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# McKinsey Quarterly

PUBLIC SECTOR PRACTICE

## Innovation in government: Kenya and Georgia

**Two developing countries show how a willingness to take bold risks can make government services better and cheaper.**



**Across the globe,** governments of every size face the same urgent imperative: rising demand for services running headlong into the reality of limited resources. The emerging answer—from some unlikely places—is bold, rapid management innovation.

McKinsey’s public-sector practice, under the editorial leadership of Eric Braverman, Ceci Connolly, and Nick Lovegrove, presents a collection of “snapshots” that capture the people, places, and management strategies driving this wave of change. The series (based on field reporting and on interviews with government officials, senior executives, academics, and nongovernmental organizations) focuses on broadly applicable, cutting-edge innovations—the disruptive moves that are transforming the 21st-century state. Several of the stories come from the edge: governments that believe they have no choice but to take bold risks.

This project does not endorse political choices, but rather examines sustained, significant initiatives. We open with two entries: an interview with Kenya’s information and communications minister, who is spearheading a government-wide “open data” initiative, and a report on Georgia’s customer-focused service delivery methods. Later this autumn, we’ll feature insights from Brazil, Colombia, Indonesia, Rwanda, and South Africa. In December, McKinsey and Oxford University will host an international conference with officials, executives, academics, and public-sector leaders in the vanguard of these 21st-century innovations.

## Kenya's open-data plan

*In an attempt to increase transparency and improve the country's long-term economic prospects, a minister pushes for more and easier access to information.*

### **Elana Berkowitz and Renée Paradise**

#### **Challenge:**

Nearly 40 percent of Kenyans live on less than \$2 a day, and corruption is still cited as an ongoing challenge for citizens and businesses. But the World Bank has reported that if Kenya can sustain its recent growth rate, it is on track to become a lower-middle-income country in the next decade. And a new constitution establishes the citizen's right to access government information—a right that must now be implemented.

#### **Emerging solution:**

Kenya this summer became the first African country to launch an open-data portal ([www.opendata.go.ke](http://www.opendata.go.ke)), with previously difficult-to-access government information on education, energy, health, population, poverty, and water and sanitation. Only a few countries (including Australia, Canada, the United Kingdom, and the United States) have launched major data portals. Kenya has also signed on to the Open Government Partnership, launched by US president Barack Obama at the UN General Assembly in September 2011 ([www.opengovpartnership.org](http://www.opengovpartnership.org)).

Kenya's open-data agenda is part of a broader movement to find new ways of using technology to increase civic participation, to support distributed innovation, and to make development more participatory and transparent. One extreme example comes from Iceland, which this year updated its constitution by "crowd sourcing" the changes directly with citizens over social media. Underscoring the potential is the US Web site Data.gov, launched in mid-2009, which rapidly grew to host more than 250,000 government datasets. Although open-data and related "Gov 2.0" initiatives are not a panacea, they offer the prospect of more accountable, efficient governance by promoting transparency and participation.

Dr. Bitange Ndemo, Kenya's information and communications minister, hopes that open data gives citizens the information they need to hold government accountable; increases the amount of locally produced, commercially viable content; and drives more Kenyans online. He spoke with McKinsey in an interview conducted in Nairobi in August.

**McKinsey:** *What motivated you to launch the open-data portal? What impact do you want?*

**Bitange Ndemo:** The government spends so much, and we see a growing deficit. The main thing we can do to raise money is become more efficient, but people don't talk about that much here. Automation has been really important because so much is still manual. For instance, at the Ministry of Lands, we used to collect 3 billion shillings; after automation, that jumped to 7 billion.

What's really important is procurement. We could save up to \$1 billion annually getting that online, more than we get from donors. Currently, the system is not all online and visible to citizens. Many civil servants have suppliers they send requests to for pricing, for example. If, say, a pen costs 20 shillings at Nakumatt,<sup>1</sup> the quotations coming in—the pen's price—will always be ten times that. We are moving to e-procurement, so now Nakumatt can tender directly. Our pen will cost 20 shillings, not 200, and times to process payments will be faster.

