IMPLEMENTATION OF TANZANIA DEVELOPMENT VISION 2050 THROUGH PUBLIC PROCUREMENT

"Understanding the Public Procurement Act, Cap. 410 (2023) and Public Procurement Regulations (2024): Provisions for Promoting Local Content through Preference Schemes, Implementation Successes, Challenges and Strategies for Local Contractors"

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ABSTRACT

Public procurement is a strategic instrument for advancing sustainable economic development and constitutes a substantial share of public expenditure in Tanzania. As an important government policy tool, public procurement has the potential to support industrialization, employment creation, technology transfer, the development of domestic enterprises, and broader economic transformation. Globally, government procurement represents a significant proportion of economic activity, accounting for approximately 5%–20% of national GDP, depending on the country (World Bank, 2025).

In Tanzania, the significance of public procurement is particularly pronounced. The World Bank reports that approximately 70% of the country's annual government budget is spent through public procurement (World Bank, 2024). This substantial level of expenditure demonstrates the potential of public procurement to influence economic activity, strengthen domestic businesses, improve public service delivery, and generate wider socio-economic benefits. Moreover, public procurement can be strategically aligned with national development priorities, including industrialization, technological advancement, private-sector development, and inclusive economic transformation. These priorities are consistent with the aspirations of the Tanzania Development Vision 2050, which provides the broader national policy framework for Tanzania's long-term economic and social transformation (United Republic of Tanzania, 2025).

The enactment of the Public Procurement Act, Cap. 410 (2023) and the Public Procurement Regulations (2024) introduced comprehensive reforms aimed at enhancing efficiency, transparency, accountability, competition and value for money while strengthening the participation of Tanzanian contractors, consultants, suppliers and service providers through statutory preference schemes. Although notable progress has been achieved through the implementation of the National e-Procurement System (NeST), improved regulatory oversight by the Public Procurement Regulatory Authority (PPRA), and increased participation of local firms, several implementation challenges continue to impede the attainment of procurement policy objectives. These include inadequate institutional and technical capacity, delayed payments, weak procurement planning and contract management, limited access to finance, and inconsistent application of local preference schemes.

This paper examines the contribution of Tanzania's public procurement framework to the realization of the Tanzania Development Vision 2050 through an analysis of the Public Procurement Act, Cap. 410 (2023 Revised Edition), the Public Procurement Regulations (2024), PPRA implementation reports, and procurement audit findings. It evaluates the effectiveness of local preference schemes, identifies key implementation challenges, and proposes practical measures to strengthen compliance, institutional capacity, and stakeholder collaboration. The paper concludes that effective implementation of the procurement legal framework, supported by robust institutional coordination, timely contractor payments, strengthened contract management, and consistent application of preference schemes, will significantly enhance the contribution of public procurement to achieving the objectives of the Tanzania Development Vision 2050.

Keywords: Tanzania Vision 2050, Public Procurement Act, Public Procurement Regulations, PPRA, Local Content-Preference Scheme, Local Contractors, Value for Money, Contract Management.

1.0. INTRODUCTION
1.1. Background

Public procurement is internationally recognized as one of the most influential instruments through which governments implement development policies. In developing economies, procurement extends beyond the acquisition of goods, works and services; it is also used to stimulate industrial growth, promote employment, strengthen domestic enterprises and facilitate technology transfer. In Tanzania, public procurement represents a substantial share of government expenditure (around 70%) and plays a critical role in the implementation of national development projects, including roads, bridges, railways, ports, airports, schools, hospitals, water supply systems, energy infrastructure and public buildings. The procurement system therefore directly influences the pace of socio-economic development.

Recognizing this strategic importance, the Government has continuously reformed procurement legislation to improve efficiency, transparency, fairness and accountability while simultaneously ensuring that procurement contributes to broader national development objectives. These reforms culminated in the Public Procurement Act, Cap. 410 (2023) and the Public Procurement Regulations, 2024, which strengthened regulatory oversight, electronic procurement, contract management and local participation in public procurement. Within this framework, the Public Procurement Regulatory Authority (PPRA) plays a central role in regulating and overseeing the public procurement system in Tanzania. PPRA's mandate is to ensure that public procurement is conducted in accordance with the applicable legal and regulatory framework and that the procurement of goods, works, services and disposal of public assets is carried out in a manner that promotes competition, economy, efficiency, transparency, accountability and value for money. In fulfilling this mandate, PPRA undertakes key regulatory and oversight functions, including monitoring and evaluating procurement activities of procuring entities; conducting procurement audits and reviews; issuing guidelines, standard documents and other regulatory instruments; providing advice to the Government on public procurement matters; promoting compliance with procurement legislation; building the capacity of procurement practitioners and other stakeholders; monitoring the use and implementation of electronic procurement systems; and facilitating the development and effective implementation of preference and other measures intended to enhance participation of local economic operators.

PPRA therefore has an important role not only in ensuring compliance with procurement laws and regulations, but also in supporting the use of public procurement as an instrument for achieving broader national economic and social objectives. Through regulatory oversight, monitoring, audits, capacity development, stakeholder engagement and policy advice, PPRA contributes to strengthening the integrity and effectiveness of the public procurement system and creating an enabling environment for Tanzanian contractors, consultants, suppliers and manufacturers to participate meaningfully in public procurement. One of the significant policy directions introduced through recent procurement reforms is the promotion of local contractors, consultants, suppliers and manufacturers through structured preference and reserved procurement schemes. These provisions are intended to ensure that a larger proportion of public expenditure remains within the domestic economy, thereby stimulating local production, employment creation, enterprise development and technology transfer. The effective implementation and monitoring of these provisions are therefore important areas of PPRA's regulatory and oversight responsibilities.

The realization of Tanzania Development Vision 2050 depends heavily on the effectiveness of public investment. Since almost all major public investments are procured under the Public Procurement Act, the procurement legal and institutional framework has become a critical instrument for achieving the country's long-term economic transformation agenda. In this context, effective regulation and oversight by PPRA, together with the commitment of procuring entities and other stakeholders, are essential to ensuring that public procurement contributes not only to value for money but also to the development of a strong, competitive and sustainable domestic contracting industry.

1.2. Procurement as a Development Tool

Modern procurement systems pursue multiple objectives simultaneously. Besides obtaining value for money, procurement is increasingly expected to promote sustainable development, environmental protection, innovation, gender inclusion, youth empowerment and industrialization. The Tanzanian procurement system reflects this modern approach by integrating:

- Value for money;
- Transparency and accountability;
- Fair competition;
- Sustainable procurement;
- Promotion of local industries;
- Employment generation;
- Technology transfer; and
- Capacity development of domestic contractors.

Consequently, procurement decisions have become strategic economic policy decisions rather than merely administrative purchasing activities. Effective regulation, monitoring and oversight are therefore critical to ensuring that these objectives are translated into measurable outcomes. In this regard, PPRA's regulatory and oversight functions provide an important institutional mechanism for promoting compliance, identifying implementation gaps, strengthening procurement practices and supporting the effective realization of the developmental objectives embedded in the procurement framework.

1.3. Purpose of the Paper

The purpose of this paper is to provide an overview of the current status of implementation of the public procurement framework in promoting the participation and development of Tanzanian contractors, particularly in the context of the Tanzania Development Vision 2050. The paper presents the progress made in implementing the Public Procurement Act, Cap. 410 (2023) and the Public Procurement Regulations, 2024, with particular emphasis on preference and reserved procurement schemes aimed at enhancing domestic participation in public procurement. The paper provides an update on the achievements and emerging opportunities arising from these procurement reforms, including the increasing participation of local economic operators, the use of the National e-Procurement System of Tanzania (NeST), and measures aimed at strengthening local content and domestic enterprise development. It also highlights the key challenges that continue to affect the effective participation and sustainable growth of local contractors, including access to finance, timely certification and payment, procurement planning, contract management, application of preference provisions, and the technical, financial and managerial capacity of contractors and other stakeholders.

The paper further presents the current measures being undertaken by PPRA and other stakeholders to address identified implementation challenges. These include strengthened compliance monitoring and procurement audits, capacity-building and awareness programmes, improvements in digital procurement systems, enhanced monitoring of preference and reserved schemes, follow-up on timely payment of contractors, and collaboration with institutions such as the Contractors Registration Board (CRB), Engineers Registration Board (ERB), Architects and Quantity Surveyors Registration Board (AQRB), Procurement and Supplies Professionals and Technicians Board (PSPTB), and National Construction Council (NCC). In addition, the paper outlines practical actions that local contractors can undertake to maximize the opportunities created by the procurement framework and to strengthen their technical, financial, managerial, professional and digital capabilities. It also highlights the respective roles of procuring entities, consultants, contractors, regulatory authorities and other stakeholders in improving contract implementation and ensuring that public procurement delivers greater value to the domestic economy and contributes effectively to the realization of the objectives of Tanzania Development Vision 2050.

