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Q CENTER PROCUREMENT 1972/74

I

RETURN TO
CENTRAL FILES

JOAN R. MILLER

ASSISTANT ADMINISTRATIVE OFFICER
AND SENIOR BUYER
DIVISION OF ADMINISTRATION
THE FORD FOUNDATION

320 EAST 43RD STREET
NEW YORK, N. Y. 10017
573-5141

THE FORD FOUNDATION
320 EAST 43RD STREET
NEW YORK, NEW YORK 10017

August 23, 1974

Gentlemen:

Several years ago the Ford Foundation, acting on behalf of the International Institute of Tropical Agriculture in Nigeria, began assisting the Institute in the procurement of supplies and equipment in the United States for shipment to the Institute. In 1972 another international institute located in India requested the Foundation to act on its behalf in the procurement of supplies and equipment.

As of August 30, 1974 the Ford Foundation will no longer provide procurement services on behalf of these two Institutes, and another organization will assume these functions -- the Institute of International Education.

In order to maintain continuity in the purchasing for the institutes, I will move with a new staff to I.I.E. on September 3, 1974 to set up a new office called the Agricultural Institutes Purchasing Office. All business of purchasing will be handled in the same manner but henceforth will be under the jurisdiction of I.I.E.

The new address and telephone numbers are as follows:

INSTITUTE OF INTERNATIONAL EDUCATION
Agricultural Institutes Purchasing Office
809 U.N. Plaza (between 45th and 46th)
New York, New York 10017

Telephones: (212) 883-8228, 8229

I look forward with pleasure to continuing business with you from a new location, and to maintaining the standard of service previously set to the international agricultural institutes around the world.

Very truly yours,

Joan R. Murray

Joan R. Murray (Mrs.)
Purchasing Manager

JRM:afm

P.O.S. The change in name is rather recent and adds to the excitement of life for me.

April 16, 1974

Dear Mr. Myer:

Thanks for your thoughtful note. I realized at the time that our after-meeting rendezvous in New York was not going to take place, but it seemed to me that you were being claimed by more important business than anything I had to offer. While it is kind of you to suggest that I be in touch with Mr. Day, I already know a little about IIE's role with respect to foreign visits, and it really isn't necessary to trouble him on my account.

On another visit to New York, I'd like to come in and see you. What would interest me specifically is a description of the services which IIE performs with relation to the international personnel of the international agricultural research centers. My interest isn't urgent, and it can be satisfied at some mutually convenient time in the not necessarily near future. The next time I'm going to be in New York, I'll get in touch with you and see if we can arrange to meet.

Sincerely,

Harold Graves

Mr. Richard B. Myer
Vice President
Special Projects and Arts
Institute of International Education
809 United Nations Plaza
New York
New York 10017

HGraves:apm

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Files

DATE: April 10, 1974

FROM: Harold Graves

SUBJECT: Center Procurement Arrangements: Institute of International Education

On April 1 I attended a meeting in New York at which the procurement of supplies for international agricultural research centers was discussed. The other persons at the meeting were: Mr. Trottenberg, Financial Vice President of the Ford Foundation, Mr. Myer, Vice President of the Institute of International Education, Dr. Cummings, Director of ICRISAT, and Messrs. Hathaway and Ivy of the Ford Foundation.

At the present time, international procurement for IITA and ICRISAT is handled by a special staff in the Ford Foundation, and international procurement for CIAT is handled by a person specially employed for this purpose by the Rockefeller Foundation. The Ford Foundation has indicated to IITA and to ICRISAT that it wishes to cease this service beginning on October 1, leaving the two centers to handle their own purchasing. The Rockefeller Foundation has given a similar indication (for a date unknown to me) to CIAT.

The question at the meeting was what sort of new arrangement would be feasible for the centers involved. I said that it was not possible for the Bank to be of direct assistance. The matter had been discussed within the Bank, and our opinion was that it would not be feasible for the centers to try to create an organization of their own to handle international procurement. It would be advisable for the centers to use a crown agent or some other existing organization able to handle this kind of business.

The suggestion had been made that the business in fact, might be taken up by the Institute of International Education (see Mr. Cheek's memoranda of March 29 and earlier); IIE already is handling international payroll and other matters for some of the centers. Mr. Myer of IIE indicated that he was prepared to make a proposal to the three centers in question: the proposal would be based on a transfer to the IIE staff of the people already doing this work for the centers in the Ford and Rockefeller Foundations. This seemed to all present to be the best available alternative. Mr. Myer will continue to pursue it with the center directors.

