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Operation No.: 2013-0514

PROJECT COMPLETION REPORT

EUROPAC INDUSTRIAL PACKAGING PLANT IN TANGIER

MOROCCO

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Scope

The project's objective was to develop a cardboard packaging plant, to relocate an existing plant and equipment from temporary premises to a new factory to be constructed and to install, commission and operate a corrugator and three additional converting lines. The plant was planned to relocate to the Tangier Automotive City industrial zone, close to Tangiers, Morocco.

The proposed project was expected to transform imported papers, supplied in bulk on large bobbins. In order to create a continuous corrugated board, an inner corrugated sheet being glued with two layers (one on each side). Multiple layers of corrugation and paper are used to create multiple laminations. The type and quality of the papers used, the degree of corrugation and the number of laminations vary to produce a wide range of strengths and weights depending on the characteristics required by each client. The board material is then cut and folded to suit the required final geometrical product, before being printed in up to six colours depending on the client's specifications. While the company can produce simple, standard, cardboard boxes, the integration which combines in-house packaging design expertise and the flexibility of the plant and equipment to be installed, means that the company has the capacity to manufacture high value packaging products with a high engineering content.

The factory was planned to be owned and operated by a 100% subsidiary of the Europac Group and be located on an existing industrial zone, with direct truck road access and proximity to the country's main port. The zone is well managed and had already in place power, water, waste and ICT infrastructures along with good roads and boundaries.

The project scope included:

- Site area of 32 778 m²;
- Factory area of 19 667 m² net including warehousing and offices;
- Corrugating line;
- Packaging board line: Nominal 11 million m² of packaging per annum, single shift operation;
- Waste water treatment facilities;
- Combined Heat and Power (CHP) plant.

Once the factory was built, it would have a significant scope for expansion, with additional lines planned for installation in years 2, 3 and 5.

Promoter's name: *PAPELES Y CARTONES DE EUROPA SA (Moroccan subsidiary Med Packaging SàRL.)*
Link to Website: [*www.europacgroup.com*](http://www.europacgroup.com)

Cost and Schedule

The initial scheduled implementation period was for 2 years and 4 months (March 2013- June 2015), but the project implementation period was extended to 2017 due to a change in the technical design in addition to the fact that the originally planned period for implementation turned out to be insufficient. Europac informed the Bank in June 2017, that they were selling their subsidiary (Med Packaging SàRL) to the company 'International Paper'[1].

The project investment costs (PIC) were planned at EUR 30.93 m with an EIB contribution of EUR 10 m. The realized project investment costs (PIC) were EUR 33 million (see table 1) and the EIB loan was EUR 10 million (30.3 % of that total cost). The full loan of EUR 10 million has been repaid.

As of today, most of the targets (according to the adjusted plan) were achieved within the budget (Table 1) and within the timeline (Table 2) except some minor spill-overs of investment costs among the sub-components. Reasons for delays and adjusted budgets were (i) a change in the structure's design from prefabricated concrete to metallic structure, (ii) higher wind speed (up to 180 km/h) at the selected location, affecting technical calculations, design and materials, (iii) changes in the engineering design to consider additional local requirements and (iv) complex weather conditions with intensive high speed wind during the construction phase.

[1] *International Paper is* one of the world's leading producers of fiber-based packaging, pulp and paper, with 52 000 employees operating in 24 countries

Table 1: Planned and realized project costs

Item	Planned million EUR	Percentage	Realized million EUR (14/12/2017)	Percentage realized vs plan
Land	2.0	8%	2.4	120%
Project development & management	0.890	3%		0%
Building & civil works	7.0	26%	11.6	166%
Corrugator, Plant and equipment	16.75	63%	18.1	108%
Furniture and data processing			0.9	
Project base costs	26.64		33.00	
Contingencies	4.293			
Total project costs	30.933	100%	33.00	107%

Table 2: Project implementation calendar planned and realized

Item	Planned date	Realized date
Start of factory construction	04/2014	07/2014
Completion of construction	12/2014	08/2015
Commissioning of plant	06/2015	11/2015

Performance

Ownership change

On 20 January 2016 *The Europac Group (Papeles y Cartones de Europa S.A.*) inaugurated Europac Packaging Med, a new integrated packaging factory in Tangier, Morocco. In June 2017 the company was sold to the company “International Paper”.

