



Equity in Federal Procurement Literature Review

Memorandum

Defining Equity in Procurement

U.S. Small Business Administration



U.S. Small Business
Administration

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Disclaimer

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Abbreviations and Acronyms

FY	Fiscal year
GSA	General Services Administration
HUBZone	Historically underutilized business zone
LGBTQI+	Lesbian, gay, bisexual, transgender, queer, and intersex
NAICS	North American Industry Classification System
OES	Office of Evaluation Sciences
OMB	Office of Management and Budget
SBA	Small Business Administration
SDB	Small disadvantaged business
SDVOSB	Service-disabled veteran-owned small business
WOSB	Women-owned small businesses

Abstract

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. In order to assess the impact and effectiveness of equity efforts in Federal procurement, a definition of equity in procurement is needed that is reflective of the procurement context and allows evaluations to effectively operationalize equity.

As part of its equity evidence-building activities, the U.S. Small Business Administration (SBA) funded a systematic literature 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. This memorandum focuses on the first topic and presents findings from the literature regarding available equity definitions and how evaluations have operationalized equity. Based on the findings, a working definition of equity in procurement is also provided.

In support of the literature review, the SBA first developed specific questions for each of the topics and provided an initial list of sources. Based on the literature review questions, 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 – July 2023 using select databases and search terms. Given the limited timeline of the project, sources published by state and local entities were excluded from the literature review. Of the 99 sources identified for the literature review, 27 sources contained findings relevant to defining equity in procurement.

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. General and related equity definitions are available from Federal and private sources, but generally, the definitions do not specify the group(s) of interest, do not specify processes and outcomes, and do not provide sufficient specificity to guide evaluations in operationalizing equity. In addition, Federal definitions of equity seem to align more closely with the concept of equality rather than equity. However, general equity definitions (those not focused on procurement) address concepts and terms that seem central to understanding equity, including fairness and justice, impartial treatment of all individuals, proportionality / unique treatment to compensate for circumstances, and uniformity in outcomes.

Equity in procurement definitions should adapt common concepts that make clear the distinction between equality and equity and should specify the populations that are affected by disparate outcomes. In addition, definitions should not be limited to focus on outcomes only, but rather, should focus on inputs, processes, outputs, and outcomes.

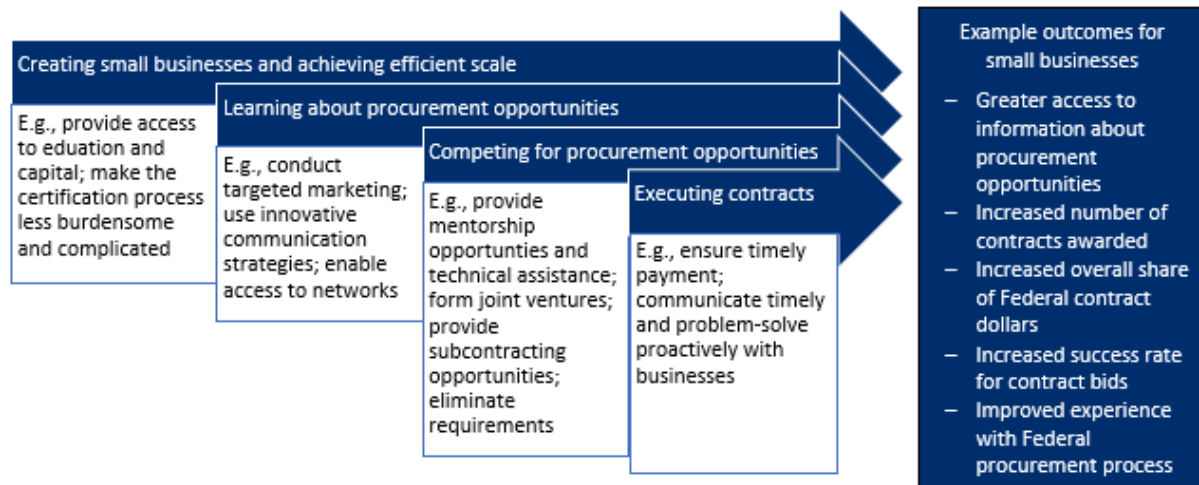
Equity in Federal Procurement Working Definition

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.

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 or terms, such as “diverse”, “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.

Introduction

In 1953 with the Small Business Act, Congress created the U.S. Small Business Administration (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^e procurement goals for the Federal Government (SBA, 2022) (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 (FY).
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% ^f 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.
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.

