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THE BUDGET ANALYSIS FOR THE MINISTRY OF MINERALS 2026/2027





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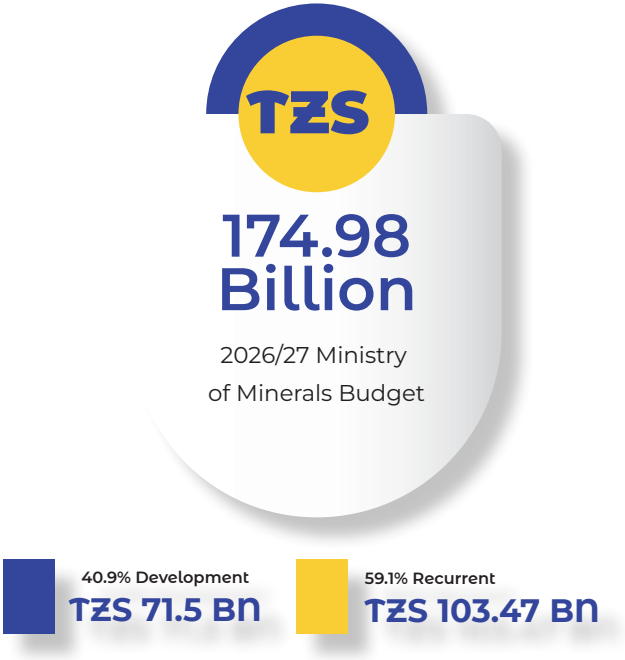
EXECUTIVE SUMMARY

The Ministry of Minerals' 2026/27 budget has a slight decrease of 12%, equivalent to TZS 50 billion, compared to the 2025/26 budget of TZS 224.98 billion. For 2026/27, the Ministry has a budget of TZS 174.98 billion, of which TZS 71.5 billion (40.9 percent) is for development expenditure and TZS 103.47 billion (59.1 percent) is allocated for recurrent expenditure. With the Ministry of Minerals continuing to contribute significantly to the national economy (the country's GDP), at 9.1% in 2023, 10.1% in 2024, and 11.9% in 2025, this reflects the Government's continued commitment to positioning the mining sector as a key driver of Tanzania's economic growth through increased mineral production, investment promotion, geological surveys, mineral beneficiation, and domestic revenue mobilization. The Ministry projects mineral revenues of TZS 1.406 trillion in 2026/27, up from TZS 1.2 trillion in 2025/26, while continuing to invest in expanding geological knowledge and attracting investment into strategic and transition minerals.

This budget analysis acknowledges these positive developments while assessing whether the proposed allocations adequately support the broader objectives of sustainable, inclusive, and responsible mineral sector development. The analysis finds that although the budget strongly supports production growth and investment attraction, greater attention is needed to strengthen governance systems that ensure mining delivers long-term economic, social, and environmental benefits.

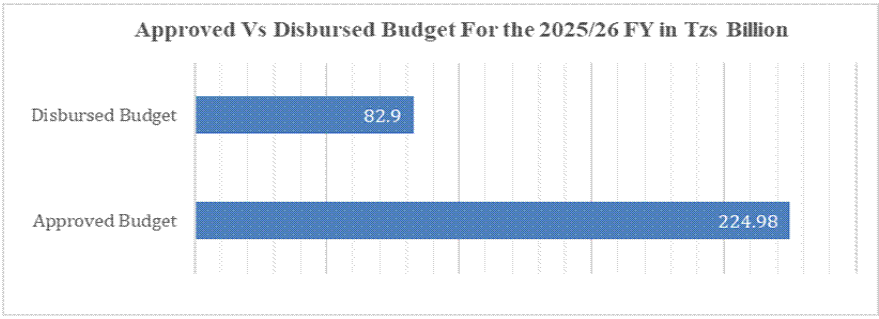
The analysis identifies six key policy issues. First, while the budget prioritizes mineral development, there is limited visibility of dedicated resources for environmental compliance, mine rehabilitation, and environmental monitoring despite the expected expansion of transition mineral projects. Second, gender-responsive budgeting remains limited, with few explicit measures to address barriers faced by women in artisanal and small-scale mining and mining-affected communities. Third, weaknesses in the implementation and enforcement of local content requirements continue to constrain the participation of Tanzanian businesses, workers, and suppliers in mining value chains. Fourth, although the Government has expanded domestic mineral refining infrastructure, particularly for gold, refinery capacity remains underutilized due to inadequate mineral feedstock and limited participation of large-scale mining companies in local refining arrangements. Fifth, favourable global mineral prices provide an opportunity to increase government revenues, yet the current fiscal framework has limited mechanisms to capture additional benefits during commodity price booms. Finally, while foreign direct investment in mining continues to grow, stronger policy measures are needed to ensure that these investments generate broader local economic benefits through employment, technology transfer, supplier development, and domestic industrialization.

