

Effectiveness of Public Procurement Process Guarantees in Donor Funded Projects in the Eastern Africa

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ABSTRACT

The importance of effective risk management in public procurement, given its substantial share of government expenditure, cannot be overstated. This study evaluated the application of procurement guarantees, identified challenges, and assessed their impact on project success in Eastern Africa, focusing on Ethiopia, Somalia, Kenya, and South Sudan. The study targeted project managers, procurement officers, finance managers, and auditors, employing a descriptive cross-sectional study design with a purposive sample of 36 respondents. Data was collected through online survey questionnaires and analyzed using descriptive and thematic analysis, with qualitative data interpreted using Braun and Clarke's approach. The findings indicated that many respondents reported extensive use of procurement guarantees within their organizations, with successful examples like the USAID Emergency WASH Response in South Sudan and projects involving IFAD, BHA, EU, and the Water Trust Fund. Various projects, such as the Kenya Livestock Commercialization Project and initiatives like home visits for families, demonstrated the wide range of sectors benefiting from these guarantees, potentially supporting broader development goals. The study identified three primary themes related to the impact of guarantees on project success: Risk Management and Accountability, Enhanced Performance and Quality Assurance, and Efficiency and Fairness in Procurement. Performance bonds and retention guarantees were highlighted as particularly effective, although challenges like project delays and financial losses due to inadequate guarantees were common. Key obstacles included operational inefficiencies, financial constraints, and legal barriers. The study recommended improving processes, accountability, efficiency, and risk management through capacity building and training, underscoring the need for skill development and adherence to compliance to ensure successful project outcomes.

Key words: Donor Funded Projects, Project Efficiency, Public Procurement Guarantees

INTRODUCTION

Public procurement is increasingly recognized as a critical factor in the success of projects, significantly impacting economies by balancing budgetary constraints with public expectations. Malacina et al. (2022) note that public procurement accounts for 12% of GDP, while Yon (2023) estimates that government spending on procurement ranges from 10% to 20% of GDP. A World Bank report further emphasizes the importance of public procurement, revealing that global government spending reached \$13 trillion in 2019, equivalent to 15% of the global GDP, highlighting its role in promoting sustainability and good governance. In Africa, international NGOs are instrumental in development, often executing projects through public procurement. For instance, Moshtari et al. (2021) report that humanitarian organizations allocate 65% of their revenue to procurement. Organizations like the International Fund for Agricultural Development (IFAD) are increasingly funding projects that benefit the rural poor in developing countries, with public procurement playing a significant role. Over the past 25 years, IFAD has provided USD 5.6 billion in East and Southern Africa, while mobilizing an additional USD 7.2 billion through partnerships (Mbago-Bhunu, 2023). The substantial funds

channelled through governments by these NGOs underscore the need to scrutinize the effectiveness of public procurement in achieving their intended objectives

Given the extensive scope and funding involved, public procurement faces numerous challenges. Manyathi (2021) points out that the efficiency of procurement processes is often compromised by strict laws and bureaucratic procedures designed to prevent the misuse of public funds. These issues are also encountered by humanitarian organizations and NGOs when interacting with public procurement bodies. Among the difficulties they face are misalignments between NGOs and procurement entities, communication breakdowns leading to poor cooperation, and conflicting policies (Wankmüller & Reiner, 2021). Due to the complex nature of government operations and their essential role in supporting these organizations, addressing these challenges requires careful attention and strategic solutions.

In Kenya, Keng'ara and Makina (2020) argue that procurement is a complex and lengthy process, leading to low budget absorption rates among procurement entities, an issue that also affects other organizations dependent on government procurement. With 60% of the budget passing through public procurement entities (Gatabu et al., 2020), this issue is significant. Gatabu et al. (2020) also discuss legal provisions intended to streamline financial resource allocation but note that these often complicate the transfer and use of funds. Both studies agree that public procurement has considerable effects on the performance of state corporations.

Despite numerous studies aimed at improving procurement efficiency and financial management in government and other entities, there is a lack of research linking public procurement practices directly to donor funding levels (Dai et al., 2021). For example, Njagi (2023) explored public participation in procurement processes but did not examine its relationship with donor-funded projects. Similarly, Wolfram et al. (2023) assessed donor contracting impacts on procurement in the Kenya Electrification project but did not investigate whether effective procurement could enhance outcomes in donor-funded projects. These gaps highlight the need for research on the effectiveness of public procurement guarantees in donor-funded projects in Eastern Africa. Andika (2022) studied procurement principles and their effects on county government performance in Kenya, finding a clear link between procurement processes and improved performance. However, this study focused only on county governments, leaving gaps in understanding procurement dynamics at other governmental levels and broader governance structures. Wachira (2021) examined public procurement challenges in donor-supported road projects in Kenya, revealing a positive impact on infrastructure development. However, this study's narrow focus on road transport projects highlights a gap in understanding broader procurement dynamics within the NGO sector.

As public procurement increasingly constitutes a larger share of government spending, effective risk management is crucial. Issues like fraud and misuse of guarantees underscore the need for diligent application of procurement process guarantees, such as bid security and performance guarantees. Properly managing these guarantees can significantly impact risk management. The literature reveals key gaps in understanding procurement practices, particularly in donor-funded projects in Eastern Africa, suggesting a need for further research to assess the effectiveness of procurement guarantees and provide a comprehensive view of procurement dynamics in the region. The current research was driven by three specific objectives: to examine the extent to which public procurement guarantees are applied in donor-funded projects in Eastern Africa, to evaluate the impact of these guarantees on the success, outcomes, and efficiency of the projects, and to identify the gaps and challenges that hinder the application of procurement guarantees.

