IMPLEMENTATION OF THE YOUTH PREFERENCE AND RESERVATIONS POLICY IN PUBLIC PROCUREMENT: THE CASE OF STATE OWNED ENTERPRISES IN NAIROBI

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DECLARATION

This research project is my original work and has not been presented for examination in any other University.

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This research project has been forwarded for examination with my approval as the University Supervisor.

Name: …………………………………………………………………………..

Signature: ________________________   Date: _______________________
# LIST OF ABBREVIATIONS

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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>CDF</td>
<td>Constituency development funds</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>ODA</td>
<td>Official Development Assistance</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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<td>PPOA</td>
<td>Public Procurement Oversight Authority</td>
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<td>PPDA</td>
<td>Public Procurement and Disposal Act</td>
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<td>KNBS</td>
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ABSTRACT

The purpose of this study was to determine the implementation of the youth preference and reservations policy in public procurement. The research questions therefore were; to establish the extent to which the youth preference and reservations policy has been implemented and to establish the extent to which institutional challenges and legislation respectively affect implementation of the policy.

The study employed descriptive survey design and a census of all the 70 state owned enterprises headquartered in Nairobi was conducted in the study out of which 55 enterprises responded. The study used primary data which was collected through use of a five point likert scale questionnaire. The researcher used Statistical Package for Social Sciences (SPSS) to generate the descriptive statistics and also to generate inferential results. The descriptive statistics used included frequencies, averages and percentages while inferential statistics such as correlation analysis was used to demonstrate the extent to which legislation affects implementation of the youth preference and reservations policy in public procurement.

According to the research findings, the youth preference and reservations policy in public procurement had not been fully implemented. Effects of institutional challenges on implementation were found to be statistically significant with a negative impact on the implementation of the youth preference and reservations policy in public procurement. Results also indicate that legislation had negative but significant effect on implementation of the youth preference and reservations policy in public procurement. The study recommends that the government intensifies the awareness campaign among the procurement practitioners and budget holders on the policy; institutionalize monitoring and training in all the enterprises and include the practitioners in review of the Public Procurement legislation.
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Public procurement has been a neglected area of academic education and research, even though public procurement is alleged as a major function of government and even though governmental entities, policy makers and public procurement professionals have paid a great deal of attention to procurement improvements or reforms. Public procurement has a long history. It was written on a red clay tablet, which was found in Syria, the earliest procurement order dates from between 2400 and 2800 B.C. The order was for “50 jars of fragrant smooth oil for 600 small weights in grain” (Coe, 1989). Other evidence of historical procurement comprises the development of the silk trade between China and a Greek colony in 800 B.C. (Thai, 2010).

There are several reasons that manifest the importance of public procurement as a function of government. First, the sheer magnitude of procurement outlays has a great impact on the economy. Indeed, in all countries in the world, estimates of the financial activities of government procurement managers are believed to be in the order of 10% – 30% of GNP (Callender & Mathews, 2000). In the year 2013/14, the GOK is expected to spend about 70% of the 1.6 Trillion Shillings budget on procurement of goods and services. Efficiently handling this size of procurement outlays has been a policy and management concern as well as a challenge for public procurement practitioners.

According to Callender and Mathews (2000), there is now very limited doubt among policy makers, managers, professionals and academics about the importance of public procurement in facilitating government operations in both developed and developing countries. Public procurement is increasingly recognized as a profession that plays a significant role in the successful management of public resources and a number of
countries have become more aware of the importance of procurement as an area vulnerable to mismanagement and corruption and have thus instituted efforts to integrate procurement in a more strategic view of government efforts.

The frameworks for Public Procurement in developed and developing countries alike are recognized as being characterized by an unstable tension between the public expectations of transparency and accountability and of efficiency and effectiveness of resource management. This conformance-performance tension, manifest throughout a complex procurement environment, is further damaged by conflicting stakeholder interests at the political, business, community and management levels and exacerbated by competing claims between executives, lawyers, technologists and politicians for lead roles in this arena (Schapper and Paul, 2006).

The public procurement practitioners have and will always face many challenges albeit the specific different country’s economic, social, cultural and political environment. Corruption is disastrous to the sound functioning of any government department and has been an intractable problem in many developing countries; especially where it has become systematic to the point, where many in government have a stake. It diverts decision-making and the provision of services from those, who need them to those, who can afford them (Schapper and Paul, 2006).

1.1.1 Procurement Systems

Purchasing Insight (2013) notes that Procurement is the overarching function that describes the activities and processes to acquire goods and services. Importantly, and distinct from “purchasing”, procurement involves the activities involved in establishing fundamental requirements, sourcing activities such as market research and vendor evaluation and negotiation of contracts. Effective public procurement systems are systems that are defined as offering a high level of transparency, accountability and value for money in the application of a procurement budget. They are critical to poverty reduction and aid effectiveness.
OECD (2010) notes that increasing the effectiveness, efficiency and transparency of procurement systems is an on-going concern of governments and of the international development community. All have recognized that increasing the effectiveness of the use of public funds, including funds provided through official development assistance (ODA) requires the existence of an adequate national procurement system that meets international standards and that operates as intended. Under the auspices of the joint World Bank and OECD Development Assistance Committee (DAC) Procurement Round Table initiative, developing countries and bilateral and multilateral donors worked together to develop a set of tools and standards that provide guidance for improvements in procurement systems and the results they produce. The Round Table initiative culminated with the December 2004 adoption of the "Johannesburg Declaration" including a commitment for the adoption of the Baseline Indicators Tool as the agreed international standards for assessment of national procurement systems.

1.1.2 Public Procurement

Public procurement is the acquisition of goods, services and works by a procuring entity using public funds (World Bank, 1995). It is a public good which is expected to be carried out with the requisite degree of integrity, fairness, accountability, competition, transparency, national interest, economy and should promote the local industry and general economic development. It is for these reasons that governments put in place laws, regulations and guidelines to govern the public procurement process so that these core values are met to the extent practicable.

Governments are often seen as regulator of market participants but governments also increasingly play a role as active participants in the market itself; purchasing public works, supplies, and services (McCrudden, 2004) in Kenya as in most developed countries, the public sector is the largest domestic market. In Kenya, it accounted for approximately 9% of the GDP (USD3.7Billion in 2003/04). Government is mandated to provide goods, works and services to meet various needs of its citizens. Provision of these items is largely done through the government internally or externally by the private sector.
Public Procurement in Kenya is governed through The Constitution of Kenya, 2010, in the provisions dealing with financial matters. The constitutional provisions are brought into operation through the statutes and regulations, among them; The Public Procurement and Disposal Act, 2005; Public Procurement and Disposal Regulations 2006; and Public Procurement and Disposal (Preferences and Reservations) Regulations 2011. These laws protect the interest of the public and maintain the balance of the private sector participation in provision of works, goods and services.