2.0. TANZANIA DEVELOPMENT VISION 2050; THE ROLE OF PUBLIC PROCUREMENT

This paper examines the role of public procurement in advancing the implementation of the Tanzania Development Vision 2050. Specifically, it analyzes how the Public Procurement Act, Cap. 410 (2023) and the Public Procurement Regulations (2024) promote the implementation of preference schemes intended to enhance the participation of local contractors among others in public procurement. The paper further evaluates the progress achieved since the introduction of these reforms, identifies the practical challenges affecting their implementation and proposes practical strategies that local contractors can adopt to maximize the opportunities. In addition, it presents recommendations to procuring entities, contractors, consultants, and other stakeholders for strengthening the implementation of preference schemes and enhancing the contribution of public procurement to the realization of the Tanzania Development Vision 2050.

The paper adopts a doctrinal and analytical approach based on an extensive review of primary and secondary sources. The primary sources include the Public Procurement Act, Cap. 410 (2023 Revised Edition), the Public Procurement Regulations (2024), and the Tanzania Development Vision 2050. Secondary sources include the Public Procurement Regulatory Authority's Annual Performance Evaluation Reports, Procurement Audit Reports, Guidelines on the Application of Preference Schemes, reports of the Controller and Auditor General (CAG), publications of the National Construction Council (NCC), publications of the Contractors Registration Board (CRB), and other relevant policy documents, government reports and scholarly literature relating to public procurement and local contractor development in Tanzania.

2.1. Overview of Tanzania Development Vision 2050

The Tanzania Development Vision 2050, launched on 17th July 2025, provides the country's long-term strategic framework for achieving inclusive, sustainable and resilient socio-economic transformation. The Vision seeks to build a diversified, competitive and industrialized upper-middle-income economy by strengthening domestic productive capacity, promoting innovation, creating decent employment, and enhancing the participation of the private sector in national development. It recognizes that public investment should not only deliver infrastructure and public services but also stimulate industrialization, technology transfer, enterprise development and broad-based economic growth. A central theme of the Vision is the empowerment of Tanzanian enterprises through increased participation in public investment projects. The Vision emphasizes the development of competitive domestic industries, local value addition, employment creation, and the expansion of opportunities for indigenous businesses. In the construction sector, this requires deliberate policies that enable Tanzanian contractors, consultants, suppliers and manufacturers to actively participate in government-funded projects while strengthening their technical, financial and managerial capacity.

The enactment of the Public Procurement Act, Cap. 410 (2023) and the Public Procurement Regulations (2024) provides an important legal mechanism for translating these aspirations into practice. The procurement framework moves beyond the traditional objective of acquiring goods, works, and services at the lowest cost by positioning public procurement as a strategic instrument for national economic transformation. The legislation introduces preference and reservation schemes intended to increase the participation of local contractors, promote local manufacturing, facilitate technology transfer, encourage joint ventures and subcontracting, and strengthen the competitiveness of Tanzanian enterprises.

The procurement framework further supports the Vision by providing opportunities for local firms to undertake public contracts that were previously dominated by foreign companies. Preference mechanisms, including margins of preference, exclusive procurement for local firms in specified circumstances, local content requirements, and reserved procurement opportunities for special groups, are intended to retain a greater proportion of public expenditure within the domestic economy while supporting the growth of indigenous enterprises. These measures contribute directly to the Vision's objectives of industrialization, employment creation, private sector development, and economic resilience. Accordingly, the Tanzania

Development Vision 2050 and the Public Procurement Act, Cap. 410 (2023 Revised Edition), together with the Public Procurement Regulations (2024), establish a complementary policy and legal framework that positions public procurement as a strategic catalyst for empowering local contractors. Effective implementation of this framework will enhance domestic contractor participation, strengthen the construction industry, promote technology transfer and local value creation, generate employment, and maximize the contribution of public procurement to Tanzania's long-term economic transformation.

2.2. Public Procurement as an Economic Policy Instrument

Every year, Government procures infrastructure, medical equipment, educational facilities, ICT systems, defense equipment, utilities and professional services worth billions of Tanzanian shillings. Properly managed procurement generates multiplier effects throughout the economy by creating employment; stimulating domestic manufacturing; supporting SMEs; increasing tax revenue; improving technology adoption; strengthening local engineering and consulting capacity; and fostering sustainable economic growth. Accordingly, procurement is no longer viewed solely as a compliance function but as a strategic driver of national development.

2.3. Alignment Between Vision 2050 and Procurement Reforms

The Public Procurement Act (2023) and Public Procurement Regulations (2024) support the implementation of Vision 2050 by promoting:

- greater participation of Tanzanian firms in public procurement;
- transparency through electronic procurement;
- improved value for money;
- stronger contract management;
- sustainable procurement practices;
- professionalization of procurement personnel; and
- increased accountability in the use of public funds.

These reforms contribute directly to the Vision's objectives of industrialization, inclusive economic growth and enhanced public sector performance.

3.0. PUBLIC PROCUREMENT LEGAL FRAMEWORK IN TANZANIA

3.1. Evolution of Public Procurement Reforms

Public procurement reforms in Tanzania have evolved from a compliance-oriented purchasing system into a strategic governance and economic development framework. The reforms have been driven by the need to improve accountability in the use of public funds, reduce procurement-related risks, enhance value for money and increase participation of Tanzanian firms in public investments. The current legal framework is founded on the Public Procurement Act, Cap. 410 (2023); Public Procurement Regulations (2024); Standard Tendering Documents issued by PPRA; Guidelines and Circulars issued by the Public Procurement Regulatory Authority (PPRA). The reforms introduced under the PPA (2023) emphasize procurement as a strategic function supporting national development rather than merely an administrative process.

3.2. Objectives of the Public Procurement Act (2023)

The Public Procurement Act seeks to ensure that procurement is conducted in accordance with internationally recognized principles while addressing Tanzania's national development priorities. The principal objectives include: achieving value for money; promoting fair competition; enhancing transparency; ensuring accountability in public expenditure; increasing efficiency in procurement processes; encouraging local participation; supporting industrial development; preventing corruption and unethical procurement practices; strengthening contract management; and promoting sustainable procurement.

Unlike earlier procurement legislation, the 2023 framework gives greater emphasis to the economic impact of procurement, particularly through mechanisms designed to empower local enterprises.

3.3. Fundamental Procurement Principles

Every procuring entity is required to conduct procurement in accordance with the fundamental principles established under the PPA (2023). These include:

(a) Value for Money

Procurement decisions should achieve the optimum combination of quality, cost, lifecycle value and timely delivery rather than merely selecting the lowest bidder.

(b) Transparency

Tender opportunities, evaluation procedures and contract awards should be transparent and accessible to eligible bidders.

(c) Fair Competition

All eligible bidders must receive equal treatment throughout the procurement process.

(d) Accountability

Accounting Officers, Procurement Management Units (PMUs), Tender Boards and Evaluation Committees are accountable for procurement decisions.

(e) Economy and Efficiency

Procurement processes should minimize unnecessary administrative costs while ensuring timely acquisition of goods, works and services.

(f) Integrity

Public officials involved in procurement must avoid conflicts of interest and maintain high ethical standards.

(g) Mandatory use of e-Procurement System

The legal basis for the mandatory use of NeST is established under Section 73(1) of the Public Procurement Act, Cap. 410 (2023), which requires procuring entities to undertake and report procurement, supply, and disposal activities through the electronic public procurement system. This provision ensures consistency, improves access to procurement information, strengthens audit trails, and enhances accountability throughout the procurement cycle. Furthermore, Regulation 11 of the Public Procurement Regulations (2024) provides the operational framework for implementation of electronic procurement processes by requiring procuring entities to conduct procurement activities through NeST.

The implementation of NeST represents a significant milestone in procurement reform and contributes to the objectives of Tanzania Development Vision 2050 by creating a more transparent, competitive and inclusive procurement environment. For local contractors, consultants and suppliers, the system improves access to procurement opportunities, reduces information barriers, and enables wider participation in public procurement markets, thereby supporting the Government's objective of promoting local content and strengthening domestic enterprise development.

4.0. PREFERENCE SCHEMES UNDER THE PPA (2023) AND PPR (2024)

4.1. Introduction

Preference schemes are policy tools that permit procuring entities to provide legally recognized advantages to domestic firms without compromising competition or value for money. These schemes directly support the objectives of Tanzania Development Vision 2050 by: promoting local industries; retaining capital within Tanzania; creating employment; strengthening domestic technical capacity; encouraging technology transfer; and increasing tax revenues.

4.2. Objectives of Preference Schemes

The preference schemes are designed to enhance the participation of local contractors and strengthen the capacity of indigenous construction companies and consultancy firms within Tanzania's procurement market. They aim at promoting the growth of local industries by encouraging domestic manufacturing, reducing reliance on foreign contractors, facilitating technology transfer, and creating opportunities for knowledge and skills development.

