



Small business set-aside – United States



Public Procurement Principle: **Access, Balance**



Procurement Stage: **Pre-tendering, Tendering**



Audience: **Private sector, Policy maker, Procuring entity**

Description

Set-asides are a powerful tool for helping small businesses compete for and win federal contracts. Every year, the US federal government purchases approximately USD 400 billion in goods and services from the private sector.

When market research concludes that small businesses are available and able to perform the work or provide the products being procured by the government, those opportunities are “set aside” exclusively for small business concerns. There are many different types of set-asides.

Some are open to all small businesses; others are open only to small businesses with certain designations.

Contract value A set-aside is based in part on the value of the goods or services that the government is looking to purchase.

- USD 3 500 - USD 150 000

Every federal government purchase with an anticipated value above the micro-purchase threshold of USD 3 500 and up to the Simplified Acquisition Threshold (SAT) of USD 150 000 is required to be automatically and exclusively set aside for small businesses. There must be at least two or more (Rule of Two) responsible small business concerns that are competitive in terms of market prices, quality and delivery for an automatic set-aside to take place.

- Above USD 150 000

Contract opportunities above the SAT of USD 150 000 shall also be set aside if the Rule of Two is met

- Above USD 700 000 or USD 1.5 million for construction

Contracts opportunities in this category awarded to Other than Small Businesses (OTSBs) must have small business subcontracting plans to the extent that there are subcontracting opportunities. A small business subcontracting plan establishes subcontracting goals for small businesses, small disadvantaged businesses, HUBZone (Historically Underutilized Business Zones), veteran-owned, service-disabled veteran owned and women-owned small businesses.

Prime contract goals

The Federal government has specified annual prime contracting goals for designated small businesses. The current, government-wide procurement goal stipulates that at least 23% of all federal government contracting dollars should be awarded to small businesses. In addition, targeted goals are established for the following small business categories:

- women-owned small business – 5%
- small disadvantaged business – 5%
- service-disabled veteran-owned small business– 3%
- HUBZone – 3%

Set-aside and sole-source programmes

Government contracts can be set aside for small businesses in the following certification programmes and socio-economic categories:

- 8(a) Business Development, targeted for economically and socially disadvantaged according to Title 13, Part 124 of the Code of Federal Regulations
- HUBZone Programme
- Women Owned Small Business (WOSB) Program (includes Economically Disadvantaged Women-Owned Small Business [EDWOSB] concerns)
- Service-Disabled Veteran-Owned Program In addition, there are sole-source development opportunities under the 8(a) programme and sole-source conditional opportunities under the HUBZone, Service-Disabled Veteran-Owned Small Businesses, and WOSB programmes.

Source: OECD (2018), SMEs in Public Procurement: Practices and Strategies for Shared Benefits, OECD Public <https://doi.org/10.1787/9789264307476-en>

