



PREFERENCE AND RESERVATION SCHEME: AN EXCEPTION TO THE GENERAL RULE OF OPEN PUBLIC PROCUREMENT

Collins Obura 

Turkana University College, Kenya

collinsobura80@gmail.com

Jared Okello

Turkana University College, Kenya

Abstract

The urge for fair competition in public procurement process has led to many governments through national treasury and public procurement regulatory authorities come up with frameworks that promotes efficiency and equity in procurement. From the definition, the right to selection of person(s) from an identified target group which is considered more desirable than others and giving them an exclusive chance to procure goods within a specified threshold is known as Preference. This paper examines determinants of preference and reservation scheme on performance of Turkana County Government, Kenya. The target population included procurement officers, finance officers, ICT officers and stores in charge. Procurement plan and supplier relationship management are key dimensions which were used to give more insights into the study. Proportionate stratified random sampling technique was used to get the study sample size and questionnaire was used as the main tool for data collection. Descriptive statistics and analysis of variance were used to analyze the research data. The model summary result shows a good strength of relationship between the independent and dependent variables respectively.

Keywords: Procurement Plan, Supplier Relationship Management, Preference, Reservation Scheme



INTRODUCTION

Procurement being a process which begin with planning to payment and storage of goods and final disposal, requires an absolute implementation if the objectives of the Public Procurement and Asset Disposal Regulations, 2015 on preference and reservation scheme are to be met. A report by the Organization for Economic Co-operation and Development (OECD, 2025) documents that, public procurement is a crucial pillar of strategic governance and services delivery for governments. This means that the decisions made by actors of procurement must be based on the pursuit of objectives in the public interest and by the need to efficiently spend the public funds. The role of procuring entity with regard to preference and reservation scheme is to facilitate the financing of enterprises owned by target groups that have been awarded contracts, by authenticating their notifications of tender awards and subsequently entering into an agreement with the relevant financing institution with conditions that include paying the contracted enterprise through their account opened with the financier (Ndege & Karanja, 2018).

Preference and reservation scheme

While preference is where advantage is given to local bidders in public procurement purchase of goods works and services, reservation scheme serves to exclude potential bidders from participating in a particular procurement by reserving procurement to specified bidders. The Preference and Reservation Procurement policy requires that thirty percent (30%) of all Public Procurement budgets be reserved for special groups. Section 157 (12) of Public Procurement and Asset Disposal 2015, (PPAD, 2015) also document that procuring entities at the national and county level shall make a report after every six months to the Public procurement and regulatory authority and provide data disaggregated to indicate the number of youth, women and persons with disability whose goods and services have been procured by the procuring entity. Despite the policy directive, public procurement and regulatory report for the financial year 2015-2016 indicated that, the government did not honor in its promise to reserve tenders for these special group.

Statement of the problem

The uptake consideration of special group in procurement is to increase on the participation of the youth and persons within disabilities owned enterprises and to address the persistent unfair competition and clear separation of tenders in the public procurement system. However, Lack of awareness on the Access to Government Procurement Opportunities has led to low uptake by the target group. This low uptake is an indication of challenges that the

preference and reservation scheme is facing. In addition, the use of overly restrictive selection criteria in public procurement specifically disadvantages other competitive groups and firms, thus undermining the achievement of value for money (SIGMA, (2016). According to Zhao et al, (2021), the literature of procurement systems and selection criteria, however, is still relatively fragmented and remains unclear for how exactly PSC are identified. Audit report for the financial year 2014/2015 indicate that out of the Kshs. 63 billion expenditure reserved for the special groups (women, youth and people with disability), only 3 billion shillings was used translating into 5% uptake. Lastly, the tender process is discriminatory to new entrants in the requirements section requiring them to provide, audited accounts, bank statements, and proof of similar work. Therefore this study aims at filling the gap by looking into determinants that will increase upward intake among the special groups with regard to preference and reservation schemes

Purpose of the Study

The main purpose of the study is to examine determinants of preference and reservation scheme on performance of Turkana County Government, Kenya.

