

**APPENDIX A:
PROJECT DESCRIPTION**

**SEQUINA QUININE PRODUCTION PROJECT
GUINEA**

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 “Société d’Exploitation de Quinquina” (SEQUINA) is a private company that processes cinchona bark to produce Totaquina in the form of tablets. As a mixture of cinchona alkaloids, Totaquina is the generic form of an anti-malarial drug, which is particularly needed in the areas where populations are unable to benefit from other anti-malaria drugs due to economic reasons. Malaria constitutes one of the major public health problems in Guinea, and represents the prime cause of medical consultations and hospital admissions. Young children and pregnant women are the most affected. The national policy for malaria control recommends the standardized use of quinine for the treatment of severe malaria.

SEQUINA is the only company in the quinine production sector in Guinea. The company believes it could contribute greatly to the control of malaria in Guinea by re-launching its operations if it acquired the appropriate working capital, production and transportation equipment, and the necessary technical and management capacity.

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

SEQUINA will contribute 400 hectares of land for growing cinchona trees, as well as 300,000 cinchona trees immediately available for processing, the factory and the equipment, the houses for labor, and the technical skills of its members and employees. This total contribution is estimated at GNF 782,299,994.

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IV. Project Goal

The goal of the Project is to generate income and employment with development of the quinine industry in Guinea.

V. Project Purpose

The purpose of the Project is to increase the income of SEQUINA and its employees as measured by the following.

- A. The net profit of SEQUINA increased from GNF 6,866,000 to:
 - GNF 44,650,000 in Year 1
 - GNF 50,397,000 in Year 2
 - GNF 316,834,000 in Year 3
 - GNF 963,264,000 in Year 4
 - GNF 2,318,517,892 in Year 5

- B. Total income paid to employees increased from GNF 0 to:
 - GNF 119,600,000 in Year 1
 - GNF 156,876,000 in Year 2
 - GNF 181,950,000 in Year 3
 - GNF 407,188,000 in Year 4
 - GNF 830,695,000 in Year 5

VI. Outputs

The major outputs of the Project are the expanded production capacity of the company and the improvement of the technical and managerial capacity of its personnel, as indicated by:

- A. Annual volume of cinchona bark produced and processed increased from zero (0) ton to:
 - 7.5 tons in Year 1
 - 11 tons in Year 2
 - 17 tons in Year 3
 - 26 tons in Year 4
 - 41 tons in Year 5

- B. Annual volume of Totaquina produced increased from zero (0) ton to:
 - 0.75 ton in Year 1
 - 1.1 tons in Year 2
 - 1.7 tons in Year 3
 - 2.6 tons in Year 4

4.1 tons in Year 5

- C. Annual volume of quinine tablets (box of 1000 tablets) produced and marketed increased from zero (0) box to:
 - 7,125 boxes in Year 1
 - 9,975 boxes in Year 2
 - 14,963 boxes in Year 3
 - 23,192 boxes in Year 4
 - 37,107 boxes in Year 5
- D. Annual sales of quinine increased from GNF 0 to:
 - GNF 217,350,000 in Year 1
 - GNF 397,913,000 in Year 2
 - GNF 780,611,000 in Year 3
 - GNF 1,580,984,000 in Year 4
 - GNF 3,300,490,000 in Year 5
- E. 27 SEQUINA workers receiving income from the project.
- F. Sound marketing strategy put in place by the end of Year.
- G. Regular and accurate financial statements produced through each year.

VII. ACTIVITIES

A. Quinine Production

Under this project, SEQUINA will continue to grow chinchona trees and to process the bark to produce Totaquina in the form of tablets. At the plantation level, this will require: 1) cleaning and maintaining the existing cinchona plantation, which is 300,000 cinchona trees on 30 ha; 2) establishing 30 ha of new plantations, which includes clearing, plowing, preparation nurseries and seedbed, planting and maintaining; and 3) clearing and maintaining 15 Km of rural roads from Kinadou to Sérédou, as well as 5 Km inside the plantations. At the factory level, this will entail: 1) the refecton of the boiler; 2) the repair of two extractors; 3) the repair of the plumbing and electrical systems, including the replacement of some items; 4) the general refecton of the factory building; 5) general repairs of the houses, including painting and repairing doors and windows; and 6) some equipment. The company will also establish a small laboratory for the analysis of products and the preparation of medicines.

SEQUINA will purchase new production and transportation equipment, including: a mixer; standby generators for the factory, the laboratory and the houses; new engines for the extractors; new equipment for the laboratory; a set of small hand tools; and a truck for liaison activities between the fields and the factory, as well as for general administration activities.

B. Training and Technical Assistance

The implementation of the Project will require highly skilled management and technical personnel. The technical assistance required for the Project consists of a chemist for laboratory analysis and two laboratory technicians. SEQUINA will competitively recruit these personnel. Additional training will be provided to the current technical staff, which includes two agronomists, a plant pathologist, an industrial chemist, and an electro-mechanical engineer.

SEQUINA will contract with a supplier to provide training in bookkeeping, techniques of growing cinchona trees and processing cinchona bark, marketing, financial management, and HIV/AIDS education. A study tour to Pharmakina in the Democratic Republic of Congo is also planned to provide additional training in the areas of production management, quality control, and laboratory operations.

C. Administrative Support

SEQUINA will competitively recruit an accountant, an administrative secretary and a cashier/stock keeper. The applicant for the position of accountant should carry at least three years of experience working with small businesses. He/she will hold a university degree or equivalent training in accounting. His/her responsibilities will include the day-to-day financial management of the company, and he/she will report directly to the General Director. Both the administrative secretary and the cashier/stock keeper will have at least three years of work experience with small enterprises. Additionally, the current General Director will receive supplementary training in financial management.

VIII. Roles and Responsibilities of the Parties

The staff and elected leadership of SEQUINA are responsible for the management and the proper implementation of the Project.

Centre d'Appui au Developpement (CAD), ADF's partner, will provide technical and monitoring assistance and advice during the implementation of the Project.

IX. Monitoring and Evaluation

Within sixty days of the effective date of this Agreement, the Grantee, working with the ADF Partner, will form a monitoring and assessment committee composed of a representative cross-section of the Grantee's organization. The committee will work with the Partner to develop the Project 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.

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