



RESOURCE GOVERNANCE & POLICY EXECUTION SERIES

Predatory Investment Practices in Tanzania's Artisanal and Small-Scale Mining Sector

How financing arrangements can leave Tanzanian miners owning the licences but losing control of the value.



Executive Summary

This report examines predatory investment practices within Tanzania's artisanal and small-scale mining (ASM) sector, highlighting how foreign financiers and intermediaries exploit legal and economic loopholes, thereby disadvantaging local miners and communities. Through a review of academic literature, NGO reports, and policy documents, the study identifies systemic issues such as weak oversight and complex contractual arrangements that facilitate "pre-financing" deals and proxy ownership. These arrangements often lock miners into unfair sales contracts, typically at 60-70% of market value.

Key case studies from Shilalo (Mwanza) and Handali (Dodoma) illustrate how private investors and technical-support schemes undermine local miners' claims. In contrast, the locally owned Muhukulu Rare Earth Mine serves as an example of a successful Tanzanian-led operation in tantalum and beryl mining. The report also addresses the high-profile gold smuggling incident at the Dar es Salaam port in September 2024, which revealed extensive smuggling networks that deplete national wealth.

An analysis of Tanzania's legal framework, including the Mining Act 2010 (as amended) and the TEITI Act 2015, alongside regional instruments like the African Mining Vision and COMESA/ECOWAS mining standards, reveals persistent enforcement gaps. While government interventions, such as banning unauthorized foreign participation and formalizing trading centers, have been initiated, comprehensive systemic change requires stricter enforcement of existing laws and alignment with the African Mining Vision's objectives for transparent and equitable resource governance.

Abbreviations

AfDB:	African Development Bank
AMV:	African Mining Vision
ASM:	Artisanal and Small-Scale Mining
AU:	African Union
COMESA:	Common Market for Eastern and Southern Africa
ECOWAS:	Economic Community of West African States
ESG:	Environmental, Social, and Governance
FoE:	Friends of the Earth
ICGLR:	International Conference on the Great Lakes Region
IGF:	Intergovernmental Forum on Mining, Minerals, and Sustainable Development
IPIS:	International Peace Information Service
NEMC:	National Environment Management Council
NGO:	Non-Governmental Organization
PML:	Primary Mining Licence
TEITI:	Tanzania Extractive Industries Transparency and Accountability
TWiMMI:	Tanzania Women in Mining and Mineral Industry
TZS:	Tanzanian Shilling
UNECA:	United Nations Economic Commission for Africa

1. Introduction

Tanzania's ASM sector is vital for livelihoods, employing an estimated 0.5 to 1.5 million people and contributing approximately 30-35% of the national gold output. Tanzanian law explicitly reserves small-scale mining, under the Primary Mining Licence (PML), for its citizens. However, increasing evidence suggests a growing dominance of foreign actors in the sector, often through opaque "back-door" schemes. This trend is consistent with the broader phenomenon of predatory investment in Africa's extractive industries, where unscrupulous investors exploit loopholes in the international financial system to the detriment of resource-rich states, as described by *Mailey (2015)*.

High gold prices and heightened investor interest have attracted foreign financiers, particularly from China and the Middle East, into Tanzania's ASM sector. These foreign actors frequently offer "pre-financing" in the form of cash, equipment, or inputs, in exchange for exclusive sales agreements that typically command only 60-70% of the market price. Due to a lack of capital and viable alternatives, local miners often have no choice but to accept these unfavourable terms.

This report utilizes a multi-source literature review and case analysis to explore predatory practices in Tanzanian ASM. It examines how legal provisions, specifically Tanzania's *Mining Act 2010 (Cap.123)* and its amendments, and the *TEITI Act 2015*, are circumvented, and how government and regional frameworks, including the African Mining Vision, ICGLR, COMESA, and ECOWAS protocols, address these issues. Documented case studies from Shilalo (Mwanza), Handali (Dodoma), Muhukulu Rare Earth (southern Tanzania), and the Dar es Salaam port smuggling incident are presented, drawing from formal reports and media accounts. The aim of this comprehensive review is to inform policymakers and stakeholders about the challenges and necessary reforms to protect Tanzanian artisanal miners from predatory investment.

2. Literature Review

Research on Tanzania's ASM sector has been growing. *Kinyondo and Huggins (2019)* observe that Tanzania's ASM is relatively well-developed, with over a million participants and significant contributions to exports. Internationally, initiatives advocate for improved governance. The African Union's African Mining Vision, for instance, promotes "transparent, equitable and optimal exploitation of mineral resources" to foster broad-based development. Tanzania has implemented formal reforms to align with these ideals. *The Mining Act 2010 (Cap.123)* expressly restricts PMLs to Tanzanian citizens, and the *Tanzania Extractive Industries Transparency and Accountability (TEITI) Act 2015* established an Extractive Industries Committee to oversee disclosures and curb illicit financial flows.

