

# **Change in Policy Transfer Institutions and Agents in Bhutan: From International Advisors to International Consultants**

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# Main Arguments

- As forms of policy transfers are increasing in developing countries, so are the institutions and agents engaging in them.
- Are traditional donor institutions being replaced by international consulting corporations?
- Through the engagement of McKinsey Consulting Co. in Bhutan, this presentation examines:
  - The similarities and differences in the methods of operation/roles
  - How these impact the process of policy transfer



### **Brief Description of Bhutan:**

- GDP (2015): US\$1.96 billion
- Area: 38,394 sq km
- Population (2015): 774,830

# Comparative Basis for the Study

- Previous study based on the introduction and implementation of the Position Classification System (PCS), a set of public sector reforms, in Bhutan in 2006.
- And presented at ICPP 2015:
  - <http://www.icppublicpolicy.org/conference/file/reponse/1433637093.pdf>
- Main arguments in the paper:
  - Developing countries are indeed capable of successfully controlling policy transfer processes when these are internally motivated and domestic agents fully engage in the process.
  - Such internally driven transfer is likely to activate very different types of domestic and international transfer agents.

# The McKinsey Story in Bhutan

- McKinsey was recruited by the Royal Government of Bhutan from 2009 – 2012 to work on the Accelerated Bhutan's Socio-economic Development (ABSD) project.
- Bhutanese Government paid McKinsey a sum of USD 9.1 million for its services
  - GDP: 1.265 billion USD (2009)

# Motivations for Engaging McKinsey

- The United States, New Zealand, Canada, Kenya and the UK have also used McKinsey to stimulate economic growth.
- McKinsey will aim for 'tight objectives with loose approach,' where the goals are realistic and achievable, but there are different approaches or techniques to get to the goals with less red tape.

(Source: National newspaper ([www.kuenselonline.com](http://www.kuenselonline.com)). *Posted on Wednesday, May 11th, 2011*)

# Main Objectives of the ABSD Project

- The ABSD Project agreed on three tracks with an objective identified under each track:
  - Track 1: Improving public services—Provide critical public services cheaper, faster and at higher quality
  - Track 2: Generating employment—Generate a substantial portion of the 900,000 jobs required in the 10<sup>th</sup> Plan Period (i.e. 2009 – 2013)
  - Track 3: Enabling and managing change—Enable and manage change to ensure real and sustained impact

- Project was initiated in two phases.
  - Phase I (Diagnostic Phase: first three months): Identified areas of focus and developed detailed portfolios for five public services and five key sectors.
  - Phase II (Implementation Phase: twenty-three months): Development of Performance Compacts. In total, ten Performance Compacts, containing 71 Charters/Initiatives were developed.



- Five public services in Track 1, and five sectors in Track 2 identified

<b>Sl. No.</b>	<b>Sectors</b>	<b>Charter Owner</b>	<b>Date of signing Compact</b>	<b>Remarks</b>
1	Tourism	TCB	9/11/2009	Track 2 (Sector)
2	Health	MoH	9/12/2009	Track 1 (Public Services)
3	G2C	Project	19/5/2010	Track 1 (Public Services)
4	School Education & DAHE	MoE	17/2/2010	Track 1 (Public Services)
5	Tertiary Education	RUB	17/2/2010	Track 1 (Public Services)
6	Vocational training	MoLHR	17/2/2010	Track 1 (Public Services)
7	Agriculture	MoAF	9/9/2010	Track 2 (Sector)
8	Construction	MoWHS	9/9/2010	Track 2 (Sector)
9	ICT	MoIC	9/9/2010	Track 2 (Sector)
10	Culture	MoEA & MoHCA	29/4/2011	Track 2 (Sector)

# Outcome of the McKinsey Project

- Policy transfer as:
  - Dependent variable—successful in terms of the transfer *per se*
  - Independent variable—outcomes?
- Mixed reviews!
  - Overall, the government has described it as “successful.” (GNHC Secretary)
  - Criticisms (examine later)

## [A closer look at why the RAA declared McKinsey a flop – The Bhutanese](http://thebhutanese.bt/a-closer-look-at-why-the-raa-declared-mckinsey-a-flop/)

[thebhutanese.bt/a-closer-look-at-why-the-raa-declared-mckinsey-a-flop/](http://thebhutanese.bt/a-closer-look-at-why-the-raa-declared-mckinsey-a-flop/) ▾  
Nov 30, 2013 - In 2009, when the government unveiled its decision to hire **McKinsey** for USD 9.1 mn or Nu 443 mn with the aim of accelerating socio-economic ...