1.1.3 Public Procurement Preference Policy in Kenya

To give the effect of overriding socio-economic requirements of the country, the Public Procurement and Disposal (Preference and Reservations) Regulations 2011 was gazette in the legal notice number 58. 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 groups 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 groups. The regulations also give guidance to government entities on how to advertise and evaluate the bids submitted by the special groups. Public entities will also be required to submit quarterly reports to the Public Procurement Oversight Authority (PPOA) for compliance audits.

To participate in the new preferred and reserved public procurement scheme, the youth, women, and persons with disability are required to register their enterprises with the relevant government body. The public entities will also be 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.
The government has further refined the procurement laws to ensure the special groups, i.e. persons with disabilities, women and youth meet the threshold required so as to utilize the 30% of the government tenders as read in the 2013/2014 budget. In the year 2013/14, the GOK is expected to spend about 70% of the 1.6 Trillion Shillings budget on procurement of goods and services. 30% of all government procurement amounting to approximately 336 Billion Shillings will be reserved for women, youth, persons living with disabilities and small and medium enterprises in a bid to even the playing field and provide equal opportunities to these groups. Categories of goods and services that will be procured on preferential basis to persons who have been previously discriminated or disadvantaged by unfair competition will be required to be put in the procurement plans of the public institutions.

1.1.4 Youth in Public Procurement

Kenya has a huge youthful population, with 75 percent of its population being under the age of 30 years and 22 percent being between the ages of 15 to 24 years and the main risk facing young Kenyans is unemployment (KNBS). A demographic bulge of young people, poor macroeconomic performance, a lack of labor market opportunities, an education system that suffers from problems of access, quality, and relevance, and a society that negates the self-expression of young people mean that many young people are unable to translate their aspirations into a productive and fulfilling future (Ministry of Youth Affairs (MOYA) 2006; World Youth Report 2007).

Kenya also has relatively low labor force participation rates both for young people aged 15 to 24 and adults aged 25 to 54 (Liebrandt and Mlatsheni, 2004). In Kenya, as in many other countries, young people are viewed as being, and are frequently associated among the main perpetrators of crime. Over 50 percent of all convicted criminals in Kenya are young males aged between 16 and 25 (Liebrandt and Mlatsheni, 2004). As is the case in other African countries, most crimes committed by young people in Kenya are financially motivated.
The youth in Kenya are facing numerous challenges which include but not limited to unemployment; Limited access to information, finance, skills and business development services; Limited access to affordable credit facilities; Ineffective commercial links between suppliers and buyers; and exclusion in decision-making processes (Minister of Finance Kenya, 2012).

Article 55 of the Constitution of Kenya provides that the State shall take measures, including affirmative action programmes, to ensure that the youth access relevant education and training; have opportunities to associate, be represented and participate in political, social, economic and other spheres of life. The government of Kenya in furtherance to the constitutional provisions launched the “Youth Access to Government Procurement Opportunities” (YAGPO) which was aimed at creating awareness amongst the youth and the general public on the opportunities available in public procurement.

The policy on preference and reservation in public procurements, with youths included, will help solve most of the economic and societal challenges facing the country. The youth involvement in public procurement borne from the preference policy is expected to be the highest amongst the special groups provided for in the policy given that they form a higher segment of the Kenya population. It is thus of great interest to see the impact of this policy to youth.

1.2 Statement of the Problem

Public procurement frameworks in developed and developing countries alike face the public expectations of transparency and accountability and of efficiency and effectiveness of resource management. In addition, the procurement environment is characterized by conflicting stakeholder interests at the political, business, community and management levels and further exacerbated by competing claims between executives, lawyers, technologists and politicians for lead roles in this arena (Schapper and Paul, 2006).
In a developed or developing country, public procurement practitioners have and will always face many challenges. Each country has its own economic, social, cultural and political environment, and each country’s public procurement practitioners face different types of challenges, or the same types of challenges but at different levels from their counterparts in other countries. Corruption is disastrous to the sound functioning of any government department. It diverts decision-making and the provision of services from those, who need them to those, who can afford them (Schapper and Paul, 2006).

Local studies on the area have focused on the effect of procurement system in companies. Achura, Arasa and Ochiri (2005) examined the effectiveness of public procurement audits for constituency development funds in Kenya. However, they did not address the challenges facing the implementation of procurement regulations in Kenya. Ngugi and Mugo (2007) examined impact of procurement activities on the operation and effectiveness of public sectors in Kenya and concluded that it is essential that these activities be performed by qualified staff with high professional and ethical standards and using sound procedures anchored in appropriate policies and regulations. They however did not examine the challenges of implementation of the procurement regulations. In their study, Kachieng'a and Ogara (2004) reviewed the processes of equipment planning, procurement and Management in public hospitals in Kenya and South Africa. They observed that procurement and management of health equipments required change in the approach, as it affects the quality of the healthcare services.

In view of this, there lacks conclusive studies in Kenya on the challenges of implementation of preference and reservations regulations, as majority of reviewed studies focus on preferential policies in developed economies. This forms the research gap, and this study seeks to examine policy implementation of the youth preference and reservations regulations in public procurement and the challenges facing its implementation.
1.3 General Objectives of the Study

The study aims to investigate the implementation of the youth preference and reservations regulations in public procurement.

1.3.1 Specific objectives of the study:

1. To establish the extent to which the youth preference and reservations policy in public procurement has been implemented.
2. To establish the extent to which institutional challenges affect implementation of the youth preference and reservations policy in public procurement.
3. To establish to what extent legislation affects implementation of the youth preference and reservations policy in public procurement.

1.4 Value of the study

The study will foster creation of new knowledge and awareness in the area of procurement management in all industry sectors both in the private and public sectors. The findings will be important to the policy makers as they may be used as a blueprint for the improvement of legislation on preference in public procurement. The findings will also be important to the oversight institutions of the government in informing the necessary steps to ensure youth participation in public procurement.

The research findings and policy recommendations generated from the study might be of invaluable input to the stakeholders and practitioners participating in Public Procurement. The findings are also expected to add more knowledge on the existing body of knowledge in the subject area.
CHAPTER TWO; LITERATURE REVIEW

2.1 Introduction

This chapter focuses on theories relevant to the study. Literature related to the study is also reviewed with the aim of identifying literature gaps. The literature review will also guide the relevance of the study findings.

2.2 Theoretical Review

This section contains review of theories relevant to the study.

