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**Inclusivity in Procurement and Supply Chain Management: A  
Catalyst for Economic Development**



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## Inclusivity in Procurement and Supply Chain Management: A Catalyst for Economic Development



**Dr. Aleri Odaya Chrisostom PhD MKISM MKIM**

Jaramogi Oginga Odinga University of Science and Technology

<https://orcid.org/0009-0001-9084-632X>

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### ABSTRACT

**Purpose:** The concept of Inclusivity encourages the inclusion of marginalized groups in the main stream economy. In Kenya, the following groups have been identified as marginalized ie Women, Youth and people living with disabilities. These groups are generally vulnerable economically and socially due to various reasons. The Kenya government has identified Access to Government Procurement Opportunities (AGPO) as a tool for sharing national procurement opportunities with these vulnerable groups. The objective of these paper is to identify Opportunities and Challenges the above groups face as they compete for these reserved opportunities.

**Methodology:** Four thematic areas were identified as the points of focus. These were training, information access, funding and legal framework as areas that require to be looked at to enhance accessibility and utilization of these reserved Procurement opportunities.

**Findings:** So far, apart from the advertisement of these opportunities and a few organizations undertaking training of Women, Youth and People Living with Disabilities about the availability of these reserved opportunities, there is little evidence if any that the said groups have benefited from these opportunities.

**Unique Contribution to Theory, Practice and Policy:** This Study provides a framework for understanding how the policies that have been put in place for inclusivity in procurement and Supply Chain Management and how they can contribute to economic development. On policy, the study has shown that despite there being a legal framework that supports inclusivity in procurement and supply chain management, there is need for a deliberate and focused way of ensuring that this is implemented. There is need for proper enforcement of inclusivity in procurement for supply chain for effective inclusion of marginalized groups.

**Keywords:** *Access, Opportunities, Challenges*



## **Background of the Study**

Inclusivity is the practice or policy of providing equal access to opportunities and resources for people who might otherwise be excluded or marginalized, such as those having physical or intellectual disabilities or belonging to other minority groups. In Kenya these groups are generally categorized under these categories Women, Youth and People living with disabilities. The Youth have the potential to accelerate productivity growth, but left idle, can represent a risk to social stability and in the longer term a risk to development of the nation's economy (R.o.K 2013). Ensuring that youths are successfully integrated into the economy through procurement will improve Kenya's competitiveness, raise household incomes, reduce poverty, and create a circle of investment and growth (Gatere, 2014). Unemployment has become a huge challenge for the country and the magnitude of the problem especially large among the youth. The overall unemployment rate for the youth is double the adult average, at about 21%. Statistics on joblessness suggest that the magnitude of unemployment problem is larger for youth with 38% of the youth neither in school nor work aggregating the rates of unemployment and inactivity (R.o.K, 2005).

## **Literature Review**

### **Access to Government Procurement Opportunities**

Through Access to Government Procurement Opportunities, 30 percent of national procurement opportunities are reserved for these groups. This has a massive opportunity of changing the lives of the groups of people economically and socially. The aim of AGPO Program is to facilitate the youth, women and persons with disability-owned enterprises to participate in government procurement R. o. K (2013). This was made possible through the implementation of the Presidential Directive that 30% of government procurement opportunities be set aside specifically for these enterprises. It is affirmative action aimed at empowering youth, women and persons with disability-owned enterprises by giving them more opportunities to do business with Government. The Public Procurement and Disposal (Preference and Reservations) Regulations, 2011, shall apply to procurements by public entities when soliciting tenders from the following target groups: Disadvantaged Groups (Youth, Women, and Persons with Disability), Small Enterprises, Micro Enterprises, Citizen Contractors, local Contractors and Citizen Contractors in Joint-venture or Sub-contracting arrangements with foreign suppliers. For the last one year the government has been registering and pre-qualifying Youth, Women and Persons with Disability owned enterprises so that they can access government tenders and contracts. Government tenders amount to billions each year; it is a great opening for the Youth, Women and Persons with Disability. In 2013, His Excellency the President Uhuru Kenyatta, directed that the procurement rules be amended to allow 30 per cent of contracts to be given to the youth, women and persons with disability without competition from established firms.