But it isn't just about removing the manual aspects. The much more powerful thing, open data, is making the public aware. If we put the prices for toilet paper in the public eye, the public will ask, "Are you buying this for toilets made of gold?"

**McKinsey:** *Why is a focus on corruption critical for Kenyans?*

**Bitange Ndemo:** Our anticorruption efforts so far were insufficient—a lot of politics and vindictiveness, an approach that never works. In 1966, Kenya's per capita income was far closer to Korea's, Malaysia's, and Singapore's than it is today. We have made mistakes, and one of the biggest that crept into our lives was greed. Most Kenyans had no idea that this was happening. Today there is a new crop of Kenyans: they are literate, use technology, and things will start to change. The way to change Africa and to increase government resources is through automation and open data.

**McKinsey:** *Open, machine-readable data is great, but posting it online doesn't ensure it will be used. How are you building a user base?*

**Bitange Ndemo:** We started with news editors and reporters. Most developing-country stories are basic, with no analysis. We are trying to feed editors and reporters information that can provide a basis for real analysis and conclusions. Sometimes the newspapers don't understand, so I talk at universities, such as schools of mathematics. I say, "Let us work with you so that we can analyze data, and we can have an index. We will then know the right price for toilet paper. We can analyze interest rates in banks. We can touch on many complex consumer issues and make them simpler. We can show clear benefits to open data for government and people. That will make this effort sustainable."

**McKinsey:** *Open data makes it easier for supervisors and the public to hold government to account. How do you build a government culture that supports open data?*

**Bitange Ndemo:** It is very difficult. Officials feel they "own" their data. I've focused on influencing and education. I've been visiting colleagues at each department to ask in person for data, explain the purpose, and promise that the data will be used for developing mobile applications. If I had to spend a whole morning with a colleague to explain open data and to get

<sup>1</sup> A Kenyan-owned chain of retail superstores.

that data, I did. We have also been doing teleconferences with ministries. That commitment was important. We need to show ministries that collecting data adds value. The next step is to create a legal requirement that data should be sent to a central place for processing. We need to ensure the sustainability of this effort after I exit.

Still, it has been a challenge. When we approach some ministries, they feel we are encroaching on their territory. Others don't think our methodology is appropriate for them.

**McKinsey:** *Recent years have seen increased investment in the Internet infrastructure, though overall usage remains low. Do you hope the open-data portal will get more Kenyans online?*

**Bitange Ndemo:** We already have 20,000 kilometers<sup>2</sup> of terrestrial fiber. We are making sure that you can connect in every part of this country. In some places, you can't find a good road but you can have broadband. Ten million Kenyans regularly use the Internet, but you need to give people local content, which will drive broadband's adoption. We need a lot of local wikis where people can find local concepts, heroes, history. We need historical content to learn from our mistakes.

**McKinsey:** *Will this open-data portal contribute to developing local content?*

**Bitange Ndemo:** Kenya is very hot with application development, and we have to support the industry's growth. It was iHub, a local tech incubator and co-working facility for Nairobi programmers, that made us move so fast because they kept requesting data.

About 100 apps have been developed using the data from the government portal, but I need more. Consider food security—a big challenge here. If you look at the portal, you see soil maps showing levels of productivity at different locations. We need that information on a mobile platform, so we can help farmers learn what they should plant to maximize returns. There is a real revenue model for such an app, and farmers will want it.

**McKinsey:** *What are some other apps you want developed with the open-data portal?*

**Bitange Ndemo:** We have a lot of food, but the supply chain is not built out enough. If we had a commodities exchange, farmers would get appropriate value for their products. Some farmers, for instance, have many eggs but don't know they are needed in Nairobi. The Agriculture Ministry knows where the farmers are, how many eggs they produced. Let's use this information.

<sup>2</sup>About 12,430 miles.

**About the authors**

**Elana Berkowitz** is a consultant in McKinsey's Washington, DC, office, and **Renée Paradise** is an associate principal in the London office.

**McKinsey:** *What will be the greatest challenge in getting to scale?*

**Bitange Ndemo:** We haven't fully created the structures for releasing and updating data. The key to scaling this will be demonstrating the data's benefits, especially to the government officials who release it. We need to explain that the data won't just be used to audit them but also to build Kenya, build apps, support the right health care and food security policies. Though reducing corruption will be important, a year from now we want to say, "This many apps were built, this many youth were employed, this many billions of shillings were traded on the commodities platform." People understand that.

