HakiRasilimali

Transparency & Accountability for the Extractive Industry

BUDGET ANALYSIS SUMMARY

FOR THE MINISTRY OF MINERALS AND THE MINISTRY OF ENERGY IN THE IMPLEMENTATION PHASE OF FIVE-YEAR DEVELOPMENT PLAN (FYDP III) 2021/22-2025/26

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1. Introduction

The Five-Year Development Plan III (FYDP III), now approaching completion, was designed to accelerate Tanzania's economic transformation through industrialization, enhanced competitiveness, and effective resource utilization, in alignment with the Tanzania Development Vision 2025. Within this framework, the mining and energy sectors were strategically positioned to drive a resource-based industrial economy and make significant contributions to national growth.

FYDP III emphasized leveraging Tanzania's geographic advantages and natural resources to spur production and economic development. Accordingly, the Ministries of Energy and Minerals developed budget plans prioritizing investment in renewable energy sources, such as wind, solar, and geothermal, and increasing the sectors' contribution to GDP. Notably, the mining sector's share of GDP rose to 10.1% in 2024.

In the final year of FYDP III implementation, HakiRasilimali conducted a budget analysis to assess transparency, accountability, and extractive revenue governance. The analysis focused on revenue generation, resource allocation, and expenditure trends in the energy and mining sectors. It highlights five critical areas: fiscal and revenue management, governance and accountability gaps, sectoral capacity challenges, socio-economic and inclusive growth issues, and the Liquefied Natural Gas (LNG) project.

2.Budget Execution Gaps

Persistent discrepancies between allocated budget and actual budget disbursements in the Ministries of Minerals and Energy continue to undermine the effectiveness of budget planning and implementation.

2.1. The Ministry of Minerals

The analysis shows that from 2021/22 to 2024/25, the allocated budget for the mining sector significantly increased from TZS 66.8 billion to TZS 531 billion. However, despite this growth, a major challenge remains: the disbursed budget has consistently fallen short of projections, accounting for nearly half of the projected amount in each financial year, highlighting imbalances between budget execution and financial performance.

