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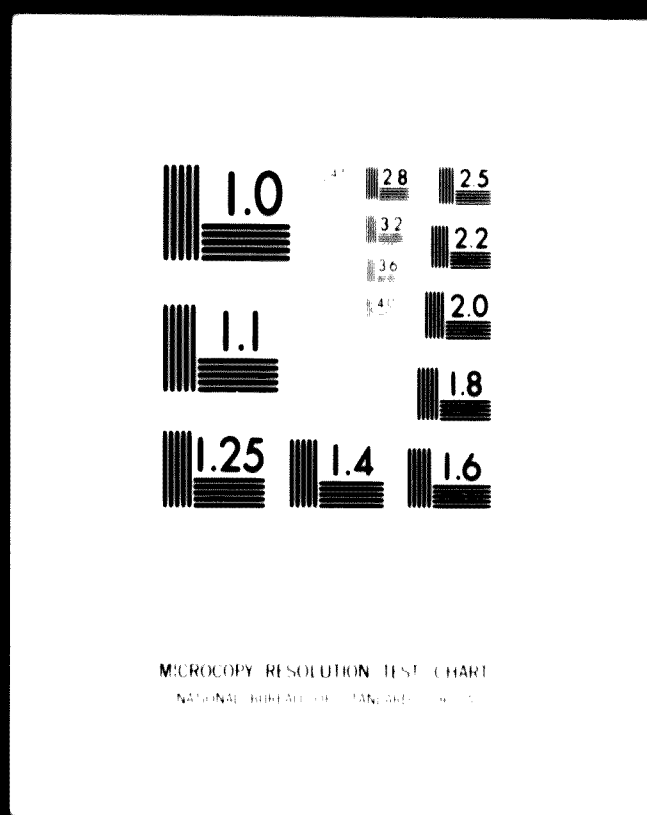
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United Nations Industrial Development Organization

PROJECT INFORMATION SHEET

CHA-04-71

THIRD AFRICAN MEETING TO PROMOTE
INDUSTRIAL PROJECTS 1/

ABIDJAN, IVORY COAST, 24 November - 1 December 1971



WIRE DRAWING

| | |
|-------------------------------|---|
| COUNTRY | Republic of Ghana |
| PROJECT | A plant for the drawing of steel wire Investment: US\$ 629,000 Capacity : 3,000 tons/year |
| FOREIGN CONTRIBUTION REQUIRED | - Equity - Loan - Technical know-how - Management |

1/ Sponsored by: The African Development Bank (ADB)
The Economic Commission for Africa (ECA)
The United Nations Industrial Development Organization
(UNIDO).

IMPORTANT NOTICE

The basic purpose of this meeting is to provide an Exchange or Market Place for the initiation of contacts on specific industrial projects between their proponents from the African countries and potential suppliers of capital, finance, equipment or know-how, as the case may be, from the industrialized countries.

This Project Information Sheet has been prepared as a basis for such contacts. Its purpose is not to present detailed information about the project but to provide the recipient with an outline sufficient to determine tentative interest in principle. Any further available information on the project will be furnished on request to interested parties at the Meeting.

Experience has shown that industrialists frequently prefer to carry out their own further investigations in detail into projects in which they are interested, but assistance from UNIDO in these matters can be rendered to the African country concerned on request.

This Information Sheet contains only the information supplied to UNIDO by the proponent of the Project. UNIDO can therefore take no responsibility for its accuracy.

WIRE DRAWING

I. THE PROJECT

The largest part of the production of the proposed wire-drawing plant would be the drawing of mild steel wire measuring BWG 3 - BWG 19 for the production of nails. There would also be facilities for production of galvanized wire (BWG 3 - BWG 23) for wire netting and of wire as starting material for the local production of wooden screws.

The project would complement the existing steel industry installations in the country. Its products would cover the domestic demand, substituting for import.

II. COMMERCIAL ASPECTS OF THE PROJECT

No steel wire is produced at present. Ghana imports about 2,000 tons per year of mild steel wire, mostly for the three existing nail factories. There is also a demand of about 500 tons of galvanized wire per year, which would increase to more than 1,000 tons if the existing capacity for a local production of wire netting were fully utilized. Moreover, 80 to 100 tons per year of wire are needed as starting material for the local production of wood screws. With the inclusion of galvanized steel, the total annual demand for mild steel amounts, therefore, to about 3,000 tons.

The landed price of steel wire is, at present, about US\$ 194 per ton. The proposed ex-factory price of the comparable product would be \$204 per ton.

III. PHYSICAL ASPECTS

The plant would be located either at the capital city of Accra or at the nearby main port and industrial center of Tema, where rail and road transportation and all utilities required are easily available. It might be practical to locate the proposed plant in the immediate vicinity of one of the two existing rolling mills.

The capacity of the plant would be 3,000 tons of mild steel wire per year in one shift*. There would also be, perhaps in a second stage, galvanizing of about 500 tons of mild steel wire.

Rolled wire as the basic raw material for the production of wire would either be imported or obtained from the Tema Steel Works.

* For both economic and technical reasons it might be advisable to consider a three shift operation.

About 25 persons would be employed, some of them would require training. In view of the existence of a steel industry in the country, there would be no difficulty in finding at least semi-qualified workers.

The price of water, at the proposed, alternative locations, is US\$ 0.90 per 1000 gallons. Power rates depend on volume of consumption but are, generally, low - the source being a large hydro-power installation.