2.2.1 Youth Empowerment Theory

Hart’s (1992) Ladder of Young People’s Participation, based on Arnstein’s (1969) typology of citizen control, is an informative framework for articulating youth participation types. Hart’s typology, however, does not take into account recent findings in youth-adult partnership research. By placing youth-driven participation at the top of the ladder, the contribution that adult-involvement can lead to youth and community development is undervalued. Furthermore, the lack of adult involvement in youth-driven participation may hinder rather than encourage optimal adolescent development and empowerment. In her evaluation of youth-adult partnerships, Camino (2005; 2000) found that activity quality and positive development outcomes could be compromised when adults are not involved. Youth may lack the skills and expertise to successfully conduct an activity alone, which can lead to frustration and unintended disempowering outcomes. Similarly, McHale, Crouter and Tucker (2007) found that children, who participated in structured activities with adults rather than unsupervised activities with peers, had improved developmental adjustment in middle school years.
2.2.2 Agency Theory

Agency theory is a concept that explains why behavior or decisions vary when exhibited by members of a group. Specifically, it describes the relationship between one party called the principal, that delegates work to another, called the agent. It explains their differences in behavior or decisions by noting that the two parties often have different goals and, independent of their respective goals, may have different attitudes toward risk. The concept originated from the work of Adolf Augustus Berle and Gardiner Coit Means, who were discussing the issues of the agent and principle as early as 1932. Berle and Means explored the concepts of agency and their applications toward the development of large corporations. They saw how the interests of the directors and managers of a given firm differ from those of the owner of the firm, and used the concepts of agency and principal to explain the origins of those conflicts (Murtishaw and Sathaye, 2006).

Jensen and Meckling shaped the work of Berle and Means in the context of the risk-sharing research popular in the 1960s and '70s to develop agency theory as a formal concept. Jensen and Meckling formed a school of thought arguing that corporations are structured to minimize the costs of getting agents to follow the direction and interests of the principals. The theory essentially acknowledges that different parties involved in a given situation with the same given goal will have different motivations, and that these different motivations can manifest in divergent ways. It states that there will always be partial goal conflict among parties, efficiency is inseparable from effectiveness, and information will always be somewhat asymmetric between principal and agent. The theory has been successfully applied to myriad disciplines including accounting, economics, politics, finance, marketing, and sociology (Nikkinen and Sahlstrom, 2004).

2.2.3 Institutional Theory

The basic concepts and premises of the institutional theory approach provide useful guidelines for analyzing organization-environment relationships with an emphasis on
the social rules, expectations, norms, and values as the sources of pressure on organizations. This theory is built on the concept of legitimacy rather than efficiency or effectiveness as the primary organizational goal (Doug and Scott, 2004). The environment is conceptualized as the organizational field, represented by institutions that may include regulatory structures, governmental agencies, courts, professionals, professional norms, interest groups, public opinion, laws, rules, and social values. Institutional theory assumes that an organization conforms to its environment. There are, however, some fundamental aspects of organizational environments and activities not fully addressed by institutional theory that make the approach problematic for fully understanding credit reference bureaus and their environment: the organization being dependent on external resources and the organization's ability to adapt to or even change its environment (Doug and Scott, 2004).

Researcher such as Meyer and Rowan (1991), DiMaggio and Powell (1983) are some of the institutional theorists who assert that the institutional environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures. Innovative structures that improve technical efficiency in early-adopting organizations are legitimized in the environment. Ultimately these innovations reach a level of legitimization where failure to adopt them is seen as "irrational and negligent" (or they become legal mandates). At this point new and existing organizations will adopt the structural form even if the form doesn't improve efficiency.

2.2.4 Public Interest Theories of Regulation

The first group of regulation theories account for regulation from the point of view of aiming for public interest. This public interest can be further described as the best possible allocation of scarce resources for individual and collective goods. In western economies, the allocation of scarce resources is to a significant extent coordinated by the market mechanism. In theory, it can even be demonstrated that, under certain circumstances, the allocation of resources by means of the market mechanism is
optimal (Arrow, 1985). Because these conditions are frequently not adhered to in practice, the allocation of resources is not optimal and a demand for methods for improving the allocation arises (Bator, 1958). One of the methods of achieving efficiency in the allocation of resources is government regulation (Arrow, 1970; Shubik, 1970). According to public interest theory, government regulation is the instrument for overcoming the disadvantages of imperfect competition, unbalanced market operation, missing markets and undesirable market results.

In the first place, regulation can improve the allocation by facilitating, maintaining, or imitating market operation. The exchange of goods and production factors in markets assumes the definition, allocation and assertion of individual property rights and freedom to contract (Pejovich, 1979). The guarantee of property rights and any necessary enforcement of contract compliance can be more efficiently organized collectively than individually. Furthermore, the costs of market transactions are reduced by property and contract law.

The freedom to contract can, however, also be used to achieve cooperation between parties opposed to market operation. Agreements between producers give rise to price deviating from the marginal costs and an inefficient quantity of goods is put on the market. Antimonopoly legislation is aimed at maintaining the market operation through monitoring the creation of positions of economic power and by prohibiting competition limiting agreements or punishing the misuse thereof.

2.3 Empirical Review

Ngugi and Mugo (2007) examined impact of procurement activities on the operation and effectiveness of public sectors in Kenya and concluded that it is essential that these activities be performed by qualified staff with high professional and ethical standards and using sound procedures anchored in appropriate policies and regulations. He adopted a descriptive research design to analyze the purchasing process in the Health-Care industry. The findings revealed that accountability, ICT
adoption and ethics affected procurement process of health care supplies in the public sector to a great extent. The study therefore recommends that adequate controls should be put in place reducing opportunities for corruption.

Mahmood (2010) conducted a study on Public procurement and corruption in Bangladesh confronting the challenges and opportunities. He found out that in Bangladesh contract awards provide opportunities for procurement. There are reports of wide-ranging corruption, political control and pressure from trade unions in the procurement process. Public trust in the process is generally absent. The World Banks evaluation of Bangladesh concluded that the implementation of procurement process is far from satisfactory, due to the following problems, poor advertisement, short bidding periods, poor specifications, nondisclosure of selection criteria, contract awards by lottery, one-sided contract documents, negotiations with all bidders and rebidding without adequate grounds, occurrence of corruption involving donor agency are not uncommon at nationally or globally and or other levels. The interesting finding is that procurement happens to be one of the lucrative areas where corruption is above nature, therefore, the quality of public administration must be improved and accountable, which is an integral part of good governance.

Thai (2004) explained that, as many countries have moved to a regional and or global economy, Public procurement practitioners face another challenge that is, how to comply with their government’s procurement regulations and social and economic procurement goals without violating regional and/or international trade agreements. For example, how to comply with national economic policies (in nurturing domestic firms), without dealing unfairly with foreign firms as provided in regional trade agreements and/or the World Trade Organization (WTO) agreements is not easy, which requires a careful study of trade agreements in order to take advantages of special provisions.

Byokusheka (2008) noted that, the procurement objective is to provide quality goods and services through open and fair competition in the exact quantity and proper quality as specified; and has to be delivered at the time and place where needed.
Therefore, to secure such goods and services at competitive prices requires accurate planning and involvement of a number of stakeholders.