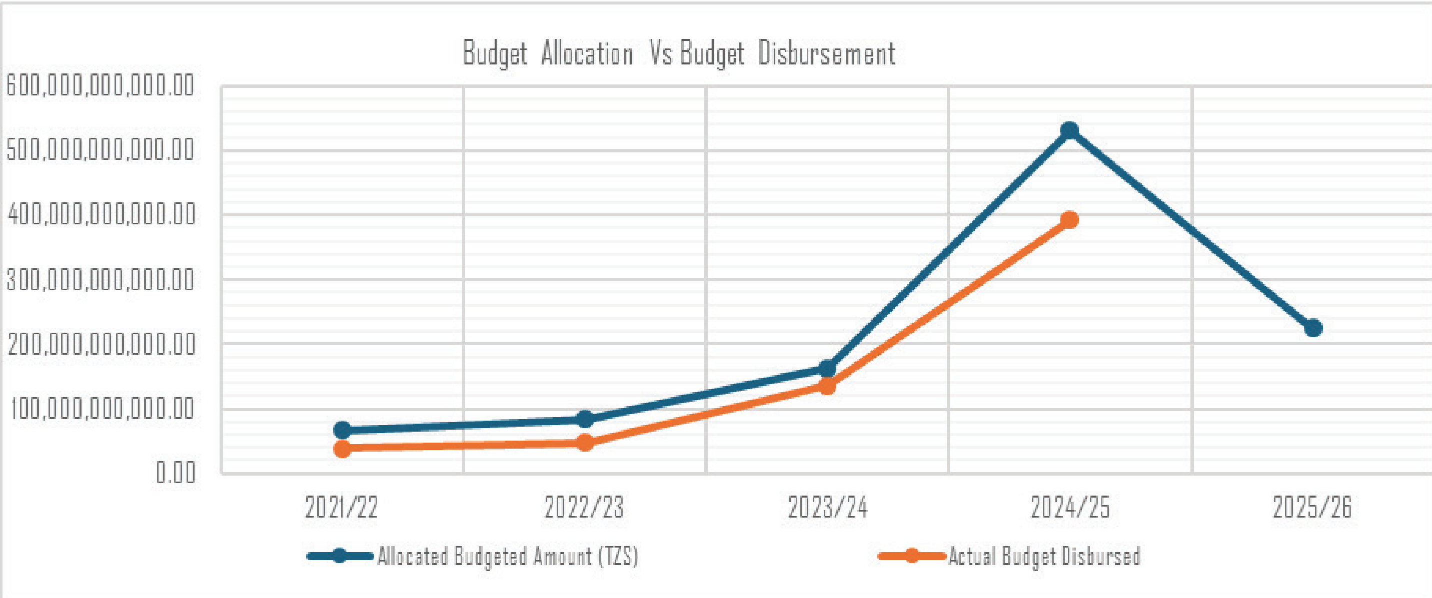

Figure 1: Ministry of Minerals Budget Allocation vs Disbursement

2.2. The Ministry of Energy

Since 2021/22, the Ministry of Energy has continued to allocate trillions of shillings of its financial resources. However, there's a significant gap between the allocated budget and the disbursed amount, see figure 2 below.

