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Recd 7/11/90

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REPORT

FOR

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANISATION

regarding a work assignment to:-

"Negotiate with potential groups of British banks and industrial firms for them to make a firm commitment to bear 1/3rd of the opening and operating cost of the proposed UNIDO Investment Promotion Service in London".

By A.G.B. Young
October 1990

UNIDO Reference:-
CLT 89/397

For signature of...

A. Result

- 1) It was not possible to secure agreement in principle from companies contacted to ensure an adequate level of funding for UNIDO to proceed with the proposed IPS London Office.
- 2) Within UK at "Senior" level there does not appear to be strong support for such an office of the Investment Promotion Service of UNIDO in London at this time.

It is possible that this result is due to some or all of the factors mentioned below

B. Background

During 1989 the writer of the Report suggested that it would be most desirable for the Director General and Director Industrial Investment Division of UNIDO to make certain calls etc in London to prepare the way for fund raising. Those preliminary steps which were proposed are set out in Appendix I. It was not felt appropriate to adopt this approach.

Subsequently an Assignment was given to the writer in the terms set out on the Cover of this Report.

C. Methodology

It was decided to conduct a survey in five (5) stages namely -

- 1) To make contact informally with persons at Board or Senior Management level having responsibility for corporate development/overseas sales in target companies to ascertain their interest in principle and for supporting UNIDO's intent within their organisations, later
- 2) To write personally to the Chairman and/or Chief Executives of those Target Companies requesting that the companies should agree to:-
 - a) Sponsor the proposals by providing a measure of funding
 - b) Participate in UNIDO's on-going endeavours from UK by actively giving advice and co-operation to the London IPS Office and
 - c) Meet with officials of UNIDO to refine arrangements for the proposed London Office

Copies of the letter written to those Chairman and/or Chief Executives and despatched with certain background information are attached as Appendices II and III

- 3) Evaluate the responses to the enquiries sent out as mentioned in paragraph (2) above
- 4) Meet with companies as appropriate to clarify points of detail/further discuss the project and

- 5) Contact informally certain of those companies which responded negatively to ascertain the reason(s) for their lack of interest.

D) Steps undertaken

- 1) Initially as Stage 1. informal contact was made with twenty six (26) executives in companies subsequently formally contacted. These approaches confirmed that most "Line" executives contacted would support but Boards/Committees might prove difficult to convince for variety of reasons (see Section E below)
- 2) As Stage 2. Letters as mentioned in paragraph C.2 above were sent out. The response rate (shown in brackets) was

Industrial Companies 44 letters (39)

Major Commercial Banks 6 (6)

Management Consultancy Firms 14 (9)

A list of these organisations written to is attached as Appendix IV

- 3) The responses mentioned in paragraph (2) above were analysed as Stage 3. Some interpretation of these responses was necessary and a number made various points. An analysis of the replies is attached as Appendix V. Copies of certain selected responses comprise Appendix VI.
- 4) Meetings/contacts were made with 10 organisations to answer questions and provide more information
- 5) Subsequently, contact was made with 12 plus organisations to probe reasons for their lack of interest and to follow up generally.

E. Possible Reasons for Lack of Interest

The views expressed below by the Writer are based on comments made to him by Respondents, an appraisal of the economic climate prevailing in UK in early 1990 and the outlook for the medium term as perceived by certain UK companies/economic experts at that time and now.

Factors influencing the decision not to support were given as:-

- 1) "Limited Resources for Sponsorship/Charity".

In recent years greatly increased calls for sponsorship/charity are being received by UK companies partially as a result of H.M. Governments widespread cutbacks in financing of certain areas of activity. Greater competition for funds has resulted in firms seeking very visible positive benefit for such sponsorship as they agree to provide. The funding of a joint UK Government/UN Agency Joint Operation providing a service in lesser developed countries does not appear to command a high priority.

