

*Studies in the Political Economy of Public Policy*

# Policy Capacity and Governance

Assessing Governmental  
Competences and Capabilities in  
Theory and Practice

Edited by

Xun Wu, Michael Howlett  
and M. Ramesh



# Studies in the Political Economy of Public Policy

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Xun Wu · Michael Howlett · M. Ramesh  
Editors

# Policy Capacity and Governance

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and Capabilities in Theory and Practice

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# Policy Capacity: Conceptual Framework and Essential Components

*Xun Wu, M. Ramesh and Michael Howlett*

## 1.1 INTRODUCTION: POLICY CAPACITY IN THEORY AND PRACTICE

*Policy capacity is among the most fundamental concepts in studying public policy.* High levels of policy capacity are linked to superior policy outputs and outcomes while capacity deficits are viewed as a major cause of policy failure and sub-optimal outcomes (Bullock et al. 2001; Canadian Government 1996; Fukuyama 2013). The global financial crisis of 2008, for example, starkly underscored the inability of many industrialized countries to govern their financial sectors, while in developing countries capacity deficits are understandably pronounced on a day-to-day basis. Concerns about capacity gaps have sparked a renewed interest both among practitioners and scholars about the nature of policy capacity and its definition and composition in the contemporary era (Fukuyama 2013; Savoia and Sen 2014; OECD 2006).

While policy capacity has emerged as a major concern as governments are increasingly called upon to address increasingly complex problems, there are considerable disagreements on the conceptual definitions of policy capacity, and there are few systematic efforts to operationalize and measure it (Waller 1992; Gregory and Lonti 2008). First of all, there is little agreement as to whether concepts of policy capacity should be restricted to the capacity of a government, or public service, or expanded

to include the non-governmental and private sectors. Most scholars define policy capacity from the perspective of the government as affecting the ability of governments to make intelligent choices (Painter and Pierre 2005), to scan the environment and set strategic directions (Howlett and Lindquist 2004; Savoie 2003), to weigh and assess the implications of policy alternatives (Bakvis 2000), and to make appropriate use of knowledge in policy-making (Parsons 2004; Peters 2004). Fellegi (1996) argues for a broader concept of policy capacity that includes the nature and quality of the resources available to review, formulate and implement policies, and the practices and procedures by which these resources are mobilized and used, both within the public service and beyond it to the non-governmental sector and to society as a whole. Whether and to what extent ‘governance capacity’ differs from ‘policy capacity’ (Howlett and Ramesh 2015) remains a key question in the area.

In addition, while it is a cliché to argue that policy capacity is a necessary pre-condition for policy success, there are disagreements about the conceptual and definitional aspects of the subject that have hindered efforts at better understanding and diagnosis and improved policy practice. Some scholars have opted for limited or restricted definitions of the term, arguing that policy capacity is concerned only with the availability or quality of particular skills such as policy advising to support decision-making. Painter and Pierre (2005, p. 2), for example, focus only on capacity for policy formulation when they define the term as: “... the ability to marshal the necessary resources to make intelligent collective choices, in particular to set strategic directions, for the allocation of scarce resources to public ends.” Others have retained this relatively narrow focus but included additional skills and resources such as those involved in the acquisition and utilization of policy relevant knowledge, the ability to frame options, the application of both qualitative and quantitative research methods to policy problems, and the effective use of communications and stakeholder management strategies (Howlett 2009; Oliphant and Howlett 2010).

Still others such as Bridgman and Davis (2000), however, have called for a more expansive definition, arguing that policy capacity should include the ability of governments to efficiently implement preferred choices of action as well as decide upon them. Yet others have focussed their attention on the meta-level of governance. Parsons (2004), for example, defined policy capacity as the ‘weaving’ function of modern governments—the ability to weave together the multiplicity of

organisations and interests to form a coherent policy fabric. Holmberg and Rothstein (2012) and Rotberg (2014) also go beyond policy formulation in emphasizing the systemic and structural preconditions of good governance. Characteristics of governance such as honesty, rule of law, merit appointments, social trust and legitimacy must first be fulfilled, they argue, if analysis is to influence policy-making and policy outcomes and implementation is to succeed.

More important, while the scholarly literature offers a large number of different definitions of policy capacity that highlight various dimensions of the subject, there has been no systematic attempt to develop a working definition of policy capacity that encompasses all of these elements and their interrelationships. Most of the existing definitions of policy capacity focus on what can be done with it, such as “to make intelligent collective decisions” and “to weigh and assess different alternatives”, but fall short of specifying either what constitutes policy capacity or how existing and potential resources and skills can be combined to augment it. The lack of a practical operational definition has resulted in limited use of the concept in practice despite the attention paid to it in the scholarly community (Brown et al. 2013; Wang 2013; Hallsworth and Rutter 2011). This book serves to fill this gap.

## 1.2 DEFINING POLICY CAPACITY: A CONCEPTUAL FRAMEWORK

Policy capacity in this book is defined, in a fashion similar to Gleeson et al. (2009, 2011), as the set of skills and resources—or competences and capabilities—necessary to perform policy functions. Skills or competences can be categorized into three types: analytical, operational and political. Each of these three competences involve resources or capabilities at three different levels: individual, organizational, and systemic. This definition, comprising three sets of skills and competences and three sets of resources and capabilities, is sufficiently broad to encompass all aspects of policy capacity cited by the authors mentioned above, and allows their similarities and differences to be demonstrated in a clear and straightforward taxonomy. This, in turn, allows for a superior operationalization of the concept than has heretofore been possible. Our overall conceptual framework of policy capacity is shown in Table 1.1.



The conceptual framework outlined in Table 1.1 contains several significant departures from past efforts in defining policy capacity. First of all, it is not restricted to a particular function, stage or task in a policy process and covers all policy processes, including agenda setting, formulation, decision-making, implementation and evaluation. It recognizes that the nature of challenges in performing these policy functions is quite different, and adequate capacity in carrying out one function does not guarantee the effective performance of other functions. At the same time, it is true that there are often skills and resources that can be shared across task environments.

The second significant difference is that the framework looks beyond the government to understand capacity, and recognizes that a wide range of organizations, such as political parties, NGOs, private businesses, and international organizations, as well as multiple government agencies, are involved in policy processes and thus affect the government's capacity to perform. Therefore, while the policy capacity of the government plays a key role in determining policy outcomes, and is the principal subject of inquiry here, the capacity of other stakeholders in policy-making is an important aspect of capacity that needs to be subjected to similar treatment.

Third, the taxonomy allows for a nested model of capacities. At the system level, capabilities such as the level of support and trust a public agency enjoys from its political masters and from the society at large (Blind 2006) as well as the nature of the economic and security systems within which policy-makers operate, are key components of policy capacity. Factors such as trust and available personnel and financial resources are critical determinants of organizational capability and thus of public

**Table 1.1** Policy capacity: Skills and resources

| <i>Levels of Resources and Capabilities</i> | <i>Skills and Competences</i>      |                                     |                                   |
|---|------------------------------------|-------------------------------------|-----------------------------------|
|   | <i>Analytical</i>                  | <i>Operational</i>                  | <i>Political</i>                  |
| Individual                                  | Individual Analytical Capacity     | Individual Operational Capacity     | Individual Political Capacity     |
| Organizational                              | Organizational Analytical Capacity | Organizational Operational Capacity | Organizational Political Capacity |
| Systemic                                    | Systemic Analytical Capacity       | Systemic Operational Capacity       | Systemic Political Capacity       |

managers' and analysts' ability to perform their policy work. Political support both from above and below is vital because agencies and managers must be considered legitimate by citizens and policy subjects in order to access resources and support from their authorizing institutions and constituencies on a continuing basis, and such resources must also be available for award in the first place (Painter and Pierre 2005).

Fourth, it bears repeating that the conceptual framework defines policy capacity as the *combination* of skills and resources. Analytical-level capacities help to ensure that policy actions are *technically sound* in the sense that they can contribute to attainment of policy goals if carried out; operational-level capacities allow resources to be aligned with policy actions so that they can be *implemented* in practice, and political-level capacities help to obtain and sustain *political support* for policy actions (Wu et al. 2010; Tiernan and Wanna 2006; Gleeson et al. 2009, 2011; Fukuyama 2013; Rotberg 2014). Although these political, analytical and operational-level capacities are inter-connected, they are governed by different considerations and their contributions to policy process are separable and irreplaceable. They may not all be required for particular actions to succeed, however; rather some may be more critical than others, a possibility allowed for in this framework's arrangement (Howlett and Ramesh 2015). The categorization thus offers considerable advantages in the application of the concept of policy capacity in practice, as improvements over the three types of competences are governed by different processes and considerations which are lost when any are ignored or incorrectly juxtaposed.

While existing definitions of policy capacity tend to focus on capacity at the macro level, such as the whole government or the country, policy capacity at this level does not exist in a vacuum, and the skills and competences displayed by individual players and institutions can play decisive roles in performing key functions in policy process. At the individual level, policy professionals—such as policy-makers, public managers, and policy analysts—play a key role in determining how well various tasks and functions in policy process are conducted, and their policy capacity is determined by their knowledge about policy processes; their skills in policy analysis and evaluation; their managerial expertise; and their political judgment. At the same time, however, high levels of individual policy capacity may not guarantee policy effectiveness because resources and capacities are required at the organizational and system levels.

At the organizational level, the availability and effectiveness of information infrastructure and human and financial resource management systems, and the level of political support, can enhance or detract from individual capabilities. Organizations that unduly circumscribe individual decision making responsibility or undermine morale among policy professionals, for example, can undermine an agency's ability to acquit its functions (Tiernan and Wanna 2006; Gleeson et al. 2011).

This multi-dimensional perspective on policy and governance capacity allows us to understand better why policy failures are widespread and persistent. Policy successes demand high level of capacities in multiple dimensions—analytical, operational and political—but such conditions are difficult to meet in practice.

### 1.3 OPERATIONALIZING AND MEASURING POLICY CAPACITY

A key advantage of the conceptual framework outlined above is that it offers a practical tool for diagnosing and addressing the policy capacity of governments and agencies. This section describes how the concept of policy capacity can be operationalized and how it informs the chapters in this volume.

#### 1.3.1 *Policy Capacity at the Individual Level*

The analytical skills of individuals involved in policy tasks—such as diagnosing policy problems and their root causes, designing and comparing solutions to problems, formulating sensible plans for policy implementation, and conducting rigorous policy evaluation—is a crucial determinant of policy effectiveness. In fact, what an organization does, indeed can do, and the likelihood of its success, depend critically on the *analytical capacity* of its employees in diagnosing problems and developing appropriate strategies for addressing them. Policy professionals' skills in conducting such tasks are keys to their agencies' analytical capacity. The increasing complexity of policy problems demands the use of analytical tools such as cost-benefit analysis and systems modeling that are often in short supply in governments (Fig. 1.1).

It is a misperception that analytical capacity is only relevant to analysts working at lower echelons of government. In fact, it is even more relevant at the higher echelons because policy issues are more complex when viewed from a broader perspective. Even when policy analysis, design and



**Fig. 1.1** Policy capacity at individual level

evaluation is done at the lower levels, it is essential that senior managers are intelligent consumers of analytical products. Without such capacity, policy-makers may either dismiss the value of analytical work altogether, or be misguided by them due to a lack of understanding of the limitations of such work.

Operational competences at the individual level are concerned with individual officials' ability to perform managerial functions, often described amorphously as 'leadership'. But leadership is a difficult skill to specify and still harder to measure. It is more practical and useful to break down the nebulous concept of leadership into the key functions that policy managers perform: planning, staffing, budgeting, delegating, directing, and coordinating. The presence of ample officials with skills in managing human, financial, and infrastructure resources and coordinating their use within and outside organizations is critical for making and implementing good policies (Howlett and Walker 2012; Hicklin and Godwin 2009). A high level of inter-personal skills is essential, though difficult to measure, because the complexity of contemporary policy challenges requires close collaboration among a large number of policy professionals within and across organizations.

Operational capacity is relevant not only to policy implementation, as is commonly believed, but to all stages in policy process. The lack of operational capacity among experts and analysts may result in policy recommendations and eventually decisions that are sound in theory or principle, but fall apart in practice because the issues with regard to resource allocation and coordination were not taken into consideration at the policy formulation stage. In addition, specific tasks at other stages in policy process, such as evaluation, may involve the mobilization and deployment of resources that require operational capacity.

Finally, policy capacity at the individual level involves policy professionals' ability to take into consideration the political aspects of policy tasks and to enhance political support for the tasks they perform. First of all, knowledge about policy processes, especially about how different players interact with each other in different stages of the policy process, helps individual actors to appreciate the linkages between their work and the politics of the policy process. Policy acumen, consisting of insights about positions, interests, resources and strategies of key players in the policy process, and the practical implications of policy actions (Wu et al. 2010; Rhodes 2014; Tiernan 2015), forms the basis for actors to make sound judgment on the desirability and feasibility of different policies. Third, skills in communication, negotiation and consensus building can be critical for individual actors working closely with stakeholders outside their organizations, such as other government agencies, political parties, NGOs, the media, and the general public because policy process involve the interactions of many different stakeholders with their own interests and imperatives (Zhang et al. 2012).

Contrary to what is commonly believed, political capacity is not only essential for senior policy-makers and officials, but also for policy analysts and experts. Without adequate political capacity, policy analysts and experts may make policy recommendations that overlook resistance of key players in the policy process, and public sector managers may underestimate the level of opposition to policies or programs that are implemented. Both can lead to disastrous consequences.

### *1.3.2 Policy Capacity at the Organizational Level*

At the organizational level, analytical capacity deals with the ability to acquire and process information and data necessary to perform policy functions (Cohen and Levinthal 1990; Ouimet et al. 2010). Analytical

skills are especially important in the context of the current emphasis on evidence-based policy, which requires not only the ability of individual employees to analyse data but also the availability of data in a timely and systematic manner throughout an organization (Davies et al. 2000) (see Fig. 1.2).

An effective information system plays a pivotal role in supporting the crafting and implementation of effective policies. The organizational architecture in place for collecting and disseminating information within and across public sector agencies and the society at large through, for example, national statistical agencies and periodic censuses, offers tremendous potential in this regard. An effective information system for policy development allows information to be gathered and shared more quickly than is possible on an individual level. It also provides for re-use of existing information without duplication of efforts through, for example, agency libraries, databases and websites. There is often a vast amount of information on policy experiences stored across different sites in an organization that can offer insights into the range of policy options available and their real life consequences. But collating the information and making it accessible to other policy-makers, through an e-government platform, for instance, is needed if the information is to be useful (Kwaterski 2010).

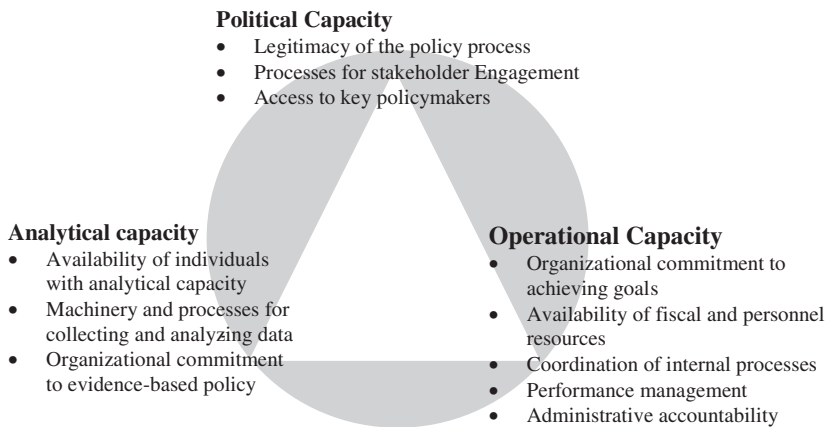


Fig. 1.2 Policy capacity at the organizational level

A robust e-government architecture is increasingly recognized as vital for operational capability as it allows officials to connect and collaborate more easily and frequently and connects governments to people by facilitating popular input into designing programs and delivering public services (Moon et al. 2014; Akeroyd 2009). Internally, information technology offers vast potential for improving integration and coordination within the public sector while enhancing the use of other analytical skills (Ambali 2010). ICT also has tremendous potential in maintaining institutional memory within an organization and promoting policy learning and an understanding of policy practices and their performance in other countries, agencies, and sectors (Huber 1991; May 1999).

Operational competences at the organizational level centre on the effectiveness of the organization in mobilizing and deploying the resources necessary to carry out policy tasks. Such operational capacity can be measured first by the level of coordination of internal and external processes through an organization's managerial system. This well-known aspect of capacity comprises the funding and staffing levels within which managers work as well as the nature of intra- and inter-agency communication, consultation, and coordination arrangements (Peters 2001). Internally, organizations must communicate their goals, operational plans, and operating procedures to their employees and, just as important, must give the latter a say in shaping them (Kuipers et al. 2014; Matland 1995). Externally, they must communicate and collaborate with other agencies and societal stakeholders. A proper balance of autonomy and control within an organization can also play a key role in determining the effectiveness of the organization's involvement in the policy process. Broader autonomy to policy professionals and sub-units within an organization may provide additional incentives and room for innovation in carrying out policy tasks, but control mechanisms such as standard operating procedures and rules are also critical to enforce accountability and maintain quality. To accomplish all these functions routinely and consistently requires coordinated planning and execution—activities that are difficult but essential if public sector agencies are to perform effectively.

Policy capacity is also shaped by the political resources that an agency enjoys for performing its functions. First of all, the political legitimacy of an organization is a key determinant of its political capacity. In principle, government ministries or departments in particular policy sectors (such

as energy, education and the environment) are given overall responsibility for policy development and implementation, and their political legitimacy in policy process is typically guaranteed. Increasingly, policy systems in many countries have been opened up to broader participation and non-governmental and private organizations have been provided the legitimacy to participate in the policy process.

Second, the level of access to key policy-makers and the existence of a good working relationship ('public service bargain') between ministers and the public service are central to agencies' political capacity (Salomonsen and Knudsen 2011). An agency with direct access to the prime minister, for example, will be more effective in policy activities than one without. Similarly, ministers that deal with their agency heads with professionalism and courtesy, giving broad directions rather than micro-managing, can expect their agency to be more effective (Hood 2002).

Third, communication with stakeholders and the general public is a critical component of organizational political capacity and is essential for effective policy and governance because it enhances understanding of and support for government policies. Skilful communication by agencies can increase support for government policy objectives and make the task of governance and policy-making easier and more effective (CommGAP 2009). To succeed, governments need to define an issue and engage the public in its resolution (Post et al. 2008). Without communication structures and processes that enable the two-way exchange of information between state and citizens, it is difficult for states to be responsive to public needs and expectations.<sup>1</sup> Strategies and organizational tools for two-way communication with the public include "public interest lobbying, facilitating networks among like-minded political elites, building coalitions, and measuring and informing public opinion" (Haider et al. 2011, p. 23). The allocation of adequate resources for these tasks, both fiscal and otherwise, is essential for organizational political capacity.

### *1.3.3 Policy Capacity at the System Level*

At the system level, analytical capacity can be measured by the extent and quality of system-wide data collection; the availability, speed and ease of access generally across different stakeholders involved in the policy process; and the level of competition and diversity in the production of policy knowledge. In most countries, there are agencies or organizations



responsible for data collection, but the extent and quality of their work vary significantly. Although many aspects of this type of capacity may be difficult to change or beyond the scope of individual government organizations and individual actors, they rely upon it implicitly and explicitly in order to perform their own analytical tasks effectively (see Fig. 1.3).

In addition, the accessibility of data or information by non-government organizations and private sectors organizations can play a key role in determining analytical capacity at the system level. The increased emphasis on accountability, transparency, and participatory governance in recent years has accentuated the importance of information systems in governments and societies (Oh 1997). Such accessibility to information requires transparency on the part of the government, but also an active civil society, an independent media, and freedom of speech and assembly (Haider et al. 2011). Freedom of information or the right to information is increasingly viewed as an essential precondition for citizens to participate in the policy process (Bennett and Raab 2003).

At the system level, operational capacity refers to the system of controls over public sector agencies and the relationships they maintain with their societal partners. First of all, operational capacity is determined by the level of inter-government and inter-agency coordination. Policy integration concerns the management of cross-cutting issues in

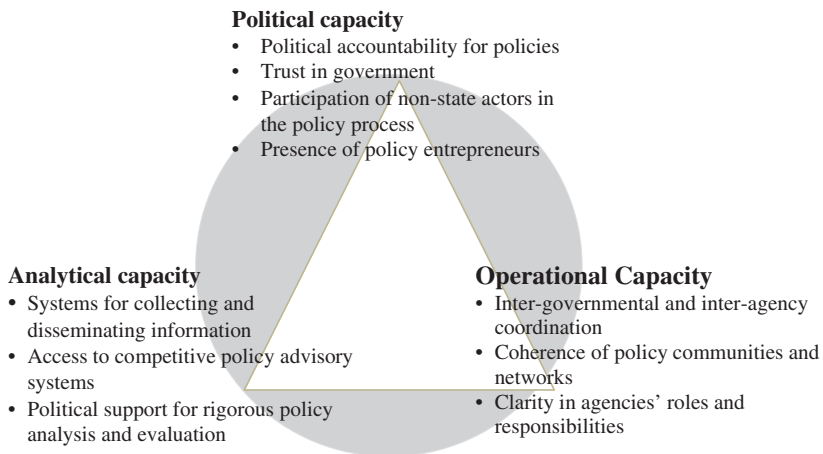


Fig. 1.3 Policy capacity at the system level

policy-making that transcend the boundaries of established policy fields, and which do not correspond to the institutional responsibilities of individual departments. It also refers to the management of policy responsibility within a particular policy sector.

Second, the coherence and engagement of policy networks and communities in the policy process is also key to operational capacity. There is a substantial literature arguing that addressing complex public problems increasingly requires public agencies to partner and collaborate with their counterparts in civil society: those with strong links make better choices and implement them better (Salamon 2002).

Third, a high level of operational capacity at the system level demands clarity in the roles and responsibilities of different organizations involved in policy process. The legal-political environment must allow public agencies not only the discretion to carry out their functions but also provide checks on their discretion to ensure impartial governance. Indeed Rothstein et al. (2012) regards upholding the principle of impartiality as the litmus test of governance capacity. Enforcing accountability, rule of law, and due process on public sector agencies not only upholds principles of liberalism and democracy, but improves government performance. It is a fundamental principle of good governance that public sector agencies are held accountable for their decisions and actions to the political executive and central agencies, as well as to their societal partners and clients.

Finally, at the system level, political capacity is determined by the capabilities and competences enabling participation of key stakeholders in the policy process to sustain public support for policy reform and resolve conflicts arising from policy actions. The first such capability is the extent of political accountability and legitimacy for policy-making (Beetham 1991). In a policy system with a high level of political capacity, policy failures can be exposed, and the parties responsible for formulating and implementing them policy are held accountable, without undermining the principles upon which the government was founded. In this regard, an active civil society, an independent media, and freedom of speech and assembly play a key role in enhancing political accountability (Haider et al. 2011). The second capability in this regard is the level of trust in government. Governments enjoying a high level of public trust and legitimacy can be expected to be more effective in policy implementation. Third is the level of participation of non-state actors in the policy process. Public discussion and debate in the policy process helps to

increase public awareness of the issues and provides a sense of ownership of reform initiatives.

By recognizing policy capacity as comprising nine different capacity types, analysts are able to go beyond general observations on government capacity to address public problems and exercise more precision in their assessment of policy capacity to make good policy choices and implement them effectively. Of course, not all policy skills are equally valuable, and understanding how they are nested within each other is a critical concern for understanding capacity and identifying and addressing gaps.

## 1.4 CHAPTERS IN THIS BOOK

The chapters in the book deal with various aspects of policy capacity as outlined above. Chapters 2, 3, 4 and 5 focus on conceptual and measurement issues, and Chaps. 6 through 13 deal with theoretical and empirical issues. The last part of the book, Part III, presents applications of the conceptual framework in different contexts across countries and policy sectors.

In Chap. 2, B. Guy Peters examines alternative patterns of policy roles for bureaucracies based on their own capacities and the capacities of other actors in the policy-making process. He notes that bureaucracies as actors reside in a rather difficult position within the middle of increasingly complex policy processes. On the one hand, they are working upward to their nominal political masters, providing policy advice and at times also thinly disguised political advice. On the other hand, they are also working downward and outwards, making and implementing policies and attempting to balance the views of multiple actors while maintaining some commitment to a broader public interest. Therefore, the policy of public bureaucracies is dependent not only on their own internal capabilities but also on the level of competition from other actors in society that influence policy.

Peters argues that public organizations generally want to shape policies, and they possess numerous resources that enable them to be active participants in the policy process. But these organizations also confront a number of challenges, such as coordination, policy reform, and politics, when they attempt to utilize their resources to be effective within the policy process. He identifies several key factors that influence the policy capacity of public organizations, including autonomy, political structures

and institutions, the nature of staffing, and aspirations and expectations, and outlines four different scenarios based on the balance of the policy capacity of public organizations relative to that of other actors outside the government. His analysis suggests that making any statements about the policy capacity of bureaucracy requires making statements about the policy capacity of other relevant actors.

In Chap. 3 the overall issue of policy analytical capacity in government is examined by Michael Howlett, who notes that ‘policy analytical capacity’ is an important component of overall policy capacity that brings together individual level analytical skills (competencies) and resources (capabilities) needed for the systematic evaluation of policy alternatives and practices. His assessments based on the literature review suggest that governments exhibit an uneven distribution of capacities, technical capabilities, and utilization practices across different organizational and thematic venues, and that there are also differences in governmental and non-governmental venues. He also notes that there is not enough empirical research to allow us to trace out and test the impact of each factor on the quality of policy outputs and outcomes. Howlett suggests that a more complete picture of the roles played by policy analysts in policy appraisal is needed in order to better understand the nature of contemporary policy work and formulation activities and the impact and influence of higher and lower levels of capacity of governments in this area, and calls for more and better empirical work on what it is that analysts actually do in their policy work.

In Chap. 4, Hartley and Zhang examine the extent to which key components of policy capacity have been dealt with by commonly used governance indices. They choose five common indices of governance and governing resources—the Worldwide Governance Indicators, KPMG Change Readiness Index, Sustainable Governance Indicators, Global Innovation Policy Index, and Bertelsmann Transformation Index—and analyze the extent to which key components of policy capacity as outlined in this chapter are measured by these indices. Their analysis reveals a number of deficiencies and omissions from the perspective of measuring policy capacity, although most existing governance indices do not claim to focus on policy capacity. For example, they note that the indices often make only incidental and perfunctory references to individual level capacities, but address organizational and systemic levels more robustly. They argue that under-representation of policy capacity in

existing governance indices represent opportunities for future research and can elevate the relevance of policy capacity to governance reforms and national development.

Chapter 5 then discusses how varied policy analytical capacity can be evaluated at the international system level through observed gaps in environmental data monitoring and reporting among countries. In this chapter, Angel Hsu argues that capacity at the knowledge system level facilitates transparency and credibility needed for nation-states to cooperate on issues requiring global coordination, including ‘super-wicked’ environmental issues like climate change. So far there has been relatively sparse attention paid to whether countries will have the ability—or the policy analytical capacity—to report the necessary data and indicators required for the next round of global Sustainable Development Goals (SDGs) being proposed. This chapter argues that identifying gaps in data availability at a global, systemic scale requires channels by which citizen scientists, independent watchdogs, private sector companies and third-party organizations can help enhance the policy analytical capacity of governments.

In Chap. 6, Erkki Karo and Rainer Kattel continue this discussion of the future of policy capacity, taking an evolutionary analytical approach to the subject with a specific focus on policy domains, like climate change, where uncertainty and the need for policy innovations, or novelty creation, is a central concern for effective policies. From an evolutionary perspective, they argue that the core elements of policy capacity are: (a) organizational routines and their varieties, (b) search and selection and the endogenous and exogenous sources of novelty creation, (c) selection and feedback environments. The authors operationalize these elements and illustrate the value of the evolutionary analytical perspective by discussing the evolution of the science, technology and innovation (STI) policy capacities of three of the ‘Asian Tigers’.

This discussion is followed in Chap. 7 with Karol Olejniczak, Paweł Śliwowski, and Rafał Trzciński’s examination of the capacity of professional policy analysts in governments. Utilizing data from a wide-ranging survey of Polish civil servants, the chapter discusses the current state of knowledge on policy analysts both from an academic and practical perspective, and points to the limitations of contemporary approaches to studying the analytical capacity of these individuals in government. The chapter reports on the results of a large study undertaken for the Polish government by the team of experts—including the authors of this

chapter—with the aim of identifying and improving the analytical capacity of central government personnel across all policy domains. The chapter outlines a new approach to the identification and classification of analysts that emphasizes the role played by policy analytical capacities at all levels of government in generating successful analytical efforts. Their findings suggest that even in a country without an institutionalized system of policy analysis, there is a clearly visible continuum of roles in the process of policy analysis: while not all of the analytical work done in the central government is directly related to the policy process, the functions of analysts often intertwine with advisory, evaluative or implementing tasks. They argue that division of labor between policy analysts and other type of professionals in the government is not clear-cut, as public policy analysts in government often work at the junction of those roles to be effective.

This discussion of government-wide analytical capacity at the individual level is complemented in Chap. 8 by Ellen Fobé, Valérie Pattyn, Marleen Brans, and David Aubin, who examine needs and efforts at the organizational level, specifically at the sectoral level. Their analysis also draws on recent survey material, this time in Belgium carried out in three different subnational administrations ( $N = 1037$ ). They find that government officials' deployment of policy analytical tools varies across policy sectors, both in terms of frequency as well as in terms of type. To explain these variations, they highlight the role of three explanatory conditions: the role of social scientists in a particular sector, the degree of government spending per sector, and the receipt of EU subsidies.

They find policy workers' skills in conducting policy analytical tasks to be key to their organizations' analytical capacity and affected by their managerial capacities, while at the same time impacting on the system level. They argue that governmental organizations need to set up internal processes aimed at establishing a culture in which policy analysis is encouraged, in addition to providing on-the-job training opportunities to enhance the analytical capacity of policy workers. A one-size-fits-all solution to strengthen policy capacities will no longer suffice.

O. Fiona Yap then looks, in Chap. 9, at state capacities in the context of strategic planning and asks if increasing government accountability to its citizens increases policy capacity. Examining the cases of South Korea, Taiwan, Singapore, and Malaysia, she argues that a government's credible accountability rests on its commitment to specific processes that embody transparency, accountability, and responsiveness that are

independent of democratic progress. Drawing on evidence from East and Southeast Asia during the 1997–1998 Asian Financial Crisis, she shows how each government’s demonstration or failure to demonstrate credible accountability affected its policy capacity. This is an aspect of policy capacity that is often overlooked in the literature.

In Chap. 10, Honorata Mazepus considers in more detail whether and how political legitimacy is relevant for both state and societal policy capacity. A growing body of literature shows that across societies, legitimacy increases compliance with court rulings, laws and policies, and raises satisfaction with distribution of outcomes. Hence, political legitimacy seems to be an important component of policy capacity. As a result, Mazepus argues, research about how to gain legitimacy and what means can be used to increase legitimacy (normative approval) of particular decisions, laws, or authorities should attract interest from both political scientists and policy scholars. Although more research is needed to provide increasingly fine-tuned answers, one factor that consistently contributes to legitimacy (and as a consequence, to compliance) is the perception of fairness of political authorities. Countering the assumption that successful policy has to entail an increased distribution of goods and services to people, evidence suggests that people are not only concerned about their personal gains; on the contrary, they care about a fair process of decision-making, including transparency, stakeholder voice, and opportunity for engagement in policy development. Procedural considerations might outweigh the importance of personally favourable outcomes or, in the realm of public policy, even effective and efficient policy. The chapter discusses evidence from social psychology, political science, and policy studies to suggest that increasing legitimacy through procedural fairness is a key to successful policy-making.

This plea for better empirical work is echoed in Chap. 11, where Carsten Daugbjerg, Bert Fraussen and Darren Halpin examine which types of policy capacities interest groups tend to develop and why. They note that it is widely acknowledged that interest groups can play key roles in the policy process, in particular if they have generated their own capacities through the possession of a number of ‘policy goods’ to assist in policy formulation and implementation. These ‘policy goods’ are highly valued by policy-makers, and the chapter links different policy goods to analytical, operational and political skills, as well as to different modes of policy engagement. To fully understand the development and value of these capabilities, however, the authors argue that one should

look beyond organizational factors. That is, the generation of interest group policy capacities is first and foremost a dynamic process in which policy context and the relationships between government and interest groups shape the generation and value of group capacities.

The need for individuals, organizations and systems to learn if capacity is to be enhanced is the subject of Chap. 12. Here Claire Dunlop examines how agencies build organizational political capacities (OPC) for reputation management, where capacity building is treated as a challenge underpinned by the learning relationships that exist between key governance actors. This challenge requires the development of four types of OPC: absorptive capacity (ACAP); administrative capacity (ADCAP); analytical capacity (ANCAP) and communicative capacity (COMCAP). Analytically, each of these capacities is linked to one particular type of policy learning—reflexive learning—which characterizes politicized situations where an agency’s reputation is under threat and citizens are the main governance partners. The case of the UK Health and Safety Executive (HSE), which increasingly aims to engage citizens in a dialogue to combat the negative images attached to health and safety regulation, is used to illustrate these points.

Yvette Bettini and Brian W. Head similarly examine the ability of states to carry out coherent strategies in the area of ‘wicked’ problems. They ask, what is the range of skills needed for envisioning and communicating this ‘policy-for-the-future,’ as opposed to designing and implementing ‘policy-of-the-day’? The chapter draws together research on the urban water policy responses of Australian capital cities to prolonged drought to explore the policy capacity required for innovative policy making. The authors find that drought circumstances heightened policy activities and provided an opportunity to identify the policy capacity which featured in the strategic policy responses of the period, alongside the perceived capacity gaps which contributed to a missed opportunity for policy innovation. The results suggest that capability within both individual and organizational levels of the policy setting produces a reinforced architecture for facilitating major policy change. In particular, capacity for gaining legitimacy for long-term policy outlooks, addressing the politicization of issues, and facilitating/managing diverse policy communities emerged as key themes in strategic policy work. By examining policy capacity characteristics and deficits for policy innovation, the chapter makes a first attempt at identifying key aspects of what might constitute forward-looking policy capacity in contemporary government.



In Chap. 14, Madeleine Pill continues this discussion of non-state actors, examining the case of foundations in the US. With particular reference to the City of Baltimore, Maryland, the chapter explores the competences and capabilities of foundations to perform policy functions. The chapter explains the unique history of foundation philanthropy-of-place approaches in the US, and explores the policy capacity of foundations in formulating neighbourhood revitalization policy. It then considers the extent to which these city policy processes are open to genuine collaboration between government and non-governmental actors, and the extent to which they reflect differential power resources and relationships.

In Chap. 15, Scott Benton examines the Australian federation to assess how policy capacities operate in federal systems. He notes that the Australian state began with strong states and a coordinating federal government with a constitutionally prescribed and minimal list of responsibilities. Over the last century, however, with both public and high court support, the federal government has assumed more and more financial control and an expanding range of responsibilities. Many recent prime ministers have continued to encroach into areas of traditional state responsibility, aided by populist rhetoric such as ‘ending the blame game’ in shared areas of responsibility and a largely unchallenged belief that centralization will lead to improved service delivery and greater accountability (while partly relieving state government budgets). However, he notes that it is not clear whether the federal government actually has the capacity, beyond the financial resources, to deliver major social services such as health and education. A further complication is the involvement of an ever-increasing range of non-government actors. The chapter considers how the policy capacity of different tiers of government can be determined, strengthened and shared in order to improve service delivery. Against the backdrop of a federal government review of federalism and various reform proposals, it offers a new framework for allocating policy responsibility between tiers of government, as opposed to existing (more hollow) approaches such as trying to achieve subsidiarity.

In Chap. 16, Hu Jieren, Wang Guoqin and Fei Jingyan continue this comparative discussion in the context of China. They are particularly interested in how Chinese governments handle and are able to contain protest movements and what kinds of analytical and organizational capacities are required to overcome these systemic crises. Based upon detailed case analysis, the chapter suggests that the resolution of

collective conflicts is located within an internal structure that emphasizes the consciousness of pressure and interests faced by both the government and the public in the local state. They argue that it is important to understand how Chinese grassroots politics actually operates and to recognize the societal power and the direction in which it is heading to assess the ability of the state to deal with legitimacy and legitimation issues.

This is followed in Chap. 17 by Martin Poláček, Vilém Novotný, and Michel Perottino, who study how political parties fit into the study of policy capacity and its practice. They note that in contemporary European liberal democracies, political parties play a key role in policy-making processes through their right to nominate both elected and appointed representatives into government. This is why parties are in a good position to shape public policies, not only in the agenda-setting and evaluation stages (where other segments of civil society also participate), but also in the policy formulation, decision-making, and implementation stages. But do they have the requisite capacities to allow them to do this at a high level of operation and success? Examining the Czech case, the authors conclude that the policy analytical capacities of the studied Czech political parties are weak. However, the parties remain at the heart of the public policy-making process, and their weak policy analytical capacities does not prevent them from generating sufficient expertise for their needs from outside experts and internal government officials.

Finally, in Chap. 18 Nina Belyaeva uses several Russian cases to illustrate the key role played in policy capacity by the attitudes and organization of civil society actors. The chapter considers policy capacity as a dynamic characteristic of the policy actor that can be attributed to different social organizations, both state and non-state actors, that are involved in certain policy process or affected by policy outcomes. Belyaeva argues that it is important to keep in mind that the policy capacity of an actor is created, sustained and developed in a lively public sphere, among a multiplicity of business and non-profit citizen organizations. All of these have their own social goals and often their own specific policy agendas, and many want to influence state policies. Intense communication and interaction of those organizations with each other and with the broader public creates a unique public sphere, bound together by common issues of concern, such as access to information and freedom of expression. The concerned publics may strongly disagree with each

other and the state about the nature of policy action and can undermine or support state action in many policy areas.

## NOTE

1. See <http://www.gsdr.org/go/topic-guides/communication-and-governance/the-role-of-communication-in-governance-and-development>.

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PART I

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Conceptual and Measurement Issues

## Policy Capacity in Public Administration

*B. Guy Peters*

The majority of the policy work of government is done through the organizations that constitute the public bureaucracy. Indeed, these organizations make a good deal of policy on their own through their delegated capacity to make secondary legislation (Kerwin 2011; Page 2012). But even when the administrative organizations are acting more as agents for political leaders they have a number of important roles to play in making policy and in making policies perform as intended by the actors who designed them. Although some policy capacity can be found in almost any public bureaucracy, there are a variety of factors that influence the capacity for public administration to shape public policy.

Bureaucracies as actors in the policy process reside in a rather difficult position within the middle of increasingly complex policy processes (Howlett and Wellstead 2011). On the one hand they are working upward to their nominal political masters, providing policy advice and at times also thinly disguised political advice. They are also working downward, with implementation being a means through which they not only make policy have real effects in society but also make policy as they exercise delegated powers. And finally they are working outwards to the numerous stakeholders involved with their policies, attempting to

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balance the views of multiple actors and still maintain some commitment to a broader public interest.

This chapter will first discuss the policy tasks of bureaucracies, and their “policy work” (Colebatch et al. 2010) from the perspective of the organizational and structural characteristics of these institutions. There is a tendency, in both academic and popular discourse, to speak of ‘The Bureaucracy’ as if it were an integrated whole. While there may be some institutional features and some commonalities within the public bureaucracy of any country, it is generally a highly differentiated structure with numerous organizations that believe they are more or less autonomous. Further, these organizations have political connections of their own with clientele groups that provide them with support in their political battles with other organizations, and with their nominal political masters.

The policy role of organizations within the public bureaucracy has some stable foundations but also has been influenced significantly by continuing patterns of reform. Reforms have been endemic in the public bureaucracy, but the period beginning in the early 1980s has had an unusually high level of reform activity.<sup>1</sup> Although much of reform in administrative organizations is oriented toward improving efficiency, it also has had significant consequences for public policy. Salamon (1981) argued that attempting to achieve efficiency through administrative reform was a “will of the wisp” but that policy change was more achievable through organizational change.

It is difficult to define and measure the capacity of political actors, bureaucratic or not, to influence policy (see Painter and Pierre 2010). Influence also depends upon context. For the public bureaucracy the capacity to influence policy is dependent not only on its own internal capabilities but also on the level of competition from other actors in society that influence policy. A bureaucratic agency that faces think tanks, political parties with research offices and an effective parliament may be less successful in shaping policy than one with lesser capacity that has a virtual monopoly on policy advice. Given those differences among systems, I will discuss alternative patterns of policy roles for bureaucracies based on their own capacities and the capacities of other actors in the policymaking process.

## 2.1 THE POLICY RESOURCES OF PUBLIC ADMINISTRATION

As bureaucracies must engage in the policy process they bring with them a number of important resources. These resources are available not only to the organizations themselves but also more generally available to the

public sector as a whole. This dual role for bureaucracies is crucial for understanding how these organizations function and the political dynamics that define their role in governing. On the one hand, the bureaucracy is composed of specialized organizations designed to deliver a relatively narrow range of services and to develop expertise in a particular policy area. On the other hand they are part of a larger institution, and a larger government, that is meant to provide a full range of services in as coordinated a manner as possible (see Bouckaert et al. 2010).

These two meanings of the bureaucracy may in fact conflict when bureaucracies attempt to shape public policy. Despite the usual negative descriptions of ‘the bureaucracy’, the individual organizations have policy ideas and attempt to have those ideas adopted as policy. Whether from self-aggrandizement (another typical stereotype of the bureaucracy) or from sincere commitment to policies (see Béland and Cox 2011) specialized organizations do push for policies. They do so, however, within a larger governmental context that may be attempting to integrate policies around larger programs and priorities.

### 2.1.1 *Expertise*

As implied by the above, one significant resource that bureaucratic agencies possess is their expertise, and for policymaking that expertise may be of two sorts. The first is actual technical knowledge of the policy domain within which they work. The division of the bureaucracy into a large number of separate domains enables these organizations to have a focus on a specific policy, as well as a commitment to that policy. Goodsell (2011) refers to this combination of expertise and commitment as a “mission mystique” for the organizations. The level of expertise of organizations in the bureaucracy may differ depending on the extent to which individuals within the organization have expert training, and the extent to which they have specialized careers.

The second dimension of the expertise of bureaucracies is their knowledge of their clients and conditions in the policy domain that they serve. Public bureaucracies constitute the link between state and society. The field staffs of organizations—the street-level bureaucrats—see first-hand the effects of policies and the changing conditions within which the policies are being implemented. This intelligence can then be fed back into subsequent rounds of policymaking and with good fortune can lead to improved policies (Carter 2012). The structures of bureaucracies, public

or private, may be a barrier to the effective flow of that information (Wilensky 1967), but in principle the linkage can guide policy and implementation.

Although having technical and situational expertise is necessary for the public bureaucracy to be influential in policymaking, it may not be sufficient. While ideas and policy proposals may trickle up within public organizations (Page and Jenkins 2005) there must still be a client for the information and advice that is being offered. Thus, as Goodsell (2011) and others have argued, expertise must also be combined with advocacy skills and commitment if the organization is to be a successful policy actor.

### 2.1.2 *Process*

A second major resource for bureaucracies in policymaking is that they are the masters of process. Bureaucratic organizations typically know how to make things happen in government, and hence can expedite action if they are committed to the policies in question. For organizations within the public sector, however, slowing policy change may be as important as expediting that change. Organizations do have commitments to policies, and often consider the ideas for change coming from the temporary inhabitants of political office as misguided at best. Therefore, they can use their resources to prevent policies from being made as well as to facilitate and implement them.

The process capacity of bureaucracies—meaning at least in part their role in implementation at the street level—may be in competition with other aspects of their policy capacity (see Gleeson et al. 2011). That is, to the extent that public sector organizations focus downward on their traditional administrative roles they may be less successful in developing and ‘selling’ policy ideas upward. In the best functioning policymaking system there would be continuous interactions between these activities and the levels of the organization, but in practice those connections are often weak and internal tensions within the organization may limit its capacity.<sup>2</sup>

### 2.1.3 *Stability*

Public organizations are also permanent, or nearly so. While many citizens and political leaders consider this stability to be an impediment to good governance and good policy, it remains a resource for the

organization. The government of the day may be just that, but public organizations persist and have some collective memory that can guide their actions and also inform other actors in the process. They can also take a longer-term perspective on policy than is generally possible for politicians who must begin preparing for the next election almost as soon as they are elected (Jacobs 2011).

The danger for bureaucracies is that they are hyperstable. The ossification of bureaucracies is something of a stereotype, but, like many stereotypes, there is some truth in it. That is, while their continuing commitment to particular programs and ideas can be helpful to them as policy actors they must also be capable of change and adaptation. That stability can lead to irrelevance if the organization does not learn and adapt.

#### 2.1.4 *Organizational Politics*

Finally, organizations in the public bureaucracy have their own political resources. Although they are in principle dependent upon political actors for their budgets, their legal authority and their very existence, these organizations also have political power in their own right. Part of that power derives from connections with clients, and the ability if needed to mobilize those clients to bring pressure on political decision-makers. Likewise, if they disagree with their nominal political masters, organizations can choose to shirk (Brehm and Gates 1997) and not provide the advice and support that the minister and other political leaders should expect.<sup>3</sup>

Further, as implied above, information and expertise is also a major political resource. In any organization, but especially in government, knowledge is power. Several models of the behavior of public organizations argue that they trade information for the other resources they need to achieve their organizational goals—money, personnel, legislative time, etc.<sup>4</sup> Although these models, like those of shirking by bureaucrats, tend to exaggerate the self-interested behavior of officials, the capacity to use information to pursue organizational and policy goals needs to be considered as one dimension of the policy behavior of public organizations.

The resources available to public sector organizations, and the existence of a number of these organizations, creates a competitive environment. They obviously compete for money in the budgetary process (see Rubin 2013), but they also compete for legislative time. Further,

many organizations are concerned with similar policy areas and will compete for policy dominance over specific issues. For example, within the European Union an issue such as biotechnology falls between a number of Directorate-Generals such as agriculture, science and industry (Rhinar 2010).<sup>5</sup>

In summary, public organizations are not devoted solely to ‘mere administration’, they are also major policy actors. Some of the policy activity is in the direct service of their political leaders, but some of that activity is more autonomously generated. These organizations may be neutral in partisan terms but they are far from neutral in policy terms. They have policy capacity that they can use to defend existing policies that they like and can also utilize resources to promote the policy changes to which they are committed. The permanence of these organizations provides them the opportunity to choose their battles and to wait out governments that may be birds of passage.

## 2.2 THE POLICY CHALLENGES OF PUBLIC ADMINISTRATION

Just as public bureaucracies have a number of resources for policymaking, they also face a number of significant challenges as they attempt to exercise that power to pursue their own policy objectives. Further, they face challenges as they attempt to provide more integrated policy planning and delivery across the public sector. To some extent, the resources and commitment that benefit them as individual organizations makes it more difficult for them to achieve comprehensive governance and policymaking.

### 2.2.1 *Coordination*

Coordination is a continuing challenge for policymakers (Peters 2015). The pursuit for better coordination within the public sector has been characterized as the pursuit for the holy grail, under the assumption that if policies are coordinated then government will be successful. That assumption is perhaps excessive, but certainly coordination can improve policy. For public organizations, however, policy coordination is not a single challenge but contains several dimensions that may in reality be contradictory.

When policy coordination is mentioned the picture that is usually evoked is one of coordinating different programs and policies generally

found in different organizations. For example, if health policies are to be effective they should be coordinated with social, environmental and education programs. With those efforts to coordinate there is a better opportunity to serve the ‘whole client’, and to reduce duplication and lacunae in coverage.

But this horizontal coordination across organizations is not the only challenge for public organizations—the vertical dimension of coordination can be equally difficult. Vertical coordination involves linking the organization with organizations at the subnational level, or with non-governmental organizations responsible for delivering public services through contracts. As governance is increasingly interactive between the public and private sectors (Torfing et al. 2012), there is a need to ensure that organizations from both sectors are working together and following the policy priorities of the organization responsible for the policies being implemented.

In addition to the vertical coordination issues that exist between policy implementing organizations and the organizations with which they cooperate, there may also be coordination issues within the organization itself. Just as we tend to assume—incorrectly—that the public bureaucracy is a unitary actor, so too we have a tendency to assume that each organization is itself a unitary actor. If a bureaucratic organization is to be an effective policy actor it must be able to produce internal coordination.

The principal internal challenge of coordination is that of linking the street-level of the organization with the top, ‘decision-making’ levels of the organization. There is a good deal of evidence that the bottom of organizations develop their own perspectives on policy and may make decisions on criteria that differ from those intended at the top (Gofen 2014). Further, these levels of the organization can also attempt to exert control over the remainder of the organization through a command of information and political links with clients. As Hood (1976) argued, the organization will have to march to a single drummer it wants to be effective in making and implementing policy.

### 2.2.2 *Reform*

Beginning in the 1980s, New Public Management became the dominant strand of reform in public administration, and it has carried on, if in a diminished form, until the present. While this approach to public

administration, and to governance more generally, has a number of features, for the purposes of this chapter, the most important is the emphasis on the autonomy of public sector organizations (Roness 2009). The underlying assumption was that managers in the public sector could, if permitted the autonomy and given the resources, do a better job of providing services than could their political leadership.

One variant of the general New Public Management approach argued for ‘deregulating’ the public sector. This argument did not refer to economic deregulation of the market but rather to internal deregulation of the public sector itself (DiIulio 1994). As well as reducing controls over administrative behavior, this internal deregulation was designed to allow policy entrepreneurship by managers and their organizations. Again, the assumption was that if public sector managers were allowed the autonomy to pursue good policy they could make better policies than the political leadership.

A second important element of New Public Management, as it relates to the policy role of public organizations, is the emphasis on performance management. While public administration has always attempted to promote efficient management, performance management attempts to develop quantitative means of assessing that performance and linking rewards for individuals and organizations to outcomes on those measures. In the process, these reforms have tended to denigrate more detailed evaluation of policies within the bureaucracy, and to focus almost entirely on implementation.

An associated problem has been a general loss of policy capacity within the public sector. Somewhat paradoxically, in an information age in which the internet provides seemingly endless supplies of information, there appears to be less detailed policy analysis. This is in part because performance management has been largely substituted for more careful policy analysis. Implicit in that assumption has been that if the program is implemented well then it is a good policy. There is relatively less concern with the content of the policies that are being implemented. Further, difficulties in the short-term performance indicators that are used to replace more in-depth analysis mean that even the more superficial understanding of policy may be inaccurate or at least incomplete (see Van Thiel and Leeuw 2002).

As is often the case in reforms within the public sector, one reform begets the next, even if the first reform is perceived to be successful. The decentering reforms of New Public Management provoked a series of

reforms attempting to overcome the difficulties created by NPM. The center of government—presidents, prime ministers, and the organizations associated with them—sought to reassert their control over the public sector (Dalström et al. 2011). This reassertion appears to have been done for at least two reasons. The first is to overcome the coordination problems created by agencification and other aspects of NPM. A number of governments have undertaken programs such as ‘joined up government’ to attempt to ameliorate these problems (see Pollitt 2003).

The other logic for putting greater control over public policies back into the ‘primacy of politics’. That is, the logic of the New Public Management reforms was to empower the bureaucracy, and even the clientele of public organizations. These shifts in power in turn reduced the capacity of presidents and prime ministers to govern. At the extreme, these changes have been referred to as “presidentialization” (Poguntke and Webb 2007), referring to the development of staffing in the center in order to increase capacity for control. Even when there is not the over-presidentialization of the system there often still has been an attempt to develop increased policy capacity.

### 2.2.3 *Politics*

In most contemporary democracies the public bureaucracy is composed primarily of career officials recruited on the basis of merit. Their role is defined as having the capacity to serve any political master equally, and to provide frank and fearless advice to those political leaders. That is a noble definition of the nature and role of the public servant, and in many ways it is also a true representation of how these individuals function. But this partisan neutrality belies the fundamentally political environment within which public sector bureaucrats function, and also belies the need for these officials to understand the politicized environment in order to be able to do their jobs effectively (see Peters and Pierre 2004). Further, as noted above, there are increasing pressures of politicization that affect the policy capacity of bureaucracies as independent actors.

Public policy is the final output of government activity, and policies are inevitably political. They are the products of political activity and they also have political consequences. Therefore, as public administrators perform their tasks, they are performing political tasks. Some of those tasks, such as policy advice to ministers, are overtly political. Even though the role of the policy advisor is, in the words of the Society for Friends, and



then Aaron Wildavsky, “speaking truth to power” that advice may have to be tailored to the preferences and goals of the political leadership to be effective.

Even when performing what may be considered simply administrative tasks, the activities of the public bureaucracy can still have profound political consequences. The effectiveness of a program depends upon its effective implementation: if the political leadership want to gain credit for services delivered they must also ensure implementation. And effective administration is also potentially a means of avoiding blame for policy failure (Hood 2011). Thus, pressures for coordination will exist up and down the organization, and will come from the top as well.

The partisan pressures for policy change may also clash with the agenda of the public organization itself. Even if an organization is not ideologically or professionally committed to a policy regimen, it is likely to be committed to the status quo. Policy change is hard work for any public organization, involving mundane tasks such as designing new forms to more demanding tasks such as retraining employees about the policy and potentially about a new set of values. Having said that, public organizations and their members do not necessarily shirk when performing their tasks, but they may still be less than excited about embarking on the new policy. They are even less excited when change follows change, as frequently happens in the world of public policy.

The public organization is therefore in a somewhat awkward position as it performs its administrative tasks and manages—and makes—policy. On the one hand, its formal position is apolitical and presumably a neutral instrument for political leaders. On the other hand, organizations in the public sector are not entirely neutral about policies even if they might be neutral about political parties. They have policy ideas, commitments to clients, and established routines, all of which they may want to defend against pressures for change. Politics is definitely about policy—perhaps even more than for their political masters than for the organizations.

Given the above, it is little wonder that there are rather intense pressures to politicize public organizations (Neuhold et al. 2012; Peters and Pierre 2004). Political leaders are elected to make policy, and in less than fully democratic systems believe even more strongly that they should be in a position to control policy. Therefore, when confronted with permanent and expert organizations that are advancing their own policy agendas, these leaders feel the need to attempt to control those organizations.

The logic of New Public Management, that these organizations should act more autonomously, has made the confrontation more visible. Even then, the policy resources held by the organizations produce a rather complex and subtle bargaining process attempting to produce control without losing the necessary commitment of the bureaucratic organization and its members.

## 2.3 COMPARATIVE PERSPECTIVES

The discussion to this point has been somewhat abstract and assumes that public organizations will have the same capacity for influencing policy in all political systems. While some of the generalities have some validity across political systems, there are also marked differences in the capacity, and the ambition, of organizations to influence public policies. While there is hardly the space to go into detail on many cases, I can at least identify some of the variables that define that capacity.

### 2.3.1 *Autonomy*

I have discussed autonomy above in light of the reforms coming from New Public Management, but it is also a more generic concept for understanding the policy role of public sector organizations. The administrative traditions and the formal organizational structures of different countries permit more autonomy and hence greater opportunities to be engaged in policy. For example, the long-standing use of agencies in Sweden, and to a lesser extent other Nordic countries, provides significantly greater autonomy than conventional ministerial structures such as those found in many other countries in Europe. Likewise, agencies in the United States are components of cabinet departments but historically have been able to develop substantial autonomy from those departments.

Autonomy is also affected by the level of politicization of the public bureaucracy and its policy activities. With the greater presidentialization of parliamentary systems there have been more invasive attempts to control policymaking as well (Poguntke and Webb 2007). This politicization can be to some extent justified on democratic grounds—these presidents and prime ministers were elected to make policy—but it also threatens the merit system as well as perhaps the quality of policymaking.

The above having been said, not all politicization is the same. Just as ministers may have varying levels of policy expertise, so too may the

political appointees designated by them to control public organizations. For example, at least until the administration of George W. Bush, many if not most of the 4000 appointees made by presidents were increasingly expert in their policy fields (see Lewis 2011).<sup>6</sup> These appointees would have substantially greater capacity to impose a policy agenda than would an individual appointed just to provide jobs for political loyalists (Grindle 2011).

### 2.3.2 *Political Structures and Institutions*

The structure of organizations, and especially their autonomy, influences their policy capacity, but so too does the nature of the political system in which they are embedded. At the broadest level we should expect differences between presidential and parliamentary systems. In particular, the presence of a more autonomous parliament provides public organizations with an alternative locus for legitimation and support. That said, a more active and autonomous parliament may be an additional source of oversight and control that will reduce the autonomy of public organizations.

In addition to the macro-level institutional differences there are somewhat more subtle differences that shape the capacity of organizations to exert control over policy. For example, the autonomy of ministries in Germany—the Ressortprinzip—provides ministries with some autonomy from the center of government, although the minister may still have substantial control over the bureaucracy (see Fleischer 2011). Similarly, cabinet rules in some parliamentary systems that do not require all parties to necessarily support initiatives of ministers provide organizations more autonomy than in those systems that enforce unanimity within the coalition.

### 2.3.3 *Staffing*

The policy capacity of public sector organizations is also influenced by the nature of their staffing. One standard difference among public bureaucracies is the type of education and careers their personnel have (Peters 2005, Chap. 3). For example, the tradition of recruiting generalists in Westminster systems, and the tradition of having those civil servants have largely generalist careers, tends to generate less policy expertise within bureaucratic organizations. For German public servants, law remains a generalist background, and specialization in a policy area occurs over the course of one's career.

Specialist recruitment for the civil service is perhaps seen most clearly in the American civil service. Although upper-level managers in the Senior Executive Service tend to be generalists, the bulk of the civil service is hired for specialized skills and knowledge. Thus, if one wants a career in the Department of Agriculture it is desirable to have studied at one of the land-grant universities, and indeed much of the civil service comes from large public universities rather than elite schools. Likewise, most American civil servants remain in the same department and even the same agency for most of their career, and hence further strengthen their specialized background. These officials therefore constitute a powerful source of policy expertise in making policy within their domain.

The nature of the staffing of public organizations must be considered in relationship to the capacity of their political masters. Some decades ago Rose (1976) pointed to the relative lack of policy experience and knowledge for ministers in British government. These political leaders—most full-time politicians—come from a variety of backgrounds—and have little background in the policy areas for which they are responsible. They also move frequently among jobs, with cabinet reshuffles seemingly driven more by political concerns than the need for greater policy competence. In such a setting, even generalist civil servants may have an advantage when attempting to shape policy.

### 2.3.4 *Aspirations and Expectations*

We also need to consider the aspirations that both the members of public organizations and their nominal political masters have about policymaking. Although political leaders in general desire to control policy, they may also respect the expertise of the bureaucracy and want to utilize that expertise rather than oppose it. That pattern of cooperation may be especially evident when the political leader and the organization are members of an ‘epistemic community’ and share some common understandings about what constitutes good policy. Likewise, conflict may be more common when the political leader is not familiar with the policy domain.

A high degree of comity between a political leader and his or her organizations may be more difficult to obtain in an era of presidentialization (see also Savoie 2008). As political leaders attempt to exert more control over governments as a whole, the opportunities for autonomous action by organizations may be reduced. The perceived need for control over public organizations may be ideological or it may reflect the more

personal aspirations of the president or prime minister. In any case, those leaders want to place their own imprint on the activities of government.

### 2.3.5 *The Policy Capacity of Bureaucracy in Comparative Context*

To this point I have been discussing the policy capacity of bureaucracies to a great extent in isolation from the remainder of the political system, and from the surrounding society. That can allow us to gain some basic understanding of this capacity, but the larger context also shapes the capacity for influence, to some extent. Context is a very broad concept (see Pollitt 2014) and I will not be able to consider all the potentially relevant aspects of the environment within which the bureaucracy operates. However, one of the more important aspects of context is the general level of policy capacity within the society and the extent to which the bureaucracy is but one of several actors involved in policymaking.

Table 2.1 provides a simplified, but still useful, picture of the policy capacity of bureaucracies in context. The question here is how the bureaucracy compares with, and interacts with, other sources of policy advice in society (see also Howlett 2009). In this table the external actors are think tanks, interest groups, political parties, or any set of actors outside the public sector itself that attempt to influence policy. As is true for the bureaucracy itself, it is difficult if not impossible to provide any unambiguous measure of the policy capacity of those actors is difficult if not impossible, and the dichotomization into high and low categories is illustrative of the differences in capacity that may exist.

The simplest case, at least from the perspective of the bureaucratic organizations, is one in which bureaucratic organizations have substantial capacity and actors in their environment do not (Cell 3). This relatively high level of policy capacity will provide the bureaucracy with an effective monopoly over influence. This monopoly might be evident in many less-developed systems in which the civil society is not yet adequately

**Table 2.1** The relative policy capacity of actors

|                    |                                 |                  |
|--------------------|---------------------------------|------------------|
| <i>Bureaucracy</i> |                                 |                  |
| Hi                 | Hi<br>(1) Competitor/<br>broker | Low<br>(2) Agent |
| <i>External</i>    |                                 |                  |
| Low                | (3) Monopoly                    | (4) Muddling     |

organized or professionalized to provide a counterweight to the powers of the bureaucracy. The major competitors in this case could be international donor agencies or international NGOs operating in the country.

The opposite case (Cell 2) is one in which the bureaucracy is relatively unskilled in policy analysis and there are powerful and effective policy actors in the society (see Migdal 1988). In this case organizations in the bureaucracy become the agents for those outside actors, funneling their ideas into the process and to some extent legitimating them. This style of governing is to some extent that being pressed by the continuing politicization of bureaucracy in many democratic systems (Neuhold et al. 2012), with the tendency to weaken the policy capacity of the permanent participants in government in favor of political actors and their advisors from outside the public service. While members of the bureaucracy may still have policy capacity skills, they are not permitted to exercise them.

When both outside actors and bureaucrats have policy capacity, these groups will be engaged in competition for influence (Cell 1). In such a situation, one principal concern for the actors may be gaining access to the relevant decision-makers. Another scenario, if there are a number of competing actors in the private sector, is that the bureaucracy could undertake the role of sifting policy ideas coming from various private sector sources and functioning as a broker among the policy advocates. That opportunity to mediate between private sector policy advocates and policymakers can place bureaucrats in almost as powerful a position as when they are monopoly providers of advice.

The worst of these possible scenarios for policy advice (Cell 4) is when neither the bureaucracy nor outside actors have significant policy capacity, and governing is in essence muddling through. Policymaking in these unfortunate cases tends to be path-dependent, or characterized at best by incremental change. Fortunately, contemporary governments rarely experience this abject failure of policy analytic capacity, even if the capacity to actually put policies into effect is weaker.

The above discussion has focused on the bureaucracy's relationship with actors in the society, but the same analysis could be applied within the public sector itself. Is the public bureaucracy the principal source of expertise and advice within government, or do other institutions—the legislature or the political executive—have significant policy capacity of their own? The internal dynamics of policymaking in government will be different depending upon the number of autonomous and competing sources of advice that exist (see Vesely 2013).

For example, if we consider the US Congress as a transformative legislature (see Polsby 1975) with significant policy capacity of its own, then the bureaucracy is in the position of being a competitor for influence over policy. In most parliamentary systems the legislature does not have the capacity to serve as an effective competitor to the executive (see Döring and Hallerberg 2004), and as a result the executive—the political executive served by the bureaucracy—tends to dominate policy discussions. But Congress may be reducing its own policy capacity and beginning to rely more heavily on lobbyists (Drutman and Teles 2015)—acting like the broker in Cell 1 of the table. In the worst case, perhaps approximating those of failed states, none of the actors within government has any appreciable policy capacity.

## 2.4 SUMMARY

The conventional wisdom is that public bureaucracies, and the individual organizations that compose them, are relatively inert organizations with little interest in public policy. Rather than being concerned with ideas and missions, these organizations are seen as the formal, legal implementers of policies made elsewhere. This chapter has argued the opposite, identifying public organizations as having numerous resources that enable them to be active participants in the policy process, and in being able to make a good deal of policy on their own. Further, these organizations generally want to use their expertise and ideas to shape policies.

But these organizations confront a number of challenges when they attempt to utilize their resources to be effective within the policy process. The most basic of these challenges is simply having the legitimacy for action on their own, especially when faced with political actors with somewhat stronger claims for legitimacy. The tasks these organizations must perform also present significant challenges to their being effective actors in the policy process. And virtually continuous reform of the public bureaucracy also presents a number of barriers to an autonomous policy role for public organizations.

Although we can make an argument that empirically public organizations are central actors in making public policy and have substantial policy capacity, they also face constraints on their action. But the normative argument in favor of expertise remains more difficult to accept, especially in democratic political systems. Politicians believe they have been elected to make policy and are often reluctant to yield any of that authority to

the public bureaucracy. At the same time, however, those leaders need the expertise and the information available within the bureaucracy. These tensions are very real and define much of contemporary policymaking.

Finally, not all bureaucratic systems are equal, and it is important to understand their role in policy advice and policymaking in a comparative context. Bureaucratic actors are in competition with other institutions within government, and potentially with other actors in the society. Making any statements about the policy capacity of bureaucracy therefore also requires making statements about the policy capacity of other relevant actors.

## NOTES

1. The election of Mrs. Thatcher in the United Kingdom could be seen as the beginning of an extensive round of reform based on the application of market ideas—referred to generally as New Public Management—to the public sector. See Savoie (1994).
2. This argument is similar to the classic argument made by Thompson (1961) concerning the dysfunctions existing within ‘modern organizations’, with information being concentrated at the bottom and decision-making concentrated at the top.
3. In practice, the level of shirking in public bureaucracies is almost certainly exaggerated in the media and in the popular imagination. The evidence is that most civil servants, and especially higher level civil servants, are committed to their jobs and work rather diligently in performing their tasks.
4. The simplest of these models tend to assume that ‘bureau chiefs’ are individual maximizers of resources, although the evidence to support that perspective is limited (see Blais and Dion 1991).
5. This competition among public sector organizations is the foundation of ‘bureaucratic politics’, in which organizations in the public sector use decision-making situations as opportunities to increase their own power and control over policy (see Peters 1992).
6. After the sometimes egregious appointments made in the George W. Bush administration, the Obama administration has largely returned to the pattern of making appointments with substantial expertise in the relevant policy areas.

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# Policy Analytical Capacity: The Supply and Demand for Policy Analysis in Government

*Michael Howlett*

## 3.1 INTRODUCTION: THE CONCEPT OF POLICY ANALYTICAL CAPACITY WITHIN THE GENERAL FRAMEWORK OF POLICY CAPACITY

Gill and Saunders (1992, pp. 6–7) characterize policy analysis as “a method for structuring information and providing opportunities for the development of alternative choices for the policymaker.” As part of the policy formulation process, this activity involves policy appraisal, that is, providing information or advice to policymakers concerning the relative advantages and disadvantages of alternative policy choices (Howlett et al. 2009; Mushkin 1977; Sidney 2007; Wildavsky 1979).

Undertaking such activity requires “policy capacity” (Peters 1996), which relates to both the competences and skills of policymakers and the

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capabilities or resources they require to exercise them. In general terms, policy capacity has been defined as:

a loose concept which covers the whole gamut of issues associated with the government's arrangements to review, formulate and implement policies within its jurisdiction. It obviously includes the nature and quality of the resources available for these purposes—whether in the public service or beyond—and the practices and procedures by which these resources are mobilized and used. (Fellegi 1996, p. 6)

'Policy capacity' extends beyond analysis to include the administrative or organizational capacity of a government to undertake the day-to-day activities involved in policy implementation and system level competences and capabilities such as effective institutions and legitimacy (Painter and Pierre 2005; Peters 1996; Woo et al. 2015). Another important area of study of policy capacity in the policy sciences focuses more precisely on the individual level, and specifically on the ability of individuals working in public policy organizations to produce sound analysis to inform their policymaking activities (Parrado 2014; Dobuzinskis et al. 2007, pp. 4–5).<sup>1</sup> This can be thought of as constituting a distinct subset of policy capacity, that of 'policy analytical capacity'.

This capacity for policy analysis is a more focussed concept than overall policy capacity and involves competences and capabilities involved in effective knowledge acquisition and utilization in the policy process (Adams 2004; Leeuw 1991; Lynn 1978; MacRae 1991; Radaelli 1995). While these competences and capabilities are nested in larger managerial and political issues (Wu et al. 2015), which allow effective individual work at this level to take place, the analytical skills and resources are ultimately deployed by individuals. Individual skills and capabilities are an important determinant, for example, of the amount of basic research a government can conduct or access; its ability to apply statistical methods, applied research methods, and advanced modelling techniques to the data; and its ability to employ sophisticated analytical techniques such as environmental scanning, trends analysis, and forecasting methods in order to gauge broad public opinion and attitudes. Individual abilities, or lack of them, affect overall governmental capacity and governmental ability to anticipate future policy impacts and react to them in a timely fashion (O'Connor et al. 2007; Preskill and Boyle 2008). The skills also extend to the ability to communicate policy related messages to

interested parties and stakeholders (Fellegi 1996) and to aid the efforts of governments to integrate information and evidence into the decision-making stage of the policy process (Howlett 2009; Tiernan 2011).

The term ‘policy analytical capacity’ thus describes the ability of individuals in a policy-relevant organization to produce valuable policy-relevant research and analysis on topics asked of them or of their own choosing (Howlett 2009). It is important to recognize that this capacity is a function of the individual skills or competences of analysts and other policy workers (Colebatch 2006a, b; Colebatch et al. 2011) as well as the analytical capabilities or resources at their disposal. This kind of policy capacity is not limited to governments; other kinds of policy research and advice organizations also require it, from independent government inquiries to non-governmental organization (NGOs) and lobbyists. However, given space limitations, this chapter discusses only the state-level aspects of policy analytical capacity.

The general relationship between policy analytical capacity and the other components of policy capacity are set out in Fig. 3.1 which is developed in this volume’s introduction. Policy analytical capacity exists in the upper left quadrant of this matrix and is related in a nested fashion to other competences and capabilities of government, ranging from the organizational to the systemic level and dealing with managerial and political skills and resources in addition to analytical ones. The discussion in this chapter deals with some of the inter-relationships found between these different capacities, but its focus is on the contents and dynamics of the specific type of capacity found at the individual-analytical level.

### 3.2 THE RELEVANCE OF POLICY ANALYTICAL CAPACITY: SUPPLY AND DEMAND CONSIDERATIONS

In general, observers of policy research organizations have argued that an organization’s analytical capacity is composed of its ability to “articulate its medium and long term priorities, test the robustness of its policy options by building alternative scenarios, attach both qualitative and quantitative assessments to different policy options...communicate and defend policy thrusts to its operational arms as well as to its major stakeholders and to the public, [and] formulate policies that can withstand rigorous professional challenge” (Fellegi 1996, pp. 14–15).

All other things being equal, if organizations have more individuals with higher levels of policy analytical capacity, they are more likely

| Resource Level<br>Skill Dimension | INDIVIDUAL CAPABILITIES  | ORGANIZATIONAL CAPABILITIES  | SYSTEM CAPABILITIES  |
|-----------------------------------|--|--|--|
| Analytical Competences            | <u>Policy Analytical Capacity</u><br>Knowledge of policy substance and analytical techniques and communication skills at the individual level                    | <u>Organizational Information Capacity</u><br>Storing and Disseminating Information on client need; service utilization; Budgeting, Human Resource management, E-services.                       | <u>Knowledge System Capacity</u><br>Presence of high-quality educational and training institutions and opportunities for knowledge generation, mobilization and use. |
| Managerial Competences            | <u>Managerial Expertise Capacity</u><br>strategic management, leadership, communication, negotiation and conflict resolution, financial management and budgeting | <u>Administrative Resource Capacity</u><br>Funding, staffing, levels of Intra-and inter-agency communication, consultation, and coordination.  | <u>Accountability and Responsibility System Capacity</u><br>Presence of rule of law and transparent adjudicative and career systems                                  |
| Political Competences             | <u>Political Acumen Capacity</u><br>Understanding of the needs and positions of different stakeholders; judgment of political feasibility; Communication skills  | <u>Organizational Political Capacity</u><br>Effective civil service bargain. Politicians' support for the agency programmes and projects. Levels of Inter-organizational trust and communication | <u>Political-Economic System Capacity</u><br>Presence of public legitimacy and trust; Adequate fiscal system to fund programs and projects; Access to information    |

**Fig. 3.1** Dimensions and levels of policy capacity. *Source* Chapter 1 for this volume

to be successful in impacting policy, both in the short- and longer-term (Aucoin and Bakvis 2005). Organizations with stronger policy analytical capacities are thus more likely, *ceteris paribus*, to have a greater impact on outcomes than those lacking the principal components of such a capacity (State Services Commission 1999).

But the capacity equation in this area is not all supply-driven. Attaining a high level of policy analytical capacity requires not just “a supply of qualified researchers, (and the) ready availability of quality data” but also a recognized requirement or demand for research” and “policies and procedures to facilitate productive interactions with other researchers” creating “a culture in which openness is encouraged and risk taking is acceptable” (Riddell 1998, p. 5).