We have reached those who already use the Internet regularly. We haven't gotten to ordinary people yet, but what we do is meant for them.

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## Georgia's 'one-stop shop' for citizens and businesses

*A reform-minded government tries to break down "silos" to speed government services.*

### **Renée Paradise and Ken Schwartz**

#### **Challenge:**

To help establish its legitimacy quickly after the 2003 Rose Revolution, Georgia's government needed to boost its revenues. Citizens expected a rapid turnaround in the quality and delivery of services. Businesses wanted to see measurable results before investing. As President Mikheil Saakashvili took office, the World Bank, citing onerous regulations and corruption, ranked Georgia 137th out of 153 countries as a place for doing business.

#### **Emerging solution:**

To deliver high-quality public services efficiently and to streamline regulatory and licensing processes for businesses, the government created customer-oriented, high-tech "one stop shops." After waging a major anticorruption campaign, the administration turned to service delivery strategies common in the private sector: financial incentives to improve performance and the elimination of bureaucratic silos and paperwork.

In the seaside resort town of Batumi sits a glass structure with an open atrium and tinkling Muzak chosen by marketing gurus. The blonde-wood counters and children's play area suggest a Scandinavian furniture store. But this is a government facility in a country once pockmarked by Stalin-era concrete.

Welcome to the Batumi Public Service Hall, exhibit A in the Republic of Georgia's quest to treat citizens and business investors more like discerning shoppers. True to the slogan hung in

the lobby—“Everything in one place”—the integrated center offers 250 different government services, from birth certificates to divorce papers, under one roof.

Uniformed greeters known as “consultants” welcome arrivals and direct traffic: simple requests, to self-serve computers; more complex cases, such as a visa for a family member from Azerbaijan, to staffed desks. The emphasis is on speed and convenience. Need a photo for that passport application? There’s a booth in the lobby. Forgot cash to pay for a marriage certificate? Hit the ATM. The key point is that a citizen’s problem is characterized by how quickly it can be resolved—fast, medium, or slow—not by the government department (say, a justice issue, a security issue, or a health issue) in which it falls. “The customer is king,” explains Tamar Samsonia, who oversees the center. Citizens “don’t need to waste money or time or energy. They just need to come here to receive their services very quickly.”

All across Georgia, officials are erecting glistening new service centers like the Batumi hall, visible evidence of the shift under way in the government’s management philosophy. From family land deeds to licenses for hydropower plants, Georgia’s government is pressing to simplify and streamline its operations in the belief that one-stop service not only makes citizens happy but also entices investors.

So far, Georgia has three such one-stop government centers offering individuals and businesses a range of services, including customs clearance, new-business licenses, land deeds, and automobile licenses. Thirteen more public-service centers are scheduled to open by the end of 2012. While the halls currently provide services only from the Ministry of Justice, in the future they will include services from the Ministry of Energy and Natural Resources, the Revenue Service of Georgia, the Ministry of Finance, and more. Eventually it might be possible to register a car and a marriage at the same place.

In a nation still climbing out of deep unemployment—officially pegged at about 16.4 percent in 2009, but estimated by some nongovernment observers to be much higher—managers such as Samsonia can draw on large talent pools. Applicants, she said, fought for the 100 positions in Batumi because the pay is good, the atmosphere is pleasant, and they can compete for awards, such as shopping discounts and ski trips.

At the Batumi hall, which services about 1,500 people a day, the goal is to help visitors dispatch their business in less than 30 minutes. Operations are enabled by a technology platform built over a unified database, so citizens need not fill out multiple government forms. The centers aggressively monitor employee performance, collecting statistics on error rates and wait times. Customer surveys, mystery shopper programs, and even unannounced visits by cabinet ministers reinforce the performance goals.

By using technology to simplify processes, the government is mimicking the efforts of many successful private firms to disrupt traditional service channels. The focus on business analytics and improving service has translated into real money. From 2005 to 2010, tax collections in Georgia rose to 28.2 percent of GDP, from 17.8 percent.