It has been generally recognized that established Youth and Women enterprises have faced unique problems, which have affected their growth and profitability, hence diminishing their ability to contribute effectively to sustainable development through public procurement. In Kenya special groups constitute over 85% of the entire population yet they contribute to less than 10% of public procurement involvement thus hampering economic growth and achievement of vision 2030 (Transparency international, 2013). Many of the problems cited by the special groups have included capacity building, lack of access to credit, inadequate skills, poor information and inhibitive legal regulatory framework. The implementation outcome of the 30% government procurement preference for youth, women and persons with disabilities (AGPO) is anticipated to make a significant contribution to GDP of not less than 15% per annum (R.O.K, 2013).

In the recent past, governments have sought to reduce the ever-increasing unemployment levels by offering to assist young people and the disadvantaged with startup capital Langlois, (2002). Many governments have established funds targeting women entrepreneurs and the youth because they are often left out of the economic mainstream and most disadvantaged when it comes to accessing start up capital or loans from the existing financial infrastructure World Bank (2012). Many governments now practice gender mainstreaming when designing national budgets to make sure national economic planning pays adequate attention to the unique challenges of women's economic empowerment (UNICEF. 2005). In acknowledgment of the fact that expanding entrepreneurial activities among all sections of society is a key driver of economic growth, many international development banks are becoming increasingly entrepreneurial in their outlook and channeling an ever increasing proportion of their portfolios through enterprise funds and soft loans to commercial banks for on-lending to youth and women, rather than through traditional development grants. FMO, the Dutch Development Bank, for example, formally refers to itself as 'an entrepreneurial development bank (Faniel, 2001).

Women are the backbone of rural economies in Kenya and Africa as a whole. They play a significant role in ensuring their families' wellbeing Mota, & Filho. (2011). To fight poverty in Kenya, women need to be accepted and supported through funds like Uwezo and provision of capacity building and training in functional business areas with the ultimate goal of promoting the social and economic status of women, as they constitute a vulnerable social category that is critical in sustainable development endeavors. Unequal procurement opportunities between women and men continue to hamper women's ability to lift themselves from poverty and gain more options to improve their lives). Research shows that, regardless of inequalities that persist in the way paid and unpaid work is divided between women and men, women remain the sole caregivers despite limited access to resources. In fact, women's empowerment in public procurement is a matter of advancing women's human rights.

Besides these achievements, PWDs face various challenges in enhancing their welfare, including in social, economic and political areas. They face barriers to social, economic and political

development of PWDs manifested through limited access to education and its attainment, high unemployment and adverse working environment, exclusion in property ownership and business opportunities, unfavorable built environment, hostile transport facilities and behaviour, limited access to assistive devices, negative societal perceptions, retrogressive cultural attitudes and practices, stigma, limited access to justice, limited political representation, and constrained participation in sports and art. These and other exclusions have resulted in high poverty incidence among PWDs, relative to people without disabilities. Regarding participation in productive economic activities, PWDs tend to suffer a higher level unemployment and earn low as a result of employer perceptions and discrimination. The Government through the Constitution (2010) and Access to Procurement Opportunities programme has enhanced PWDs participation in entrepreneurship initiatives. The extent of exclusion varies based on type and severity of disability, with people with mental health difficulties or intellectual impairments being the most excluded.

Lack of employable and entrepreneurial skills, are some of the most crucial problems facing communities of people with disability and society at large to be included in public procurement. As a result, people with disability are generally excluded from public procurement thereby hampering their overall economic independence (R.o.K, 2013). Though there exist various programs initiated by government and corporate organization for improving the skills levels of the general work force, little attention has been given to the benefit of empowerment particularly through public procurement. Some who have acquired vocational training are not equipped with the right entrepreneurial skills required to enhance competitiveness for decent employment, job creation, social inclusion and poverty reduction spurring economic and professional independence while making optimum use of available resources (Bolton, 2006).