Specific Objective

1. To find out role of procurement plan in efficient operation of preference and reservation scheme in Turkana County
2. To assess how supplier relationship management influences efficient operation of preference and reservation scheme in Turkana County

Research Hypotheses

1. H_1 There is no significant relationship between procurement plan and efficient operation of preference and reservation
2. H_2 There is no significant relationship between Supplier relationship management efficient operation of preference and reservation

Scope of the Study

The study was conducted in Turkana County Government. A sample size of 70 respondents was obtained from a population of 140 which included procurement officers, finance officers, ICT officers and stores in charge. Turkana County is situated in the north western part of Kenya. The county is administratively divided into 7 sub counties, 30 wards and 56 locations that are further subdivided into 156 sub locations. The county population during Kenya population and housing census stood of 2009 stood at 855,399, with the population

average growth rate at 6.4 per cent. Internationally, the county borders South Sudan to the north, Uganda to the West and Ethiopia to the North East.

LITERATURE REVIEW

Resource based Theory

According to Saunder (2009), theories emphasizes on the values that variables add to the research study. In this study, resource based theory was used to underpin the philosophies of procurement plan in efficient operation of Preference and reservation scheme in public procurement. According to (Barney, 1991, Peteraf, 1993), In order to ensure a sustainable competitive advantage, resources are required to be heterogeneous and immobile. Peteraf, (2018) posits that resource based theories are theories of the nature, behavior and/or performance of firms in which the unit of analysis is a resource or capability that a firm possesses and controls preferentially. The ultimate purpose of procurement planning is the coordinated and integrated action to fulfil a need for quality goods, services or works in a timely manner and at a reasonable cost. Resource based theory complements these by achieving operational efficiency and market responsiveness.

Stakeholder Theory

Stakeholder theory has been used since 1930 to explain the relationship between organizations and their stakeholders. The theory is based on the premise that businesses operate in an ecosystem of various stakeholders, each of which contribute to the sustainability of the business and the ability of the firm to create value for any stakeholder (Gutterman, 2023). In procurement, many organizations suffer set backs on meeting strategic objectives of the firm due to bad relationship with the stakeholders, mostly suppliers. This can cause cost overruns and time schedule delays due to conflicts over project design and implementation (Marius, 2017). Therefore, early engagement of stakeholders can create awareness on key procurement requirements; build strategic long-term relationship with supplies and gain cost saving goals, value addition and compliance in procurement.

The relevance of stakeholder theory to preference and reservation scheme is that it basically considers multiple stakeholders (that is, youth, women and persons with disability) in terms of decision making and value creation. According to Wittke, (2014), stakeholder theory is significant in fulfilling customer orders through introduction of new product designs, offering broad product lines and lowest price. Stakeholder theory promotes competition through inclusion of all involved parties hence coincides with the provision of the procurement Act which stipulates that candidates shall participate in procurement proceedings without discrimination

except where participation is limited in accordance with the Procurement Act and the regulations.

Conceptual Framework

Conceptual framework is a model that shows the relationship between dependent variable and the independent variable. The independent variable of the study includes procurement plan and supplier relationship management. Dependent variable of the study is operation of preference and reservation scheme.