Linarelli & Wallace (2000), in their study of procurement argued that any procurement begins with the planning decision to make the purchase. This will involve deciding whether there is a need for the particular goods or services and will equally involve ensuring that the purchaser has the legal powers to undertake the transaction, obtaining any relevant approvals within the government hierarchy and arranging the necessary funding.

According to Kalakota and Robinson (2001) before the implementation of e-procurement, a company must first clearly define the business problems its e-procurement solution is intended to address. Furthermore, before an e-procurement solution can be deployed, a company must undergo thorough procurement process reengineering. Automating an existing procurement process will only make matters worse (Kalakota and Robinson 2001). Puschamann and Alt (2005) recognize that in the successful practices the redesigning of the procurement process is focused on: reduction or elimination of authorization stages; regulation of exceptions to a limited degree in the beginning; elimination of paper; integration of suppliers in the entire process chain; and consideration of the complete process from searching for goods through to invoicing.

Barden (2012) examined the challenges of procurement in South Africa, His article reports on an exploration of challenges experienced in the field of procurement within the South African public sector. To institute procurement best practices, a supply chain management system was adopted in South Africa in 2003. The procurement process was granted constitutional status and has been used to address past inequitable policies and practices. It promotes aims which are, arguably, secondary to the primary aim of procurement. For the exploration, a conceptual analytical approach was employed and some of the key guiding pillars of public procurement in South Africa divulged. The challenges restraining effective and efficient implementation of public procurement are also revealed. The article concludes by recommending the
development of competency through customized (separate) training materials and programs in the involvement of stakeholders in the bidding process and the employment of good strategic sourcing practices.

Kotoka (2012) assesses the level of compliance with public procurement in public entities in Ghana. Public Procurement in Ghana has undergone several reviews since independence with the intent of strengthening Public Financial Management Systems. He outlined the events leading to reviews and features of the legal, institutional and regulatory framework of the public procurement reform in Ghana and analyzes its potential effect on entities in Ashanti region. A sample of two hundred (200) stakeholders including MMDAs, some selected Health and Educational institutions in Ashanti Region were used. The main tools used for data collection were questionnaires and interviews. The study revealed that the Public Procurement Act, somewhat, succeeded in harmonizing the process of procurement in the public entities to secure fiscal transparency, efficiency, and increase competition among the local industry. However the challenge of creating procurement structures and recruiting appropriate personnel to manage procurement process limits the scope for efficiency and value for money. Amending the Act to address the challenges and effective monitoring and evaluation of procurement activities in the entities as well as applying sanctions to punish unethical behavior and political interference in procurement processes will improve the level of compliance with the reform.

Achuora, Arasa and Ochriri (2010) examined the factors that affect effectiveness of public procurement audits for constituency development funds (CDF) in Kenya. Specifically they investigated the effect of the legal framework, auditor’s specific professional qualities, technical audit factors and client-related factors on effectiveness of public procurement audits, descriptive research design was employed, using a stratified random sampling to ensure representativeness. Both quantitative and qualitative methods of data analysis were used. Descriptive statistics as well as regression analysis were used to facilitate examination of the relationship between the variables of interest. The study findings indicate that technical audit factors have greatest influence on effectiveness of public procurement audit, followed by
regulatory framework, client related factors and auditor’s professional qualities respectively. The study recommends that a summarized regulatory framework for CDF procurement management be prepared by policy makers, more public auditors be trained on public procurement audit and the CDF managers be exposed to audit as a positive management tool.

Baba (2005) pointed out some implications of the procurement structure and the development stage of the supporting industry of Asia. In his book titled “A Study on Supporting Industries in Asia,” which is based on his doctoral dissertation at the University of Tokyo, he analyzed the international input-output table for ASEAN countries and wrote case studies on the automobile companies in Indonesia and Japan and the Die &Mold companies and organization in Japan. His findings were the introduction of digital technology affects the transfer of a supporting industry. In addition, it is important to consider the elements of “existence of the market beyond a fixed scale” and “training of talented people.

McCrudden (2004) discusses procurement initiatives addressing social goals that took place in the 19th century. For example, in 1840, the US president Martin Van Buren issued an executive order that established the 10-hours working day for those working under certain government contracts. Similar initiatives were also made in Europe, in particular France and the UK. The same author even states that “it is not too much of an exaggeration to say that modern procurement systems evolved alongside the development of the welfare State, and it is hardly surprising that the former was used in part to underpin the goals of the latter”.

The research by Davila et al. (2003) examined the effectiveness of E- procurement in companies. His findings were that companies which use E-procurement gain additional control over maverick spending and can reduce the headcount supporting purchasing transactions. Kachieng’a and Ogara (2004) reviewed the processes of equipment planning, procurement and Management in public hospitals in Kenya and South Africa. They observed that procurement and management of health equipments required change in the approach, as it affects the quality of the healthcare services.
Zhang (2012) examined procurement domestically and international companies. He concluded that conducting and managing international procurement is more complex than undertaking domestic procurement. Some key aspects that differentiate international procurement from domestic procurement are that international procurement deals with a wider range of issues: trade between different nationalities, less mobility of factors of production, customer heterogeneity across markets and use of different currencies, governmental economic policy and political issues, culture, distance, customs and tax systems. These are the factors that make international business much more complex and a difficult activity.

According to PPDA (2005) an appropriate regulatory system is required to enhance transparency and non-discriminatory in order to achieve value for money. The law establishes the procurement methods to be applied, advertising rules and time limits, the content of tender documents and technical specifications, tender evaluation and award criteria, procedures for submission, receipt and opening of tenders, and the complaints system structure and sequence (PPOA, 2007). Ongoya (2005) points out that regulations lays the foundation for separation of powers between institutions managing public procurement and those checking on compliance. According to Manasseh (2007), auditors examine procurement transactions and documents, pursuant to the appointment terms and in compliance with relevant statutory requirements. Availability of sound legal framework offers boundaries and benchmarks against which audit is conducted objectively.

2.4 Summary

Based on the literature reviewed, it is evident that there are inadequate studies on the challenges facing the implementation of youth preferential procurement in public procurement in Kenya. Studies conducted in Kenya in the area have focused more on the effectiveness of procurement process in general. Ngugi and Mugo (2007) analyzed the effect of procurement activities on the operation and effectiveness of public sectors in Kenya. However, he did not address the challenges facing the implementation of preferential procurement in public procurement in Kenya. Also
Zomboko (2012) analyzed the challenges in procurement and use of donated medical equipment in referral hospital in Tanzania but failed to establish the challenges facing the implementation of preferential policy in procurement. In addition Harpe (2009) assessed public procurement law in South Africa but failed to establish the challenges facing the implementation of directive for allocation of public procurement to special interest groups.

Therefore, there lacks conclusive studies in the area of public procurement for the special interest groups as majority of reviewed studies focuses the general procurement. This forms the research gap. It is for this research gap that this study wishes to establish the challenges facing the implementation of the policy on special treatment of the youth in public procurement.

