



Global Best Practice

STRATEGIC USE OF COOPERATIVE PROCUREMENT

Produced in partnership by NIGP and NCPP

The Case for Cooperative Procurement

Procurement leaders throughout the United States and Canada realize the value of cooperative procurement and are increasingly relying on this strategic tool to reduce costs and save time. Governmental entities, such as municipalities, special districts, educational institutions, and nonprofit organizations who are subject to the same or similar public procurement processes and requirements can make purchases from the same supplier(s) through one cooperative contract. Leveraging the combined spend of multiple entities through an established cooperative contract continues to gain momentum as a strategy in the procurement toolbox as entities better understand the benefits and process to take advantage of this contracting tool.

Cooperative procurement typically takes two forms. Joint solicitation, which is approved by the American Bar Association as an acceptable contracting methodology, occurs when two or more entities combine requirements into a single solicitation and contract. Piggybacking as a form of cooperative procurement occurs when an entity uses another entity's agreement which resulted from a previous competitive solicitation.

Certain types of procurement are excellent candidates for cooperative contract purchases, such as definite quantity and delivery arrangements for planned purchases. It also serves entities well to have a contract in place for indefinite quantity and delivery arrangements, used to make purchases on an as-needed or emergency basis.

"After conducting extensive due diligence and market research, public procurement should, where permissible by law or regulation, consider the use of cooperative contracts to lower prices, lower administrative costs, increase competition, and obtain more favorable terms and conditions."

– Use of Cooperative Contracts for Public Procurement, NIGP

History of Cooperative Procurement

Joining another entity on a single contract is not novel; governments have collaborated on joint purchases for decades. Many states have traditionally sponsored a solicitation with the resulting contract being used by multiple entities and political subdivisions within that state.



Global Best Practice

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However, the modern form of cooperative purchasing utilized today was developed in the early 1990s when cooperative purchasing organizations, such as US Communities and Western States Contracting Alliance (WSCA), were created. These organizations provided the earliest cooperative contracts for commodities that were routinely purchased by government entities. The early success of these organizations led to a proliferation of cooperative market options, from governmental organizations performing administrative functions to privately owned for-profit programs.

In 2020, the Center for Disease Control reported the first confirmed case of COVID-19 in the United States. Shortly thereafter, many states and local municipalities began to implement shutdowns to contain the spread of the disease. Schools, businesses, and governments were closed unless deemed “essential” or “critical,” and were forced to find ways to conduct school and work from home by maximizing use of electronic devices to the greatest extent possible.

Government teams were suddenly faced with the challenge of working remotely with limited automation or access to regular competitive bid and proposal procedures. During this time, many governments—even those who had not previously embraced the concept of cooperative procurement—heavily relied on this contracting solution to meet both operational and emergency demands.

Membership surveys conducted by NIGP indicate a continuing upward trend in the use of and percentage of spend through cooperative contracts. With growing needs and the desire to have more services available in the future, the cooperative procurement landscape continues to expand. According to recent data, cooperative procurement has become a mainstream contracting tool for public procurement teams over the past decade, representing 11-19% of overall contract spend, with more than 85% of all governments using it.¹

“Cooperative purchasing clearly can add value.”

— **Cooperative Procurement: Today’s Contracting Tool, Tomorrow’s Contracting Strategy, 2018²**

How Does Cooperative Procurement Work?

Cooperative procurement begins when two or more entities combine their requirements and manage a competitive procurement process that results in an agreement that can be utilized by other entities.

At a fundamental level, the cooperative practice takes two forms: joint solicitation and piggybacking.

- **Joint solicitation** occurs when two or more entities aggregate their individual needs into a single solicitation process in which each entity is bound to the contract that results from this effort, giving prospective suppliers a clear understanding of the volume and service level requirements necessary to support the involved entities.
- **Piggybacking** occurs when an entity uses another entity’s contract, even though it was not party to the original solicitation. A contract that allows for piggybacking does not inform the awarded supplier(s) of what the estimated purchasing volume will be over the life of the contract.

For example, two or more school districts may combine requirements into one Invitation for Bids (IFB), a joint solicitation, that will lead to an agreement. Another example is that a large county could serve as a lead agency in collaboration with a cooperative organization to develop a Request for Proposals (RFP). The county will manage the procurement process until a contract is awarded. Once an agreement is reached, the cooperative organization manages the agreement upon which others can piggyback.

Benefits of Utilizing a Cooperative Contract

Cooperative procurement begins when two or more entities combine their requirements and manage a competitive procurement process that results in an agreement that can be utilized by other entities.

