

Mwanjela, Geoffrey; Lokina, Razack Bakari

Article

Public procurement as a market and financing solution for small and medium local timber producers and processors in Tanzania

Provided in Cooperation with:

University of Dar es Salaam (UDSM)

Reference: Mwanjela, Geoffrey/Lokina, Razack Bakari (2021). Public procurement as a market and financing solution for small and medium local timber producers and processors in Tanzania. In: Business management review 24 (2), S. 134 - 145.
<https://journals.udsm.ac.tz/index.php/bmr/article/download/4419/3855>.

This Version is available at:
<http://hdl.handle.net/11159/7120>

Kontakt/Contact

ZBW – Leibniz-Informationszentrum Wirtschaft/Leibniz Information Centre for Economics
Düsternbrooker Weg 120
24105 Kiel (Germany)
E-Mail: [rights\[at\]zbw.eu](mailto:rights[at]zbw.eu)
<https://www.zbw.eu/econis-archiv/>

Standard-Nutzungsbedingungen:

Dieses Dokument darf zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden. Sie dürfen dieses Dokument nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, aufführen, vertreiben oder anderweitig nutzen. Sofern für das Dokument eine Open-Content-Lizenz verwendet wurde, so gelten abweichend von diesen Nutzungsbedingungen die in der Lizenz gewährten Nutzungsrechte.
<https://zbw.eu/econis-archiv/terms-of-use>

Terms of use:

This document may be saved and copied for your personal and scholarly purposes. You are not to copy it for public or commercial purposes, to exhibit the document in public, to perform, distribute or otherwise use the document in public. If the document is made available under a Creative Commons Licence you may exercise further usage rights as specified in the licence.

Open Access article distributed in terms of the
Creative Commons Attribution License
[CC BY 4.0] (<http://creativecommons.org/licenses/by/4.0>)

Public Procurement as a Market and Financing Solution for Small and Medium Local Timber Producers and Processors in Tanzania

Geoffrey Mwanjela¹ and Razack B. Lokina²

ABSTRACT

In Tanzania, and across much of Africa, the potential impact of public procurement on sustainable growth of the local timber industry is not well understood. This is due to limited awareness of the local timber industry by government agencies responsible for public procurement, and vice versa. As a result, this existing gap hinders the opportunity for timber-based Small and Medium Enterprises (SMEs) to access the public procurement market to grow sustainably, meet their operational costs, develop effective business skills, or purchase new technology for improved productivity. However, the current domestic timber industry in Tanzania is undermined by timber and furniture imports destined for public funded projects and contracts. This article aims to address the knowledge gap and identify opportunities that might arise, by including the local timber industry, particularly timber-based SMEs, in the public procurement process in Tanzania. The article draws on lessons from the implementation of public procurement processes in Tanzania as they relate to the timber industry, and from the use of globally recognized Timber Procurement Policies (TPP) in Central Africa and Europe. It uses qualitative data derived from existing literature and workshop reports related to public procurement, timber trade and SMEs in Tanzania. The findings suggest that through TPP, public procurement can offer immediate and long-term market opportunities for timber-based SMEs, if a number of crucial policy and regulatory reforms are implemented.

Key words: timber-based SMEs, timber procurement policies, local timber industry, public procurement, forestry

INTRODUCTION

In Tanzania, lack of access to domestic markets and finance creates a dilemma for the growth of local timber-based Small and Medium Enterprises (SMEs). For the purpose of this article, the term timber-based SMEs means private and communal led forest-based enterprises that do one or more of these processes for timber from natural and/or planted forests. Without access to finance, these SMEs often struggle to meet their operational costs, develop effective business skills, and purchase new technology and equipment for productivity (Arvola et al., 2019; Held et al., 2017; TFS, 2020b; World Bank, 2020)³. While financing is crucial for their survival and growth, it is dependent on the availability of sustainable markets for timber products⁴. The current domestic market for timber from SMEs is limited by low quality products and reliance on incidental contacts which are also unreliable (Arvola et al., 2019; Held et al., 2017). Since the current domestic timber markets are opportunistic and short-term, the ability of SMEs to sustainably grow is limited (Arvola et al., 2019; Held et al., 2017). Sustainable growth is crucial if timber producers and processors are to provide wider benefits to society such as employment, increased income and subsidized costs for forest management. For these benefits to be realized,

¹ Geoffrey Mwanjela –Programme Officer- World Wide Fund for Nature (WWF)

² Razack. B Lokina – Associate Professor University of Dar es Salaam, School of Economics, Corresponding author Email: rlokina@udsm.ac.tz

³ The business constraints facing timber-based SMEs in general and timber industry have been well-documented. It is not the intention of this article to discuss these constraints in detail. For in-depth discussion, please see Held et al. (2017), Kazungu & Panga (2015), and World Bank (2020).

⁴ In this article, the term timber is used broadly to mean building poles, logs, wood and wood products such as furniture.

Business Management Review: Volume 24, Number 2, Pages 134-145, ISSN 0856-2253 (eISSN 2546-213X) ©July-December, 2021 UDBS. All rights of reproduction in any form are reserved.

timber-based SMEs need a regular and predictable market. Public procurement of timber may provide an opportunity to meet these needs for local timber producers in Tanzania.