- 2) "Interesting but little to offer" or "we do it better ourselves" etc. Numerous UK firms have overseas operations and, once these are set up, they and not outside agencies are expected to produce results for

the company. Historically certain UK based companies have had good global coverage, numerous others believe they have such but in practice their coverage is not as good as they believe. Nevertheless these companies are disinclined to spend more to secure access to opportunities/information.

One or two companies considered that competitors only might benefit from their support.

3) Economic/Political Climate

- a) Certain companies felt that H.M. Government should support the establishment of a UNIDO, IPS Office alone and that this would benefit a spectrum of UK commercial interests. They themselves did not need the Office and/or nor did they wish to be the "Junior Partner" in a "limited time" venture with Government. They felt they would have little or no control over the activities of the Office even if their sponsorship was meaningful in financial terms.
- b) In January 1990, many UK firms were pre-occupied with developments in Eastern Europe and the run up to the Single Market in Europe in 1992. Also high interest rates were in force in UK with a serious depressant effect on the economy already being experienced. The US economy was considered to be in trouble. For all these reasons, it seems management were reluctant to enter into fresh medium term financial commitments unless shown a direct short-term prospect of a good return.
- c) UK companies were tending to distance themselves from the activities of Central Government and it appears to be UK Government Policy to provide less support to Industry and Commerce for overseas operations. The Overseas Development Administration and Department of Trade and Industry (both of which would play a role in the funding of the London IPS Office) were not held in highest regard universally. Therefore there was some reluctance to become financially involved in a venture with them.

4) Perception of UNIDO

- a) Many Senior persons in UK industry and commerce as a rule do not have a clear perception of UNIDO as it now functions or its role in the overall scheme of things. Certain key organisations have rather negative views based on historic performance which have not been corrected by the supply of recent positive information;
- b) Certain companies did not consider it likely that a UK office would give them access to any more meaningful information that does their existing contact with Vienna;
- c) A number of companies believed that such organisations as the Confederation of British Industry, Chambers of Commerce and H.M. Diplomatic Service (Commercial Officers) gave good access to investment opportunities etc already;

5) Structure of UK Organisations

At Main Board level in many UK organisations it is still quite normal to find that the majority of Directors are somewhat inward looking and relatively inexperienced internationally. This means that those concerned with international operations - particularly these with responsibility for dealings with less developed countries have an uphill struggle to convince their colleagues that "investment" or "expenditure" in such countries is overall beneficial. Risk is perceived as higher and return likely to be lower. It is felt that with resources limited both in cash and human terms, companies should concentrate on the opportunities presenting in "safer" economies. UNIDO is perceived to be most active in areas considered as being "high risk".

6) Sponsorship v Charity

Many firms now have committees that consider requests. "Visibility" for giving and "positive benefit" to the donor are sought. This delays and blurs the process of agreeing to such requests. Certain companies (including some of those contacted) consider requests for assistance only at one meeting per year and have lengthy forward commitments for their limited designated funds.

To be one of a lengthy list of sponsors is not generally considered to be valuable publicity.

A.G.B. Young

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For Discussion

UNIDO - INVESTMENT PROMOTION SERVICE

POSSIBLE STEPS TO BE TAKEN TOWARDS SETTING UP A LONDON OFFICE.

A) Preliminary

- 1) Establish contact with UK Mission to UNIDO to agree course of action to be taken (for which suggestions follow) - 13th April.

B) Stage 1.

2) Calls on -

- a) UK Minister of State at Overseas Development Administration (Mr. Christopher Patten) and also possibly in addition on
- b) UK Minister for Trade Dept. of Trade and Industry (Mr. Alan Clark)

by either Director General or Director Industrial Investment Division.

Purpose

To explain UNIDO's activities in investment promotion, describe success of existing IPS offices, re-state UNIDO's wish to have UK Office and secure agreement and support of Ministers and senior concerned officials for UNIDO's program for involving UK private sector as described below.

