



Activity brief (December 2014)

Tanzania Local Enterprise and Linkages Development Project – Extractive Industries in Mwanza, Mbeya and Katavi

December 2014 – May 2016

Background: According to a recent McKinsey report, between 40 and 80 per cent of the revenue created in oil, gas and mining in developing countries is spent on the procurement of goods and services, often exceeding tax and royalty payments. The report argues that creating an enabling environment to develop the technical skills of local suppliers and providing them with access to financing and coordination services can substantially increase benefits to the local economy.

The World Bank predicts that less than 16 per cent of current local small- and medium-sized enterprises (SMEs) in Tanzania will meet the required standards to obtain contracts from international firms if their capacities are not developed. In the past, SMEs have not been able to capitalise on the markets created by the associated supply chains. With Tanzania's new extractives projects' operations still in the development stage, there is a window of opportunity to support SMEs to adequately prepare their products and services so that they benefit from these operations.

Objective: The project aims to support SME development in the three regions within Tanzania that have the largest mineral deposits in the country: Mwanza, Mbeya and Katavi. A secondary objective of the project is to up-skill Tanzanian business service provider Small Industries Development Organisation (SIDO) to enable them to provide stronger support to SMEs in the region on an ongoing basis.

Activity description: The project supports Tanzanian Government efforts to put in place a supportive local content policy designed to harness the opportunities available to local firms and individuals from the extractive industry. It is in line with the recent outcomes

of a World Bank study (supported by the European Union and UK Department for International Development) on local supply. It will support international investors to meet their local content commitments, as well as improve their supply chains by increasing local sourcing. Initial assessments from international companies looking to invest in Tanzania have identified challenges in finding capable subcontractors of the quality that would be needed to provide services to their businesses – this project will contribute directly to meeting this need.

The project will respond to civil society concerns that growth in extractive industries in Tanzania will create greater imbalance in society and more social unrest. By working with the Tanzanian Women's Chamber of Commerce on the project design and throughout project implementation, the project will endeavour to contribute to addressing the gender imbalances associated with the flow of business opportunities by building opportunities for women.

Voluntary Service Overseas (VSO) Tanzania will be the project manager. Australian Volunteers International (AVI) will be the lead for recruiting volunteers and developing relationships in Australia.

Sector: Extractives

Expected outcomes:

- At least 30 SMEs (10 in each region) will achieve 'approved supplier status' with named private sector partners and their suppliers. This accreditation will place them in a position to secure contracts of substantial value with mining and gas operators, and their suppliers.
- At least 500 new jobs will be identified within SMEs to meet needs of new contracts. Hiring plans will be in place at these organisations, including the appropriate mix of full-time, part-time and casual staff. Better linkages will be in place between SMEs and vocational training schools and other local suppliers of labour.
- SMEs will achieve a 50 per cent increase in satisfaction with their services.

Participating country: Tanzania

Date approved:	07/11/2014
Implementation partners:	VSO and AVI
Total cost:	AUD 830 803

