

APPENDIX A

PROJECT DESCRIPTION

Benin Production and Sale of Armand Baby Syrup Project

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

Cooperation Pharmaceutique Biologique et Technique (Copharbiotec) is a limited liability company founded in May 1987. Registered in May 1989 as pharmacy, the core business of this Cotonou based enterprise is the production and sale of pharmaceutical products. The goal of the company is to provide high quality and affordable medicine. When Copharbiotec noticed the diminishing availability of Teyssedre Syrup, an analgesic for infants and children, on the Benin market, it developed a substitute preparation that it named "Sirop Armand".

Currently, Sirop Armand sells well in Benin and in Togo. However, Copharbiotec is not able to meet the current demand for its product, estimated at 6,317,684 bottles per year, due to its lack of working capital. In addition to increasing output, the company needs to improve its packaging and acquire sufficient stocks of raw materials.

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.

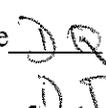
B. Grantee Contribution

Copharbiotec will provide an amount of 27,155,900 FCFA to supplement ADF's contribution for the construction of a manufacturing plant.

IV. Project Goal

The goal of the Project is to produce and sell locally made, affordable, and high quality pediatric medicine.

V. Project Purpose

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The purpose is to increase the incomes of the enterprise and its employees.

- A. Copharbiotec's net profit will increase from 4,793,801 FCFA to
- 1,867,651 F CFA in Year I,
 - 34,017,510 CFA in Year II,
 - 51,832,074 CFA in Year III,
 - 66,842,868 CFA in Year IV,
 - 67,809,488 CFA in Year V.
- B. Copharbiotec employees' average annual incomes will increase from 1,226,144 CFA to:
- 11,470,000 CFA in Year I to:
 - 23,885,000 CFA by Year II,
 - 25,079,250 CFA by Year III,
 - 25,079,250 CFA by Year IV, and
 - 26,333,213 CFA by Year V.

VI. Project Outputs

The Project will generate the following major outputs in order to attain the Project's purpose.

- A. Sirop Armand production facility
- Annual sirop production will increase from 27,000 bottles to 27,000 bottles in Year I, 135,000 bottles in Year II, 198,800 bottles in Year III, 249,750 bottles in Year IV and 255,000 bottles in Year V.
- B. Well articulated marketing plan is set up through a network of:
- wholesalers who buy from the manufacturer (Copharbiotec);
 - retailers (private drugstores, pharmaceutical depots, private and public health formations) who serve the product to the consumer customers;
 - consultants and advisers (physicians and health agents, chemists);
 - medical representatives who inform directly the consultants and the advisers on the product's existence, performances and conditions of access; and
 - consumer customers.

VII. Major Activities to be Financed Under the Agreement

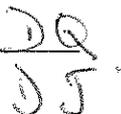
A. Production Unit

Copharbiotec will construct and equip a production plant. The new unit will enable Copharbiotec to have better control over the quality of its product and to improve product

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presentation. ADF will fund most of the construction cost. The Grantee, with assistance from the ADF Partner, will award the construction contract on the basis of full and open competition. The contract will clearly state the payment terms. The Grantee will hold back 10 percent of the contract price until one year after the construction has been completed. The Grantee will fund the services of an architect to design the facility. The ADF Representative will select a construction inspector. The procurement of the equipment will follow the procedures for full and open competition. In addition, ADF will provide the Grantee funds to purchase the initial stock of raw materials and packaging materials.

B. Marketing

Copharbiotec will adopt an aggressive marketing strategy. It will retain a consultant to assist in launching a marketing campaign. Copharbiotec's primary markets are in Benin and Togo. Copharbiotec's agents in these countries will routinely contact doctors and other health professionals in hospitals, clinics, and health centers with offers of price discounts. The agents will distribute handbills and product samples.

C. Training and Technical Assistance

Copharbiotec will recruit and train an accountant to provide full-time, on-site assistance needed to meet ADF's reporting, financial management, and procurement requirements.

VIII. Roles and Responsibilities of the Parties

Copharbiotec is responsible for ensuring the proper management and implementation of the Project. Copharbiotec will hire an accountant to oversee the day-to-day activities of the Project. The ADF Partner in Benin, the Association pour l'Intermediation et le Developpement (AID), will provide Copharbiotec technical and management assistance 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 provide the Partner input for 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. The Grantee and the Partner will specifically monitor production costs, market conditions, and product pricing to ensure that the product price is appropriate to cover production and overhead costs.

X. Other Implementation Issues

Copharbiotec will establish three bank accounts:

- an account to manage the reinvestment funds;
- an account to receive ADF funds; and
- a current account.

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