### 3.2.1 *Previous Studies of Policy Analytical Capacity*

Although policy analysis is not a subject that has suffered from a dearth of attention, empirical works examining the actual ‘supply and demand’ for policy analysis at the individual level in government are uncommon

(Nutley et al. 2007; Uhr 1996). Work on the behaviour and behavioural characteristics of in-house policy analysts in supplying advice to government, let alone those working outside it, are exceedingly rare (Aberbach and Rockman 1989; Binz-Scharf et al. 2008; Boston et al. 1996; Bushnell 1991; Nelson 1989; Radin 2000; Thompson et al. 1992; Wollmann 1989). While some data exist in these older studies, they covered only a relatively small number of countries, mainly the U.S. (Meltsner 1976; Durning and Osama 1994; Radin 2000). Until recently, in most countries empirical data on just about every aspect of actual policy analytical practices in government has been lacking.

Moreover, where studies do exist they almost always focus on the ‘demand’ side of the policy advice market, examining the strengths, weaknesses, and other characteristics of the knowledge utilization process in government (Beyer and Trice 1982; Innvaer et al. 2002; Pollard 1987; Rich 1997; Weiss and Bucuvalas 1980; Weiss 1992). They have tended to employ partial or unsystematic surveys (Page and Jenkins 2005) or anecdotal case studies and interview research (Hoppe and Jeliaskova 2006; Radin 2000), leading to concerns about accuracy and the robustness or generalizability of their conclusions and observations.

In many cases observers have continued to rely on only one or two quite dated works in justifying their observations and conclusions, especially the early work of Meltsner (1972, 1976) and Durning and Osama (1994). This work was path-breaking but is badly dated. Meltsner’s observations remain astute over 40 years later, but they were based on 116 interviews he conducted in the U.S. in 1970–1971 (Howlett and Wellstead 2011; Meltsner 1975, p. 14).

More recent studies on ‘policy supply’ have looked at the U.K. (Page and Jenkins 2005), Australia (Weller and Stevens 1998); New Zealand (Boston et al. 1996); the Netherlands (Hoppe and Jeliaskova 2006), France (Rochet 2004), and Germany (Fleischer 2009), but in most jurisdictions the answers to basic questions, including how many people are in these positions or what they do, remain unknown. Comparative and synthetic studies of the supply and suppliers of policy advice are even rarer (Gregory and Lonti 2008; Halligan 1995; Hawke 1993; Malloy and James 1989; Mayer et al. 2004; Thissen and Twaalfhoven 2001; Wagner and Wollman 1986; Weible 2008).

This situation has led many scholars concerned with measuring and understanding policy analytical capacity both inside and outside government to decry this lack of basic data (Bakvis 1997; Behm et al. 2000;



Hunn 1994; State Services Commission 1999; Uhr and Mackay 1996; Waller 1992; Weller and Stevens 1998). In many cases the existing data are so poor that it is not clear even if the job classifications and titles typically used by public service commissions to categorize professional policy analysts in government for staffing purposes are accurate or reflect a true sense of what policy analysts do on a day-to-day basis (Colebatch 2006a, b; State Services Commission 2010). This is a significant concern since stronger policy analytical capacity, in general, is thought to be associated with the ability of governments to articulate achievable medium to long-term goals and put together policies that can withstand rigorous professional and empirical challenge (Howlett 2009). How to go strengthen policy analytical capacity is a subject which requires accurate data on the status quo in order to determine what exactly needs to be improved or augmented in terms of capabilities and competences (State Services Commission 2010).

### 3.2.2 *Operationalizing Policy Analytical Capacity: Demand and Supply Issues*

Despite this paucity of data, several hypotheses are often cited in the literature pertaining to the relationship between higher and lower levels of policy capacity and the role played by factors such as organizational structures and management practices in encouraging or discouraging individual level analytical skills and practices.

As Riddell argues, “a recognized requirement or demand for research (a market)” (1998, p. 5) is an important part of policy analytical capacity. This suggests that organizations and individuals that do not have a high demand for research will have lower capacity, as the lack of demand is likely to negatively impact the final product and/or its use. The quality of the research demanded is also important. An individual’s ability to combine the use of different styles of analysis, for example, has been cited as a good indicator of analysis that is capable of being strong and versatile, adding to the organization’s overall capacity. Policy analytical capacity is strengthened when an organization’s research and analysis can “attach both qualitative and quantitative assessments to different policy options” (Fellegi 1996, pp. 14–15). Individuals that “formulate policies that can withstand rigorous professional challenge” (Fellegi 1996, pp. 14–15) can be said to enjoy a higher level of policy analytical capacity, not simply because there is a demand for research in the first place, but because those who are interested in the research and analysis are seeking

a strong final product. And this aspect of policy analytical capacity reflects the significance of training and recruitment procedures since the educational background of an organization's employees affects their ability to carry out sophisticated analyses of complex subjects in a timely and comprehensive way. It also underlines the significance of career and other personnel matters that assure that individuals capable of high quality work are in the position to carry out high quality work when it is requested.

Riddell (1998), for example, argues that managers should create "a culture in which openness is encouraged and risk taking is acceptable" (1998, p. 5). Research suggests that policy analytical capacity is strengthened when individual analysts have the freedom to take risks and create new and innovative programs or policies (Fellegi 1996, pp. 14–15). That is, organizations that encourage analysts to think about problems in new and innovative ways, and allow individual analysts the freedom to make suggestions on new and existing problems, are likely to have stronger capacity. This, Riddell argues, strengthens the capacity of an organization's policy research and analysis beyond trouble-shooting or second-guessing managers' preferences. Similarly, Riddell argues that creating rigidly hierarchical decision-making structures that require analysts to conform to specific behaviours or intellectual methods leads to lower overall and individual capacity.

Furthermore, on the demand side, as Voyer (2007) observes, not all departments need the same kinds of data and information to inform their advice and appraisals. Hence, different units can also be expected to exhibit different patterns in the use of specific analytical techniques. Some agencies, like Finance or the Treasury Board, for example, typically deal with issues that are relatively easy to quantify or monetize (such as budgets, revenues and expenditures), and usually relying on plentiful historical and contemporary data that is assumed to be very accurate and precise (Howlett et al. 2014a). These units are often also well resourced and able to hire staff or consultants who are interested in and can utilize this kind of evidence. Hence it can be expected that these kinds of agencies are more likely to employ technical forms of analysis and to continue to do so in the future. Other agencies, however, like those dealing with social or environmental policy, often work with data that are less quantifiable or contested, have fewer resources, and may not be as interested in or able to use the kinds of information that financial agencies utilize. Still others fall in between: For example, many education or housing or transport agencies may have high-quality data available but only use it at some times. Finally,

other agencies such as health or mental health agencies may not have access to the data they need even if they are potentially or actually capable of using it (Craft and Howlett 2012a; Howlett and Joshi-Koop 2011).

On the supply side, agencies that undertake sophisticated analyses require access to high-quality quantifiable data or information (Vining and Boardman 2007) as well as the managerial and human resource capabilities necessary to ask for and supply this form of analysis and advice (Howlett 2009). Again, however, not every agency meets these criteria or does so at all times and in all circumstances. There are various ways that information can be collected, including internal and external forms (contracting the collecting of information out to consultants or purchasing already collected information from sources such as national or state-level statistics agencies). An important aspect of policy analytical capacity that has concerned governments seeking to enhance their policy work is whether or not innovative thinking is or should be encouraged at all levels of the organization or just at some levels (Howlett et al. 2014a). This is important because studies which have examined the use of sophisticated policy analytical or appraisal techniques and tools in government have noted that the frequency and purposes of use hinges on several pre-conditions being met—for example, the presence of easily accessible and accurate data as well as a supportive work environment for highly trained and qualified employees. But not all government agencies or actors meet these criteria at all times and circumstances. Rather, the distribution of skills and demand for them varies by department and agency as well as by issue or task (Howlett and Wellstead 2012; Howlett et al. 2014a). In some cases it may be better to create a free-floating set of highly skilled analysts able to operate across units than to attempt to staff every agency with a large number of highly trained individual analysts. External consultants can augment internal capacity as needed (Howlett et al. 2014b).

Existing work on this subject has also identified some significant differences such as the areas or subjects of training among analysts in these locations. This is important, as specialized subject knowledge may make up for gaps in formal training in more general analytical techniques and practices. As Howlett et al. (2009) found in their study of Canadian policy analysts inside and outside of government, for policy consultants the top five university degree specializations were Economics, Business Management, Engineering, Political Science and Public Administration. These five fields (allowing for multiple degrees) accounted for about 85% of degrees conferred. By comparison, the five leading degree areas for internal policy

analysts were Political Science, Business Management, Economics, Public Administration and Sociology, in that order. These accounted for about 60% of degrees conferred (allowing for multiple degrees), with a broad range of other social science, law and humanities degree accounting for the remaining 40% of credentials (Howlett and Newman 2010). The top five fields for NGO-based policy professionals were General Social Sciences, Business Management, Arts and Humanities, Political Science and Public Administration (Evans and Wellstead 2013). This variation in training is reflected in the kinds of roles or tasks policy workers in these different venues are most likely to undertake: The top three policy-related tasks undertaken by external consultants comprise undertaking research and analysis (83%), providing advice (77%), and providing options on issues (61%). However, along with policy development, external consultants also have to fulfil functions of project management (48%), communications (41%), and program delivery (36%). Policy analysts working in government are more focused, and a higher percentage of analysts undertake research and analysis (93%), provide advice (92%), and prepare briefing notes or position papers (91%). By comparison, the tasks in which NGO-based analysts most commonly engage are consulting with stakeholders (96%), identifying policy issues (94%), and consulting with decision-makers (91%) (Evans and Wellstead 2013).

In all, Riddell (1998) identified eight fundamental elements or operationalizable components of policy analytical capacity whose fulfilment is expected to lead to superior results. These are set out in Fig. 3.2.

### 3.3 THE FUTURE RESEARCH AGENDA: DIFFERENT USES FOR POLICY ANALYSIS AND THE APPROPRIATE NATURE AND DESIGN OF POLICY ADVISORY SYSTEMS

It is also the case that policy capacity studies have not yet incorporated a range of important questions about the role of policy analysis in government (Craft and Howlett 2012b; Newman 2014; Nutley et al. 2007). First is the fact that research and knowledge can be used in an ‘argumentative’ way to help develop and choose among options, in an ‘evaluative’ way to help clarify the strengths and weaknesses of alternatives, or in a ‘strategic’ way to bolster positions already adopted (Landry et al. 2003; Whiteman 1985). Capacities for each of these uses are different, and studies to date have not yet investigated the extent to which any individual or unit should focus and prepare for one rather than another.

**Fig. 3.2** Components of policy analytical capacity. *Source* Riddell (1998)

| Components  |
|---|
| Ability to utilize environmental scanning, trends analysis and forecasting methods                                |
| Ability to undertake theoretical research   |
| Ability to utilize statistics, applied research and modelling   |
| Ability to undertake evaluation of the means of meeting targets/goals   |
| Ability to undertake consultation and managing relations  |
| Ability to undertake program design, implementation monitoring and evaluation                                     |
| Department's capacity to articulate its medium and long term priorities   |
| Policy analytical resources - Quantity and quality of employees; budgets; access to external sources of expertise |

A second issue flows from the fact that most existing studies examine policy analytical capacity only on an intra-governmental level. Achieving each of the policy functions or abilities cited by Riddell could require a highly trained, and hence expensive, workforce with far-seeing and future-oriented management and excellent information collection and data processing capacities (O'Connor et al. 2007). But such capacity could also be raised externally (Howlett et al. 2014b). That is, a significant factor in policy analytical capacity centres on the ability of governments to outsource policy research to qualified personnel in private or semi-public organizations such as universities, think tanks, research institutes and consultancies (Boston 1994; Evans and Wellstead 2013).

Assessing the actual and proper distribution of capacity between governmental and NGOs and the differences between governmental and non-governmental analysts and policy advisory system members, including outside consultants, is a central question in contemporary research into policy analytical capacity. As Anderson noted, "a healthy policy-research community outside government can play a vital role in enriching public understanding and debate of policy issues, and it serves as a natural complement to policy capacity within government" (1996, p. 486). This also requires sufficient vertical and horizontal coordination between participating organizations to ensure that the research undertaken is relevant and timely (Alexander et al. 2011). The existence of appropriate 'boundary-spanning' links between governmental and non-governmental organizations are critical in this regard (Weible 2008).

Here we are dealing with a larger version of Voyer's observation, cited earlier, and extending the analysis of the distribution of techniques of policy appraisal to venues of policy formulation located beyond different units of government. The very limited amount of work to date that has

examined the situation with respect to policy advice, policy formulation and the utilization of analytical techniques finds evidence of sophisticated divisions of policy labour among the various parts of the policy advisory systems.<sup>2</sup> Research is ongoing on whether government and non-governmental policy actors in a policy analytical community have the capacity to actually fulfil these tasks, and to what degree (Turnpenny et al. 2008, 2009). Such research requires examining internal–external differences and similarities as well as addressing differences in policy work and techniques across different venues outside government—for example, comparing and contrasting professional analysts inside government, professional consultants who work on a temporary contract basis for governments, and NGO analysts that interact with government officials and consultants (Howlett et al. 2014a).

How these different arrangements affect the skills and resources employed in policy analysis and the process of policy formulation is not well understood, but is an important subject for future research. In particular, additional cross-national studies are needed to determine how common any particular pattern of advice is, and what are the consequences and impact of having one arrangement versus another.

### 3.4 CONCLUSION: ADVANCING THE UNDERSTANDING OF POLICY ANALYTICAL CAPACITY ON POLICY OUTCOMES

Overall, the literature reviewed here suggests that governments, as a whole, exhibit an uneven distribution of capacities, technical capabilities, and utilization practices across different organizational and thematic venues. The data available to date show that some departments and agencies—such as finance—enjoy favourable circumstances that allow them to practice sophisticated analytical techniques, while others only seldom undertake such techniques as a result of different task environments or differing skills, training levels, and types of individual analysts and analytical communities (Howlett and Joshi-Koop 2011; Howlett et al. 2014a). There are differences in governmental and non-governmental venues with respect to the nature of the internal and external training that analysts receive, their job expectations and work descriptions, the nature of the issues they commonly face and the tasks they undertake in their work. The techniques of analysis practiced by analysts in government consulting and in non-government venues are also different from those

found internally. The formal education levels, disciplinary background and policy-related training of NGO-based analysts and consultants also differ from that of analysts inside government (Howlett and Migone 2013; Howlett et al. 2014a).

These findings reveal a pattern of increasing sophistication in analysis and policy work as one moves from the non-governmental sector to the governmental one and, within government, from more socially involved agencies to more economically oriented ones, with policy consultants capable of augmenting and extending internal activities if requested to do so (Howlett et al. 2014a). There is some indication of a complementary relationship between internal analysts and consultants; in general consultants are more highly educated and trained relative to analysts and therefore can bring a different skill set to formulation processes (Howlett et al. 2014b; Lindquist 2009; Lindquist and Desveaux 2007). The NGO sector is very under-developed in comparison with either of these two groups (government analysts and consultants) and is unlikely to either replace or supplement them (Evans and Wellstead 2013).

While the work done on policy analytical capacity to date is intriguing and suggestive, there is not enough empirical research to allow us to trace out and test the impact of each factor on the quality of policy outputs and outcomes (Gregory and Lonti 2008; Waller 1992). To advance the understanding of policy analytical capacity and the role played by supply and demand considerations in its creation, we must assemble more and better data, especially additional comparative data, on the quantity and quality and analytical capacity, and on the impacts and effects that higher and lower levels of policy analytical capacity have on the quality of policy outputs and outcomes (Hunn 1994; Waller 1992).

## NOTES

1. Some of the earliest work done in this area can be traced back to scholars from New Zealand and Australia. Waller's article, *Evaluating Policy Advice* (1992), is particularly helpful in laying the foundation of the importance of policy advice and the difficulties of assessing its quality.
2. Research has examined Australia (Weller and Stevens 1998), The Netherlands (Hoppe and Jeliaskova 2006), New Zealand (Boston et al. 1996), the UK (Page and Jenkins 2005) and the US (Hird 2005a, b).

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# Measuring Policy Capacity Through Governance Indices

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## 4.1 INTRODUCTION AND METHODOLOGY

While the conceptualization of policy capacity and its application to governance performance have been addressed in the academic literature, existing governance indices appear not to consider policy capacity in its many nuanced forms. This shortcoming may be perpetuating incomplete accounts of governance quality within a diverse and growing group of indices. This chapter surveys five commonly used indices to determine whether and how they measure policy capacity. Two of the indices, the Worldwide Governance Indicators and KPMG Change Readiness Index, address broad measures of governance in a globally comparative context. The remaining indices—the Sustainable Governance Indicators, Global Innovation Policy Index, and Bertelsmann Transformation Index—target particular dimensions of governance. This chapter argues that policy capacity is relevant across many types of indices, and therefore deserves closer attention. In particular, the chapter illustrates how a robust framework measuring policy capacity, that proposed by Xun, Ramesh, and Howlett, can be used to identify areas in which governance indices inadequately account for capacity. This chapter is in three parts. After a brief introduction, the first part tabulates measures of capacity within selected indices using elements of the framework as an analytical template. The second part compares tabulation results across all five indices, and the

final part advocates a more robust consideration of capacity based on the identified shortcomings of the observed indices.

According to Xun et al. (2014, pp. 9–10), policy capacity refers to “the preconditions a government requires in order to make sound policy choices and implement them effectively in achieving its potential to steer a governance mode.” The authors divide the concept of capacity into nine components, represented by a 3-by-3 matrix overlaying “skill dimensions” and “resource levels.”<sup>1</sup> This chapter refers to this conceptualization of policy capacity as the *Matrix*, and uses the Matrix as an analytical template to examine how the various governance indices treat policy capacity. The contribution of this exercise, and the purpose of this study, is to illustrate how the Matrix can help identify the degree to which governance indices address policy capacity.

This exercise constitutes a comparative numerical tabulation of individual measures within indices. Through a textual analysis of indices and their accompanying methodology documents, we identified descriptive keywords that align with themes explored in the Matrix. We then tabulated the number of times the index refers to a particular theme. Variations across indices in the types of variables make an econometric-style cross-case analysis infeasible. Instead, tabulations represent only a count of individual measures within an index that relate to corresponding elements of the Matrix. The analysis addresses the granularity (detail) of measurement rather than the overall structure of indices or their emphasis on broader governance dimensions. The tabulations serve as a proxy for the complexity of a given capacity-related concept.

The indices selected are among the most widely used, ranging from comprehensive measures such as the World Bank’s Worldwide Governance Indicators to more targeted measures such as the Global Innovation Policy Index. This chapter summarizes the approach used by each index, ‘populates’ the Matrix with the indices’ measures, and identifies complementarities and divergences between the indices. The chapter concludes by justifying the more robust inclusion of policy capacity in indices. The appendix contains a list of terms (referred to hereafter as ‘measures’) used by governance indices, from which numerical (count) values in the tables are derived.

## 4.2 WORLDWIDE GOVERNANCE INDICATORS

The World Bank's Worldwide Governance Indicators (WGI) examine six areas across 215 countries, with data from 1996 through 2012 (World Bank 2013). In this chapter, we examine three WGI indicators: *voice and accountability*, government effectiveness, and *rule of law*.<sup>2</sup> The WGI defines governance, in part, as “the capacity of government to effectively formulate and implement sound policies” (Kaufmann et al. 2011, p. 222). Two indicators—*government effectiveness* and regulatory quality—comprise a broader category specifically addressing capacity. The WGI measures the degree of “representativeness” for each of its data sources and uses a three-step process to aggregate data. Individual questions from various sources are assigned to one of six indicators, and scores are re-scaled to values ranging from 0 to 1. Finally, a weighted average of individual measures is derived using an unobserved components model (UCM). This method addresses the challenge of comparing re-scaled data across sources. WGI data come from a variety of sources, including expert polling and surveys, with many sources having a regional or substantive focus.

There are numerous methodological critiques of the WGI, including its supposed absence of consistent data across all countries, the bias of its survey pool towards high-income males, ideologically or politically biased indicators, indicators based on perceptions, and unclear methodology for grouping countries with mid-level rankings (Maurseth 2008). Regarding perceptions, Thomas (2010, p. 41) argues that the WGI methodology treats variables as “noisy signals of a particular unobserved governance construct.” Thomas argues that such signals may measure factors other than the intended indicator, and that the index combines variables of perception (e.g. governance efficacy) with those of empirical measurement (e.g. travel restrictions). Thomas also argues that the WGI's conceptual constructs are poorly defined, overly reliant on invalid assumptions, and lacking in evidence. Nevertheless, the WGI is widely used by academics and practitioners, and is relevant for this analysis because of its comprehensive examination of governance capacity. Figure 4.1 presents the findings of the tabulation combining the WGI and the Matrix. Colors correspond to the number of mentions within the index pertaining to the related component of the Matrix.

The WGI has data for 314 individual measures. Our tabulation reveals that the WGI's measurements of organizational and system capabilities are the most detailed. Concerning organizational capabilities, the WGI



|                               | INDIVIDUAL CAPABILITIES  | ORGANIZATIONAL CAPABILITIES                          | SYSTEM CAPABILITIES   |  |  |    |
|-------------------------------|--|--|---|--|--|----|
| <i>Analytical Competences</i> | <b>Policy Analytical Capacity</b>                                  |  | <b>Organizational Information Capacity</b>                                      | <b>Knowledge System Capacity</b>                               |  |    |
|                               | Knowledge of policy substance                                      | Storing and disseminating information on client need |   | Presence of high quality educational and training institutions |  |    |
|                               | Analytical techniques and communication skills                     | Service utilization                                  |   | Opportunities for knowledge generation, mobilization and use   |  |    |
|                               |  | Budgeting, human resource management, e-services     | 3   |  |  |    |
| <i>Managerial Competences</i> | <b>Managerial Expertise Capacity</b>                               |  | <b>Administrative Resource Capacity</b>   | <b>Accountability and Responsibility System Capacity</b>       |  |    |
|                               | Strategic management   |  | Funding, staffing   | 8  | Presence of rule of law                              | 9  |
|                               | Leadership, communication, negotiation and conflict resolution     |  | Levels of intra- and inter-agency communication, consultation, and coordination | 1  | Transparent adjudicative and career systems          | 4  |
|                               | Financial management and budgeting                                 |  |   |  |  |    |
| <i>Political Competences</i>  | <b>Political Acumen Capacity</b>                                   |  | <b>Organizational Political Capacity</b>  | <b>Political-Economic System Capacity</b>                      |  |    |
|                               | Understanding of the needs and positions of different stakeholders |  | Effective civil service bargain   | 3  | Presence of public legitimacy and trust              | 13 |
|                               | Judgment of political feasibility                                  |  | Politicians' support for the agency programs and projects                       |  | Adequate fiscal system to fund programs and projects | 2  |
|                               | Communication skills   |  | Levels of inter-organizational trust and communication                          | 1  | Access to information                                | 1  |

Fig. 4.1 Tabulation of WGI and matrix capacity measures

emphasizes *funding and staffing* within the Matrix's *administrative resource capacity* through measures of resource efficiency and efficiency of revenue mobilization. WGI measures of institutional effectiveness, policy consistency and forward planning, policy direction consistency, and quality of public administration relate to administrative resource capacity and are therefore classified under *funding and staffing* to reflect internal operational capacity. The WGI measure of bureaucratic quality is also included due to its proxy relationship with funding and staffing. The Matrix's other sub-component of administrative resource capacity,

*intra-agency coordination*, receives little attention from the WGI and is captured only by a single measure that applies to a very specific context (dialogue between government and rural organizations). The index has no explicit measure of coordination between or among other organizations.

Under *organizational political capacity*, WGI measures reflect the Matrix's *civil service bargain*, namely the relationship between ministers and public service bodies. This is captured by the WGI's measures of public service and judicial independence from political influence. Only one WGI measure (consensus building) addresses *inter-organizational trust and communication* as listed in the Matrix. *Organizational information capacities* receive three mentions in the WGI, all related to finance and budgeting. These include reliability of economic and financial statistics, reliability of accounts, and quality of budgetary and financial management.

Regarding system capabilities, the WGI focuses on managerial and political competences. Within the Matrix's *accountability and responsibility system capacity* component, the WGI contains measures for rule of law and adjudicative transparency. Measures related to the rule of law include formality of institutional rules, contract enforceability, and judicial efficiency, independence, and accountability. Measures related to adjudicative transparency include transparency of policymaking, communication of policy, and public debate. The WGI has the strongest presence in *political-economic system capacity*, measuring accountability of public officials, transparency of policymaking, democratic accountability, and trust for the judicial and legislative branches of government. The WGI also includes a measure for public access to information and budget and state account reliability, both pertaining to *fiscal system adequacy* within the Matrix. The account reliability measure of the WGI is also applicable to the *budgeting* sub-component of the Matrix's *organizational information capacity* component, but it is listed only once in the tabulation to avoid double-counting.

The WGI is relevant to ten of the Matrix's 23 sub-components. There are three broad areas in which the Matrix indicates the WGI for incompletely accounting for policy capacity. First, WGI measures make no specific reference to individual capabilities and can be interpreted as individual-level only in certain cases. Second, there is little coverage in the WGI of analytical competences, with the only relevant measures pertaining exclusively to finance and banking. Finally, the WGI

does not address collaboration to the same degree done in the Matrix, in particular within the *intra- and inter-organizational collaboration* sub-components.<sup>3</sup>

Some measures in the WGI do not appear to fit within the Matrix. First, for the WGI's *voice and accountability* indicator, measures of law-making body effectiveness, electoral process, media pluralism, and stability of democratic institutions do not have explicit coverage in the Matrix. These absences may justify the addition of additional sub-components, particularly for *political-economic system capability*. Further, the WGI's *reliability of state accounts* measure presents an analytical challenge; although we classify it solely under the *organizational information capacity* component, it could also be classified under the *accountability and responsibility system capacity* component, as reliability implies expectations of performance. Second, for the WGI's government effectiveness indicator, the quality of bureaucracy and quality of public administration measures are included in *funding and staffing* under the *administrative resource capacity* component. These could receive better coverage in a sub-component capturing subjective notions of governance efficacy. Additionally, the WGI's policy consistency and planning measure of governance effectiveness could be classified under the Matrix's *strategic management* at the individual level, but within the WGI appears to apply only at the organizational level. Finally, for the WGI's *rule of law* indicator, separation of powers does not fit clearly within any of the Matrix's components. This concept pertains loosely to administrative independence from political influence, which is captured only partly by the *accountability and responsibility system capacity* component. The Matrix seems to apply independence largely to the judiciary, so there is scope for a sub-component pertaining to Weberian administrative independence.

### 4.3 SUSTAINABLE GOVERNANCE INDICATORS

The SGI is divided into two composite indices, a status index that measures the quality of democracy and policy performance within OECD countries, and a management index that measures executive capacity and accountability. The status index makes an implicit connection between democratic standards and policy performance, while the management index assumes a link between accountability and executive performance. Variables within both indices cut across most components of the Matrix. The authors of the SGI's methodology report (Bertelesmann-Stiftung

2014) claim to have limited their selection of measures only to those with clear meanings and without bias towards particular types of economies and institutional models. The index uses quantitative data from government sources and qualitative data from expert surveys.

The SGI's measures are more broadly represented within the components of the Matrix than are the WGI measures (Fig. 4.2). Unlike the WGI, the SGI includes measures of individual capabilities, which are allocated across all three dimensions of competence. The SGI includes individual-level measurements of government office expertise (analytical competence), self-monitoring and communication (managerial), and application of regulatory impact assessments (political). At the organizational level, SGI measures are balanced across the three dimensions, with highest detail for managerial competence. For the *organizational information capacity* component, the SGI includes measures of government office "gatekeeping," a reference to the delivery of timely analysis about policy options. For information capacity, the SGI also measures the quality of regulatory impact assessments and consideration of sustainability in such assessments. Measures of *organizational political capacity* include monitoring of ministries and agencies, ministerial compliance with policy programs, and informal coordination among government organizations. For administrative resource capacity, the SGI offers the highest measurement detail in the Matrix's *consultation and coordination* sub-component. This includes measurements of ministry involvement in policy proposals, effectiveness of coordination in the policy development process, and accountability of sub-national governments to national standards, the third reflecting coordination patterns that are both lateral and hierarchical. Regarding funding and staffing, the SGI includes measures of efficiency and task-related funding appropriated by the central government.

The SGI has the greatest measurement detail for system-level measures, which are balanced across all three Matrix dimensions. This analysis does not assign educational attainment measures to the individual capabilities level because it is uncertain whether statistics for the general population are representative of the government labor pool. The SGI addresses rule of law with four measures: legal certainty, judicial review, appointment of justices, and prevention of corruption. Finally, the SGI addresses the Matrix's *political-economic system capacity* component through five measures for public legitimacy and four for access to

|                               | INDIVIDUAL CAPABILITIES  |   | ORGANIZATIONAL CAPABILITIES   |   | SYSTEM CAPABILITIES  |   |
|-------------------------------|--|---|---|---|--|---|
| <i>Analytical Competences</i> | <b>Policy Analytical Capacity</b>                                  |   | <b>Organizational Information Capacity</b>                                      |   | <b>Knowledge System Capacity</b>                               |   |
|                               | Knowledge of policy substance                                      | 1 | Storing and disseminating information on client need                            | 3 | Presence of high quality educational and training institutions | 3 |
|                               | Analytical techniques and communication skills                     |   | Service utilization   |   | Opportunities for knowledge generation, mobilization and use   | 4 |
|                               |  |   | Budgeting, human resource management, e-services                                |   |  |   |
| <i>Managerial Competences</i> | <b>Managerial Expertise Capacity</b>                               |   | <b>Administrative Resource Capacity</b>   |   | <b>Accountability and Responsibility System Capacity</b>       |   |
|                               | Strategic management   | 1 | Funding, staffing   | 2 | Presence of rule of law  | 4 |
|                               | Leadership, communication, negotiation and conflict resolution     | 1 | Levels of intra- and inter-agency communication, consultation, and coordination | 5 | Transparent adjudicative and career systems                    |   |
|                               | Financial management and budgeting                                 |   |   |   |  |   |
| <i>Political Competences</i>  | <b>Political Acumen Capacity</b>                                   |   | <b>Organizational Political Capacity</b>  |   | <b>Political-Economic System Capacity</b>                      |   |
|                               | Understanding of the needs and positions of different stakeholders |   | Effective civil service bargain   | 2 | Presence of public legitimacy and trust                        | 5 |
|                               | Judgment of political feasibility                                  | 1 | Politicians' support for the agency programs and projects                       | 1 | Adequate fiscal system to fund programs and projects           |   |
|                               | Communication skills   |   | Levels of inter-organizational trust and communication                          | 1 | Access to information  | 4 |

Fig. 4.2 Tabulation of SGI and matrix capacity measures

information. These include popular decision-making and citizen rights for legitimacy, and media freedom for access to information.

While the SGI has more balanced coverage in the Matrix than does the WGI, its drawbacks are evident from the tabulation. First, it has more detailed measurement in some aspects than others. For example, individual capabilities have four measures, while system capabilities have 20. Further, the presence of SGI measures for only one sub-component of some components may indicate a comparatively simplistic conceptualization. For example, in the *accountability and responsibility system capacity* component, all four measures pertain to the rule of law sub-component but none to

transparency. As such, the complexity of the component as defined by the Matrix is inadequately addressed by the SGI's measures. Second, it is unclear whether some SGI measures pertaining to the individual level are also intended to capture the organizational level. For example, the government office expertise measure may be as revealing through a systemic measure as it is through an individual one. In rare instances such as this, the assignment of governance measures as Matrix elements is arguably subjective, particularly in the absence of methodological clarity in the evaluated index.

#### 4.4 GLOBAL INNOVATION POLICY INDEX

The Global Innovation Policy Index (GIPI), a joint effort by the Information Technology and Innovation Foundation and the Ewing Marion Kauffman Foundation, examines 84 indicators using data from 55 countries (nearly every EU, OECD, APEC and BRIC country) to measure the effectiveness of innovation policies (Atkinson et al. 2012). Our analysis includes the GIPI's sub-indicators for science and research and development (R&D), domestic market competition, intellectual property rights, digital policy, and government procurement. It excludes indicators for foreign direct investment and high-skill immigration. GIPI describes sub-indicators as "core policy areas," implying that they are measurements more of policy content than capacity. As such, a limited number of measures within these sub-indicators are relevant to the Matrix and, as the focus of the GIPI implies, capacity pertains mostly to governance of issues (e.g. contract enforcement and patent protection) relevant to innovation-driven industries.

The GIPI's limited overlap with the Matrix (Fig. 4.3) is a result of its limited context. Its measures are present in only two of 23 Matrix components. Nevertheless, the GIPI's conceptualization of capacity is relevant to this analysis. In the *accountability and responsibility system capacity* component, the GIPI has five measures related specifically to the rule of law, including contract enforcement, efficiency of the legal framework in challenging regulations, integrity of the legal system, and a corruption perceptions index. In the *knowledge system capacity* component, the GIPI includes a measure of higher education research and development performance. The GIPI offers measures unique to the technology context that can serve as a template to develop capacity measures for other sectors and for governance more broadly. Specifically, the measure of efficiency of the legal framework, even though it only accounts for 5% of the GIPI score, conceptualizes a component of the rule of law that the other indices overlook.

|                               | INDIVIDUAL CAPABILITIES  | ORGANIZATIONAL CAPABILITIES | SYSTEM CAPABILITIES   |  |   |
|-------------------------------|--|-----------------------------|---|--|---|
| <i>Analytical Competences</i> | <b>Policy Analytical Capacity</b>                                  |                             | <b>Organizational Information Capacity</b>                                      | <b>Knowledge System Capacity</b>                               |   |
|                               | Knowledge of policy substance                                      |                             | Storing and disseminating information on client need                            | Presence of high quality educational and training institutions | 1 |
|                               | Analytical techniques and communication skills                     |                             | Service utilization   | Opportunities for knowledge generation, mobilization and use   |   |
|                               |  |                             | Budgeting, human resource management, e-services                                |  |   |
| <i>Managerial Competences</i> | <b>Managerial Expertise Capacity</b>                               |                             | <b>Administrative Resource Capacity</b>   | <b>Accountability and Responsibility System Capacity</b>       |   |
|                               | Strategic management   |                             | Funding, staffing   | Presence of rule of law  | 5 |
|                               | Leadership, communication, negotiation and conflict resolution     |                             | Levels of intra- and inter-agency communication, consultation, and coordination | Transparent adjudicative and career systems                    |   |
|                               | Financial management and budgeting                                 |                             |   |  |   |
| <i>Political Competences</i>  | <b>Political Acumen Capacity</b>                                   |                             | <b>Organizational Political Capacity</b>  | <b>Political-Economic System Capacity</b>                      |   |
|                               | Understanding of the needs and positions of different stakeholders |                             | Effective civil service bargain   | Presence of public legitimacy and trust                        |   |
|                               | Judgment of political feasibility                                  |                             | Politicians' support for the agency programs and projects                       | Adequate fiscal system to fund programs and projects           |   |
|                               | Communication skills   |                             | Levels of inter-organizational trust and communication                          | Access to information  |   |

Fig. 4.3 Tabulation of GIPI and matrix capacity measures

### 4.5 KPMG CHANGE READINESS INDEX

The Change Readiness Index (CRI), developed in 2012 by KPMG and Oxford Economics, aims to measure how well a country maintains economic growth amidst change. The CRI examines capabilities across various levels including government, private and public enterprises, individuals, and civil society. Regarding competences, the CRI evaluates the ability to “anticipate, prepare for, manage, and respond” to change drivers, leverage emerging opportunities, and mitigate undesired effects.

The second of the CRI's three pillars, *government capability*, refers to the capacities of government and public regulation institutions. The CRI claims to measure this pillar in countries that account for 97% of the world's population (2015). Ten sub-indices within the government capability pillar are relevant to the Matrix. These include: *macroeconomic framework* (currency stability, credit rating, and access to international finance assistance); *public administration and state-business relations* (government support of business); *regulation, fiscal and budgeting, rule of law* (strength of legal system and rules); *government strategic planning and horizon scanning* (readiness for change and threats); *environment and sustainability*; *food and energy security*; *land rights*; and *security* (protection of infrastructure, enterprises, and citizens). The third pillar, *people and civil society capability*, examines *human capital* (education, skills, and training), *civil society* (political stability, expression, and participation in policy debate), and *access to information* (press freedom and internet coverage).

Measures in the CRI have moderately balanced representation in the Matrix (Fig. 4.4), with system capabilities receiving the most attention and individual capabilities the least. Knowledge system capacity and rule of law dominate the count of measures, followed by agency coordination, public trust, and fiscal system adequacy. As such, the Matrix provides space for a more detailed analysis of capacity than does the CRI, particularly with regard to individual capabilities across dimensions of competence. Much of the Matrix's focus on collaboration concerns relationships among agencies, and between political actors and administrative bodies. However, it is unclear where the CRI's measure of state-business relationships fits into the Matrix. Additionally, measures of political stability and absence of violence, which receive attention in the CRI and other indices, have no explicit representation in the Matrix.

#### 4.6 BERTELSMANN TRANSFORMATION INDEX

The Bertelsmann Stiftung's Transformation Index (BTI) is a joint effort of 246 scholars from around the world. The index measures quality of democracy, market economy, and political management using self-collected data from 129 developing and transitional countries. Our tabulation uses the BTI's *democracy* and *management* indices for measuring policy capacity, as they represent political and operational transformation. Political transformation measures how a democratic system



|                               | INDIVIDUAL CAPABILITIES  | ORGANIZATIONAL CAPABILITIES   | SYSTEM CAPABILITIES  |
|-------------------------------|--|---|--|
| <i>Analytical Competences</i> | <b>Policy Analytical Capacity</b>                                  | <b>Organizational Information Capacity</b>                                      | <b>Knowledge System Capacity</b>                               |
|                               | Knowledge of policy substance                                      | Storing and disseminating information on client need                            | Presence of high quality educational and training institutions |
|                               | Analytical techniques and communication skills                     | Service utilization   | Opportunities for knowledge generation, mobilization and use   |
|                               |  | Budgeting, human resource management, e-services                                |  |
| <i>Managerial Competences</i> | <b>Managerial Expertise Capacity</b>                               | <b>Administrative Resource Capacity</b>   | <b>Accountability and Responsibility System Capacity</b>       |
|                               | Strategic management   | Funding, staffing   | Presence of rule of law  |
|                               | Leadership, communication, negotiation and conflict resolution     | Levels of intra- and inter-agency communication, consultation, and coordination | Transparent adjudicative and career systems                    |
|                               | Financial management and budgeting                                 |   |  |
| <i>Political Competences</i>  | <b>Political Acumen Capacity</b>                                   | <b>Organizational Political Capacity</b>  | <b>Political-Economic System Capacity</b>                      |
|                               | Understanding of the needs and positions of different stakeholders | Effective civil service bargain   | Presence of public legitimacy and trust                        |
|                               | Judgment of political feasibility                                  | Politicians' support for the agency programs and projects                       | Adequate fiscal system to fund programs and projects           |
|                               | Communication skills   | Levels of inter-organizational trust and communication                          | Access to information  |

**Fig. 4.4** Tabulation of CRI and matrix capacity measures

is consolidated through the rule of law and popular legitimacy, and includes measures of “stateness” (monopoly on administration and the use of force), political participation, rule of law, stability of democratic institutions, and political and social integration (Stiftung 2014). Measures of management and operational transformation assess how effectively policymakers steer the transformation process, and include level of difficulty (internal constraints to transformation), steering capability, resource efficiency, consensus-building, and international cooperation (ibid.). The index does not include countries with long histories of consolidated democratic systems, mainly OECD members. Scores are

based on expert survey data, and each country is assessed by one domestic and one foreign expert.

In matching BTI sub-indices to the Matrix (Fig. 4.5), a pattern emerges that is similar to that of the CRI tabulation. The organizational and system levels have higher detail than the individual level, and managerial and political competences are more robustly measured than analytical competences. The dominant indicators are public legitimacy and trust, rule of law, and inter-organizational coordination, while human and financial resources are largely overlooked. Additionally, the BTI's focus is on implementation—as expected in a study of transformation capacity—while other stages of the policy process, including formulation and evaluation, receive scant coverage.

#### 4.7 DISCUSSION

To illustrate differences in the degree to which the examined indices measure policy capacity, this study concludes by totaling the measures of capacity and overlaying the results in a three-dimensional table (Fig. 4.6). This discussion includes an overview of the combined measures of capacity from the examined indices and an analysis of patterns revealed by the tabulation. It concludes by outlining the usefulness of these findings and briefly describing capacity constraints and the caveats of institutional transfer.

Combined counts of capacity (Fig. 4.6) reveal that the indices prioritize systemic managerial and political competences, along with organizational managerial competences. Individual analytical capabilities and individual political competencies receive the least coverage across indices.

This tabulation illustrates the usefulness of the Matrix as a comparative analytical tool for dimensions and levels of policy capacity analysis across indices. Two patterns in the measurement of policy capacity emerge. First, most indices focus on system capabilities and within that on rule of law, some measurement of which is present in each index. The other sub-component of *accountability and responsibility system capacity, transparent adjudicative and career systems*, receives less attention than does rule of law, and where it does the focus is on transparency with no mention of career systems. Individual capabilities are largely unmeasured. Additionally, many individual measures identified in the tabulation could also be applied to the system level. This is particularly evident for education, where measures of attainment can reflect either systemic analytic capacity or individual

|                               | INDIVIDUAL CAPABILITIES  |  | ORGANIZATIONAL CAPABILITIES   |  | SYSTEM CAPABILITIES  |  |  |
|-------------------------------|--|--|---|--|--|--|--|
| <i>Analytical Competences</i> | <b>Policy Analytical Capacity</b>                                  |  | <b>Organizational Information Capacity</b>                                      |  | <b>Knowledge System Capacity</b>                               |  |  |
|                               | Knowledge of policy substance                                      |  | Storing and disseminating information on client need                            |  | Presence of high quality educational and training institutions |  |  |
|                               | Analytical techniques and communication skills                     |  | Service utilization   |  | Opportunities for knowledge generation, mobilization and use   |  |  |
|                               |  |  | Budgeting, human resource management, e-services                                |  |  |  |  |
| <i>Managerial Competences</i> | <b>Managerial Expertise Capacity</b>                               |  | <b>Administrative Resource Capacity</b>   |  | <b>Accountability and Responsibility System Capacity</b>       |  |  |
|                               | Strategic management   |  | Funding, staffing   |  | Presence of rule of law  |  |  |
|                               | Leadership, communication, negotiation and conflict resolution     |  | Levels of intra- and inter-agency communication, consultation, and coordination |  | 5  | Transparent adjudicative and career systems          |  |
|                               | Financial management and budgeting                                 |  |   |  | 1  |  |  |
| <i>Political Competences</i>  | <b>Political Acumen Capacity</b>                                   |  | <b>Organizational Political Capacity</b>  |  | <b>Political-Economic System Capacity</b>                      |  |  |
|                               | Understanding of the needs and positions of different stakeholders |  | Effective civil service bargain   |  | 1  | Presence of public legitimacy and trust              |  |
|                               | Judgment of political feasibility                                  |  | Politicians' support for the agency programs and projects                       |  | 1  | Adequate fiscal system to fund programs and projects |  |
|                               | Communication skills   |  | Levels of inter-organizational trust and communication                          |  | 1  | Access to information                                |  |

Fig. 4.5 Tabulation of BTI and matrix capacity measures

analytical and managerial competence. Further research is needed to establish a method for consistently classifying measures as either systemic or individual, particularly where ambiguity is present either in the examined indices or in execution of the Matrix tabulation.

The tabulation and analysis required in some cases a judgment about the appropriateness of where certain measures should be located within the Matrix. Throughout the study, we made case-by-case considerations in an effort to apply criteria both judiciously and equally. In some cases, we made a judgment about where to place certain measures when they

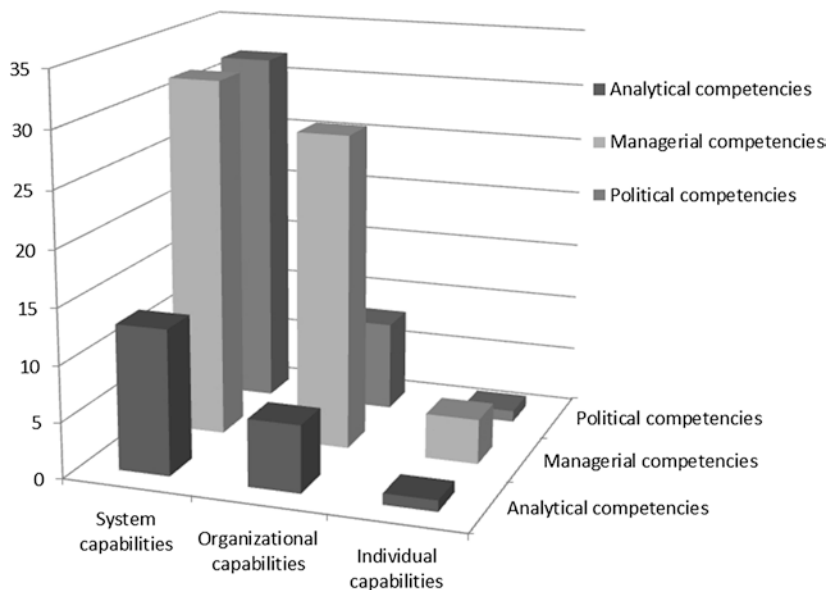


Fig. 4.6 Composite tabulation

could have been placed in more than one Matrix component. For example, general statistics about secondary and tertiary educational attainment are classified under the *knowledge system capacity* component, while subject-specific educational attainment is classified under the *managerial expertise capacity* component (World Economic Forum (WEF) data about education is incorporated as secondary data in the CRI). As such, a determination based on certain assumptions was necessary to incorporate educational statistics as a reflection of capacity (the presence of a high-performing education system may be evidence of certain kinds of governance capacity). Such high-level statistics are better representations of systemic than individual capacity because some government officials may have been educated outside their home countries. At the individual level, the CRI/WEF's measure of subject-specific educational attainment pertains to managerial expertise capacity, including the "quality of management schools" and the "quality of math and science education." While these are both systemic measures, they also relate to specific skill sets at the individual level. The math measure could be applied to the *policy analytical*

*capacity* component, but for the purposes of this analysis we believe it is more appropriately placed under *financial management and budgeting*.

A second pattern identified by the tabulation concerns differences in dimensions of competence. Measures of managerial competence are the most numerous, followed by political and lastly analytical competence. It is important to note that weightings are not considered for this analysis, only a count of the number of mentions. As such, high scores are indicative not of weighting assigned in this tabulation exercise, but of the number of individual measures representing a given concept. The comparatively high counts for managerial and political competence therefore reflect measurement detail, not necessarily weighting or prioritization. However, differences across dimensions should not be interpreted solely as differences in the complexity of variables, as a methodological bias towards managerial and political competences may also be present.

A broader issue that deserves further contemplation is the practical usefulness of capacity indices. It is common to compare indicators within a country and identify weak points. The *Bucket Theory* (also known as *Cannikin Law*) states that a bucket's capacity is limited by the length of the bucket's shortest plank. In governance terms, the overall policy capacity of the country is in some sense defined by the indicator with the worst performance; higher performance on some indicators is often unable to compensate for low performance on others. Similar measurement challenges concerning governance performance are often present in the context of development aid. For example, Grindle (2002, 2007) argues that donors should create an agenda to prioritize and sequence activities, with "good" governance requiring change in virtually every aspect of public service; this underscores the importance of judiciously targeting elements that are essential, feasible, and time-sensitive. For example, some fragile states focus on restoring a governance system simply to maintain basic security (Brinkerhoff and Johnson 2008).

Another approach for considering the usefulness of capacity indices is to examine rankings across countries, thereby supporting the idea of transferring 'good' practices from countries with higher scores to those with lower scores. Hope (2009, p. 80) defines capacity development as "the enhancement of the competency of the range of social actors ... to engage in activities in a sustainable manner for positive development impacts such as poverty reduction, improvements in governance quality." Hope argues that to enhance capacity, developing countries should ensure the appropriate and comprehensive design of capacity-building initiatives involving change

at the individual, institutional, and societal levels. The systematic nature of Hope's approach complements the three analytical levels of the Matrix. Similarly, Larmour (2005) examines efforts to enhance policy capacity through institutional transfer, defined as an ex-ante attempt to achieve government reform objectives through the adoption of practices existing elsewhere. The concept of institutional transfer, proposed by David Apter (1955) in an analysis of the applicability of British parliamentary institutions in Africa, holds that transplanted institutions proven effective in their original Western contexts are capable of improving the performance (government, economic, etc.) of developing states.<sup>4</sup> This concept has supported decades of conditional aid programs, in which recipient countries either adopt reforms on their own accord or are forced to do so as a condition for aid or loans—an approach that has been criticized for being ineffective and onerous on recipient countries. For example, in a study of Pacific Island nations, Larmour finds that institutional transfer is likely to fail at stimulating development, both because it neglects the local cultural context in institutional design and because it imposes technical transfers at the surface level without accompanying administrative reform.

Another weakness of the institutional transfer model is the problem of power (Larmour 2005). Rule of law is a prominent indicator in the indices selected for this study. However, because institutional transfer frequently involves loan conditions, coercion is common. Notions of rule of law, democracy, and anti-corruption can be imposed on recipient states by aid organizations or states opportunistically exploiting power imbalances. Such imposition is often counterproductive, as model institutions that originated in Western countries typically bear the influence of unique contextual and historic environments. Many institutional reforms that are seen as desirable in developed countries fail to be tailored or adequately adopted for local contexts. This issue is particularly evident with regard to governance indices, which often reflect the theoretical conceptualizations and practical priorities of developed world growth models, and are ultimately used to justify institutional transfer. A more thorough accounting of policy capacity in governance indices, as enabled by the type of cross-index analysis undertaken in this study, can help scholars more effectively compare governance contexts, performance, and constraints. Theoretical progress of this nature has promising implications for improving practice both in domestic governance contexts and in the development aid sector, which often relies on the type of information underlying governance indices.

## 4.8 CONCLUSION

This chapter has examined common governance indicators to identify where their policy capacity measures overlap with those of the Matrix. While most governance indices do not claim to focus on policy capacity, a more thorough accounting of policy capacity would enable a better understanding of governance effectiveness and bottlenecks—for indices with a general or specific focus. This exercise aims to stimulate a broader scholarly discussion about the relevance of policy capacity to theory and practice, and about the opportunities to incorporate policy capacity into governance indices. The analysis finds that the Matrix, in offering a comprehensive accounting of variable classifications, reveals deficiencies and omissions in how observed indices measure policy capacity. For example, the indices often make only incidental and perfunctory references to individuals. This recurring omission may be attributable to several factors, including difficulty of measurement and personnel turnover. Also, measures of capacity may address organizational and systemic levels more robustly due to a methodological bias towards broader structures and procedures as measures of capacity. Further, the Matrix devotes an entire dimension to analytical capacity, an aspect of governance often overlooked by indices as cursory and only in service of broader points. The analysis of analytical capacity is complicated by its presence in all three levels of the Matrix's analysis, with this particular dimension supported by a mature literature on policy learning. The shortcomings of governance indices in these areas represent opportunities for future research and can elevate the relevance of policy capacity to governance reforms and national development.

## NOTES

1. *Dimensions* refer to the three rows of the Matrix (analytical competencies, managerial competencies, and political competencies). *Levels* refer to the scale of competencies, represented by the three columns of the Matrix (individual, organizational, and system). *Components* refer to the nine boxes of the Matrix and sub-components therein, with each being a substantive focus area overlaying dimensions and levels. *Measures* refer generically to any of the above (dimensions, components, or sub-components) as they appear in the evaluated indices (excluding the Matrix).
2. Those outside the scope of the Matrix are *political stability and absence of violence*, regulatory quality, and *control of corruption*.

3. Innes and Booher (2003, p. 7) examine the collaborative dynamics of institutional capacity, arguing that a governance system with capacity can “learn, experiment, and adapt creatively to threats and opportunities.” The authors’ four spheres of capacity are individuals, relationships, organizational structure, and sponsored programs. Individual capacity includes skills, understanding of problems and opportunities, understanding of others’ perspectives, and creative ideas. The authors also argue that individuals should be self-reflective. Organizational structure is defined by the degree of networked communications, mutual trust, and shared understandings. Variables related to organizational performance include diversity of participants, interaction (types of networks, bringing people together, etc.), and selection (formal evaluation, informal feedback, and processes for decision making).
4. Governance quality, Larmour argues, is in part a function of institutional characteristics.

## APPENDIX

### *Abbreviations*

|         |   |
|---------|---|
| ADB     | African Development Bank Country Policy and Institutional Assessments |
| AFR     | Afrobarometer   |
| ASD     | Asian Development Bank Country Policy and Institutional Assessments   |
| BTI     | Bertelsmann Transformation Index                                      |
| CCR/FNT | Freedom House   |
| EIU     | Economist Intelligence Unit   |
| FSI     | Failed States Index   |
| GCS     | Global Competitiveness Report   |
| GE      | Government Effectiveness  |
| GII     | Global Integrity Index  |
| GWP     | Gallup World Poll   |
| IEF     | Index of Economic Freedom   |
| IFD     | IFAD Rural Sector Performance Assessments                             |
| ILO     | International Labour Organization                                     |
| IMF     | International Monetary Fund   |
| IPD     | Institutional Profiles Database                                       |
| LBO     | Latinobarometro   |
| OE      | Oxford Economics  |
| PIA     | World Bank Country Policy and Institutional Assessments               |



|          |   |
|----------|---|
| PRS      | Political Risk Services International Country Risk Guide                |
| RL       | Rule of Law   |
| SIG      | Sustainable Governance Indicators                                       |
| UNCTAD   | United Nations Conference on Trade and Development                      |
| UNDP     | United Nations Development Programme                                    |
| UNESCO   | United Nations Educational, Scientific and Cultural Organization        |
| UN HDI/A | United Nations Human Development Index                                  |
| V&A      | Voice and Accountability (WGI)  |
| VAB      | Vanderbilt University's Americas Barometer                              |
| WB       | World Bank  |
| WB DB    | World Bank Doing Business Index   |
| WCY      | Institute for Management and Development World Competitiveness Yearbook |
| WEF      | World Economic Forum  |
| WEF GCI  | World Economic Forum Global Competitiveness Index                       |
| WGI      | World Governance Indicators   |
| WMO      | Global Insight Business Condition and Risk Indicators                   |

### *Indices*

#### **WGI**

| <b>Organizational information capacities</b>         |  |
|--|--|
| Matrix   | WGI (measure; data source)   |
| Storing and disseminating information on client need |  |
| Service utilization                                  |  |
| Budgeting, human resource management, e-services     | Reliability of basic economic and financial statistics (e.g. national accounts, price indices, foreign trade, currency and credit, etc.) (V&A; IPD)<br>Reliability of State-owned banks' accounts (V&A; IPD)<br>Quality of budgetary and financial management (GE; ADB, ASD and PIA) |

| <b>Administrative resource capacity</b>   |  |
|---|--|
| Matrix  | WGI  |
| Funding, staffing   | Quality of bureaucracy/institutional effectiveness (GE; EIU)<br>Bureaucratic quality (GE; PRS)<br>Quality of the country's bureaucracy (GE; WMO)<br>Policy consistency and forward planning (GE; WMO)<br>Quality of public administration (GE; ADB, ASD, and PIA)<br>Efficiency of revenue mobilization (GE; ADB, ASD, and PIA)<br>Resource Efficiency (GE; BTI)<br>Policy direction is not consistent (GE; WCY)   |
| Levels of intra- and inter-agency communication, consultation, and coordination | Dialogue between government and rural organizations (V&A; IFD)   |
| <hr/>   |  |
| <b>Accountability and responsibility system capacity</b>                        |  |
| Matrix  | WGI  |
| Presence of rule of law   | Do the representative Institutions (e.g. parliament) operate in accordance with the formal rules in force (e.g. Constitution)? (V&A; IPD)<br>Enforceability of contracts (RL; EIU)<br>Speediness of judicial process (RL; EIU)<br>Property rights and rule based governance (RL: ASD)<br>Rule of Law (RL; CCR/FNT)<br>Judicial framework and independence (RL; CCR/FNT)<br>Judicial Accountability (RL; GII)<br>Rule of Law (RL; GII)<br>Law Enforcement (RL; GII) |
| Transparent adjudicative and career systems                                     | Transparency of government policymaking (V&A; GCS)<br>Is the State economic policy (e.g. budgetary, fiscal, etc.)... communicated? (V&A; IPD)<br>Is the State economic policy (e.g. budgetary, fiscal, etc.)... publicly debated? (V&A; IPD)<br>Degree of transparency in public procurement (V&A; IPD)  |
| <hr/>   |  |

| <b>Organizational political capacity</b>                  |   |
|---|---|
| Matrix  | WGI   |
| Effective civil service bargain                           | The public service is not independent from political interference (GE; WCY)<br>Judicial Independence (RL; GCS)<br>Independent Judiciary (RL; BTI) |
| Politicians' support for the agency programs and projects |   |
| Levels of inter-organizational trust and communication    | Consensus Building (GE; BTI)  |

| <b>Political-economic system capacity</b>            |  |
|--|--|
| Matrix   | WGI  |
| Presence of public legitimacy and trust              | Accountability of public officials (V&A; EIU)<br>Transparency of government policymaking (V&A; GCS)<br>Democratic accountability (V&A; PRS)<br>Institutional permanence: An assessment of how mature and well-established the political system is (V&A; WMO)<br>Representativeness: How well the population and organized interests can make their voices heard in the political system (V&A; WMO)<br>How much do you trust the parliament? (V&A; AFR)<br>Election Integrity (V&A; GII)<br>Trust in Parliament (V&A; LBO and VAB)<br>Trust in Government (GE; LBO)<br>Trust in Judiciary (RL; LBO)<br>Trust in supreme court (RL; VAB)<br>Trust in justice system (RL; VAB)<br>Confidence in honesty of elections (V&A; GWP) |
| Adequate fiscal system to fund programs and projects | Reliability of State budget (completeness, credibility, performance...) (V&A; IPD)<br>Reliability of State accounts (completeness, audit, review law...) (V&A; IPD)  |
| Access to information                                | Public Access to Information (V&A; GII)  |

## SGI

| Policy analytical capacity                     |  |
|--|--|
| Matrix   | SGI  |
| Knowledge of policy substance                  | Government office expertise (16.67% of <i>interministerial coordination</i> sub-index) |
| Analytical techniques and communication skills |  |

| Organizational information capacities                |   |
|--|---|
| Matrix   | SGI   |
| Storing and disseminating information on client need | Government office gatekeeping and ability to “return items” for policy consideration (16.67% of <i>interministerial coordination</i> sub-index)<br>Quality of regulatory impact assessment process (33.3% of <i>evidence-based instruments</i> sub-index)<br>Inclusion of sustainability checks in regulatory impact assessments (33.3% of <i>evidence-based instruments</i> sub-index) |
| Service utilization                                  |   |
| Budgeting, human resource management, e-services     |   |

| Knowledge system capacity                                      |   |
|--|---|
| Matrix   | SGI   |
| Presence of high quality educational and training institutions | Education policy (50% of <i>education</i> sub-index)<br>Upper secondary attainment (10%)<br>Tertiary attainment (10%)   |
| Opportunities for knowledge generation, mobilization and use   | Decision-making backed by strategic planning (50% of <i>strategic capacity</i> sub-index)<br>Decision-making backed by scholarly advice (50%)<br>Adaptability of domestic government structures to external developments (50% of <i>adaptability</i> sub-index)<br>Institutional reform in strategic capacity (50% of <i>organizational reform</i> sub-index) |

| <b>Managerial expertise capacity</b>   |  |
|--|--|
| Matrix   | SGI  |
| Strategic management   | Self-monitoring by actors about appropriateness of institutional arrangements (50% of <i>organizational reform</i> sub-index)  |
| Leadership, communication, negotiation and conflict resolution<br>Financial management and budgeting | Coherent communication about ministry activity and policy plans (100% of <i>policy communication</i> sub-index)  |
| <b>Administrative resource capacity</b>  |  |
| Matrix   | SGI  |
| Funding, staffing  | Government efficiency (14.29% of <i>implementation</i> sub-index)<br>Adequate task-related funding delegated by central government (14.29%)  |
| Levels of intra- and inter-agency communication, consultation, and coordination                      | Line ministry involvement of government offices in policy proposals (16.67% of <i>interministerial coordination</i> sub-index)<br>Effectiveness of coordination between ministries and civil servants in policy proposals (16.67%)<br>Constitutional discretion for sub-national governments (14.29% of <i>implementation</i> sub-index)<br>Sub-national governments held to national standards of public services (14.29%)<br>International coordination (50% of <i>adaptability</i> sub-index) |
| <b>Accountability and responsibility system capacity</b>   |  |
| Matrix   | SGI  |
| Presence of rule of law  | Legal Certainty (25% of <i>rule of law</i> sub-index)<br>Judicial Review (25%)<br>Appointment of Justices (25%)<br>Corruption Prevention (25%)   |
| Transparent adjudicative and career systems  |  |

| <b>Political acumen capacity</b>                                   |  |
|--|--|
| Matrix   | SGI  |
| Understanding of the needs and positions of different stakeholders | Application of regulatory impact assessment (33.3% of <i>evidence-based instruments</i> sub-index)   |
| Judgment of political feasibility                                  |  |
| Communication skills   |  |
| <b>Organizational political capacity</b>                           |  |
| Matrix   | SGI  |
| Effective civil service bargain                                    | Monitoring of ministries for effective implementation (14.29% of <i>implementation</i> sub-index)<br>Monitoring of agencies and bureaucracies for effective implementation (14.29%)  |
| Politicians' support for the agency programs and projects          | Ministerial compliance and presence of incentives for ministers to implement programs (14.29% of <i>implementation</i> sub-index)  |
| Levels of inter-organizational trust and communication             | Informal coordination among government organizations (16.67% of <i>interministerial coordination</i> sub-index)  |
| <b>Political-economic system capacity</b>                          |  |
| Matrix   | SGI  |
| Presence of public legitimacy and trust                            | Popular decision-making (20% of <i>electoral processes</i> sub-index)<br>Civil Rights (33.33% of <i>civil rights and political liberties</i> sub-index)<br>Political Liberties (33.33%)<br>Non-discrimination (33.33%)<br>Societal consultation (100% of <i>societal consultation</i> sub-index) |
| Adequate fiscal system to fund programs and projects               |  |

| Political-economic system capacity |   |
|------------------------------------|---|
| Matrix                             | SGI   |
| Access to information              | Media access (20% of <i>electoral processes</i> sub-index)<br>Media Freedom (33.33% of <i>access to information</i> sub-index)<br>Media Pluralism (33.33%)<br>Access to Government Information (33.33%) |

## GIPI

| Knowledge system capacity  |  |
|--|--|
| Matrix   | GIPI   |
| Presence of high quality educational and training institutions<br>Opportunities for knowledge generation, mobilization and use | Higher education R&D performance (30% of <i>science and R&amp;D policy indicators</i> sub-index; UNESCO) |

| Accountability and responsibility system capacity |   |
|---|---|
| Matrix  | GIPI  |
| Presence of rule of law                           | Contract enforcement (10% of <i>domestic market competition and entrepreneurship</i> indicators; World Bank)<br>Efficiency of legal framework in challenging regulations (5%)<br>Integrity of legal system (15% of <i>intellectual property rights</i> sub-index; WEF)<br>Legal environment (10% of <i>digital policy indicators</i> sub-index)<br>Corruption perceptions index (20% of <i>government procurement policy</i> sub-index; Transparency International) |
| Transparent adjudicative and career systems       |   |

## CRI

| <b>Knowledge system capacity</b>  |   |
|---|---|
| Matrix  | CRI   |
| Presence of high quality educational and training institutions  | Quality of Education (WEF GCI)<br>Secondary Enrolment Rate (WB)<br>Tertiary Enrolment Rate (WB)<br>Availability of Research and Training Facilities (WEF GCI)<br>Extent of Staff Training (WEF GCI)                         |
| Opportunities for knowledge generation, mobilization and use  |   |
| <b>Managerial expertise capacity</b>  |   |
| Matrix  | CRI   |
| Strategic management<br>Leadership, communication, negotiation and conflict resolution  | Quality of Management Schools (WEF GCI)   |
| Financial management and budgeting  | Quality of Math and Science Education (WEF GCI)   |
| <b>Organizational information capacities</b>  |   |
| Matrix  | CRI   |
| Storing and disseminating information on client need<br>Service utilization<br>Budgeting, human resource management, e-services | Civil Service (FSI)   |
| <b>Administrative resource capacity</b>   |   |
| Matrix  | CRI   |
| Funding, staffing<br>Levels of intra- and inter-agency communication, consultation, and coordination.                           | Wastefulness of Government Spending (WEF GCI)<br>Hybrid (Time to Deal With Construction Permits (WBDB)<br>Cost to Deal With Construction Permits (WBDB))<br>Government Services for Improved Business Performance (WEF GCI) |



| <b>Accountability and responsibility system capacity</b> |   |
|--|---|
| Matrix   | CRI   |
| Presence of rule of law                                  | Rule of Law Index (WB)<br>Business Costs of Crime and Violence (WEF GCI)<br>Business Costs of Terrorism (WEF GCI)<br>Business Costs of Organized Crime (WEF GCI)<br>Rule of Law Metric (FSI)<br>Regulatory Quality Index (WB)<br>Efficiency of Legal Framework in Settling Disputes (WEF GCI)<br>Efficiency of Legal Framework in Challenging Regulations (WEF GCI) |
| Transparent adjudicative and career systems              | Transparency of Government Policymaking (WEF GCI)<br>Corruption Index (WB)  |

| <b>Political-economic system capacity</b>            |   |
|--|---|
| Matrix   | CRI   |
| Presence of public legitimacy and trust              | State Legitimacy (FSI)<br>Voice and Accountability (WB)<br>Freedom of Expression and Belief (FSI)         |
| Adequate fiscal system to fund programs and projects | Government Budget Balance (% GDP) (OE)<br>Gross Government Debt (% of GDP) (IMF)<br>Resource mobilization |
| Access to information                                | Press Freedom Index (Reporters Without Borders)   |

## **BTI**

| <b>Administrative resource capacity</b>   |  |
|---|--|
| Matrix  | BTI  |
| Funding, staffing<br>Levels of intra- and inter-agency communication, consultation, and coordination. | Civil society traditions<br>Conflict intensity<br>Policy coordination<br>Cleavage/conflict management<br>Civil society participation |

| <b>Accountability and responsibility system capacity</b>       |   |
|--|---|
| Matrix   | BTI   |
| Presence of rule of law  | Monopoly on the use of force<br>No interference of religious dogmas<br>Basic administration<br>Separation of powers<br>Independent judiciary<br>Prosecution of office abuse<br>Civil rights |
| Transparent adjudicative and career systems                    | Free and fair elections<br>Anti-corruption policy   |
| <b>Knowledge system capacity</b>                               |   |
| Matrix   | BTI   |
| Presence of high quality educational and training institutions |   |
| Opportunities for knowledge generation, mobilization and use   | Policy learning   |
| <b>Managerial expertise capacity</b>                           |   |
| Matrix   | BTI   |
| Strategic management   |   |
| Leadership, communication, negotiation and conflict resolution |   |
| Financial management and budgeting                             | Efficient use of assets   |
| <b>Organizational political capacity</b>                       |   |
| Matrix   | BTI   |
| Effective civil service bargain                                | Effective power to govern   |
| Politicians' support for the agency programs and projects      | Structural constraints  |
| Levels of inter-organizational trust and communication         | Reconciliation  |

| Political acumen capacity  |                                      |
|--|--------------------------------------|
| Matrix   | BTI                                  |
| Understanding of the needs and positions of different stakeholders |                                      |
| Judgment of political feasibility                                  | Prioritization<br>Consensus on goals |
| Communication skills   |                                      |

| Political-economic system capacity                   |   |
|--|---|
| Matrix   | BTI   |
| Presence of public legitimacy and trust              | Agreement about citizenship and acceptance of the nation-state as legitimate<br>Performance of democratic institutions<br>Commitment to democratic institutions |
| Adequate fiscal system to fund programs and projects |   |
| Access to information                                |   |

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# Measuring Policy Analytical Capacity for the Environment: A Case for Engaging New Actors

*Angel Hsu*

## 5.1 INTRODUCTION

Policy analytical capacity is critical to advance evidence-based approaches to environmental decision-making and governance. It is defined as the ability of governments to analyze information and apply research methods and advanced modeling techniques, and is considered as one of the core competencies required for ‘governance success’ (Howlett 2009; Wu et al. 2014). Such analytical ability is required to build trust between individual actors and organizations, who evaluate the credibility of policy interventions based on their performance, which is often substantiated in terms of data and statistical results (Blind 2007). On a larger systemic level, the use of data and evidence facilitates the transparency and credibility needed for nation-states to cooperate on issues requiring global coordination.

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The consideration of policy analytical capacity is particularly salient in the context of environmental issues, where ‘super-wicked’ problems of the commons like climate change (Levin et al. 2007) necessitate global environmental governance. Effective commons governance for global-scale problems is dependent upon “good, trustworthy information about the stocks, flows, and processes within the resource systems being governed” (Dietz et al. 2003, p. 1908). However, data gaps, information asymmetries and uncertainty—arguably the result of low and varied policy analytical capacity among governments—have long plagued sound management and policy practices (Esty 2001). When aggregated to the global systemic scale, these knowledge disparities result in the inability to effectively track performance and progress toward universal goals, such as the Sustainable Development Goals (SDGs) that were adopted September 2015. So far there has been relatively sparse attention paid to whether countries will have the ability—or the policy analytical capacity—to monitor, collect and report the necessary data and indicators required for the range of targets proposed.

In this chapter, I argue that the varied policy analytical capacity within the global environmental knowledge system necessitates the participation of new institutions and actors. Identifying gaps in data availability at a global, systemic scale, this chapter presents a proxy measure of policy analytical capacity based on publicly reported national statistics of air and water quality performance. While by no means an attempt to explain causal factors for the lack of data and a crude approximation at best, the method proposed here is a first step toward highlighting potential disparities in policy analytical capacity that could threaten global environmental management, as well as policymakers’ ability to establish appropriate benchmarks for the future SDGs. Such discrepancies evaluated at a systemic level make a case for channels by which citizen scientists, independent watchdogs, private sector companies and third-party organizations can participate to enhance the policy analytical capacity of governments.

## 5.2 EVIDENCE-BASED APPROACHES AND POLICY ANALYTICAL CAPACITY

The relationship between knowledge and policymaking is central—if not the central relationship—for public policy studies (Parsons 2004). With respect to the environment, scholars point to the lack of knowledge,

resources, and weakness of institutions that limit management (Jänicke 1997). Historically, environmental law and policy have not emphasized information and its disclosure as a primary concern, resulting in uncertainty being the “hallmark of the environmental domain” (Esty 2004, p. 118). Technical and analytical limitations, inadequate and incomplete monitoring systems that prevent accurate assessment, market failures, and institutional deficiencies result in information gaps (Esty 2004; Metzenbaum 1998). The recognition that these knowledge deficiencies are at the root of policy failure has motivated a shift toward investigating the role of information, and its disclosure and transparency, in environmental decision-making (Esty 2004; Mol 2006).

International practice has demonstrated that increased information facilitates pollution reduction by allowing for identification of target areas and allocation of resources where most needed. A growing number of environmental regulators have sought to accompany enforcement systems with information programs to reveal environmental performance of polluters (Wang et al. 2004; Foulon et al. 2002). However, the rise of information and data-based approaches has been “piecemeal and inchoate” (Kleindorfer and Orts 1999, p. 156). Only within the last 2 decades have information and knowledge, in addition to its networks and infrastructures, been increasingly seen as critical components for understanding social processes in the Information Age (Castells 1996, 1997a, b; Mol 2006). Scholars (Florini 2007; Gupta et al. 2006; Mol 2006, 2009; Tietenberg 1998; Van Kersbergen and Van Warden 2004) note an increasing emphasis on information and its disclosure as an effective policy mechanism to drive improvements in environmental performance, or what Case (2001) refers to as “informational regulation.”

Proponents of such evidenced-based approaches, however, tend to overlook the role of capacity in adopting these methods, which at their core emphasize policy failure as a result of information gaps but do not necessarily acknowledge the ability of actors or systems to effectively utilize information in decision-making. The growing emphasis on evidence-based policymaking can stretch the analytical resources of organizations to a “breaking point” (Howlett 2009; Hammersley 2005). Such analytical resources and the ability to acquire and utilize knowledge in policy processes is what Howlett (2009, p. 162) refers to as “policy analytical capacity,” which is defined as:

[T]he amount of basic research a government can conduct or access, its ability to apply statistical methods, applied research methods, and advanced modeling techniques to this data and employ analytical techniques to this data and employ analytical techniques such as environmental scanning, trends analysis, and forecasting methods in order to gauge broad public opinion and attitudes, as well as those of interest groups and other major policy players, and to anticipate future policy impacts. It also involves the ability to communicate policy related messages to interested parties and stakeholders.