Despite these legal frameworks, studies indicate that weak enforcement and regulatory gaps undermine these safeguards. Scholars and NGOs have documented how foreign investors exploit the ASM sector. An IPIS-led briefing (*Darubini 2025*) reports that Chinese financiers have permeated Tanzania's small-scale gold fields via "technical support" partnerships. Under these arrangements, Chinese entities initially act as equipment suppliers or traders but subsequently assume control over production, effectively bypassing citizen-ownership regulations. Similarly, investigative reports by Chanzo (*Makaro 2024, 2025*) detail a pattern of "pre-financing deals" where foreign actors provide loans or mercury to miners, then secure exclusive marketing contracts at substantial discounts. These sources underscore how loopholes in the Mining Act, such as those permitting foreign technical assistants only with commission approval, are routinely disregarded.

The repercussions of these practices are well-documented. Miners in affected regions, including Geita, Singida, and Mwanza, report being underpaid and impoverished, while foreign middlemen accrue significant profits. Smuggling is also pervasive: an official estimate (Global Financial Integrity) suggests that Tanzania loses approximately US\$3.5 billion annually due to illicit mineral flows. Case studies of land and water conflicts, such as *Makaro* (2024) in Geita, reveal the human cost of unregulated mining. In response, NGOs and think tanks, including Friends of the Earth (FoE) and HakiRasilimali, have advocated for stronger local organization and government oversight. In summary, the existing literature portrays a sector caught between policy reforms and aggressive external interests.

Beyond Tanzania, regional frameworks reinforce national safeguards. The International Conference on the Great Lakes Region (ICGLR) promotes due diligence and mineral chain certification to prevent exploitation. Similarly, the *COMESA and ECOWAS mining protocols (2010 and 2019, respectively)* emphasize nationality restrictions. For instance, the ECOWAS Code for Mining stipulates that ASM permits are granted solely to citizens of the state or community, requiring formal training and registration. These regional norms align with Tanzania's own laws, highlighting the continent-wide priority of ensuring ASM benefits local populations.

3. Methodology

This policy study is grounded in a qualitative review of secondary sources and documented case analysis. A systematic search of academic databases, NGO briefing papers, and regional policy documents was conducted to gather information pertaining to Tanzania's ASM sector and foreign investment. Key legislative texts, specifically the Mining Act 2010 and its subsequent amendments, along with the TEITI Act 2015, were examined in conjunction with government press releases.

Details for reported case studies were collected from reputable news media and NGO reports (*e.g., The Citizen, IPIS Darubini, The Chanzo*). Four specific case studies Shilalo, Handali, Muhukulu, and the Dar es Salaam port incident were chosen for their illustrative nature, each demonstrating distinct facets of the predatory investment issue and having been documented by formal sources. Priority was given to peer reviewed or official reports where available, but investigative journalism and NGO analyses were also included to capture on-the-ground realities. Direct quotes from stakeholders, such as ministry officials, parliamentarians, and miners, were extracted from press transcripts and reports to provide contextual evidence.

4. Discussion

4.1. Predatory Investment in Tanzanian ASM

Foreign involvement in Tanzania's ASM sector has escalated rapidly. Despite the clear provisions of the Mining Act 2010 (amended 2017) reserving small-scale mining licenses for Tanzanian citizens, investors have devised creative methods to circumvent the law. *The Chanzo investigation (2025)* summarizes this dynamic: "foreigners find backdoors pre-financing deals, proxy ownership, and land leasing schemes that give them de facto control"

In practice, a common tactic is "pre-financing": foreign actors supply equipment, funds, or even mercury to artisanal miners, who are then compelled to sell all their production to the financier at significantly reduced prices. The report observes: "Foreign actors offer cash, tools, or mercury to cash-strapped miners, who then sign exclusive sales agreements at a fraction sometimes 60–70% of the global market rates". These terms entrap miners in debt cycles and prevent them from realizing fair value for their output. Such arrangements have been documented in major gold-producing regions. In Geita and Mwanza, cooperatives and PML holders have entered "partnerships" with Chinese or other foreign companies, ostensibly for technical support. But oversight is lax, and the commissions required for such arrangements are rarely enforced.