^e 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 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).

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

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 small disadvantaged businesses (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.

To help address the Administration objectives and meet the collective procurement goals, the SBA works with each Federal agency to determine its individual contributions (agency-specific goals) and tracks and reports agency performance towards these goals. The SBA supports the implementation of Government-wide reforms and implements equity evidence building activities. The agency also develops resources for Federal agencies and other stakeholders to help remove barriers for equitable participation and create opportunities for underserved communities to access Federal contracts.

Purpose and Content

As part of its evidence building activities, the SBA funded an equity in Federal procurement literature review to address three key topics and answer specific questions for each topic (see Table 2). The purpose of this memorandum is to summarize the findings from the first literature review topic: developing a working definition for equity in procurement.

The first section of this memorandum provides an overview of the literature search methods, followed by a detailed summary of the findings from the literature, and an analysis and discussion section. The memo provides a working definition of equity in procurement based on the findings and analysis from this literature review and input from experts in the areas of equity and procurement. Throughout the memorandum, tables, figures, and call-out boxes are used to highlight key information. The last section of the memorandum provides a bibliography of all included literature. The appendix provides a glossary of key terms (definitions) used in this memorandum.

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

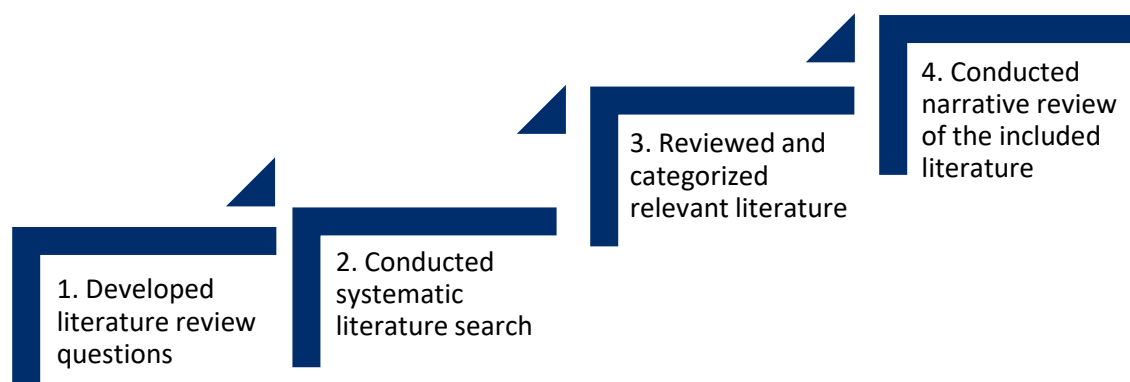
Literature Review Topics	Literature Review Questions
<p>1. Develop a working definition for equity in procurement</p>	<p>a. What current definitions of equity are available, and operationalizable, for the purpose of evaluating strategies to promote equity in Federal procurement?</p> <ul style="list-style-type: 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>

Literature Review Topics	Literature Review Questions
<p>2. Identify inequities in Federal contracting</p>	<p>a. Within the included literature, what evidence of inequities are cited in Federal contracting?</p> <p style="padding-left: 20px;">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> <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> <p style="padding-left: 20px;">i. What is known about their effectiveness?</p> <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> <p style="padding-left: 20px;">i. What is known about their effectiveness?</p> <p>c. What is known about the ability to scale practices used/suggested in the Federal and state, local, and private sector?</p>

Literature Search and Review Methodology

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 (OMB), 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. Promoting equity at all stages of procurement.



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. To help gather resources on equity that may be useful for informing the development of a definition for equity in Federal procurement outside of the main literature search sources, the project team also reviewed select publications focused on equity in general.

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]

Summary of the 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. Of those, 27 sources contained findings relevant to defining equity in procurement. The sources included Federal sources, private sources, journal articles and a book chapter (see Table 3).

Table 3. Type and number of publications relevant to defining equity in procurement.

Type of publication/source	Number of sources
Federal sources (e.g., Acts, Executive Orders, memos, agency reports, blog posts)	14
Private entity sources (e.g., briefs, white papers, reports, toolkits, resource guides, websites)	9
Journal articles	3
Book chapter	1

Narrative Discussion of the Literature

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

* 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.

equity. In order to advance equity, it is essential to identify inequities and assess the impact of policies and programs on key equity outcomes. An important first step for these evaluation efforts is the development of a clear definition of equity and the identification of measures for conducting the evaluation. The following sections present findings from the literature regarding available definitions of equity and how previous evaluations have operationalized equity.

a. What current definitions of equity are available, and operationalizable, for the purpose of evaluating strategies to promote equity in Federal procurement?

