

SMALL BUSINESS PROGRAMS

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A USAID program results in solar energy replacing kerosene lanterns in Uganda.

A small business is an entity that is independently owned and operated, not dominant in the field of operation in which it is bidding on government contracts, organized for profit and qualified under the criteria and size standards, including its affiliates, as set forth in the 13 Code of Federal Regulations (CFR) and Federal Acquisition Regulation (FAR) Part 19.

8 (A) PROGRAM

Section 8(a) of the Small Business Act permits a small business which is unconditionally owned and controlled by one or more socially and economically disadvantaged individuals who are of good character, citizens of the United States, and which demonstrates potential for success to obtain government contracts without competition or through competition limited only to 8(a) firms. Some important points to note are:

1. The small business must register with and be certified by the Small Business Administration (SBA) to be considered an 8(a) firm.
2. 8(a) firms market their capabilities

directly to USAID's OSDBU and Program Offices or are identified by USAID's OSDBU or Office of Acquisition and Assistance (OAA) for new requirements. The USAID's OAA will formally indicate intentions to award an 8(a) contract by submitting a written offering letter to SBA.

3. Contracts under \$3 million are set-aside for a single 8(a) firm. However, USAID may request SBA approval to compete the contract among a limited number of 8(a) firms selected by USAID.
4. Contracts over \$3 million must be awarded on the basis of competition between eligible 8(a) firms.
5. An 8(a) contract is one between USAID and SBA, wherein the 8(a) firm is a subcontractor to SBA.
6. Currently, the SBA and the USAID have Partnership Agreement (PA) which establishes basic procedures for expediting the award of requirements pursuant to section 8(a) of the Small Business Act.
7. The PA reduces the interval between the time USAID sends an offering letter to the SBA and SBA's acceptance of the offering to maximum of five working days.
8. The PA eliminates SBA review of contracts and purchase orders executed under the authority of the PA.
9. 8(a) firms also qualify as disadvantaged enterprises, but the reverse is not necessarily true.

SMALL BUSINESS SET-ASIDE CONTRACTS

In addition to the 8 (a) program described above, the U.S. Government has a program for small business set-asides.

- Unlike the 8 (a) program, a small business set-aside is an openly competitive process among all qualified small business firms.
- Unlike the 8 (a) program, contracts awarded under small business set-asides are direct contracts with firms and not contracts with SBA.
- USAID/Washington contracts that are equal to or less than the simplified acquisition threshold of \$100,000, are automatically set-aside for small business, unless the Contracting Officer determines there is not a reasonable chance of obtaining competitive offers from two or more responsible small business concerns [See FAR 19.502-2(a)].

SMALL DISADVANTAGED BUSINESS PROGRAM

A small and disadvantaged business (SDB) is a small business entity owned and controlled by a socially and economically disadvantaged individual and is at least 51 percent owned by one or more socially and economically disadvantaged individuals. In the case of any publicly owned business, at least 51 percent of the stock must be owned by one or more socially and economically disadvantaged individuals; and its management and daily business operations must be controlled by one or more socially and economically disadvantaged individuals. SDBs must be certified by the Small Business Administration to claim SDB status.

From CFR 123.103: Socially disadvantaged individuals are those who have been subjected to racial and ethnic prejudice or cultural bias within American society because of their identities as members of groups and without regard to their individual qualities. The social disadvantage must stem from circumstances beyond their control.

From CFR 124.104: Economically disadvantaged individuals are socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same or similar line of business who are not socially disadvantaged.

Firms participating as SBA subcontractors in Federal minority procurement programs are required to be SBA-certified and on the SBA-approved list in order for their prime contractors to receive SDB subcontracting credit for these contracts. Certified SDBs are also eligible for the following Program benefits in approved industries.

Qualified prime contractors can receive a credit when using SDBs as subcontractors. The incentive applies only to competitive negotiated acquisitions over \$500,000, or \$1 million in construction. The evaluation factor does not apply to small business set-asides, 8(a) acquisitions, or contracts performed entirely outside the United States. The evaluation factor for SDB participation allows credit for subcontractors only in the NAICS codes authorized by the U.S. Department of Commerce benchmarks and requires that all SDBs be certified

by the SBA. Once certified, firms remain on the SBA's list of SDB-certified firms for a period of three years.

Contracting officers may include a monetary incentive in their contracts so that a contractor exceeding the total monetary target for SDB subcontracting will be eligible for a bonus of between 1% and 10% of the SDB subcontract dollars above the target. These benefits are available only to businesses that are certified as SDBs by SBA.

The Federal Acquisition Regulation also has a requirement to evaluate the past performance of offerors in complying with targets for SDB participation and subcontracting plan goals for SDBs whenever past performance is to be evaluated. USAID reinforces this requirement in AAPD-02-06 and can be found at: www.usaid.gov/procurement_bus_opp/procurement/cib/pdf/aapd02_06.pdf. For more information on the SDB program, contact SBA's SDB Office at (202) 401-1850 or visit SBA's website at: www.sba.gov.

MINORITY SERVING INSTITUTIONS (MSI) PROGRAM

Minority Serving Institutions (MSIs) are institutions of higher education in the United States that either historically or currently have ethnic minority student enrollments of more than 25 percent. Individual Executive Orders have been issued requiring federal agencies to increase access and opportunities for Historically Black Colleges and Universities (HBCUs), Hispanic Serving Institutions (HSIs), and Tribal Colleges and Universities (TCUs).