Wu et al. (2014) identify three levels within a system where policy analytical capacities are all necessary for a government to succeed: the individual, organizational, and systemic. At the individual level, policy analytical capacity refers to the ability of individuals to not only analyze problems and implement policies, but to also contribute to the design and evaluation of the policies themselves. At the organizational level, there is recognition that institutions and resources are needed to provide an enabling context—existing institutional, economic or information opportunity structures, according to Jänicke (2005)—for individuals to perform functions necessary and related to policy analysis. Finally, at the systemic level, the general state of educational (e.g., universities or higher-learning institutions) and scientific facilities or the availability and access to high quality information (e.g., penetration of information communication technologies) are critical considerations to a government's policy analytical capacity. Riddell summarizes the requirements of policy analytical capacity as grounded in “a recognized requirement or demand for research; a supply of qualified researchers; ready availability of quality data; policies and procedures to facilitate productive interactions with other researchers; and a culture in which openness is encouraged and risk taking is acceptable” (2007, p. 7). All of these elements point to a larger systemic, cultural milieu necessary for governments' policy analytical capacity.

While Wu et al. (2014) admit that systemic policy analytical capacity is to some extent limited to the individual or organizational level, the failure to account for it can undermine evidence or data-based approaches to policy interventions. For example, Alshuwaikhat (2005) points to the case of environmental impact assessments (EIAs) in many countries in Asia (e.g., Sri Lanka, Vietnam and Saudi Arabia) that, when first introduced in the early 1990s, did not take into consideration the



policy analytical capacities required for their successful implementation. Insufficient experience with monitoring and evaluation, in addition to a lack of baseline data, meant that governments were unprepared to undertake the EIAs often required of them by multilateral lending institutions. Alshuwaikhat assesses that “a political decision was taken without considering the technical and infrastructural aspects required to carry out assessments smoothly” (2005, p. 311).

Even when faced with available data, low levels of policy analytical capacity can mean a failure to effectively incorporate scientific knowledge in decision-making processes (Howlett 2009). The ‘overloading’ of users’ capacity to assimilate information is what Dietz et al. (2003) point to as a potential source of governance failure in the case of complex environmental systems. Weak policy analytical capacity, then, can defeat the core tenet of evidence-based approaches, which is that better decisions result when the most available information is incorporated and applied (Howlett 2009). Such integration is part of the policy learning cycle, in which states, organizations and actors transfer knowledge from one setting or period of time to another and build what Wu et al. (2014) refer to as knowledge system capacity. Scholars of the policy learning literature would contend that improved policy analytical capacity, then, influences the learning process in that it can enhance information processing and utilization, increasing know-how and the possibility for successful policy outcomes (Bennett and Howlett 1992; Sabatier and Jenkins-Smith 1993).

The impact of low levels of policy analytical capacity amongst government actors can influence not only the ability to process information and disrupt the policy learning cycle, but to collect appropriate types of data necessary for environmental management. In practice, I argue that this low policy analytical capacity can influence what data and information are collected. Of course, environments may be considered ‘information poor’ due to a variety of factors. Information and data collection may be restricted for reasons other than weak policy analytical capacity. Governments sometimes have an incentive to distort or limit the flow of information (Stiglitz 2002). Environments may also be considered ‘information poor’ due to economic or political constraints that limit the informational processes and access; poor institutional structures and lack of capacity that undermine information collection and distribution; and complex cultural or ideological contexts that impede the flow of information (Mol 2009). Countries that are non-compliant with international

standards or norms regarding environmental management may also choose to hide or obstruct data.

China's decentralized mode of environmental policy implementation provides a prime example of how varied policy analytical capability becomes translated into stark differences between what environmental data are collected and reported between provinces in China. While policies are formulated at the central government level, implementation is left to the lower administrative units at the provincial and other sub-national units. The result is often a gap between center policy formulation and local execution, as sub-national officials can be selective about which national policies to implement and which to relegate to a back burner (Economy 2004; Lieberthal 1992).

This implementation and policy gap, on a sub-national scale, gives rise to wide variations in environmental data availability between provinces in China (Yale Center for Environmental Law and Policy (YCELP), Center for International Earth Science Information Network at Columbia University, Chinese Academy for Environmental Planning, and the City University of Hong Kong 2011). More data on a wider range of issues are present in provinces with higher levels of economic development (as measured by GDP) and with greater policy analytical capacity (as measured by the number of employees with post-graduate degrees) (Hsu 2013). In some provinces, such as Inner Mongolia, officials at the provincial environmental protection bureau (EPB) point to the lack of any personnel with doctorate degrees, while other places like Shanghai have multiple personnel with doctorates in relevant environmental science and engineering fields. Shanghai's EPB stands out as an agency with relatively greater policy analytical capacity, with its monitoring center regularly collaborating on advanced environmental data collection with international counterparts, including the US Environmental Protection Agency (*ibid.*). Suzhou, a prefecture-level city ranking in the top-10 of Chinese cities in terms of economic development as measured by GDP, boasted a real-time monitoring for air and water pollution discharge that sent text messages when factories exceeded pollution limits. No other EPB included had similar technology or analytical capacity (*ibid.*).

The case of China suggests that varying policy analytical capacity exists and influences what data are collected. Those EPBs with seemingly greater 'capacity' are able to collect a range of data using sophisticated technologies and in collaboration with international counterparts, while those with far less human and technical capacity tend to only collect

environmental data mandated through government directives. Such discrepancies become problematic when aggregated to a systemic scale: when comparing carbon emissions at the provincial versus the national scale, Guan et al. (2012) find a gap roughly the size of Japan's emissions. A loss of trust in a government's analytical capacities resulted when Chinese netizens began to question the validity of air quality statistics in Beijing compared to those released by the US Embassy (AFP 2011), threatening social unrest. How such deficiencies in policy analytical capacity can be assessed systematically and at a broader scale is a question discussed in the next section.

### 5.3 MEASURING POLICY ANALYTICAL CAPACITY FOR ENVIRONMENTAL GOVERNANCE

While Howlett (2009) makes a strong case for the relevance of policy analytical capacity for evidence-based decision making, assessing capacity is a difficult endeavor. Defining "governance" as "capacity to govern," Fukuyama (2013) points to limitations in most existing measures of state quality and capacity, which almost exclusively rely on subjective, expert survey data are often narrowly viewed through the perspective of democratic regimes. Datasets such as the World Bank's Worldwide Governance Indicators (WGI) or Bo Rothstein's Quality of Governance Institute's quality of governance are constrained in terms of time series and reliance on perception data that can be skewed depending on sampling. Furthermore, because the WGI metrics are highly correlated with gross domestic product (GDP), they provide little differentiation between individual drivers of 'good governance,' particularly since a positive relationship between GDP and some environmental indicators is well-established (Bradshaw et al. 2010; Dinda 2004; Grossman and Krueger 1995; Hsu 2013; Mukherjee and Chakraborty 2013; Stern 2003).

In other disciplines and subjects, scholars find attempts to measure capacity challenging and even problematic. When evaluating five indices aimed to assess and compare technology capacity between countries, Archibugi and Coco (2005) found relative consensus with respect to what defines 'technology' (e.g., the number of patents as a measure of innovative capacity), but too much divergence with respect to end results. Their analysis, while recognizing a certain level of subjectivity with respect to each index's authors, concludes that the lack of international coordination

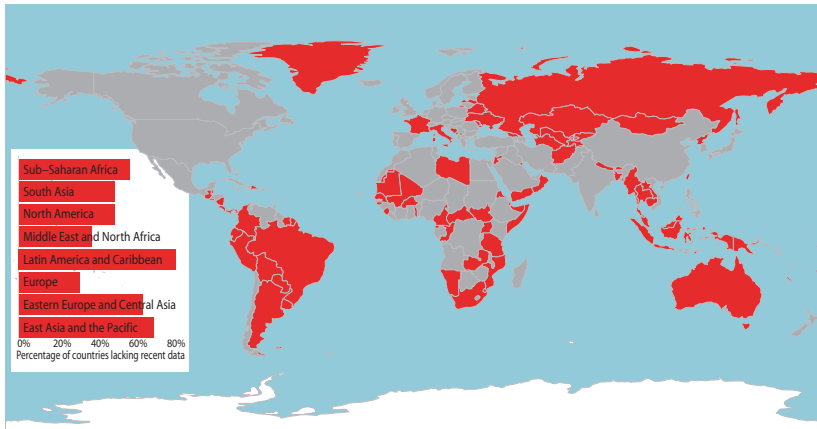
and standardization of measurement is in part to blame. At the individual level, Howlett and Joshi-Koop (2011) evaluate policy analytical capacity through survey data of policy capacity perceptions and evaluation of post-secondary training of personnel, although their study is limited to a single country and similar data are not available at a global scale. Fukuyama (2013) suggests proxy measures to understand state capacity, including tax extraction rates or the ability to generate accurate census data, as more indicative of a government's capacity to govern and achieve results. However, Rotberg (2014) cautions against such input measures, instead arguing for metrics that equate governance with performance and use outputs as a means of evaluation. But even Rotberg (2014) stops short of providing concrete measures of performance by which to evaluate governance.

One approach—although not without its own limitations—is the use of data availability as a proxy of capacity. Riddell (2007) specifies one of the requirements for policy analytical capacity includes the “ready availability of quality data,” among other factors. The World Bank's (2004) index of “statistical capacity” (i.e., the ability to adhere to internationally accepted statistical standards and methods) captures three dimensions: statistical practice, data collection, and indicator availability. While these measures are limited in that they cannot speak to the efficacy of statistical systems or the willingness of decision-makers to formulate policies based on data, the International Development Association (IDA 2004) has found this evaluation to be particularly useful in helping to identifying countries with weak statistical capacity for needed investments. Their analysis found that countries which score lowest are those without established data collection systems as well as those that do not benefit from external financial or international support (*ibid.*). Further, the results were not aligned (i.e., positively correlated) with income levels, meaning that weak statistical capacity can be found in both poor and rich countries alike.

Adopting a similar approach to consider the environmental domain, the availability of environmental data or existence of monitoring infrastructure could be an indication of whether a country has the policy analytical capacity to collect such data. If the availability of environmental data is related to environmental performance (e.g., a positive correlation between data availability and higher levels of performance or quality), such a relationship might suggest the importance of policy analytical capacity to environmental governance. To evaluate these two indicators—data availability and environmental performance—the Environmental Performance Index (EPI) provides a useful source of information.

The EPI is a global, biennial ranking of how well countries perform on high-priority environmental issues like climate change, air quality, and water resources, among others. It is a composite index built on 19 indicators, which are weighted into policy issue categories, and then grouped into two broad objectives to provide national comparisons at multiple levels of aggregation. The 2014 edition, the fifth produced by Yale and Columbia universities, includes 178 countries, which represents 99% of the global population, 98% of global land area, and 97% of global Gross Domestic Product (GDP) (Hsu et al. 2014).

The 2014 EPI provides two cases by which to consider the environmental policy analytical capacity of countries, as measured through a rough proxy of data availability. The first example is availability of recent data for wastewater treatment, which is defined as water that has been used by households, industries, and commercial establishments that, unless treated, no longer serves a useful economic purpose and contains excessive nutrients or contaminants (Raschid-Sally and Jayakody 2009; UNSD 2012, p. 196). Figure 5.1 highlights countries that lack any recent (after 2005) measure of wastewater treatment in

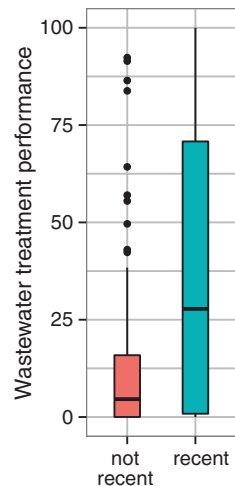


**Fig. 5.1** A map assessing the recentness of the world's wastewater reporting. This does not measure treatment performance but rather reporting status. *Source* Author

country environment or statistics reports, data agencies, or as reported to intergovernmental agencies (Malik et al. 2015). The Latin American and Caribbean region has the most number of countries that lack recent data, followed by countries in the East Asia and Pacific region. Gaps in recently reported data do not necessarily seem related to economic development, as Australia and France are both identified as countries that lack recent data. Comparing the wastewater treatment performance of the two groups of countries, those that report more recent data tend to perform better overall than those that fail to report recent data, although the range for the former group is much wider than that of the latter (Fig 5.2). What this result suggests is higher overall environmental performance when countries report more recent data for wastewater treatment.

A second example is illustrated through globally available air quality data. Figure 5.3 helps illustrate the differences in available data to assess exposures to fine particulate matter ( $PM_{2.5}$ ), pollutants invisible to the human eye with the greatest health effects because of their ability to penetrate human lung and blood tissue (USEPA 2013). The majority of ground-based monitors at the city level to assess  $PM_{2.5}$  are located primarily in developed regions in North America and Western Europe (with exceptions in China and India, which have the fourth and

**Fig. 5.2** Countries that report more recent data (i.e., after 2005) tend to perform higher overall on the 2014 EPI wastewater treatment indicator than countries that lack recent data.  
*Source* Author



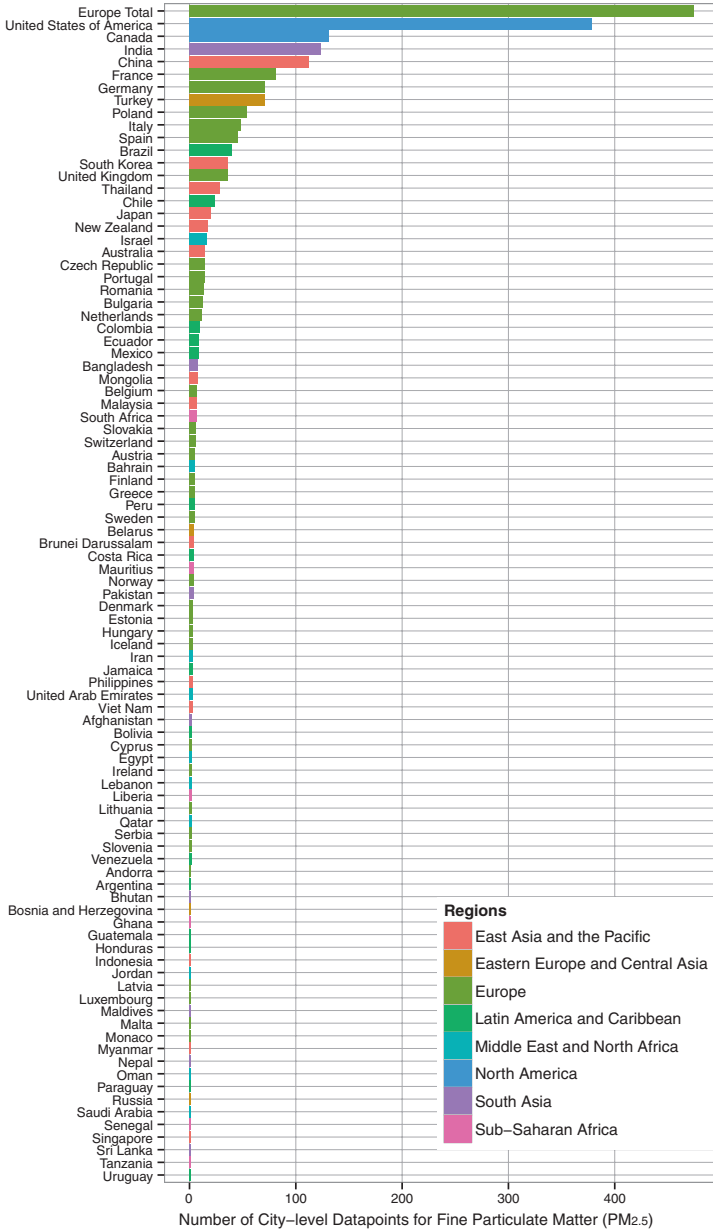


Fig. 5.3 Number of city-level data points for fine particulate matter (PM<sub>2.5</sub>) available in the WHO's (2014) Ambient (outdoor) air pollution database (WHO 2014)

fifth most number of monitors) (WHO 2014). Major gaps in available data for  $PM_{2.5}$  can be found in Russia, which only has data for the capital city of Moscow, as well as in Latin America, sub-Saharan Africa, and Central Asia. The scarcity of ground-based monitors is one reason the authors of the 2014 EPI opted to use satellite-derived measures of exposure to  $PM_{2.5}$  to develop national-level metrics of air quality (Hsu et al. 2014). It is clear that city-level air monitoring data are not available in many countries where national-level air quality is poor, including parts of Southeast Asia, Central Asia, North Africa and the Middle East, and sub-Saharan Africa. However, China and India—identified as the two countries with the world’s worst air quality—have relatively high numbers of ground-based monitors (Fig. 5.3) despite the relatively high levels of fine particulate pollution.

#### 5.4 NEW ACTORS TO ENHANCE POLICY ANALYTICAL CAPACITY

The cases of global availability of air and water data presented in the previous section demonstrate one factor—varied environmental monitoring and reporting—that could affect policy analytical capacity. The Rio + 20 Earth Summit’s “The Future We Want” outcome document emphasizes the need to incorporate indicators and specific targets to track progress toward the SDGs, but it remains to be seen whether countries will have the ability to do so. This section discusses the potential for new actors and sources of data, outside of ‘official’ government data collection channels, to address these shortcomings. How might these new actors and sources of data bolster countries’ policy analytical capacity for environmental monitoring and governance?

As Jänicke states, environmental policy capacity is not restricted to national policies, but instead increasingly relies on “societal forces of all kinds” (1997, pp. 1–2). The participation of multiple actors can contribute to a form of analytic deliberation that, in turn, can enhance systemic policy analytical capacity across society. Dietz et al. (2003) argue that such analytic deliberation improves information provision and builds trust and the social capital necessary to allow for actors to deal with change, inevitable conflict, and ultimately achieve consensus on governance actions. In a sense, this analytic deliberation afforded by



multiple actors can be the necessary catalyst for data and evidence-based approaches to proceed.

An illustration of how emerging analytic deliberation among government and non-government actors has led to enhanced policy analytical capacity is the case of India's introduction of an air quality index in 2014. New data presented in the *New York Times* juxtaposed New Delhi's air quality against Beijing's (Harris 2014), a city infamous for 'airpocalyptic' levels of pollution (Lim 2013), and sparked a national conversation. Scientists, media, and non-government organizations like the Center for Science and the Environment began to question the veracity of government denials of the capital city's poor air quality (Mazoomdaar 2014). The debate eventually led the New Delhi government to announce new measures to improve real-time air quality data provision in major cities, which will be used to construct an index to communicate health risks to the public (Hsu and Yin 2014).

As the example of India's air quality portrays, citizen scientists, independent watchdogs, private sector companies and third-party organizations can not only contribute to the demand for new or improved data, but they can also contribute data in a way that enhances the policy analytical capacity of governments. Within the international relations literature, the science-policy interface has generally been characterized as a dialectic between scientists and policymakers, generally ignoring the role of citizens and other third parties in contributing to knowledge generation (Bäckstrand 2003). The last decade has witnessed growth in the generation and use of geographical information, particularly due to the proliferation of open source data (such as the user-generated database Open Street Map) and the increasing realization that citizens can play a key role in contributing data, including crowdsourcing, user-contributed data, and what is called Volunteered Geographical Information (VGI). The World Water Monitoring Challenge, for example, encourages people to monitor local water quality and share results. Other research efforts ask citizens to monitor plankton biodiversity in oceans or to donate spare computer time to run climate simulations and models as a cost-effective means to source processing power (Carrington 2014; Kinver 2014). The Air Quality Egg, a "community-led air quality sensing network," allows individuals with a device to monitor and report in real-time on health-related air pollutants ([www.airqualityegg.com](http://www.airqualityegg.com)).

In terms of supply, user-contributed data could act as ground truths for government or top-down collected data, reducing uncertainty in official accounts and statistics. Mobile technology or cell phones equipped with ambient sensors would allow citizens to monitor pollutants in the air or contaminants in their drinking water (USEPA 2014). User-contributed data could also improve upon existing sources of data used to construct metrics to track progress. Already, citizen scientists are contributing data on species' locations through projects like eBird ([www.ebird.org](http://www.ebird.org)) to refine habitat ranges (Sullivan et al. 2009). The smart-phone application Water Reporter app ([www.waterreporter.org](http://www.waterreporter.org)) allows citizens to upload photos or report pollution run-off within a watershed. Photos of potential problems within waterways are sent to designated water managers, who are responsible for their resolution. Made low-cost and readily available, such technologies could arm citizen scientists with an arsenal of tools by which to contribute vast amounts of environmental data.

So far, user-contributed or crowd-sourced data have not been considered for integration in official policy processes, such as the SDG implementation dialogues. Adoption of these new data raises a series of new questions. How can leaders engage citizens to meaningfully contribute data? What pathways can citizens participate into maximize transparency as a way of ensuring governments are being held accountable to the SDGs? How, and by what means, can citizen science be credible and legitimate in policy processes? Bäckstrand (2003) notes that the lack of a theoretical foundation for coupling democratic citizen participation with scientific assessment is a major factor in the separation of civic science and policy. The uptake of citizen science data into official policy processes is relatively uncharted territory.

Furthermore, if citizens are to contribute data for the purposes of enhancing government policy analytical capacity, protocols and guidelines must be established to protect individual rights and privacy. Individuals should know how their data will be used and be ensured that their privacy is maintained. Following controversies surrounding the National Security Agency (NSA) and security breaches by companies like Target, citizens in the United States are particularly wary of government surveillance, intrusion of privacy, and misuse of personal data (Stout 2014). The recently updated OECD Guidelines on the Protection of Privacy and Transborder Flows of Personal Data provide a starting point for the harmonization of privacy laws to protect transborder flows of

personal information. In countries with relative information poverty, where information and communication technologies are still emerging, more can be done to equip citizens with the tools to participate equally in the data revolution. The transfer of low-cost technology transfer mechanisms to provide citizens in these countries with free or affordable personal environmental monitoring devices or community-based systems could be a specific task of the UN SDG process.

### *5.4.1 Business and Third-Party Engagement*

Some businesses are better poised than governments to collect environmental data. Coca-Cola operates in over 200 countries and since 2004 has invested more than \$1.5 million USD in recording and assessing physical water risk parameters, including water quantity, baseline and ground water stress, and drought severity (Coca-Cola 2012). As a beverage company that requires 333 oz of water to generate \$1 of revenue, Coca-Cola's bottom line rests on accurate knowledge of water resources. Its reputation has come under criticism for over-extracting water resources in water-stressed areas in countries like India, which is one of its biggest growth markets. In 2011 the company teamed up with environmental think tank World Resources Institute to make all of their proprietary data publicly available through a web platform called Aqueduct, as a way to galvanize other businesses to evaluate their water impacts as well.

Third-party organizations can also validate data. The Sea Around Us, a research group at the University of British Columbia, for example, regularly 'reconstructs' global fisheries data that are often incomplete and misreported by governments. They have noted that the UN's Food and Agriculture Organization (FAO), which develops the only global database on fisheries, underestimates the percentage of overexploited and collapsed fish stocks (Froese et al. 2012). This discrepancy is largely due to variable quality in reported fish catch data, but also to the fact that the FAO overlooks other sources of valuable data, such as reconstructed catch data. What results is a myopic view of the status of the world's fisheries, which could potentially have disastrous consequences for global aquaculture and ocean health.

Yet SDG negotiations so far have not explored the realm of possibilities for private-sector and non-government engagement. The most recent progress report on the SDG discussions states that "business

should be part of the solution,” but only by encouraging “greater private sector uptake of sustainability reporting” (Hsu et al. 2014, p. 35). A 2013 survey by KPMG shows that 71% of companies worldwide are already conducting sustainability reporting (KPMG 2013). The more critical issue is how companies can be incentivized to share data and contribute to measuring progress toward SDGs. If Coca-Cola collects the best global water data, then why not use their data to measure progress toward a global water SDG? If Google is best able to process vast amounts of satellite data, why not use their computing power?

Corporate or private sponsorship of new data streams, while perhaps opposed by audiences who may fear commercialization of the SDGs, could help bolster innovative sustainability-minded companies or individuals to share data. Crowdsourcing developers or tech companies to develop a transparent, centralized online ‘dashboard’ to make it easy for individuals, businesses, and third-party institutions to contribute and share data could be administered by the UN Environment Programme (UNEP), which countries at the Rio + 20 Earth Summit pledged to bolster.

#### 5.4.2 *Potential Drawbacks*

While the engagement of new actors—from citizens to scientists and businesses—represents opportunities, it also poses a series of challenges. Citizens may not often be equipped with the training or policy analytical capacity to accurately collect and report data themselves. Monitoring environmental phenomena or collecting data often requires training in particular scientific protocols. If citizens are not appropriately trained, the reliability of the data collected could be compromised. Measures to anonymize or protect the identity of data contributors could also produce an adverse effect of allowing spurious or false data to be reported, if devices fall into the hands of unqualified users. Businesses, confronting similar adverse political motivations as governments, may also choose to self-select which data to report and which to conceal. The emergence of multiple streams of information may lead to questions as to who has the authority to determine which data are accurate or represent the ‘truth.’

While determination of authority is a much more philosophical and contentious issue to solve, a range of methods to address issues of the verification and quality of citizen data have been proposed. For one, the idea of citizen science does not imply total ignorance or lack

of training and qualification on the part of an individual contributing data. Instead, contributors can be “specialized citizens” (Fischer 1993) or even scientists acting as citizens, who have agreed to protocols and undertaken training before contributing data. On the other hand, some organizations are seeking to integrate citizen science data collection in a foolproof way that does not require any specialized training or equipment on the part of contributors. For example, the Creek Watch project—in which users use an iPhone application and website to contribute information on water flow and trash data from creeks and rivers—has designed water parameters such as flow rate that are easy for anyone to collect (Kim et al. 2011). Others incorporate the use of expert review to ensure the quality of citizen data (Wiggins et al. 2011).

Regardless of these challenges, evidence-based approaches are grounded in the belief that better decisions are those that have the most amount of information available at hand, and that broad access to such data allows for improved results (Bennett and Howlett 1992; Howlett 2009). Multiple, iterative monitoring and evaluation of results from a range of sources and sensors, whether technical or human, provide an ability to cross-check, verify, and ultimately improve environmental decision-making and management.

## 5.5 CONCLUSION

This chapter has provided a discussion of how varied policy analytical capacity can be evaluated at the systemic level through observed gaps in environmental data monitoring and reporting among countries. Examining global data availability for air and water quality performance, this chapter has developed a rough proxy of policy analytical capacity for global environmental systems. While the availability of data is an approximation at best, it can help identify potential areas of low policy analytical capacity to monitor and report on environmental issues.

In the context of the current debate surrounding the SDGs, addressing varied policy analytical capacity among countries is critical if global targets are to be measured and progress tracked. A High-Level Panel of the United Nations in November 2013 called for a “Data Revolution” to address the lack of reliable statistics for many countries (UN 2013). This gap is where a new suite of actors, such as private-sector businesses, third-party organizations, and individuals can catalyze enhanced analytical capacity for policy change.

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PART II

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Theoretical and Empirical Issues

# Innovation and the State: Towards an Evolutionary Theory of Policy Capacity

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## 6.1 INTRODUCTION

Innovation is one of the key modern catchwords regarding the role of the state in economy and society, but potentially and if used carefully, it is also a promising lens on public policy processes and for bridging different silos of social science research. In public policy and management research, innovation is broadly defined as the “generation, acceptance, and implementation of new ideas, processes, products or services” (Thompson 1965, p. 2). In economics, innovation is defined as ‘the implementation of a new or significantly improved product (good or service) or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations’ (OECD 2005). It is recognized, or at least normatively expected, that the state and public policies can influence the speed and direction of innovation *in markets* (through the implementation of conventional science, technology and innovation—STI—policies), *within government* policies, services, institutions and organizations (through policy and public sector innovation), and *in society* in general (by supporting social innovation) (Fagerberg et al. 2013; Mazzucato 2013; de Vries et al. 2015; Voorberg et al. 2015).

Evolutionary economists—who have done the most extensive work in developing the concept of innovation (see Fagerberg et al. 2013; Godin 2012; Witt 2008)—treat innovation as an inherently *evolutionary* phenomenon characterized by uncertainties, dynamism, frequent failures and constant learning. According to Witt (2002), an evolutionary theory in whatever field is (a) *dynamic*, (b) *historical* (deals with historical processes that are irrevocable and path-dependent) and, crucially (the most challenging aspect), (c) has to *explain self-transformation* (including hypotheses relating to the source and driving force of the self-transformation of the system, be it a firm, industry, or government). Therefore, innovation as a phenomenon is quite difficult to theorize, model and measure because it is influenced by both exogenous and endogenous variables and as “endogenous change originates, in the last resort, from the capacity of the system under investigation to produce novelty” (Witt 2002, p. 11).

Regardless of these difficulties, and as innovation is seen as the root of socio-economic dynamism (for economic development and socio-economic problem-solving), the main goals of evolutionary economists are to understand (a) technological and social transformations and development with a specific focus on the *generation of new ideas and solutions*, or *novelty* (technological, procedural, institutional, organizational); (b) their successful implementation and *diffusion* in a specific context (organizations, markets, states, society); and (c) their eventual *decline* and/or substitution with something more novel. Research on public sector and public policy innovation has emerged from rather similar goals: to understand and explain the emergence of radical changes and novelty in the public sector while most public sector changes tend to be incremental and path-dependent. Thus, innovation in the public sector is not just any change, but substantive change through risky and uncertain novelty creation and its application and diffusion (Kattel 2015; Karo and Kattel 2016a). While most disciplines interested in innovation seem to agree that the innovative organizations or states in general need to be equipped with specific *capacities* for bringing about innovation in government policies, services, institutions and organization, or for supporting innovation in markets and society in general, they seem to find it difficult to properly theorize and operationalize the concept of ‘capacity’ (see Karo and Kattel 2014).

Recent advances in public policy studies have provided useful analytical lenses to further our thinking. By focusing on the concept of policy capacity, defined as the “set of skills and resources—or competencies and capabilities—necessary to perform policy functions” (Wu et al. 2015, p. 166), Wu et al. are able to bring into a single framework core policy-related *skills and competences* (political, analytical, operational). These are closely linked to different policy functions from political decisions to policy design and implementation influenced by individual-, organizational- and institutional-level factors (determinants of skills and competences). This approach is quite similar to the general management literature, especially on dynamic managerial capabilities (see Helfat and Peteraf 2015; Teece 2016). Yet, most debates on the role and capacities of the state regarding innovations both in government and in markets and society have focused on only a few of these functions and related skill-sets, usually on a single level of analysis. Further, these debates seem to converge on a common, simplified question: should we stick to modernizing classic bureaucratic meritocracies or move towards experimental, start-up-like governments through changes on the individual, organizational and/or systemic levels (see Kattel 2015; Karo and Kattel 2016b)? Public policy and management research on policy capacities seems to have at least two limitations that evolutionary innovation research could help to overcome.

*First*, the operationalization of policy capacities is mostly done on the level of *outcomes*, i.e., the ‘ability’, ‘efficiency’ or ‘effectiveness’ of certain political, analytical or operational skills, competencies and resources to contribute to public policy goal attainment (e.g., Howlett 2015; Painter and Pierre 2005; Polidano 2000). In other words, the concept of capacity itself remains static in such analytical frameworks—capacity is either there or not. This static nature of capacity renders the concept implicitly teleological and normative: if certain capacities are not existing, the organizations should find ways to obtain them. Yet, the crucial characteristics of innovation is the ‘uncertainty’ of the innovation and novelty creation in terms of both *processes* (how innovation and novelty creation take place in different organizations and systems) and *outcomes* (which new technologies and processes will emerge out of research, development and experimentation and diffuse in and across organizations and systems). Consequently, also the role of the public organizations and policies in innovation is highly uncertain and contextual. For example,

some innovation policy scholars have tried to operationalize the role of the state in supporting innovations in markets and society as correcting market, system and/or transformative system failures (see Weber and Rohracher 2012). Others have criticized this failures approach, as it makes the role of the state too static and oversimplifies the uncertainties of innovation (Mazzucato 2016). The state can act as a ‘technology maker’, or innovator (Karo and Kattel 2016a), taking on the uncertainties of innovation through direct policy design and implementation activities. In other words, innovations in government and in markets/society become highly interlinked. In this context, it seems somewhat speculative to assume what constitutes policy capacities. Such uncertainty of policy pathways characterizes also other complex societal challenges (see Pollitt 2016).

*Second*, most public management and policy research seems to focus predominantly on *exogenous* variables to explain the emergence and evolution of policy capacities, such as financial and authority-based resources allocated to an organization or a policy domain, or the general context of education and training of potential civil servants (by both the educational and the civil-service systems; Painter and Pierre 2005; Polidano 2000; Wu et al. 2015). As mentioned, evolutionary approaches to innovation and organizational and industrial capabilities try to explicitly understand both the exogenous and the endogenous factors influencing individual, organizational and system-level innovation processes and novelty creation (Nelson and Winter 1982; Witt 2008).<sup>1</sup>

In this chapter we propose an evolutionary analytical approach to policy capacity with a specific focus on policy domains, where uncertainty and need for policy innovations, or novelty creation, is a central concern. We use the generic framework of policy capacity developed by Wu et al. (2015). In the next section, we will briefly review the key theoretical and conceptual contributions of evolutionary economics to general innovation and also public policy and management research. We propose a simplified evolutionary analytical approach to policy capacity, where policy capacity is operationalized through the concepts of *routines*, *search* and *selection*, as well as *punctuated selection and feedback environments*. Thereafter, we illustrate the analytical value of this approach through a stylized discussion of the evolution of science, technology and innovation (STI) policy capacities in three Asian Tigers: Taiwan, South Korea and Singapore.

## 6.2 TOWARDS AN EVOLUTIONARY THEORY OF POLICY CAPACITY

### 6.2.1 *The Basics of the Evolutionary Theory of Innovation*

One of the most important contributions to the evolutionary theory of innovation is the neo-Schumpeterian theory and analysis of economic change and the role of public policies in it by Nelson and Winter (1982). They use (metaphorically) the generic Darwinian heuristic (variation, selection and retention) to conceptualize the creation of novelty and transformation processes in firms and industries while trying to consider both endogenous and exogenous causes (also Witt 2002, 2008).

The crucial theoretical contribution of the neo-Schumpeterian perspective to the analysis of innovation is to focus on the *organizational level* by looking at firms (and organizations in general) as crucial actors of innovation. The basic assumption is that complexities of technological and social innovations—encompassing not just the creation of novelty, but its implementation and diffusion—require higher levels of organization and coordination than can be achieved by individuals and ‘primary groups’ (see also Litwark and Figueira 1968). At the same time, the analysis of these processes on the level of institutions—and especially following the predominant neo-institutional definition of institutions as ‘constraints’ rather than as ‘enablers’ of innovation and development, or as ‘social technologies’ (Nelson and Nelson 2002)—may be again too abstract. There would be threat of overlooking the potential evolutionary, especially endogenous self-transformational, dynamics and novelty creation in different organizations, industries (as systems of organizations) and global, national, regional, sectoral, technological ‘systems of innovation’, where organizations with different capabilities and capacities compete, interact, network and co-evolve to produce evolutionary changes (see Nelson 1994).<sup>2</sup>

Analytically, the crucial unit of analysis for understanding organizational capabilities for novelty creation and innovation is *organizational routine*:

We use this term to include characteristics of firms that range from well-specified technical routines for producing things, through procedures for hiring and firing, ordering new inventory, or stepping up production of items in high demand, to policies regarding investment, research and



development (R&D), or advertising, and business strategies about product diversification and overseas investment. In our evolutionary theory, these routines play the role that genes play in biological evolutionary theory. They are a persistent feature of the organism and determine its possible behavior (though actual behavior is determined also by the environment); they are heritable in the sense that tomorrow's organisms generated from today's (for example, by building a new plant) have many of the same characteristics, and they are selectable in the sense that organisms with certain routines may do better than others, and, if so, their relative importance in the population (industry) is augmented over time. (Nelson and Winter 1982, p. 14)

Evolutionary scholars treat routines as the most micro-level collective or organizational concept that is similar to individual habits (see Becker 2008). According to Cohen et al. (1996, p. 683), "A routine is an executable capability for repeated performance in some context that has been learned by an organization in response to selective pressures". The key terms of the definition are 'capability', 'context', 'learned', 'selective pressures' the researchers need to operationalize, given the specific problems or observations studied. In other words, "routines are not behaviour; they are stored behavioural capacities or capabilities. These capacities involve knowledge and memory. They involve organizational structures and individual habits, when triggered, lead to sequential behaviours" (Hodgson 2008, p. 23). Importantly, routines are not conceptually teleological or normative (there is not one single ideal routine to be obtained or learned). This also means that the idea of routines is not based on some ideal-typical features of human beings (e.g., rationality or inborn morality). However, we can argue that real existing routines are themselves expressions of an existing political economy—that is, routines are deontic in nature (Searle 2006).

Linking the individual-behavioral- and organizational-level perspectives, evolutionary scholars recognize that routines emerge in specific organizational contexts through individual and collective learning (Nelson and Nelson 2002), as organizations provide a structured social and physical environment (explicit and implicit rules and norms of behavior) for each individual:

This environment is made up of the other individuals, the relations between them and the technological and physical artefacts that they may use in their interactions. This social and physical environment enables,

stimulates and channels individual activities, which in turn can help trigger the behaviour of others, produce or modify some artefacts, and help to change or replicate parts of this social and physical environment. Partly because of procedural memory, organization can have important additional properties and capacities that are not possessed by individuals taken severally. (Hodgson 2008, p. 22)

As a result, some activities become routinized in organizations, so that organizations (and individuals in organizations) can focus their (creative) resources on other emerging or more uncertain activities. The concept of routine is also central to understanding innovation, as organizations tend to rely, or lock in, to existing routines due to *path dependencies* and *positive feedback* dynamics (see Nelson and Winter 1982; Arthur 1994; Pierson 2004). This “makes firms’ past experience increasingly important in predicting future actions—flexibility of routinized behaviour is of limited scope and changing environment increases the unpredictability and risks of survival in case the firms opt to modify routines” (Nelson and Winter 1982, p. 400).

In principle, *innovative organizations* are the ones that engage in *search* (for novelty) that denotes “all those organizational activities which are associated with the evaluation of current routines and which may lead to their modification, to more drastic change, or to their replacement” (Nelson and Winter 1982, p. 400). This search for novelty is characterized by irreversibility, uncertainty and contingency (it is historically contextual; Nelson and Winter 1982, pp. 171–172; also Wilson 1966). Further, search is highly interlinked to *selection* (a process analogous to ‘natural selection’ in evolution, or competition of different routines and organizations with uncertain outcomes). Sometimes the search for novelty itself is routinized (there exist routines for ‘innovation’ in the sense of research and development, learning and experimentation) while at other times it may grow out of non-routinized situations, e.g. *conflict* and *competition* between members of an organization or between organizations within a system, or *autonomy* of the organization or system to invest in the search for novelty as a result of managerial or financial ‘slack’.<sup>3</sup> Mintzberg’s (1989) work on managerial tasks (and implicitly organizational routines) and how these become coupled into different *organizational configurations* with its specific routines, capabilities and pressures for change is, to our knowledge, one of the more systematic treatments of these issue (see also Karo and Kattel 2016b).

Linking the organizational focus and system/institutional-level analysis, evolutionary theory recognizes that organizational routines and search and selection processes are embedded in the *selection environment*—that is, “the ensemble of considerations which affect the well-being of the organization and hence the extent to which it expands or contracts. This is partly determined by conditions outside the firms in the industry or sector being considered, but also by the characteristics and behaviour of the other firms in the sector” (Nelson and Winter 1982, p. 401). We can conceptualize this also as the *feedback environment*, or context (Pierson 2004; Karo and Kattel 2014) comprised of relevant (for the organization and system in focus) endogenous and exogenous factors influencing organizational routines, search and novelty creation.

In sum, “through the joint action of search and selection, the firms evolve over time, with the condition of the industry in each period bearing the seeds of its condition in the following period” (Nelson and Winter 1982, p. 17). Evolutionary economics further assumes that technological progress is one of the key drivers of organizational and institutional learning and evolution, at least in the private sector and market context (Nelson and Nelson 2002). Modern innovation studies in the private sector seek to analyze both endogenous and exogenous causes of novelty, innovation and its diffusion, persistence and decline on different levels from single organizations to industries and different systems of innovation. Thus, organizational capabilities for innovation are best understood by focusing on (a) organizational routines (and resulting firm- and industry-level capabilities); (b) search and selection processes and the endogenous and exogenous sources of novelty creation; and (c) selection and feedback environments.

### 6.2.2 *Towards an Evolutionary Perspective of Policy Capacity*

The neo-Schumpeterian perspective also recognizes that on the system level, there are co-evolutionary linkages between firms and industries and public policies. Nelson and Winter write, “public laws, policies, and organizations are an important part of the environment that shapes the evolution of private sector activities” (e.g. search prospects and costs, whether it is feasible to imitate vs. innovate), and “although for some purposes it is useful to think of public laws, policies, and organizations as being part of the landscape, these, like private sector activities, undergo

continuing evolution” (Nelson and Winter 1982, p. 371; Nelson 1994). Indeed, in their original discussion, Nelson and Winter proposed an evolutionary organization-level approach to public policies while recognizing that the public-sector-specific path-dependent feedback environments lead to rather stable trajectories of policies and administrative systems:

At any time, public policies, like private technologies and policies, are implemented by organizations largely as a matter of organizational routine. Changes from existing routine usually are local, although there may be an occasional major change. Those changes may survive and take hold, or they may be turned back. Because a good share of the changes proposed are local and because the selection environment is comparatively constant, public policies tend to follow certain trajectories. Thus, a policy change today might fruitfully be understood as evolving from a policy base that was itself the outcome of a sequence of earlier changes, and, in turn, as setting the stage for future evolutionary developments. (Nelson and Winter 1982, p. 376)

Just as firms in specific countries, industries or systems of innovations tend to have different mixes of organizational routines, public sector organizations may also need to have different organizations and diverse mixes of organizational routines to design and implement policies supporting innovation. Research on comparative capitalism and ‘social systems of production and innovation’ (Amable 2016; Schneider and Paunescu 2012) has tried to illustrate this argument on the level of national systems by arguing that different capitalist systems tend to have diverse institutional complementarities, including also specific roles for and organization of public policies. In organizational and public management research, insights since Weber (1922; but explicitly also in Thompson 1965; Wilson 1966; Mintzberg 1989; and more recently in Breznitz and Ornston 2013; Tönurist et al. 2015) have made rather similar arguments regarding innovation in organizations: charismatic, entrepreneurial and professional organizations may be better at generating inventions and innovations than machine-like, production-oriented bureaucratic organizations, but the former may find it more difficult than the latter to diffuse and implement these innovations on a wider scale.

The crucial insight from the evolutionary theory is that the existence of desired institutional and organizational *complementarities* (assumed

by most innovation policy research, neo-institutional and comparative capitalism research, and also by the ‘rational’ policy and administrative analyses) between private and public sector organizational routines and capacities should not be assumed as given. Search and selection processes and the selection and feedback environments tend to have significant differences between private and public sectors and between policy domains. Thus, such complementarities emerge, if at all, gradually and through conflicts, mutual learning and adjustments, or co-evolution (see Karo and Kattel 2016a, b).

Interestingly, Nelson’s earlier analysis of public-policy processes (Nelson 1977, 2011) emphasized such differences and the uneven development of policy capacities across different policy domains (e.g., the ‘moon and the ghetto problem’ in the US), making the evolutionary argument relevant for a broader set of complex policy domains as well.<sup>4</sup> He argues that one of the root causes of these differences stems from different *knowledge bases* that may dominate policy-making in different contexts and policy domains and determine the specific capacities that emerge. He differentiates between three bodies of knowledge, which tend to be unevenly distributed between countries and policy domains: ‘*rational*’ *policy analysis of investments decisions* (policy capacity emerges from evidence-based analysis); *organizational and institutional knowledge* (policy capacity emerges from managerial skills and organizational management); and *scientific and technological knowledge* (policy capacity emerges from the application of scientific discoveries and technologies to policy problems).<sup>5</sup> Ideally, different knowledge bases should be complementary, but public policy design and implementation may be driven by the dominance of one or some knowledge bases over others. This creates, in the framework of Wu et al. (2015), specific forms of political, analytical and operational capacities embodied in different types of organizations and routines.

Given these premises, the building blocks of the evolutionary theory of policy capacity look as follows.

*First*, public policies turn into reality (move from ideas to action) through *organizations* and their specific *routines*. These routines embody specific policy capacities (political, analytical, operational) that merge the individual and institutional/system-level capacities into unique *organizational configurations*.

*Second*, both the existing characteristics and changes in *exogenous factors* (economic and demographic changes, ‘chance events’ such as natural

disasters and crises, dominant bodies of knowledge, invention of new technologies, changes in global regulatory regimes, political changes and policy and administrative reforms, changing ‘user’ demand) and *endogenous factors* (existing organizational routines and level of routinization in general; organizational changes driven by internal learning, competition, aging; organizational crises and conflicts) determine the specific organizational configurations and may trigger and direct or block *search and selection* processes for new organizational routines and new policy approaches.

*Third*, this search and selection takes place in the immediate *selection and feedback environment* that determines the *feasibility* of changing some or the emergence of new routines. Given that public sector organizations function in contexts of multi-level governance (with global and local interaction patterns) where ‘economic’ (market-, technology-, finance-driven) and socio-political feedback environments co-exist, often represent conflictual interests and are unevenly structured, the selection environment is characterized by *punctuated feedback* (see also Karo and Kattel 2016a, b).

To sum up, from an evolutionary perspective, *policy capacities*—especially for innovation and other complex public policy goals where uncertainty is the prevalent condition—(a) are located, nurtured and routinized *within* organizations; (b) are often dispersed into a *variety of organizations* within a system of organizations (policy domain); and (c) evolve through organizational search and selection in the context of *specific punctuated feedback environments* of these organizations. Organizational and policy-domain specific differences in one or several of these elements lead to *differences* in policy capacities between organizations (even in the same policy domain) and policy domains (even in the same country).

### 6.2.2.1 Public Sector Organizational Routines

The list of relevant organizational routines is open-ended, as it depends on the specific focus of the analysis in terms of task characteristics and environments (production vs. service organizations, policy design vs. implementation organizations in different sectors of activity carry out different tasks and build different routines). In the framework of Wu et al. (2015), not all organizations encompass and routinize political, analytical and operational capacities. As a result, the analysis of public sector organizational routines is by definition exploratory and contextual.

Two dominant perspectives emphasize different sets of activities that could in theory be routinized.

The *public policy literature* (Anderson 2014; Wu et al. 2015) distinguishes different phases of policy-making with specific activities in each stage: *agenda-setting* (focusing of public attention on a specific problem); *policy formulation* (legislative, regulatory, programmatic strategies); *policy adoption* (decision-making processes); *policy implementation* (drafting of strategies, financing and control mechanisms); *policy evaluation and revisions*. From an evolutionary perspective, these stages cannot be easily separated even for analytical purposes as the co-evolutionary changes are constant (implementation ‘feeds back’ to policy-formulation processes and triggers necessary revisions even before formal evaluations), and this is the most crucial characteristic of organizational activities and life. The *public management literature* (see Pollitt and Bouckaert 2011), which has many similarities with general management literature (Mintzberg 1989), focuses on the key activities that determine how public sector organizations function in different phases of policy-making: *organizational planning of structure* (size, forms of specialization, modes of coordination), *financial management* (budgeting, accounting, auditing), *personnel management systems* (recruitment, career management), *performance management* (reward principles, accountability mechanisms). Importantly, while public management research tends to predominantly conceptualize these at the system level (common institutionalized characteristics across different organizations), from the perspective of evolutionary theory, these activities could be indeed routinized, but potentially based on different knowledge bases, procedures and technologies—not only in different countries, or policy sectors, but also between different organizations (with different feedback environments) within a system.

One of the most fundamental issues in public and private sector organizational research on innovation seems to be how to maintain within an organization or specific system of organizations (the public sector in general, or specific policy domains) capacities for innovation and experimentation (search for novelty) and capacities for efficiency (implementation of strategies and policies, delivery of goods and services). As mentioned, the key insight from the evolutionary perspective is that *organizational variety* as a representation of different configurations of routines and capacities may be a necessary condition (Karo and Kattel 2016b). These debates also highlight several crucial activities of

organizations that could be routinized differently and lead to different policy capacities (innovation vs. efficient implementation). We can only provide a broad-brush description of some of these routines here, each of which is worthy of much more detailed elaboration and analysis:

- *Production routines*: what are the tasks of the organization (providing regulations, services, ‘things’) and how are the core and secondary or supportive functions organized (what is produced internally, what is contracted out and purchased in; what is co-produced)? These routines partly determine the structure, knowledge base and feedback context of the organization.
- *Strategic, or dynamic managerial routines*: how is strategic planning and management organized (based on individual visions and open-ended experimentation vs. ‘rational’ top-down planning)? These routines partly determine to what extent the organization supports the search for novelty (providing incentives vs. punishing risk-taking and experimentation).
- *Personnel management and organizational learning routines*: what type of recruitment and motivation systems are preferred and what skills (bodies of knowledge) and values (risk-taking vs. predictability) are rewarded within the organization? How is learning and skill development organized (experimental organizational learning vs. policy emulation)? These routines partly determine the bodies of knowledge, policy orientations (and accepted policy rationales), accountability systems of organizations and behaviors of individuals in the organization.
- *Financial management routines*: how are organizational finances planned and managed (via legacy-driven line-item and incremental budgeting vs. more open and flexible systems) and what is the focus of auditing (procedural compliance vs. outcomes)? These routines partly determine the financial autonomy and risk-taking space of and in organizations.
- *Coordination routines*: how is vertical, horizontal and cross-system (between the public and private sectors, or citizens) coordination organized (based on formalized rules vs. informal relations and networks) and what is *standardized* through coordination (inputs, processes, outputs, outcomes)? These routines partly determine the flows of information and feedback (content, speed, location), division of resources, speed and specificity of policy actions.



- *Research and development and technological routines*: what technologies are understood, used and developed by public sector organizations? These routines partly determine the bodies of knowledge and routinization of search, but also the direction of the production, planning and coordination routines and the selection and feedback environments.

Following Wu et al. (2015), we can argue that some of the above routines are more or less related to political and policy activities, others to analytical activities and yet others to operational activities. In the public sector context, some of these activities are centrally routinized and institutionalized on the system level through laws, regulations, standards and norms, and organizations follow these routines (financial routines tend to be universal across organizations with similar budgeting and accounting rules). Other routines emerge and evolve in a much more organization-specific form (as organizations have more freedom in determining the content of e.g. organizational learning practices or try to act against top-down standardization and routinization) and determine the specific capacities of organizations. Similarly, some tasks may be universally prescribed to organizations, but implemented through different routines.<sup>6</sup>

#### 6.2.2.2 *Search and Selection and Endogenous and Exogenous Sources of Novelty*

From the evolutionary perspective, search and selection processes are highly open-ended because search for novelty and experimentation happens in the context of uncertainty and is driven by the endogenous and exogenous factors of specific policies and organizations. Thus, search and selection are difficult to operationalize and model.

One might assume that in the public sector context, search and selection are more ‘political’ and a question of conscious ‘choice’ than in the more competitive economic arena (Nelson and Winter 1982). Given the punctuated nature of the public sector selection and feedback environments, the factors affecting search and selection are often vague and conflictual. Search may be triggered by ‘user’ demand, mission-based collaboration between organizations, external political events (global agreements, regulations), chance events (natural and politico-economic crises) and politicized competition for organizational survival and resources. As a result, also the selection process does not function on efficiency or effectiveness grounds and through market-based

competition, but has strong political and (non-rational) ‘choice’ elements. In their discussions on innovation in bureaucratic organizations, also Thompson (1965), Wilson (1966) and Mintzberg (1989) argued that while especially public sector organizations are often analysed through the lenses of cooperation, coordination and consensus-seeking, innovation in bureaucratic organizations is more likely to emerge through *conflicts* and *variety*. At the same time, they also recognized that too much variety may inhibit the eventual adoption and diffusion of policy and organizational innovations because the latter is inevitably a political and bargaining process.

Looking at the endogenous and exogenous sources of search and novelty creation, there may be individual-behavioral factors (charismatic leadership and entrepreneurship of organizational members), organizational routines-related factors (existence of routines for novelty search, or organizational slack and space for non-routine search) and also external system-level factors (see more below) that could in theory influence how the search process is triggered, structured and evolves. Overall, this process is open-ended, uncertain and characterized by persistent conflicts, failures, learning and adjustments.

### 6.2.2.3 *Selection and Feedback Environments*

The selection and feedback environments vary across public policy domains and public sector organizations, are multi-level (feedback has both local and global sources) and result in punctuated feedback processes. In other words, parallel and often competing or conflictual feedback environments affect the evolution of organizational routines and search processes in specific policy domains and organizations.

Understanding the structure and dynamics of feedback environments in a specific policy domain or organizational context is a crucial step for conceptualizing and defining organizational routines and search in a dynamic/evolutionary sense (that otherwise can only be described historically or as snap-shots). This is also crucial for conceptualizing policy capacity in an evolutionary sense, i.e., as providing *complementary* capacities to other actors. Some public policy scholars (Wu et al. 2015) have also argued that stakeholder or system-wide capacities (see also Jayasuriya 2005) are crucial elements of policy capacity (the public sector needs to fulfill tasks and functions not fulfilled better by others). In addition, modern research in public sector and social innovation (see de Vries et al. 2015; Voorberg et al. 2015) argues that co-design, co-production and

co-delivery are important factors in public sector and social innovation. In other words, through a better comprehension of the dynamic feedback environments, we might gain a better theoretical understanding of the evolution of organizational routines, search processes and eventual capacities. This inevitably requires a rather interdisciplinary perspective and constant ‘inlining’ and ‘outlining’ of the environment where organizations function and evolve (thereby also constantly re-defining the core independent and dependent variables and context that can be assumed to be constant; see also Riggs 1980).

In Table 6.1 we try to summarize the key elements of the selection and feedback environment in the case of public policies supporting innovation in markets (innovation policy). We highlight here three analytically rather distinct perspectives on selection environments—politico-administrative (focus of public management and governance research), politico-economic (focus of comparative capitalism and political economy research) and techno-economic (focus of innovation studies). These provide specific and often conflictual feedback to different organizations of innovation policy in terms of political-, analytical- and operational-level expectations and activities. This leads to punctuated feedback processes and subsequent search activities.

The punctuated nature of the feedback processes affects the evolution of organizational routines and search processes of organizations functioning in a specific policy domain. Based on the broader (global, regional and national) structuring of the political systems (who has power and access) and existing organizational routines and capacities, organizations tend to react more to some feedback than others. For example, public universities are more likely to be influenced by global techno-economic feedback (as their mission is to function at the science and technological frontier) and they may not react as readily to domestic politico-economic feedback (to refocus research priorities towards domestic needs) or politico-administrative feedback (to reform university management based on some ideas of good governance).

Thus, the concrete tasks or missions of organizations in a specific public policy domain influence the structure of the immediate feedback environment. This leads to differences in organizational routines, search processes and eventual political, analytical and operational capacities. As a result, in most policy domains we might find a variety of organizations with different mixes of routines and capacities (see Karo and Kattel 2016b) that contribute—based on their specific capacities and

**Table 6.1** The punctuated selection and feedback environments of innovation policy

| Capacities influenced   | Politico-administrative feedback   | Politico-economic feedback  | Techno-economic feedback  |
|---|--|---|---|
| <p>Political capacities</p> <p><i>Global</i><br/>Global rules and ideas of 'good' governance (e.g. as measured by the quality of governance indices; proposed by international organizations) (what are the 'best' ways to organize specific policy processes)</p> <p><i>Local</i><br/>Dominant political and ideological values (e.g. liberal vs. conservative), political decision-making traditions (e.g. authoritarian vs. democratic; majoritarian vs. consensual) and legal systems (public vs. common law)</p> | <p><i>Global</i><br/>Global rules and good practices of e.g. trade, finance, corporate governance, intellectual-property management, membership in WTO or regional associations (what might be the 'best' policies from the perspective of industrial structure and firm interests)</p> <p><i>Local</i><br/>Dominant ideologies (statist vs. market-based vs. corporatist coordination and feedback networks; neoliberal vs. Keynesian economic policy), and regulatory systems of trade, finance, intellectual property (policy and negotiations 'space')</p> | <p><i>Global</i><br/>Characteristics of dominant (profit-accumulating) frontier technologies and structure of global production and innovation networks and value chains (what might be the 'best' policies from the technology perspective)</p> <p><i>Local</i><br/>Techno-economic specialization of domestic industry (at the uncertain frontier or in mature technologies or at the technology-importing stage) and global value chains (leader vs. follower, sub-contractor)</p> | <p><i>Global</i><br/>Global principles and best-practices of the role of the state in specific technology development (what are the technological development driven expectations on the role of the state in the context of technological uncertainty)</p> <p><i>Local</i><br/>Structure and role of techno-economic feedback in policy analysis and planning (e.g. high vs. low importance; generic vs. technology-specific analytics, learning and coordination)</p> |
| <p>Analytical capacities</p> <p><i>Global</i><br/>Dominant generic and policy-domain-specific (professional) ideas and more formal principles of policy-making and design (what are the 'best' practices of policy analysis)</p> <p><i>Local</i><br/>Policy-making culture (e.g. hierarchical vs. corporatist, or consensual) and institutions (e.g. strategic planning, production, coordination)</p>  | <p><i>Global</i><br/>Dominant principles of state-market, state-society interactions (structure of consultation and participation systems); how to include business and industry interest in policy-design processes</p> <p><i>Local</i><br/>Structure and role of politico-economic feedback in policy analysis and planning; levels of trust and inclusion of stakeholders in policy design and planning (e.g. internal policy design vs. based on public-private interactions); stakeholder capabilities</p>  | <p><i>Global</i><br/>Global principles and best-practices of the role of the state in specific technology development (what are the technological development driven expectations on the role of the state in the context of technological uncertainty)</p> <p><i>Local</i><br/>Structure and role of techno-economic feedback in policy analysis and planning (e.g. high vs. low importance; generic vs. technology-specific analytics, learning and coordination)</p>               | <p><i>Global</i><br/>Global principles and best-practices of the role of the state in specific technology development (what are the technological development driven expectations on the role of the state in the context of technological uncertainty)</p> <p><i>Local</i><br/>Structure and role of techno-economic feedback in policy analysis and planning (e.g. high vs. low importance; generic vs. technology-specific analytics, learning and coordination)</p> |

(continued)

**Table 6.1** (continued)

| Capacities influenced         | Politico-administrative feedback   | Politico-economic feedback   | Techno-economic feedback   |
|-------------------------------|--|--|--|
| <i>Operational capacities</i> | <p><i>Global</i><br/>Dominant generic and policy-domain-specific (professional) ideas and principles of public management and policy implementation</p> <p><i>Local</i><br/>Existing administrative culture (e.g. legalist vs. managerial; generalist vs. specialist; top-down vs. bottom-up), institutions and routines (e.g. personnel and financial management)</p> | <p><i>Global</i><br/>Dominant practices of state-market interactions in R&amp;D and technology development processes (what are the standard divisions of labor between stakeholders in R&amp;D and innovation activities)</p> <p><i>Local</i><br/>Dominant feedback networks in R&amp;D and technology policy implementation and related division of labor (public-sector vs. market-driven vs. network-based systems)</p> | <p><i>Global</i><br/>Global technological standards and best practices in technology creation and diffusion, expected activities from the state in supporting R&amp;D and innovation</p> <p><i>Local</i><br/>Structure and role of techno-economic feedback in policy implementation (e.g. the role of the state in technology, research and development, technological skills and competencies of state actors)</p> |

Source Elaborated by authors (see also Karo and Kattel 2014, 2016b)

in a co-evolutionary way—to the performance of the policy domain as a whole. For example, a recent large-scale meta evaluation (see MIOIR 2013) of global innovation policy efforts highlighted that it is almost impossible to appropriate policy impact to single organizational activities (policy programs, measures, regulations). Rather, the impact of government attempts to support innovation in markets can be, if at all, measured at the level of *policy mixes* designed and implemented by different organizations through co-evolutionary interactions.

In the next section we briefly illustrate these evolutionary dynamics through a stylized discussion of the evolution of STI policy capacities in three Asian ‘Tiger’ economies (Singapore, Taiwan, South Korea). While these countries have developed innovation policies in a relatively similar overall context of politico-administrative, politico-economic and techno-economic feedback environments, small differences in feedback environments have led to different policy capacities in specific organizations and national policy domains as a whole. We rely mostly on Wong (2011) and Karo and Kattel (2014, 2016b).

### 6.3 PUNCTUATED FEEDBACK AND EVOLUTION OF STI POLICY CAPACITIES OF THE ASIAN TIGERS

Modern science, technology and innovation (STI) policies emerged in the Asian Tigers gradually from the 1960s to the 1990s as part of strategic efforts to maintain national security and independence through export-oriented industrialization. In terms of the techno-economic selection and feedback environments, the Tigers had rather similar starting positions: natural resources were largely lacking, and techno-economic capabilities were specialized in eroding competitive advantages (in cheap labor-based and low value-added activities of mature industries). This made it necessary to develop policies to overcome the declining cost-advantages via R&D and innovation (by developing basic human capital and technological capabilities). Also, on the politico-administrative side, the Tigers were rather similar: political systems were authoritarian, administrative systems had strong occupational and colonial legacies and an emphasis on merit-based organizations (though Confucian vs. Western legacies and politicization had different degrees of influence; see Drechsler 2015). Crucially, the politico-economic selection and feedback environments were somewhat more diverse. In South Korea, the

state had close ties with limited industrial conglomerates (*chaebols*). The Taiwanese political system maintained, at least initially, rather distanced relations with the private sector to limit the power and influence of the latter. As a result, a large state-led sector and more fragmented export-oriented small and medium-sized firms (SME) existed almost as parallel systems. In Singapore, the state built close ties with multi-national corporations (MNCs), partly for political concerns to control different ethnic groups and partly for economic reasons as local industrial capabilities were weak.

Thus, while STI policies had a common political logic (autonomy and security through STI) and policy ‘rationales’ (investment into STI to maintain competitiveness in export markets), the differences in the structure of politico-economic selection and feedback environments meant that the actual STI policies emerged in rather diverse forms. Using the terminology of Wong (2011):

- The strategy of South Korea was to ‘go big’: to support the large export-oriented and diversified chaebols in their in-house R&D and innovation activities through negotiating technology licenses from abroad, creating oligopolistic market regulations and using the nationalized fiscal and financial system (through the regulation of ‘policy’ loans and tax and tariff policies) to coordinate and focus firm-level strategies and resources for achieving critical mass in R&D and innovation.
- The strategy of Taiwan was (eventually) to ‘go small’: to support the export-oriented SME sector by socializing the R&D- and innovation-related and other risks of SMEs through a large-scale state-owned sector that used national research institutes to license in promising technologies from abroad, to develop and transfer them to firms that would further develop products for exporting.
- The strategy of Singapore was to ‘go global’: to create incentives for (through the provision of relatively cheap and qualified skilled labor and a stable political and regulatory environment) and actively target (through political efforts and an agile and flexible policy-making system) the re-location of MNCs (both production and eventually their R&D activities) to Singapore.

As a result of these differences, the Tigers have also developed different policy capacities through diverse configurations of organizational

routines. All countries established high level policy coordination bodies to coordinate national strategic choices (economic development boards) that were supported by different ministries, regulatory and financing agencies, research organizations and state-owned enterprises. Given the differences in the actual strategies, the analytical and operational routines and capacities of these organizations differed quite markedly.

For example, the direct involvement of the Taiwanese government in planning and conducting R&D meant that the strategic planning, production, coordination and R&D routines of government organizations were explicitly technology-focused: the government has not just decided to regulate, incentivize and fund R&D in general, while allowing universities and firms to decide what to focus on and when, but has steered their technology-creation processes much more directly. This has also required more technology- and engineering-focused recruitment and training routines in all public sector organizations (see Breznitz 2007). At the same time, the South Korean STI policy has followed a more generalist and hands-off approach and developed organization routines (also in terms of skills and human-capital development) to design and implement STI policies that have mostly incentivized private R&D activities via market and financial system regulation (who can enter specific markets and on what condition; to whom banks lend money), informal coordination and steering. Both of these approaches were somewhat unorthodox compared to the emerging ‘best practices’ in the global techno-economic, politico-economic and politico-administrative feedback environments. Singapore’s strategy was probably the closest to these ‘best practices’. As their growth performances between 1970 and 1990 indicate (see Sen 2013), the Tigers were some of the best-performing economies in this period and also became important technology hubs in ICT.

As Wong (2011) argues, however, this development path was relatively simple and straightforward, at least compared to the key challenge of modern STI policies: to shift from *mitigating risks* in relatively mature industries in catching-up phases to *managing uncertainties* in new and emerging technologies at the techno-economic frontier. In other words, the immediate techno-economic feedback environments have become more uncertain. For example, biotechnology—one of the new potential global drivers of economic and social development and a common policy priority in all Tigers and globally—is still emergent, science-based (it lacks established technologies that could be easily licensed



from others, as was the case with ICT-based development), and it also lacks established pathways (business models) to success. Furthermore, the politico-administrative selection and feedback environments of the Tigers have become more complex: all countries have democratized, and political competition for resources has increased; integration to global networks has meant that their rather unique development-focused administrative systems are pressured to converge with global ‘best practices’. The politico-economic selection and feedback environment is changing, as well, as the export successes of these economies have allowed their companies to become increasingly integrated into global production and innovation networks and value chains. This has often made the transnational governance of these value chains a more influential feedback source on firm behavior than local policies (Yeung 2013). As a result, politico-economic selection and feedback systems have also become more uncertain, contested and globalized.

Such growing complexity and uncertainty would require the search for new policy and organizational routines—or innovation in government policies, services, institutional and organizational designs. From the evolutionary perspective, in the context of such uncertainty, these search and selection processes happen in a highly open-ended, conflictual and punctuated way. While all Tigers have strategically prioritized biotechnology, as opposed to entering policy- and governance-related search processes, the first reaction of organizations tasked with biotechnology STI policies has been to stick to the historically successful policy and governance strategies of going ‘big’, ‘small’ and ‘global’ respectively. The broader shifts and increasing uncertainties in the selection and feedback environments have meant that the desired policy outcomes (increased biotechnology-related STI capabilities and exports; more systemic socio-economic changes) have been rather slow to emerge (see further case studies on Taiwan and Korea by Wang et al. 2012; Zhang and Whitley 2013). The new organizational routines and configurations of the biotechnology STI policies are emerging through a long-term, conflictual and punctuated process of search and selection. To support biotechnology STI, more actors—ministries and agencies for agriculture and health—need to be incorporated into the STI policy arena, and some of them may need to be reformed (in terms of their organizational routines) for such new roles. For example, in the case of Taiwan, Chung (2011) has documented in great detail how there have been significant discrepancies between the traditional STI policy and the health and

environmental regulatory activities, as the regulatory agencies are new to the STI policy arena and have different policy routines and capacities (they take fewer risks and are less experimental). Further, concerns other than economic policy rationales—ethics and politics of biotechnological innovation—also need to be internalized and managed by different organizations tasked with supporting biotechnology.

The conventional analytical approach to STI policy seems to diagnose this situation as the ‘weakening’ of policy and coordinative capacities (also explicitly in Wong 2011). From the perspective of the proposed evolutionary analytical framework, we should treat this as a rather normal contested and punctuated process of search and selection in policy and organizational evolution. It may succeed or fail (in terms of supporting technological end economic development), given the endogenous and exogenous factors affecting the search and selection of new policy and organizational approaches.

## 6.4 CONCLUSIONS

In this chapter we have proposed an evolutionary analytical approach to policy capacity with a specific focus on policy domains where uncertainty and the need for policy innovations, or novelty creation, is central. From an evolutionary perspective, the crucial elements of policy capacity are: (a) organizational routines, (b) search and selection processes and the endogenous and exogenous sources of novelty creation, and (c) selection and feedback environments.

Through the concept of routines, we have tried to conceptualize policy capacity from a less static and normative perspective than usually found in public policy and innovation policy studies. From an evolutionary perspective, *policy capacities*—especially for innovation and other complex public policy goals where uncertainty is the prevalent condition—(a) are located, nurtured and routinized *within* organizations; (b) are often dispersed into a *variety of organizations* within a system; and (c) evolve through organizational search and selection in the context of *specific and punctuated selection and feedback environments* of these organizations. *Differences* in policy capacities between countries, policy domains and organizations stem from differences in routines, related search and selection processes and/or in selection and feedback environments. A comprehensive analysis of policy capacities should encompass all these elements.

## NOTES

1. Still, regarding the role of the state and public policies in these processes, even evolutionary and policy-oriented scholars have mostly relied on approaches to policy capacities developed by neo-institutional economists and heterodox political economists (relying on concepts such as ‘coordinative’ and ‘transformative’ capacity—see Grindle 1996; Polidano 2000; Weiss 1998; Weiss and Hobson 1995), or borrowed from public-management research (using and testing the assumptions of Weberian meritocracies or ‘good governance’—see Evans and Rauch 1999; Rauch and Evans 2000; Nistotskaya and Cingolani 2014).
2. In the context of economic development and change, new institutional economics has tried to encompass these evolutionary processes by adding to the concept of ‘allocative efficiency’ also that of ‘adaptive efficiency’ (see North 2005), but it has been not very fruitful in moving beyond the outcomes-based perspective of institutions. Most analyses seem to end up focusing on ‘enablers’ of adaptive efficiency, e.g., *credible commitment* by the state to incentivize actors and organizations to engage in learning and innovation; policy-making *accountability* that provides actors and organization incentives to pursue trial-and-error searches under uncertainty (see Schlosstein 2009; Ahrens 2002). These are again assumed to be universally delivered by certain policy activities and institutions (or policy capacities). Thus, the evolutionary systems of innovation perspective has become the key analytical lens for studying techno-economic developments and innovation supporting *policies* across the globe. Recent attempts seek to extend this also to study social innovation more broadly (see in Fagerberg et al. 2013).
3. See also Thompson (1965) and Wilson (1966), who discuss these issues in the context of bureaucratic organizations; and also the dynamic-managerial-capabilities research (Helfat and Peteraf 2015; Teece 2016), which focuses on the routinized vs. dynamic processes in organizations, although the concept of capabilities remains somewhat normative also here.
4. He explicitly refers to research and development policy, innovation policy, educational and social policy and environmental policy (Nelson 1977, 2011; Nelson and Winter 1982).
5. Of course, each of these bodies of knowledge has few or many competing schools of thought and traditions within it, which leads to debates and different views even within specific bodies of knowledge.
6. For example, most public sector organizations contract out R&D and technological development (and thus such activities and related routines are hardly ever discussed in public management research), while some maintain this as a routinized core organizational activity or competence.

This creates different political, analytical and operational capacities regarding the use of technologies in public policies (see more in Lember et al. 2016).

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# The Role of Analysts in Public Agencies: Toward an Empirically Grounded Typology

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## 7.1 INTRODUCTION

In the modern digital world, governments strive to improve public policy capacity by implementing evidence-based policymaking and exploring opportunities coming from data-driven decisions. This requires that civil servants have adequate skills and are able to provide timely and credible input into the decision-making process. In an era of the proliferation of professional roles engaged in policymaking, there is a growing need for the systematic study of government personnel performing various types of analytical work.

This book has set an ambitious aim to investigate in a systematic way a broad set of capabilities used in modern policymaking processes at the individual, organizational and systemic level. This chapter focuses on the analytical capabilities of individuals in central government public organizations (see Wu et al. 2015).

The issue of policy analysts in the public domain has been discussed in the literature since the mid-1960s, and scholars have made several attempts to conceptualize the work of policy analysts in government. However, the majority of the studies have been based on qualitative sources with anecdotal empirical evidence. Moreover, they



often focus on one role of the analysts, and ignore the multi-dimensional nature of the practical profile of analysts, namely the interplay among an analyst's level of analytical proficiency, scope of work (programs, policies or regulations), knowledge brokering skills, and place in the organization.

The current practice of policy analysis in governments shows increasing proliferation of analytical tasks across functional fields and institutional structures. One can observe the emergence of highly diverging communities of performance officers, evaluation specialists, regulatory impact analysts, behavioral insight teams, and data analysts. This fragmentation makes it difficult for government practitioners to develop coherent, systemic human resource strategies for analytical capacity building. Thus, both literature and practice indicate the need for an approach to identifying and classifying analysts that would be both inclusive and practically operational.

This chapter responds to the need for theory and practice of public policy by providing a definition and a multi-dimensional typology of analysts in government, grounded in an extensive empirical study of analysts in the Polish public administration. The typology is accompanied by a practical toolbox for identifying and grouping analysts, as tested in the Polish government.

The chapter is divided into three parts. The first discusses the current state of knowledge on policy analysts both from an academic and practical perspective, and points to limitations of the contemporary approach to studying the analytical capacity of individuals in government. The second part offers solutions to these shortcomings. It reports on the results of a large study undertaken by the team of experts—including authors of this chapter—for the Polish government with an aim to identify and improve analytical capacity of central government personnel across all policy domains. The chapter provides readers with insight into the stages of our empirical process—from identifying the spectrum of analytical behaviors in government, through establishing a definition of analysts, to elaborating a final typology. Discussion covers both conceptual findings and a toolbox used to obtain the results. The chapter closes by summarizing the proposed approach to the identification and classification of analysts, discussing the value of this approach for theory and practice, and outlining directions for further studies and applications.

