

Moving from “Why AI” to “How to AI” — A Playbook for Governments Procuring AI and GenAI



Massimiliano Claps
Research Director, IDC
Government Insights



Louisa Barker
Senior Research Manager,
IDC Government Insights

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Executive Summary

According to a recent IDC survey, **the number of governments adopting generative AI (GenAI) is expected to increase fivefold over the next two years.**¹ While government adoption of AI (including GenAI) is currently significantly slower than in the private sector, this is a fast-moving market, with potential productivity gains and service improvements driving adoption across Europe and beyond. Governments are proactively planning for this AI wave; for example, national government departments in the United Kingdom were required to create AI adoption plans by June 2024. Governments are also exploring the art of the possible through a myriad of proofs of concept and pilots. The next step is to realize the value of AI at scale.

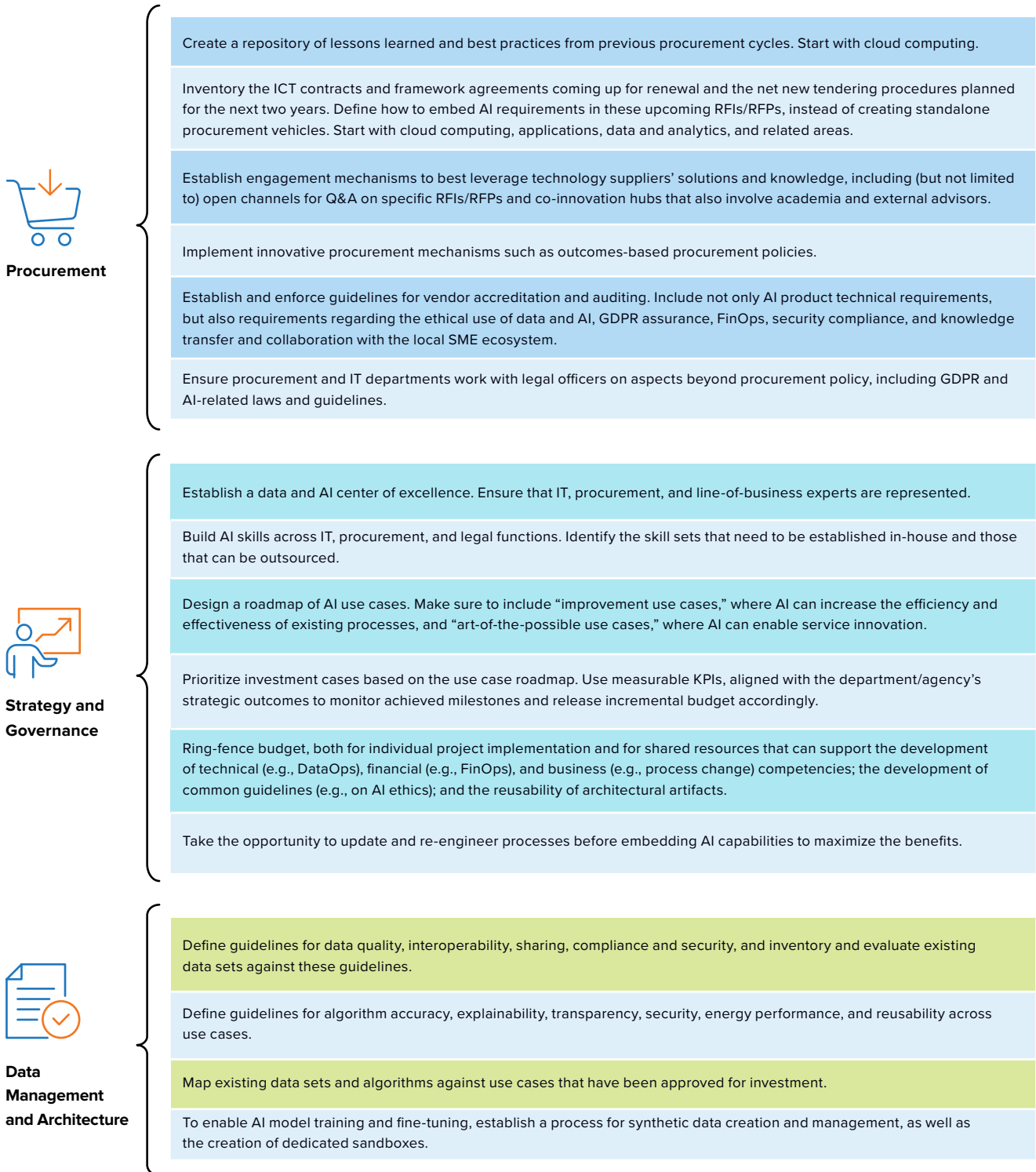
Government senior leaders are often clear on the *why* of artificial intelligence. They know it will help increase the efficiency and effectiveness of existing services and processes, as well as unlocking new opportunities. However, the wider application of AI raises practical questions about the *how*. Governments must overcome challenges such as developing compelling business cases, responding to shifting regional and national regulations, creating the right skills base across government functions, and navigating complex procurement processes. IDC research has found that challenges relating to *how* to procure and deploy AI are currently slowing government AI adoption and time to value, compared with private-sector organizations that have demonstrated more agile approaches.

This playbook provides an overview of the top challenges governments face when sourcing and procuring AI solutions. It includes a practical checklist of actions governments can take to overcome these challenges, including establishing innovative procurement processes, building effective strategies and governance mechanisms, and managing data and architecture requirements to get AI projects off the ground (see Figure 1 on the next page). The checklist is not intended as a sequential roadmap of activities. Government chief procurement officers should work with IT executives to prioritize actions and create roadmaps that address procurement needs in the context of their organizations' AI strategy, governance, and data and architecture needs and implementation plans. Close collaboration with the AI vendor community is also an integral part of the procurement journey.

The playbook will be a valuable tool for government technology executives (e.g., CIOs, CTOs, and CDOs) and chief procurement officers (CPOs, also known as chief commercial officers); it lays out a recommended pathway for greater collaboration between these two critical government functions, as well as the broader partner ecosystem and AI vendor community.

¹Source: IDC's *Cross-Industry Acceleration Survey*, December 2023, EMEA (n = 87, government respondents)

FIGURE 1:
A Checklist for AI Procurement in Government



Source: IDC, 2024



Introduction

Governments across Europe and beyond are experimenting with and scaling AI-powered innovations. According to IDC EMEA's *2023 Cross-Industry Survey*, the government sector currently has the second-lowest level of generative AI adoption compared with other industries (ahead only of agriculture). However, while adoption rates are currently low, governments have the highest percentage of organizations planning to start investing in GenAI over the next 24 months.

Senior government leaders understand the value of using AI, including GenAI, to increase the productivity of existing processes and services, to deliver more personalized citizen experiences that reduce red tape, and to enhance operational and cyber-resilience. The slower adoption rate than in other industries is being driven by several factors; it follows the same pattern as most of the previous waves of technological innovation (e.g., when governments started assessing the merits of cloud computing). Legal and policy requirements can hamper public-sector technological innovation, as can limited procurement capacity and competencies. Governments also tend to be risk-averse in their approach to technological innovation to ensure the necessary safety, security, and — for citizen-facing services — public engagement and inclusion.

Finally, complex and lengthy procurement processes and approaches often put government technology executives (e.g., CIOs, CTOs, and CDOs) at odds with chief procurement officers. IT executives are often eager to test and scale new capabilities to deliver improved outcomes that meet elevated citizen expectations and reduce service delivery costs. CPOs are accountable for compliance with public procurement regulations and policies aimed at avoiding waste, fraud, and abuse, rather than accelerating time to value and innovation. These competing approaches between stakeholders can slow innovation and, therefore, the uptake of transformational technologies.

This playbook offers guidance for CPOs, CIOs, and their senior civil service peers, with an overview of current pain points and challenges surrounding AI and GenAI procurement. It also includes a practical checklist for how to address these challenges and collaborate to accelerate AI's time to value while ensuring transparent and compliant public procurement (see Figure 1 on the previous page). The first chapter gives an overview of the current state of play for public-sector AI adoption and sourcing models, while the second chapter dives into each item on the procurement checklist and highlights best practices and examples.

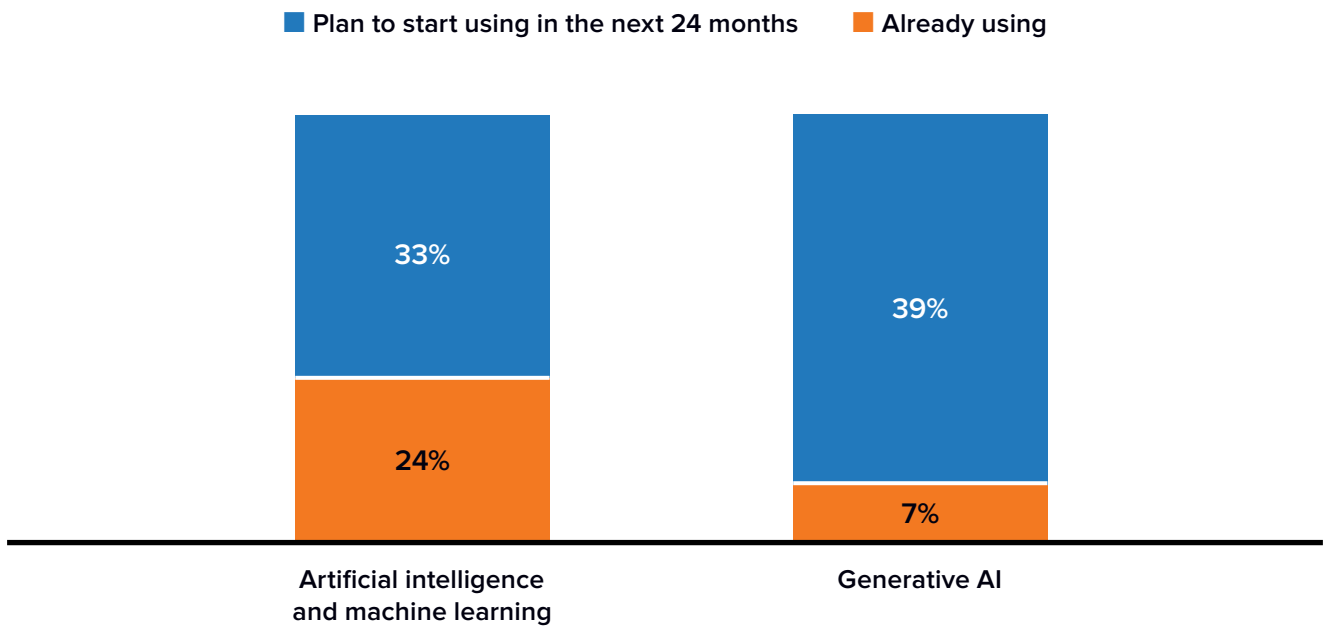
The playbook draws on IDC's knowledge base, as well as a targeted survey of European government IT and procurement executives (see Appendix) and a series of in-depth interviews with senior civil servants and public-sector expert advisors.

