



Equity in Federal Procurement Literature Review

Report

U.S. Small Business Administration



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Administration

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Executive Summary

The United States Government is the largest consumer of goods and services in the world, spending more than \$650 billion each year (White House, 2022). This purchasing power makes Federal procurement a powerful tool to support and implement procurement policies and practices that advance equity. The SBA supports Federal equity efforts by helping to build the evidence on equity and helping to address systemic barriers that prevent equitable participation and create opportunities for historically marginalized communities to access Federal contracts. As part of its efforts, the SBA funded a literature search and review to achieve three purposes—(1) develop a working definition for equity in procurement, (2) identify inequities in Federal contracting, and (3) identify practices for promoting equity in Federal procurement—and to help answer specific questions for each topic.

To address the topics and answer the specific questions, the project team conducted a systematic search of Federal Government and non-Government literature published between January 2013 and July 2023 and reviewed bibliographies in key documents. The project team then conducted a narrative review of relevant sources and their findings for each topic and each literature review question.

For the first topic, findings revealed that there are no explicit Federal definitions for equity in procurement, and general equity definitions (those not focused on procurement) used by Federal entities align more closely with the concept of equality rather than equity. Definitions describe target groups using terms, such as “disadvantaged” or “underrepresented,” that may reinforce discrimination and biases. There are a few definitions specific to procurement published by private entities, but the definitions are general and not specific enough to be adopted for the Federal procurement space. General and related equity definitions (those not focused on procurement) help inform the understanding of equity, including nuances, key elements, focus areas, and groups of interest. Specifically, the definitions

- distinguish between equality and equity;
- address key concepts, including fairness and justice, impartial treatment of all individuals, proportionality/unique treatment to compensate for circumstances, and uniformity in outcomes; and
- focus on inputs, procedures, outputs, distribution, and structure.

For the second topic, many sources highlight that there are inequities in Federal procurement. Specifically, there are disparities in business ownership, in the share of Federal contracts awarded, and in the share of Federal procurement dollars awarded. The majority of findings indicate that small businesses owned by groups who have been historically marginalized face systemic barriers that prevent them from contracting with the Federal Government. These barriers include

- lack of access to capital and limited capacity,
- discriminatory policies and practices,
- difficulties entering and navigating the procurement process,
- complicated and time-consuming procurement processes,
- lack of targeted communication and outreach efforts,
- difficult-to-meet contract requirements,
- challenging contract management practices, and
- characteristics of businesses themselves.

Fewer findings indicate that Federal agencies face barriers to contracting with these small businesses. Barriers for Federal agencies are related to agency staff perceptions, agency procurement capacity and expertise, availability of qualified small businesses, and specific procurement policies.

For the third topic, findings showed that there is a wide range of practices for advancing equity in Federal procurement that have already been implemented or are being suggested at the Government-wide and agency levels. At the administration level, executive orders and memos have focused on increasing the share of contracts awarded to small disadvantaged businesses, directing agencies to adopt new management practices, making changes to category management policies and processes for managing program certifications, providing assistance and training and access to capital to small businesses, and providing additional funding for programs supporting small businesses in historically marginalized communities. At the agency level, practices address key topic areas, including (but not limited to)

- increasing the number of procurement opportunities for these small businesses,
- helping grow the business pipeline,
- improving access to contracting opportunities for these businesses,
- simplifying procurement processes,
- conducting outreach and engaging communities,
- enhancing agency capacity and expertise,
- supporting businesses with contract implementation and management coaching/support, and
- collecting more useful data with which to monitor progress and outcomes.

Efforts at the state, local, and private levels cited in the included sources seem to have similar foci as the efforts used and suggested in the Federal sector. Findings also suggest that there are no easy fixes or one-size-fits-all solutions for advancing equity in Federal procurement. At this time, the literature does not describe evaluations that have examined the effectiveness of specific practices to promote equity Federal procurement. The literature details positive outcomes for equity in procurement that may be associated with these practices, but no cause–effect relationship between specific practices and outcomes/impacts has been plausibly established.

The findings for the three topics provide several key takeaways. For example, groups that have been historically marginalized tend to be underrepresented in business ownership, relative to their share of the general population and civilian labor force. Furthermore, these small businesses secure a lower number of Federal contracts and a smaller share of Federal contract dollars. Current policies and practices at all stages of procurement perpetuate the inequities seen in Federal procurement today and prevent these small businesses from participating in the Federal marketplace.

To address inequities, the SBA helps build evidence on equity, including conducting evaluations and developing resources for Federal agencies and other stakeholders to break down systemic barriers that prevent equitable participation and create opportunities for historically marginalized communities to access Federal contracts. For these efforts to be effective, it is imperative to have a clear definition of equity in procurement. Having a clear and holistic definition will support agencies in evaluating their equity practices to ensure they help break down the systemic barriers. The definition needs to make clear the distinction between equity and equality and use terms that are equity focused, avoiding

reinforcing biases and discrimination. Based on the findings from the literature review, the SBA developed a working definition for equity in Federal procurement.

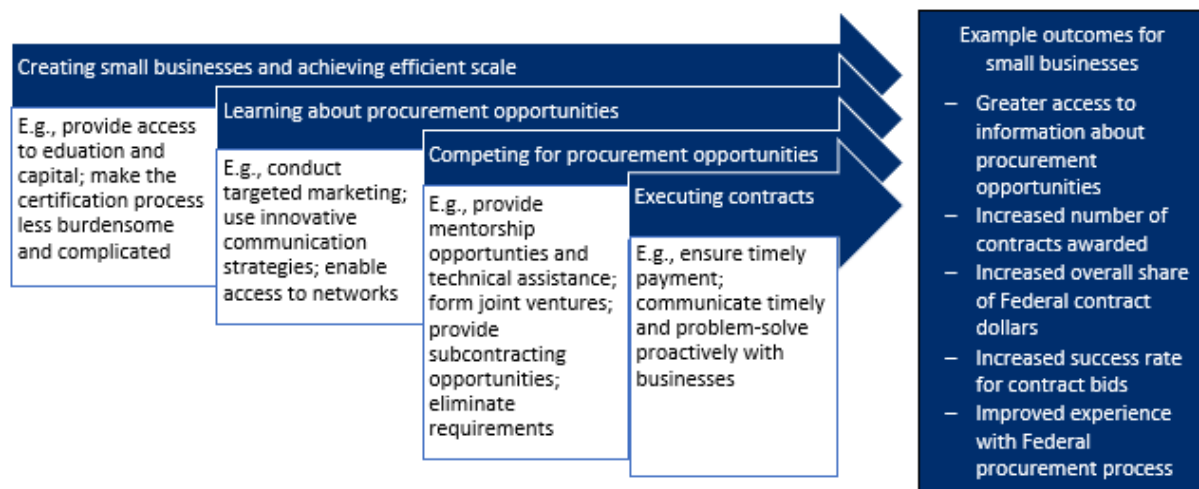
Equity in Federal procurement working definition

While equality is defined as uniformity in access to opportunities between groups, equity is defined as uniformity in outcomes between groups^a who have experienced social, economic, demographic or geographic disparities due to unfair, unjust, and exclusionary policies and practices. In the context of Federal procurement, equity is achieved when groups who have experienced such disparities have access to procurement opportunities, are able to compete for them, and receive a share of Federal procurement spending that is proportionate to their prevalence in the industry^b.

While equity culminates in uniform outcomes between groups, achieving equity in Federal procurement specifically entails intentional policies, programs, and procedures designed to promote proportional participation in systems preventing equitable outcomes. Policies, programs, and procedures need to be designed at all stages of procurement to address systemic barriers and exclusionary practices, including, but not limited to, helping entrepreneurs create and scale their businesses, ensuring business owners are aware of Federal procurement opportunities, supporting businesses in the process of competing for procurement opportunities, and enabling businesses to successfully execute awarded contracts.^c

The figure below provides a visual representation of the Federal procurement stages; example policies, programs, and procedures that are being used to promote equity at each stage; and example outcomes that may result from these initiatives.

