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[How Funding Nonprofits Benefits Public Diplomacy](#) ^[1]

Small businesses are at a key advantage when competing for federal contracts. When contracts are less than \$100,000, the contract is automatically [set-aside](#) for small businesses so long as two or more small businesses can fulfill the contract. While this does not guarantee that a small business will be awarded the contract, it does mean that only small businesses may compete for the contract ("total small business [set-aside](#)") or some reserved portion of the contract ("partial small business set-aside"). When contracts are over \$500,000 (\$1,000,000 for construction), all contractors must submit a [subcontracting plan](#) so that small businesses are allocated work under the contract.

In addition to these traditional contract vehicles, the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) [programs](#) provide small businesses with billions of dollars of early stage capital to develop products which have the government and commercial potential. Although many small businesses focus on developing commercial products under these

programs, SBIRs and STTRs also provide an important source of funding for small businesses interested in scientific and technical [problem-solving](#). As the National Institutes of Health points out, both [programs](#) foster [disruptive innovation](#) by helping small businesses break into the federal research and development (R&D) arena, create life-saving technologies, and stimulate economic growth.

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Unfortunately, non-profit organizations engaged in public diplomacy and cultural relations cannot benefit from the majority of the small business programs offered by the federal government. That is because they are not [organized for profit](#). For this reason, they usually do not qualify for these programs even if they meet the other applicant requirements. This in turn prevents non-profit organizations engaged in public diplomacy and cultural relations from competing for hundreds of millions of dollars in potential funding each year.

If we want to realize the full potential of American public diplomacy and cultural relations, we need to draw some important lessons from small business programs. First and foremost, we cannot allow federal contracts and grants for public diplomacy and cultural relations to be dominated by large nonprofit organizations. We must therefore ensure that small nonprofit organizations are given some preference during the contracting and grant making process. This means setting aside small contracts and grants for small nonprofit organizations. And, it means requiring large nonprofit organizations to bring smaller nonprofit organizations aboard as partners on larger contracts and grants.

Second, we must ensure that federal contracts and grants for public diplomacy and cultural relations are not monopolized by nonprofit organizations based in [Washington DC](#) and other major metropolises (e.g., New York, San Francisco, Los Angeles). Perhaps more than any other field, public diplomacy and cultural relations are shaped by our social and cultural biases. As arguably one of the most multicultural countries in the world, we must therefore make it a priority to promote the development of sub-national nonprofit organizations and national non-profit organizations based in places like Cheyenne, Lafayette, [Savannah](#), Puerto Rico, and [Līhu'e](#). Over the last few decades, Small Business and Historically Underutilized Business Zone (HUBZone) set-asides have served as important mechanisms for ensuring the widespread geographic distribution of funds allocated to commercial businesses through federal contracts and grants. Similar mechanisms are now needed to promote the wider geographic distribution of funds allocated to nonprofit organizations through federal contracts and grants for public diplomacy and cultural relations.

Third, we need to promote greater diversity and equality in American public diplomacy and cultural relations through new mechanisms that privilege nonprofit organizations led by women, minorities, veterans, and the next generation of foreign policy leaders. In the commercial sector, set-asides for veterans, women, and socially and economically disadvantaged individuals have worked alongside small business set-asides to ensure that a fair proportion of federal contracts and grants are allocated to specific demographic groups identified by Congress. In this way, the federal government helps to promote diversity and equality in leadership and ownership in the private sector. Similar mechanisms are needed for non-profit organizations engaged in public diplomacy and cultural relations, especially those founded by minorities (e.g., Gullah), residents of U.S. territories (e.g., American Samoa), and the next generation of foreign policy leaders (e.g., individuals under 40 years of age).

Fourth, we need to find new contract and grant vehicles for promoting innovation on public diplomacy and cultural relations by small subnational or national nonprofits located outside of Washington, DC and other major metropolises that have been founded by women, minorities, veterans, and the next generation of foreign policy leaders. Unlike the SBIR and STTR programs, such innovation would not center on the creation of commercial products. So, the SBIR and STTR programs could not serve as models for these new contract and grant vehicles for promoting innovation on public diplomacy and cultural relations. Nevertheless, many lessons can be gleaned from the SBIR and STTR programs. One of the most important is that the federal government has been able to foster disruptive innovation through these specialized innovation contracts for small businesses. Perhaps no field is in need of disruptive innovation more than public diplomacy and cultural relations. We therefore need to reallocate some of the existing public diplomacy and cultural relations budget to support such disruptive innovation by small nonprofits through something like a Small Non-profit Innovation Research Program for Public Diplomacy and Cultural Relations (SNIR-PDCR) Program.

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