LITERATURE REVIEW

The dynamics of infrastructure projects, procurement practices, and international collaboration are subjects of considerable interest. Studies by Ghossein et al. (2021), Ogwang and Vanclay (2021), and Mbura and Kitheka (2020) provide distinct perspectives on infrastructure projects, procurement practices, and international collaboration, particularly in the context of Chinese involvement. Ghossein et al. (2021) focus on China's Belt and Road Initiative (BRI), highlighting the non-traditional funding routes and the dominance of Chinese companies in securing tenders for road projects across multiple countries. They emphasize concerns about

fairness and transparency in the procurement process, noting the significant financial risks imposed on borrowing countries. In contrast, Ogwang and Vanclay (2021) examine Uganda's collaboration with Chinese companies on specific infrastructure projects, revealing that Uganda's preference was driven by direct funding from Chinese banks and concessionary loan terms. However, they also identify issues related to opacity and irregularities in the public procurement process, particularly concerning pricing. Mbura and Kitheka (2020) shift the focus to Kenya, exploring how procurement practices within government parastatals in Mombasa County influence donor support. Their study underscores the importance of supplier relationship management, procurement ethics, and risk management in improving procurement performance and securing donor support. The findings suggest that efficient procurement procedures are crucial for achieving better outcomes, though the study's localized context may limit the broader applicability of these conclusions. All three studies highlight the critical role of procurement practices and financial management in large-scale infrastructure projects but differ in their geographical and institutional focus.

The methodological approaches used in these studies, primarily qualitative and case study-based, provide in-depth insights but also introduce limitations. Ghossein et al. (2021) and Ogwang and Vanclay's (2021) case study approaches offer detailed examinations of specific projects but face challenges in generalizing their findings beyond the selected cases. Mbura and Kitheka's (2020) focus on a single geographic location and institutional context similarly limits the generalizability of their findings. These methodological gaps suggest the need for further research that could validate the conclusions across a broader range of projects and settings. While each study contributes valuable insights into the dynamics of infrastructure development and procurement practices, they also reveal the complexity of these issues and the need for continued investigation. Ghossein et al. (2021) and Ogwang and Vanclay (2021) raise concerns about the transparency and financial risks associated with Chinese involvement in international infrastructure projects, while Mbura and Kitheka (2020) emphasize the importance of internal procurement practices in securing donor support. The differences in their scope, focus, and context highlight the need for further research to address the identified gaps and to better understand the broader implications of these findings.

Various scholars such as Asuquo and Ogbu (2022), Bamidele (2020), and Lumumba (2021) explore a number of challenges related to procurement practices within different sectors and contexts in Nigeria and Kenya. Despite their different focal points, these studies reveal significant areas of agreement, particularly in the identification of critical issues undermining effective procurement processes. The convergence of findings across these studies underscores the widespread nature of procurement challenges in developing countries, while also highlighting the importance of addressing these issues to improve transparency, accountability, and efficiency. One of the primary areas of agreement between these studies is the identification of legal and regulatory weaknesses as a significant barrier to effective procurement. Asuquo and Ogbu (2022) highlight the prevalence of weak laws or inadequate implementation of existing laws governing public procurement in Nigeria's construction industry. This, they argue, leads to systemic deficiencies that undermine transparency, fairness, and accountability. Bamidele (2020) echoes these concerns, reporting a low level of compliance with procurement laws and regulations within Nigerian public institutions, particularly regarding transparency. The lack of adherence to legal frameworks in both studies points to a broader issue of ineffective regulatory enforcement, which hinders the development of robust procurement systems.

Another key issue emphasized in both Asuquo and Ogbu (2022) and Bamidele (2020) is the lack of transparency in procurement processes. Asuquo and Ogbu (2022) note that the deficiencies in the legal framework contribute to a lack of transparency, which in turn affects the fairness and accountability of procurement practices. Bamidele (2020) further highlights that non-compliance with transparency measures restricts public access to information, leading to opacity in procurement procedures within Nigerian public institutions. This opacity not only affects the credibility of procurement processes but also hampers the ability of these institutions to attract additional funding from donors. Thus, both studies underline the critical need for transparent procurement practices to foster trust and accountability. The influence of external factors on procurement decisions is another area where these studies converge. Asuquo and Ogbu (2022) identify the role of political considerations in shaping procurement decisions, particularly for high-profile projects in Nigeria. Similarly, Lumumba (2021) points to the strong positive correlation between donor-imposed conditions and

the successful implementation of donor-funded road infrastructure projects in Kenya. While the contexts differ, both studies highlight the impact of external influences—whether political or donor-driven—on the procurement process. This shared finding suggests that procurement systems in developing countries are often subject to external pressures that can complicate decision-making and project implementation. Despite these areas of agreement, the studies also reveal important contextual differences that limit the generalizability of their findings. Asuquo and Ogbu (2022) focus specifically on Nigeria's construction industry, while Bamidele (2020) examines procurement practices within Nigerian public institutions such as polytechnics and universities. Lumumba (2021), on the other hand, investigates donor-funded projects in Kenya, particularly within the Kenya National Highways Authority. These differing contexts introduce sector-specific challenges that may not be applicable across other industries or regions. Consequently, while the studies provide valuable insights into procurement challenges, they also highlight the need for more generalized research to apply these findings across various sectors and regions.