Also, if not agreed previously, the of form linkage between UNIDO, HMA; and UK Private Sector should also be discussed with particular reference to

- i) Funding
- ii) Periodic Reporting

At same time or subsequently as deemed appropriate, calls to be made on:-

- c) Confederation of British Industry
(President - Sir Trevor Holdsworth)
Director General - Mr. John Banham
Dep. Dir. Gen. - Mr. Ken Edwards
Head of International Affairs Directorate - Mr. John Skate
- d) British Consultants Bureau
(President - HRH. The Duke of Gloucester)
Chairman - (Mr. C.M. Mitchell)
Director - (Maj. Gen. A. Boam)
- e) Associated British Chambers of Commerce
President (Sir James Ackers)
Chairman (Mr. Roger Burman)
Director General (Mr. Ron Taylor)

- f) London Chamber of Commerce and Industry
President (Sir Hugh Cubitt) or Chairman of Council
(Mr. Christopher Stewart-Smith)
Director (Mr. A. Platt)
Selected Representatives of Organisations based at the
Chamber

Purpose

To solicit the active support of the private sector for a London Office of the IPS and arrange for an appropriate submission(s) for funding to be made to the Overseas Project Board of Dept. of Trade and Industry which is the competent authority to approve the DTI tranche of funds.

Timing of calls to be agreed but suggest May.

It is suggested that on the day(s) on which calls are paid in London, a small luncheon should be arranged to which would be invited 3-4 senior businessmen for example, the Chairman of the Overseas Project Board - Mr. Alan Gormley.

C) Stage 2.

- 3) Following soon after the UK calls as above.
Director General to write to senior persons in UK commerce and industry (list to be prepared)

Letter to cover the following points -

- 1) Advise of UNIDO's IPS and existence of successful offices in named countries
- 2) State UNIDO's wish to open in UK and expected benefits to that country and its commerce
- 3) Refer to support of HMG and its wish to see private sector actively involved in the project
- 4) Solicit financial support in principle of addressees organisation
- 5) Invite addressee or a representative to a meeting in London to receive more details
- 6) Advise that UNIDO intends to work closely with industry and is considering mechanisms therefor - possibly an Advisory Council
- 7) Refer interim questions to ? A.G.B. Young

Timing June (weeks 2-3 not 4) or July

D) Stage 3.

- 4) Agreement to fund part cost to be sought from Overseas Project Board of D.T.I.

5) Funding agreed in principle

Timing - June

E) Stage 4.

6) Appoint staff/locate premises etc

Timing August/Sept.

F) Stage 5.

7) Formal opening

Timing - October

significant portion of its annual operating cost. However it wishes to see active private sector involvement in the project through the provision of a portion of the necessary funding and in other ways including the setting up of an Advisory Council.

As I have been involved in furthering North/South co-operation for some years and in the discussions between the U.K. Government and UNIDO, I have been requested by the latter to approach a relatively small number of organisations to ascertain if in principle they would agree to participate in the setting up of an Office of the IPS in London by providing a part of the funding required for a three year trial period. In all approximately £150,000 p.a. needs to be raised with the Government providing the balance of approximately £300,000 p.a.

The intention is to hold a meeting or series of meetings in March at which potential sponsors can meet senior officials from UNIDO. The attached short paper sets out certain relevant information regarding the project but you may well have additional questions which I shall be happy to try to answer in the meantime.

At this stage an expression of your organisation's agreement in principle to sponsor and an indication of the likely amount would greatly assist planning. I hope you will agree to join in this important work.

A.G.B. Young

U.N.I.D.O. INVESTMENT PROMOTION SERVICE
ESTABLISHMENT OF A LONDON OFFICE

A. Background Information

United Nations Industrial Development Organisation has offices providing a range of Investment Promotion Services in a number of major cities.*

It is considered that London as an important international financial centre with close ties to British commerce and with its long tradition and experience of operations in underdeveloped countries is a natural location for such an office whose role and the benefits its establishment would bring are outlined below.

B. Role of the proposed office

The Investment Promotion Service is set up to help promote industrial co-operation projects in developing countries which require know-how and/or capital and which are suitable for the participation of foreign firms through capital investment, joint ventures, licensing or other forms of technology transfer, limited-time partnerships and any other form of co-operation. Projects may be the establishment of new or the expansion of existing enterprises in any industrial sector. They should be economically attractive and correspond to the objectives and priorities of all concerned interested parties.

