

Gaza following.

United Nations Development Programme

Programme of Assistance to the Palestinian People

برنامج الامم المتحدة الانماني / برنامج مساعدة الشعب الفلسطيني



**FAX MESSAGE from: UNDP/PAPP**

To: Mr. Hatem Yousef  
Director General, TAX Department  
Ministry of Finance

Fax 02-240-5880  
Number: 02-2402639

Message  
Number:

Attn:

Priority:

From: Jens Toyberg- Frandzen  
Special Representative

File: Saudi Housing  
Project  
PAL50-00049741

Number of pages (including  
cover page):

Date: 09 May 2006

Subject: **Taxes Exemption for Project PAL50-00049741 Funded by the Saudi Committee for Palestinian People Relief and Implemented by the UNDP/PAPP**

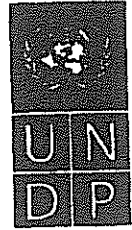
Dear Mr. Yousef,

I am glad to inform you that the UNDP/PAPP as executing agency is about to launch a new project "PAL 50-00049741" for construction of 300 Housing units in Rafah in the Gaza Strip funded by the Saudi Committee for Palestinian People Relief with a total amount of US\$ 10,954,054 (Ten million, nine hundred fifty four thousands and fifty four US\$ Dollars).

Based on the United Nations Tax Exempt statutes with the Palestinian Authority, it would be appreciated if the Ministry of Finance would issue a letter to UNDP stipulating that works associated with the above project are exempted from taxes, particularly VAT, which in turn could be utilized by contractors to acquire the Zero VAT documents from the VAT Department.

Thank you in advance for your continued valued assistance and cooperation in this matter and please accept my best regards.

Note: Attached the Agreement between UNDP and the Saudi Committee for Palestinian People Relief



**Agreement of Setting Up Credit Fund  
for  
Construction of 300 Housing Units In Rafah**

This agreement has been entered into this day 18/11/1426H corresponding to 20/12/2005 by and between:

- 1) Saudi Committee for Palestinian People Relief, ("Donor"), or (First Party).
- 2) UNDP/United Nation Development Program, ("Implementer"), or (Second Party). and
- 3) UNDP/ Kingdom of Saudi Arabia Office – Riyadh, ("Coordinator"), or (Third Party).

**Recitals:**

Implementing the Royal Decree No. 22507 dated 10/07/1423H, Saudi Committee for Palestinian People Relief in collaboration with Palestinian Authority will build 300 housing units in Rafah according to the drawings submitted by UNDP, which is attached hereto;

Pursuant to the Royal Decree No. 564/MB dated 12/01/1426H, Saudi Committee for Palestinian People Relief in collaboration with UNDP will finance execution of the above-mentioned project, whose technical survey is attached hereto covering specifications and costs;

Whereas Saudi Committee for Palestinian People Relief agrees on contribution therein with its own resources through UNDP to implement this project on proviso that any provisions or phases of project execution will not be performed contrary to laws applicable in the Kingdom of Saudi Arabia.

Whereas UNDP/ United Nation Development Program agrees on executing the said project;

Whereas UNDP/ Kingdom of Saudi Arabia Office – Riyadh agrees on following up receipt of funds and transfer the same for funding the



correspondences shall be considered as integral part of the recitals herein.

- 2 - Any matters not incorporated herein, shall be determined by the mutual agreement between UNDP and Saudi Committee for Palestinian People relief, and either party shall take into account the submitted proposals.

**Article (8) : Termination:**

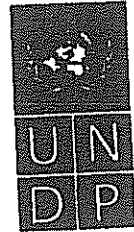
- 1 - This agreement may be terminated after mutual consultation between the two parties and upon their approval thereto; the two parties shall mean UNDP and Saudi Committee for Palestinian People relief, taking into consideration refunding all donation payments provided by The Saudi Committee for covering project expenses.
- 2 - Notwithstanding the approval to terminate this agreement, Program shall fulfill implementation obligations which allocated for the project prior to agreement termination.
- 3 - Payments that are not disbursed for the purpose of this agreement shall be refunded to The Saudi Committee within a period not later than 6 months from date of The Saudi Committee approval to final financial reports as set forth in Clause-9 of Article (4).