Figure 1. Promoting equity at all stages of procurement.^d



^a General Services Administration (GSA). (n.d.). OES Equity Evaluation Series: Defining Equity in Federal Government Evaluations. <https://oes.gsa.gov/assets/files/defining-equity-in-federal-government-evaluations.pdf>

^b Proportionality is the main goal, but how it is operationalized and measured may vary by context. Industries refer to all industries, rather than Federal contracting-specific industries.

^c This description of the procurement stages is simplified for the purpose of illustrating a holistic approach to addressing inequities in Federal procurement.

^d Access to markets and industry is critical precursor to creating small businesses and achieving efficient scale.

Abbreviations and Acronyms

FY	Fiscal year
HUBZone	Historically underutilized business zone
OPPAE	Office of Program Performance, Analysis, and Evaluation
OSDBU	Office of Small & Disadvantaged Business Utilization
SBA	Small Business Administration
SDB	Small disadvantaged business
SDVOSB	Service-disabled veteran-owned small business
WOSB	Women-owned small business

Preamble

Equity as a field has evolved significantly in recent years. As a result, language used to describe groups, their contexts, and their experiences has also evolved. While we attempt to use language that avoids reinforcing discrimination and biases, we recognize that some phrases may be appropriate to use in some contexts but not in others and that meanings and usage of phrases change over time. Phrases, such as “underrepresented communities”, “underserved businesses”, “minority-owned businesses”, “disadvantaged groups”, etc., are used when presenting findings from the literature and to keep consistent with the terms used by the authors of the sources.

Purpose

As part of its evidence-building activities, the U.S. Small Business Administration (SBA) funded a literature review to support the development of a working definition for equity in procurement, identify inequities in Federal procurement, and identify practices for promoting equity in Federal procurement. This SBA report will describe the literature review methods and summarize the key findings and takeaways. A detailed summary of all findings can be found in the three memoranda developed for this project [add link].

The first section of this report provides a brief introduction and background information, followed by a description of the project. The report then describes the project’s design and methods, followed by a summary of key findings and takeaways. The appendix provides a glossary of key terms, and corresponding definitions, used in this report.

Introduction and Background

The United States Government is the largest consumer of goods and services in the world, spending more than \$650 billion each year (White House, 2022). As part of its purchasing, it contracts with small businesses to buy products and services, with the goal of meeting specific collective procurement goals for different small business categories (SBA, 2022a; see Table 1).

Table 1. Federal small business procurement goals by small business category.

Small Business Category	Small Business Procurement Goals
Small businesses	Not less than 23% of the total value of all prime contract awards for each fiscal year.
Women-owned small businesses (WOSBs)	Not less than 5% of the total value of all prime contract and subcontract awards for each FY.
Small disadvantaged businesses (SDBs)	Not less than 12% ^e of the total value of prime contract and not less than 5% subcontract awards for each FY.
Historically underutilized business zones small businesses (HUBZones)	Not less than 3% of the total value of all prime contract and subcontract awards for each FY.

^e The subcontract spending goal for SDBs was raised from 5 percent to 12 percent for FY 2023.

Small Business Category	Small Business Procurement Goals
Service-disabled veteran-owned small businesses (SDVOSBs)	Not less than 3% of the total value of all prime contract and subcontract awards for each FY.

Its purchasing power makes Federal procurement an influential tool for advancing Government priorities, including the promotion of equity through contracting policies and practices. For example, one of the priorities of the Biden Administration is to advance “equity for all [within Government programs and services], including people of color and others who have been historically underserved, marginalized, and adversely affected by persistent poverty and inequality” (White House, 2021a). Achieving this entails promoting equitable participation in Federal contracting, including making Federal contracting and procurement opportunities more readily available to SDBs and removing barriers faced by underserved individuals and communities (White House, 2021b). In support of this priority, the President set a goal of increasing the share of Federal contract dollars awarded to SDBs from 5 percent in FY 2020 to 15 percent by FY 2025 (White House, 2021b). In addition, he charged agencies with assessing available tools and undertaking efforts to increase opportunities for small businesses and traditionally underserved entrepreneurs to compete for Federal contracts.

The SBA directly supports the Administration in this effort. In 1953 with the Small Business Act, Congress created the SBA as an independent agency of the Federal Government to aid, counsel, assist, and protect the interests of small business concerns; preserve free competitive enterprise; and maintain and strengthen the overall economy of our nation. Today, the SBA serves more than 32 million small businesses and innovative startups, helping them begin, build, grow, and be resilient. By providing counseling and training, resources, capital, and contracting expertise, the SBA helps to ensure that small businesses, especially those in underrepresented communities, are elevated and given the tools and resources they need to create jobs and maintain and strengthen the economy (SBA, n.d.).

In addition, the SBA plays a key role in supporting the Administration in meeting the collective small business^f procurement goals for the Federal Government. Specifically, the SBA works with each Federal agency to determine its individual contributions (agency-specific goals) and tracks and reports agency performance toward these goals. The SBA also helps build evidence by conducting evaluations and developing resources for Federal agencies and other stakeholders to share findings and strategies to help address systemic barriers that prevent equitable participation in Federal procurement and create opportunities for historically marginalized communities to access Federal contracts.




However, despite Federal efforts to help increase the number of Federal contracts with these businesses and other Government-wide initiatives and policy changes, the share of Federal procurement dollars going to these businesses generally falls behind their communities’ representation in the overall economy.

^f WOSBs, SDVOSBs, and HUBZones are recognized in the Small Business Act as socioeconomic small business and traditionally underserved entrepreneurs, but they do not always meet the SBA disadvantaged business definition. Related actions to advance equity in procurement also include people with disabilities, historically Black colleges and universities, minority-serving institutions, and tribal colleges and universities (FAI, 2022).

Project Description

To help address inequities in Federal procurement and build evidence on equity, the SBA contracted with New Editions Consulting to conduct an equity in Federal procurement literature review. The review was designed to achieve three key purposes: (1) develop a working definition of equity in procurement, (2) identify inequities in Federal contracting, and (3) identify practices for promoting equity in Federal procurement, and answer specific questions (Table 2).

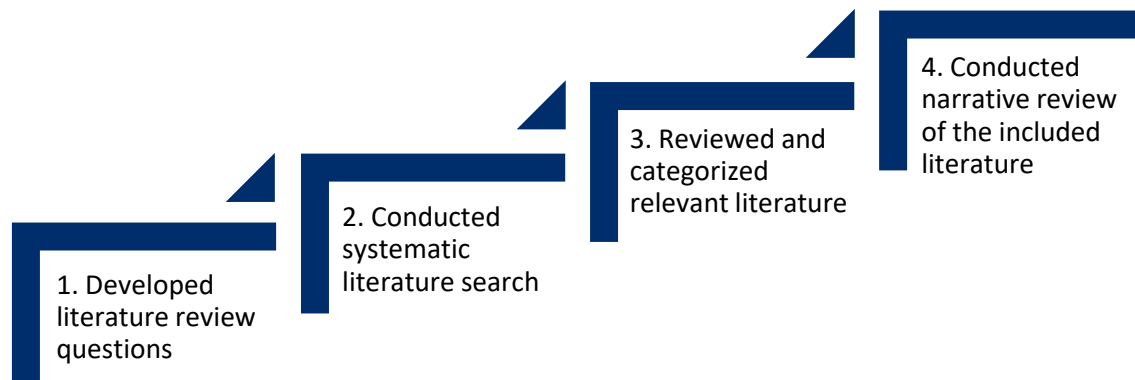
Table 2. Equity in Federal procurement literature review topics and questions.