The Kenyan government has had an uphill task for youth and women groups to play in the big ticket leagues of public procurement as they may not have the financial muscle. Fortunately, there are a host of financial instruments being offered by various institutions, including local purchase order (LPO) financing and invoice discounting. There is also the Uwezo Fund and the youth and women enterprise fund. The trouble with supplying the government is that, because the quantities required are often very large, the capital requirement can be high. Yet processing an invoice can take months. “The best thing about getting a government contract is that you will get paid. The downside is it could take a while (Polo, 2008).

### **Methodology**

The study adopted a Survey as a research design. A Literature survey on Inclusivity on Procurement Supply chain in Kenya was conducted. A survey design helps to describe and explore variables and constructs of interest.

### **Findings**

### **Training**

Also Implementing supplier development solutions by partnering with local SME support organizations to enhance the delivery capacity of WSMEs. Tailor solutions to both sectors and supplier status (Tier 1 and Tier 2). Capacity building solutions for WSMEs that already have Buyer contracts should focus not only at the firm level but also with their suppliers to improve business operations and quality, and provide guidance on pricing and product development. Support for WSMEs trying to secure their first contract with a Buyer should focus on demystifying the pre-qualification and tendering processes, clarifying Buyer standards, and increasing digital access and literacy.

### **Information Access**

To Enhance access to information and networks for WSMEs through greater outreach, and communicate tender opportunities in channels that WSMEs are most likely to access. While Male/Joint SMEs leverage their personal and business networks to identify contract opportunities, WSMEs leverage on tools such as digital platforms and classified ads for this. These findings indicate that if Buyers want to identify/reach out to potentially eligible WSME suppliers, they should improve WSMEs' access to information and networks by publishing tenders through channels that specifically target or serve WSMEs (for example, mass media, local papers' classified section, and WSME support organizations); increasing use of online platforms to post tender opportunities, facilitating supplier-Buyer matchmaking events; sharing supplier lists with other Buyers to improve WSMEs' access to tenders; and encouraging existing and prospective suppliers to establish strategic supplier relationships and increase their competitiveness in responding to tenders. Utilize existing digital platforms to post tender opportunities, and ensure that both large and lower-value procurement opportunities are featured on Buyers' corporate websites. While the costs for a Buyer to set up their own digital procurement portal may be prohibitive, Buyers could post tender opportunities on third party platforms. Not only could this scale up outreach efforts, it could also increase the transparency of procurement processes, and encourage WSMEs to bid on tenders. Using online platforms could also provide opportunities to collect sex-disaggregated data on potential suppliers in Kenya, and better inform Buyers about how they can improve supplier outreach and development approaches

### **Funding**

WSME Supply Side Challenges, SME respondents stated that they face three main challenges in supplying goods and services to corporate Buyers. Gender differences are found within each barrier and by supplier tier. Limited access to capital: Both WSMEs and Male/Joint SMEs that directly supply Buyers stated that access to finance, and Buyers' payment terms are the largest barriers they face as suppliers. Overall, supply chain financing is an issue, regardless of the supplier's gender and tier; however, there are gender differences in the need for supply chain financing, which, presumably are due to the sector of operations. For example, more Male/Joint SMEs cited accounts receivable financing as a need than was the case with WSMEs, while both

expressed a need for purchase order financing. Inadequate operational capacity and limited access to resources to improve skills: Almost all the SMEs respondents stated that they had at least one capacity gap to address to be better positioned to secure contracts with corporate Buyers. Of the challenges cited, WSMEs prioritized the need for support to improve their business operations so that they comply with the quality, safety, and environmental standards set by Buyers, identify and respond to Buyers' procurement opportunities, and iii) build their product development and innovation skills so that they meet Buyers' needs. Male/Joint SMEs also experienced these challenges, but they prioritized support to increase their knowledge about sales and marketing, and how to use social media to better market themselves to Buyers. 3. Limited access to information and networks: Both WSMEs and Male/Joint SMEs identified access to information and networks as a priority, but their lack of personal connections disproportionately affects WSMEs. While Male/Joint SMEs mostly leverage their personal networks, WSMEs access online platforms and classified ads to identify tender opportunities, which suggests that personal connections are more important to Buyers.