The current public procurement legal framework in Tanzania does not define or enable the use of local timber sources for public funded projects (Held et al., 2017; WWF, 2017; TFS, 2020a; URT, 2016). For example, although the role of SMEs in public funded projects is emphasized in the legal framework, there are no dedicated guidelines to direct their participation, either in supply or tendering (Israel, 2019; Kazungu & Panga, 2015; URT, 2016)⁵. Similarly, the current legal framework does not have favourable compliance requirements for SMEs in accessing public procurement supply and tendering opportunities (Israel, 2019; Kazungu & Panga, 2015; URT, 2017). These requirements, such as financial capability, can only be met by large-scale private sector parties (Israel, 2019; Kazungu & Panga, 2015). These circumstances, although unintentional within the public procurement set-up, they limit the opportunity for timber-based SMEs to participate in both the tendering and supply chain.

Globally recognized, Timber Procurement Policies (TPP) are used to promote sustainable consumption of timber while encouraging production to contribute to social, environmental and economic benefits across the timber supply chain (Martin & Ghazali, 2015). TPP is not explicitly implemented in Tanzania, although some of the principles are practised through local sourcing requirements for public funded projects (Held et al., 2017; URT, 2016). Local sourcing requirements were established in 2016 through amendments to the Public Procurement Act of 2011 (Matto, 2017; URT, 2017). To date, implementation of local sourcing by public Procurement Entities (PEs) is falling short, and its impact on the timber industry is unknown (GPSA, 2018; Held et al., 2017; PPRA, 2018, 2019)⁶.

Furthermore, the existing procurement process does not clarify where and how timber should be sourced by PEs (WWF, 2017; TFS, 2020a). For example, the current domestic market is dominated by only 30 tree species out of more than 1,600 tree species found in Tanzania (Chenga & Mgaza, 2016; Minkoff et al., 2019). Out of the 30 tree species, the PEs largely consume two types of natural tree species: *Pterocarpus angolensis* and *Azizelia quanzensis*. These are of high demand in Tanzania (Chenga & Mgaza, 2016; TFS, 2020a)⁷; however, the origin of the timber from these two species in the Tanzanian market remains predominantly unknown (Chenga & Mgaza, 2016; Lukumbuzya & Sianga, 2017; TFS, 2020a). Consequently, this limited preference by PEs drives the private sector to pursue imported timber and furniture to meet contractual obligations with PEs (Held et al., 2017; WWF, 2017; NBS, 2018)⁸. This is due to two major reasons: lack of awareness by PEs of the variety and capacity of local timber producers, their products and associated suppliers; and lack of finance available to timber SMEs to afford modern technology for production and processing for quality timber products (Diggle, 2015; Held et al., 2017; WWF, 2017). These circumstances lead to the dilemma for local producers (or SMEs), whose current participation in public procurement is limited.

Although the exact consumption of timber by the government is unknown, public funded projects are some of the largest consumers of timber in Tanzania (Held et al., 2017; Nachilongo,

⁵ Timber from SMEs is produced by villages with legal ownership of natural forests within village lands, and individual and group tree farmers (woodlots) across Tanzania. These timber producers are legally recognized by the Tanzania National Forest Policy of 1998 and Tanzania Forest Act of 2002.

⁶ Procuring Entity (PE) means a 'public body or any other body, or unit established and mandated by government to carry out public functions' (PPRA, 2017). In this article, the terms public PE and PE are used interchangeably.

⁷ The most preferred natural timber species by public funded projects for construction and furniture are *Pterocarpus angolensis* and *Azizelia quanzensis* locally known as *Mninga* and *Mkongo* respectively (Chenga & Mgaza, 2016; TFS, 2020a).

⁸ For the purpose of this article, the term private sector means timber/furniture suppliers that currently can meet tendering requirements in public procurement.

2018; NBS, 2017, 2018; TFS, 2020a). For example, in 2016, the manufacturers of furniture in Tanzania consumed raw materials (of which large part is timber) worth TZS 48.9 billion from local sources, and TZS 93.9 billion from imports (NBS, 2018)⁹. This timber is consumed either directly by government agencies or indirectly by PEs through private sector purchasing agents, suppliers and contractors. In 2015, out of 540 PEs in Tanzania, 27 were reported to have been awarded 46 contracts to purchase furniture worth TZS 7 billion (Czibik et al., 2017; GPSA, 2018; PPRA, 2019)^{10,11}. This level of consumption indicates, to local timber producers, the market potential available by public procurement. This potential is also in line with the growing PEs' interest and demand for timber, strengthening and developing new industries (Nachilongo, 2018; PPRA, 2017; TFS, 2020a).

This article advocates for the inclusion of locally produced timber sources, particularly through SMEs, into the public procurement process in the country. The objectives of this article are therefore twofold: to offer an understanding and outline the potential role of public procurement as a market for locally-sourced timber in the development of timber-based SMEs, and to propose means that will enable the inclusion of the timber industry in Tanzania into the public procurement design and practice. In approaching these two objectives, the article draws on lessons about the implementation of public procurement processes in Tanzania as they relate to the timber industry, and the introduction and use of TPP in Central Africa, Europe and their relevance to respective governments. The article uses qualitative data derived from existing literature and workshop reports related to public procurement, timber trade and SMEs in Tanzania, and TPP. The data is also drawn from the authors' three-decade long experience working on forestry related issues in Tanzania, Uganda, Mozambique, Madagascar, Kenya, Zambia and Malawi.

The article is organized in four sections main sections. After this introduction (which is section one), the second section unpacks the meaning and lessons on timber procurement policies and their application, while the third section explores TPP and local sourcing. The fourth section offers the conclusion.