The analysis concludes that Tanzania has an opportunity to strengthen the developmental impact of its mining sector by complementing investments in production and investment promotion with stronger investments in environmental governance, local content implementation, gender inclusion, value addition, institutional oversight, and adaptive fiscal policies. Future budgets should place greater emphasis on measurable outcomes that demonstrate how mineral wealth contributes to sustainable economic transformation, improved livelihoods, and inclusive national development.



1. THE BUDGET ALLOCATION FOR THE MINISTRY OF MINERALS 2025/26

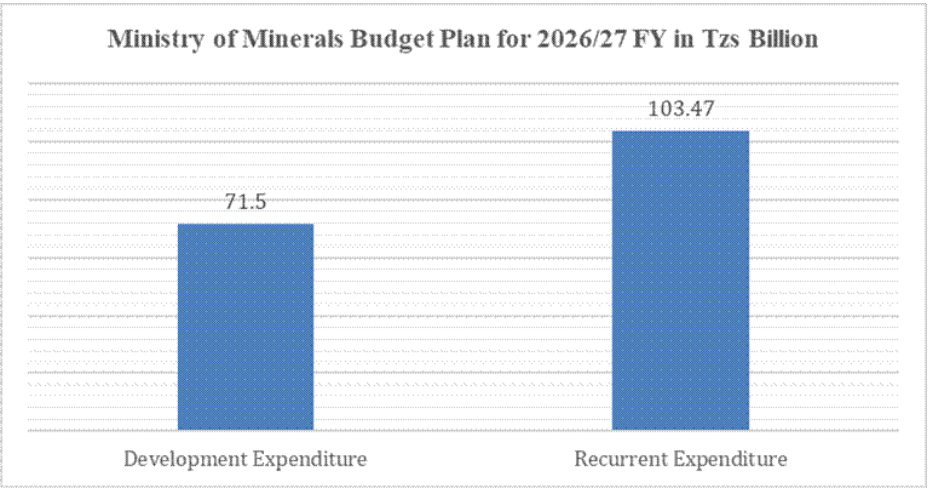
For FY 2025/26, Parliament approved approximately TZS 224.98 billion for the Ministry of Minerals and its institutions, including TZS 124.6 billion for development expenditure and approximately TZS 100.38 billion for recurrent expenditure. The approved budget aimed to support mineral sector governance, geological surveys, mineral value addition initiatives, regulatory oversight, and support for artisanal and small-scale miners. However, during the period from July 2025 to March 2026, the Ministry received a total disbursement of TZS 82.9 billion, indicating a significant gap between the approved budget and actual funds released for implementation, which is mostly challenged by the effectiveness of funds mobilization and domestic revenue collection. In addressing this challenge, the Ministry aims to strengthen revenue collection and ensure that the sector has a well-strength strengthened revenue collection mechanism for sectoral growth and national economic gains.



Source: The MoM Budget Speech 2026

2. THE BUDGET ALLOCATION FOR THE MINISTRY OF MINERALS 2026/27

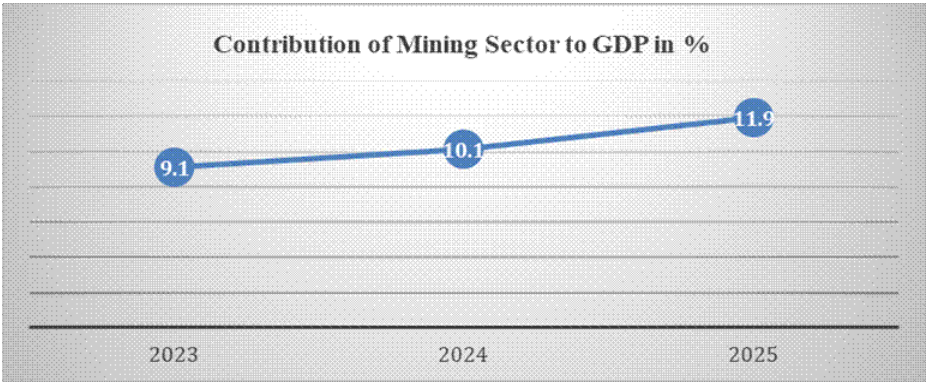
For FY 2026/27, the Ministry requested Parliament to approve approximately TZS 174.98 billion, of which TZS 71.5 billion (40.9 percent) is allocated for development expenditure and TZS 103.47 billion (59.1 percent) for recurrent expenditure, including TZS 27.36 billion for Personnel Emoluments and TZS 76.1 billion for Other Charges. The Ministry also projected revenue collection of approximately TZS 1.406 trillion during the financial year. Key priorities outlined in the budget include strengthening mineral revenue collection and compliance systems, promoting mineral beneficiation and refinery development, expanding geological surveys and exploration activities through the Geological Survey of Tanzania (GST), supporting artisanal and small-scale miners, enhancing investment promotion, and strengthening governance and regulatory oversight systems to address illegal mineral trade and improve transparency in the sector.