The proposed London office of the I.P.S. would act as link between the developing country and its nationals seeking investment or the transfer of technology and those within the United Kingdom's industrial commercial and financial communities able and prepared to respond. To do this, the London Office would function as follows.

* Cologne, Milan, Paris, Seoul, Tokyo, Vienna, Warsaw, Washington D.C. and Zurich.

Functions of London Office

Using the latest information transfer techniques the Office would

- link UNIDO's effort in developing countries to identify and formulate investment proposals with potentially interested parties in the UK; for which purpose it would inter alia
- set up and maintain a database of competent and interested UK entrepreneurs and institutions and
- maintain up to date information on investment opportunities, benefits, regulations and operating conditions in those developing countries having the potential to receive investment
- give practical assistance as appropriate and generally take action to assist the process of outward investment and technology transfer to the developing countries

Benefits

The establishment of an office of the IPS in London would bring certain benefits, in particular

- For the less developed countries: immediately, a single respected and reliable access point to the proven technology skill and investment funds of the British industrial, commercial and financial community
- For the United Kingdom: access to project information presently not available in the UK but on offer to competitor countries and thus the potential ability to profit by way of invisible earnings, enhanced exports, use of consultancy services etc. and also an on-going database of investment regulations, conditions etc in the developing countries

- For UK Government: a convenient way of supporting the developing countries and British efforts to increase overseas investment with low political profile and at relatively low cost. Also a competent ready-reference point to which British Embassy Commercial Staff and Advisors overseas can refer for assistance in identifying UK investment partners.
- For large UK companies information on investment opportunities in countries which they might not normally consider or have existing access to or where they might seek opportunities for offset trading and also a pool of information against which to cross-check data received from other sources.
- For medium and small size UK firms including consultancies and chambers of commerce; a convenient source in London of assistance with and information on investment opportunities and conditions in the developing countries.
- UNIDO often has access to the planning process in developing countries and therefore is able to gauge the investment priority accorded to projects.
- Investment made within a UN sponsored program has certain benefits for example, support when dealing with host government in negotiating terms and/or in the event of a dispute.

Operation of Proposed Office

The London Office would be staffed by UK nationals with wide experience of developing countries and also UK industry and commerce. It would be under the control of the Director of the Industrial Investment Division of UNIDO in Vienna.

The scale of operations would depend on the funding available.

APPENDIX IV

List of Companies/Organisations Contacted

Banks

National Westminster Bank plc
Lloyds Bank plc
Midland Bank plc
Barclays Bank plc
Bank of Scotland
The Royal Bank of Scotland plc

Industrial Companies

The British Petroleum Co. plc
British Telecommunications plc
The "Shell" Transport and Trading Co. plc
Glaxo Holdings plc
B.A.T. Industries plc
Imperial Chemical Industries plc
The General Electric Company plc
Cable and Wireless plc
Marks and Spencer plc
Unilever plc
Guinness plc
Wellcome plc
J. Sainsbury plc
The Boots Company plc
The Peninsular & Oriental Steam Navigation Co. plc
Cadbury Schweppes plc
Reed International plc
Tarmac plc
Thorn EMI plc
Pearson plc
Fisons plc
Trafalgar House plc
British Aerospace plc
Reckitt & Coleman plc
Associated British Foods plc
Redland plc
Rank, Hovis McDougall plc
Rolls - Royce plc
Hillsdown Holdings plc
Hawker Siddeley Group plc
Courtaulds plc
Smith & Nephew plc
Ultramar plc
The Burmah Oil Co. plc
Lucas Industries plc
Taylor Woodrow plc
English China Clays plc
Inchcape plc
Harrisons & Crossfield plc

Smiths Industries plc
Tate & Lyle plc
Coats Viyella plc
APV plc
Davy Corporation plc