Mr. Trottenberg said that the October 1 cut-off date proposed by Ford was chosen simply because it coincided with the beginning of Ford's financial year. I observed that such a date did not coincide with the budget year of the centers, and would present the centers with an unanticipated and unbudgeted expense in 1974. Mr. Trottenberg said that there was nothing sacred about the October 1 date, and that this point was negotiable.

cc: Dr. Cummings
Dr. Albrecht

TO: Files

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cc: Dr. Cummings
Dr. Albrecht

Withdrawn

Files

April 10, 1974

Harold Graves

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cc: Dr. Cummings
Dr. Albrecht

HGraves:apm

Mr. Kin Maung Thint

April 5, 1974

George F. Darnell
Senior Adviser, AG&RD, CPS
Procurement

1. I attended a meeting with John Lithgow at AID this afternoon where their position regarding procurement contracts and specifications and contract documents for ICRISAT was discussed. They will be reviewing these in the next few days including an on-site review by a staff member from the Saigon office. It was agreed that if any matters arose which would require possible amendments to the documents or specifications that they would contact us, and vice versa, prior to informing ICRISAT, so that our joint views could be forwarded.

2. The persons that are primarily responsible for coordinating this in AID are:

Miss Virginia Perelli	- 235-9137
Mr. M. Perkins (Of their General Counsel Office)	- 684-3804
Mr. B. Snell	- 235-9806
Mr. L. Taylor	- 235-9800

GFDarnell:emw

cc: Messrs Lithgow
Graves

Institute of International Education
809 UNITED NATIONS PLAZA, NEW YORK, N.Y. 10017

April 3, 1974

Mr. Harold Graves
World Bank
1818 H Street, N.W.
Washington, D. C. 20433

Dear Mr. Graves:

It occurred to me the morning after our luncheon meeting the other day, as a matter of fact while I was shaving, that I had offered to take you after luncheon to our offices for a short visit. Something intervened between our agreement at luncheon to bring you over to IIE and my departure from the Foundation to cause that offer to slip entirely from my mind. I am most sorry that this untoward slip occurred and I do hope there will be another occasion when you can visit us.

It may be of interest to you that we have an office in Washington which serves both as a liaison office between IIE and Government agencies and as a center for administering a number of foreign visitors brought to the United States under the auspices of the State Department's Program for International Visitors. I am sending a copy of this letter, therefore, to Mr. James Day, Director of this office, with the thought that it might be of mutual interest for the two of you to become acquainted.

I want to reiterate, however, that I hope next time you are in New York you will let us know and will have the time to accept our hospitality.

Sincerely yours,

Richard B. Myer
Vice President
Special Projects and Arts

cc: Mr. James Day, IIE/Washington

TELEPHONE: 867-0400; CABLE ADDRESS: "INTERED"; U.S. REGIONAL OFFICES: ATLANTA, CHICAGO, DENVER, HOUSTON, LOS ANGELES, SAN FRANCISCO, WASHINGTON, D.C.
OVERSEAS OFFICES: NAIROBI, LIMA, HONG KONG, BANGKOK.

Mr. Harold Graves

Bruce M. Cheek

March 29, 1974

Center Procurement Arrangements

On March 27, I telephoned Mr. William Gormbley of the Ford Foundation concerning the work which the Institute of International Education (IIE) currently performs for the international agricultural research centers. Mr. Gormbley said there was a basic contract between the four original centers, IIE, Rockefeller and Ford. It has since been modified in a number of ways including the deletion of Rockefeller and Ford. The three basic purposes of the contract are: (1) personnel arrangements; (2) purchasing arrangements; and (3) fund raising. (The latter related to avoiding tax problems with Foundation grants.)

He confirmed that the IIE assists the centers in appointments of professional personnel, particularly expatriate ones, in their pension systems, and in life and accident insurance and medical insurance programs, and in tax questions. They also assist to some extent in recruiting as well as in shipping.

Mr. Gormbley said that IITA and ICRISAT had been discussing the possibility of IIE doing international purchasing for them. He felt the IIE was quite capable of doing so; it has already done substantial quantities for Ford and Ford-related projects. He suggested direct contact with Richard Myers the Vice President of Special Projects at IIE.

On the question of the centers setting up an independent purchasing unit, he referred to a study made some years ago by Ford concerning setting up such an institution for the four then existing centers. Ford at that stage had concluded that it would not be worthwhile. He added that either CIAT or CIMMYT did procurement through a Miami-based business for a fee.

He referred to Ford's own decision to stop such procurement for centers by October 1, which is the beginning of the Foundation's fiscal year. He was under the impression that no one had pursuaded Arthur Trottenberg to defer the date. In fact, he said Ford had been pressing the centers for at least three years to adopt other purchasing arrangements.