**Article (9) : Effective Date of the Agreement:**

The effective date of this agreement shall be the date of signing the agreement by the parties hereto, and shall remain valid for the period of project implementation and as follows:

Design works and preparing built drawings.	60 days.
Site preparation works.	50 days
Infrastructure works .	150 days.
Buildings construction works.	280 days
Total Period for project execution.	540 days

The parties hereto acknowledge that they have reviewed and



Whereas UNDP/ United Nation Development Program will, through the agree on activities, cooperate with some Palestinian agencies and municipal councils for executing this project as required;  
Therefore, now it has been agreed mutually by and between Saudi Committee for Palestinian People Relief, hereinafter referred to as ("Saudi Committee"), UNDP/United Nation Development Program , hereinafter referred to as ("Program") and UNDP/ Kingdom of Saudi Arabia Office – Riyadh, hereinafter referred to as ("Riyadh Office Program") as follows:

**Article (1) : Preamble :**

The above-mentioned recitals shall be considered as an integral part of this agreement.

**Article (2): Financial Support:**

- 1 – Saudi Committee will, pursuant to the details provided for in Clause-2 of Article (2), allocate US\$ 10,954,054 (Ten million nine hundred fifty-four and fifty-four US Dollars) to cover costs and expenses of the project, while administrative expenses will be borne by the implementer party in compliance to the provisions of Clause-2 of Article (2) hereunder.
- 2 – Saudi Committee will immediately upon signing this agreement transfer the donation according to the following payments:

**First Payment:**

It shall be 30% of the donation value, and it will be transferred immediately after signing this agreement, and it will be allocated for covering costs of the first phase of this project.

**Second Payment:**

It shall be 40% of the donation, and it will be transferred upon completion of the first phase requirements of the project, and pursuant to the Saudi Committee approval thereto. The works of this phase will cover the following:



- A – Executing designs and drawings of the project subject to Saudi Committee approval to drawings and documents of designs and specifications.
- B – Completion of infrastructure works including :
- 1 – Site preparations.
  - 2– Infrastructure works including water and sewage networks, electrical works, telephone networks, and road construction.
  - 3 – Submittal of detailed technical and financial report on the above-mentioned works for such phase and schedule of payments for completed works.

**Third Payment:**

It shall be 20% of the donation value, and will be transferred after completion of 80% of the skeleton building works and submission of detailed technical and financial report on the completed works subject to Saudi Committee approval thereto.

**Fourth Payment:**

It shall be 10% of the donation value, and will be transferred after the whole project completion, and submission of detailed technical and financial report on the project in compliance to Clause-9 of Article (4).

- 3 – Deposit and transfer shall be made to the following bank account of UNDP/ Kingdom of Saudi Arabia Office – Riyadh as follows:

**Bank Name : SAMBA, Riyadh**  
**Account Number: 1-190050**

- A – The following information shall be mentioned when deposit is made; Palestinian Program, UNDP/ United Nation Development Program (Project of building 300 housing units in Rafah).

... immediately after receiving the bank



deposited in its account, and shall transfer the same immediately to Program's account to cover project expenses in compliance to the provisions of this agreement.

C – Program shall receive, administer, and disburse the financial donation according to UNDP Laws (Financial Laws and Regulations of United Nations Applicable Worldwide).

D – All transactions and financial accounts shall be in US Dollars.

E – Should any payments be transferred in currency other than US Dollar, then they shall be subject to exchange rate of UNDP.

**Article (3) Disbursement Mechanism:**

- 1 – This financial support shall be used by the Program for covering expenses and execution of the Project as provided for in cost report attached herewith.
- 2 – Five percent (5%) of the donation value shall be allocated for covering administrative expenses that will be borne by the Program as the Implementing Party of the Project.
- 3 – Any financial interests may be added to the credit fund allocated for the project shall be used according to disbursement mechanism adopted by the program in the project for the interest of the project.
- 4 – Responsibility limitations of the Program and implementing parties of this project shall be subject to receiving the financial donation in compliance to the provisions of Clause-2 of Article (2) herein.
- 5 – All amounts allocated for this project and other services shall not exceed the budget allocated for the project.
- 6 – Unanticipated increase of expenses (Either due to economic factors including inflation or US dollar exchange rate or otherwise) shall be submitted by the Program to Saudi Committee accompanied with financial statement to recognize increase percentage of the donation.



- 7 - Should payments be not received in compliance to the provisions of Clause-1 of Article (2), or should there be need for more finance as provided in Clause-6 of Article (3), the aid allocated for this project may be decreased, suspended, or canceled by UNDP after negotiations with Saudi Committee for Palestinian People Relief.

