INTRODUCTION

<table>
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<tr>
<th>CATEGORY</th>
<th>EMPLOYEES</th>
<th>CAPITAL INVESTMENT IN MACHINERY (Tsh. '000')</th>
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<td>Micro Enterprise</td>
<td>1-4</td>
<td>Up to 5,000</td>
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<tr>
<td>Small Enterprise</td>
<td>5-49</td>
<td>Up to 200,000</td>
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<td>Medium Enterprise</td>
<td>50-99</td>
<td>Up to 800,000</td>
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<tr>
<td>Large Enterprise</td>
<td>100+</td>
<td>Above 800,000</td>
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SMEs constraints

- Unfavorable legal and regulatory framework e.g. taxation and compliance to regulations.
- Underdeveloped infrastructure
- Limited access to finance
- Limited access to information
- Ineffective and poorly coordinated institutional support framework
- Development of business mindset and entrepreneurship.
- Achieving quality and complying to set standards for systems and products or services

SMEs AND ECONOMY

- It is estimated that about 1/3 of Tanzania’s GDP originates from SMES (in 1991 there were 1.7 enterprises employing over 3 million people).
- About 20% of Tanzania’s labour force is engaged in SMEs.
- Potential for absorbing new entrants into the labour market. The formal sector employs hardly 10% of the new labour entrants, the rest of the 700,000 + people most end in the micro/small enterprises.
- Playing a complementary role to large establishments but this sector is less developed in Tanzania.
- Ease of deploying one’s skills and establish own business as the most direct and effective way out of poverty. About 2/3 of manufacturing firms are SMEs and at least 50% are micros (URT/UNIDO 2006).

SMEs Development

- History
  - National Small Industries Corporation (NSIC) under the National Development Corporation,
  - Industrial clusters mainly production – cum – training centers.
  - Establishment of Small Industries Development Organization (SIDO) by Act of Parliament (1973)
  - SIDO’s role is to promote and support the development of SMEs in the country.

Promotional/collaborating institutions

- Vocational Education and Training Authority (VETA) with over 630 training centres forming over 54 different trades which was established in 1994 to provide the framework for vocational training in Tanzania;
- The University of Dar es Salaam Entrepreneurship Development Centre, SUA/JDSM-CoET
- College of Business Education who provide entrepreneurship and business skills training.
- Industrial technology support institutions such as Tanzania Industrial Research Organization (TIRDO), Centre for Agricultural Mechanization Rural Technology (CAMARTEC), The Tanzania Bureau of Standards (TBS), the University of Dar es Salaam-Technology Development Transfer Centre, TDTC, the Private Agricultural Sector Support,
SMEs comfort ability
- Easier to establish
- flexibility on demands
- Low investment capital,
- human resource and technological level,
- Demands in space and energy resources
- Tax free (informal)

Policies Towards SMEs
- SME Development Policy of 2003 was formulated to lay down a complete framework for SMEs development and co-ordination in the country. Specifically to guide the elimination of the constraints that affect development of the sector.
- Tanzania Development vision 2025 which seeks to transform a low productivity agricultural economy to semi-industrialized one. In poverty reduction strategy SMEs development is emphasized.
- The National Micro Finance Policy – identifies specific measures that will facilitate easy access to finance by SMEs e.g. creations of micro finance institutions and schemes for specific groups.
- The Mineral policy of Tanzania targets at promoting of artisan and small miners through provision of tools, equipment, simplified licensing and training.
- National Employment Policy recognizes private sector and SMEs as major source of employment.
- National Food Control/Standards policies – have action plans that target assisting SMEs to implement standards.
- Agricultural, Livestock and Fisheries Development Policies all recognize the major role of SMEs in the development of these sectors.

SME Dev. – Government Incentives
- Special national –wide fund started January, 2007
- -All regions access loans
- - 10% interest rates (commercial banks22%)
- -With banks which serve the rural e. g NMB & CRDB
- Credit guarantee schemes administered by the Bank of Tanzania

ENTREPRENEURSHIP FOR SMEs
- What is Entrepreneurship?
  ➢ The way one thinks, reasons and acts
  ➢ Opportunity obsessed (seeker)
  ➢ Resource stingy
  ➢ Holistic in approach
  ➢ Balanced leadership
  ➢ Creates and identifies opportunities
  ➢ Has drive and initiative to make best of existing opportunities
  ➢ Risk taker, one who is willing to make an attempt, though with caution/carefully

Attitudes and behaviors of entrepreneurs
- Work hard
- Perseverance
- Optimistic
- Integrity
- Competitive
- Dissatisfied with the status quo
- Learn from failure
- Internal locus of control

Challenges
- Inadequate infrastructure in both urban and rural areas for example poor rural roads, no provision for potable water, lack of quality control services etc.
- Lack of adequate technical support services, limited BDS provides, and hence many SMEs do not have sufficient business and managerial skills. Have little or no information about markets.
- Inadequate sources of affordable credit and available procedures for accessing finance are not SME friendly, studies indicate that over 85% of SMEs in some African countries face difficulties in accessing credit. It is only recently that some of our banks are trying to go out and cultivate entrepreneurial talent among the SMEs, otherwise most take passive position of waiting for entrepreneurs to approach them.
- Laws and regulations that work against SMEs particularly the micro and small ones. Procedures required for registration and licensing food business, for example are quite cumbersome and involve a lengthy procedure. Though in recent days something has been done to ease the process, it could be made simpler.
- Unavailability of packaging materials and other production inputs/ingredients.
- Working premises constraints, particularly in urban centres and is because of limitation in capital, it is quite difficult to construct building that meet with processing premises regulations.
**Actions Needed**

- Enhance development of technical and business development services provision capacity; training, mentoring and networking.
- Strengthen and enlarge financial services for SMEs support and making access and conditionality conducive.
- Develop and strengthen infrastructure such as technological development, quality control services, business premises for SMEs and rural infrastructure.
- Device and encourage development complementary industries that support manufacturing e.g. inputs and packaging industries.
- Continue improving the regulatory and legal framework to facilitate growth of SMEs.
- Introduce/strengthen incentive schemes should recognize and reward innovations.

The entrepreneur, experiencing entrepreneurial terror, has to be afraid to panic and constantly focuses on “what do I do next”.

THANK YOU