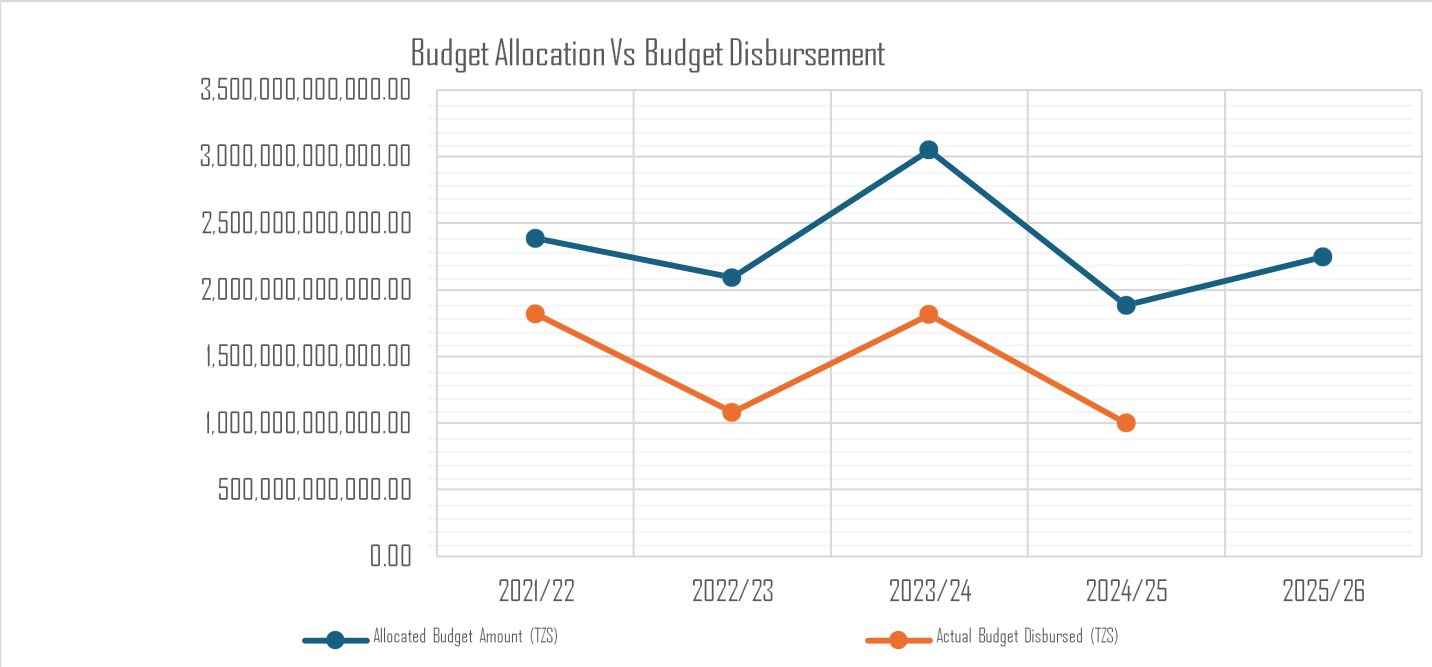

Figure 2: The Ministry of Energy Budget Allocation vs Disbursement

3.The Revenue Collection Shortfalls for the Mining Sector

The mining sector continues to underperform in revenue collection relative to estimated targets, raising concerns about fiscal plans and revenue governance in the mining sector. The sector continues to face challenges in governance and financial accountability.

Over the past four years, actual revenue collections have consistently fallen short of projections across various sources. This ongoing discrepancy highlights a significant gap in meeting revenue targets, underscoring the need for stronger oversight and improved financial management within the ministry.

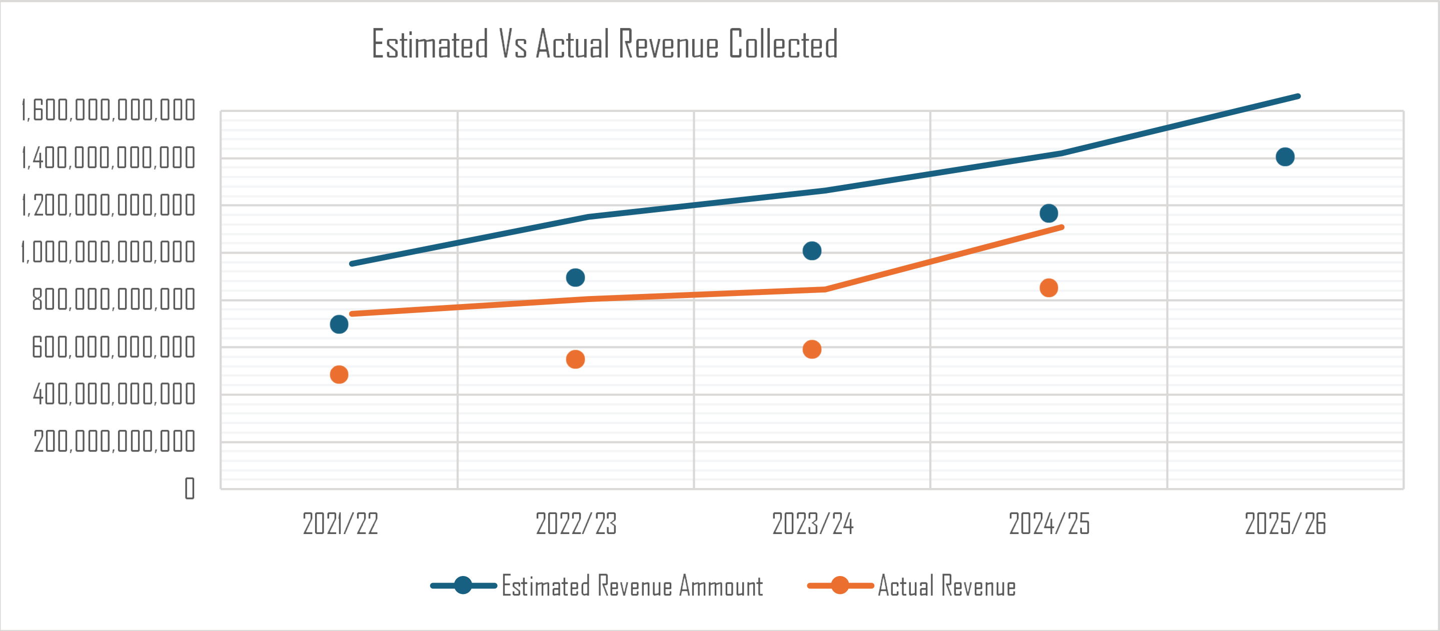

Figure 3: Ministry of Minerals Revenue Collection

4.Concern over a 10% of GDP Contribution and its implications to people's welfare and host communities' prosperity.