Local analysts, including MP J. Kishimba, lament that entire mining communities have been effectively "sold" to foreign interests. Kishimba told Parliament in 2024 that *"a mine... that used to employ 10,000 or 20,000 people... is now in the hand of one Chinese miner"*. Because there is no formal requirement for minimum production or employment in these "takeovers", towns historically dependent on ASM face economic collapse when output dwindles.

The broader impacts of these predatory deals are alarming. A Government press briefing (*Minerals Minister Antony Mavunde, Sept 2024*) reported seizure of 15.78 kg of smuggled gold at Dar es Salaam port (valued approximately TZS 3.4 billion), underscoring how illicit networks undermine the sector. *The Chanzo* notes that such cases reveal "how these networks bleed Tanzania dry", citing Global Financial Integrity's estimate that about US\$3.5 billion is lost annually to mineral smuggling and under-reporting. Vulnerable miners averaging only pennies per day bear the cost of these losses, while few controls exist to remedy the imbalance. In sum, the literature portrays Tanzanian ASM as a "battleground" where foreign enablers routinely exploit policy gaps.

4.2. Case Study: Shilalo (Mwanza)

The Shilalo gold mining area in Misungwi District provides a vivid example of contentious investment practices. In mid 2024, 32 small-scale miners at the site protested what they termed an outrageously low compensation offer from a Chinese-backed investor. The China-funded company had legally obtained the Shilalo license (announced Dec 2022) and proceeded to evict artisanal operators from the pit. However, the government-established compensation only Tza. 2 million per mining claim was far below what miners expected given the site's development by community miners. The local press reports that villagers felt "cheated" by this deal.

This incident illustrates several predatory features. First, the investor's purchase appears to have been structured under a primary mining license (PML) regime, but without proper technical-assistance agreements filed as required by law. Second, the compensation model effectively forced miners to relinquish valuable, community-worked claims for a nominal sum. Third, it underscores the enforcement gap: although the Mining Act forbids PML transfers to foreigners, the license's upgrade (to allow export-oriented processing) was used as a loophole. In summary, the Shilalo case epitomizes the imbalance of power when external capital meets informal mining: local stakeholders were strongly dissatisfied that Chinese investors capitalized on their labor at minimal payment.

4.3. Case Study: Handali, Chamwino (Dodoma)

Another documented conflict occurred at Handali village in Chamwino District (Dodoma Region). In July 2024, Waziri Mavunde (*Deputy Minister of Minerals*) intervened personally after reports that foreign nationals had entered a Tanzanian small-scale gold mining license and assaulted a local miner. According to the Ministry press release, Mavunde issued a public ban on any foreigners operating in primary mining areas without following proper procedure. During his site visit, the Minister stressed that “licences for small-scale mining are for Tanzanians” and ordered enforcement of Section 8 of the Mining Act (which only permits foreign technical assistants under approved contracts).

This case underscores how predatory schemes can spark official backlash. The Handali license had been held by a Tanzanian entrepreneur, but allegedly a foreign businessman (with no registered technical-support contract) began driving out independent miners and controlling extraction. Mavunde’s directive that locals must negotiate technical assistance agreements in writing and register them with the Mining Commission reflects the statutory intent of Sec.8. The episode reveals both the tension around foreign involvement and the government’s willingness to enforce the rules when alerted. However, it also shows that only after a miner was injured did authorities act, highlighting the challenge of proactive oversight. In policy terms, Handali became a warning to other would-be predatory investors: the law is clear (PMLs for Tanzanians) and any violation (even at the technical level) can prompt ministerial intervention.

4.4. Case Study: Muhukulu Rare Earth Mine

The Muhukulu Rare Earth Mine in southern Tanzania offers a contrasting narrative. Discovered and developed by Tanzanian entrepreneurs, Muhukulu is a rare earths (coltan/tantalite and beryl) project aiming to practice ethical, local-led mining. As an interview with the mine’s communications head (*Eva Mallya*) highlights, the operation is 100% Tanzanian-owned, youth-driven, and transitioning from artisanal to mid-scale production. The managers emphasize transparency, local employment, and gradual growth despite limited capital.

Although Muhukulu is not embroiled in a predatory dispute, it is instructive as a case of building Tanzanian capacity in strategic minerals. The project obtained a prospecting license for critical minerals and is planning expansion with full local control. In practice, the founders had to register local contracts and comply with Tanzanian mining regulations from the start. This suggests that, given clear intent and adherence to legal processes, Tanzanian investors can successfully develop mining projects without recourse to exploitative deals. Muhukulu’s presence also shows the sector’s potential to contribute to national development (aligned with the African Mining Vision’s goals), if anchored in local ownership. In sum, Muhukulu illustrates the alternative model: by consciously avoiding foreign takeovers and prioritizing “backward and forward linkages” into the economy, it stands in stark contrast to the predatory cases.