Through these interventions, the scheme contributes to sustainable industrialization, strengthens national economic resilience, and supports the development of a competitive domestic private sector. These objectives are consistent with the aspirations of the Tanzania Development Vision 2050 and the Government's broader industrial development agenda, which emphasize inclusive economic transformation, local enterprise development, and increased domestic value creation.

4.3. Categories of Preference Schemes

The Public Procurement Regulations (2024) provide several mechanisms through which local firms may benefit. These include:

4.3.1. Margin of Preference

Eligible Tanzanian firms may benefit from a margin of preference during the evaluation and comparison of tenders as provided under the Public Procurement Act, Cap. 410 (2023) and its Regulations. The purpose of the margin of preference is not to compromise technical requirements, quality standards, or value for money principles, but rather to recognize the broader economic benefits associated with increased participation of Tanzanian contractors, consultants, and domestic enterprises in public procurement. In accordance with Section 56 of the Public Procurement Act, Cap. 410 (2023), procuring entities undertaking national or international tendering are required, during the evaluation and comparison of tenders, to grant a margin of preference of up to 10% for works executed by Tanzanian contractors or services provided by Tanzanian consultants, subject to compliance with conditions prescribed in the Regulations.

Table 1: Margin of Preference as per 4th Schedule of PPR (2024)

Category	Contribution of Foreign Contractor/Service Provider	Margin of Preference
Local Contractors or Service Providers under National and International Competitive Tendering	Not applicable	10%
Joint Venture/Consortium between Local and Foreign Contractors or Service Providers	0–25%	10%
	26–49%	8%

Note: The margin of preference for products extracted or manufactured in Tanzania shall be 15%.

The provision is intended to promote local participation, enhance the competitiveness of domestic firms, facilitate capacity development, and support the Government's objective of promoting local content through public procurement. The application of the margin of preference is conditional upon eligible firms meeting the requirements established under the applicable Regulations and procurement documents. Therefore, local contractors and consultants must continue to demonstrate the required technical capability, financial capacity, experience, and compliance with tender requirements. This preference scheme provides an enabling advantage for domestic participation but do not replace the obligation to deliver quality, timely and cost-effective services. Through effective implementation of this provision, public procurement becomes a strategic tool for empowering local enterprises, retaining economic value within the country, and contributing to the objectives of Tanzania Development Vision 2050.

4.3.2. Exclusive Preference as per Section 57 of the PPA (2023) and Regulation 45 of PPR (2024)

The Exclusive Preference Scheme is one of the key mechanisms established under the Public Procurement Act, Cap. 410 (2023) to promote local content, empower Tanzanian enterprises and enhance the participation of domestic firms in public procurement. Unlike the margin of preference provided under Section 56, which gives eligible Tanzanian firms an evaluation advantage during tender comparison, the exclusive preference scheme reserves specific procurement opportunities solely for eligible local persons or firms. Section 57 of the Public Procurement Act, Cap. 410 (2023) provides that where procurement is financed exclusively by a Tanzanian public body, procuring entities shall reserve procurement opportunities for local persons or firms for works, goods, and services whose value falls within the thresholds prescribed by the Regulations. The provision is intended to ensure that public expenditure contributes directly to the development of domestic capacity, creation of employment opportunities, growth of local enterprises, and retention of economic value within Tanzania. Under the Public Procurement Regulations 2024, procurement opportunities falling within the prescribed threshold are required to be exclusively reserved for eligible local firms. Accordingly, works contracts with a value of up to TZS 50 billion, where the prescribed conditions are satisfied, are intended to be undertaken through exclusive preference arrangements for Tanzanian contractors. This provision represents a significant shift towards using public procurement as an instrument for local industry development rather than merely as a mechanism for acquiring goods, works and services.

4.3.3. Preference Scheme for Special Groups under Section 64 of the Public Procurement Act, Cap. 410 (2023) and Regulations 33, 34 and 35 of the Public Procurement Regulations (2024)

The Public Procurement Act, Cap. 410 (2023) provides specific provisions for enhancing participation of special groups, including youth, women, elderly persons and persons with disabilities, in public procurement activities. Section 64 of PPA (2023) requires procuring entities to set aside a prescribed proportion of procurement opportunities for special groups. Regulation 33 of PPR (2024), Procuring Entities are required to set aside 30% of the procurement budget for special groups, thereby creating a structured mechanism to increase their participation in government procurements.

The allocation provides opportunities for youth, women, elderly persons, and persons with disabilities to participate in the supply of goods, execution of works, and provision of services. However, participation under the special group’s preference scheme does not eliminate the requirement for compliance with procurement standards. Beneficiaries are required to demonstrate the necessary technical competence, professional qualifications and ability to deliver quality outputs within contractual requirements. The objective is to provide an enabling environment for empowerment while maintaining the principles of transparency, fairness, accountability, and value for money.

4.3.4. Regional Preference

In the context of Tanzania Development Vision 2050, regional preference supports the objective of developing a competitive and interconnected economy by enabling Tanzanian enterprises to compete regionally while also exposing them to best practices, innovation and international standards.

Table 2: Fourth Schedule (D); Regional Preferences, PPR 2024

Procurement Category	Value (TZS)
Works	Up to 1,000,000,000.00
Goods	Up to 200,000,000.00
Non Consultancy Services	Up to 200,000,000.00
Consultancy Services	Up to 200,000,000.00

4.3.5. Preference Scheme for Local Goods under Section 60 of the Public Procurement Act, Cap. 410 (2023) and Regulation 43 of the Public Procurement Regulations (2024)

The Public Procurement Act, Cap. 410 (2023) provides for preference schemes aimed at promoting the procurement of locally produced goods and increasing the participation of domestic manufacturers and suppliers in public procurement. Section 60 of the Public Procurement Act, Cap. 410 (2023) provides for the application of preference for local goods during procurement processes. The provision requires procuring entities, when evaluating and comparing tenders, to apply a prescribed margin of preference in favor of eligible local goods in accordance with conditions and procedures provided in the Regulations. The objective is to promote the use of goods produced within Tanzania, support local industries, encourage investment in manufacturing, and enhance retention of economic value within the country.

The implementation framework is provided under Regulation 43 of the Public Procurement Regulations (2024), which sets out the conditions and procedures for applying preference to local goods. Under this framework, eligible locally produced goods are accorded preferential consideration during tender evaluation where they meet the requirements prescribed in the Regulations and procurement documents. The preference mechanism is intended to ensure that locally manufactured products are not disadvantaged when competing with imported goods, provided that they satisfy required standards, specifications, quality requirements, and value-for-money considerations.

4.3.6. Joint Venture or Subcontracting of Local Firms under Section 62 of the Public Procurement Act, Cap. 410 (2023) and Regulation 48(3) of the Public Procurement Regulations (2024)

The Government of Tanzania recognizes the importance of developing local capacity and ensuring that public procurement contributes to the growth of domestic enterprises. In large and complex procurement projects where local firms may not yet possess sufficient technical, financial, or operational capacity to independently undertake contracts, the Public Procurement Act, Cap. 410 (2023) provides mechanisms for enhancing local participation through joint ventures and subcontracting arrangements with local firms. Section 62 of the Public Procurement Act, Cap. 410 (2023) requires that, for procurement of works and non-consultancy services above the limit prescribed in the Regulations, a foreign tenderer shall enter into a joint venture agreement with, or subcontract part of the contract to, local firms. The provision is intended to promote technology transfer, skills development, knowledge sharing, and capacity building of Tanzanian enterprises through participation in major public investment projects.

Under Section 62, a foreign tenderer awarded a procurement contract is required to undertake joint venture or subcontracting arrangements with local firms at the percentage of the contract value prescribed in the Regulations. The foreign tenderer is also required to submit, as part of its tender, evidence of the proposed joint venture agreement or subcontracting arrangement, including the key operational procedures governing the relationship between the parties. Regulation 48(3) of the Public Procurement Regulations (2024) provides additional requirements relating to the implementation of local participation arrangements. The provision requires Procuring Entities, when applying local participation requirements in contracts involving foreign firms, to consider factors including the level of participation of local firms, the involvement of Tanzanian personnel, and the utilization of locally available resources and materials.

4.4. Eligibility for Preference

Preference is generally available only to firms meeting prescribed eligibility requirements. Typical requirements include: registration in Tanzania; compliance with tax obligations; appropriate professional registration; compliance with licensing requirements; majority local ownership where required; fulfillment of qualification criteria. Preference is therefore not automatic. Contractors must demonstrate compliance with all applicable legal requirements.

4.5. Benefits of Preferences to Local Contractors

Preference schemes provided under the Public Procurement Act, Cap. 410 (2023) and the Public Procurement Regulations (2024) are strategic instruments designed to promote local content, strengthen domestic enterprises, and ensure that public procurement contributes to Tanzania's economic transformation agenda. For local contractors, preference schemes create opportunities that go beyond access to contracts by supporting capacity development, competitiveness, and long-term industry growth.