The benefits experienced by public entities through participating in a joint solicitation or piggybacking method are as follows:

- **Time savings:** Since the solicitation process has already been conducted by others, entities are able to quickly garner goods and services through an established contract. This provides time and resource savings that would have been required to draft and finalize solicitation documents, manage the solicitation, draft and finalize the contract documents and obtain approval of the governing body.
- **Advantageous pricing and value:** An entity can save administrative costs by not having to conduct its own solicitation. Cooperative contracts often result in lower prices because they standardize commodities and services and aggregate spending with terms and conditions that can produce the best value. Smaller entities benefit by leveraging volume discounts through the combined purchasing power of multiple entities.
- **Proven solutions:** Cooperative procurement starts with a competitive solicitation resulting in contracts that are regional or national in scope and reach. Quality specifications are often prepared by a specialist or subject matter expert, and can be relied upon to be unrestricted, fair, and open. Evaluation of bids and proposals are performed by skilled evaluation committee members. Entities interested in using these contracts have the added benefit of being able to ask other procurement professionals for feedback about their previous experiences.
- **Emergency or gap filler:** In circumstances such as the end of fiscal year, or when an emergency occurs, there is insufficient time to solicit, evaluate and award agreements for certain goods or services. Having the ability to use an already awarded cooperative contract allows procurement professionals to expend their time efficiently and identify solutions to quickly garner needed supplies and services.

“Creative approaches to procurement can incorporate expertise and facilitate innovation. As the cooperative movement matures, it brings in new tools and approaches that can offer hope for beleaguered procurement shops aspiring to both get beyond the commodity work and to better understand new technologies.”

– Stephen Goldsmith, Mayor of Indianapolis

Benefits for the Supplier Community

Historically, suppliers vie for business through responding to competitive solicitation methods such as: Invitation for Bids (IFB), Quote, Request for Qualifications (RFQ) or Request for Proposals (RFP). Competitive solicitation processes require interested suppliers to invest significant time and resources to receive consideration. Depending on the procurement method being used, a variety of documents must be completed and submitted. Qualifications based procurement methods can involve an evaluation and interview process that may be time extensive and costly to the supplier. Once selected, the supplier must engage in contract negotiations until a final agreement is reached. This process requires an investment of resources without any guarantee of ultimately being awarded the contract.

Securing a cooperative contract is considered a good sales strategy for suppliers who market to government and educational institutions. Some companies may choose not to participate in an entity's competitive selection processes due to the extent of resource commitment and lack of return on investment of those resources. For many companies, it makes better business sense to apply those resources towards garnering an awarded competitively solicited cooperative contract with far greater reach and sales potential than a single agreement with a single entity.

By not having to respond to competitive opportunities nor manage hundreds of contracts, suppliers are able to focus on offering advantageous pricing and value-added services through a cooperative contract.

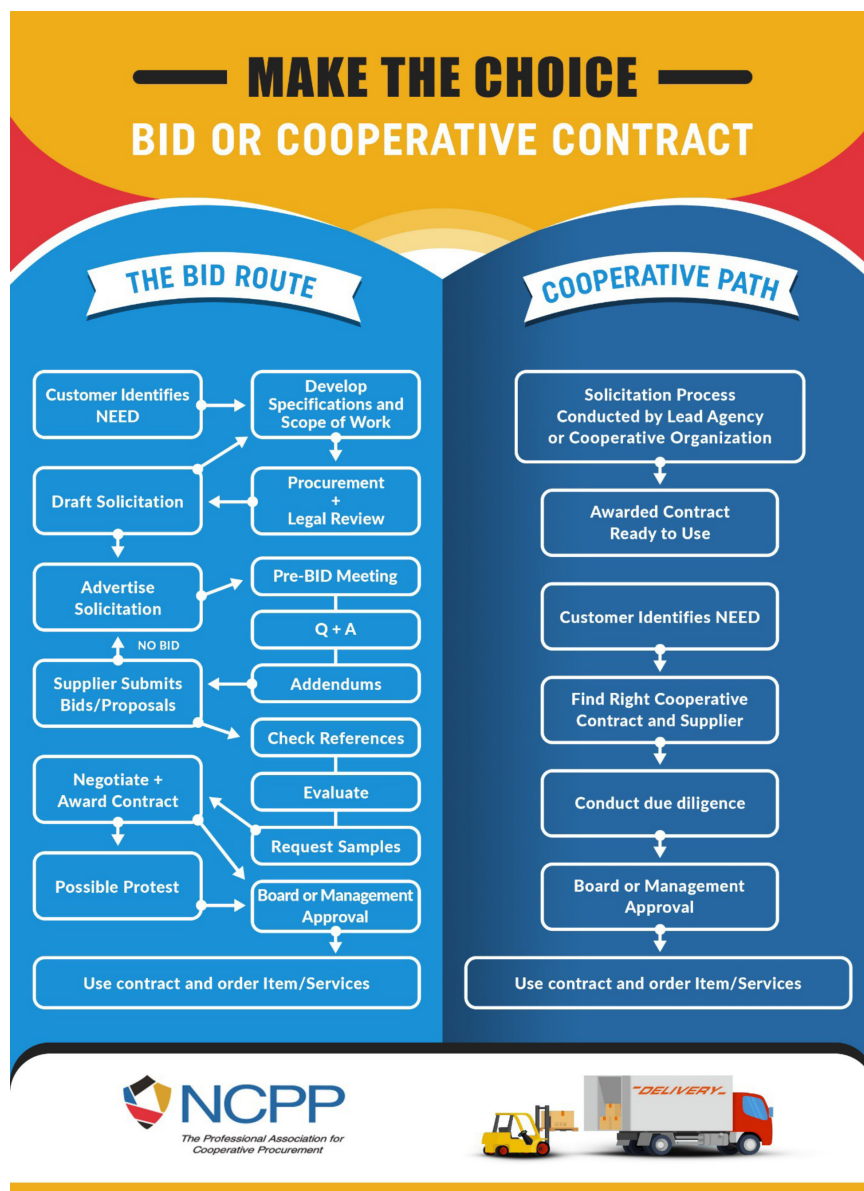
Entity Bid Route or Cooperative Path?