At this time, there are no explicit definitions of equity that focus specifically on Federal procurement. However, general definitions of equity and related terms are available in Federal sources that can inform evaluation efforts focused on equity in Federal procurement. For example, equity and related terms are defined in several Executive Orders that focus on advancing equity in the Federal Government, with overlapping language in each instance:

Executive Order 13985 *Advancing Racial Equity and Support for Underserved Communities Through the Federal Government*

Equity means the consistent and systematic fair, just, and impartial treatment of all individuals, including individuals who belong to underserved communities that have been denied such treatment, such as Black, Latino, and Indigenous and Native American persons, Asian Americans and Pacific Islanders and other persons of color; members of religious minorities; lesbian, gay, bisexual, transgender, and queer (LGBTQ+) persons; persons with disabilities; persons who live in rural areas; and persons otherwise adversely affected by persistent poverty or inequality. (White House, 2021a; Performance.gov, 2023)

Executive Order 14035 *Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce*

The term ‘equity’ means the consistent and systematic fair, just, and impartial treatment of all individuals, including individuals who belong to underserved communities that have been denied such treatment. (White House, 2021c)

Equity means consistent and systematic fair, just, and impartial treatment of all individuals.”

Executive Order 14091 *Further Advancing Racial Equity and Support for Underserved Communities Through the Federal Government*

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)

Other related terms such as “equitable data” and “equitable development” are also defined in Executive Order 14091 (White House, 2023):

Equitable data are “data that allow for rigorous assessment of the extent to which Government programs and policies yield consistently fair, just, and impartial treatment of all individuals.”

Equitable development is “a positive development approach that employs processes, policies, and programs that aim to meet the needs of all communities and community members, with a particular focus on underserved communities and populations.”

“... processes, policies, and programs that aim to meet the needs of all communities and community members.”

Other Federal sources discuss additional approaches related to equity evaluations, which should be considered when defining and operationalizing equity in procurement. These approaches include the following:

1. Distinguish between equality and equity
2. Determine the focus area
3. Identify the group(s) of interest

Approach 1: Distinguish between equality and equity

In its Office of Evaluation Sciences (OES) Equity Evaluation Series, the General Services Administration (GSA, n.d.-a) highlights the importance of distinguishing between equity and equality and provides an example from OES’ work with the SBA on a series of projects related to equity in access to emergency funding (see Table 4).

Table 4. GSA OES distinction between equality and equity.

Equality	Equity
Definition: Uniformity in the type of input (everyone receives the same treatment).	Definition: Uniformity in outcomes, especially between groups (everyone receives the amount of treatment needed to obtain a desired outcome).
Example: equality would focus on evaluating equal treatment in the application process for all applicants to access emergency funding.	Example: equity would focus on reducing inequalities in outcomes, by evaluating how well different programs addressed the needs of underserved populations through different methods of distributing funds or reducing documentation burdens.

Approach 2: Determine the focus area

In addition, the GSA OES (n.d.-a) states that equity evaluation efforts must be clear about the focus area of the evaluation. Specifically, evaluations may focus on inputs, outputs, processes, and/or outcomes. Often, these areas may be interrelated and evaluations may focus on more than one area. In terms of outcomes, evaluation efforts must also state what specific outcomes are being assessed. For example, based on the review of 17 Federal agencies’ public websites, the OES Equity Working Group found that definitions of equity may focus on policies

What is the equity evaluation focus area?

- ✓ Inputs
- ✓ Outputs
- ✓ Processes
- ✓ Outcomes

and practices that are non-discriminatory and that ensure equal access. Other definitions of equity may focus on outcomes that show a reduction in disparities (GSA, n.d.-a).

Approach 3: Identify the group(s) of interest

Another consideration for equity evaluation efforts is the identification of the group(s) of interest. Generally, equity focuses on 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” (see Table 5).

With regard to small businesses, WOSBs, SDVOSBs, and HUBZones are recognized in the Small Business Act as additional socioeconomic small business and traditionally underserved entrepreneurs, but do not always meet the 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).

