

Suggested Projects: White House Innovation Fellows # 2 - Purchasing Cooperatives for UDC Development

I [suggest that USAID use] its global secure payment system to organize an online purchasing cooperative for NGOs, international organizations, foreign assistance projects, and development and benefit the poorest 40% of countries.

In the 1990s I was involved in an advisory project for the World Bank and the United Nations that recommended this kind of global Internet application to accelerate development. I briefed a working group of representatives from 18 organizations at a UNDP meeting in New York. Their consensus was that a plenary session at a forthcoming conference devoted to the idea “would create so much excitement and expectation of follow-up that anyone proposing this session would be fired.” The global online purchasing system could be game changing - and only a major national government could sponsor it.

Today, Wal-Mart and the Gates Foundation have demonstrated how steeply prices can be reduced by organized purchasing power. The international automobile industry has an online buying service on its supply chains, with options for public auctions that forced efficiencies and achieved 30%+ cost reductions even for these sophisticated purchasers. Negroponte’s early One Laptop per Child (<\$100) vision demonstrated how steeply costs for global educational linkups and access to computing can be reduced but (without an efficient system for pooling demand on a global scale) he could not easily achieve his price potential.

Today, a Presidential Innovation Fellow and a working group with Wal-Mart, Google, and Coca-Cola (that operates in every country) could draft a feasibility study of how to negotiate and operate this new pipeline. USAID analysts could identify key imports (e.g., petroleum-based fertilizer) and establish strategic priorities.

Purchasing cooperatives enjoy bipartisan political support. When graft and corruption depart from a market system, problems of information asymmetry are solved, and prices become truly competitive, purchasing cooperatives are no longer necessary.

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