AI in Government: The Current State of Play

Non-generative or “traditional” AI (defined in greater detail below) has been used in government — particularly by tax, welfare, public safety, intelligence, and defense agencies — for over a decade; in fact, in IDC surveys, approximately 25% of government executives in Europe, the Middle East, and Africa (EMEA) indicated their institution already uses AI/ML (see Figure 2). The AI applications most commonly adopted by governments include those used to **interpret** and **analyze** data streams and images to help expert civil servants to develop insights. They also include **predictive** capabilities to simulate the potential outcomes of strategic and tactical decisions, based on the detection of existing patterns (e.g., simulating the potential impact on congestion and road safety when departments of transportation consider reducing speed limits in city neighborhoods).

As GenAI (defined below) is an emerging technology, adoption is currently more limited than for traditional AI/ML; however, the advent of publicly available large language models (LLMs, such as ChatGPT) represents an inflection point for AI adoption more broadly and has inspired a surge in experimentation to uncover the art of the possible of artificial intelligence. IDC has named this wave of AI experimentation “the era of AI Everywhere.”

FIGURE 2:
EMEA Government Investment in AI/ML and GenAI



Source: IDC's Cross-Industry Acceleration Survey, December 2023, AI/ML (n = 87, government respondents)



AI Definitions

Traditional AI models are trained on pre-existing data sets to recognize patterns and make predictions. These models fall into two main categories:

- ▶ **Interpretative AI:** Analysis of images and data streams so that human and digital workers can detect, analyze, and act (e.g., machine vision). At runtime, real-time data flowing into the system is compared with training data to predict specific events.
- ▶ **Predictive AI:** Analysis of large training data sets to identify long-term patterns in behavior and detect changes (e.g., digital twins and fraud/threat detection)

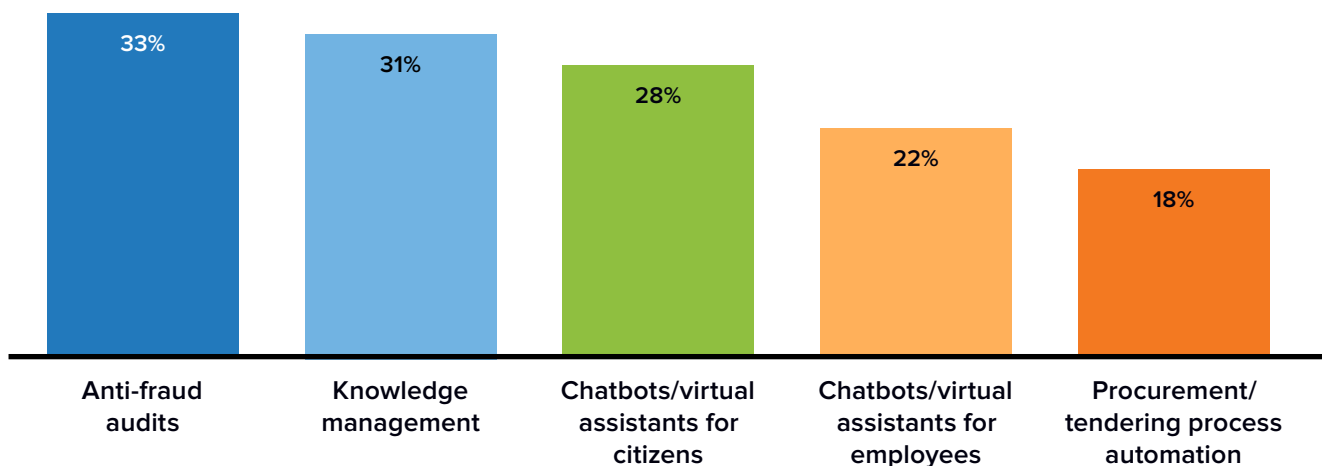
Generative AI creates new content using existing content (e.g., text, audio, video, images, and code) in response to short prompts. Generative AI is based on large language models, including transformer models (neural networks that learn context and meaning in sequential data by tracking relationships between words) and foundation models (a class of machine learning models trained on diverse data; they can be adapted or fine-tuned for a wide range of downstream tasks).

Source: IDC, 2024

The top 3 AI use cases driving government investment in traditional AI and GenAI are the following (see Figure 3):

- (1) Anti-fraud audits:** Examples include predicting the risk that taxpayers or welfare recipients could be committing fraud, to prioritize inspectors’ interventions.
- (2) Knowledge management:** Examples include the use of natural language processing to summarize or identify patterns in government policies, regulations, and strategy documents.
- (3) Chatbots/virtual assistants for citizens:** Examples include chatbots that help citizens access information about government services, from urban mobility to recycling, and government programs such as tax benefits and subsidies.

FIGURE 3:
Top 5 AI Use Cases Among European Governments



Source: IDC’s European Public Sector AI Procurement Survey, conducted for Microsoft, March 2024 (N = 330)

New public-sector GenAI use cases are appearing every day. Examples include the following:

- The central governments in France and the United Kingdom have invested in GenAI-powered virtual assistants, targeted at civil servants² in one case and at citizen chatbots³ in the other. An LLM has also been piloted in France to improve the processing of legislative proceedings⁴.
- Government IT departments are leveraging AI to expedite code development and testing for software applications.
- Procurement departments are using it to draft requests for information (RFIs) or search for lists of candidate bidders for a certain product category.
- HR managers are using GenAI to draft job requisitions.
- Case managers are using it to summarize citizen requests and applications. For instance, an executive interviewed by IDC talked about a pilot project using GenAI in a regional government’s environmental permitting department to summarize document-heavy applications for grants/loans to install solar panels.
- A regional government IDC spoke with is testing a natural language processing algorithm trained to recognize languages, dialects, and tones of voice to collect applications for farming grants through voice messages. The AI-powered system will use an automatic speech recognition system to translate the voice message into text. Then an LLM will comb through voice messages to identify the entity (individual or business) making the request and the key attributes, subsequently feeding the data to a rules engine to verify eligibility. No forms will need to be completed manually.



There has been an explosion in AI uptake in the last year, linked to an interest in GenAI in the public sector. It has been a balancing act between regulatory compliance and potential productivity gains, and the latter is now tipping the balance.”

— A professional services AI lead

²<https://www.usine-digitale.fr/article/le-gouvernement-lance-une-experimentation-de-l-ia-generative-dans-les-services-publics.N2179607>

³<https://insidgovuk.blog.gov.uk/2024/01/18/the-findings-of-our-first-generative-ai-experiment-gov-uk-chat/>

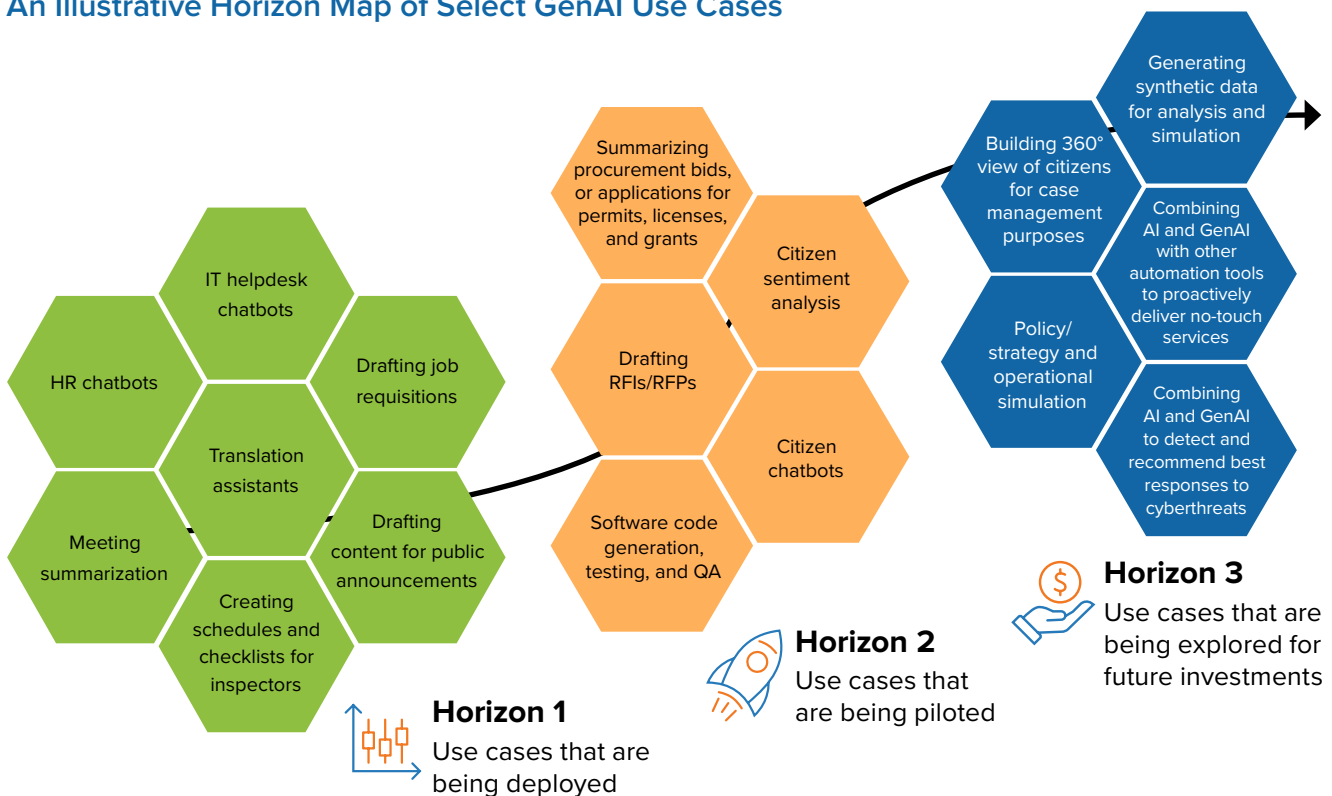
⁴<https://arxiv.org/abs/2401.16182>

In essence, senior government leaders are clear on the *why* of artificial intelligence. They know it will help increase the efficiency and effectiveness of existing services and processes, as well as enabling them to explore new opportunities. However, the wider application of AI (including GenAI) raises questions about the *how*. For instance, the above example where automatic speech recognition is being used for farming grant applications, gives rise to questions such as: How should voice data be collected and where should it be stored to comply with the requirements of the EU’s General Data Protection Regulation (GDPR)? How can governments obtain and maintain good-quality data to train and fine-tune algorithms? AI also raises business, operational, and procurement questions, including: How can governments maximize efficiency by embedding AI capabilities in existing processes and software applications, and how do business processes need to be re-engineered and systems rearchitected to maximize the benefits of automation? How can governments get access to platforms with interoperable capabilities that are reusable across use cases? How can governments use existing frameworks and innovative procurement mechanisms to enable a culture of experimentation?