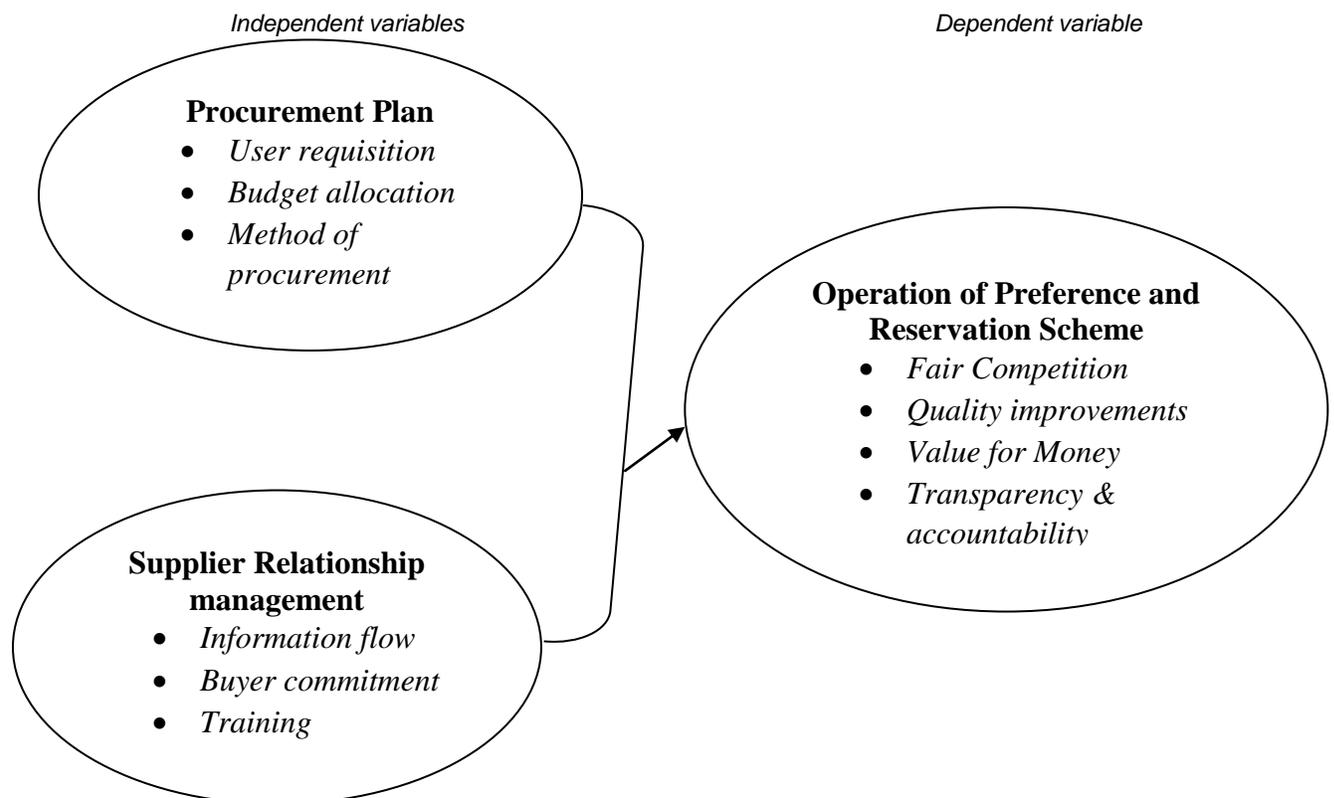


Figure 1: Conceptual Framework

Procurement plan

The rapidly changing international environment for public procurement underscores growing demand for efficient procurement plan that defines what an organization acquires and provides strategies to monitor procurement procedures and its impact on organization performance. Procurement Act, 2015 requires that, a procuring entity shall allocate at least thirty percent of its procurement spend for the purposes procuring goods, works and services from micro and small enterprises owned by youth, women and persons with disabilities. Consequently, for implementing the requirements for preference and reservation scheme, a

procuring entity shall implement the requirement through its budgets, procurement plans, tender notices, contract awards and submit quarterly reports to the public procurement and regulatory Authority, (PPRA). This plan will then guide procurement activities during the fiscal year and support the capacity development initiatives necessary for the successful implementation of the procurement system. Figure 2 outlines the process of Annual Procurement Planning as adopted from the office of procurement regulation (OPR, 2021)