I told him that Albrecht had spoken to us recently concerning the options on procurement and that you were planning to be in touch with Ford and IIE in the next week or so concerning possible arrangements.

cc: Mr. Lithgow
BMC:mcj

Mr. Harold Graves

March 26, 1974

Bruce M. Cheek

Purchasing Services for International Agricultural Institutes

In response to my memorandum to him of March 15, Mr. Lithgow discussed with me on March 18, his reaction to some of the points raised in the memo and attachments.

Mr. Lithgow felt that there were a number of questions to be answered before one could make a decision on the best line of action to recommend to the centers. One procedure, which is to use an existing agency such as the Crown Agents, seems straightforward. The second, using the International Institute for Education, also seems practicable depending on a number of points on which further information is needed. Finally, he points out that much depends on the strength of the procurement personnel in each center, the equivalent of the "Bursar" in an English university. The local personnel are important both for local procurement which must be important, for example, in centers in India and Mexico, and also as a basis of preparing documentation and requests for any centralized purchasing agency.

Mr. Lithgow focused specifically on several aspects of IIE's offer to undertake the work. First, he thought that the questions raised in their letter to the Ford Foundation needed to be answered; these were questions concerning the nature of procurement required by the centers. Secondly, there is need for further information on what existing services the IIE provides to the centers in terms of taxation, recruitment, insurance and retirement. Related to this is an explanation of why the IIE charges the centers as much as $400-500 per senior staff member per annum, or a total of over $100,000 a year. Finally, he pointed to the contrast between the Ford Foundation setting up a procurement unit to purchase some $2 million of equipment per annum for ICRISAT and IITA while at the same time the Foundation used IIE to do about $1 million per annum of procurement for 45 of its own projects.

I am not in favor of the centers establishing a central procurement unit for themselves; nor do I think they have sufficient programming and budgeting and procurement staff, in quantity or quality, to carry out independent procurement. There are virtues in consolidation both in terms of costs and of planning procurement. Since the centers are so closely involved with IIE which has at least an incipient capacity in procurement as is borne out in the documents given to the center directors and by Ford Foundation's apparent confidence for its own project procurement, I suggest we explore further the possibilities of the centers working with IIE. However, before this can be done, we will have to know the recommendations of the center directors' own meeting at CIAT. Dr. Albrecht indicated some preference on their part for creating a procurement unit for the centers as a group. We also need to know the outcome of Dr. Albrecht's discussions with Ford regarding the cut-off date for Ford's own procurement services to IITA and ICRISAT. The next step could be to discuss the matter with Norman Collins.

cc: Mr. Lithgow
Mr. Ruddy

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

Yellow

OFFICE MEMORANDUM

TO: Mr. John Lithgow

DATE: March 15, 1974

FROM: Bruce M. Cheek

SUBJECT: Purchasing Services for International Agricultural Institutes

I refer to our telephone conversation of March 14 on the above subject.

Most of the international agricultural research centers sponsored by the CGIAR have had the support of the Rockefeller or Ford Foundations in their procurement of supplies, both for operating purposes and on capital account. The Ford Foundation has now indicated that it will terminate this service before the end of 1974 and it is possible that the Rockefeller Foundation will take similar action. The Directors of the international centers met in Colombia earlier this month and discussed the subject. They would like to consider alternative ways of securing assistance in making their purchases abroad. The attached correspondence relating to the Ford Foundation support for ICRISAT and IITA indicates both the nature and cost of the work which the Ford Foundation has performed and the possibilities of securing similar help from the IIE in New York in place of the Foundation services.

We have no exact figure for estimating the amount of transactions involved but they could well total up to $10 million per annum on capital and operating accounts. The alternatives that face the institutes appear to include the following:

(a) a choice of an alternative existing agency such as the Crown Agent or, as you suggested, the Superintending Company of Switzerland;

(b) use of the IIE along the lines indicated in the attached correspondence;

(c) creation of a central purchasing bureau for the centers themselves.

The IIE already handles certain matters for the group of centers including insurance and retirement questions. For these services it makes a charge of $400-600 per senior staff member, which means that the institutes as a whole are paying over $100,000 a year to the IIE for services rendered.

Efficient purchasing arrangements are important to the centers, which have total budgets of some $40 million a year, both from the point of view of cost saving and choice of appropriate equipment delivered in a timely fashion. After you have had time to review the attached material I would appreciate the opportunity of talking with you further to see what you think might be a desirable course of action for the centers to take. They are turning to the Secretariat for advice and in turn we would appreciate your assistance.

Attachment
cc: Mr. Baum
BMC:mcj

THE FORD FOUNDATION

TO: Dr. Albrecht DATE: 2/21

attachments re this letter sent under separate cover this morning.