The answers to these questions have been embedded into the AI government checklist provided in this playbook, based on three pillars: procurement processes, strategy and governance, and data and infrastructure. The answers are also informed by the increasing variety of **AI sourcing pathways** governments can choose from, particularly the variety of software-as-a-service (SaaS), platform-as-a-service (PaaS), and infrastructure-as-a-service (IaaS) capabilities cloud service providers (CSPs) are bringing to market as they invest in embedding AI in their solution offerings.

Figure 4 shows examples of GenAI use cases governments are currently implementing, piloting, or considering for future development.

FIGURE 4:
An Illustrative Horizon Map of Select GenAI Use Cases



Source: IDC, 2024

How Can Governments Source AI Capabilities from Cloud Service Providers?

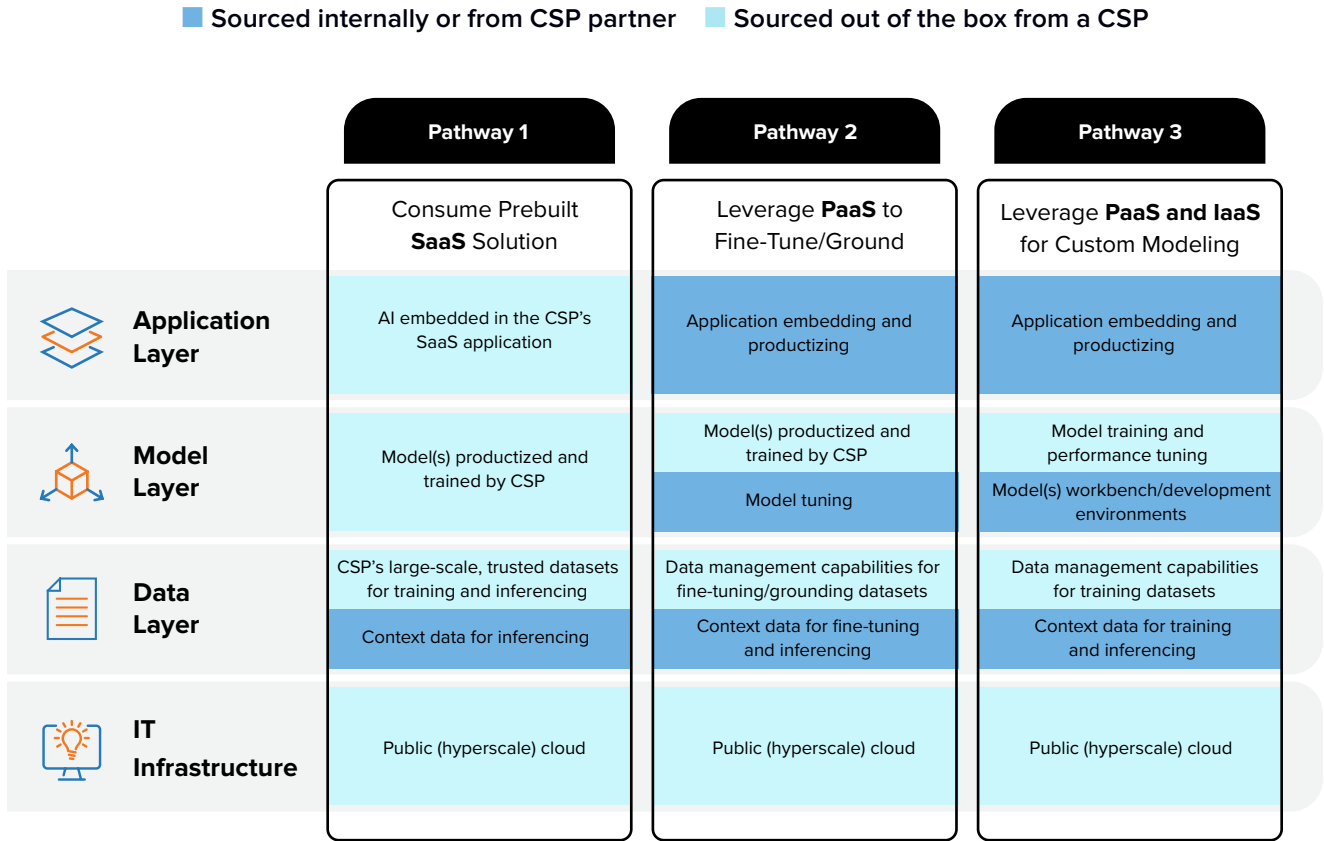
European government sector executives have several potential pathways to leveraging the sourcing options offered by CSPs. Sourcing refers to strategic and operational procurement decisions, including identifying needs, researching the market, accrediting vendors, and selecting a deployment model (e.g., consuming applications through SaaS).

The three main pathways for sourcing AI capabilities from CSPs are:

- ✓ **Pathway 1:** Consuming AI capabilities embedded in SaaS applications
- ✓ **Pathway 2:** Leveraging supplier models to build applications by fine-tuning AI capabilities. This entails consuming pre-built PaaS components developed for a specific use case or use case cluster (e.g., image processing for computer vision applications to fine-tune models).
- ✓ **Pathway 3:** Organizations leverage CSPs' PaaS capabilities and, most importantly, their scalable IaaS capabilities to develop their own models for specific use cases or use case clusters and embed them in critical business process applications.

Each pathway has sourcing implications across **application layers, model layers, data layers, and infrastructure layers** (see figure 5 on the next page).

FIGURE 5:
Pathways to Leveraging CSPs’ AI Offerings

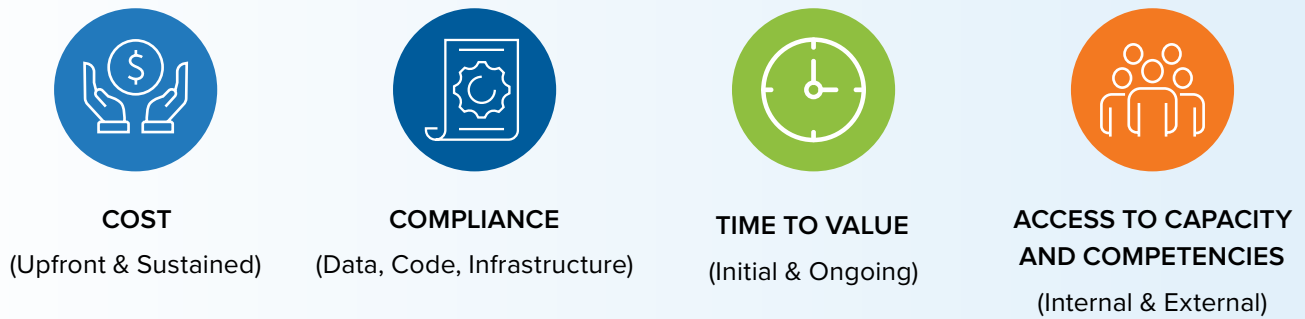


Source: IDC, 2024

Governments should consider four critical factors when deciding on an AI sourcing pathway (see Figure 6 on the next page):

- ✓ **Cost:** The total cost of ownership for the full life cycle of AI training and inferencing, both at the pilot stage and when scaling it to full production
- ✓ **Compliance:** Aspects such as compliance with data protection and AI regulations and policies
- ✓ **Time to value:** The ability to realize the benefits of AI solutions, in alignment with the government’s mission and strategic goals, in the planned timeframe
- ✓ **Access to capacity and competencies:** The ability to allocate adequate resources, including not only technical resources (e.g., IT infrastructure and compute, applications, and models) and skills but also the legal, governance, and business skills required to realize the benefits of AI

FIGURE 6:
Factors Impacting Build or Buy Decisions for AI Capabilities

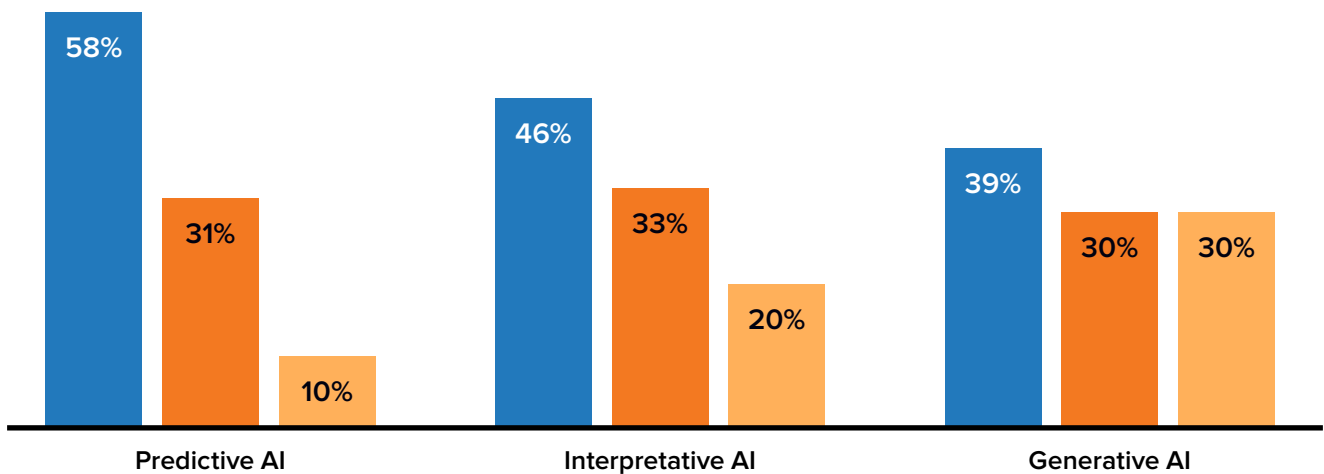


Source: IDC, *The Build/Buy Decision Tree for GenAI*, 2024

The majority of government CPOs and CIOs see consuming applications available as SaaS as the entry point (see Figure 7), particularly for the most common functional use cases (e.g., knowledge management, customer service, and HR) where good practices developed in public-sector and other industries are standardized and embedded in commercial solutions. This option offers them an accelerated time to value and lowers the cost of operating and maintaining applications, thus freeing up resources to focus on process and service innovation, while they also benefit from cybersecurity and compliance services provided by the supplier.

FIGURE 7:
How Are Governments Sourcing AI?