Contribution to EU policy

Morocco was an important market for the company, and for EIB financing for two reasons: (i) the GDP growth rate in Morocco was estimated at 5% in 2016, a figure much higher than the European average and (ii) 50% of the Moroccan GDP came from the industrial and agribusiness sectors; where the majority of the packaging customers were concentrated.

Therefore, even after disposal of the project by the promoter to an US company, the proposed operation supported the key objective of private sector development (EIB public policy objective) as follows:

- By supporting a private sector investor to bring Direct Foreign Investment to the country (within ELM-MED mandate) with the aim of increasing its local value added;
- The project addressed imperfect financial market circumstances caused by the economic lifetime of the project exceeding the tenor of loans that are typically available on domestic capital markets;
- Indirectly through the better availability of tailored packaging to a range of exporting companies, particularly SMEs, in a variety of sectors across the country;
- The project has also contributed directly to the national industrial strategy formulated in the *Pacte national pour l'émergence industrielle*. It is also seen as a positive outcome of the priority set by the EU - Morocco partnership to develop an environment conducive to foreign direct investment, economic modernization and growth.

Project Outputs

An automatic “Fosber” corrugator has been placed in addition to a packaging line (i.e. two case makers, one rapid box - heavy duty -, one Martin Dro rotary die cutter, one Bobst flat die cutter, six platform erection machines). The total nominal capacity for line 1, corrugated paper, is of 45 million m² corrugated papers (based on 3 shifts). The anticipated realized volume in 2018 is 35 million m², based on 3 shifts, which is 78 % of the nominal capacity. Line 2, the packaging line achieved 26 million m², which is 79% of the nominal capacity (33 million m²).

Table 3: Technical Specifications planned and realized

Item	Planned	Realized	Realized production
Site surface	32 778 m²	32 703 m²	NA
Factory surface: including ware housing and offices	19 667 m²	14 500 m²	NA
Fosber Corrugator	yes	yes	NA
Production capacity (for corrugated paper line) [SECTOR: Manufacture of pulp, paper; publishing and printing]	30 million m²/year	45 million m²/year	Projected volume April 2018 35 million m² (3 shifts)
Packaging line: packaging per annum,	Nominal 11 million m² in single shift operation	33 million m² when using three shifts	Volume year 2016, 15 million m²; Volume year 2017 22 million m² (based on 2 shifts) Projected volume 12 months starting April 2017, 26 million m².
Waste water facilities	Yes	Yes	NA
CHP Plant	Yes	Yes	NA

The reported employment new jobs due to the project are estimated at 144 jobs Full Time Equivalent, versus an expected number of 115. The employment generated during construction was not reported. There has been no negative impact on the environment reported. The site has a total area of 3.3 ha and forms part of the first 50 ha phase of a large-scale industrial zone near Tangiers, the so-called “Tanger Automotive City (TAC)”. The fully serviced site is being acquired from a special purpose government agency, which created the zone following an EIA in accordance with national law. There are no residential areas nearby the industrial zone. Based on the completion report provided by the promotor: (i) all EU standards of health and safety are applied to the new plant (all internal procedures of the parent company EUROPAC Spain are applied); (ii) the project has no relevant incidence reported, nor any legal actions reported against it.

EIB Involvement

There were no monitoring missions planned or undertaken. A Project Completion Report was received by the EIB in 2018. Since the beginning of the project, Europac has changed ownership, however, the new owners have made all efforts to fulfil the reporting requirements.

ESCS

The Environmental and Social Completion Sheet (ESCS) has been published separately.

Promoter’s Optional Final Comment

N/A