

PSI - Tanzania



Project Performance: **Green** ● Lead Grantee: SBP Tanzania ● Region: Africa

Project reference	R02SA82	Country	Tanzania
Round grant award	Second	Amount granted	£243,700
Start date	April 2002	Private sector contribution	£532,867
End date	September 2004	Actual grant drawn down	£243,700
Sector	Private Sector Development	Actual private sector contribution	£1,043,329
Project description	Facilitating business linkages between large corporations and SME's.	Status	Contract complete

Overview

Facilitated by the Small Business Project (SBP), the Private Sector Initiative (PSI) brings together major corporations in Tanzania in a forum where they share experience of working with SMEs and actively seek out ways to better integrate local SMEs into their supply chains.

Linkage Partners

Lead: BP Tanzania – manages the project and chairs the PSI working group in Tanzania
 SBP – provides technical capacity and specialized support, and seconds senior staff to the project

Partners: Kahama Mining Corporation, Kilombero Sugar Company, National Microfinance Bank, Sumaria Group, Tanga Cement Company, Tanzania Breweries, Tanzania Cigarette Company - provide cash and in-kind resources, share good practices, and carry out their own projects under the PSI umbrella

Grant Thesis

The project sets an example of how overlapping interest of large corporations and host countries can be managed to achieve development goals. The successful implementation of a corporate social responsibility initiative has led to enhanced incomes and employment arising from the inclusion of local SMEs into supply chains of BP and other major corporations operating in Tanzania. There is significant potential for best practice sharing with development projects in other parts of Sub-Saharan Africa.

Progress

The project commenced in April 2002 with 8 corporate members participating, and has been successful in growing the number of private sector participants to 17. The first stage of the programme focused on a supply chain diagnostics within each corporate partner, thereafter sharing experience and supplier development strategies. The corporations identified opportunities for local SME outsourcing and ways of working more closely with suppliers to develop their capacity. Shared information and experience stimulated ideas for working more effectively with local SMEs. An SME supplier database of 506 Tanzanian suppliers was designed by SBP and shared amongst the Psi corporate partners. These suppliers are now shared between the procurement departments of the corporations, resulting in an expanded market and increased opportunities for the SMEs. During 2005, each Psi company agreed to select three of their own SME suppliers for special attention, increasing the support, mentorship and business support to these suppliers. For example, BP Tanzania has selected three SME suppliers that are new to their vendor list; these suppliers are involved in printing, catering and plastic packaging respectively. The working group has been in contact with TechnoServe in Tanzania – an NGO specialising in SME training and capacity building – and together they are putting in a proposal to the private sector donor committee for funding on SME supplier training and capacity building. A Psi website <http://www.psitanzania.com/> has been designed by a Tanzanian IT service provider. This website enables all participating corporations to use an online supplier database, as well as enables SMEs to view tenders and market information. Since SBP handed over the operations of the Psi in September 2004, the Sumaria Group has been the chair and co-ordinating company. Psi chairmanship will be rotated annually at the end of each calendar year. The Psi working group meetings are held quarterly, with most companies sending representatives on a regular basis.

Broader Impact

As a result of the project's success in Tanzania and its recognition and referencing by the UN, UNCTAD, DFID, the AU and the Government of Tanzania, the Psi is now being rolled-out in Malawi and will be in Angola shortly. Kenya and Uganda are also looking at the Psi as a best practice linkages model. The participating corporations can also advocate more efficiently with the government the issues of importance for SMEs.

Project Sustainability / Exit Strategy

The sustainability of the project is ensured by the full internalization of the Psi strategies by participating corporations which led to changing procurement patterns in favor of local SMEs.

Lessons Learned

A demand-led intervention in which strong partnerships are built can really have an impact. Top executives buy-in helps procurement managers take risks to change procurement patterns in favor of local SMEs

Key Performance Indicators			
General BLCF Indicators (combination of quantitative and qualitative)			
	Business Linkages <ul style="list-style-type: none"> 17 corporate participants Local SMEs Government of Tanzania International donors 	Market Development <ul style="list-style-type: none"> Various spin-offs to SMEs supplying medium-sized companies created SME development firmly placed in the operations of many multi-nationals operating in Tanzania. Improved quality of products due to the formalization of SMEs 	Poverty Impact <ul style="list-style-type: none"> increased incomes due to access of SMEs to corporate procurement and outsourcing contracts More employment and income opportunities for women Improved quality of goods and services for local population due to enhanced efficiency of SMEs
Project Specific Indicators			
	Baseline Position <ul style="list-style-type: none"> 56% of Tanzanian population lives in poverty Women constitute most of the poor low incomes in SME sector 	Foreseen Position at Project-End <ul style="list-style-type: none"> Increased Employment Increase in sustainable livelihoods Enhanced opportunities for SME's Improved Skills Leveraged infrastructure into communities Communities access to goods and services 	Actual Position at Project-End <ul style="list-style-type: none"> Psi Tanzania corporate participation has grown from 8 to 17 members There are indications that new markets and jobs have been created, though it hard to measure the impact at this stage. the Royal Dairy collection cooler points have created employment and markets in several communities. The Kilombero linkages have directly contributed to economic growth in the community.
Improve incomes, livelihoods and opportunities for target group			
Increased business competitiveness and share of new and existing markets	<ul style="list-style-type: none"> Huge gap between small enterprises and large businesses Very poorly developed corporate sub-contracting between large firms and SMEs 	<ul style="list-style-type: none"> Increased efficiency and competitiveness of SMEs Increased corporate outsourcing and procurement from local SMEs 	<ul style="list-style-type: none"> 506 Tanzanian suppliers included in the corporations' suppliers database increased awareness of benefits of SME procurement and outsourcing, as well as import substitution. Links between small and large companies have increased technology flows, improved capacity, access to markets for smaller firms.
New sustainable product			<ul style="list-style-type: none"> New and better quality goods and services are being supplied by Tanzanian SMEs SMEs are moving higher up the value-chain SME linkage transactions growth - US\$21m in 2002, US\$31m in 2003, US\$45m in 2004 PSI website launched
Other direct and indirect benefits			<ul style="list-style-type: none"> Overall, the Psi Tanzania has exceeded expectations in terms of the original forecasts. The buy-in and recognition as a best practice model by all stakeholders has been phenomenal.

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