



Webinar Report: Supply Chain Management



Impact of supply-chain on
economic sustainability

Deliver
Social
benefits
Value

Hosted by: Sustainable Inclusive Business and
Guest: Supply System's & People (SSP)





Contents

Introduction	2
Audience	3
Objective	4
Deliberations	4
Understanding the negative effect of Covid-19 pandemic on sustainable procurement	4
Positive impact of Covid-19	4
Data on Covid-19 Effects/Trends	5
Challenges on local manufacturing	6
What's Next for supply chain	6
Opinion	7



Introduction

On 29th May 2020, Sustainable Inclusive Business (SIB-Kenya) in partnership with Supply, Systems and People (SSP) held a webinar dubbed “Effect of Covid-19 on Procurement”. Approximately 27 people participated in the 1hr 30 minutes’ session, which aimed at exploring the impact of the Corona Virus pandemic on businesses’ procurement behaviours, the underlying opportunities and how to shift to sustainable procurement models post Covi-19.

The webinar had an open discussion model, moderated by SIB’s Program Manager Ebenezer Amadi, with Kwoba David, the Founder and CEO of SSP being the guest speaker. Kwoba is a Chartered Procurement professional with membership in several global supply chain bodies with international experience on sourcing of high risk, high-value products.

In commerce, supply chain management is management of the flow of goods and services; that involves the movement and storage of raw materials, of work-in-process inventory, and of finished goods from point of origin to point of consumption. Stakeholder pressure from customers, shareholders and investors to push sustainability into supply chain has significantly increased over the years. The recently launched Global Reporting Initiative (GRI) G4 Guidelines also require an increased focus on sustainability throughout the supply chain. By running and boosting environmental, social and economic performance throughout supply chains, businesses can conserve natural resources, optimize processes by making best use of what is available, uncovering product innovations, saving costs, increasing productivity and promoting corporate values.

While more companies expand their sustainability programs to include suppliers, they struggle with implementation. The UN Global Compact's 2013 Global Corporate Sustainability report shows that companies are more and more talking about supply chain sustainability and making solid progress on setting expectations for suppliers. However, they are not yet supporting expectations with concrete actions that drive sustainability performance in their supply chain.

Incorporating sustainability into a company's supply chain is complex but the failure to act may be the biggest risk of all. Supply chain integration is a critical success factor in circular business models. Supply chain is responsible for inventory, and a global, circular economy requires supply chain innovation beyond its current scope in the linear economy. However, for these business models to be successful, the supply chains that support them must be ready, recognized and expected to offer their capabilities in a new way.





- *60% Observed that the government has not done enough to ensure that locally manufactured goods are accessible and affordable.*
- *58% of the participants felt the webinar met their expectations and would recommend a similar one in future.*

Objective

The objective of webinar was to deliberate about the changes brought about by COVID-19 on the supply chain. This encompasses both negative as well as positive impact on the economy.

Deliberations

Understanding the negative effect of Covid-19 pandemic on sustainable procurement

Covid-19 has had an adverse effect on many economies and labour market shocks alongside health concerns impacting all businesses regardless of size. The restructuring of business after this pandemic will depend on the exploration of policies and programs to respond to the crisis and seek to stimulate the economy. Many people have been laid off due to covid-19 requirements like social distancing to help curb the spread of the virus.

Global supply chain has been disrupted especially those with over-reliant monopoly of sourcing. The Covid-19 pandemic has created shocks to trade flows due to transport and logistics disruption. Currently, China occupies 60% of the world's supply and demand, 65% of the world's manufacturing and 41% of the world's manufacturing exports (Baldwin & Mauro, 2020).

In Kenya, the health sector has been overwhelmed yet not hit as hard as the overseas countries. With about 80% of Kenyans working in the informal sector (micro and small businesses), lockdowns have affected many businesses to the extent of some laying off employees or even closing down.

Restrictions on transport and logistics have led to food loss and waste especially for perishable goods in countries that depend on export markets. This has disrupted livelihoods for those that depend on farming due to demand-pull inflation.

Positive impact of Covid-19

Being over reliant on sourcing from overseas has led to over dominance of those markets and as a country, we have not put in place proper structures to help us become self-dependent when it comes to production. Producing good quality products, at an affordable price will grow local trade instead of buying from abroad. During this pandemic, with the transport restrictions that have reduced importation, it's an opportunity to innovate and grow our local market.

Opportunity for local production

Internal economic growth through trading for locally produced goods and services will lead to greater support for SMEs. With enhanced economy, livelihoods will be improved, thus building resilient economies.

Innovation

Dependence on external sourcing has destabilized many economies. Covid-19 pandemic continues to awaken innovation in many countries that had reliance on international imports. Kenya for instance, invented a ventilator prototype through Kenyatta University (KU), while health care masks





and protective wear are being produced by Kenyans. Young people have innovated hand washing and sanitisation equipment that allows one to wash hands just by a push of a pedal.

