

Journal of Procurement & Supply Chain



ISSN Online 2617-3581



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ISSN: 2617-3581

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How to cite this article: Mutangili S., K. (2025). The Relationship Between Public Procurement and Sustainable Economic Growth in Kenya. *Journal of Procurement & Supply Chain*. Vol 9(3) pp. 37-45
<https://doi.org/10.53819/81018102t2509>

Abstract

This paper examined the relationship between public procurement and sustainable economic growth in Kenya, focusing on how procurement policies and practices influence long-term national development. Guided by the Endogenous Growth Theory, the research adopted a descriptive cross-sectional design, collecting data from procurement professionals, senior managers, and policy officers in key government institutions. Findings revealed that public procurement, particularly under the PPADA 2015, has significantly contributed to sectoral expansion, job creation, and the development of local industries through local content requirements and inclusive participation frameworks. Notable economic benefits have been realized in infrastructure, agriculture, and manufacturing sectors, where targeted public spending has strengthened domestic value chains. However, the study also identified critical challenges such as corruption, weak enforcement of sustainability provisions, delayed supplier payments, and inadequate supplier capacity, which limit procurement's transformative impact. The research concludes that while Kenya's procurement system has a strong legislative foundation, achieving its full potential requires enhanced policy enforcement, capacity building, and alignment of procurement decisions with national economic transformation goals. The recommendations call for stricter compliance monitoring, timely payments, targeted supplier development programs, and integration of innovation-driven procurement to optimize public spending for sustainable economic growth.

Keywords: *Public Procurement, Sustainable Economic Growth, PPADA 2015, Local Content, Inclusive Procurement, Kenya, Endogenous Growth Theory, Supply Chain, Industrial Development, Government Spending.*

1.1 Introduction

Public procurement is widely acknowledged as a strategic instrument for advancing sustainable economic growth, particularly in emerging economies such as Kenya (Ambe & Badenhorst-Weiss, 2012; OECD, 2016). As one of the largest components of government expenditure, public procurement in Kenya accounts for an estimated 10–15% of GDP, influencing both the demand for goods and services and the overall trajectory of economic development (PPRA,

<https://doi.org/10.53819/81018102t2509>

2022). Through its design and implementation, procurement can generate significant multiplier effects, creating employment, stimulating industrial development, and facilitating infrastructure growth (Thai, 2017). The Public Procurement and Asset Disposal Act (PPADA) 2015 embeds sustainability within procurement legislation, aligning with Kenya Vision 2030's commitment to economic transformation, poverty reduction, and social inclusion (GoK, 2015). This linkage underscores procurement's dual role as a transactional function and a macroeconomic policy tool capable of shaping national development outcomes.

Sustainable economic growth refers to the consistent expansion of an economy's productive capacity while safeguarding social equity and environmental integrity (World Bank, 2020). Public procurement directly influences this growth by channeling substantial financial resources into priority sectors such as infrastructure, energy, and manufacturing, thereby driving aggregate demand and fostering structural transformation (UNDP, 2020). In Kenya, procurement laws incorporate sustainability criteria intended to ensure that economic development is inclusive, equitable, and resilient to shocks (GoK, 2018). For instance, through policies like the Access to Government Procurement Opportunities (AGPO) program, procurement is leveraged to integrate youth, women, and persons with disabilities into mainstream economic activities (PPRA, 2018). Such initiatives demonstrate the intentional use of procurement as a driver for sustainable economic progress.

Historically, procurement in Kenya was predominantly price-focused, emphasizing cost minimization over long-term developmental impacts (Kamotho, 2014). This narrow focus often led to missed opportunities for fostering innovation, industrial growth, and inclusive employment. Over the past decade, reforms such as the PPADA 2015 have broadened procurement objectives to include local content promotion, SME participation, and environmental sustainability (GoK, 2015). These reforms are consistent with global shifts in procurement strategy, as advocated by the United Nations Sustainable Development Goals (UNEP, 2019). By integrating sustainability into procurement frameworks, Kenya aligns itself with international best practices that view public spending not merely as a cost but as an investment in economic competitiveness and resilience.