4.5. Case Study: Dar es Salaam (Port Smuggling and Regulatory Response)

The Dar es Salaam port seizure of September 2024 highlights how predatory investment feeds into illicit networks. On Sept 11, 2024, Minerals Minister Mavunde announced that authorities had intercepted 15.78 kilograms of gold hidden in a container bound for Zanzibar. Valued at roughly TZS 3.4 billion, the shipment was being smuggled by Tanzanian nationals working for foreign interests. This incident exposed a smuggling route whereby artisanal gold is exported off-the-books, depriving Tanzania of revenues. The seizure and subsequent detentions (three nationals were arrested) were publicized to demonstrate government action, with Mavunde warning that anyone found guilty would face heavy penalties.

This case shows the downstream impact of predatory deals. Gold extracted under secret or coercive arrangements often evades official trade channels, captured only through ad hoc enforcement. It is no coincidence that Chanzo's analysis links this seizure to the broader loss estimate of approximately \$3.5 billion/year. In policy terms, the smuggling crackdown was accompanied by measures such as the establishment of regulated gold trading centers and stricter monitoring. However, experts note that these reforms sometimes have perverse effects: for example, high fees for formal trading push desperate miners back into opaque sales. Thus, the Dar es Salaam episode is both a symptom and a partial remedy of predatory investment: it uncovers illicit flows while spurring calls for greater transparency (as embodied in the TEITI Act and the 28 new trading centers).

5. Legal and Policy Framework

Tanzania's legal regime theoretically guards against foreign predation in ASM. *Section 8 of the Mining Act 2010* provides key restrictions: it denies PMLs to non-citizens and mandates that only Tanzanian-owned entities can hold these licenses. The Act permits a PML holder to contract foreign technical assistance only if approved by the Mining Commission. This latter clause (Section 8(3)) was intended to allow necessary expertise while preserving local control. In practice, however, the conditions and oversight for such technical support contracts have been exploited or ignored. For example, the Handali case clearly invoked Sec.8 to forbid unauthorized foreigners, whereas the Shilalo deal highlighted how license transfer provisions can be manipulated under the guise of an "upgrade".

Beyond the Mining Act, Tanzania's TEITI Act (2015) seeks transparency in the extractive sector. It established an Extractive Industries Committee to reconcile revenue reports from companies and government bodies. In principle, TEITI requires that mineral sales and taxation data be published. This could help reveal anomalies from predatory deals. However, the ASM sub-sector has only more recently been subjected to full reporting under TEITI rules, and compliance remains uneven. Official TEITI reports (since 2017) show disclosures of royalties and fees but are still developing in coverage of small operators.

In sum, while the legal framework is strong on paper (citizenship clauses, technical-support rules, and transparency mandates), enforcement capacity is the weak link. Media investigations note that *"weak enforcement of the Mining Act lets proxies local Tanzanians acting as fronts mask foreign control"*. This suggests that, to be effective, reforms must be accompanied by rigorous implementation e.g by requiring all technical support agreements to be publicly registered and audited.

6. Regional and International Standards

Tanzania's efforts align with wider African protocols. *The African Mining Vision (2009)* endorsed by the African Union emphasizes that mineral wealth should be used to promote inclusive development. It calls for maximizing local linkages and ensuring that citizens benefit from resource projects. Tanzania's ASM laws (favouring local ownership and limiting foreign participation) are thus in concert with the AMV principles.

ICGLR (Great Lakes) initiatives likewise seek to formalize ASM by vetting mines and traders to prevent exploitation. At the continental level, standard setting bodies (*UNECA, IGF*) advocate technical support frameworks and miners' associations, echoing Tanzanian policy directions. More specifically, regional agreements set concrete rules. *The COMESA Protocol on Mining (2012)* and *ECOWAS Mining Code (2019)* include provisions mirroring Tanzania's nationality rules. For example, the ECOWAS code requires ASM permits be issued only to citizens of the state or community, with basic training and registration (no foreign nationals). This regional stance validates Tanzania's restriction of PMLs to nationals. It also suggests opportunities for collaboration: for instance, ECOWAS and COMESA have established peer review mechanisms for mining regulation, offering Tanzania a forum to harmonize best practices in ASM oversight. In summary, international frameworks reinforce the view that ASM should primarily serve local communities, lending normative weight to Tanzania's citizen-ownership model.