(a) Increased Access to Public Procurement Opportunities

Preference schemes provide local contractors with improved access to government-funded projects by reducing barriers associated with competition from larger and more established foreign firms. Through mechanisms such as margin of preference, exclusive preference and reserved opportunities, local contractors are provided with a more favorable environment to participate in public works contracts. This creates a pathway for Tanzanian contractors to secure contracts, build experience, and increase their participation in national infrastructure development programmes.

(b) Development of Contractor Capacity and Experience

Participation in public projects enables local contractors to gain practical experience in managing construction works, complying with contract requirements, implementing quality management systems, and managing project risks. Successful completion of projects obtained through preference schemes enables contractors to build stronger company profiles, performance records, and references, which are essential for competing for larger and more complex projects in the future.

(c) Promotion of Local Content and Retention of Economic Value

Preference schemes support the Government's objective of increasing local content in public investments by ensuring that a greater share of procurement expenditure benefits Tanzanian enterprises. Increased participation of local contractors contributes to: retention of project expenditure within the domestic economy; growth of local supply chains; increased use of locally available materials and services; creation of employment opportunities for Tanzanian citizens.

(d) Improved Competitiveness of Local Firms

By providing opportunities for local contractors to participate in public procurement, preference schemes encourage firms to improve their competitiveness through investment in: skilled technical personnel; modern construction equipment; financial management systems; quality assurance systems; occupational health and safety practices; project management capabilities. The objective is not to provide permanent protection but to create an enabling environment where local contractors can progressively compete effectively in national, regional, and international markets.

(e) Opportunity to Build Financial Capacity

Access to public contracts improves local contractors' ability to establish financial credibility with banks and other financial institutions. Successfully executed government contracts can strengthen a contractor's: cash flow management capacity; access to project financing; ability to obtain performance securities; financial strength for undertaking larger projects. This is particularly important because limited financial capacity has historically been one of the major constraints affecting local contractors' ability to compete for large construction projects.

(f) Technology Transfer and Skills Development
Through provisions allowing collaboration with experienced firms, including joint ventures and subcontracting arrangements under Section 62 of the Public Procurement Act, Cap. 410 (2023), local contractors can benefit from: transfer of technical knowledge; improved construction methodologies; exposure to international standards; development of managerial and organizational skills. These arrangements can accelerate the transformation of local contractors into technically capable enterprises.

(g) Enhanced Participation of Emerging and Special Group Contractors
Preference provisions for special groups under Section 64 of the Public Procurement Act, Cap. 410 (2023) create opportunities for youth, women, elderly persons, and persons with disabilities to participate in public procurement. For contractors belonging to these groups, reserved opportunities provide a platform to: enter the formal procurement market; gain project experience; develop sustainable enterprises; contribute to inclusive economic growth.

(h) Improved Business Sustainability
Consistent participation in public procurement provides local contractors with a more predictable market opportunity, enabling them to plan investments in: equipment acquisition; workforce development; business expansion; professional registration and compliance. This supports the transition from small-scale contractors into sustainable and competitive construction enterprises.

(i) Contribution to Tanzania Development Vision 2050
Preference schemes directly support the objectives of Tanzania Development Vision 2050 by promoting: industrialization; private sector development; employment creation; innovation; indigenous enterprise growth; increased local ownership of economic activities. Through effective utilization of preference provisions, public procurement becomes a catalyst for developing a strong Tanzanian construction industry capable of supporting national development.

(j) Strategic Advantage for Local Contractors
To maximize the benefits of preference schemes, local contractors should not rely solely on preferential treatment but should use these opportunities as a foundation for building sustainable, long-term competitiveness. As business entities, contractors should strengthen their organizational and professional capacity by maintaining valid professional registrations and licenses; enhancing tender preparation and contract management capabilities; improving financial planning and management; investing in appropriate equipment and technology; and engaging qualified and competent technical, managerial, financial, and other professional personnel to support effective business operations and project delivery. In addition, contractors should develop competent technical teams, maintain strong records of contract performance, and consistently comply with applicable quality, occupational health and safety, and environmental requirements. These measures can enable local contractors to transform preferential access to public procurement opportunities into sustained improvements in productivity, performance, and competitiveness.

4.6. Responsibilities of Contractors Under the Preference Scheme
Preference should not be interpreted as guaranteed contract awards. Beneficiary contractors remain responsible for: delivering quality work; meeting contractual timelines; maintaining professional standards; complying with safety requirements; observing environmental regulations; maintaining financial discipline. Failure to perform adequately undermines the credibility of the preference programme.

4.7. PPRA Guideline for Price Adjustment

By complementing the preference schemes established under the Public Procurement Act, Cap. 410 (2023) and the Public Procurement Regulations (2024), the Guidelines support the growth and sustainability of local contractors by providing a transparent mechanism for managing changes in construction input costs during contract implementation. In particular, works contracts with a performance period exceeding eighteen (18) months should provide for the application of a price-adjustment formula, which should be specified in the tender and contract documents.

The formula provides an objective basis for adjusting contract prices to reflect changes in the costs of key inputs, including labour, materials, equipment, and other relevant cost components. This mechanism reduces contractors' exposure to inflation-related risks, improves financial predictability and cash-flow management, and enhances their capacity to complete works successfully. Consequently, the Guidelines complement preference schemes by creating a more predictable operating environment for local contractors, encouraging their sustained participation in public procurement, and contributing to the objectives of the Tanzania Development Vision 2050 through strengthened domestic capacity, industrial development, and sustainable infrastructure delivery.

5.0. IMPLEMENTATION SUCCESSES

5.1. Increased Participation of Local Contractors

The information on PPRA report for FY 2024/25 indicates the substantial participation of domestic economic operators in public procurement. Out of 162,853 tenders with a total awarded value of TZS 10.812 trillion, local economic operators accounted for 161,976 tenders, representing approximately 99.5% of all tenders, and received a combined value of TZS 8.347 trillion, equivalent to approximately 77.2% of the total value awarded. The largest share of procurement awarded to local operators went to local companies, which received TZS 7.007 trillion through 50,724 tenders, followed by local sole proprietors, who received TZS 1.194 trillion through 106,543 tenders. Local manufacturers received TZS 89.61 billion through 505 tenders, while local partnerships received TZS 48.23 billion through 4,117 tenders. In addition, TZS 8.33 billion was awarded to local individuals through 87 tenders. These figures provide clear evidence of the substantial participation of domestic economic operators in public procurement and demonstrate the significant value of procurement opportunities accessible to local businesses during FY 2024/25.

Table 3(a): Tender Award as for FY 2024/25 *(as at 31st June 2025)*

Economic Operator	Amount Awarded (TZS)	Number of Tenders	Share of Total Award Value
Civil Society Organization	472,650,548.62	3	**0.00%**
Company – Foreign	1,857,544,349,623.27	201	**17.18%**
Company – Local	**7,006,679,301,818.37**	**50,724**	**64.81%**
Direct Manufacturer	446,912,085,386.93	37	**4.13%**
Government Enterprise	58,065,897,547.89	193	**0.54%**
Individual – Foreign	877,201,602.82	7	**0.01%**
Individual – Local	8,333,429,298.07	87	**0.08%**
Manufacturer – Foreign	78,030,308,749.60	46	**0.72%**
Manufacturer – Local	89,609,891,060.01	505	**0.83%**
Partnership – Foreign	2,119,287,197.98	2	**0.02%**
Partnership – Local	48,233,315,966.49	4,117	**0.45%**
Sole Proprietor – Foreign	9,888,048,949.04	8	**0.09%**
Sole Proprietor – Local	1,193,749,213,171.69	106,543	**11.04%**
Special Group	11,318,285,832.43	380	**0.10%**
TOTAL	**10,811,833,266,753.20**	**162,853**	**100.00%**

Table 3(b): Tender Award as for FY 2024/25, Consolidated Local Participation

Local Economic Operator	Amount Awarded (TZS)	Number of Tenders
Local Company	7,006,679,301,818.37	50,724
Local Individual	8,333,429,298.07	87
Local Manufacturer	89,609,891,060.01	505
Local Partnership	48,233,315,966.49	4,117
Local Sole Proprietor	1,193,749,213,171.69	106,543
TOTAL LOCAL ECONOMIC OPERATORS	**8,346,605,151,314.63**	**161,976**
Share of overall total	**77.2%**	**99.5%**

APER FY 2024/2025 i.e. the period ending 31st June 2025

NOTE:
PPRA current performance monitoring records for the period **July 2023** to **July 2026** indicate that: Approximately **75%** of public contracts were awarded to Tanzanian contractors and approximately **25%** of contracts were awarded to foreign firms. These figures demonstrate the growing capacity and competitiveness of local contractors in implementing public infrastructure projects.