2.5  Conceptual Model

Robson (2002) defines the conceptual framework of a study as the system of concepts, assumptions, expectations, beliefs, and theories that supports and informs research as a key part of the research design.

The variables of the study comprised one dependent variable (successful implementation of the youth preference and reservations policy in public procurement) and two independent variables (institutional challenges and legislation).
The dependent variable is the Implementation of the Youth Preference and Reservations policy in Public Procurement. The dependent variable measured by a set of five (5) constructs based on the likert scale. The variable aims to at determining the extent to which the policy has been complied with.

The independent variables consist of institutional and Legislation challenges. The impact on institutional challenges is assumed to be affected by 8 constructs whose degree is measured on a likert scale. The presence of institutional challenges is expected to decrease the extent to which the preference and reservation policy is implemented.

The impact of Legislation is determined by 8 constructs whose degree is measured on a likert scale. The more the legislation is adequate, the higher the expected extent of implementation of preference policy to the youth.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter covers research design, population, and data analysis. The chapter also covers the research ethical issues that should be observed. Research methodology is the architecture or the layout of the research framework. According to Polit and Hungler (2003) methodology refers to ways of obtaining, organizing and analyzing data.

3.2 Research Design

The study employed descriptive survey design. Descriptive survey is conducted to describe the present situation, what people currently believe, what people are doing at the moment and so forth (Baumgartner, Strong and Hensley 2002). According to Kothari (2004), descriptive survey design includes surveys and fact finding enquiries of different kinds. The major purpose of descriptive research design is description of the state of affairs as it exists at present (Kothari 2004).

3.3 Population

The population of the study was all 70 state owned enterprises headquartered in Nairobi. In this regard, a census approach was conducted in this study.

3.4 Data Collection

The study used primary data which was collected through use of a questionnaire. A five point likert scale questionnaire was used. The likert measures the level of agreement or disagreement where the scale ranks are follows: Strongly Disagree =1; Disagree =2; Neutral =3; Agree =4; Strongly Agree =5.
Likert scales are good in measuring perception, attitude, values and behavior. The likert scale has scales that assist in converting the qualitative responses into quantitative values (Mugenda & Mugenda, 2003, Upagade & Shende, 2012, Zikmund, Babin, Carr & Griffin, 2010).

The respondents were the procurement officers in these 70 state owned enterprises therefore, 1 procurement officer per entity was chosen. The preferred respondents were the procurement officers as they were knowledgeable about issues discussed in the study.

Initially the researcher used self introductions and also used internal informants. Two research assistants were used in administering and collection of the questionnaires. The questionnaires were sent to the respondents with a forwarding letter from the University. The researcher made follow ups and the fully completed questionnaires were picked from the respondents later by research assistants.

**3.5 Data Analysis**

After data had been collected through questionnaires, it was prepared in readiness for analysis by editing, handling blank responses, coding, categorizing and keying into Statistical Package for Social Sciences (SPSS) computer software for analysis. SPSS was used to produce frequencies, descriptive statistics which were used to derived conclusions and generalizations regarding the population.

For objective one (1), to establish the extent to which legislation affected implementation of the policy. The specific data analysis method was descriptive statistics. Therefore, mean scores and percentages were used to ascertain the extent of implementation of preference and reservations policy.

To achieve the objective two (2), that sought to establish the extent to which institutional challenges affected implementation of the policy, correlation analysis was used.
Correlation analysis was also used to analyze the extent to which implementation of the youth preference and reservations policy was affected by legislation.
CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter comprises data analysis which has been derived from questionnaires responses and results are presented in tables. The findings of the study are organized based on the specific objectives.

4.2 Response Rate

The target population for the study was 70 state owned enterprises headquartered in Nairobi. Out of 70 enterprises only 55 enterprises administered the questionnaire. This represents a response rate of 79% which according to Borg, Gall and Gall (2004) and Creswell (2009) a response rate of 50% is adequate to give the correct view for a survey study. The response rate is presented on Table 4.1.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Response</th>
<th>% Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Successful</td>
<td>55</td>
</tr>
<tr>
<td>Unsuccessful</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
</tr>
</tbody>
</table>

4.3 Implementation of Preference and Reservations Policy

Table 4.2 displays results of responses regarding implementation of preference and reservations policy. According to the analysis, Forty percent of the respondents strongly disagreed and thirty four point five percent disagreed bringing to a total of
(74.5%) of those who disagreed that their department had complied with the requirement to set aside 30% of the procurement budget for special groups such as the youth. Forty percent strongly disagreed while twenty three point six disagreed bringing to a total of (63.6%) of those who disagreed with the statement that their department had complied with the requirement to advertise the procurement opportunities available for special groups such as the youth. Fifty two point seven strongly disagreed while another twenty one point eight disagreed bringing to a total of (74.5%) of those who disagreed with the statement that their department had complied with the requirement to evaluate the submission from special groups such as the youth in line with the given criteria. In addition, 85.5% strongly disagreed with the statement that their department had awarded over half of the percentage set aside contracts to special groups such as the youth and another 74.6% disagreed with the statement that their department had complied with the requirement for reporting contract awards from the special group to the PPOA. The mean score of the responses was 1.9 which means that there was more disagreement with the statement on the questionnaire regarding implementation of preference and reservations policy.
Table 4.2 Implementation of Preference and Reservations Policy

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>Std</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our department has complied with the requirement to set aside 30% of the procurement budget for special groups such as the youth</td>
<td>40.0%</td>
<td>34.5%</td>
<td>20.0%</td>
<td>5.5%</td>
<td>0.0%</td>
<td>1.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Our department has complied with the requirement to advertise the procurement opportunities available for special groups such as the youth</td>
<td>40.0%</td>
<td>23.6%</td>
<td>21.8%</td>
<td>14.5%</td>
<td>0.0%</td>
<td>2.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Our department has complied with the requirement to evaluate the submission from special groups such as the youth in line with the given criteria</td>
<td>52.7%</td>
<td>21.8%</td>
<td>10.9%</td>
<td>14.5%</td>
<td>0.0%</td>
<td>1.9</td>
<td>1.1</td>
</tr>
<tr>
<td>Our department has awarded over half of the percentage set aside contracts to special groups such as the youth</td>
<td>58.2%</td>
<td>27.3%</td>
<td>9.1%</td>
<td>5.5%</td>
<td>0.0%</td>
<td>1.6</td>
<td>0.9</td>
</tr>
<tr>
<td>Our department has complied with the requirement for reporting contract awards from the special group to the PPOA</td>
<td>58.2%</td>
<td>16.4%</td>
<td>20.0%</td>
<td>0.0%</td>
<td>5.5%</td>
<td>1.8</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>49.8%</strong></td>
<td><strong>24.7%</strong></td>
<td><strong>16.4%</strong></td>
<td><strong>8.0%</strong></td>
<td><strong>1.1%</strong></td>
<td><strong>1.9</strong></td>
<td><strong>1.0</strong></td>
</tr>
</tbody>
</table>