“The first phase was about getting rid of corruption,” President Saakashvili told McKinsey. “The second phase is about moving toward government as a service.” According to Nina Chichua, head of the Justice Ministry’s Marketing Division, before the reforms citizens found it nearly impossible to receive passports for the official fee and within the official processing times; they paid about \$100 in bribes and waited one month. Citizens can now receive a passport in ten working days for \$59—and in just one hour for \$120. Similarly, before the reforms, the wait time to register a business was about one month; businesses paid an unofficial “fee” of \$150 and visited nine government institutions to get the 35 documents required. Registering a business at the Batumi Public Service Hall now takes four working days and a \$29 fee.

Georgia’s government is also using one-stop systems—both in person and online—to enhance the range of services it offers business. The numbers, from the World Bank, tell a story of improvement:

- Georgia now ranks eighth out of 183 nations in the ease of starting a business and second in registering property.
- It takes just three days to start a new business in Georgia, compared with an average of 14 days for the countries in the Organisation for Economic Co-operation and Development. Georgians spend about 2 days to register property, versus the OECD average of 33 days.
- Average wait times for construction permits and property registrations have fallen, respectively, from six months in 2005 to 98 days and from 39 days to 2.

Perhaps the best example of change in action can be found along Georgia’s borders. With the exception of hydropower, the country largely lacks natural resources. But its location—tucked between Russia to the north and Turkey to the south, with the Black Sea along the western coast—offers opportunities as an international transport corridor.

To facilitate trade, Georgia’s government has brought one-stop customer service to its customs facilities. Similar in design and approach to the hall in Batumi, the customs houses combine creature comforts with modern technology to screen cargo and collect duties on goods rapidly. Customs cases are triaged for complexity to expedite the process.

Malkhaz Mukutadze, owner of the Martve-5 construction materials firm, agreed to let McKinsey follow him as he navigated the process at a customs house near the Turkish border. After parking his truck, Mukutadze draws a number in the reception area and sits in a sunny

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waiting room. Soon a neon sign directs him to a desk where he presents his documents—license, registration, and a manifest detailing the shipment.

Salome Mamulashvili, a newly hired customs officer, punches the information into a computer that runs an electronic “risk engine” identifying which loads to search. About 95 percent clear without inspection, but authorities say the system helps target high-risk cargo while speeding up legal trade.

With a few more keystrokes, Mamulashvili calculates the duty on Mukutadze’s four truckloads of cement. Customers can pay immediately at a bank counter a few feet away or at other locations within a few weeks—an option Mukutadze, with his cash flow in mind, decides to take. “Before the new system, I would sometimes wait for an entire day and my number would not be called. I would have to come back for a second day,” said Mikutadze through a translator. On this Saturday, he departed 30 minutes after arrival.

Despite the changes, Georgia has room to further simplify cross-border trade. The improvement is quite real, however. In 2006, it took 52 days and 15 documents to import a container into Georgia; today it takes 10 days and 4 documents.

Officials use continuous-improvement techniques to fine-tune customs operations. Early on, the government switched from paper forms to digitized records with electronic-signature machines, but it still takes too long to enter information, have customers verify it, and print out documents. The next move will be to equip each agent with a second computer monitor enabling customers to correct errors in real time, said Vano Merabishvili, the minister of interior, responsible for protecting Georgia’s borders. Soon the government hopes to install a preclearance system allowing some businesses to submit manifests ahead of time, to avoid customs facilities altogether.

Georgia is still a long way from ensuring that its early innovations will deliver broader economic growth. Corruption still lingers in certain corners—most notably, health care. Tensions with Russia and unrest continue. President Saakashvili acknowledges that it is difficult to maintain the postrevolution “constant crisis” mentality that provided the energy and leverage to enact many bold, even radical, changes. Still, a customer-focused mind-set appears to be taking hold. “Our strategy is to mobilize our human capital through technology,” said Saakashvili. “If we make it easier for people to work with the government, we do our jobs right and earn people’s trust.” ○

### About the authors

**Renée Paradise** is an associate principal in the London office, and **Ken Schwartz** is a consultant in the Washington, DC, office.