Government Intervention and Support

Government should support to enhance capacity through financial resources to encourage local production of products especially those imported from Asia. Develop policies and regulations (in terms of taxes) that build a conducive environment for business to flourish and empower them during and post Covid-19.

Risk reduction compliance and security

Time is of essence for any procurement process, placing an order and waiting for the cargo to arrive especially now with the travel restrictions may cause a lot of delays which is not good for business. We need to boost our local production and reduce over reliance on overseas products. This comes with an added advantage, as vendors can visit suppliers at any time, and reduce the cost of transport, for compliance.

Government intervention

The government should play its role, by creating an enabling environment that will support local production. Formulating the right policies to foster local innovation and reduce dependency on international importation. Tax reduction and provision of funding of new innovation ideas will encourage growth of local manufacturing.

Data on Covid-19 Effects/Trends

Below is data from various sources including Supply, Systems and People (SSP), to help understand how COVID-19 has affected SMEs and the Kenyan economy in general:

70% of SMEs and big Corporates are in economic shock

40M jobs lost globally. Data from KNBS reveals that around 150, 000 jobs have been lost in Kenya

55,000 companies are affected by global sourcing disruption

The country is in recession, without any certainty when all this will end.

Kenya's GDP is expected to contract from 6.2% to 3.4%

81% companies are affected by global supply chain disruption

Household and Business spending is likely to drop up to 50%





Challenges on local manufacturing

Due to global disruption of supply chains, many nations are embracing innovation, to meet the local demand especially for those products that dominated importation.

Quality of Products

People are trying to create alternative for products whose importation has been rendered impossible. Due to lack of standards, high demand and time factors, the quality of these products may be compromised; thus not meeting international standards and local market being fed with low quality products. It is therefore crucial that proper auditing by the Kenya Bureau of Standards for conformity on best practices be given high consideration.

Labour and production cost

The general cost of production in Kenya is high due to various reasons. Lack of raw materials, high taxes among others; which tend to increase the price of commodities. In Kenya, some locally manufactured products cost more than imported ones. These high prices have caused consumers to go for cheap imported products thus killing Kenya's manufacturing industry.

Limited production

High dependency on imported raw material and the current logistics concern may limit local production. With closure of many countries due to the pandemic, nations have been rendered hopeless on importation. Businesses are not capable of meeting the demand consistently and in an efficient manner.

What's Next for supply chain

Supply chain has been recognized as an essential service during this pandemic. In the absence of Covid-19, as a country we relaxed since our markets were booming with imported products. In the wake of Covid-19, producers have been forced to re-think their sourcing models and come up with local solutions. Nonetheless, the Ministry of Health has worked hand in hand with the healthcare supply chain to ensure sustained availability of medical equipment and supplies. The agriculture supply chain has also ensured that food and agricultural products are available for the local markets.

Kenya as a country should focus on creating demand for locally manufactured products. This will be achieved by conforming to the best business practices and the international standards that will put Kenya on the export level and lead to mass production of quality goods for both local and international market.

Upcoming innovation may not remain afloat to achieve their objectives without proper funding strategy and a conducive environment to operate. The government should intervene and regulate prices for locally manufactured goods by offering friendly taxes to boost local manufacturing at affordable cost. Improving our transport and infrastructure will help to reduce the cost of production thus lowering the end price of commodities. The infiltration of cheap imported products into our market continues to create unhealthy competition for our manufacturing industry.

This is the time for the government and all like-minded stakeholders to secure new innovations so that this idea will not go to drain or be adopted by other nations. This will ensure the sustainability of upcoming businesses that create positive impact on people, planet and profit.





With increased demand and uncontrolled innovations for products, there are high chances that markets may flood with counterfeits. To control this the government should intervene by putting the right policies and regulatory frame work that will facilitate sustainable production and importation. Regular monitoring and evaluation of production processes by bodies like the Kenya Bureau of Statistics (KEBs) will ensure all products that reach the market conform to the set standards and their prices are regulated.

Service providers like airlines need to re-adjust and operate within the policies and standard parameters set by the government. For instance, the surge of market prices on some services will help to caution some organizations to remain in business.

Sustainable supply chain is the new norm for any business that seeks to create positive impact. Professionals should adopt sustainable practices by being keen on, procuring environmental friendly products, procuring locally manufactured products to motivate innovation and growth of local industries. Procurement should not be perceived as a cash cow, but an opportunity through which organizations and the nation at large can use to re-think how we produce and supply our products.

Opinion

There is need for the Kenyan private sector to work collectively to support local production. Both should push for the right interventions by putting in place the right policies that support local manufacturing and reduce over-reliance on importation from overseas.

