

# SUPPLY EL PASO EXECUTIVE SUMMARY

Supply El Paso aims to help local businesses compete for public and private contracts and grow. It is the product of a Procurement Playbook, funded by the Rockefeller Foundation, co-created by the Aspen Institute Latinos and Society Program and the Nowak Metro Finance Lab at Drexel University and carried out in close collaboration with a broad array of local governments, chambers and other stakeholders.

The Procurement Playbook has three components. First, it sizes the procurement economy by assessing and characterizing the scale of spending by federal, state and local entities and the electric utility. Second, it captures the challenges facing local businesses, sourced through interviews with dozens of local firms and key governments and local institutions and intermediaries. Finally, it makes a series of actionable recommendations, most notably the creation of an El Paso

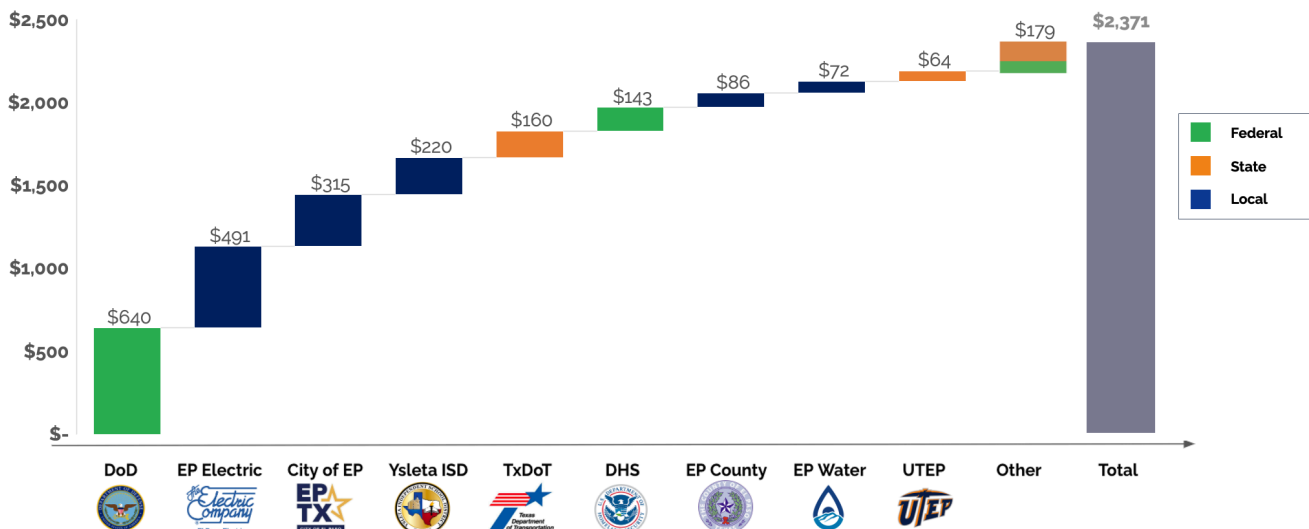
Procurement Marketplace Council, to position local businesses for success in procurement and turn procurement into a vehicle for growth.

**The core message of the Playbook: El Paso can become a national model for using public and private procurement to grow strong and prosperous local enterprises, particularly in growing sectors like defense, energy and manufacturing.**

## Finding: A Large Procurement Economy

The procurement economy in El Paso is large and thriving. An examination of federal, state and local agencies (including the federal Department of Defense, TxDOT and the city and county governments) as well as El Paso Electric shows annual contracts worth more than \$2.4 B in El Paso County.

**Chart 1. Public Sector Procurement Spending\* in the El Paso Region by Agency (in Millions of Dollars)**



**Notes:** (\*) Federal Data refers to the 5-year average of all contracts awarded in the El Paso region. Local data is based on information shared by local agencies. State data was estimated using Texas Expenditures by County (non-procurement expenses were excluded: salaries, employee benefits, travel, leases, intergovernmental payments, claims, payment of interest, and lottery payments).

DoD is the leading public entity in spending in the region, injecting \$640 million into El Paso County each year, much of which goes towards contracts to support operations and maintenance at Fort Bliss. However, these contracts predominantly go to firms outside of El Paso, despite the existence of local capacity for these contracts. Approximately 3 out of every 10 dollars of direct federal spending goes to local firms, underscoring the fact that spending in the region frequently does not directly benefit the local economy.



