Not later than 90 days after enactment of the act, the USAID Administrator shall submit to the Committee a report on the implementation of the directive in Senate Report 114-79 to set regional and worldwide goals for overseas contracts and subcontracts with U.S. small businesses, and to require that small business indicators and annual targets be included in each overseas USAID mission annual plan. The USAID Administrator shall include in such report a description of the incentives provided to overseas mission employees to work with small local and U.S. businesses.

Senate Report 114-79, which accompanied S. 1725, the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2016, directed “the USAID Administrator to set regional and worldwide goals for overseas contracts and subcontracts with U.S. small businesses, and to require small business indicators and annual targets be included in each overseas USAID mission annual plan.”

In Fiscal Year (FY) 2016, USAID expanded its internal U.S. small-business goal program to its Regional Bureaus and overseas Missions. The purpose of this report is to document USAID’s progress in setting regional and worldwide goals for the award of contracts and subcontracts to U.S. small businesses at all overseas Missions. USAID agrees with Congress that the goal-setting process is instrumental for creating contract opportunities for U.S. small business.

In FY 2016, USAID’s “Small Business Goal” was to award 11 percent of worldwide prime contract obligations to U.S. small businesses. USAID exceeded that goal, by awarding 13.12 percent of prime contractor obligations to U.S. small businesses. The Agency awarded a total of $571.1 million to U.S. small businesses in FY 2016, the highest dollar obligations the Agency has awarded to U.S. small businesses within a single Fiscal Year, and an increase from the $451 million awarded worldwide in FY 2015.

Overview of the Regional Bureau and Mission Small Business Goal-Setting Process
The USAID Office of Small and Disadvantaged Business Utilization (OSDBU) has a mandate established by the Small Business Act, Public Law 85-538, to “assist in the establishment, preservation and strengthening of small business concerns.” In carrying out this mission, the OSDBU Director coordinates with USAID leadership to establish annual goals for USAID Bureaus and Independent Offices to award contracts and subcontracts to U.S. small businesses.

Background
USAID’s small business commitment and outreach have increased significantly over the past several years. These efforts significantly expanded in FY 2010 with the launch of the Implementation and Procurement Reform (IPR) initiative, part of USAID Forward. The creation of an IPR objective was specifically intended to broaden the partner base and increase
In FY 2012, USAID launched its internal small-business goal-setting program, which included the assignment of small business goals for USAID Bureaus.

In FY 2016, the U.S. Small Business Administration (SBA) implemented a new rule regarding evaluation of the Federal Government’s use of U.S. small businesses. Whereas the SBA had previously considered only those contracts awarded in the United States, the new rule, mandated by the National Defense Authorization Act (NDAA) of 2013, requires Federal Agencies and Departments to include contracts awarded overseas in their total contracting base for purposes of assessing performance against the small-business goals.

In anticipation of this rule change, in FY 2013, USAID established a worldwide prime contract U.S. small-business-utilization metric known as the “Small Business Indicator” (SBI). The purpose of the indicator is to accomplish the following: 1) measure contract awards to U.S. small businesses by overseas Missions; 2) prepare the Agency for the anticipated changes in the SBA goal-setting and scorecard process; and 3) enhance Mission staff knowledge of the applicable Federal Acquisition Regulation (FAR) and SBA rules. OSDBU continues to use the SBI to track, monitor and report small business accomplishments at more than 80 Missions.

The use of the SBI has been successful throughout USAID. In FY 2016, USAID expanded its small-business goal-setting program to include overseas acquisitions. OSDBU engaged with USAID Regional Bureaus to determine appropriate targets for each region. In both FY 2016 and FY 2017, Missions used data and analysis to assist with this goal-setting process and to track progress against the indicator for each region afterwards.

As noted, in FY 2016, USAID’s goal was to award 11 percent of worldwide prime contract obligations to U.S. small businesses. USAID exceeded that goal, by awarding 13.12 percent of prime contractor obligations to U.S. small businesses. As shown in the chart below, the Agency awarded 23.83 percent of domestic prime contract obligations and 5.02 percent of overseas prime contract obligations to U.S. small businesses.

**Percent of Prime Contracting Obligations to U.S. Small Business (FY 2012 – FY 2016)**

![Chart showing percent of prime contracting obligations to U.S. small business from FY 2012 to FY 2016.](chart-url)
**Tracking and Monitoring Acquisition Data**

The Agency tracks its small-business accomplishments through data generated from three primary sources: 1) the Federal Procurement Data System (FPDS), which is the Federal Government’s primary system to collect, create, and disseminate acquisition data; 2) the Electronic Subcontracting Reporting System (eSRS), which is the official system used to report the distribution of Federal contracts among large and small contractors; and 3) USASpending.gov. OSDBU works closely with the Agency’s Senior Procurement Executive (the Director of the USAID Office of Acquisition and Assistance) to validate data and to post small business tracking reports internally, referred to as the Small Business Dashboard.

**Incentives to Meet Small Business Goals**

As a part of the Agency’s efforts, OSDBU will work with the USAID Office of Human Capital and Talent Management (HCTM) to develop incentives to include in the Foreign Service Officer Matrix and Competencies, the Agency’s primary personnel-evaluation tool for Foreign Service Officers. The expectation is that these changes will ensure that each Mission will consider the use of U.S. small-businesses as it develops its annual Acquisition and Assistance Plan.

**Implementation of Mission Goals**

In FY 2018, the Agency plans to pilot the expansion of its goal-setting program to include small-business utilization targets at the level of individual Missions, set by reviewing and analyzing historical small-business accomplishment data, as well as Acquisition and Assistance Plans for each Mission. This process mirrors the process used for setting regional goals in FY 2016 and FY 2017.

In support of this plan, USAID will continue to: communicate the expansion of our small-business goals at USAID Missions broadly through continued implementation of the Small Business Programs Training program for procurement and technical officers; communicate with overseas senior staff on the importance of the participation, and benefits of working with, U.S. small businesses, regardless of the place of performance of the contract; and facilitate opportunities for U.S. small business representatives to get to know the Agency and our funding opportunities. In November 2016, USAID successfully hosted its first overseas U.S. Small Business Conference, in South Africa, which will serve as a model for future events. More than 250 representatives participated in the event, along with procurement and technical officers from USAID headquarters and over 20 Missions throughout Africa. During the course of the ongoing redesign process, USAID intends to take steps to diversify our partner-base even further, including small businesses, and increase the use of procurement instruments that welcome competition from small businesses.