Procurement professionals must determine which path is most appropriate for a given procurement by evaluating need, time or schedule, possible solutions, and threshold limitations. When approaching a problem or fulfilling the request of a client department, procurement teams have various tools to choose from: p-card purchases, quotes, competitive bids or proposals, and cooperative procurement. A decision-making process can be used to determine if those needs can be met by an already existing agreement such as a cooperative contract.

Decision points for procurement teams to decide which route to pursue:

- Timeline (when the item or service is needed).
- Funding source (does it require the entity to bid?).
- Available staff to conduct the solicitation and manage the resulting contract.
- Competing priorities - such as workload issues.
- Satisfaction or desire to stay with the current suppliers.
- Operational or political parameters that may affect the decision.
- Impact on local vendor community.

Whether there are adequate resources might be a determining factor in a procurement professional's decision-making process. If there are competing requests from client departments, or multiple expiring contracts, there may be the need to prioritize or delegate some of those projects competing for the same resources. As there can be many more steps in the bid process versus the cooperative contract route, the time and resources needed for each of those steps become a big part of the decision-making process (Exhibit A).



Conducting Due Diligence

National Cooperative Procurement Partners (NCPP), North America's Association for Cooperative Procurement, offers resources, including an evaluation guide, to help procurement professionals determine whether a cooperative contract is appropriate for a given project. Following the best practices provided by public procurement professionals, NCPP's "Roadmap to a Cooperative Procurement Strategy"³ outlines the types of questions that should be asked before an entity chooses to use a cooperative procurement agreement.

About the Entity and Its Need

- Identify and understand your client's needs. Can they be determined by well-defined specifications or scope of work? Is it more of an open-ended need to solve a problem?
- Does your entity have the legal authority to use cooperative agreements?
- What is your funding source (local, state, or federal)? Is using a cooperative contract allowable with that source?
- Is your legal counsel, board, or council familiar with the concept of cooperative purchasing? Who would need to be educated on the topic?
- Has your entity successfully used cooperative purchasing in the past? Is there a procedure or policy for choosing the cooperative route? Should one be created?
- Have you considered diversity participation? Local preference? Social goals? Political landscape?

About the Cooperative

- How long has this cooperative organization been operating, and what is their industry reputation?
- Does your entity have to register as a member to use the contracts? Is there a fee?
- Does the cooperative conduct its own procurement process or use another public agency as the lead? Does this process follow a competitive process that is acceptable to your entity?
- Where and how was the solicitation advertised?
- Does the solicitation process follow public procurement laws and best practices for soliciting, evaluating, and awarding contracts?
- Has the lead agency or cooperative organization received any third-party audits, peer review, or awards for their contracting process?
- Is there a process to negotiate final terms and conditions required by your entity?
- What is the level of customer service in response to questions, concerns, or requests?
- Does their website contain accessible and thorough documentation (e.g. copy of solicitation document, proof of advertising, etc.)?
- Is information readily provided to conduct more in-depth research?
- Does the cooperative have a process for supplier issues or disputes?
- Is the cooperative a member of any national cooperative association that sets high ethical values and standards for its members?

