

**KEYNOTE ADDRESS BY H.E. DR. MUSALIA MUDAVADI, E.G.H.,
PRIME CABINET SECRETARY AND CABINET SECRETARY FOR
FOREIGN AND DIASPORA AFFAIRS**

**DURING THE 2ND EDITION OF THE HEADS OF SUPPLY CHAIN
AND PROCUREMENT FORUM 2024**

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MOMBASA, AUGUST 15, 2024

Your Excellency Abdulswamad Sharrif Nassir, Governor Mombasa County

Dr. Chris Kiptoo, Principal Secretary, The National Treasury and Economic Planning

Mr. John Karani, M.B.S., Chairman, Kenya Institute of Supply Management Council

Members of the KISM Council

Mr. Kenneth Matiba, Chief Executive Officer

KISM Members, Partners and Stakeholders

Distinguished Delegates

Ladies and Gentlemen:

Hamjambo!

1. It gives me great pleasure to join you here today for the 2nd Edition of the **Heads of Supply Chain and Procurement Forum 2024**.
2. Let me take this opportunity to congratulate you for organizing this elaborate forum that brings together your members, key speakers, partners and stakeholders in the procurement and supply chain ecosystem.

3. This is a lively platform to further your vision of developing competent and ethical supply chain management practitioners. It also enables us to take stock of the progress we have made in entrenching the judicious procurement practices envisaged by the architects of the Public Procurement and Asset Disposal Act, 2015.
4. As we celebrate the maturity of your profession, let us reflect on how to navigate the tough times that our country is going through due to domestic and external shocks.
5. Global economic prospects remain uncertain due to recession, high interest rates and supply chain disruptions caused by the Russia-Ukraine war and Israel-Hamas conflict in the Middle East. Furthermore, mounting debt has ravaged the economies of middle- and low-income borrower countries across Africa and Asia.
6. On the domestic front, the challenges of climate change including drought last year and floods this year have contributed to a significant increase in the cost of living. Further, pressure from high debt service has forced the Government to make "hair cut" budget adjustments on essential public sector development programs.
7. The situation is so tight that we have been forced to make difficult decisions to keep our country in motion and avoid public confrontation with the people, particularly our youth, who have recently expressed their displeasure about the cost of living and lack of jobs through public demonstrations.
8. This has slowed down the implementation of the Government's Bottom-Up Economic Transformation Agenda, thus stifling our ambitious vision of economic and social transformation.
9. In the midst of this crisis, the Government has taken serious austerity measures, to improve efficiency on allocation of resources and cut back on wasteful expenditure.

10. This is precisely where you as supply chain and procurement professionals fit in. Procurement and supply chain management is central to the growth and transformation of our country to a middle-income industrialized nation.
11. You can help to improve the situation and safeguard the livelihoods of our people, particularly if you embrace the technological advances driving your industry, including artificial intelligence, blockchain and cloud computing.
12. Ideally, you should be helping to ease the pain of the Government by ensuring that all procurement processes deliver value for money for the people.
13. Unfortunately, you stand in an awkward position where the supply chain and procurement community is blamed for the most rampant cases of public sector fraud and corruption that have constricted the growth of our country.
14. You are certainly aware of Goldenberg, Anglo Leasing and other grand cases of corruption. It was also widely reported in 2021 that Kenya loses Sh2 billion daily on corruption, mostly related to procurement rigging.
15. Every year, the Office of the Auditor General publishes a litany of corruption, abuse of office and mismanagement of public resources. We have seen cases in court of public officials who have accumulated tonnes of cash and assets that they can never earn from their regular pay and investment options in a lifetime.
16. Globally, \$2.6 trillion is lost annually to corruption. In other words, corruption eats away five percent of the world's Gross Domestic Product. The estimate for Kenya is Sh608 billion or 7.8 percent of GDP, according to the Ethics and Anti-Corruption Commission.

17. Kenya is ranked 126 out of 180 countries in the 2023 Transparency International Global Corruption Index. Corruption hurts the poor people most. They are denied health services, education, water, electricity, roads and other services that should transform their livelihoods.
18. Public procurement is perceived to be more susceptible to corruption, compared to other areas of government, such as tax collection, passport issuance, the judiciary or public utilities.
19. My challenge to you today is to reflect on how you can position your profession to support our country's development agenda. You have an opportunity to change the negative perception and blanket condemnation about your noble profession by ensuring that your members operate within the laid down legal and regulatory frameworks.
20. Your profession can play a more strategic role in helping Kenya navigate the complex issues that it is experiencing. To do this, you need to address systemic weaknesses and loopholes in the supply chain and procurement system, particularly the following:
 - First, you must rise above the "10 percent cut" label that is synonymous with procurement practice. Weed out bureaucrats, suppliers and procurement officers engaging in corrupt practices such as bribery, embezzlement, kickbacks and tender rigging that undermine transparency and fairness in public service delivery.
 - Second, you have to enhance transparency in the procurement process by addressing issues such as non-disclosure of information and processes that can breed mistrust and suspicion among stakeholders.
 - Third, address the root causes of inefficiencies and delays caused by Government red tape and bureaucracy. These inefficiencies can be frustrating for both suppliers, government agencies, as well as the Kenyan citizens who need efficient service delivery.