- Subscribe to SaaS (or buy software) with prebuilt AI capabilities and use as is (e.g., copilot)
- Subscribe to PaaS (or buy software) to build your own AI applications
- Use PaaS and IaaS capabilities to develop and train custom AI models



Source: IDC’s *European Public Sector AI Procurement Survey*, conducted for Microsoft, March 2024 (N = 330)

As an alternative, some European governments are considering the option of building from the ground up (e.g., by building private cloud infrastructure on premises or hosting a private cloud in a datacenter managed by a service provider headquartered in the country). They are often driven by the desire to maintain a higher degree of control over technical architectures and operational processes. Governments opting to buy rather than build should work closely with their cloud service providers on contractual and technical arrangements that allow for rapid and monitorable compliance, easy and affordable customizability, and strong control over virtual safeguards in place of physical control. Governments opting for the build approach must consider that in exchange for the perceived higher levels of control, they need to invest significant resources and tools in managing:

- The complexity of algorithm development and training
- The need to aggregate and curate the appropriate data
- The need to build compliance, security, and ethical use policies into processes and systems
- The need to orchestrate composable platform environments, in which the algorithm training could be running on public IaaS, the fine-tuning/grounding of the model could be based on on-premises data the government entity does not want in a public cloud archive, or perhaps only a vector database or synthetic data could be hosted on public or sovereign cloud.

Senior government procurement and IT leaders wanting to collaborate to accelerate the time to value of these diverse approaches should embrace good AI procurement practices.



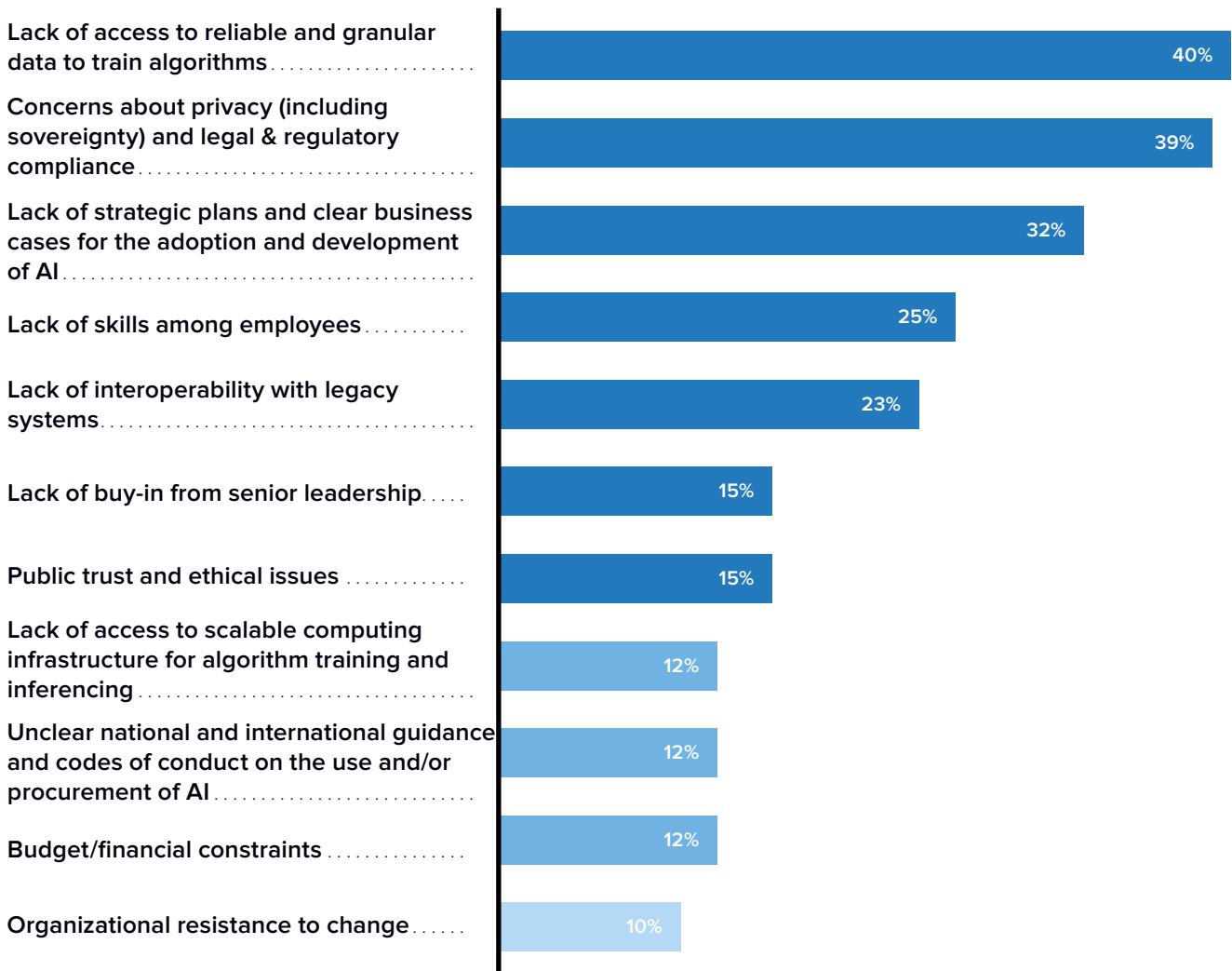
For all kinds of IT, we first go to SaaS. If we cannot find anything, we go to PaaS. If not, then IaaS.”

— The CIO of a local government in Europe

Challenges in Procuring AI

When putting strategic sourcing decisions into action and procuring AI capabilities, European governments need to overcome several challenges (see Figure 8).

FIGURE 8:
European Governments' Main Challenges when Procuring AI Capabilities



Source: IDC's *European Public Sector AI Procurement Survey*, conducted for Microsoft, March 2024 (N = 330)

The top challenges governments need to tackle include:



A Lack of Access to Reliable, Granular Data to Train Algorithms

AI algorithms rely heavily on large data sets; a lack of diversity and inaccurate data could result in mistakes and biases. Organizations must ensure the quality of the data, as well as related data management processes (e.g., ingestion, cleansing, pipelining, discovery, and metadata management), before feeding them into AI platforms. For **46%** of government IT executives and **33%** of procurement executives, accessing reliable and granular data to train algorithms is among the main challenges when procuring AI capabilities. ⁵While both government functions see this as a key challenge, greater alignment and communication between IT and procurement executives on the extent of the challenge would help governments gain clarity on the nature of the problem and how it can be overcome effectively. Depending on the AI approach and sourcing pathway chosen, governments will have different data requirements. For example, if they choose to buy instead of build, they will only need data to fine-tune models rather than training them, which helps overcome challenges related to data access. This should be a key consideration when deciding on AI procurement pathways.



Concerns About Data Privacy Centered on GDPR Compliance

For 39% of the surveyed government executives, concerns regarding privacy and GDPR compliance are a top challenge when procuring AI capabilities. Governments deal with sensitive data. This includes personal citizen data used to verify eligibility for welfare payments, collect taxes, and conduct police investigations. It also encompasses sensitive data on civil servants, including their salaries, health status, or other personal information that can impact their safety (especially for police officers, judges, and defense and intelligence personnel). The fragmented nature of government databases and capacity gaps often results in inadequate systems and processes, which may increase compliance and security risks. Therefore, senior government leaders expect adequate capabilities and expertise around regulatory compliance and security from the platform and service partners helping them to deliver AI innovations.



One of the main challenges of using AI and GenAI is the privacy concerns and uncertainty on where data will be processed.”

— A local government’s head of IT architecture and security

⁵Source: IDC’s European Public Sector Procurement Survey, conducted for Microsoft, March 2024 (N = 330)



Digital Sovereignty Considerations

Over the past five years, EU institutions and member states have asked for additional assurances regarding digital sovereignty. IDC’s *WW Digital Sovereignty Survey, 2024*⁶ highlighted that globally, **digital sovereignty considerations are generally not stopping government IT executives from investing in AI**; in fact, 37% of the respondents agreed that “AI innovation takes precedence over digital sovereignty concerns,” while 45% said “they strive to maintain the balance.” Only 18% indicated that “digital sovereignty is their top priority, even if it limits innovation.”

Across EU member states, senior government leaders have taken different approaches to digital sovereignty, with some focusing more on data location requirements, some prioritizing operational guarantees, and some turning their attention to interoperability standards to reduce the risk of vendor lock-in. However, all government leaders expect some common attributes in digital solutions, including data, technical, and operational oversight.

IDC’s *WW Digital Sovereignty Survey, 2024*⁷ highlighted that governments are taking steps to embed digital sovereignty principles in their AI projects. For example, 63% of governments have established data location policies, while 47% are implementing AI solutions with transparent and auditable algorithms.

Cloud service providers’ offerings increasingly give public sector executives ways of meeting sovereignty requirements and addressing perceived risks through the implementation of software-defined assurances and safeguards (e.g., landing zones and policy as code). Close collaboration between legal, procurement, and technical experts is one way to help governments navigate this discussion. Clarity on what is allowed under national guidelines and policies will help governments to avoid unnecessary delays in adoption and to realize the full benefits of the AI innovations technology partners are bringing to market.



A Lack of Strategic Plans and Business Case for Adopting and Developing AI

The democratization of access to AI brought about by GenAI created hype among government program and service executives and elected officials. Civil servants also spontaneously starting using consumer tools (e.g., ChatGPT). IT, legal, and procurement executives responded either by banning those tools out of overcaution or by trying to tactically respond to all the requests. In the latter case, the result was often an organic and somewhat fragmented plethora of use case brainstorming sessions and pilot projects. At the time of writing, an increasing number of those IT and procurement executives have started to better structure their approach to AI investment. They are revisiting their digital government strategies to align AI with their citizen experience and operational efficiency goals. They are also rethinking their data architectures to ensure high-quality, interoperable, secure access to the data required for AI training and inferencing. Additionally, they are working with legal experts to set boundaries for the appropriate use of AI and GenAI without stifling innovation. In essence, they are moving to fill the gap created by the lack of strategic alignment between AI’s potential and governments’ missions and key performance indicators (KPIs).

These challenges are often compounded by **inflexible procurement practices** which can leave little room for experimentation and innovation. Key challenges highlighted by the government executives interviewed by IDC include complex and time-consuming regulations, processes, and documentation requirements; limited coordination between government functions such as IT, procurement, and legal teams; and a lack of clarity on whether vendor offerings could be deployed in compliance with new regulations.

⁶Source: IDC’s *WW Digital Sovereignty Survey 2024* (N = 675)

⁷Source: IDC’s *WW Digital Sovereignty Survey 2024* (N = 675)



The overall culture, expertise, and incentive structure of the public sector means there is a low appetite for risk and experimentation.”