Literature Review Topics	Literature Review Questions
<p>1. Develop a working definition for equity in procurement</p> 	<p>a. What current definitions of equity are available, and operationalizable, for the purpose of evaluating strategies to promote equity in Federal procurement?</p> <ul style="list-style-type: none"> i. How is the Federal Government currently defining equity—explicitly and implicitly—in the context of procurement? Who is included/excluded in these definitions? ii. How are equity experts and private sector businesses currently defining equity in procurement (and/or transferable contexts)? <p>b. How have experts in both Government and other contexts operationalized equity in the context of procurement?</p>
<p>2. Identify inequities in Federal contracting</p> 	<p>a. Within the included literature, what evidence of inequities are cited in Federal contracting?</p> <ul style="list-style-type: none"> i. To what extent does inequity in Federal procurement look different from inequity in the economy at large, and what contributes to this difference? <p>b. What general factors are contributing to inequities in Federal procurement?</p> <p>c. What factors are preventing small businesses owned by historically marginalized groups from contracting with the Federal Government?</p> <p>d. What factors are limiting agencies/Government from contracting with these small businesses?</p> <p>e. To what extent do factors contributing to inequity differ by Federal procurement categories (information technology, professional services, facilities and construction, medical products, transportation and logistics, industrial products and services, travel, security and protection, human capital, office management)?</p>
<p>3. Identify practices for promoting equity in Federal procurement</p> 	<p>a. What practices are being used/applied or suggested to promote equitable contracting in the Federal sector?</p> <ul style="list-style-type: none"> i. What is known about their effectiveness? <p>b. Within the included literature, what practices are being used/applied or suggested to promote equitable contracting in the state, local, or private sector?</p> <ul style="list-style-type: none"> i. What is known about their effectiveness? <p>c. What is known about the ability to scale practices used/suggested in the federal and state, local, and private sector?</p>

Design and Methods

The literature search and review were completed using a multistep process as outlined in Figure 2 below, with each step building on the previous step. In the first step, the SBA, with feedback from the Office of Management and Budget, drafted the specific questions for each topic of the literature review and then worked with the project team to refine and finalize the questions.

Figure 2. Steps for completing the equity in Federal procurement literature search and review.



Activities in the second step (the literature search) were designed to supplement the body of literature initially provided by the SBA to help answer the review questions. To identify additional literature, the project team conducted a systematic search of Government and non-Government literature (i.e., Federal reports, executive orders, memos, journal articles, private entity reports) published between January 2013 and July 2023, using the databases and search terms listed below. Bibliographies in key documents were also reviewed carefully to identify relevant literature. Given the limited timeline of the project, sources published by state and local entities were excluded from the literature review. Literature focused on countries other than the United States were also excluded.

- **Databases:** Google, Google Scholar, JSTOR, SagePub, Government Publishing Office, Inter-university Consortium for Political and Social Research, Chief Financial Officers Act Agency websites
- **Search terms:** e.g., [procurement OR contracting OR federal contract*] and [equity OR disparit* OR underserved OR disadvantaged OR underutilized OR diverse OR veteran OR women OR small business]

In the third step, the project team reviewed the literature to determine which sources met the criteria to be included in the final sample. The project team excluded sources that did not contain content relevant to answering the questions and added the final sources to an Excel database. In the fourth step, the project team conducted a detailed review of sources included in the database, categorized the sources based on the topic(s) the sources' findings addressed, and extracted findings to answer the literature review questions.

* The function of the asterisk in a literature search is to broaden the search by including words that have the same root but different endings.

Analysis and Findings

Summary of available literature

The literature provided by the SBA and the additional literature identified through the systematic literature search resulted in a sample of 131 sources for review for this project. After a detailed review of the sources, the project team excluded 32 sources because they did not contain findings relevant to answering the literature review questions, resulting in a final sample of 99 sources, most of which contained findings for several of the topics. Of the 99 sources, 32 were related to the first topic, 48 were related to the second topic, and 65 were related to the third topic (Table 3). Federal sources, private sources, and journal articles were included.

Table 3. Number of sources relevant to the three literature review topics.[§]

Literature review topic	Number of sources
1. Define equity in procurement	32
2. Identify inequities in Federal contracting	48
3. Identify practices for promoting equity in Federal procurement	65

The following sections summarize the findings and key takeaways from the literature for each of the three literature review topics.

Defining equity in procurement



The literature review revealed that, at this time, there are no explicit Federal definitions for equity in procurement. There are a few definitions specific to procurement published by private entities, but those definitions are general and not specific enough to be adopted for the Federal procurement space or used in Federal equity evidence-building activities. Specifically, the literature review identified the following two definitions:

Equitable procurement (sometimes called Supplier Diversity) refers to the collection of measures and procedures taken to address the barriers that keep minority businesses [from] fully participating in the procurement process of organizations. It involves engaging a new and more diverse set of vendors and contractors in the procurement process and being intentional in doing so (TEA, n.d.).

Contracting equity: Investments in contracting, consulting, and procurement should benefit the communities a jurisdiction serves, proportionate to the jurisdiction's demographics (Nelson and Brooks, 2015; Nelson et al., 2015).

Looking beyond the procurement space, the literature review revealed several general and related equity definitions (definitions not focused on procurement) from Federal sources and private entities that can inform evaluation efforts focused on equity in Federal procurement, including entities' understanding of equity, its nuances, key elements, focus areas, and groups of interest.

[§] Note: The literature review included a review of a total of 99 sources. The number of sources for each literature review topic do not add up to 99 because many sources were utilized for more than one topic.

One key nuance highlighted in the literature is the importance of **distinguishing between equality and equity** (GSA, n.d.-a). Specifically, whereas equality is defined as the uniformity in the type of input (everyone receives the same treatment), equity is defined as uniformity in outcomes, especially between groups (everyone receives the amount of treatment needed to obtain a desired outcome). In addition, general and related equity definitions **address concepts and terms** that are central to understanding equity. They include fairness and justice, impartial treatment of all individuals, proportionality/unique treatment to compensate for circumstances, and uniformity in outcomes.

Definitions also **specify the areas they focus on**, including inputs, procedures, outputs, distributions, and/or structures (GSA, n.d.-a; MITRE Corporation, 2021; Balu et al., 2023). For example, definitions of equity may focus on policies and practices that are nondiscriminatory and that ensure equal access. Other definitions of equity may focus on outcomes that show a reduction in disparities (GSA, n.d.-a). Yet other definitions may focus on procedures or processes that are fair for target participants, or on changing an organization's structures or incentives to improve outcomes. With regard to the **groups of interest**, published definitions generally refer to individuals who belong to communities that often have been denied fair, just, and impartial treatment (White House, 2023), often referred to as “economically disadvantaged individuals,” “socially disadvantaged individuals,” or “underserved communities.”

Examining the various definitions, the project team noted that definitions published by private entities include more nuanced terms that may be more appropriate for accurately defining equity in procurement than terms used in Federal definitions. For example, Executive Order 14091, “Further Advancing Racial Equity and Support for Underserved Communities Through the Federal Government,” uses the term “consistent treatment,” which may be more aligned with equality than equity:

The term “equity” means the consistent and systematic treatment of all individuals in a fair, just, and impartial manner, including individuals who belong to communities that often have been denied such treatment, such as Black, Latino, Indigenous and Native American, Asian American, Native Hawaiian, and Pacific Islander persons and other persons of color; members of religious minorities; women and girls; LGBTQI+ persons; persons with disabilities; persons who live in rural areas; persons who live in United States Territories; persons otherwise adversely affected by persistent poverty or inequality; and individuals who belong to multiple such communities (White House, 2023).

In addition, the outcome of equity in Federal procurement, as defined by the Administration as “15 percent of Federal procurement dollars are awarded to SDBs,” may not reflect an equitable outcome since the percentage may not reflect the proportion of people in the population who have been historically marginalized (White House, 2023). In contrast, sources published by private entities use terms such as “proportionate,” “reflect the diversity of,” and “unique treatment,” which may be more aligned with the nuances of the term “equity” (GFOA, n.d.; Nelson and Brooks, 2015; Nelson et al., 2015).