Since the adoption of FYD III, the mining sector was mandated to contribute 10% to the national Gross Domestic Product (GDP) by 2025. As a result, the sector has become more accountable in revenue governance, increasing its contribution from 4.0% in 2015 to 10.1% in 2024 (MoM, 2025). However, this progress must be meaningfully translated into tangible benefits for host communities and improved livelihoods.

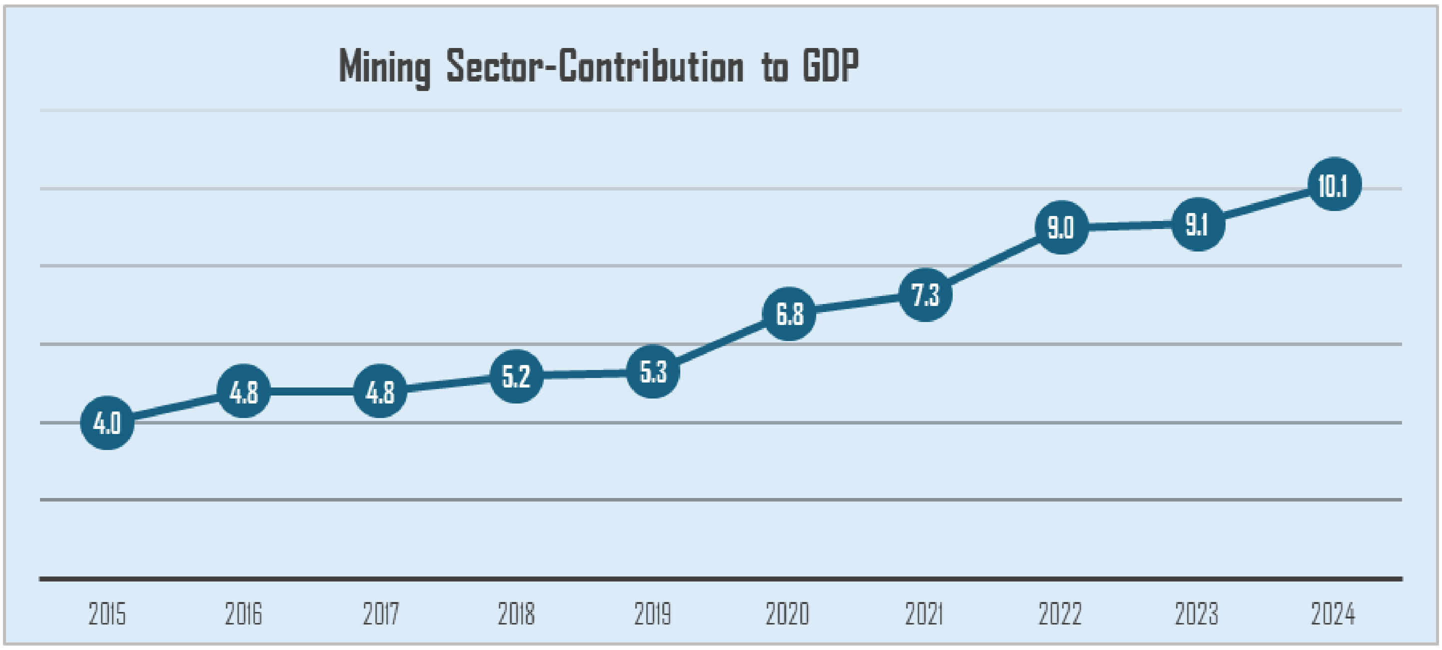

Figure 4: Mining sector contribution to GDP

5. Rising Mineral Smuggling

Reported cases of mineral smuggling have surged, with values increasing from TZS 500 million in 2021 to TZS 17.7 billion in 2025, indicating significant mineral trade governance and accountability issues.