TIMBER PROCUREMENT POLICIES AND THEIR APPLICATION

Application of TPP outside Africa

The emergence of TPP in the early 2000s came about as a response to economic, environmental and social concerns regarding timber sourced from tropical countries (Martin & Ghazali, 2015; Simula, 2010; UNECE & FAO, 2006). These concerns were steered by demand from consumers, international commitments, pressure by the non-state actors, and by the private sector (Martin & Ghazali, 2015; Simula, 2006, 2010). The pressure by the private sector was primarily aimed at gaining marketing advantage over the credibility of timber and their products (Simula, 2006, 2010). In response, European countries, for example, developed various policies to guide timber imports. These policies demand environmental and social credibility, and compliance of imported timber and their products (Cerutti et al., 2020; Martin & Ghazali, 2015; Simula, 2010; UNECE & FAO, 2006). The European Union (EU), for

⁹ The annual exchange rates for United States Dollars (US\$) to Tanzanian Shillings (TZS) are 1991.4 and 2177.1 for 2015 and 2016 respectively, available from the World Bank's World Development Indicators at <https://databank.worldbank.org/reports.aspx?source=2&series=PA.NUS.ATLS.PA.NUS.PPP.PA.NUS.PPPC.RF.PX.REX.REER.NY.GD.P.DEFL.ZS.FP.CPI.TOTL> (Accessed: 29 September 2020).

¹⁰ The figures are based on secondary published data by PPRA from 2009 and 2016. The data was obtained from the Government Transparency Institute: <http://www.govtransparency.eu/index.php/2017/05/03/data-publication-public-procurement-in-tanzania-2009-2016/> (Accessed: 25 July 2020).

¹¹ The annual exchange rates for United States Dollars (US\$) to Tanzanian Shillings (TZS) are 1991.4 and 2177.1 for 2015 and 2016 respectively, available from the World Bank's World Development Indicators at <https://databank.worldbank.org/reports.aspx?source=2&series=PA.NUS.ATLS.PA.NUS.PPP.PA.NUS.PPPC.RF.PX.REX.REER.NY.GD.P.DEFL.ZS.FP.CPI.TOTL> (Accessed: 29 September 2020).

example, initiated the Forest Law Enforcement and Governance and Trade (FLEGT) mechanism to ensure compliance of tropical timber imports. The FLEGT mechanism, intended solely for the EU market, was designed to reduce and eliminate illegal logging in tropical countries (UNECE & FAO, 2006). This mechanism led to the emergence of voluntary partnership agreements (VPAs) with tropical African large timber exporter countries such as Cameroon, Ghana and the Democratic Republic of Congo (DRC) (Cerutti et al., 2020; Gonzalez, 2018; Martin & Ghazali, 2015; UNECE & FAO, 2006).

Beyond the EU, TPP has also been used in other countries such as Japan and Australia, to ensure legality and sustainability of timber supplied to public funded projects (Lopez-Casero & Sheyvens, 2008; Martin & Ghazali, 2015). In ensuring legality and sustainability, Japan for example, has adapted several TPP requirements including forest certification, self-established procedures of individual companies, codes of conduct of wood industry associations, among others (Lopez-Casero and Sheyvens, 2008:2; Martin & Ghazali, 2015). The codes of conduct, for example, have instilled responsibility to private sector parties who participate in sourcing and supplying timber to public funded projects (Lopez-Casero & Sheyvens, 2008:2).

TPP in Africa: Legacy and Relevance

In Africa, TPP was introduced through the need to meet legality and sustainability of timber export requirements by markets in the EU and beyond. In pursuit of meeting timber export requirements, African countries embarked on piloting, developing and implementing TPP associated mechanisms such as FLEGT and voluntary timber certification systems (Martin & Ghazali, 2015; TNRF, 2009; Tumushabe et al., 2014; UNECE and FAO, 2006).

Despite TPP application elsewhere, its reception in Africa has been mixed. TPP has encountered both positive and negative reception, particularly by government stakeholders (Cerutti et al., 2020; Lukumbuzya, pers. comm, 12 July 2020; Martin & Ghazali, 2015; TNRF, 2009). In Tanzania, for example, the FLEGT process did not attract government attention and ended up at a research and dialogue stage in late 2000's given limited timber exports to EU market (Lukumbuzya, pers. comm, 12 July 2020; TNRF, 2009). In other countries, such as Cameroon and Ghana, implementation of TPP has formed part of their preconditions of timber export requirements given the significant timber exports to EU market (Cerutti et al., 2020). In Uganda, the TPP dialogue and implementation have been tailored to fit issues in their domestic market (Asiimwe, pers. comm, 13 August 2020); and TPP is now part of their district governments' timber procurement guidelines to enable SMEs access to markets and enable their growth (Jacovelli, 2014).¹²

Part of the reason for TPP's mixed reception in Africa is its heavy focus on exports and requirements (e.g. certification) which the timber-based SMEs are unable to meet (Cerutti et al., 2014, 2020; Gonzalez, 2018; Tumushabe et al., 2014; TNRF, 2009). The timber-based SMEs form the largest sum of Africa's base of forest owners (e.g. local communities) and processors (e.g. sawmills) (Cerutti et al., 2020; FAO, 2015, 2016; World Bank, 2020). TPP also fails to recognize African governments as both primary and secondary consumers of timber (Gonzalez, 2018; Tchoumba, pers. comm, 13 August 2020). TPP and its mechanisms overlook and underestimate Africa as a growing and considerable consumer of its own produced timber (Asiimwe, pers. comm, 13 August 2020; Cerutti et al., 2020; Chenga & Mgaza, 2016; Gonzalez, 2018; Lukumbuzya & Sianga, 2016; NBS, 2017; Tumushabe et al.,

¹² The decision for Uganda to suddenly domesticate TPP was to create a ready market for its timber from SMEs (Kazungu, pers. comm, 22 Feb 2021). The decision is based on government's commitment and interest through its Forest Sector Support Department (FSSD), and the fact that an estimated 50% of tree owners (SMEs) in Uganda are expected to harvest their timber in 2022 (Kazungu, pers. comm, 22 Feb 2021).