— U.K. government guidance on *Transforming Public Procurement*, November 2023

A Checklist for AI Procurement in Government

European government CPOs and IT executives must work together to accelerate the time to value of AI; they should consider transforming their procurement process, aligning strategy and governance, and executing a clear roadmap.

The checklist presented in this chapter (see figure 9 on the next page) is not intended as a sequential roadmap of activities. Government chief procurement officers should work with IT executives to prioritize actions and create a roadmap that addresses procurement in the context of their organization’s AI strategy, governance, and data and architecture needs and implementation plans. To support the implementation of this checklist, governments should engage with a broad ecosystem of external providers — from international expert groups and standard bodies to the vendor community.

FIGURE 9:
A Checklist for AI Procurement in Government

| | Checklist Item | Challenges Addressed |
|--|--|--|
|  Procurement | Create a repository of lessons learned and best practices from previous procurement cycles. Start with cloud computing. | <ul style="list-style-type: none"> Inflexible procurement practices |
| | Inventory the ICT contracts and framework agreements coming up for renewal and the net new tendering procedures planned for the next two years. Define how to embed AI requirements in these upcoming RFIs/RFPs, instead of creating standalone procurement vehicles. Start with cloud computing, applications, data and analytics, and related areas. | <ul style="list-style-type: none"> Inflexible procurement practices |
| | Establish engagement mechanisms to best leverage technology suppliers’ solutions and knowledge, including (but not limited to) open channels for Q&A on specific RFIs/RFPs and co-innovation hubs that also involve academia and external advisors. | <ul style="list-style-type: none"> Inflexible procurement practices Unclear national and international guidance and codes of conduct on the use and/or procurement of AI Digital sovereignty considerations |
| | Implement innovative procurement mechanisms such as outcomes-based procurement policies. | <ul style="list-style-type: none"> Inflexible procurement practices |
| | Establish and enforce guidelines for vendor accreditation and auditing. Include not only AI product technical requirements, but also requirements regarding the ethical use of data and AI, GDPR assurance, FinOps, security compliance, and knowledge transfer and collaboration with the local SME ecosystem. | <ul style="list-style-type: none"> Inflexible procurement practices Concerns about privacy and legal and regulatory compliance |
| | Ensure procurement and IT departments work with legal officers on aspects beyond procurement policy, including GDPR and AI-related laws and guidelines. | <ul style="list-style-type: none"> Inflexible procurement practices Concerns about privacy and legal and regulatory compliance |
|  Strategy and Governance | Establish a data and AI center of excellence. Ensure that IT, procurement, and line-of-business experts are represented. | <ul style="list-style-type: none"> Lack of skills among employees Unclear national and international guidance and codes of conduct on the use and/or procurement of AI Organizational resistance to change |
| | Build AI skills across IT, procurement, and legal functions. Identify the skill sets that need to be established in-house and those that can be outsourced. | <ul style="list-style-type: none"> Lack of skills among employees Organizational resistance to change |
| | Design a roadmap of AI use cases. Make sure to include “improvement use cases,” where AI can increase the efficiency and effectiveness of existing processes, and “art-of-the-possible use cases,” where AI can enable service innovation. | <ul style="list-style-type: none"> Lack of strategic plans and clear business cases for the adoption and development of AI Lack of buy-in from senior leadership Budget/financial constraints |
| | Prioritize investment cases based on the use case roadmap. Use measurable KPIs, aligned with the department/agency’s strategic outcomes to monitor achieved milestones and release incremental budget accordingly. | <ul style="list-style-type: none"> Lack of strategic plans and clear business cases for the adoption and development of AI Budget/financial constraints |
| | Ring-fence budget, both for individual project implementation and for shared resources that can support the development of technical (e.g., DataOps), financial (e.g., FinOps), and business (e.g., process change) competencies; the development of common guidelines (e.g., on AI ethics); and the reusability of architectural artifacts. | <ul style="list-style-type: none"> Lack of strategic plans and clear business cases for the adoption and development of AI Budget/financial constraints |
| | Take the opportunity to update and re-engineer processes before embedding AI capabilities to maximize the benefits. | <ul style="list-style-type: none"> Lack of strategic plan and clear business case for the adoption and development of AI Public trust and ethical issues |
|  Data Management and Architecture | Define guidelines for data quality, interoperability, sharing, compliance and security, and inventory and evaluate existing data sets against these guidelines. | <ul style="list-style-type: none"> Lack of access to reliable and granular data to train algorithms Lack of interoperability within legacy systems |
| | Define guidelines for algorithm accuracy, explainability, transparency, security, energy performance, and reusability across use cases. | <ul style="list-style-type: none"> Concerns about privacy and legal and regulatory compliance Public trust and ethical issues |
| | Map existing data sets and algorithms against use cases that have been approved for investment. | <ul style="list-style-type: none"> Lack of access to reliable and granular data to train algorithms |
| | To enable AI model training and fine-tuning, establish a process for synthetic data creation and management, as well as the creation of dedicated sandboxes. | <ul style="list-style-type: none"> Lack of access to reliable and granular data to train algorithms |

Source: IDC, 2024

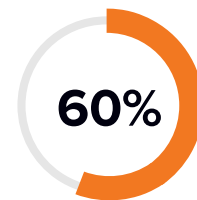
Procurement Practices



Create a repository of lessons learned and best practices from previous procurement cycles. Start with cloud computing.

Governments should draw on lessons learned from previous waves of technological innovation (e.g., cloud computing) to “leapfrog” the gap between the emergence of new technologies and their own ability to realize the associated benefits. Cloud procurement has taught government executives several valuable lessons that should be applied in the context of AI **procurement** (see Figure 10).

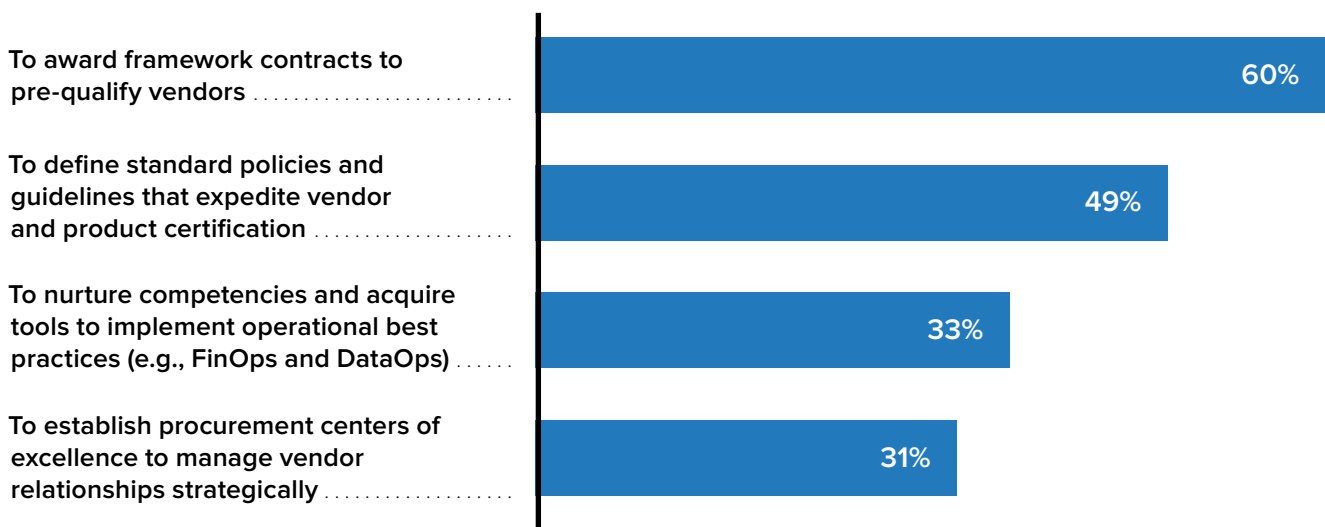
To share procurement best practices and guidelines, several national governments have established **procurement centers of excellence**. For example, **the German Federal Ministry of Economic Affairs and Energy** established the [Competence Centre for Innovative Procurement](#) to advise all public procurement bodies on innovation-oriented procurement, including cloud services. The procurement center offers shared best practices, toolkits, and information on funding, as well as providing training for different government departments and running events such as trade fairs and innovation days.



For 60% of government executives, the top lesson learned from procuring public cloud capabilities is awarding framework contracts to pre-qualify vendors.

FIGURE 10:
Key Lessons Learned from Sourcing Public Cloud Capabilities

What has your organization learned from sourcing public cloud computing capabilities it can/could use to procure AI?



Source: IDC’s *European Public Sector AI Procurement Survey*, conducted for Microsoft, March 2024 (N = 330)



Inventory the ICT contracts and framework agreements coming up for renewal and the net new tendering procedures planned for the next two years. Define how to embed AI requirements in these upcoming RFIs/RFPs, instead of creating standalone procurement vehicles. Start with cloud computing, applications, data and analytics, and related areas.

To ensure the application of lessons learned from previous waves of innovation, governments should be prepared to embed best practices into upcoming rounds of procurement. For example, by inventorying the tender procedures planned for the next few years, governments achieve two strategic goals. First, they shorten the time to market, as opposed to issuing entirely new tenders and creating procurement vehicles dedicated to AI. Second, they incentivize suppliers to deliver AI capabilities as part of broader solutions aligned with strategic business process modernization and service transformation programs, as opposed to vendors positioning AI as a standalone product (which would create additional siloes).



Establish engagement mechanisms to best leverage technology suppliers’ solutions and knowledge, including (but not limited to) open channels for Q&A on specific RFIs/RFPs and co-innovation hubs that also involve academia and external advisors.

Governments can draw on the knowledge of the ecosystem through mechanisms such as pre-procurement planning and market engagement. This involves interaction with suppliers ahead of issuing tender invitations or requests for proposals (RFPs), in compliance with procurement laws. If organized effectively, such dialogue with suppliers (including market-scoping events) can help contracting authorities in the initial project design and planning stage to gather information and gain a better understanding of what the market can currently offer. It also alerts the market to potential procurement plans and requirements, allows suppliers to ask questions, and ensures that they will be able to address the requirements and understand the specific capabilities of small and medium-sized enterprises (SMEs). Governments should use these channels to collaborate with vendors on aspects such as AI ethics, data quality and accessibility, and digital sovereignty.

Governments can take a further step by creating co-innovation hubs involving academia and external advisors. These hubs can be forums for sharing practices, enabling knowledge transfer, piloting technology in sandbox environments offering better control over data protection and security, and ideating with industry and academic experts to generate ideas for pilots. Government executives are already drawing on a broad ecosystem of advisors when procuring AI capabilities (see Figure 11 on the next page).