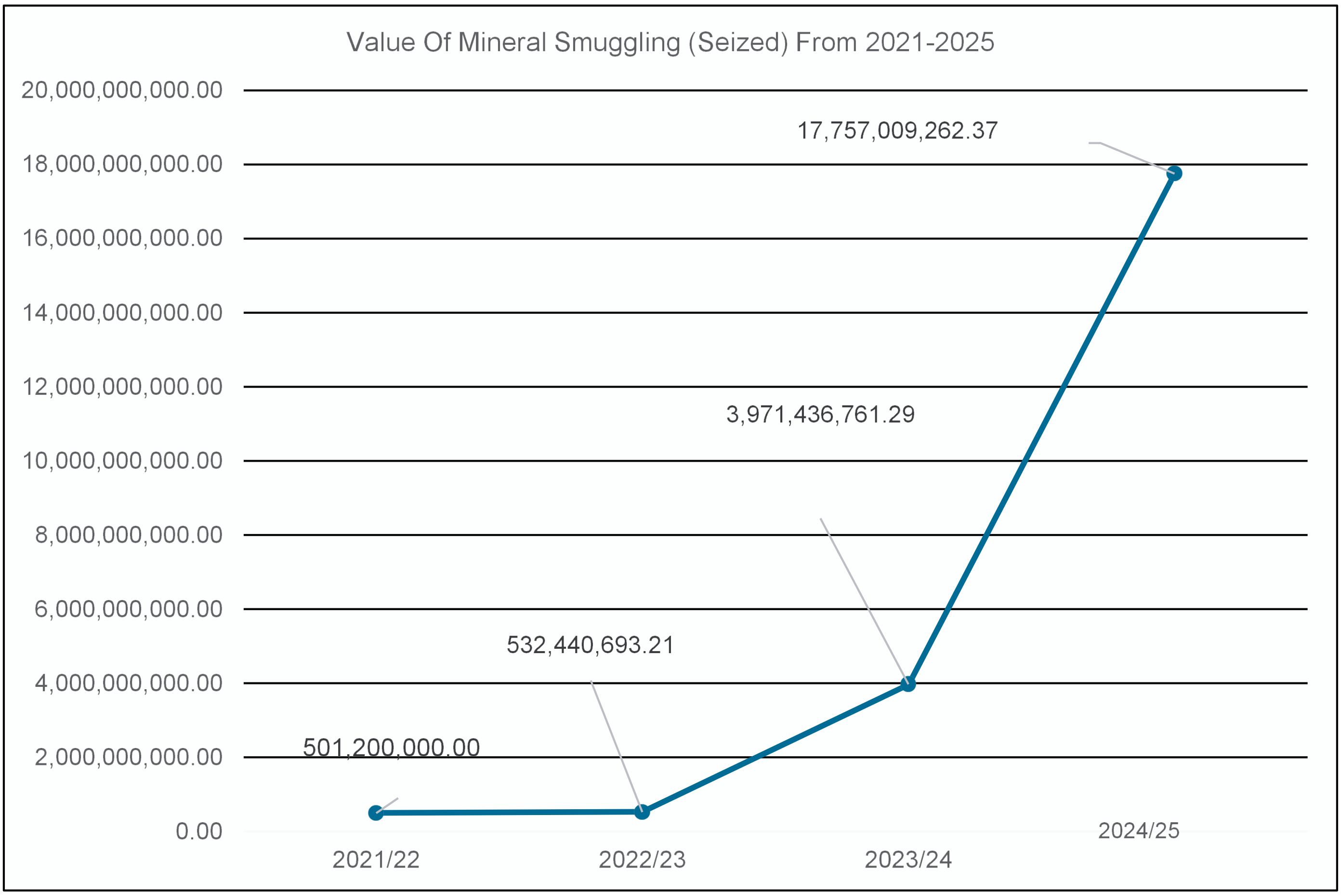

Figure 5 Value of mineral smuggling (Seized) from 2021-2025

These incidents are just a few examples that highlight ongoing illegal practices in the sector.According to the Ministry of Minerals' budget reports, between 2021 and 2025, the government risked losing approximately TZS 22.7 billion due to mineral smuggling. This trend poses a significant threat to effective revenue collection and sector transparency.