The Office of Small and Disadvantaged Business Utilization (OSDBU) coordinates the MSI and Small Business Programs. OSDBU staff is the initial point of contact for MSIs. USAID established a MSI Committee to develop strategies for creating new partnerships and ensure compliance with the Executive Orders. The Committee, which consists of representatives from each bureau and independent office within USAID, is responsible for recommending policies, initiatives, and activities to increase MSI participation in USAID programs and activities. Committee members also assist in data collection for annual reports to the White House on USAID's plans and performance in utilizing MSIs. USAID, in its desire to carry out the spirit and intent of the Executive Orders, obtained approval from the Department of Justice to award grants and cooperative agreements to MSIs through competition among these institutions. MSIs also can receive awards via open competition as well as through unsolicited proposals.

WOMEN-OWNED SMALL BUSINESSES

The Federal Acquisition Streamlining Act (FASA) of 1994 established an U.S. Government-wide goal of 5% of all Federal procurement for women-owned small businesses. USAID and other federal agencies contribute to this annual U.S. Government-wide 5% goal through both prime contract awards and subcontracting to women-owned small businesses.

For additional information concerning the Women-Owned Small Business

Program, contact the Office of Women's business Ownership at (202) 205-6673 or the U.S. Small Business Administration at 1-800-8-ASK-SBA or visit the website at the following internet address: <http://www.sba.gov/womeninbusiness>.

VETERAN-OWNED AND SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESSES

Veteran business owners were specifically recognized in the Veterans Entrepreneurship and Small Business Development Act of 1999, P.L. 106-50

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(August 17, 1999). This law called for developing information about businesses owned by either veterans or service disabled veterans, and their contribution to the country's economy. It also mandated a three percent goal for using service disabled veteran owned small businesses in government contracting. In later legislation, the Veterans Benefit Act of December 16, 2003 (P.L. 108-183) provided for set-aside and sole source authority in some instances for service disabled veteran owned small businesses. These provisions

have been incorporated into the Federal Acquisition Regulations. More recently, the President issued an Executive Order (No. 13360) with specific actions for agencies to take to assist in meeting the three percent goal for contracting with service disabled veteran owned small businesses. For more information on the service-disabled veteran or veteran-owned small business programs, contact the SBA's Office of Government Contracting at (202) 205-6460, visit SBA's web site at <http://www.sba.gov/gc>, the Department of Veteran Affairs web site at <http://www.va.gov>, or the Center for Veterans Enterprise website at <http://www.vetbiz.gov>.

HUBZONE SMALL BUSINESSES

The SBA's new Historically Underutilized Business Zone (HUBZone) small business contracting program is intended to encourage the award of contracts to small businesses located in designated economically distressed urban and rural areas. In order to qualify as a HUBZone business, the business must be small; owned by a US citizen; the principal office must be located in a HUBZone; and at least 35 percent of its workforce must reside within a HUBZone. HUBZone businesses can receive sole-source or set-aside federal contracts or receive a price reference up to 10% when competing for full and open competition procurements, for additional information on the HUBZone Program, or to find out if your business is located in a HUBZone, visit the SBA web site at the following internet address: <http://www.sba.gov/hubzone>.

PRIVATE VOLUNTARY ORGANIZATIONS CONTROLLED BY SOCIALLY AND ECONOMICALLY DISADVANTAGED INDIVIDUALS

A minority-controlled private and voluntary organization (PVO) is one in which more than 50% of its Board of Directors is comprised either of Black Americans, Hispanic Americans, Native Americans, or of “socially and economically disadvantaged” individuals as defined on page 37 of this document. USAID continues to encourage the utilization of minority-controlled PVOs in USAID-financed development assistance activities in keeping with Congressional intent to involve these enterprises more in USAID programs. USAID’s Office of Private and Voluntary Cooperation in the Bureau for Humanitarian Response registers U.S. PVOs that wish to partner with USAID in promoting development assistance throughout the world. PVOs registered with USAID are eligible to compete for grants through its programs for matching grants, child survival grants, cooperative development and farmer-to-farmer program grants, development education, and the ocean freight reimbursement program.

PROCUREMENT PREFERENCE PROGRAM

The Federal Government encourages full participation in its contracting activities through small business programs for groups that otherwise might not be able to compete on equal terms with large businesses. Section 221 of Public Law 95-507 and Public Law 100-656, Section 502 and 503 require that the head of each federal Agency, after consultation with

the Small Business Administration, establish realistic goals for the award of contracts to small business concerns and to small businesses owned and controlled by socially and economically disadvantaged individuals. The following is a summary of FY 2005 USAID goals. Prime contract goals are expressed as a percentage of USAID’s total prime contract dollars. Subcontract goals are expressed as a percentage of total dollars subcontracted by prime contractors.

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USAID SMALL BUSINESS GOALS FISCAL YEAR 2005

CATEGORY FY 2005 GOAL	
A. Total Estimated Procurement Expenditures \$9,998,626 (projected)	
1. To Small Business 44.25% (of total contract dollars)	
2. Small, Disadvantaged Businesses (includes 8 (a) and Non 8 (a)) 25.79%	
3. Women-Owned Small Business 5%	
4. HUBZone Small Business 3%	
5. Veteran-owned Small Business 3%	
6. Service-Disabled Veteran-Owned 3%	
B. Total Amount Subcontracted \$400,000,000 (projected)	
1. Sub. To small business 47.54%	
2. Sub. To small, disadvantaged business 7.63%	
3. Sub. To women-owned small business 10.64%	
4. Sub To HUBZone small business 3%	
5. Sub to Veteran-Owned Small Business	
6. Sub To Svc. Disabled Veteran-owned 3%	