2014; TNRF, 2009). TPP therefore fell short of understanding and building an appetite across stakeholders on the role that forestry in Africa, in particular the SMEs, could play to reform and strengthen government's local public procurement systems (Cerutti et al., 2020; Gonzalez, 2018; TNRF, 2009; Tumushabe et al., 2014; WWF, 2012).

Despite the existence of disparity regarding its emergence and rationale in Africa, TPP can have positive impacts on both forest management and the local economy. In Cameroon and Ghana, through VPA agreements, TPP has been able to contribute in reducing illegal logging and improving the business environment for the private sector including organisation of SMEs through associations (Cerutti et al., 2020). There is also growing recognition of the potential offered by TPP to strengthen public procurement in enabling SMEs in Central and Southern Africa (Gonzalez, 2018).

TPP in Tanzania: Early Interventions and Today's Relevance

In Tanzania, attempts were made between 2016 and 2017 by the World Wide Fund for Nature (WWF) to initiate discussions on the role of TPP in public procurement. The attempts by WWF included the provision of technical support to the Ministry of Finance and Planning to develop a draft procurement policy. In a separate effort, the Forestry Development Trust (FDT) commissioned a study in 2017 which called for dialogue on pro-timber procurement policies to drive timber markets (Held et al., 2017). The latest attempt by Tanzania Forest Service (TFS) Agency and Forestry and Beekeeping Division (FBD) emerged amidst PE's increased appetite for two species of natural forests timber - *mkongo* and *mninga* (TFS, 2020a).

The call to initiate discussions on TPP in Tanzania for the public sector is therefore a relevant and opportune moment. The call prompts the emergence of self-designed domestic practices that primarily focus on strengthening the local timber industry and in particular the SMEs. This motive fits well with Tanzania's public procurement process to strengthen its systems and practices in light of the changing environment, the needs to promote local sourcing, and efficiency in public spending (GPSA, 2018; Matto, 2017; URT, 2011, 2016).

The adoption of TPP and its associated practices will create broader market effects to the private sector contracted by PEs (Martin & Ghazali, 2015; TFS, 2020a)¹³. The policies and practices will also inspire social responsibility in the private sector, and support inclusion of SMEs into the market (Martin & Ghazali, 2015). For Tanzania, the emphasis and implementation of TPP by the government and indirectly by the private sector will create a readily and sustainable market for locally produced timber, and create incentives for SMEs to be competitive (Fig.1). TPP will also reduce the preference of the few highly demanded tree species whilst promoting procurement of lesser-known ones that share similar qualities (TFS, 2020a). The widened preference compounded with adapted government purchasing requirements, through legislative changes, will lay the foundation for the inclusion of timber-based SMEs (Cerutti et al., 2020; Israel, 2019; Martin & Ghazali, 2015; Nyambo & Lyimo, 2019; Kazungu & Panga, 2015). These changes will also enable provision of direct and indirect job creation across the forest value chain, and promote the development of rural economies (Cerutti et al., 2020; Israel, 2019; Martin & Ghazali, 2015; Nyambo & Lyimo, 2019; Kazungu & Panga, 2015; URT, 2016).

TIMBER PROCUREMENT POLICIES AND LOCAL SOURCING WITHIN PUBLIC PROCUREMENT IN TANZANIA: CURRENT UNDERSTANDING AND GAPS

¹³ Ibid

In Tanzania, TPP is informally practised through local sourcing policies (URT, 2011, 2016); however, to date, little is known about the practicability of local sourcing policies, its relationship with the local timber industry, and its interface with TPP.

In implementing local sourcing, Tanzania has in place a number of legislations that guide the process through public procurement. These legislations provide varying degrees of responsibilities and oversight for various government institutions. The legislations also ensure that local SMEs have legal rights to participate in exclusively public funded projects (URT, 2011, 2016).

The overall public procurement process is regulated by the Public Procurement (Amendment) Act (PPA) of 2016, which was a review of the 2011 Act. Among other things, the amendment focused on providing opportunities and promoting the use of locally-produced raw materials and products (Matto, 2017). These changes also gave legal powers to PEs to procure directly from local sources in case of an emergency tendering process. In normal circumstances, the PE would source materials and products through suppliers, contractors and purchasing agents (Fig. 1) (URT, 2011, 2016).

The PPA No.7 of 2011 established the Public Procurement Regulatory Authority (PPRA) and Public Procurement Policy Division (PPPD) (Fig. 1). The functions of PPPD relating to the aim of this article include the development of a national procurement policy, ensuring inclusion of SMEs into the public procurement process, and analysing and advising on emerging public procurement challenges. The PPRA, which is a regulatory body, ensures compliance of PEs to PPA and associated regulations. The PPRA also issues occasional standardized tendering, contracting and sourcing procedures to PEs. These standards are a response to emerging needs, such as PE's investments in new industries, and their consumption of raw materials (Nachilongo, 2018; PPRA, 2017). Similarly, the Government Procurement Services Agency (GPSA) was established in 2008 by the Executive Agency Act of 1997 and mandated by the PPA Cap 410. This agency is responsible for procuring common use raw materials and products across all PEs through long-term framework agreements (GPSA, 2018; PPRA, 2019). GPSA's strategic plan (2018/19 - 2022/23) has several priorities including the need to procure locally where necessary and the role of non-state actors in shaping procurement procedures (GPSA, 2018).

