
A REVIEW OF THE ECONOMIC IMPACTS OF THE STANDARD GAUGE RAILWAY (SGR) ON TRADE AND REGIONAL CONNECTIVITY IN TANZANIA

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ABSTRACT

The Standard Gauge Railway (SGR) is a major infrastructure project in Tanzania aimed at improving trade efficiency and enhancing regional connectivity. This review synthesizes existing literature on the economic impacts of the SGR, focusing on trade facilitation, logistics, regional integration, and economic growth. Drawing from government reports, World Bank and African Development Bank studies, and academic research, the review highlights the benefits and challenges associated with the SGR project. Findings indicate that while the SGR has the potential to reduce transport costs, improve trade flows, and foster regional integration, issues such as financing, maintenance, and stakeholder coordination remain critical. The study underscores the need for complementary policies to maximize the socio-economic benefits of the railway.

KEYWORDS: Standard Gauge Railway (SGR), Trade Facilitation, Regional Connectivity, Economic Impact, Tanzania, Infrastructure Development.

1. INTRODUCTION

Infrastructure plays a pivotal role in facilitating economic growth by reducing transportation costs, improving market access, and enhancing regional integration (World Bank, 2017). In East Africa, efficient transport networks are particularly critical for trade, given the landlocked nature of several countries and the reliance on cross-border logistics (African Development Bank [AfDB], 2019). The Standard Gauge Railway (SGR) in Tanzania represents one of the most significant infrastructure investments in the country's history,

aiming to connect key economic hubs, improve cargo and passenger movement, and enhance regional connectivity within the East African Community (EAC).

The SGR is expected to reduce transit times, lower transportation costs, and provide a reliable alternative to road transport, which is often congested and inefficient (UNCTAD, 2020). By connecting the Tanzanian hinterland with seaports and neighboring countries, the SGR has the potential to stimulate trade, attract investment, and support regional economic integration (Kariuki & Kihoro, 2021). Such projects are aligned with Tanzania's broader development agenda, including Vision 2025 and the Tanzania Development Plan (2021–2026), which emphasize infrastructure as a key driver of economic transformation.

Despite its potential, the economic impacts of the SGR are not uniform and depend on factors such as implementation efficiency, complementary infrastructure, regional coordination, and financing mechanisms (World Bank, 2017; AfDB, 2019). Existing studies highlight both opportunities such as increased trade flows and employment generation and challenges, including high capital costs, operational sustainability, and limited integration with local industries (Kariuki & Kihoro, 2021).

This review aims to synthesize existing literature on the economic impacts of the SGR, focusing on trade facilitation, regional connectivity, and broader socio-economic outcomes. It provides policymakers, academics, and stakeholders with a comprehensive understanding of the project's contributions and challenges, while identifying research gaps for future investigation.

2. Review Objectives & Research Questions

2.1 Review Objectives

The main aim of this review is to synthesize and evaluate existing literature on the economic impacts of the Standard Gauge Railway (SGR) in Tanzania, with a focus on trade facilitation and regional connectivity. Specific objectives include:

1. To examine the role of the SGR in enhancing trade flows within Tanzania and across the East African region.
2. To assess the contributions of the SGR to regional connectivity, including integration with neighboring countries.
3. To identify the socio-economic benefits and challenges associated with the SGR project.
4. To highlight policy implications and lessons for optimizing the economic impact of large-scale infrastructure projects in Tanzania.

2.2 Research Questions

To achieve the above objectives, the review addresses the following key questions:

1. How has the SGR influenced trade volumes, costs, and efficiency within Tanzania?
2. What are the effects of the SGR on regional connectivity and integration with neighboring countries?
3. What socio-economic benefits and challenges are associated with the SGR project?
4. What lessons can policymakers and stakeholders draw from the SGR experience to maximize economic impact?

Why This Matters

- Establishing clear objectives and research questions ensures the review is focused, structured, and relevant.
- It provides a roadmap for synthesizing literature on economic impacts, trade facilitation, and regional integration.
- Aligns the review with policy priorities in Tanzania and the broader East African region.