5.2. Impact of Procurement Reforms

Increased participation has been driven by the implementation of: Preference schemes for local firms; Local content requirements; The National e-Procurement System (NeST), which has improved access to procurement opportunities. Measures aimed at enhancing the competitiveness of Tanzanian contractors.

5.3. Participation of Special Groups

During the same period, contracts valued at approximately **TZS 53 billion** were awarded to Special Groups through reserved procurement opportunities. Distribution of the awards was as follows: **53%** – Youth-owned enterprises; **42%** – Women-owned enterprises; **4%** – Elderly persons; **1%** – Enterprises owned by persons with disabilities. These achievements demonstrate the effectiveness of reserved procurement opportunities in promoting inclusive economic participation.

5.4. Contribution to National Development

Increased participation of local contractors and Special Groups has contributed to: Employment creation; Development of local supply chains; Increased utilization of locally available materials and resources; Capacity building of domestic contractors and enterprises; Retention of public expenditure within the national economy; Support for industrialization and private sector development in line with the Tanzania Development Vision 2050.

5.5. Areas Requiring Further Improvement

Despite these achievements, additional efforts are required to ensure sustainable growth of local contractors through: Improved access to affordable financing; Strengthened technical and managerial capacity; Enhanced contract management practices; Timely payment of contractors; Wider application of preference schemes and reserved procurement opportunities and Increased adoption of innovation and modern construction technologies.

6.0. CHALLENGES IN IMPLEMENTING THE PREFERENCE SCHEME

Although the Public Procurement Act, Cap. 410 (2023) and the Public Procurement Regulations (2024) provide an enabling legal framework for promoting local contractors, implementation has encountered several institutional, financial, technical, and operational challenges. Findings from PPRA Annual Performance Evaluation Reports, Procurement Audit Reports, and Controller and Auditor General (CAG) reports consistently demonstrate that while compliance has improved, gaps remain in the practical application of the preference scheme. The challenges discussed below affect not only contractors but also procuring entities, consultants, financiers, regulators, and ultimately the achievement of Tanzania Development Vision 2050.

6.1. Inconsistent Application of Preference Schemes

One of the major implementation challenges has been the inconsistent application of preference provisions among procuring entities. PPRA audit reports have identified instances where preference provisions were not reflected in bidding documents, evaluation committees incorrectly applied preference margins, some procuring entities adopted international competitive procedures for projects that could have been undertaken by qualified local firms, and adequate justification was not provided when international competition was selected instead of national competition. Such inconsistencies may reduce the intended benefits of the preference provisions and discourage the effective participation of local contractors in public procurement.

To address these implementation challenges, PPRA has continued to strengthen institutional enforcement, monitoring, and capacity building to promote consistent application of preference provisions throughout the procurement cycle. This includes strengthening the incorporation of preference requirements in standard bidding documents and procurement planning, enhancing the capacity of evaluation committees and procuring entities on the appropriate application of preference margins and eligibility requirements, and promoting the provision of clear and documented justification, supported by objective market and technical assessments, where international competitive procurement is adopted instead of national competition. These measures are intended to ensure that procurement methods are selected in accordance with the applicable legal and regulatory framework and that qualified local firms are afforded the opportunities provided under the preference provisions.

Furthermore, PPRA has continued to strengthen compliance audits and monitoring of the application of preference provisions, including follow-up on identified deficiencies and requiring corrective measures where non-compliance is established. The increasing use of standardized procurement tools and controls within the National e-Procurement System of Tanzania (NeST), together with enhanced monitoring and reporting of preference implementation, further supports consistency, transparency, and accountability among procuring entities. Collectively, these ongoing measures contribute to ensuring that preference provisions are implemented effectively while maintaining the principles of value for money, competition, transparency, and quality in public procurement. By strengthening implementation and oversight, PPRA is progressively addressing the gaps identified through procurement audits and enhancing the effectiveness of preference schemes in supporting local contractors and domestic economic participation.

6.2. Limited Capacity of Local Contractors

Despite the legal preference, many domestic contractors continue to face capacity constraints. Common challenges include: inadequate heavy construction equipment; limited working capital; inadequate cash flow; shortage of specialized technical personnel; weak project management systems; limited experience in large infrastructure projects. Consequently, many contractors struggle to compete for projects involving airports, ports, expressways, railways, dams and energy infrastructure.

6.3. Limited Access to Finance

Access to affordable finance remains one of the most significant barriers facing Tanzanian contractors. Commercial banks often require: high collateral; extensive financial history; expensive performance guarantees; substantial advance payment guarantees. Interest rates also increase project costs and reduce competitiveness. Without sufficient financing, contractors experience difficulties in: mobilization; procurement of materials; equipment acquisition; payment of labour; execution of multiple contracts simultaneously.

6.4. Delayed Payments

PPRA monitoring reports and Controller and Auditor General (CAG) audit reports have consistently identified delayed certification and payment for completed works as among the significant challenges affecting the implementation of public sector construction projects. Timely certification and payment are fundamental to effective contract management because delays disrupt contractors' cash flow and constrain their ability to meet obligations to workers, suppliers, subcontractors, and financial institutions, ultimately affecting project progress. The impact is particularly severe for local contractors, especially small and medium-sized enterprises, which often have limited access to affordable finance and depend heavily on regular payments to sustain project operations. Consequently, delayed payments may contribute to cost overruns, reduced productivity, project delays, contractual disputes, and, in some cases, contractor insolvency or project abandonment, thereby undermining the objectives of local content promotion and enterprise development.

Addressing this challenge requires coordinated action by procuring entities, consultants, contractors, and regulatory authorities. Procuring entities should ensure that adequate project financing is secured before and during implementation, completed works are verified promptly, payment claims are processed within the contractual timelines, and effective contract administration and payment-management systems are maintained. Consultants should fulfil their professional responsibilities by promptly inspecting completed works, verifying quantities and quality, and preparing and submitting accurate payment certificates without unnecessary delay. Contractors, for their part, should strengthen their contract-management and financial-administration systems by maintaining accurate records of work completed, submitting complete and properly supported payment claims within the prescribed contractual requirements, promptly responding to requests for clarification or additional documentation, and complying with contractual quality and performance obligations. These practices can reduce avoidable delays in the certification and processing of legitimate payment claims.

PPRA, as the regulatory and oversight authority, should continue strengthening monitoring and compliance oversight of payment practices, including through procurement audits, performance monitoring, dissemination of guidance on contract administration and payment provisions, and follow-up on identified deficiencies by procuring entities. Where persistent non-compliance is identified, appropriate corrective measures should be pursued in accordance with the applicable procurement framework. Strengthening collaboration among PPRA, procuring entities, consultants, and contractors can further improve accountability and facilitate timely resolution of payment-related challenges. Collectively, these measures can improve the financial sustainability of local contractors, enhance project delivery, and enable Tanzanian firms to build the technical and financial capacity required to undertake larger and more complex projects. Consequently, timely certification and payment are essential for realizing the objectives of the Public Procurement Act, Cap. 410 (2023), the Public Procurement Regulations (2024), and the Tanzania Development Vision 2050.

6.5. Weak Procurement Planning and failure to Allocate 30% of Budget

Some procuring entities continue to exhibit weaknesses in procurement planning and compliance with statutory procurement requirements. Common challenges include unrealistic procurement schedules, inadequate confirmation of budget availability, delayed initiation of procurement processes, frequent changes in project scope, and insufficient market analysis. In addition, some procuring entities fail to allocate the statutory 30% of their annual procurement budget to reserved procurement opportunities for special groups as required under the Public Procurement Act and the Public Procurement Regulations. There are also instances of non-compliance with the provisions governing exclusive preference for eligible local contractors, thereby limiting the participation of Tanzanian enterprises in public procurement and undermining the Government's objective of promoting inclusive economic growth, local content, and private sector development.

6.6. Weak Contract Management

Procurement audits continue to identify weaknesses in contract administration. Typical deficiencies include: delayed site possession; poor supervision; inadequate progress monitoring; slow approval of variations; delayed decision-making; inadequate record keeping. Contract management remains one of the weakest areas within many public institutions.

6.7. Consultant-Related Challenges

Consultants play an important role in implementing procurement policy. However, challenges include: delayed preparation of designs; incomplete engineering drawings; inaccurate cost estimates; slow certification of interim payment certificates; inadequate supervision; excessive variation orders. Poor consultancy services often contribute significantly to project delays and disputes.

6.8. Employer-Related Challenges

Employers (Procuring Entities) also face several implementation challenges. These include: delayed approvals; inadequate project preparation; unrealistic completion periods; delayed land acquisition; delayed relocation of utilities; inadequate stakeholder coordination. Such challenges directly affect contractor performance despite the availability of legal preference.