## 7.2 ANALYSTS IN PUBLIC ADMINISTRATION—AN OVERVIEW

### 7.2.1 *Theoretical Developments*

Although the issue of policy analysts is now widely discussed, similar ideas were already raised in the 1960s', when Dror (1967) expressed an urgent need for the establishment of a professional role of policy analyst as one of the tools for strengthening the decision-making process in US government.

Since then, policy scholars made several attempts to conceptualize the work of policy analysts in the public administration (either central or regional). Although the seminal work of Arnold Meltsner (1976) was based only on qualitative interviews and restricted to the US government, it contributed to the debate by offering the first typology of policy analysts. Meltsner built his typology by contrasting the dichotomous work of 'technicians' and 'politicians'. A technician could be described as academic intellectual transferred from the university to the government. His primary goal is to deliver sound scientific evidence that could contribute to policy. A politician, in contrast, is focused on contributing to the goals of the decision-maker through communication and persuasion. A third role, 'entrepreneur', encapsulates the best capabilities of both the 'technician' and 'politician'. Meltsner concluded that the emerging role of analysts within the US bureaucracy is low status and under-resourced.

This study was followed by Jenkins Smith's work (1982), which distinguished three roles of the analyst: (1) objective technician, (2) issue advocate, and (3) client's advocate. Some other scholars in the 1980s' and 1990s' tried to conceptualize the work of analysts not in terms of systematic theory, but rather in terms of metaphors or by using dichotomies, as well as by describing analysts' place in the policymaking process. To describe the role of analysts, Fraatz (1982) used the poetic metaphor of wallflowers, which hang around waiting to be invited into the 'policy game'. As he pessimistically noted, too often they wait in vain. McRae (1991) described analysts by examining their intermediary role in the process of knowledge use. De Leon (1995) compared the responsibilities and roles of analysts (administrative officials) with policymakers (political officials) and described the groups as different communities (or even 'tribes').

The discourse on analysts has been substantially enriched in the new century, first by the influential work of Radin (2000, revised and updated in 2013). Using her extensive pracademic experience, Radin introduced three fictional characters: John Nelson and Rita Stone (in the 2000 edition), and subsequently added a third—Veronica Lopez (in the 2013 edition). By describing the biographies of these fictional characters from the 1960s, 1990s and 2010s, Radin created a vivid narrative on the evolution of policy analysis, especially in relation to such important issues as analysts' background and experience, professional roles, relationships with internal clients, and engagement in the dissemination of policy analysis. Radin was able to picture policy analysis as a dynamic phenomenon undergoing constant changes. Radin also contributed to the understanding of the roles of policy analysts' by underlining the expansion of this profession beyond government bodies (Radin 2006).

In this period, Mayer et al. (2004) also went beyond earlier paradigms in describing policy analysts, and interestingly nuanced the question of what it actually means to perform policy analysis. They put forward the following typology of six styles:

- Rational—neo-positivist, using predominantly quantitative methods to generate knowledge;
- Client advice—client-oriented, focused on delivering advisory services to clients;
- Argumentative—taking part in policy debates both inside and outside government;
- Interactive—participating in deliberative processes with the major stakeholders;
- Participative—advocating for those who are not represented in the policy process; and
- Process—'steering' the process toward desired outcomes.

The other milestone in the building of knowledge on policy analysis within governments was the edited work of Colebatch (2006a), which encapsulated views from several countries across continents and different policy domains.

Although we can see continuous interest in this topic, we agree with Howlett and Newman (2010)'s assessment that policy scholars tend to restrict their descriptions and inquiries to anecdotal case studies and interview research. As a result, there is a lack of broad understanding of

the nature of analysts work (Howlett and Wellstead 2011; Radin 2013). Moreover, as Howlett and Lindquist (2007) emphasize, different countries followed different paths in introducing policy analysis. The lack of a coherent theoretical approach has also undermined the impact of various initiatives undertaken by government agencies to develop and organize their analytical personnel (resulting, for instance, in overlapping responsibilities between policy analysts, data analysts, performance officers, learning officers, evaluators, and knowledge brokers). This chapter proposes a way to systematically investigate and describe policy analysts within government, by using quantitative tools that provide a typology of analysts in public agencies.

### 7.2.2 *Practice of Analyst Communities*

Looking at the recent practice of public policy, there is a growing emphasis on using evidence grounded in data analysis and research results. This can be attributed to the Evidence-Based Policy Movement (EBP), which originally started in the field of health care in the 1970s and calls for grounding public policies, programs, and practices in empirical evidence (Hoornbeek 2011; Yanow 2007). The EBP Movement assumes that providing better understanding of ‘what works, for whom and in what context’ could substantially increase the effectiveness of public policies.

The EBP movement gradually became popular across different policy fields (Pawson 2006; Shillabeer et al. 2011) although a number of authors indicate that in the complex world of policymaking one should be more cautious about the role of research evidence and should rather use the term “evidence-informed policies” (Nutley et al. 2002; Newcomer 2016).

The global financial crisis, followed by financial austerity in the public sector, raised the interest of policy practitioners in analytical insight for supporting effective ways to achieve policy outcomes. Some high-level government officials even postulated a “Moneyball for Government” (Nussle and Orszag 2015)—a concept borrowed from popular movie starring Brad Pitt (based on the true story of the Oakland A’s general manager who successfully assembled a baseball team on a lean budget by employing data analytics).

In recent years we can see a proliferation of different communities within public administration that deliver performance-oriented analytical

activities and provide research-based evidence to support public policy. Apart from traditional policy analysts and economic advisors that are popular in Anglo-Saxon administrative systems, which have been recently invigorated by the promises of big data analysis, there are at least four other analytical communities in public policy.

The evaluation community is the oldest (starting in mid-1950s) and the most developed. At its core it focuses on assessing the worth and merit of public policies, programs and projects. Over the years, evaluation practice slowly moved from a focus only on accountability on effects towards evidence-based learning about mechanisms of socio-economic change. Evaluators use a very wide spectrum of approaches and methods, from economic modeling to social experiments, ethnographic studies and action-based research with local communities (Shaw et al. 2006; Weiss 1998; Wholey et al. 2010). The community has spread worldwide and across all policy fields, with numerous international, national and even regional associations across the world (e.g., the American Evaluation Association, European Evaluation Society, Asia-Pacific Evaluation Association, Washington Evaluators) and own highly respectable journals (e.g. American Journal of Evaluation, Evaluation, Evaluation and Program Planning).

A second, emerging community is that of analysts dealing with Regulatory Impact Assessments (RIA). These are systemic approaches to critically analyzing the positive and negative effects of both planned and existing regulations as well as their non-regulatory alternatives (OECD 2009). Traditionally this field has been dominated by economists and application of Cost-benefit Analysis, but recently it has extended its toolbox to meet growing attention across governments in developed and developing economies (Adelle et al. 2016; Dunlop et al. 2012; Radaelli and Francesco 2015).

In more recent years there has been an internationally growing phenomenon of behavioral insight teams, inspired by recent findings from the psychology of human decision-making, cognitive science and behavioral economics (Jones et al. 2013; Shafir 2013). These teams of analysts focus on designing public interventions (usually regulations and projects) in line with human bounded rationality. At the stage of policy design, they analyze possible paths of citizen decision-making and its heuristics and biases. They mainly use randomized controlled trials to test the solutions (BIT 2012).

The fourth community is the performance measurement movement. This community has traditionally focused on ongoing monitoring of program inputs, outputs and short-term outcomes (Julnes et al. 2007), but in recent years, due to developments in the field of databases, has moved towards a more sophisticated analysis of program and administrative data targeted at efficiency and effectiveness (Hatry and Davies 2011; Partnership for Public Service 2011).

There are some examples of mutual inspirations between communities—for example, regulatory impact analysts using behavioral insights (Lunn 2014; Lourenco et al. 2016), performance measurement analysts using the same logic models for programs as evaluators, or evaluators exploring promises of big data (Pettersson and Breul 2017) or searching for common ground with the performance movement (Newcomer and Brass 2016). However in principle, the communities conduct their analytical activities in isolation, staying separated by the organizational and functional divisions in governments as well as different languages and approaches. This fragmentation substantially limits insight that analysts are able to contribute on what works and why in public policies.

### 7.3 INDIVIDUAL ANALYTICAL CAPACITY IN PUBLIC ADMINISTRATION—THE CASE OF POLAND

#### 7.3.1 *The Polish Context*

Since the fall of the communism in 1989, the Polish public administration has undergone a substantial modernization that transformed it from a socialist bureaucracy to an objective-driven public service.

This change was driven by two simultaneous forces. The first of these macro processes was the integration with Western political and economic organizations (i.e. the European Union, North Atlantic Treaty Organization, and the Organization for Economic Co-operation and Development). The Polish legal system required substantial changes in order to be in line with the European ‘*Acquis communautaire*’ (Frankowski and Bodnar 2005). This resulted in the ‘Westernization’, specifically the ‘Europeanization’, of the administration itself (Nowak et al. 2016), and the ‘Europeanization’ of national policies, e.g. foreign affairs policy (Jablonski 1997; Kaminska 2007), economic development policy (Grosse 2012), and environmental policy (Braun 2014). The

second macro process was the adoption of New Public Management solutions, e.g. liberalization and privatization (Brandt and Schulten 2007). However, the fundamental reform of the state was not accompanied by the formulation of a clear strategy for the overall administration, either of the executive (center of government) or the civil service (Meyer-Sahling 2009). Moreover it was diminished by numerous institutional deficits, including the dissolution of the rule of law, corruption, and a low level of civic engagement (Hausner 2007). This had an inhibiting effect on the reform of the institutional level of public policies. Although some modern policy tools were implemented (including project orientation, ex-ante assessments, evaluation, and monitoring), their actual value was limited by the petrified structural deficiencies (Hausner 2007; Nowak et al. 2016) As a result, Poland is often seen as one of the lagging countries in the Central and Eastern Europe in terms of administrative capacity (Verheijen 2007).

Nevertheless, a number of actions were undertaken to strengthen the functioning of the Polish public policy system. Implementation of the European Union Cohesion Policy forced that part of the administration involved in it to apply performance-oriented management. Funding from the European Union become available for the whole corpus of the civil service, to improve different aspects of good governance. By the end of 2015 more than €21 million from the Good Governance Operational Programme has been spent to introduce Civil Service Human Resources Management Strategy; to improve the quality of decision-making processes; to build management capacity; to develop customer-orientation and process management systems; and to strengthen the analytical capacity of central government personnel.

Two issues stand out in this analysis of the analytical activities and capabilities of the Polish central administration. First, in contrast with US or UK organizational arrangements, there is no official job title of ‘policy analysts’ within the Polish public administration, nor is there an established community of people thinking of themselves as ‘policy analysts’. We therefore agree with Colebatch (2006b), who noted that researchers and practitioners from outside the Anglo-Saxon tradition find it difficult to distinguish ‘policy analysts’ within their respective government systems.

Second, there has been a very uneven distribution of analytical activities and capacities across government institutions and policy fields. The field of cohesion policy has dynamically developed analytical activities related to strategic planning, monitoring and evaluation of efficiency

and programme effectiveness (Olejniczak 2013). At the same time, the field of regulatory analysis of national policies remains underdeveloped, limited only to legal aspects of the process. Policy scholars in Poland underline that the main reason behind is that elected officials do not value scientific evidence in the decision-making process (Zybala 2014; Dudzińska 2015).

These conditions make Poland an interesting case of an administrative system that has undertaken an effort to identify and develop analytical capacity of their personnel. The Polish case can also provide valuable insight into ways of bringing together different communities within public administration that perform analytical tasks.

### 7.3.2 *Rationale for Undertaking the Study*

In 2012, the Chancellery of the Prime Minister of Poland successfully initialized a reform of regulatory quality, following the standards promoted by the OECD. The “Better Regulation Plan” was adopted, and procedural requirements were introduced to enhance the quality of new legal acts. However on the side of system’ resources, the Chancellery—as a coordination center of the Polish administration—faced two challenges: assessing the analytical potential scattered across different institutions, and addressing potential gaps in analytical capacity of individuals working on government regulatory activities.

The Chancellery of the Prime Minister addressed the challenge by launching an initiative consisting of two projects. The efforts of the Chancellery focused on what Ramesh, Howlett and Saguin (2016) called “individual analytical capacity”. The first was a diagnostic study (Ledzion and Olejniczak 2014) that aimed to: (1) identify a spectrum of analysts within government, (2) understand the institutional context in which they operate, and (3) assess the level of their skills. A spectrum of analysts was established on the basis of the results of a web survey with civil servants employed across all 41 central government agencies. The context of analysts’ work in Polish government was explored with a survey with key analysts (N = 310) and in-depth interviews with members of selected analytical departments within the government (N = 41). Finally, analytical competences were verified with a special test administered to all personnel identified as ‘analysts’.

The diagnostic study was followed by a training program, “Academy of Analysts”, provided by the University of Warsaw for 100 analysts. The



results of the diagnostic study were used to develop the training curriculum and recruit staff for trainings.

In this chapter we report on the results of the diagnostic study we have executed, together with the team of experts, for the Chancellery of the Prime Minister. We focus specifically on the identification of a spectrum of analysts and the context in which they operate. It is the first-ever attempt to analyze this matter in Polish administration, and one of the first studies in post-socialist countries (see also Petak 2006; Belyaeva 2011; Vesely 2013). The method of inquiry and the results provide interesting general lessons for all parties interested in the development of government analytical capacities at the individual personnel level.

### 7.3.3 *Imagining Analysts: A Spectrum of Analytical Behaviors*

The first question for research on individual analytical capacity of government personnel was of a practical nature: **How to identify, within the entire population of public service personnel, those individuals that perform analytical tasks?**

The researchers took a pragmatic approach; they focused on establishing a list of behaviors that are analytical in nature and measured the frequency of those behaviors between personnel of Polish government.

As discussed in the previous section, the responsibilities of analysts are neither homogenous, nor restricted only to quantitative data analysis. Therefore, the lists of analytical behaviors covered a vast spectrum of analytical activities. It was developed based on an overview of the literature on analysts in public government, interviews with selected Polish analysts (dealing with programme evaluation or regulatory impact analysis) and brainstorming sessions with the main stakeholder of the study—The Chancellery of the Prime Minister.

The spectrum of analytical behaviors is presented in Table 7.1, together with the survey items used for its measurement. The spectrum covers five dimensions of analytical activities, with certain assumptions and rationality behind each dimension.

The first dimension simply measures the use of research results coming from a variety of analytical sources. The assumption is that individuals involved in analytical activities will be at least consumers of research evidence. The second dimension is a step up and indicates direct involvement in the production of knowledge. This can have two forms in the Polish government. The first form, most common in the evaluation of

**Table 7.1** Spectrum of analytical behaviours

| <i>Dimension</i>                                 | <i>Survey items</i>   | <i>Response scale and its weight in the index</i>  |
|--|---|--|
| (1) Knowledge utilization                        | Q01. How often at work do you use the results of research, expertise, analyses, diagnoses (e.g. European Commission reports, OECD analyses, CSO data, evaluations of European funds, studies done by national research centers)?  | Never → 0<br>Several times per year → 1<br>Several times per month → 2<br>Several times per week → 3<br>Everyday → 4   |
| (2) Knowledge generation                         | Q02. How often do you participate in the development of methodological requirements for research/analyses/expertise/diagnoses, contracted out to external experts from outside the government administration?<br>Q03. How often do you perform, in whole or in part, research/analyses/expertise/diagnoses using methods of socio-economic research?  | Never → 0<br>Several times per year → 1<br>Several times per month → 2<br>Several times per week → 3<br>Everyday → 4<br>Never → 0<br>Several times per year → 1<br>Several times per month → 2<br>Several times per week → 3<br>Everyday → 4 |
| (3) Use of quantitative methods (basic/advanced) | Q04. How often at work do you use the basic methods of quantitative data analysis (e.g. the analysis of selected statistical parameters, such as average, median or variance; correlation analysis, basic statistical tests or time series analysis, etc.)?<br>Q05. How often at work do you use the advanced methods of quantitative data analysis (e.g. cluster analysis, multiple regression analysis, structural modeling, etc.)? | Never → 0<br>Several times per year → 1<br>Several times per month → 2<br>Several times per week → 3<br>Everyday → 4<br>Never → 0<br>Several times per year → 1<br>Several times per month → 2<br>Several times per week → 3<br>Everyday → 4 |

(continued)

**Table 7.1** (continued)

| <i>Dimension</i>  | <i>Survey items</i>  | <i>Response scale and its weight in the index</i>  |
|---|--|--|
| (4) Involvement in the assessment of public interventions | Q06a. In my work I do by myself, contract out or verify the Impact Assessment (e.g. regulatory test, regulatory impact assessment) | No → 0 Yes → 4<br>No → 0 Yes → 2<br>No → 0 Yes → 2 |
|   | Q06b. In my work I do by myself, contract out or verify evaluation studies   |  |
|   | Q06c. In my work I do by myself, contract out or verify other types of analyses/expertise/diagnoses                                |  |
| (5) Involvement in the design of public interventions     | Q07a. In my work I develop public programs, strategies or framework guidelines for them  | No → 0 Yes → 2<br>No → 0 Yes → 2                   |
|   | Q07b. In my work I develop regulations, legal acts or their draft versions   |  |

*Source* Own elaboration

public interventions, is the development of Terms of Reference (ToR) that provide key research questions and methodological requirements for a study. Once a ToR is published, external research companies and consultancies can compete for the contract to execute the study. The second form is performing the research in-house, which means that the civil servants themselves conduct the analysis.

The third dimension covers analytical skills. The basic assumption is that analysts will have some knowledge of quantitative methods, either basic or advanced. This dimension was crucial in distinguishing analysts from the large population of civil servants who perform legal analyses in Polish government.

The last two dimensions cover involvement in the process of design and evaluation of public policies, either in the form of regulations, programs or strategic guidance. A distinction is made between assessment of public interventions (covering *ex ante*, on-going or *ex post*) and the design of the interventions (programs, legal regulations, and

multi-annual strategies). That distinction follows the reality of the Polish administration where different institutional structures are responsible for design and assessment functions.

The overall assumption is that the civil servants who are involved in professional activities in the five listed areas are more likely to be analysts.

### 7.3.4 *Searching for Analysts: The Definition of an Analyst*

The survey on the spectrum of analytical behaviors was administered in 2014 to all 22,000 full-time employees in 41 Polish ministries and government agencies. 4176 questionnaires were received, for a response rate of 19%. The results of the survey allowed approaching the second question of the inquiry—the delimitation of analysts. Namely: **How to determine who, within the group of over 4000 civil servant respondents, are analysts?** The Chancellery of the Prime Minister needed a clear-cut definition of analysts in order to determine a target population for its forthcoming initiatives oriented on analytical capacity building.

Social science literature recommends indexes as a tool for delimitation of multi-dimensional concepts (Babbie 2013; Spector 1992). Thus, we developed an “Analyst’s Index” as a measure that combines all five dimensions of analytical work, presented in Table 7.1 into one indicator of “analytical tasks’ intensity”.

The index was developed by summing up, for each surveyed individual, the value of his responses to the survey questions (weights of questions are presented in Table 7.1). The methodology of the creation of indexes does not impose rigid rules in the selection of specific weights to responses, although it is recommended to give the same importance to various items that form the index. Accordingly, in the selection of weights, researchers maintained a similar ‘contribution’ of various questions in the index construction. In the case of the first three analyzed aspects, each question has an identical, five-point response scale (from “never” to “everyday”), and therefore in the context of each question it was possible to obtain the value from 0 to 4 (with higher values corresponding to more frequent performance of the analyzed activity). For the latter two dimensions (i.e. “involvement in the assessment of public interventions” and “involvement in the design of public interventions”), the construction of questions was slightly different (it was possible to provide only a positive or negative reply). Firstly, it was decided to allocate four points to those analysts declaring a commitment in the process

of impact assessment creation (regulatory test or regulatory impact assessment). That importance was assigned because the whole objective of the project co-financed by the Chancellery of the Prime Minister was to support improvement of the functioning of the impact assessment system and the process of public policy making in the government administration. Secondly, in order to maintain the relative importance of the rest of the questions when estimating the index value, the positive answer was scored 0 or 2. Questions 6b and 6c were considered together, so that the value of 4 was assigned only if a respondent answered positively to both of them. The same concerns the last two questions (7a and 7b), which make up the dimension of “involvement in the design of public interventions”.

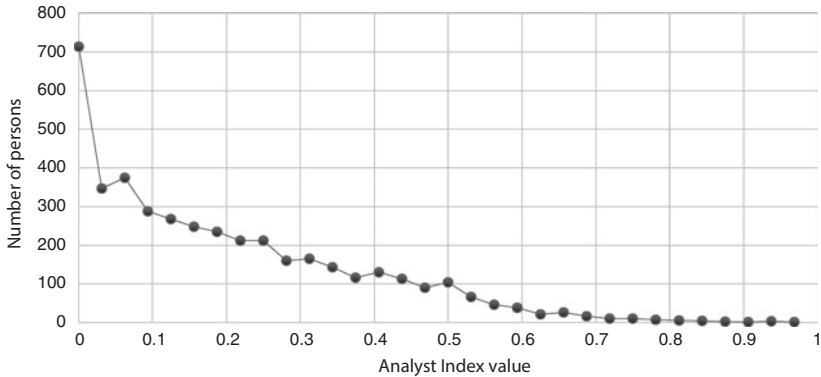
The Analyst’s Index ranges from 0 to 1 (numerical values of the responses were summed and divided by the maximum possible value of 32). Higher index values correspond to greater intensity in the performance of specific, analytical tasks. The distribution of specific index values in the analyzed population of officials is presented in Fig. 7.1.

Low index values are most common in the given sample. It can be concluded that a significant proportion of employees in Polish public administration have little exposure to analytical work. The average index value amounts to 0.197. This corresponds to a relatively low intensity of the performance of various tasks associated with the analyst occupation or a narrow (considering highlighted areas) range of tasks performed. The value of “0.5” was exceeded only by a total of 206 people (less than 5% of the examined population).

The index gave a very informative, general picture of the distribution of individual analytical activities across government. However it did not provide a decisive answer to the pragmatic question: who is in and who is out in terms of being classified as analyst? Thus, the Chancellery of the Prime Minister decided to establish a clear cut-off point by formulating a definition that use questions from the survey:

An analyst is a person:

Who uses at least five times a month the results of research, expertise, analyzes, diagnoses, etc. (for example: reports of the European Commission, OECD analyses, Central Statistical Office of Poland data, reports on European funds evaluation, research conducted by national research centers, think tanks),



**Fig. 7.1** Distribution of analyst's index values in personnel of the Polish central government. *Source* Survey with personnel of Polish government administration (N = 4176)

...AND...

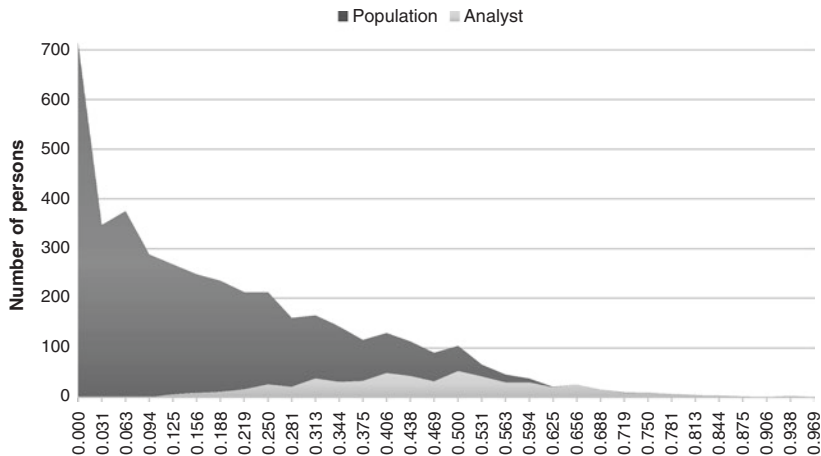
uses at least several times a month the basic quantitative data analysis methods (e.g. analysis of descriptive statistical parameters, such as: average, median or variance; correlation analysis, basic statistical tests, time series analysis, etc.),

...OR...

Who performs at least several times per month, in whole or in part, research/analyses/expertise/diagnoses using methods of socio-economic research.

The definition underlines the importance of the utilization of research results combined with the generation of knowledge (conducting analyses). It also embraces users of quantitative methods and at the same time includes those civil servants who intensively use a broad spectrum of methods of socio-economic research.

The validity of this pragmatic definition was verified by comparing its results with the Analyst's Index. When applying this definition to the survey results, 574 persons of our studied population were selected as analysts. This group includes almost all people (104) who score high on the Analyst's Index (0.625 and more), and the vast majority of people (444) for who have above average Analyst's Index values (0.197). That



**Fig. 7.2** Definition of analyst used as a selection criterion. *Source* Survey with personnel of Polish government administration (N = 4176)

confirms the high accuracy of the adopted criteria of selection. The distribution of the index value in the analysts' group—compared to the whole population—is presented in Fig. 7.2.

Let us now take a closer look at this population and see what kind of people work as analysts in the Polish government. Firstly, they are relatively young (76% are less than 40 years old). Their experience in the public sector is limited—at the time of the study they had been working in government institutions for less than 5 years (2 out of 3 respondents). They are well educated—the vast majority holding M.A degrees (4 out of 5), but some of them had also completed Ph.D. courses (16%).

Almost half of respondents held a degree in economics or related field (finances, accountancy, management). One out of 4 holds a degree in social sciences (sociology, political science). There are also two similar groups of people educated in technical sciences (engineering, architecture, electronics) and law, both accounting for around 15% of the studied population.

As mentioned, there is no formal professional role of 'policy analyst' in the Polish civil service system. Analysts identified in the discussed study usually hold a job title of 'experts', 'senior experts' and 'key experts'. 10% of them are heads of their unit (managing groups of 5–10

people), and only 3% are heads or deputy heads of departments (managing groups of up to 50 people).

Analysts in Polish government do not constitute an established professional group with a visible identity and broad inter-organizational networks. Most of them (68%) only collaborate with the people from their units: only 29% engage in analytical work in collaboration with other departments and have the possibility to exchange ideas or share good practices with individuals outside their primary organizations.

### 7.3.5 *Classifying Analysts: A Typology*

The final task for the inquiry was to develop a classification of analysts based on their detailed characteristics. The question was: **What are the distinctive groups within the identified population of analysts?** Again, there was a pragmatic rationality for this question. The Chancellery of the Prime Minister of Poland needed a typology to map candidates for different levels and profiles of their future human resource development initiatives.

To identify homogenous groups of analyst, the characteristics that were initially used for the Analyst's Index were transformed into dichotomous variables. New variables indicated whether the analyst is taking part in a particular analytical activity or not (independent of frequency). Based on this, it was possible to indicate, for each individual, whether he or she: (1) uses knowledge in work (Y/N), (2) generates knowledge (Y/N), (3) applies basic quantitative data analysis methods (Y/N), (4) applies advanced quantitative data analysis methods (Y/N), (5) designs public interventions (Y/N), and (6) evaluates public interventions (Y/N). A combination of those variables gives a theoretical possibility of occurrence of 64 different ( $2^6$ ) types of analysts. However, in a given population of 574 individuals, only 22 different types of analyst were identified, out of which nine covered almost 90% of the entire population. Thus, researchers focused on those nine dominant groups. It turned out that those nine groups are defined by two dimensions: the degree of analytical activity, and the degree of involvement in the process of public policy design and evaluation (including regulatory impact assessment). As a result, a matrix with nine groups of analysts emerged. Figure 7.3 provides a visualization of the results. The axes of the matrix show the structure of the typology, while shades of the heat map indicate



|                               |      | A  | B  | C   |
|-------------------------------|------|--|--|---|
| Degree of analytical activity | High | Generates knowledge<br>Applies advanced methods of data analysis<br>Uses knowledge<br>3% | Designs public interventions<br>Generates knowledge<br>Applies advanced methods of data analysis<br>Uses knowledge<br>9% | Evaluates public interventions<br>Designs public interventions<br>Generates knowledge<br>Applies advanced methods of data analysis<br>Uses knowledge<br>24% |
|                               | 2    | Generates knowledge<br>Applies basic methods of data analysis<br>Uses knowledge<br>8%    | Designs public interventions<br>Generates knowledge<br>Applies basic methods of data analysis<br>Uses knowledge<br>13%   | Evaluates public interventions<br>Designs public interventions<br>Generates knowledge<br>Applies basic methods of data analysis<br>Uses knowledge<br>22%    |
|                               | Low  | Applies basic methods of data analysis<br>Uses knowledge<br>2%                           | Designs public interventions<br>Applies basic methods of data analysis<br>Uses knowledge<br>3%                           | Evaluates public interventions<br>Designs public interventions<br>Applies basic methods of data analysis<br>Uses knowledge<br>4%                            |
|                               |      | Low  | High   |   |
|                               |      | Degree of involvement in policy design and evaluation                                    |  |   |

**Fig. 7.3** Types of analysts. *Source* Survey with personnel of Polish government administration (N=574)

the distribution of analysts’ types in the analyzed population of 574 administration employees.

The “analytical activity dimension” (vertical axis) is relatively straightforward. It divides analysts into three levels. On level 1 are analysts who use secondary data and existing analytical reports (OECD, EU, other expertise) and are able to perform basic data analysis. That includes, for example, calculation of average, median or variance, correlation analysis, basic statistical tests or time series analysis. This group has been relatively small in the studied population (9%).

On level 2 are those analysts who, apart from activities of the previous level (using existing resources and applying basic methods of data analysis), also generate knowledge in terms of conducting or contracting out and supervising applied socio-economic studies. This group dominated in the studied population (43%).

Finally, at the top, third level are analysts who use existing secondary analytical resources, generate knowledge and at the same time apply in their work such advanced quantitative analysis methods like cluster analysis, multiple regression analysis, and structural modeling. This group is relatively large, accounting for 36% of the studied population.

The second dimension (horizontal axis)—degree of involvement in policy process—provides a more complex picture. Relatively, the largest category includes Type C analysts (around 50% of those studied), Type B analysts amount to approximately 25% of the group, and Type A analysts—to about 13%.

The first group of government analysts (type A) in Poland is to some extent similar to Meltsner's 'pretenders' (limited analytical and limited political skills). They do use scientific evidence and work with data but do not engage in the process of policy design or policy evaluation. They mainly prepare descriptive statistical reviews and meta-analyses of existing research. They work with secondary data sources in already aggregate form and most of them use only basic statistical techniques. Their job could be compared to a landscape painting: they prepare general reports about patterns and trends in the social and economic domains in which their institutions operate. The biggest cohort of these analysts works in the Polish Central Statistical Office, but they are also scattered around all central government agencies. This type of analysts covers 14% of the studied population.

The B group of analysts (25% of the total analysts' cohort) works with data and scientific evidence, but is also engaged in policy formulation and the monitoring of policy implementation. It is interesting to note that most of these analysts work in central sectoral agencies, e.g. the Office of Competition and Consumer Protection, the General Director of National Roads and the Motorways, as well as General Inspectorate of Road Transport. They prepare an evidence basis for sectoral legislative acts (secondary legislation or delegated legislation), but they are not engaged in the formal process of Regulatory Impact Assessment. Some of them do prepare opinions on behalf of their organizations on the process of inter-ministerial consultations of new legal acts to be implemented.

The third type of analysts (Type C) is the most complex and important in terms of their engagement in the policy process. These analysts work with primary data, using basic and advanced statistical tools. They acquire and use knowledge produced outside their own offices (both in terms of purposefully commissioned studies but also research conducted by academics and international agencies). Often, as they informed in interviews, this knowledge is used to inform elected officials about the current state of the wider socio-economic processes. Their role also includes preparing brief ad hoc reports in response to media attention

focused on the policy for which their ministry is responsible. The government personnel included in this group also deal with the preparation of sectoral strategies and position papers issued by the ministries (often those analysts are located in the units whose basic responsibility is to formulate the ministries' strategic documents in the given domain). They do participate in the preparation of primary legislation (in particular through the engagement in the Regulatory Impact Assessment procedures), but they also monitor and evaluate policies (either by tracking social changes via analysis of government data or by commissioning and supervising external research). Too often—as they confess during interviews—their actual role is not to provide evidence to formulate and assess different policy options, but to justify previously taken decisions at the political level. Simultaneously, only 40% of them (as expressed in the survey) feel that their analytical work contributes to better policymaking.

Because their individual capabilities are relatively higher than those of the two previous groups, many of these analysts also act as representatives of their organizations at the inter-organizational level in Poland and within international networks (for example, attending OECD or EU thematic meetings, or working as contact points for international policy networks in their fields). Most of these analysts' work in the 'economic' ministries, e.g. the Ministry of Finance (responsible for state budgeting and fiscal policy), the Ministry of Economy (industrial policy, entrepreneurship policy) and the Ministry of Labor and Social Policy, but they are also present in the Ministry of Healthcare and the Chancellery of the Prime Minister.

Summing up, the matrix shows that the spectrum of analysts' types in public administration also provide a hierarchy in terms of sophistication of their work. The most basic type of analysts are 1A, primarily using secondary analytical sources, applying basic analytical methods and not being involved in policy design and evaluation. The most advanced group is 3C. Those analysts are proficient in methods of analysis, conduct socio-economic research and combine it with high involvement in policy design and implementation.

## 7.4 CONCLUSIONS

### 7.4.1 *Summary of Findings*

Modern governments strive to develop data-driven, evidence-based decision-making in public policies, hoping that research knowledge on “what

works and why” will allow the implementation of more effective public policies. One of the key assets required for this is an adequate individual analytical capacity of civil servants in the government.

This chapter provided an approach to the systematic inquiry of the analytical capacity of individuals in government. The approach offers a practical definition of analysts as a “Person who uses at least five times a month the results of research, expertise, analyzes, diagnoses, etc. AND uses at least several times a month the basic quantitative data analysis methods OR who performs at least several times per month, in whole or in part, research/analyses/expertise/diagnoses using methods of socio-economic research”.

This definition is followed by a two-dimensional typology of public policy analysts. The first dimension covers the degree of analytical activity—from using existing analytical sources and applying basic methods, to generating new knowledge in the form of socio-economic studies, to using knowledge and its generation combined with proficiency in advanced methods of data analysis. The second dimension identifies three types of analysts based on the degree of their involvement in policy design and evaluation processes.

The approach is accompanied by a toolbox—a simple survey instrument and an Analyst’s Index—that allows mapping the spectrum of analytical behaviors across the public administration of a particular country. In the Polish case it provided evidence that not all of the analytical work done in the central government is directly related to the policy process, understood as “identifying and comparing options” (Colebatch 2006b, p. 310). There is a considerable group of government personnel who deal with data analysis, but their work does not contribute either to policy design, implementation or evaluation. Findings also showed that even in a country without an institutionalized system of policy analysis, there is a clearly visible continuum of roles engaged in the process of policy analysis (from A-type analysts according to our typology (‘pretenders’), to C-type analysts (policy professionals engaged simultaneously in various types of analytical roles). These results are in line with the findings of such scholars as Radin (2006). The Polish case also illustrates that government analysts with the highest level of analytic capabilities and the widest scope of analytical tasks are concentrated within ministries that deal with the most resource-consuming policies (healthcare, social policy, including pension systems) and economic policies (entrepreneurship, fiscal and industrial policies).

The approach discussed in the article is evidence-based. It has been grounded in an extensive empirical study of Polish public administration (a survey with 4176 civil servants and interviews with over 300 analysts) and calibrated towards practice with in-depth feedback from public sector practitioners. It has already proved useful in practice. It supported the process of institutionalization of analysts (developing new descriptions of job positions within the central government) and informed the process of analytical capacity building, namely the creation of the “Analyst Academy” for more than 100 government employees in Polish public administration.

This pragmatic approach corresponds well both with practice and with conclusions from the literature that, like Colebatch (2011) point out that in real public administration the functions of analysts often intertwine with advisory, evaluative or implementing tasks. Thus, effective public policy analysts in government often work at the junction of those roles.

#### 7.4.2 *Contribution to Practice*

The approach presented in this chapter could be useful for practitioners in at least three situations. First, it provides a simple survey-based tool for the identification of analysts. Its logic is based on measuring the frequency of the entire spectrum of actual behaviors, not just following formal job descriptions. That makes it more accurate in identifying all personnel performing actual analytical work across government. It also helps embracing different analytical communities that are separated by formal structural or functional arrangements—for example program evaluators and regulatory impact analysis specialists.

Second, the multi-dimensional nature of the developed typology provides a holistic yet detailed view of the characteristics of analysts, both in terms of their actual analytical activities (including development of skills in socio-economic methods), and in terms of their role in policy design and evaluation. The 3x3 matrix provides a good tool for mapping the structure of analytical human resources in a particular administration. This in turn can help develop more holistic professional development programs (e.g. postgraduate courses, in-house training programs) and targeting them precisely on the needs of particular kinds of analysts. This is how the results of the study have been used by the Polish government. This holistic approach corresponds well with recent developments

in literature and practice that indicate a transformation of government analysts into “knowledge brokers” (Olejniczak et al. 2016).

Third, the presented approach can be used as a tool for monitoring the effects of projects targeted at analytical capacity-building within the government. It can be used to measure the initial state of human analytical capacity in a certain administration before implementation of the project (as a baseline), and then to trace the impact of the training projects aimed at strengthening the analytical capacity of the personnel. The assumption is that project effective projects will increase number of analysts in administration with the high Analyst’s Index scores.

### 7.4.3 *Contribution to Theory*

The presented approach also seems promising at the theoretical level by contributing to different strands of academic debates. Firstly, it could inform the vast discourse on the policy process under different governance modes and within different national contexts. Analysts would be then seen as specific actors in hybrid organizational solutions, who engage in various types of interactions with other actors (policymakers, politicians, external consultants, NGOs, think tanks, media), and participate in the network of policy formulation, implementation and assessment.

Secondly, it could enrich the debate on the evidence-based policy-making—or, as some researchers suggest—evidence-informed policy-making (Nutley et al. 2002; Newcomer 2016). Recent studies show the challenges with incorporating external evidence into governmental policy. Scholars now tend to speak more about the need for co-creation or co-constructing knowledge to influence policy (Egmond et al. 2011). The skills and roles of internal policy analysts in this process are of great importance.

Thirdly, this topic could bring valuable insights into growing scholarly debates on policy capacity, which is seen as one of the prerequisites for policy success (Howlett 2015). Analytical capacity, which on the individual level relies on capabilities of policy analysts (Howlett 2009), is one of the most important dimensions of the overall problem-solving capacities of modern states (Lodge and Wegrich 2014).

Finally, the proposed approach opens further possibilities for research. The presented study focuses exclusively on analytical capabilities. Further research could investigate relations between this and two other types of capabilities—managerial and political. Another aspect worth

further exploration is a comparative study on how the typology works in the varied institutional and cultural dimensions of different countries. The typology also provides a starting point for looking at interrelations between levels of policy capacity, namely the links between individual analysts and their place in organizational structures, and the capacities and formal place of their units and departments.

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# Policy Analytical Practice Investigated: Exploring Sectoral Patterns in Use of Policy Analytical Techniques

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## 8.1 INTRODUCTION

In an exceedingly complex policy environment, where uncertainties abound, the availability of sound data is often limited and public pressure is high (Carley 1983; Newman et al. 2013). In such a context, governments require policy workers that have the ability to access and apply different sorts of knowledge and various analytical techniques (Howlett 2011). The policy analytical capacity of individual policy workers situated inside or outside of the public sector is generally considered a prerequisite for policies to be designed and implemented in an efficient and cost-effective way (Wu et al. 2015). Policy analysis is one of the core functional tasks in the policy process (Shore 2010; Howlett et al. 2014). This chapter investigates patterns in the application of policy analytical techniques by government officials. In particular, it examines the deployment of these techniques across different types of policy sectors in three subnational administrations in Belgium.

Even when there is general consensus about the importance of policy analytical capacity, government officials' deployment of policy analytical tools may vary across policy sectors, both in terms of frequency as well as in terms of type. To explain these variations, we examine the role of

three explanatory conditions that were originally identified to account for variance in policy analytical practice at the national level of analysis. We assert that these explanatory factors may also be relevant for the diffusion of policy analytical praxis across different types of policy sectors. More precisely, we investigate the role of social scientists in a particular sector, the degree of government spending per sector, and the receipt of EU subsidies. The perspective applied in this chapter is innovative in the sense that it aims to address sectoral variations in the application of policy analytical techniques in terms of both frequency *and* type. Our analysis draws on recent survey material in Belgium carried out in three different subnational administrations (N = 1037). The federal country of Belgium constitutes an interesting case context in this regard. Consecutive constitutional reforms have resulted in an ever increasing transfer of competencies from the federal (national) level to the three subnational governments under scrutiny here (Pattyn and Brans 2015). This allows us to study sectoral dynamics in a ‘most different systems’ setting within one single country, while at the same time holding other explanatory factors constant.

The chapter is structured as follows. First, we account for variations across policy sectors in the use of policy analytical techniques by drawing on the literature of diffusion of policy evaluation across Europe, which can be considered as a large subset of policy analytical techniques. Secondly, we concisely introduce the research design and present our cases, i.e. three subnational administrations in Belgium. After elaborating on the data collection method, we present our findings. The discussion of the results is structured along the three explanatory conditions under investigation and centers on the needs and gaps in policy analytical capacity building in public administrations at the individual, organizational, and system level.

## 8.2 EXPLAINING VARIATIONS IN THE USE OF POLICY ANALYTICAL TOOLS

Policy analysis is considered one of the core functions in the policy formulation process (Shore 2010; Howlett et al. 2014; Colebatch 2006; Howlett 2009; Colebatch 2011; Valdivieso 2012). It serves as a decision support mechanism for policymakers and is valued as such, particularly in a complex policy environment where uncertainties abound,

the availability of sound data is often limited and public pressure is high (Carley 1983; Newman et al. 2013). Without some form of appraisal activity, it is argued, important policy choices would be based on mere “hunches and guesses” (Walker 2000, p. 11). In order to perform this functional task, policy workers require *policy analytical capacity* (Howlett 2011). This refers to their individual ability to generate relevant data to define the policy problem at hand, on the one hand, and to their skills to systematically compare alternative courses of action, on the other (Meltsner 1976; Radin 2000; Howlett 2014; Hartley and Zhang 2014; Wu et al. 2015). Policy analytical capacity is what Colebatch et al. (2010) see as the problem-focused and decision-making expertise of policy workers, and bears upon their actual professional behavior (Kohoutek et al. 2013). In this chapter, we treat in more detail the capacity of policy workers for implementing analytical tools and techniques. Policy workers today have a large variety of analytical tools and methods at their disposal. Various countries have introduced sets of guidelines for the application of several analytical tools (Nillson et al. 2008; OECD 2002; Brans and Vancoppenolle 2005) aimed at integrating and formalizing them into government practices. This can be seen as an attempt to further professionalize an aspect of policy work which over the years has already gained quite a lot of scholarly attention. Numerous textbooks indeed discuss in detail how to apply these tools. Examples of such policy formulation tools are cost-benefit analysis, scenario analysis, or gaming and decision trees—rooted in classical post-war planning and in modern operations research traditions (Wildavsky 1979; Carley 1983; Weimer and Vining 1991; Bardach 1996; Nagel 1999; Irwin 2003; Bardach 2005; Vining and Boardman 2007). Other examples of analytical tools, such as stakeholder analysis or the Delphi method, are designed to take into account more effectively the interests and knowledge held by stakeholders and other informed opinions (Bryson 2004; Linstone and Turoff 2002; Rayens and Hahn 2000). Most of these analytical tools are also commonly employed by policy evaluators and are referred to in the policy evaluation literature.

Even when there is general consensus about the importance of policy analysis across government, policy workers’ deployment of policy analytical tools may vary across sectors, both in terms of frequency as well as in terms of types of tools. Variations in policy analytical praxis across policy sectors have been identified in research on policy analytical capacity and policy work in Canada (Howlett & Newman, 2010; Howlett

et al. 2014), the Czech Republic (Nekola 2014), Poland (Olejniczak et al. 2015), and across the Belgian regions (Fobé et al. 2017), including in Flanders as regards policy evaluation instruments (Pattyn 2015). These sectoral differences may be “bigger and probably more important than the differences between nations” (Meyer and Stockmann 2007, p. 142). Additionally, when it comes to accounting for this cross-sectoral variation, there is little systematic evidence. Tentative explanations assign differences between policy domains to varying organizational cultures or the effect of different policy issue types (Howlett et al. 2014; Nekola 2014).

In this chapter, we assert that explanatory factors that were originally identified to explain variance at the national level of analysis may also be relevant to understand variation in policy analytical practice across policy sectors. The literature on the diffusion of policy evaluation across European countries provides a useful entry point in this respect. It identifies both internal and external drivers of policy evaluation (Stame 2003; Furubo and Sandahl 2002), such as differing political traditions and cultures, variations in knowledge and training background of government officials, and varying needs and requirements resulting from both the implementation of New Public Management (NPM) reforms and the allocation of EU subsidies and funds. We treat these in more detail in the following paragraphs.

The first factor driving policy analysis is a diffusion of a political culture favoring an engineering or rationalist approach to policymaking. This tradition is reflected in a strong interest in empirical data and statistical information. It is, for example, no coincidence that the pioneering countries in policy evaluation all invested tremendously in the development of strong national statistical institutions (Furubo and Sandahl 2002). A second explanatory factor relates to the knowledge and training background of civil servants. Countries where lawyers once dominated the public sector now increasingly recruit social scientists and public administrationists (Bemelmans-Videc et al. 1994). Furubo and Sandahl (2002, p. 14) hypothesized that “the recruitment of civil servants with a background in social sciences and other disciplines with a strong empirical and experimental tradition will create a more policy evaluation-friendly political and administrative culture”. In other words, because policy evaluation tools are largely based on social science methods, it is assumed that the diffusion of *ex ante* and *ex post* evaluation in countries correlates with the familiarity of their civil servants with the social

sciences. A third explanation of national variation is related to the actual necessity for *ex ante* or *ex post* evaluations. Policy evaluation is assumed to correlate with the degree of political intervention in a particular country. Specifically, the more public money that is spent, the more interest there is for evidence about the efficiency and the effectiveness of public spending. This explanatory factor can of course be linked to the first one. The more a government believes that state intervention is useful to solve societal problems, the more public money will be spent, and the more evidence will be required on how this money is and should be spent (Furubo and Sandahl 2002).

The three domestic or internal factors above are considered as the major reasons for increased policy analytical practice in terms of policy evaluations from the 1960s and 1970s in several European countries. These countries are classified as first wave countries. A second European wave, which took place from the 1980s onwards, instead considers external factors as the main motor of diffusion for analytical praxis.

Scholars distinguish between two major catalysts in this second set of countries. A first driver is the launching of the NPM doctrine, which led in most countries to an increased decentralization of policy implementation through the creation or transformation of implementing agencies for specific policy issues. The creation of autonomous bodies, with some independence from the ministries, had a major impact on the feedback within the government machinery, and on the steering capabilities of ministers. The need for evidence and analysis became a core prerequisite for the proper functioning of NPM-modeled administrations (Brans and Vancoppenolle 2005). A second driver has been the growing emphasis on policy analysis across European countries due to the role of the EU. The implementation of Structural Funds in particular is considered to have served as a major external push for policy analytical practices such as policy evaluations (see for instance: Stame 2008; Schwab 2009; Peterson and Vestman 2007; Pattyn 2015). Monitoring and evaluation mechanisms were put in place to prove that EU grants for human resources and employment, territorial rebalancing, social cohesion and rural development were well-spent (Stame 2003). Similarly, EU policies fueled the diffusion of impact analyses across member states (for an overview, see Nilsson et al. 2008). The number of evaluations conducted in the framework of the EU Structural Funds program has exponentially grown over time. In Flanders, the obligatory evaluation in the framework of the structural funds has also led to a certain spillover to other areas that are



not subjected to the funds program. Pattyn (2015) speculates that trainings and manuals have played an important catalyzing role in this regard. Special evaluation manuals and training modules were developed by the EU, thus fostering the development of an evaluation culture.

### 8.3 THE CASE OF BELGIUM: SECTORAL DYNAMICS WITHIN ONE SINGLE COUNTRY

We draw upon the explanatory factors stipulated above to investigate the cross-sectoral variety in use of policy analytical tools by policy workers. In particular, we examine the role of three explanatory conditions: the degree of government spending, the receipt of subsidies from the European Union, and the presence of social scientists. Although these factors were originally identified to explain variance at the national level of analysis, we assert that they may also be relevant for the diffusion of policy analytical praxis across policy sectors within one country.

The federal country of Belgium provides interesting comparative possibilities in this regard. The nature of Belgium's federalism can be characterized as centrifugal. Consecutive constitutional reforms since the 1970s have resulted in an ever increasing transfer of competences from the federal (national) to the subnational level (Brans et al. 2006). The transfer of policy areas followed two dimensions that reflect the major cleavages that exist within the country. The cultural-linguistic cleavage was expressed through the creation of the 'communities', in charge of education, culture, and other personal matters such as health, social welfare, youth and sports. The 'regions', for their part, have been established to accommodate the different socio-economic interests in the country and are responsible for territorial matters, including competencies in spatial planning, environment, economics and employment, to name the most important ones (Pattyn and Brans 2015).

In this contribution, we turn our attention to three subnational administrations in Belgium as the Flemish region and community have been merged and act as one single entity. Specifically, our analysis covers the Flemish government administration (Flanders), the administration of the Walloon Regional government (Walloon Region), and the administration of the government of the French-speaking community of Belgium (French-speaking Community). These three subnational government entities have followed diverging trajectories of public sector reform. On the basis of Pollitt and Bouckaert's (2011) typology, Brans

et al. (2006, p. 980) have classified Flanders as a “pioneer in administrative reform”, whereas, comparatively, the French-speaking Community and the Walloon Region are late modernizers. Having said this, the different administrations did not escape the international meta-policy reform movement for strengthening professional policymaking (Brans and Aubin 2017). All administrations at some point in the last 20 years implemented to varying degrees structures and procedures to strengthen the evidence base of policies, to institutionalize evaluation, to rethink consultation and co-ordination and to widen the timeframe of their policies (Brans and Vancoppenolle 2005).

This makes Belgium an interesting research setting. Despite a varying pace in institutionalizing analytical praxis, policy analytical tools are assumed to be currently generally diffused within the three subnational administrations. The focus on the subnational level, however, may hide still relevant differences at the sectoral level. The Belgian policy context allows us to study sectoral dynamics in a ‘most different systems’ setting within one single country, while at the same time holding other explanatory factors constant. In this contribution, we examine whether such cross-sectoral differences exist, and how these can be explained.

## 8.4 DATA COLLECTION

We investigate if the use of policy analytical tools across policy sectors in the three selected subnational administrations in Belgium can be explained by the following factors: the degree of public spending, the receipt of EU subsidies, and the presence of social scientists. The perspective applied in this chapter is innovative in the sense that it aims to address sectoral variations in the use of policy analytical instruments in terms of both frequency *and* type. It is, for instance, commonly claimed in the literature that policy evaluations are strongly present in sectors such as education and labor, following programs targeting vulnerable people (Crabbé and Leroy 2008; Furubo and Sandahl 2002). Yet, evidence is wanting as to the different types of analytical instruments that are used in these sectors. Our study tries to address this empirical void. We expect the use of policy analytical tools to vary both in frequency and type. Specifically, we expect (a) *more frequent* use of policy analysis tools in policy areas in which any of the three explanatory factors are present, and (b) *more complex tools* being used in policy sectors in which any of the three factors are present.

We analyze data collected through primary research, i.e. the implementation of three surveys in the aforementioned subnational administrations in Belgium. Policy workers in these administrations filled out the same questionnaire, composed in both French and Dutch and sent out electronically between the end of 2013 and the first half of 2015. Since policy analytical positions are not labelled as such in the Belgian administrations, the survey targeted a broad population of mostly middle-range public servants holding a university degree, i.e. the target population assumed to be involved in policy work and policy analysis on a day-to-day basis.

The survey treated the general nature of policy work and different aspects of the role of policy workers therein. It covered five main themes: (1) The nature of policy work: *what type of tasks and activities are carried out?* (2) Analytical capacity: *which types of analytical tools and knowledge are relied upon?* (3) The policy advisory context: *which actors are turned to for advice, when and why is advice found useful?* (4) General policy capacity: *what are the opportunities for training and how is the organizational context perceived?* and (5) The profile of policy workers: *what are their demographic characteristics as well as their professional backgrounds?* The content of the survey is based on previous survey work in Canada (Dobuzinskis 2007) and is a part of a broader research initiative concerning policy analysis in Belgium (Brans and Aubin 2017) carried out for the International Library of Policy Analysis book series (edited by Geva-May and Howlett).

As shown in Fig. 8.1, the total number of respondents in our sample is 1037, distributed across the three subnational settings. The analysis centers on the use of eight selected policy analytical tools. Following a commonly used classification in the policy tool literature, we distinguish between three types of policy tools: basic tools, formal techniques and advanced tools for analysis (Turnpenny et al. 2015; Nilsson et al. 2008). Yet, we acknowledge that the categorization should not be strictly interpreted. It can be challenging to systematically apply a SWOT analysis, and, especially, to derive policy lessons from it. The same holds true for many other analytical tools, which can be often be applied in various ways, ranging from very basic to very advanced applications.

Simple tools are assumed to be based on qualitative arguments involving interaction and consultation (Nekola 2014). Included in our analysis are brainstorming and SWOT analysis. The next set of policy formulation tools, referred to as formal policy tools (Nilsson et al. 2008), is

| Subnational entity | Flanders | Walloon Region | French-speaking Community |
|--------------------|----------|----------------|---------------------------|
| N=1037             | 396      | 435            | 208                       |

Fig. 8.1 Distribution of respondents. *Source* Authors

considered as technically more complex. They require a distinct set of actions to be followed, and make use of monetized or quantified data to assess policy options. Software can assist the policy worker to apply those tools (such as BOSDA), but input from policy workers is still required for successful implementation. Selected tools are cost-benefit analysis (CBA), stakeholder analysis, and multi-criteria analysis (MCA). A third category of analytical tools takes into account even greater complexity, applying specific computer simulations and models. The advanced tools included in our analysis are decision tree analysis, logic models and gaming simulations.

Before turning to an in-depth analysis of our assumptions regarding the explanatory factors on the use of these policy analytical techniques, we present the overall use of policy analytical tools in Belgium in Fig. 8.2. It should be noted that, from here on, we proceed with self-reported data. We realize that not all policy workers may have the same interpretation of how a certain tool is implemented. Future research will ideally complement the subjective data with an objective verification of the actual tools used.

The figure indicates the share of policy workers that has used or not used the selected policy tools during the past 2 years, as well as the mean total use for a scale consisting of these eight items ( $\alpha = 0.74$ ). Overall mean use is low, totaling 0.73 on a scale from 0 (never used) to 3 (used frequently). Some tools, however, are used more than others. The category 'used' comprises frequent users (*more than once during the past 2 years*) as well as less frequent users (*only once*) of the eight policy analytical techniques. Similarly, the category 'not used' refers to all policy workers who *never* made use of the policy tool during the past 2 years including those who are *not familiar* with these types of tools. The proportion of the latter category is indicated between the brackets. The findings show that qualitative and less complex analytical techniques are used relatively more by policy workers across Belgium's subnational administrations than are complex tools. Our findings are in this respect similar to

| <b>Policy analytical tool</b><br>N=878    | <b>Used</b> | <b>Not used</b><br><br><i>(not familiar with the tool)</i> |       |
|---|-------------|--|-------|
| <b>Simple tools</b>                       |             |  |       |
| Brainstorming                             | 81%         | 19%  | (2%)  |
| SWOT analysis                             | 58%         | 42%  | (11%) |
| <b>Formal tools</b>                       |             |  |       |
| Cost-Benefit analysis                     | 51%         | 49%  | (6%)  |
| Stakeholder analysis                      | 47%         | 53%  | (15%) |
| Multi-criteria analysis                   | 40%         | 60%  | (15%) |
| <b>Advanced tools</b>                     |             |  |       |
| Decision tree analysis                    | 28%         | 72%  | (16%) |
| Logic models                              | 15%         | 85%  | (33%) |
| Gaming simulations                        | 9%          | 91%  | (24%) |
| <b>Overall mean use (scale 0-3 -- SD)</b> |             | <b>.73 (.53)</b>   |       |

**Fig. 8.2** Overall use and non-use of different types of policy analytical tools.  
*Source* Authors

evidence on policy work stemming from large N surveys in Canada and the Czech Republic (Howlett and Wellstead 2011; Nekola 2014).

Simple tools are the most often used. They require policy workers to come together and discuss certain policy options. Brainstorming, specifically, is used by a large share of respondents, and SWOT analysis is also used frequently. Almost 60% of policy workers have applied this tool for analysis during the past 2 years, but more policy workers are less familiar with this tool (11%) than they are with brainstorming (2%). Formal tools of analysis are also used frequently by a large share of policy workers.

About 40–50% of respondents have used one of these tools at least once during the past 2 years. Comparatively, CBA is not only used more often than MCA or Stakeholder Analysis, but it is also known by a larger number of policy workers as a tool for analysis (6% vs. 15% do not know these tools). Third, we find that the overall use of advanced tools is limited to a rather select group of respondents. In all, less than one third of policy workers has made use of these types of tools for analysis during the past 2 years. Of the advanced tools, decision tree analysis is used comparatively more often by policy workers and is much more known by our respondents than logic models or gaming simulations.

As mentioned, national classifications of policy analytical practice do not always accurately represent possible variations at a sectoral level of analysis. The deployment of policy analytical tools has been found to vary across sectors in terms of frequency as well as in terms of types of tools (see for example Howlett et al. 2014; Nekola 2014; Olejniczak et al. 2015). We therefore turn to a more in-depth analysis of the assumptions postulated in this chapter regarding the use of selected tools by policy workers across different types of policy sectors.

## 8.5 EXPLORING CROSS SECTORAL VARIATIONS OF POLICY ANALYTICAL TOOL USE

The Belgian case, comprising data that covers three subnational administrations, allows for an investigation of sectoral dynamics in a ‘most different systems’ setting within one single country while at the same time holding other explanatory factors constant. Our data comprises 19 policy domains overall, related to similar competencies across the three subnational entities:

- The *Flemish entity* includes seven policy sectors: Economics and Science; Spatial Planning; Agriculture; Environment and Energy; Health and Family; Education; and Culture, Sports and Media.
- The *Walloon Region* includes seven policy sectors: Economics; Spatial Planning and Energy; Transport; Public Works and Infrastructures; Agriculture and Environment; Work; and Health.
- The *French-speaking Community* includes five policy sectors: Family; Education; Culture and Media; Heritage; and Sports.

For our analysis, the above mentioned policy sectors are categorized within each subnational administration separately according to (a) the relative level of spending (high, medium or low spending sectors), (b) the receipt of EU funds (sectors that have or have not received EU funds), and (c) the presence of social scientists (high, medium and low presence).

They are then regrouped along these categories across administrative settings. For each explanatory factor, we examine whether cross-sectoral differences exist and ask how these can be explained. Each condition is investigated separately from the other, therefore this chapter does not attempt any causal inferences based on a holistic and integrated model. Rather, we aim to specify the exact nature and strength of variance in policy tool use regarding each of these three conditions. Our discussion of cross-sectoral variations is structured along the two foci of analysis: frequency and type of analytical techniques used.

### 8.5.1 *Does Public Spending Matter?*

We first investigate whether public spending affects cross-sectoral differences in tools' use, in terms of frequency and type of tool. For this, the 19 policy sectors comprising our dataset have been analyzed according to their relative spending levels, as found in budgetary documents relating to the 2013 and 2014 budgets. The policy sectors in each subnational administration have been divided along three categories and have then been regrouped across administrations. Policy sectors are marked by either high, medium or low levels of public spending. Each of these categories of spending levels comprises six policy sectors in total.

In Flanders, spending levels were compared for 2013 (the year our survey was implemented). The average spending level for high public spending sectors lies at 6 billion euros; at 1.2 billion euros for medium public spending sectors; and at 600 million euros for low public spending sectors. For the Walloon Region and the French-speaking Community we used spending levels of 2014 as this relates to the time of implementation of our survey in these regions. The overall absolute spending levels in both subnational entities are lower than in Flanders. For the Walloon Region, the average spending is 1.5 billion euros in high public spending sectors; 680 million euros in medium spending sectors, and 480 million euros in low spending sectors. The French-speaking Community includes only one policy sector marked by a high

| Policy sector spending type |         | Mean tool Use (SD) |
|-----------------------------|---------|--------------------|
| Low                         | N = 383 | .71 (.51)          |
| Medium                      | N = 185 | .67 (.50)          |
| High                        | N = 264 | .81 (.55)          |

*Mean tool use for Likert scale containing 8 policy tools ( $\alpha = .74$ )*

**Fig. 8.3** Comparison of tool use across sectors with different spending levels.  
*Source* Authors

level of spending. It comprises nearly the total budget for that subnational entity (9 billion euros). Medium and low spending policy sectors have an average budget of respectively 560 million and 31 million euros.

It is generally assumed that the more public money is spent, the more interest there will be for evidence about its efficiency and effectiveness (Furubo and Sandahl 2002). In other words, a higher level of public spending is assumed to lead to more policy evaluation, both ex ante and ex post. In addition, we expect complex types of policy tools to be used more frequently than simpler types of tools in sectors marked by a high level of public spending. As to the first assumption, relating to the frequency of use and the policy sectors' spending levels (presented in Fig. 8.3), we find that overall, policy tools are used more frequently in sectors with high public spending levels than in sectors with lower public spending levels. The differences between these types of sectors are significant at the 1% level ( $F = 4.79$ ;  $p = 0.0086$ ). The finding thus confirms the pattern found at the cross-national level: higher spending is linked to a higher need for evidence generated by policy analytical tools.

As to the second part of our assumption, we present in Fig. 8.4 the effect of spending level on the types of tools used by the policy workers in our sample. We include only those types of techniques for which significant differences across spending levels were found. The mean use of techniques by policy workers, as rated on a scale from 0 (never used) to 3 (frequently used), is depicted for each spending group, as is the standard deviation. The results show that the use of one advanced tool is affected: even though logic models are applied by only a very select group of policy workers overall, policy workers in high spending sectors make significantly more frequent use of the tool. It is difficult to



| Policy sector spending |         | Policy Analytical tool Use (mean – SD) |      |               |     |              |     |
|------------------------|---------|--|------|---------------|-----|--------------|-----|
|                        |         | Brainstorming                          |      | SWOT analysis |     | Logic models |     |
| <i>Low</i>             | N = 383 | 1.60                                   | 1.02 | .83           | .85 | .18          | .56 |
| <i>Medium</i>          | N = 185 | 1.48                                   | 1.04 | .81           | .89 | .26          | .67 |
| <i>High</i>            | N = 264 | 1.93***                                | .99  | .98**         | .92 | .34***       | .76 |

Mean scale 0-3 (never used – used frequently); p \*\*< 0.05 ; \*\*\*< 0.01

**Fig. 8.4** Type of tools affected by spending levels. *Source* Authors

explain this observation. We speculate that in sectors marked by higher spending, logic models comprising policy theories are articulated more strongly by policy workers. These sectors are also more subject to media and parliamentary attention than are sectors with lower spending levels.

In contrast to what was expected, we also find that the use of two simple policy analytical tools is affected by the spending level. Brainstorming and SWOT analysis are, like logic models, used more in policy sectors marked by high spending levels. The use of other types of tools, such as CBA or stakeholder analysis, does not seem to be affected by the sector's level of public spending.

### 8.5.2 Do EU Funds Matter?

We examine whether the use of policy analytical techniques by policy workers at the subnational level in Belgium is influenced by the receipt of EU funds. We assume that the policy analytical culture took root in certain policy sectors due to dependence on EU funds and the diffusion of EU manuals and trainings. Subsequently, we expect that policy workers in these sectors will have a higher degree of overall use of analytical techniques, and will use more complex tools for analysis.

To analyze the impact of EU budgetary support, we reorganized the 19 policy sectors in our dataset into two categories according to the information found in relevant budgetary documents. We distinguish between policy sectors for which EU funds are available, and those for which no funds could be identified. In total, 12 policy sectors receive EU funds. The remaining seven policy sectors do not receive EU funds. Our

| Policy sector receiving EU funds |         | Mean tool use (SD) |       |
|----------------------------------|---------|--------------------|-------|
| No                               | N = 300 | .70                | (.52) |
| Yes                              | N = 578 | .75                | (.53) |

*Mean tool use for Likert scale containing 8 policy tools ( $\alpha = .74$ )*

**Fig. 8.5** Comparison of tool use across sectors that receive or do not receive EU funds. *Source* Authors

analysis does not consider the specific level of funding for each sector due to the relatively dispersed nature of the information regarding EU subsidies across different government policy programs and sectors.

In the discussion below, we first elaborate on the effect of EU budgetary support on frequency of tool use, after which we treat in more detail whether there is an impact on the type of tool used. Figure 8.5 presents the overall mean tool use according to whether policy sectors receive or do not receive EU funds. The frequency of use of policy analytical tools by policy workers differs between these two categories. Specifically, policy workers in sectors that receive EU funds make more use of analytical techniques than those policy workers in sectors that do not receive EU funds, but the differences are not significant.

Second, we discuss in more detail the effect that the receipt of EU subsidies has on the type of tools used by policy workers. In this case, the application of one formal policy analytical tool is affected: CBA. Figure 8.6 highlights the average use of CBA on a scale from 0 (never used) to 3 (frequently used). Overall the application of this analytical technique remains relatively limited. However, policy workers in sectors that receive EU funds apply CBA slightly more than policy workers in other sectors. This is because CBA is required for all major investment projects (European Commission 2015) and because the EU offers training on analytical tools.

Additionally, we note that dependence on EU funds has no apparent effect on the use of other types of tools. None of the basic or advanced tools for analysis, nor other formal tools such as MCA and stakeholder analysis, are used more by policy workers in sectors that receive EU funds as compared with those government officials in sectors that do not receive EU funds.

| EU funding |         | Policy analytical tool use (mean – SD) |      |
|------------|---------|--|------|
|            |         | CBA                                    |      |
| <i>No</i>  | N = 300 | .76                                    | .98  |
| <i>Yes</i> | N = 578 | .94***                                 | 1.00 |

Mean scale 0-3 (never used – used frequently); p \*\*\* < 0.01

**Fig. 8.6** EU funding and policy analytical tool use. *Source* Authors

### 8.5.3 Does the Presence of Social Scientists Matter?

In this third section, we investigate whether the use of policy analytical tools is linked to the presence of social scientists in a policy sector. As mentioned before, it is commonly assumed that the diffusion of ex ante and ex post evaluations correlates with the familiarity of a country's civil servants with social sciences, as these tools are largely based on social science methods (Furubo and Sandahl 2002)—except for perhaps CBA, which is more commonly used by economists. To investigate this factor, we looked at the relative number of social scientists. All sectors were divided into three categories within the different subnational administrations. Policy sectors are marked by either a high, medium or low presence of social scientists. A 'high' presence of social scientists lies at 33% in Flanders, at 30% for the Walloon Region and at 19% for the French-speaking Community. A 'medium' level of social scientists taking up policy work lies at 20% for Flanders, 12% for the Walloon Region and 9% for the French-speaking Community. A 'low' presence of social scientists lies at less than 10% for Flanders, and less than 1% for both the Walloon Region and the French-speaking Community. The sectors have been regrouped across administrations according to these categories. The category 'high', 'medium' and 'low' presence of social scientists comprise a total of five, six and eight policy areas respectively.

The outcome of the analysis regarding the overall frequency of policy analytical tools in these different types of sectors is shown in Fig. 8.7. There is no significant difference between the overall use of policy analytical tools and policy sectors with low, medium or high numbers of social scientists.

| Presence of social scientists in a policy sector |         | Mean tool use (SD) |
|--|---------|--------------------|
| Low  | N = 407 | .71 (.52)          |
| Medium   | N = 257 | .74 (.53)          |
| High   | N = 214 | .75 (.53)          |

*Mean tool use for Likert scale containing 8 policy tools ( $\alpha = .74$ )*

**Fig. 8.7** Comparison of tool use across sectors with different numbers of social scientists. *Source* Authors

Figure 8.8 presents significant differences in tool use for this third explanatory factor. We show the mean tool use, on a scale from 0 (never used) to 3 (frequently used) for each group of sectors, as well as the standard deviation, and find that the relative number of social scientists in a policy sector seems to significantly affect the degree of use of four analytical tools: brainstorming, SWOT analysis, CBA and logic models.

More precisely, in policy sectors with high and medium presence of social scientists, the advanced logic models tool is used more frequently. Although this tool is relatively little used overall, in the past two years, logic models have nonetheless been applied more in policy sectors with high levels of social scientists as compared with those with fewer social scientists. Both in Flanders and in Wallonia, trainings in policy analytical and evaluation techniques in social science university programs and post-graduate training for civil servants have increased in recent years. Logic models are a central component in the majority of these trainings. We hypothesize that these trainings now trigger effects in terms of tools used in the public sector.

Additionally, CBA is used more in policy areas with fewer social scientists. One possible explanation for this result is the countering effect of EU funds. As discussed in the previous section, we found that CBA is used more in sectors that receive EU funds. In these sectors (such as environment, energy and agriculture) we also find relatively few social scientists.

Finally, basic analytical techniques such as brainstorming and SWOT analysis are used more frequently in policy sectors that have medium or high numbers of social scientists. Other tools such as stakeholder analysis or MCA do not seem to be affected by the level of social scientists.

| Presence of social scientists |         | Policy analytical tool use (mean – SD) |      |               |     |       |      |              |     |
|-------------------------------|---------|--|------|---------------|-----|-------|------|--------------|-----|
|                               |         | Brainstorming                          |      | SWOT analysis |     | CBA   |      | logic models |     |
| <i>Low</i>                    | N = 407 | 1.56                                   | 1.04 | .80           | .85 | .95   | .99  | .20          | .62 |
| <i>Medium</i>                 | N = 257 | 1.76**                                 | 1.03 | .93*          | .88 | .89   | 1.03 | .26          | .67 |
| <i>High</i>                   | N = 214 | 1.81**<br>*                            | 1.01 | .93*          | .93 | .75** | .96  | .34**        | .74 |

Mean scale 0-3 (never used – used frequently); p \* < 0.10 ; \*\* < 0.05 ; \*\*\* < 0.01

**Fig. 8.8** Comparison of tool use across sectors with different levels of social scientists. *Source* Authors

## 8.6 DISCUSSION

In this chapter we investigated the use of policy analytical tools across different types of policy sectors based on recent survey data covering three subnational administrations in Belgium. We examined the role of three explanatory conditions: the degree of government spending; the dependence on subsidies received from the European Union; and the presence of social scientists in a sector. We did not attempt any causal inferences; rather, our analysis was aimed at specifying the exact nature and strength of variance in policy tool use regarding each of these three conditions. Our findings suggest that only some of the sectoral variations in the frequency of tool use are attributable to the conditions under investigation. More precisely, higher spending levels are linked to a higher need for evidence generated via the application of policy analytical tools. EU subsidies and the presence of social scientists, in turn, do not seem to significantly affect the overall frequency of use of these tools. Thus, we can only partly confirm the assumption made in this chapter that explanatory patterns identified by other researchers at a cross-national level are also important for explaining cross-sectoral variances in policy analytical practice.

This chapter also investigated whether there is any significant variance in terms of the types of tools used in these sectors. This additional perspective constitutes an innovative feature of the chapter. Our findings suggest that the explanatory conditions under examination seem to affect

the use of four analytical tools in particular: brainstorming, SWOT analysis, cost-benefit analysis and logic models. Possible explanations for this include greater public scrutiny of sectors marked by high levels of spending, requirements related to EU funding, and the attention to analytical and evaluation techniques in academic (post)graduate training programs. These findings merit further exploration.

Some additional observations can be made. Firstly, our survey data is based on self-assessment by policy workers regarding the degree to which they use the tools under question. Not all policy workers have the same interpretation of a certain policy analytical tool, however, so these subjective data should ideally be complemented with more objective verifications of the extent to which the analytical tools are actually employed by policy workers. Secondly, the differences and similarities between policy sectors set out above also have important implications for understanding the policy capacity of governments. They allow us to identify several learning points for analytical capacity-building in public administrations at the individual, sectoral and system levels of analysis.

While the ability of policy workers to produce sound analysis to inform policymaking activities ultimately remains an individual skill or trait, this chapter suggests that the degree to which analytical tools are actually put to use can be triggered, managed and fostered at the organizational level. Aside from developing personnel policies in which trained policy analysts are able to perform optimally, governmental organizations need to set up internal processes aimed at establishing a culture in which policy analysis is encouraged. This includes providing on-the-job training opportunities, which other researchers have found to be of particular importance for fostering policy analysis in various policy settings (see for example Howlett et al. 2014; Carson and Wellstead 2015; Jacob et al. 2015; Pattyn 2015; Fobé and Brans 2016). Not all organizations, however, can rely on the same type of resources to hire policy workers, nor do they have the same amount of relevant data and information readily available for analysis—resulting in different patterns of policy tool use, as shown in this chapter. This implies that a one-size-fits-all solution to strengthen policy capacities will no longer suffice. Governments instead should opt for a refined approach to the individual requirements and needs of each organization. Regrettably, recent austerity measures that have curtailed government spending and cut back on both personnel and finances have put a strain on the capacity of governmental organizations

to set up mechanisms to access high quality information and acquire the necessary human resources to analyze this data.