25
4.4 Institutional Challenges

The second objective was to establish the extent to which institutional challenges affect implementation of the youth ‘Preference and Reservations’ policy in public procurement. Results on Table 4.3 show that 74.5% agreed with the statement that lack of transformational leadership in their organization had affected the implementation of ‘preference and reservation policy while 83.6% agreed with the statement that inadequate training of procurement staff in their organization had affected the implementation of ‘preference and reservation regulations’. In addition, 76.3% felt that incompetency of procurement staff in their organization had affected the implementation of ‘preference and reservation regulations’. Majority (80%) of the study participants agreed with the statement that failure to employ good strategic sourcing practices in their organization had affected the implementation of ‘preference and reservation regulations’. Amongst the respondents, 74.5 % agreed that failure to have effective monitoring and evaluation of procurement activities in their organization had affected the implementation of ‘preference and reservation regulations’ while 78.2 % agreed with the statement that existence of unethical behavior and corruption in their organization had affected the implementation of ‘preference and reservation regulations’. Majority (81.8%) agreed that existence of political interference in their organization had affected the implementation of ‘preference and reservation regulations’ while 80% agreed with the statement that failure to adopt ICTs in their organization affected the implementation of ‘preference and reservation regulations’. This is supported by a mean score of 3.7 and a standard deviation of 1.2. These results indicate that most of the study participants had concerns with the institutional challenges.
The findings agree with those of Baba (2005) who pointed out some implications of the procurement structure and the development stage of the supporting industry of Asia. In his book titled “A Study on Supporting Industries in Asia,” which is based on his doctoral dissertation at the University of Tokyo, he analyzed the international input-output table for ASEAN countries and wrote case studies on the automobile companies in Indonesia and Japan and the Die &Mold companies and organization in Japan. His findings were the introduction of digital technology affects the transfer of a supporting industry. In addition, it is important to consider the elements of “existence of the market beyond a fixed scale” and “training of talented people."
Table 4.3 Institutional Challenge

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>Std</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of transformational leadership in our organization has affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
<td>14.5%</td>
<td>10.9%</td>
<td>0.0%</td>
<td>23.6%</td>
<td>50.9%</td>
<td>3.9</td>
<td>1.5</td>
</tr>
<tr>
<td>Inadequate training of procurement staff in our organization has affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
<td>9.1%</td>
<td>7.3%</td>
<td>0.0%</td>
<td>80.0%</td>
<td>3.6%</td>
<td>3.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Incompetency of procurement staff in our organization has affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
<td>12.7%</td>
<td>10.9%</td>
<td>0.0%</td>
<td>41.8%</td>
<td>34.5%</td>
<td>3.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Failure to employ good strategic sourcing practices in our organization has affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
<td>5.5%</td>
<td>10.9%</td>
<td>1.8%</td>
<td>72.7%</td>
<td>9.1%</td>
<td>3.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Failure to have effective monitoring and evaluation of procurement activities in our organization has affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
<td>7.3%</td>
<td>14.5%</td>
<td>3.6%</td>
<td>61.8%</td>
<td>12.7%</td>
<td>3.6</td>
<td>1.1</td>
</tr>
<tr>
<td>Existence of unethical behavior and corruption in our organization has affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
<td>10.9%</td>
<td>7.3%</td>
<td>3.6%</td>
<td>50.9%</td>
<td>27.3%</td>
<td>3.8</td>
<td>1.2</td>
</tr>
<tr>
<td>Existence of political interference in our organization has affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
<td>9.1%</td>
<td>5.5%</td>
<td>3.6%</td>
<td>63.6%</td>
<td>18.2%</td>
<td>3.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Failure to adopt ICTs in our organization affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
<td>10.9%</td>
<td>9.1%</td>
<td>0.0%</td>
<td>61.8%</td>
<td>18.2%</td>
<td>3.7</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>10.0%</strong></td>
<td><strong>9.6%</strong></td>
<td><strong>1.6%</strong></td>
<td><strong>57.0%</strong></td>
<td><strong>21.8%</strong></td>
<td><strong>3.7</strong></td>
<td><strong>1.2</strong></td>
</tr>
</tbody>
</table>
4.5 Legislation

The study also sought to establish the extent to which legislation affect implementation of the ‘Preference and Reservations’ policy. Results on Table 4.4 show that 40.0% strongly agreed and 38.2% agreed bringing a total of (78.2%) of those who agreed that the regulations on ‘preference and reservations’ to special groups were not clear on how the allocation should be done in the budget and procurement plans. 72.2% also observed that the regulations on advertising/communication of opportunities for special groups was inadequate, another 56.4% strongly agreed and 25.5% agreed bringing to a total of (81.9%) of those who had their view on that the regulations concerning tendering process for special groups was inadequate. In addition, 80% agreed with the statement that the regulations on tender evaluation and award criteria for special groups such as the youth were inadequate. A majority 71% agreed with the statement that the regulation on submission, receipt and opening of tenders for special groups is inadequate while another 85.4% felt that the regulation concerning the complaints system structure for special groups such as the youth was inadequate. In addition, 69.1% agreed with the statement that the regulation on communication of awards for special groups such as the youth was inadequate while another 80% agreed with the statement that the regulation on monitoring and evaluation for special groups such as the youth was inadequate. This was supported by a mean score of 3.7 and standard deviation of 1.0. This implies that the legislation was poorly implemented hence affecting the ‘Preference and Reservations’ policy among the youth in public procurement. Therefore, majority of the respondents agreed to the statements regarding legislation on ‘preference and reservations’ to special groups.

The findings agree with those of Thai (2004) who explained that, as many countries have moved to a regional and or global economy, Public procurement practitioners face another challenge that is, how to comply with their government’s procurement
regulations and social and economic procurement goals without violating regional and/or international trade agreements. For example, how to comply with national economic policies (in nurturing domestic firms), without dealing unfairly with foreign firms as provided in regional trade agreements, which requires a careful study of trade agreements in order to take advantages of special provisions.

The findings are also consistent with PPDA (2005) which asserts that an appropriate regulatory system is required to enhance transparency and non-discriminatory in order to achieve value for money. The law establishes the procurement methods to be applied, advertising rules and time limits, the content of tender documents and technical specifications, tender evaluation and award criteria, procedures for submission, receipt and opening of tenders, and the complaints system structure and sequence (PPOA, 2007). Ongoya (2005) points out that regulations lays the foundation for separation of powers between institutions managing public procurement and those checking on compliance. According to Manasseh (2007), auditors examine procurement transactions and documents, pursuant to the appointment terms and in compliance with relevant statutory requirements. Availability of sound legal framework offers boundaries and benchmarks against which audit is conducted objectively.