Incidents that underscore illicit mining practices in form of minerals smuggling are such as

(i) Government seizes Sh3.4 billion worth of smuggled gold at Dar port, three detained,

(ii) Tanzanian police nab mineral traders trying to smuggle gold worth Sh1.5 billion, and

(iii) Mineral smuggling worth Sh.97 million stresses the mining sector's revenue

6.Employment Gender Gap

Limited data on gender based local employment provided by the mining companies retards sector's inclusiveness and exacerbating the gender insensitivity concern due to the absence of clear reporting on gender employment in 2021/22 to 2024/25.

Tanzanians Employed in the Mining Companies				
Year	2021/22	2022/23	2023/24	2024/25
Local Employments	14,308	Not Disclosed	18,853	19,371

7.Geoscientific Data Management Deficiency

The Geological Survey of Tanzania (GST) continues to face significant challenges in acquiring, managing, and disseminating geoscientific data, which undermines the performance of the mineral sector. According to the 2025 report by the Controller and Auditor General (CAG), these deficiencies are impeding progress toward achieving key targets under FYDP III, such as attaining 20% coverage of high-resolution airborne geophysical surveys by 2025.

These challenges stem from several interrelated factors, including inadequate acquisition, analysis, and interpretation of geoscientific data; ineffective storage and dissemination of data to both the public and government entities; insufficient review and verification of geoscientific reports submitted by mineral rights holders; and weak oversight by the Ministry of Minerals in monitoring the Geological Survey of Tanzania's performance in data management.

8.Inadequate Support to Small-Scale Miners

Inadequate support for small-scale miners hampers their growth, diminishes their economic contribution, and has led to increased foreign control over small-scale gold mining operations.

The FYDP III established a clear focus on empowering small-scale gold miners, especially youth and women, through licensing, training, and support from STAMICO. Unfortunately, the sector continues to face major governance and operational challenges. The 2024 CAG report highlighted key issues, including inadequate support, poor resource allocation, and weak monitoring.

Additionally, institutions like STAMICO, the Geological Survey of Tanzania, and Resident Mine Offices inadequately extended support to small-scale miners, leading to increased foreign involvement under the guise of technical support assistance. These shortcomings undermine the potential of the small-scale mining sector, which is legally reserved for Tanzanians, and call for stronger regulatory enforcement and coordination.

9.Ineffective CSR Implementation

Corporate Social Responsibility (CSR) in Tanzania's extractive sector faces key challenges, including poor enforcement, weak coordination between companies and local governments, and delayed project implementation. For instance, in Geita failure to allocate TZS 22.7 billion of CSR funds since 2021, undermining the company's social trust.

Additionally, CSR spending on environmental projects remains critically low, with only 1% despite the sector's environmental impact. Strengthening regulation, improving LGA-company collaboration, and reprioritizing environmental investments are essential for impactful and accountable CSR delivery.

10.Beneficial Ownershipand Contract Disclosure Challenges

Since 2009, Tanzania has implemented the EITI Standards to promote transparency and ensure that the benefits of mining, oil, and gas reach its citizens. While progress has been made in revenue reporting and compliance, challenges remain, particularly in beneficial ownership and contract disclosure. TEITI has faced limitations in accessing gender-disaggregated employment data since 2021/22, hindering compliance with the 2023 EITI Standard's gender reporting requirement. Efforts in 2023 to access beneficial ownership data from BRELA aim to improve verification and transparency. However, the absence of a public portal for contract disclosure continues to weaken accountability and public trust in the sector. Addressing these gaps is critical to combating illicit financial flows and enhancing public understanding of extractive industry governance.