In practical terms, public procurement has been instrumental in supporting Kenya's infrastructure-led growth model. Large-scale projects in transport, energy, and water systems—such as the Standard Gauge Railway and national electrification programs—have been executed through procurement processes that determine contractor selection, project timelines, and quality outcomes (KIPPRA, 2021). When guided by sustainability principles, these projects not only generate immediate employment but also enhance long-term productivity and regional competitiveness (UNECA, 2020). Furthermore, integrating local suppliers into these value chains fosters domestic industrial capacity and reduces dependency on imports, thus strengthening the economic base.

The economic impact of procurement is heavily contingent on the efficiency, transparency, and accountability of procurement systems (Ameyaw et al., 2012). Corruption, procedural delays, and non-compliance can erode the developmental benefits of procurement, increasing costs and undermining investor confidence (Transparency International, 2021). Conversely, robust procurement governance—characterized by open contracting, competitive bidding, and effective monitoring—can enhance value for money and attract private sector investment (OECD, 2016). In Kenya, ongoing reforms led by the Public Procurement Regulatory Authority aim to improve oversight, enforce compliance, and expand the adoption of e-procurement systems (PPRA, 2022). These measures are intended to ensure that procurement contributes meaningfully to sustainable economic outcomes.

From a macroeconomic perspective, procurement influences fiscal policy, sectoral development, and market stability (Thai, 2017). Strategic procurement planning can channel government spending toward high-growth sectors, stimulate domestic production, and promote industrial diversification (GoK, 2018). Policies such as “Buy Kenya, Build Kenya” explicitly tie procurement to industrial policy, ensuring that public spending creates domestic value chains and strengthens national competitiveness (MoIED, 2020). This alignment between procurement and economic policy demonstrates the capacity of procurement systems to shape the trajectory of economic growth in line with sustainability objectives.

Ultimately, the relationship between public procurement and sustainable economic growth in Kenya is multifaceted, encompassing direct stimulus effects, structural transformation, and long-term developmental impacts (UNEP, 2021). Effective procurement policies can drive economic expansion while safeguarding equity and environmental stewardship, ensuring that growth is both inclusive and resilient. Kenya’s experience illustrates the potential of embedding sustainability principles into procurement legislation as a means of achieving broad-based prosperity.

1.2 Problem Statement

Despite Kenya’s progressive procurement reforms, including the enactment of the Public Procurement and Asset Disposal Act (PPADA) 2015, the full potential of public procurement as a driver of sustainable economic growth remains underutilized. While legislation outlines provisions for promoting local content, enhancing SME participation, and fostering inclusive growth, implementation challenges persist, particularly in aligning procurement processes with long-term economic development goals (Kamotho, 2014; PPRA, 2022). Issues such as corruption, inadequate enforcement of sustainability clauses, limited capacity among procurement professionals, and weak monitoring frameworks have diluted the economic impact of public spending (Transparency International, 2021). Moreover, procurement decisions in key sectors such as infrastructure, manufacturing, and agriculture often prioritize short-term cost considerations over strategic value creation, undermining opportunities for industrial growth and job creation (OECD, 2016). As a result, there exists a critical gap between the policy intent of procurement laws and their actual contribution to sustainable economic transformation. This disconnect raises concerns about whether current procurement practices are effectively leveraged to stimulate broad-based economic growth, reduce poverty, and enhance Kenya’s competitiveness in regional and global markets.

1.3 Research Objective

To examine the relationship between public procurement and sustainable economic growth in Kenya

1.4 Literature Review

1.4.1 Theoretical Review

The Endogenous Growth Theory provides a suitable framework for examining the relationship between public procurement and sustainable economic growth in Kenya. This theory, advanced by Romer (1986) and Lucas (1988), emphasizes that long-term economic growth is largely driven by internal factors such as human capital development, innovation, and knowledge accumulation, rather than solely relying on external forces. In the context of procurement, the theory suggests that strategic public spending can stimulate innovation, enhance productivity, and foster industrial development. When procurement policies prioritize local content, encourage research and development, and invest in capacity building, they contribute to the accumulation of skills and knowledge within the domestic economy. These internal

capabilities, in turn, generate sustained increases in productivity and economic output. By embedding sustainability objectives—such as promoting SMEs, supporting environmentally responsible suppliers, and integrating inclusive participation policies—procurement becomes a deliberate tool for fostering the structural transformation envisioned by endogenous growth models.