- Fourth, enhance the capacity of Government agencies and skills of procurement officers to handle complex procurement processes to reduce inefficiencies, errors and opportunities for corruption. Continuous training and licensing by KISM can help cure these ills.
- Fifth, protect your profession from political influence that has led to awards being made based on political considerations rather than on merit. You must fight back “the call from above” being used to influence your decisions and remain steadfast in your compliance to procurement regulations and procedures.
- Sixth, adequate monitoring and oversight mechanisms are necessary to track and deal with irregularities that undermine the accountability and integrity of the procurement processes. You have to fully implement the laid-out frameworks and legal mechanisms to ensure compliance.
- Seventh, ensure adequate supplier performance monitoring after contracts are awarded, to deal with substandard delivery, delays and cost overruns. This will help the Government deal with the problem of pending bills that has become rampant in national and county governments.

21. Another challenge for your profession is the need to uphold good corporate governance principles that separate the power of the Board of Directors and Accounting Officers. The Board is responsible for approval of budgets and oversight while Accounting Officers draw their mandate from the Constitution, 2010, the Public Finance Management Act, 2012 and the Public Procurement and Asset Disposal Act, 2015. Accounting officers must also comply with guidelines and directives issued by the National Treasury and the Public Procurement Regulatory Authority.
22. Contract evaluation, implementation, inspection, acceptance and disposal committees also have a responsibility to carry out their work in accordance with the laws and regulations governing their operations.

23. The investigative agencies in the procurement and supply chain ecosystem, including the Director of Public Prosecutions, Ethics and Anti-Corruption Commission and the Inspector General of Police, also have a critical role to play in enhancing your professional conduct. This will mitigate against the generalized condemnation of Procurement and Supply Chain Management practitioners for mistakes that are committed or attributable to the Accounting Officers or the user/technical departments.
24. The time is now, not tomorrow, to fix these issues. Governance is a key pillar of the Government's economic and social transformation agenda. Enhancing the accountability and integrity of our procurement and supply chain systems will support the Government's efforts to protect Kenya's reputation as the regional financial and logistics hub in Eastern Africa.
25. You must play your part in safeguarding Kenya as an attractive destination for Foreign Direct Investment. It is our commitment to deliver a more equitable and secure future for all Kenyans.
26. I encourage you to deepen the initiatives that KISM has embarked on recently to enable the Government to respond better to the needs of its people. These actions include:
 - Giving recommendations on how to overcome the challenges emanating from the impact of the withdrawal of the Finance Bill, 2024.
 - Submitting proposals regarding the review of the public procurement sector pricing model, enhancing professionalization of supply chain management through enhanced compliance, and automation of procurement processes are spot-on.
 - Being the first professional body in Kenya to operationalize the Recognition of Prior Learning Framework.

- Opening the Kenya College of Supply Chain Management to offer structured capacity building programmes aimed at enhancing professional of the practice.
- Creating nine (9) regional chapters in the Country to make its services accessible.
- Growing its active members to over 10,000 from 6,000 in the past few years.
- Automating the registration and licensing processes for responsive service delivery to its members, among others.

27. Let me assure you that my office will continue to work with the other Ministries, Departments and Agencies to ensure that they are well appraised to deliver services to citizens through the laid-out performance contracts, medium term plans and strategic plans.

28. I am also aware KISM is developing a new Strategic Plan for 2025-2030. This presents a great opportunity for your strategic direction to be aligned with the Government's agenda to develop a highly-skilled, agile and responsive public sector. It should also foster environmental, social and governance best practices.

29. In our continued pursuit of excellence, the Government has digitized its essential services, which are now accessible online to all citizens. This initiative, under the Digitization and Digital Superhighway pillar, is driving the future of efficient Government service delivery.

30. As part of this agenda, the Government is setting up digital centres across the country to enable Kenyans to access government services online and create jobs for the youth. The target is to digitize 80 percent of critical government services.

31. This digitization plan also requires that procurement of Government tenders be done online through e-procurement. This is being piloted in 12 public entities, leading up to the target launch on January 1, 2025.
32. Digitization can disrupt corruption by reducing discretion, increasing transparency and enabling accountability by dematerializing services and limiting human interactions. It also allows for more effective oversight by smarter accountability institutions and data-savvy civil society. It should also put rogue elements in our procurement system on notice.
33. The overarching goal of these initiatives is to improve the business climate and expand opportunities for our Micro Small and Medium Enterprises to increase their contribution to national development. A more vibrant MSME sector will procure more locally available goods and services, thus creating jobs, shielding the economy from imported inflation and spurring development of our local industry.
34. Women and People with Disabilities, through the AGPO programme, should benefit more from Government tenders in the set quotas.
35. Finally, let me assure you that the Government will continue to engage professional bodies on matters of national interest. Your contribution as KISM membership will no doubt positively influence policy development towards effective and efficient service delivery.
36. I wish you fruitful deliberations that will lead to concrete actions for shaping the future of our country.

It is now my humble duty and pleasure to declare this 2nd Edition of the Heads of Supply Chain and Procurement Forum 2024 officially open.

Thank you!