

Highlights

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The Cost of Inclusion: Decomposing Bidder Exclusion in Public Procurement

- SME-only set-aside imposes R\$ 55–128M (US\$ 16–37M) in annual welfare loss on São Paulo’s medical-supplies procurement alone.
- Roughly three-quarters of the cost is sheltered bidding within the auction, not entry-margin reshuffling.
- Endogenous SME entry is a partial offset that attenuates a 50–60% larger latent within-auction shock.
- DiD against 76 never-treated controls: 10–11% rise in winning prices; SME participation roughly doubles.
- A 10% SME price preference welfare-dominates the set-aside in thick standardized markets at near-zero fiscal cost.