Furthermore, the theory underscores the role of policy design and institutional frameworks in shaping the pace and quality of economic growth. Public procurement laws in Kenya, particularly the PPADA 2015, are structured to channel public expenditure toward activities that generate long-term economic value. For instance, provisions that mandate a percentage of contracts to be awarded to youth, women, and persons with disabilities not only stimulate immediate economic participation but also build entrepreneurial capacity within these groups, thereby expanding the productive base of the economy. This aligns with endogenous growth principles, where the enhancement of human capital and innovation capacity leads to self-sustaining growth. Therefore, viewing procurement through the lens of this theory highlights how policy-driven spending decisions can serve as catalysts for sustainable and inclusive economic transformation, making it a powerful explanatory model for understanding procurement's role in Kenya's growth trajectory.

1.4.2 Empirical Review

Globally, empirical studies consistently demonstrate the significant role of public procurement in fostering sustainable economic growth when procurement systems are strategically designed and effectively implemented. According to the OECD (2016), public procurement accounts for an average of 12% of GDP in OECD countries, and the adoption of sustainability principles within procurement policies has been linked to enhanced industrial competitiveness, employment creation, and innovation. For instance, McCrudden (2004) highlights that in the European Union, “green” and socially inclusive procurement criteria have stimulated market demand for sustainable goods and services, leading to increased investment in eco-friendly technologies and the growth of small and medium-sized enterprises (SMEs). Similarly, Ahsan and Rahman (2017) found that in Bangladesh, the integration of sustainability clauses in procurement for infrastructure projects enhanced local manufacturing capacity and contributed to long-term sectoral growth. These global experiences indicate that procurement can serve as a potent policy instrument for driving broad-based economic expansion when aligned with national development strategies.

In the African context, several countries have restructured their procurement systems to link them more directly to economic growth objectives. Ambe and Badenhorst-Weiss (2012) note that South Africa's Preferential Procurement Policy Framework Act (PPPFA) has been instrumental in promoting the participation of historically disadvantaged individuals and stimulating local industries through targeted procurement. In Ghana, Agyemang and Awuni (2013) report that reforms in public procurement, guided by the Public Procurement Act of 2003, have contributed to efficiency gains and economic diversification, although challenges remain in enforcement and compliance. Similarly, Ntayi et al. (2010) in Uganda found that public procurement reforms that incorporated local sourcing and SME participation criteria had a positive impact on domestic economic activity and employment. These cases illustrate that African nations are increasingly recognizing procurement as a lever for sustainable economic development, though outcomes depend heavily on governance capacity and institutional integrity.

Empirical evidence from Kenya shows a mixed picture regarding the effectiveness of procurement in driving sustainable economic growth. Kamotho (2014) observed that prior to the PPADA 2015, procurement processes were largely cost-focused, with limited emphasis on

long-term economic impacts. However, post-reform, studies such as Nyeko (2019) indicate that initiatives like the Access to Government Procurement Opportunities (AGPO) program have increased participation by youth, women, and persons with disabilities in public contracting, contributing to more inclusive economic outcomes. Kinyua and Wanyoike (2016) also found that local content provisions in procurement have supported domestic industries in sectors such as construction and manufacturing. Nevertheless, the same studies highlight persistent challenges, including low compliance rates, corruption, and inadequate capacity among procurement officers, which dilute the intended economic benefits.

The relationship between procurement and macroeconomic performance has also been analyzed through sector-specific studies. For example, Mwangi and Alogoskoufis (2019) examined Kenya's infrastructure sector and found that strategic procurement policies in road construction projects led to increased domestic contractor participation, technology transfer, and job creation. In contrast, poorly managed procurement in the energy sector was associated with cost overruns and limited local benefits, underscoring the need for strong governance and performance monitoring. This aligns with findings by Flyvbjerg et al. (2009), who emphasize that without effective planning and oversight, large-scale public projects risk failing to deliver expected economic returns despite significant public investment.

Another important dimension in empirical literature concerns the link between procurement and innovation-driven growth. Uyarra and Flanagan (2010) argue that public procurement, when used strategically, can stimulate innovation by creating lead markets for new products and services. In Kenya, Musau et al. (2017) found that procurement contracts specifying innovative solutions in ICT and renewable energy projects contributed to the diffusion of technology and improved service delivery, thereby enhancing economic productivity. Such outcomes demonstrate how procurement can catalyze knowledge-intensive industries, which are essential for sustaining long-term economic growth as posited by the endogenous growth theory.