Regardless of the group of interest, equity evaluation efforts must also take care to avoid words or phrases that reinforce discrimination and exclusion when describing the group(s) of interest. For example, terms like “underserved communities” or “disadvantaged groups” may be considered vague and may “imply that the condition is inherent to the group rather than the actual causal factor” (AMA, 2021). Instead, language should be equity-focused, person-first language, while recognizing that words may be appropriate to use in some contexts but not in others and that meanings and usage of words change over time (AMA, 2021).

Table 5. Groups and definitions cited in equity sources.

Group	Definition
Economically disadvantaged individuals [§]	“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.” Currently, the net worth of an economically disadvantaged individual must be less than \$850,000, income must be less than \$400,000, and total assets less than \$6.5 million for the 8(a) Business Development and Economically Disadvantaged Women-Owned Small Business programs (Federal Register, 2023).

[§] To qualify for the 8(a) program individuals must first meet the socially disadvantaged requirement and only then are they assessed according to the economically disadvantaged criterion.

Group	Definition
Socially disadvantaged individuals ^h	“Socially disadvantaged individuals”: persons “who have been subjected to racial or ethnic prejudice or cultural bias within American society because of their identity as members of groups and without regard to their individual qualities. The social disadvantage must stem from circumstances beyond their control.” Under the 8(a) Program, there was* a rebuttable presumption, that assumed unless there was evidence to the contrary, that members of certain racial and ethnic groups (e.g., Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, Subcontinent Asian American) qualify as “socially disadvantaged,” whereas individuals who do not belong to these groups must prove they are socially disadvantaged (CFR, 2013).
Underserved communities	“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.” (OMB, 2021)

a.i. How is the Federal Government currently defining equity—explicitly and implicitly—in the context of procurement?

As noted previously, there are no explicit definitions of equity from the Federal Government that focus specifically on procurement. However, Section 7 of Executive Order 14091 “*Further Advancing Racial Equity and Support for Underserved Communities Through the Federal Government*,” (White House, 2023) may be considered an implicit definition with additional details regarding how to operationalize equity for evaluation purposes:

(a) The Government-wide goal for Federal procurement dollars awarded to small business concerns owned and controlled by socially and economically disadvantaged individuals (SDBs) shall be 15 percent in Fiscal Year 2025. In furtherance of this goal, OMB shall set a Government-wide SDB goal for Fiscal Year 2024. The Small Business Administration shall, on an annual basis, work with each agency to establish an agency-specific goal that, in aggregate, supports the Government-wide goal. Further, agencies shall undertake efforts to increase contracting opportunities for all other small business concerns as described in the Small Business Act (15 U.S.C. ch. 14A).

Implicit definition of equity in Executive Order 14091, Section 7

- **Outcome: 15 percent of Federal procurement dollars are awarded to SDBs.**
- **Group of interest: socially and economically disadvantaged individuals.**

^h The July 19, 2023 *Ultima Servs. Corp. v. U.S. Dep’t of Agric* court ruling enjoined the SBA from using the rebuttable presumption of social disadvantage in administering the 8(a) program (Holland & Knight, 2023). As a result, at the time of writing this memorandum, the SBA has temporarily suspended the initiation of new applications into the 8(a) Program and suspended the final evaluation of all pending applications that sought to rely on the rebuttable presumption. The SBA is currently updating its new applicant process and system to comply with the Court’s order (SBA, 2023).

(b) Agencies shall expand procurement opportunities for SDBs through Federal financial assistance, consistent with applicable law, under the Bipartisan Infrastructure Law, the Inflation Reduction Act of 2022, and other Federal financial assistance programs.

As per the Executive Order details, the outcome of equity in Federal procurement is defined as “15 percent of Federal procurement dollars are awarded to SDBs” and the group of interest is “socially and economically disadvantaged individuals”.

Who is included/excluded in these definitions?

Although the Federal Government does not provide explicit definitions of equity in procurement, several sources list specific groups when discussing general equity efforts. Generally, groups include those based on race, sexual orientation, gender identity, religion, disability, or rurality.

For example, in its release of FY 2020 disaggregated contracting data, the SBA (2021) for the first time, provided data by race and business size, including the following categories:

- Asian-Pacific American owned small business
- Subcontinent Asian American owned small business
- Black owned small business,
- Hispanic owned small business,
- Native American owned small business,
- Other Minority owned small business,
- Other small business,
- Not a small business

In its equity action planⁱ, the SBA (2022b) uses a broad definition of underserved communities, including persons who/who are:

- Asian American
- Black and African American
- Hispanic and Latino
- Middle Eastern
- North African
- Other Persons of Color
- Alaska Native
- Native American
- Native Hawaiian
- Pacific Islander
- Tribal Communities
- Have Disabilities
- LGBTQ+
- Of Religious Minorities
- Live in Rural or underserved Urban areas

ⁱ 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.

