Economic Opportunity for Economic Development: The Linkage between ExtractiveMNCs and SMEs: The Case of Extractive Firms in the Gas Sector in Tanzania

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Abstract
The linkage between extractive firms and local SMEs is so important in economic development of the country including SMEs development. Many people have engaged themselves in the running of SMEs and therefore the linkage with extractive firms will enable the broad participation of the local population in the oil and gas sector. However, the key issue is not on the linkage itself, but it is on what type of linkage is formed and how it is formed. With this fact, the study focused on two issues, namely to examine the type of linkages and identifying the strategies and policies used by extractive firms to promote the linkages with local SMEs. The study used two cases from extractive firms and one case of SMEs to support its findings. The findings revealed that the backward linkage is the type of linkage that exist in the gas sector and many SMEs link with the extractive MNCs through the indirect channel of backward linkage. Moreover, despite the fact that some extractive firms have policies and strategies that guide their linkage with local firms, the strategies and policies do not explicitly guide the linkage with SMEs rather they focus on the local firms in general. Therefore the study, among others, recommends that the extractive firms must develop policies and strategies that will aim at promoting the backward linkage with local SMEs. Additionally, the extractive firms are advised to develop the selective procurement procedures that will be in favour of local SMEs without undermining the need of delivering products that meet the predetermined quality standards.