We decided to embed AI requirements in existing cloud tenders, instead of creating a dedicated framework. For example, we have a new framework for cloud application development professional services and have embedded AI requirements within it.”

— A category manager at a European government procurement agency November 2023

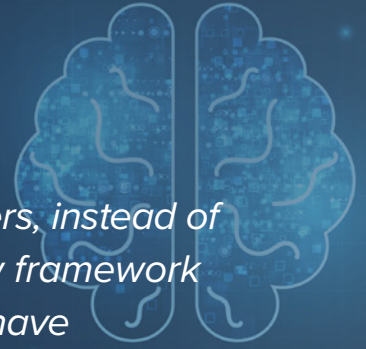
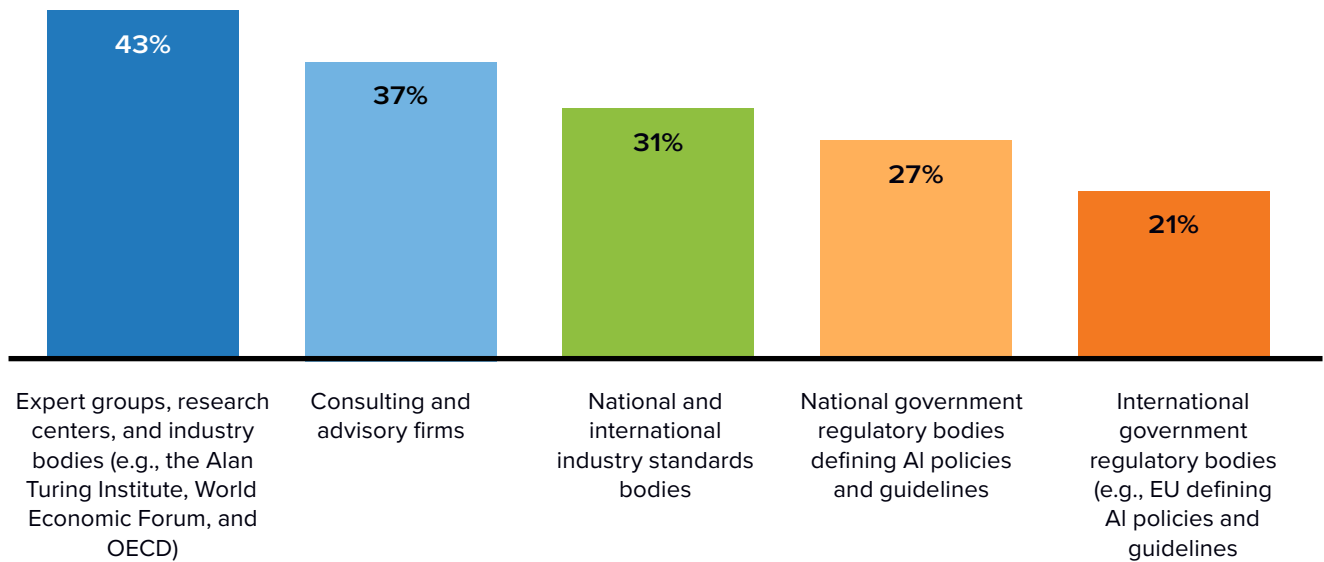


FIGURE 11:
Ecosystem of Top External Advisors for Governments Procuring AI



Source: IDC's *European Public Sector AI Procurement Survey*, conducted for Microsoft, March 2024 (N = 330)



Implement innovative procurement mechanisms such as outcomes-based procurement policies.

Leading governments are embracing more innovative procurement vehicles, such as outcomes-based procurement (sometimes known as challenge-based procurement). In this approach, they elaborate on a business or technical challenge to be solved and the outcomes they hope to achieve, instead of issuing RFIs and RFPs listing a set of functional requirements or products.

This approach is particularly useful in the early stages of adoption to evaluate the benefits and risks of multiple solutions before scaling to full production. In fact, **45%** of European government executives surveyed by IDC are already using or planning to use **outcomes-based procurement** to better understand the benefits and risks of AI. This practice enables governments to incentivize suppliers to bring their product capabilities and talent to the table. It also creates opportunities for local SME suppliers to compete or collaborate with global platform providers and nurture local skills. However, it is important that the contract conditions are clear to avoid an endless cycle of pilots that fail to provide suppliers with the right incentives to bid.

For instance, a European regional government interviewed by IDC is taking an approach in which contracts of up to one year and €100,000 can be signed with one provider without a tender process; if the solution is viable for a full production environment at the end of the innovation contract, it must be reintegrated into the centralized procurement mechanism. This approach is only applicable to new technologies and/or customization for specific individual public-sector entities.

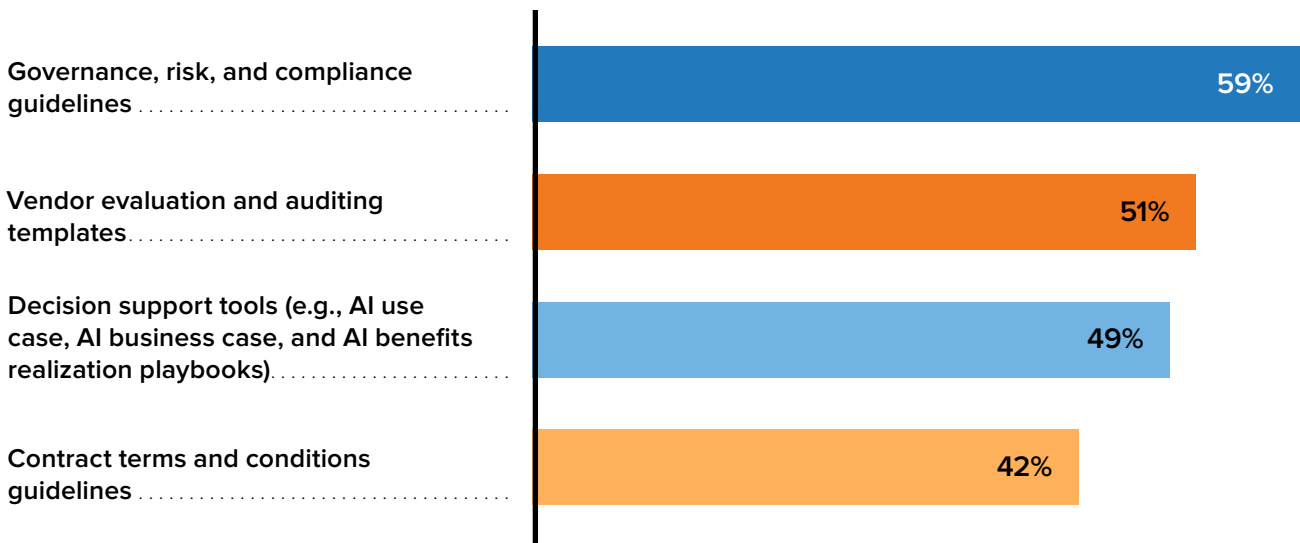


Establish and enforce guidelines for vendor accreditation and auditing. Include not only AI product technical requirements, but also requirements regarding the ethical use of data and AI, GDPR assurance, FinOps, security compliance, and knowledge transfer and collaboration with the local SME ecosystem.

Leading governments are developing practical **toolkits and guidelines to streamline the procurement process**. This includes governance, risk, and compliance guidelines; vendor evaluation; and auditing templates and decision support tools (see Figure 12 on the next page). To augment their capacity, some governments are partnering with professional service firms and using the good practices disseminated by international standards institutions, national government digital agencies, and industry associations to apply these tools. For example, a local government’s head of IT architecture and security shared that the government had hired a professional services firm to conduct a risk and vulnerability assessment of IT suppliers who can run AI in a way that is compliant with its internal policies. This helped it to “tackle the challenge of security concerns and unclear answers from providers on where data will be processed.”

As governments have learned from the cloud procurement process, defining standard policies and guidelines to expedite vendor and product certification can help streamline procurement, ensure compliance with national and international regulations, and promote the adoption of secure and reliable cloud services within government and public-sector organizations. For example, the EU Cloud Code of Conduct is a voluntary certification framework for cloud service providers operating in the EU. It ensures compliance with the GDPR and other relevant regulations.

FIGURE 12:
Internal Guidelines and Tools European Governments Have Created or Will Create for More Effective AI Procurement



Source: IDC's *European Public Sector AI Procurement Survey*, conducted for Microsoft, March 2024 (N = 330)



We are looking into the EU AI Act and how we will be allowed to use AI technology going forward. The procurement and legal department will have to put in place a more structured process of different checklists and different stakeholders to account for this. The AI Act needs to be translated into national law. It will take a lot of resources from our legal team to work out how we can still implement AI solutions without too much bureaucracy with respect for the law.”

— A category manager at a European government procurement agency



Ensure procurement and IT departments work with legal officers on aspects beyond procurement policy, including GDPR and AI-related laws and guidelines.

To effectively procure, implement, and scale AI, all IT, legal, and procurement functions need a working knowledge of aspects such as GDPR and AI-related laws and guidelines. IDC research highlights that IT departments often have misconceptions around what can and cannot be done as a result of GDPR and digital sovereignty (e.g., the idea that no data can leave the EU, which can inhibit innovation unnecessarily). Knowledge sharing and collaboration between departments is key. Similarly, many government IT executives are currently unclear about the implications of the AI Act for their departments. As national governments start translating the act into national policies and regulations, procurement, legal, and IT departments should collaborate closely to ensure a common understanding of the act and integrate subsequent requirements and checks into the procurement process.

Strategy and Governance



Establish a data and AI center of excellence. Ensure that IT, procurement, and line-of-business experts are represented.