Lowell S. Hardin

THE FORD FOUNDATION
320 EAST 43RD STREET
NEW YORK, NEW YORK 10017

INTERNATIONAL DIVISION
OFFICE OF THE VICE PRESIDENT

February 20, 1974

Dr. Herbert R. Albrecht
IITA
Oyo Road, P.M.B. 5320
Ibadan, Nigeria

Dr. Ralph Cummings
ICRISAT
1-11-256, Begumpet
Hyderabad-16, A.P., India

Dear Herb and Ralph:

Because of currently tight financial constraints, service activities which the Foundation is providing are being reviewed. One of these activities which directly affects both ICRISAT and IITA is that of purchasing.

As indicated in the attached analysis and memos, purchasing services provided to IITA and ICRISAT last year resulted in a Foundation subsidy to the centers of around $60,000. While the costs borne by the Foundation would likely decline in the future, the Foundation desires to phase out this service.

We recognize that the Foundation has not previously suggested that present procurement activities could not be continued. In fact, arrangements with ICRISAT are of rather recent origin. Nevertheless, it has been determined here that the Foundation's non-institute purchasing is quite small and that by shifting the institute's purchasing services elsewhere, substantial reductions in Foundation staff and associated cash savings would result.

In his attached memorandum to Dr. Trottenberg, Jim Ivy outlined some of the alternatives which appear to be possibilities. Whether this is a function that the CG Secretariat at the World Bank might assume has not been determined. Based upon evidence at hand, IIE appears to offer a promising possibility. Their preliminary estimates, however, suggest a level of costs in excess of the total incurred by the Foundation in doing the job. Continuation of the service by the Foundation, even on a basis that costs were fully reimbursed however, is not an open alternative.

In no sense is Arthur Trottenberg suggesting that a change should be made before alternatives are fully analyzed. We did, however, want you to know of this development prior to your Cali meeting. There you may wish to explore with other center directors their interest in using IIE (or some other common service) in an effort to build volume and lower unit purchasing costs. CIAT, CIMMYT and IRRI are, as I understand it, still drawing upon the purchasing services of the Rockefeller Foundation. We have no information with respect to how ILCA and ILRAD plan to handle their purchasing.

Herb, I know that you plan to come to New York following the Cali meeting. Maybe you expect to come here also, Ralph? If so, perhaps you will wish to visit directly with Arthur Trottenberg, Jim Ivy and IIE.

We recognize that the prospect of increased purchasing costs, coming as it does within a budget year, will pose some real financial problems for you. Perhaps, if the timing of the transfer can be worked out relatively soon, the Foundation would continue its present arrangement (without billing back full marginal costs) to the date of transfer.

Sincerely yours,

Lowell

Lowell S. Hardin

LSH:cf

Attachments

cc: Arthur Trottenberg
James Ivy
David Bell
N.Y. Agricultural Group (w inc)

THE FORD FOUNDATION

Inter-Office Memorandum

TO: Dr. Lowell Hardin

DATE: February 15, 1974

COPY TO: David Bell

FROM: Arthur D. Trottenberg ADT

SUBJECT: Purchasing Services for IITA and ICRISAT

You will recall that we discussed Jim Ivy's memorandum on the purchasing services we presently provide for IITA and ICRISAT. I promised you we would do some more thinking about the matter and give you a paper for discussion by the Center representatives at their March meeting.

I am sorry to report that further examination and reflection only confirms our conviction that we want to get out of the procurement business at a relatively early date. The history of our purchasing relationship is fairly set forth in Jim Ivy's memorandum of February 6, 1974 to me, a copy of which is enclosed.

There are a number of reasons for this decision. Certainly one of the most important is the increasing pressure from our president and Trustees to reduce our management staff to follow more closely the planned reduction in the Foundation's program budget. Secondly, it has never been the Foundation's intention to provide long-range continuing services for the institutes. We intended, and I think we have done so, to get them started and then withdraw. In this sense we are following the Rockefeller Foundation pattern. My counterpart at Rockefeller has assured me that this is definitely their course of action.

As you can see in Ivy's memorandum, we are proposing a number of alternatives and there are still others. We have not explored, for example, whether the World Bank might not be willing to assume the function. It would be my own guess that the most logical shop to do the work would be IIE. We would be willing to help them get started with personnel and advice, and we are close enough in both geography and relationship to ensure that their work is high quality.

In any event, I am sure you will want to discuss this at the meeting of the International Centers Directors at CIAT, 4-7 March. Herb Albrecht mentioned that he probably will be in New York about 14-15 March. We would be delighted to discuss the matter with Herb and Ralph Cummings if you would care to arrange it.

