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10 DOWNING STREET

MR FLESHER

The future size of the Crown Agents is coming to a head following the loss of £3bn business in Brunei.

Decisions are imminent and these could repercuss on industry.

You may therefore like to have this note of what they do.

A handwritten signature in cursive script, appearing to read 'B. Ingham'.

B. INGHAM

4 November 1983

THE CROWN AGENTS AND THE UK INTEREST

It is impossible in a short space to describe fully the many ways in which the Crown Agents actively develop new business and thereby create opportunities for British exporters and promote a British presence in developing countries. Overall transactions by or through the Crown Agents' which were financed from overseas sources earned £98.5 million in 1982 and £51.5 million in the first half of 1983. The centre pages highlight major projects with which the Crown Agents are currently involved, while this and the back page describe how their activities benefit Britain.

Buying in Britain

The core of the Crown Agents' business is buying, and their other activities - described on page four - ultimately support the buying activity. In 1982 the Crown Agents placed orders worth £144 million on behalf of 72 countries and they expect to place £164 million in 1983. Within those figures:

- * over 80% of orders were placed in Britain. The Crown Agents maintain details of more than 12,000 British exporters;
- * £59 million of goods were ordered in Britain in 1982 through the Crown Agents which were paid for from developing countries' own funds. The Crown Agents play an important role in ensuring that countries as diverse as Kenya and PDR Yemen maintain British procurement links;
- * £39 million of goods were ordered from more than 2,400 firms not listed by the Financial Times as quoted companies, nor owned by such firms. The Crown Agents have proved particularly useful to such, mainly small, firms who do not have the resource to undertake their own promotion in remote markets or to handle the complex export documentation, shipping, and payment requirements (nor can their cash flow sustain the risk of delayed payment);
- * the Crown Agents' eighteen overseas offices and UK based marketing force (their staff spent 4,500 man days abroad in 1982) provide a unmatched monitoring service of central tender boards and purchasing agencies in a very wide range of small markets. It is only worthwhile for a very broadly based organisation to seek to develop such markets;
- * the Crown Agents are increasingly involved with multilateral programmes and a wide variety of donor agencies. They have won the management of projects funded from such sources with an estimated £54 million worth of procurement in the past twelve months, against foreign competition. British suppliers invariably have a fair opportunity to tender for this business on an internationally advertised basis, which is seldom the case when projects are managed by other countries' nationals. In just two current World Bank loans, the Crown Agents have issued over 3,700 sets of tender documents to British firms including a number which were unsolicited by them;
- * the Crown Agents have the capability, resource and experience to act as a main contractor where several suppliers are needed to make a comprehensive UK bid, especially when supply functions need to be combined with training and management inputs, or where foreign competitors have enlisted the support of their governments.