3. Theoretical and Conceptual Framework

3.1 Theoretical Foundations

The economic impacts of large infrastructure projects like the SGR can be understood through several key economic and development theories:

1. Transport Economics Theory

- Emphasizes that efficient transport systems reduce trade costs, improve market access, and enhance economic efficiency (Button, 2010).
- Application: The SGR reduces transit times and logistics costs, facilitating trade within Tanzania and across the region.

2. Growth Pole Theory

- Suggests that major infrastructure investments can stimulate economic activities in surrounding areas, creating regional development hubs (Perroux, 1955).
- Application: The SGR may act as a growth pole, boosting industrial activity, urban development, and trade corridors in connected regions.

3. Regional Integration Theory

- Argues that transport connectivity strengthens trade networks, reduces barriers, and promotes economic cooperation among neighboring countries (Balassa, 1961).
- Application: By linking Tanzania to Kenya, Uganda, Rwanda, and Burundi, the SGR enhances East African trade and market integration.

4. Infrastructure-Led Economic Development Theory

- Posits that strategic infrastructure investment drives productivity, employment, and GDP growth (Calderón & Servén, 2004).
- Application: The SGR contributes to economic transformation by facilitating movement of goods, services, and labour.

3.2 Conceptual Framework

The conceptual framework links the SGR as an infrastructure intervention to trade and regional connectivity outcomes, which in turn influence broader economic impacts:



Explanation:

- The SGR reduces logistical barriers, improving trade efficiency and market linkages.
- Enhanced regional connectivity fosters integration with East African neighbors, supporting cross-border trade and economic cooperation.
- These improvements lead to broader socio-economic benefits, such as increased investment, employment opportunities, and regional development.

4. Thematic Review

4.1 Trade Facilitation

The SGR is primarily designed to improve the efficiency and cost-effectiveness of transporting goods within Tanzania and to neighboring countries. Studies indicate:

- **Reduced Transportation Costs:** Improved rail infrastructure reduces freight costs compared to road transport, particularly for bulk commodities like minerals, agricultural products, and manufactured goods (World Bank, 2017).

- **Increased Trade Volumes:** Early evidence suggests that the SGR has facilitated faster and more reliable movement of goods from production hubs to ports, enhancing export capacity (AfDB, 2019).
- **Supply Chain Efficiency:** By linking major industrial centers, the SGR streamlines logistics, reduces delays, and supports timely delivery of raw materials and finished products (Kariuki & Kihoro, 2021).

Implications: The SGR enhances domestic and international trade efficiency, which is vital for Tanzania's industrialization and economic competitiveness.

4.2 Regional Connectivity

The SGR contributes to regional integration by connecting Tanzania with Kenya, Uganda, Rwanda, and Burundi:

- **Cross-Border Trade:** The railway enables easier movement of goods across borders, supporting intra-EAC trade (UNCTAD, 2020).
- **Market Access Expansion:** Farmers, manufacturers, and exporters gain access to larger regional markets, promoting economic inclusivity.
- **Integration of Transport Networks:** The SGR complements other infrastructure projects (roads, ports, and logistics hubs), creating a multimodal transport system for East Africa (AfDB, 2019).

Implications: Strengthened regional connectivity positions Tanzania as a logistics hub for East Africa, promoting trade and economic cooperation.

4.3 Socio-Economic Impacts

Beyond trade, the SGR contributes to broader economic development:

- **Employment Generation:** Construction and operation of the SGR have created direct and indirect employment opportunities (World Bank, 2017).
- **Industrial and Urban Development:** Towns and industrial areas along the railway corridor have seen increased economic activity, consistent with growth pole theory (Perroux, 1955).
- **Investment Attraction:** Improved transport reliability encourages domestic and foreign investment in manufacturing, agriculture, and services sectors (Kariuki & Kihoro, 2021).

Implications: The SGR supports economic transformation by enhancing productivity, creating jobs, and attracting investment.