Figure 1 is a schematic representation of the existing relationship and associated gaps between the local timber industry and public procurement in Tanzania.

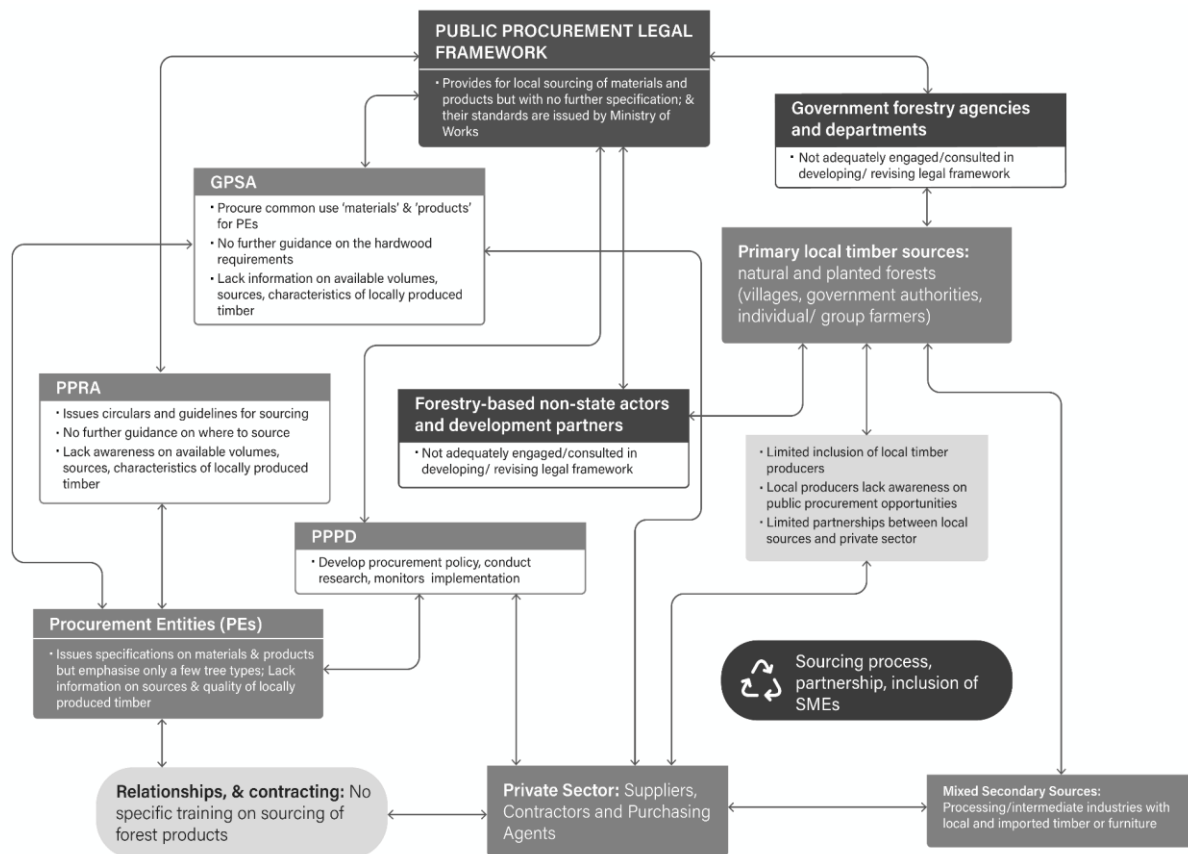


Figure 1: Relationship between the local timber industry and public procurement in Tanzania.¹⁴

The legislations associated with public procurement in Tanzania have occasionally been amended, replaced or repealed (Matto, 2017). Similarly, the current institutions responsible for oversight and management of public procurement are either newly-established or a result of organizational restructuring (Huka et al., 2014; Matto, 2017; PPRA, 2017, 2019). The establishment and restructuring have been aimed at improving efficiency, transparency, accountability and more importantly have served as a response to emerging challenges (Huka et al., 2014; Matto, 2017; PPRA, 2017, 2019). This responsive behaviour to institutional strengthening and changes is an indication of government's willingness to reform public procurement regularly, since its commencement in 1992 (Matto, 2017; Orio, 2019; PPRA, 2018). However, the public procurement reform process in Tanzania over the last three decades has failed to capture the role of the local timber industry in local sourcing in its entirety. Importantly, there is no national procurement policy which could have set the stage to demonstrate the link between public procurement, local sourcing and the local timber industry. The shortfalls that contribute to the exclusion of the local timber industry - in particular the SMEs - are as clustered below in five main areas.

