

August 4, 1999

His Excellency
Mustafa Nyang'anyi
Embassy of the United Republic of Tanzania
2139 R Street N.W.
Washington, D.C. 20008

Credit No. 3184-TA (Tax Administration Project)
Preference for Domestic Contractors

Dear Sir:

1. We refer to the Development Credit Agreement of even date herewith between United Republic of Tanzania (the Borrower) and International Development Association (the Association) and to the provisions of Part B.2 (b) of Section I of Schedule 3 thereof for the grant of 7.5% margin of preference to eligible domestic contractors bidding for construction contracts to be financed out of the proceeds of the above Credit.

2. We wish to confirm that in order to be accepted by the Association, the criteria for classification of domestic contractors eligible for such preference must include at least the following:

- (a) domestic bidders shall be eligible provided that they:
 - (i) are registered in Tanzania;
 - (ii) have majority ownership by nationals of Tanzania; and
 - (iii) have not subcontracted more than 50% of the contract works measured in terms of value to foreign contractors; and
- (b) joint ventures between domestic and foreign firms shall be eligible for the margin of preference provided:
 - (i) the domestic partner or partners individually satisfy the criteria for eligibility set forth above;
 - (ii) the domestic partner or partners would not be qualified for the contract works in question on technical or financial grounds without the foreign participation; and
 - (iii) the domestic partner or partners will, under the arrangements proposed, carry out at least 50% of the contract works measured in terms of value.

For the purpose of this paragraph, the term "foreign firm" means a firm that does not meet the eligibility requirements for domestic bidders under either sub-paragraphs (a)(i) or (ii) of this paragraph.

3. In any contract awarded to a bidder who received preference as a domestic contractor in accordance with the foregoing, appropriate provisions will be included limiting the right of the contractor to sub-contract any portion of the works in excess of the percentage indicated under subparagraphs (a) (iii) and (b) (iii) of the preceding paragraph.

4. Please confirm your agreement with the foregoing by signing the enclosed copy of this letter and returning it to us.

Sincerely yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Praful Patel
Acting Regional Vice President, Africa

CONFIRMED:

UNITED REPUBLIC OF TANZANIA

By /s/ Mustafa Nyang'anyi
Authorized Representative