Karimi et al. (2020), Lual (2020), and Mutisya et al. (2022) examine procurement challenges in Afghanistan, South Sudan, and Turkana County, Kenya, respectively. Despite their different contexts, they all highlight significant barriers to effective procurement processes, such as bureaucracy and corruption. Karimi et al. (2020) identify complex bureaucracy and corruption as primary causes of procurement delays in Afghanistan's road projects, while Lual (2020) points to financial mismanagement and corruption as key issues in South Sudan's public procurement. Both studies emphasize how these systemic problems hinder the selection of competent contractors and the successful completion of projects. Another common theme is the inadequacy of legal frameworks in supporting effective procurement. Karimi et al. (2020) and Lual (2020) both underscore how weak procurement laws and policies allow corruption and inefficiency to persist. In Afghanistan, the bureaucratic and corrupt procurement process deters potential contractors and financiers, while in South Sudan, officials often bypass procurement procedures, further complicating efforts to address these issues. These studies call for stronger legal frameworks and enforcement to improve procurement outcomes and ensure value for money in government projects. Mutisya et al. (2022) shift the focus to the humanitarian sector in Kenya, emphasizing the critical role of well-managed procurement processes in the success of humanitarian projects. While not directly addressing bureaucracy or corruption, the study aligns with the others in highlighting the importance of transparent and efficient procurement methods. The effectiveness of procurement in humanitarian efforts, much like in infrastructure and government projects, is crucial for achieving desired outcomes.

The identified gaps in the literature regarding public procurement practices in donor-funded projects include several key areas. Firstly, there is a methodological shortcoming in the need for more thorough approaches to understand projects funded by initiatives like China's Belt and Road Initiative (BRI), as highlighted by Ghossein et al. (2021), with a particular emphasis on transparency, fairness, and financial risks. Additionally, Ogwang and Vanclay's (2021) case study approach reveals a limitation in generalizability, suggesting a need for broader research into procurement processes. Furthermore, Asuquo and Ogbu (2022) and Bamidele (2020) highlight systemic issues within legal frameworks and adherence to procurement regulations, indicating a need for further investigation into these contextual gaps. The literature also shows conceptual deficiencies in understanding the effects of bureaucracy, corruption, and financial mismanagement on procurement effectiveness, as demonstrated by Karimi et al. (2020), Lual (2020), and Mutisya et al. (2022), underscoring the need for more in-depth insights into these challenges to improve procurement practices and project outcomes.

RESEARCH METHODOLOGY

A descriptive cross-sectional study design was deemed appropriate for examining the extent to which public procurement guarantees are applied in donor-funded projects. This design allows for the collection of data at a single point in time, providing a snapshot of the current procurement practices within these projects. Given the evolving nature of procurement processes, capturing data at a specific moment allows for an accurate assessment of the prevailing conditions (Doyle et al., 2020).

This design was well-suited for exploring key variables such as the degree of guarantee implementation, encountered challenges, and observed outcomes. By gathering data from various projects or stakeholders simultaneously, the researcher could gain a comprehensive view of procurement guarantees in donor-funded projects.

Additionally, a cross-sectional approach enables the examination of different projects across various contexts, facilitating comparisons and identification of common patterns or differences (Siedlecki, 2020). This approach also allowed the researcher to assess variations in guarantee implementation across projects of different sizes, sectors, or locations.

The study population included project managers, procurement officers, finance managers, and auditors, each playing a vital role in procurement processes within donor-funded projects. Project managers oversee project execution, including procurement activities; procurement officers manage day-to-day procurement operations; finance managers handle budgeting and financial aspects, including procurement expenditures; and auditors conduct independent reviews to ensure transparency and accountability. Including individuals from these roles provides a comprehensive understanding of procurement practices from multiple perspectives. A sample size of 36 participants was considered sufficient.

A sample size above 30 generally provides reasonably precise estimates of population parameters such as means or proportions (Ryan, 2013). While larger sample sizes offer more accuracy, a sample of 36 still yields valuable insights into population parameters. Purposive sampling was used to select participants based on specific criteria relevant to the research objectives (Berndt, 2020). This approach ensured that participants had the necessary characteristics or experiences to effectively address the research questions, making the sample well-suited to the study's focus and enhancing the relevance of the findings.

Primary data was collected to ensure information directly related to the study's objectives. Primary data collection allows for the development of tools specifically designed to address research questions and obtain firsthand insights from participants (Ajayi, 2023). This approach also offers greater control over data quality and reliability.

An online survey questionnaire was used, consisting of five sections: Section A gathered general information about respondents' roles, experience, and project types; Section B examined the application of procurement guarantees; Section C assessed the effectiveness of these guarantees using a 5-point rating scale; Section D included open-ended questions on gaps and challenges in implementing procurement guarantees; and Section E sought recommendations for improving procurement guarantees in donor-funded projects.

The instrument was validated before use, focusing on content validity to ensure it accurately measured the intended constructs (Sürücü & Maslakci, 2020). Content validity was confirmed through a literature review and feedback from project supervisors, ensuring that the instrument effectively captured the key aspects of the research topic.

Quantitative data was summarized using descriptive analysis with SPSS software version 22. The analysis involved descriptive statistics such as means, standard deviations, percentages, and frequencies, and presented data in tables and figures for clarity. Qualitative data was analyzed using thematic analysis as described by Braun and Clarke (2006), which included data familiarization, initial coding, theme generation, theme review and refinement, defining and naming themes, charting the data, and interpreting themes. This analysis corroborated the findings from the closed-ended questionnaire sections.

RESULTS AND DISCUSSIONS

Project managers made up 72.2% of the respondents, with those involved in finance and audit functions representing 22.2%, and other roles accounting for 5.6%. Most respondents had experience in humanitarian aid (66.7%) and development (61.1%), while 27.8% had previously participated in capacity building programs.