Individual and sectoral practices affect the system level capacity for policy analysis. They affect the degree to which policy problems can be identified and anticipated, impacts can be estimated and effective problem solving can take place. The application of sound policy analysis is especially important in an ever more complex policy environment where policy problems and their solutions are often highly contested and uncertain. In recent decades, policy measures taken at the whole of government to mitigate the effects of this increased complexity have been implemented in various countries (for an overview, see Brans and Vancoppenolle 2005). Successful government-wide reforms to strengthen capacity building are highly dependent upon individual skills and organizational capabilities, and a lack thereof can influence the level of support and trust of society in the government.

Policy workers' skills in conducting policy analytical tasks are key to their organizations' analytical capacity and affected by their managerial capacities, while at the same time impacting on the system level. Future up research should allow for a deeper understanding of the conditions fostering capacity at the individual, organizational and system levels. In-depth case studies could reveal in which circumstances and settings civil servants actually apply certain policy analytical tools, or could reveal the hindrances for tool use and ways to overcome them. At the system level, we could point for instance to the importance of politicization and the dominance of political rationality in policymaking. Individual conditions, including the professional and educational background of policy workers or their age and prior work experience, also require further investigation. In this sense, this chapter only constitutes a first attempt to develop a comprehensive framework via which policy analysis across different types of settings can be explored.

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# Government's Credible Accountability and Strategic Policy Capacity: Evidence from the Asian NICs of Taiwan, South Korea, Malaysia, and Singapore

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## 9.1 INTRODUCTION

How does increasing government accountability to its citizens increase policy capacity? A wave of electoral protests and public demonstrations in Europe and the United States in the aftermath of the Global Financial Crisis (GFC) has seen governments thrown out of office or severely constrained in their policymaking as citizens reject austerity measures to rehabilitate the failing economies. By comparison, Asia and its denizens survived the crisis relatively intact. Although economic-integration meant that several countries suffered shocks similar to their European and American counterparts in the initial onset of the GFC—Taiwan was the worst hit, followed by South Korea, Malaysia, Singapore, and the Philippines—the Asian economies rallied to return their countries back on firm economic footing more quickly and nimbly (Park et al. 2013; Haggard 2013). Analysts and policymakers credit the successful recovery of the Asian economies to their previous experience with the Asian Financial Crisis in 1997–1998<sup>1</sup>; this chapter joins the chorus from a political-economy perspective.

Specifically, we contend that the following dynamic exchange between government and citizens underlie the successful rehabilitation of the Asian economies: the government demonstrates accountability to its

citizens; this spurs citizens' support for the government and cooperation on policies, which directly broaden the government's policy capacity to facilitate economic recovery or success. Government accountability refers to political conduct where the government punishes or accepts punishment of government officials or representatives for weak policy performance; further, the government is responsive to the input or expectations of non-government constituents (Romzek and Dubnick 1987; Wagle 2000; Yap 2003). Thus, government accountability embodies the key elements of answerability to non-government constituencies, and their participation in the monitoring and review of policies. The inclusion of non-government personnel in monitoring and review is directly relevant to the government's credibility: in particular, it provides integrity to the process and ensures that any punishment does not merely represent scapegoating or efforts to placate the disaffected. Importantly, this concept of government credible accountability rests on the government's commitment to specific processes that embody transparency, accountability, and responsiveness that are independent of democratic progress. Citizens refer to resource-owners, such as labor, the middle class, farmers, and investors; citizens' support or cooperation, then, refers to their political or economic backing for the government through elections or resource-investments. The government's policy capacity refers to its ability to make and successfully implement policies; this implies not only a technical capability to make and deliver policies but also a political facility so that stakeholders accept and do not jeopardize the extraction and use of resources towards policy implementation (Daugbjerg and Halpin 2010; Wu et al. 2014; Polidano 2000). Studies show that citizens' support and cooperation undergird policy success, so that the interaction between government and citizens is key to policy capacity (Daugbjerg and Halpin 2010; Polidano 2000; Wagle 2000; DeLeon 1995; Lee and Haque 2006). The dynamic exchange between the government and citizens, then, encapsulates this interaction that increases the government's policy capacity.

Briefly, the argument adopts the strategic interaction approach, which considers that outcomes follow from players' choices to achieve political, social, or economic goals subject to the constraints of each other's preferences and behaviors and the structure of the game (Jackman and Miller 1996; Bates et al. 1998; Mason and Clements 2002; Guo 2007). The strategic interaction treatment, then, predicts outcomes or developments by specifying the preferences, incentives, and choices of interrelating

participants. What are the players' preferences? The government prefers to stay in office; it can achieve this as long as citizens do not challenge or otherwise withdraw support for its office-tenure (Bates 1981; Ames 1987; Mason and Clements 2002; Guo 2007; Yap 2012). To avert citizens' challenge, the government may pursue successful policymaking that satisfies citizens, or implement political and institutional reforms that increase citizens' influence on and, correspondingly, payoffs from policies but compromise the government's policy reach or latitude. Clearly, between these choices, the government prefers to pursue successful policymaking. What do citizens prefer? Citizens prefer reforms because these improve their participation and subsequent influence on policies, which affect their payoffs. However, demanding reforms is costly, i.e., it involves time, effort, and resources; further, citizens' demands are credible when citizens act in concert so that these demands are not easily discounted, which requires successful coordination to avert free-ridership and collective action problems. Consequently, although citizens prefer reforms, the expense of making credible demands means that citizens are willing to lend support to an accountable government, i.e., a government who punishes or accepts punishment of government officials or representatives for weak policy performance and, further, is responsive to the input or expectations of non-government constituents. These preferences and incentives lead to a strategic interaction outcome as follows: the government demonstrates accountability to its citizens; this spurs citizens' support for the government and cooperation on policies, which broaden the government's policy capacity to facilitate economic recovery or success.

To evaluate the argument, we examine citizens' political and economic support for governments' and their policies during the Asian Financial Crisis in Taiwan, Singapore, South Korea, and Malaysia. The countries selected capture a mix of emergent democracies, specifically South Korea and Taiwan, and countries that have been slow to adopt political reforms, specifically Singapore and Malaysia to show that evidence in support of the argument is not confined to democratizing Asian-NICs. Specifically, the evidence shows that, despite the economic crisis, citizens responded with political and economic support where governments were transparent and attentive to citizens' concerns or issues, and willing to consult broadly with private sector representatives on further policy development. However, where the government failed to demonstrate credible accountability or incorporate citizens' feedback and input in policy monitoring or review, citizens withdrew their political

and economic support of the government, which, in turn, compounded political, social or economic problems.

This chapter's documentation of how the government's accountability increases policy capacity makes three contributions to the literature. First, it provides a dynamic framework that explains how government accountability increases policy capacity as an outcome of strategic interaction between government and citizens in Asia. In doing so, it concretizes an exchange between governments and citizens based on clear preferences, incentives, and choices. This departs from prevailing economic-growth explanations of policy capacity in East and Southeast Asia. Second, the chapter chronicles empirical evidence that government accountability—which embodies the key elements of answerability to non-government constituencies and their participation in the monitoring and review of policies—spurs citizens' political or economic support of the government. This reveals an overlooked process that increases government accountability without compromising the government's policy reach or absorbing its resources. Third, relatedly, the evidence also underscores the relevance of citizens' political and economic support to government's policy capacity, particularly its political facility so that citizens accept and do not jeopardize the extraction and use of resources towards policy implementation. This is useful for Asia where the significance of citizens' support has been downplayed, particularly in pre-democratization periods. Viewed from this perspective, governments in Asia interested in political or social stability and economic rehabilitation cannot afford to ignore the feedback and input of their citizens.

In the following, we briefly recapitulate the Asian Financial Crisis to situate the periods examined in Taiwan, South Korea, Singapore, and Malaysia before describing the government's actions and citizens' responses. The chapter concludes with a discussion of the findings.

## 9.2 THE ASIAN FINANCIAL CRISIS

The immediate events that precipitated the Asian Financial Crisis are probably familiar to many. To recap, property prices fell dramatically in Thailand in late 1996, which revealed the pecuniary shortcomings of financial lending companies that had made large investments in the property market (Radelet and Sachs 1998; Berg 1999; Rana and Lim 2000). By the beginning of 1997, the shape of things to come became clear: on February 5, Somprasong Land, a major property developer in Thailand, failed to meet a foreign debt repayment. The Thai government made

repeated assurances to support the financial community and the Thai baht; however, it fell short of actually buying bad debts from finance companies. Speculation rose to a fever-pitch and severely strained the country's foreign reserves and the ability of the Thai government to support the Thai baht at the fixed exchange rate. On July 2, 1997, the Thai government floated the baht.

Similar events occurred in Korea. By the beginning of 1997, Hanbo Steel and Sammi Steel in South Korea had declared bankruptcy while rumors surged regarding the financial weaknesses of other large *chaebols* (South Korean business conglomerates), including Kia Motors, Halla, Koryo, and Yongjin.<sup>2</sup> Kia Motors narrowly avoided bankruptcy by applying for government intervention in June 1997 through the Prevention of Bankruptcy Accord. Nevertheless, the frailties of these large conglomerates were exposed, and the possible ramifications on the survival of small- and medium-sized enterprises, who supported these large enterprises, became all too clear.

There is no question that the vulnerabilities of the Asian economies were exposed prior to the dramatic acceleration in 1997. With each intensifying sign, the international financial community's response was to withdraw capital from countries in the region. This intensely strained the foreign reserves in the region, especially in Indonesia, Malaysia, South Korea, and the Philippines. The extensive capital withdrawals, in turn, triggered a contraction in most of the Asian countries; this contraction undermined investment confidence in the region, which precipitated further capital withdrawals. By 1998, the fallout that many governments in Asia tried to avert was, nevertheless, manifested and felt across Asia.

### 9.3 GOVERNMENT RESPONSES AND CITIZEN SUPPORT IN THE ASIAN NICs FROM 1996 TO 1998

Interestingly, although the ramifications from the Asian Financial Crisis are largely similar—economic contraction and instability, bankruptcies, and rising unemployment—the responses of the governments were diverse. Some of the measures adopted by the governments are well-known, such as South Korea's acceptance of the International Monetary Fund's (IMF) directives and Malaysia's rejection of the same IMF guidelines. Similarly, some of the citizen reactions are also well-documented, such as the labor strikes in South Korea and demonstrations in Malaysia.<sup>3</sup> The protests to the differing governments' stance on the IMF guidelines



suggest that policy alone does not explain citizen reactions. Indeed, the evidence below shows that citizens were responding to government's accountability in policymaking more than to the policies themselves.

To document the citizens' responses to the government's actions, we examine, where appropriate, the demands of protestors and demonstrators, reports in the popular and international presses, editorials, business studies and reports, survey responses, the government's policy statements and reports, the government's budget reports, reports from international agencies such as the World Bank and the Asian Development Bank, and expert evaluations. In general, these sources provide useful authentication of events, government behaviors, and citizen reactions.

We follow the literature to use the following criteria to interpret the information collected on government accountability (Wagle 2000; Schneider and Ingram 1997; DeLeon 1995). Specifically, the government is accountable if the government is answerable and punishes or accepts punishment of government officials or representatives for weak policy performance, and is responsive to the input or expectations of non-government actors. Thus, the criterion of answerability is met when the government specifies agencies or policymakers to fulfill explicitly spelled-out tasks related to the people's concerns or rehabilitating economic conditions; further, it investigates, publicizes, and holds high-ranking officials or agencies accountable for concerns and issues raised by citizens through surveys, protests, or feedback via the bureaucracy/representatives, editorials or similar venues. The criterion of responsiveness to the feedback and input of non-government constituents is met when the government includes experts, semi-experts, and civic or community representatives in policy monitoring or policy review. These criteria are not mutually exclusive, but comprise sufficiently distinct elements to be treated independently. Change in electoral support for the government is used as a proxy of political support while economic support is based on change in domestic investment portfolios or production investments and change in labor strikes, where reported and applicable.

## 9.4 TAIWAN

Consider Taiwan. Signs that the Taiwan economy was not as robust as before were evident in 1995; in fact, the government classified the nation's economy performance in October and November 1995 as

recessionary.<sup>4</sup> The economy appeared to recover at the beginning of 1996; however, the economic downturn that had already hit parts of Asia stymied further rehabilitation. Unemployment, which had averaged 1.5% for a decade, climbed to 1.79% by June 1996; among college graduates, it was reported at 2.5%. For a nation used to a tight labor market, these increases in the unemployment rate were extraordinary and disturbing. By October, unemployment had hit 3.2%, double the average rate and the highest in more than a decade. The Taiwan economy, then, was not in the best of shape.

The Taiwan government's response was manifold.<sup>5</sup> Among the first things it did were to acknowledge and publicize the rising unemployment. Then, to deal with unemployment, the Taiwan government called upon the Directorate-General of Budget, Accounting and Statistics (DGBAS), the Council for Economic Planning and Development, and the Council of Labor Relations to pinpoint the causes, review existing programs, and provide relief to unemployment. By June 1996, the Council for Economic Planning and Development had set up a program to uncover the causes of the higher unemployment rates while the DGBAS completed and publicized results from a survey to put a human face on the unemployment statistics. Among its findings, the survey recorded longer lags between jobs and complaints from local aborigines that foreign laborers were depriving locals of jobs. In response, the Council of Labor Affairs prepared an Unemployment Insurance Act to expand unemployment benefits to cover more unemployed over a longer period of time. Also, in a concession to the rising dissatisfaction with the government's foreign labor policy, the Council recommended changes to reduce the influx of new foreign labor and set up job assistance programs to help the unemployed obtain jobs to relieve the unemployment situation. The Council also implemented a program to grant companies a US\$184 monthly subsidy per hire if they employed laid-off workers for a period of 3 months or more.

To minimize the economic contraction and instability, the Taiwan government significantly increased public works spending, including setting aside US\$5.6 billion for fiscal year 1999 and 2000, and \$12.6 billion to complete a railway between Taipei and Kaoshiung, in classic Keynesian fashion to stimulate the economy (Cabestan 1999). The Taiwan government also created an NT\$283 billion fund (about US\$8.32 billion) to protect Taiwan from precipitous stock market plunges. Furthermore, it stepped up efforts to join the World Trade Organization to improve

market access for Taiwan producers. Although there was a trade-off from this effort—the government had to reorganize tariff and trade structures in the process—these trade-offs were not prominent between 1996 and 1998, did not generate opposition, and even helped to spur industry development in some areas (Board of Foreign Trade Annual Report 1999).<sup>6</sup> The government also reaffirmed its commitment to small- and medium-sized industries by increasing low-interest loans and direct aid. It continued its exercise to transfer state-owned enterprises into private hands. This last move represented a significant awareness of the people's preferences for privatization; survey results showed 45% of respondents preferred privatization versus state-owned enterprise (East Asia Barometer 2001/2002).

Throughout these efforts, the government publicly acknowledged the problems, specified clearly the agencies responsible for tackling them, released ongoing information about investigations and analyses, and consulted widely with academics, labor, business, and industry representatives. Indeed, at the end of 1997, Premier Vincent Siew continued to admonish government agencies to “coordinate and make concerted efforts” to deal with the crisis because it was “not over.”<sup>7</sup> Just as importantly, the government continued deliberate efforts to solicit and incorporate feedback in the development of future policies.

Among the most prominent of these was the all-party National Development Conference in May 1997 (Chao et al. 1997).<sup>8</sup> It included opposition parties, policy analysts, business and labor representatives, and academics entrusted to consider constitutional amendments to clarify the relationship between the president, cabinet, and the legislature, help set budgetary priorities and review procedures, recommend labor, industrial, and environmental standards, and propose economic strategies for future development. The participation of the large number of non-government representatives is noteworthy in its effort to realize feedback, concerns, and interests of representative delegates. It was also a substantial step towards realizing government responsiveness and accountability.

Equally important was that many of recommendations from the conference were implemented through legislation or even constitutional amendments, including one that retrenched the duties of the Taiwan provincial government to streamline administration and eliminate duplication. The government also reviewed the existing administration to cut expenses (Directorate-General of Budget, Accounting and Statistics 2003). These efforts were significant because they addressed

public criticisms of the heavy duplication in government services. The Directorate-General also eliminated special funds to government agencies and reduced the number of non-profit funds from 37 to 29. And in July 1997, the Directorate-General set up an accounting operation task force to monitor budget execution of each government agency to ensure “maximum proficiency in national resource utilization” (Directorate-General of Budget, Accounting and Statistics 2003).

For its credible accountability, the government was rewarded with political and economic support. Politically, the legislative elections of December 1998 saw the Kuomintang (KMT) retain its majority in the legislature with 46.4% of the vote (compared to 46.1% in the December 1995 legislative elections).<sup>9</sup> The significance of these electoral results: it was the first free legislative election since 1992 that the ruling KMT government did not lose popular support from the previous election. Economically, Taiwan’s portfolio investments remained positive at 3.5% for the year, and gross domestic investments increased by 21% in 1997 and 14% in 1998 (Republic of China Yearbook 1997–2000). These injections helped fuel the Taiwan economy so that the nation suffered the least among the Asian countries during the financial crisis.

Some may expect that a democratic or democratizing nation such as Taiwan would see the government embrace accountable and clear, consultative policymaking processes. Yet, the evidence from South Korea shows that governments in democracies may, nevertheless, fail to demonstrate these qualities. When governments fail to demonstrate accountability, citizens withdraw their political and economic support, notwithstanding democratization.

## 9.5 SOUTH KOREA

Quarterly economic reports show that the South Korean economy decelerated in the first quarter of 1996. By mid-year, the news was reporting cutbacks in executive privileges at the large conglomerates, the *chaebols*, including cutbacks in golfing and plans to trim personnel.<sup>10</sup> In the third and fourth quarters, national and international organizations revised growth statistics for the South Korean economy as inventories grew and business struggles became frequent and the trade deficit widened. Notwithstanding, South Korea eked out a 7% growth that belied its economic vulnerabilities.<sup>11</sup>

Even as signs of the downturn began to show, the South Korean government insisted that economic performance would fall within targets and seemed prepared to allow a few non-performing *chaebols* to collapse. Such was the government's confidence that, in December 1996, it pushed through a labor law, opposed by labor and opposition parties, that eased restrictions on employers laying off workers, hiring temporary workers, and replacing striking workers with non-unionized labor. However, signs that the impact of the financial crisis was larger than expected could not be ignored as the number of *chaebols* that announced cash flow and debt-repayment problems rose in 1997.<sup>12</sup> By June 1997, the government was forced to reconsider its former stance of allowing non-performing businesses to collapse. In its place, it enacted a bailout program that granted a temporary 2-month stay from creditors through the Financial Insolvency Prevention Agreement and also delivered special financial assistance to banks with non-performing loans as a result of the rising number of bankruptcies. The government also tried to introduce financial reforms to curtail corruption and cross-debt guarantees that formed the basis of these non-performing loans and liberalized restrictions on foreign direct investment. To ease labor unrest, it also annulled the controversial labor bill passed in December 1996.

However, the government's efforts were unfocused and inconsistent.<sup>13</sup> For example, although the government pledged to ease unemployment and its subsequent unrest, it arrested union leaders for illegal strikes and resisted nullification of the December labor laws. And while the government tried to introduce financial reforms, it also reversed parts of a plan to reorganize and revise the roles of monetary and fiscal authorities that would have eliminated duplication, reformed financial supervision, and boosted confidence. Thus, even as the government announced plans for a new financial supervisory board to take control of the nation's monetary policy, it reneged and left the Bank of Korea in control in July 1997. Then, as if to show that it did not completely backtrack on its plans, the government reassigned the Bank's supervisory role over banks to the new financial supervisory board. The frequent policy tweaking and reversals meant little progress towards actual reform and served to drain confidence further.

At various times, the government policies were negated almost as soon as they were made—conflicts in policies were common as newly-formed government committees failed to coordinate to avoid

redundancy or inconsistencies. In one such example, the Commission for Financial Reform and the Labor Reform Commission openly bickered over sectoral reforms to compound the difficulties of policymaking or stall it completely. Policies that were eventually implemented after such bickering were often inadequate. For instance, both businesses and critics criticized the government's bailout program; the former complained of the short respite within which they had to reorganize and emerge from bankruptcy while the latter pointed to the bailout as evidence of the ongoing collusion between government and business. It seems that few government measures were not undermined by the government's own hesitancy, internal conflicts, news of corruption, resistance to openness or investigation, more bankruptcies, or more labor unrest.

Yet, the greatest problem was the government's inadequacy to consult with the private sector. In particular, the government was slow to move on charges of bureaucratic misuse of power or corruption. This deficiency could not have come at a worse time; a national survey in November 1996 reported that respondents identified corruption as a fundamental and unresolved blight on politics and the economy, with 72.2% of the respondents identifying the National Assembly as being most corrupt, followed closely by senior bureaucrats. It did not help that the highest levels of government, including President Kim Young-sam's cabinet, closest aides, his own son, and himself were implicated in these charges. To illustrate the government's lack of clarity, transparency, and consultation, consider that the president issued a public apology for the extent to which his cabinet and aides were implicated in corruption scandals (specifically, the Hanbo steel conglomerate scandal) in February 1997. However, in May, he rebuffed public calls to disclose details of his campaign funds in the 1992 election.<sup>14</sup> The disjoint between the government's statements and its actions was stark.

Consider, too, the investigation of the corruption case against the president's second son, Kim Hyun-chul. Hearings at the National Assembly, which conducted the investigation, were plagued with mismanagement, indecisions, and irresolution. In fact, the National Assembly had originally voted down a motion to file charges against Kim Hyun-chul. The lack of resolve in the National Assembly did nothing to address the people's concerns of the government's tolerance of corruption in its ranks, its unwillingness to improve clarity and transparency of policy making, or its perceived indifference to the people's

issues. Although Kim Hyun-chul was subsequently sentenced to 3 years in prison for his role in the Hanbo steel conglomerate, the process highlighted the mismanagement in the government.<sup>15</sup>

Cabinet reshuffling to boost the government's credibility further compounded the situation. In general, cabinet reshuffling represented a last ditch effort to rehabilitate the government's image. Unfortunately, during the financial crisis, cabinet reshuffling became almost commonplace as the South Korean government frequently replaced cabinet members tainted by scandals and rumors of involvement with the *chaebols*. More importantly, the personnel changes served to make the policy making process opaque and inaccessible as tasks and people were reassigned. It seems that the turmoil in the South Korean economy was mirrored in politics and the government.

The government did try to broker an interparty accord in April 1997, similar to the National Development Conference in Taiwan. It provided for the three major parties, representatives from the business community, labor, and academia to work together on a pan-national economic consultation council to deal with the ailing economy. However, with the prospective presidential elections in December, the parties seemed more intent on distinguishing themselves from each other than working together; candidates vacillated between accepting and repudiating the IMF-bailout as the most expedient response for the Korean economy and spent much of the campaign trading accusations of wrong doings and illicit political funding from conglomerates. It is small wonder that the interparty accord never got off the ground.<sup>16</sup>

The result of the government's resistance to credible accountability, particularly feedback and input of non-government constituents, was to alienate the people's support. In the December presidential elections, the people ousted the incumbent presidential party for the first time in South Korean election history to vote for long-time opposition candidate, Kim Dae-jung. The people also withdrew economic support; strike activities included a month-long general strike in 1997, unprecedented in scale and longevity, and showed an increase of 51 incidents between 1997 and 1998 and by another 69 incidents between 1998 and 1999. Production investments fell by more than 50% in 1997 and 1998. Stock prices also fell an average of 21.5% in 1997 and 38% in 1998.<sup>17</sup>

Are these reactions attributable to the citizens' dissatisfaction with the IMF loan agreement rather than the government's behaviors? The

evidence suggests not. Specifically, in the initial months of 1998, the South Korean people appeared ready and willing to cooperate with the new president's party; a national poll taken in January 15 reported that 53.8% of the respondents accepted layoffs while 60.8% viewed the IMF rescue package positively at that time. Equally noteworthy was that 68.6% blamed the previous Kim Young-sam administration for the state of the economy.<sup>18</sup> Also, the people followed through with actual support for the government; they answered the new president's call in January 1998 to help the economy by donating personal collections of foreign currency and gold so that, by mid-January, 700 tons were collected. With each ton valued at US\$100 million, these contributions represented significant effort to work with the government.

However, when policymaking became stalemated under the divided government, the people reacted by withdrawing such political and economic cooperation. In particular, the new president faced a legislature dominated by the former president's Grand National Party. Gridlock and political backbiting replaced accountable and transparent policymaking. The government's ineffectual policymaking became glaring when the Organization for Economic Cooperation (OECD) openly criticized the IMF's bailout policies in July 1998 and the IMF itself subsequently admitted that it had mishandled the crisis.<sup>19</sup> To many South Koreans, it suggested that the higher unemployment rates, higher taxes, higher interest rates, and reduced real income endured by many South Koreans could have been averted or minimized. Perhaps as a result, immediately following the OECD's report, a Civic Group for Economic Justice formed to file a class action lawsuit against the National Assembly. The suit sought damages for the "political in-fighting" in the legislature that had paralyzed the economy and also asked the courts to freeze the salaries of the legislators for "not working" and "inaction." The group's stand was so popular that within an hour of a rally in Myeongdong, 700 people had signed up on the lawsuit.<sup>20</sup> These events make clear that the people's withdrawal of political and economic support were aimed at the government for its lack of credible accountability and responsiveness to citizens.

The evidence from Singapore, discussed next, further corroborates that the people are willing to bear economic downturns for accountable and consultative governments.



## 9.6 SINGAPORE

Unlike Taiwan and South Korea, Singapore was well-placed to confront the Asian financial crisis. In 1996, the government had moved to curb property speculation so that it did not suffer from a comparable bubble in real estate.<sup>21</sup> The government also kept pace with developments in the region and presented a conservative budget for 1997 that emphasized caution in light of an economic slowdown in the region in 1996. Thus, even though the economy grew by 7% in 1996, the government projected modest growth for 1997, between 5 and 7%. As a result of these measures, despite the financial crisis, Singapore registered healthy growth of 7.8% in 1997.<sup>22</sup>

Unlike the South Korean government, the Singapore government pointed out that this robust figure belied the extent to which the financial crisis had reverberated onto the country and called for the people to brace themselves for worse in 1998. In fact, when it presented its 1998 budget statement in February 1998, the government emphasized that the financial crisis was not over, that there was still a great deal of economic uncertainty, pledged its diligence to collect and analyze information regarding the breadth and depth of the crisis, and also committed to “keep in close touch with the private sector” regarding economic developments (Annual Budget Statement 1998). In preparation for the downturn, the government increased spending, with a particular focus on development spending, to stimulate the economy. Its willingness to reveal the true state of the economy, identify vulnerabilities, and explain how the government planned to tackle the uncertainties and vulnerabilities kept the people abreast of the country’s economic performance.

The government also commissioned a Committee on Singapore’s Competitiveness (CSC) in May 1997 to review and formulate the economic direction for the country, including a fundamental examination and revision of economic policies and reforms in the specific areas of manufacturing, banking and finance, hub services, domestic business, and manpower. Private sector representatives in labor, business, and academia dominated the CSC and its five sub-committees. In fact, there was an average of only one government representative in each of the 12-member committees.<sup>23</sup>

Even as the CSC was making its review, the government kept to its word and regularly updated the people regarding the state of the economy and evaluated its impact on livelihoods. For instance, the Singapore

parliament gave priority to questions on the financial crisis and its impact on the domestic economy in its sittings. Although the governing People's Action Party dominates the legislature, the members of parliament fielded questions to the government for clarification on help for retrenched and unemployed workers, housing loan repayments, and reemployment. The government also increased the number of outlets for collecting private sector feedback, including launching websites, which provided accessible forums for the people to air grievances, dissatisfaction, or queries to the government and also provided for the government's replies.

Just as importantly, the government followed through on the queries, feedback, and discussions. Thus, when preliminary figures indicated a dramatic slowdown in the economy, the government proposed an off-budget package in June that incorporated the CSC's interim recommendation of a S\$2 billion business cost cutting and economic stimulus package (Off-budget Statement 1998). The move was significant in two ways. First, it authenticated the government's pledge that it would keep abreast of economic developments and share them with the people. As then Finance Minister Richard Hu noted, "we will not wait for GDP to go to negative before we do something."<sup>24</sup> It was clear that the government intended to maintain clarity and transparency. Second, it demonstrated its willingness to consult with and use private-sector feedback on policy developments.

Indeed, the government implemented the CSC's final recommendations in their entirety in November 1998. The effect of the CSC's recommendations, submitted in a 108-page publicized report to the government, was a total stimulus package of S\$12.5 billion, which reduced corporate- and commercial-property tax rebates, levies and land rentals, and charges for telecommunications, electricity and transportation. Of that, \$1.9 billion was expended for infrastructure construction and development to stimulate employment and another \$1 billion spent on reequipping skills of retrenched workers through the Skills Development and Training and Attachment programs.<sup>25</sup> And, Deputy Prime Minister Lee Hsien Loong pledged in a televised interview that the government's next measure would be to spend down its reserves, should the economy worsen.

Such transparency in the government and willingness to consult on policy making were duly noted in domestic and foreign press and policy circles. As one source put it, although the political systems in Taiwan

and Singapore were different, the ruling parties behaved similarly by actively campaigning for voters' support in dealing with the financial crisis (To 1999).<sup>26</sup> Economic evidence confirmed that the government's efforts paid off; Singapore's investment recovery in the aftermath of the 1997–1998 Asian Financial Crisis was the most rapid among the Asian NICs. Its real investment recovered from the  $-7.8\%$  fall in 1998 to  $2.7\%$  in 1999 and to  $14.6\%$  in 2000. In contrast, its larger, more resource-abundant Malaysian neighbor suffered real investment losses of  $-55.2\%$ ,  $-21.8\%$ , and  $-16.7\%$  in 1998, 1999, and 2000, respectively. The next section examines the Malaysian government's efforts to tackle the financial crisis.

## 9.7 MALAYSIA

Malaysia's current account deficit was the focus of much attention in 1996. The IMF had warned that the country, with a current account deficit of  $8\%$  of the country's GDP in 1995 and about  $6\%$  in 1996, meant that the resource-rich nation appeared to have more in common with the Latin American-NICs than the frugal and resource-poor Asian counterparts (Economic Planning Unit 2001a). In particular, this current account deficit, which reflected a capital inflow due to a generous perception of macroeconomic conditions in Asia, fed property and share prices and encouraged an external debt of about  $40\%$  of GDP. Given that Malaysia's previous bout with high external debts—between 1980 and 1982, when its external debt reached a high of  $41\%$  of the nation's GDP—precipitated the country's 1985 recession, the IMF's concern was not groundless (Yap 2003). In December 1996, the government launched a national savings drive to close the gap between investments and savings and ensure that the country did not increase its dependency on foreign borrowing. The Central Bank also announced new lending restrictions for shares and properties to decrease foreign borrowing.

However, these preliminary efforts came up short when reverberations from the Asian Financial Crisis hit Malaysia.<sup>27</sup> The loss in investment confidence led to large sell-offs of the Malaysian ringgit and outflows of capital, resulting in depreciation of the currency and a decrease in stock prices. In three short months, the Malaysian ringgit had lost  $20\%$  of its value against the US dollar and the Kuala Lumpur Stock Exchange's composite index had lost  $40\%$  of its market capitalization. By the end of 1997, the economic slowdown was apparent and

presaged negative growth in 1998; inflation and unemployment were up, the stock market had lost almost 45% of its market capitalization, and the Malaysian ringgit had lost 35% of its value against the US dollar.<sup>28</sup> Malaysia steadfastly refused to turn to the IMF for a bailout, conceivably because the IMF package would come at a price that included, among other things, a renunciation of the government's pro-Malay economic policies (Nesadurai 2000; Aziz 1999). Nevertheless, to stem further problems, the government suspended a total of US\$30 billion in mega projects, the huge multibillion projects that included the US\$5 billion Bakun hydroelectric dam, a new international airport at Kedah state, and the world's longest 2-km building, the Linear City. The Malaysian government also adopted stringent fiscal and monetarist policies consistent with the IMF's prescription; it targeted to reduce the current account deficit, decreased corporate taxes by 2%, and set up a contingency fund to deal with nonperforming loans. After some resistance and hesitation, the government implemented an austerity package recommended by then Deputy Prime Minister Anwar Ibrahim, which included a cut in government spending by an additional 18%, a rise in interest rates to 11%, a limit on the growth of loans down to 15% by the end of 1998, and more stringent guidelines regarding loans for vehicles, commercial, and residential properties (Economic Planning Unit 2001a, 2001b). Measures were also introduced to rationalize financial companies and reclassify nonperforming loans.

Nevertheless, it was clear that the government was resistant and hesitant to address the economy. Indeed, critics charged that the Malaysian government failed to consider private sector concerns and experts' evaluations of the economy to realistically appraise its role in spending.<sup>29</sup> Consequently, the country did not prepare and brace the economy better against the impact of the crisis. Also, public criticisms of nepotism and favoritism started to surface: several of the government's mega projects were Prime Minister Mahathir's pet programs and the delay in raising interest rates benefited the government's political allies and conglomerates linked to the dominant party, the United Malay National Organization (UMNO).

Equally important, in a complete turnaround, the government changed course when the fallout from the long-awaited austerity package began to hit the Malaysian economy. In January, Prime Minister Mahathir convened a National Economic Action Council (NEAC) charged with the task of "arrest[ing] the worsening economic condition

and revitaliz[ing] the economy” (Economic Planning Unit 2001a, 2001b). The NEAC, headed by Daim Zainuddin, Mahathir’s ally of more than 20 years, signaled its willingness to intervene economically, bail out enterprises, and implement fiscal stimulus, all of which reversed the government’s previous stance. By September 1998, the government’s turnabout was complete; it replaced the austerity package with one that provided economic stimulation of RM\$66 billion, introduced capital controls, and bailed-out three prominent and politically connected companies, including one *Konsortium Perkapalan*, a logistics and haulage company in which Mahathir’s eldest son, Mirzan, has a 51% stake. In these policy reversals, the government successfully distributed patronage to protect the Malay corporate elites that had risen the ranks through the affirmative action policies of the dominant UMNO party from the perils of economic adjustment. However, these policy reversals also meant that, unless a quick turnaround in the world economy occurred, the government would lose the opportunity of economic recovery through these patronage disbursements. As things turned out, a quick turnaround did not materialize and the Malaysian economy fell in real per capita terms by  $-9.5\%$  in 1998 (Economic Planning Unit 2001a).<sup>30</sup> Not surprisingly, discontent within UMNO and in the larger electorate rose as businesses continued to fail in a market that showed few signs of recovery. Despite this, the Malaysian government continued on its track of resistance to transparency and consultation; in fact, Mahathir called for a freeze in the party’s chief posts in the upcoming party elections and accused any call for change as a foreign-orchestrated attack on the New Economic Policy.<sup>31</sup> He also moved his confidant, Daim Zainuddin, from head of the NEAC to Finance Minister and fired Anwar Ibrahim from that cabinet post on September 2, 1998. Anwar had repeatedly sought reforms in the political and economic structures and had apparently consolidated enough support to challenge Mahathir for the UMNO leadership. Anwar was subsequently expelled from UMNO following allegations of homosexual activities, charged with corruption and immoral behavior, and convicted and sentenced.

The Malaysian government’s efforts from 1996 to 1998, then, were not the substance of credible accountability or responsiveness to citizens’ feedback and input; instead, observers called the government’s measures confused at best and augmented suspicions of corruption and abuse of power at worst. Investments fell by  $55.2\%$  in 1998 and by a further  $16.9\%$  in 1999 (Economic Planning Unit 2001a, 2001b).<sup>32</sup> Strike

activity also increased, by seven incidents in 1998. This increase is noteworthy in light of the labor quiescence in the country in recent years. Demonstrations also became commonplace following the arrest of former Deputy Prime Minister Anwar Ibrahim.

## 9.8 DISCUSSION: LESSONS FROM THE ASIAN FINANCIAL CRISIS

The prolonged recovery from the GFC for Europe and the United States contrasts with the quick economic rehabilitation in Asia. Governments in the western industrialized nations would not be faulted for envying how well citizens in the Asian economies cooperated with and supported their governments' austerity measures in that difficult period, particularly when comparing their difficulties with getting citizens' support of economic-rehabilitation efforts against, say, the Koreans' response to their President's call for help with donations totaling 700 tons of gold in 1998. What lessons from the Asian Financial Crisis may inform Asia's recovery from the GFC? Building on studies of strategic interaction and findings that citizens' cooperation undergirds successful policies, we consider that increased policy capacity may underlie Asia's successful recovery. In particular, given the government's preference to stay in office, and citizens' preference to avoid costly demands for political reforms, we expect the following outcome: the government demonstrates credible accountability, which spurs citizens' support for the government and cooperation on policies to directly broaden the government's policy capacity to facilitate policy success. Government accountability embodies the key elements of answerability to non-government constituencies, and also includes the participation of these constituencies in the monitoring and review of policies. Importantly, this concept of government credible accountability rests on the government's commitment to specific processes that embody transparency, accountability, and responsiveness that are independent of democratic progress.

To evaluate if the evidence supports our argument, we examine the responses of four Asian economies to the Asian Financial Crisis to assess how the government elicits citizens' support and cooperation. The countries examined comprise a mix of emergent democracies and countries that have been slow to adopt political reforms; this ensures that the findings are independent of democratic developments in the countries.

Our examination affirms that government accountability elicited citizens' political support and economic cooperation that, in turn, broadened the government's policy capacity to drive policy success. The evidence across the four countries during the financial crisis from 1996 to 1998 is consistent: in Taiwan and Singapore, where the governments were clear, transparent, and consultatory, citizens responded by providing further political and economic support. In particular, in both countries, the governments were open and clear about the vulnerabilities of their respective economies, acknowledged problems that had to be resolved, clearly identified the personnel and agencies primarily responsible for dealing with the problems, eliminated duplication, included the private sector in the review, discussion and analysis of the economies and formulation of stabilization measures, and kept the private sector apprised of developments. In response, citizens accepted the economic downturns and were ready to kick in their political and economic support to help their nations through the downturns. Thus, the government's accountability fed a political facility so that stakeholders accepted and did not jeopardize the extraction and use of resources towards policy implementation.

However, in South Korea and Malaysia where the governments resisted clarity, transparency, and consultation, the citizens withdrew their political and economic support for their governments. Thus, in the two countries where the governments appeared confident of their country's economic strengths, failed to examine, investigate or prepare for the possible impact of the financial crisis, resisted measures to address the economic downturn when the crisis became apparent, confounded problems further by creating secondary bureaucracies to deal with the problem, and refused to consult broadly on measures to be adopted, citizens responded with protests, demonstrations, and even lawsuits, against the government for its complacency.

Further, the evidence points out the impediments to government accountability and responsiveness: divided governments, administrative duplication and bureaucratic redundancy, policy conflicts or inconsistencies from a lack of consultation and coordination within and without the administration, and frequent policy changes or even reversals. These processes, which occur to both authoritarian and democratic regimes, fundamentally erode confidence in the government and its policymaking processes.

This study makes three contributions to the literature. First, it provides a dynamic framework that explains how government accountability

increases government policy capacity as an outcome of strategic interaction between government and citizens in Asia. In doing so, it concretizes an exchange between governments and citizens based on clear preferences, incentives, and choices. This departs from prevailing economic-growth explanations of policy capacity in East and Southeast Asia. Second, the chapter chronicles empirical evidence that government accountability—which embodies the key elements of answerability to non-government constituencies and their participation in the monitoring and review of policies—spurs citizens' political or economic support of the government. This reveals an overlooked process that increases government accountability without compromising the government's policy reach or absorbing its resources. Third, relatedly, the evidence also underscores the relevance of citizens' political and economic support to government's policy capacity, particularly its political facility, so that citizens accept and do not jeopardize the extraction and use of resources towards policy implementation. This is useful for Asia where the significance of citizens' support has been downplayed, particularly in pre-democratization periods. Viewed from this perspective, governments in Asia interested in political or social stability and economic rehabilitation cannot afford to ignore the feedback and input of their citizens.

## NOTES

1. See, for instance, accounts in the *New York Times*, January 6, 2011, [http://www.nytimes.com/2011/01/07/world/asia/07seoul.html?\\_r=0](http://www.nytimes.com/2011/01/07/world/asia/07seoul.html?_r=0), last accessed May 6, 2014.
2. See *Chosun Ilbo*, "Economic chief announces financial 'big bang'," March 21, 1997; "Kia avoids bankruptcy under FIPA," July 15, 1997; "New companies outnumber bankruptcies," August 23, 1998; "Half-hearted assistance," August 25, 1997; "Renegotiating the IMF deal?" December 11, 1997; "Easier mergers and acquisitions," December 17, 1997; "Bankruptcies increase as banks tighten loan policy," December 28, 1997; "Record number of businesses go bankrupt," February 27, 1998.
3. Malaysia, in particular, saw clashes between police and demonstrators at rallies of support for the former Deputy Prime Minister Anwar Ibrahim following a fall-out between the deputy PM and Prime Minister Mahathir over policies to deal with the Asian financial crisis and Ibrahim's subsequent incarceration in 1998.
4. See *Free China Journal*, "Economy officially slips into recession territory," December 29, 1995.



5. See *Free China Journal*, "Rise in unemployment rate prompts subsidies proposal," April 19, 1996; "Jobless rise puts focus on foreign labor," June 22, 1996.
6. The liberalization efforts included substantial cuts in customs duties, removal of regional trade restrictions, improvement of indirect trade with China, and encouragement for increased import levels, and relaxing restrictions on indirect investments in China.
7. *China News*, "Siew says Taiwan safe from Asia's fallout," December 15, 1997.
8. For additional discussions of the significance of the National Development Conference, see *Free China Journal*, "National Development Conference," March 1, 1997.
9. See *Taiwan Communique*, "Taiwan's election surprise," December 1998, "Taiwan elects new Legislative Yuan," January 1996; *The Washington Times*, "Taiwan's nationalists remain longest-ruling party," December 16, 1998.
10. See *Financial Times*, "South Korean executives blown off course," July 4, 1996; *New York Times*, "Export growth slows for Asia's tiger economies," August 3, 1996; *Courier Mail*, "Asia's tiger economies fall on hard times," November 2, 1996; *Associated Press*, "Asian economies take their slowdown as wake-up call," November 19, 1996.
11. *Inter Press Service*, "Is Seoul ready to join OECD's elite club?" November 6, 1996.
12. See *Chosun Ilbo*, "Economic chief announces financial 'big bang'" March 21, 1997; "Kia avoids bankruptcy under FIPA," July 15, 1997; "New companies outnumber bankruptcies," August 23, 1998; "Renegotiating the IMF deal?" August 25, 1997; "Renegotiating the IMF deal?" December 11, 1997; "Easier mergers and acquisitions," December 17, 1997; "Bankruptcies increase as banks tighten loan policy," December 28, 1997; "Record number of businesses go bankrupt," February 27, 1998; *Korea Focus* "Chronology of Major Events," 5 (January–February 1998).
13. See *Korea Focus*, "Chronology of Major Events," (January–December 1997); *Barclay's Bank International Financial Outlook*, April 1997; *The Independent*, "Seoul plunges to 10-year low as confidence ebbs," December 13, 1997.
14. See *Korea Focus*, "Chronology of Major Events," January–December 1997; *Financial Times*, "Korean mess," November 28, 1997; *Chosun Ilbo*, "Prosecution requests arrest warrant for ex-DPM," May 7, 1998; *Barclays Bank International Financial Outlook*, July 1997.
15. *Ibid.*
16. *Chosun Ilbo*, "OECD criticizes IMF's Korea's bailout plans," July 26, 1998; "IMF Korea: Memorandum on economic program, 1998," July 28, 1998; "Civic group to file class action against assembly," July 30,

- 1998; *The Straits Times* (Singapore), "We 'badly misgauged' Asian crisis, says IMF," January 20, 1999.
17. Ibid.
  18. *Xinhua News Agency*, "HKE-poll: South Korea to overcome financial crisis within 3 years," January 15, 1998.
  19. See *The Straits Times* (Singapore), "We 'badly misgauged' Asian crisis, says IMF," January 20, 1999.
  20. *Chosun Ilbo*, "Civic group to file class action against assembly," July 20, 1998.
  21. DPM Bg (Ns) Lee Hsien Loong's TV Interview with 'Akhir Kata,' December 18, 1998; *Xinhua News Agency* "Singapore parliament to sit on regional crisis impact," January 13, 1998; *The Straits Times* (Singapore) "Singapore economy to again dominate debate," July 30, 1998.
  22. *Deutsche Presse-Agentur*, "Singapore government says recession unlikely," June 1, 1998.
  23. *Report of the CSC Sub-committee on Domestic Businesses (1998)* (Singapore); *Report of the CSC Subcommittee on Manpower and Productivity (1998)* (Singapore); *Asia Pulse*, "Singapore Committee recommends wage, business cost cuts," November 12, 1998 (Sydney, Australia); Feedback Unit, <http://app.feedback.gov.sg/> (accessed November 19, 2003).
  24. *Deutsche Presse-Agentur*, "Singapore government says recession unlikely," June 1, 1998.
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  26. *Newsweek*, "The leadership gap: why Taiwan and Singapore are weathering the Asian storm better than Hong Kong," October 12, 1998, pp. 29; *Department of Statistics* (Singapore) (2002), <http://www.singstat.gov.sg> (accessed November 19, 2003); see also Economic Planning Unit (2001b).
  27. *Inter Press Service*, "Malaysia: Asian crisis puts brake on rapid-growth strategy," September 9, 1997; *Financial Times*, "Malaysia looks to deliver soft landing," October 13, 1997; *Xinhua News Agency*, "Malaysia unveils surplus budget," October 17, 1997, "Malaysia to launch national resilience campaign," December 23, 1997; *Australian Financial Review*, "Malaysia faces market crunch today over its budget," October 20, 1997.
  28. *Inter Press Service*, "Malaysia: Asian crisis puts brake on rapid-growth strategy," September 9, 1997; *Financial Times*, "Malaysia looks to deliver soft landing," October 13, 1997; *Xinhua News Agency*, "Malaysia unveils surplus budget," October 17, 1997, "Malaysia to launch national

- resilience campaign,” December 23, 1997; *Australian Financial Review*, “Malaysia faces market crunch today over its budget,” October 20, 1997.
29. *Quest Economics Database*, “This week in Asia,” July 20, 1998; *Worldsources*, “Editorial: Malaysia confronts economic taboo,” March 2, 1998; *The New York Times*, “More and more Malaysians question economic policies,” December 4, 1999.
  30. See also *Worldsources*, March 2, 1998; *The New York Times*, “More and more Malaysians question economic policies,” December 4, 1999.
  31. *Businessworld*, “Three signs of profound change in Malaysia,” October 30, 1998; *Quest Economics Database*, “PERC Country risk report,” April 1998; *Xinhua News Agency*, “Roundup: Malaysia’s political stability tested in 1998,” December 23, 1998; *The New York Times*, “More and more Malaysians question economic policies,” December 4, 1999.
  32. See also *The New York Times*, “More and more Malaysians question economic policies,” December 4, 1999; *Free Malaysia Press*, “Do we need controls? Our neighbors record convincing economic recoveries and may even outperform Malaysia,” Jan 11 1999, [http://www.freemalaysia.com/economic/econ\\_compare.htm](http://www.freemalaysia.com/economic/econ_compare.htm) (defunct; accessed Feb 15 2001); *Free Malaysia Press*, “Situation vacant: Investors needed. Investor confidence proves elusive,” 19 Aug 1999, [http://www.freemalaysia.com/economic/situation\\_vacant.htm](http://www.freemalaysia.com/economic/situation_vacant.htm) (defunct; accessed July 19, 2000).

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# Does Political Legitimacy Matter for Policy Capacity?

*Honorata Mazepus*

*All men think justice to be a sort of equality.... But there still remains a question: equality of what? The question is an aporia and calls for political thought.*

(Aristotle in Rosanvallon 2006, p. 61)

## 10.1 INTRODUCTION

Legitimacy is an important quality of political authorities (both individuals and institutions), because it indicates a recognition of the authorities' right to rule. Moreover, this right to rule is typically recognized on normative grounds and therefore constitutes an important resource of power beside coercion and incentives (Beetham 2006, pp. 107–108). If political actors are perceived as appropriate and trustworthy, citizens may voluntarily transfer decision-making power to them. Therefore, no political regime or authority benefits from appearing illegitimate. This is because coercion and simple distribution of rewards is a costly way of making people comply with laws and policies, and because it does not generate diffuse support for a political system or authority (Easton 1965, p. 278). Relying on legitimacy, at least in principle, makes ruling easier and cheaper. The importance of legitimacy extends beyond political systems, regimes and authorities: legitimacy is also a valuable characteristic of policies. Moreover, the legitimacy of political systems and authorities can affect the legitimacy of policies, and vice versa.

Firstly, if institutions are not recognized as (morally) appropriate, the authorities who draw their right to rule from these institutions will most likely not be recognized as appropriate either. Furthermore, if the authorities have low legitimacy, the policies that they implement will not

meet with high social approval (at least initially). Conversely, if policies repetitively do not deliver the desired outcomes, and the process of policymaking is not considered (morally) appropriate, the legitimacy of political authorities and the entire political system will be undermined.

A growing body of literature shows that across societies, legitimacy increases compliance with court rulings, laws, and policies, and raises satisfaction with distribution of outcomes. Hence, political legitimacy seems to be an important component of policy capacity. As a result, research about how to gain legitimacy and what means can be used to increase legitimacy (normative approval) of particular decisions, laws, or authorities should attract interest from both political scientists and policy scholars. Although more research is needed to provide increasingly fine-tuned answers, one factor that seems to consistently contribute to legitimacy (and as a consequence, to compliance) is the fairness of political authorities. Countering the assumption that successful policy has to entail an increased distribution of goods and services to people, evidence suggests that people are not only concerned about their personal gains; on the contrary, they care about a fair process of decision-making, including transparency, stakeholder voice, and opportunity for engagement in policy development. Procedural considerations might outweigh the importance of personally favourable outcomes or, in the realm of public policy, even effective and efficient policy (Wallner 2008). This chapter discusses evidence from social psychology, political science, and policy studies to suggest that increasing legitimacy through procedural fairness might be key to successful policymaking.

## 10.2 LEGITIMACY AND ITS DIMENSIONS

There are multiple definitions of legitimacy. Some scholars follow a Weberian definition (Weber 1978, p. 213) and treat it as a belief (Dahl 1956, p. 46; Fraser 1974; Linz 1988), others see it as a quality of a regime (Merelman 1966, p. 548), as “the compatibility of the results of governmental output with the value patterns of the relevant systems” (Stillman 1974, p. 42), or as “institutional loyalty” (Gibson et al. 2005, pp. 188–189). Philosophers refer to legitimacy as “the complex moral right to impose decisions on others” (Simmons 1999, p. 746). All these understandings of legitimacy suggest that there are at least two main components of the definition: legitimacy is about the recognition of the

right to rule and it is based on an assessment of the moral standards followed by authorities.

The scholarly debate within political science has emphasized the multi-dimensional nature of the concept (Alagappa 1995, pp. 11–30; Beetham 1991; Easton 1975; Friedrich 1963, p. 234; Scharpf 1998; Stillman 1974, p. 39). There is, however, no consensus on how many dimensions the concept of legitimacy has and what these dimensions encompass. For example, Alagappa (1995) names four dimensions (or elements) of legitimacy: shared values and norms, conformity with established rules, proper use of power, and consent of the governed. Booth and Seligson (2009, pp. 547–548) recognize seven dimensions of legitimacy: existence of political community; support for core regime principles; evaluation of regime performance; system support; support for regime institutions; support for local government; and support for political actors. The most concise list of the various dimensions of legitimacy was developed by Scharpf (2003) and Schmidt (2013), who distinguished between input, throughput, and output dimensions. Although this three dimensional approach is not without problems, it might be very useful in the context of policymaking capacity.

The distinction between input, output, and throughput legitimacy (Scharpf 1998, 2003; Schmidt 2013) has its roots in Easton's political system analysis (1957, p. 384).<sup>1</sup> Input legitimacy is concerned with the conditions that a political system provides to link authorities' actions and the 'authentic preferences of citizens' (Scharpf 1997, p. 19). Because of the input, authorities reflect (or ought to reflect) the values, norms, and needs present in society. Throughput legitimacy is concerned with the quality of the governance process (Schmidt 2013, p. 2), and output legitimacy is about the effectiveness of authorities in achieving common goals and solving common problems (Scharpf 2003). In short, input is about governing *by* the people (usually referring to representation through a vote in elections), throughput is about governing *with* the people (Schmidt 2013, p. 3), and output is about governing *for* the people. This classification of dimensions of legitimacy seems suitable not only when thinking about political systems, but also in the context of the legitimacy of public policies. Specifically, the process of policymaking demands knowledge about what is needed and expected (input), it is conducted in a certain way (throughput) and it delivers particular outcomes (output).



Following the logic of these three dimensions of legitimacy, if citizens have a say in who rules over them, how, and why (i.e. to achieve what goals), they might be more willing to grant legitimacy to political authorities and institutions. A large amount of legitimacy encourages citizens to cooperate with authorities and institutions and generate economic, social, and political results. In modern states, the benefits of legitimacy may include citizens' compliance with laws, voting, payment of taxes, participation in solving community problems, military service, and defense of one's country (Beetham 2006; Booth and Seligson 2005, 2009; Levi et al. 2009; Sunshine and Tyler 2003). Therefore, finding a way to increase input and throughput legitimacy might be as important as increasing output legitimacy. The common normative considerations found to influence the attribution of legitimacy to political authorities, policies, and decisions are concerned with procedural and distributive fairness.

### 10.3 WHAT DO PEOPLE CARE ABOUT? THE ROLE OF PROCEDURAL AND DISTRIBUTIVE FAIRNESS

It used to be a widespread notion in political science that people “generally care about ends not means; they judge government by results and are ignorant of or indifferent about the methods by which the results were obtained” (Popkin 1994, p. 99). As summarized by Hibbing and Theiss-Morse (2008, p. 123), “To understand perceptions of legitimacy, it was only necessary to measure the gap between an individual's policy preference and the actual policy output of the government.” That is, if legitimacy is a function of outcomes, then the amount of legitimacy attributed to an authority is equal to the difference between the policy outcome and the policy preference of an individual. If the policy preference is equal to the outcome, then the authority is perceived as completely legitimate. The larger the gap between policy preference and outcome, the lower the perceived legitimacy of the authority. This suggests that scholars and policymakers should focus on one very clear policymaking aspect: providing favourable outcomes to people. However, there is growing evidence that even when controlling for the outcome that individuals receive as an effect of a policy or decision, the fair treatment of citizens by authorities positively influences the authorities' legitimacy (Lind and Tyler 1988; Sunshine and Tyler 2003; Tyler 2000,

2001; Tyler and Folger 1980). Therefore, while providing favourable outcomes is a crucial task of political authorities (Dogan 1992; Lipset 1959, p. 77) input and throughput legitimacy (including normative considerations about the governing process) are also relevant. There are two ways in which fair treatment seems to be linked to legitimacy: fairness of processes (procedural fairness) and fairness of outcomes (distributive fairness) (Van den Bos et al. 1997).

Procedural fairness refers to people's evaluations of procedures used by authorities as fair or unfair, as right or wrong. In line with Leventhal (1980, p. 5), the procedural fairness rule is defined as 'an individual's belief that allocative procedures which satisfy certain criteria are fair and appropriate'. This definition implies that one of the goals of using fair procedures is to make sure that the citizens trust they have received a fair outcome (not necessarily a favourable one).

The body of research on procedural fairness has been growing in the past couple of decades within the field of social psychology (see Tyler 2006). A number of studies show that the legitimacy of laws and of the police increases when people experience fairness of procedures (Sunshine and Tyler, 2003; Tyler 2001; Tyler and Caine 1981). Tyler and Caine (1981, p. 643) show that satisfaction with leaders was also influenced by judgments about fairness of procedures for allocating benefits, regardless of the achieved outcomes.

Fairness of procedures usually refers to the fairness of decision-making processes used by authorities. A fair process is comprised of several specific procedures: providing opportunity to voice people's opinions (voice/public deliberation/participation), considerations of all the relevant information, following established formal rules to guide the decision-making process, maintaining neutrality and consistency of authorities across people and cases (unbiased and impartial decision-making), and treating citizens with dignity and respect (Leventhal 1980; Peter 2009; Thibaut and Walker 1975; Tyler 2000; Tyler and Rasinski 1991; Tyler et al. 1985). The importance of different criteria of procedural fairness varies depending on the issue, dispute, context, and institution under evaluation (Tyler 1988, p. 107).

Elaborating on the principle of giving voice to citizens, the role of deliberation processes has been emphasized in political science discussions of democracy and communication science discussions of information processing by citizens (Ackerman and Fishkin 2004, Bohman 1997; Dryzek 2009; Dryzek 2010; Gutmann and Thompson 2009; Habermas

1996; Manin et al. 1987; Miller 1992a). Deliberation is ‘a process of careful and informed reflection on facts and opinions, generally leading to a judgment on the matter at hand’ (King 2003, p. 25). This process involves citizens in a discussion and provides them with an opportunity to voice their opinions and inquire about the issues that are decided on by the authorities. Such deliberative practices are part of procedural fairness and overlap with the throughput dimension of legitimacy (governing with the people).

A question that is currently less well researched is which specific procedures, under which conditions, lead to higher legitimacy of particular authorities or policies (Van de Walle and Bouckaert 2003). For example, while voice is an important aspect of procedural fairness, it does not seem to have desirable effects in all circumstances. It may be that there are no positive effects of providing people with an opportunity to voice their interests, if they do not see evidence that their voice was included in decision-making (Hibbing and Theiss-Morse 2008, pp. 16–17). Also, not all policy areas might require deliberation and people’s involvement might not always lead to increases in legitimacy (see, for example, the case of technology policy in Abels 2007). Moreover, it is possible that people disagree on what is a fair process (Lind et al. 1990) and on which aspects of participation in decision-making deliberation are important (Krueger et al. 2001). Also, the evidence on the durability of the effect of deliberation and the impact of information and misinformation on citizen political (and policy) preferences is mixed and more studies in this area are needed (Kuklinski et al. 2000; Luskin et al. 2002; Pasek et al. 2015; Schueler and West 2015). Other studies suggest that the effects of procedural fairness differ depending on the presence or absence of the second main factor influencing legitimacy: distributive fairness (Van den Bos et al. 1997; Van den Bos et al. 1998).

Following the principle of distributive fairness, people are expected to “be more willing to give power to legal authorities when they feel that those authorities deliver outcomes fairly to people” (Sunshine and Tyler 2003). Distributive fairness can be seen also as a part of the idea of common good—“the conviction that there is something called the interest of the realm, the public, common, or national interest, the general good and public welfare, or the good of the tribe, of ‘our people’” (Easton 1965, p. 312). According to Easton, political authorities are supposed to promote and contribute to the common good and their failure to do so will diminish the perceived legitimacy of a regime. Distributive fairness

refers to one aspect of the common good, namely the distribution of resources in a manner that helps the society as a whole. Distributive fairness can be based on different principles depending on the information available to the people, the type of group in which the distribution takes place, the particular situation, and the socio-economic status of an individual. The main principles on which distributive fairness can be based are equality, desert (or equity), and need (DeScioli et al. 2014; Miller 1992b).

Distributive fairness is connected to Scharpf's ideas about output legitimacy—governing *for* the people. One of the main goals of government is to achieve some sort of common interest. If the pursuit of the “common purposes and dealing with common problems that are beyond the reach of individuals and families acting on their own” (Scharpf 2003, p. 4) is positively evaluated by citizens, the legitimacy of an institution increases. Hence, if the goods and services are distributed in a way that serves the communal interest (rather than individual interests) and citizens do not experience strong relative deprivation (Gurr 1970), then the government will be appreciated and will enjoy higher legitimacy. Distributive fairness is inherently linked with individuals' perceptions of their situation in comparison to the situation of others belonging to the same community. Reflection on this relative situation might increase legitimacy. This is how distributive fairness (contributing to output legitimacy) could be linked with procedural fairness (contributing to input and throughput legitimacy).

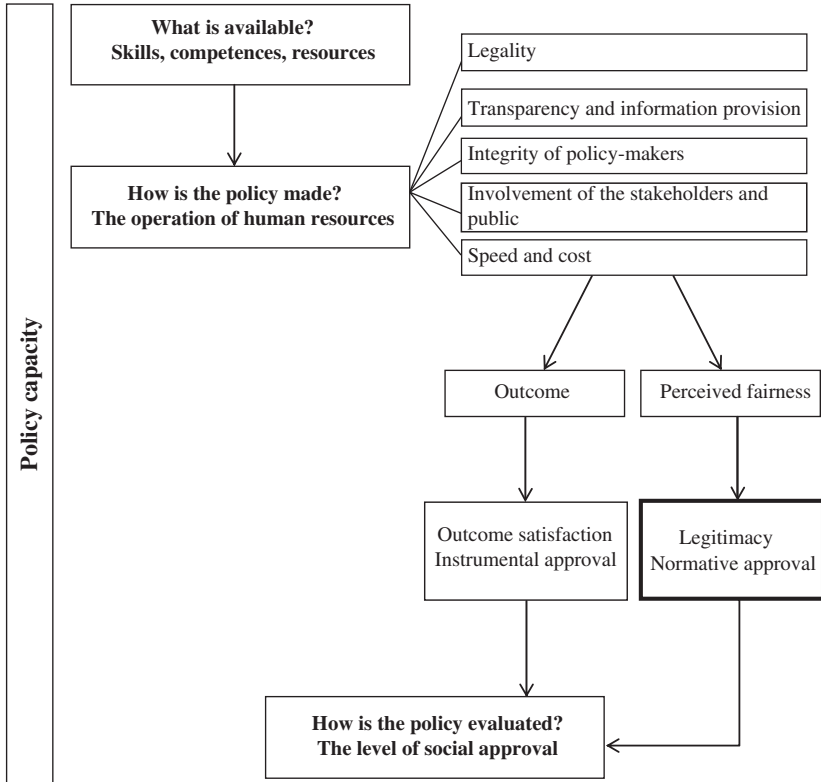
If people are informed about how allocative decisions are taken (transparency and information provision), are able to voice their interests, experience equal treatment (or treatment according to fair rules that apply to everybody), and perceive no unjustified discrimination, they should be more likely to perceive the distribution of outcomes as fair. As in the case of procedural fairness research (Hibbing and Theiss-Morse 2008), social psychological research provides insights into how the perceptions of fair distribution are shaped. Specifically, evolutionary psychology provides evidence of how people think about resource distribution principles and social welfare provision (Bøggild and Petersen 2016; DeScioli et al. 2014; Petersen 2012). Although we know something about the mechanisms of fairness, the link between procedural fairness and distributive fairness is still underexplored. Further research is needed to tell how the two are related and how they interact in the context of particular policies.

## 10.4 POLICY CAPACITY, LEGITIMACY, AND PROCEDURAL FAIRNESS

To recognize the importance of legitimacy for policy capacity, policy capacity has to be understood in broad terms and seen in the context of administrative and state capacity (Howlett 2015, p. 173; Painter and Pierre 2005, p. 2). This means that policy capacity does not concern only the competences and skills of policymaking and the resources needed to execute policies (Peters 1996), but also the way the administrative human resources operate to achieve the policy goals (i.e., administrative capacity) and the approval of these policies by society (i.e., state capacity) (Painter and Pierre 2005, p. 2). The way the human resources operate is limited by the competences, skills, and resources at the administration's disposal. At the same time, the way the human resources operate affects the extent to which the society approves the policies (see Fig. 10.1). The policy formation process can be evaluated in terms of, for example, legality, transparency, cost efficiency, and the involvement of the stakeholders and broader public at the stages of consultation and decision-making. How the policy is made thus influences the shape of the policy (what kind of outcomes are delivered), but also the perception of its fairness, as the public and especially those affected by the policy will formulate the normative judgment about the policy. These normative judgments (the judgments about the procedural and distributive fairness of the policy) will in turn affect the legitimacy of the policy (its normative approval).

Moreover, as Fig. 10.1 shows, the last aspect of policy capacity, the evaluation of the policy, is affected by the level of legitimacy (normative approval) and the satisfaction with the outcome (instrumental approval). Therefore, policy capacity can be increased not only by providing desirable (material) results, but also by using fair procedures. By using fair procedures, policies, just like political actors, are likely to increase in legitimacy. Higher legitimacy, in turn, is likely to lead to better evaluation of and higher compliance with policies.

Apart from research in social psychology and political science, there seems to be growing evidence in the field of policy studies that fairness and fair procedures are relevant specifically for policymaking. One example is a study of very similar education policies implemented in radically different ways—either with the stakeholders' and popular support or without it (Wallner 2008). The policy process that included the stakeholders was more successful in achieving policy goals. Moreover,



**Fig. 10.1** Policy capacity and the role of legitimacy

procedural fairness (participation, transparency, access to relevant information, neutrality) seems crucial to long-term effectiveness of public policies. Other studies on the local/organizational level have shown that the acceptability of decisions that negatively affected people, such as price rises or salary cuts, is higher when people are involved in discussions, are informed, and agree with the reasons for these decisions (see Dolan et al. 2007). Dolan et al. (2007) have begun to illuminate what procedures citizens expect in the context of health care policies. As mentioned above, different policy domains may require different ways of policymaking. For example, the speed of policymaking may be prioritized by citizens in the case of a virus outbreak, whereas long social, expert, and

stakeholder consultations could be prioritized in the case of far-reaching reforms in the education or healthcare sector. The domain, particular issue, scope, importance, and potential impact of a policy under consideration might call for different socially approved and desirable means of policymaking. What in one case could be considered a fair process of arriving at a policy decision may, in another case, be seen as irresponsible behavior of administrators. Therefore more comparative research is needed to understand the relation between different policy domains, the way the policy is made, and perceptions of fairness and legitimacy.

In summary, policy studies would benefit from research on procedural fairness (input and throughput legitimacy) and how it relates to distributive fairness (output legitimacy). Further research might seek systematic empirical evidence on the processes that link specific procedures, legitimacy, and the success of particular policies.

## NOTE

1. Easton also distinguished three elements of political systems: input (demands and support of the governed), processes within a political system, and outputs (policy decisions).

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# Interest Groups and Policy Capacity: Modes of Engagement, Policy Goods and Networks

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## 11.1 INTRODUCTION

Policy capacity has been defined as “the set of skills and resources—or competences and capabilities—necessary to perform policy functions” (Wu et al. 2015, p. 2), as well as the ability of states “to marshal the necessary resources to make intelligent choices about and set strategic directions for the allocation of scarce resources to public ends” (Painter and Pierre 2005, p. 2). Policy capacity is also considered as the “weaving fabric” (Parsons 2004) necessary for the development of coherent policy and essential for policy success. In a similar vein, recent work has highlighted how governance arrangements can enable or constrain the capacity of governments to identify and address key policy problems, leading to policy success or the persistence of policy failures (Howlett et al. 2015).

While the concept of policy capacity usually has been applied at a ‘systematic’ level (such as at the aggregate level of governments or political systems), it can also be used to assess the resources and capabilities of organizations and individuals, and obtain a better understanding of their possible contribution to public policy. As argued by Wu et al., “the capacity of other stakeholders in policymaking is an important aspect of policy capacity” (2015, p. 3). Other work has also noted the possible role of actors and organizations external to the government, such as experts, interest groups, non-profits and research organizations, in

improving policy capacity (e.g. Peters 2015; May et al. 2016). Still, our knowledge of the resources and skills these external actors can contribute has remained rather limited so far.

In this chapter, we focus on the policy capacity of interest groups. More specifically, we explore which types of policy capacities interest groups may develop, as well as how the policy context and the relationships between governments and interest groups shape the generation and value of these capabilities. It is widely acknowledged that interest groups can play key roles in the policy process, in particular if they have generated their own group policy capacity through the possession of a number of ‘policy goods’ in the form of political and analytical skills, and resources and capabilities to assist in policy implementation. These ‘policy goods’ are highly valued by policy-makers. While there has been an increasing understanding of the importance of the state’s policy capacity, less attention has been focussed on how precisely it is *generated* within interest groups, the diversity of ‘policy goods’ they can provide, and organizational and contextual elements explaining variance in the potential of groups to contribute to policymaking. In this regard, Halpin (2014) highlights how the organizational design of a group is inherently connected to its ability to provide particular policy goods, while the value of these resources is also shaped by the demands of government, or by particular stages of the policy process, such as agenda setting, policy formulation or implementation.<sup>1</sup> In other words, groups must make decisions as to how resources are deployed and invested. These decisions are embedded and evident in the organizational designs of groups, and represent sunk costs that are difficult to turn around. Not only do investments of resources create real capacities in certain things, they also foster a reputation for those abilities. Not all groups will likely have the abilities that policy-makers see as useful. Hence, variation in their capacity should be anticipated. Some groups might, for instance, specialize in the provision of policy advocacy, while others might concentrate their efforts on policy implementation or the provision of services, or combine both activities, resulting in the development of different capabilities (Minkoff 2002; Marquez 2016). Indeed, referring back to Wu et al. (2015), we might even claim that groups could vary in their capacity with respect to political, operational and analytical skills. We return to this question later in the chapter.

While we can analyse the policy capacity of individual groups (and thus concentrate on the organizational level), we can also examine policy capacity in the specific policy context and in the context of the specific government-interest group relationship within a policy sector. That is,

with the exception of cases in which interest groups are consulted in an ad hoc way, interaction between government and interest groups tends to proceed through policy networks. These can take various forms, ranging from tight and closed policy communities to loose and open issue networks, thus leading to variation in the type of capacities these networks can provide to policymakers. The former may, for instance, generate high levels of capacity to achieve output legitimacy, resulting in a high ability to form powerful coalitions with state actors but may suffer from low levels of input legitimacy. Issue networks, in contrast, may produce high levels of input legitimacy but be unable to agree on effective policies, rendering them a less powerful and more volatile resource for policymakers (Daugbjerg and Fawcett 2015).

In the first section of this chapter, we briefly review the literature on interest groups and public policy and consider how it relates to recent discussions on policy capacity. Subsequently, we demonstrate how the concept of policy capacity can be applied to interest groups, first at the organizational level and subsequently at the policy sector level. We develop the notion of policy capacity for both dimensions theoretically.

## 11.2 THE INTEREST GROUP AND PUBLIC POLICY NEXUS

It has been an established fact in political science and every-day politics that interest groups play a key role in public policymaking. Therefore, interest groups figure prominently in most public policy theories. However, the role that they perform in policymaking is disputed in the literature. The classical pluralist interest group literature growing out of Truman's (1951) work had a positive view, arguing that interest groups aggregated and articulated the preferences of various groups in society. Unlike later interest group theories, classical pluralism was not concerned about concentration of power in the hands of a few privileged groups. It was argued that the distribution of power in a society would be fairly equal because the interest group system had mechanisms which would ensure that the system would continuously move towards an equilibrium. Overlapping memberships of interest groups, counter mobilization of unorganized groups, counter-balancing by government actors and not least the view that many types of resources count in policymaking would ensure that no single group would dominate policymaking.

Olson's (1965) seminal work questioned this pluralist view, arguing that interest groups are rent seekers mainly concerned about achieving

as many benefits and privileges as possible for their members by utilizing their opportunities for collective action. Interest groups representing well-defined groups with particularistic preferences and major stakes in a policy would more easily and successfully mobilize than broader groups representing more diffuse interests. Olson's work laid the foundation of the public choice school in interest group studies. This school shared with classical pluralism the assumption that the main role of interest groups was to aggregate and articulate the preferences of their members. Saliently for our purposes, Olson's remedy was not the proliferation of more and more groups as pluralists envisaged, but rather the rationalization of the group system into a small number of 'encompassing groups' (Olson 1982). A key feature of such groups was that they incorporated broad sections of society sufficient to incorporate winners and losers. This was assumed to guard against claims that were overly narrow and self-interested.

Neo-corporatist theory challenged this assumption, arguing that interest groups, or rather interest associations, performed roles going far beyond aggregating and articulating preferences (for a good overview, see Williamson 1989 or Streeck and Kenworthy 2005). Their main role in policymaking was to intermedicate between the interests of the members and that of the state. They were seen as integrated in the political system and deeply involved in the policy formulation and implementation process, and capable of disciplining their members to comply with negotiated policy compromises agreed between state officials and leaders of the interest associations. In some situations they even performed regulatory roles on behalf of the state by being delegated authority to implement policy. Corporatists depicted this phenomenon as 'private interest governments'.

More contemporary approaches to interest groups and policymaking might usefully be referred to as neo-pluralist (Lowery and Gray 2004; McFarland 2007). This is a loosely coherent literature, which shares—compared to early 'naïve' pluralism—heightened sensitivity to the likelihood of 'bias' in the mobilization of different types of interests and routinely reports the numerical dominance of business in political arenas and contests. There is also an awareness of the role that variations in resources among groups have on their potential to gain access to government and ultimately to shape policy outcomes. The notion that groups themselves hold or develop certain organizational capacities has been explored in a limited manner (Bouwen 2004; Hall and Deardorf 2006; Maloney et al. 1994). More recently, this has started to be discussed

explicitly and forms an emerging thread in group scholarship (see Braun 2012; Daugbjerg and Halpin 2010; Fraussen 2014; Halpin 2014; Halpin and Daugbjerg 2008; Young 2010).