About the Supplier

- Does the supplier have the capacity to fulfill your entity's needs?
- What are the qualifications, capabilities, and financial health of the awarded supplier?
- Is the contract serviced at a local or manufacturer level and is there a dedicated representative for your entity?
- Does the supplier qualify for MBE/WBE/Disadvantaged business status?

About the Contract

- Does the awarded contract contain the specific solution required?
- When was the contract awarded, and when does it expire?
- Can you obtain a copy of all applicable contract documents?
- Can the cooperative or supplier share all the value-added services provided under the contract?
- How is pricing addressed? Is it actual, percentage discount, or ceiling-based?
- Can specific issues (i.e., delivery instructions) of the contract be amended to meet the needs of your entity?
- How is the indemnity clause handled?
- Who are the contract administrators from both the Cooperative and Supplier?
- How is contract use monitored? Are usage reports available?
- Is there a rebate on the contract? How is it paid? Can it be credited against contract pricing?

Guidance

While there may be temptation to only use cooperative contracts reactively in response to a sudden need or emergency, tactical organizations are developing cooperative strategies to proactively solve long-standing problems and address social initiatives. When evaluating the potential use of a cooperative contract, keep in mind the following guidance.



Guidance 1: Conduct Initial Research

There are three approaches to researching a cooperative path:

- 1) **Research the Cooperative:** When deciding whether it is in your entity's best interest to use a cooperative contract, this method is the broadest approach. By examining the processes of the lead agency used by the cooperative organization to solicit and award contracts, procurement professionals can ensure their systems match or comply with their own procurement rules and policies. The next steps are to examine the contracts that are available through that cooperative organization, ensure your entity is a member, and talk to the appropriate representatives to determine the best way to use their contracts as well as vet additional due diligence questions.

- 2) **Research the Supplier:** Companies that sell to governments as part of their sales strategy understand the benefits of cooperative contracting. When an entity decides to standardize with a particular supplier or product (e.g., fleet vehicles, IT hardware, etc.), the procurement professional may approach a supplier they wish to purchase from and ask about available cooperative contracts. Procurement professionals should research and compare the options, terms, and pricing of the available contracts (if there is more than one) to determine the best contract vehicle for their particular need.
- 3) **Research the Need:** When a problem or new challenge arises for an entity, suppliers may offer a variety of solutions to address the problem. The procurement professional may reach out to the cooperative, explain the issue, and then request relevant contracts that may solve the problem. This will result in competing companies presenting different contracts with varying solutions. The entity then selects the contract that offers the best value solution.

When a cooperative organization, or lead agency, issues a solicitation that will result in a cooperative contract, they follow similar rules and procedures required of procurement teams from other public entities. Each part of the process must be documented to ensure transparency and compliance. This information must be available to allow any entity interested in using the cooperative agreement the ability to conduct its own due diligence. The information can be requested from either the cooperative organization or the awarded supplier.

What should you document and keep along the way?

- Original solicitation and addendum(s)
- Where and when it was advertised
- Evaluation process and scoring criteria
- Winning offer
- Final contract with pricing
- Amendments or annual renewal notices, if applicable.



Guidance 2: Address Expiring Contracts

Reviewing existing contracts set to soon expire is a strong starting place for creating a long-term cooperative procurement strategy. To allow adequate time for the typical competitive solicitation process, the review should begin approximately four to six months before a contract is due to expire. This provides procurement teams adequate lead time to choose a particular procurement and contracting methodology. In essence, the decision will be to either conduct their own competitive solicitation process or research existing viable cooperative contracts as a solution.

Factors such as timing, politics, budget, operational needs, and available resources are often part of that determination.



Guidance 3: Drive Social Change Through Contracting Opportunities

As political bodies pass legislation and enact policies to effect positive social change for their communities, it often falls to procurement teams to achieve those goals through contracting. Social Initiatives might include multiple goals, such as working with local businesses; achieving sustainability measures; and reaching out to veteran-, women-, and minority-owned companies.

One of the easiest approaches to promoting social change in procurement is to simply ask a cooperative or chosen supplier how change initiatives might be addressed through a given contract. For example, if sustainability is a high priority, is it possible that the best-ranked recycled/recyclable products be listed at the top of a catalog search? Since catalog users will generally choose from the top items within the search results, this simple step could drive routine purchasing decisions toward the most environmentally friendly products.