This distribution is significant for research on the effectiveness of public procurement process guarantees in donor-funded projects in Eastern Africa, as it indicates a high level of experience among respondents with the sectors directly impacted by procurement processes, thus providing valuable insights into the challenges and successes of these processes in real-world settings.

Extent to which Public Procurement Guarantees are applied in Donor-Funded Projects

Respondents were requested to assess how extensively public procurement guarantees were applied in donor-funded projects within their organizations. The frequency distribution is illustrated in Figure 1.

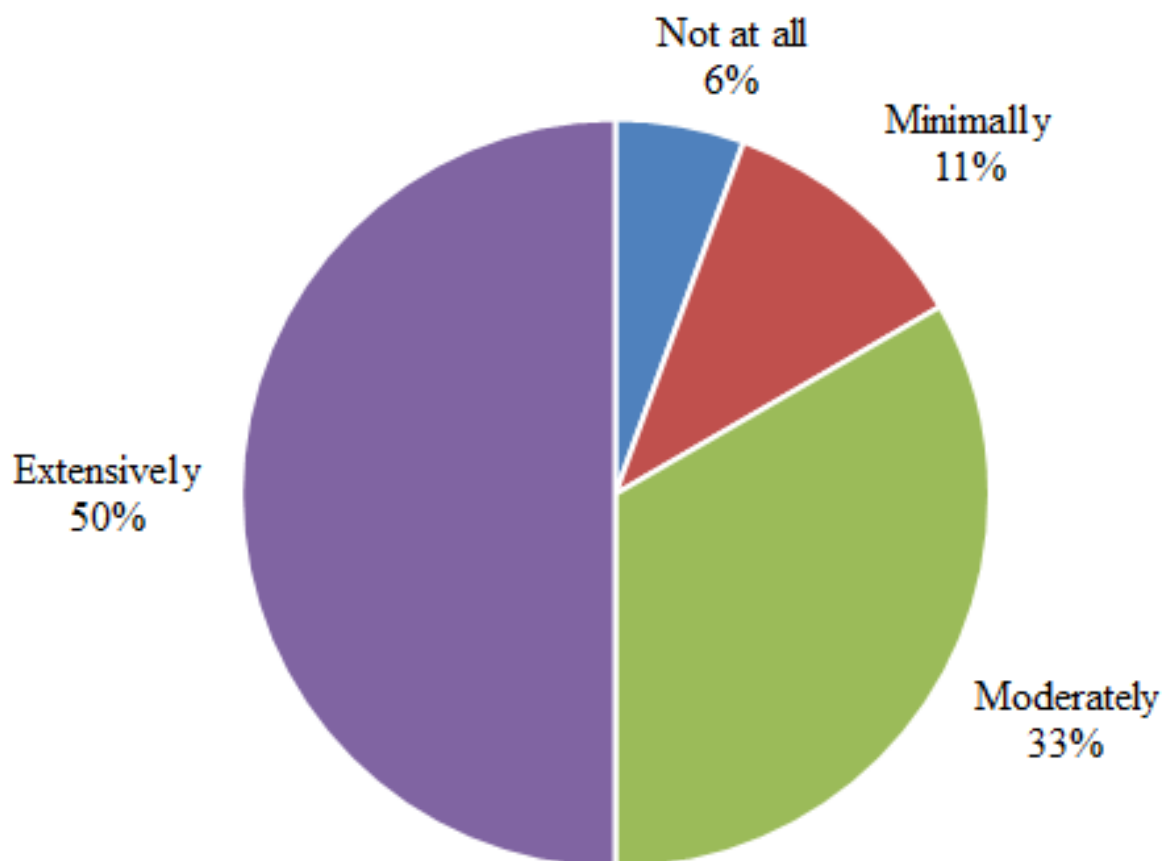


Figure 1: Extent of Utilization of Public Procurement Guarantees

Figure 1 shows that half (50%) of the respondents observed that procurement process guarantees were extensively utilized in their organizations, while 33% reported moderate utilization. Only 11% noted minimal use, and 6% indicated that these guarantees were not used at all.

Respondents were also asked to provide examples of successful applications of public procurement guarantees in donor-funded projects. The main themes from the qualitative responses underscore the significance of strong procurement procedures, diverse funding sources, and effective project management for successful project implementation. Examples like the USAID Emergency WASH Response in South Sudan and projects funded by IFAD, BHA, EU, and the Water Trust Fund (WSTF) illustrate successful use of procurement guarantees.

These examples suggest that the procurement processes were well-managed, ensuring transparency, adherence to regulations, and positive project outcomes. A respondent's comment about an INGO's strict adherence to tender requirements, including bid bonds and bank guarantees, highlights a commitment to robust procurement practices and proactive risk management. This approach likely contributed to project success.

Projects involving multiple funding sources, such as IFAD, BHA, EU, and the Spanish Trust Fund, potentially benefited from diversified financial support, improving resource allocation and project resilience. For example, Respondent #9 said; “The INGO I work with strictly follows up and ensures that tender documents clearly state the amount of bid bond required from bidders.

For advance payments, only bank guarantees are acceptable, and those guarantees must be authenticated by the bank's head office before an advance payment is made.” The mention of various projects, such as the Kenya Livestock Commercialization Project, Small Holder Commercialization Project, KISCAP, KUSP, KDSP, and initiatives like home visits for families, indicates that procurement guarantees are applied across a range of projects. This diversity suggests that procurement guarantees are enhancing development efforts across different sectors and communities.

The Impact of Public Procurement Guarantees on Projects

Respondents were asked to share their views on how public procurement guarantees contributed to the success and outcomes of donor-funded projects. Three main themes emerged from their feedback: Risk Management and Accountability, Enhanced Performance and Quality Assurance, and Efficiency and Fairness in Procurement.