11.Domestic Gold Refineries Underperformance

Domestic gold refineries are struggling due to insufficient feedstock, low production capacities, and over-reliance on small-scale mining operations. The FYDP III set the robust indicators in terms of value addition and beneficiation, and a decrease in raw minerals exportation. These targets were set to ensure that the country increases its scope of participation in the mineral economy. However, the challenge exists in terms of performance for these refineries due to the absence of enough feedstock, influenced by the low gold production capacity and reliance on small-scale miners to feed the refineries. The country has to take robust measures on ensuring performance of these refineries since more interesting is that the country has an average annual gold production capacity of 50,00kg, an insufficient production capacity level compared to refineries such as Geita Gold Refinery, Mwanza Precious Metal Refinery, and the Eyes of Africa that could refine a total 389,800kg of gold

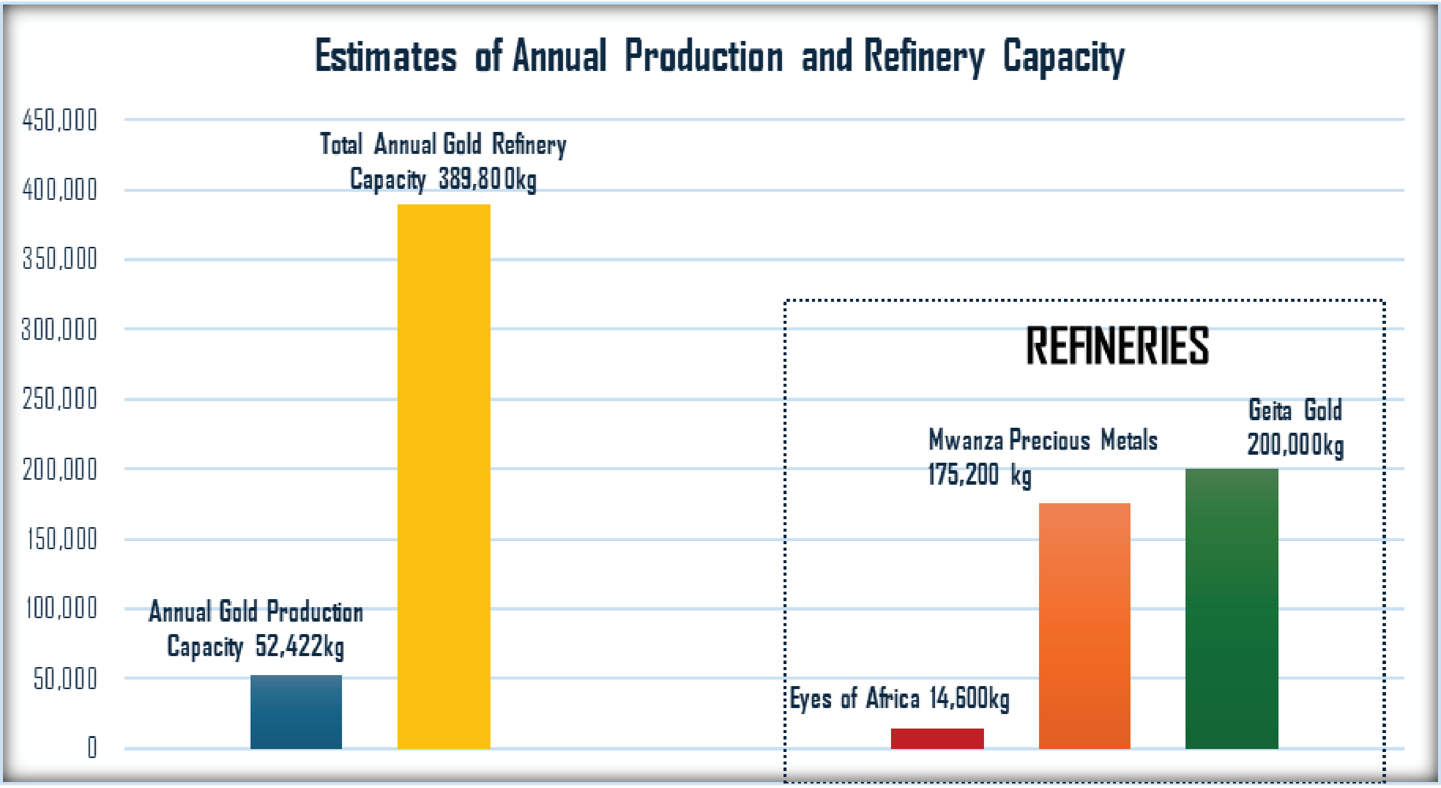

Figure 6 Comparative Snapshot of Domestic Gold Production Vs Refinery

12.Liquified Natural Gas Project Delays

The prolonged negotiations without finalizing a Host Government Agreement (HGA), Production Sharing Agreements (PSAs), or a Final Investment Decision (FID) have increased uncertainty surrounding the implementation of the LNG project.

Aidan Barlow's report, published in 2024, comprehensively explored the temporalities behind resource nationalism policies and the liquefied natural gas project (LNG) in Tanzania, identifying the rhetorical tactics change, and the absence of a full-time negotiation team as the drivers of the project delays. Therefore, the government should be fully committed and be active in ensuring this potential energy source benefits Tanzanians through entering into agreements that reflect the state's economic benefits, people's welfare, and environmental responsiveness.

13. Absence of clear positioning in the global Critical/ Strategic Minerals Rush

Tanzania's limited engagement in the global rush for critical and strategic minerals hampers a clear understanding of its position in securing local benefits, technological advancement, economic returns, and long-term sectoral sustainability amid rising global mineral investments.

As the country is currently developing its strategic plan for critical minerals, the emphasis should be placed on ensuring this strategic plan becomes actionable for local participation, integrating the needs of environmental, social, and governance frameworks for the sector's sustainable development amid the surge in critical mineral investments.

For the country to maximise the sector's benefits without undermining livelihoods, strategic plans must explicitly address social impacts, ensuring that policies do not prioritize profitability at the expense of people's well-being, depending on these critical mineral extractions.