This is the interest group literature's take. Interest-focussed policy theories (the punctuated equilibrium model, the advocacy coalition framework, policy network analysis and research on policy regimes and advisory systems) have adopted a more nuanced (perhaps neo-pluralist) view on the role of interest groups in public policy, but still consider them key actors in various stages of the policy process. For instance, in these theories, there is agreement that the capacities that interest groups bring into the policy process relate to analytical, operational and political resources enabling them to make substantial contributions to policy processes (see for instance Coleman 1985; Culpepper 2003).

### 11.3 MODES OF ENGAGEMENT AND POLICY GOODS

While in the public policy literature 'policy capacity' is often applied to states, we suggest that this concept also provides a productive way to capture the potential and diverse ways in which groups can engage in policy work. As it happens, this usage of the concept of 'policy capacity' is embedded in much interest group literature. In what follows, we clarify how this concept can be related to different modes of policy engagement, and develop a typology of distinct policy goods that interest groups can contribute to policy processes.

#### *11.3.1 Different Modes of Policy Engagement: Policy Advocates Versus Participants?*

As regards mode of policy engagement, many scholars have distinguished so-called insider from outsider strategies (Grant 1970; Kollman 1998; Maloney et al. 1994; Binderkrantz 2005). Whereas the first highlights more discrete and direct interaction with policymakers, the latter is more focused on highly visible efforts to shape policy through mobilization of mass support or influencing public opinion. Citizen groups initially are more strongly associated with the latter strategy, as they often lack direct or privileged access, and excel in mobilizing their members for campaigns or protest activities. Business groups, in contrast, are assumed to have close ties to policymakers, and do not have to resort to public activities to capture their attention. Obviously, the combination of both



strategies is not that unusual, with many groups combining, for instance, public demonstrations and informal meetings with government officials. Much recent work on these matters has indicated that most groups use a combination of inside and outside strategies, or vary their activities depending on the characteristics of the issue at hand. Hence, while the relative prioritization of insider or outsider strategies might differ across groups, the associated tactics are often part of the action repertoire of different group types. Most striking in this regard is the increasing use of grassroots mobilization by a traditional and resourceful insider, namely business groups (Walker and Rea 2014).

Grant Jordan's review of the term 'lobbying' for the British audience is also relevant here. He proposes that group engagement in policy ought to be understood as a repertoire composed of a number of "means of policy modification" (Jordan 2009). The most usual 'means' is what he calls the 'insider mode', where routine information exchange and 'win-win' consensus-seeking consultations are the means of policy change or stasis (Jordan 2009, p. 371; see also Grant 2001). There are other modes, of course, which resonate with the notion of outside strategies. For instance, a group might engage in media-based reframing of a policy issue. Or, a group might mobilize protest or engage in disruptive actions. These 'means' may be relevant for the (relatively) few issues that 'escape' the usual method of processing issues or as tactical complements to insider politics.

In a similar fashion, Coleman (1985, p. 413) makes the point that groups engaging as 'participants' with government in formulating or implementing policy face different 'organizational and strategic pressures' than those engaging as 'advocates'. Put another way, it might be said that groups who engage in an inside track—regardless of degree of closeness—require different capacities than those who simply push an interest 'from the outside'. Moreover, Coleman argues that these two roles place tensions on groups: one pulling groups to respond to members' demands for the exercise of policy pressure, the other suggesting groups to focus on the current government agenda, show restraint and discipline members.

Considering the diverse and evolving strategies that groups apply nowadays, it seems that the crisp distinction in modes of engagement—participant and advocate—might no longer resonate with most group experiences. Nevertheless, it does indicate that valuable group capacities only really emerge when one conceives of group engagement as more

than brute pressure. Advocacy involves more than influencing voting decisions in parliament; it involves a broad spectrum of activities such as developing positions internally, collecting relevant and up-to-date information regarding these issues, ensuring member support for these policy claims, and selecting viable strategies for pressure. By contrast, a stronger emphasis on the participation mode involves other capacities, such as administrative oversight of the implementation of policy, supervising others who implement, dealing with appeals and sanctioning offenders (see Coleman 1985, pp. 418–419).

Considering the increasingly diverse action repertoire employed by groups, and the fact that pure lobbying (or face-to-face interaction) represents only a narrow sliver of the total advocacy activities that groups deploy, Halpin (2014) has called for a re-orientation from issue-based ‘policy wins’ to closer attention to ‘policy work’, and the diverse range of capabilities that groups can develop. In the next section of this chapter, we examine these different policy goods in greater detail.

### 11.3.2 *From Policy Capacity to Policy Goods*

This discussion of lobbying underlines the mixed bag of capabilities groups utilize as part of a basic commitment to ‘policy work’. If one accepts that the group contribution to policy work is to provide different ‘goods’ to policymakers, then a curious mind might cogitate over (a) how such goods are provided, and (b) whether there are variations among groups as to their ability to deliver them. Beth Leech addresses these two points in an indirect way through a discussion of the normative objections to her account of insider politics. She argues that the capabilities groups might possess include “providing information, mobilizing publics, attracting media attention” (Leech 2011, p. 550). It might also be extended to things like policy preparation, implementation and even member coordination. She remarks, “The trouble arises if some types of interest groups and some types of interests are better able to take advantage of this *ability* to subsidize than others. If, for example, what money buys is the *ability* to mobilize constituencies and the *ability* to provide information to government officials and poorer groups and poorer interests are shut out of this process, then a democratic problem remains” (2011, pp. 550–551, italics added).

So what makes a group policy-relevant, or capable? In the abstract, and consistent with the insider mode introduced by Grant Jordan above,

we might conceptualize this as an exchange whereby governments provide access and the prospect of influence over outcomes, in return for group capacities. What are these things that groups provide? Truman's (1951) distinction between political knowledge (awareness as of who wants what and the political consequences of policy alternatives) and technical knowledge (about the content of policy issue), with the latter being most valuable where policymakers have information deficits, has inspired much other research on the interaction between interest groups and policymakers. Bouwen, for instance, provided a similar list of 'resources' but refers to them as 'access goods', which he defines as "specific kinds of information" that groups use "in order to gain access" to the policy processes (2004, p. 370). He identifies two broad types of goods: expert knowledge and encompassing interests. The former relates to 'expertise and know-how' required to understand the sector or the issue on which a group is engaged. The latter refers to the provision of information with respect to the 'needs and interests' of its membership (or of the sector or constituency advocated for). As we will clarify below, like other capabilities, the demand for these different types of information is likely to vary across different stages of the policy cycle and across different political venues.

Yet policy goods go beyond the provision of particular information or expertise. Maloney et al., for instance, list the following 'resources' that groups might exchange with policymakers for access: "knowledge, technical advice or expertise, membership compliance or consent, credibility, information, implementation guarantees" (1994, p. 36). Considering the resources of social movements, Edwards and McCarthy, building upon a typology developed by Cress and Snow (1996), distinguish moral resources (e.g. legitimacy), cultural, socio-organizational (such as infrastructure and social networks), human (labor, expertise, leadership) and material (financial) resources. In both accounts, the implications of more resources—more capacity—are highly positive, relating respectively to 'privileged' access or a greater potential for successful collective action. This is a strong echo of Leech's account, cited above, that we seek to elaborate here.

How can we relate this discussion of valuable 'resources' to the recently developed framework on policy capacity? Whereas policy capacity can relate to a wide and diverse range of capabilities, Wu et al. argue that many of these capabilities can be captured via three dimensions, or types of skills and competences, namely operational, analytical

and political. Whereas ‘analytical skills’ ensure that policy is technically sound, ‘operational’ capabilities are considered necessary for effective policy implementation, and finally ‘political’ capacities are imperative for both obtaining and sustaining political support for policy actions.

The list of valuable resources listed in the interest group literature may seem endless. Yet, if we review this literature and try to identify a core of often included and clearly distinctive ‘policy goods’, a more limited set of key capabilities seems to emerge as depicted in Table 11.1: societal legitimacy; expert knowledge; the capacity to assist in the implementation of public policy; the capacity to provide services; the ability to mobilize a constituency and the potential to discipline members. While some of these capabilities combine different skills (such as assistance in policy implementation, which in addition to operational competences also requires analytical skills), for reasons of parsimony, we link each policy good to the skills we consider to be most critical.

As Table 11.1 indicates, these policy goods provide a mix of analytical, operational and political competences. To what extent can we expect groups to possess (or develop) some, or all, of these policy goods? Some groups might opt to specialize in what might be called analytical skills, whereas others try to maximize their political competences. It is likely that these choices will relate closely to the organizational design of particular groups, as well as their type of constituency. Whereas the capacity to provide expert knowledge requires investments in research capacity, mobilization requires first and foremost organizational and communication skills, in addition to a large amount of members or supporters. Hence, whereas the first organization might hire policy specialists and build a strong research team, such people are likely to be much more absent in the second type of organization. Instead of hiring policy wonks, this organization might use the services of consultancy firms or

**Table 11.1** Analytical, operational and political policy goods

|                                     | <i>Analytical</i> | <i>Operational</i> | <i>Political</i> |
|-------------------------------------|-------------------|--------------------|------------------|
| Societal Legitimacy                 |                   |                    | X                |
| Expert Knowledge                    | X                 |                    |                  |
| Assistance in Policy Implementation |                   | X                  |                  |
| Provision of Services to Citizens   |                   | X                  |                  |
| Mobilization of Constituency        |                   |                    | X                |
| Discipline Members                  |                   | X                  |                  |

academics if it occasionally wants to deliver more sophisticated policy inputs. While a small set of well-established interest groups with considerable resources might have all these policy goods at its disposal, most groups will only be able to excel at a limited number of them. In that regard, we expect that groups will focus on developing their core capacities in-house, and that they will rely on external actors and organizations for the provision of policy goods that are less central to their policy work.

#### 11.4 POLICY SUBSTANCE AND INTEREST GROUP POLICY CAPACITIES

It is important to recognize that the policy context shapes the ‘value’ of different group capabilities. The specific substantive nature of policy shapes the relevance of particular capacities in the policy formulation and implementation processes. It is relatively easy, as evident above, to list off the group capacities that may be considered, in a general sense, to be policy relevant. But if such formulations are to make sense in identifying the particular contribution of specific groups to policy capacities in a given policy area, we surely need a more nuanced understanding of what group policy capacities are required. Not all group capacities (however defined and measured) are equally valuable across policy contexts. Context does matter.

How do individual groups in particular policy contexts actually develop capacities over time? Capacity development is a process influenced by external as well as internal factors. For many groups, public policy forms an important part of the context within which they act, and policymakers are a key audience with whom groups need to maintain legitimacy. To varying degrees interest groups are able to influence this context; however, they are rarely in a position to solely control policy development. Government and political parties, as they respond to various calls for change and adjustment of policy, may decide to overrule the opinion of groups to pursue broader societal, party political or bureaucratic goals, or they may pursue the interests of competing interest groups. In other words, interest groups are policy *takers* as well as policymakers.

Policy strategies impact on interest group capacities by creating incentives for groups to generate capacities to assist in the formulation or implementation of policies. A non-interventionist policy strategy has no direct impact on interest group capacity development; in fact it would

logically prevent interest groups from developing specific policy capacities. To successfully develop and implement an interventionist policy strategy, governments require certain analytical, operational and political capacities. Firstly, they would need systematized information and knowledge on the specific context within which a policy is to be implemented in order to obtain an understanding of the policy problem and how various policy measures may affect the problem. Secondly, governments may need the assistance of interest groups to implement the policy, for instance by reaching out to groups specifically targeted by the policy, or to gather relevant information. Thirdly, governments may need interest groups' political capacity to confer legitimacy on the policy within the target group. This is likely to impact positively on compliance with regulations which, in turn, reduces the costs of policing compliance within the target group. When governments pursue an interventionist policy strategy without having 'in-house' capacities to develop and implement such policies, this will provide a strong incentive to engage with interest groups that possess analytical, operational and political capacities.

If we consider how the substance of policy can shape the value of policy capacities, a particularly salient example is the cross-national study of 'capacity' development among organic farming groups. This work makes the point that policy strategies selected by government provided the context within which the capacity of key groups was assessed: different governmental policy strategies necessitated or called for different capacities (Halpin et al. 2011). And, in such a context, groups tended to evolve in ways that matched required capabilities. In the UK, where the state had adopted a market strategy, the key group capabilities revolved around generating market intelligence and networks on demand for organic food that could be 'matched' with work on developing supply from growers. The UK Soil Association (SA) possessed such capabilities by virtue of an investment in relationship-building with retailers and investment in market-research capabilities (its annual report on the UK organic market was authoritative inside and outside government). Government engagement flowed to the UK industry from the perception that the British consumer demanded organic alternatives. The SA was set up to keep delivering this impression. By contrast, in Sweden, where the government persisted with a state-directed supply-side policy strategy, the key organic group, The Swedish Ecological Farmers' Association (SEFA), resembled the conventional farm association, with a small staff well-suited to lobbying the government for farm subsidies. Given that the political context in

Sweden has been favorable to organic farmers, SEFA has been able to rely on moral persuasion rather than technical argument. Thus, it was not encouraged or motivated to develop substantial analytical capacity (Halpin et al. 2011).

### 11.5 POLICY CAPACITY AT THE SECTORAL LEVEL: POLICY NETWORKS

The organizational and institutional set-up in policymaking also influences the development of group policy capacities. In this regard, the ability of groups to operate successfully, in either a politicizing or an exchange mode (as part of an issue network or policy community), is considered crucial. Public policy is generally not shaped via one-to-one interaction between a particular policymaker and a certain interest group. Rather, dynamics at the sectoral level are crucial in understanding political dynamics and policy outcomes. These dynamics might include cooperative and competitive relations between groups, and interactions between communities of groups and policymakers, ranging from informal meetings to contact through institutionalized channels of policy advice. Thus it is important to examine policy capacity at the more aggregate, sectoral level. One perspective here would be that sectoral policy capacity is a mere sum of the capacity of the individual groups. Another perspective, which we develop in the paragraphs that follow, highlights how the structure of the relationship between policy participants, more specifically the mutual relations (or lack thereof) between interest groups, determines sectoral policy capacity.

In accounting for the importance of state-society relationships for policy capacity, Peters (2005, p. 80) repeats the key argument of the corporatist and policy network literature, namely that the exchange relationship between the state and interest groups is essential—the state trades off autonomy for legitimacy, and the interest associations trade off autonomy for influence on policy. However, the fact that state and interest associations recognize that they are mutually dependent upon each other's resources may not, in itself, be sufficient to produce high levels of policy capacity. Rather, it seems imperative to have a particular type of relationship, or form of structured interactions, that provides fertile ground for policy and governance innovation. More precisely, government and interest group representatives must be able to form a policy

network that can facilitate and optimize interaction and exchange of capacities (see Maloney et al. 1994; Jordan and Maloney 1997).

Numerous studies of policy networks have demonstrated that variation in the structural configuration of networks is another important factor that helps explain which capacities groups must develop to become relevant in policymaking (e.g. Daugbjerg 1998; Smith 1993, Wood et al. 2013). The debate within the policy network school has focussed on the extent to which policymaking outcomes are influenced by the way in which certain interests are privileged over others within particular policy networks (Daugbjerg 1998). This has led to the development of heuristic devices to map policy networks. Table 11.2 shows one version of a network continuum, which is inspired by an earlier heuristic developed by Rhodes and Marsh (1992).

Most network analysts use the policy community concept to characterize and describe a tight, closed, highly integrated and strongly institutionalized network. These networks are established by a very limited number of actors who share a strategic policy agenda and possess resources, but are dependent on others to achieve their policy objectives. The interest groups will rarely be in relationships in which they compete to represent the same constituency. Policy communities involve the inclusion of some interests and the exclusion of others, due to their institutional shape as well as prevailing values or norms underpinning them. They also share strategic policy agendas. As Rhodes (1981, p. 122) puts it: “each policy community ... has, in fact, an agenda of ‘relevant’ issues and problems. Only some matters will be deemed appropriate ones for

**Table 11.2** Extremes on the policy network continuum

| <i>Dimensions</i>    | <i>Policy community</i>  | <i>Issue network</i>  |
|----------------------|--|---|
| Membership           | Very limited number of members<br>Narrow range of interests represented                | Large number of members<br>Wide range of interests represented                            |
| Integration          | Bargaining and negotiation<br>Frequent interaction                                     | Consultation<br>Unstable pattern of interaction   |
| Institutionalization | Consensus on problem perceptions, decision-making procedures and appropriate solutions | No agreement on problem perceptions, decision-making procedures and appropriate solutions |



decision". Moreover, each policy community will have "evolved its own approach to problems: established routines of contact, shared perceptions and values, and the stock of tried knowledge and policies [that] are brought to bear on new problems" (Rhodes 1981, p. 118). For groups to operate in such an organizational context, they must develop 'insider' capacities. They must have analytical skills, enabling them to generate systematized information and expert knowledge about the environment in which policy is to be implemented. Political capabilities, such as the ability to confer societal legitimacy on policy, are also important. These relate to the ability of a group to represent the constituency that it claims to represent, either through high membership density or a high degree of legitimacy within that constituency. Other important, and more operational, skills include the ability to discipline members to accept policy compromises which the group's leadership has agreed to in negotiations with other interest groups and state officials, and subsequently discipline members to comply with the compromise in the implementation process. All three competences or skills are valuable to state officials engaged in policy formulation and implementation. Hence, the 'entry card' to become integrated into a policy community is the ability to demonstrate that the group can provide capacities contributing to the development of innovative, effective and legitimate policies.

The other extreme on the network continuum, an issue network, is characterized by relatively open access where the degrees of integration and institutionalization are low and where there is a lack of consensus on basic policy objectives, policy principles and procedures. There may occasionally be some sort of agreement on policy principles and procedures between network members, but this does not rest on a deeply rooted consensus, set of norms or widely held belief in the 'rules of the game' (see Smith 1993, pp. 126–127). This weak institutionalization and lack of agreement on beliefs makes it difficult for any one particular group to dominate the network. Groups engaged in issue networks tend to maintain and develop policy capacities which are different from those developed by groups in policy communities. Since they are in a competitive relationship with other groups claiming to represent the same constituency, they are also more concerned with developing capacities which can strengthen their position within the network in relation to competing groups. One such capacity is the ability to mobilize members on a particular policy issue. Though such capacities are important in inter-group

relations, they rarely contribute to the generation of policy capacity within the network.

## 11.6 CONCLUSION

In this chapter we have argued that the concept of policy capacity is broader than the concept of state capacity. Specifically, we suggest that it also relates to the policy-relevant capacities possessed by interest groups. In most theories on public policy, interest groups figure prominently as actors deeply engaged in public policymaking. On the one hand, they possess capacities which can contribute positively to the formulation and implementation of public policies. On the other hand, they can also use their capacities in a more obstructive way, for instance to mobilize political and public opposition to block policy initiatives or hinder their implementation. In this chapter, we have linked different policy goods to analytical, operational and political skills, as well as to different modes of policy engagement. While this approach provides more insight into the different aspects of interest group capacity, to fully understand the development and value of these capabilities one should link organizational factors with contextual factors. That is, the generation of interest group policy capacities is first and foremost a dynamic process, in which policy context and the relationships between government and interest groups affect the value and development of group capacities. As a general rule, the more interventionist the government policy, the higher the government's demand for interest group policy capacities. Furthermore, the nature of the relationships between the state and key stakeholders affects the capacities that interest groups bring to bear and develop over time. In closed and tight policy networks (policy communities) interest groups tend to develop 'insider' capacities which contribute to inform policymaking, assist policy implementation and generate societal legitimacy. In contrast, in loose and open networks (issue networks) interest groups tend to apply and generate capacities which will mobilize constituencies and enhance their ability to compete with other interest groups to gain access to policymakers.

Future research should focus on providing an empirical assessment of the frameworks and propositions developed here. While we have focused on the application of the concept of policy capacity to interest groups, we believe that our arguments and approach also extend to other actors outside the formal political system, including social movements but also non-profits and

think tanks, who have become increasingly engaged in policy advocacy in recent times. To what extent do these different organizations engaged in public policy develop complementary or competitive policy capacities? What is the particular contribution of these different organizations to public policy, and to what extent do they contribute to governance capacity and policy learning? Whereas research that focuses on the functioning of these different organizations in particular sectors will surely contribute to our understanding of the development and demand for policy capacity, a genuine comparative design that accounts for key institutional and political differences seems imperative to developing a more general theory of policy capacity.

## NOTE

1. More specifically, he argues that ... “resources alone are not enough, they have to be purposefully utilized by groups to generate specific capacities. The concept of policy capacity is a neat way to capture the way policy work of interest groups is in some way contingent on organizational design issues. Resource levels alone do not tell us about the capabilities groups possess; groups must decide how to put these to use and develop what they see as important abilities” (2014, p. 176). This echoes earlier an earlier statement by Gamson et al., who argued that “resources” were “one of the most primitive and unspecified terms in the theoretical vocabulary” (1982, p. 82, cited in Edwards and McCarthy 2004, p. 125).

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PART III

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Case Studies

# Building Organizational Political Capacity Through Policy Learning: Communicating with Citizens on Health and Safety in the UK

*Claire A. Dunlop*

## 12.1 INTRODUCTION

In this chapter, we examine how agencies build organizational capacities to manage their reputations. The literature on organizational capacities does not treat them as simply static skills or resources. Rather, capacity-building challenges—i.e. what capacities are required and whether or not they are successful in policy delivery—are mediated by a range of contextual factors. In particular, capacities are held in the relationships between different governance actors. Given the array of different organizational capacities and governance relationships that can exist, this chapter focusses on organizational political capacity (OPC) construction (Wu et al. 2015). We treat capacity as held in dynamic learning relationships that exist between policymakers and citizens. We relate OPC to one type of policy learning—reflexive learning. This is learning in the realm of ‘wicked issues’ (Rittel and Webber 1973) where agencies’ control

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over policy definition and implementation is uncertain. Here problems are incomplete, and ‘right’ and ‘wrong’ solutions are replaced by a multiplicity of policy options offered by citizens that claim expertise. Such cases are often complicated further by the amplification role played by the media. These politicized conditions are ripe for policy failure and the politics of blame (Hood 2011) where government agencies become the focus of dissent. In such circumstances, the challenge for reputation-sensitive agencies is to find ways to engage society, and explore the variety of interpretations attached to the issue at hand. Critically, policymakers must recognize that in such reflexive settings their control over problem definition and policy solutions may be weak. Here, the agency’s OPC is critical both for future policy success and the agency’s reputation.

But just as policy learning is not monolithic, nor is OPC. Therefore our chapter addresses the following question. What particular OPCs are required in reflexive learning environments? We construct an analytical framework that outlines the four main learning relationships found in the policy world and use this typology to differentiate between the types of OPC that matter and when. Why take a learning approach to organizational capacity? We know a good deal about the ideational dimension of policy learning, but scholars have largely neglected the organizational dimension (Borrás 2011). Yet, it is only by making these connections that we can hope to illuminate the relationship between governance and learning (Schout 2009). Examining capacity building through the policy learning lens acknowledges it as a fundamentally dynamic exchange—where different learning environments enable new capacities to be acquired, and capacity in turn enables policy learning and change.

Empirically, the chapter examines this in relation to an innovative UK health and safety communications initiative: the ‘Myth-Busters Challenge Panel’ (MBCP). Launched in 2012, by regulator the Health and Safety Executive (HSE), the MBCP is a high-profile campaign that aims to engage citizens in a dialogue about the negative images that have become attached to health and safety regulation in the UK. Indeed, in the last decade, public scepticism is such that the expression ‘health and safety gone mad’ has entered common parlance to express exasperation about almost any rule—real or fictitious—that businesses, local authorities and citizens think an unnecessary intrusion. Three key drivers of this recent negative branding have been identified (Dunlop 2015). Health and safety regulations are erroneously cited by businesses and local authorities due to: uncertainty of the law and fear of compensation

claims; the desire to reduce costs and prevent citizens from accessing goods and services; and finally, poor communications skills and the desire to avoid an argument by giving a genuine explanation.

In an effort to rebuild the public image of health and safety regulation, and the reputation of the Health and Safety Executive itself, the MBCP aims to connect with citizens, businesses, the media and local authorities by inviting them to submit examples where health and safety has been used to justify action or inaction which they view unreasonable or suspect. These cases are then referred to a dedicated panel of experts who investigate the case, gather additional evidence and adjudicate. Where health and safety ‘myths’ are identified, the agency uses the cases—many of which are absurd and on occasion hilarious—as part of its wider communications strategy. In some circumstances, the agency also works with the parties involved to generate mutual learning and develop a corrective strategy. The ultimate goal of this initiative is to enhance the health and safety policy regime and defend the agency by building a social consensus around what protective, desirable and high public value health and safety looks like.

After 3 years of operation, and the identification of nearly four hundred ‘myths’, the agency is now exploring the logic of its communication with the public, how its impact can be assessed and how its communication strategy should be developed. This chapter marks the first academic assessment of the initiative, and draws on ethnographic research and elite interviews with the MBCP’s policy, analytical and communication officers conducted by the author from September 2013 to September 2015.<sup>1</sup> Why should we care about this case? While concerted public communications strategies by agencies are common in some countries—especially the United States—it is rare for a UK regulator to engage citizens in a direct dialogue. It is rarer still for a researcher to have a front row seat to witness this ‘live’ episode of capacity building. The importance of this access to the HSE team is pivotal for our analytical approach. Treating OPC building as a function of learning relationships demands that we understand the views of elite policymakers and how they interpret their context.

The chapter is structured as follows. This section defines the capacity challenges faced by the HSE as a function of learning in governance relationships. Section 12.2 outlines a policy learning typology and specifically the reflexive form which characterizes wicked issues where agencies must learn how to engage citizens (Dunlop and Radaelli 2013; Dunlop 2014). Section 12.3 puts the spotlight on reflexive learning, using

typological analysis to expand the concept to identify four specific ways in which government agencies interact with society. Section 12.4 then links these to different capacity challenges. Specifically, reflexive settings require that agencies learn how to: listen to what is going on in society; offer their own interpretations; understand how social interpretations relate to the agency's policy goals, and, most challenging of all, engage in dialogue with society to construct a consensus. In short, they must learn how to deploy and develop four types of OPC—absorptive, administrative, analytical and communicative. Our empirical analysis focusses on the impact of different learning environments on the HSE's ability to develop each of these capacities in their engagement with citizens about social beliefs on health and safety, and how these capacities might in turn change the policy learning environment. We conclude by asking what a learning approach tells us about how agencies can develop OPC.

## 12.2 BUILDING ORGANIZATIONAL POLITICAL CAPACITY IN UK HEALTH AND SAFETY POLICY: A PROBLEM OF LEARNING

Despite being a long-established research theme in the private sector management literature, public organizations' reputations have only begun to be seriously considered in political science in the last 15 years. Daniel Carpenter (see 2002, 2010) has been primarily responsible for the systematic treatment of regulatory agencies and reputation, theorizing in particular about how agencies build good reputations to increase their autonomy. Specifically, his seminal work on the US Food and Drug Administration (FDA) has generated a key insight around which a research agenda is now being built (see Maor 2015 for an overview of the key themes). Here, in a nutshell, is Carpenter's argument: "...when trying to account for a regulator's behaviour, look at the audience, and look at the threats" (Carpenter 2010, p. 832, emphasis in original).

What does this mean for the object of our enquiry—the HSE? This agency is an independent regulator for work-related health, safety and illness. Established in 1974, its core mission is to reduce work-related death and serious injury in the UK's workplaces. The HSE enforces the Health and Safety at Work Act (1974) and associated regulations by: issuing improvement notices which, if breached, can result in prosecution (in 2013/2014 the conviction rate was 95%); co-regulating with local authority inspectors to enforce regulations; providing specialized inspections; and, conducting research on new workplace risks. Since its

establishment, workplace deaths and injuries in the UK have fallen by over 87% (HSE 2014). Despite this stellar biography, since 2010, the HSE has been under sustained political pressure from the central government. Notably, its core functions were reviewed three times as part of the Conservative-led coalition government's drive for regulatory simplification and smaller government (O'Neill 2013; for the reviews see Löfstedt 2011; Temple 2014; Young 2010). Central to these reviews is the need for the HSE to address the public perception that health and safety regulation is intrusive and over-bearing.

HSE has four main audiences, each of which carries multiple expectations: experts that scrutinize its scientific analysis; courts that adjudicate on contested decisions; stakeholder groups of implementers and the regulated; and the wider society that the agency aims to protect. The capacity-building challenges involved with each audience are structured differently. Notably, some relationships are more insulated from political and media pressures than others, making them easier for HSE to manage. Our analysis focusses on arguably the greatest OPC challenge faced by all agencies—learning with citizens. Citizens encounter health and safety regulations every day, and they do so in one-off exchanges. The high degree of implementation uncertainty that goes with this open environment makes it highly susceptible to political and media moves, making this the HSE's biggest challenge.

This uncertainty, along with the compensation and media blame cultures, and political paradigm emphasizing the unwelcome prevalence of regulatory burdens, provide the conditions for health and safety to become a socially contested issue. In the last 2 decades, this contestation has manifested itself in the appearance of the meme 'health and safety gone mad', which is commonly used by citizens, the media and politicians (see Almond 2009 for a discussion). In 2007, the HSE began to experiment with a communications strategy to engage the public that lampooned some of the most absurd media stories where health and safety rules—real and imagined—were used by public and private service providers to excuse unpopular or ill-informed decisions. To give a flavour of these 'myths of the month', one recurring case concerns local councils banning floral display hanging baskets in the name of health and safety regulations (Almond 2009). No such regulation exists; rather health and safety is used as a fig-leaf to cover the real concern that these baskets may fall and injure a member of the public and leave the council open to civil legal action.

The regulator has acted to defend its reputation, and that of the policy regime more generally, by consciously engaging citizens in a learning relationship. In the UK, health and safety legislation is not prescribed. Rather, it is goal-oriented and, as such, what compliance ‘looks like’ on the ground is locally negotiated with specialist HSE inspectors in local authorities and the general public. This reliance on how health and safety is perceived outside the agency means that a common policy understanding cannot be powered but rather must be puzzled (to paraphrase Hecló 1974).

And so, the agency believes that its only option is to build capacity by learning with citizens about the pre-eminent social beliefs and discourses that surround health and safety. Such learning relationships are just that—two-way interactions. The agency cannot simply focus on what its governance partners can be taught. Rather, capacity-building becomes about the understandings that all governance parties can generate through their interactions.

In 2012, the HSE intensified its efforts to engage with the public and gather more health and safety myths by establishing the dedicated MBCP. While media stories are still included, the majority of the MBCP cases come from members of the public who complete an online questionnaire on the HSE’s website.<sup>2</sup> Between April 2012 and April 2014, 920 submissions were made with 304 of these ruled to be ‘myths’. Despite these myths’ frivolous nature, the ‘health and safety gone mad’ meme threatens the HSE’s reputation. Agencies’ reputations relate to their specific domain of expertise; the HSE does not have a strong or weak reputation in general, it has a reputation in relation to health and safety (Maor 2015). The erroneous labelling of trivial decisions or silly rules as driven by health and safety regulations undermines the credibility of the HSE, and risks all health and safety measures becoming characterized as against the public interest, and undermines the agency’s reputation in government and beyond. For example, here is Prime Minister David Cameron pledging a multi-pronged approach to cut back what he labels the ‘health and safety monster’ in the UK: “[Y]ou have got to look at the quantity of rules, and we are cutting them back. You have got to look at the way they are enforced, and we are making sure that is more reasonable” (in *The Guardian*, 5 January 2012). While not quite as damning as Newt Gingrich’s 1994 verdict that the FDA was the US’s “number one job killer” (Carpenter 2010, p. 731), when added to the weight of formal reviews, budget reductions and increased workload the HSE’s reputation has been weakened (O’Neill 2013).

The empirical reality for the HSE chimes with Carpenter’s core argument about the centrality of these external threats, and the role played by political principals in stabilizing and destabilizing agencies. Yet, agencies’ reputations may not be as fragile and exogenously determined as Carpenter suggests. Notably, Maor argues that scholars must explore agencies’ ability to respond to threats and act “adaptively, strategically and opportunistically” to maintain, protect and (re)build good reputations (2015, p. 17). Indeed, this is what much of the literature does. Built on rational choice explanations, scholarship on bureaucratic reputation focusses on the strategic development of organizational capacity in these responses. Agencies variously manage their reputation through: the strategic use of knowledge (Rourke 1961); decision timing and public observability (Carpenter 2002), and strategic communication (Carpenter 2010).

We take a different analytical tack. While still exploring the role of OPC in the HSE’s reputation management, we replace utility maximization with analysis driven by policy learning. Reputation-sensitive agencies aim to learn how they are perceived out there in society, and use that knowledge to alter their behaviour and sometimes their goals. The relationship between learning—both inside and outside the agency—and reputation is beginning to be examined (most notably by Moffitt 2010). However, such learning-infused approaches are still out-numbered by rational choice driven analyses.

### 12.3 CONCEPTUALIZING LEARNING RELATIONSHIPS

The argument pursued here is that agencies develop and adapt organizational capacities that help them engage in productive learning relationships with their various audiences. By viewing OPC creation for reputation management through the analytical lens of policy learning, we treat capacity not simply as an objective good but as held in dynamic relationships between governance actors. Understanding these relationships means understanding how, what, when and why different actors learn and from whom. In this instance, we are interested in the interactions between an agency and citizens. What types of learning are the HSE and members of the public engaged in with the MBCP initiative? And, what types of OPC are generated by it? To link learning to capacity building, we first need to be clear about what we mean by policy learning. We take policy learning to mean the updating of beliefs on the basis on new information and debate. Yet, learning is not monolithic—indeed

|                         |      | PROBLEM TRACTABILITY  |  |
|-------------------------|------|-----------------------|--|
|                         |      | LOW                   | HIGH                                   |
| CERTIFICATION OF ACTORS | LOW  | 2. Reflexive Learning | 3. Learning through Bargaining         |
|                         | HIGH | 1. Epistemic Learning | 4. Learning in the Shadow of Hierarchy |

**Fig. 12.1** Varieties of policy learning. *Source* Adapted from Dunlop and Radaelli (2013)

the social sciences literature reveals a variety of types with different participants. Seeking to systematize these, Dunlop and Radaelli (2013) develop a four-fold typology. Specifically, they propose that four learning types are a product of two conditions associated with regulatory environments.

The first concerns the problem's level of tractability. Where this is low—i.e., the issue is socially contested or technically specialized—regulatory agencies must engage with either society or authoritative experts. Where tractability is high, the challenge is usually one of powering more than puzzling, and the problem dealt with through established groups of stakeholders or formal rules enforced by hierarchies (most commonly courts). The second condition concerns the certification of actors: that is, the extent to which a socially endorsed group exists with whom policymakers should direct their attention. Where no such certified group exists, learning participants with whom agencies must engage will be plural—composed of a range of interested actors or of wider society itself. Taken together, levels of issue tractability and actor certification provide the basic conditions for four types of policy learning that dominate the public policy literature (see Fig. 12.1).

**Table 12.1** Differentiating policy learning types

| <i>Learning as ...</i>                         | <i>Epistemic</i>                     | <i>Reflexive</i>   | <i>Bargaining</i>                            | <i>Hierarchical</i>                        |
|--|--------------------------------------|--|--|--|
| Knowledge use as ...                           | Instrumental                         | Conceptual   | Political/<br>Symbolic                       | Imposed                                    |
| Causal mechanism knowledge use mediated by ... | Expert teaching                      | Deliberation   | Resource competition                         | Institutional rules                        |
| Interaction of policy actors as ...            | Cooperative asymmetric               | Cooperative symmetric                                      | Competitive symmetric                        | Competitive asymmetric                     |
| Decision-makers' attention as ...              | Directed                             | Diffuse/Divided  | Selective                                    | Routinized                                 |
| Reputational benefits as ...                   | Achieving scientific 'gold standard' | Facilitating wide ranging debate and social accountability | Securing agreement from powerful stakeholder | Assertion of authority                     |
| Reputational pathologies as ...                | Groupthink and stifled innovation    | Uneven capacity leads to spurious consensus                | Regulatory capture                           | Blocked learning through fear of hierarchy |

Modified from Dunlop (2014)

These four types have been outlined in more detail in other places (Dunlop and Radaelli 2013; Dunlop 2014) and their differences are summarized in Table 12.1. This chapter is interested in how OPC can be generated or inhibited in situations dominated by reflexive learning. Here, low problem tractability combines with a scarcity of socially certified experts, resulting in policy knowledge being created by a potentially infinite range of social actors. As participation increases, different types of knowledge come to the fore and received wisdom is challenged and recreated. The hierarchy of epistemic learning is replaced here by a range of codified and uncodified knowledge types—substantive; value-based; experiential; innuendo and myth (Wegner et al. 1981)—associated with complexity (Sanderson 2002).

Public engagement in reflexive learning is unavoidable. Indeed, agencies have long been pushed by elected politicians to open up to public scrutiny. While mechanisms like notice and comment, freedom of information and public advisory committees are monitoring devices for politicians, the public engagement they afford also advance an agency's



reputation and boost policy legitimacy (Moffitt 2010, pp. 880–881). Where successful, public engagement offers a strong defence from political and media attack. Reflexive environments present considerable challenges however. Critically, agencies must decide how much they are willing to learn from and with society; essentially how much political capacity can be generated in these relationships? Do they remain aloof and simply monitor public responses to decisions, or invite full public review? In its ideal form, reflexive learning is in the Habermasian mode where policymakers' attention is diffuse and puzzling is collective. Interactions here are cooperative and symmetric and dialogue force-free so that multiplicity of voices can be heard and preferences open to persuasion.

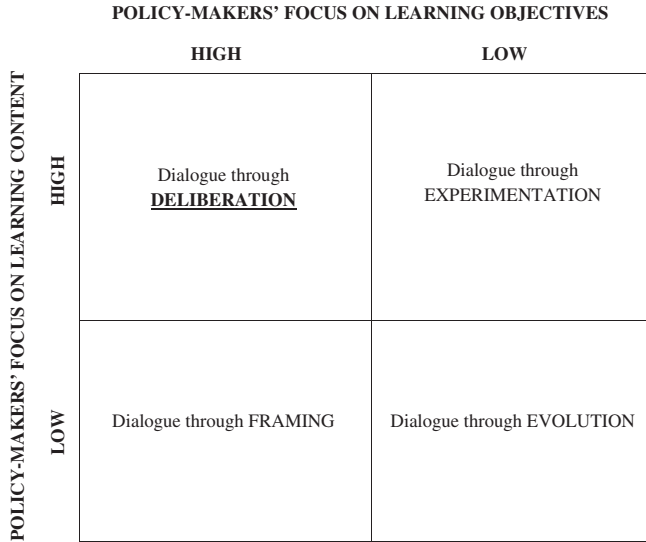
The specific interest in this chapter is in how reputational management can be achieved or inhibited through reflexive learning. Before exploring what such learning settings imply for OPC, the next section unpacks reflexive learning in more detail.

## 12.4 UNPACKING REFLEXIVE LEARNING

Using a theory of adult learning that focusses on actors' control over aspects of knowledge production, we expand the property space of each of the four types of learning (Dunlop and Radaelli 2013). By differentiating between instances when the policymaker in the agency is able to focus on the contents or objectives of the problem at hand (see Dunlop 2009; Mocker and Spear 1982), we capture four varieties of reflexive learning in which different types of OPC are generated (see Fig. 12.2). By focussing on the extent to which policymakers can exert control over aspects of knowledge production, we can uncover the power dynamics at work in the construction of OPC when engaged in learning relationships with citizens.

In reflexive settings, the distribution of power is polyarchic: there must be room for force-free learning and exchange. The major issue for agencies that aim to engage with citizens is how to capture the knowledge that is 'out there' (much of which is non-professional and not codified). The ultimate aim is to develop governance architectures that facilitate the exploitation of innovation (Sabel and Zeitlin 2008) and make a virtue of the many voices in society.

This aim is embodied in the ideal type of reflexive learning where dialogue is deliberative (**bold and underlined** in Fig. 12.2). Here, learning between agency and society is the outcome of iterative processes of



**Fig. 12.2** Expanding reflexive learning. Modified from Dunlop and Radaelli (2013), p. 607, Figure 3

communication, persuasion and invention (Dunlop and Radaelli 2013). In this most reflexive of spaces, what is learned is open as are the ends to which those lessons might be put. In this case, what health and safety regulation is and its objectives cannot be pre-set. Rather, they are co-produced in the act of learning. In this context, the first key task for the capacity-building agency is to create a governance architecture to support early and frequent deliberation. Recent work on engagement in the public understanding of science literature is informative. To qualify as a genuinely deliberative process, policymakers must engage publics ‘upstream’ of the decision-making process (Stirling 2005) and allow discussion of fundamental substantive and normative questions. Building a consensus around these discussions is the next challenge for the agency. Where successful, such a socially sanctioned paradigm may smooth the agency’s path for a long time to come. But, if deliberation is insincere, or participation skewed towards a single viewpoint, the ‘wisdom of crowds’ (Surowiecki 2004), learning may degenerate into little more than a spurious consensus generating further instability and reducing political capacity.

Where learning is structured through experimental dialogue, agencies focus on gathering evidence and supporting knowledge creation in society to advance mutual understanding. The task or goal of this exercise is exogenously controlled. So, for regulatory agencies like the HSE, these tasks may be set by political principals or necessitated by high profile campaigns against the agency waged by stakeholders in the media. What matters is that the agency is seen to engage in boosting public awareness and understanding of its work, and is able to adjust its assumptions in the light of citizen feedback. But, there are no guarantees that what will be produced will satisfy the goal that has been set. At its weakest, engagement is a meaning-making exercise on the part of agencies and simply a guise for educating citizens and filling supposed knowledge deficits. In these cases, dialogue can break down, with citizens becoming sceptical of the enterprise. At its strongest, experimental processes involve the co-production of knowledge through trial and error, where Bayesian learning leads to the type of content that best suits the exogenous learning goal.

Where learning takes the form of dialogue framing, policymakers engage in sense-making citizens experiences (Weick 1995). Again, this is not a full two-way relationship. Since they have no control over the specific content of what is learned, policymakers' learning experience will operate through issue framing in the context of a pre-determined over-arching goal. By relying on citizens for the actual content of what is learned, policymakers risk seeing only what they think is relevant to an objective. Thus, what policymakers learn is contingent on how they frame their objective.

The last type of reflexive learning concerns evolutionary dialogues between agency policymakers and their social audiences. Here, learning takes place in loose issue networks where what is learned is random and participants constantly change. Evolutionary learning cannot be controlled, manipulated or shaped but concerns monitoring what is going on in society. Agency activity here is not to co-produce, educate or select knowledge with and from citizens. Rather, capacity building lies in its ability to listen to the 'static' noise in society. Gathering such intelligence is the stuff of early warning systems and is essential if agencies are to avoid embarrassing gaffs or accusations that they have taken their eye off the ball—it demands organizational patience and memory-making.

## 12.5 BUSTING MYTHS AND MANAGING REPUTATIONS WITH FOUR ORGANIZATIONAL POLITICAL CAPACITIES

The four different reflexive learning challenges outlined can be linked to distinct types of OPC found in public administration and management accounts of institutional learning and capacity building (notably, Bennett and Howlett 1992; Borrás 2011; Zahra and George 2002). These are: absorptive capacity (ACAP); administrative capacity (ADCAP); analytical capacity (ANCAP); and communicative capacity (COMCAP). These capacity types map onto the four reflexive learning challenges concerning: what the agency learns from society in each; the agency's aim; the functional forms of reflexive learning that strong capacities can support; and, the degenerative forms of learning that may result where capacity is incomplete or weak (summarized in Table 12.2).

What are the merits of linking types of organizational political capacity with types of learning? Earlier, we defined policy learning as the updating

**Table 12.2** Organizational political capacities and reflexive learning

| <i>Organizational capacity as ...</i> | <i>Reflexive learning as ...</i> | <i>Agency learns about ...</i> | <i>Agency aim is ...</i>         | <i>Reflexive learning functional as ...</i>                 | <i>Reflexive learning degeneration as ...</i> |
|---------------------------------------|----------------------------------|--------------------------------|----------------------------------|---|---|
| Absorption (ACAP)                     | Evolutionary                     | Listening                      | Acquisition of social knowledge  | Deciphering, storing and remembering social noise           | Society is heard passively and forgotten      |
| Administrative (ADCAP)                | Experimental                     | Meaning-making                 | Exploitation of social knowledge | Co-producing policy content                                 | Citizens are 'educated' and deficits filled   |
| Analytical (ANCAP)                    | Framing                          | Sense-making                   | Assimilation of social knowledge | Understanding citizens' perspectives to inform policy goals | Politically selective use of social argument  |
| Communication (COMCAP)                | Deliberative                     | Opening-up                     | Knowledge transformation         | Socially-sanctioned paradigm creation                       | Spurious consensus                            |

*Source* Author's elaboration of Dunlop (2014)

of beliefs. This treats learning as an action-oriented, relational activity. Even a decision not to change behaviour or preferences on the basis of updated knowledge represents an active choice being exercised by policymakers. Thus, when we explore capacity through the learning lens, we treat these capacities as dynamic in two ways. OPCs can be changed—as learning circumstances change so too can capacities—and OPCs can, in turn, effect organizational choice and sometimes change.

### *12.5.1 Absorptive Capacity (ACAP) Through Evolutionary Dialogues*

Management researchers use the idea of absorptive capacity (ACAP) to explore a range of knowledge creation and utilisation activities that help firms gain competitive advantage (Cohen and Levinthal 1989). Empirical studies demonstrate significant relationships between ACAP and innovative outputs (Zahra and George 2002, p. 185). The ACAP literature is marked by a diversity of definitions; this analysis is interested in the acquisitive type of ACAP which is possible when policymakers and societies engage in learning in the evolutionary mode.

Here, we are concerned with the value the HSE places on acquiring the knowledge that exists in society. How that knowledge is understood, transformed or exploited is not the issue. In evolutionary learning, agencies are building capacity to listen to what is going on. What matters are the routines and processes in place to gather evidence that allow an organization to respond and, if necessary, to adjust policy.

At a basic level, ACAP requires that the agency understands the need to engage with the external world. The HSE's information-gathering culture is strong, and understanding the world 'out there' is seen as a core part of their business (interviews with press office officials and policy team, October 2013). Its role as a guardian of health and safety legislation in the UK ensures that keeping up to date with how these regulations 'play out' on the ground is critical to the agency's survival and effectiveness. As was intimated earlier, in the last decade the agency has diversified its reconnaissance strategy—moving beyond listening to stakeholders to engaging citizens. The HSE has engaged in occasional surveys of the public—in particular when the 'health and safety gone mad' expression first began to take hold in the early 2000s (Elgood et al. 2004). But, the centrepiece of this listening operation is daily media monitoring.

The agency uses a specialist media monitoring contractor to search the UK national print and broadcast media to record every mention of HSE as an agency, and health and safety as a system or culture. The service flags priority issues, HSE campaigns, board members and linked organizations, and are stories rated on a favourability scale. The monitoring service provides the cuttings or summary of the stories, and colour coded digest each day that allows the HSE to ‘take the temperature’ of the citizens on health and safety. To give a sense of scale, in 2012/2013 and 2013/2014 the HSE received 2612 and 1510 stories referring to health and safety as a culture (Dunlop 2015).

The ability to acquire external knowledge enhances organizations’ strategic flexibility and degrees of freedom to adapt to dynamic environments (Zahra and George 2002), and allows them to direct their focus on the content or objectives of their activities—or both. Success in information acquisition has three key dimensions (Zahra and George 2002, p. 189). The first two concern intensity and speed; the effort and reaction speed of monitoring beliefs in society that may enhance or challenge an agency’s ability to defend its reputation and make effective policies. And so, as efforts increase to detect the social ‘static’, the agency’s long-range vision is enhanced as potential problems on the horizon come into view early.

Controlling the speed and intensity of knowledge acquisition involves trade-offs, of course. Horizon scanning is an imprecise and costly science. The speed of knowledge acquisition is fundamentally problematic—not least because the timelines for knowledge development in society and polity are very different (Dunlop 2010). Social beliefs and knowledge often grow slowly and are ‘creeping’ (Weiss 1980). As agencies survey the landscape daily, there is the possibility that they will miss the bigger picture forming. These different temporal horizons often lead to policy gaffes—what may seem like an inconsequential speck on the horizon and so ignorable by policymakers, can in the blink of an eye (or the click of a mouse) become an urgent problem. For the HSE, the effort to absorb is considerable and its monitoring strategy gets intelligence to the agency fast. Indeed, the first job of the day in the press office is to analyse the daily briefing document sent overnight on the previous day’s news (interview with HSE press office team, October 2014). But, the ability of the organization to remember what it has heard and piece together patterns in the data is less clear.

The third dimension of acquisition is the source of information. Agencies engaged in capacity building must develop their peripheral

vision to see what might be coming out of left field, or from unexpected sources. The direction of knowledge accumulation is key; with no locus of control over the content and ends of learning, policymakers must cast their nets widely to capture knowledge which represents the complexity and variation of social views.

For all organizations, the development of peripheral vision is fraught with difficulty. By restricting itself to press and broadcast media, the HSE is missing social media and online worlds—i.e. ‘Big Data’ (interview with press officer, April 2014). The extent to which citizens’ discussions in these fora provide alternative information to the HSE is unclear. But, it would certainly offer an opportunity to make new connections with the public and provide information that is unmediated by the media. Given the inevitable perceptions that particular newspapers and providers evoke, by gathering social media the HSE would be more able to listen without prejudice. Yet, it is still gathering large volumes of information with the knowledge that much of the information gathered may be irrelevant. But we must recall that the purpose of evolutionary learning is to listen—not to use. This is a mapping exercise where success is being aware of and remembering the beliefs about the agency and its work that exist in the external world.

### *12.5.2 Administrative Capacity (ADCAP) in Experimental Settings*

Administrative capacity (ADCAP) involves the ability of an agency to use its resources and direct its operations to work with governance partners to transform what is known and understood about an issue. Here, learning takes an experimental form, with policymakers finding ways to engage citizens in meaning-making around an issue.

Such experimental dialogues can result in citizens being ‘educated’ top-down and fed a ‘party line’ by agencies. Yet at its most functional, experimental learning enables the creation and exploitation of new understandings. Agencies can enhance their existing understandings as they point to evidence offered by citizens in order to meet or even change an exogenously set objective.

When we think about ADCAP in the HSE, we are most basically thinking about the agency’s legal freedom to act. This concerns how policymakers’ understand their competence in an area. Legal obligations and historic policy legacies will shape the room for manoeuvre and the ability to engage in experimental dialogues with citizens. Where

regulations require that agencies engage in public education exercises, such institutional hierarchies can of course work in favour of reflexive learning. Freedom to act also concerns temporal and financial resources. Finding social knowledge which is exploitable may take time—engaging a cross-section of citizens who are willing and able to comment on a policy matter is not a one-shot game. Just how long it takes is, of course, unknown: attracting a critical mass of consultation respondents or submissions to an information campaign is governed more by serendipity than administrative science.

For the HSE, there are few barriers in terms of legal scope. Indeed, a core part of its business is to advise the working public on their occupational rights and on employers' legal obligations. Yet, these are information campaigns that are focussed on highly specific occupation issues—e.g., working at height, occupational stress, or asbestos handling. Exploring and co-producing social knowledge on the pervasive and media-friendly issue of health and safety as a culture is a tougher challenge, and one which the HSE has chosen to take on.

Specifically, the MBCP offers a way for the HSE to speak the language of citizens and the media back to them. By releasing its rulings on the myth cases sent in—through press releases; email bulletins; and, occasionally funny cartoons—the HSE engages citizens in an experimental dialogue about what the erroneous use of the term 'health and safety' looks like. This meaning-making involves using the story submitted to construct the citizen as being tricked out of good customer service or receiving poor communication. The idea of the citizen as having common sense in the face of incompetent employers, retailers or bureaucrats using health and safety is a recurrent theme.

The MBCP is routinely praised by politicians and consumer groups as an example of innovative communication (Löfstedt 2011; Temple 2014; Young 2010), and has attracted interest from other agencies in the UK (and beyond) interested in developing similar schemes (interview with HSE policy team, August 2013). Yet, the success of this meaning-making is unclear. The methodological challenges in analysing the impact of the political capacity held in the MBCP are considerable: a clear correlation cannot be made between trends of favourable newspaper stories and the existence of the initiative.

And so, the extent to which understandings about health and safety policy and systems are being co-produced is uncertain. The HSE has internalized much of what it has learned from the public to inform



information campaigns for more specific issues, but the public's view is unclear (interview with policymaker, January 2014). For example, when citizens read a case of a myth, is it understood as the agency reaching out to them to explore (mis)conceptions, or is it regarded more cynically as a public relations stunt? Do these stories prompt citizens to voice their own stories? While the extent of experimental learning is not clear, the diversity of the MBCP cases and the goal-oriented nature of health and safety make it unlikely that the MBCP could degenerate to the point where citizens are passive recipients from lessons provided from those at the top.

### *12.5.3 Analytical Capacity (ANCAP) Through Dialogue Framing*

The previous two capacity types have addressed learning scenarios where agencies have little focus on the objectives of learning: in ACAP the interest is simply to be aware and ADCAP it is to focus on content. But, of course, policymakers also have end goals. There are learning challenges where attention is focussed on meeting a preference by drawing on the understandings of society. Where the agency's ability to meet a priority is framed by social understandings, analytical capacity (ANCAP) is required. Put simply, the agency can only meet its policy goals and protect its reputation if it understands what the public is saying. This is the realm of knowledge assimilation and sense-making.

Like most regulatory agencies, the HSE uses consultations to call for stakeholders views on specific issues. These are usually highly technical dialogues and rarely involve citizen respondents. While the public voice is in some way represented by the information gleaned from the media monitoring, the MBCP scheme is designed to directly elicit views from ordinary members of the public. Unlike most consultations, which are necessarily framed by an agency's goal, the data collected by the MBCP are driven by the public. The online form for the reporting of suspected health and safety myths is open. Citizens can insert as much or as little information as they want. In some cases, the HSE will contact the author to ask for clarification or a specific piece of information. But, critically, it is expressed in the citizen's words—reducing the likelihood of co-option.

The HSE makes sense of the case by referring it to sector specialists in the agency who assess the possible risks involved and any legislation that may be applicable. The case is then sent to the panel who decide whether it is a myth or a sensible decision. In 2012/2013, seven of the 194 cases taken forward to the panel were deemed to be 'sensible' (Dunlop 2015).

The rest were put into one of four myth categories: over-interpretation of health and safety legislation; communication problem; excuse for poor customer service; or, the domain of a different regulator.

This process of categorization facilitates the interpretation and comprehension that allows HSE professionals to think outside their own box. The MBCP affords the agency a window on the everyday world where the use of health and safety is underpinned by heuristics that may differ radically from those found in the HSE. Yet, there is a problem of selection bias. The MBCP is a supply-driven exercise—the HSE can only analyse the cases that are submitted. And so, it is impossible to estimate the representativeness of the cases they consider.

What of this sense-making? In its perfect form, what is learned by these social frames may be used to adapt policy goals and (re)orient them towards society. But, the fundamental challenge for the HSE is that it enforces legislation made elsewhere, legislation which is goal-oriented and not prescriptive. Rather, the promise of the MBCP is to assist the HSE in understanding the popular image of health and safety which can inform the language or methods it uses to manage policy delivery and enforcement. This hard constraint makes full exploitation of this analytical capacity unlikely. It also makes it unlikely that MBCP would be used by the HSE in an overtly political way.

#### *12.5.4 Communicative Capacity (COMCAP) in Deliberative Settings*

When they deliberate with the public, agencies focus on both the ends and means of policy—i.e. what should be done and what knowledge is relevant to doing so. In short, they aim to develop communicative capacity (COMCAP). COMCAP concerns the extent to which the agency is willing and able to open up the goals and understandings of policy and engage in public critique of them. The aim here is to transform knowledge about the matter at hand to enable agencies to refine their own understandings as new social knowledge is grafted onto or replaces agency thinking, or old interpretations are reconsidered in light of wider social debate.

Transformative results rely on synergy, recodification and bi-sociality in knowledge production (Zahra and George 2002, p. 190). Most commonly, synergies are created with citizens using deliberative techniques such as consensus conferences. By giving a cross-section of social actors the space to question policymakers, agencies and the public can exchange

their views and perceptions about an issue of concern. For the transformative potential of these exercises to be realized, however, government actors must be willing to either adjust their own understandings—recodify—or, more radically, to combine their own views with those of society to create an entirely different policy paradigm.

For the HSE, COMCAP is low. Given the agency's inability to change legislation the lack of engagement in deliberation with society is understandable. But, it is also a conscious move and indicative of the agency's wider political vulnerability. Opening systems up to deliberation can be highly risky. In the absence of a willingness or ability to change, engagement strategies become little more than cosmetic exercises which citizens easily see through (see for example 'GM Nation' in the UK [Rowe et al. 2005]). The risks here are considerable; trust in risk management systems is asymmetrical—it is easier to destroy than to create (Poortinga and Pidgeon 2004).

## 12.6 CONCLUSIONS

This chapter elaborates an analytical framework that explores reputation management by linking policy learning and OPC. It has used this to explore a 'live' empirical challenge being tackled by a UK regulator. The HSE's myth-busting initiative reveals considerable reflexive learning and relationship building in three of the four modes. The agency is developing antenna to absorb what is going on in society (ACAP); using the cases as communicative tools to engage in meaning-making (ADCAP); and developing an appreciation of citizens' heuristics on health and safety by making sense of the cases submitted (ANCAP). The absence of deliberative learning highlights that some capacities—in this instance COMCAP—may be left uncultivated because the gains are marginal, or the risks of creating countervailing pressures too high.

By connecting the learning and governance literatures, the framework demonstrates that in regulatory settings characterized by multiple actors and implementation uncertainty, OPC takes many forms and has many outcomes. This emphasis on equifinality matches the idiosyncratic, multi-dimensional and socially constructed nature of all types of organizational capacity. Applying the learning framework to the other eight parts of the Wu et al.'s (2015) capacity matrix may help uncover the multiplicity of different skills that create value. What it also reveals is that while there will be some common mechanisms developed by government agencies to

strengthen their ability to learn from and with society, the ways in which different types of capacity develop and the ultimate blend that exists at any one time are highly contingent on the policy challenge at hand.

Future research could usefully explore how capacity building can be re-designed. By identifying the two central dimensions of learning, the framework reveals what is required for learning to succeed. Where learning is incomplete and OPCs' strategies do not match the reality of the context, the model can be used to generate alternative or corrective public engagement strategies.

## NOTES

1. All 13 of the agency officials involved in the MBCP initiative have been interviewed for this research.
2. <http://www.hse.gov.uk/contact/myth-busting.htm>.

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## Exploring Capacity for Strategic Policy Work: Water Policy in Australia

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### 13.1 INTRODUCTION

Claims that policy capacity has been eroded in the wake of new public management have been widely canvassed (O’Flynn et al. 2011; Head 2015; Tiernan 2015; Wu et al. 2015), and have placed a renewed focus on what constitutes capacity for successful policymaking. Moreover, debate and analysis of the evolution from public administration to public management and governance paradigms has raised deeper challenges in relation to policy work. For example, commentaries on policy capacity in the UK bureaucracy have noted that forward-looking and longer-term policymaking, learning from success and failure, and the use of evidence remain challenges to ‘modernizing’ policy practice (UK Cabinet Office 1999; Ayres and Marsh 2013).

Indeed, there has been keen scholarly interest in grappling with the complexity and scale of wicked problems and integrating policy to deal with them (Head and Alford 2015); the changing sources and treatment of knowledge in the policy process (Head 2013; Daviter 2015); the changing quality and avenues for policy advice (Lindquist and Tiernan 2011; Veselý 2013); and policy evaluation and learning (Dunlop and Radaelli 2013). These features of public policy tend to be captured by the term ‘strategic policy work,’ as distinct from day-to-day, operationally focused policy activities. Gallop argues this form of policy work

distinguishes the future governance paradigm as ‘strategic governance’ (Gallop 2007). This claim is perhaps analogous to the emerging calls for metagovernance (Sørensen and Torfing 2009), which recognize that in practice a mix of hierarchical, market and network-based policy instruments are available to the policymaker, operating within hybrid forms of governance designs. Thus, contemporary policymaking requires responding to the content and context of policy issues, by crafting a policy design appropriate to the problem and governance context, amid a background of conflicting values, meanings and diverse forms of knowledge (Parsons 2004).

Policymaking is a core capacity for governing (Shore 2011). Recognizing and identifying societal problems, gathering information and ideas to develop solutions, making decisions about the most viable options and how best to pursue them, and allocating and accounting for public resources are all essential activities for governments (Aucoin and Bakvis 2003; Althaus et al. 2013). However, there are a number of problems in capturing the skills, resources and conditions needed to achieve successful policy outcomes. Definitions of the capacity that governments require for policy work can be vague and terms used interchangeably (Tiernan and Wanna 2006). Furthermore, causal linkages between outcomes, interventions and the capacity to implement them are not always clear, so measuring success is problematic (Painter and Pierre 2004; McConnell 2010). As a result, it is difficult to measure policy capacity and determine how these qualities contribute to better or worse policy outcomes (Howlett 2009).

Added to these measurement problems, the general premise of most policy capacity studies—that the purpose of policy is to solve problems—provides an incomplete picture of policymaking. As many authors have noted, policy has other important dimensions. It is a key instrument for government to maintain control in the new era of governance (Davis 2000; Painter and Pierre 2004); a significant public measure of political performance; and it can be a space for a variety of interests and organizations to pursue their own agendas (Pollitt 2004; Colebatch 2005). As such, treatment of policymaking as problem-solving, which Colebatch (2005) identifies as predominant in the literature, means that descriptions of policy capacity tend to focus on the competencies needed to move an unrecognized issue through problem-framing, acknowledgement, debate, solution development, stakeholder consultation/



engagement, resource allocation, implementation and perhaps monitoring and evaluation. The focus is on the skills and resources needed to follow a develop-assess-implement policy process, or, as Wu and colleagues note, the analytical and, to a lesser extent, managerial aspects of policy capacity (Wu et al. 2015). This neglects the more political aspects of capacity, such as identifying key stakeholders and their interests, motivations and relationships, in order to make sound judgments on what policy solutions are acceptable (Howlett and Ramesh 2016). In summary, we see commentary on policy capacity split into two main threads: (i) eroded capacity to implement ‘policy-of-the-day,’ or the agenda of the current government (Davis 2000; Davis and Rhodes 2000; Edwards 2009), largely attributed to the NPM-type reforms to the public service, and (ii) the loss of capacity for ‘policy-for-the-future,’ or strategic, innovative, forward-thinking policy development (Tiernan and Wanna 2006; Bourgon 2008; O’Flynn et al. 2011; Head and O’Flynn 2015).

We take the task of strategic policymaking as our point of departure from these scholarly debates, as it shifts from policy-as-problem-solving to policymaking as the act of weaving together the knowledge and resources of multiple state and non-state actors, in order to set direction, align collective efforts and enable social learning (Parsons 2004). This view focuses on the more neglected aspects of policy capacity, identified as operational and political competencies by Howlett and Ramesh (2016). While traditional analytical policy skills remain important—there is still a need to develop and robustly assess options to inform sound decisions—the ‘bookends’ to these analytical tasks, getting options on the table and into practice, are areas of high contestation in the policy process. As such, policy workers will presumably need to rely more heavily on their abilities to muster operational capacity (various resources, support, commitment and understanding) and political capacity (authority, legitimacy and political will).

In this chapter, we seek to contribute to a broader understanding of policy capacity beyond analytical competency, and explore how policy capacity impacts a government’s ability to govern. The chapter focuses broadly on the question: what competencies and capabilities help to facilitate strategic policy work, and how do these capabilities help overcome some of the modern governance challenges? We focus attention not so much on a policy problem and whether it was solved, but on the policy capacity (or lack thereof) that was evident during recent policymaking

experiences in the urban water sector in Australia. In particular, we explore some of the main challenges experienced by policymakers at the time—planning deficiencies, the role and influence of the broader policy community, and dealing with the politics of an avoidable deep ‘crisis’—which represent some of the key challenges to modern governance: the importance of taking the long view, a diversity of stakeholders, and the politics of policymaking (UK Cabinet Office 1999). We argue that these challenges demand broad policymaking skills, and that operational and political policymaking competencies and capacities are therefore crucial for understanding the relationship between policy capacity and governing.

### 13.2 STUDY FRAME

This chapter uses the recent drought experience of Australian capital cities to explore strategic policy work and its relationship to some of the challenges of modern governance. These challenges are well illustrated in a case of water supply scarcity: the need for policy and planning with a long-term outlook to secure water supplies, the involvement of multiple stakeholders with diverging water use needs, the potential for politicization and polarization of the issue, and the need for integrated policy responses across a number of departments and agencies. The drought provided a shared policy driver across Australian jurisdictions with largely similar water governance arrangements. The resulting intensified policy activity provided an opportunity to identify the policy capacity that featured in the policy responses of the period. Drawing on empirical material from a number of studies, we seek to explore what it takes to conduct innovative, strategic policy work in a politically charged context with a diverse policy community. Our comparative study surfaces some of the critical policy capacities needed for success, and we reflect on these capacities in the context of some of the key challenges to modern policymakers.

Following the policy capacity framework introduced in Chap. 1 in this volume, the analysis identifies a range of policy capacities at three levels—individual (intellectual capabilities, leadership, political acumen, boundary-spanning), organizational (culture, management style, budget models, regulative constraints), and systemic (political acumen, inter-organizational relationships, policy networks and the socio-political

nature of broader policy communities). By examining the policy capacity characteristics and deficits for strategic policymaking against common governance issues, the chapter makes an initial contribution of what might constitute policy capacity for contemporary governance.

### 13.3 CASE STUDY BACKGROUND

Though the drought began at different times for Perth, Adelaide, Melbourne and Brisbane, each city faced significant shortages of water supply in the period 2006–2008. Most cities instigated water restrictions to decrease demand, buying time to commission large system augmentations such as seawater desalination plants and reticulation infrastructure. However, these infrastructure responses have been criticized in scholarly water management literature as adhering to a static water supply planning and management paradigm and ignoring the need for greater flexibility in infrastructure systems to deal with future climate uncertainty (Spearritt 2008; Barnett and O'Neill 2010; Brown et al. 2011; Milly et al. 2008).

Within the urban water industry lies a strong, if not mainstream, undercurrent of doubt as to whether these policy choices represented the best options given the information available at the time. Many point to insufficient water resource planning projections given the uncertainty of climate change impacts (Head 2010). Others highlight the politicization of decision-making once water scarcity became a reality (Spearritt and Head 2010). Subsequent examinations of the costs and benefits of the responses have raised questions about the longer-term economic efficiency of the solutions (Productivity Commission 2011). The policy responses, and in some cases the mothballing of new infrastructure after the crisis, are now providing fodder for newly elected or opposing State Governments to denigrate these policies and make populist appeals to citizens facing rising water bills. Water management professionals in Australia generally agree that despite a highly professional, well-networked water policy community with a range of innovative, viable solutions and a reformist alternative narrative, the policy window for innovation rapidly closed, and most jurisdictions fell back on traditional trusted responses: big infrastructure and administrative reforms. While some of the alternative water supply options were included in the 'diverse supply portfolio' rhetoric of the cities' policy responses, they

made up only a small proportion of the supply augmentations in most cities (Barnett and O'Neill 2010; Werbeloff and Brown 2011).

An extensive survey of water professionals across the country highlighted predominantly institutional barriers to the mainstreaming of these alternative solutions (Brown et al. 2009). Inflexible regulatory regimes, a risk-averse professional culture and legislative frameworks with few incentives for innovative or integrated water management were identified as the key barriers to a more widespread adoption of alternative water supply solutions (Brown et al. 2009). In addition, the constraints on the main water service agencies to operate within commercial business models and under-corporatized governance arrangements made it difficult to justify expenditure on these alternative solutions, due to uncertainty in optimum size, scale and governance arrangements, and long-term economic performance (Quezada et al. 2016).

Such institutionalized impediments to potential options calls for policy change. Yet despite general support for alternative water supply solutions from within the urban water policy community in all cities, a political imperative to act, and a clear need for policy development, the policy responses generally followed traditional policy lines: large centralized engineering solutions. Adelaide and Melbourne, however, did embark on a policy development agenda to explore the implications of alternative water sources and their infrastructure schemes for existing policy and regulatory frameworks. Thus, we ask, why did the alternative policy solutions find greater traction in some cities than others? Specifically, what were the apparent policy capacity differences that translated into a strategic policy agenda in some jurisdictions and not others?

### 13.4 RESULTS

The policy capacities present in each city were identified and are briefly described in Tables 13.1, 13.2, 13.3. We took 2007 as the point from which to determine each city's policy capacity qualities, as this corresponded to the time from which most cities began to recognise the need for policy development. Data for the study were drawn from a number of research projects conducted by the authors during and following the drought and focused on governance foundations, institutional dynamics and policy processes within the Australian urban water sector. Findings were cross-checked with the extensive commentary in the scholarly literature on Australia's drought experience. A reference list of empirical

**Table 13.1** Individual policy capacities across jurisdictions

| <i>Individual policy capacities</i> |  |
|-------------------------------------|--|
| Perth                               | <p>High levels of technical skill, growing policy analysis skills, but limited experience in strategic policy development</p> <p>Limited experience in public participation and stakeholder engagement</p> <p>Limited experience in negotiation and conflict management</p> <p>Narrow perspective of integrated water management practice</p> <p>Lack of collaborative problem-solving orientation; tendency to adhere to own roles and responsibilities</p> <p>Limited value placed on diverse perspectives and experiences</p> <p>Limited entrepreneurialism and leadership</p>                                      |
| Adelaide                            | <p>High levels of technical skill, but limited experience in strategic policy development</p> <p>Stakeholder and public participation expertise</p> <p>Skills in negotiation and conflict management</p> <p>Customer-service/stakeholder collaboration orientation</p> <p>Problem-solving orientation, willingness to collaborate on emerging issues</p> <p>Diverse perspectives valued, and community input seen as critical to setting priorities and balancing triple bottom line objectives</p> <p>Entrepreneurial activities</p> <p>Innovation and leadership are highly valued professional qualities</p>        |
| Melbourne                           | <p>High levels of technical skill and substantive policy development and strategic policy skills</p> <p>Stakeholder and public participation expertise</p> <p>Skills in negotiation and conflict management</p> <p>Broad commitment to developing shared visions and objectives for more sustainable urban water management</p> <p>General willingness to experiment and drive institutional change</p> <p>Diverse perspectives and community input are valued by professionals</p> <p>Strategic thinking and reflexive learning ability</p> <p>Innovation and leadership are highly valued professional qualities</p> |
| Brisbane                            | <p>High levels of technical skill and substantive policy development skills</p> <p>Stakeholder and public participation expertise</p> <p>Skills in negotiation and conflict management</p> <p>Strong commitment to develop shared sustainability principles</p> <p>Mixed willingness to experiment</p> <p>Diverse perspectives and community input are valued</p> <p>Generally good strategic thinking and reflexive learning abilities</p> <p>Innovation and leadership are highly valued qualities</p>   |

studies that informed the characterizations of policy capacities within these tables is provided in addition to the cited literature.