These findings support the ongoing efforts spearheaded by the public procurement oversight authority (PPOA) to review the regulations. The findings are also collaborated by the recently issued amendments to the preference and reservations regulations 2011, issued in July 2013.
## Table 4.4 Legislation

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Mean</th>
<th>Std</th>
</tr>
</thead>
<tbody>
<tr>
<td>The regulations on ‘preference and reservations’ to special groups such as the youth are not clear on how the allocation should be done in the budget and procurement plans</td>
<td>5.5%</td>
<td>12.7%</td>
<td>3.6%</td>
<td>40.0%</td>
<td>38.2%</td>
<td>3.9</td>
<td>1.2</td>
</tr>
<tr>
<td>The regulations on advertising / communication of opportunities for special groups such as the youth is inadequate</td>
<td>3.6%</td>
<td>12.7%</td>
<td>0.0%</td>
<td>72.7%</td>
<td>10.9%</td>
<td>3.8</td>
<td>0.9</td>
</tr>
<tr>
<td>The regulations concerning tendering process for special groups such as the youth is inadequate</td>
<td>1.8%</td>
<td>16.4%</td>
<td>0.0%</td>
<td>56.4%</td>
<td>25.5%</td>
<td>3.9</td>
<td>1.0</td>
</tr>
<tr>
<td>The regulations on tender evaluation and award criteria for special groups such as the youth is inadequate</td>
<td>5.5%</td>
<td>14.5%</td>
<td>0.0%</td>
<td>67.3%</td>
<td>12.7%</td>
<td>3.7</td>
<td>1.1</td>
</tr>
<tr>
<td>The regulation on submission, receipt and opening of tenders for special groups such as the youth is inadequate</td>
<td>5.5%</td>
<td>21.8%</td>
<td>1.8%</td>
<td>45.5%</td>
<td>25.5%</td>
<td>3.6</td>
<td>1.2</td>
</tr>
<tr>
<td>The regulation concerning the complaints system structure for special groups such as the youth is inadequate</td>
<td>0.0%</td>
<td>14.5%</td>
<td>0.0%</td>
<td>83.6%</td>
<td>1.8%</td>
<td>3.7</td>
<td>0.7</td>
</tr>
<tr>
<td>The regulation on communication of awards for special groups such as the youth is inadequate</td>
<td>7.3%</td>
<td>16.4%</td>
<td>7.3%</td>
<td>56.4%</td>
<td>12.7%</td>
<td>3.5</td>
<td>1.1</td>
</tr>
<tr>
<td>The regulation on monitoring and evaluation</td>
<td>5.5%</td>
<td>7.3%</td>
<td>7.3%</td>
<td>80.0%</td>
<td>0.0%</td>
<td>3.6</td>
<td>0.9</td>
</tr>
</tbody>
</table>
for special groups such as the youth is inadequate

| Average | 4.3% | 14.5% | 2.5% | 62.7% | 15.9% | 3.7 | 1.0 |

4.6 Youth preference and reservations policy affected by legislation

The extent to which implementation of the youth preference and reservations policy in public procurement was affected by legislation was measured using Pearson Correlation. Bivariate correlation indicates the relationship between two variables. It ranges from 1 to -1 where 1 indicates a strong positive correlation and a -1 indicates a strong negative correlation and a zero indicates lack of relationship between the two variables. The closer the correlation tends to zero the weaker it becomes. The correlation between implementation of the youth preference and reservations policy and institutional challenge was negative (-0.315) and significant (0.019). This shows that an increase in institutional challenges leads to a decrease in implementation (-0.315). The correlation between implementation of the youth preference and reservations policy and legislation was negative (-0.483) and a p value of 0.000 hence had statistically significant relationships.

Table 4.5: Pearson’s Correlation

<table>
<thead>
<tr>
<th>Variable</th>
<th>Implementation</th>
<th>Institutional Challenge</th>
<th>Legislation</th>
</tr>
</thead>
<tbody>
<tr>
<td>implementation</td>
<td>Pearson Correlation</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional Challenge</td>
<td>Pearson Correlation</td>
<td>-0.315</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.019</td>
<td></td>
</tr>
<tr>
<td>Legislation</td>
<td>Pearson Correlation</td>
<td>-0.483</td>
<td>0.489</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter comprises of summary key findings of the study based on results from data analysis and the objectives of the study. Conclusions and recommendations are also included and they are aligned to the findings.

5.2 Summary of Findings

The general objective of this study was to establish the implementation of public procurements’ preference and reservations policy in state owned enterprises in Nairobi, Kenya. A population of fifty five (55) enterprises was drawn out of 70 enterprises. For purposes of collecting primary data, the researcher developed and administered a questionnaire and the results obtained were analyzed using Microsoft Excel and Statistical Package for Social Sciences (SPSS).

The results indicate that the extent of implementation of the youth ‘Preference and Reservations’ policy in public procurement was very low as the overall responses of the responses gave a mean score of 1.9 which means that more respondents were disagreeing with the statements on this objective in the questionnaire. The responses were also spread from the mean at a 1.0 standard deviation. The findings agree with those Camino (2005) who found out that activity quality and positive development outcomes could be compromised when adults are not involved. Youth may lack the skills and expertise to successfully conduct an activity alone, which can lead to frustration and unintended disempowering outcomes. Similarly, McHale, Crouter and Tucker (2007) found that children, who participated in structured activities with adults rather than unsupervised activities with peers, had improved developmental adjustment in middle school years.
The second objective was to establish the extent to which institutional challenges affected implementation of the ‘Preference and Reservations’ policy among the youth in public procurement. This was supported by an overall mean score was 3.7 and a standard deviation of 1.2 which means more respondents were agreeing with the statements.

The findings agree with those of Doug and Scott (2004) who noted that the environment is conceptualized as the organizational field, represented by institutions that may include regulatory structures, governmental agencies, courts, professionals, professional norms, interest groups, public opinion, laws, rules, and social values. Institutional theory assumes that an organization conforms to its environment. There are, however, some fundamental aspects of organizational environments and activities not fully addressed by institutional theory that make the approach problematic for fully understanding credit reference bureaus and their environment: the organization being dependent on external resources and the organization's ability to adapt to or even change its environment.

The third objective was to establish the extent to which legislation affected implementation of the ‘Preference and Reservations’ policy among the youth in public procurement. This finding was supported by an overall responses mean of 3.7 which means that more respondents were agreeing with the statements on this objective in the questionnaire. The responses were also spread from the mean at a 1.0 standard deviation. The findings agree with those of PPDA (2005) who found out that an appropriate regulatory system is required to enhance transparency and non-discriminatory in order to achieve value for money. The law establishes the procurement methods to be applied, advertising rules and time limits, the content of tender documents and technical specifications, tender evaluation and award criteria, procedures for submission, receipt and opening of tenders, and the complaints system structure and sequence (PPOA, 2007). Ongoya (2005) points out that regulations lays
the foundation for separation of powers between institutions managing public procurement and those checking on compliance. According to Manasseh (2007), auditors examine procurement transactions and documents, pursuant to the appointment terms and in compliance with relevant statutory requirements. Availability of sound legal framework offers boundaries and benchmarks against which audit is conducted objectively.