Inadequate guidance in legal requirements for local sourcing for raw materials and products: Whereas the legal provisions and associated guidelines call for local sourcing, they fall short of recognizing and emphasizing local timber primary sources, including SMEs (Fig 1). The available guidelines and circulars issued to PEs, for example, bundles timber in 'raw

¹⁴ The information used to develop this schema is based on various consultations by the authors and other sources, including Chenga and Mgaza (2016), Diggle (2015), GPSA (2018), Lukumbuzya and Sianga (2017), Matto (2017), Martin and Ghazali (2015), PPRA (2017), PPRA (2019), TFS (2020a), and WWF (2017).

materials' with only names of trees and furniture in 'products' categories. Moreover, the guidelines do not provide further instructions or criteria regarding where and how to locally source the raw materials or products (PPRA, 2017, 2019; TFS, 2020a; URT, 2011, 2016). This vagueness was pronounced further during the call for tenders and contract implementation stages (WWF, 2017; PPRA, 2017, 2019; TFS, 2020a). This silence on guidance may be explained by the lack of awareness to PEs to understand the local timber industry in Tanzania (WWF, 2017; TFS, 2020a). This gap also applies to the private sector parties contracted by PEs to supply timber or furniture in public funded projects (WWF, 2017; TFS, 2020a).¹⁵

Inadequate local sourcing of furniture and timber for construction: Despite existing requirements to give preference to local sources for public funded projects, PEs have not yet been able to apply the scheme (Held et al., 2017; PPRA, 2019). In the current public procurement practice, the relationship between PEs and primary timber producers hardly exists (Fig. 1) (Held et al., 2017; TFS, 2020a; WWF, 2017). The same also applies to the large-scale private sector which holds the supply contracts and meets the tendering requirements by PEs (Held et al., 2017; WWF, 2017). This lack of relationship with primary timber producers undermines recognition and integration of the local timber industry into the supply chain of public funded projects.

Inadequate engagement and opportunities for timber-based SMEs: Currently, there is no mechanism in place that defines and enables inclusion of these forestry groups in the public procurement process (PPRA, 2020; URT, 2016; GPSA, 2018). In areas where Mpingo Conservation and Development Initiative (MCDI) and WWF operate, for example, villages that own forests and produce timber have no knowledge of their legal rights and capacity needs to engage and participate in public procurement.¹⁶ This limited knowledge may be due to the fact that forestry stakeholders are neither invited nor active in any dialogue on public procurement issues (Held et al., 2017; WWF, 2017). Additionally, government institutions responsible for forestry have rarely been involved in dialogue with PEs, PPRA or GPSA (TFS, 2020a; WWF, 2017).

Lack of business capacity for forest-based SMEs: Alongside inadequate engagement, the large number of timber growers, village forest owners and timber processors have inherent and institutional constraints. These constraints include informal operation models of business, limited capacity to manage contracts, and a lack of long-term capital and access to markets (Held et al., 2017; Israel, 2019; Simula, 2010; World Bank, 2020). These constraints consequently define these groups as non-commercial and therefore undermine their ability to participate and compete in the public procurement process.

Limited research and information on the role of public procurement in forestry: In compiling this article, there was limited information available linking public procurement, forestry and the local timber industry in Tanzania. The current discussion on this subject in Tanzania has been based on efforts and reports by WWF and FDT in 2017 and recently by TFS (Held et al., 2017; WWF, 2017; TFS, 2020a). For example, despite the use of timber in public projects, information on spending, sources and volumes is scarce and scattered as observed while attempting to put together this article. This is probably one of the main reasons why timber procurement has not been perceived and pursued as an opportunity to engage in the timber market for local producers (Mgaza & Chenga, 2016; Lukumbuzya & Sianga, 2017).

¹⁵ Ibid.

¹⁶ MCDI is a Tanzanian NGO working on forestry, based in Kilwa (Lindi), and supporting villages across Southern Tanzania to gain rights to own, manage and benefit from natural forests.

CONCLUSION

Hitherto, this article has attempted to bridge the discourse between TPP, local timber industry and public procurement in Tanzania. There are a number of immediate and long-term actions that Tanzania could adopt to accelerate understanding and embark on changing and improving current practices in public procurement for timber and furniture.

The national procurement policy, which has been in the draft stage for over five years, needs to be finalized. This will set the stage for building a strong marriage between forestry, local sourcing and public procurement. The development and finalization of the policy need to be conducted in close consultation with the forestry-based private sector, Non-Governmental Organizations (NGOs), development partners and community groups (Matto, 2017). These groups will offer first-hand practical experience on gaps and solutions that could guide the policy to fit local reality.

There is a need for the continued dialogue between MNRT institutions (TFS, Forestry and Beekeeping Department), PPRA, GPSA and PPPD. This will strengthen the partnership and understanding of challenges and opportunities related to local sourcing. In this dialogue, actors with a stake in forestry - including the private sector, forest-based SMEs associations and NGOs - should be invited periodically to provide their viewpoint. The means for dialogue could be formalized through a Memorandum of Understanding (MoU) between MNRT and government entities responsible for oversight of public procurement. The MoU could include specific progressive targets to improve local sourcing in line with securing the capacity of the timber industry to meet public procurement requirements.

NGOs need to explore ways to support local timber growers and producers to secure and support MoUs with PEs and shortlisted tenderers. The timber growers and producers include villages that own forests, cooperative groups, and small and medium-scale woodlots. These MoUs will enable local timber growers and producers to secure access to markets through long-term agreements, assist capacity building to enable competitiveness in the public procurement process and technology transfer for improved quality of products (Kazungu & Panga, 2015; World Bank, 2012). The areas defined in the MoUs could be piloted in specific areas with support by NGOs such as MCDI, WWF and FDT. This piloting process would allow an understanding of the impacts, on local welfare, brought by the procurement practice and help to establish a pathway that ensures SMEs meet public tendering criteria, while creating an opportunity to identify and mitigate unforeseen outcomes.