**Table 13.2** Organizational policy capacities across jurisdictions

| <i>Organizational policy capacities</i> |   |
|---|---|
| Perth                                   | Discrete roles and responsibilities, but authority/influence not aligned<br>Limited commitment to strategic policy development<br>Budgeting systems for water services are opaque<br>Cost-benefit models inherently favour traditional solutions<br>Conservative policy development, little commitment or leadership to pursue forward-looking policy<br>Difficulties in political engagement   |
| Adelaide                                | Defined responsibilities, with some flexibility<br>Long-term planning not well coordinated<br>Limited strategic policy development<br>Budget allocation and accounting is transparent<br>Economic modelling is sympathetic to novel solutions<br>Willingness and commitment to pursue longer-term perspectives<br>Organizational leadership and direction-setting; informal collaborative activities and relationship building by staff are valued by organizations               |
| Melbourne                               | Defined roles and responsibilities<br>Well-developed strategic planning policy framework<br>Budget allocation and accounting is transparent<br>Economic modelling is sympathetic to novel solutions<br>Balanced competition/collaboration<br>Willingness and commitment to shared longer-term perspectives<br>Experimentation valued, risk management allows calculated risks<br>Informal collaborative activities and relationship building by staff are valued by organizations |
| Brisbane                                | Confused roles and responsibilities due to institutional reforms<br>New regulatory frameworks not yet tested and trusted<br>Budget allocation and accounting is transparent<br>Economic modelling inherently favours traditional solutions<br>Experimentation valued but problematic in risk management systems<br>Little scope for collaboration as new organizations are established<br>Responsibility for long-term policy rests in a single organization                      |

### *13.4.1 Individual Level*

In terms of individual competencies, due to historic institutional arrangements the lead water policy agencies in each jurisdiction during the drought period had a different skills base in their workforce, and varying experience in strategic policy work. In Perth, the Department of Water had evolved from a Water and Rivers Commission, and had a high level of expertise in water allocation and licencing. Melbourne's Office

**Table 13.3** Systemic policy competencies and capabilities identified across jurisdictions

| <i>Systemic policy capacities</i> |   |
|-----------------------------------|---|
| Perth                             | <p>Narrow framing of water scarcity as a source development problem</p> <p>Historic tensions between organizations, silo'd operations and limited inter-organizational collaboration</p> <p>Strong regulatory system, but it discourages innovation</p> <p>Knowledge gaps and limited information sharing</p> <p>Limited policy coordination activity</p> <p>Translation of innovations into policy change is limited</p> <p>Industry capacity-building program is limited by funding, and few forums exist for informal professional discourse and collective learning</p> <p>Limited learning from other jurisdictions</p>  |
| Adelaide                          | <p>Succession of ministers results in little time to build political links</p> <p>Water scarcity framed as integrated water management problem</p> <p>Historic tensions between levels of government, but organizations willing to collaboratively experiment with new ideas</p> <p>Regulatory system open to adjustment</p> <p>Informal information sharing</p> <p>Innovative solutions influence policy development</p> <p>Collegiate industry networks with recognized champions, and small industry drives collaboration and pooling of resources and influence</p> <p>Open policy network, and cohesive policy community with political acumen</p> <p>Institutionalized public participation has built an engaged public</p>                   |
| Melbourne                         | <p>Water scarcity framed as integrated water resource management</p> <p>Well-developed strategic planning policy framework and supportive regulatory setting</p> <p>Well-established, accessible research and information networks</p> <p>Collegiate industry networks with champions and policy entrepreneurs, and is able to collaborate and pool resources and influence</p> <p>Innovative solutions influence policy development</p> <p>Well-established, comprehensive industry capacity-building program, but limited learning from other jurisdictions</p> <p>Cohesive policy community with political acumen, with political leadership and direction-setting</p> <p>Institutionalized public participation has built an engaged public</p> |
| Brisbane                          | <p>Water scarcity framed as an institutional inefficiency problem</p> <p>Recent tension between levels of government, but some inter-organizational collaboration</p> <p>Long-term planning and strategic policy development not well coordinated</p> <p>Collegiate industry networks with champions and policy entrepreneurs with ability to collaborate and pool resources and influence</p> <p>Well-established, comprehensive industry capacity-building program</p> <p>Connected policy community but closed policy network</p> <p>Institutionalized public participation has built an engaged public</p>  |

(continued)

of Water and Adelaide's Department for Water both had histories within natural resources management departments—providing them with a mix of water, land management, and ecology expertise. In Brisbane, water management policy expertise had rested with the Brisbane City Council, but was dispersed through a range of organizations following the institutional reforms in southeast Queensland in 2006–2008, including the Queensland Water Commission (the newly established water policy and planning agency). Thus, Perth's workforce had a strong technical base, while other cities had a more diverse skills base, though Brisbane's policy expertise was dispersed.

Melbourne and Brisbane's institutional arrangements exhibited key integrated water resource management features prior to the drought, while Adelaide and Perth had begun to focus on integrated water resources policy more recently with the creation of separate water departments and policy portfolios. Melbourne's bulk water supplier had a long-held legislated role to protect waterway health through catchment management, and Brisbane City Council had been responsible for water supply services, drainage and flood protection prior to the system restructuring of 2006–2008. The combination of water supply/catchment management roles provided both organizations with the impetus and authority to consider water supplies in conjunction with broader water resource management concerns. As such, a range of policy capacities for strategic policy development were well-developed in these two cities, including integrative thinking, anticipating the effect of different policy instrument mixes, comprehensive cost-benefit analyses, collaboration with other policy domains and stakeholders, engagement of citizens, and communicating policy options to politicians and their staff. These individual policy capacities are summarized for each city in Table 13.1.

#### 13.4.2 *Organizational Level*

At the organizational level, all cities had clear administrative arrangements for various aspects of water management. However, Perth's organizations tended to operate more in isolation than collaboration, and Brisbane's arrangements were substantially disrupted by the legislated water system reforms, leaving some bedding down of roles, responsibilities and authority still occurring during the study period. Following



the reforms in Brisbane, all cities had similar corporatized governance arrangements for water supply services, subject to state government regulatory frameworks for environmental, economic and human health considerations. Despite these similarities, Melbourne and Adelaide showed decidedly more flexibility in interpreting organizational remits, adjusting regulatory regimes, and collaborating to address issues that arose as the drought progressed. Brisbane's new institutional arrangements hampered this type of operational policy capacity, as the city's focus was directed at establishing new entities and defining their remits. Historic tensions between Perth's key water organizations led to a reluctance to collaborate on strategic policy issues. Such current administrative arrangements and institutional legacies provided a backdrop of differing organizational cultures in each city. Anecdotally, both Perth and Melbourne tended to overlook novel ideas and lessons learned in other jurisdictions, while Brisbane and Adelaide informally benchmark themselves against their state peers. These features of organizational capacity are summarized in Table 13.2.

### 13.4.3 *System Level*

Capacity-building programs have mobilized professional networks in Melbourne and Brisbane, and these communities of practice also have membership links with policy networks. While Adelaide had no such formalized capacity building program, similar networks have emerged more organically in the form of an informal peer network of water professionals. This network, based on long-held relationships throughout extensive careers working in Adelaide's water sector, created personal linkages across a range of organizations, including policy agencies. Their influence on policy processes formed a widely recognized network of policy entrepreneurs. Despite an industry capacity-building program, Perth's professional networks were not as active or connected to policy networks as in the other cities. This was due to limited resourcing of the program and the general culture of the water industry, which has not been conducive to challenging conventions of professional practice or learning from innovative ideas.

While the water industry is generally conservative due to the link to public health, Perth's professional culture and related decision-making logics led to a greater level of risk aversion. Similarly, in Brisbane

institutional instability created a greater level of conservatism. This influenced not only the development of novel solutions and policy options in both cities, but stifled leadership capability for new thinking to emerge. While the resounding rhetoric of ‘diverse water source portfolio’ and ‘climate-independence’ was used in all four cities, practitioners in Adelaide, Brisbane and Melbourne saw opportunities not only to find and develop ‘new’ water sources to augment the current system (such as unexploited groundwater resources and desalination plants), but also to improve the resilience of the water supply system through the use of novel technologies at a variety of scales. Perth’s water sector demonstrated a narrower framing of the water scarcity problem, seeing the solution as continued large-scale system augmentation alongside demand management strategies. Responding to the scarcity crisis through an integrated water resources management problem frame subsequently required a more interdisciplinary knowledge-base, an ability to collaborate with other organizations and policy domains, and an aptitude for problem-solving and improvisation rather than reverting to tried-and-tested options. The strong professional networks with links to policy networks and broader policy communities created a receptiveness to change in Adelaide and Melbourne’s water institutions, and novel technological developments had greater success at being translated into policy changes. Though Brisbane displayed these systemic operational and political capacities, the dire nature of the supply crisis and state-local government tensions over the choice of intervention closed the policy network to outside influences. These features of systemic policy capacity in each city are explored in Table 13.3.

## 13.5 DISCUSSION

Returning to the proposition of the chapter, we now examine whether the observed variances in policy capacity in these four cities may help to explain each jurisdiction’s response within three key dimensions of strategic policy development: long-term policy outlooks, politicization of policy issues, and the role of policy communities.

### 13.5.1 *Long-Term Policy Outlooks*

Melbourne, Brisbane and Adelaide had begun to develop integrated water resource management and allocation frameworks prior to the

drought-provoked crisis decisions on new water sources (Government of Queensland 2000; Department of Sustainability and Environment 2004; Government of South Australia 2004). In Perth, policy coordination work had been conducted to align policy frameworks for water and land use planning and development (Western Australia Planning Commission 2008). However, these efforts did not extend to water supply concerns. While this work began to build some systemic organizational capacity in each city, both Perth and Adelaide found themselves coming into the height of the drought with less expertise in strategic policy development, for reasons described below. This subsequently influenced their ability to set long-term policy outlooks.

In Perth, systemic capacity was built between the land development and water policy sub-systems, however the focus was on minimising water discharge to drainage infrastructure, rather than encouraging an exploration of lot/precinct scale water source development as an emerging future direction for water services. In Adelaide, operational forms of policy capacity, from individual to systemic levels, had enabled an integrated water policy framework to be developed. As the drought began to challenge the adequacy of this policy, an independent Commissioner for Water Security was tasked with whole-of-government water supply planning and policy agenda setting. This approach did not enable organizational policy capacity to develop within key organizations, in particular analytical and political capacity, to respond to the drought and build political capital with key decision-makers. While the Commissioner conducted the strategic policy task in a highly collaborative way, with a limited tenure and no resources for implementation, this mechanism for strategic policy work came with a number of risks. First, that the key delivery agencies would not achieve ownership and commitment to the plan, and also that the policy capacity necessary for further strategic policy work would be left undeveloped in state departments and agencies. However, this model did help to reduce the potential for water scarcity to become politicized.

As the drought intensified, each jurisdiction developed and released a '50 year plan' aimed at securing water supplies (Department of Sustainability and Environment 2004; Western Australian Water Corporation 2009; Commissioner for Water Security 2010; Queensland Water Commission 2010). These policy documents set out, to greater or lesser extents, the ways in which water was to be managed to provide for potable water supplies while taking into account other uses and

users of water. Variations in the plans' scope reflect the remit of the lead agency, and hence the institutional arrangements for water management in each city. For example, the Perth water authority's plan, *Water Forever*, focused on source development, while the plan encompassing Melbourne, *Our Water, Our Future* established a comprehensive program of reforms and regionally based 'sustainable water strategies' to account for all consumptive and non-consumptive uses of water. Thus, the plans show the divergent problem-frames used to understand the water scarcity problem and to plan for its resolution. An indication of the systemic policy capacity in each city also implicitly emerges in the plans, through the diversity of perspectives and collaborative approaches to policy development.

A broader disciplinary base within practitioner networks in Melbourne, Brisbane and Adelaide built individual capability to engage in collaborative learning and policy work. This analytical and operational capacity within the workforce flowed through into the organizational capacity of the urban water sector, by highlighting within a range of water organizations a need for more integrated and cohesive policy frameworks, and prompting collaborative work in this regard. This in turn built the competency of policy officers to strategically analyse and integrate policy frameworks and instruments mixes, consult with other policy domains or stakeholders, and communicate options through the hierarchy to decision-makers. This individual and systemic analytical and political capacity within the broader policy community also assisted by monitoring trends, identifying issues, opening discussions on problem definitions and solution options, and translating these discussions into a cohesive policy community. This combination of policy capacities in the Melbourne and Adelaide cases helped to surface innovative policy responses for consideration. The difficulties experienced in Brisbane, where the policy network closed and became disconnected from water management professionals, raises questions as to how connections between policy networks and the broader policy community can be kept open during times of political instability, in order to maintain the connection of practice-based knowledge with policy windows. The Perth case suggests that the lack of a cohesive community of practice connected to policy entrepreneurs and policy officers represents a paucity of systemic capacity necessary for informing long-term policy outlooks.

### 13.5.2 *Politicization of Policy Issues*

As the dry conditions reached their peak, it became clear in each city that the possibility of water supply failure was closer than anticipated; in some cities only a few months of water remained in storage. This is significant in the Australian context, where storage is routinely designed with capacity of five or more years to cope with the naturally variable climate. Urgent interventions were needed to ensure adequate supply. The way each government framed the crisis differed, driven largely by their perceptions of public attitudes toward water management, as well as their historic policy positions. These views determined political strategies for dealing with the crisis, had implications for the water management choices and policy responses that were pursued, and appeared to challenge the existing political capacity at organizational and systemic levels within most jurisdictions.

How governments handle public crises is reflected in public opinion commentary on their performance, and as such, the framing of a policy problem to match a chosen policy response is often a key communication strategy. Likewise, if a problem can be framed as a crisis and an effective solution put forward, public kudos can be gained from the averted crisis. This crisis management strategy was certainly employed to a large extent by the state government in the Brisbane case. Adelaide and Melbourne pursued a more conservative strategy, framing water scarcity as a result of ‘unprecedented conditions’ and thus requiring significant change in approach. In contrast, in Perth, due to political sensitivities steaming from a previous failed election platform with water at the centre, the government preferred to keep water out of public debate, which served to maintain business-as-usual solutions and inhibited the growth of policy capacity at organizational and systemic levels. The response in Brisbane was also driven by a political agenda, namely the pursuit of significant structural reform in the urban water sector. This highly politicized environment, with inter-governmental and inter-organizational tensions, led to decision-making processes being largely conducted within a closed policy network, with little consultation with the broader policy community. Thus, despite a cohesive network of practitioners, with good relationships and trust with policy advisors and ministerial staff, and a well-developed united message on options and solutions based on their professional expertise, these professional networks were

unable to convert their existing political acumen into a place at the policymaking table. The key factor that differentiated Brisbane from the Adelaide and Melbourne cases was that the discourse of practitioners did not resonate or align with the political framing of the crisis employed in Brisbane. Policymakers felt compelled to pursue a closed policy agenda, and actors at the individual and systemic levels were unable to influence this agenda. In contrast, policy entrepreneurs in Melbourne and Adelaide were able to gain an audience with policy advisors and promote their preferred policy options, which were largely supported by the messages coming through from the broader policy community. This combination of individual and systemic policy capacity formed a mutually reinforcing discourse that influenced decision-makers.

These experiences suggest that political acumen and network connectivity may help promote a perceived need for strategic policy, but may not provide the authority necessary to maintain momentum if the political environment is particularly volatile. Looking at the experiences of these four cities, individual and/or organizational capability for political engagement can create very powerful policy capacity, by helping to shift resources—financial and human—toward policy work. Making the most of such an opportunity by delivering innovative and feasible options to a minister, aligned to his/her political agenda and widely endorsed by the policy community, requires analytical, operational and political forms of capacity at the individual and organizational levels. Converting individual capacity into systemic policy capacity through collaborative professional and policy communities to gain broad-based support for strategic policy initiatives is also critical, but significant time is needed to build trust and cohesiveness in the network. Similarly, at the other end of the policy process, if there has been enough organizational political capacity within the bureaucracy to gain broad support within the policy community, and bipartisan support for a policy which is delivering outcomes, a new minister may not be as willing to change policy direction as their point of difference from the previous administration. This was evident in Melbourne's experience, where the Bracks/Brumby Labor government's keystone water policy *Our Water, Our Future* (2004) implicitly provided the basic framework on which the Baillieu/Napthine Liberal government's *Living Melbourne, Living Victoria* (2011), continued to build. However, this type of organizational political capability takes time to develop, requiring long-standing collaborative relationships between policy networks and broader policy communities, and well-established trust

with ministers, shadow ministers and their staff. It can be difficult for policy officials to find the resources to invest in building this capacity, and a reactionary context may still have a negative effect on the capacity base. Indeed the Brisbane example showed how a reactionary context not only left little time for a well-informed deliberative process, but also eroded some of the good will and capacity within the broader policy community. The experiences in all cases point to political capacity at a system level being critical when policy problems enter 'crisis' mode. This suggests that the opportunity for strategic policy development in a politicized environment requires significant groundwork in building political and systemic policy capacity, and therefore requires a substantial lead time.

### 13.5.3 *The Role of Policy Communities*

In technically complex sectors such as water management, engineering competency has traditionally been the mainstay of successful water policy. In the last two decades, with the influence of the ecologically sustainable development agenda, and the realisation that water management is as much about understanding social behaviours as building pipes, the skill-set of the water profession has greatly expanded. Coupled with the broadening of policy actors due to NPM and other governance influences, an expansive and diverse policy community around urban water management issues now exists. This community brings with it a wealth of policy-related knowledge and capacity. But how these elements of capacity are connected and organized to contribute to policymaking is a key question.

The diverse professional, organizational and institutional characteristics of Melbourne, Brisbane and Adelaide's policy communities have influenced the policy capacity within these cities at both the individual and organization levels. The coming together of diverse perspectives and approaches to the water supply problem has not only built a collective understanding of problems and solutions, but has also encouraged practitioners to develop new individual capacities, including the seeking of alternative ideas and new perspectives. These policy communities encouraged professional and collective learning, and developed organizational and professional cultures that valued innovative thinking and collaboration. In contrast, Perth's water sector valued the efficiency and effectiveness of traditional approaches, and the knowledge and expertise that can reproduce these solutions. The common understandings and agendas developed through individual capacity-building efforts in Adelaide and

Melbourne were also translated into operational organizational capacity, as individuals influenced their own organizations and connected across organizations through their personal relationships. This did not occur to the same effect in Brisbane due to institutional instability, or to a great extent in Perth, where opportunities for such informal professional development and interaction were limited.

In addition, through the avenues of formal industry capacity-building programs and informal professional networks, individual policy capacities were pooled together to create systemic capacity. Such conditions created higher potential not only for innovative technological advances, but also produced new narratives and discourses on a compelling case for fundamental reform to legislative and policy frameworks. Thus, capacity-building efforts can result in systemic forms of policy capacity, if provided with the right forums and avenues for sharing and learning. When examining how capacity enabled these policy communities to influence the policy process, there were mixed results. Despite relatively similar individual and organizational capacities, Melbourne and Adelaide had better success in influencing policy development than Brisbane, given their more favourable political decision-making contexts and Brisbane's institutional instability and dominant crisis frame. In Perth the lack of opportunities for peer networks to coalesce around new ideas, coupled with historic inter-organizational tensions and a fragmented institutional setting (i.e. low operational capacity), left a lack of systemic capacity. This case demonstrates that without well-developed systemic capabilities it can be very difficult to either build opportunities or leverage conditions for change when they arise. However, the Brisbane case suggests that even with reasonably good levels of policy capacity, there may still be contingent elements that affect systemic capacity and the opportunity for leveraging policy change.

## 13.6 CONCLUSIONS

This study provides new insights into some important dimensions of policy capacity, and their role in bringing about policy change through strategic policy work. Policy capacities do not exist as discrete, independent qualities of individuals, organizations or the policy domain overall. The interdependence of different forms of capacity at individual and organizational levels produces a diverse mix of policy-relevant capacities, and can build into systemic forms of capacity. Also, a particular policy competency shared in two cases does not necessarily guarantee similar policy



outcomes or create conditions for policy change. Thus, claiming a causal linkage between particular configurations of policy capacity and observed outcomes is inherently problematic.

Despite the analytical limitations of this study, the exploration has drawn out a number of insights into policy capacity. First, the evidence from these cases supports many of the conclusions in the literature that networks now play an important role in policymaking. The experiences of these four cities demonstrates that networks were important mechanisms for (i) information generation and professional learning and skills development (analytical capacity); (ii) developing new values, narratives, norms and solutions, which not only prompt innovative approaches but can also anchor the formation of policy communities (systemic capacity) and spread across organizations to create shared agendas and collaboration (operational capacity); (iii) connecting and disseminating technical and policy expertise through the active involvement of boundary spanning individuals (analytical and political capacity); and (iv) producing a common message through diverse voices to influence political decision-makers (systemic capacity).

Secondly, it is clear that gaining better insights into political capacity at all levels is critical to progressing strategic policy ideas, especially in maintaining momentum through times of uncertainty or volatility. This requires that substantial foundational capacity be developed in times of stability and order, to provide the collaborative relationships and trust to draw on when crises loom or political agendas gain dominance in decision-making. Lastly, the policy capacity embedded in extensive policy communities represents a large repository of relevant knowledge and skills, and a reserve of capability. Understanding how and when this capability is mobilized as systemic policy capacity could provide significant clues as to how connections can be made between policy problems and solutions when opportune policy windows emerge.

We maintain that the three aspects of policymaking explored in the analysis—long-term outlooks, politicization of issues, and the influence of broader policy communities—are key to policy development in the context of modern government. The incorporation of diverse views, influence of stakeholder interests, political support, and the legitimacy of ‘forward-looking policy solutions’ are building blocks for the development of policy alternatives capable of shifting policy decisions beyond business-as-usual solutions. By identifying the policy skills and capabilities underpinning strategic policy development in our four case studies,

we have made some initial suppositions on the capacity requirements of policy work in the context of modern governance.

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# Philanthropic Foundations in the City Policy Process: A Perspective on Policy Capacity from the United States

*Madeleine Pill*

## 14.1 INTRODUCTION

In the United States, since the advent of ‘the Big Three’ (Ford, Carnegie, and Rockefeller) in the late nineteenth century, philanthropy has been a powerful and integral force in political economy and society (Zunz 2012). A key thread in the history of US foundation philanthropy is the policy capacity of these non-governmental actors. Foundations became “builders of heavily politicised knowledge networks... linked with the US state as well as with civil society” (Parmar and Rietzler 2014, p. 4). Their importance is reflected in debates about the relationship between government and philanthropy. In Zunz’s (2012) view, federal government is most at ease when philanthropy adheres to ‘charitable’ purposes and is less at ease with philanthropy’s entry into the realm of policymaking (ibid: 297). But, as will be considered here with particular reference to the City of Baltimore, Maryland, foundations have competences and capabilities to perform policy functions. In so doing, foundations demonstrate the importance of the policy capacity of non-governmental actors to how a city is governed.

The chapter first considers the state-society relationships of urban governance. It then briefly explains the history of foundation

philanthropy-of-place approaches in the US, and learnings that have led to more locally embedded approaches. The policy capacity of foundations in formulating neighbourhood revitalization policy is then explored, followed by consideration of the role of foundations in both directly and indirectly implementing such policy via intermediary, non-profit organizations. It then considers the extent to which these city policy processes are open to genuine collaboration between government and non-governmental actors, and the extent to which they reflect differential power resources and relationships. The chapter concludes by considering the scope for development of progressive alternatives.

## 14.2 PHILANTHROPIC FOUNDATIONS IN CITY GOVERNANCE

In the US, philanthropic foundations play a significant role in the governmental/non-governmental relationships that comprise city governance. In certain policy realms, they deploy their policy capacity in all aspects of the policy process.

Understanding the role of foundations is usefully framed by considering the two broad interpretations of the empirical and normative shift from government to governance, which is especially evident in cities given the proximity of governmental and non-governmental actors. One view sees network governance as a way to overcome bureaucratic rigidity and market inequity by incorporating a wide range of groups into policy-making (Rhodes 1997; Stoker 2004), enabling greater capacity to address complex urban problems (Rhodes 1997) as well as enhancing democratic legitimacy (Newman 2005; Stoker 2004). The other sees network governance arrangements as reflecting the dominance of a neoliberal urban polity, steered by cooperative relationships between economic and institutional urban elites (Geddes 2006; Davies 2011). While both narratives focus upon governmental/non-governmental relationships in urban governance, one narrative asserts that these relationships are characterized by heterarchy and the other asserts that the relationships are characterized by hierarchy. As Blanco explains, a useful way to overcome the dualism of the networks/neoliberalism narratives is to use the predominant US approach to urban governance, regime theory, which enables a more refined understanding of how different coalitions in different cities mobilized different sets of resources over time and in different policy arenas (2015, p. 124).



Although regime theory stems from pluralist-elitist debates (for an overview, see for example Stone 2005), the approach focuses on how informal alliances afford city governments the ‘power to’ craft and deliver policy agendas (Stone 1993) as they lack the requisite resources and capacities to pursue public policy on their own. Regime analysis assumes that where “many activities and resources important for the well-being of society are nongovernmental” (Stone 1993, p. 7), the act of urban governance “requires the cooperation of private actors and the mobilization of private resources”, which results in coalition formation. Therefore, and crucially, the composition of the alliance will depend upon the policy realm. As Stone asserts, the key question of regime theory is “who needs to be mobilized to take on a given problem effectively” (2005, p. 313). Thus while some interpret regime theory as referring to the formation of coalitions between local political and corporate elites (Pierre 2014), mirroring the rather reductive neoliberal narrative of urban governance, a much richer understanding of the role of non-governmental actors in city regime policy processes is possible if we refine the definition of private elites to include non-profit organizations as well as for-profit businesses.

The key role played by other private (non-corporate, non-profit) elite actors, namely philanthropic foundations, in alliance with city government in certain cities in the policy realm of neighbourhood revitalization will be explored below. Such actors tend to prevail in cities in decline that lack a significant corporate presence and face significant neighbourhood policy challenges. Philanthropic foundations have played a key role in the regimes and in the development and implementation of neighbourhood revitalization policy agendas—and have in turn enrolled the non-profit organizations they support into the approaches developed. Whilst the ‘social production model’ of power espoused under regime theory posits ‘power to’ rather than ‘power over’ (Stone 1993), the regimes do generally result in governance by exclusion or domination of those lacking the power or other resources valued by the regime to pursue its policy agenda.

As can be expected given the localist nature of US urban governance in a federal governmental system, local political agency related to local actors’ values and beliefs is recognized as an essential element of the structuring process in regime analysis (Stone 2004; Collins 2008). But agency is also affected by local actors’ interpretations of prevailing policy

discourses. As Stone explains, “feasibility... is a matter of shared perception” (2005, p. 319). Thus the neighbourhood policy agendas have generally adopted the discourse and practices of mainstream, pro-market approaches. But there are signs of alternative, more community- than market-based, paradigms emerging (Imbroscio 2013, 2016), in which foundation actors are again playing a major role.

### 14.3 PHILANTHROPY OF PLACE

The focus on the policy capacity of philanthropic foundations in US urban governance in the policy realm of neighbourhood revitalization necessitates an explanation of what is usefully termed in this context ‘philanthropy-of-place’. Philanthropic foundations can be public or private. Public (or community) foundations are inherently place-based, as they are created to benefit the residents of a defined geographic area, pooling the resources of local donors and funds from a variety of sources into a permanent endowment for the area’s betterment. Currently about 700 such foundations operate in the US, bequeathing around \$4 billion annually (Foundation Center 2012). Private foundations, generally funded from a single source, may focus on particular places and/or particular issues. Private foundations can be one of three types: independent (not governed by a benefactor, a benefactor’s family or a corporation); family (the donor or donor’s relatives play a role in the foundation); and corporate, which derive funds directly from businesses. As community foundations have more leeway than private foundations under tax laws to devote a proportion of their resources to advocacy,<sup>1</sup> they are thought more likely to adopt an explicitly political role (Auspos et al. 2008). But the policy capacity of private foundations engaged in philanthropy-of-place is clear, as shall be examined below.

In the US, attempts at place-targeted strategies date from the 1960s, when federal government efforts such as the Community Action and Model Cities programmes sought to counter the perceived shortcomings of centralized responses to poverty. Continued ‘urban crisis’ in the 1970s led to a ‘backyard revolution’ (Boyte 1980) of activism and the creation of community-based organizations, including Community Development Corporations (CDCs), which focus on physical redevelopment, including building affordable housing and commercial space (NACEDA 2010). CDCs were boosted by the federal Community Development Block Grant (CDBG) enacted in 1975, under which

entitled cities have discretion to disburse funds under very broad guidelines. But importantly, CDC development has also increasingly been assisted by local and national foundations. Such support includes the growth of national financial intermediaries, LISC (the Local Initiatives Support Corporation, initially an offshoot of the Ford Foundation) and Enterprise Community Partners, both of which channel funds to CDCs. Philanthropies generally considered CDCs to be a “positive and civil way of achieving neighbourhood renewal” (McQuarrie 2013, p. 81) and an alternative to contentious, oppositional community organizing strategies.

In the 1980s, development of the urban regime “local elitist mode of policy formation” (Peck 1998, p. 28) was furthered by the ‘de facto devolution’ of federal retrenchment (DiGaetano and Strom 2003). An espoused outcome was to “stimulate community-self reliance and unleash a massive increase in voluntarism and private philanthropy” (Barnekov et al. 1989, p. 114). Martin (2004, p. 394) describes the “increasing privatism” of the “neighbourhood policy regime” comprising the local state, foundations and community-based non-profit organizations, especially CDCs, an observation supported by other research (for example, Frisch and Servon 2006). Therefore, as resources from federal government have declined, neighbourhood revitalization has become increasingly dependent on networks of non-profit organizations, led by locally based or locally operating foundations and intermediaries, as well as (education and medical) “anchor institutions” (Silverman et al. 2014), so named as once established they tend not to move location. CDCs that partner with foundations and intermediaries are more likely to attract funding from other local sources (Silverman 2008), further marginalizing those non-profit organizations outside of the neighbourhood policy regime.

The 1990s saw private philanthropies attempting time-limited, multi-city, neighbourhood-targeted Comprehensive Community Initiatives (CCIs), operationalized via grant-making, and partnering with local non-profit organizations, particularly CDCs. The stated aim of such ‘community building’ approaches was to ameliorate neighbourhood poverty by developing active resident participation in the building of neighbourhood social capital and community capacity (Sampson et al. 1999; Chaskin et al. 2001). Key nationally operating foundations such as Ford and the Annie E. Casey Foundation had ‘community building’ divisions, and the philanthropic sector invested significant resources (for example, Casey invested \$550 million in its 10-year, 10-site Making Connections initiative). In

assessing the Ford Foundation's four city Neighborhood and Family Initiative, Chaskin found that "power dynamics are pervasive" (2005, p. 418), with non-profit organizations shaping their activities to meet the demands of funders. This aligns with critiques that posit that community-building approaches enrol non-profit organizations into the priorities of a city's political and economic elites (Mayer 2003). City government can use CCIs in pursuing "neighbourhood development more efficiently -through partnerships with foundations, local businesses, CDCs, and neighborhood-based community groups" (Fraser 2004, p. 443).

Lessons drawn from the failure of CCIs to achieve change in key outcomes included the need for "deep foundation engagement in the community" (Kubisch et al. 2011) or "local anchorage" (Karlstrom et al. 2009)—and, crucially, the need for foundation initiatives to be political and systemic. Attention turned to initiatives led by local foundations (or nationally operating large foundations in a 'home town'), rather than CCIs led by 'outsider' foundations (Chaskin 2003). One example is the four pilot cities of Living Cities (a national philanthropic collaborative of 22 foundations and financial institutions), in which a 'host', locally based foundation shapes and supports an initiative and seeks to leverage the support of other partners (Auspos et al. 2008) with an emphasis on 'system transformation' (Living Cities website).

The emphasis on anchorage and long-term commitment led to the notion of 'embedded philanthropy', defined by Karlström et al. (2007, p. 1) as place-based but with "an unusually intimate and long-term engagement with communities". Embedded philanthropy is thus distinct from the place-targeted efforts of CCIs sponsored by the large private foundations operating remotely, but it also entails more than a philanthropy being place-based. A key element of the approach is that foundations stress their ambition to diminish the power differential with their 'community partners' that philanthropic relationships inevitably entail (Karlstrom et al. 2009). In a study of four embedded philanthropies, Karlstrom et al. (2009, p. 55) found that the foundations directly supported civil engagement activities, ranging from voluntarism to political activism; convened and brokered new opportunities for civil engagement; and tried to use their own relationships and influence to make powerful regime actors more responsive to civil activity. Not surprisingly, given their implicit anchorage, two of the foundations were community foundations. As in regime theory, Karlstrom et al. (2007) stress that the local political ecology plays a major role in shaping the opportunities

and constraints on embedded philanthropy and its ability to develop the ‘civic capacity’ of the community-based organizations it supports.

#### 14.4 THE POLICY CAPACITY OF FOUNDATION ACTORS IN NEIGHBOURHOOD REVITALIZATION

The policy capacity of foundations shall be explored using the case of the City of Baltimore, Maryland. The case illustrates that the neighbourhood revitalization policies developed and implemented in Baltimore have been influenced by the prevailing philanthropy-of-place approaches as set out above. After providing some background on the city, the chapter considers foundation policy capacity, firstly by focusing on policy formulation, and secondly on policy implementation.

##### 14.4.1 *Background*<sup>2</sup>

Baltimore grew as an industrial and port city, reaching its peak of population and prosperity in the mid-twentieth century. Post-war decline resulted in federally funded urban renewal (comprehensive redevelopment and construction of public housing projects), in a context of federally subsidized rapid suburbanization. The resultant depopulation, displacement and disruption in the city acted to concentrate deprivation and left a legacy of distrust of government. Such rapid demographic change eroded civic life, although federal funding via the Community Action and Model Cities programmes did assist the rise of advocacy neighbourhood organizations, some of which still exist as CDCs. These may continue to receive federal funding via the city government’s disbursement of CDBG funds, though local philanthropic foundations have become an increasingly important source of funding as federal funding has declined.

The ‘de facto devolution’ of federal retrenchment in the 1980s exacerbated the problem of the city’s declining tax base, and reductions in redistributive funding necessitated greater self-reliance. Baltimore followed the country-wide trend to more privatist urban regime-type modes of city governance. City government and business regime-style ‘revitalization’ efforts focused on the central business district and Inner Harbor. Mayor Schموke, elected in 1987, sought to address the city’s long-neglected neighbourhoods, and his efforts helped attract some

time-limited, neighbourhood-focused federal programmes based on leveraging the market in the 1990s. In 1994, Baltimore gained a 10-year Empowerment Zone designation that made \$250 million in federal tax incentives and a \$100 million federal grant available for areas pursuing economic opportunity and sustainable community development (Gittell et al. 1998). The zone overlapped with a neighbourhood initiative instigated by Enterprise Community Partners, the nationally operating but locally headquartered financial intermediary. This innovative (for its time) CCI in West Baltimore drew from community building principles. However, it achieved only marginal neighbourhood improvement and became regarded as a lesson in the intractability of neighbourhood problems (Brown et al. 2001), borne out when the area formed the locus of the city's riots in April 2015.

Since 2000, continued reductions in federal aid combined with the city's shrinking tax base led to the justificatory narrative of a 'greater realism' of approach with transformative effects on the city's governance processes. This has led to the constitution of the city's governance regime for neighbourhood revitalization being made up of city government working closely with private but non-corporate interests. These private interests comprise key anchor institutions such as the city's (and the State of Maryland's) major employer, Johns Hopkins University and Johns Hopkins Medicine, as well as private local, or locally based, philanthropic foundations.

#### 14.4.2 *Philanthropic Foundations' Role in the Regime*

As the city's corporate presence continued to shrink in the 1980s and 1990s, its philanthropic sector began to play an expanded role in the city's governance regime. Some foundations based in Baltimore also operate nationally (such as the locally headquartered, nationally operating Annie E. Casey Foundation). Others are purely local, such as the Goldseker Foundation. The policy capacity of these non-governmental actors is evident throughout the policy process for neighbourhood revitalization. This shall be examined in two ways: firstly their role in formulating policy; and secondly their role in implementing policy, both directly and via their instrumental relationships with the other non-profit organizations which they select to fund and support. Such an examination of how foundations realise their policy capacity validates the usefulness of the nested model of capacities: Foundations manifest their

organizational capacity analytically, operationally and politically, but systemic capacity is also critical.

#### *14.4.3 Policy Formulation: Asset-Based Resource Allocation Using a Housing Typology*

Foundations played a crucial role in the shift in the city's governance regime strategy, heralded by the adoption of an 'asset-based' mode of resource allocation to boost the city's housing market.

The imperative for this major shift from a needs- to an asset- or market-based mode of resource allocation was the city's huge needs and lack of resources, exacerbated by federal withdrawal. Given its declining policy capacity, the city government thus had little to lose by becoming more open to working with non-governmental actors. Such actors formulated a policy approach for neighbourhood revitalization that aligned with the need to target public resources and attempt to attract private investment. Indeed, the policy approach illustrates Painter and Pierre's (2005) narrower, policy formulation-focussed definition of policy capacity as "the ability to marshal the necessary resources to make intelligent collective choices about and set strategic directions for the allocation of scarce resources to public ends" (p. 2). The city's declining population and hyper-concentration of the poor has long meant rising service needs and a shrinking tax base. The resultant constant 'fiscal squeeze' faced by city government exemplifies Peck's (2012) description of austerity conditions as "normalised and localised" in US urban governance. This context eased the adoption of what was a major, rather than incremental, change in strategy.

The asset-based approach was identified and promoted by a local philanthropic foundation, the Goldseker Foundation (founded in 1976 with a bequest from a local real estate investor). Goldseker funds non-profits and projects in the Baltimore metropolitan area, seeking to "serve the Baltimore community by investing in its institutions and people", and describes itself as having "consistently been an early supporter—in many cases the first funder—of a number of initiatives designed to strengthen our city" (Goldseker Foundation website). Goldseker's organizational capabilities were evident in their analytical competence to identify the value of the data-based approach eventually adopted by city government. The approach was not developed by the foundation, but it demonstrated its collaborative abilities by commissioning The Reinvestment

Fund (TRF), a community development financial institution (whose capital was derived in part from private foundations) to reprise the ‘market value analysis’ methodology it developed in Philadelphia to form the basis of the Baltimore approach. The process is underpinned by the development of a typology of housing markets, developed using detailed cluster analysis of the city’s neighbourhoods.<sup>3</sup> The typology ranges from ‘stressed’ to ‘regional choice’ neighbourhoods, each with a different policy prescription. ‘Stressed’ areas, defined as such given the scale of disinvestment, population loss and abandonment, are subject to demolition, and are ideally clustered to enhance the potential for site assembly and redevelopment. In the ‘middle’ categories, the interventions pursued are perceived as helping the market, include supporting homeownership, marketing vacant homes and providing additional incentives for development and investment. ‘Regional choice’ neighbourhoods are those in which the housing market is most strong, and are so-named in line with the policy goal to attract the middle class to live in the city.

As an organization, Goldseker’s legitimacy—gained in part through being locally embedded—gave it considerable political resources. At the same time, its organizational legitimacy is hard to disentangle from the individual capacities of its then president and CEO, an elite member of Baltimore’s community development policy network who was able to take the political aspects of policy into account and to credibly seek political support for the foundation’s approach. Getting the mayor’s buy in was critical, especially given the power vested in the city’s particularly strong mayoral system of government. The office is subject to a city-wide election separate from that for its 14 district council members. The mayor has ultimate decision-making power and controls the Board of Estimates. This is backed up by a mayoral veto that can only be overridden by a three-quarters City Council vote, which members are wary of using. Crucially, Mayor O’Malley (in office 1999–2007) decided to adopt the housing typology approach for city government that was being championed by Goldseker. Use of the typology aligned with his commitment to evidence-based approaches, as demonstrated by his introduction of CitiStat, a statistics-based crime tracking system that has since been broadened to cover provision of other city services. The mayor’s adoption of the approach assured its broader adoption by city members and bureaucrats. The asset-based typology approach continues to form the basis for city planning and resource allocation, as used in the city’s



comprehensive master plan adopted in 2006; and in its consolidated plan for housing and community development needs, prepared every 5 years as required by the federal government for jurisdictions receiving CDBG monies.

Therefore the key decision-maker to enable policy adoption in the Baltimore city government system is the mayor. That the asset-based approach has continued through two subsequent mayors, and has been revised three times, is testament to its normative, common-sense appeal as an evidence-based policy approach that is easily shared. Its longevity was probably also assisted by O'Malley's later election as Governor of Maryland, given that state government is an important source of city funding. Typology updates are now jointly developed by The Reinvestment Fund and the two key stakeholder city departments, Planning and Housing and Community Development. The updating process also involves oversight by a task force including representatives from non-profit organizations such as foundations, CDCs and academic institutions, as well as banks and private developers (City of Baltimore 2014).

Goldseker's role reflects the lesson drawn from CCI failure: that philanthropy-of-place needs to be political and systemic. The neighbourhood policy approach, which stemmed from the organizational capacity of one foundation, has become a systemic capacity: analytically, in terms of data sharing; operationally in terms of coordination; and politically, in terms of participation of key stakeholders. However, although the housing typology as an underpinning for the asset-based approach deployed in the neighbourhood revitalization policy realm is publicly available and widely used by those within the city's neighbourhood policy regime (city government, foundations and CDCs), it is not widely known amongst the general public, not least because of the sensitivity of notions of 'stress' (and the implications for individual homeowners in terms of their housing equity).

The major policy shift not only reflected the agency of local stakeholders, led by a local foundation, but their interpretations of prevailing policy discourses. Learnings from elsewhere, such as the nearby city of Philadelphia, influenced and eased adoption of the strategy. As Collins (2008) explains, the policy choices of city government are influenced by the perceived success of similar strategies adopted by other cities, which can make the strategy more publicly defensible and thus perceived as

more feasible and less risky than alternatives. Baltimore's neighbourhood revitalization policy regime members are also influenced by the broader prevailing policy discourse—specifically, the “neoliberal convergence of policy advice” (Rose et al. 2013, p. 1) that emphasizes “local competitiveness and revitalizing cities through poverty deconcentration and community reinvestment” which has been incorporated into “the imagination of local political leaders and policymakers” (Newman and Ashton 2004, p. 1154). The spatial basis of the asset-based housing typology approach, and its policy prescriptions, comprise the local interpretation of these broader trends. This is captured in the following excerpt from the city master plan, which includes the policy goals of attracting the middle class to deconcentrate poverty and tailoring action in line with market viability:

As part of its larger, city-wide response to market forces, Baltimore will work with individual neighbourhoods to stabilize local real estate markets. This will focus city residents and services on retaining existing residents while attracting new residents. Tailoring city action to the particular needs of each community will efficiently and effectively cut the constraints which can hinder neighborhood stability, allowing more Baltimore neighbourhoods to compete with their suburban alternatives. (City of Baltimore Comprehensive Master Plan, 2006, p. 70)

#### *14.4.4 Policy Implementation: Asset-Based Resource Allocation Using a Housing Typology*

In terms of the stages of the policy process, a local foundation was key to policy formulation, and the foundation's political legitimacy assisted in gaining the support of the city's key decision-maker, the mayor. This support, in turn, led to policy adoption as expressed via the policy's use as a basis for city planning and resource allocation according to the policy prescriptions for different neighbourhood types. This demonstrates the systemic adoption of one organization's policy capacity. The policy capacity of philanthropic foundations is also clear in policy implementation, as evident from their influence in not only identifying but also pursuing priorities in terms of the spaces, organizations and activities which gain the systemic attention and resources of city elites (including government). Thus foundations also directly and indirectly implement the policy that one in particular was key to formulating.

#### *14.4.4.1 Foundation Direct Engagement in Implementation*

One example of a foundation's direct engagement in implementation is provided by the Annie E. Casey Foundation. This nationally operating, privately endowed philanthropic foundation is headquartered in Baltimore. Its national focus is on "developing a brighter future for millions of children... strengthening families, building stronger communities and ensuring access to opportunity" (Annie E. Casey Foundation website 2016). However, Baltimore is regarded by the foundation as a 'civic site'—a city where, in line with Karlstrom et al. (2007) notion of embedded philanthropy, "we have close hometown connections, where our grant making is not restricted to specific initiatives, and where we anticipate maintaining significant leadership roles for years to come". Indeed, Baltimore was one of four pilot cities for the national Living Cities initiative, in which the Casey Foundation is a partner (Auspos et al. 2008).

The Casey Foundation has played a significant role in the implementation of the East Baltimore Development Initiative (EBDI) megaproject. The project encapsulates the neighbourhood revitalization policy's prioritization of the development needs of the city's other key non-governmental actors: non-profit 'ed and med' anchor institutions. The EBDI is anchored by Johns Hopkins and covers a 30-block area redeveloped as a bioscience cluster. Residents were relocated from these 'stressed' neighbourhoods to allow for site assembly as prescribed under the asset-based approach of the housing typology. The project has occupied a significant place in the politics of the city and has been the subject of citizen protest. Notably, the foundation, aligning with the ethos of the Living Cities initiative, was directly engaged in EBDI. It presented itself as advocating on behalf of EBDI residents, many of whom were displaced due to site clearance. Casey's role can be critiqued, however, as co-opting residents into the neighbourhood policy regime's approach rather than assisting them in challenging it (Davies and Pill 2012). The example of EBDI shows where the regime has chosen to focus its energies and resources, rationalized by a discourse of redevelopment for universal benefit. Other 'stressed' neighbourhoods lacking support from an economic anchor appear as 'ungoverned spaces' disregarded by the regime.

#### *14.4.4.2 Foundation Indirect Engagement in Implementation*

Foundations are key funders of the city's non-profit organizations. By targeting their support, foundations indirectly implement the neighbourhood

revitalization policy via intermediaries by maintaining the systemic asset-based rationale for resource allocation. Assistance given by Baltimore's locally based foundations focuses on the neighbourhoods 'in the middle' of the housing typology, regarded as places where there is scope for smaller-scale efforts, and where the relatively low level of foundation funding can 'improve the market'. Thus the CDCs selected for foundation support are those which operate in such 'middle' neighbourhoods.

A key example is the Healthy Neighborhoods Initiative (HNI), where the organizations involved align with membership of Martin's (2004) 'neighbourhood policy regime'. The Goldseker Foundation provided core operating support to incubate the HNI, now a separate non-profit organization that receives support from a variety of local and national foundations to encourage homeownership in 'middle' neighbourhoods through such mechanisms as loan financing, homeownership counselling services and neighbourhood marketing. The policy entrepreneurship of Goldseker is again evident, as Goldseker was responsible for commissioning a report that set out what became the HNI approach (Boehike 2004). Its efforts resulted in a mortgage and property rehabilitation loan pool, funded principally by local financial institutions who are represented on HNI's board along with Goldseker and three other local foundations, plus the city's Housing Commissioner. As explained on the Goldseker website:

By emphasizing a market orientation [HNI's innovations] have changed significantly the way in which Baltimore government, financial institutions, foundations and the residents themselves think about sustaining strong communities. (Goldseker Foundation Healthy Neighborhoods website)

Notably, in 2010 HNI was successful in applying for federal funding from the national neighbourhood stabilization programme established to mitigate foreclosures and abandoned properties following the 2008 financial crisis. Thus while the neighbourhood policy regime is certainly privatist and localist, its existence constitutes a powerful and reassuring attractant to federal funding when this is available.

#### 14.5 POWER DIFFERENTIALS AMONGST NON-GOVERNMENTAL ORGANIZATIONS IN NEIGHBOURHOOD REVITALIZATION

Overall, the relationships between the city's foundations and its non-profit organizations in the implementation stage of the policy process illustrate the instrumental role of foundations. Those organizations

selected as foundation beneficiaries tend to be enrolled in the prevailing ethos of the neighbourhood revitalization regime rather than assisted by philanthropic actors to exert their own agency in seeking to influence the policy process. Thus power differentials are clear amongst the types of non-governmental organizations engaged in the policy realm of neighbourhood revitalization. Foundations, though engaging in place-based and perhaps even what Karlstom et al. (2009) term embedded practices, are not realizing the ambition associated with embedded approaches of diminishing the power differential with their ‘community partners’.

Patterns similar to those seen in Baltimore can be identified in other US cities. In Cleveland, McQuarrie (2013) found that non-profit organizations had been ‘instrumentalized’. As in Baltimore, the city’s neighbourhood policy regime assessed neighbourhoods according to property values. CDCs were enrolled in the physical redevelopment approach given their need to conform to models sought by funders to survive. The funding criteria used by the intermediary organization which channels funding from the city’s philanthropies to its CDCs were adopted by Cleveland’s Department of Community Development, mirroring the City of Baltimore’s adoption of the philanthropy-championed asset-based approach. Such selection of the type of organizations and approaches to support created a ‘civic monoculture’ which McQuarrie (2013) explains compromised the city’s resilience to the 2008 financial and resultant mortgage foreclosure crises.

Cleveland and Baltimore are both US cities in decline in which philanthropic actors have become key members of the city’s neighbourhood policy regime. Philanthropies have played a formative role in both cities’ policy processes, establishing property values as the key metric to shape resource allocation, and selecting non-profit organizations to become enrolled in the neoliberal policies pursued. The experience of Baltimore and Cleveland supports the findings of other research which finds that non-profit CDCs struggle to contest the futures of their communities. As place-bound, development-focused entities dependent upon capital (whether from foundations, city government or financial intermediaries), they are unable to “rescale the contest” to modify their policy environment (Sally 2012) and have become “sandwiched between patronage and bureaucracy” (Silverman 2009).

When regimes change, CDC activities are affected accordingly. This is illustrated by Owen Kirkpatrick’s (2007) study of CDC efforts to develop affordable housing in Oakland, California. Here, a regime that

pursued a “hesitant form of growth” enabling affordable housing subsidies was replaced by an ‘entrepreneurial urban regime of market-oriented growth’, under which a local ordinance requiring affordable housing in new developments was vetoed by the mayor, who saw it as a disincentive to private investment (*ibid*, p. 347). Thus the resource allocation process of the neighbourhood policy regime keeps non-profit organizations such as CDCs in a clientist position and constrains contestation (Newman and Ashton 2004). McQuarrie affirms the marginalization of non-profits not enrolled into policy implementation by describing one non-profit which maintains its activist stance as being consigned to “the doghouse of the city’s philanthropies and politicians” (2013, p. 95).

In Baltimore, the strictures placed upon city government given declining federal resources and a stretched local tax base, combined with rising needs, have strained its policy capacity and heightened the imperative to partner with non-governmental organizations in developing and implementing policy. However, the Baltimore case helps refine our understanding of the governmental/non-governmental relationships in city governance. Philanthropic foundations—though non-governmental and non-profit—have aligned with (as well as influenced) city government, while other non-profit organizations have been (or perhaps have chosen to be) excluded from the neoliberal approach adopted and pursued. Thus, the realm of neighbourhood revitalization policy illustrates that inherently normative policy choices are contested given their differential implications for different stakeholders (Gleeson et al. 2009).

#### 14.6 REGIME POLICY CHANGE?

Baltimore’s major policy shift to a market-based approach to neighbourhood revitalization demonstrates not just the organizational policy capacity of a particular foundation, but also the development of systemic capacity, once the approach was adopted by city government whereby the approach frames the efforts of many stakeholders in the neighbourhood revitalization policy realm. Policy regimes are not static, however, and need to be able to react to ‘crisis’. The April 2015 riots following the death of a young black man following injuries sustained in police custody brought Baltimore’s spatial and racial divisions to the fore. These divisions are reinforced by the *laissez-faire* policy approach to its ‘stressed’ neighbourhoods, especially those which lack an economic anchor. Subsequent discourse, such as the need to facilitate “civic

dialogue and a process for ongoing engagement” with Baltimore’s ‘underserved neighbourhoods’ (City of Baltimore 2015), implicitly recognised the abandonment of ‘stressed’ neighbourhoods under the neighbourhood policy regime’s agenda, which has divided the city into areas that either merit or do not merit regime resources.

As a result, what was already an emerging related policy realm of workforce development now has the impetus, and therefore the potential, to become more strategic than incremental (Peters 1996). Again the approach is championed by local and locally based philanthropic foundations, through their direct funding and membership, along with representatives of city government, in the Baltimore Integration Partnership (BIP). BIP has been funded since 2010 by the national philanthropic collaborative Living Cities (to which Casey belongs). Living Cities’ description of how it seeks ‘system transformation’ affirms the policy capacity it attributes to philanthropic foundations in city governance, through:

Working with cross-sector leaders in cities to develop and scale new approaches ... Our investments, research, networks, and convenings catalyze fresh thinking and combine support for innovative, comprehensive, local approaches with real-time sharing of knowledge to accelerate and deepen adoption in more places’. (Living Cities website)

BIP seeks to shift to a broader, more systemic human capital as well as physical capital-based policy approach by connecting those seeking work with local employment opportunities, including those resulting from anchor institution-based neighbourhood redevelopment megaprojects. It provides Casey with an opportunity to “influence decision makers to invest in strategies based on solid evidence” (Annie E. Casey Foundation website) and Goldseker to continue in its self-described role as an early supporter of key policy initiatives. City government engagement indicates the potential for more systemic change. However, the changes being sought in Cleveland, in an approach developed by the Cleveland (Community) Foundation, are even more significant. Imbroscio (2013, 2016) describes the approach as community-led, as it seeks to harness the procurement activities of anchor institutions to catalyse worker cooperatives. It is thus seen as a policy paradigm shift away from aligning with the market to developing alternative market mechanisms that help equalize relationships between the city’s institutional elites and its constituent

communities. These alternatives point to the possibility that foundations could champion more progressive policies to redress inequity. Could this be seen as logical, efficient and non-ideological (Imbroscio 2013, p. 16)? Or would this be too much of a challenge to a powerful set of actors?

## 14.7 CONCLUSION

In the state-society relationships of urban governance in the US, and especially in cities in decline which lack corporate elites and face significant policy challenges such as Baltimore, the policy capacity of city government is sufficiently low that non-governmental philanthropic foundations have stepped into the breach in certain policy realms such as neighbourhood revitalization.

Foundations manifest their organizational capacity analytically, operationally and politically; but systemic capacity is also critical. In terms of the stages of the policy process, philanthropies play a significant, two-fold role, firstly in policy formulation and secondly in implementation. In Baltimore, a local foundation was key to policy formulation: its political legitimacy assisted in gaining the support of the city's key decision-maker, leading to policy adoption as a basis for city planning and resource allocation. The policy identifies priorities in terms of the spaces, organizations and approaches which gain the attention and resource of city elites, thus showing the systemic adoption of what had stemmed from an organization's policy capacity. While the policies are influenced by prevailing philanthropy-of-place approaches that have become more locally embedded, the policy agenda pursued in Baltimore, as elsewhere, has adopted the discourse and practices of mainstream, pro-market approaches. Foundation actors thus align with the prevailing neoliberal policy discourse rather than serve as progressive activists.

In terms of policy implementation, the policy capacity of philanthropic foundations is also clear. This is evidenced by their influence in not only identifying but pursuing the priorities that are established. In Baltimore, foundations directly and indirectly implement a policy that one foundation in particular was key to formulating. Indirectly, they serve as an important source of funding and support for other non-profit organizations. Those selected as beneficiaries tend to be enrolled into the prevailing ethos rather than assisted by philanthropic actors to exert their own agency in seeking to influence the policy process. Thus power differentials are clear in the types of non-governmental actors engaging in



urban policy co-production. As in Cleveland, the instrumentalization of CDCs has limited their capacity to contest neoliberal institutional transformations of the state and market (McQuarrie 2013). As Peck (2012, p. 632) explains, “systemic conditions of fiscal restraint serve to reinforce the hierarchical powers... inducing instrumentalism”.

Returning to the terminology of urban regimes, the ‘power to’ create and implement policy agendas (Stone 1993) means that those lacking the power or other resources valued by the regime to pursue its policy agenda are excluded from, or may be subsumed within, the approach adopted. How this is manifested in Baltimore points to the need for regime analysts to reengage with normative concerns in order to generate more socially inclusive governance arrangements (Stone 2005; Blanco 2013). This leads to questions about the scope for foundation actors to develop progressive alternatives. In their grant giving and other forms of support, foundations have the potential either to constrain or enable non-profits to contest the future of their communities. The ideal for the embedded philanthropic practices as envisaged by Karlstom et al. (2009) is that non-profits are accorded agency, but this ideal is often not realized. Foundation actors select organizations which align with—or are willing to align with—the prevailing policy agenda that they have helped establish. Other organizations are excluded from access to resources and support. If they are able to survive, however, they may be the source of alternatives to the neoliberal narrative given the importance of the ‘local’ as an environment for progressive politics, resistance and change (Newman 2013). Foundation actors can choose to support or resist such shifts. The practices of embedded philanthropy, as partially realized in Cleveland by its community foundation, point to ways in which foundations can become more open and accessible (Ostrander 1999), enabling “space for imagining social change” (Nickel and Eikenberry 2010, p. 977). But either way, in so doing foundation actors remain instrumental in their relations with other non-profit organizations and need to engage with government to enable systemic change.

## NOTES

1. Community and private foundations both have tax-exempt 501c(3) status. As such, they are prohibited from conducting political campaign activities for elections to public office (though non-partisan voter education/participation activities are allowed). However, public charities such as community

(but not private) foundations may conduct a limited amount of lobbying to influence legislation.

2. The City of Baltimore's population is 621,000, a 35% decline since its 1950 peak of 950,000. A quarter of the city's residents fall below the (federal government-defined) poverty level. Its racial composition is 64% African American, 32% White, and 6% Hispanic/Asian (US Census 2010).
3. Cluster analysis is conducted down to census block group level drawing from 10 data variables, allowing for a detailed analysis of the city's neighbourhoods (initially conducted in 2005, most recently in 2014).

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# Policy Capacity Within a Federation: The Case of Australia

*Scott Brenton*

## 15.1 INTRODUCTION

This chapter aims to bridge theoretical understandings of federalism and policy capacity to consider whether a particular tier of government is capable, in a policy sense, of being able to deliver social services more effectively than another tier, using the case of Australia. Within federal systems, the norm is to delineate between policy areas and competences and then divide exclusively or more loosely or share between tiers of government. The two dominant approaches are to think of policies in terms of what should be performed at a national level, or to use the idea of subsidiarity, where decisions and delivery should be delegated to the lowest appropriate tier of government.

In contrast to these approaches, I argue that division of responsibilities should be conceived instead in terms of policy capacity. The two fundamental questions that need to be considered are: firstly, what is the capacity of a tier of government to be able to deliver a particular service; and secondly, which tier of government is better able to effectively and efficiently increase their capacity. The federal government lacks capacity in terms of social policy delivery, but does have financial and intergovernmental coordination capacity. State governments have primacy in delivery capacity, as they hold 85% of non-financial government assets.

In this chapter, I first briefly outline the political architecture around Australian federalism in relation to key social services, such as health and education, and canvass the recent reform efforts to address complexities and deficiencies. I then interrogate meanings of policy capacity and show how popular reforms do not really consider policy capacity and therefore will not improve governance arrangements. Some recent cases where the federal government has attempted to operate over its capacity are explored. I conclude by arguing that the federal government should focus on its capacity to deal with actors external to Australia and on intergovernmental coordination, whereas the states and territories should focus on working with internal actors.

## 15.2 AUSTRALIAN FEDERALISM

The Australian federation consists of six states and two territories (which mostly function like states), with a written constitution that lists the federal government's powers and leaves everything else to the states. The states can also legislate in most of the federal government's areas, provided it is not inconsistent with federal legislation. Originally the states were responsible for all aspects of health policy (except quarantine) and education policy. Thus the states were powerful.

Yet over the last century the federal government has expanded its role, aided by increased fiscal capacity along with popular support for greater welfare and service provision. The federal government took over all income tax collection during wartime, and a series of High Court cases affirmed the federal government's right to withhold grants to any state that re-imposes its own income tax. The federal government has also been able to use its constitutional power to grant financial assistance to the states in order to influence the exercise of state government policy responsibilities by attaching terms and conditions to funding. State and local governments only raise about a fifth of total taxes, yet account for almost half of total government expenditure, and are therefore dependent on federal government grants.

In 1946, the Constitution was amended by popular vote to expand the federal government's power to provide social welfare benefits, including pharmaceutical, sickness and hospital benefits, medical and dental services, and student benefits. The federal government became more involved in providing access to health care and tertiary education. A number of other key developments have resulted in even greater federal

government involvement. From 1970, the federal government began funding non-government schools, and now funds all schools, and there are ongoing moves towards nationally uniform regulations. In 1984, a national publicly funded health insurance system was created. In 1991, after decades of funding universities through state grants, the federal government reached an agreement with the states to directly fund universities.

There have been numerous attempts by different prime ministers and both left-wing and right-wing governments to reform the federation, but most have lost momentum and been unsuccessful. Proposals to provide greater responsibilities and even tax revenue for the states have also been rejected. One notable exception is the tax reform of the late 1990s, which saw the introduction of a ten percent Goods and Services Tax (GST) and a commitment to give the states all of the proceeds. However, GST revenue has not grown as expected and does not match the growth in state government expenditure. At the federal government level, a long series of budget surpluses and the elimination of net debt ended with the 2008 financial crisis. Both tiers of government are now looking at each other in trying to raise revenue and possibly shift costs.

### 15.3 RECENT REFORM PROPOSALS

There have been five broad sets of 'ideas' for reform in the last decade, with the main ones summarized in Table 15.1. Through the negotiations (where agreements were actually concluded and reforms initiated), and, more commonly, consultations with stakeholders (where there were no final agreements or reforms), it became clear that there were two different debates: one on the ability to finance social services into the future, or fiscal capacity, and one on the ability to deliver services efficiently and effectively, which might be termed operational capacity. Most of the reform proposals have been unsuccessful.

Labor governments under Prime Ministers Kevin Rudd and Julia Gillard have been most reformist, with the *Intergovernmental Agreement on Federal Financial Relations* providing an overarching framework to conclude the other agreements. The reform agreements in health and education are merely two of the most significant agreements that were made across a range of social policy areas, and are ostensibly part of the same set of reforms. Both were contentious and took years (under different Labor prime ministers), with Rudd even threatening a full takeover



**Table 15.1** Attempts at reforming the federation and government administration, 2008–2015

| Govt.                     | Rationale   | Formal outcome   | Current status   |
|---------------------------|---|--|--|
| 2008 Labor (Rudd)         | Cooperative (rather than coercive) federalism; rebuilding federation to ensure sustainability and address dysfunction   | <p><i>Intergovernmental Agreement on Federal Financial Relations</i>: 3 broad forms of payments: specific purpose have to be spent in particular areas but states have flexibility in how to achieve performance objectives; partnerships are tied to specified objectives and outcomes for major reforms or projects; general revenue assistance is untied funding</p> <p><i>Ahead of the Game: Blueprint for the Reform of Australian Government Administration</i>: enhancing strategic policy capacity</p> | Remains in place but a number of agreements and reporting requirements have increased after initial simplification |
| 2010 Labor (Rudd)         | To create the best public service in the world  | <p><i>National Health Reform Agreement</i>: states continue to manage public hospital systems with joint funding; from 2012, increased transparency over where money is coming from, what efficient cost of services should be, and over performance; from 2017, federal government would take greater share of funding growth in efficient cost of services</p>   | Quietly dropped after change of Labor leader   |
| 2011 Labor (Rudd/Gillard) | ‘End blame game’—citizens unsure which tier is responsible for what, thus govts blame each other for failings; states do not have funding to improve services alone | <p><i>National Health Reform Agreement</i>: states continue to manage public hospital systems with joint funding; from 2012, increased transparency over where money is coming from, what efficient cost of services should be, and over performance; from 2017, federal government would take greater share of funding growth in efficient cost of services</p>   | Liberal govt froze longer-term funding increases   |

(continued)

Table 15.1 (continued)

| <i>Govt.</i>                | <i>Rationale</i>  | <i>Formal outcome</i>   | <i>Current status</i>   |
|-----------------------------|---|---|---|
| 2013 Labor (Gillard)        | ‘Education revolution’—national approach so all students have certain resource standards and quality measures | <i>National Education Reform Agreement</i> : federal govt lifted share of recurrent government funding to all schools from one-third to two-thirds, with funding at per student rate and loadings for disadvantaged students  | Some states did not sign and Liberal govt signed separate agreements while uncommitted on longer-term funding |
| 2014 Liberals (Abbott)      | Coordinate federalism or competitive federalism; where each tier is ‘sovereign in their own spheres’          | <i>National Commission of Audit</i> (Aust. Govt 2014) recommended: service delivery by lowest, practicable tier (subsidiarity); guaranteeing autonomy for each tier and reducing duplication; giving states access to income taxes; sharing GST on per capita basis with top-ups for poor states; and reducing tied grants and reporting requirements | None of these recommendations have been accepted, and many have been emphatically ruled out                   |
| 2014–2015 Liberals (Abbott) | End ‘buck passing, duplication, waste and inefficiency’   | <i>White Paper on Reform of the Federation</i> : set out federal govt’s policy according to principles of: subsidiarity; equity, efficiency and effectiveness of service delivery; national interest considerations; accountability for performance; durability; and fiscal sustainability  | After change of Liberal leader, White Paper was quietly dropped   |

(continued)

of hospitals if the states did not agree to the original reform proposals—yet in the end, the states outmaneuvered him. Similarly, when it came to school education many states simply held out for a better deal.

What the states lack in fiscal capacity they make up for in operational capacity. Currently the federal government funds about half the cost of health care, while the states and territories deliver most of the services and the two tiers share policy design and regulatory roles. In terms of primary education, the state and territory governments spend twice as much as the federal government, and run government schools. Given these arrangements, the federal government is not in a position to immediately become more involved these areas.

The other challenge in concluding agreements, aside from ever-changing ideal theories of federalism, is the frequent changes of government or changes of prime minister within the same party. For example, the Liberal party (like the previous Labor government) changed prime ministers mid-term, from Tony Abbott to Malcolm Turnbull, and reversed some of the Labor reforms as well as abandoning its own attempts at reform.

There is clearly a lack of consensus on the appropriate balance of power and resources, and even more problematically, each of these reform attempts along with several others over the last few decades canvass the same issues with the same proposals. For example, reducing waste and duplication by clarifying roles and responsibilities is a common one. These different reform proposals have not been successful in convincingly articulating exactly how to systematically clarify roles and responsibilities. This is where assessments of policy capacity could be useful.

Included in Table 15.1 is a reform initiative that is not strictly about federalism reform, but occurred concurrently and was meant to strengthen federal government administration and enable it to most effectively lead the other reform efforts. Rudd was determined to ‘reinvigorate’ the Australian Public Service (APS) and transform it into the best in the world. In the first stage, the Department of Prime Minister and Cabinet commissioned KPMG to produce the *Benchmarking Australian Government Administration* report (KPMG 2009). They found that the APS was weak in relation to coordinated, informed and strategic policy capability, its ability to integrate external expertise and citizens’ views, and its understanding of government priorities within an overarching framework. In the next stage, an advisory group comprising senior public servants, academics and business leaders proposed nine interdependent

reforms in their report, *Ahead of the Game: Blueprint for the Reform of Australian Government Administration*. Of most relevance to this study is the report's third proposed reform: to 'enhance policy capability'.

#### 15.4 CONCEPTIONS OF POLICY CAPACITY

Although there is a sense that policy capacity has changed, and probably declined, in recent decades, understandings of what policy capacity actually is remain vague. After administrative reforms in many advanced economies accelerated during the 1980s and 1990s, the policy capacity of the state was perceived to have diffused to private actors and NGOs, as well as transnational bodies such as the European Union (see Painter and Pierre 2005). Others see a different form of policy capacity expressed through an enabling or regulatory state (rather than a lean or hollow state), as market actors have not always demonstrated their supposed potential and even failed (Painter and Pierre 2005). While policy capacity is in one sense a fundamental concept in public policy, the precise definition of policy capacity, and its operationalization and measurement, is quite elusive (see Wu et al. 2015).

Outside the academic literature, the *Ahead of the Game* report provides a good starting point for how people working at senior levels in government are using the term. In relation to enhancing policy capability, the report makes the following points:

The APS needs to strengthen its capacity to undertake rigorous research, gather and analyse data and provide the highest-quality strategic policy advice. Under the proposed reforms, all agencies would strengthen strategic policy capability. This would be supported by a new policy maker's tool kit to identify strategic policy principles. Partnerships with academic and research institutions would be encouraged.

The reforms also propose a greater focus on policy implementation, through improved guidance, greater networking between service delivery agencies and implementation governance boards to oversee high risk projects. (pp. ix-x)

The first observation regards terminology. Capacity is sometimes used interchangeably with or in contrast to capability and competency (see Gleeson et al. 2011), but can be seen to broadly encompass both. Thus

this preliminary explanation from the report can be seen to encompass many or most of the elements of policy capacity but perhaps not all. Halligan provides a broader definition in considering public sector reforms in Australia, and argues that capacity and reform are directly related. His definition of capacity is “the ability to organize and manage resources for making and implementing decisions, and has several elements: strategic focus and direction; system steering and integration; and capability (e.g. provision of expert staff and the means for implementation)” (Halligan 2015, p. 323). With this definition, Halligan identifies four main components of capacity: central agencies, departments of state and systemic coordination, vertical and horizontal inter-agency management, and capacity through collaboration and shared outcomes.

Returning to capability, two dimensions are apparent: the capabilities of (expert) staff and the broader organizational capabilities of the organization. This also maps onto how O’Flynn (2011) frames policy capacity: normatively and managerially. The normative perspective focuses on the ‘proper’ relationship between ministers and agencies, the degree of separation, and the responsiveness or politicization of the public service. This domain can be further divided into two distinct realms of activity, although they are often merged: policy advising and policy analytic capacities (Tiernan 2011).

Policy advice requires policy analysis, but also involves coordination and coherence of advice, responsiveness to ministers, and consideration of delivery and implementation (Lindquist and Tiernan 2011). Policy advice is more an art and craft than a science, supporting decision-makers to make informed choices (Wildavsky 1979). High-quality advice has many characteristics, including accuracy, timeliness, comprehensiveness, and relevance, along with the demonstration of an iterative process, judgement, knowledge and expertise (see Tiernan 2011). It can be considered more political in the sense that advice is often in direct response to a minister’s request and attuned to the minister’s thinking.

Policy analysis is much broader in scope, often taking a longer-term view than just the government of the day, and may be more critical in evaluating government policy and considering evidence and alternatives outside of a particular brief. Increasing competition with diverse sources of policy advice has affected the attractiveness of the public service to policy analysts, while greater complexity, social changes and networked forms of governance require new policy skills (Kjær 2004; Hood and Lodge 2004; Tiernan 2011). Painter and Pierre (2005) also conceive of

policy capacity as encapsulating *planning and analysis, information and analysis* and *coordination procedures*, all of which require a strong civil service and a range of performance assessment and integrity measures. The size and capabilities of the civil service are important because they are not just executing policy decisions taken elsewhere, but (depending on the country and political context) actively involved in making policy. Reliance on partisan ministerial advisors and think tanks is often at the expense of the public service. Lindquist and Tiernan (2011) argue that if policy advising is not regularly practised it can atrophy.

From the managerial perspective, the organization and, increasingly, multiple organizations, networks or the whole of government need to be coordinated strategically in order to maximize capacity. Strategic management involves core competences, where organizations have specific assets to do distinctive things, and the capabilities to adapt these competences to changing conditions (O'Flynn 2011). These competences can include policy analytic capabilities, but are often broadly related to implementation.

In terms of delivery or implementation capacity, existing stakeholder relationships and internal resources are needed—not just an oversight role (Althaus 2011). Althaus (2011, p. 431) conceives implementation capacity as demanding “solid relational and systemic infrastructure as much as information mechanisms”. It therefore requires genuine trust between stakeholders and feedback loops; internal resources, including adequate staffing during the implementation process; and adaptability to changing political circumstances. Part of the challenge is that public service leaders move resources to areas that suit the minister of the day and then may lack appropriate capacity when unexpected challenges arise (Lindquist and Tiernan 2011).

These elements, along with the challenges of coordination raised by Halligan, are typologized by Peters (2015) in terms of organizational capacity. This includes: *expertise* (technical knowledge and situational knowledge of clients and the conditions of the policy domain); *process* (how to both expedite action and slow policy change, including implementation at the street level); *stability* (having permanence with institutional and collective memory and able to take a long-term perspective); and *organizational politics* (competition for political resources, and competition to provide expert advice). Against these are the challenges of *coordination*, both horizontally across organizations and vertically within policy domains; *reforms*, such as New Public Management (NPM),

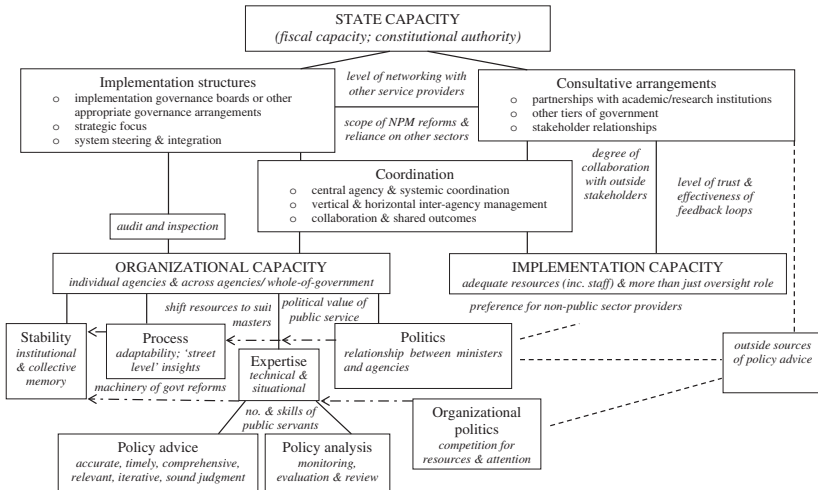
which aim to facilitate capacity outside the public organization; and of course *politics*, which in recent decades have often seen the diminution of civil service independence and influence. This final point relates back to the normative perspective concerning the relationship between ministers and administrators. This typology also broadly matches Gleeson et al.'s (2011) conception of policy capacity as including: generation of information and evidence; personnel management and workforce development; relationships with stakeholders; intergovernmental and cross-portfolio collaboration; links between policy development and implementation; monitoring, evaluation and review; and leadership and organizational culture.

Painter and Pierre (2005) distinguish policy capacity from the related concepts of administrative capacity and state capacity. For a proper functioning of the public or civil service, however, a few elements of what they consider to be other forms of capacity are necessary. For example, they locate *audit and inspection* in the realm of administrative capacity, along with the associated values or criteria of using resources responsibly and with probity. Yet evaluation is a key part of the policy process (at least in theory) in order to improve future policy design and implementation. Further, Painter and Pierre acknowledge the issue of corruption and its effects on capacity. Within state capacity, *implementation structures* and *consultative arrangements*, as discussed in the preceding paragraphs, are also integral to policy capacity.