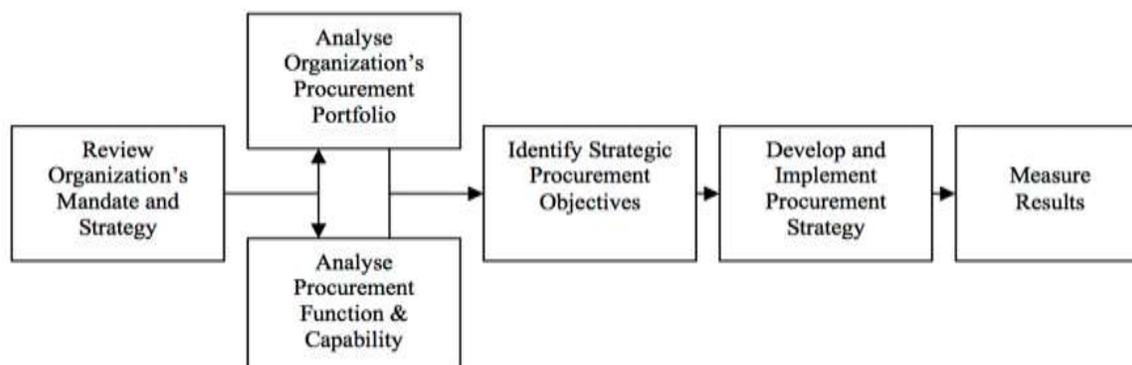


Figure 2: Annual Procurement Planning Process-Adopted form Office of Procurement Regulation

Supplier Relationship management

Supplier relationship management is a comprehensive approach which enhances different business levels including; relationship levels, process level and communication levels. According to Mwashegwa & Nondi, (2019), Supplier development and supplier relationship management are closely related and is the process of working with certain suppliers on a one-to-one basis to improve their performance for the benefit of the buying organization. According to Singh et al (2017), when the relationship is properly developed, it facilitates the strategic planning and management of all interactions with suppliers to maximize its value. A study conducted by Deloitte (2015) found that organizations that position their supply chain as a strategic advantage, deliver 70% improved results than their peers, and that 79% of “leaders in supply chain” reported “significant” revenue growth which was more than the industry average.

METHODOLOGY

Research Design

According to Leavy, (2017), research design is a blue print that that enables the researcher to come up with solutions to problems and guides in the process of collecting,

analyzing and interpreting the data and observations. The research design was a case study. The use of a case study was to help develop an understanding of the area of study.

Target population

Target population in statistics is the specific population about which information is desired. This study targeted a total of 140 respondents from the county government of Turkana. The respondents included procurement officers, finance officer, ICT officers and Stores in charge as indicated in table 1.

Table 1: Target Population

S/No	Target Population	Frequency	Percentage %
1.	Procurement officer	40	28.57%
2.	Finance Officer	30	21.43%
3.	ICT Officers	30	21.43%
4.	Stores In Charge	40	28.57%
	Total	140	100%

Source: HRMD (2025), Turkana County

Sample Size and Sampling Technique

Kothari & Karg (2014) defines a sample frame as a list that includes every member of the population from which a sample is to be taken. This study used 'proportionate stratified random sampling' technique to aid getting the sample size of the study.

Table 2: Sample size

S/No	Target Population	Frequency	Sample Size	Percentage %
1	Procurement officer	40	20	28.6%
2	Finance Officer	30	15	21.4%
3	ICT Officers	30	15	21.4%
4	Stores In Charge	40	20	28.6%
	Total	140	70	100%

Data Collection instrument

The study used questionnaires to collect primary data for the purpose of analyzing the determinants of efficient operation of preference and reservation scheme in Turkana County. The questionnaire comprised of two sections. The first section included the demographic characteristics of the respondents such as the age factor, gender, education level, work experience while second section will be divided into three parts concentrating on the research variables.

ANALYSIS AND FINDINGS

Descriptive Statistics

The study looked at Preference and Reservation Scheme: An Exception to the General Rule of Open Public Procurement. This section sought to provide descriptive statistics of the two independent variables namely; procurement plan, supplier relationship management and dependent variable, reference and reservation scheme. The main descriptive statistics used in the study were the frequencies, percentages, means and the standard deviation. Mean is the average score of data values. A higher mean would imply that more respondents indicated the highest values in the Likert scale while a low mean would mean that more respondents indicated the least values on the Likert scale. Standard deviation is a statistical term used to measure amount variability around an average. According to Bhandari, (2020), a high standard deviation means that values are generally far from the mean, while a low standard deviation indicates that values are clustered close to the mean. This study used a five point Likert scale to collect the views from the respondents where: 1=Strongly Disagree (SD), 2= Disagree (D), 3=Neither agree Nor disagree (N), 4=Agree (A) and 5=Strongly Agree (SA).