- Veterans, Military Servicemembers, and Spouses
- Women
- Are otherwise adversely affected by persistent poverty or systemic inequality

The OMB (2021) and the White House (2023) also use broad definitions of the term “underserved communities” as shown in Table 6.

Table 6. Persons included in definitions of “underserved communities”.

Study to Identify Methods to Assess Equity: Report to the President (OMB, 2021)	Executive Order 14091 on Further Advancing Racial Equity and Support for Underserved Communities Through the Federal Government (White House, 2023)
“Black, Latino, and Indigenous and Native American persons, Asian Americans and Pacific Islanders and other persons of color; members of religious minorities; lesbian, gay, bisexual, transgender, and queer (LGBTQ+) persons; persons with disabilities; persons who live in rural areas; and persons otherwise adversely affected by persistent poverty or inequality.”	“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.”

a.ii. How are equity experts and private sector businesses^j currently defining equity in procurement (and/or transferable contexts)?

Examining literature published by private entities, the project team identified two definitions of equity related to procurement. Compared to more general definitions of equity provided in Federal sources, these definitions are more specific in that they address inputs, processes, and outcomes relevant to procurement.

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)

... benefit the communities a jurisdiction serves, proportionate to the jurisdiction’s demographics.

Reports from other private entities also provide general definitions of equity and definitions of other related terms such as “workforce equity” and “racial equity and inequity”. Similar to the findings from

^j Findings pertain to those published by private entities. Findings published by private entities include information about or related to the Federal Government.

Federal sources, these findings also reveal key elements that may be important to include in a definition of equity in procurement. For example, the MITRE Corporation (2021) notes the following:

In many cases, programs define equity as achieving representational parity with the breakdown of the general population. In other cases, programs define equity based on the overall life outcomes they are targeting.” Inequity in turn is defined as “A lack of fairness or justice. Can be revealed by disparate and/or disproportionate outcomes experienced by different groups.

Definitions related to equity published by private entities include the following:

Workforce equity: The workforce of a jurisdiction reflects the diversity of its residents, including across the breadth (functions and departments) and depth (hierarchy) of government. (Nelson and Brooks, 2015; Nelson et al., 2015)

Racial equity: Race can no longer be used to predict life outcomes and outcomes for all groups are improved” (Nelson and Brooks, 2015; Nelson, Spokane, et al., 2015). “Racial equity means that race can’t be used to predict success, and we have successful systems and structure that work for all. What matters are the real results in the lives of people of color, not by an abstract conception that everyone has equal opportunity. (Nelson et al., 2015)

Racial inequity: Race can be used to predict life outcomes, e.g., disproportionality in education (high school graduation rates), jobs (unemployment rate), criminal justice (arrest and incarceration rates), etc. (Nelson and Brooks, 2015; Nelson et al., 2015)

Other sources discuss additional approaches related to equity evaluations, which align with the approaches identified in Federal sources. These approaches include the following:

1. Distinguish between equality and equity
2. Consider specific equity categories

Approach 1: Distinguish between equality and equity

Similar to the GSA, the Government Finance Officers Association (GFOA, n.d.) also emphasizes the distinction between equality and equity (see Table 7).

Table 7. GFOA distinction between equality and equity.

Equality	Equity
<p>“‘Equality’ means people should be treated the same by public policy to remove barriers to the individual’s success. It is commonly associated with giving people equality of opportunity. Equality of opportunity is related to another interpretation of fairness called ‘proportionality’, where individuals receive outcomes relative to the amount of effort invested.”</p>	<p>“Equity is one interpretation of fairness or justice. ‘Equity’ means people should be treated uniquely by public policy to compensate for different circumstances and consequent need for help from government. Equity is commonly associated with equality in outcomes.”</p>

Approach 2: Consider specific equity categories

In their review of the equity action plans of 24 Federal agencies, and building in part on prior analyses by the Urban Institute, PolicyLink, the Government Alliance on Race and Equity, and others, Balu et al. (2023) identified three key equity categories:

