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OFFICE OF MANAGEMENT AND BUDGET  
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M-23-11

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

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SUBJECT: Creating a More Diverse and Resilient Federal Marketplace through Increased Participation of New and Recent Entrants

The President's Management Agenda (PMA), calls on agencies to create a diverse and resilient Federal marketplace.<sup>1</sup> At a time when applications to start new small businesses in America are at an all-time high, it is imperative that the Federal marketplace leverage this small business growth in supply chains that support agency missions, reverse the significant decline of small business participation in the Federal supplier base over the last decade, and increase the share of Federal contract dollars awarded to small disadvantaged businesses to 15 percent by 2025, as called for by the President.<sup>2</sup> Under the PMA, and as part of the Administration's work to grow the economy from the bottom up and the middle out, agencies will build stronger supply chains through a greater focus on new and recent contractors that – along with established contractors – can regularly provide fresh innovative thinking and seasoned expertise to support agencies in addressing national priorities.

As one step toward a more diverse and resilient supplier base, Office of Management and Budget (OMB) Memorandum M-22-03, [Advancing Equity in Federal Procurement](#), requires that agencies increase their management attention on new entrant participation in the Federal marketplace, and especially on small business entrants, where the decline in the supplier base has been especially acute.<sup>3</sup> Building on M-22-03, this memorandum establishes a common definition of “new entrant” for Federal acquisition, so agencies can baseline, track, and benchmark their progress in bringing entities into the Federal marketplace, as well as a common definition of “recent entrant,” so agencies can baseline, track, and benchmark how well they retain new entrants. This memorandum also provides guidance to agencies for using two newly-developed tools: a supplier base dashboard to evaluate progress in achieving diversity and

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<sup>1</sup> PMA Priority Area 3: Managing the Business of Government, Strategy 1: Foster Lasting Improvements in the Federal Acquisition System, Goal 1: [Create a Diverse & Resilient Marketplace](#).

<sup>2</sup> OMB Memorandum M-23-01, [Increasing the Share of Contract Dollars Awarded to Small Disadvantaged Businesses](#).

<sup>3</sup> Other actions to build the diversity and resilience of the Federal marketplace that are addressed in the PMA and OMB M-22-03 include: (1) making improvements in the content, timeliness, and availability of agency procurement forecasts so small businesses can prepare for competition more easily, (2) taking greater advantage of “on-ramps” and other practices that can increase participation and awards to small businesses under multiple award contracts, and (3) conducting pilots that bring supply chain, requirements, and acquisition experts together to use federal procurement as a catalyst to strengthen domestic manufacturing markets.

resilience in each agency’s supplier base, as well as a procurement equity tool to help agencies identify entities that may be interested in participating in agency procurement competitions.

## **Guidance**

### *1. Defining terms*

For purposes of tracking progress towards strengthening the diversity and resilience of the Federal marketplace:

(a) a “new entrant” will be defined as an entity of any size that has received a prime Federal contract award over the micro-purchase threshold (MPT)<sup>4</sup> -

(i) for the first time (also referred to as a “first-time entrant”); or

(ii) after having not received an award in the previous 5 fiscal years (also referred to as a “re-entrant”).

(b) a “recent entrant” will be defined as an entity of any size that has received a prime Federal contract award over the MPT during the 3-year period following the fiscal year in which it is a first-time entrant.<sup>5</sup>

Entities that are awarded an indefinite delivery vehicle contract (IDV), blanket purchase agreement, or basic ordering agreement are not considered a new entrant until a funded order valued at more than the MPT is issued under the IDV contract or agreement.

### *2. Tracking and measuring the diversity and resilience of the Federal supplier base*

Tracking awards to entities, especially small business entities, that have never worked in the Federal marketplace or have not done business in the Federal marketplace for a significant period of time but have value to offer to agencies is one important way to measure supplier diversity. At the same time, first-time entrants may struggle to be competitive. They will need time to acclimate to the structure and unique requirements of the Federal marketplace and determine who needs their products and services, establish their footing with new customers, and begin to build a breadth of experience, name recognition and revenue to become strong competitors for future awards. By tracking awards to recent entrants, resource personnel and centers<sup>6</sup> can gauge how well they are doing at assisting first-time entrants in building their resilience while the Federal Government works to maintain a more diverse supplier base.

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<sup>4</sup> For a definition of MPT, see § 2.101 of the Federal Acquisition Regulation.

<sup>5</sup> An entity may qualify as a recent entrant during the 3-year period after which it is a first-time entrant. An entity may not qualify as a recent entrant during the 3-year period after which it is a reentrant.