Effects of institutional challenges on implementation were found to be statistically significant with a negative impact on the importance of institutional challenge. These findings are justified from Pearson’s correlation results which indicate a negative correlation and a statistically significant probability value of . Results also indicate that legislation affected implementation of the ‘Preference and Reservations’ policy among the youth in public procurement. These findings are justified from Pearson’s correlation results which indicate a negative correlation of and a statistically significant probability.

5.3 Conclusion

Following the results of the study it is evident to conclude that Public Procurement Preference and Reservations policy among the youth in public procurement had not been implemented. On average the government enterprises have not prioritized the youth in the procurement opportunities therefore there is a call on this issue from the policy makers hence the reason for similar conclusion in this current study.

Based on findings it is possible to conclude that institutional challenges affect implementation. To meet the goals the there is need to take strategic measures this include improvement of competency of the staff, training and high level of leadership. Therefore it can be concluded that the enterprises are lacking the strategic measures hence the poor implementation.

Legislation on the preference and reservations influences implementation. The regulations provide a framework for the implementation of preferential procurements
but they are not clear. The enterprises are pinched high and the procurement laws are not refined hence the low implementation.

5.4 Recommendation

The study recommends that the following institutional challenges should be addressed. Training challenges should be addressed through introduction of seminars to staff to educate them on the legislation. Political interference and corruption should be addressed through institution culture change. Corruption should also be addressed by enhancing transparency and information sharing.

In addition, it is recommended that Government departments should deploy ICT to enhance the implementation of special preference regulations. Transformational leadership should also be employed to enhance the implementation of special preference.

The study recommends that the regulations should be enhanced by issuing guidelines to government entities on how to advertise and evaluate the bids submitted by the special groups. In addition, the study recommends that the regulation concerning the complaints system structure for special groups such as the youth should be revised to enhance adequacy.

It is recommended that the regulation on communication of awards for special groups such as the youth should be amended and other innovative ways of communication adopted. For instance, social media such as face book and twitter should be used to communicate such information to the youth and other stakeholders.

5.5 Areas of Further Research

This study was not exhaustive by any means and therefore it is recommended that another study be conducted in public procurement sector and include other effects of procurement measurement. Further study should be done to establish the involvement
of other special groups like women or people with disability in the prefential procurement policy. The same study can be conducted in government ministries to test whether the findings of this study will hold true in a different context.
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Daily Nation, (2005b), 'Land order will lead to anarchy, government warned' (by Sunday Nation team), 7 March 2005

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Minister for Finance (2012). Launch of the Youth Access To Government Procurement Opportunities (YAGPO) Program, 29th July 2012, KICC


The Public Procurement and Disposal Act, 2005 (PPD Act, online www.ppoa.go.ke.

Appendix 1: Introduction Letter

Date: ………………..

RESEARCH QUESTIONNAIRE FOR PUBLIC PROCUREMENT OFFICERS

Dear Respondent,

I am Julius Thairu, a graduate student of Master of Business Administration at University of Nairobi. I am carrying out a study to establish the extent of Implementation of Preference and Reservations Policy To Youth In Public Procurement; A Survey Of State Owned Enterprises.

It would be of great value if you could share your wealth of knowledge by completing this questionnaire. Your answers will be handled with highest anonymity and confidentiality; this will be achieved by no indication of names. Kindly return the completed questionnaire to me.

Regards,

J. Thairu Muraguri
Appendix II: Questionnaire for Employees

Section A: Extent to which the youth Preference and Reservations treatment in public procurement has been implemented

This section aims at determining the extent to which the preference and reservations regulations in public procurement among the youth has been implemented. Please indicate your agreement or otherwise with the following statements using the following likert scale.

Very Large extent= 5, Large extent =4, moderate extent =3, small extent =2, Not at all=1

<table>
<thead>
<tr>
<th>Statement</th>
<th>Not at all=1</th>
<th>Small extent =2</th>
<th>moderate extent =3</th>
<th>Large extent =4</th>
<th>Very large extent=5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our department has complied with the requirement to set aside 30% of the procurement budget for special groups such as the youth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our department has complied with the requirement to advertise the procurement opportunities available for special groups such as the youth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our department has complied with the requirement to evaluate the submission from special groups such as the youth in line with the given criteria</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our department has awarded over half of the percentage set aside contracts to special groups such as the youth</td>
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<tr>
<td>Our department has complied with the requirement for reporting contract awards from the special group to the PPOA</td>
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</tbody>
</table>
Section B: Institutional challenges that affects implementation of the Preference and Reservations policy among the youth in public procurement

This section aims at determining the extent to which institutional challenges affect implementation of the preference and reservation regulations. Please indicate your agreement or otherwise with the following statements using the following likert scale.

*Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, Strongly disagree=1*

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
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<th>4</th>
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</thead>
<tbody>
<tr>
<td>Lack of transformational leadership in our organization has affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
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<tr>
<td>Inadequate training of procurement staff in our organization has affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
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<tr>
<td>Incompetency of procurement staff in our organization has affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
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<tr>
<td>Failure to employ good strategic sourcing practices in our organization has affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
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<tr>
<td>Failure to have effective monitoring and evaluation of procurement activities in our organization has affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
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<tr>
<td>Existence of unethical behavior and corruption in our organization has affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
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<tr>
<td>Existence of political interference in our organization has affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
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<tr>
<td>Failure to adopt ICTs in our organization affected the implementation of ‘preference and reservation regulations’ among the youth.</td>
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</table>
Section C: Legislation affects implementation of Preference and Reservations policy among the youth in public procurement

This section aims at determining the extent to which Legislation affects implementation of the ‘preference and reservation’ regulations. Please indicate your agreement or otherwise with the following statements using the following likert scale.

*Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, Strongly disagree=1*

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<tr>
<td>The regulations on ‘preference and reservations’ to special groups such as the youth are not clear on how the allocation should be done in the budget and procurement plans</td>
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<td>The regulations on advertising / communication of opportunities for special groups such as the youth is inadequate</td>
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<td>The regulations concerning tendering process for special groups such as the youth is inadequate</td>
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<td>The regulations on tender evaluation and award criteria for special groups such as the youth is inadequate</td>
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<td>The regulation on submission, receipt and opening of tenders for special groups such as the youth is inadequate</td>
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<td>The regulation concerning the complaints system structure for special groups such as the youth is inadequate</td>
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<td>The regulation on communication of awards for special groups such as the youth is inadequate</td>
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<td>The regulation on monitoring and evaluation for special groups such as the youth is inadequate</td>
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