

**PROJECT DESCRIPTION  
ENCODI**

**Building the Technical and Equipment Capacities of a Local Construction Firm**

**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**

In Guinea's mining zone area of Boke, there are plenty of opportunities for housing construction, buildings and plant facilities construction and civil engineering works with the launch of the Global Alumina Corporation (GAC), Rio Tinto Company and BHP Billiton alumina refinery construction project. In addition, one result of the renewal of agreements with the Bretton Woods Institutions will be an increase in the Guinea Government's (GOG) procurement of construction services for rural roads and road crossings (bridges, channels, gutters and drainage), rural schools and health infrastructure in the mining zones of Boke and Sangaredi.

ENCODI (Entreprise de Construction Civile et d'Ouvrages Divers) is a diversified construction company that specializes in building construction and general work in sanitation and road crossings. ENCODI wishes to diversify its client base and win construction contracts with GAC, BHP Billiton and the other mining companies in the area as well as win the bids for some of the GOG's the rural health and school infrastructure construction projects. However, ENCODI lacks adequate financial and accounting systems, management and planning capacity in the critical areas of bid preparation and on-site planning, and specialized construction equipment needed to expand its client base and win additional construction contracts.

**III. Funding**

**A. USADF Contribution**

The financial plan for USADF'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 USADF's contribution to exceed the obligated amount specified in Article 4, Section 4.1 of the Agreement.

**B. Client Contribution**

ENCODI will continue to provide working capital as necessary in order to achieve the growth targets.

**IV. Project Goal**

The goal of the Project is to improve the living standards of Guineans residing in the mining regions of Boke and Sangaredi.

**V. Project Purpose**

The purpose of the Project is to increase incomes for ENCODI and its employees. The following indicators will be used to track the achievement of this purpose:

- A. ENCODI's nominal net income will increase from GNF 232,450,000 in 2007 to GNF 234,719,000 in 2008, and then will increase to GNF 530,012,000 in 2009; to 813,449,000 in 2010; to GNF 1,067,509,000 in 2011; and to 1,415,576,000 in 2012.
- B. ENCODI's nominal payments to regular full time employees will increase from GNF 206,633,800 in 2007, to GNF 264,491,264 in 2008, to GNF 313,670,109 in 2009, to GNF 393,196,571 in 2010, to GNF 492,459,430 in 2011, and to 599,158,973 in 2012.
- C. ENCODI's nominal payments to its indirect laborers will increase from GNF 264,321,612 in 2007, to GNF 465,436,560 in 2008, to GNF 745,898,142 in 2009, to GNF 1,094,056,800 in 2010, to GNF 1,383,704,366 in 2011, and to GNF 1,726,970,328 in 2012.

**VI. Project Outputs**

Through the purchase of specialized construction equipment, management planning and technical training, ENCODI will have increased capacity to win construction contracts and expand its client base as demonstrated by the following:

- A. Total nominal sales revenues generated will increase from GNF 3,304,020,000 in 2007 to GNF 5,638,036,000 in 2008; to GNF 9,090,764,000 in 2009; to GNF 12,720,234,000 in 2010; to 16,149,173,000 in 2011; and to GNF 20,163,880,000 in 2012.
- B. ENCODI will increase its client base from 4 clients in 2007 to 20 clients by the end of the Project
- C. ENCODI will strengthen its fiscal and social responsibility as demonstrated by its compliance with the Re-Investment Commitment Schedule set forth in Appendix A-2 to this Agreement.

**VII. Major Activities to be Financed Under the Agreement**

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

USADF  ENCADI 

**A. PRODUCTION**

ENCODI will undertake certain technology improvements to increase its competitiveness. The Project will finance specialized construction equipment such as a cutting and electric bending machine, a ditching shovel and loader, a mobile concrete mixer, a ten-ton crane equipped dump truck. In addition, Encodi will convert to the use of technical software to improve its ability to prepare accurate tenders, forecast, multi-estimate, and implement on-site execution.

**B. MANAGEMENT**

ENCODI's owner and General Manager will receive marketing and sales training from a local consultant. To better market ENCODI to GAC and other English speaking mining companies, the owner will receive English language training. The Company will hire a marketing salesperson who will be trained in-house by the owner.

**C. OTHER TRAINING AND TECHNICAL ASSISTANCE**

1. Accountant. ENCODI will hire a skilled accountant to maintain its accounting system. The accountant will receive training on computerized accounting and financial systems and processes.
2. General Manager and Finance Director. The General Manager and Finance Director will receive financial management training by a local consultant. The Finance Director will also receive training on computerized internal controls.
3. The management team and board of directors will receive training in good governance.
4. ENCODI's temporary laborers will be provided training on HIV/AIDS by a local non-governmental organization (NGO).

**VIII. Roles and Responsibilities**

ENCODI's management is responsible for ensuring the proper implementation of the Investment. The USADF Partner in Guinea will provide ENCODI with technical and management assistance.

**IX. Monitoring and Evaluation**

The USADF Partner in Guinea will closely monitor the activities of the Investment in order to ensure high quality assurance of the reporting and ensure the implementation plan is followed. Besides tracking general progress of the project, the USADF Partner will 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 Guinea will be an important aspect of the ongoing coaching and advisory service. The USADF Partner in Guinea will review all the Investment's quarterly reports prepared and submitted by ENCODI, and will submit comments and observations to the management of ENCODI as part of the annual project evaluation. The two organizations will jointly design the evaluation process and ENCODI will incorporate the findings of the evaluation into their annual report.