Source: The MoM Budget Speech 2026/27

3. THE MINING SECTOR CONTRIBUTION TO COUNTRY'S ECONOMY (GDP)

The FY 2026/27 Budget Speech for the Ministry of Minerals emphasized continued growth in the mining sector and its contribution to Tanzania's economy. The Government highlighted that the sector's contribution to Gross Domestic Product (GDP) increased from 9.1 percent in 2023 to 10.1 percent in 2024, while the average contribution between January and September 2025 reached 11.9 percent.



Source: The MoM Budget Speech 2026/27

4. MINISTRY OF MINERALS BUDGET SPEECH 2026/27 ANALYTICAL AREAS

4.1. Revenue Growth Must Be Matched with Local Economic Benefits

The Ministry of Minerals' 2026/27 budget rightly prioritizes increasing mineral production, attracting investment, strengthening mineral value addition, and enhancing government revenue. These priorities are consistent with the Government's objective of increasing the mining sector's contribution to GDP and domestic revenue (Ministry of Minerals, 2026).

However, while the budget focuses on expanding the sector, there is limited emphasis on ensuring that the economic benefits generated by mining translate into meaningful opportunities for Tanzanians, particularly communities located in mining areas. Sustainable mining development requires not only increased production but also stronger local participation in employment, procurement, technology transfer, enterprise development, and domestic supply chains (Mining Act, 2019; United Republic of Tanzania [URT], 2018).

This concern is reinforced by the Controller and Auditor General's (CAG) Performance Audit Report on the Management of Local Content Provisions in the Mining Sector, which found that although Tanzania has established a legal and institutional framework for local content, implementation remains weak due to institutional and operational shortcomings. The audit identified weaknesses in monitoring local content commitments, limited enforcement of compliance by mining companies, inadequate coordination among responsible institutions, and insufficient support for Tanzanian suppliers and service providers to participate competitively in the mining value chain (Controller and Auditor General [CAG], 2026).

These findings suggest that increasing mineral production alone will not automatically increase domestic economic participation unless adequate public resources are allocated to strengthen implementation of local content obligations. This is particularly important given that the mining sector continues to receive substantial investment and is expected to play an increasingly important role in Tanzania's economic transformation (Bank of Tanzania, 2025; Ministry of Minerals, 2026).

From a budget perspective, the Ministry's 2026/27 allocations should therefore be assessed not only on their ability to increase mineral revenues but also on whether they adequately finance interventions that enable Tanzanians to benefit directly from the sector through employment, procurement, business development, supplier development, and skills transfer. Without targeted investments in local content implementation, the mining sector risks generating substantial national revenues while continuing to rely heavily on imported goods, foreign contractors, expatriate expertise, and external technology, thereby limiting multiplier effects within the domestic economy (CAG, 2026; Ministry of Minerals, 2026).

4.2. Environmental Governance Requires Greater Attention in a Growth-Oriented Mining Budget

The Ministry of Minerals' 2026/27 budget demonstrates a strong focus on expanding Tanzania's mineral sector through increased production, geological information generation, investment promotion, and revenue mobilisation. The Ministry projects mineral revenue collections of TZS 1.406 trillion in 2026/27, up from the TZS 1.2 trillion target in 2025/26, driven mainly by mineral royalties, inspection fees, geological fees, and other sector-related revenues (Ministry of Minerals, 2026). The budget also prioritizes geological information development, with the Geological Survey of Tanzania (GST) targeting an increase in detailed airborne geophysical survey coverage from 16% to 34%, with an ambition of reaching 50% by 2030 (Ministry of Minerals, 2026). The Ministry's total approved budget of approximately TZS 174.9 billion includes TZS 71.5 billion (40.9%) for development expenditure and TZS 103.5 billion (59.1%) for recurrent expenditure, supporting sector expansion, institutional operations, and mineral development activities (Ministry of Minerals, 2026).

While these investments are important for increasing mineral production and government revenues, they raise questions about whether environmental governance systems are receiving proportional attention and resources. Mining expansion, particularly in strategic and transition minerals such as graphite, nickel, and copper, will increase demand for environmental inspections, compliance monitoring, rehabilitation oversight, mine closure planning, and management of mining waste. The environmental impacts associated with mining often emerge gradually and may only become visible after significant degradation has occurred. Therefore, mining sector performance should not only be measured through production levels, investment inflows, and revenue generation but also through the effectiveness of systems established to prevent, mitigate, and remedy environmental impacts (United Republic of Tanzania [URT], 2004; URT, 2019).