Theme #1: Risk Management and Accountability

The study found that guarantees play a crucial role in managing risks and ensuring accountability within organizations. Participants emphasized that procurement guarantees help oversee organizational risk by establishing internal control systems and holding contractors responsible for meeting their objectives. These guarantees act as financial safeguards, reflecting the commitment of project stakeholders and motivating contractors to meet their obligations, thereby reducing the risk of project underperformance or deviations from agreed terms. Verbatim excerpts include:

"These guarantees serve as critical tools for risk management and accountability within organizations" (Respondent #1).

"This ensures that contractors are incentivized to fulfill their obligations, thereby mitigating risks associated with project non-performance or deviations from the agreed terms." (Respondent #3).

"By holding contractors accountable for delivering agreed-upon outcomes, these guarantees act as financial securities, reflecting the seriousness of project stakeholders." (Respondent #11).

"Respondents emphasized the significance of procurement guarantees in managing organizational risk exposure by ensuring internal control mechanisms." (Respondent #21).

Theme #2: Enhanced Performance and Quality Assurance

Respondents indicated that public procurement guarantees improve project performance and ensure quality throughout the project lifecycle. They expedite procurement procedures, facilitate the acquisition of necessary items, minimize risks, and keep projects within budget. Additionally, these guarantees foster a competitive environment that encourages vendors and suppliers to deliver high-quality goods and services, ensuring value for money and enhancing the success of donor-funded projects. These findings are supported by the following quotes:

"By promoting fair competition among suppliers, procurement guarantees ensure value for money, ultimately benefiting the success and outcomes of donor-funded initiatives." (Respondent #5). "

Public procurement guarantees contribute to enhanced performance and quality assurance throughout the project lifecycle." (Respondent #8).

"They expedite procurement processes, facilitating the acquisition of necessary items with reduced risks and within budget constraints." (Respondent #22).

"Moreover, these guarantees foster an environment conducive to improved vendor and supplier performance, as well as the delivery of high-quality goods and services." (Respondent #34).

Theme #3: Efficiency and Fairness in Procurement Processes

The data revealed that public procurement guarantees uphold efficiency and fairness in procurement operations. They support comprehensive procurement procedures, ensuring transparency and impartiality in contractor selection. By filtering out non-serious bidders, these guarantees streamline the process, enabling the identification of qualified contractors best suited for project execution. This results in effective resource allocation, timely project completion, and long-term sustainability. Furthermore, the assurance of fair and accountable procurement practices helps maintain donor trust and encourages ongoing support for project efforts. Verbatim statements include:

"Public procurement guarantees uphold principles of efficiency and fairness in procurement processes." (Respondent #10).

"By weeding out non-serious bidders, these guarantees streamline the procurement process, enabling the selection of qualified contractors best suited for project implementation." (Respondent #19).

"They facilitate detailed procurement procedures, ensuring transparency and fairness in contractor selection." (Respondent #26).

"Moreover, the assurance of fair and accountable procurement practices maintains donor confidence, fostering continued support for project endeavors." (Respondent #28).

Respondents were asked to rate the effectiveness of the different types of procurement guarantees on a 5-point scale where 1=Not effective, 2=Barely effective, 3=Somehow effective, 4=Effective, and 5=Very effective. Table 1 ranks the rating by mean (\bar{x}) and standard deviation (σ_x) scores.

Table 1: Mean Rating of Effectiveness of Public Procurement Guarantees

Types of guarantees	\bar{x}	σ_x
Performance bond	4.3	.59
Retention Guarantee	4.3	.68
Advance Payment Guarantee	3.9	.88
Bid bond	3.9	1.0
Performance Guarantee Aggregate	4.1	.50

The analysis of performance bonds revealed a mean rating of 4.39 (SD = 0.599), indicating a high perceived effectiveness among respondents in ensuring project success. This high mean rating suggests that performance bonds are viewed as close to "Very effective" by most stakeholders, with low variability in responses.

Retention guarantees also received a mean rating of 4.39 (SD = 0.688), underscoring their significant perceived effectiveness in project procurement processes.

Although the standard deviation indicates slightly more variability than performance bonds, the overall consensus remains strong. In contrast, Advance Payment Guarantees and Bid Bonds both had a mean rating of 3.94 (SD = 0.886 and SD = 1.040, respectively). This suggests a moderate perception of their effectiveness. The higher standard deviations for both types of guarantees indicate notable variability in respondents' views, with Bid Bonds showing the highest degree of variability. The Performance Guarantee Aggregate, which combines various procurement guarantees, received a mean rating of 4.17 (SD = 0.507). This high mean rating and low standard deviation reflect a strong overall perception of effectiveness and a high degree of consensus among respondents.

Respondents were asked to provide examples of how procurement guarantees have impacted project efficiency and outcomes based on their experiences. Three main themes emerged from their responses: Accountability and Responsibility, Efficiency and Timeliness, and Risk Management and Cost Reduction.

Theme #1: Accountability and Responsibility

Procurement guarantees are crucial for establishing accountability and ensuring that contractors fulfill their obligations. They make contractors responsible for their performance, which motivates them to meet project goals and deadlines. Instances where the risk of losing a performance guarantee led contractors to quickly address delays illustrate this point.

Guarantees also offer recourse when contractors fail or are late in meeting their commitments, thereby enforcing accountability. Additionally, these guarantees ensure that contractors adhere to contract terms, protecting the institution's rights in cases of failure or delay. One respondent noted, "Procurement guarantees make contractors responsible for non-performance, motivating them to achieve the goals and deliverables" (Respondent #5). Another mentioned, "In a WASH intervention, we had a delay issue, and threatening to cancel the order and keep the guarantee led the vendor to act quickly" (Respondent #14).