Findings from the literature also provide some insights into how equity may be operationalized in the Federal procurement context. Specifically, findings suggest that equity can be measured, but that there is no unilateral or one-size-fits-all approach to measurement. Rather, equity measurement is multifaceted and cannot be operationalized in terms of a singular construct or outcome (Martín and Lewis, 2019). Equity evaluation studies have used different approaches, including the examination of disparity and odds ratios and comparison of procurement achievement goals:

A disparity ratio measures the degree to which firms of a given type (e.g., women-owned) are represented in federal contracting in proportion to their prevalence in the population (e.g., industry). The disparity ratio is the ratio of two ratios: (1) the utilization ratio divided by (2) the availability ratio (Optimal Solutions Group, 2021a).

A disparity ratio of less than 0.80, or 80 if expressed on a scale that multiplies the disparity index by 100, indicates a substantial or large and adverse disparity (Premier Quantitative Consulting, Inc., 2016). A disparity index of less than 100 indicates adverse disparity, and an index of 100 indicates parity (Optimal Solutions Group, 2021a). The utilization ratio is the ratio of the number (or obligations) of contracts awarded to small businesses divided by the contracts (or obligations) awarded overall. The availability ratio is the ratio of the number of small businesses to the total number of firms in the industry. Disparity studies and resulting disparity ratios reflect a difference between two groups on an outcome of interest. Thus, they do not necessarily imply discrimination but rather highlight differences that may need further examination.

Inequities have also been examined by assessing differences in the odds of winning contracts and by calculating odds ratios. In the area of procurement, an odds ratio indicates the odds of a specific type of business winning Federal contracts relative to other businesses (Chow, 2022):

[A] statistically significant estimate is one in which the odds ratio is different from the value 1.0. At 1.0, the odds ratio for winning is essentially equal between, for example, a non-8(a) SDB and an 8(a) SDB. An estimate that is not statistically significant indicates the odds ratio cannot be distinguished as being different from the odds of winning a contract with another variable.

The Biden Administration measures equity in terms of specific procurement goals, namely, the percentage of Federal contracting dollars being awarded to specific types of businesses based on defined benchmarks (e.g., 5 percent for WOSBs; Zhang and Cui, 2021; Performance.gov, 2023; White House, 2023). Other sources, measure equity in terms of increased access and utilization of resources (Shelton and Minniti, 2018; SBA, 2022b).

These different approaches underscore the fact that equity needs to be operationalized differently based on the context, focus area, and outcome(s) of interest. In addition, evaluation questions need to reflect those nuances.

Key takeaways

Common concepts used in equity definitions that may be important to incorporate in a definition of equity in Federal procurement include fairness and justice, impartial treatment of all individuals, proportionality/unique treatment to compensate for circumstances, and uniformity in outcomes. For example, in practice, unique treatment may refer to implementing policies and practices that compensate for unfair and discriminatory treatment of groups who have historically experienced it. At the same time, individuals should be treated impartially, meaning policies and practices should be unbiased or unprejudiced to prevent the perpetuation of inequities. Equity in procurement definitions should also adapt common concepts that make clear the distinction between equity and equality. In addition, definitions should not be limited to focus on outcomes only, but rather should focus on inputs, processes, outputs, and outcomes. Based on these findings from the literature review, the SBA developed the following working definition for equity in Federal procurement.

Equity in Federal procurement working definition

Disclaimer

The working definition was developed based on the findings from the literature review conducted as part of the Small Business Administration Equity in Federal Procurement Literature Review project. The definition is intended to be broad to be usable in different contexts. It first provides a general statement of what equity is, followed by a more specific focus on equity in procurement and primary outcomes based on equity efforts in Federal procurement. The second part of the definition is intended to emphasize the different areas in which equity in Federal procurement is to be achieved. It should be noted that the main goal is uniformity in outcomes, but in order to make this a practical definition for implementation across Federal procurement, the definition also focuses on how equity may be achieved. Specific outcomes will need to be defined based on the context(s), focus, and goals of equity evaluations, and they will need to be part of evaluations' logic models.

Working Definition

While equality is defined as uniformity in access to opportunities between groups, equity is defined as uniformity in outcomes between groups^h who have experienced social, economic, demographic or geographic disparities due to unfair, unjust, and exclusionary policies and practices. In the context of Federal procurement, equity is achieved when groups who have experienced such disparities have access to procurement opportunities, are able to compete for them, and receive a share of Federal procurement spending that is proportionate to their prevalence in the industryⁱ.

While equity culminates in uniform outcomes between groups, achieving equity in Federal procurement specifically entails intentional policies, programs, and procedures designed to promote proportional participation in systems preventing equitable outcomes. Policies, programs, and procedures need to be designed at all stages of procurement to address systemic barriers and exclusionary practices, including, but not limited to, helping entrepreneurs create and scale their businesses, ensuring business owners are aware of Federal procurement opportunities, supporting businesses in the process of competing for procurement opportunities, and enabling businesses to successfully execute awarded contracts.^j

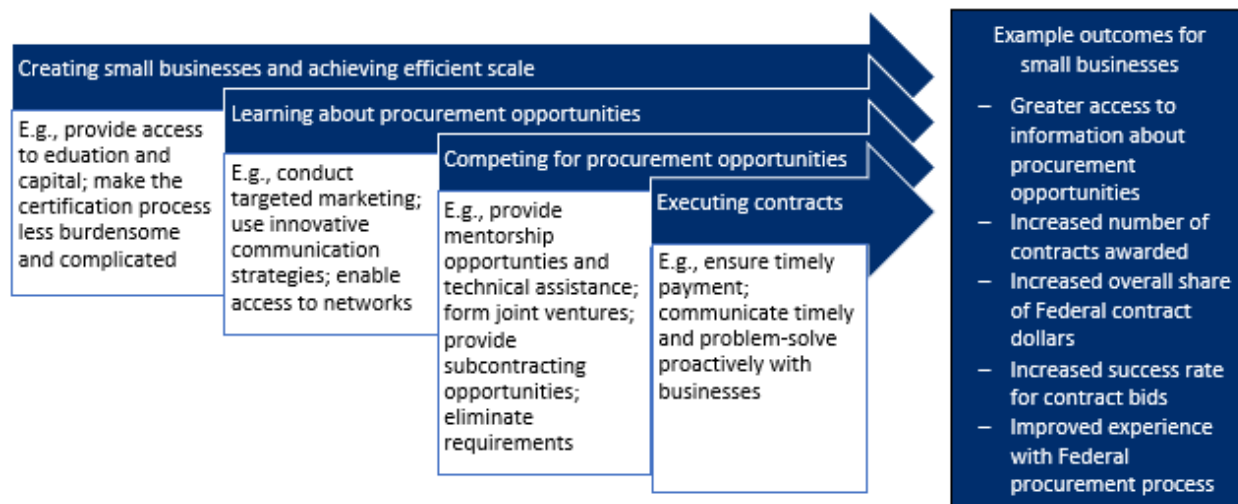
The figure below provides a visual representation of the Federal procurement stages; example policies, programs, and procedures that are being used to promote equity at each stage; and example outcomes that may result from these initiatives.

^h General Services Administration (GSA). (n.d.). OES Equity Evaluation Series: Defining Equity in Federal Government Evaluations. <https://oes.gsa.gov/assets/files/defining-equity-in-federal-government-evaluations.pdf>

ⁱ Proportionality is the main goal, but how it is operationalized and measured may vary by context. Industries refer to all industries, rather than Federal contracting-specific industries.

^j This description of the procurement stages is simplified for the purpose of illustrating a holistic approach to addressing inequities in Federal procurement.