The government through the Ministry of Natural Resources and Tourism (MNRT) and non-state actors need to embark on the process of raising awareness to the private sector about product availability, their sources and origin. For example, both PEs and their private sector suppliers are unaware of the primary local timber supply system and products (WWF, 2017; TFS, 2020a). The response could include creating a database of local timber species, their strength and characteristics for use in construction and furniture making. This response to build awareness and a knowledge base towards PEs and the private sector, will contribute to mitigate some of the gaps identified in this article.

It is important that the capacity of SMEs is built and their role clearly defined to enable them take part in the public procurement process. In terms of legally enabling SMEs, the PPRA in collaboration with MNRT need to establish guidelines for PEs dedicated for local timber producers and processors. In building capacity, PPRA and PPPD need to encourage and require suppliers (or the private sector) to source from primary local timber producers on a long-term basis, particularly when tendering in a particular locality (PPRA, 2019). The sourcing in a

particular locality will open markets for these groups given current business and capital access limitations in rural areas. The long-term agreements will not only encourage capacity development of these groups but also contribute to government efforts to alleviate poverty and promote rural development (World Bank, 2020).

In the long-term, the government, and in particular PEs, need to explore procedures and guidelines, and engage only with supplier contractors with CSR policies in place. This will promote their demand and encourage sourcing from primary and secondary local sources. For the private sector, their commitment to source locally will not only be a matter of compliance to regulations but also a mechanism to secure a good reputation from the public (Lyimo & Nyambo, 2019). The CSR in public procurement approach can provide for direct and indirect social, economic and environmental benefits (Nyambo & Lyimo, 2019). In forestry, CSR will ensure jobs, improve access to social services through timber sales and sustainably managed forests over the long-term.

For sustainability of timber supply from local sources, it is crucial that PEs and TFS encourage and provide incentives to timber growers and producers from both natural and planted forests (TFS, 2020a). The timber growers and producers should be encouraged and incentivised to re-plant trees in harvested and damaged areas, and to manage their land and forests. The incentives could be in form of long-term purchasing agreements through suppliers, and technical capacity in technology and forest management (Arvola et al., 2019; TFS, 2020b).

ACKNOWLEDGEMENTS

We would like to thank Dr. Eliezeri Sungusia, Jasper Makala, Leanne Jones and Simon Milledge for their encouragement and support in undertaking the research for this article. We would also like to thank Dr. Ezekiel Mwakalukwa, Mohammed Kilongo and Deogratius Bwoyo from MNRT, Dr. Frederick Mwakibinga, Alex Haraba and Alex Mwakisu from the Ministry of Finance and Planning for their insights and support while undertaking research for this article. This article benefited from conversation and responses from forestry colleagues in Tanzania, Sweden, Uganda, Brazil and Cameroon. Special thanks to Latif Amars, Martin Asimwe, Georges Belmond Tchoumba, Marco Lentini, Gaudensia Kalabamu and Kahana Lukumbuzya for insights and reviewing various draft versions of this article. This research was not commissioned or funded by any organization.

REFERENCES

- Arvola, A., Malkamäki, A., Penttilä, J., & Toppinen, A. (2019). Mapping the future market potential of timber from small-scale tree farmers: Perspectives from the Southern Highlands in Tanzania. *Small-scale Forestry*, 18, 189–212.
- Cerutti, P. O., Goetghebuer, T., Leszczynska, N., Newbery, J., Breyne, J., Dermawan, A., Mauquoy, C., Tabi, P. P., Tsanga, R., Der Ploeg, L. V., & Wathélet, J. M. (2020). *Collecting evidence of FLEGT-VPA impacts for improved FLEGT communication. Synthesis report*. Bogor, Indonesia: CIFOR
- Chenga, J., & Mgaza, A. (2016). *Timber trade dynamics: A preliminary review of Tanzania's domestic trade in timber*, 29 pp. TRAFFIC. Dar es Salaam, Tanzania.
- Czibik, Á., Dávid-Barrett, E., Fazekas, M., Parsons, D., Stern, D., Stern, R., & Szendrői, B. (2017). *Tanzania's procurement data infrastructure: Observations and recommendations*. GTI-R/2017:01, Budapest, Government Transparency Institute.
- Diggle, R. (2015). *Inception report to WWF-Tanzania Country Office based on the Scoping Mission to Tanzania*. WWF in Namibia. Technical Report/Unpublished.
- FAO (2015). *Forest resource assessment (FRA)* available at http://www.fao.org/fileadmin/user_upload/FRA/spreadsheet/FRA_data/FRA2015.zip (Accessed: 26 April 2020).