Theme #2: Efficiency and Timeliness

Procurement guarantees also enhance project efficiency and timeliness. They help streamline processes by enabling early defect identification and reducing the need for extensive end inspections, which contributes to more efficient project management. Many respondents observed that projects, especially in construction, are often completed successfully due to these guarantees.

As one respondent highlighted, "By allowing contractors to identify defects early and conduct less comprehensive end inspections, projects become more efficient" (Respondent #16). Another noted, "Firms are compelled to deliver projects timely and within budgets" (Respondent #31).

Theme #3: Risk Management and Cost Reduction

Finally, procurement guarantees are essential for managing risks and reducing costs. Performance bonds mitigate risks by ensuring compensation for non-performance, while advance payment guarantees protect organizations from unforeseen events, thus lowering financial risks.

The use of guarantees to prompt service providers to act illustrates their role in risk management. Additionally, analyzing procurement data helps optimize vendor selection and manage risks more effectively. As one respondent pointed out, "Advance payment guarantees allow recovery of funds in case of unexpected issues" (Respondent #3), and another added, "Through analyzing procurement data and trends, organizations can reduce costs and manage risks more effectively" (Respondent #24).

Gaps and Challenges that Hinder the Application of Procurement Guarantees

The study aimed to determine if respondents had encountered cases where a lack or insufficient use of procurement guarantees resulted in project delays, financial losses, or other adverse effects. Figure 2 illustrates the distribution of respondents.

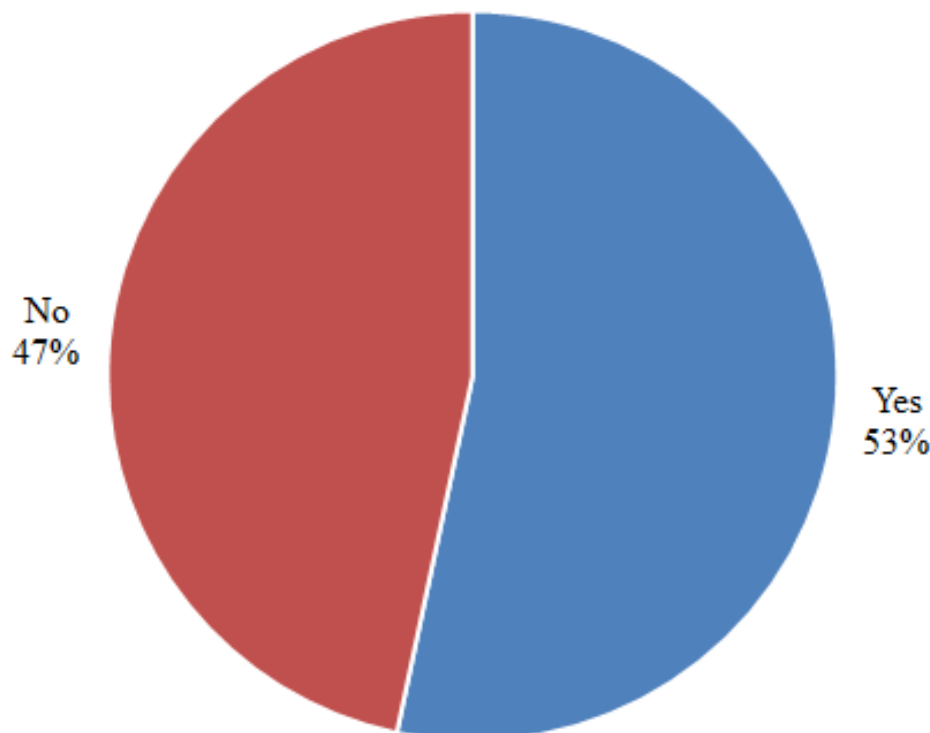


Figure 2: Observed Gaps and Challenges Related to Project Failures

Figure 2 shows that over half (53%) of respondents reported instances where the lack or improper use of procurement guarantees resulted in project delays, financial losses, or other negative outcomes. Those who observed these issues noted several contributing factors, such as budget overruns, project delays, quality concerns, insufficient commitment from suppliers or contractors, and the risk of contract failures. They explained that inadequate planning and unforeseen challenges could cause unexpected budget increases, leading to financial setbacks. The absence of procurement guarantees makes institutions vulnerable to these risks. Poor planning and vague timelines can delay projects, resulting in extra costs like overtime payments, which further strain finances. Additionally, hasty planning and lack of quality control can lead to substandard project results. Without procurement guarantees, contractors may focus on speed rather than quality, compromising project outcomes. Moreover, without clear commitments from suppliers or contractors, meeting schedules and quality standards can be challenging. Procurement guarantees are crucial for ensuring accountability and optimal performance, and their absence can increase the risk of both time and financial losses. Overall, lacking procurement guarantees can severely impact institutional performance, exposing it to project delays, financial issues, and quality concerns, underscoring the need for strong safeguards. Respondents provided the following comments:

“Poor planning can lead to unexpected cost overruns. As a project progresses, unforeseen problems or additional work may arise, causing expenses to spike beyond the initial budget. Project managers use proven methodologies for budgeting to avoid surprises in final costs. Delays: If a project lacks a clear timeline due to poor planning, it is likely to fall behind schedule. Continuous missed deadlines can lead to expensive consequences, such as paying overtime rates. Delays also affect other project factors. Quality Issues: Rushed planning may compromise the quality of deliverables. Inadequate time for testing, validation, or quality control can result

in subpar outcomes. Without commitments from suppliers or contractors, dedication to meeting timelines and quality specifications may suffer” (Respondent #1).

