Ways to buy AI

Who	Procurement, project, and technology teams
What	Description of AI use cases, aligned with type of AI feature, customization level, primary purchase type, commercial model (pricing and contract type), commercial risks, AI risks, and common procurement methods.

Governments often purchase AI through three pathways: **"Off-the-shelf"** for commercially available AI solutions for quick, common needs, **"Customize"** for proven AI systems to fit specific processes, or **"Build"** for new AI solutions for strategic, high-stakes, or emerging challenges. Your procurement pathway should be determined by **your use case**, and informed by other factors such as **risks.**

Right now, off-the-shelf is the most common way we hear the public sector is buying AI, and this is increasingly happening through central purchasing. This trend implies a more limited role for procurement, both in terms of the purchasing process itself and supporting adoption. Custom or build solutions mean the public sector is purchasing software development services and time, rather than simply a product. This makes good technology procurement practices critical for success.

Not all AI enters the public sector through these pathways. Sometimes AI isn't deliberately purchased, but is **added on to existing services under contract** that the public sector is already using. Other times, AI is provided to public sector organizations through academic partnerships, grants, or pro bono pilots with private sector companies.

Do you feel stuck? We've heard over and over again that teams don't feel they have a choice when it comes to which pathway they pursue. If this is you, check out the **Hacks for better AI procurement** section for ideas on how to get the most out of your procurement if you can't choose the method.

Procurement pathways chart

Off the shelf	Customize		Build	
Commerciall y available solutions (Content creation, basic analytics, email assistance, & basic chatbot interactions)	**Mature AI systems with known applications** (Traffic flow optimization, document processing at scale, or permit processing)	**Cloud-based AI platforms for enterprise digital transformati on** (Collaboratio n, knowledge management, analytics)	**Strategic, complex AI solutions for newer use cases where outcomes matter** (Policy impact modelling, dynamic benefits optimization, or real-time emergency response systems)	**Pilot AI solutions for emergent/ex perimental use cases** (For smart infrastructure or predictive maintenance or public engagement platforms)
Type of GenAI Feature				
Pre-built AI applications and tools	Enterprise-grade AI models with API integration	Cloud-based AI services and platforms	ML models, custom architecture s, specialized training	Pre-trained models with custom fine-tuning capabilities

Customization Level				
Off-the-shelf	Minimal customization/ off-the-shelf	Off-the-shelf	Highly custom/purpose-built	Moderately customized/fine-tuned
Primary Purchase Type				
Software license	Access to services, platforms or licenses	Platform subscription + minimal labor	Labor-intensive services + platform access; built for a very particular purpose which does not exist in existing models	Labor-intensive services + platform access; built for a very particular purpose which doesn't exist in existing models
Commercial Model (Pricing & Contract Type)				
License fees, annual renewals, volume pricing	Subscription fees, fixed license + support, integration contracts	Subscription/SaaS fees, usage-based billing	Iterative/Milestone-based payments, time & materials	Time & materials, pilot funding, pay-as-you-go platform

⚠ **Commercial Risks**				
License management, upgrade costs	Integration and maintenance costs	Subscription cost variation	High development costs, uncertain ROI, vendor viability	Pilot overruns, scaling difficulties
Common procurement methods				
Framework agreement/multiple awards or RFQ (under threshold), or commercial purchase orders	Open Tender: Request for Tender with requirements, or outcome-driven services RFP with defined performance goals	Multiple-awards schedule or RFI/RFP with requirements	Outcome-driven services RFP/RFI with defined performance goals	Innovation procurement: Challenges, pilot funding

Download the table: Use cases for procurement pathways ↗

Buying off-the-shelf is often pursued when... Use case: Solutions are well-established and standardized **ROI:** Clear ROI can be more easily demonstrated **Capacity:** Internal technical resources are limited **Data security:** No custom solution required to protect data beyond the organization's standard privacy agreements. **Timeline:** Quick implementation is needed **Vendors:** Established vendors exist, are pre-approved already and can deliver quickly

Buying customized or build AI is often pursued when... Use case: Unique organizational needs exist **ROI:** May be demonstrated or less certain for newer use cases **Capacity:** Internal technical capability is strong **Data security:** Custom solutions required **Timeline:** Sufficient time to accommodate agile development **Vendors:** Pool of vendors with known capabilities, newer vendors and collaborations are needed