## [The Bhutanese - A closer look at why the RAA declared... | Facebook](https://www.facebook.com/TheBhutaneseNewspaper/posts/449167588522510)

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A closer look at why the RAA declared **McKinsey** a flop <http://www.thebhutanese.bt/a-closer-look-at-why-the-raa-declared-mckinsey-a-flop/>

## [McKinsey worth their millions: Prime Minister - BBS | BBS](http://www.bbs.bt/news/?p=24288)

[www.bbs.bt/news/?p=24288](http://www.bbs.bt/news/?p=24288) ▾

Mar 5, 2013 - Amid much skepticism, **McKinsey** was brought in at what has been considered an exorbitant fee to accelerate **Bhutan's** socio-economic ...

Missing: flop

## [Topic: DPT – a big flop in economy revival | - KuenselOnline](http://www.kuenselonline.com/forums/topic/dpt-a-big-flop-in-economy-revival/)

[www.kuenselonline.com/forums/topic/dpt-a-big-flop-in-economy-revival/](http://www.kuenselonline.com/forums/topic/dpt-a-big-flop-in-economy-revival/)

Apr 3, 2013 - DPT – a big flop in economy revival ... **McKinsey** certainly did not help revive our economy. We have a ... Made in **Bhutan**: An innovator's story.

## [Audit slams McKinsey's 'achievements' – KuenselOnline](http://www.kuenselonline.com/Topic/Audit-slams-McKinsey-s-achievements)

[www.kuenselonline.com](http://www.kuenselonline.com/Topic/Audit-slams-McKinsey-s-achievements) ▸ [Topic](http://www.kuenselonline.com/Topic/Audit-slams-McKinsey-s-achievements) ▾

Nov 28, 2013 - Home / Topic / Audit slams **McKinsey's** 'achievements' ... is not to dig dried feces; if not it will yield foul smell" Ancient **Bhutanese** proverbs.

Missing: flop

## [Pound foolish, penny wise - Tshering Tobgay](http://www.tsheringtobgay.com/health/2012/pound-foolish-penny-wise.html)