Procurement Planning

The first objective of this study was to establish the role of procurement plan in efficient operation of preference and reservation scheme in Turkana County. To achieve this objective, procurement plan was assessed through three main measures namely; costing, procurement method and. Respondents were requested to provide information regarding their respective firms on different indicators that measures the level of procurement planning (Table 3).

Table 3: Descriptive Results for Procurement Planning

Statement	SD	D	N	A	SA	Mean	Std.
	F	F	F	F	F		
Procurement plan is developed at the beginning of each financial year	0	0	8	25	31	4.36	0.0681
Procurement plan is developed by qualified staff	7	13	17	20	7	3.11	0.0486
Procurement plan developed is simple and easy to interpret by the special group	5	3	10	32	14	3.73	0.0583
Lotting is done to achieve the best value for the organization	10	12	15	19	8	3.05	0.0476
Budget for special group is included in the procurement plan	12	8	13	17	14	3.20	0.0500

Report on Access to Government Procurement Opportunity (AGPO) is submitted to PPRA for confirmation at the end of every financial year	10	16	21	8	9	2.84	0.0444	Table 3...
Appropriate procurement method is used to acquire goods	3	7	11	23	20	3.78	0.0591	

From the findings the respondents agreed that procurement plan is developed at the beginning of each financial year as shown with a mean of 4.36, procurement plan developed is simple and easy to interpret by the special group as shown with a mean of 3.73. Respondents also agreed that appropriate procurement method is used to acquire goods as shown with a mean of 3.78. Respondents moderately indicated that procurement plan is developed by qualified staff as shown with a mean of 3.11, Lotting is done to achieve the best value for the organization as shown with a mean of 3.05. Budget for special group is included in the procurement plan as shown with a mean of 0.0500 Report on Access to Government Procurement Opportunity (AGPO) is submitted to PPRA for confirmation at the end of every financial year as shown with a mean of 2.84.

Supplier Relationship Management

The second objective of this study was to establish the role of supplier relationship management in efficient operation of preference and reservation scheme in Turkana County. To achieve this objective, supplier relationship management was assessed through three main measures namely; capability, trust and information flow. Respondents were requested to provide information regarding their respective firms on different indicators that measures the level of procurement planning as analyzed in table 4.

Table 4: Descriptive Results for supplier relationship management

Statement	SD	D	N	A	SA	Mean	Std.
	F	F	F	F	F		
Supplier financial capacity is appraised	0	4	7	23	30	4.23	0.0662
Contracted suppliers are compliant with the statutory requirements	3	3	16	20	22	3.86	0.0603
Fair competition is practiced in pre-qualification of bids	10	13	18	14	9	2.98	0.0466
Proper information flow between the buying entity and suppliers	0	4	5	17	38	4.39	0.0686
Quality products are delivered on time	9	8	21	15	11	3.17	0.0496
Payment to suppliers are done on time	18	16	13	8	9	2.59	0.0405

According to findings in table 4 respondents agreed that Supplier financial capacity is appraised as shown with a mean of 4.23, contracted suppliers are compliant with the statutory requirements as shown with a mean of 3.86, proper information flow between the buying entity and suppliers as shown with a mean of 4.39. Respondents moderately indicated that Fair competition is practiced in pre-qualification of bids as shown with a mean of 2.98, quality products are delivered on time as shown with a mean of 3.17, payment to suppliers are done on time as shown with a mean of 2.59.