PROJECTS UNDERTAKEN DURING 1982 AND 1983

Funded from other than UK sources

Country	Project Title	Total Value	Consultancy Services (man/months)	Procurement
WORLD BANK				
Ethiopia	Coffee Processing and Marketing	US\$0.03m	3	Study only
Ethiopia	Amibara Irrigation Project			
Ethiopia	Rural Workshops Rehabilitation	Not determined	8	Not determined
Gambia	Ministry of Works Procurement	US\$4.4 m		US\$4.4 m
Ghana	Reconstruction Import Credit	US\$ 30 m	18	US\$ 30 m
Ghana	Third Highways Loan			US\$1.5 m
Ghana	Railways Procurement Loan	US\$ 39 m		
Jamaica	Education Loan	US\$ 5 m		US\$ 5 m
Kenya	First Telecommunications Project	US\$4.5 m	11	US\$4.5 m
Kenya	Second Telecommunications Project	US\$ 16 m	15	US\$ 16 m
Kenya	Motor Transport Department	US\$0.3 m	60	Consultancy
Kenya	Basic Education Supplies			US\$11.5m
Kenya	Bura Irrigation Project	US\$ 2 m	25	N/A
Kenya	Railways Project	US\$2.7 m	25	US\$2.7 m
Madagascar	Agricultural Project			US\$0.2 m
Malawi	Road Maintenance Survey			
Malawi	Central Lakeshore Fisheries Development	US\$0.6 m	115	N/A
Nepal	Telephone Exchange			
Nigeria	Federal Agricultural Co-ordination Unit			
Papua New Guinea	Road Maintenance Study	US\$0.42m	78	N/A
Papua New Guinea	Area Development Studies		24	N/A
PDRY	Mukalla Hadramawt Road (also AFESD)			
PDRY	Aden-Taiz Road (also KFAED)	US\$73.5m	1540	N/A
Sierra Leone	Ministry of Works Second Highway Project			US\$0.2 m
Sri Lanka	Central Transport Board	US\$0.4 m	108	N/A
Sudan	Agricultural Rehabilitation Programme			
Sudan	New Halfa Agricultural Production Corporation	US\$ 74 m	78	N/A
Uganda	Third Education Loan	US\$ 30 m	6	N/A
Uganda	Second Reconstruction Programme	US\$ 70 m	24	US\$ 70 m
Uganda	Agricultural Rehabilitation (also Italian Government)	US\$ 80 m	120	US\$ 80 m
Uganda	Telecommunications Project	US\$ 2 m	100	N/A
Tanzania	Dar-Es-Salaam Sewerage	US\$ 28 m	264	US\$ 3 m
Tanzania	Post and Telecommunications Project			
Tanzania	Provision of Fisheries Experts	US\$ 2 m	100	N/A
Tanzania	Morogoro Highway Maintenance			
Tanzania	Cashew Nuts Projects 1 & 2	US\$0.1 m	1	Consultancy
Tanzania	Pyrethrum Board Procurement			US\$0.1 m
Tanzania	Seventh IDA Education Procurement			US\$0.15m
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)				
Cameroon	Rural Agricultural Dev. NW Province (also AFDB, EDF)	US\$ 20 m	120	N/A
Mozambique	National Food Production	US\$ 26 m	102	N/A
Malawi	ADMARC Fertiliser Project	US\$ 28 m	48	N/A
Papua New Guinea	Artisanal Fisheries Project	US\$ 12 m		N/A
Uganda	Agricultural Reconstruction Programme	US\$ 20 m	119	US\$ 20 m
EUROPEAN DEVELOPMENT FUND (EDF)				
Fiji	Project Planning Team	US\$0.3 m	39	N/A
Guinea Conakry	Fisheries Polytechnic Development	US\$0.5 m	44	N/A
Jordan	University Equipment Procurement	US\$0.7 m		US\$0.7 m
Kiribati	Urban Telecommunications Project	US\$0.25m		US\$0.25m
Liberia	Tubman College Development	US\$0.6 m	72	N/A
Mauritius	Drugs & Medical Supply	US\$0.4 m	15	US\$0.4 m
Mozambique	Artisanal Fisheries Development Project	US\$3.0 m	2	N/A
Malawi	Central Lakeshore Fisheries Project	US\$0.50m	115	N/A
PNG	University of Technology Procurement			
PNG	Works & Supply Procurement			
Solomon Islands	Posts & Telecommunications Development Project	US\$6.6 m	18	N/A
Uganda	Waterworks Rehabilitation	US\$10.5m	65	US\$2.3 m
Uganda	Lake Katwe Project			
Zimbabwe	Project Planning Team	US\$0.6 m	60	N/A
ASIAN DEVELOPMENT BANK (AsDB)				
Nepal	Livestock Vaccine Project (with UNDP)	US\$0.6 m	67	N/A
AFRICAN DEVELOPMENT BANK (AfDB)				
Lesotho	Beef and Poultry Project	US\$0.01m	1	Consultancy
CARIBBEAN DEVELOPMENT BANK				
Jamaica	Caribbean Cement Company Procurement (with IADB)	US\$1.4 m	5	US\$1.4 m
St Lucia	Roads Programme (with USAID)	US\$2.3 m	75	N/A
COMMONWEALTH DEVELOPMENT CORPORATION				
Gambia	Fisheries Appraisal Mission			
ECONOMIC AND SOCIAL COMMISSION FOR ASIA AND PACIFIC				
China	Ports Training Seminar	N/A	2	Seminar only
Thailand	Ports Training Seminar	N/A	3	Seminar only
Malaysia	Ports Training Seminar	N/A	2	Seminar only