Attachment: Ivy memo of Feb. 6, 1974
with copy of IIE letter Feb. 1, 1974

THE FORD FOUNDATION

Inter-Office Memorandum

TO: Mr. Arthur D. Trottenberg

DATE: February 6, 1974

COPY TO: Lowell Hardin

FROM: James T. Ivy

SUBJECT: Procurement Assistance Extended to IITA and ICRISAT

At your request I have reviewed arrangements with respect to services provided by the Foundation's Purchasing Services Unit to the two agricultural research institutes. This memorandum attempts to summarize the arrangements under which the Ford Foundation provides procurement assistance to two agricultural research institutes, to analyze the costs involved, and to suggest alternative arrangements for the future.

International Institute for Tropical Agriculture (IITA), Ibadan, Nigeria

Under an agreement entered into between the director of IITA, Dr. Herbert Albrecht, and the Manager, Purchasing Services, Ford Foundation, Mr. James Farrell, the Ford Foundation's Purchasing Unit undertook to act as purchasing agent for IITA through the construction phase of the Institute's development (Phase I). The agreement provided that the Purchasing Unit would be responsible for procurement of goods (and services) upon receipt of approved requisitions from IITA giving detailed specifications where possible, names of suppliers and other pertinent information. In many cases it has been necessary for the Purchasing Unit to do considerable research as to the best types and kinds of equipment and materials suitable to tropical conditions, obtain competitive prices, delivery dates and other information before a Purchase Order could be issued. In addition to actual procurement, the Purchasing Unit is responsible for arranging insurance coverage, consolidation, freight forwarding, approval of invoices for payment, and shipping to destination. The Purchasing Unit prepares monthly status reports for each institute showing the current status of each outstanding purchase order, including P/O number, name of supplier/vendor, brief description of items, manufacturer's shipping date, overseas shipping date (name of vessel, terms of shipment), and estimated cost of items on the P/O.

Since this assistance to IITA was beyond the normal volume of work of the Purchasing Unit, the Unit found it necessary to add two temporary employees to its support staff (a secretary and an expeditor). The agreement specified that IITA

would be charged "for the time expended by the secretary and expeditor, but will not be charged for the services of the Ford Foundation Purchasing Manager or Senior Buyer." IITA has been billed only for the salary and salary-related benefits of these two individuals, amounting to approximately $1,200 per month.

Phase I of IITA's operation is nearing completion, although it is understood that a new dormitory and ten new residences are yet to be constructed. Beyond Phase I, IITA will have its normal purchasing requirements for its ongoing programs, such as physical plant maintenance and replacement (vehicles, supplies and equipment) as well as modest amounts of supplies and equipment for its outreach activities. Clearly, IITA will continue to require purchasing assistance in the future, but on a much reduced scale.

For the period 1968 through calendar year 1973, the Purchasing Unit processed a total of 3,380 Purchase Orders for IITA, the total value of which was $6,873,000. Shipping costs amounted to another $1,225,000. During 1973 alone a total of 841 P/Os were processed for IITA with a total value of $1,170,000.

International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), Hyderbad, India

When ICRISAT became an independent entity in early 1973, the director of the Institute, Dr. Ralph Cummings, and the Ford Foundation's Purchasing Unit entered into a procurement agreement essentially along the same lines as the agreement with IITA. The agreement provided for purchasing services for ICRISAT during Phase II of its development, although no time period was stipulated. The agreement further indicated that the total costs to be billed to ICRISAT (staff time plus direct costs) "will not exceed 4% of the costs of the orders placed." Some purchasing was performed for ICRISAT during 1972, but purchasing in any substantial volume did not begin until early 1973. Through 1973, the Purchasing Unit had processed a total of 390 P/Os for ICRISAT with a total value of $789,000 plus shipping charges of $90,000.

Phase I of ICRISAT's operations is now only beginning, and Lowell Hardin estimates that the Institute is at least three years away from Phase II. However, a review of the architect's schedule for procurement of construction and related materials indicates that the bulk of such materials are to be procured during the latter half of 1974 and the first half of 1975. Consequently, ICRISAT will require purchasing assistance for several years to come.

In the case of IITA almost all construction materials, furnishings and fittings as well as equipment and supplies have had to be procured abroad since Nigeria produces very little of the kinds and types of materials and equipment required by a highly sophisticated research installation. On the other hand, India is more advanced industrially than Nigeria and it may be that many of ICRISAT's requirements can be met from local manufacturers. If this is the case, ICRISAT's off-shore procurement may not reach the high volume of IITA's procurement from foreign sources.

Costs of the Ford Foundation

An examination of the costs to the Foundation in acting as a purchasing agent for IITA and ICRISAT indicates that only about one-fourth of direct and indirect costs have been charged to the Institutes. In order to efficiently perform the services required under the agreements, it has been necessary to utilize the full-time services of a Senior Buyer (Mrs. Joan Miller) and the half-time services of an Assistant Buyer (Arlene Mastandrea), in addition to the services of a secretary and expeditor (the salary and salary-related benefits of the latter two are back-billed to the Institutes). All other direct and indirect costs such as telephone charges, postage, travel expenses, office space and utilities are absorbed by the Foundation.