**Article (4) : Project Management and Reporting:**

- 1 - Program shall set up and manage credit fund for financed activities according to laws and procedures adopted by UNDP as well as confirming its financial statements.
- 2 - Program shall, through United Nation Development Program , monitor project execution by competent authorities and ensure full cooperation and coordination with related ministries. Should any execution-related issues arise, which are considered by the Program of unique nature, the Program shall inform and consult the Committee in connection therewith.
- 3 - Program shall ensure donation source and inform written and visual information media (Press and Television), during and after project completion, that the aid source is Saudi Committee for Palestinian People relief. Furthermore, it shall publish in local gazettes, press releases, and signboards which will be fixed in project sites an indication that Saudi Committee is the "Donor", and furnish the same with all information materials (written and visual) related to project execution phases until the completion of the same.
- 4 - Saudi Committee shall at any time evaluate the project and its results by experts who will be appointed by Saudi Committee; the financing of such evaluation shall be solely its own responsibility. The Saudi Committee shall have the right of issuing recommendations that it will deem requisite for project execution, as Saudi Committee has long experiences in aid activities.
- 5 - Program shall furnish Saudi Committee with all contracts concluded with contractors and main suppliers and sub-contractors of tasks or special phases of executing of the said project. Also, it shall furnish



Saudi Committee with all agreements concluded with Palestinian ministries in relation to this project.

- 6 - Program shall submit reports on progress of work to Saudi Committee at least one report every two months. Such reports shall include information on the results after comparing the same to work objectives, plans and schedules of time, and using the data and problems dealt with or that may arise and other information related to this project.
- 7 - Saudi Committee shall, through Program's Management Office, receive detailed technical and financial report as provided for in Clause-2 of Article (2) and Financial Statement as of 31 December of each year as well, and it will not be later than June 30 of the next year.
- 8 - Program shall submit financial and executive report to Saudi Committee within 6 months from date of project completion provided that such report shall include summary of the activities followed or performed.
- 9 - At the end of the project, Program Management Office shall submit to Saudi Committee certified technical and financial report within a period not later than June 30 of the next year, taking into account the end of the fiscal year.
- 10 - Saudi Committee shall, after 6 weeks from receiving the final report, give its response to Program, which response will give approval or refusal to the report along with explaining contains the causes thereof. Unless response is received within the above-mentioned period, the report will be considered approved. If the report is disapproved, both parties will start negotiations to reach mutual agreement.
- 11 - The equipment, machinery and all that may be paid from this donation, shall remain the property of the Program, and property thereof shall be transferred, at the end of the project, to the beneficiary party as determined by the Saudi Committee in compliance to laws and regulations of the Program.





**Article (5): Financial Audit:**

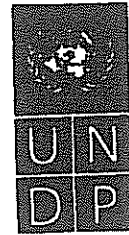
Internal and external financial audit of this donation shall be made in compliance to financial laws of the Program. Should there be any comments on the external audit report, one copy thereof plus the comments will be delivered to the Saudi Committee.

**Article (6) : Project Completion:**

- 1 – Program shall notify Saudi Committee about completing the project, which was financed by the Credit Fund.
- 2 – After completing the project financed by the set up credit fund, the program will suspend the balance of payments due until satisfactory completion and acceptance of all project activities.
- 3 – If the donation does not cover balance of expenses and obligations, Saudi Committee shall be informed in order to make consultations in relation to methods of covering such expenses and debts.
- 4 – The project shall after being completed be delivered to Palestinian beneficiary party in coordination with The Saudi Committee.
- 5 – The balance funds remaining after paying up financial obligations of project execution shall be returned to Saudi Committee within a period not later than 6 months from date of Saudi Committee approval to final financial report submitted by the Program as stipulated in Clause-9 of Article (4).
- 6 – It is mutually agreed between both parties that the donation provided by Saudi Committee is not subject to tax or VAT or tax imposed on works. If tax is paid for whatsoever reason, the collected tax shall be refunded to the donation provided by Saudi Committee, and Program will return such tax amounts to Saudi Committee within a period not later than 3 months from date of Saudi Committee approval to final financial report submitted by the Program as stipulated in Clause-9 of Article (4).

**Article (7) : Amendment to Agreement:**

- 1 – This agreement shall be amended pursuant to written approval of UNDP and Saudi Committee for Palestinian People relief, and such



acknowledge that they are aware of the legal obligations each in its own responsibility and duties.

In witness whereof, we fix our respective signatures this day 18/11/1426H corresponding to 20/12/2005.

**For the United Nations  
Development Programme/  
Programme of Assistance to the  
Palestinian people:**

**Minna Tyrkko  
Special Representative of the  
Administrator**

**For the United Nations  
Development Programme in  
Riyadh**

**Dr. Mustafa Bin Mleah  
Special Representative of the  
Administrator**

**For the Donor:  
Saudi Committee for Palestinian People Relief,**

**H.E. Dr. Sa'id Al-Qrabi Al-Harhi,  
Chairman,  
Saudi Committee for Palestinian People Relief**

**Date: 20/12/2005**