Country	Project Title	Total Value	Consultancy Services (man/months)	Procurement
IRISH GOVERNMENT				
Zambia, Tanzania	Agricultural Project			US\$0.15m
LIBYAN GOVERNMENT				
Guyana	Fisheries Corporation	US\$ 6 m	9	N/A
NORWEGIAN GOVERNMENT				
Mozambique	Zambezia Road Project			US\$0.5 m
ECGD - BACKED CREDIT				
Ghana	Mim Timber Company			
Ghana	Gold Mining Corporation	US\$3.4 m		US\$3.4 m
Kenya	Mombasa Port Authority Improvements	US\$ 34 m	28	US\$ 34 m
UNITED NATIONS HIGH COMMISSION ON SETTLEMENTS				
Tanzania	Capital Development Authority			
UNITED NATIONS DEVELOPMENT PROGRAMME				
Papua New Guinea	Fisheries Evaluation			
Thailand	Integrated Rainfed Farming Mission	US\$0.01m	1	N/A
UNITED NATIONS EDUCATIONAL SCIENTIFIC AND CULTURAL ORGANISATION				
Uganda	Assistance to Government Printer	US\$0.08m	12	N/A
Qatar	Inspection of Marine Vessels			N/A
UNITED NATIONS FUND FOR POPULATION ACTIVITIES				
India	Inspection of Family Planning Supplies			N/A
UNITED NATIONS HIGH COMMISSION FOR REFUGEES				
Algeria	Emergency Supplies			
Pakistan	Emergency Supplies for Refugees			
Zaire	Emergency Supplies for Refugees	US\$1.3 m	25	N/A
UNITED NATIONS CHILDREN'S FUND				
India	Development of Hand Pump Manufacture	US\$4.3 m	24	N/A
Nepal	Inspection Contract			
Thailand	Inspection Contract			
Somalia	Emergency Medical Supplies			
OWN FUNDED PROJECTS				
Abu Dhabi	Inspection of Water and Electricity Equipment			
Bahrain	Inspection of Electrical Equipment			
Bahrain	Central Stores Inspection			
Botswana	Planning of Health Workshops			
Brazil	Jucu Power Station			
Brunei	Inspection of Electrical Equipment			
Brunei	Supervision of Tug Construction	US\$2.4 m	3	
Brunei	RBM Marine Engineering			
Brunei	Commissioning of General Hospital	US\$26.4m	155	US\$26.4m
Brunei	Inspection of Equipment for Ministry of Works			
Brunei	Willeroo Cattle Ranch	US\$6.75m		
Cayman Islands	Public Works Civil Engineering			
Fiji	Health Services Consultancy			
Ghana	Financial Consultancy to Bank of Ghana		3	Consultancy
Guyana	Tender Evaluation for Fishing Vessels	US\$4.7 m	2	
Hong Kong	Kowloon - Canton Railway: Procurement and Installation	US\$12.3m	35	US\$12.3m
Hong Kong	Government Supplies Inspection			
Hong Kong	Inspection of Equipment for Water Department			
Kenya	Reorganisation of Motor Transport Department	US\$0.28m	60	
Lebanon	Hospital Design and Equipment		1	
Libya	Oasis Oil	US\$0.02 m		
Malawi	High Commission Engineering Consultancy			
Malaysia	Inspection of Equipment for National Electricity Board			
Malaysia Sabah	Drainage and Irrigation Inspection			
Mauritius	Fisheries Study			
Morocco	Public Testing Laboratory			
Nigeria	Procurement of Wagons for National Petroleum Corporation	US\$20.3m		US\$20.3m
Nigeria	Procurement of Dangerous Drugs	US\$0.135m	2	US\$0.135m
Nigeria	Ports Authority Inspection			
Nigeria	Railways Inspection	US\$120.0m	260	US\$120.0m
Nigeria (Bauchi St)	Lanzai Jamari Road: Construction Supervision	US\$18 m		
Nigeria (Borno St)	Rural Electrification			
Nigeria (Ogun St)	Ijebu-Igbo Water	US\$9.45m	160	
Papua New Guinea	Kandrian Gloucester Development Study	US\$0.1 m	16	
Papua New Guinea	Electricity, Works and Supply			
Papua New Guinea	Harbour Launches Inspection			
PDRY	Capital Municipality			
PDRY	Ministry of Health Equipment Scheduling			
PDRY	Navigation Line Expansion Study and Design		3	Study only
PDRY	Computer Room Airconditioning Planning	US\$0.19m		US\$0.19 m
PDRY	HQ Airconditioning for Telecommunication Corporation	US\$0.41m	5	US\$0.41 m
PDRY	Airconditioning for Tawahi Broadcasting	US\$0.14m		
Saudi Arabia	Najran Electricity Corporation Inspection	US\$50 m		
Seychelles	Health			
Sri Lanka	Water Supply and Training Inspection			
Tanzania	Water and Energy			
Uganda	Ministry of Defence Mechanised Farms: Identification Study		1	Study only
Uganda	National Water and Sewerage Corporation			