“Lack of performance guarantee leads to time and financial losses if the contractor fails or delays in meeting their obligations” (Respondent #12).

“Use of forged advance payment guarantee” (Respondent #33).

Respondents were asked to identify the challenges or barriers they face when applying public procurement guarantees in donor-funded projects. The most prominent theme was practical and operational concerns, followed by administrative hurdles and bureaucracy, financial constraints and collateral requirements, and legal and regulatory issues.

Theme #1: Practical and Operational Concerns

Respondents highlighted several practical and operational issues affecting the application of procurement guarantees. A lack of familiarity with guarantee processes can discourage vendors from engaging in donor-funded projects or lead to misunderstandings during procurement. Practical challenges, such as frozen bank balances, reluctance to accept certain types of guarantees, and logistical difficulties in remote areas, can hinder effective procurement and project progress.

Comments reflecting these concerns included: "Inability of SMEs to get the guarantees" (Respondent #1), "Vendors not familiar with procurement guarantees" (Respondent #3), "Insurance guarantees are accepted by public procurement but not by donor projects" (Respondent #14), and "The requirement for a bank cheque involves reserving funds, which can be problematic for contractors" (Respondent #35).

Theme #2: Administrative Hurdles and Bureaucracy

Respondents pointed out that public procurement often involves complex bureaucratic procedures, including extensive documentation, approvals, and compliance checks. These lengthy processes can delay procurement and project implementation, affecting outcomes and discouraging potential vendors. Excessive bureaucracy may limit competition and increase costs.

Related comments included: "Lengthy bureaucracy" (Respondent #2), "Vendors may challenge guarantee utilization, leading to litigation or dispute committees" (Respondent #6), and "Inadequate planning, procurement practices, government bureaucracies, and financial limitations complicate procurement" (Respondent #11).

Theme #3: Financial Constraints and Collateral Requirements

Financial challenges were noted as a significant barrier to accessing procurement guarantees. The need for collateral by financial institutions and liquidity issues faced by vendors can be burdensome. These requirements may lead to increased costs or the selection of more expensive contractors, impacting project budgets.

Comments on this issue included: "Banks require collateral for advance payment guarantees, which some contractors cannot meet, leading to higher-priced contractors" (Respondent #8) and "Retention guarantees payable after a period can challenge financial reporting and slow supplier performance" (Respondent #9).

Theme #4: Legal and Regulatory Framework

Some respondents emphasized that a clear and supportive legal and regulatory framework is crucial for effectively applying public procurement guarantees. Challenges related to compliance with procurement laws

and navigating complex regulatory environments can create uncertainty and potentially lead to disputes, delays, or legal issues.

As one respondent noted, "The legal framework, cost barriers, and procedural complexities in public procurement are significant issues" (Respondent #7).

Respondents were inquired about any specific gaps or shortcomings they have noticed in the current process of implementing procurement guarantees. Figure 3 shows the distribution of their responses.

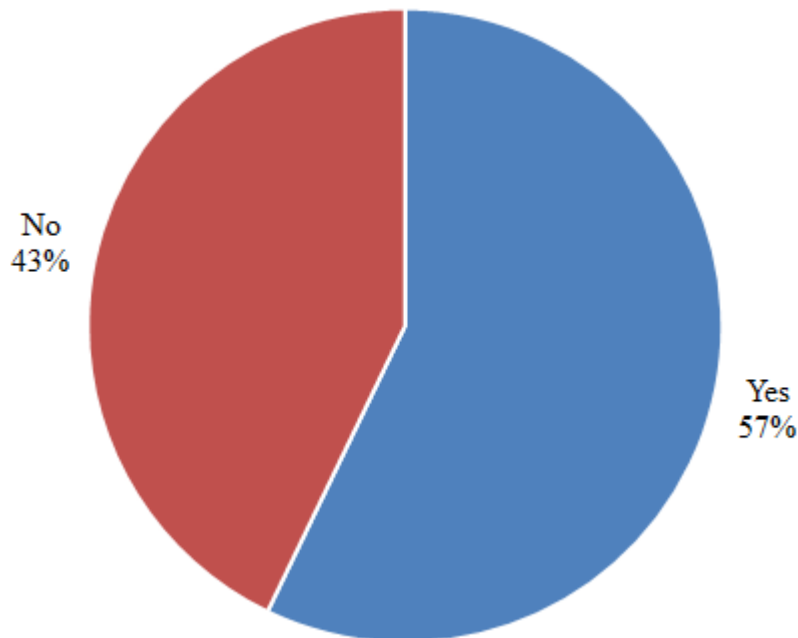


Figure 3: Observed Shortcomings in Implementation Processes

A majority (57%) of respondents identified gaps or shortcomings in the current process of implementing procurement guarantees. Among those who reported issues, two main themes emerged: operational inefficiencies and financial/contractual challenges.

Theme #1: Operational Inefficiencies and Delays

Respondents noted several challenges related to inefficiencies, delays, and bureaucratic obstacles in the procurement guarantee process. Issues such as slow approval processes, delayed fund releases, inadequate responsiveness to changing conditions, missed deadlines, and procedural complexities were highlighted. These operational inefficiencies emphasize the need for process improvements to enhance efficiency and timeliness. Comments included: "Banks or insurance companies issuing guarantees may delay releasing the amount due to disputes" (Respondent #21), "Lack of collateral or cash by contractors for a guarantee and lead time to fulfill such requirements" (Respondent #31), and "Failure to meet deadlines may lead to extension of the guarantees" (Respondent #34).

