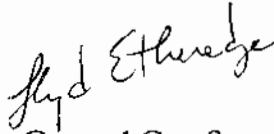


December 31, 2006

To: Walter Anderson

From: Lloyd Etheredge



Re: How the Secretary General Can Save Money and Increase the Efficiency of the UN's Allied Organizations

### Proposal

The Secretary General designate a management advisory group, including senior purchasing officials of the UN, with the task to plan and organize an online purchasing cooperative to reduce costs, and increase the efficiency, of the UN and the allied intergovernmental organizations and NGOs who share its goals.

### Background

The use of purchasing cooperatives to organize market power is a widely accepted policy tool. Today, there are added savings, even for large organizations, when purchasing cooperatives operate online and the prices of competing suppliers can be viewed directly on the desktops of members.

- The international automobile industry, for example, organized an online purchasing service in the late 1990s. The major automobile companies already were experienced and sophisticated large-scale purchasers. Nevertheless, the systems allow sellers (and buyers) to reduce costs: additional 15% - 20% reductions in price appear typical of what already-sophisticated and large purchasers achieve.<sup>1</sup>

In the 1990s, two UN scientific advisory groups recommended that the UN create a purchasing cooperative/service for NGOs and nonprofit projects in the Third World. A

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<sup>1</sup> Robert E. Hall, *Digital Dealing: How E-Markets Are Transforming the Economy* (New York: W. W. Norton, 2001), pp. 10, 100; Stephen Pritchard, "Streamlined Benefits for Buyers and Sellers," *Financial Times*, March 13, 2002, p. 7.

purchasing cooperative - organized with the clout of the UN, World Bank, and other major donors - would be a major contribution, alongside giving foreign aid. Even small price reductions (e.g, 10%) can make a big difference in UDCs.<sup>2</sup>

I was a member of one of these advisory groups. Although we made only a brief reference to an online purchasing cooperative in our Report, I followed-up and was invited to present a draft plan to an UN/World Bank/NGO working group on information age projects. At the time the response - at an earlier period in the Internet - was "this would be great if somebody would organize it" - but nobody had the mandate. And it probably seemed impossibly time consuming and complicated to organize ("Not in our lifetimes" was the comment of one UNDP representative.)

### Implementation

Today, online purchasing via the Internet is well-established elsewhere. Thus, a straightforward step is for the UN to negotiate (for itself, and its allies<sup>3</sup>) access to one (or several) of the large online systems used by major international industries:

1.) The system created by the international automobile industry (Toyota, Ford, GM, Honda, DCX, Mitsubishi, and Suzuki), [www.cosint.com](http://www.cosint.com), might become available to the UN and an UN-sponsored coalition of other intergovernmental organizations and NGOs/nonprofits for a modest expense.<sup>4</sup> (It does not add a major cost to the international

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<sup>2</sup> We anticipated much greater savings. Ordinary purchasing cooperatives in the United States, for example, achieve 40% - 60% price reductions in the costs of drugs. (This is the typical reduction achieved by the US government's Veterans Administration purchases for military hospitals, compared with its Medicare system that does not negotiate.)

<sup>3</sup> The UN (ECOSOC?) maintains a registry of approved NGOs whose goals and projects support UN goals.

<sup>4</sup> Cosint.com has extended its coverage to include medical supplies and equipment, which could reduce UDC prices in this area. If there were a request from the UN system, it

automobile industry to support UN goals and Third World economic growth by making this agreement.)

2.) Wal-Mart's global purchasing and supply system has attractive features. It buys many non-American products (from about 70 countries), and thus could help Third World companies to build local and regional markets.<sup>5</sup> (One of its largest purchasing Centers is in Southern China, in Shenzhen.) Wal-Mart also is a world leader in using bar codes, radio-frequency tagging, reliable shippers, and other methods to reduce theft and assure rapid and secure international deliveries.

3.) For telecommunications purchases/Internet linkups: The international airlines industry ([www.sita.com](http://www.sita.com)) has a private global communications network, with online links to every country and every city with regularly-scheduled airline connections. They were very interested, in the 1990s, to discuss selling spare capacity at marginal cost to an UN-organized cooperative; and to expand their system for nonprofits and NGO purchasers for their Third World projects.<sup>6</sup>

#### Additional Comment

I think that the UN would get high marks from a highly visible, and bold, investment in efficiency.

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might be straightforward to add key UDC development-related imports (e.g., fertilizers) to the [cosint.com](http://cosint.com) system.

<sup>5</sup> <http://walmartstores.com/GlobalWMStoresWeb/navigate.do?catg=337>.

<sup>6</sup> Using wi-fi and other wireless technology a SITA-based system could serve a wide geographical area. There also are options for marginal cost purchasing on low cost (VSAT) satellite-based links for rural areas in Africa - it just takes somebody to organize it: However steep price reductions require a purchasing cooperative.