 percent of Phase 1 of the Standard Gauge Railway (SGR), a 272-kilometre line from the Kenya border at Malaba to Kampala. This move marks a major shift in the government's diversification of its funding mix.

Future phases of the SGR will extend to the northern corridor along with western routes linking Uganda to Rwanda, the Democratic Republic of Congo, and Tanzania. The entire construction is expected to last seven years and to cost over EUR 2.7 billion (Shs11 trillion (\$2.9 billion)). The trains will carry both passengers and cargo.

With an estimated useful life of over 30 years, the SGR promises to lower the cost of doing business in Uganda through a 35 percent reduction in freight charges, faster transit times, improved reliability, and reduced emissions compared to the current ageing metre-gauge railway.

According to the Works Ministry, the SGR's speeds of up to 120 km/h for passenger trains and 100 km/h for cargo could help cut the travel time from Mombasa to Kampala from 14 days to about 1 day. The project is also expected



Uganda's President Museveni (right) and his Kenyan counterpart William Ruto (left) pose for a photo on March 21, 2026, during the ground-breaking ceremony for the Naivasha-Kisumu-Malaba Standard Gauge Railway project in Kenya's Kisumu County. PHOTO/FILE

to reduce road congestion, ease pressure on roads, and strengthen intercontinental trade, in line with the African Union's Agenda 2063.

To ensure local participation, the Works Ministry has set a 40 percent local content target (about Shs4.3 trillion), with specific goods and services ring-fenced for Ugandan firms.

Why a Sukuk bond—and why now?

Uganda is operating amidst tightening global credit markets, competing demands for social and infrastructure spending, with public debt projected to

reach 55.5 percent by 30 June 2026.

A Sukuk issuance offers an alternative financing channel to help diversify government funding sources while managing debt sustainability because unlike most credit sources, a Sukuk is not a debt instrument. With this bond, the government could also tap into the global Islamic finance market and attract investors seeking Shariah-compliant, stable and asset-backed instruments, an investor base normally excluded from conventional bonds.

Globally, the appetite for Sukuk has been rising. According to S&P, glob-

al Sukuk issuance grew by 25 percent in 2025 by over US\$ 300 billion, raising the total outstanding value to over US\$ 1 trillion. In Africa, in 2025, sukuk issuance rose from \$112 million in 2024 to nearly US\$3 billion, driven mainly by Egypt's US\$2.8 billion sukuk in October 2025.

Following Uganda's operationalisation of Islamic banking in 2023, the subsequent licensing of Salaam Bank, and the recent launch of Tamini General Insurance to offer Takaful (Islamic insurance), Uganda's financial ecosystem is now well-positioned to support a Sukuk issuance.

While both instruments are used to raise capital, they are different.

A conventional bond represents debt. Investors receive interest payments over a fixed period, and do not own the underlying asset.

Sukuk investors, on the other hand, own a share of the underlying asset and earn a profit or rental income over the lifetime of the asset instead of interest.

For Uganda's SGR Sukuk, investors will earn rental income from the railway once operational. The principal amount will be repaid at maturity when the Special Purpose Vehicle (SPV) sells the financed portion of the SGR back to the government. The SPV will be a Ugandan entity responsible for receiving the sukuk proceeds and holding the asset on behalf of investors.

Under the Income Tax Act, any

amount earned by the sukuk investor over the original investment is classified as interest income. This income will be exempt from income tax in Uganda, as listed infrastructure bonds with maturities over ten years are tax-exempt.

The Finance Ministry has indicated a minimum investment amount of Shs1 million (about US\$265) for each sukuk certificate; and plans to list the Sukuk on the Uganda Securities Exchange, with secondary listings abroad; with subscription expected to open in the next few weeks. This aims to broaden local and international participation.

Given the short timelines, several legal, governance, and operational structures and processes must be finalised, including:

- Establishing and operationalising the SPV;
- Constituting an independent Shariah advisory board;
- Finalising governance, risk, and control frameworks to provide investor confidence and assurance; and
- Conducting public sensitisation, and investor outreach locally and internationally to boost uptake.

In the interim period to listing, government may consider broadening public awareness and sensitisation and engaging extensively to strengthen investor confidence to build demand. Also, lowering the minimum investment for Ugandan citizens could further boost local participation and stimulate domestic savings.

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