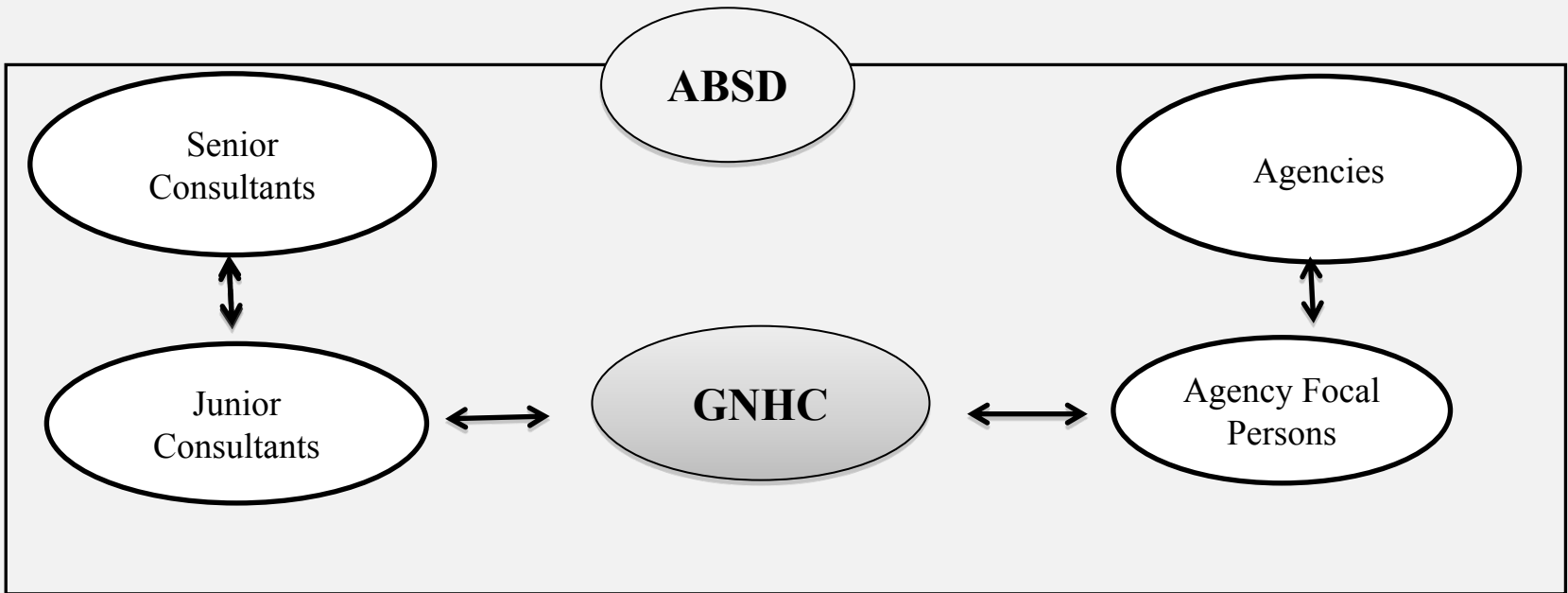
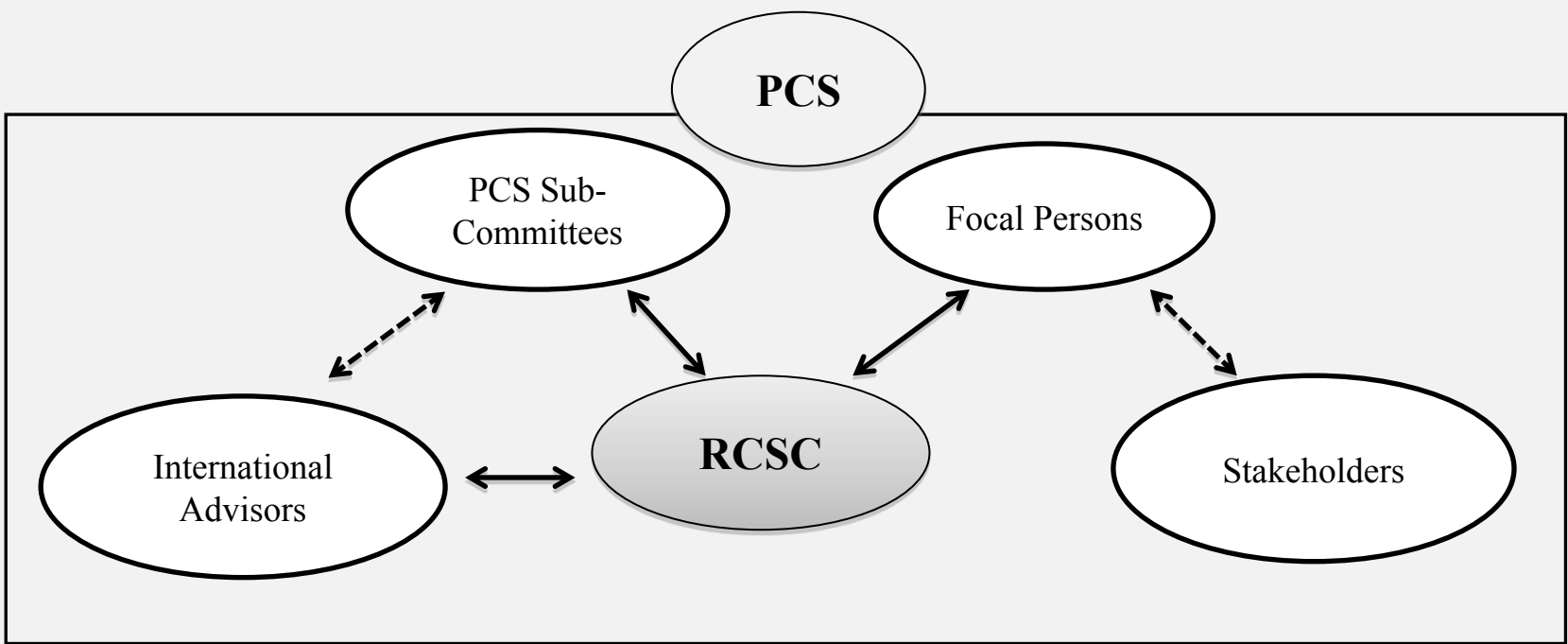
[www.tsheringtobgay.com/health/2012/pound-foolish-penny-wise.html](http://www.tsheringtobgay.com/health/2012/pound-foolish-penny-wise.html) ▾

Mar 7, 2012 - **McKinsey** is a big flop of our government. Why do we ... Could you please write about **McKinsey's** coming to **Bhutan** in your next post. Reply.

# What's similar?

- Clearly, cases of policy transfer
  - Voluntary policy transfer: in a sense that the whole process is motivated and driven internally (i.e. by Bhutanese Government).
  - What is being transferred: best-practices based on the private sector (typical New Public Management reforms).
- Power dynamics
  - Created by imbalance in knowledge/capacity
  - Similar to traditional forms of policy transfer

- **Methods of operation**
  - Domestic transfer agents control the transfer process throughout the agenda setting, decision-making and the implementation stages.
  - In the policy formulation stage the international actors played an important part.



# What's different?

- Accountability mechanisms
  - On one hand, less accountable the way McKinsey operated.
  - There was inadequate oversight over contract administration
    - Contract required 3 monthly reports from McKinsey— not always on time.
    - Only report prepared were presentations, and which were consolidated as “performance compacts”.

(Auditor General's Advisory Series, August 2013)

- On the other hand, more scrutiny of the funds spent for McKinsey within the country:
  - Auditor General’s Advisory Series, August 2013 (“Are [sic] the Royal Government of Bhutan receiving value for money on the procurement of consultancy services?”)
  - Media reports
  - Public Accounts Committee (Report submitted to the Fourth Session of the Second Parliament of Bhutan, 04 December 2014)



# Conclusion

- Inevitable change (?)—international advisors to international consultants
- Capacity in developing countries continues to be an issue—power dynamics
  - Need for change in skills—from “project managers” to “contract managers” (legal expertise)