A key concern is the limited visibility of dedicated budget allocations specifically directed toward environmental compliance monitoring, rehabilitation supervision, and mine closure oversight within the mineral sector. As Tanzania accelerates investment in strategic minerals, inadequate environmental governance could create long-term liabilities, including degraded land, abandoned mine sites, contaminated water sources, loss of biodiversity, and rehabilitation costs transferred from mining companies to government and affected communities. Effective implementation of the Mining Act, 2019 and the Environmental Management Act, 2004 requires sufficient institutional capacity and financial resources to monitor compliance throughout the mining lifecycle, including enforcement of environmental management plans, mine closure obligations, and rehabilitation commitments (URT, 2004; URT, 2019).

Environmental monitoring capacity is particularly important as Tanzania positions itself as a supplier of transition minerals required for the global clean energy transition. Large-scale mining projects involving graphite, nickel, copper, and other critical minerals require strong regulatory systems ca-

pable of monitoring risks related to land use changes, water resources, biodiversity conservation, waste management, and community livelihoods. Without adequate numbers of qualified inspectors, technical expertise, monitoring equipment, laboratory facilities, and reliable environmental information systems, regulatory institutions may struggle to effectively oversee the increasing scale and complexity of mining operations (National Environment Management Council [NEMC], 2023; URT, 2004).

As Tanzania develops its transition mineral sector, environmental governance should therefore become a central pillar of mineral development planning rather than a secondary consideration after production targets have been achieved. The country's participation in the global energy transition provides an opportunity to demonstrate responsible mineral development by ensuring that economic benefits from mining are balanced with environmental protection, meaningful community participation, and long-term sustainability (International Energy Agency [IEA], 2023; HakiRasilimali, 2026).

Although the 2026/27 budget appropriately prioritizes mineral development, investment promotion, and revenue generation, greater transparency is needed regarding resources allocated for:

1. Environmental compliance monitoring and inspections;
2. Mine closure and rehabilitation oversight;
3. Environmental data collection and monitoring systems;
4. Institutional capacity for environmental enforcement;
5. Community engagement on environmental risks.

Without proportional investment in environmental governance, Tanzania risks achieving short-term mineral sector growth while accumulating long-term environmental and social costs.

4.3. Limited Gender-Responsive Budgeting in the Mining Sector

The 2026/27 Ministry of Minerals budget demonstrates a strong focus on increasing mineral production, attracting investment, strengthening regulation, and maximizing government revenues. However, the budget provides limited visibility on how mineral sector investments will address gender inequalities that affect women's participation and benefit-sharing within the mining sector. While Tanzania has adopted gender-responsive budgeting principles within its public financial management framework, their integration into sector-specific programmes, particularly in the extractive industries, remains limited (Ministry of Finance, 2026; Ministry of Minerals, 2026).

Women play a significant role in Tanzania's artisanal and small-scale mining (ASM) sector, but their participation is often concentrated in lower-value and less secure activities such as mineral pro-

cessing, washing, sorting, and mineral trading. Available evidence indicates that women constitute approximately 30% of the ASM workforce, yet they continue to face significant barriers, including limited access to mining licences, finance, modern equipment, technical skills, formal markets, safe working conditions, and decision-making opportunities (World Bank, 2019; Mining Commission, 2024). Tanzania's ASM sector is also economically significant, supporting an estimated 6 million people directly and indirectly, making it an important source of livelihoods, particularly for women and youth (Mining Commission, 2024).

Despite these realities, the 2026/27 mining budget does not clearly demonstrate dedicated budget allocations or measurable performance indicators aimed at increasing women's participation across the mineral value chain. Although investments in mineral development, value addition, and ASM formalization have the potential to create new economic opportunities, the absence of targeted gender-responsive interventions risks perpetuating existing inequalities. Women miners may continue to face constraints in accessing mining rights, financial services, productive assets, technology, business development services, and training opportunities, thereby limiting their ability to benefit from Tanzania's expanding mineral economy (UN Women, 2022; World Bank, 2019).

The absence of explicit gender-responsive budgeting is particularly important given the gendered impacts associated with mining expansion. Evidence shows that women in mining-affected communities often experience disproportionate impacts related to land acquisition, displacement, reduced access to natural resources, livelihood disruptions, and increased unpaid care responsibilities. Furthermore, compensation and resettlement processes frequently emphasize formal land ownership, which may overlook women's informal land-use rights and dependence on natural resources for household livelihoods (HakiRasilimali, 2026; UN Women, 2022).

As Tanzania expands investment in strategic and transition minerals, including graphite, nickel, copper, and rare earth elements, gender considerations should become an integral component of mineral sector planning and budgeting. New mining investments provide an opportunity to promote women's economic empowerment through targeted support for women-owned mining enterprises, improved access to finance and mining licences, increased participation in local procurement programmes, skills development, leadership in mining governance structures, and equitable community benefit-sharing mechanisms. Integrating gender-responsive budgeting into the Ministry's programmes would not only advance social inclusion but also contribute to more equitable and sustainable mineral sector development (African Development Bank, 2021; Ministry of Minerals, 2026).