6.9. Limited Awareness Among Contractors

Many local contractors remain unaware of: eligibility requirements; preference documentation; electronic procurement procedures; bid evaluation methods; available reserved procurement opportunities. This is particularly evident among emerging contractors in lower registration classes.

7.0. STRATEGIES FOR LOCAL CONTRACTORS TO MAXIMIZE BENEFITS FROM THE PREFERENCE SCHEME

7.1. Understand the Public Procurement Legal and Regulatory Framework

Develop a comprehensive understanding of the **Public Procurement Act, Cap. 410 (2023 Revised Edition)**, **Public Procurement Regulations (2024)**, PPRA guidelines, and standard tender documents. Understand provisions relating to: Local content requirements; Margin of preference. Exclusive preference schemes; Special groups *(youth, women, elderly persons, and persons with disabilities*); Local goods preference; Joint venture and subcontracting arrangements; Identify eligible procurement opportunities and strategically position the company for participation.

7.2. Ensure Compliance with Registration and Statutory Requirements

Maintain valid registration with relevant professional and regulatory bodies, including the Contractors Registration Board (CRB). Ensure compliance with: Tax obligations and valid tax clearance certificates; Business licenses; Social security requirements; Professional certifications and other mandatory approvals; Establish internal compliance systems to regularly update required documentation and avoid disqualification.

7.3. Effectively Utilize the National e-Procurement System of Tanzania (NeST)

Develop digital capacity to: Monitor procurement opportunities; Access tender documents; Submit electronic bids; Maintain updated company profiles; Regularly review procurement plans published by Procuring Entities; Plan resources and partnerships in advance based on upcoming procurement opportunities.

7.4. Strengthen Technical and Managerial Capacity

Invest in: Qualified technical personnel; Modern construction equipment; Project management systems; Quality assurance systems; Occupational health and safety practices; Modern construction technologies;

Improve the ability to deliver projects within agreed time, cost, and quality requirements; Build a strong performance record for future procurement opportunities.

7.5. Improve Financial Capacity and Management Systems

Develop sound financial management practices and maintain proper accounting records. Strengthen relationships with financial institutions and financing partners. Explore mechanisms such as: Construction finance facilities; Performance guarantees; Strategic financial partnerships; Improve cash-flow management to support effective project implementation.

7.6. Strengthen Tender Preparation and Bid Management

Establish effective tender management systems or dedicated bid preparation teams. Carefully analyze tender requirements and evaluation criteria. Prepare competitive and responsive bids by ensuring: Accurate pricing; Realistic implementation schedules; Proper risk assessment; Complete supporting documentation and Improve bidding quality to increase the likelihood of contract awards.

7.7. Develop Strategic Partnerships and Joint Ventures

Form partnerships through: Joint ventures, Consortium arrangements. Subcontracting agreements. Collaborate with experienced contractors, consultants, suppliers, and technology providers. Use partnerships to improve: Technical expertise; Financial capacity; Knowledge transfer; Ability to undertake larger and more complex projects.

7.8. Maximize Subcontracting and Local Participation Opportunities

Use subcontracting arrangements as opportunities for: Skills development; Technology transfer; Improved construction methods; Business relationship development; Gradually build capacity to independently undertake larger projects.

7.9. View Preference Schemes as a Pathway to Competitiveness

Treat preference schemes as opportunities for capacity building rather than permanent protection. Develop enterprises capable of competing at National level, regional level and international level. Transform procurement opportunities into sustainable business growth and contribute to the objectives of Tanzania Development Vision 2050.

8.0. CURRENT EFFORTS BY PPRA TO ENHANCE IMPLEMENTATION OF PREFERENCE SCHEMES THROUGH DIGITAL PROCUREMENT REFORMS

The Public Procurement Regulatory Authority (PPRA) has undertaken several initiatives to strengthen the implementation of preference schemes and ensure that public procurement contributes effectively to the empowerment of local contractors. A key intervention has been the continued development and enhancement of NeST, which has improved transparency, accessibility and monitoring of procurement processes. Through NeST, procurement opportunities are made more accessible to local firms, while procuring entities are guided to apply preference and reservation schemes during tender preparation, evaluation and contract award processes.

8.1. Real Time Monitoring

The system also enables PPRA to monitor procurement activities in real time, identify compliance gaps and potential red flags and assess the extent to which local contractors, suppliers, consultants, and special groups benefit from public procurement opportunities. This enhanced monitoring capability supports timely intervention, strengthens regulatory oversight, promotes compliance with preference scheme requirements, and ensures that public procurement continues to contribute effectively to local enterprise development and inclusive economic growth.

8.2. System Integration

The integration of preference scheme requirements into the e-procurement environment has strengthened accountability by enabling better tracking of procurement decisions, tender participation, and contract awards. PPRA continues to conduct regular monitoring of procurement activities through system-based reviews and daily oversight of procurement transactions submitted through NeST. These monitoring activities assist in identifying instances of non-compliance, including failure by procuring entities to apply local preference provisions, reservation requirements for special groups, and other measures intended to enhance domestic participation. The availability of procurement data through the electronic platform also supports evidence-based decision-making and enables PPRA to provide timely guidance and corrective measures to procuring entities.

8.3. Guideline for Price Adjustment

Furthermore, the introduction of the PPRA Guidelines for Price Adjustment in Public Procurement (2026) represents an additional measure to support the sustainability of local contractors participating in public projects. The Guidelines provide a structured mechanism for adjusting contract prices in response to significant changes in the cost of construction inputs, thereby reducing financial risks associated with inflation and market fluctuations. This intervention complements preference schemes by ensuring that local contractors who obtain public contracts have a fair opportunity to successfully implement them without being excessively affected by unforeseen cost increases. By improving financial predictability, the Guidelines contribute to contractor sustainability, better project delivery, and the development of stronger domestic construction capacity.

8.4. Continues Monitoring

Through continuous system monitoring, regulatory guidance, capacity-building initiatives, and improvements in the e-procurement framework, PPRA is progressively strengthening the implementation of preference schemes. These efforts support the Government's objective of using public procurement as a strategic tool for industrialization, local enterprise development, and inclusive economic transformation in line with the Tanzania Development Vision 2050. Continued improvement of NeST functionalities, effective enforcement of preference provisions, timely payment monitoring, and integration of procurement and Government payment systems will further enhance the ability of public procurement to empower local contractors and maximize the socio-economic benefits of public investment.

9.0. DELAYED PAYMENT AND PPRA EFFORTS SO FAR

9.1. Importance of timely payment

Recognizing the importance of timely payment to the sustainability of local contractors and service providers, particularly local firms, the Public Procurement Regulatory Authority (PPRA) has continued to strengthen the digital integration of procurement, contract management, budgeting and payment processes. A key component of these ongoing reforms is the further development of the National e-Procurement System of Tanzania (NeST), which in the end will incorporates an ***e-payment module*** intended to enable procurement transactions to progress electronically through contract management and payment.

9.2. Current Status on NeST

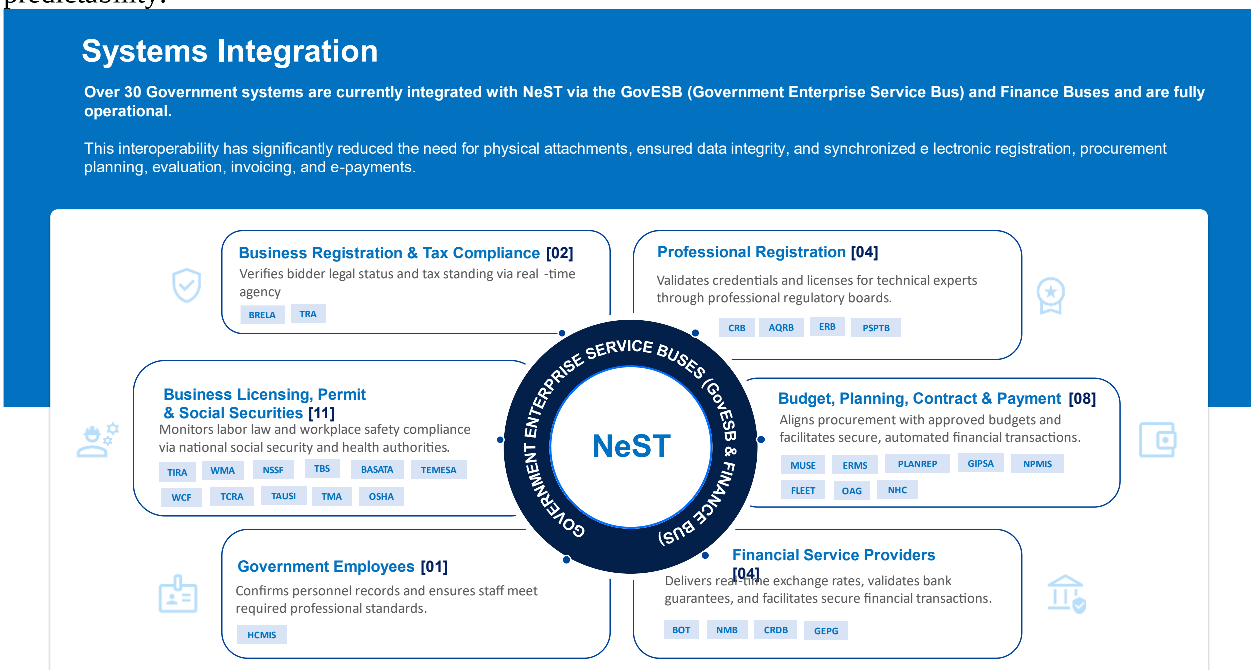
PPRA's current description of NeST confirms that the system supports e-registration, e-tendering, e-contract management while the e-payment in still under final stages of development. The importance of these reforms was further emphasized by PPRA in February 2026 when reporting to the Parliamentary Public Accounts Committee on progress in addressing payment delays. PPRA indicated that integration of NeST with Government payment and budget systems is intended to streamline procurement processes, strengthen financial accountability and contribute to addressing delays in payments to tenderers. PPRA further reported that, through the ***e-payment*** functionality, procuring entities will be able to undertake the procurement process electronically through to payment. This demonstrates that PPRA is actively pursuing the digital transformation of the procurement-to-payment process as part of its broader efforts to improve contract implementation and reduce payment-related challenges affecting contractors.