- FAO (2016). *Forty years of community-based forestry. A review of its extent and effectiveness*.
- Gonzalez, A. (2018). In Central Africa, public procurement can boost demand for legal wood: A bid for mandatory sourcing of legal timber in calls for tenders across the region. *Forests News*. Available at <https://forestsnews.cifor.org/57456/in-central-africa-public-procurement-can-boost-demand-for-legal-wood-2?fnl=> (Accessed: 26 August 2020).
- GPSA (2018). *Strategic plan for the year 2018/2019 to 2022/2023*. Ministry of Finance, United Republic of Tanzania.
- Held, H., Jacovelli, P., Techel, G., Nutto, L., Wathum, G., & Wittmann, N. (2017). *Tanzanian wood product market study. Final report for the Forestry Development Trust*. UNIQUE forestry and land use GmbH.
- Huka, H. A., Mchopa, A. D., & Kimambo, J. J. (2014). Analysis of procurement procedures in local government authorities: Experience after procurement reforms and case analysis from selected councils in Kilimanjaro Tanzania. *European Journal of Business and Management*, 6(18)16-22
- Jacovelli, P. (2014). The future of plantations in Africa. *International Forestry Review*, 16(2).
- Israel, B. (2019). The role of public procurement in enhancing growth of small and medium-sized enterprises: Experience from Mbeya Tanzania. *Journal of Business Management and Economic Research*, 3(1), 17–27.
- Lukumbuzya, K., & Sianga, C. (2017). *Overview of the timber trade in East and Southern Africa: National perspectives and regional trade linkages*, 53 pp. TRAFFIC and WWF. Cambridge, UK. TRAFFIC.
- Matto, M. (2017). Mapping public procurement reforms in Tanzania: Compliance, challenges and prospects. *European Journal of Business and Management*, 9(12)175-182
- Martin, R. M., & Ghazali, B. H. (2015). *The impact of timber procurement policies: Analysis of the economic effects of governmental procurement policies in tropical timber markets*. ITTO Technical Series No. 44. International Tropical Timber Organization, Yokohama, Japan.
- Minkoff, M., Habib, J., Kangalawe, R., Msangameno, D., Mwanjela, G., & Sosovele, H. (2019). *Tanzania tropical forestry and biodiversity assessment*. USAID.
- Nachilongo, H. (2018). Why Tanzania's industrial economy needs forestry. *The Citizen*, Iringa. Available at <https://www.thecitizen.co.tz/news/business/Why-Tanzania-industrial-economy-needs-forestry/1840414-4705064-u5y4m5/index.html> (Accessed: 22 August 2018).
- National Bureau of Statistics (NBS) (2017). *National environment statistics report, 2017*. Dar es Salaam, Tanzania Mainland.
- NBS (2018). *Annual survey of industrial production, 2016 statistical report*. Ministry of Industry, Trade and Investment, NBS.
- NBS (2019). *National accounts statistics of Tanzania Mainland 2012 – 2018*. Ministry of Finance and Planning.
- Nyambo, A. M., & Lyimo, B. J. (2019). *Factors hindering adoption of green procurement in manufacturing industry: A case of Tanzania Breweries Arusha*, 2(3), Olva Academy, School of Researchers.
- Orio, G. J. (2019). Factors affecting strategic procurement practices in public procuring entities in Moshi - Tanzania. *International Journal of Research in Management, Economics and Commerce*, 9(3), 1–9.
- Kazungu, I. & Panga, F. P. (2015). Empowering Small and Medium Enterprises (SMEs) to Harness Public Procurement Opportunities: Experience from Mwanza Tanzania, *International Journal of Economics, Commerce and Management*, 3(3): 1-14.

- PPRA (2017). *Guidelines for procurement of capital equipment, materials, products and related services for development of industries*. Dar es Salaam.
- PPRA (2018). *Guidelines for standard tendering documents, procurement of supplies and services using framework contracts*. National and International Competitive Tendering.
- PPRA (2019). *Annual performance evaluation report for financial year 2018/19*. Ministry of Finance, United Republic of Tanzania.
- PPRA (2020). *Guidelines for participation of special groups in public procurement*. PPRA: GL/05/2020/PSG. Effective date 22 May 2020.
- Simula, M. (2010). *The pros and cons of procurement. Developments and progress in timber-procurement policies as tools for promoting the sustainable management of tropical forests*. ITTO Technical Series No. 34.
- Simula, M. (2006). Public procurement policies for forest products and their impacts. Discussion Paper, presented at the United Nations Economic Commission for Europe (UNECE) and FAO.
- Tanzania Natural Resources Forum (TNRF). (2009). *Designing independent monitoring of forest law enforcement and governance (IM-FLEG) in Tanzania*. HTSPE Tanzania, REM, DANIDA.
- TFS (2020a). *Mti wa mninga, mkongo hatarini kutoweka*. 25 June 2020 [Facebook]. Available at: https://m.facebook.com/story.php?story_fbid=1604406146388208&id=228059104022926 [Accessed: 26 June 2020].
- TFS (2020b). *Wavunaji wa misitu katika mashamba ya serikali kupatiwa mkataba wa miaka mitatu, mtaji wa biashara na masoko ya mbao*. 18 June 2020 [Instagram]. Available at: <https://www.instagram.com/p/CBkjNeGn5C5/?igshid=u9zixzfs94i8> (Accessed: 29 June 2020)
- Tumushabe, G. W., Ngabirano, D., & Kutegeka, S. (2014). *Making public procurement work for sustainable forest use: Excluding illegal timber from Uganda's market*. ACODE Policy Paper Series No. 65, 2014.
- United Republic of Tanzania (URT). (2016). *Public Procurement Act (Amendment) Number 5, Cap 410*. Dar es Salaam: Government Printer.
- URT (2016a). *Public procurement (amendment) regulations, GN Number 333*. Government Printer: Dar es Salaam, Tanzania.
- United Nations Economic Commission for Europe (UNECE) and FAO. (2006). *Policy forum: Public procurement policies for wood and paper products and their impacts on sustainable forest management*. Geneva, Switzerland 5 October 2006. Available at <http://www.fao.org/3/A0914e/A0914e00.pdf> (Accessed: 29 July 2020).
- World Bank (2012). *Why reform public procurement?*
- World Bank (2020). *Tanzania Mainland poverty assessment. Executive summary*.
- WWF (2012). *National timber trade and FLEGT solutions for Uganda*. WWF Uganda Country Office, Kampala, Uganda.
- WWF (2017). *Community forest investment forum*. Workshop Report. WWF-Tanzania Country Office. Protea Hotel. 6 November 2017.