The 2026/27 budget lacks clear gender-responsive indicators showing:

1. The number of women expected to benefit from mining support programmes;
2. Resources allocated to women-owned mining enterprises;
3. Support mechanisms for women in ASM;
4. Gender-sensitive occupational health and safety interventions;
5. Women's participation in mining governance structures.

A gender-neutral mining budget is unlikely to produce gender-equitable outcomes because women face specific structural barriers within the sector. Therefore, mineral sector growth should be accompanied by targeted investments that enable women to participate as miners, entrepreneurs, suppliers, and decision-makers.

4.4. Local Content Implementation Gaps Limit Domestic Benefits from Mining Expansion

Tanzania's Mining Act, 2019 and the Mining (Local Content) Regulations, 2018 establish a legal framework requiring mining companies to prioritize Tanzanian suppliers, employees, and service providers in the delivery of goods and services to the mining sector (United Republic of Tanzania [URT], 2019; URT, 2018). However, implementation challenges continue to limit the extent to which local businesses participate in mining value chains. The Controller and Auditor General (CAG) Performance Audit on the Management of Local Content Provisions in the Mining Sector found significant weaknesses in monitoring and verifying compliance with local content obligations, inadequate coordination among responsible institutions, and limited assessment of whether mining companies' commitments translate into meaningful opportunities for Tanzanian enterprises (Controller and Auditor General [CAG], 2026).

As mining investment expands, particularly in strategic minerals such as graphite, nickel, copper, and rare earth elements, stronger institutional capacity will be required to effectively monitor local procurement, employment, technology transfer, skills development, and supplier development commitments. While the 2026/27 budget prioritizes mineral production, investment promotion, and value addition, there is limited visibility of dedicated resources for strengthening local content implementation and enforcement. Without adequate financing for oversight and compliance monitoring, local content risks becoming a reporting requirement rather than a strategic tool for promoting domestic industrialization and economic transformation (Ministry of Minerals, 2026; CAG, 2026).

The 2026/27 budget also presents an opportunity to strengthen domestic participation in the mining economy by supporting Tanzanian companies to meet industry standards and compete effectively within mining supply chains. Small and medium enterprises (SMEs), which are expected to play

a critical role in supplying goods and services to mining operations, continue to face constraints related to access to finance, technical capacity, quality certification, technology, and procurement information (CAG, 2026; World Bank, 2023). Addressing these constraints would enhance the competitiveness of local enterprises and increase domestic value retention within the mining sector.

This is particularly important as Tanzania positions itself as a supplier of transition minerals required for the global clean energy transition. Emerging investments in graphite, nickel, and other critical minerals are expected to increase demand for goods and services in logistics, engineering, environmental management, construction, maintenance, mineral processing, and professional services. Strengthening local supplier development, skills transfer, and enterprise competitiveness would enable Tanzanian businesses to capture a greater share of these economic opportunities while contributing to industrial development, employment creation, and broader economic diversification (International Energy Agency [IEA], 2023; Ministry of Minerals, 2026).

While the budget prioritizes mineral growth and investment promotion, there is limited visibility of dedicated resources for:

1. Strengthening local content monitoring and enforcement;
2. Developing Tanzanian mining suppliers;
3. Supporting SMEs to participate in mining supply chains;
4. Tracking local content outcomes through measurable indicators.

4.5. Mineral Beneficiation Requires Stronger Measures to Translate Processing Capacity into Domestic Value Creation

The 2026/27 Ministry of Minerals budget demonstrates the Government's continued commitment to increasing mineral value addition through the promotion of refining, smelting, and mineral processing industries. The Minister's Budget Speech identifies mineral beneficiation as a key priority, including support for domestic gold refineries seeking international accreditation and measures aimed at strengthening local mineral processing capacity (Ministry of Minerals, 2026). This policy direction is consistent with Tanzania's ambition to move beyond the export of raw minerals and capture greater economic benefits through industrial development, employment creation, technology transfer, export diversification, and increased domestic value addition (United Republic of Tanzania [URT], 2019).

Over recent years, Tanzania has invested significantly in domestic mineral processing infrastructure, particularly in gold refining. Facilities such as the Mwanza Precious Metals Refinery (MPMR), Geita Gold Refinery, and Eyes of Africa Gold Refinery have substantially expanded the country's installed refining capacity (Ministry of Minerals, 2026). However, the expansion of refining infra-

structure has not automatically translated into increased domestic mineral processing because a key structural challenge remains: the supply of mineral feedstock is insufficient relative to installed refining capacity.

Available evidence indicates that Tanzania produces approximately 52,422 kilograms of gold annually, while the Mwanza Precious Metals Refinery alone has an installed refining capacity of approximately 175,200 kilograms per year, meaning that the refinery's capacity is more than three times the country's annual gold production (Ministry of Minerals, 2026; World Gold Council, 2025). This significant mismatch between available mineral supply and processing capacity has resulted in underutilization of domestic refineries, limiting their ability to achieve economies of scale, improve operational efficiency, attract international accreditation, and maximize the broader economic benefits associated with mineral beneficiation.

