

**"Enhancing Efficiency and Effectiveness in Public
Financial Management"**

**KEY NOTE SPEECH GIVEN TO THE SENIOR
DEPARTMENT OF DEFENCE (DOD) STAFF**

At the Kenya School of Monetary Studies (KSMS)

BY

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MONDAY, AUGUST 21, 2017

Good morning everyone. Lt. General Joseph Kason, all protocol observed, ladies and gentlemen. It is an honour to be asked to be a guest speaker before you. (Brief discussion about my background). Before we look at the major challenges affecting efficiency and effectiveness in public financial management, let me take a moment to reflect on our brave men and women.

Kenyans have served in uniform as far back as the second world war and standing guard in the early days of our republic, and contemplating the future warfare here in the 21st century.

For over fifty years, we have been bound together by founding documents that define who we are as Kenyans, and serve as a union through every type of challenges.

Matters of war and peace are not different. Kenyans are deeply ambivalent about war, but having fought for our independence and recently in Somali where our brave men and women captured Kisimayu in a precise and surprise combined land, sea and air. We know that the price must be paid for freedom.

General Colin Powell former Chairman of the Joint Chief of Staff of the US Armed forces and Secretary of State once said,

"There is no secret to success, it is the result of preparation, hard work and learning from failure."

In the recent study by the Rand Corporation – (the largest defence think tank in the world), long standing deficiencies in the US Department of Defence financial management, related systems and reporting practices hinders mission, operational decision making and affect the credibility of DOD financial

statements. In our case here in Kenya, sound financial management practices and reliable useful, and timely financial information could help DOD to ensure accountability, efficient and effective management of the department's 100 billion extensive resources.

Rand study established two major problems which affect the economy, efficiency and effectiveness of most of the DOD operations around the world:

First, inconsistency and sometimes unreliable reports on weapon system operating and support costs, limiting the visibility that the legislature needs for an effective oversight of weapon systems program.

Secondly, an impaired ability to make cost effective choices, such as deciding whether to outsource specific activities or how to improve efficiency through technology.

Here are a few examples of how DOD financial management improvement efforts have been hindered:

- Decentralised environment
- Cultural resistance to change
- Lack of skilled financial management staff
- lack of effective processes, systems and controls
- Incomplete correction plans; and
- Ineffective monitoring and reporting

To conclude let me share with you my recent Israel tour with a group of senior military officers from 16 countries

(Altogether we were a group of 20 people). (We divided the group into a team of five. We were given a theoretical problem, questions to review and solve. One question was regarding a Nation State DOD financial problems).

Here is how we summarised the problems.

To improve its Strategic Overview and Strengthen its Governance arrangements, the DOD should:

1. Ensure it has a strong understanding of the relationship between any changes to its forecast funding and the defence capability that its able to provide.

2. Put effective arrangement in place to capture how it is delivering savings from recent and forthcoming spending reviews, including where these are being delivered by the commands.

3. Put in place strong governance arrangement to monitor the impact of its new ways of working and resulting risks.

4. Create greater clarity regarding the incentives in place for the commands to use their resources efficiently and effectively and hold them to account for this.

5. Ensure that relevant knowledge is shared across the commands.

6. Ensure that it has robust measure in place to monitor the performance of its private sector business partners in improving its management of the defence estate.

Thank you for listening.