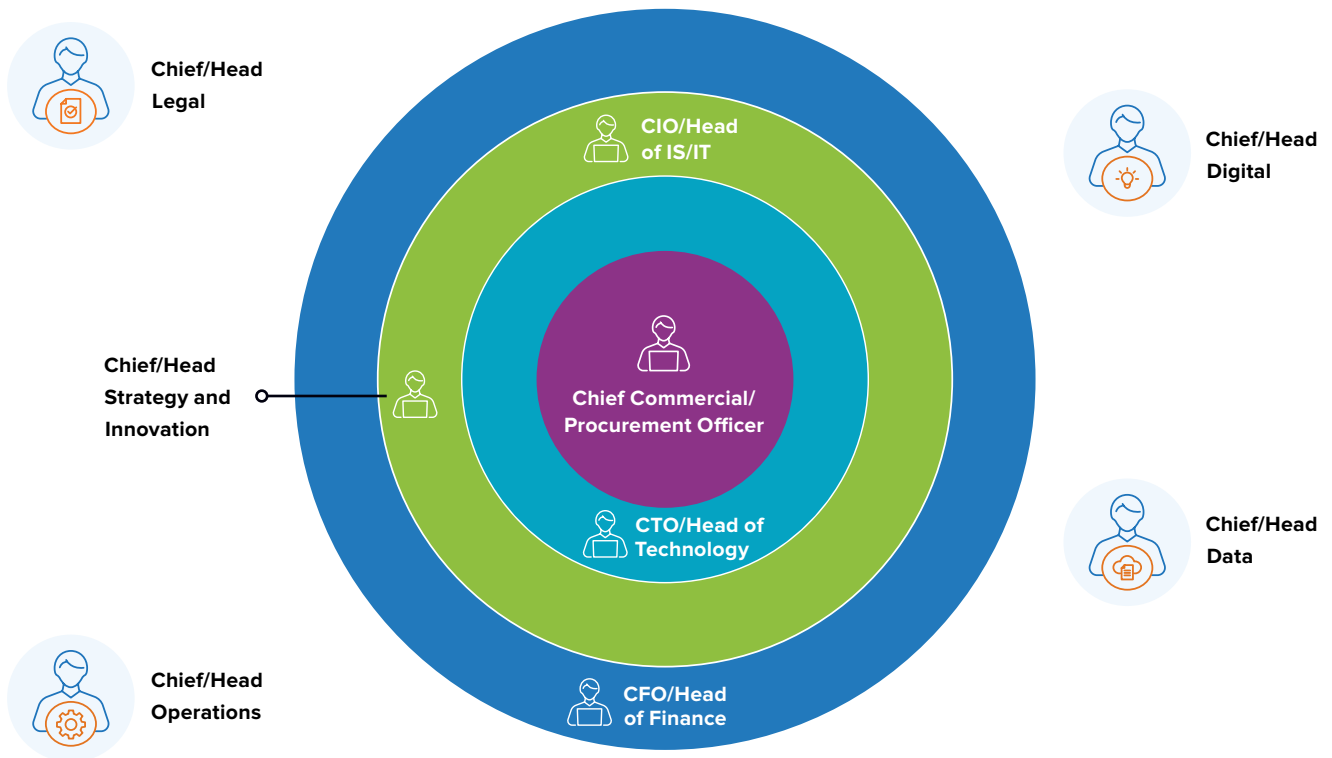
IDC’s **European Public Sector AI Procurement Survey** highlighted that CPOs and CIOs/CTOs are often the key decision-makers in a collaborating group of actors (see Figure 13 on the next page). The government executives interviewed as part of this research stated that procurement is often in a separate silo from policy and technology functions within governments. They also noted the need for greater coordination between procurement specialists, line-of-business experts, technologists, and legal experts to manage the risks and opportunities associated with AI more effectively. Therefore, creating a data and AI center of excellence (CoE) where these key figures can collaborate in a structured manner will help accelerate the time to value of AI.

“

Up until now, the digital transformation of technology-related decisions has been driven by IT. But now, one of the big differences I see is that the internal users and those on the business side are the influencers, pushing for the AI solutions that support them, and it’s now the IT departments trying to keep up.”

— A CIO of a local government department

FIGURE 13:
Key Decision-Makers in Government AI Procurement Process



Source: IDC’s European Public Sector AI Procurement Survey, conducted for Microsoft, March 2024 (N = 330)

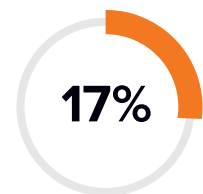


Build AI skills across IT, procurement, and legal functions. Identify the skill sets that need to be established in-house and those that can be outsourced.

To overcome the main challenges governments experience when procuring AI (from data availability to data privacy), nearly half the organizations surveyed by IDC involve experts from within the organization in the decision-making process (see Figure 14 on the next page). However, despite this strong dependence on internal expertise, only 17% of government executives are nurturing new skills. This is partly due to the lack of clarity on which skills are the most important.

IDC research suggests that trying to fill all gaps internally is impractical. Instead, forward-looking governments are prioritizing data engineering and architecture, data and AI ethics, AI explainability, AIOps, DataOps and FinOps, and legal expertise to help navigate commercial solutions and realize their benefits. Additionally, they are scaling internal skills with expertise from professional services firms and platform companies in other areas (e.g., data science, cloud platform implementation, and operations). Some are appointing chief AI officers; others are asking chief data officers or chief technology officers to expand their responsibilities to cover AI.

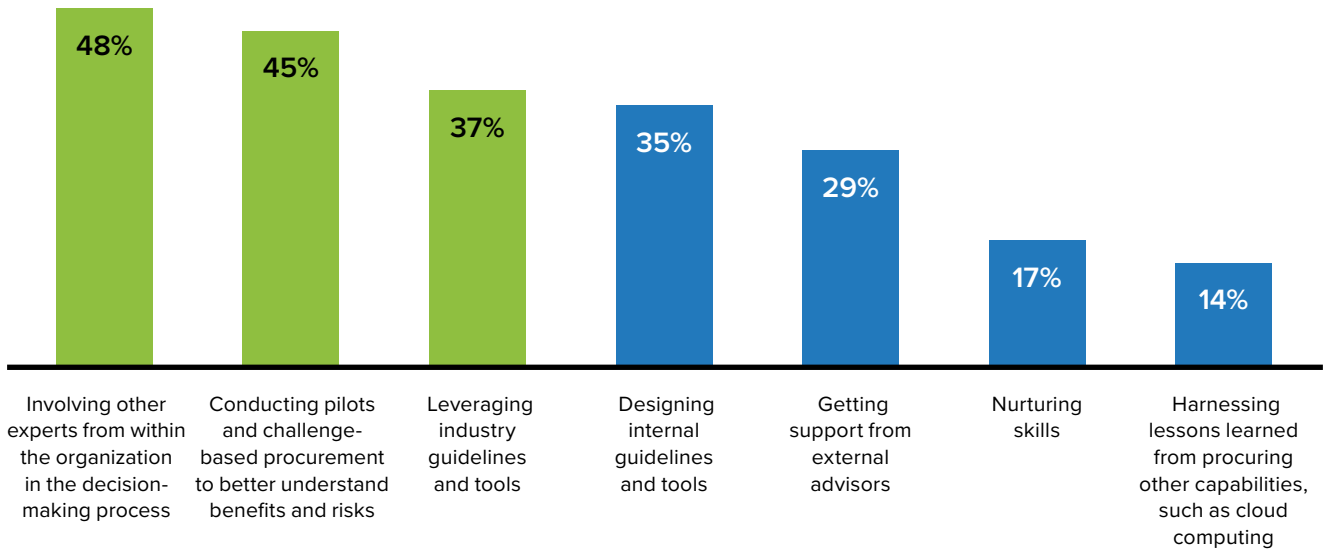
Government executives should also seek out opportunities for knowledge transfers with their partners and technology vendors. They can explore the available options and offerings for training, workshops, and seminars, including technology partners embedding one of their experts in government delivery teams. Social value requirements is another avenue for knowledge transfer. Several governments include social value requirements in their public sector contracts (e.g., in the U.K., this is mandated in scope contracts by the Social Value Act). Furthermore, a number of vendors have already included skills development and training in their social value offering for governments.



Only 17% of government executives are prioritizing skills development to overcome the challenges they experience in procuring AI capabilities.

FIGURE 14:
Measures Governments Are Taking or Planning to Take to Address AI Procurement Challenges

Which of the following measures does, or would, your organization use to address these AI procurement challenges? (Choose up to 3)



Source: IDC’s *European Public Sector AI Procurement Survey*, conducted for Microsoft, March 2024 (N = 330)



Design a roadmap of AI use cases. Make sure to include “improvement use cases,” where AI can increase the efficiency and effectiveness of existing processes, and “art-of-the-possible use cases,” where AI can enable service innovation.

Government IT and procurement executives need a formalized governance process for AI strategic planning and road mapping. To avoid an endless cycle of pilots and brainstorming workshops, they need a targeted roadmap that examines opportunities to streamline and automate legacy processes through AI and also considers how AI can be used to build new services and programs to help achieve each department or agency’s mission and goals. Such a roadmap should inform the action plan in terms of technology investments, not only for short-term pilots but also for scalability to full production. A process should be implemented to review this roadmap periodically to add or remove use cases based on technological developments, lessons learned, and changing needs and requirements.

IDC research highlighted that IT executives are primarily looking at AI as a mechanism to improve existing processes and services, rather than creating new service innovations or net new services. Government IT leaders should work with their ecosystem of partners to identify the “art of the possible.”



Prioritize investment cases based on the use case roadmap. Use measurable KPIs, aligned with the department/agency’s strategic outcomes to monitor achieved milestones and release incremental budget accordingly.

A clear roadmap of use cases and their allocation across investments horizons — short, medium, and long term — should be used to prioritize business case approvals and set milestones to monitor progress against tangible KPIs (e.g., citizen satisfaction, employee satisfaction, and mean response time to citizen requests). Once milestones are achieved, the budget for scaling the projects should be released. This will allow governments to cancel projects or change direction on projects that are not meeting expectations, instead of dragging them out indefinitely due to sunk costs. Developing appropriate KPIs from the start will also ensure that the business case and outcomes are integrated into the project design.

Vision and success factors need to be clearly defined for any project. One of the main reasons cited by organizations for AI project failures is that AI technologies did not perform as expected or promised. This was traced back to poorly defined goals for and unrealistic expectations of the technology. Organizations need to define the business objective or process that AI can support clearly, including realistic improvement targets or performance metrics.



Ring-fence budget, both for individual project implementation and for shared resources that can support the development of technical (e.g., DataOps), financial (e.g., FinOps), and business (e.g., process change) competencies; the development of common guidelines (e.g., on AI ethics); and the reusability of architectural artifacts.

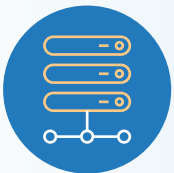
Appropriate funding for shared resources is critical to ensure that the right tools and skills are in place across multiple projects and that knowledge and lessons learned are captured and shared. These methodologies and tools should be reusable and adaptable, rather than reinventing the wheel for each project. For example, as highlighted earlier, the top challenge for governments in procuring AI is access to granular and high-quality data. This challenge is often present throughout project implementation and is a key indicator for project success. Having the right DataOps methodologies in place is essential if governments are to achieve the desired outcomes and ROI. Creating a pool of shared resources, governed by the data and AI CoE, enables organizations to avoid a siloed system and mentality. It also enables the creation of a contingency fund to support pilots that may yielding better-than-expected results, thus justifying an accelerated path to full production.



Take the opportunity to update and re-engineer processes before embedding AI capabilities to maximize the benefits.