- Procedural equity “ensures processes are fair for target participants. For example, every equity action plan lists some improvement to data collection as a key step for advancing racial equity. Though improving the quality and quantity of data broken down into categories such as race can help agencies understand inequities, it is an administrative action that changes a process but does not necessarily include changes in decision-making or outcomes.”
- Distributional equity “involves programmatic and resource decisions and changes that are likely to (re)allocate resources in ways that increase access to agency programs and services for people who have historically been excluded from them.” For example, in response to Section 7 of Executive Order 14091 on *Further Advancing Racial Equity and Support for Underserved Communities Through the Federal Government*, “several agencies, such as the Department of Transportation and the Department of the Interior, proposed new strategies for publicizing and acquiring services from a broader range of vendors.”
- Structural equity “refers to more comprehensive equity commitments that involve changing an organization's structures or incentives to improve outcomes. For example, “several agencies proposed changes to their decision-making structures and how they frame their impact. Specifically, the Environmental Protection Agency is planning a comprehensive framework whereby it would consider cumulative burdens and impacts on health and quality of life when determining harms and benefits experienced by community members that result from its programs and activities.”

What is the equity category that is being considered?

- ✓ Procedures
- ✓ Distribution
- ✓ Structure
- ✓ Awareness
- ✓ Output
- ✓ Outcome

Similarly, in their framework for assessing equity in Federal programs and policies, the MITRE Corporation (2021) highlighted additional equity categories including, but not limited to the following:

- Awareness equity refers to the extent to which the ability to become aware of the services is equal or practical. For example, agencies may implement targeted outreach to ensure that groups have equal abilities to learn about procurement opportunities.
- Output equity refers to the extent to which services, products, completion rates, etc. are the same across groups. For example, agencies may develop tools or guides to support groups who have been historically marginalized and who are seeking procurement opportunities with Federal agencies.
- Outcome equity refers to the extent to which the impact of programs or policies are the same across all groups. For example, in the context of procurement, an equitable outcome may be that small businesses receive a share of Federal procurement spending that is proportionate to their representation in the population.

b. How have experts in both Government and other contexts operationalized equity in the context of procurement?

The findings from the literature review suggest that equity can be measured, but unilateral, singular, or one-size-fits-all approach to measurement would not be appropriate. Compared to equality, which may be measured in terms of equal provision of a service, inequity is the result of longstanding structural and systemic issues and thus, equity measurement is multifaceted and cannot be operationalized in terms of a singular construct or outcome (Martin and Lewis, 2019).

How equity is operationalized depends on the program, focus area, category, and groups or populations. For example, one aspect for formulating the research question entails the tailoring of the question to the specific step in the program where equity is being measured. Thus, the research question may focus on the

overall pipeline and where [the] drop off of minority groups occurs, how selected candidates differ from the eligible population, or whether impacts for winning applicants differ by race. (GSA, n.d.-b)

Equity measurement is multifaceted and cannot be operationalized in terms of a singular construct or outcome.

Another aspect for formulizing the research question entails the tailoring to the unique characteristics and size of the population being studied. Specifically,

the identification of demographic and behavioral groups in the general service area that are of interest is an essential step toward measuring differences between them in relation to a service. This step involves quantifying group numbers and locating them geographically, starting with the groups identified in the historical analysis. (Martin and Lewis, 2019)

Looking at specific approaches for operationalizing equity in procurement, experts have used a variety of strategies, including disparity ratios, odds ratios, procurement goals, and other strategies (see Table 8).

Table 8. Approaches used for operationalizing equity in procurement.

Example Source	Equity/Inequity Indicator
Optimal Solutions Group (2021b)	Disparity ratios: disparity ratio for the number of awards to WOSBs by industry (NAICS codes) and disparity ratio for the obligations of awards in proportion to the overall population of firms in the United States and the firms registered in the System for Award Management to conduct business with Federal Government.
Chow (2022)	Odd ratios: odds of minority-owned small businesses, especially those identified as SDBs and those participating in the 8(a)-program winning Federal contracts, compared to other small businesses.
Performance.gov (2023)	Procurement goal: 15 percent of Federal contracting awards being made to SDBs by FY 2025.

Example Source	Equity/Inequity Indicator
Rodriguez-Plesa, Dimand, and Alkadry (2022)	Social equity index (a composite measure consisting of different sustainable public procurement ^k practices) with responding “yes/no” depending on whether they utilize the practice: <ul style="list-style-type: none"> • Vendor’s worker health insurance coverage • Vendor’s working conditions of workers • Ethically sourced items • Living wage requirements • Local workers • Use of women-owned vendors/sub-vendors • Use of minority-owned vendors/sub-vendors • Use of veteran-owned vendors/sub-vendors
Shelton and Minniti (2018)	Increase in product market access through increase in access to information and changes in incentives of key customers and vendors.
SBA (2022b)	1) Increase in the number of underserved entrepreneurs utilizing the SBA resources; 2) increase in the number of organizations partnering with the SBA; 3) increase in the two-year survival rate for new businesses of underserved entrepreneurs.
Zhang and Cui (2021)	Disadvantaged business overall goals, specific contract goals including subcontractable items for disadvantaged businesses, and prime contractor commitments.

