Planning and procurement strategy tips

Who	Procurement teams
What	How to develop a procurement strategy, who to consult, and what to include

Two types of planning are required for successfully adopting and purchasing an AI solution: **project planning**, to figure out the broad technology strategy, which is usually led by the agency/department project team or sometimes IT, and **procurement planning**, to determine which products/services/licenses have to be purchased as part of this project, which is led by procurement.

This section mainly focuses on procurement planning. However, at the end of this section, we also include important considerations for other involved teams during the planning of the broader project.

One valuable tool for procurement planning is a procurement strategy. A procurement strategy is a public-facing plan that explains how your state or local government will buy and deliver a specific technology to achieve measurable outcomes for residents and/or staff.

A procurement strategy should articulate the problem you are trying to address in the context of your organization's wider strategic objectives and priorities, and the outcomes you are seeking to achieve in plain language. This analysis should include a clear assessment of market solutions versus custom development, explain your chosen delivery approach, your sourcing model (including solicitation and contracts types, terms, timelines) and commercial terms up front. This helps set shared expectations for public agencies, vendors, oversight bodies, and the public, and is particularly important when procuring mission-critical technology.

Early on you'll need to decide whether to pursue off-the-shelf AI, or customize or build your AI solution. You may also consider reusing existing open-source components as a delivery approach, or in combination with other methods. Your strategy should clearly justify this

choice.

If recommending off-the-shelf,

Explain how existing enterprise platforms or applications can meet your needs through standard features and configurations. Consider how you might benefit from continuous vendor improvements, proven security frameworks, and experience from implementations in other organizations, as well as the vendor's AI services and integration capabilities. Depending on your specific use case, specialized AI applications might be a better fit.

If recommending customized solutions,

Explain why the underlying platform capabilities are strong, but standard configurations aren't enough to meet your needs. This might involve custom integrations, specialized workflows, or agency-specific data processing requirements that can be built on enterprise foundations.

If recommending building custom solutions,

Articulate why neither off-the-shelf products nor platform customization are enough to meet your needs. This typically involves unique regulatory requirements, new or unique use cases, or complex integration needs that exceed what existing platforms typically can do. Consider whether these requirements justify the additional development time, cost, and ongoing maintenance responsibilities.

Who and how to engage



Whom you gather input from as you develop and refine your strategy is as important as the content itself. Key stakeholders include:

- **Your internal experts**: You should speak to the agency or department buying the technology, and your technical, finance, and legal experts. Gathering this feedback early will help generate alignment around what you are buying, how you will buy and pay for it, and what to consider during contract implementation with your vendors.
- **Your organization's employees**: Seek to empower public servants' voices ↗ throughout the procurement process by engaging with public sector commissioners and trade union representatives.
- **Suppliers:** Strong, proactive supplier engagement is especially important for AI. AI technology and vendor capacity are changing very fast, so understanding what the market is capable of, now and in the near future, is important for many aspects of your procurement strategy. Potential engagement methods range from attending conferences or vendor fairs, to issuing RFIs and conducting one-to-many and one-to-one supplier sessions, to innovative, challenge-based procurements.

- **The public:** By engaging the public during the design of your procurement strategy, you can promote organizational transparency and accountability, and build trust with your residents. Public participation is especially important for any AI technology that the public might interact with directly as an end user, or used to influence public sector service delivery.

In addition to your key stakeholders, you may also consider gathering input from organizations that work on AI- and procurement-related topics for the public sector, such as professional associations, nonprofits, or academia.

How you engage your stakeholders matters, too. By taking a collaborative and participatory ↗ approach, you can develop a strong shared understanding of the problem you are trying to solve, your objectives, and outcomes.

Thinking through your budget

Identify your funding sources, and which team within your organization will own the product budget. Depending upon the scope of your purchase, you may have multiple teams responsible for different budget lines.

It's important to recognize that AI solutions typically use different pricing models than traditional software, which have implications for your costs. Think carefully with your IT/data teams around what realistic costs look like, both upfront and for appropriate maintenance.

Common AI pricing models include:

- **Usage-based pricing**: Many AI services charge per API call, document processed, or query made
- **Subscription models:** Monthly/annual fees often based on number of users or processing volume
- **Hybrid approaches:** Combination of base fees plus usage charges
- **Custom enterprise pricing**: For large implementations or specialized requirements

Key considerations for procurement around pricing include:

- Costs can scale rapidly with usage, making it especially important to understand volume projections.
- Training or customizing models may involve significant upfront costs.
- Data preparation, integration, and ongoing human oversight all have cost implications.

- Consider pilot pricing vs. full-scale implementation costs when budgeting.

Procurement strategy template

Problem	
Objectives	The ultimate outcomes you are trying to achieve through your AI purchase
Delivery approach	The delivery approach (i.e. modular, agile etc.)
Sourcing approach	The design of the contract process (i.e. solicitation and contracts types, terms, timelines)
Budget	Your budget for the project, both for upfront costs and ongoing maintenance, as well as your funding source
Commercial terms	Relevant legal considerations that will inform contract terms
Governance and accountability	Your organization's approach to AI governance and accountability, including preferences for data management, data sharing, and data security.
Market research	Your approach to market research to understand market capability
Supplier engagement and communications plan	How you will let the market know early what is coming and encourage participation
Evaluation goals and priorities	The most important factors in evaluating solutions, for example price is more important than capability, or must be delivered by a certain date
Risk management	Identifying implementation risks and your mitigation approach.
Monitoring and optimization	The KPIs for performance and contract delivery

Problem	
Public transparency and accountability	Your approach to communicating with the public around your planned use of AI and the procurement method

Building your procurement strategy: Key questions

Procurement objective

- Develop a procurement strategy that fits the overall organizational strategy and the needs of the specific procurement.

Organizational objective

- Identify your needs for your specific procurement

Team	Questions
Procurement	**General** ○ Are we engaging the right internal and external stakeholders in our strategy development process? ○ Is our budget realistic, given ongoing maintenance needs?

Team	Questions
Agency or department buyer	**Model and system architecture** • What is the problem we are trying to solve? • What are our needs and use cases? • How will this project impact end users, including public sector staff, frontline workers and communities or service recipients? • What are the expected outcomes of the solution we want to acquire? • How might we safely test our assumptions, approach, and AI tool options before launching the formal procurement process? **Operational considerations** • Which role or team will be accountable for managing risk and compliance? Do we have the internal capacity for this oversight?
IT/Data analytics	**Model and system architecture** • Is AI the right tool to meet our needs? What deterministic and rule-based solutions might deliver comparable results to generative AI for our use case? • If we pursue AI, what type of model best suits our specific use case (e.g., general-purpose vs. specialized models)? • What integration capabilities do we need with existing systems? • What is our internal capacity to maintain the tool? • Where will the tool be hosted? Will we need to acquire additional processing or storage capacity? • What are environmental considerations?