Updating and re-engineering processes before implementing AI solutions gives governments the opportunity to streamline processes, eliminate redundancies, and reorient processes with a user-centric design at their core. However, it is important to note that AI is not just about improving what already exists. It can also enable new capabilities, insights, and channels. IDC research highlights that most IT executives are using AI as a means to improve existing processes rather than creating new processes and services. IT executives should engage with their internal advisors and external ecosystem to identify “the art of the possible” for government operations and service delivery to citizens.

Data Management and Architecture

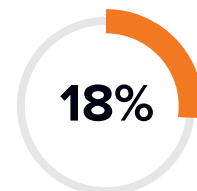


Define guidelines for data quality, interoperability, sharing, compliance and security, and inventory and evaluate existing data sets against these guidelines.

Several existing tools enable governments to ensure data quality, compliance, and security. For example, in the EU, data protection impact assessments are used to help identify and minimize a project’s data protection risks. These should be considered as living documents and remain relevant throughout the lifecycle of the project. In new projects that pose a high risk in terms of personal information, these assessments are mandatory.

Governments should also consider establishing data ops methodologies, including data quality standards, frameworks, and processes, to improve data governance in government departments. The most effective frameworks span the data lifecycle — from planning, collection, preparation, use, sharing, and publishing to archiving or destroying. For example, the Swedish Statistics Agency has developed standards and guidelines for ensuring the quality of its statistical data, focusing on various dimensions of data quality (e.g., accuracy, reliability, and comparability). In other European countries, national agencies have created guidance and frameworks for data management. For example, the Government Data Quality Hub in the UK and the CDDO collaborated to create a Data Maturity Assessment⁸ for government departments. This is a self-assessment tool enabling governments to assess their current maturity level (based on themes such as skills, leadership, culture, and tools) to create a baseline, monitor progress, and benchmark maturity against other government departments.

⁸<https://www.gov.uk/government/collections/data-maturity-assessment-for-government>



Governments can create and deploy these tools to a much greater extent. Currently, only 18% of governments surveyed by IDC are creating or planning to create operational guidelines (e.g., DataOps) to enable more effective AI procurement.



Define guidelines for algorithm accuracy, explainability, transparency, security, energy performance, and reusability across use cases.

The ethical use of data and artificial intelligence, including transparent and explainable AI algorithms, is a top priority for public-sector leaders across Europe. Complex AI technologies (particularly GenAI) can be “black boxes,” leading to difficulty in demonstrating how models deliver results and generate content, as well as the assumptions and biases embedded in algorithms.

Many national and local governments across Europe have launched explainability policies and guidelines. For example, the U.K. government has made the Algorithmic Recording Standard part of the National Data Strategy to help public-sector organizations provide clear information about the algorithm tools they use and why they are using them. In another example, the city of Amsterdam has set up an algorithm register to provide the public with a view of the AI systems and algorithms used by the city government. Given the complexity of demonstrating how GenAI models generate content, governments should implement such safeguards as ensuring a qualified human-in-the-loop.

Sustainability and energy-efficiency guidelines for the government use of AI and GenAI are not yet commonplace; however, existing guidelines and frameworks for the sustainable procurement of IT (e.g., the UK Technology Code of Practice⁹) can be leveraged.

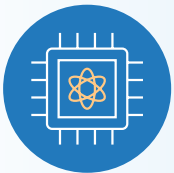
Making AI solutions or models reusable in similar or complementary governmental use cases — potentially across departments or jurisdictions — can significantly enhance efficiency, reduce costs, and promote standardized approaches to problem-solving across government functions. This can be enabled through the use of interoperable standards, clearly annotated code, modular design, and clearly mapped regulatory and ethical considerations.

⁹<https://www.gov.uk/guidance/the-technology-code-of-practice>



Map existing data sets and algorithms against use cases that have been approved for investment.

Mapping data sets against use cases approved for investment will help ensure the right conditions for successful implementation. This process will enable IT and procurement teams to identify any gaps and establish a plan to plug them, either by improving the quality and accessibility of internal data sets, through the procurement of additional data sets from external organizations, or through the creation of synthetic data. This will also be beneficial in terms of creating an inventory and evaluating data sets against data quality, accessibility, and security guidelines.



To enable AI model training and fine-tuning, establish a process for synthetic data creation and management, as well as the creation of dedicated sandboxes.

Creating synthetic data can help increase the availability of data for training and fine-tuning AI algorithms, while protecting the anonymity of real data. Synthetic data is artificially generated to mimic the characteristics and structure of sensitive real-world data. Currently, a lot of data is locked away due to its sensitivity. Synthetic data can be more easily shared and accessed to improve data literacy and cross-departmental collaboration. Governments can look to their partners for these capabilities: a professional services company interviewed by IDC highlighted that it has created a lab dedicated to synthetic data as a mechanism to help accelerate AI adoption and overcome challenges around data gaps and maturity. There are limits as to how much benefit synthetic data can provide; some use cases succeed only by gaining access to the sensitive portions of the data. In these instances, it is wise to invest in security guardrails that protect sensitive data inside the AI ecosystem.



Digital maturity is so uneven across Europe that there is a lot of the art of the necessary rather than the art of the possible. When you bid on a contract, you don't always know where a government is in terms of their maturity, so it is often necessary to help them plug data gaps.”

—A professional services AI lead and public-sector expert

Conclusion and Recommendations



By adopting AI effectively, governments can enhance the productivity of their processes, provide more personalized citizen services, and bolster both operational and cyber-resilience. Traditional AI and ML are no longer peripheral technologies in government operations; a quarter of the organizations surveyed by IDC are already deploying AI capabilities. Although GenAI adoption remains low, demand is burgeoning, with new pilots and use cases emerging daily. Increasingly, these capabilities will be incorporated into the digital tools and platforms governments leverage daily.

While government leaders are clear on the *why* of AI, a few open questions remain about *how* to procure AI solutions effectively. This paper offers a practical checklist detailing how governments can establish the necessary procurement practices, strategies, governance frameworks, and data architectures to transform AI aspirations into reality. To implement this checklist effectively, governments will need to work across siloes, bringing together IT and procurement expertise and capabilities.

Importantly, governments need not tackle these tasks alone. A vibrant ecosystem of research institutions, standards bodies, and technology vendors providing guidelines, tools, and expertise can help them navigate these challenges and harness AI's transformative potential.

Message from the Sponsor



At Microsoft, we have been committed to helping customers with the “Why AI” conversation for some time. However, as we move from the theoretical assessment to the practical application of the technology at scale, we are mindful that we need to do more to help our customers with how to procure and deploy AI. In that spirit, we have partnered with IDC on this exciting research project, involving 330 key government procurement decision-makers across ten markets. The resulting paper, **Moving from “Why AI” to “How to AI” — A Playbook for Governments Procuring AI and GenAI**, is our contribution to helping advance the considered procurement of AI by the world’s public-sector community. Knowing and understanding the challenges procurement teams face, in the context of AI, enables us all to develop solutions to address the challenges and realize opportunities. The paper applies lessons learned during the public sector’s hyperscale cloud journey, draws inspiration from the private sector (which takes a flexible approach to procurement), and provides some practical guidance in the form of a checklist for AI procurement in government.

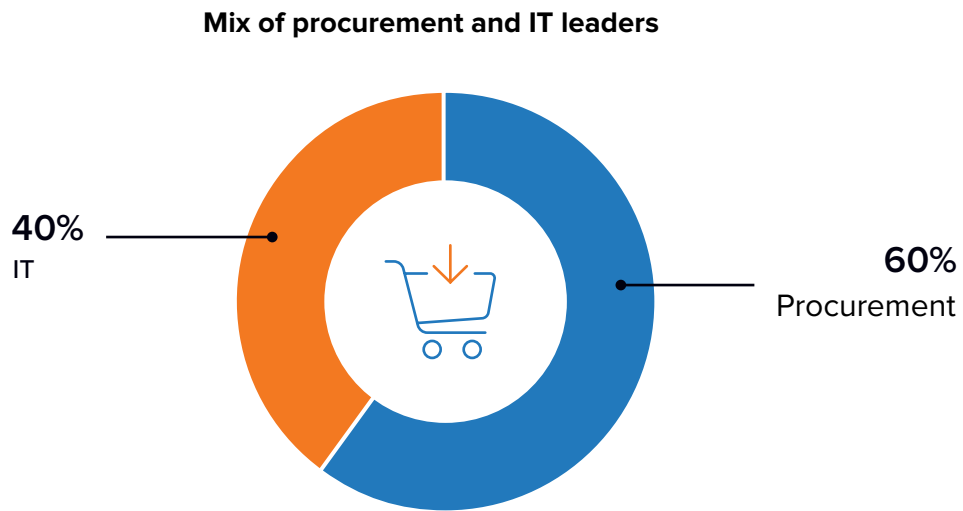
We look forward to continuing the “Why AI” and “How to AI” conversations with you.

[Learn more](#)

Appendix 1

FIGURE 15:
European Public Sector AI Procurement Survey Methodology

330 European Government Respondents



| Organization Size | Sample Size |
|----------------------|-------------|
| 100 to 249 employees | 109 |
| 250 to 499 employees | 101 |
| 500 to 999 employees | 82 |
| 1000+ employees | 38 |
| Total | 330 |

| Organization Type | Sample Size |
|-------------------------------------|-------------|
| National/central/federal government | 140 |
| Regional or local government | 190 |
| Total | 330 |

About the IDC Analysts



Massimiliano Claps

Research Director, IDC Government Insights

Massimiliano (Max) Claps is the research director in European IDC Government Insights team. His research empowers technology suppliers and public sector professionals to embrace disruptive technologies such as artificial intelligence, edge computing, and cloud, to realize the benefits of strategic initiatives such as smart cities and citizen-centric government services. He is also IDC Europe’s lead analyst for passenger transportation, advising stakeholders across the transportation ecosystem on topics like mobility as a service and intelligent traffic management. In addition to his public sector expertise, Max Claps also co-leads IDC’s Europe, Middle East and Africa Cross-Industry Strategies and Use Cases thought leadership research.

[More about Massimiliano Claps](#)



Louisa Barker

Senior Research Manager, IDC Government Insights

Louisa Barker is a senior research manager in the European IDC Government Insights team, leading research on smart, sustainable, and resilient cities and communities. She has international experience providing analysis, policy advice, and consultancy to the public sector on disaster risk management, urban building and planning regulation, and smart cities. Previous roles have included Urban Resilience Consultant at the World Bank, focused on projects in the Caribbean and East Africa, and as a researcher at technology and innovation accelerators such as the Future Cities Catapult and the University College London City Leadership Laboratory. She is also a Specialist Advisor to the International Building Quality Centre.

[More about Louisa Barker](#)

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IDC UK

5th Floor, Ealing Cross, 85 Uxbridge Road, London, W5 5TH, United Kingdom
T 44.208.987.7100

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