Figure 3. Promoting equity at all stages of procurement.^k



Identifying inequities in Federal contracting

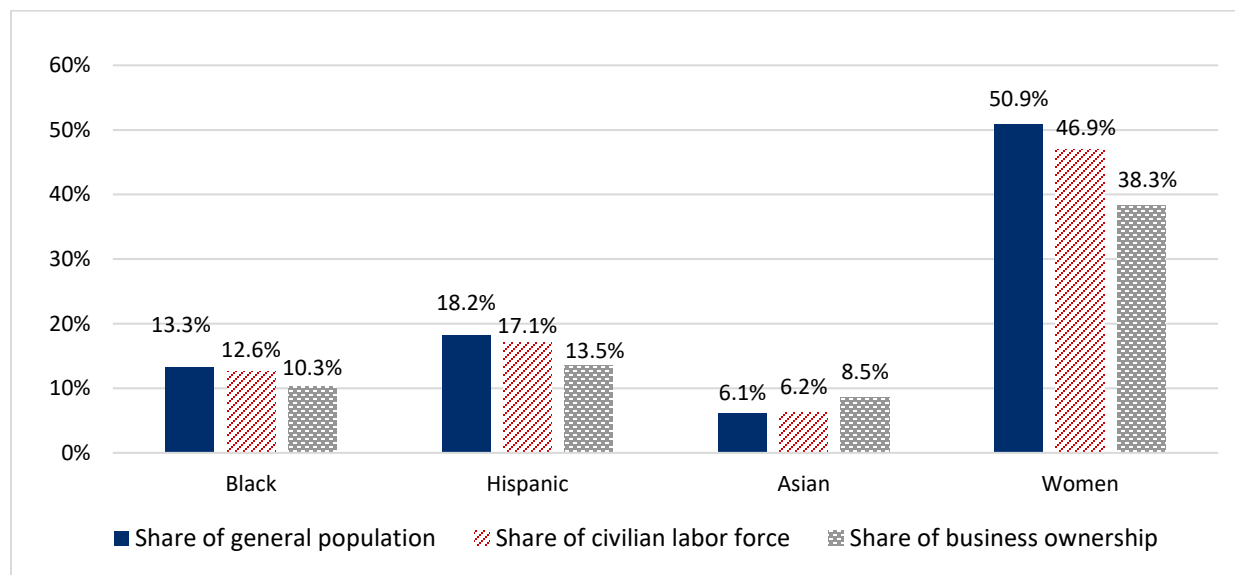


The following sections summarize the findings and key takeaways for the second literature review topic, identifying inequities in Federal contracting. It should be noted that many of the factors that contribute to inequities discussed in this report pertain to small businesses in general, rather than specifically to businesses owned by groups who have been historically marginalized. However, the findings are likely also applicable to those entities since they tend to be small businesses.

Many of the reviewed sources identify and describe inequities in Federal procurement. For example, the literature highlights that there are inequities in business ownership by race and gender, which may influence the composition of Federal procurement spending (White House CEA, 2021). As shown in Figure 4 below, data from 2015–2019 for the Nation as a whole show that minority groups are generally underrepresented in business ownership relative to their share of the general population and civilian labor force (FRA, 2023). The percentage point difference seems to be largest for women, who represent approximately 47 percent of the civilian labor force but represent only about 38 percent of the share of business ownership. Other data show that, though minority businesses represent 29 percent of all businesses, only approximately 11 percent have paid employees (MBDA, n.d.).

^k Access to markets and industry is a critical precursor to creating small businesses and achieving efficient scale.

Figure 4. Data from 2015–2019 on business ownership compared with population and labor statistics.



Further data show that the shares of Federal procurement dollars going to women-owned and minority-owned businesses generally fall behind those businesses’ representation in the overall economy (MBDA, n.d.; DOL, 2022). For example, in FY 2020, minority-owned businesses received only 9.4 percent of total Federal procurement dollars, and WOSBs received only 4.9 percent of total Federal procurement dollars (McSwigan, 2022; JP Morgan, 2022). In contrast, FY 2019 data show minority-owned businesses represented 18.4 percent of employer businesses,¹ and WOSBs represented 20.9 percent of employer businesses.

In addition, minority-owned businesses registered to receive Federal contracts tend to receive only a small portion of contract awards. Data for FY 2021 show that minority-owned businesses represented 24 percent of businesses registered to receive Federal contracts but accounted for only 3 percent of all contract awards. Similarly, Black business owners accounted for nearly 12 percent of eligible businesses but fewer than 5 percent of Federal contract awards. Women-owned businesses represented 23 percent of registered businesses but received just over 5 percent of Federal contracts (DOL, 2022). These data highlight that there are large point differences between the number of available, eligible small businesses owned by historically marginalized groups and the number of Federal contract dollars being awarded to these businesses.

Government-wide track records for meeting collective procurement goals may also reflect inequities in Federal contracting. For example, prime contracting and subcontracting data from the SBA show that, across Government, the track record in meeting procurement goals for specific business programs is uneven, with some goals being missed each year (Bipartisan Policy Center, 2021; SBA, 2023a). According to the data, the WOSB goal (5 percent) has only been met twice since it was established in 1994 (in 2015 and 2019), and the HUBZone goal (3 percent) has never been met. The collective prime contracting goals for SDBs (5 percent before FY 2022, 11 percent in FY 2022) and SDVOSBs (3 percent) have been consistently met in recent years. In addition to differences in meeting Government-wide procurement goals for prime contracts, track records for meeting subcontracting goals and agency-specific goals are

¹ An employer business is one that has employees.

also uneven (Carrazana, 2023). For example, in FY 2022, the subcontracting goal for WOSBs was met (5.14 percent), whereas the subcontracting goals for SDBs and SDVOSBs (4.55 percent^m and 2.16 percent, respectively) were not met (SBA, 2023a).

Findings show that small businesses owned by groups who have been historically marginalized face systemic barriers that prevent them from contracting with the Federal Government, and, at the same time, Federal agencies face barriers to contracting with these small businesses. However, the majority of findings were related to barriers to these small businesses contracting with the Federal Government.

Factors preventing small businesses owned by historically marginalized groups from contracting with the Federal Government

There are a number of commonly cited systemic barriers facing small businesses, particularly those owned by groups who have been historically marginalized. They include, but are not limited to, lack of access to capital and limited capacity, discriminatory policies and practices, difficulties entering and navigating the procurement process, complicated and time-consuming procurement processes, lack of targeted communication and outreach efforts, difficult-to-meet contract requirements, challenging contract management practices, and characteristics of businesses themselves.

Lack of access to capital and limited capacity. Lack of adequate and reliable capital is one of the biggest barriers entrepreneurs face in starting a business in the first place and, once it is started, in growing the business to ensure adequate capacity to compete with other businesses. Yet, minority entrepreneurs and minority-owned businesses have less access to bank financing or loans than nonminority individuals, and they are charged higher interest rates (MBDA, n.d.; Bates et al., 2017; FRA 2023).

Discriminatory policies and practices. Minority-owned and women-owned businesses experience prejudice and discrimination that create barriers for competing for Federal contract dollars and receiving work through awarded contracts. For example, procurement staff and prime contractors may question whether minority-owned business have the same competence as other businesses, or prime contractors may manipulate the bid process by including minority-owned businesses on bids as subcontractors but not giving them the promised work once awards are made (Bates et al., 2017; DOJ, 2022; McSwigan, 2022; FRA, 2023).

Difficulties entering and navigating the procurement process. Small businesses also perceive the application process for the small business certification as being too difficult to navigate and too time-consuming, as well as not being worth the effort (Goldman Sachs, 2023). Businesses have to be certified as small businesses before they can pursue preferential small business (set-aside) opportunities, and SDVOSBsⁿ, WOSBs, HUBZone, and 8(a) small businesses have to complete a formal certification process. The application process itself may be lengthy and costly for businesses, and they also must recertify at regular time points (e.g., HUBZones businesses annually; WOSBs every three years; GSA, n.d.-b; Carrazana, 2023).

^m For FY 2022, the subcontracting goal for SDBs was 5 percent.

ⁿ Under a new ruling, being Black, Hispanic, Asian, or Native American is no longer enough to automatically qualify as socially disadvantaged. Instead, a business owner has to submit an essay demonstrating that race has hindered their success (Holland & Knight, 2023; SBA, 2023b).