Opportunities to address supply side challenges for existing and prospective WSME suppliers The following was suggested, Partner with a local financial institution to facilitate access to working capital, and adapt contract payment terms to help WSMEs maintain their cash flow. Buyers in Kenya have started to provide solutions, especially during the COVID-19 pandemic, but there is still more to do. IFC research has found that few financial products or support services exist that are specifically designed to target WSMEs. The solutions that Buyers can implement include making payment terms more favorable such as paying suppliers sooner, establishing supplier finance facilities with local banks, and providing referrals to programs that offer financial and non-financial solutions for women in business

### **Legal Frame work**

The Public Procurement and Disposal (Preference and Reservations) Regulations 2011 was gazetted in legal notice number 58 so as to give the effect of overriding socio-economic requirements of the country. These regulations provide a framework for the implementation of preferential procurements in Kenya's public procurement. The preference regulations allow government entities conducting procurement processes to allocate procurement opportunities to special firms i.e. youth, women and persons with disability. The public entities are supposed to institutionalize procurement plans which should have a total reservation of at least 30% of the procurement budget to the special firms. The regulations also give guidance to government entities on how to advertise and evaluate the bids submitted by the special firms. Public entities were also being required to submit quarterly reports to the Public Procurement Oversight Authority (PPOA) for compliance audits. In order to participate in the new preferred and reserved public procurement scheme, the youth, women, and persons with disability were required to register their enterprises with the relevant government body. The public entities were also required to authenticate tender

awards and purchase orders and enter into agreements with relevant financing institutions with an undertaking that the contracted enterprise will be paid through the account opened with the financier. However, very few youths owned enterprises have been able to access public procurement opportunities (Gatare & Shale, 2014). Most procuring entities are mainstreaming the legal requirement at a very slow pace as evidenced by low levels of reporting compliance with the preference and reservation schemes (Business Daily, 2014). The reasons for this state of affairs, however, still remain unclear.

### **Discussions**

From the above literature surveyed, it can be seen that through the AGPO policy of the government, there is a bold and deliberate step for ensuring that marginalized groups are included in procurement and supply chain activities. This intentional focus is meant to assist Women, Youth and People with Disabilities for play a key role in the economic development of Kenya. From literature review the focus areas for ensuring inclusivity in procurement and supply chain for economic development are Training, Information Access, Funding and Legal Framework. The opportunities and challenges faced under the four thematic areas has been well articulated in the above cited literature. It has been observed that a lot has been done in terms of training Women, Youth and People with Disabilities on the opportunities availed in Procurement and Supply chain management activities that are reserved for them. Access to information is also a bottleneck in the struggles to access the 30% reserved opportunities. The information on these reserved opportunities is not readily available to Women, Youth and People with Disabilities. On Funding it is notable that Women, Youth and People with Disabilities face a lot of challenges when it comes to opportunities to access funds to support their businesses operations. the Legal Framework exists though there exist weakness in terms of implementation. There is no evidence that it is being effectively implemented. This has in turn affected how information is shared and even the availability of the opportunities. A lot needs to be done to enhance enforcement of the legal framework for it to fully support inclusivity of marginalized people in procurement and supply chain management opportunities. This will support the role of Women, Youth and People with Disabilities in economic development of Kenya.

### **Conclusion**

The study concludes that despite the existence of a legal framework to support inclusivity in supply chain in Kenya, there is little evidence that it has been effectively implemented. It can also be observed that the AGPO policy has not achieved much in ensuring that the Women, Youth and People with Disabilities have been given their fair share of procurement and supply chain opportunities.

### **Recommendations**



The objective of the study was to find out the opportunities and challenges of inclusivity in procurement and supply chain as a catalyst of economic Development. The study recommends that the policy of inclusivity in procurement and supply chain in Kenya being under AGPO be enhanced by effectively grounding the legal framework by proposing sanctions for those who fail to implement it.

### **Practical Implications**

This Study provides a framework for understanding how the policies that have been put in place for inclusivity in procurement and Supply Chain Management and how they can contribute to economic development. On policy, the study has shown that despite there being a legal framework that supports inclusivity in procurement and supply chain management, there is need for a deliberate and focused way of ensuring that this is implemented. For practice, there is need for proper enforcement of inclusivity in procurement for supply chain for effective inclusion of marginalized groups.

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