<sup>6</sup> Examples of resources include the Small Business Administration’s Business Development Centers (SBDCs, including their Women Business Centers and Veteran Business Centers) and Business Opportunity Specialists, MBDA’s Business Centers, the Department of Defense’s APEX Accelerators, formerly known as Procurement Technical Assistance Centers, the Department of Transportation’s Small Business Transportation Resources Centers (SBTRC), and the Department of Commerce’s Manufacturing Extension Partnership.

The Office of Shared Solutions and Performance Improvements in the General Services Administration (GSA) has created a [Supplier Base Dashboard](#), for the public and agency managers to track the size of the supplier base and the mix of new entrants, recent entrants, and established vendors in the supplier base using the definitions above. The dashboard will help agencies identify:

- the total number of entities that have done business with the agency during the fiscal year;
- the breakdown of entities that are new entrants, recent entrants, or established vendors;
- the breakdown of entities that are small businesses or other than small businesses;
- the breakdown of entities that are small disadvantaged businesses, women-owned small businesses; service disabled, veteran-owned small businesses, and small business contractors in Historically Underutilized Business Zones (HUBZones); and
- any of the information described above for individual market segments.

The dashboard will assist agencies in baselining awards to new entrants and recent entrants, using FY 2022 data as an initial baseline, and tracking and evaluating progress year-over-year, consistent with the following parameters:

- a. Source data. Agency data reported to the Federal Procurement Data System (FPDS) will be used to baseline awards and track annual performance.<sup>7</sup>
- b. Scope. While agencies should seek to increase overall new entrant and recent entrant participation, they are expected to focus their attention on small businesses and the four socio-economic small business categories recognized in the Small Business Act – i.e., (i) small disadvantaged businesses, (ii) women-owned small businesses, (iii) service-disabled veteran-owned small businesses, and (iv) small businesses in HUBZones. The Domestic Policy Council, the National Economic Council, OMB, the Small Business Administration (SBA), and the Department of Commerce’s Minority Business Development Agency (MBDA), in consultation with GSA, will assess potential expansion to additional underserved communities identified in EO 13985.
- c. Tracking by numbers and dollars. New and recent entrant activity will be tracked by 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 (NAICS) codes. Tracking participation in different dimensions will allow for a fuller understanding of the economic impact of Federal acquisition activities. Tracking the depth and breadth of participation by number is especially important in measuring the strength and durability of Federal supply chains and progress toward creating a competitive and dynamic marketplace that has diverse capabilities and resilience to effectively and efficiently respond to the needs of Federal agencies.
- d. Tracking at the Federal enterprise and agency levels. Activity will be tracked at both the Government-wide and agency level. At the Government-wide level, a new entrant would be one that has received a prime Federal contract award for the first time *from any agency or*

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<sup>7</sup> GSA will pull existing data directly from FPDS; changes will not be made to FPDS.

after having not received an award *from any agency* in the previous 5 fiscal years. At the agency level, the following activity will be tracked: (i) the number of new entrants an agency has brought into the Federal marketplace; (ii) the number of recent entrants to the Federal marketplace to which it has made awards; and (iii) the number of entities that are new or recent to the agency's supplier base, regardless of whether they are new or recent to the Federal marketplace.<sup>8</sup>

OMB, in consultation with SBA, MBDA, GSA and Federal buying agencies, will develop reports addressing general progress in increasing awards to new entrants.

### 3. *Managing priority supply chains*

To promote measurable and manageable progress in rebuilding the Federal supplier base, the PMA requires agencies to measure the number of new small business entrants to the Federal marketplace within "priority supply chains." Agencies must identify and give attention to market segments within their own supplier base where they have experienced challenges finding contractors – especially socioeconomic and other small businesses – to support their mission requirements and share this information with OMB. Separate instructions will be given to agencies for providing this information.

OMB will establish Government-wide priorities for supply-chain strengthening – taking into account agency input and input from supply chain experts, including category managers, directors of Offices of Small Disadvantaged Business Utilization (OSDBUs), and others with supply chain, manufacturing, and industrial base expertise. OMB will also consider categories of common spending covered by category management for priority attention, especially if analysis undertaken by or presented to category managers indicates that small businesses are underrepresented in a common Federal spending category or subcategory relative to the economy at large. Categories covered by category management represent the majority of Federal spending and include many goods and services offered by small disadvantaged businesses, women-owned small businesses, service-disabled veteran-owned small businesses, HUBZone small businesses, and other small businesses.