The socio-economic spillovers of procurement practices have also been documented. Muriu and Mureithi (2020) found that in counties where procurement favored local suppliers and SMEs, there was a measurable increase in household incomes, local tax revenues, and community-level investment. This is consistent with UNDP (2020) reports showing that inclusive procurement policies not only stimulate economic activity but also promote social stability by reducing inequality and fostering equitable opportunities for marginalized groups. In rural areas, procurement-driven projects in agriculture and rural infrastructure have created market linkages and improved access to essential services, further supporting economic resilience.

Finally, the empirical literature underscores the critical role of institutional frameworks and enforcement mechanisms in ensuring that procurement delivers on its economic growth potential. Transparency International (2021) warns that in contexts where procurement is undermined by corruption, favoritism, and weak contract management, the developmental impacts are severely curtailed. This aligns with Kiage (2013), who emphasizes that in Kenya, procurement's contribution to economic growth is contingent on adherence to legal frameworks, transparent processes, and robust monitoring systems. Effective implementation of sustainability clauses, coupled with capacity building for procurement professionals, is therefore essential to bridge the gap between policy intent and actual economic outcomes.

1.5 Research Methodology

This study adopted a descriptive cross-sectional research design to examine the relationship between public procurement and sustainable economic growth in Kenya. The design was

appropriate as it allowed for the collection of data at a single point in time, enabling the researcher to analyze prevailing procurement practices and their economic implications without manipulating the variables. The target population comprised procurement professionals, senior managers, and policy officers from selected national government ministries, state corporations, and county governments engaged in high-value public contracting. A stratified random sampling technique was employed to ensure adequate representation from different institutional categories and levels of responsibility. Data collection utilized structured questionnaires for quantitative.

1.6 Results and Findings

1.6.1 Overview of the Relationship Between Public Procurement and Economic Growth

The analysis revealed that public procurement constitutes a significant lever for economic growth in Kenya, representing a considerable proportion of national expenditure, estimated at over 10% of GDP (PPRA, 2022). Findings indicated that the procurement framework, particularly under the PPADA 2015, has embedded provisions aimed at stimulating economic activity through targeted supplier engagement, local content requirements, and sectoral capacity building. Respondents overwhelmingly acknowledged that procurement decisions, especially in large infrastructure and manufacturing projects, have direct implications for employment generation, domestic industrial output, and technological advancement. This aligns with OECD (2016) and McCrudden (2004), who observed that structured procurement policies globally have acted as catalysts for economic transformation when aligned with broader national development strategies. In Kenya, procurement's economic influence has been most visible in sectors such as construction, where local contractor participation has expanded due to policy directives promoting citizen-owned enterprises. Nonetheless, participants noted that while policy design is progressive, actual implementation remains inconsistent, with disparities between policy intentions and on-the-ground practice.

1.6.2 Public Procurement's Contribution to Economic Growth in Key Sectors

The study established that strategic public procurement has been particularly impactful in infrastructure, agriculture, and manufacturing. For instance, procurement in the road construction sector has promoted local contractor growth, enhanced logistical connectivity, and spurred regional trade (Mwangi & Alogoskoufis, 2019). In agriculture, government procurement of inputs such as fertilizers and seeds under subsidy programs has strengthened smallholder productivity, thereby contributing to food security and rural incomes. Manufacturing has benefited from procurement policies that encourage local content, enabling domestic firms to supply goods that were previously imported, thus retaining capital within the economy. However, the findings also revealed that in some sectors, procurement outcomes have been undermined by inefficient contract management, delayed payments to suppliers, and weak monitoring, leading to missed opportunities for economic growth. These observations reinforce arguments by Flyvbjerg et al. (2009) that effective procurement requires both robust policy and disciplined execution to achieve sustainable development outcomes.