Conclusion

As Tanzania's Third Five-Year Development Plan (FYDP III) nears completion, the extractive sector, under the leadership of the Ministry of Minerals and the Ministry of Energy, has been instrumental in driving resource-based industrialization and sustainable socio-economic development. However, this analysis underscores key governance gaps, particularly in revenue management, transparency, and accountability, that require urgent government attention. To ensure the sector contributes meaningfully to inclusive growth and long-term sustainability, it is essential to implement robust measures, including strategic budgeting, effective revenue oversight, and strengthened governance across extractive operations.

Recommendations

i. The government should improve budget execution and revenue collection by enhancing the accuracy of fiscal planning through data-driven projections and ensuring consistent follow-up through semi-annual budget reviews to identify and resolve discrepancies in revenue collection.

ii. There is a need to strengthen governance, accountability, and anti-smuggling efforts by enhancing coordination among relevant institutions to curb mineral smuggling, empowering TEITI to enforce contract compliance and beneficial ownership transparency, and reforming corporate social responsibility frameworks to prioritize environmental conservation while fostering stronger collaboration between local government authorities and extractive companies.

iii. The government should invest in building sectoral capacity and developing critical infrastructure by equipping the Geological Survey of Tanzania with skilled personnel and modern tools for effective geoscientific data management, facilitating the international accreditation of domestic gold refineries, and operationalizing the strategic action plan for critical minerals with clear targets for local value addition and long-term sector sustainability.

iv. Promoting inclusive growth and local participation is essential, and this can be achieved by enforcing gender-disaggregated employment reporting to assess progress on gender equity and expanding financial and technical support for small-scale miners while safeguarding their operations from unfair foreign competition.

v. Finally, the government should invest in strategic projects with clear risk management by establishing a dedicated, full-time LNG negotiation and execution task force to expedite project timelines and ensure effective implementation, while also refining resource nationalism policies to balance local benefit clauses with the need to attract and retain quality investments.

[1]Temporal frictions: competing futures of LNG in Tanzania

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