Preference and reservation scheme

Table 5: Descriptive Results for Preference and Reservation Scheme

Statement	SD	D	N	A	SA	Mean	Std.
	F	F	F	F	F		
Equality is practiced among the bidders	8	21	15	20	6	2.92	0.0621
There is transparency and accountability in the procurement process	10	8	10	31	11	3.35	0.5328
Value for money is achieved as a result of reduced cost purchase	10	16	10	27	7	3.07	0.4823
Products supplied by the special group are of high quality	5	11	14	26	14	3.47	0.1321

Model Summary

The results as shown in the table 6 indicates that the coefficient of regression, $R=0.803$ shows a good strength of the relationships between independent variable and the dependent variable. The coefficient of determination $R^2=0.644$ shows the predictive power of the model and in this case 64.4% of variations in the supplier Preference and reservation scheme is explained by the independent variables. The adjusted coefficient of determination R^2 shows the predictive power when adjusted for degrees of freedom and sample size. In this case, after the adjustments 61.8% of the variations in the preference and reservation scheme is explained by variations in supplier relationship management and procurement planning.

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.803(a)	.644	.618	.78381

Predictors: (Constant), Procurement Planning, supplier relationship management.

ANOVA

ANOVA findings as explained by the P-Value of 0.000 which is less than 0.05 (significance level of 5%) confirms the existence of correlation between the independent and dependent variables (Table 7). The model shows the model fitness i.e. how well the variables fit the regression model. From the results, the F ratio of 24.815 and the significance of 0.000 shows that there was not much difference in means between dependent and independent variables. The sum of squares gives the model fit and hence the variables fit the regression model.

Table 7: Analysis of Variance

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	61.144	2	15.286	24.882	.000(a)
Residual	33.789	67	.614		
Total	94.933	69			

Predictors: (Constant), Procurement Planning, supplier relationship management

Regression analysis

The regression coefficients in table 8 show the relationship between preference and reservation scheme with the two variables (procurement plan and supplier relationship management). From the table, the significance of the observed t-value, which is greater than the critical value, provides further evidence that the two variables are significantly related, that is, ($B_1=.518, .413$). Consequently, the positive beta coefficient implies that a unit change in both procurement plan and supplier relationship management results in a rise in efficient operation of preference and reservation scheme by 0.931 ($.518+ .413 = 0.931$) units. As such, the null hypothesis that procurement plan and supplier relationship management does not significantly influence operation of preference and reservation scheme was rejected. The researcher considered the alternative hypothesis since procurement plan and supplier relationship management are significant determinants of preference and reservation scheme operations. These results therefore show the variables are related under the following model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Where;

Y_{PPF} = Operation of preference and reservation scheme

β_0 = constant (coefficient of intercept)

X_1 =procurement plan

X_2 = Supplier relationship management

e = error

Hence, $Y_{PPF} = 4.2341 + 0.518X_1 + 0.413X_2 + e$

Table 8: Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	4.2341	3.061		1.652	.104
	Procurement Planning		.521	.518	-2.221	.030
	supplier management		0.632	.413	-3.332	0.21

Dependent Variable: Preference and reservation scheme

CONCLUSION

Descriptive statistics showed that reports on preference and reservation schemes are not submitted to the PPRA as required. This goes against the requirement of public procurement and disposals Act 2015. Failure to submit report on Reservation scheme is an indication of lack of transparency and accountability and, inadequacy in the management of preference and reservation scheme at the county level. This gives room for corruption where only few individuals or suppliers benefit. The study also revealed that fair competition is not adequately practiced at the county level. The practice of ethics in procurement requires for of Effective public procurement systems that can help governments attain better value for money, reduce fraud and increase equity in procurement management. This when adopted by the county governments will effectively encourage many youths and persons with disability to participate in procurement practice. County governments are also encouraged to avoid payment delays for small- and medium-sized enterprises who may struggle with cash flow.

AREA FOR FURTHER STUDY

A review of literature indicated that there have been limited studies on preference and reservation scheme on public institutions in Kenya and Africa as a region. Thus, the finding of this study serves as a guide for future studies on determinants of preference and reservation scheme on performance of County Government in Kenya

This study has contributed to knowledge by establishing that the independent variables have significant influence on performance of county governments in Kenya. The findings and inferences made from this study are delimited to the constructs of procurement planning, supplier relationship management and Operation of Preference and Reservation Scheme in county governments in Kenya, a case study of Turkana County. Therefore, it is necessary for future researchers to undertake similar empirical studies in other county governments in Kenya to validate the findings and conclusions of this study. The comparative future studies should also be undertaken in other public sector institutions like the state agencies in order to validate

whether the findings and conclusions of this study can be generalized to the entire public sector procurement in Kenya.