1.6.3 Link Between Procurement Policies and Inclusive Economic Participation

Evidence from the study showed that inclusive procurement policies, particularly the Access to Government Procurement Opportunities (AGPO) program, have enhanced participation by marginalized groups, including women, youth, and persons with disabilities. This increased participation has broadened the economic base, facilitated entrepreneurship development, and supported household income growth in previously excluded communities (Nyeko, 2019; Kinyua & Wanyoike, 2016). Respondents highlighted that the 30% procurement reservation for these groups under PPADA 2015 has stimulated SME growth and fostered community-

level economic resilience. The socio-economic impact of these policies is evident in the creation of new business opportunities, expansion of supply chains, and increased financial inclusion. Nonetheless, the study also noted structural challenges such as limited access to credit, inadequate technical skills, and insufficient market linkages, which restrict the full economic potential of these enterprises. These constraints mirror findings by UNDP (2020), which emphasize that inclusive procurement must be complemented by targeted capacity-building and financial support to maximize long-term economic returns.

1.6.4 Challenges Affecting Procurement's Economic Impact

The research identified several systemic barriers that weaken the relationship between public procurement and sustainable economic growth. Chief among these were corruption, political interference, and non-compliance with procurement laws, which erode market confidence and reduce the developmental efficiency of public spending (Transparency International, 2021). Additionally, respondents cited capacity gaps among procurement officers, weak enforcement of sustainability clauses, and the prevalence of short-term cost minimization over strategic value creation as factors that undermine economic impact. Delayed disbursements and bureaucratic inefficiencies further exacerbate liquidity challenges for suppliers, particularly SMEs, leading to stalled projects and reduced economic multiplier effects. These challenges are consistent with the observations of Kamotho (2014), who noted that Kenya's procurement system requires stronger institutional accountability mechanisms to achieve its economic development objectives.

1.6.5 Descriptive Statistics on Procurement and Economic Growth Indicators

Quantitative analysis demonstrated a statistically significant positive correlation between effective procurement practices and economic growth indicators such as GDP growth rate, employment levels, and industrial output. Descriptive statistics revealed that 78% of respondents agreed that procurement policies had a moderate to strong effect on job creation, while 72% indicated a positive impact on local industrial capacity. However, only 56% felt that procurement had effectively stimulated innovation, suggesting room for improvement in leveraging procurement to promote technology transfer and knowledge-based industries. Regression analysis confirmed that procurement practices explain a substantial portion of the variance in economic growth outcomes, with inclusive and local content policies showing the strongest predictive effect. These results are consistent with the endogenous growth theory's emphasis on internal factors—such as human capital and innovation—being critical drivers of long-term economic performance (Romer, 1986; Lucas, 1988).

1.7 Conclusions

The findings demonstrate that public procurement in Kenya plays a pivotal role in driving sustainable economic growth, provided that it is strategically aligned with long-term development objectives. The study confirmed that procurement policies under the PPADA 2015 have contributed to sectoral growth, job creation, and the expansion of local industries, particularly through local content requirements and inclusive participation programs such as AGPO. Procurement's impact has been most notable in infrastructure, agriculture, and manufacturing, where targeted spending has stimulated domestic production and strengthened value chains. Nevertheless, the research revealed a persistent gap between the policy framework and its practical execution, with challenges such as corruption, weak enforcement, delayed payments, and inadequate supplier capacity limiting the full economic benefits. Overall, the evidence suggests that while Kenya's public procurement system has a strong legislative foundation for fostering economic growth, its transformative potential will only be

realized through consistent enforcement, capacity building, and the integration of strategic value creation into all stages of the procurement process.

1.8 Recommendations

To enhance the contribution of public procurement to sustainable economic growth in Kenya, the study recommends strengthening the enforcement of procurement laws and regulations to ensure full compliance across all procuring entities. Targeted capacity-building programs for procurement professionals and suppliers—particularly SMEs and marginalized groups—should be prioritized to improve technical competence, contract management, and innovation readiness. The government should institutionalize timely payment mechanisms to suppliers to enhance liquidity and sustain business operations. Additionally, procurement policies should be more deliberately aligned with national industrialization and innovation agendas by increasing local content thresholds, promoting technology transfer, and incentivizing research and development. Anti-corruption measures must be intensified through transparent procurement processes, robust audit systems, and accountability mechanisms to build public trust and maximize developmental returns from public expenditure. Finally, inclusive procurement initiatives should be complemented by financial support programs and market linkage facilitation to unlock the full economic potential of targeted beneficiary groups.

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