IV. ECONOMIC ASPECTS

The investment per person employed in the production process would be about \$ 25,000, higher than the present investment costs for medium-size industrial projects of the metal industry in Ghana, which fluctuate between \$ 10,000 and \$ 20,000 per employed person. The value added of the proposed project per worker would be almost \$ 6,000, whereas the corresponding rates in the Ghanaian metal industry amount to less than \$ 3,000.

As import substitution the project fits well into the Government's investment priorities. The Government would grant it a number of investment incentives which, however, can only be given after a feasibility study had been prepared.

V. FINANCIAL ASPECTS

1. Composition of Investment (rough estimates - in US\$)

| | <u>Local Cost</u> | <u>Foreign Exchange</u> | <u>Total</u> |
|------------------------------|-------------------|-------------------------|----------------|
| a) Pre-investment costs | 15,000 | 15,300 | 30,300 |
| b) Assets: | | | |
| Land + Building | 30,000 | 10,000 | 40,000 |
| Machinery | 15,000 | 413,000 | 428,000 |
| c) Estimated working capital | 65,000 | 65,700 | 130,700 |
| Total | <u>125,000</u> | <u>504,000</u> | <u>629,000</u> |

2. Proposed Financing Plan:

A detailed financing plan has not been worked out yet. It can be assumed that the desired foreign contribution should correspond to the

foreign exchange cost of the investment. Its repartition between equity and loan capital is left to negotiations. Majority holdings of equity by a foreign investor would, apparently, be acceptable. The proposed legal structure would be that of a private limited liability company.

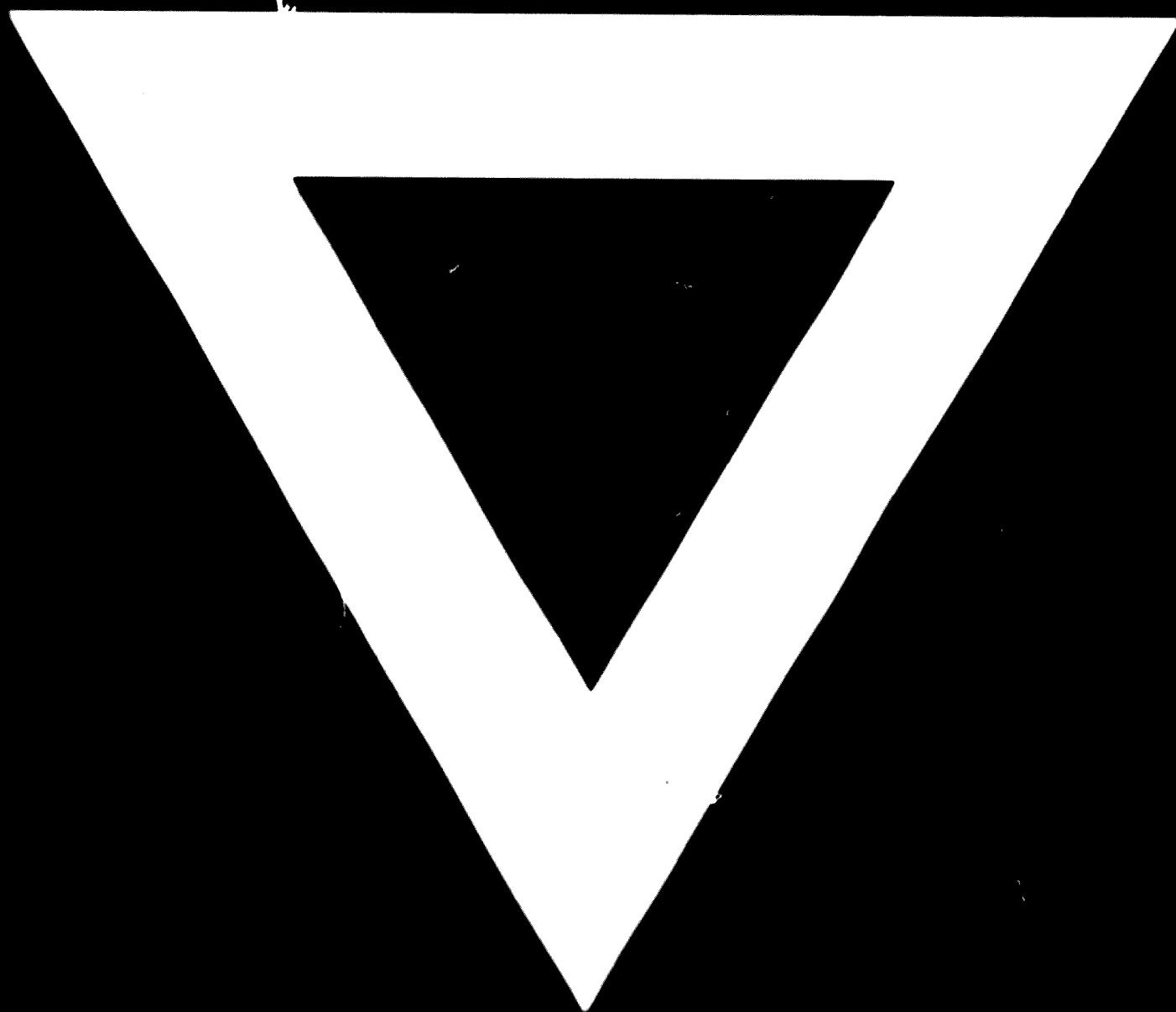
VI. ADDITIONAL RELEVANT INFORMATION

The project is presented by the
National Investment Bank of Ghana
P.O. Box 3726, Accra, Ghana.

A pre-feasibility study of the project is available. A feasibility study must be prepared.



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