Complicated and time-consuming procurement processes. Another systemic barrier is that the procurement process is difficult to navigate, cumbersome, time-consuming, and costly. Furthermore, small businesses may lack time, staff, expertise, and capital to enter the Federal marketplace and to compete for Federal contracts. Exacerbating these factors is the fact that contract solicitation documentation and the metrics for evaluating proposals are often complex and difficult to understand. In addition, the large amount of paperwork required to submit proposals and insufficient time to develop proposals create significant barriers for small businesses' abilities to win contracts (Optimal Solutions Group, 2021a). Thus, for many small businesses, it may not be worth the effort, especially since set-aside contract funding amounts may be small (Optimal Solutions Group, 2021b; McSwigan, 2022; Goldman Sachs, 2023; West, 2023).

Lack of targeted communication and outreach efforts. Small businesses in historically marginalized communities do not always learn about funding opportunities due to inadequate Government outreach and reliance on a small number of communication channels. These businesses tend to be excluded from professional networks through which information about available contracts may be shared (OMB, 2021a, 2021b; Harvard, 2022; McSwigan, 2022).

Difficult-to-meet contract requirements. Federal Government contracts also tend to come with specific requirements, such as bonding requirements, that these small businesses may find difficult to meet (DOJ, 2022). Another requirement is that of "prior experience," which typically favors white-led businesses over those with minority owners (Harvard, 2022). Higher-tier contracts also often require vendors to meet particular technical requirements, such as cybersecurity requirements. To meet these requirements, businesses have to obtain certifications, which can take months or even years to obtain and can cost thousands of dollars. As a result, obtaining those certifications can be prohibitive for some small businesses (GAO, 2020).

Challenging contract management practices. Once small businesses owned by historically marginalized groups obtain Federal contracts, they may experience additional challenges related to executing or managing the contracts. For example, receipt of payment for completed work may be delayed, and contract modifications or approvals may take too long, posing existential threats to small contractors (Optimal Solutions Group, 2021a).

Characteristics of businesses themselves. Other factors facilitating or preventing these small businesses from contracting with the Federal Government include those related to the businesses themselves. For example, prime contractors may have misperceptions about minority-owned businesses, making prime contractors potentially less likely to use minority-owned business as subcontractors. In addition, business management practices, such as not accepting Government credit cards, may be a limiting factor for winning Federal contracts.

Factors limiting agencies/Government from contracting with some small businesses

There were fewer findings related to barriers Federal agencies face in contracting with small businesses owned by groups who have been historically marginalized. Barriers for Federal agencies were related to agency staff perceptions, agency procurement capacity and expertise, availability of qualified small businesses, and specific procurement policies.

Agency staff perceptions. Staff perceptions may contribute to Federal agencies' challenges in meeting procurement goals. For example, agency staff may assume that there is a lack of small businesses in

HUBZones that can meet the agency's contract demands and that HUBZone businesses may lack the capabilities and skills for the work (GEARS, 2018).

Agency procurement capacity and expertise. Small business program rules may be difficult to execute (CRS, 2022), and agency staff may have limited expertise, or agencies may have a limited number of staff. For example, different SBA programs for small businesses have different sets of rules and regulations, including some related to the use of sole-source awards, the applicability of price adjustments, and the need for special certifications. These different requirements can create barriers and may result in some of these programs being underutilized (Mee, 2012). In addition, recent years have seen a large reduction in the number of Federal staff and an increase in the Government's reliance on external contractors for basic services. As a result, agencies are experiencing a loss of expertise within departments or teams focused on procurement and evaluating business expertise. As a consequence, agencies may be more likely to contract with well-known large businesses (West, 2023).

Availability of qualified small businesses. Another barrier is that the number of available, qualified, and willing small businesses may be limited (Mee, 2012; Bipartisan Policy Center, 2021). For example, from 2010 to 2019, the number of small businesses providing common products and services to the Federal Government declined by 38 percent (Bipartisan Policy Center, 2021). Also, staff may assume that there is a lack of small businesses able to meet the agency's contract demands and that the businesses may lack the capabilities and skills for the work (GEARS, 2018). A further complication is that there may be a limited number of small contracts available for small businesses. From 2005 to 2019, the number of new small business entrants into Federal contracting declined by 79 percent (Bipartisan Policy Center, 2021).

Specific procurement policies. Small business program rules and regulations may also create barriers that limit agencies in contracting with some small businesses. For example, executing the sole source authority under the WOSB program is difficult for contracting officers because rules governing sole source authority under the WOSB program are different from those under the SBA programs. For the WOSB program, the Federal Acquisition Regulation—which states that contracting officers must justify in writing why they do not expect other WOSBs or economically disadvantaged WOSBs to submit offers on a contract—is stricter than it is for the 8(a) program. In addition, it is required that WOSB program set-asides be restricted to specific industries (CRS, 2022).

Differences in inequities between sectors and procurement categories.

The literature also contains some findings about existing differences in inequities between sectors and procurement categories. For example, findings show that HUBZone businesses in the construction sector are more likely to obtain Federal contracts than those in the manufacturing sector. HUBZone businesses in the manufacturing sector, in turn, are more likely to obtain Federal contracts than those providing professional, technical, and scientific services (Optimal Solutions Group, 2019). Other findings show that Asian American-owned businesses in professional services, African American-owned construction businesses, and Hispanic American-owned businesses in architecture and engineering services secured lower numbers and dollar amounts of contracts in proportion to the numbers of available minority-owned businesses in relevant markets (Premier Quantitative Consulting, Inc., 2016).

Findings indicate that differences in inequities between sectors and procurement categories might be due to the under- or over-representation of businesses in specific sectors (White House CEA, 2021;

Optimal Solutions Group, 2021b; Katz et al., 2022) and to procurement policies such as those related to set-asides and the scope of projects (Fairchild et al., 2018; Carrazana, 2023).

Key takeaways

Overall, the findings suggest that a number of opportunities exist to improve equity in Federal procurement. Small businesses owned by groups who have been historically marginalized face specific systemic barriers that prevent them from contracting with the Federal Government, and the systemic issues must be addressed through policies, programs, and practices to improve equity. Federal procurement goals are but one of the strategies needed to mitigate disparities. Additional systematic efforts are needed at all levels—system, agency/business, and individual—to help redress the systemic issues that perpetuate the inequities seen in Federal procurement today.

Practices to promote equity in Federal procurement



The following sections summarize the findings and key takeaways for the third literature review topic, identifying practices to promote equity in Federal procurement. It should be noted that many of the practices discussed pertain to small businesses generally, but the findings also are likely applicable particularly to small businesses owned by groups who have been historically marginalized. In addition, findings discuss practices for promoting equity in general, but some of these practices may also be applicable for promoting equity in procurement.

Findings from the Federal sector literature show that there are a wide range of practices for advancing equity in Federal procurement that have already been implemented or are being suggested at the Government-wide and agency levels.

Government-wide efforts

At the Government-wide level, the Administration has issued several executive orders and memos and has developed a range of policies to advance equity. For example, the Administration implemented requirements for agencies to conduct equity assessments, develop equity action plans,⁹ and increase the share of contracts awarded to SDBs; directed agencies to adopt new management practices; made changes to category management policies and processes for managing program certifications; provided assistance and training and access to capital to small businesses; and provided additional funding for programs supporting small businesses in historically marginalized communities (DoD, 2022; OMB, 2021a; OMB, 2022; White House, 2022; Performance.gov, 2023; White House, 2021a; White House, 2021b).

The Government also launched two online platforms: the Government-wide Procurement Equity Tool and the Supplier Base Dashboard. These tools are designed to help agencies find businesses that are new to the Federal marketplace, identify qualified vendors, and track agency progress toward equity procurement goals (FedScoop, 2023; MeriTalk, 2023; White House, 2023).

⁹ Federal agency equity action plans represent specific agency commitments to redress inequities and to promote equitable outcomes in communities. They provide a roadmap for agencies to address discrimination and inequities experienced by groups who have been historically marginalized.

In addition, the Government will be tracking new and recent Federal contractor activities via the number of awards and the dollars awarded to entities, as well as by Product Service Code, category management spend category, and North American Industry Classification System codes.