The following figures indicate the actual expenditures of the Purchasing Unit for 1973 related to procurement activities performed on behalf of IITA and ICRISAT:

1.	Salaries and benefits: Senior Buyer, secretary and expeditor (full-time) and Assistant Buyer (half-time)	$ 49,966
2.	Expenses - travel, organizations	4,170
3.	Telephone toll charges	12,000
4.	Postage	8,000
5.	Space, including utilities and services	4,000
		$ 78,136
	Less salaries and benefits of Expeditor and Secretary back-billed to Institutes	19,128
	Net cost to Ford Foundation	$ 59,008

In view of the fact that IITA and ICRISAT (as well as all other international agricultural research institutes and centers) are now independent entities, handling all of their own administrative matters directly or through a contractual arrangement with the Institute of International Education (IIE), it no longer seems appropriate for the Ford Foundation to continue to act as purchasing agent for the Institutes and to continue to incur out-of-pocket costs of approximately $60,000 per year. The issue becomes even more questionable at this particular time when Foundation program budgets are being reduced and general management costs continue to rise.

Using figures for 1973, the cost of processing a total of 1,178 Purchase Orders amounted to $78,136, or an average of $66 per P/O. Again, using 1973 figures, the total cost of processing P/Os amounted to approximately 4% of the total value of the orders.

Suggestions for Alternative Arrangements for the Future

Continuation of the present arrangements, involving a rather heavy subsidy by the Foundation, is no longer desirable and therefore is not a viable alternative.

Possible alternative arrangements which the Institutes may wish to consider are briefly summarized below:

Alternative No. 1

The Purchasing Unit of the Ford Foundation to continue procurement responsibility for IITA and ICRISAT on an interim basis under an amended agreement which would provide for the Institutes to reimburse the Foundation for all direct and indirect costs, totaling at present approximately $60,000 per year. The cost of this service to be pro-rated between the two Institutes on the basis of volume of work involved. Currently, the allocation of charges is 2/3 to IITA and 1/3 to ICRISAT; these allocations would change as IITA's volume decreases and ICRISAT's increases.

- Agree on a date, say October 1, 1974, for the Foundation's Purchasing Unit to discontinue completely procurement services for IITA and ICRISAT.

Alternative No. 2

Procurement services for both IITA and ICRISAT to be assumed by the Institute of International Education (IIE) as of a specified date, say October 1, 1974. IIE is prepared to undertake this service and to strengthen its Procurement Unit in order to provide timely and efficient services, possibly by employing some or all of the staff of the Foundation's Purchasing Unit now devoting full-time to servicing the Institutes. IIE already has contractual arrangements with all seven international agriculture institutes which includes handling personnel matters as well as provision of procurement services on a cost-reimbursable basis. In this connection, I invite your attention to the attached letter dated February 1, 1974 from Richard Myer, Vice President of IIE for Special Projects in which he indicates IIE's willingness to assume responsibility for the procurement requirements of the Institutes.

Alternative No. 3

The Institutes enter into contractual arrangements with a commercial firm(s) specializing in purchasing services. The Purchasing Unit of the Foundation would be prepared to provide information on such firms, but any and all negotiations would be undertaken between the Institutes and the commercial concern(s).

Alternative No. 4

The Institutes themselves assume responsibility for all procurement activities. It would seem that sooner or later the Institutes would have to assume this responsibility and they may wish to consider now building the necessary competence to handle this function as a part of their normal administrative operations.

The above alternatives are not necessarily mutually exclusive. For instance IIE might be called on to procure certain kinds and types of materials and equipments, while the Institutes themselves would do a certain amount of direct procurement for other kinds of items and possible commercial firm(s) other types of materials (e.g., books).

As a matter of policy, the Ford Foundation desires to get out of the procurement business for the Institutes (and other grantees); accordingly, the Foundation least prefers Alternative No. 1.

JTI/mc

Attachment: IIE letter dated Feb. 1, 1974

Institute of International Education
809 UNITED NATIONS PLAZA, NEW YORK, N.Y. 10017

February 1, 1974

Mr. James Ivy
The Ford Foundation
320 East 43rd Street
New York, New York 10017

Dear Jim,

I am responding to your request that I write concerning the IIE procurement service and our willingness and capacity to take responsibility for additional procurement assignments for one or more of the International Agricultural Research Centers.