Members of The Management Consultancies Association

Andersen Consulting
W.S. Atkins Planning and Management Consultants
B.D.O. Binder Hamlyn Management Consultants
Coopers & Lybrand Associates Ltd
Deloitte Haskins & Sells
Ernst & Young
Pannell Kerr Foster Associats
Peat Marwick McLintock Management Consultants
Price Waterhouse Management Consultants
Robson Rhodes
S.R.I. International
Stoy Hayward Associates
Touche Ross Management Consultants
Hacker Young Management Consultants

ID/AGBY/KPP/34350/MB

APPENDIX V

Analysis of Responses to Letters sent

1.	"Not Willing to support"	15
2.	"Not in line with our Policy"/ unable to support	8
3.	Sceptical about value of the Office	3
4.	"Interesting but little to offer us"/ not beneficial to support	2
5.	"We would do it better ourselves"	5
6.	"We agree with the principle"	16
7.	"Our resources are limited"	17
8.	"We would consider modest sponsorship" (APV plc and Hacker Young)	2
9.	"UK Government should fund total lost"	3

APPENDIX VI

Selected Responses to letters sent
Chairman/Chief Executives

Hacker Young Management Consultants

A member of Urbach Hacker Young International



Sr. Alaphage House
2 Fore Street
London EC2Y 5DH
Fax: 01-628 3069
Telex: 885187
Telephone: 01-586 3611

2 February 1990

Our reference PL/MW
4/7B903

Your reference

A G B Young Esq
5-10 Great Tower Street
London
EC3R 5DH

Dear Mr Young

United Nations Industrial Development Organisation

Further to my letter of 11 January, I have now been able to discuss the possibility of sponsorship of an investment promotion services office of UNIDO in London with my partners. We are naturally keen to help but I am afraid that unless a rather modest contribution is acceptable then we may not be able to assist. I should be pleased to hear from you however, with any information you may have on how you expect to proceed.

Yours sincerely

Peter Luscombe

From SIR GEORGE TURNBULL,
Chairman

Inchcape plc

St. James's House

23 King Street

London SW1Y 6QY

01-321 0110

19 February 1990

Dear Graham,

United Nations Industrial Development Organisation ("UNIDO")

Thank you very much for your letter, which I am afraid was dated as long ago as 2nd January. I must apologise for this very long delay in replying, but have only just returned from an extended visit to some of Inchcape's Far East operations.

It was kind of you to write so fully about "UNIDO", and to enclose detailed information about the proposed establishment of a London office. Before my departure overseas, I asked some of my fellow directors for their views on how we might respond to your appeal for financial assistance. Although your letter was considered very sympathetically, the view was held that we are already deeply involved with supporting the developing countries in a variety of ways, and therefore feel that our resources in this direction are fully committed.

I am sorry not to be able to respond more positively, but feel sure you will understand that we receive such an overwhelming number of requests for funds that it is extremely difficult to respond to each one. However, I do hope that you will receive sufficient support from other approaches you may make to enable you to go ahead with your plan, and wish you every success in your endeavours.

It was nice to hear from you, and I hope you are keeping well.

Yours very sincerely,

George

A.G.B. Young, Esq.,
Adviser for the Far East Section,
Royal Bank of Scotland,
5-10, Great Tower Street,
LONDON EC3R 7DH

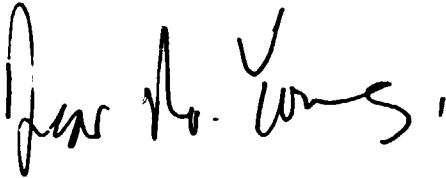
Glaxo Holdings p.l.c.

Lansdowne House, Berkeley Square, London. W1X 6BP

From D.J. Derx CB

25 January 1990

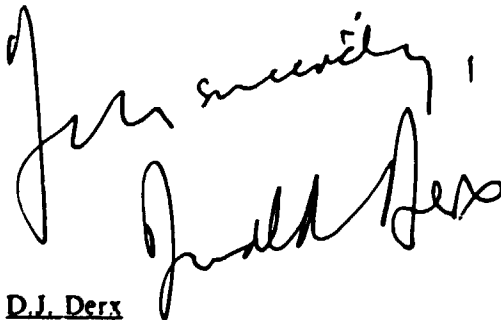
A.G.B. Young Esq.
United Nations Industrial Development Organisation
5-10 Great Tower Street
London, EC3R 5DH.



