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INFORMATION
COOPERATION-DEVELOPMENT

A REGIONAL COOPERATION PROJECT: the CIMAO clinker plant[1]

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Regional cooperation is without doubt one of the surest routes to industrialization for developing countries. It was this which led the Governments of Togo, Ghana and the Ivory Coast to go beyond mere declarations of good intentions and take the practical step of devising a vast industrial project: to construct a clinker plant for the CIMAO (Société des Ciments d'Afrique de l'Ouest - West African Cement Company).

This special project required an original method of financing: eight providers of funds agreed to help cover the estimated costs of 249.38 million EUA. One source of finance is the European Development Fund (EDF), a European Community instrument made available to the African, Caribbean and Pacific States under the ACP-EEC Convention of Lomé. One of the prime objectives of the EDF is to promote the financing of projects jointly undertaken by a number of ACP States.

The plant, which will have an annual capacity of 1.2 million tonnes, will be situated at Tabligbo in Togo near the Sika Kondji limestone deposits.

The project also includes the relevant infrastructure works: connection to the electricity supply, the construction of an unloading terminal at the port of Lomé, a rail link and an industrial housing estate.

For the Governments of Togo, Ghana and the Ivory Coast - the principal shareholders in CIMAO - this investment is a model for regional industrial cooperation, which will enable local needs to be satisfied from local resources. This aspect of the project conforms perfectly to the aims of the Economic Community of West African States (ECOWAS).

[1] Clinker = the product of one of the stages in the manufacture of cement.

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The EDF financial support takes the form of a loan on special terms of 18 million EUA. In addition to the capital provided by the CIMAO and the Togolese Government, the necessary funds will be supplied by the European Investment Bank (EIB), the International Bank for Reconstruction and Development (IBRD), the African Development Bank (ADB), the Arab Bank for Economic Development in Africa (ABEDIA) and in the form of Canadian, French and German bilateral aid.

The reconciling of different national outlooks

This project is the first of its kind and size in West Africa. Its framework was prepared in 1975 by the three Heads of State concerned, the three main features of the agreement being that: when completed, the project should provide all the clinker required by the three countries concerned; other African countries should be free to participate; the plant staff should be recruited from any of the three countries concerned.

This first step was of great significance, since it meant reconciling differences in thinking and custom. In this context, Ghana and the Ivory Coast agreed to allow Togo to profit more than themselves from the project in terms of employment and external trade. However, the main aim of the project is to provide the three countries with a central source of clinker supply: the new plant will meet between 50% and 60% of their needs from 1981 (1.2 million t out of between 2 and 2.3 million t).

The success of an undertaking of this kind depends on two things: the raw materials being close at hand and a sufficiently high foreseeable level of consumption.

The deposits between Sika Kondji and Tabligbo, 65 km north-east of Lomé, contain the three types of raw materials - limestone, clay and sand - needed to manufacture clinker. Quantities are sufficient to supply a 1.2 million t capacity plant for 90 years.

Electrical energy will be supplied by the CEB (Compagnie Electrique du Benin), a regional body set up in 1968 by Togo and Benin, which buys from the VRA (Volta River Authority) energy produced by the hydro-electric station at Akosombo in Ghana. The VRA will eventually have a further hydro-electric station at its disposal with the construction of the Kpong Dam - a project that is also being financed by the EDF and EIB and by Arab and Canadian providers of funds.

The fuel - i.e. heavy fuel - will account for 50% of production costs and will be supplied by a refinery currently under construction near Lomé.

Outlets: these will be the markets of the three countries concerned, which are at the moment totally dependent on imports - from Norway, the United Kingdom, Germany, France and Spain. At the present time, local clinker production in the whole of West Africa represents only 1.6 million t (37%) out of a total consumption of some 4.3 million t in 1974. Consumption in Togo, Ghana and the Ivory Coast increased at an annual rate of 5.5% between 1960 and 1975, rising from 650 000 t to 1 464 000 t. Between now and 1981, consumption should grow at an annual rate of between 6% and 8%, so rising to between 2.1 and 2.4 million t.