In addition, the Crown Agents buy extensive recurrent supplies. The value of these exceeds £1 million every year for Nigeria, Kenya, Malaysia, Jamaica, Hong Kong, Brunei and Fiji.

Project Management

The Crown Agents project management services in supply advisory, agriculture, fisheries and engineering similarly bring work to British consultants, both firms and individuals, as well as buying opportunities. Increasingly small firms are approaching them in order to add weight to proposals to Governments and aid agencies; the Crown Agents have collaborated equally on recent projects with some of Britain's largest engineering and agricultural consultancy firms who value their close links with developing countries. Many academic and publicly-owned research institutes, and other nationalised industries, are venturing into export markets with the assistance of the Crown Agents as a partner. In 1982 and the first half of 1983:

- * the Crown Agents have submitted proposals in collaboration with a total of more than fifty such institutions and firms, and have discussed collaboration with many more;
- * 192 individuals have been employed as expert consultants by the Crown Agents, or seconded to developing countries as project managers; Crown Agents are currently recruiting for 85 non-UK funded posts in developing countries, often for key positions for influencing contract placements;
- * of those projects over seventy were funded by non-UK sources, earning a fee income of £5.7 million and leading to procurement of £75 million.

Training Services

In the past three years the Crown Agents have trained over 700 developing country nationals on their UK based courses, primarily in supply management and related fields. Many of the Crown Agents' ex-trainees now occupy positions of great potential importance to the UK export effort, including Directors (or equivalent) of Government Supplies in such countries as Saudia Arabia, Kenya, Sri Lanka, Sudan, Botswana, Swaziland and Papua New Guinea. Not only have trainees been exposed to British standards, methods, and goods during their training but in most cases they retain their links with the Crown Agents, with potential for future increased business.

Financial Services

Although the Crown Agents' financial services have necessarily been reduced following loss of the Brunei Investment Management contract, they still manage more than 200 funds with an aggregate value of more than £800 million, which results in invisible earnings of over £1m.

Other Services

Principals' funds linked to developing countries' self-funded buying currently amount to £160 million Sterling equivalent and without such buying being undertaken by the Crown Agents it is doubtful whether many of the funds would be maintained in British hands. Other forms of invisible earnings to the UK from the Crown Agents are shipping (£15 million per annum) and insurance (£1.5 million).