At the outset, let me say that we would be willing to give serious consideration to assuming responsibility for the procurement of materiel for the Centers for which you are currently performing a procurement function. The addition to our procurement workload of substantial Agricultural Institute accounts would have some predictable benefits for the Institute which I would like to call to your attention. First, I think, it would broaden the range of relationships which we currently have with the Institutes and in so doing strengthen these ties which we think are mutually beneficial. Secondly, a substantial expansion of the procurement workload, particularly, if that expansion included a goodly number of high cost purchase orders should result in an overall reduction in our procurement costs, a result which would redound to the benefit of all of the projects to which we are currently providing that service. Much of the procurement currently undertaken by IIE falls in the low value range, with emphasis on small pieces of equipment, publications, supplies and the like. We seldom have orders in excess of a few thousand dollars apiece but many of which require a great deal of effort. The result is a unit cost far higher than it would be for equal work expended on high value items.

As a third advantage, I would point quite frankly to the fact that an enlarged procurement assignment as is here envisioned would permit us to market this service more authoritatively among other potential users such as the World Bank, USAID and overseas institutions.

If I remember correctly, you were interested in having some data from us on the status and experience of our present procurement activity.

TELEPHONE: 867-0400; CABLE ADDRESS: "INTERED"; U.S. REGIONAL OFFICES: ATLANTA, CHICAGO, DENVER, HOUSTON, LOS ANGELES, SAN FRANCISCO, WASHINGTON, D.C.
OVERSEAS OFFICES: NAIROBI, LIMA, HONG KONG, BANGKOK.

Currently its work is distributed among some 45 projects, all of which are funded, either directly or indirectly, by the Ford Foundation. (The procurement unit has in the past, however, carried out procurement for other sponsors, including USAID.) Over the past year the procurement unit has received new authorizations of approximately $800,000 raising the total on hand to slightly in excess of $1.5 million.

The staff of the unit consists of a highly experienced procurement unit supervisor, a full-time procurement specialist and a temporary part-time specialist whose position we are planning to make permanent in the very near future. Clerical help, as necessary, is available from the Stenographic Pool of the Institute

Although the procurement section experienced some personnel difficulties during 1972 and part of 1973 I am convinced that the expanded staff of the present unit is fully caught up on its work and performing creditably. I am moved to make this statement on the strength of much improved relations we have established with your office in Pakistan which in recent months has found reason to commend our procurement people for the good results they have produced on behalf of grantee agencies.

On the basis of past and present experience I feel confident that this unit could assume a larger responsibility, including that which might arise from transfer to it of procurement duties for some of the Agricultural Institutes. In this connection, I want to respond to your inquiry about likely cost factors should IIE be given such responsibility. Recent calculations of our procurement and administrative costs reveal that it has been running on the average at close to 10% of program costs. When an assignment requires concentration on publications our costs have frequently risen close to 15%. On the other hand, they generally fall to the neighborhood of 5% to 10% on projects which involve predominantly equipment orders. In those instances when we have had only high value orders to place our costs have fallen under 5%. These figures, I should add, are based on cost relations after we have negotiated the best possible discounts which have been passed on to the grantee institutions.

Obviously our experience and the costs that it has generated have only limited application to the situation involving a substantial change in the nature of our procurement responsibilities. In order to make an estimate of what our costs might be under such changed circumstances we would need to have at least rough answers to the following questions:

1. Do you receive precise and accurate specifications from the staff of the Agricultural Institutes for use in obtaining quotations and the placing of purchase orders?

2. Roughly, what is the mix of items which you purchase for the two Institutes?

3. Generally to what sources are requests for quotations sent? That is, are local sources consulted as well as American, Japanese and European? This raises the issue of whether or not the staff of the various Centers deal with local representatives of potential suppliers and then engage the services of the Foundation secondarily? If this is the case, what is the fraction of the overall assignment that falls in this category and what duties or responsibilities do you undertake in that event?

4. Are there any determinants, dollar value or otherwise, of the number of inquiries that are sent out to prospective suppliers?

5. Who decides which offer to accept and is there a formal bid procedure which is currently in use which is required of you by the Agricultural Institutes?

6. Are the quotations on f.o.b. factory prices or delivered to site prices (CIF)?

7. Generally what arethe dollar amounts involved in the issuing of inquiries and ultimately the orders? That is, roughly what percentage of the orders are under $5,000, between $5,000 and $10,000, $10,000 and $20,000, over $20,000?

8. Who arranges the shipment of the orders? Are they always made directly by the supplier or are they consolidated by Ford/New York or its freight forwarders?

9. Who handles the forwarding of shipping documents to the overseas consignees?

This looks like an imposing set of questions, and should it prove to be too difficult to answer all of them definitively perhaps we could explore some other way of determining enough about what you are currently doing for the Institutes to be able to estimate what it would cost us for the same range and quantity of services.

