Uganda to pay Shs522b over railway concession deal

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BY ANTHONY WESAKA

Uganda has been ordered to pay about Shs522 billion ($138.93 million) to Rift Valley Railways Uganda Limited (RVRU) after an international arbitration tribunal in London, UK ruled that the government wrongfully terminated a railway concession agreement.

The award, issued on April 6, 2026, under the UNCITRAL Arbitration Rules (2013), ends a protracted dispute stemming from the 2017 termination of the 25-year concession to operate Uganda's metre-gauge railway.

The three-member tribunal, chaired by Mr Klaus Reichert SC alongside Mr Barton Legum and Prof Muna Ndulo, found that Uganda breached the concession agreement, triggering liability for damages.



In July 2016, Uganda issued a notice of default listing nine alleged breaches. PHOTO/FILE

Origins of the dispute

The case traces back to a joint decision by Uganda and Kenya in 2004 to privatise railway operations following years of losses by the state-owned Uganda Railways Corporation (URC) and Kenya Railways Corporation (KRC).

In 2005, a consortium led by South Africa's Sheltam secured a 25-year concession, establishing Rift Valley Railways (Uganda) Limited (RVRU) to operate freight services in Uganda, with rights to use key railway assets, including tracks, rolling stock, and related infrastructure.

However, tensions emerged over the company's performance, with the government citing failure to meet freight targets, unpaid concession fees, and inadequate maintenance of railway infrastructure.

In July 2016, Uganda issued a notice of default listing nine alleged breaches. RVRU denied the claims.

The dispute escalated in April 2017 when the government issued a notice of intention to terminate the concession, before formally ending the agreement in October 2017. RVRU challenged the termination, securing temporary court injunctions and subsequently initiating arbitration proceedings in London.

Tribunal findings

In its final award, the tribunal rejected claims that Uganda had unlawfully expropriated the investors' assets. However, it held that the termination of the concession agreement constituted a breach, entitling RVRU to compensation.

The tribunal ordered Uganda to pay $138.93 million (about Shs522 billion), inclusive of pre-award interest, for the breach.

At the same time, RVRU was directed to pay Uganda $102,804.99 in historical damages, plus interest, relating to earlier findings in the arbitration.

The tribunal also awarded the claimants $1.27 million in legal and arbitration costs, to be reimbursed by Uganda.

The claimants in this case were: Rift Valley Railways (Uganda) Limited (RVRU), KU Railways Holding Limited, and RVR Investment (Pty) Limited.

However, the arbitrators declined to grant compensation for alleged future profits, ruling that the claimants had failed to provide sufficient evidence to justify such damages.

"The claimants did not prove a record of profits or provide a reliable basis to forecast future profits," the tribunal noted, adding that such claims would be speculative and inconsistent with principles governing damages.

TERMINATION

The government had also attempted to reverse the termination shortly after issuing it, citing a lack of awareness of a court injunction, and proposed conditions for continuation of the contract. However, the dispute had already escalated into arbitration. The award is expected to have implications for future investment agreements, particularly in large-scale infrastruc-

Background and implications

The termination followed recommendations by the Joint Railway Commission in 2017, supported by a report from the Japan International Cooperation Agency (JICA), which highlighted operational inefficiencies and investment gaps under the concession.

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The award is expected to have implications for future investment agreements, particularly in large-scale infrastructure projects, as Uganda seeks to balance public interest with contractual obligations to private investors.

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