

APPENDIX A

PROJECT DESCRIPTION: Kano State Low-Income Housing Phase II – SPECTARCH NIGERIA LIMITED

I. Introduction

This Appendix A describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this appendix shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

II. Background

There is an insufficient supply of low-cost quality housing for civil servants in Kano State, where the average government salary is Naira 14,750 (US\$118.00 per month). In September 2004, the Kano State Government (KSG) and USADF entered into a memorandum of understanding (MoU) under which the two parties agreed to jointly support a housing program for low-income residents in rural communities of Kano State. The first phase of the program was completed in 2006, and Phase II is scheduled to begin in 2007. Phase II will include the design and construction of 156 affordable, quality houses for low-income civil servants in 13 of the 44 local government areas in Kano State.

A major constraint to achieving the goal of increased low-cost housing has been the lack of skilled construction workers and knowledgeable builders. SPECTARCH NIGERIA LIMITED ("SPECTARCH"), one of the seven construction contractors selected to participate in Phase II, needs assistance to build its financial and operational capacity in the construction of quality housing for low-income civil servants in Kano State.

III. Funding

A. USADF Contribution

The financial plan for USADF contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the agreement and do not make USADF's contribution to exceed the obligated amount specified in Article 4, Section 4.1 of the Agreement.

B. Client Contribution

SPECTARCH will not directly contribute its own funds to the project.

SPECTARCH is contributing its construction-related fixed assets, and the skills and time of its staff to the implementation of the Project. Further, SPECTARCH is employing an Accounts Assistant who will work full-time on the Project.

C. Other Contributions

1. KSG

KSG is providing (i) the land on which SPECTARCH will construct the housing units under this Project; (ii) a construction site supervisory team, through the Kano State Housing Corporation, whose responsibilities will include monitoring and provision of technical guidance regarding construction quality and materials costs; and (iii) a stand-by fund in the amount of Naira 3,000,000 to cover any construction cost overruns.

2. USADF Implementing Partner

The designated USADF Implementing Partner in Nigeria will provide a source of water for SPECTARCH's construction sites.

IV. Project Goal

The goal of the project is improved living conditions for the poor and low-income residents of rural areas of Kano State, Nigeria.

V. Project Purpose

The purpose of the project is to strengthen the capacity of SPECTARCH to construct high quality and affordable low-cost homes in a timely fashion.

VI. Project Outputs

The expected outputs from the project are:

A. Improved Housing for Low-Income Civil Servants in rural areas.

Construction of 24 housing units for low-income civil servants with monthly salaries of N 9,000 to 19,000, with sturdy walls of interlocking bricks, tin roofs, metal doors and windows, and ventilated latrines within 12 months.

B. Improved Financial Management and Operational Capacity of SPECTARCH, as demonstrated by the following:

- automated financial and project management systems in use;
- annual audited financials performed;
- effective organizational structure in place that includes technically proficient professionals and relieves the President of SPECTARCH from bookkeeping responsibilities; and
- SPECTARCH has been awarded prequalification status with KSHC.

VII. Major Activities to be Financed Under the Agreement

To generate the above outputs and to fulfil the project purpose, the following activities will be funded by USADF:

By Month Six (6) of the Project, SPECTARCH

- Recruits and completes basic training for a qualified company accounts assistant to handle the day-to-day bookkeeping requirements and to produce regular financial reports
- Upgrades and automates its financial accounting systems, and produces monthly financial reports
- Produces accurate and regular monthly project management reports using project management software provided under the Project

By Month Twelve (12) of the Project, SPECTARCH

- Demonstrates its ability to construct a low-income housing design with efficient layout and improved water and sanitation facilities
- Completes construction of a total of 24 housing units in Tofa and Gwale which meet the Project architectural specifications and industry quality standards, and are constructed without any cost overruns attributable to SPECTARCH
- Provides on-the-job training for unskilled and semi-skilled construction workers in basic masonry, plastering, carpentry, cutting and laying blocks, and general construction site work
- An inspection of housing units completed shows only normal wear and tear, and no structural defects or other construction-related problems

By Month Twenty-four (24) of the Project,

- SPECTARCH applies for pre-qualification status with the KSHC as an approved builder of government-sponsored low income housing in Kano State

VIII. Roles and Responsibilities of Parties

USADF Partner in Nigeria will provide the necessary standard USADF training in bookkeeping and monitoring and assessment. The Partner will also provide business advice for the successful implementation of the project.

SPECTARCH management is responsible for ensuring the proper management and implementation of the Project. The USADF Partner in Nigeria will provide SPECTARCH with technical and management assistance during the implementation of the Project.

IX. Monitoring and Evaluation

The USADF Partner in Nigeria will closely monitor the activities of the Project in order to ensure high quality assurance of the reporting as well as ensure the project implementation plan is followed. Besides tracking general progress of the project, it will also continuously assess the identified project risks so that remedial actions can be taken on time in order to forestall significant adverse impact on the realization of the project objectives. Monitoring by the USADF Partner in Nigeria will be an important aspect of the ongoing coaching and advisory service. The USADF Partner in Nigeria will review all the Project's quarterly reports prepared and submitted by SPECTARCH, and will submit comments and observations to the management of SPECTARCH as part of the annual project evaluation. The two organizations will jointly design the evaluation process and SPECTARCH will incorporate the findings of the evaluation into their annual report.

X. Independent Audits

At the end of Year Two of the Project, which shall be one year after construction is completed; USADF will contract with an independent company to inspect the quality of construction and SPECTARCH's workmanship, as well as compliance with Project design specifications, for the 24 housing units in Tofa and Gwale.