Much of what I have written relates to the question of how IIE would fare in absorbing your present responsibilities in an integrated way into its existing procurement unit. Some of the uncertainties that this question raises over future costs and the like would perhaps be minimized or not arise at all if we were to consider accepting the personnel you currently have assigned to this procurement function and maintain them as an entity to work exclusively in support of the Agricultural Institutes. This is certainly a conceivable pattern and could be handled in a number of different ways within the existing organization. The only important disadvantage to such an arrangement

would be the relative inflexibility that it would present should the ups and downs of procurement activity leave them with little to do during certain periods of the year. Integrated with the existing procurement unit they could take on other assignments and therefore minimize their charges to the Agricultural Institutes. As a separate unit they would conceivably have to charge all of their costs to the Institutes even during slack periods.

I trust that the above responds reasonably well to your several questions. Again, let me say that we stand ready to be of whatever service we can to the Agricultural Institutes and are more than ready to assume responsibility for their procurement needs, whatever they may be.

Sincerely yours,

Richard B. Myer
Vice President
Special Projects and Arts

P.S. You might be interested in the two attachments which I am adding hereto. One is a copy of a memo written by Ed Stefurak to our Vice President for Administration, Joe Donelan, listing the major items that have been handled by our procurement section. I've also attached a short announcement which Stefurak has issued describing the services of his section.

Attachments

COPY

MEMORANDUM

December 12, 1973

TO: J. Donelan

FROM: Ed Stefurak

SUBJECT: Range of products handled by Program Procurement

1. Sophisticated Equipment - $200,000 computers, $25,000 scintillators, $100,000 compression chambers, $30,000 spectrophotometers

2. Vehicles - trucks, buses, jeeps, automobiles

3. Audio Visual Equipment - projectors, screends, films loops

4. Laboratory Equipment - such as manochromators, balances, oscilisccpes, freeze drying apparatuses, incubators, stereozcom microscopes, pulse generators, ovens, gas cylinders, etc.

5. Chemicals - mostly esoteric (for lab experiments)

6. Hospital and Medical Instruments - especially culdoscopes and insufflators for family planning

7. Laboratory Mice and Serums (e.g. anti hepatitis)

8. Agricultural Equipment - (several years ago we purchased everything for a model dairy farm)
   More recently we have purchased processing equipment for rice and other cereals as well as tractors, threshers, harvesters

9. Teaching Aides such as language laboratories, manual training kits (electrical, automotive and wood-working) recording devices

10. Books, microfilm and subscriptions to journals.

Institute of International Education
809 UNITED NATIONS PLAZA, NEW YORK, N.Y. 10017

SERVICES PROVIDED BY IIE's PROCUREMENT SECTION

1. On the basis of the grantee institutions' requisitions, we conduct surveys both in the U.S. and abroad to determine best quality, prices, discounts, delivery and payment terms on a wide variety of products including publications. All savings resulting from our negotiations are passed on to the grantee institutions.

2. We forward the grantee institutions quotations with current descriptive literature and catalogs to permit selection of the latest and most suitable products.

3. We consult with and advise the grantee institutions regarding the most efficient use of available procurement funds.

4. We place purchase orders with suppliers after receiving authorization from the grantee institutions. We also systematically follow-up these orders to see that the stipulated quality, prices and shipping schedules are adhered to. We maintain close liaison with vendors and the grantee institutions in this regard and are especially attentive to import license stipulations and expiration dates.

5. When necessary, we apply for and obtain U.S. export licenses or other U.S. governmental clearances.

6. We reduce shipping expenses by consolidating shipments at our freight forwarder's warehouse where they are properly prepared for ocean or air shipment.

7. We reduce freight costs by carefully ascertaining the lowest possible applicable rates. IIE is a member of practically all steamship conferences which entitles us to a 15% discount which again is passed on to the grantee institutions.

8. Warehouse to warehouse insurance costs are kept to a minimum by coverage under our blanket policy.

9. For prompt clearance at overseas port of discharge, we centralize from our office timely forwarding of all invoices and shipping documents to the consignee/grantee.

10. We expeditiously handle claims against the supplier, insurance company or carrier and keep the grantee institutions informed as to the status of these claims.

11. After careful checking, IIE effects payments of all invoices under the programs. Since we are well known in the trade, practically all suppliers extend us favorable credit terms thereby obviating expensive and cumbersome letters of credit.

12. IIE also provides the grantee institutions with regular accounting statements of funds expended and balances available for future procurement.

13. For the above services, IIE charges a moderate administrative fee which depends upon the complexity of the work to be done and the time required to properly perform these functions.

Edmund Stefurak
Procurement Supervisor

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