

TIPOGRAFIA SANTOS: Printing Company

APPENDIX A: PROJECT DESCRIPTION

I. Introduction

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

II. Background

The printing industry in Cape Verde consists of five companies. In 2003, these companies were only able to print two color able to satisfy approximately 40 percent of the country's demand for printing services. Companies in Portugal, and to a lesser extent Brazil, serviced the remaining demand.

Tipografia Santos (Tipografia) is the largest printing business in Cape Verde. It offers a variety of services to the public and government including printing of newspapers, magazines, books, notebooks, administrative documents, brochures, registers, business cards, stationary, and leaflets. Of the printing companies in Cape Verde, Tipografia has the greatest potential to satisfy local demand for high quality printing services. However, as with other local firms, Tipografia is hampered by its obsolete printing technology, inadequate plant facilities, and insufficient working capital.

III. Funding

A. ADF Contribution

The financial plan for ADF's 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 cause ADF's contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.

B. Grantee Contribution

Tipografia will contribute approximately 101,502,790 Cape Verde Escudos (CVE) to the Project, including the following: (1) CVE 17,586,090 for construction of a printing plant; (2) CVE 74,916,700 for printing equipment; and (3) in-kind provision of land measuring 1,710m is located in the Achada Grand Tras Industrial Zone in Praia for construction valued CVE 9,000,000. Tipografia will secure bank financing for the construction and purchase of equipment.

IV. Project Goal

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The goal of the Project is to promote the development and growth of micro and small enterprises in Cape Verde.

V. Project Purpose

The purpose of the Project is to increase the income of Tipografia and its employees, as measured by the following:

- Tipografia's net revenue after taxes increases from its present level of CVE 3,624,436 to CVE 4,153,608 in year 1 of the Project, to CVE 10,017,536 in year 2, to CVE 19,082,654 in year 3, to CVE 24,627,004 in year 4, and to CVE 28,128,675 in year 5; and
- the employees' income increases from CVE 12,419,136 presently, to CVE 14,308,913 in year 1 of Project to CVE 17,240,950 in year 2; to CVE 19,721,019 in year 3, to CVE 22,704,424 in year 4, and to CVE 24,859,317 in year 5.

VI. Project Output

The principal output of the Project is Tipografia's increased capacity to provide quality printing products, as measured by the following:

- the company's turnover increases from CVE 73,927,000 presently, to CVE 78,636,766 in year 1 of the Project, to CVE 98,295,957 in year 2, to CVE 113,040,351 in year 3, to CVE 124,344,386 in year 4, and to CVE 130,561,605 in year 5; and
- the number of permanent jobs increases from the current 33 permanent jobs to 41 jobs in year 1 of project, and to 59 permanent jobs in year 5.

VII. Activities

A. Print Production

Tipografia's main activity will be the production of printed materials for its customers throughout Cape Verde. The Project will enable Tipografia to improve the quality and variety of the products it offers, increase productivity by approximately 40 percent, and begin producing four color printed materials and textbooks (a market that is now the purview of companies from Portugal and Brazil). In order to achieve these results, Tipographia will undertake activities described below to enhance its management and technical skills and plant and equipment.

- Upgrading of management systems and staff. To minimize the risk of raw material shortages, Tipografia will adopt a stock management policy that calls for maintaining a three-month inventory of goods the enterprise uses frequently.

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Tipografia will review this policy routinely and adjust it as necessary. It will acquire administrative and accounting computer software that will enable it to improve its financial management transparency. Tipografia will recruit approximately seventeen additional employees in the following areas: (1) a commercial manager and two experienced sales persons to increase the company's sales; (2) an accounting and administrative manager to improve financial management; and (3) approximately thirteen production personnel to improve the quality of its products.

- Construction of the printing plant. Tipografia will secure financing from a local bank to construct a 1,200 square meter printing plant on land it owns at the Achada Grand Tras industrial area on Santiago Island. The facility will comply with international safety and environment norms. The building will have one single floor on which there will be distinct areas for general administration, a typographical workshop, and storage of raw materials and finished products. Tipografia will equip the plant with the following: (1) a binding machine Eurobind 1200; (2) a Heidelberg Speed master PM74-4P offset printer; (3) a Heidelberg Computer to Plate Trendsetter 3230; and (4) a CP Bourg Tower Modulen BST 10-d model.
- Management of industrial waste. Tipografia will construct a waste management treatment facility that meets international standards. The facility will be located on Tipografia's production site. Prior to construction, Tipographic will hire experts to conduct an engineering study and develop architectural plans. Tipografia will train staff to operate the plant and will adopt waste collection, storage, and disposal policies that ensure sound environmental practices.

B. Training


Tipografia will provide refresher courses and technical training to its current and new staff in order to improve their overall performance in the areas of productivity and reduce the risk of production and distribution delays. In addition, it will train the entire production team in the use of the new equipment.

VIII. Roles and Responsibilities of the Parties

Tipografia has primary responsibility for ensuring that the Project activities are properly implemented. Within the company, the General Manager will formulate strategies, and have ultimate responsibility for supervising and coordinating implementation of the Project.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will develop a monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the Project follows the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner. The Grantee will specifically

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monitor production costs, market conditions, and product pricing to ensure that the product price is appropriate to cover production and overhead costs.

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