Disparity ratios

Rice (1995) suggests that, in procurement, equity efforts may start with a disparity fact-finding study, which may use different types of analyses to calculate different types of ratios (see Table 9). The Minority Business Development Agency (Premier Quantitative Consulting, Inc., 2016) highlights that disparity studies generally compute numerical disparity indexes or ratios to measure gaps between groups. Specifically:

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, 2021). The utilization ratio is ratio of the number (or obligations) of contracts awarded to small businesses (e.g., WOSBs) divided by the contracts (or obligations) awarded overall. The availability ratio is the ratio of the number of small businesses (e.g., WOSBs) to the total number of firms in the industry.

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 more than 100 indicates parity (Optimal Solutions Group, 2021). Disparity studies and resulting disparity ratios reflect a difference

^k Sustainable public procurement is the process of strategically utilizing Government funds to efficiently and effectively achieve policy outcomes while also promoting the wellbeing of the environment, economy, and society.

between two groups on an outcome of interest. Thus, they do not necessarily imply discrimination but rather highlight differences that many need further examination.

Table 9. Type of disparity analyses.

Utilization Analysis	Availability Analysis	Historical Analysis	Contemporary Analysis	Marketplace Discrimination Analysis
Examines the pattern and level of participation by diverse/underserved businesses in different contracting opportunities	Identifies the "shortfall" between the expected number of Government diverse/underserved contractors and the actual number	Examines the historical pattern of racial discrimination within a jurisdiction's overall procurement area	Identifies statistical disparities in contract awards, capacity utilization, and growth rate of diverse/underserved versus other businesses	Requires several sub analyses such as a bonding discrimination sub analysis ^l or an attitudinal discrimination analysis ^m

Odds ratios

Using studies conducted by Dr. Robert N. Rubinovitz in 2012 and 2013 as a model, Chow (2022) examined the odds ratio of specific types of businesses winning Federal contracts relative to other businesses. According to Chow,

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.

Procurement goals

The Biden Administration "measures" equity in terms of specific procurement goals, namely the percentage of Federal contracting dollars being awarded to SDBs. The goal is to increase the share of Federal contract dollars awarded to SDBs from 5 percent in fiscal year FY 2020 to 15 percent by FY 2025 (White House, 2023). In support of this collective goal, the SBA intends to increase the share of Federal contract dollars awarded to SDBs to 12 percent by September 30, 2023 (Performance.gov, 2023). The SBA also set additional related procurement goals, including (1) awarding a specific percent of 8(a) businesses a Federal contract, increasing the number of certified 8(a) businesses, assisting a specific number of small businesses through the 7(j) training program, and recruiting a specific number of attendees to participate in "government contracting unique small business counseling and training sessions" (Performance.gov, 2023).

^l Examines whether suretyship is denied on the basis of racial discrimination or simply on the basis of business dynamics (i.e., a newer firm, a small firm, etc.).

^m Examines to what extent white consumers (whether representing Government or themselves) dislike purchasing goods or services from minority-owned firms.

Analysis and Discussion

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. General and related equity definitions are available from Federal and private sources, but generally, the definitions do not specify the group(s) of interest, do not specify processes and outcomes, and do not provide sufficient specificity to guide evaluations in operationalizing equity.

However, general equity definitions (those not focused on procurement) address concepts and terms that are central to understanding equity. Definitions published by private entities include more nuanced terms that may be more appropriate for accurately defining equity than terms used in Federal definitions. For example, the Executive Orders use the term “consistent treatment,” which may be more aligned with equality than equity when one considers the nuances of those two terms. In addition, even though the outcome of equity in Federal procurement is defined by the Administration as “15 percent of Federal procurement dollars are awarded to SDBs” this defined outcome may not reflect an equitable outcome since the percentage may not reflect the proportion of people in the population who have historically been marginalized. 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”.

Common concepts used in equity definitions that may be important to adapt into 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 been historically marginalized. 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.