### Challenges: Barriers to Firm Participation and Growth

The Playbook took a firm-centric approach that included interviews with 28+ firms across 5 sectors, an online business survey, and extensive engagement with local stakeholders. Most of the firms interviewed are deeply connected to the construction supply chain, offering a wide range of services, including architecture and engineering, construction contracting, and maintenance

services. Most of these firms have 1-20 employees, \$50K-\$10M in annual sales revenue, and 10 years of operations. They are, in our parlance, **ready to scale**.

The Playbook found that local businesses are strong and have additional capacity to take on more contracts but face three central challenges:

- The procurement economy is **deeply fragmented**, divided across multiple levels of government and separate agencies. The absence of a unified local procurement system leads to supplier confusion and difficulties in finding solicitations and submitting bids across various independent entities.
- Procurement agencies and purchasing departments have **low capacity** and, given the outsized role played by direct federal spending, the system favors suppliers who can establish relationships with those in national or regional purchasing centers.
- The lack of a gathering place, physical or digital, for buyers and suppliers leads to an ill-formed and **disjointed marketplace**, characterized by a lack of relationships between responsible procurement officers, business support organizations, and capable local businesses.

### Recommendation: A Procurement Marketplace Council

To address these challenges, the Playbook recommends that El Paso establish a **Procurement Marketplace Council** (PMC), a collective body consisting of the top buyers, chambers of commerce, and other key stakeholders with the goal of bridging the gaps between procurement opportunities, support organizations and regional vendors and fostering the creation of a robust marketplace for local firms.

PMC will drive implementation of a co-developed set of programs, through an institutional framework of initiatives that will address identified challenges constraining local firms in El Paso. Supply El Paso identifies two priority initiatives, each to be led by subsidiary working groups, that will drive the Council’s work in its first year.

## Defense Procurement Advancement Initiative

Local firms find defense procurement a difficult area to break into, as mentioned in several interviews, given the geographic centralization of where procurement decisions are made and the complex regulatory regime governing defense procurement. The Defense Procurement Advancement Initiative working group, consisting of representatives from DoD and the top five buyers in the region, will be a catalyst to explore how to leverage mechanisms to solve bottlenecks and remove barriers between local firms and DoD contracts. There are existing mechanisms to be further explored, such as a structured **Mentor-Protégé Program**, that enhances the capabilities of disadvantaged small businesses to be able to successfully compete for prime contracts and subcontracts by partnering with large companies, and **Intergovernmental Services Agreements (IGSAs)**. In the last ten years, DoD has begun using IGSAs to collaborate with local major buyers and empower local authorities to assume control of procurement processes and offer more opportunities for local firms. These are just two strategies for the PMC to use in localizing DoD procurement, in collaboration with DoD and leadership at Fort Bliss.

## Green Supply Chains Initiative

El Paso has the opportunity to take full advantage of the energy transition. The Procurement Playbook models this with the deconstruction and evaluation of the EV charging infrastructure supply chain, procurement processes, and workforce capacity; demonstrating how to identify needs and opportunities for local engagement with emerging demand trends following the energy transition. Building on that, the Green Supply Chain Initiative's goal is to ensure that PMC has analyses and established connections that will enable the Council to build local capacity in emerging sectors within the El Paso region. Emergent trends will be identified by analyzing high-profile projects related to the energy transition and identifying pain points within the regional business landscape to take

advantage of emerging demands.

Both priority initiatives will create a **structured environment through organized events** that will provide space for building valuable connections between local businesses and major buyers; connections which can foster opportunities for local firms to engage in procurement and utilize it as a vehicle for growth. In addition, both initiatives have the potential to focus needed attention on firms that are ready to scale and need customized coaching and capital that are fit to purpose.

## Recommendations

### Procurement Marketplace Council

The PMC consists of top buyers, chambers of commerce, and other key stakeholders committed to fostering a robust marketplace for local firms. The PMC aims to bridge the gaps between procurement opportunities, support organizations, and regional vendors.

### Defense Procurement Advancement Initiative





Focuses on breaking barriers for local firms in defense procurement, exploring mechanisms like Mentor-Protégé Programs and Intergovernmental Services Agreements (IGSAs) in collaboration with the Department of Defense (DoD) and Fort Bliss.

### Green Supply Chains Initiative

Seeks to capitalize on the energy transition by analyzing and building local capacity in emerging sectors related to the energy transition, connecting local businesses with major buyers.

By establishing the PMC and driving these initiatives, El Paso aims to become a national model for leveraging procurement for local enterprise growth.

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