Agency-level efforts

At the agency-level, there are many practices that have been implemented or have been recommended. Practices address key topic areas, including, but not limited to: increasing the number of procurement opportunities for small businesses owned by historically marginalized groups, helping grow the business pipeline, improving access to contracting opportunities for these businesses, simplifying procurement processes, conducting outreach and engaging communities, enhancing agency capacity and expertise, supporting businesses with contract implementation and management coaching/support, and collecting more useful data with which to monitor progress and outcomes.

Increasing the number of procurement opportunities for small businesses. Federal agencies are making changes to policies, programs, and procedures to help increase the number of available procurement opportunities for small businesses, including SDBs, WOSBs, HUBZone businesses, and SDVOSBs (Lopez et al., 2021; Department of State, 2022; Domestic Policy Council, 2023). Changes includes expanding set-aside competitions, unbundling of contracts, providing flexibility for awarding single source subcontracts, increasing the simplified acquisition threshold, and requiring subcontractor commitments from prime contractors.

Helping grow the business pipeline. Findings also show that agencies should focus on building the business supplier pipeline. As existing small businesses grow, they may no longer qualify for small business certification, and thus it is important to ensure there are other eligible small business suppliers available. In addition, entrepreneurs from underserved groups should be supported in building their businesses, and new businesses should be supported in entering the Federal marketplace (Bates et al., 2017; Katz et al., 2022). This support may be provided through training and technical assistance, mentorship, partnerships, and other capacity-building activities to small businesses owned by groups who have been historically marginalized (NIGP, n.d.; OMB, 2021b; SBPAC, 2021; Government Publishing Office, 2022; FRA, 2023).

Improving access to contracting opportunities for businesses. Other recommended practices focus on improving processes for small businesses to identify and access procurement opportunities. For example, agencies may consider providing clear and centralized guidance, forecasts, and real-time information. In addition, it is recommended that agencies provide regular trainings and pre-bid or pre-proposal meetings, foster connections and joint venture programs, and implement targeted outreach (Bipartisan Policy Center, 2021; Myers et al., 2021; OMB, 2021c; Harvard, 2022; SBA, 2022b, Goldman Sachs, 2023).

Simplifying procurement processes. Several practices cited in the literature focus on agencies simplifying their procurement processes. For example, agencies may review their procurement phases (e.g., requirements development, acquisition plan development, source selection plan development, and solicitation scoring), identifying processes in these phases that may contribute to inequities and determining strategies that can help mitigate inequities (Myers et al., 2021). Agency staff may also engage with their Office of Small & Disadvantaged Business Utilization (OSDBU) and the SBA's assigned procurement center representative to identify barriers and solutions, conduct user research to

understand pain points, take action to eliminate contract requirements, simplify application materials, and change award criteria (NIGP, n.d.; Lopez et al., 2021; Harvard, 2022; OMB, 2021a, 2022; Balu et al., 2023).

Conducting outreach and engaging communities. Multiple sources recommend that agencies implement practices that actively encourage trusted participation of members of underserved communities. Practices may include a rebranding campaign to publicize steps taken to improve equity (Myers et al., 2021), targeted marketing of resources and programs for businesses (Goldman Sachs, 2023), and outreach activities and networking opportunities (Katz et al., 2022).

Enhancing agency capacity and expertise. The findings also suggest that agencies may need to focus on building their own capacity, expertise, and contract management. For example, agencies may consider having dedicated staff responsible for managing specific small business programs and for coordinating between contracting officers, OSDBUs, small businesses, and certification and recertification processes; providing incentives for staff for using set-aside procedures; and updating procedures to ensure prompt payment of contractors (Mee, 2012; GEARS, 2018; Harvard et al., 2022).

Supporting businesses with contract implementation and management coaching/support. Practices to promote equitable contracting may also be implemented after awards are made. Specifically, agencies may consider supporting department staff who are using minority-owned businesses, especially for the first time. These efforts can focus on helping businesses along the learning curve (e.g., submitting invoices in the right format and on time) and on helping Government staff communicate and help small businesses with problem-solving effectively and proactively (Harvard, 2022).

Collecting more useful data. Findings further indicate that practices need to focus on data collection and performance tracking. Specifically, agencies may consider collecting data and using the data to determine where and to what extent progress is made and where there are still gaps. Agencies may also issue reports each year summarizing the number of applications, awards, and subcontracts by geography, race, ethnicity, gender, and veteran status. Another recommendation is the use of the Acquisition 360 survey to better understand how SDBs and other awardees and potential contractors experience the Federal contracting process (DOL, 2022; FAI, 2022; OMB, 2021b; OMB, 2022; West, 2023).

Efforts at the state, local, and private levels

The included literature also provided some findings about practices being implemented at the state and local levels. Practices at these levels focus similarly to the efforts used and suggested in the Federal sector. Key efforts to promote equity in procurement at these levels include improving data processes; setting specific procurement goals or targets; conducting outreach, technical assistance, and training; simplifying procurement processes and internal systems; and providing better access to capital and procurement opportunities.

Effectiveness and scalability of practices

At this time, the literature does not describe evaluations that have examined the effectiveness of specific practices to promote equity in Federal procurement. The literature details positive outcomes for equity in procurement that may be associated with these practices, but no cause–effect relationship between specific practices and outcomes/impacts has been plausibly established. For example, data on

small business contracting reveal increases in small business spending, suggesting that goal setting and strategies for working toward those goals may be effective (SBA, 2023b). The findings also indicate that small business scorecards incentivize agency leadership to take action and to implement new agency practices, such as engaging the OSDBU in early, high-level procurement discussions (Optimal Solutions Group, 2021b). Other findings suggest that preferential procurement may be an effective strategy for reducing inequities in Federal procurement. For example, the practice may expand product market access by improving the information available to entrepreneurs and by altering incentives for resource providers. The authors conclude that, by leveraging their status in these programs, minority entrepreneurs benefit from their minority status by transforming their membership in a group into a competitive advantage (Shelton and Minniti, 2018).

Although a number of practices are being used, or have been suggested, for simplifying the procurement process itself, the literature does not provide insight into the effectiveness of this type of strategy. Anecdotal and qualitative data suggest that targeted outreach programs and supports for small businesses owned by groups who have been historically marginalized may be effective in reaching and engaging them (Mee, 2012; GEARS, 2018). Data also suggest that mentorship programs and networking may be effective strategies for reaching these small businesses (Department of Defense, 2022).

The literature does not explicitly discuss the scalability of practices used or recommended in Federal, state, local, and private sectors to enhance equity in Federal procurement. However, there is substantial overlap in practices, as indicated by their implementation across sectors and agencies, suggesting that these practices may be effective for implementation in other contexts. For example, reviewing agency set-aside policies and expanding the use of practices focused on preferential procurement are strategies that could be adopted across agencies. Agencies may also benefit from adopting outreach, marketing, technical assistance, and training strategies used by other agencies. Further, it may be useful to adapt specific practices used by local entities. In addition, agencies could greatly benefit from enhancing their coordination with each other, especially with respect to outreach to and engagement with underserved communities, to maximize the potential reach for both agencies and participating small business contractors. Mentorship programs and activities to provide more networking opportunities are also practices that appear promising for adoption in different contexts.

Key takeaways

The findings for the third topic, identifying practices to promote equity in Federal procurement, show that there are no easy fixes or universal solutions for advancing equity in Federal procurement. Rather, meaningful progress in promoting equity in procurement requires strategies at all levels—system, agency/business, and individual. In addition, it requires investment in resource and disruption of business-as-usual processes. Essential foci for all entities should be sector diversification for existing businesses and the attraction and retention of new businesses owned by groups who have been historically marginalized. In addition, to ensure efficient use of limited resources, research is needed to determine which practices are most effective in both mitigating disparities *and* promoting equities by enhancing strengths and capabilities.

