



SBAIC
Growing U.S. Small Businesses Globally

**Small Business Association
for International Companies**

SBAIC Recommendations for Small Business Subcontracting

SBAIC is fully committed to supporting USAID's subcontracting goals for small business utilization which help foster the entrance and growth of small business and form part of USAID's small business utilization goal setting and grade from SBA. We hereby offer the following observations and recommendations to support the Agency to meet these goals:

- **Encourage all COs to use standard provisions strongly supporting meaningful small business subcontracting in all solicitations**
 - At the proposal stage, we recommend that USAID considers incorporating into solicitations clear language on the importance of US small business subcontracting, with set minimum targets for such subcontracting, and with a clear identification of subcontracting as an evaluation criterion.
 - We recommend that past performance assessments consider the extent to which prime contractors have met subcontracting targets established in their subcontracting plans for various projects.
 - We suggest that targets for small business subcontracting be set not only as a percentage of total subcontracting, but also of the total value of the contract.
 - We propose that USAID define small business subcontracting as meaningful participation of US small businesses that are programmatically relevant to the contract being procured. We note that some prime contractors count individual consultants as US small businesses, which is not the intent of USG small business subcontracting programs. Also, some prime contractors mostly count non-programmatic vendors (e.g., IT service providers and travel agents) in their subcontracting plans.

 - **Monitor subcontracting plan implementation and communicate with Missions/Bureaus and with Implementing Partners (IPs).** We recommend that USAID ensure that small business subcontracting targets are set annually for Missions/Bureaus and for IPs, that utilization and progress are monitored throughout implementation, and that, at the end of each year, results must be reported and entered USAID's electronic subcontracting reporting system (ESRS) as well as formally communicated to and discussed with Missions/Bureaus and IPs. To make this process fully effective, COs and CORs could take the opportunity to also check in with small business subcontractors and bring this information into the discussions. In this process, Missions/Bureaus and IPs that are lagging behind in meeting their respective subcontracting targets can identify and agree on concrete
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actions for achieving targets. USAID can publicly recognize Missions/Bureaus and IPs that excel in meeting and exceeding ambitious small business subcontracting targets. If this process is systematically practiced, it will place the responsibility for resolving subcontracting issues with those who are in the best position to understand and quickly address them.

- **Use subcontracting plan monitoring to augment the Ombudsman route in cases when subcontracting issues arise.** Too often, small businesses who help win an award do not end up with the workshare discussed during proposal preparation. This can be due to bad-faith negotiations on the part of prime contractors, who then do not issue subcontracts or issue subcontracts that do not fully reflect the arrangements made in teaming agreements. Other times, a prime contractor may simply not provide the small business partner with the work mandated in a subcontract. Effective subcontract plan monitoring would be the best way to address this problem quickly and effectively.
 - **Systematize accountability in meeting small business subcontracting targets through CPARs.** SBAIC recommends that USAID/OAA give clear guidance and deliver training to Missions/Bureaus in how to assess small business subcontracting performance through the CPAR performance evaluation process, with clear parameters and criteria for rating performance in small business subcontracting.
 - **Meet small business subcontracting requirements and respond to localization priorities.** SBAIC recommends a balanced approach that supports the sustainability and growth of small businesses through effective subcontracting and provides local organizations with capacity strengthening by US small businesses. USAID/Washington can continue to emphasize that localization is an administration initiative and that US small business utilization is a statutory requirement—Missions/Bureaus need to do both; it’s an “and” not an “or.”
 - **Create a Small Business Subcontracting Task Force.** Subcontracting issues are of such importance to small business (and USAID’s small business grade) that we recommend a task force be established to develop concrete and internally consistent recommendations for addressing these issues. Ideally, the task force would be comprised of representatives from USAID/OAA, OSDBU, Washington Bureaus, Missions, and the small business community.
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In addition to the above recommendations, SBAIC is eager to offer support for the planning and execution of future subcontracting events. Our suggestions include:

1. Providing a planning toolkit that includes an effective timeline and marketing strategies to ensure better participation and engagement; and
2. Help establish the task force mentioned above with representatives from firms that can share real-life examples and insights, working alongside USAID to address these issues comprehensively.