Main Modules in NeST

Supporting Modules

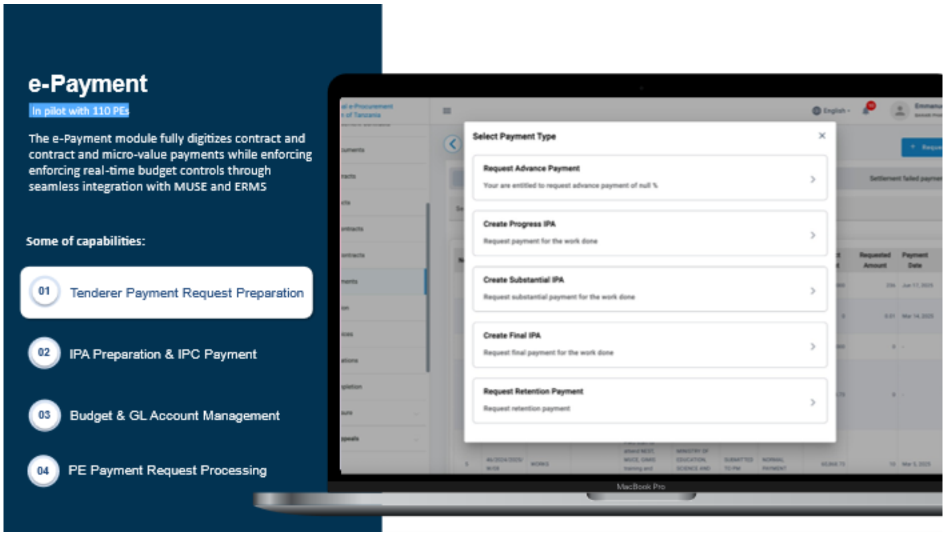
9.3. Integration

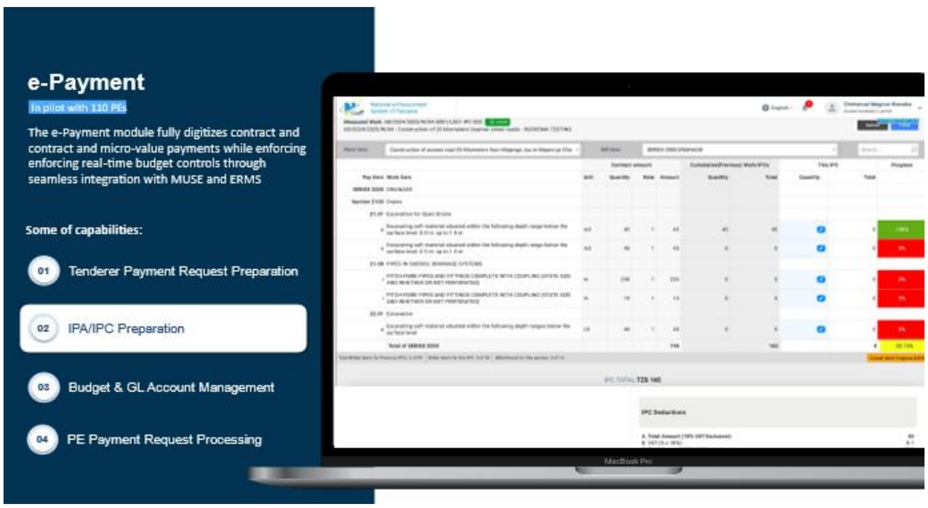
PPRA has also continued to strengthen interoperability between NeST and other Government financial management systems. In June 2026, the Authority issued Circular No. 3 of 2025/2026 concerning the use of NeST and the Electronic Revenue Management System (ERMS) by procuring entities using ERMS. This development forms part of the broader effort to improve coordination between procurement and Government financial management processes. Earlier Government financial management reform initiatives have also identified the interoperability of NeST with MUSE and other financial management systems as an important component of strengthening the public financial management and procurement environment. These reforms are particularly important in addressing the distinction between an approved budget and the actual availability and release of funds for contract implementation. Strengthening the linkages among procurement planning, budget allocation, commitment control, contract management and payment systems can assist procuring entities in making procurement commitments on the basis of realistic financing arrangements and provide better visibility of the financial status of contracts. For contractors, improved digital linkage between procurement and payment processes has the potential to increase transparency regarding the status of payment claims, reduce avoidable administrative delays and strengthen cash-flow predictability.

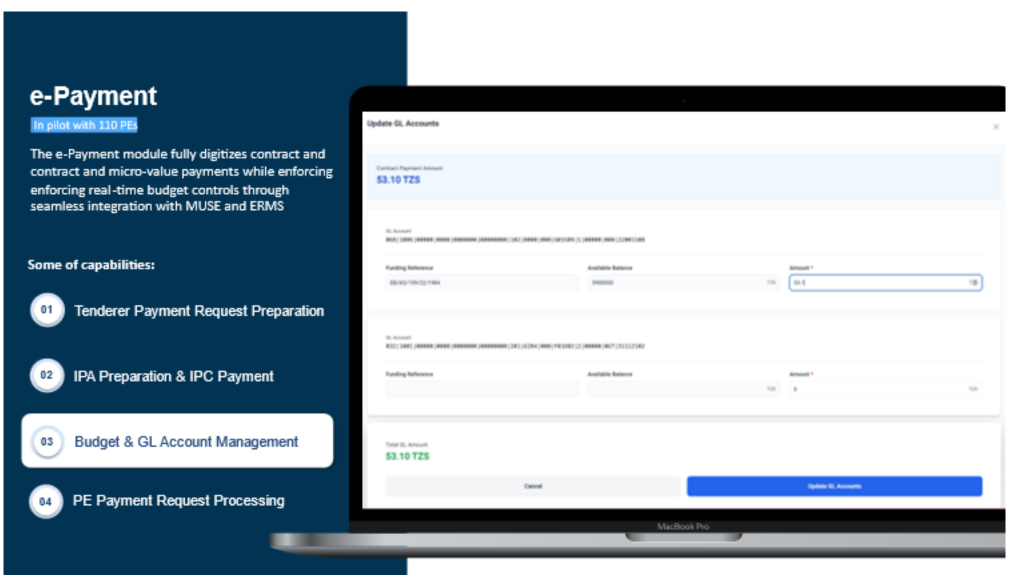


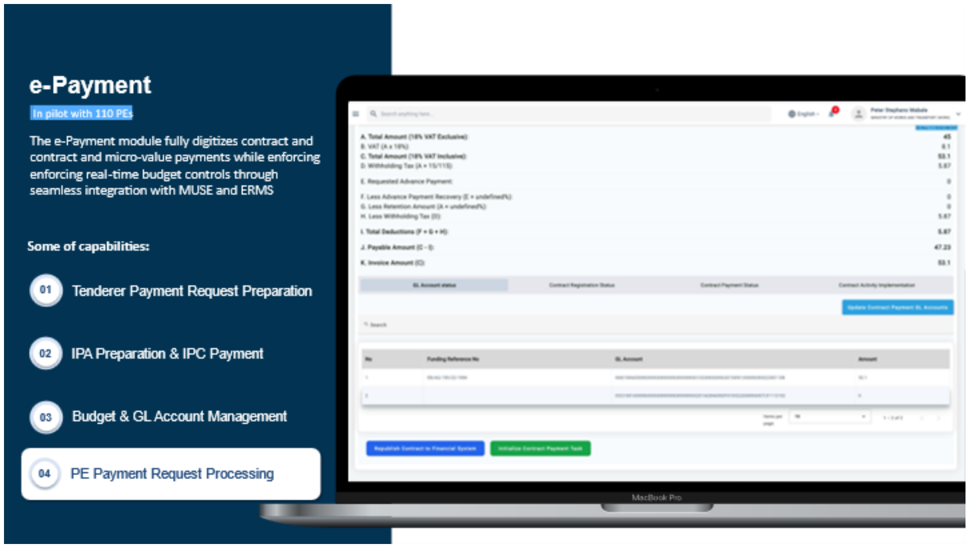
9.4. e-Payment

Accordingly, PPRA's ongoing development of NeST, including the e-payment functionality and its integration with relevant Government financial management systems, should be viewed as an important institutional intervention for addressing payment delays and strengthening contract implementation. These efforts complement PPRA's regulatory, monitoring and compliance functions and are consistent with the Authority's broader mandate to improve efficiency, transparency, accountability and value for money in public procurement. The continued implementation and refinement of these digital reforms, together with effective compliance by procuring entities, consultants and contractors, will be important in ensuring that certified payments are processed efficiently and that local contractors are better able to sustain project implementation and fulfil their contractual obligations.