Summary, Implications, and Recommendations

There is much literature that identifies and describes inequities in Federal procurement. The findings underscore that systemic unfair, unjust, and discriminatory practices have resulted in inequities and that current policies and practices perpetuate the inequities seen in Federal procurement today. As a result, historically marginalized communities tend to be underrepresented in business ownership, relative to their share of the general population and civilian labor force. In addition, these small businesses secure a lower number of Federal contracts and a smaller share of Federal contract dollars.

Many systemic barriers that prevent some small businesses from participating Federal marketplace exist at all stages of procurement. For creating a small business and achieving efficient scale, there are factors related to access to education and capital; for getting certified, there are factors related to complicated and burdensome processes; for learning about opportunities, there are factors related to exclusion from networks and inequity outreach; for submitting proposals, there are factors related to time, cost, requirements, and lack of support/assistance; and for executing contracts there are factors related to payment and contract requirements. There are also barriers for Federal agencies that prevent them from contracting with small businesses owned by groups who have been historically marginalized or that make the processes difficult. Barriers include factors related to the limited number of these small businesses, agencies' own capacity and expertise, and complicated procurement policies.

To address inequities, the SBA helps build evidence on equity, including conducting evaluations and developing resources for Federal agencies and other stakeholders to break down systemic barriers that prevent equitable participation and create opportunities for these businesses to access Federal contracts. As part of these efforts, it is imperative to have a clear definition of equity in procurement that helps shape the understanding of equity in the context of procurement and helps guide agencies to examine and achieve equitable practices. However, at this time, there are no explicit Federal definitions for equity in procurement, and the few definitions published by private entities lack specificity for use in Federal equity evidence-building activities. Definitions may need to incorporate wording to reflect this context and focus on the root causes of inequity. In the context of procurement, equity needs to be understood holistically rather than solely by focusing on spending, including focusing on inputs, processes, outputs, and outcomes. In addition, when establishing target outcomes, the distinction between equity and equality needs to be clear. Having a clear and holistic definition will support agencies in evaluating their equity practices to ensure they can help break down the systemic barriers caused by policies and practices cited above.

The Administration and Federal agencies are already implementing many practices aimed at promoting equity, but it is not clear how effective these practices are. Thus, evaluations are needed that examine the effectiveness of specific practices. In addition, these evaluations should include appropriate approaches for operationalizing equity. Lastly, it is important to be aware that there is no one-size-fits-all solution. Rather, changes in policies and practices needed to encompass all levels (system, agency/business, and individual) to help redress the systemic issues that perpetuate inequities.

Limitations

There are several limitations related to the literature search methods. Due to limited time and resources, this search did not include a systematic search of sources published by state and local

entities. However, there may be much to learn from state and local entities that may be applicable to Federal procurement. For example, sources published by state and local entities may contain definitions for equity in (state and local) procurement and may provide useful examples of promising or proven practices for promoting equity. In addition, the literature examined in this search focused on recent years only, and a historical perspective is not included in the analysis, though one may be helpful for contextualizing the findings. Yet, focusing the literature search on recent sources has benefits, not least of all that the analysis findings are as up to date as possible in a landscape that is constantly evolving. The literature search also did not consider the underlying causes of inequities in Federal procurement, nor theoretical perspectives, which may explain inequities in procurement and inform practices to promote equity.

There are several limitations related to the literature findings. Equity definitions and efforts focus on “underserved” or “disadvantaged” communities. However, whom these groups include is not consistently defined or well specified in the literature. For example, Federal equity definitions include broad populations based on race, religion, sexual orientation, gender identity, disability status, rurality, and poverty. Compared to the body of literature on the factors preventing small businesses owned by historically marginalized groups from contracting with the Federal Government, less is known regarding the barriers inhibiting Federal agencies from contracting with these small businesses. In addition, the current literature details a large number and broad range of practices associated with positive outcomes related to equity in procurement. However, this literature review did not identify any rigorous evaluations that found statistically significant, positive or causal estimates of the impact or effectiveness of specific practices.

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Appendix. Glossary of Key Terms

8(a) Business Development Program

As per the SBA, the 8(a) Program, established under Section 8(a) of the Small Business Act, is a business development program that offers SDBs training, technical assistance and federal contracting opportunities in the form of set-aside and sole-source awards. The 8(a) Program is generally limited to small businesses "unconditionally owned and controlled by one or more socially and economically disadvantaged individuals." 15 U.S.C. § 637(a)(4)(A).

Category management

As per the GSA, category management is the practice of buying common goods and services as an organized enterprise in order to improve the efficiency and effectiveness of acquisition activities.

Disparity ratio

As per the Optimal Solutions Groups, a disparity ratio measures the degree to which firms of a given type (e.g., women-owned) are represented in federal contracting in proportion to their prevalence in the population (e.g., industry). The disparity ratio is the ratio of two ratios: (1) the utilization ratio divided by (2) the availability ratio.

Economically disadvantaged

As specified in the Code of Federal Regulations, economically disadvantaged individuals are individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same or similar line of business who are not socially disadvantaged. The worth of an individual claiming disadvantage must be less than \$850,000.

Equality

As per the GSA OES, equality refers to uniformity in the type of input.

Equitable procurement

The Equity Advantage defines equitable procurement as the collection of measures and procedures taken to address the barriers that keep Minority businesses from fully participating in the procurement process of organizations.

Equity

As per the White House Executive Order, the term equity means the consistent and systematic treatment of all individuals in a fair, just, and impartial manner, including individuals who belong to communities that often have been denied such treatment, such as Black, Latino, Indigenous and Native American, Asian American, Native Hawaiian, and Pacific Islander persons and other persons of color; members of religious minorities; women and girls; LGBTQI+ persons; persons with disabilities; persons who live in rural areas; persons who live in United States Territories; persons otherwise adversely affected by persistent poverty or inequality; and individuals who belong to multiple such communities.

Executive Order

As per the Department of Justice, Executive Orders are official documents through which the President of the United States manages the operations of the Federal Government.

Federal procurement

The buying of goods and services by the U.S. government.

Minority-owned business

The Cornell Law School defines a minority-owned business as a business that is 51% or more owned and controlled by one or more individuals belonging to a socially disadvantaged designated group.

Service-disabled veteran-owned small business (SDVOSB)

As per the SBA, a SDVOSB is a small business that is 51% or more owned and controlled by one or more veterans rated as service-disabled by the VA.

Small business

The SBA defines a U.S. small business as a concern that: is organized for profit; has a place of business in the U.S.; operates primarily within the U.S. or makes a significant contribution to the U.S. economy through payment of taxes or use of American products, materials or labor; and is independently owned and operated and is not dominant in its field on a national basis. In determining what constitutes a small business, the definition will vary to reflect industry differences – especially size standards.

Small business in Historically Underutilized Business Zone (HUBZone)

As per the SBA, a HUBZone business is a small business that is 51% or more owned and controlled by U.S. citizens, a Community Development Corporation, an agricultural cooperative, an Alaska Native corporation, a Native Hawaiian organization, or an Indian tribe.

Small disadvantaged business (SDB)

As per the SBA, a SDB is a small business that is 51% or more owned and controlled by one or more disadvantaged persons. Business owned by racial and ethnic minorities, economically disadvantaged persons, and people who can provide evidence of individual social disadvantage, are presumed to qualify.

Socially disadvantaged

As specified in the Code of Federal Regulations, socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias within American society because of their identities as members of groups and without regard to their individual qualities. The social disadvantage must stem from circumstances beyond their control.

Sole source procurement

As per the DOJ, a sole source procurement (called an Other than Full & Open Competition) is when the government enters into a contract with a contractor without going through the typical competitive process as required by law because it deems that the contractor is the only source available that can meet the government requirements.

Underserved communities

As per the OMB, underserved communities refer to populations sharing a particular characteristic, as well as geographic communities, that have been systematically denied a full opportunity to participate in aspects of economic, social, and civic life.

Women-owned small business (WOSB)

As per the SBA, a WOSB is a small business that is 51% or more owned and controlled by women who are U.S. citizens.