REFERENCES

- Barney, J. (1991). Competitive advantage. *Journal of management*, 17(1), 99-120.
- Barney, J. (2012). Purchasing, supply chain management and sustained competitive advantage: The relevance of resource-based theory. *Journal of Supply Chain Management*, 48(2), 36.
- Delloite, (2015). Supplier Relationship Mngement: Identifying and maximizing the value of Supplier Partnership
- Komakech, R.A., Ombati, T.O., Kikwatha, R.W. and Wainaina M.G.(2025). Resource-based view theory and its applications in supply chain management: *A systematic literature review: Management Science Letters* 15(4):261-272
- Kothari, C. R., & Garg, G. (2014). *Research Methodology: Methods and Techniques*. New Delhi: *New Age International Publishers*.
- Leavy, P. (2017). *Research Design: Quantitative, Qualitative, Mixed Methods, Arts-Based, and Community-Based Participatory Research Approaches*. New York, NY: *The Guilford Press*. ISBN 9781462514380. 300 pp
- Mwashegwa, F.M & Nondi, R. (2019). Effects of supplier relationship management on procurement performance at kenya pipeline company limited. *International Journal of Management and Commerce Innovations*, Vol. 6, Issue 2, pp: (112-122)
- Ndege, B., & Karanja, W. (2018). Influence of financial capacity on accessibility of the preferential public procurement opportunities among youth groups in Nakuru town sub county. *International Journal of Management and Commerce Innovations*, 6(1), 35-44.
- OECD, (2025). Recommendation of the Council on Public Procurement.
- OPR (2021). The Office of Procurement Regulation. Developing the Annual Procurement Plan.
- Owiti, E.(2018).Factors Affecting Implementation of Preference and Reservation Procurement Policy in State Corporations in Kenya: A Case of Kenya Railways Corporation. *Journal of International Business, Innovation and Strategic Management*, 1(6), 43-63
- Peteraf, M. (2018). Resource based theories. The palgrave encyclopedia of strategic management. *Palgrave Macmilan, London*.
- Republic of Kenya (2015). Auditor General Report 2014-2015, Nairobi, Kenya.
- Saunders, NK. M., (2009). Understanding research philosophy and approaches
- Singh, P.K., Sharma, S.K, Samuel. S. and Verma. S. (2017). Supplier Relationship Management and Selection Strategies – A Literature Review: *4th International Conference on Industrial Engineering*.
- Trionfetti, F. (2000). Discriminatory Public Procurement and International Trade. *The World Economy*, 23, 57-76.
- Leavy, P. (2017). *Research Design: Quantitative, Qualitative, Mixed Methods, Arts-Based, and Community-Based Participatory Research Approaches*. New York, NY: The Guilford Press. ISBN 9781462514380 300 pp.
- The Public Procurement and Asset Disposal Act No. 33 of 2015
- Wittke, K. (2014). The Contribution of Stakeholder Theory to Supply Chain Management. *A Theory Evaluation*
- Zhao, N., Ying, F., Tookey, J. (2021). Selection Criteria for Procurement System: A Systematic Literature Review. In: Ye, G., Yuan, H., Zuo, J. (eds) *Proceedings of the 24th International Symposium on Advancement of Construction Management and Real Estate*. CRIOCM 2019. Springer, Singapore. https://doi.org/10.1007/978-981-15-8892-1_150

Citation: Obura, C. & Okello, J. (2025). Preference and Reservation Scheme: An Exception to the General Rule of Open Public Procurement. *International Journal of Economics, Commerce and Management United Kingdom*, Volume 13, Issue 7, pp 367-379. Available online at <https://ijecm.co.uk/volume-13-issue-7/>