Asking the supplier to diversify how that product is ultimately delivered may lead to a desired social goal. For example, a large company may use a minority-owned trucking company to deliver the products, allowing the entity to meet diverse sub-contracting goals.

While every buy will not always meet all the social initiatives of every entity, suppliers are very aware that these initiatives are a priority for governments. When asked, suppliers can share how similar goals have been met when serving other clients or share success stories from similar entities. Many suppliers invite the opportunity to work with procurement professionals in devising innovative ways to be more responsive to specific social initiatives.



Guidance 4: Minimize Rogue Spend

Procurement isn't the only group making purchases for an organization. Many times, decentralized responsibilities allow other department employees to assume that role. However, unless all buyers use the same methodologies or contracting options, each buyer may engage in their own independent negotiations for identical products. When employees diverge from using a comprehensive contract designed to serve an entity's needs by consolidating spend and maximizing value, the full value proposition is not realized.

For example, if there is no master office supply contract for an organization, one group may obtain significant savings on boxes of paper through a negotiated contract, while another may physically shop at a store, taking advantage of an in-store special, but possibly incurring extra personnel time and mileage. This arrangement results in non-standardization or non-compatibility issues as well as inconsistent pricing for the same product. Warranties and guarantees may be overlooked, missed, or not understood. Auditable pricing, or delivery requirements might not be taken advantage of if buyers purchase independently. Such rogue spend is an area that must be addressed by procurement professionals. Choosing a cooperative contract for all department users to purchase from may reduce these issues.



Guidance 5: Create Comprehensive Master Contracts

Standing up one comprehensive master contract that meets the needs of the entity is the best way to consolidate spend, maximize value, and drive savings for the entire entity.

For example, an entity may have three individual contracts for items that may fit in a larger comprehensive category, i.e., paper, office supplies and lunchroom essentials. Instead of rebidding those three independent contracts, a procurement professional may decide to combine all three purchasing needs into one larger cooperative contract. Consolidating with one supplier provides one point of contact while providing greater value and lower pricing. Using this contracting methodology not only saves time and money but frees personnel to work on other strategic initiatives. It may also improve contract management with a smaller number of contracts to manage and reports that are easier to generate.

The type of granular awareness master contracts promote provides government managers with insight into the types of items that are being purchased, timing of those purchases, performance of the supplier, and satisfaction of customer departments. As procurement teams deal with diminishing resources, employee turnover, and ever-changing needs of their entity, master contracts can provide insight into opportunities for additional savings or efficiencies.



Guidance 6: Perform Necessary Review and Due Diligence

A cooperative contract is a procurement tool that is available for use, but still requires due diligence and application of judgement by the using entity. In conducting that review, be mindful that the cooperative procurement contracting method may not always be the best choice for a particular purchase. If federal or grant funds are being used, the cooperative contracting process must conform to those applicable laws and requirements. Carefully review the terms and conditions of the cooperative contract and consult legal counsel to determine if an addendum needs to be created or certain terms negotiated that are important to your entity. Double check with the lead entity to ensure there are no supplier performance or contract compliance issues. In the end, procurement professionals need to be able to justify their decision in choosing a cooperative contract rather than issuing its own solicitation.

Conclusion

Public Procurement teams are stewards of their entities' budgets through spending policies and procedures. The role of the public procurement professional is to act with accountability and ethics to protect the public interest. These professionals are responsible for making decisions that are clearly responsible to, and in the best interest of, the entity served.

Cooperative procurement is an effective strategy to quickly procure needed goods and services while supporting economic, social and sustainability initiatives. It is essential that due diligence be performed when evaluating cooperative contracting options to ensure an effective, economic, and efficient acquisition. To ensure that competition, transparency, and fairness are considered with each purchase, and that time and resources are spent wisely, cooperative procurement can be an excellent tool helping government and educational entities do more with fewer resources. Visit nigp.org to learn more.



Global Best Practice

STRATEGIC USE OF COOPERATIVE PROCUREMENT CONTINUED

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- Melissa M. Wendel, CPPO, NIGP-CPP
- Victor Leamer, CPPB

Footnotes

¹[GovWin's Survey of Government Contractor Sales Expectations](#), GovWin's Survey of Government Procurement Professionals

²[Cooperative Procurement: Today's Contracting Tool, Tomorrow's Contracting Strategy](#), Harvard Kennedy School Ash Center for Democratic Governance and Innovation, Goldsmith, Steven and Scott Becker, Oct 2018.

³[Road Map to a Cooperative Procurement Strategy](#), National Cooperative Procurement Partners, copyright 2018-2023