CEMENT CONSUMPTION (' 000 t)

	1960	1975	1981
TOGO	40	150	194 - 230
IVORY COAST	150	650	1 146 - 1 318
GHANA	466	664	725 - 825
TOTAL	656	1 464	2 065 - 2 373

A two-part project

The new plant will belong to the CIMAO and the accompanying infrastructure to the Togolese State.

The plant will be brought into production at the following rate: 250 000 t in 1979, 900 000 t in 1980 and 1.2 million t in 1981 (the first year of full operation). It will be possible at a later stage to increase this capacity by 50%.

The project is in two parts: the first comprises the construction of the plant and the equipment for exploiting the deposits; the second covers the accompanying infrastructure. As the plant is 65 km from Lomé, the following infrastructure works are necessary:

(a) connecting electricity supplies;
(b) the construction of a terminal at the port of Lomé for storing and handling clinker to be sent to the Ivory Coast and Ghana;
(c) the provision of a rail link and the improvement of the existing network;
(d) the construction of a housing estate near the plant to house staff who do not come from existing villages.

It should also be noted that measures will be taken to protect the environment and health. In particular, 50 ha of land will be planted with trees. A breakdown of the cost of the whole operation is given below:

INVESTMENT COSTS (million EUA)

A. Plant		193.17
B. Infrastructure:		
Connecting electricity	2.19	
Railway	18.56	
Terminal at port of Lomé	13.86	
Housing	3.28	
Contingency and price increases	17.09	
Interest during construction	1.23	56.21
Total cost of the project:		249.38

The project has been so designed that the selling price of the clinker should be 30.6 EUA per tonne in 1979, 1980 and 1981, and 28.7 EUA per tonne thereafter.

Self-financing and co-financing

The consortium of financers for the CIMAO project was formed at meetings in Paris in July 1975 and January 1976. The company itself agreed to provide 52.68 million EUA of the capital and the Togolese Government 1.23 million EUA (see Annex).

The EDF aid will go to finance part of the railway infrastructure and the housing. The EIB, the IBRD and French bilateral aid will together co-finance the plant equipment through loans to the CIMAO. A further interesting and original feature is that these three sources will also provide loans for the three Governments to enable them to buy preferential shares in the CIMAO.

PROVISIONAL FINANCING PLAN

SOURCES OF FINANCING	Million EUA	REMARKS
Togolese Government	1.23	
CIMAO's own capital	52.68	
International Bank for Reconstruction and Development	52.68	Loan to CIMAO: 43.46 million EUA at 10% over 15 years with a 5-year grace period Loan to the Governments: 9.22 million EUA at 8.85% over 15 years with a 5-year grace period
African Development Bank	13.87	Loan at 10% over 15 years with a 5-year grace period
Arab Bank for Economic Development in Africa	8.78	Loan at 6.75% over 25 years with a 5-year grace period
European Investment Bank	25.93	Loans to CIMAO: 5.93 million EUA at 9.5% over 15 years with a 5-year grace period 14 million EUA at 6.75% over 14.5 years with a grace period of 4.5 years Loans to the Governments: 6 million EUA at 2% and 6% over 20 years with a 14-year grace period
Canadian International Development Agency	11.71	Loan at 0% over 50 years with a 10-year grace period
Caisse Centrale de Coopération Economique	16.22	Loan to CIMAO: 8.78 million EUA at 6.5% over 15 years with a 5-year grace period Loan to the Governments: 7.44 million EUA at market terms
Federal Republic of Germany	20.10	Loan to Governments at 2% over 30 years with a 10-year grace period
European Development Fund	18	Loan at 1% over 40 years with a 10-year grace period
Credit from suppliers	28.18	Loans at between 7.5% and 8.5% over 11 years with a grace period of 3.5 years
Total	249.38	