Equity in procurement definitions should also specify the populations that are affected by disparate outcomes in the area/program of interest. Findings show that there is no consistent target population across equity efforts but that generally, equity definitions and efforts focus on “underserved” or “disadvantaged” communities. For example, Federal equity definitions include broad populations based on race, religion, sexual orientation, gender identity, disability status, rurality, and poverty.

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 groupsⁿ 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^o.

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.^p

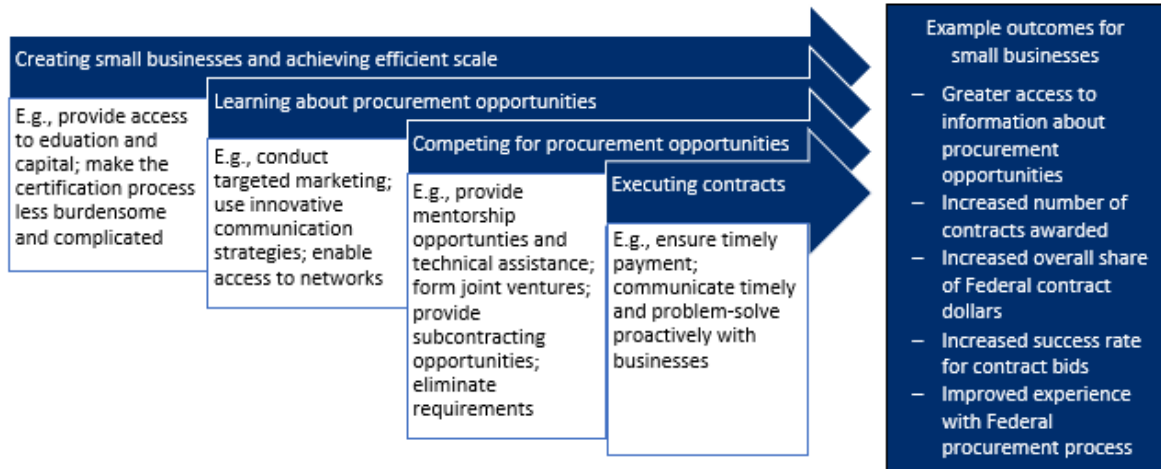
The figure below provides a visual representation of the Federal procurement stages; example policies, programs, and procedures that are being used to promote equity at each stage; and example outcomes that may result from these initiatives.

ⁿ 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>

^o 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.

^p 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.⁹



⁹ Access to markets and industry is critical precursor to creating small businesses and achieving efficient scale.

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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).

Contracting equity

The Local and Regional Government Alliance on Race & Equity defines contracting equity as investments in contracting, consulting, and procurement should benefit the communities a jurisdiction serves, proportionate to the jurisdiction's demographics.

Distributional equity

As per Balu et al. (2023), distributional equity involves programmatic and resource decisions and changes that are likely to (re)allocate resources in ways that increase access to agency programs and services for people who have historically been excluded from them.

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.

Economically Disadvantaged Women-Owned Small Business (EDWOSB)

As per the SBA, an EDWOSB is a small business that is 51% or more owned and controlled by one or more women, each with a personal net worth less than \$850,000; with \$450,000 or less in adjusted gross income averaged over the previous three years; and each with \$6.5 million or less in personal assets.

Equality

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

Equitable data

As per the White House Executive Order, equitable data refers to data that allow for rigorous assessment of the extent to which Government programs and policies yield consistently fair, just, and impartial treatment of all individuals.

Equitable development

As per the White House Executive Order, equitable development refers to a positive development approach that employs processes, policies, and programs that aim to meet the needs of all communities and community members, with a particular focus on Underserved communities and populations.

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.

Procedural equity

As per Balu et al. (2023), procedural equity is an approach to equity that ensures processes are fair for target participants.

Racial equity

The Local and Regional Government Alliance on Race & Equity defines refers to racial equity when race can't be used to predict success, and we have successful systems and structure that work for all. What matters are the real results in the lives of people of color, not by an abstract conception that everyone has equal opportunity.

Section 7(j)

Section 7(j) of the Small Business Act authorizes SBA to provide management and technical assistance to eligible businesses.

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. SBA's size standards determine what constitutes a small business. See <https://www.sba.gov/document/support-table-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. It includes census tracts and rural counties with relatively low median incomes or high unemployment rates.

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.

Structural equity

As per Balu et al. (2023), structural equity refers to more comprehensive equity commitments that involve changing an organization's structures or incentives to improve outcomes.

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.