A major constraint affecting domestic gold refining is the limited participation of medium and large-scale mining companies in local refining arrangements. Despite the existence of domestic refineries, a significant proportion of gold produced by large-scale mining operations continues to be refined outside Tanzania because local refineries have not yet obtained accreditation from internationally recognized institutions such as the London Bullion Market Association (LBMA) (LBMA, 2025). Consequently, domestic refineries rely heavily on gold supplied by artisanal and small-scale miners, resulting in inconsistent feedstock volumes that constrain commercial viability and limit opportunities for international market recognition.

The challenge of obtaining LBMA accreditation is therefore not solely technical but also structural. International accreditation requires refineries to demonstrate compliance with responsible sourcing standards, internationally recognized assay capabilities, refining quality assurance systems, and consistent production volumes (LBMA, 2025). Although Tanzanian refineries have made considerable progress in meeting technical and responsible sourcing requirements, insufficient and inconsistent throughput remains a major obstacle to achieving accreditation and competing effectively in international bullion markets.

The 2026/27 budget provides an opportunity to shift the policy focus from expanding processing infrastructure towards ensuring that existing facilities operate efficiently and competitively. Beneficiation requires not only investment in refineries and processing plants but also policies that secure reliable domestic mineral supply, strengthen industrial linkages, and create incentives for mining companies to process minerals locally before export (Ministry of Minerals, 2026; URT, 2019).

This issue becomes even more important as Tanzania expands the development of transition minerals, including graphite, nickel, copper, lithium, and rare earth elements. These minerals present opportunities for Tanzania to move into higher-value segments of global supply chains, including

mineral refining, battery precursor materials, component manufacturing, and other downstream industries. However, without deliberate investment in domestic processing capacity and stronger policies to ensure local beneficiation, Tanzania risks remaining primarily an exporter of raw minerals while higher-value industrial activities and associated economic benefits are realized in other countries (International Energy Agency [IEA], 2023).

The Government has already introduced measures aimed at increasing domestic mineral retention. Recent fiscal reforms under the Finance Act have included incentives intended to promote local mineral refining, including reduced royalty rates applicable to refined gold and other measures designed to encourage domestic processing (United Republic of Tanzania, 2026). However, the effectiveness of these reforms will depend on complementary policies that increase domestic mineral feedstock, strengthen collaboration with medium and large-scale mining companies, and improve the competitiveness of Tanzanian refineries within international mineral markets.

While the 2026/27 budget identifies mineral beneficiation as a priority, there is limited clarity on specific measures and resources dedicated to addressing the main constraints affecting domestic processing, including:

1. Inadequate mineral feedstock supply for local refineries;
2. Limited support for domestic refineries seeking international accreditation;
3. Weak linkages between large-scale mining operations and local processing facilities;
4. Insufficient monitoring of value addition outcomes;
5. Limited incentives for companies to undertake higher levels of domestic processing.

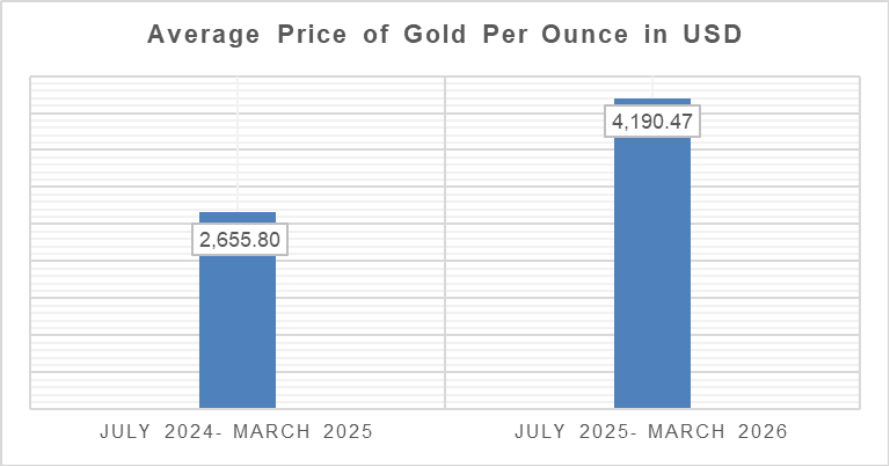
The current situation creates a risk that Tanzania may continue investing in processing infrastructure while failing to fully utilize existing capacity.

