

Ways to buy AI

None

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

Use case examples	Type of AI Feature	Customization Level	Primary Purchase Type	Commercial Model (Pricing & Contract Type)	Commercial Risks	Common procurement methods
Off-the-shelf						
Commercially available solutions such as content creation, basic analytics, email assistance, and basic chatbot interactions)	Pre-built AI applications and tools	Off-the-shelf	Software license	License fees, annual renewals, volume pricing	License management, upgrade costs	Framework agreement/multiple awards or RFQ (under threshold), or commercial purchase orders
Customize						
Mature AI systems with known applications (such as traffic flow optimization, document processing at scale, or permit processing)	Enterprise-grade AI models with API integration	Minimal customization / off-the-shelf	Access to services, platforms or licenses	Subscription fees, fixed license + support, integration contracts	Integration and maintenance costs	Open Tender: Request for Tender (RFT) with requirements, or outcome-driven services RFP with defined performance goals
Cloud-based AI platforms for enterprise digital transformation (e.g., collaboration, knowledge management, analytics)	Cloud-based AI services and platforms	Off-the-shelf	Platform subscription + minimal labor	Subscription/SaaS fees, usage-based billing	Subscription cost variations	Multiple-awards schedule or RFI/RFP with requirements
Build						
Strategic, complex AI solutions for newer use cases where outcomes matter (such as policy impact modelling, dynamic benefits optimization, or real-time emergency response systems)	ML models, custom architectures, specialized training	Highly custom/purpose-built	Labor-intensive services + platform access; built for a very particular purpose which does not exist in existing models	Iterative/Milestone-based payments, time & materials	High development costs, uncertain ROI, vendor viability	Outcome-driven services RFP/RFI with defined performance goals
Pilot AI solutions for emergent/experimental use cases (such as for smart infrastructure or predictive maintenance or public engagement platforms)	Pre-trained models with custom fine-tuning capabilities	Moderately customized/fine-tuned	Labor-intensive services + platform access; built for a very particular purpose which does	Time & materials, pilot funding, pay-as-you-go platform	Pilot overruns, scaling difficulties	Innovation procurement: Challenges, pilot funding

			not exist in existing models			
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Download the table: Use cases for procurement pathways

OVERVIEW							
Off the shelf	I: Type of AI feature	2: Level of customization	3: Primary purchase type	4: Commercial model (pricing & contract type)	5: Commercial risks	6: Common procurement methods	
 Commercially available solutions	Content creation, basic analytics, email assistance, & basic chatbot interactions	Pre-built AI applications and tools	Off-the-shelf	Software license	License fees, annual renewals, volume pricing	License management, upgrade costs	Framework agreement/multiple awards or RFQ (under threshold), or commercial purchase orders
 Customize							
 Mature AI systems with known applications	Traffic flow optimization, document processing at scale, or permit processing	Enterprise-grade AI models with API integration	Minimal customization/off-the-shelf	Access to services, platforms or licenses	Subscription fees, fixed license + support, integration contracts	Integration and maintenance costs	Open Tender: Request for Tender with requirements, or outcome-driven services RFP with defined performance goals
 Cloud-based AI platforms for enterprise digital transformation	Collaboration, knowledge management, analytics	Cloud-based AI services and platforms	Off-the-shelf	Platform subscription + minimal labor	Subscription/SaaS fees, usage-based billing	Subscription cost variation	Multiple-awards schedule or RFI/RFP with requirements
 Build							
 Strategic, complex AI solutions for newer use cases where outcomes matter	Policy impact modelling, dynamic benefits optimization, or real-time emergency response systems	ML models, custom architectures, specialized training	Highly custom/purpose-built	Labor-intensive services + platform access; built for a very particular purpose which does not exist in existing models	Iterative/Milestone-based payments, time & materials	High development costs, uncertain ROI, vendor viability	Outcome-driven services RFP/RFI with defined performance goals
 Pilot AI solutions for emergent/experimental use cases	For smart infrastructure or predictive maintenance or public engagement platforms	Pre-trained models with custom fine-tuning capabilities	Moderately customized/fine-tuned	Labor-intensive services + platform access; built for a very particular purpose which doesn't exist in existing models	Time & materials, pilot funding, pay-as-you-go platform	Pilot overruns, scaling difficulties	Innovation procurement: Challenges, pilot funding

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