Rebuilding the Federal supplier base is complex and will take time. The factors that influence the number of entities entering or leaving the Federal market in any given year will vary by supply chain, including by the level of agency need and economic conditions relevant to that supply chain. By integrating the knowledge of supply chain experts with the collective thinking of program, acquisition, and small business offices working on common or related requirements, agencies will better position the Federal Government to figure out what represents a strong breadth and depth of entity participation in different market segments.

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<sup>8</sup> Agencies can use the supplier base dashboard to analyze the impact of their current buying practices across industries and sectors and take focused actions in areas with opportunity for growth by socioeconomic and other small businesses in their base. For example, they might compare their own supplier base mix for a specific market segment to other agencies with similar missions or buying patterns using the supplier base dashboard and follow up with agencies with more new and recent entrants to compare market research and acquisition strategies.

#### 4. *Finding new entrants*

OMB has worked with SBA, MBDA, the Chief Acquisition Officer's Council Procurement Committee for E-Government (PCE), and the GSA to identify and provide capabilities that can support agency OSDBU Directors, small business resource centers, such as the APEX Accelerators, Senior Procurement Executives, and other acquisition officials in identifying potential new entrants. Activities are focused in two areas: (i) entities that have registered in the System for Award Management (SAM) to do business with the Federal Government but have not yet received any work, and (ii) entities that have not registered to do business with the Federal Government but work in connection with a priority supply chain or in a market that an agency has identified as one in which they wish to increase diversity.

- Entities already registered for Federal contracts. A new procurement equity tool has been developed to improve agencies' analytic capability to find potential entities registered in SAM that could compete in an agency competition, in turn helping to diversify the supplier base. Nearly 75 percent of entities registered in SAM as potential contractors do not receive awards in any given fiscal year. Providing information about these entities in a user-friendly manner can help agencies in outreach and acquisition planning efforts to further equity in procurement.<sup>9</sup> The procurement equity tool is available to agencies through an internally hosted data analytics repository available [here](#). User instructions explain how the tool can support outreach for the purpose of promoting greater demographic and geographic diversity in agency competitions.<sup>10</sup>

Separately, SBA will work with OSDBUs, Procurement Center Representatives, Business Opportunity Specialists, APEX Accelerators, Small Business Development Centers, and others to help small businesses improve the visibility of their profiles in the Dynamic Small Business Search, which contracting officers use to identify potentially available socioeconomic and other small businesses for contract opportunities.

- Attracting new businesses to become registered for Federal contracting. Agency OSDBUs, category managers, and industry liaisons should work together with SBA, MBDA, the APEX Accelerators, trade associations and others to conduct concerted outreach, aided by the use of crowdsourcing tools,<sup>11</sup> as appropriate, to target underserved communities that can support priority supply chains and other market segments of interest. These efforts should include encouragement and support to register businesses in SAM in order to expand the potential contractor base and make these new entities

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<sup>9</sup> Agencies might use the procurement equity tool to identify potential sources in a specific market segment by comparing data in FPDS and SAM to find registered vendors to whom they have not made awards in the past.

<sup>10</sup> The procurement equity tool is intended to serve as just one source of information for use in conjunction with other relevant sources for market research, such as the New Innovators List which may be found on the category management small business resources page and SBA's MAX.gov page, to help agencies build the diversity of their supplier base by quickly finding 8(a) participants that are available to perform contracts but have not yet received a contract award.

<sup>11</sup> A number of agencies have effectively leveraged crowdsourcing tools and techniques to engage in robust tailored dialogues with individuals and organizations about Federal procurement. Currently, OFPP uses an online crowdsourcing platform available [here](#) to obtain feedback from various stakeholders, including advocacy groups, minority serving institutions, employers and business organizations, employees, subject matter experts and others on a variety of procurement related matters, including advancing equity in Federal procurement.

more visible to future agency customers, including to achieve the objectives of Executive Order 13985 and M-22-03 to advance equity in Federal procurement.

A diverse and resilient marketplace is foundational to the effective functioning of the Federal procurement system as a catalyst for better mission performance. OMB looks forward to partnering with agencies towards a more equitable, dynamic, and competitive business environment that can advance agency missions and withstand future supply chain disruptions.

Additional information on this initiative can be found in frequently asked questions posted at [here](#). In addition, a workshop will be conducted to support agencies as they begin to work with new entrant and recent entrant baseline and benchmark data. Questions about this guidance may be sent to [MBX.OMB.OFPPv2@OMB.eop.gov](mailto:MBX.OMB.OFPPv2@OMB.eop.gov).