4.6. Strengthening Fiscal Benefits from Mining Growth Through Adaptive Revenue Policies and Responsible Tax Incentives

The 2026/27 Ministry of Minerals budget is being implemented during a period of favourable global mineral market conditions and increased expectations for the mining sector's contribution to Tanzania's economy. The Government projects mineral revenue collections of TZS 1.406 trillion in 2026/27, compared to TZS 1.2 trillion in 2025/26, reflecting continued growth in mineral production, improved revenue administration, and favourable commodity prices (Ministry of Minerals, 2026).

The positive global market environment provides Tanzania with an important opportunity to increase domestic benefits from its mineral resources. According to Paragraph 30 of the Minister's Budget Speech for 2026/27, global mineral markets continued to fluctuate due to geopolitical develop-

ments, economic uncertainty, and changing market demand. Between July 2025 and March 2026, the average price of gold rose significantly to USD 4,190.47 per ounce, up from USD 2,655.80 per ounce during the corresponding period in 2024/25, an increase of about 58 percent (Ministry of Minerals, 2026). This increase has strengthened the profitability outlook of gold mining operations and created an opportunity for Tanzania to capture greater fiscal benefits from the sector.



Source: The MoM Budget Speech 2026/27

However, Tanzania's ability to maximize benefits during commodity price booms is influenced by the structure of its fiscal regime. The current royalty framework, including the 6 percent royalty on the gross value of gold production, provides a predictable source of government revenue but has limited flexibility to capture additional economic rents when international mineral prices increase substantially (United Republic of Tanzania [URT], 2019). Unlike progressive fiscal systems that adjust government revenue shares according to commodity price performance, fixed royalty arrangements may limit the Government's ability to capture a proportionate share of extraordinary mining profits during periods of exceptionally high prices (International Monetary Fund [IMF], 2012; Organisation for Economic Co-operation and Development [OECD], 2018).

This issue becomes even more significant when considered alongside the 2026/27 Finance Bill, which proposes amendments to various tax laws, including the Value Added Tax Act, Income Tax Act, Excise (Management and Tariff) Act, Road and Fuel Tolls Act, and related legislation to recognize tax exemptions contained in Framework Agreements between the Government and mining investors (Ministry of Finance, 2026). According to the Government, these amendments are intended to facilitate strategic mining investments, honour contractual commitments, and accelerate implementation of mining projects.

While investment incentives can play an important role in attracting capital into the mining sector,

there is a need to ensure that such incentives do not undermine Tanzania's long-term fiscal interests. The Parliamentary Budget Committee, in its report on the Finance Bill, cautioned that the proposed amendments could recreate challenges associated with the former Mining Development Agreements (MDAs), under which extensive fiscal concessions and stabilization clauses significantly limited the Government's ability to adjust taxation policies and enhance public revenues over time (Parliament of the United Republic of Tanzania, 2026).

A key concern relates to tax stabilization clauses, which may restrict the Government's ability to introduce future tax reforms or revise fiscal terms in response to changing economic conditions. Although stabilization provisions provide investors with fiscal certainty, excessively broad or long-term clauses may reduce Tanzania's policy flexibility, particularly during periods of favourable commodity prices when the country should be able to capture a fairer share of increased mineral wealth (OECD, 2018; IMF, 2012).

The risk is that Tanzania could experience rising mineral production, expand exports, and increase foreign investment while receiving relatively limited additional fiscal benefits. Under such circumstances, the country may continue to bear the environmental and social costs associated with mining without fully capturing the revenues needed to finance infrastructure, social services, environmental rehabilitation, and long-term economic transformation. This concern is reflected in the Parliamentary Budget Committee's observation that poorly designed fiscal concessions could leave Tanzania with the environmental impacts of mining while generating limited public revenue (Parliament of the United Republic of Tanzania, 2026).

The challenge, therefore, is not whether Tanzania should provide incentives to attract mining investment, but whether fiscal policies are designed to achieve an equitable balance between investor certainty and national benefit. International experience demonstrates that effective mining fiscal regimes combine predictable taxation, transparent investment incentives, and adaptive fiscal instruments that enable governments to benefit when commodity prices significantly exceed expected levels (OECD, 2018; IMF, 2012).

A more adaptive fiscal framework could therefore include progressive royalty mechanisms linked to international mineral prices, carefully designed windfall profit measures, transparent disclosure of tax incentives, and clearly defined limits on tax stabilization provisions. Such reforms would enable Tanzania to remain an attractive investment destination while ensuring that periods of exceptional mineral profitability generate proportionately greater benefits for citizens and contribute to sustainable national development (OECD, 2018; African Development Bank, 2023).

Although the 2026/27 budget reflects optimism regarding mining revenues and investment growth, there is limited clarity on mechanisms to ensure Tanzania maximizes fiscal benefits during favourable market conditions.

Key gaps include:

1. Limited price responsiveness within the mineral royalty framework;
2. Absence of clear mechanisms for capturing exceptional commodity price gains;
3. Insufficient disclosure of the fiscal cost of mining tax incentives;
4. Uncertainty regarding the duration and scope of tax stabilization clauses;
5. Limited public information on the expected economic returns from investment agreements.