Theme #2: Financial and Contractual Challenges

Respondents also pointed out financial and contractual obstacles that hinder the effective implementation of procurement guarantees. Issues such as contractors lacking collateral or adequate funds, financial constraints, and limited types of acceptable guarantees were mentioned. These challenges can restrict contractor participation and cause delays or disruptions in procurement. Comments reflecting these concerns included: "Funding, complexities, inexperienced staff" (Respondent #19), "Lack of collateral or cash by contractors for a guarantee and lead time to fulfill such requirements" (Respondent #31), and "We should not specify a bank cheque for the guarantee, but any other satisfactory guarantee" (Respondent #36).

Respondents were further asked how these challenges impact the overall efficiency and success of donor-funded projects. The most notable theme was project delays, followed by cost overruns and threats to achieving project objectives.

Theme #1: Project Delays

Problems with the implementation of public procurement guarantees often lead to significant project delays, impacting timelines and overall efficiency. Delays from bureaucratic hurdles, financial issues, and lack of stakeholder cooperation not only deplete project resources but also disrupt critical milestones, jeopardizing the successful completion of donor-funded projects. These issues were reflected in comments such as: "Affects the overall plan of the project, specifically the closing period" (Respondent #9), "Delays in project implementation, leading to disallowed costs" (Respondent #11), and "Supplier's financial constraints leading to project implementation delays or substandard services" (Respondent #28).

Theme #2: Cost Overruns

Challenges in implementing procurement guarantees also contribute to cost overruns, placing additional financial strain on donor-funded projects. Implementation delays lead to inefficient resource use and potential financial penalties, causing budget overruns and misappropriation of funds. Financial constraints, including collateral issues, can exacerbate this problem, resulting in extra costs to address substandard outputs. Comments included: "Loss of funds, potentially due to delayed implementation" (Respondent #3) and "Financial constraints leading to delays and potential loss of funds" (Respondent #22).

Theme #3: Achievement of Objectives

Some respondents noted that difficulties in implementing procurement guarantees hinder the achievement of project objectives. Disruptions in implementation and delays during crucial project phases impede progress toward goals, while compromised service quality due to delays or financial issues directly affects the project's success. Complex procurement conditions further complicate securing necessary resources or services. Comments included: "Challenges affecting the overall plan of the project, potentially impacting achievement of objectives" (Respondent #9) and "Potential compromise in service quality affecting project objectives" (Respondent #28).

CONCLUSIONS AND RECOMMENDATIONS

The study revealed that procurement guarantees are extensively utilized in donor-funded projects across Eastern Africa, highlighting their significance in ensuring project success and economic development. This aligns with findings by Malacina et al. (2022) and Siawsh et al. (2021), which emphasized the critical role of public procurement in project outcomes and the substantial involvement of international NGOs in Africa's development. The study also identified several challenges in the procurement process, such as bureaucratic hurdles and misalignments between NGOs and public procurement entities, echoing concerns raised by Manyathi (2021).

The complexity of procurement processes and the importance of adopting strategic solutions to maximize efficiency were underscored, consistent with Keng'ara and Makina (2020) and Gatabu et al. (2020). The study further highlighted the effectiveness of specific procurement guarantees, such as performance bonds and retention guarantees, in ensuring transparency and fairness in project implementation, partially agreeing with Ogwang and Vanclay (2021). Additionally, the survey revealed that insufficient procurement guarantees often led to negative outcomes, including project delays and financial losses, as observed in similar studies by Bamidele (2020) and Asuquo and Ogbu (2022).

Despite the widespread application of procurement guarantees, the study identified significant gaps and challenges, such as project delays and budget overruns, due to operational inefficiencies and legal barriers. Recommendations for improving the effectiveness of procurement guarantees include enhancing process

efficiency, capacity building, and strengthening policy frameworks to address these challenges. Successful examples from projects such as the USAID Emergency WASH Response in South Sudan demonstrate the benefits of effective procurement guarantees, underscoring the need for continued focus on these mechanisms to ensure project success across donor-funded initiatives in Eastern Africa.

To enhance the effective utilization of procurement guarantees in donor-funded projects in Eastern Africa, it is crucial to conduct regular capacity-building workshops and training sessions targeting procurement officers, project managers, and relevant stakeholders. These initiatives will deepen their understanding of procurement guarantees and improve their ability to manage procurement processes transparently and efficiently, thereby maximizing the benefits of donor funding. Additionally, standardized performance metrics and monitoring mechanisms should be developed to consistently evaluate the impact of procurement guarantees on project success, complemented by a feedback system to identify areas for improvement and inform future decisions.

To address the gaps and challenges in the implementation of procurement guarantees, a dedicated task force or working group comprising representatives from the NGO value chain should be established. This collaborative effort can drive the development of targeted interventions and policy reforms to streamline procurement processes, enhance transparency, and strengthen accountability. Furthermore, regular stakeholder consultations and knowledge-sharing sessions will ensure that solutions are contextually relevant and effectively implemented. Additionally, establishing a mentorship program where experienced procurement professionals guide less experienced staff will help build internal capacity and promote knowledge transfer within organizations.

Future research could explore a comparative analysis of procurement guarantee practices across different regions, identifying best practices and lessons applicable to various contexts. Additionally, with the rise of digital procurement, there is a need to investigate the integration of technologies like artificial intelligence and big data analytics for enhancing risk management and transparency in procurement processes. Research could also focus on the long-term impact of capacity-building initiatives by conducting longitudinal studies to assess how these interventions improve procurement practices, reduce risks, and sustain project success over time.

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