e-Payment
In pilot with 110 PEs
The e-Payment module fully digitizes contract and contract and micro-value payments while enforcing enforcing real-time budget controls through seamless integration with MUSE and ERMS
Some of capabilities:
01 Tenderer Payment Request Preparation
02 IPA Preparation & IPC Payment
03 Budget & GL Account Management
04 PE Payment Request Processing
Select Payment Type
Request Advance Payment
Create Progress IPA
Request payment for the work done
Create Substantial IPA
Request substantial payment for the work done
Create Final IPA
Request final payment for the work done
Request Retention Payment
Request retention payment
MacBook Pro


e-Payment
In pilot with 110 PEs
The e-Payment module fully digitizes contract and contract and micro-value payments while enforcing enforcing real-time budget controls through seamless integration with MUSE and ERMS
Some of capabilities:
01 Tenderer Payment Request Preparation
02 IPA/IPC Preparation
03 Budget & GL Account Management
04 PE Payment Request Processing
MacBook Pro


e-Payment
In pilot with 110 PEs
The e-Payment module fully digitizes contract and contract and micro-value payments while enforcing enforcing real-time budget controls through seamless integration with MUSE and ERMS
Some of capabilities:
01 Tenderer Payment Request Preparation
02 IPA Preparation & IPC Payment
03 Budget & GL Account Management
04 PE Payment Request Processing
Update GL Accounts
53.10 TZS
53.10 TZS
Cancel
Update GL Accounts
MacBook Pro



10.0. CONCLUSION

Public procurement as a strategic development instrument

Public procurement remains one of the most powerful tools available to the Government for implementing the objectives of the Tanzania Development Vision 2050. The Public Procurement Act, Cap. 410 (2023 Revised Edition), and the Public Procurement Regulations, 2024, provide a comprehensive framework that balances value for money, transparency, accountability, and fair competition with the objective of promoting local economic transformation. The introduction of preference schemes represents a shift from procurement being viewed solely as an administrative function to being recognized as a strategic tool for industrialization, employment creation, technology transfer, and private sector development.

Effective implementation of the procurement framework

A strong legal framework alone is insufficient to achieve the intended development outcomes. Successful implementation requires:

- Effective enforcement of procurement laws and regulations.
- Strengthened institutional capacity.
- Improved procurement planning.
- Effective contract management.
- Adequate access to finance.
- Compliance with professional and ethical standards by all stakeholders.

Strengthening implementation of preference schemes

Procuring entities should ensure full compliance with preference scheme requirements to maximize opportunities for Tanzanian enterprises. PPRA should continue strengthening oversight and monitoring mechanisms to ensure effective implementation of preference schemes. PPRA should enforce provisions that enable eligible contracts valued up to **TZS 50 billion** to be awarded exclusively to qualified local contractors, thereby increasing domestic participation, building contractor capacity, and retaining more public investment benefits within the local economy.

Ensuring timely payment of contractors

Timely payment is critical for successful contract implementation, value for money, and sustainability of local contractors. Delayed payments negatively affect;

- Contractors’ cash flow.
- Resource mobilization.

- Project completion timelines.
- Project costs.
- The ability of local firms to participate effectively in public procurement.

Procuring entities should:

- Establish efficient payment management systems.
- Ensure timely verification and certification of completed works.
- Process valid payment claims within contractual timelines.
- PPRA should strengthen monitoring and compliance mechanisms, address persistent payment delays, and support the integration of Government payment systems to facilitate faster, transparent, and efficient settlement of certified payments.

Note:
PPRA, as the regulatory and oversight authority responsible for overseeing the implementation of the Public Procurement Act, Cap. 410 (2023), and the Public Procurement Regulations (2024), has an important role in ensuring compliance with the applicable procurement framework. In particular, Regulation 50(1) requires procuring entities to ensure that payments to tenderers are made promptly to support the growth and sustainability of local firms and enable them to fulfil their contractual obligations. Furthermore, Regulation 50(2) requires a procuring entity, before entering into a contract under a preference or reserved scheme, to ensure that the funds required for implementation of the contract have been duly set aside and approved. These provisions strengthen financial discipline in public procurement, safeguard the cash flow and sustainability of local firms, and help ensure that contracts awarded under preference and reserved schemes can be implemented effectively.

Capacity development of local contractors
Local contractors should proactively strengthen:

- Technical expertise.
- Financial management capacity.
- Governance systems.
- Digital procurement capabilities.
- Quality assurance systems.
- Innovation and adoption of modern construction technologies.

Contribution to Tanzania Development Vision 2050
Public procurement provides an opportunity to drive national transformation through infrastructure development, strengthening of domestic industries, employment creation, and inclusive economic growth. Achieving these outcomes requires coordinated efforts among the Government, PPRA, procuring entities, contractors, consultants, financial institutions, and other private sector stakeholders. Effective implementation of preference schemes, timely payment of contractors, and continuous development of local enterprise capacity will be essential in maximizing the contribution of public procurement toward achieving the aspirations of Tanzania Development Vision 2050.

11.0. RECOMMENDATIONS

11.1. Recommendations to Local Contractors

Local contractors should: Develop business strategies rather than relying solely on preference schemes; Continuously invest in staff training and professional development; Improve corporate governance and financial management; Maintain excellent contract performance records; Participate actively in PPRA, CRB, and NCC training programmes; Utilize joint ventures strategically to access larger projects and invest in innovation and digital construction.

11.2. Recommendations to Procuring Entities (Employers)

Employers (PEs) should: Fully implement preference provisions in accordance with the Act and Regulations; Prepare realistic procurement plans; Improve project preparation before tendering; Ensure adequate budget availability before contract award; Make timely payments; Strengthen contract management; strengthen monitoring and evaluation systems.

11.3. Recommendations to Consultants

Consultants should*:* Prepare complete and accurate designs; Improve quality of cost estimates; Conduct comprehensive site investigations; Minimize design errors; Certify payments promptly; Provide effective supervision; Support technology transfer to local professionals and Promote value engineering during project implementation.

11.4. Continuous Efforts by the Authority

PPRA has continued to strengthen its efforts to improve the effectiveness and inclusiveness of public procurement through a range of ongoing interventions. These efforts include sustaining nationwide contractor awareness and sensitization programmes on public procurement requirements, preference schemes, contract management, and payment procedures; strengthening procurement audits and compliance monitoring, particularly in relation to the implementation of preference and reserved schemes; and expanding capacity-building initiatives for procuring entities, contractors, consultants, and other key stakeholders. PPRA has also continued to develop and disseminate practical implementation guidance to facilitate consistent application of the procurement legal and regulatory framework, while improving the collection, analysis, and use of procurement data to identify implementation gaps and inform regulatory interventions. In addition, PPRA continues to monitor and follow up on the timely payment of contractors by tracking payment-related challenges identified through monitoring and audits and engaging procuring entities to address outstanding payment issues.

These efforts are complemented by continued collaboration with key professional and regulatory institutions, including the Contractors Registration Board (CRB), Engineers Registration Board (ERB), Architects and Quantity Surveyors Registration Board (AQRB), Procurement and Supplies Professionals and Technicians Board (PSPTB), and National Construction Council (NCC), to strengthen professional capacity, compliance, contract management, and participation of local firms in public procurement. Collectively, these ongoing interventions demonstrate PPRA's continued commitment to strengthening the implementation, monitoring, and enforcement of public procurement requirements and enhancing the benefits of procurement for local enterprises and the wider economy.

11.5. Recommendations to Government

Government should: Expand financing mechanisms for local contractors; Strengthen implementation of local content policies; Promote domestic manufacturing of construction materials; Consider for the establishment of contractor development funds; Support equipment leasing initiatives; Encourage research and innovation within the construction industry.

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