You wrote on 2 January to Sir Paul Girolami, asking whether Glaxo Holdings would be willing to provide some of the money required for the setting up of a London office of the Investment Promotion Services of UNIDO.

We have thought about this carefully. We can see that such an office might be able to help promote UK investment in developing countries, but we would not expect it to be of any direct value to Glaxo. Indeed, it seems more appropriate for a body of this nature, which should in principle benefit a wide range of interests in the United Kingdom, to be funded collectively, rather than by a few large corporate sponsors; and it is not a purpose for which we are able to offer the financial support that you are seeking. I am sure you will understand the point of view, even if the response is disappointing.

With every good wish.



D.J. Derx



BRITISH-AMERICAN TOBACCO COMPANY LTD

A member of the B.A.T Industries Group

12 January 1990

Registered Office:
PO Box 482 Westminster House
7 Millbank London SW1P 3JE
Telephone: 01-222 1222
Telex: 27384 BATTOB G
Facsimile No: 01-222 3659

Mr. A. G. B. Young
5-10 Great Tower Street
London EC3R 5DH

Dear Mr. Young

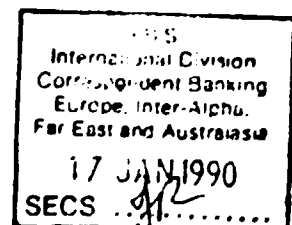
Thank you for your letter of 2nd January addressed to Mr. Sheehy, which he has passed to me for attention, concerning the London Office for the investment promotion service of UNIDO. While the project may be of value to the Government and possibly of interest to some companies, I do not feel that it would be appropriate for BAT Industries to participate.

We certainly support the general theme of encouraging successful industrial and commercial undertakings in the developing world. To further this we are active members of a number of organisations including ICD, the Industry Council for Development. This is an organisation which works closely with the UNDP and concentrates on industries that have an agricultural base or connection.

In the circumstances I therefore wish to decline your invitation but do wish your enterprise every success.

Yours sincerely

B. D. Bramley
Chairman



Sir Peter Baxendell, CBE, FEng.

Chairman

Hawker Siddeley Group PLC
15 St. James's Square,
London, SW1Y 4LJ
Tel: 01-230 6177

8th January, 1990.

Mr. A.G.B. Young,
Royal Bank of Scotland,
5-10, Great Tower Street,
LONDON. EC3R 5DH

Dear Mr Young,

United Nations Industrial Development Organisation

Thank you for your letter of the 2nd of January. I will discuss your proposals with my colleagues, but I must admit to being somewhat sceptical of the effectiveness of this format of organisation. We have a significant "Hawker Siddeley International" Section which is very active in this area, and I'm not at all sure that we would wish to take up the form of sponsorship that you suggest.

Yours sincerely,

Peter Baxendell



Tarmac PLC

BRYAN W. BAKER
Group Managing Director

Hilton Hall
Essington
Wolverhampton
WV112BQ
Telephone (0902) 307407
Fax (0902) 307408 Telex 338544

10 January 1990

A.G.B. Young, Esq.,
5-10 Great Tower Street,
London EC3R5DH.

Dear Mr. Young,

United Nations Industrial Development Organisation ("UNIDO")

Thank you for your letter of 2 January addressed to Sir Eric Pountain for whom I am replying. Whilst I acknowledge the commitment that you have to furthering the co-operation of North and South and endorse its importance, I do not feel sufficiently convinced of the need for a separate agency to identify opportunities and procure their implementation to help sponsor its formation. I believe that existing channels both formal and informal via Consular Offices, CBI, Chambers of Commerce and Trade Associations are adequate to put interested parties together where there exists serious intent and viable commercial prospects.

Yours sincerely,