5.CONCLUSION

The 2026/27 Ministry of Minerals budget reflects the Government's strong commitment to positioning the mining sector as a key driver of Tanzania's economic transformation. Through increased investments in geological surveys, mineral exploration, value addition, and investment promotion, the budget seeks to expand mineral production, attract domestic and foreign investment, and increase government revenues. The projected increase in mineral revenue collections from TZS 1.2 trillion in 2025/26 to TZS 1.406 trillion in 2026/27 demonstrates the sector's growing importance to the national economy and the Government's ambition to maximize the contribution of mineral resources to economic growth.

While these priorities are commendable, this analysis identifies several areas where greater attention is needed to ensure that mineral sector growth translates into sustainable, inclusive, and equitable development. In particular, the budget provides limited visibility on dedicated investments for strengthening environmental governance, mine closure and rehabilitation oversight, gender-responsive programming, local content implementation, and institutional capacity to monitor the rapidly expanding mining sector. As Tanzania accelerates the development of strategic and transition minerals such as graphite, nickel, copper, and rare earth elements, these governance functions become increasingly important for safeguarding communities, protecting the environment, and ensuring long-term sector sustainability.

The analysis also highlights the need to strengthen domestic economic linkages within the mining sector. Although the Government continues to promote mineral beneficiation and local processing, challenges remain in ensuring that existing refining infrastructure is fully utilized and internationally competitive. Likewise, while Tanzania continues to attract significant foreign direct investment into mining, stronger policy measures are required to ensure that these investments generate wider benefits through employment creation, technology transfer, enterprise development, and increased participation of Tanzanian suppliers and service providers.

Furthermore, favourable global mineral market conditions present an opportunity for Tanzania to strengthen domestic revenue mobilization. However, maximizing these benefits will require a balanced fiscal framework that combines investor certainty with mechanisms that enable the country to capture a fair share of mineral wealth during periods of exceptionally high commodity prices. Equally important is ensuring that tax incentives and investment agreements remain transparent, accountable, and aligned with the country's long-term development objectives.

Overall, the 2026/27 budget lays a solid foundation for expanding Tanzania's mining sector. However, achieving sustainable mineral-led development will require balancing investments in production and investment promotion with equivalent investments in environmental stewardship, institutional oversight, local value addition, gender equality, and community participation. A mining sector that is productive, environmentally responsible, socially inclusive, and accountable will be better positioned to contribute not only to economic growth but also to broader national development aspirations under Tanzania's long-term development agenda. Future budgets should therefore place greater emphasis on measurable outcomes that demonstrate how mineral wealth is being transformed into lasting economic opportunities and improved livelihoods for all Tanzanians.

6.RECOMMENDATIONS

i. Strengthen environmental governance and mine closure oversight: The Government should allocate adequate resources within the Ministry of Minerals' budget to strengthen environmental monitoring, mine closure and rehabilitation oversight, and compliance enforcement to ensure that increased mineral production does not undermine environmental sustainability and community wellbeing.

ii. Strengthen institutional capacity and accountability: The Government should invest in the institutional and human-resource capacity of the Ministry of Minerals and related agencies to effectively monitor mining operations, investment agreements, production, revenues, and compliance, particularly as the development of strategic and transition minerals expands.

iii. Promote inclusive local economic linkages: The Government and mining companies should strengthen the implementation of local content requirements to increase the participation of Tanzanian enterprises and workers in mining supply chains, with greater emphasis on employment, skills development, technology transfer, and access to procurement opportunities.

iv. Accelerate competitive mineral value addition: The Government should strengthen measures to ensure that existing and planned mineral processing and refining facilities are fully utilised, technologically competitive, and effectively integrated into domestic and regional mineral value chains, thereby increasing the economic value retained within Tanzania.

v. Strengthen domestic revenue mobilisation: The Government should regularly review the

fiscal framework governing the mining sector to ensure that Tanzania captures a fair share of mineral wealth, particularly during periods of exceptionally high commodity prices, while maintaining a predictable and competitive investment environment.

vi. Enhance transparency in investment agreements and fiscal incentives: The Government should strengthen transparency and public accountability in the negotiation and implementation of mining investment agreements, tax incentives, and other fiscal arrangements to ensure that they are consistent with Tanzania's long-term development interests and deliver measurable public benefits.

vii. Integrate gender- responsive mining governance: The Ministry of Minerals should strengthen gender-responsive programming and meaningful community participation in mining-sector planning, monitoring, and decision-making, particularly in areas affected by the development of strategic and transition minerals.

viii. Link budget allocations to measurable development outcomes: The Ministry of Minerals budgets should include clear and measurable indicators showing how increased investment in the mining sector contributes to employment, local enterprise development, government revenues, environmental protection, community benefits, and improved livelihoods.

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