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## **Small Business Set-Asides**

The United States federal government moved aggressively in 1995 to encourage contracting officers to make maximum use of set-aside provisions. U.S. federal law requires that procurement contracts be awarded exclusively to U.S. small businesses if the contracting officer can reasonably expect two or more bids from competitive U.S. small businesses. The definition of "small" varies by industry, but may involve up to 1500 employees in a manufacturing firm, or annual revenue of up to US\$17 million for a services firm. The effect of such set-asides is far-reaching. The value of goods and services contracts set aside for U.S. businesses in 1994 was approximately \$6 billion (\$2 billion goods, \$4 billion services), of which 60% was for contracts valued over \$500,000. Such set-aside provisions are also common in state legislation.

In addition, the U.S. Small Business Administration (SBA) provides loan guarantees and business assistance for small and minority-owned businesses, and acts as prime contractor to government for those who take part in its "8(a)" program.

Although a 1995 judicial decision led the U.S. Department of Defense to suspend key elements of its preference program for small disadvantaged business, the Defense Department has initiated new loan programs, under the U.S. SBA's 7(a) and 504 provisions, that provide or guarantee loans of up to US\$1.25 million for qualified small defence-dependent businesses.

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