7. Impacts on Communities and Policy Responses

Predatory investment in ASM has tangible human costs. Communities report environmental degradation (contaminated water, collapsed tunnels) and social conflict when powerful outsiders encroach. In Nyamahuna (Geita), villagers complain that Chinese operators have polluted wells and caused housing damage, with no recourse. The literature notes that women miners, who make up approximately 20% of the workforce, often suffer most in these scenarios, forced into the lowest-paying jobs and exposed to health hazards. These impacts undermine ASM's role in poverty alleviation.

The Tanzanian government has begun to respond. Beyond the Handali directive, officials have opened regulated mining zones for artisanal miners (e.g. Buhemba in 2018), supported cooperatives, and introduced special levies (e.g. ASM levy on tanzanite). In 2024, the government also announced amendments to the Mining Act and regulations to tighten control over PML holders and dealers (e.g. by requiring dealers to purchase through auction centers). The formalization drive aligns with COMESA/ECOWAS goals of setting up ASM-specific governance. However, enforcement remains uneven. Market reforms (28 trading centers, ASM cooperatives) have helped some miners sell legally, but as Chanzo notes, foreign brokers often exploit these too. In practice, effective response likely hinges on empowering Tanzanian miners directly for example through capacity-building, financing cooperatives, and ensuring miners understand their legal rights.

8. Conclusion

Tanzania's artisanal and small-scale mining (ASM) sector, a lifeline for millions, is under siege from predatory foreign investment that exploits legal loopholes and weak enforcement, depriving local miners and communities of their rightful wealth. This report's analysis of cases like Shilalo and Handali reveals how pre-financing deals and proxy ownership trap miners in cycles of debt and dispossession, while the Dar es Salaam port smuggling incident underscores the fiscal hemorrhage – estimated at \$3.5 billion annually (Global Financial Integrity, cited in Makaro, 2025). Yet, the success of Muhukulu Rare Earth Mine demonstrates that Tanzanian-led, transparent mining can thrive, offering a blueprint for equitable development. Tanzania's robust legal framework, including the Mining Act 2010 and TEITI Act 2015, aligns with the African Mining Vision's call for inclusive resource governance, but enforcement gaps undermine these protections. To reclaim the sector's potential, Tanzania must empower its miners through participatory governance, close regulatory loopholes, and leverage regional frameworks like ICGLR and COMESA. By prioritizing local agency, gender equity, and environmental sustainability, Tanzania can transform ASM into a driver of prosperity, ensuring that its mineral wealth benefits its people, not foreign predators.

9. Recommendations

To combat predatory investment in Tanzania's ASM sector, the government, with local and regional stakeholders, should implement these measures, prioritizing miner empowerment, transparency, and sustainability per the African Mining Vision (AMV).

1. Empower Miners via Cooperatives and Finance:

- Create a \$10 million ASM Resilience Fund for low-interest loans to cooperatives, enabling 50 new groups by 2027 to access mercury-free technologies, avoiding predatory pre-financing (Makaro, 2025).
- Train 3,000 miners, 30% women, in financial literacy and legal rights by 2026 with HakiRasilimali, scaling models like Muhukulu (Rweymamu, 2024).
- Pilot blockchain-based mineral tracking in Geita for fair market prices, reducing foreign broker reliance.

2. Strengthen Enforcement and Transparency:

- Establish a public online registry for technical support contracts under Mining Act 2010 Section 8(3), audited by TEITI, to curb proxy ownership (Ministry of Minerals, 2024).
- Audit all PML licenses by 2025 to identify foreign fronts, with TZS 500 million fines for violations, reinvested into ASM communities.

3. Enhance Environmental and Gender Protections:

- Launch a \$3 million Mercury Reduction Program in Geita, training 2,000 miners in mercury-free methods by 2026, prioritizing women (ASF et al., 2025).
- Mandate 30% women representation in cooperatives and trading centers with TWiMMI (Hilson, 2012).
- Form community-led environmental monitoring committees with water testing kits to address pollution (Makaro, 2024).

4. Leverage Regional Collaboration:

- Expand ICGLR mineral certification to cover 40% of ASM gold exports by 2028, reducing smuggling losses like the TZS 3.4 billion Dar es Salaam case (Mirondo, 2024).
- Join COMESA's peer review to harmonize ASM licensing, adopting ECOWAS training standards (ECOWAS, 2019).
- Advocate for an AMV-aligned regional ASM fund, co-financed by AfDB.

5. Promote Tanzanian-Led Models:

- Offer 5-year VAT exemptions to Tanzanian-led ASM ventures like Muhukulu, mentoring 30 youth-led projects by 2027 (Rweymamu, 2024).
- Establish a National ASM Innovation Hub in Dodoma for technical support and market access per AMV (African Union, 2009).

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