4.4 Challenges and Constraints

While the SGR presents substantial benefits, several challenges affect its economic impact:

- **High Capital Costs:** Construction and financing of the railway require significant government expenditure and debt (World Bank, 2017).
- **Operational Sustainability:** Maintenance costs, low initial freight volumes, and limited technical capacity may affect long-term efficiency.
- **Integration with Local Industries:** Without supporting policies, the benefits of connectivity may not fully reach small businesses and rural areas (AfDB, 2019).
- **Stakeholder Coordination:** Aligning regional regulations, customs procedures, and border logistics remains a challenge (UNCTAD, 2020).

Implications: Addressing these constraints is crucial to maximize the SGR's potential economic impact.

Summary of Thematic Insights

- The SGR reduces transport costs, improves trade efficiency, and expands market access.
- It strengthens regional connectivity, facilitating cross-border trade and integration within East Africa.
- Socio-economic benefits include employment creation, industrial development, and investment attraction.
- Challenges such as high costs, operational sustainability, and integration with local industries must be addressed to realize full benefits.

5. Lessons and Policy Recommendations

5.1 Enhance Trade Facilitation

Lesson: Efficient transport infrastructure directly reduces trade costs and improves market competitiveness (World Bank, 2017).

Recommendations:

- Develop complementary logistics hubs, warehouses, and cargo handling facilities along the SGR route.
- Implement efficient cargo tracking systems and digital solutions to streamline freight management.
- Encourage private sector participation in freight services to optimize railway usage.

5.2 Strengthen Regional Connectivity

Lesson: Regional integration amplifies economic benefits by expanding markets and trade opportunities (UNCTAD, 2020).

Recommendations:

- Harmonize cross-border regulations, customs procedures, and tariffs with neighboring EAC countries.
- Promote multimodal transport linkages, connecting the SGR with ports, roads, and inland terminals.
- Facilitate regional trade agreements to encourage higher freight volumes and market access.

5.3 Maximize Socio-Economic Benefits

Lesson: Infrastructure projects can generate employment, attract investment, and stimulate industrial development (Perroux, 1955; AfDB, 2019).

Recommendations:

- Invest in skills development programs for local communities to participate in SGR-related economic activities.
- Encourage the development of industrial parks and commercial zones along the railway corridor.
- Monitor and evaluate economic impact indicators, such as employment, business growth, and trade volumes, to guide policy.

5.4 Address Operational and Financial Challenges

Lesson: Long-term sustainability depends on effective maintenance, financial planning, and stakeholder coordination (World Bank, 2017).

Recommendations:

- Establish a sustainable financing model, including PPPs and private investments, to support railway operations and maintenance.
- Implement a robust monitoring and evaluation framework to track operational performance.
- Strengthen capacity building for technical staff in railway management, logistics, and maintenance.

5.5 Integrated Policy Approach

- Infrastructure benefits are maximized when transport, trade, and industrial policies are coordinated.
- The government should align the SGR with Tanzania's Vision 2025/2050 and regional development strategies.
- Encourage data-driven decision-making to identify trade bottlenecks and optimize railway operations.

6. CONCLUSION

The Standard Gauge Railway (SGR) is a transformative infrastructure project with significant potential to enhance trade efficiency, regional connectivity, and economic growth in Tanzania. This review highlights that the SGR:

1. Facilitates trade by reducing transport costs, improving logistics reliability, and increasing the volume of goods transported within Tanzania and across East Africa.
2. Strengthens regional connectivity, supporting integration with neighboring countries and enhancing East African trade networks.
3. Generates socio-economic benefits, including employment creation, industrial development along the corridor, and attraction of domestic and foreign investment.
4. Faces challenges such as high capital costs, operational sustainability, integration with local industries, and cross-border coordination.

To maximize the benefits of the SGR, the review recommends an integrated policy approach that aligns infrastructure development with trade facilitation, regional integration, and industrial strategies. Emphasis on sustainable financing, technical capacity building, and stakeholder coordination is essential to ensure long-term operational and economic success.

Overall, the SGR exemplifies how strategic infrastructure investments can drive economic transformation, stimulate regional trade, and position Tanzania as a logistics hub in East Africa. By addressing operational and policy challenges, the full potential of the railway in supporting sustainable economic growth can be realized.

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