From these different perspectives, I have constructed a basic 'map' of policy capacity and some characteristics, presented in Fig. 15.1. The interconnectedness means that degradation of capacity in one area can affect other areas, while political and outside pressures affect multiple areas at the same time. The next section outlines why the federal government lacks capacity in many areas of social service delivery.

## 15.5 DEFICIENCIES IN CAPACITY

In recent years, most attention on policy capacity has focused on the quality of the federal government's administration. This perhaps reflects the shift in the federal-state balance and wider interest in national politics, but is also arguably due to the federal government's reformist zeal. Australia was one of the most enthusiastic advocates of NPM, and with the possible exception of the state of Victoria, the federal government was the site of the most change.



**Fig. 15.1** Elements of policy capacity, interdependent relationships and outside pressures

From the mid-2000s, as the federal government has extended central control in response to public perceptions of poor service delivery and implementation blockages, enforcing effective delivery has become the dominant rhetoric (Halligan 2007). Implementation has become a top priority for recent governments, along with addressing perceptions of a capacity and delivery deficit (Edwards 2009; Tiernan 2011). For example, Tiernan observes that:

[T]he perception that the skills and capacities of the Australian Public Service (APS) have declined are widely shared among decision-makers, senior officials and increasingly, stakeholders outside of government. So pervasive have been such complaints about the nature and quality of advice forthcoming from departments that we have described them as a ‘discourse of declining policy capacity’ (Tiernan and Wanna 2006; Edwards 2009). Irrespective of who offers them, the criticisms are remarkably similar and consistent. They reflect concerns about the ability and willingness of the public service to provide high quality advice to policy-makers, its research and analytical capabilities; its relationship with Ministers and their private office staff; and its role as policy adviser in an increasingly pluralised, complex, demanding and contested policy environment. (2011, p. 336)



While it is widely perceived that the policy competences, capabilities and capacities of the federal government have degraded, there is no publicly available empirical evidence or data that elucidates the nature, causes and consequences of the perceived ‘capacity problem’ (O’Flynn 2011; Tiernan 2011).

The most explicit reference in the *Ahead of the Game* reform blueprint to undercapacity is that “employees do not feel equipped to develop strategic policy and delivery advice”, although the reasons for this incapability are not cited (AGRARA 2010, p. 41). Strengthening the capacity to perform these functions—at the most basic level—would involve increasing the workforce or the research and analysis skills of the workforce along with allocating more resources to conduct research. These requirements appear to be incongruent with several recent cuts to funding and to the number of public servants by both Liberal and Labor governments. However, there has been an increase in the proportion of tertiary educated (and at higher levels) employees, and in diversity (see Lindquist and Tiernan 2011).

In assessing research and analysis capacity, the most obvious indicators would be the number and proportion of research and analyst roles, the skills and qualifications of staff within those roles, the provision and uptake of training and professional development opportunities, and the resources devoted to research vis-à-vis the outputs of this research. It is unlikely that the federal government can match the state governments in this regard.

The federal government is the employer of less than 15% of the entire public sector workforce. In the field of health care and social assistance it employs less than 10% while in education and training it is less than 1%. Furthermore, despite its overall fiscal prowess, the federal government is only responsible for about half of direct health spending and about a quarter of direct education spending.

Improving the quality of policy advice is a worthy goal, but one that is challenging to assess. Is the quality determined by the minister and government, or is there a more objective indicator, such as the translation of advice into policy and outcomes? Most indicators of quality assume that the quality of policy advice has a major political dimension: either to satisfy the minister or to be of most use to the government of the day. This is different from an ideal of ‘quality’ as frankness and fearlessness (however mythical that may be). Given that the advice is confidential, there is no open and transparent means to assess its quality. However, there are

a few recent cases where poor quality or questionable advice and implementation have come under public scrutiny.

## 15.6 FEDERAL GOVERNMENT OVERREACH

As previously discussed, federal government intrusion into traditional areas of state government responsibility has been gradual, and unilateral interference in terms of service delivery is not commonplace. However, elections and extraordinary events have prompted federal government action on a few occasions in the last decade.

During the 2007 federal election campaign, Rudd harnessed public dissatisfaction with the health system, in particular by pledging to ‘end the blame game’ and signalling further centralization (COAG 2007, p. 1), while his Liberal counterpart, Prime Minister John Howard, made a pre-election pledge to take over a state hospital. The small hospital was located in a non-urban area of the country’s smallest state of Tasmania, and in the interests of efficiency and effectiveness the state government made the decision to significantly downgrade the hospital’s range of services and consolidate in a different location. The decision was supported by health experts due to the challenges of attracting specialists to the region.

However, the hospital was located in an electorally important area, so the federal government bought it for a token sum and now provides special funding for its continuing operations (as the victorious Labor government honoured Howard’s pledge). While this is a relatively minor example, two broader points can be made. Federal government involvement can often be inefficient (one estimate is that it costs the federal government three times as much as the average cost for hospitals in the rest of the country; see Sullivan 2007), and it is still actually operated by the state government in a contractual-like relationship. Thus the federal government still recognizes some of its own limitations.

Also during the 2007 election campaign, the federal government initiated the so-called Northern Territory Emergency Response, or ‘Intervention’, which included a range of measures supposedly designed to protect and support Indigenous children. The federal government claimed that the Northern Territory (as a territory it is far more subservient than a state) failed to act on its own report into child sexual abuse. This case is particularly complex and remains contested, with many of the issues commonly described as ‘wicked’ problems (see Johns 2008;

Patridge 2013). There have been decades of repeated policy failures at all tiers of government. In this case, debate continues as to whether the ‘Intervention’ was actually effective, and whether the federal government was better placed to address the most immediate problems highlighted in the report. Certainly, the federal government lacked the ‘on the ground’ or ‘street level’ experience nor controlled the relevant agencies. Few impartial observers would describe it as a success. It is unlikely that a state, with its constitutional guarantees of autonomy, would have allowed the federal government to take such an action.

Shortly after the 2007 election, the 2008 financial crisis threatened recession and the federal government naturally took the lead in crafting a fiscal response. However, many elements of the stimulus program involved providing services in areas where it lacked experience. These included the upgrading of school infrastructure, known as *Building the Education Revolution* (BER), and subsidizing the insulation of homes to improve energy efficiency, through the *Home Insulation Program* (HIP). Then Secretary of the Department of the Prime Minister and Cabinet, Terry Moran, argued that the APS was effective in finding “creative, proactive, effective solutions to difficult and potentially extremely serious problems”, but conceded there were lessons to be learnt (Moran 2010). Both programs were subject to highly critical and politically damaging inquiries.

The \$14.7 billion *Building the Education Revolution* (equivalent to 1% of GDP) provided funding to quickly construct or refurbish school infrastructure, and was delivered to government schools through the state and territory governments, and to non-government schools through specially created authorities. As Althaus (2011) critically observes, the federal government tried to centralize control and monitoring with top-down interventions and funding directions, but the ‘value for money’ performance criterion was not initially part of the design. The federal government was unable to make adequate assessments or obtain reliable costing information across different states and territories, as it did not have existing purchaser/provider and contractual arrangements (Althaus 2011; Lewis et al. 2014).

In terms of policy capacity of the APS, a number of deficiencies became apparent: lack of institutional memory; lack of experience as a school education delivery ‘systems manager’ able to strategically move actors, resources and processes to maximize performance while remaining accountable; inappropriate resourcing and skills, and organizational frameworks that were incompatible with collaborative delivery;

poor internal communication and external consultation; and a narrow oversight role (Althaus 2011). At a more basic level, the APS was ill-equipped to both deal with the media scrutiny and to fulfil the data and reporting requirements that states and territories routinely perform (Althaus 2011; Lewis et al. 2014).

This is not to suggest that the role of the federal government was the only problem, as the state education departments were responsible for most of the programme's delivery. State government capacities were also tested and criticized, particularly the largest states of New South Wales and Victoria. This was also due to the generally better performance of the private and independent school sector in achieving better value for money and outcomes (Lewis et al. 2014). Lewis et al. (2014) observe that over three decades the number and proportion of technical experts involved with capital programs, such as civil engineers, has declined in state public services, consistent with the 'hollowing out' of the state.

State governments were also implicated in substandard implementation of the Home Insulation Program, specifically the lack of adequate safety and quality regulations. However, the federal government designed the scheme without appropriate risk management processes and relied on the states to offer consumer and safety protections (Stewart and Mackie 2011). Many states warned federal ministers from the start that the short timeframe was inadequate (Lewis 2010). The programme was rolled out quickly to counter the effects of the financial crisis, so there was always the potential for fraud. Coupled with the general inexperience of an immature industry, this resulted in the deaths of four young installers.

An internally commissioned review criticized the program's governance, design and administration, risk management, audit and compliance mechanisms, along with capacity issues (Auditor-General 2010, p. 24). The Auditor-General further probed these capacity problems in a performance audit, finding that the responsible federal department lacked the systems and capacity to handle the volume of complaints and problems, and was already stretched administering existing programs. The review highlighted the department's lack of responsiveness to the minister (including not advising the minister of its lack of capacity), as well as inadequate staffing, resources, and IT systems (Auditor-General 2010).

The capacity (or capability) of federal government departments again came under scrutiny during the *Ahead of the Game* review, which recommended that each agency be assessed according to its ability to meet

future objectives and challenges rather than explicitly assessing past performance (State of the Service Report 2013). Beginning in 2011, each department was reviewed by a panel of three independent experts with extensive public and private sector experience (two external to the APS and one from a different APS department).

The Department of Education has not been reviewed as a whole yet, while the Department of Health was reviewed in 2014. The reviews are based on a model of capability focused on leadership (set direction; motivate people; develop people), strategy (outcome focused strategy; evidence based choices; collaborate and build common purpose), and delivery (innovative delivery; plan, resource and prioritize; shared commitment and sound delivery models; manage performance). Each part of the model is rated as: *strong*, *well placed*, *development area*, or *serious concerns*. The Department did not receive a single *strong* rating and received only one *well placed* rating, for evidence-based choices. There were *serious concerns* in relation to motivating people and outcome-focused strategy. State and territory governments do not engage in this exercise, so a direct comparison is not available.

While these are a relatively small number of recent interventions, the critiques are consistent and illustrate the challenges faced by the federal government in attempting to deliver services outside its traditional competencies. The fact that recent governments have not repeated these mistakes (albeit partisan and other political factors are also relevant) suggests there now is a greater degree of caution, and reform proposals are increasingly focused on greater state government autonomy.

## 15.7 PRINCIPLES FOR FUTURE REFORM

The most recent reform exercise—the now abandoned *White Paper on Reform of the Federation*—identified the following underlying principles or criteria for reform: accountability for performance in delivering outcomes; subsidiarity; national interest considerations; equity, efficiency and effectiveness of service delivery; durability; and fiscal sustainability. These can all be considered as dimensions of policy capacity, albeit a narrower set and with different degrees of utility than the earlier definitions contained in the academic literature.

The preliminary discussion papers also focused on four main roles for government: funding, policy, regulation and service delivery. Within most areas of social policy, the discussion papers noted the significance of

private sources of funding and private or non-government actors in service delivery. These complex and increasingly important relationships are not really captured in the traditional, state-centric theories of federalism. They focus on the appropriate roles of and relationships between the different tiers of government, and theorize the expected behaviour and outcomes assuming that governments have complete control and responsibility (Riker 1964; Rose-Ackerman 1983; Oates and Schwab 1988; Kincaid 1990; Oates 1999; Watts 2006). These and other key tensions between the guiding principles for reforms and the government’s roles are mapped in Fig. 15.2, along with opportunities for improvement.

What is clear is that neither tier of government has the capacity to take full responsibility in any area of social policy, without a (politically unlikely) radical and fundamental redesign of the federation. Therefore, the most realistic path forward is to recognize that most roles and policy areas will be shared. The goal is to find the optimal point between centralization and decentralization, or where there are creative tensions that are likely to lead to positive outcomes. Furthermore, capacity differs

|  |   |  |   |   |
|--|---|--|---|---|
|  |   |  | potential conflict of interest; these two roles should be held by different tiers             |   |
|  | <b>Funding</b>  | <b>Policy</b>  | <b>Regulation</b>   | <b>Delivery</b>   |
| <b>Accountability</b>                    | Funding often used to impose accountability, which affects other criteria | Feds should be accountable for intergovernmental coordination & benchmarking | Feds need to develop regulatory capacity  | Delivery is more than final outcome; its also processes leading to it |
| <b>Subsidiarity</b>                      |   | States experiment, innovate & tailor   | Intuitively should be at highest level, but needs to account for frontline service efficiency | Where govt is provider, or local market exists                        |
| <b>National interest</b>                 |   | Feds establish & encourage best practice                                     |   | Where economies of scale exist or dealing with foreign actors         |
| <b>Equity, efficiency, effectiveness</b> | Equity can be expensive; long-term efficiency may have high initial costs | Will depend on policy sub-area and differ across regions                     | Inappropriate & too much regulation affects efficiency  | States have unequal capacities & differing equity issues              |
| <b>Durability</b>                        | Should match lowest cost & most effective service delivery                | Policy changes at each tier of govt anyway                                   | States have institutional memory and closer to providers/users                                |   |
| <b>Fiscal sustainability</b>             | Which parts of tax base have best growth potential                        | Funding often used to control policy   |   | Can ideologically lead to more marketization                          |

Fig. 15.2 Tensions and optimal points between ideal government roles and principles of reform

across states. Some states are more like territories, and even though the idea is politically unpalatable, it may be more fruitful for some small states to collaborate with each other or with the federal government to maximize capacity, rather than trying to exercise autonomy. Therefore, complexity will remain and possibly increase, and there would have to be political acceptance that governance arrangements will not necessarily be simplified if the focus is on maximizing capacity.

The multi-dimensional nature of capacity, or capacities, also needs to be considered, along with how the effects of deficiencies in one part of government affect the capacity of another part. Lindquist and Tiernan (2011) recognize that a generic assessment of policy capacity is inappropriate: the challenges across policy domains are so diverse, and different agencies have different capacities. Furthermore, the influence, centralizing tendencies and advice preferences of the different first ministers shape the capability of the public service (Lindquist and Tiernan 2011).

In terms of intergovernmental relations, the capacity of the federal government's central policy agency needs more attention. Menzies (2011) argues that capacity within the Department of the Prime Minister and Cabinet is increased on an ad hoc basis, and lacks a 'strategic' dimension as there is no permanent institution within the APS that is accountable for federal-state intergovernmental relations. Thus there is an underdeveloped institutional memory, long-term agenda, and sense of corporate expertise.

These issues were also highlighted in *Ahead of the Game*. Among the recommendations was that policy design needs to be more cognisant of implementation and service delivery issues, and needs to be undertaken in collaboration with external organizations. Yet there is the more fundamental question of why policy design is not more attune to implementation challenges. Part of the problem is that often the federal government drives the design while the states deliver the services. The cases in the previous section highlight this problem, and while the federal government may want more control of implementation, perhaps it is also worth considering that the states should have more input into policy design.

Table 15.2 contains some key questions for considering how to maximize the main components of capacity, and therefore determine which tier of government or agency is best placed to lead (albeit not necessarily control or coerce).

Preliminary consideration of these questions would generally assist in strengthening state capacity. Unlike many other countries, Australia's

**Table 15.2** Considering how to strengthen capacities

| <i>Type</i>                      | <i>Key questions</i>  |
|----------------------------------|---|
| Advisory and analytical capacity | <ul style="list-style-type: none"> <li>• Where are the experts generally located?</li> <li>• Where are the best public servants recruited from?</li> <li>• Which agencies are best placed to attract and develop the best advisors and analysts?</li> <li>• Which agencies are best placed to establish and strengthen links for non-government research bodies?</li> <li>• How is the public service performing? What are its strategies for improving? How well has it maintained its integrity?</li> <li>• Where is future investment in human resources likely to be?</li> </ul>  |
| Organizational capacity          | <ul style="list-style-type: none"> <li>• What is the policy system or systems and where do the boundaries lie?</li> <li>• What is being steered and where is it located?</li> <li>• Where are the current responsibilities of the organization? Are they managing well?</li> <li>• Which organization has the most incentives/least conflicts of interest to facilitate/lead collaboration?</li> <li>• Where are government assets located?</li> <li>• Where is the expertise and experience in collaborating across agencies and government(s)?</li> <li>• What are the relationships with 'clients'/service-users and how well are they known?</li> </ul> |
| Implementation capacity          | <ul style="list-style-type: none"> <li>• What is the capacity of the local non-government sector?</li> <li>• Are the providers generally locally or nationally organised?</li> <li>• Where does the expertise and experience in managing high-risk projects lie?</li> <li>• Where are the existing relationships and how well do they work? What are the levels of trust and how well do information and feedback loops work?</li> <li>• How are networks configured and are they concentrated?</li> <li>• How easily can resources be shifted?</li> </ul>  |
| Evaluative capacity              | <ul style="list-style-type: none"> <li>• What are the audit and integrity systems and how well do they perform?</li> <li>• How well are design and implementation connected? Which agency or agencies are best placed to ensure this?</li> </ul>  |



national capital, Canberra, is one of the country's smallest cities, and is smaller than most of the state capitals. The states have more expertise, infrastructure, relationships with stakeholders, and experience, and would likely be almost completely autonomous if not for the fiscal imbalance. Most states also have specialized anti-corruption institutions, which the federal government has not been keen to create.

## 15.8 CONCLUSION

Reforming the federation is a perennial topic in Australia and undoubtedly there will be future exercises to streamline federal relations, renewed threats to funding, or efforts to take greater control. In order to advance the agenda rather than repeating the same issues and proposals from previous exercises, greater attention should be given to policy capacity. The federal government should concentrate on developing its capacity in areas where it does not compete with the states—for example, dealing with actors external to Australia and coordinating different governments to collaborate, or regulating in a more constructive way by improving governance arrangements and helping to manage risks. State governments are suited to implementation and working with networks of actors, but they need to also be actively involved in policy design. Thus the different capacities of the two levels need to be more effectively connected and strengthened simultaneously.

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# Dynamic Mechanisms for Resolving Collective Incidents in China: A Policy Capacity Analysis

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## 16.1 INTRODUCTION

Ongoing social transformation and economic development in China have contributed to an ever-increasing frequency and size of collective protests and incidents in recent years (Chung et al. 2006, p. 7).<sup>1</sup> Various groups of people, including workers, peasants and homeowners, have resorted to the mode of collective struggles to protect or pursue their interests (O'Brien 2002; Lee 2007; O'Brien and Li 2006; Cai 2006; Bernstein and Lü 2003). The complicated situation of intractable disputes has put great pressure on the party-state, whose top priority is to maintain social stability and enhance regime legitimacy. Given the expanding scope of collective incidents, an increasing number of petitioners and the severe impact they have on society, the Chinese government is now under great pressure to appease social grievances and settle social disputes.

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Social contention in today's China is no longer expressed through massive eruptions, like the Communist Revolution and the popular movement in 1989, but through a more quotidian approach of resistance and response. Regardless of whether the conflicts are caused by construction projects, environmental problems, malpractice by local officials, or property disputes, they are primarily related to the broad socioeconomic changes and reforms that have threatened the interests of a vast number of people (Cai 2010). The rationale of protestors or petitioners can be explained by the cost-benefit approach that calculates the cost of time and energy plus the potential danger of protests, like detention, arrest by the police, or even imprisonment. Chinese people are seeking political opportunities, trying all possible tactics, and adjusting their demands in order to enhance their power and maximize their interest while fighting against the state.

It is not surprising that an authoritarian government would use suppression to deal with disobedient citizens, particularly in cases that threaten the regime's legitimacy (Cai 2010, p. 2). Since local governments in China are responsible for handling most efforts at resistance, they resort to suppression when popular resistance poses a threat to local governments, and if they feel that concessions and tolerance would encourage more resistance (Cai 2008, p. 25). The challengers, who lack institutionalized power and are in a weak legal position, encounter great pressure when struggling with the party-state. Thus, we can see a picture of a dynamic interaction between protest groups and the government during policy implementation and conflict resolution in China, as both groups are under pressure and struggling for their own interests through a grievance relieving process. What are the characteristics of this dynamic mechanism of collective incidents in China and how do protestors interact with the local government to pursue their interests? How can the local government survive, and what tactics do they use to relieve the pressure put upon them by the higher level government while ensuring their own interests? During conflict resolution in China, what is the governments' capacity requirements, capacity deficits and capacity enhancement?

This chapter focuses on the dynamic mechanism of recent conflict resolution in the pressure-oriented interest-led political system in China. Based upon three cases of collective incidents investigated in L Town in central China from 2011 to 2012, it analyzes the process, interaction, and outcome of citizens protests toward the local

government. We suggest that current collective actions in China are mobilized by three dynamic mechanisms: the non-institutionalized environmental mechanism, the cognitive mechanism of pressure relief, and the boundary-activated quick-start mobilization mechanism, all of which are deeply influenced by the internal structure at micro, meso, macro level that emphasizes the consciousness of pressure and interest faced both by the government and the public in the local state. The analysis here seeks to better understand how grassroots politics actually operates in China and to recognize the challenges and the limitations of societal power. The aim of studying the dynamic mechanisms of collective incidents and how to manage social conflict is to enhance political capacity in conflict resolution and improve local governance in contemporary China.

## 16.2 THE PRESSURE-ORIENTED INTEREST-LED POLITICAL SYSTEM AND DYNAMIC MECHANISM OF COLLECTIVE INCIDENTS

In recent years, there has been a chorus of calls looking at collective action in China, with the goal of exploring how popular contention unfolds where the state is strong, freedom of speech and assembly are tightly controlled and the top leadership is not inclined towards political liberalization (Bernstein and Lü 2003; Cai 2003; Chen 2006; O'Brien and Li 1996). Collective incident (*quntixing shijian* 群体性事件) here means a group of aggrieved citizens confronting the local party/government departments or other powerful social groups like local state-owned or private enterprises, mainly for compensation or redressing unfairness. Given China's strong state and weak legal system, collective incidents are a 'weapon of the weak' that individual can use to pursue their interest and meet their demands outside the political system and through non-institutionalized mechanisms.

Many studies on popular resistance in China have shown that a favorable environment for protest in the Chinese context does not necessarily result from significant changes in the political system that create political opportunities (Cai 2010; O'Brien and Li 2006; Yu 2007). Instead, opportunities for resistance normally arise from the divide between state authorities at different levels, i.e. the central versus the local. In China, there is a distinctive phenomenon that citizen resistance is mostly directed at local government, creating a great burden for the local state to redress citizen grievances at the grassroots level (Cai 2010,

p. 8). Local governments may use concessions to repress citizen resistance when facing intervention or threat from the central government. But concessions are conditional depending mainly upon the economic or political cost faced by the local government and the risks local officials would bear as their appraisal/promotion is evaluated and decided by the upper-level government.

Rong Jinben and other scholars in China have described local political power in rural China as a “pressure system” (*yaxing tizhi* 压力型体制), which means that with the decentralization of political power, higher authorities in the political system tend to put administrative pressure on lower levels of government as manifested in the political contract system (Rong et al. 1998, p. 28). As a result, tasks are divided and set for organizations and individuals at the lower levels and they are expected to fulfill them within a prescribed period of time.

Rong’s idea of the pressure system could be well applied to the study of political and social change from a planned economy to socialist market economy (Rong et al. 1998, p. 58). However, research mainly focuses on the operation of the pressure system from the perspective of fulfilling the quantified tasks stipulated by the upper-level government, especially with the aim of encouraging economic development, implementing birth control policy, and imposing tax regulations. It pays little or no attention to the urgent issue of social conflicts and the pressure that local governments face to defuse disputes.

In fact, social interests in China have been greatly differentiated and diversified as a result of social reform. Conflict derived from interests has become a distinctive phenomenon in Chinese society. In this sense, the current political system is appropriately described as a *pressure-oriented interest-led political system*, characterized by top-down pressure on lower-level government alongside pressure on citizens just to survive, as well as to seek justice through collective incidents and protests. The rationales of both the government and citizens are to maximize their interests while minimizing the cost of action. Table 16.1 illustrates this pressure-oriented interest-led political system.

As we can see, the pressure increases as we move from the central government to the lower-level authorities. Therefore, with the disaggregation of the state into local administrative units, when dealing with protests, different levels of authorities have different perceptions of costs and benefits in addressing citizen resistance. In particular, lower-level authorities face a greater degree of pressure because their chances of getting

**Table 16.1** The classification of pressure and interest in the political system<sup>a</sup>

|          | <i>Government</i>   | <i>Citizens</i>   |
|----------|---|---|
| Pressure | Top-down (the lower the greater)  | For survival purposes and to seek justice               |
| Interest | Central government: maintaining legitimacy<br>Local government: evaluating promotion, maintaining stability | Requiring the government to compensate for their losses |

<sup>a</sup> Here, 'pressure' refers to the stress on different levels of government in the political system, and 'interest' refers to citizens' economic benefits and compensation

Source Authors

promoted are decided by leaders from upper-level government. The citizens' main goal is to survive and to seek justice.

Interest also varies among the different parties. For the central government, maintaining social stability and regime legitimacy and is of paramount importance, while the lower level government authorities face pressure from their leaders, as their performance in managing social disputes and fulfilling tasks are evaluated. The interests of the citizens are mainly to get financial compensation from the government through protests and petitions, although in some cases they also struggle for their rights (Keith and Lin 2003; Goldman 2005).

Moreover, in the pressure-oriented interest-led political system, both parties would try ways to release pressure at the same time to maximize their interests. Table 16.2 illustrates the details of pressure-relieving and interest maximizing methods by citizens and the government.

Regarding the pressure-relieving strategies, lower-level governments facing greater pressure would do anything they can to reduce the burden of relieving social grievances. For example, officials at the lower level would use *guanxi* to build up good relationships with their leaders so that the evaluation standard of their performance could be adjusted, and usually lowered, within the allowable range. Local governments may also make policy adjustments, for example revising or abolishing policies that have directly caused or have failed to address citizen grievances, as well as creating new policies to address problems that have triggered resistance or to accommodate protestors' demands (Cai 2010, p.13). These concessions are conditional upon the economic and political cost they place on local government. Compared with the powerful party-state, protestors



**Table 16.2** Pressure-relieving and interest-maximizing methods in the political system

|                            | <i>Government</i>   | <i>Citizens</i>   |
|----------------------------|---|---|
| Pressure                   | Top-down (the lower the greater)  | For survival purposes   |
| Pressure-relieving methods | <ul style="list-style-type: none"> <li>• <i>Guanxi</i> (good relationship with upper level authorities to enlarge autonomy in addressing conflicts)</li> <li>• Making policy adjustment (concession) to relieve popular protests</li> </ul> | <ul style="list-style-type: none"> <li>• Using social networks to get assistance and the leading role of protesting elite</li> <li>• To stage powerful disruptive actions to strengthen their intervention-seeking ability</li> <li>• Weapons of the weak: forms of resistance with the principle of stepping on the line but not crossing the line (<i>caixian bu yuexian</i>)</li> <li>• To seek or threaten to seek intervention from higher authorities to get support from within the state</li> </ul> |
| Interest                   | <ul style="list-style-type: none"> <li>• Central government: maintaining legitimacy</li> <li>• Local government: evaluating promotion, maintaining stability</li> </ul>   | <ul style="list-style-type: none"> <li>• Requiring the government to compensate for their losses and seeking justice</li> </ul>   |
| Interest-maximizing method | <ul style="list-style-type: none"> <li>• Present a satisfactory report of fulfilling the tasks assigned by upper-level government</li> <li>• Minimize economic and political cost that local government needs to bear</li> </ul>            | <ul style="list-style-type: none"> <li>• To exploit the constraints faced by the government (central and local governments) to meet their requirements</li> <li>• Form allies to provide resources and use strategies like media exposure to minimize their cost in the resistance</li> </ul>   |

Source Authors

are in a weak status and rely on protesting elites for self-organization/self-mobilization. They take advantage of their own social networks to minimize the danger and cost of engaging in collective incidents (Ying 2007, p. 9; Shi and Cai 2006; Cai 2010, pp. 87–109). They may also stage disruptive actions to strengthen their intervention-seeking ability and use “the weapons of the weak” in the forms of resistance with the principle of touching, but not crossing, the line (*caixian bu yuexian* 踩线不越线) (Ying 2007, p. 12).<sup>2</sup> Moreover, they could seek or threaten to seek intervention from higher authorities to get support from within the state.

During the interaction between the government and the popular protestors, as both of the parties are seeking interest maximizing strategies, the government would try to present a satisfactorily fulfill the tasks assigned by the upper-level government by making concessions or using force to repress local protests. The decision on how to manage the conflicts is also largely dependent upon the economic and political cost that the local government needs to bear.<sup>3</sup> In contrast, citizens, with a weak status, exploit the constraints faced by the government and form alliances that can provide resources. As they lack power and find it difficult to get compensation inside the political system (for example, with petitions) or to use law as a weapon, quite often they opt for non-institutionalized ways outside the political system, including, exposure to the media, seeking help from foreign organizations, or even taking violent actions to get interference from the higher level government (Yu 2010).<sup>4</sup>

Charles Tilly has explained three dynamic mechanisms of the political process: environmental, cognitive, and relational. Environmental mechanisms are externally generated influences on conditions affecting social life with cause-effect relations; cognitive mechanisms operate through alternations of individuals and collective perception; and relational mechanisms alter connections among people, groups, and interpersonal networks (Tilly 2001, p. 24; McAdam et al. 2001, pp. 72–90). In Tilly’s concept, mechanisms form a delimited class of events that change relations among specified sets of elements in identical or closely similar ways over a variety of situations (Tilly 2001, p. 25). When studying dynamic mechanisms of contentious politics, causal mechanisms would appear in disparate modes of violence, producing parallel short-term effects but yielding distinct overall outcomes as a function of their settings, sequences, and combinations (Tilly 2003, p. 7). Therefore, the various

patterns of social interaction in conflicts constitute and cause different varieties of collective violence.

Chinese scholars have also studied the dynamics and mechanisms in collective action. Yu's study of peasant protests in rural China shows that their resistance is reactive rather than proactive. Peasants fight against the local government because they have no choice but to take defensive actions. Those who are suppressed by the local government are even more likely to unite together and protest for rights and justice (Yu 2006, p. 30; Ying 2007, p. 13; Cai 2008).<sup>5</sup>

Applying Tilly's idea of dynamic mechanisms in the political process to the Chinese context, three mechanisms characterize the interaction between protestors and the government in Chinese collective incidents:

1. *Non-institutionalized environmental mechanism*, which means unpredictable action or open defiance that bypasses legitimate institutional channels to challenge the state but without an interest coordinating mechanism;
2. *Cognitive mechanism of pressure relief*, which is a mechanism especially for protestors to perceive their actions as reasonable and to justify illegal or violent actions during their resistance. With this mechanism, citizens relieve their pressure either by stressing the unfair treatment by the local government or 'demonizing' the authorities and officials to seek compassion and support from society;
3. *Boundary-activated quick-start mobilization mechanism*, which stresses the relationships among the protestors, who share common values, self-identity, or social networks including relatives, fellow villagers, and close friends. Based on their self-perceived boundaries with the government, and facilitated by advanced technology like the internet and mobile phone, citizens can be mobilized and disputes can be escalated into confrontation in a very short period of time.

However, it is very difficult to make a clear-cut distinction between these three dynamic mechanisms in a real-world context. In fact, they are usually interrelated and not clearly divided; more often than not, we observe two or three distinct mechanisms that conjoin or a combination of two or three factors rather than only a single robust process. Nor can we decide in general or in advance how the mechanisms transfer—for

**Table 16.3** Collective incidents in L Town from 1990–2006

| <i>Date</i>                                   | <i>Incidents</i>   |
|---|--|
| November, 1990<br>November, 1991              | All the villagers protested because the local government pulled down people's homes in order to implement one-child policy<br>Citizens' resistance caused by a woman's death because of the local Government's forcing her to receive the operation of ligation of oviduct   |
| April, 1999<br>May, 2000                      | Villagers' protests against paying the coordination fee<br>Villagers' collective resistance caused by the traffic police's illegal enforcement of law  |
| May, 2001<br>February, 2004<br>November, 2005 | Violent conflicts struggling for the property right of villagers' farms<br>Citizens' protest caused by one patient's death in the hospital<br>Citizens' resistance because of the hospital's failure of saving a drowning child  |
| February, 2007<br>April, 2007                 | Businessmen's protest against government's decision of removing the market   |
| August, 2008<br>September, 2009               | Silkworm raisers protested against the Department of Agriculture's selling silkworm eggs carrying virus  |
| May, 2010<br>March, 2011                      | Collective conflict towards the Town Power Sector because of one villagers' electric shock death<br>Violent clashes with the Township Government because of the failure of retrieving the corpse of one villager's relative from the water<br>Villagers' protests for requiring the government to return their farms<br>Large scale resistance for the right of river excavation, with villagers' destroying public properties in the Township Government and beating cadres |

example, how the cognitive mechanism of pressure relief shifts to the boundary-activated quick-start mechanism or vice versa. This chapter analyses the relationship between these three dynamic mechanisms in L Town located in H province of central China. In-depth interviews and participatory observation were conducted in eight villages during 2011–2012. We selected L Town because since the 1990s, this town has been a typical spot of collective protests and demonstrates the characteristics of the dynamic interaction between the citizens and the township government. The chapter looks at three collective incidents in L Town to show the operation of the mechanisms in the pressure-oriented interest-led political system. Moreover, the cases also demonstrate the political capacity of the Chinese government and its deficiency in containing collective disputes and defusing social grievances. Table 16.3 shows the 13 most significant collective incidents that took place in L Town since 1990,

with three cases studied in this chapter highlighted in bold.<sup>6</sup> Official documents and folk records were also collected from District Archives and Township Government. Three detailed cases representing three dynamic mechanisms respectively would be expatiated below.

### 16.2.1 *Collective Incidents Towards the Town Power Sector*

The collective conflict towards the town power sector in L Town was caused by a villager's electric shock death which led to his relatives and friends to protest and request a large amount of compensation from the electricity company. On 19 August 2008, Huang, a 29-year old villager from H Village, accidentally touched a live wire that was used for agricultural drainage on his way to go fishing and received an electric shock. He was not discovered until 46 h later, when some villagers found Huang lying unconscious on the ridges and they immediately informed Huang's family.

His father could not accept the fact of his son's sudden death. He told us that Huang was an only son and had a newborn son. When he saw him lying there, with his legs covered by the electric wires, he was so sad and impulsive. The first idea that came to his mind was to call his relatives to ask for justice from the local government.<sup>7</sup> It was not long before the party secretary of H Village, Mr Lu, the village cadres, and managers from the power plant arrived on the scene to investigate the accident. Mr Lu said that when he arrived, many emotional people gathered there, shouting that the town power sector and the government were responsible for Huang's death, and vowing that they would struggle and seek justice for Huang's family.

In the following days, Huang's relatives started their protests by making a morgue shed near the village bridge and insisting on leaving Huang's corpse in it until the government and the town power plant compensated the family for his death. The situation escalated when a close friend of Huang, Mr Zou, led the relatives and friends in a protest. Mr Zou was the previous party secretary of H Village and told Huang's family members that they must take violent actions, otherwise the government would not take their protest seriously. Instigated by Mr Zou, around 80 relatives and friends of Huang's family rented a bus and went to the town power plant the following day. They beat the head of the power plant—Mr Wu—and damaged property. Mr Tao, who was Huang's neighbor and witnessed the process, said<sup>8</sup>:

Huang's family was quarreling with the leaders in the plant and the government officials in the whole afternoon, requesting them to pay 500,000 yuan for the compensation. I feel they were too extreme and unreasonable, but the government did not punish them at all for their damaging the plant; on the contrary, they asked the head of the town to mediate and negotiate with them. It is obvious that they have their own interests and concerns.

Mr Tao showed sympathy over Huang's death, but implied that the government and the power plant were too tolerant and had their own calculations to the resolution of Huang's case. The deadlock was not broken until the Police and the head of L Town, Mr Gu, came to negotiate. Huang's family ultimately accepted RMB 100,000 (around USD 14,885) as compensation from the power plant and agreed to remove Huang's corpse from the public place.

This is a typical case of conflict arising from citizens' death (*naosang*, 闹丧) in Chinese society.<sup>9</sup> The escalation of conflict from a villager's death to the violent actions of damaging properties of the town power plant and fighting against the township government happened largely because the villagers lack confidence in an institutionalized way to gain compensation. They did not attempt any legal or formal means of seeking justice or compensation but immediately fought against the government and the enterprise. This shows that villagers have little faith in addressing their requests successfully in an institutionalized manner. This kind of uncertainty is the main cause of violence, especially when villagers perceive potential threats to their efforts to seek compensation, like repression or unfairness.

Facing the agitated and emotional villagers, the township government was not suppressive but cooperative in negotiating with Huang's family. It aimed to resolve the disputes within its policy capacity. Mr Gu maintained that social stability is the primary objective of the township government. Officials also face great pressure from upper-level provincial authorities to evaluate the number of collective action cases each year. They too pass this task and pressure on to the village cadres in L Town in detecting and managing disputes. However, tolerating villager resistance may lead to continued resistance and disruption of social order, and may attract attention from higher-level authorities. If this occurs, the incident will not only encourage greater defiance but also signal a failure of effective local governance by local officials.

In the pressure-oriented system, both the villagers and the government try to maximize their own interests by taking violent action (on the part of the villagers) and making conditional concessions (on the part of the government). In this case, the conflict was not resolved until the police intervened to mediate, putting pressure on the villagers to remove the corpse and reaching a consensus on compensation. The case also shows the function of boundary activation, as we can see that the villagers have an 'us-them' boundary that united them together to fight against the local government and the plant.

### *16.2.2 Protest Against Removing the Market*

Another famous collective resistance in L Town occurred as a result of local market businessmen's strong objection to the governments' plan to relocate the town's market. In 2006, L township government made a contract with a real estate development company to build a new market two kilometers from the existing market, which was located in the central area of L Town. The contract noted that Party A (township government) had transferred the development right to Party B (real estate company) and Party B should complete the construction of the new market before October 2007.

The conflict between the market businessmen and the local government was generated in September 2007 when the township government posted an announcement that the current market would be removed soon. The businessmen in the original market felt very worried about their profit and interest as well as future subsistence when they got the news of the relocation. As told by one of the businessman and protesting elite, Mr He, they bought the shops in the market in 1993 and would bear a great loss if they had to move out. Moreover, the notice of removing the current market also aroused complaints from the local residents, as the new market would be quite far from their homes and the relocation would be a significant inconvenience.<sup>10</sup>

Whether it was reasonable to remove the market or not became the key controversial issue used by the protestors to seek justice. Mr Zhao, another market businessman with a good reputation and leadership skills, served as the key protesting elite in this incident. He was mainly responsible for organizing and mobilizing 50 other businessmen to join in the petition while Mr He tried to work out a plan to reverse the

government's relocation decision with six other key leaders. They formed a caucus and gathered at He's home every night before the petition to study the official documents of the decision, from which they worked out their justification for the government's illegal and evil motivation of promoting the relocation project.

The official document showed that the government's purpose in removing the current market was for the good of the economic development of L Town, to improve the dirty, disorderly, and poor condition of the market which did not meet market regulations and hampered the prosperity of the local economy. This argument was entirely rejected by the businessmen, who argued that the government's contract with the real estate company and the decision on relocation were illegal and undertaken with evil or selfish purposes, seeking only to make a profit from developing real estate and gain a commission. As the new market was close to a middle school, the businessmen also protested that the new market would disturb the students. Gradually, they formed a cognitive mechanism of the justification of their protest as maintaining local residents' rights and opposing the government's collusion with the real estate company to pursue its interest at the cost of market businessmen and citizens.

In the morning of September 23, more than 50 businessmen petitioned to the township government, with the slogan of "seeking rights for people and opposing illegal collusion". This rightful resistance also won the support of local residents and some people even jumped onto their bus and joined the petition team. They strongly requested that the government show the Land Use Certificate for the new market, which would prove their legal usage of the land, but the request was refused. The petitioners then insisted that the land was being used illegally when they were received by the director of District Letters and Visits Office (*xinfangju* 信访局) Mr Hu. They were asked to go back home and wait for the office's reply by October 15.

By the morning of October 15, the businessmen still had not received a reply from the government but saw a notice put up at the market gate, saying that all the businessmen in the current market must move out within one week. Mr He and Zhao immediately organized other businessmen and rushed to the municipal government. They were strongly angry as they felt cheated. Some of them even knelt down at the gate and were finally received by the Party Secretary, Ms Fang, and requested that the leaders in the municipal government uphold justice for them.



This case was taken seriously by the municipal government and some leaders from the township government were also invited to attend the meeting with those businessmen. Ms Fang required the leaders in the township government to consult with the businessmen and try to reach a consensus. She stressed that

We know the pursuit and interests of those businessmen, but I am sure we are legal and do everything by law. The new market actually is beneficial for economic development in L Town but of course we should respect citizens' claims before taking action.<sup>11</sup>

Without hearing any concrete decision from Ms Fang, Mr He and other businessmen threatened that they would have to seek help from the provincial government if the municipal government could not satisfy their requirements. Mr He was warned by the officials afterwards that if he continued to lead the protest, he would be arrested and possibly jailed. Mr Zhao then emerged as the key figure as Mr He chose to keep silent and only directed behind the scenes. Zhao frankly said that:

I think that we should go to the Provincial Government to get the support from higher level authorities. Actually I always have a clear mind of the red line there—not disturbing the public service nor making troubles to the government. Otherwise our action would become illegal and we may also fall into difficult situations.<sup>12</sup>

The feedback from the provincial government was very disappointing, however, as they passed the case back to the township government. The businessmen now felt that petitioning was ineffective and the officials at different levels always shielded one another in their wrongdoings. Therefore, they began to turn to non-institutionalized ways of exposing the case to the media, claiming that the government's action was illegal and the officials have no conscience. The case was not reported by the media despite gaining the sympathy of some reporters.

Because of fear of the businessmen's violent action and conflict escalation, the relocation project was suspended until the next spring. On 8 February 2008, the township government put up another notice to inform all businessmen that they must move out of the current market, and that anyone who resisted would be arrested by the police. The following day, about 140 policemen gathered around the market,

requesting the removal of all the shops inside. Some businessmen were frightened and did not know what to do. Suddenly, a large group of elder people and women about 20–30 years old kneeled down at the market gate, shaping a natural barrier to prevent the police from coming into the market. Some of the protestors even cried and told the police that they were legal and only doing business in the market, why couldn't the township government do them a favor and always bully the weak and old?

By taking advantage of the weapons of the weak, the businessmen finally succeeded in halting removal of the market. When the police informed the township government of the situation, they got the order to retreat. After one year's contention and negotiation with the township government, municipal government and provincial government, the businessmen kept the original market and gained support from local residents and the upper-level government.

This is a typical case of successful citizen resistance with the cognitive mechanism of pressure relief, in which citizens tried to justify their actions by disclosing corrupt behavior and malfeasance. It also demonstrates the capacity deficits of local governments when facing collective and aggrieved protestors. The protestors were very aware of the potential danger they might face. Therefore, the collective tactics they used were rational and did not bend state rules so as to avoid being illegal or unreasonable. Moreover, social networks played an important role in the successful resistance as the protestors cooperated with each other and united together to make the township government grant concessions. Social bonds also enhanced internal solidarity. We can also see that the businessmen, under the leadership of the protesting elites, were able to exploit political gaps by disaggregating the government and seeking support from officials (Perry 2001).<sup>13</sup> Although they failed to get a direct reply from the municipal and provincial government or receive help from the media, they created political opportunities from the upper-level government to pressure the township government to address the conflict. That is the key reason they were able to succeed in the end.

### 16.2.3 *Large-Scale Resistance for the Right of River Excavation*

Due to two divaricating channels of the Yangtze River in the southern area of L Town, during the flood period each summer, local residents would suffer from heavy flooding. Therefore, excavation of the river and building a dam became an urgent and important issue. However, the

township government laid aside the issue given the financial challenges until a severe conflict happened among villagers from J and L Village.

In December 2010, some villagers in L village started to excavate the river without authorization. They dug out deep ditches and built up a high dam to prevent future flooding. However, as J Village was located opposite L Village, this presented a danger that farms and houses in J Village would be submerged during floods. This led to disputes among the two villages. On the afternoon of December 2, Mr Huang, a representative of J Village, together with some other villagers from J went to L Village to talk about the river excavation issue. Suddenly, several strong and young farmers from L Village rushed out from the woods and beat Huang and five other people with sticks, breaking Huang's legs and seriously injuring the others. The villagers in J were furious at the violent actions taken by villagers from L. They strongly condemned their actions and requested the township government to uphold justice by punishing the thugs and compensating for the victims' medical expenses.

However, the township government did not punish the villagers in L nor did it seek compensation for the injured villagers in J. This ineffective management of the conflict exacerbated the hatred between the two villages and pushed the villagers in J to protest against the township government. Mr Huang told us that:

We indeed feel very unfair and angry toward the local government, and even thought that the officials were partial to and sided with L village because one of the villagers there was the leader in Township Government. So our protest toward the government is just a forced action to unite together and fight for justice since the township government colluded with L village.<sup>14</sup>

From the official's words in the township government, they contacted both parties and sought to mediate the dispute several times and also invited the authorities from the Water Affairs Bureau to give directions on the waterway management.<sup>15</sup> Without any consensus or resolution on the disputes, some villagers from J organized a group of people to rush to the township government on 3 March 2011, shouting that they were seeking justice for Mr Huang and the other victims. When they arrived at the government on motorcycles, they started to smash the glass windows in the government building. Ms Sun, the official in the township government, recalled:

The villagers from J Village were very angry when they rushed into our office, and they were all very strong and smashed any glass windows around. I was very nervous and called the police immediately. But before the Police came, the villagers had kicked one of our Party Secretary, Mr Du, as he was trying to talk to them. So Mr Du became their first target because they treated him as the supporter of L Village and had skullduggery behind their collusion.<sup>16</sup>

The outraged villagers could not be controlled until Mr Yao, the director of the township congress, came to mediate. Yao was familiar with many villagers in J and he had the authority and personal charisma—so called face (*mianzi* 面子) in Chinese—to stop their violence and control the situation. Many leaders in the township government came to mediate as well; they tried to calm down the villagers and showed great sympathy toward them. For fear that the conflict would escalate further, the leaders of the party and the township government finally promised to report to the higher-level government and require the relevant department in the city and province to solve the river problem within one month. The township government also requested that L Village compensate for the medical expenditures and apologize to those injured villagers from J.

This case shows that the boundaries between the two villages worked as a mechanism in the mobilization and the violent actions caused by the flooding problem in L Town. J Village's violent response was derived from the recognition of collusion between government officials and L Village. Put another way, the villagers' self-perception of 'us' vs. 'them' contributed to the aggravation of disputes and the sustained resistance. The cognition of their seeking justice entails the legitimacy of their collective action. The social networks among each village played an important role in cementing solidarity among the villagers and enhancing Mr Yao's reputation during the conflict resolution process.

### 16.3 DISCUSSION

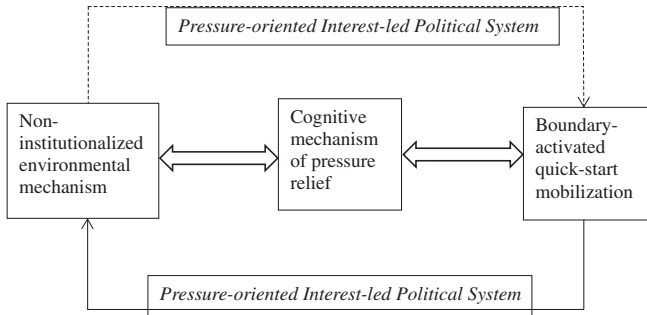
Collective incidents in China could take on dynamic forms such as non-institutionalized environmental mechanism, cognitive mechanism of pressure relief, and boundary-activated quick-start mobilization. The non-institutionalized environmental mechanism is used mainly because petitioners face uncertainty and perceive that they have little chance of

success in struggles with the government. Since petitioners are more often than not the weak party, they face great pressure to survive—shown in the cases here through their efforts to seek justice and compensation—and turn to violent and radical actions when they are angry and hopeless. As the government needs to maintain social stability and faces pressure from the higher-level government, it demonstrates weakness and deficits in policy capacity when encountering collective resistance from the local people. On the one hand, it may be beyond their ability to meet the protestors' demands in an institutionalized way. On the other hand, they have to be concerned about local economic development and their own interest maximization. This creates an awkward dilemma between the government and citizens when resolving collective disputes, as the local government needs to balance the needs of maintaining social stability, ensuring economic development and pursuing their own interests.

The cognitive mechanism of pressure relief explains why and how Chinese citizens reconstruct their action during periods of resistance, for example by justifying their own actions as legitimate and undertaken for the sake of other local residents while demonizing the local government by disclosing the malfeasant behaviors of officials or the government's illegal collusion with businesses. This mechanism entails reasonable excuses for protestors' violent action and the aggravation of the conflict. As explained by James Scott, peasant collaboration was not based on formalized organization but on their knowledge of a common fate and mutual recognition during the protest (Scott 1985, p. 46; Perry 1985).

The boundary-activated quick-start mobilization mechanism reveals how the collective actions with violence could be triggered by accidental and ordinary disputes. Deep-seated factor behind this mechanism is the villagers' psychological demarcation of 'us' vs. 'them'. This kind of antagonistic self-perception in disputes towards the local government in particular could play an important role in mobilizing protestors to fight for their common rights and for justice with violent actions. Figure 16.1 shows the three dynamic mechanisms of collective incidents in the pressure-oriented interest-led political system.

To relate the three cases mentioned above with the three dynamic mechanisms, Table 16.4 summarizes the main mechanisms used in the three cases and the strategies manipulated by both the protestors and the local government. As shown in the table, in managing the conflict, each



**Fig. 16.1** Correlation of the dynamic mechanisms. *Source* Authors

party seeks to maximize their own interest while relieving the pressure. No matter which mechanism is manipulated, the goal to solve the disputes in order to get compensation for the villagers and maintain social stability for the local government.

Here, we conceptualize the interaction taking place at three dynamic and interacting levels: the micro level, composed of concrete collective protests against the government; the meso level, composed of the dynamic mechanisms conceptualized in this chapter, and the macro level of the political and social system in China. The dynamic of collective incidents in China is a complicated process through which the three levels interact with each other as displayed in Fig. 16.2. The party-state wishes to resolve conflict through top-down control over the local government, using various mechanisms to contain and defuse social contention. Gaps in policy implementation exist, however, as state capacity is often weak and unable to effectively manage the conflicts with three mechanisms at the meso level. However, how to enhance the capacity of conflict resolution at individual, organizational and systemic level is of key importance in the policy process. In authoritarian China, the most important aspect of achieving this goal probably lies in institutionalizing an approach to addressing citizen's grievances and strengthening the formal legal system so that conflicts at the meso level can be handled and resolved more effectively.

However, the local state in China, which is located at the bottom of the pressure system, has to be responsive not only to society but also to

**Table 16.4** Mechanisms and strategies manipulated in three cases

| <i>Case Number</i> | <i>Main Dynamic Mechanism</i>                 | <i>Strategies in Pressure-oriented interest-leading political system</i>  |
|--------------------|---|---|
| 1                  | Non-institutionalized environmental mechanism | <i>Government:</i> Mediating the disputes and adding pressure on Power Plant to pay compensation<br><i>Citizens:</i> Using weapons of the weak— <i>Naosang</i> —to fight against local government and the Town Power Sector with violent actions  |
| 2                  | Cognitive mechanism of pressure relief        | <i>Government:</i> relying on <i>guanxi</i> with upper level authorities to enlarge autonomy in addressing conflicts, reconciling the disputes by making concession on the relocation project<br><i>Citizens:</i> justifying their actions by struggling for the legitimate rights of the local residents while disclosing the officials' corrupted behavior and malfeasance; seeking intervention from higher authorities to get support from within the state |
| 3                  | Boundary-activated quick-start mobilization   | <i>Government:</i> inviting third party—the Water Affairs Bureau to give directions on the waterway management; taking advantages of officials' personal relationship with the villagers to defuse the conflicts<br><i>Citizens:</i> stage powerful disruptive actions to strengthen their intervention-seeking ability and using their own social network to get assistance and the leading role of protesting elite   |

*Source* Authors

the party-state, it must balance between the demands from the higher-level authority and the public. Although this could hardly be achieved even in the near future due to the nature of the authoritarian regime, putting a high value on the society and the public could help build political capacity for the state.

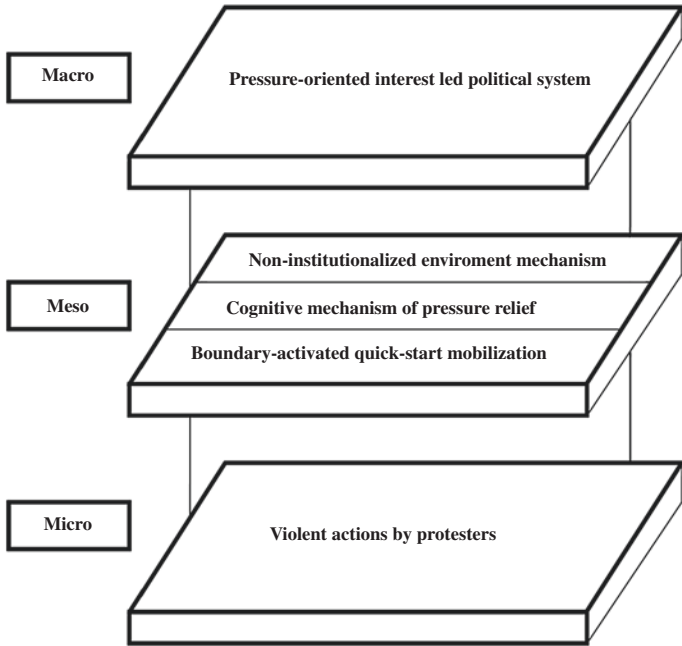


Fig. 16.2 Interaction in collective incidents at the micro, meso, and macro levels. *Source* Authors

## 16.4 CONCLUSION

During China's reform and social transition, collective resistance has become a serious problem that urgently calls for effective resolution. However, within the current political and social system, characterized by great pressure as well as interest for survival, this kind of social conflict could also be viewed as a mode of political participation by Chinese citizens. Although it is not new to use cost-benefit approach to analyze the citizen actions and state responses, this research shows that the behavior of both citizens and local governments are the result of different dynamic mechanisms the two parties undertake to maximize their interest and reduce risks and cost during the process of conflict resolution.

Three important issues must be noted: (1) the three mechanisms are dynamic and interrelated when operating in different cases; (2) they work within a three-level structure that encompasses micro violent



actions, meso dynamic mechanisms, and the macro pressure-oriented interest-leading political system; (3) the meso level is the key level at which the party-state gains recognition from local citizens and enhances legitimacy through enhancing its conflict resolution capacity. Compared to collective protests in democratic settings, the instances of popular contention in authoritarian China are quite ‘special’ in that they lack organization but are led by local elites, they are short lived but last until the demands of citizens are met, and they may involve violent actions but have clear boundaries between ‘us’ (local residents) and ‘them’ (state authorities) (Tarrow 1994, p. 162).

Drawing from the cases, this chapter also demonstrates that the protests against the Chinese government are nonpolitical or non-regime threatening and usually have clear goals and specific demands (Cai 2010, p. 186). Both parties are seeking ways to relieve pressure and reduce risk. The possibility of success is conditional on the protestors’ ability to adopt proper strategies and their bargaining power with the local government.

The reality in China is that the grassroots government at the county and district levels deals with the majority of cases of collective incidents because it has the most direct interaction with citizens and also acts as a bridge between citizens and the higher-level governments. Facing great pressure to maintain social stability, county and district governments have to make a rational choice to defuse popular protests while balancing their relationships with local residents and higher authorities. Therefore, although an institutionalized approach to conflict resolution has not yet developed in China, the state-society relationship has indirectly and unintentionally changed as citizens have tried to pursue their interest by resisting the government. Reforms and policy adjustments are strongly needed in face of constraints in protecting citizens’ rights and the state’s goal of maintaining social stability. The Chinese government needs to know that putting a high value on the society and the public is of great importance for political capacity building and conflict resolution.

## NOTES

1. These protests and incidents include labor strikes, disruptive collective petitions especially towards the central government, sit-in demonstrations, fasting, posting slogans, attacking governmental agencies, surrounding leaders, blocking public traffics and damaging public

- properties. For the increased frequency and size of collective incidents, see Chung et al. (2006).
2. There is a popular sense of knowledge among the protestors in China that the more disruptive the action they take, the greater compensation they can get, and vice versa; if they do not protest, they will not get anything (*danao dajiejue*, *xiaonao xiaojiejue*, *bunao bujiejue* 大闹大解决,小闹小解决,不闹不解决).
  3. This study found that local governments are more reluctant to make concessions and more likely to use force, for example punishing the protestors or arresting the grassroots leaders, when the disputes are caused by the governments themselves (Cai 2010, pp. 43–68).
  4. Various Chinese papers mentioned that since protestors are unable to find a way of addressing their pursuits within the existing political system, they seek alternative avenues for rights and justice, with the tendency of greater magnitude of violence (Ren 2013).
  5. The original idea of reactive-proactive typology was devised by Charles Tilly (1978, p. 147).
  6. Data collected by the authors from the L Town government in 2011.
  7. From interview with Mr Huang's father, see Appendix 16.1 for reference.
  8. From interview with Mr Tao.
  9. *Naosang* is a form of citizen protest in response to sudden death from accidents like traffic jams, medical blunders, or suicide. It usually happens in rural China as the relatives or friends of the dead use the corpse to threaten the local government or relevant institutes for compensation and revenge.
  10. Information is from the field work conducted by the authors, the interviewees' personal details can be referred to in the appendix.
  11. Interview with Ms Fang.
  12. Interview with Mr Zhao.
  13. Chinese citizens would employ strategies of disaggregating the state so that they can get support from within the state.
  14. Interview with Mr Huang.
  15. This was told by Ms Sun, one of the officials in Township Government.
  16. Interview with Ms Sun.

## APPENDIX 16.1 INTERVIEWEES IN THE THREE CASES

| Number   | Case no. | Name           | Age | Sex | Interview date<br>(D/M/Y) | Remarks  |
|----------|----------|----------------|-----|-----|---------------------------|--|
| A-2008-1 | 1        | Huang's father | 65  | M   | 30/08/2009                | Villager of H Village  |
| A-2008-2 | 1        | Mr Lu          | 35  | M   | 30/08/2009                | Party Secretary of H Village   |
| A-2008-3 | 1        | Mr Zou         | 40  | M   | 07/09/2009<br>10/09/2009  | Previous Party Secretary of H Village and Huang's very close friend                        |
| A-2008-4 | 1        | Mr Tao         | 50  | M   | 15/09/2009                | Villager of H Village  |
| A-2008-5 | 1        | Mr Gu          | 52  | M   | 17/09/2009                | Head of L Town   |
| B-2007-1 | 2        | Mr He          | 48  | M   | 05/07/2010                | Businessman in the market/ Protest Elite especially in decision making                     |
| B-2007-2 | 2        | Mr Zhao        | 62  | M   | 21/07/2010                | Businessman in the market/ Protesting elite especially in organizing and mobilizing people |
| B-2007-3 | 2        | Mr Tao         | 47  | M   | 22/07/2010                | Businessman in the market/ Responsible for drafting documents                              |
| B-2007-4 | 2        | Mr Hu          | 52  | M   | 24/07/2010                | Director of the District Letters and Visits Office   |
| B-2007-5 | 2        | Ms Fang        | 50  | F   | 24/07/2010                | Leader of the Party Secretary in the Municipal Government                                  |

| Number   | Case no. | Name     | Age | Sex | Interview date<br>(D/M/Y) | Remarks                                 |
|----------|----------|----------|-----|-----|---------------------------|---|
| C-2011-1 | 3        | Mr Huang | 42  | M   | 01/07/2011                | Villager of J Village                   |
| C-2011-2 | 3        | Ms Sun   | 30  | F   | 10/07/2011                | Official in Town Government             |
| C-2011-3 | 3        | Mr Du    | 49  | M   | 20/07/2011                | Vice Party Secretary in Town Government |
| C-2011-4 | 3        | Mr Yao   | 39  | M   | 20/07/2011                | Director of Town Congress               |

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# Policy-Related Expertise and Policy Work in Czech Political Parties: Theory and Methods

*Martin Polášek, Vilém Novotný and Michel Perottino*

## 17.1 INTRODUCTION

In contemporary European liberal democracies, political parties play a key role in policymaking processes. Their right to nominate both elected and appointed representatives into government and public administration provides parties with a privileged institutional status among all segments of civil society. This is why parties are in the best position to shape public policies, not only in the stages of agenda-setting and evaluation (where other segments of civil society also participate), but also in the stages of policy formulation, decision-making, and implementation.

This has not always been the case. The privilege emerged in the first half of the twentieth century as political parties effectively seized control of the execution of government powers (as monarchist forms of government were increasingly replaced by democratic forms, and governments came to be constituted by parliamentary majority) and politics became increasingly inclusive (with universal suffrage). A qualitative breaking point came after World War II, namely with profound changes in the role of government and growth of the extent and structure of public policies in which government was a relevant stakeholder. In other words, as policymaking more and more corresponded with the interests of an

expanding political community, and the boundaries of the possible role of government expanded, policymaking and implementation required increasing amounts of specialized information and policymakers were faced with increasing qualification requirements. Politics and public policy became more and more expertized.

Until WWII, the main role of political parties was regarded to be democratic representation. Parties were expected to define social issues through the lens of their ideologies and facilitate democratic aggregation and representation of interests (through mass participation of their membership on party decisions, and through public offices held by the party). Policymaking and policy implementation were seen as the domain of government administration, while parties were expected to define general policy orientations or to monitor policymaking *ex post*.

After WWII, for the reasons outlined above, political parties came to be increasingly expected to not only initiate public policies and articulate opinions about policy practice (which itself required larger amounts of specialized information in an increasingly complex environment), but also to deploy their own human resources in formulating policies and ensuring their implementation. This was because public administration was no longer regarded as a neutral mechanism transforming political parties' intentions into public policy, but rather as an actor that covertly or overtly resisted those intentions.<sup>1</sup>

All in all, since the early twentieth century, political parties in liberal democratic systems have found themselves in a position of tension between the requirements of democratic representation and effective governance. This is also why their legitimacy was derived from two sources, namely inputs (the extent of representation through public offices) and outputs (the effects of their policymaking and implementation efforts). However, in the context of a long-term decline in the number of members and the extent of their involvement (van Biezen et al. 2012; Whitley 2011; Van Haute and Gauja 2015, etc.), the legitimizing power of inputs has subsided while the relative importance of outputs, i.e., policy work, has grown, especially as policy work became increasingly expertized (cf. Mair 2009).

While most research on political parties emphasizes the input side, our attention focuses on the considerably understudied phenomenon of outputs, and more specifically, on the policy capacities of political parties.<sup>2</sup> There is a reason why we refer to capacity. Our primary focus is not on the participation of political parties as collective policymaking actors in

the arena of government, but on the process of gathering, sorting and utilizing information for that purpose within the party itself. This is why we explicitly choose to use the term ‘capacity.’ Since parties themselves are not the only, or even the primary, space for policymaking, we examine the process of *generating policy-related expertise* (a process that is generally regarded as a kind of *policy work*). In some cases, the object of our examination will be synonymous with the policymaking process.

The intra-party arrangements of policy capacity involve the organizational setting of expert bodies, including expert committees, ‘shadow’ ministers (or party speakers on the policy), and policy analysis units. Our examination of the extra-party arrangements of policy capacity is based on Kuhne’s (2008) typology of extra-party consultation, which distinguishes three sources of external policy expertise for political parties: academic-based, lobbying and professional consultation.

Our study is driven by three basic questions: where expertise is generated, by whom, and how it is generated. The first question refers to the context of expertise generation: what does the underlying infrastructure look like, especially the involvement of expert committees, and what are the links to external sources of expertise, including think tanks, academic organizations, and public administration bodies? The second question focuses on the profile of individual actors involved in generating expertise: who is involved and why; and their socio-demographic characteristics, roles, motivations, and methods. Through the third question we seek to grasp the mechanism/process of expertise generation, including the perception of issues; the different functions and uses of expertise; (in)consistencies between expertise generation and other intra-party processes; and reasons why expertise succeeds or fails to be embraced by the party.

## 17.2 THEORY

There are no theories of policy-related expertise generation in political parties, and few specific accounts of that process (for a rare example, see Gauja 2013; see also Kuhne 2008 for some findings on external sources of expertise). Therefore, our study is primarily explorative in nature. At the same time, since we assume there is no such thing as a theoretical knowledge and we are reluctant to introduce new terminology unless absolutely necessary, we formulate our conceptual framework in the language of existing theories. Our study relies on theory at two levels: the level of basic perspective and the level of concepts and categories.



### 17.2.1 *Basic Perspective*

First, our perspective is an institutionalist one. We assume that institutional arrangements have a key role in the shaping of policy processes and outcomes. Even under equal or highly similar demands or pressures posed by the external environment, policy actors will respond differently depending on the institutional arrangements in which they are embedded. We are working with a broad concept of institutions, both formal (e.g., organizations as systems of rules formalized through statutes, organizational codes, etc.) and informal (e.g., tacit agreements, traditions, customs or, more generally, cognitive and normative frames that are typically associated with party programmes or discourses in specific policy areas) (cf. North 1990; Hall and Taylor 1996).

For these reasons, we assume that the ways expertise is generated and the resulting forms it takes do not depend on ‘objective’ needs (such as those arising from the party’s participation in a policymaking process), but on the ways those needs or, more generally, external stimuli, are filtered through institutions and, more specifically, through political parties’ organizational structures<sup>3</sup> and through the normative and cognitive frames in which actors are embedded.<sup>4</sup>

Second, it follows from the above assumptions that we do not treat political parties as homogeneous actors—a kind of ‘billiard ball’—but rather as collective actors or institutionalized arenas with a specific internal structure. It is in that arena that the processes crucial for an observer’s understanding of the party take place. Action may be triggered by impulses from inside the party as well as from the environment.

Third, we regard a political party as an organization, above all. Generally speaking, an organization is an institutional form of collective action towards meeting individual members’ specific goals. It is characterized by one or more collective goals (not to be mistaken for members’ specific goals); by a structure in which members’ actions are coordinated; by boundaries that distinguish it from its environment; and by the individual actors or members taking part in its actions. In spite of these general traits, the term ‘organization’ may apply to an extreme variety of systems. Depending on one’s approach or methodological tradition, there may be one clear collective goal (again, as opposed to individual members’ specific goals), or several goals that are possibly neither clear nor clearly hierarchized. The structure may be formalized or informal, and coordination may take place intentionally or

spontaneously. The boundaries may be apparent, impenetrable and stable, or blurred, permeable and shifting. And finally, there may be different explanations for the structure of actors' motivations to participate (or of the specific party goals mentioned above) (cf. Scott 2003 for a review).

### 17.2.2 *Sources of Concepts and Categories*

At the level of concepts and categories, we chose to rely on four approaches, which all treat individuals as soft rational actors<sup>5</sup> and organizations as open systems.<sup>6</sup> Our study is based on two basic pillars. First, with regard to political parties, we work with Richard Katz and Peter Mair's cartel party theory (Katz and Mair 1992, 1995, 1996, 2002, 2009, 2012; Mair 1994, 1997; Blyth and Katz 2005) and with Kenneth Janda and Robert Harmel's integrated theory of party goals and party change (Janda 1990; Harmel and Janda 1994; Harmel 2002). From these theories we draw the notions of the goals of a party organization, of a party's internal structure as struggle of actors and groups pursuing their particular goals, of three areas/faces, and of the ways a party organization responds to external pressure. Second, in the domain of public policy, we choose the synthesizing concept of policy work promoted by Hal Colebatch (2006, 2010) and the concept of policy analytical capacity that underlies a series of studies by Michael Howlett (2009a, b; Howlett and Oliphant 2010; Craft and Howlett 2012a). From these works we draw the notions of policy work, expertise, types of experts, and an organization's policy analytical capacity.

#### 17.2.2.1 *Katz and Mair's Cartel Party Theory*

In the field of political parties, Katz and Mair are known primarily for their cartel party theory. Their typology of political parties explains the parties' different roles and pathways of development (for more details, see Poláček et al. 2012, pp. 13–22; for the context of other typologies, see Krouwel 2006, 2012). Katz and Mair's empirical results are extremely interesting, in particular the finding that party organizations have evolved from serving as a bridge between civil society and state to serving as an agent of the state, a change that has affected both parties' internal arrangements and their activities. However, we are primarily interested in the theoretical implications of Katz and Mair's work.

First, we work with the dialectic account of the evolution of party types in a process of interrelated changes to the environment (society in general and party system specifically) and to political parties (party organizations) (Katz and Mair 1995, p. 6; 1996, p. 526). On one hand, a party may be pushed by specific contexts to a certain type of change. On the other hand, every party follows an individual trajectory (Katz and Mair 1996, p. 532; 2002, 129 et seq.)

Second, we are interested in the notion of the political party as a complex organizational structure that manifests itself in three parallel basic forms or ‘faces’: the *party on the ground* as an organization based on voluntary membership, the *party in central office* as a bureaucratic apparatus, and the *party in public office* as an actor exerting political power by controlling various elected offices. The politics of a party result from the mutual relations between those ‘faces’ and from their struggle for dominance in the organization as a whole (explicitly, e.g., Mair 1994; Katz and Mair 2002). Originally, both Mair and Katz referred to political parties as political systems in themselves. Each part (or ‘face’) is the stage of a permanent struggle for dominance between self-interested actors and their coalitions. All these struggles, in turn, shape a struggle between the parts (‘faces’), which takes the form of both mutual conflict between the faces and interventions of coalitions from particular parts in other parts’ business. Moreover, actors and coalitions avail themselves of different resources, whereas the structure of incentives and resources at their disposal is shaped by the changing environment in which the party exists as a collective actor (Katz and Mair 1992, pp. 6–7, 9).

#### 17.2.2.2 Harmel and Janda’s Theory of Party Goals and Party Change

The integrated theory of party goals and party change seeks to explain organizational change by integrating Strøm’s theory of party goals (Strøm 1990; in the same vein, Wolinetz 2002) with Janda’s elaboration of organizational theory (Janda 1983). The concept of primary goals is built by Harmel and Janda on Strøm’s classification of political parties according to their basic goals (*vote-*, *office-* and *policy-seeking* parties) to which they add the idea of whether the party is *representation-*, *participation-* or *democracy-seeking*. Those goals are subject to a permanent struggle for dominance within the party, their hierarchy is subject to change, and, because the goals work as primary goals, violation of any of them at any moment may trigger an organizational response.

From the perspective of organizational theory, a political party is defined as a set of organizations pursuing collective goals, and organizations are defined as repeated interactions between individuals based on a specific division of labour and roles (Janda 1980, p. 5; for theoretical considerations, see Janda 1983; for links between organizational theory and the theory of party goals, see Janda 1990). This notion of a party is in many ways the same as that proposed by Panebianco (Panebianco 1988; cf. Janda 1990, p. 7). Both regard parties as complex organizations in which individual actors and coalitions struggle for dominance using different power resources<sup>7</sup> and where dominance over the party is based on a coalition or fraction's control of such resources (Harmel and Janda 1994).

As institutionalists, Janda and Harmel assume that no fundamental organizational change can occur without a strong impulse. While Katz and Mair view party change primarily as adaptation to changes in the environment—albeit partly transformed by parties' own agency (Katz and Mair 1995, p. 20), Janda and Harmel prefer a mixed explanation, arguing that impulses from within the party may trigger change as well. More importantly, they argue that party change depends on the relationship between external pressure, on the one hand, and organizational arrangements, on the other. In other words, equal pressure (such as electoral defeat and loss of government office) may not trigger equal organizational change in all parties—and indeed some parties will not change at all. Every impulse does not trigger an organizational response. While Janda and Harmel's theory Katz and Mair's theory can be regarded as competing alternatives, they can also be seen as compatible approaches that provide complementary answers at different levels (Harmel 2002).

### *17.2.2.3 Colebatch's Idea of Expertise*

From Colebatch we adopt primarily the notion of expertise. Here we are concerned with policy-related expert knowledge, and leave aside expert knowledge produced for other purposes such as campaigning. Expertise means knowledge either of a specific policy issue or of the process through which policy comes to exist (Colebatch 2004; Colebatch 2006).

We understand an expert as an individual actor who, from the organization's perspective, possesses such policy-related expertise. One important assumption is that an expert is not defined externally, 'objectively', but through an organizational lens.

There is a more general aspect to the problem, one that is related to the nature of policy as such. The mainstream approach holds that policy results from authoritative choices made by decision-makers in consideration of their goals in a policy area. Alternatively, it has been argued that neither the place nor the time of decision are clear or stable. Yet another approach holds that policy may also arise from structured interactions of stakeholders; it is both socially constructed by the stakeholders and at the same time inhabited by them. In practice, these three approaches are often combined (Colebatch 2006, 2010). While we combine them as well, we consider the analytical distinction between the three approaches to be important. The mainstream approach assumes a relatively clear boundary between decision-makers and other stakeholders, while the alternative approaches consider the boundary rather blurred and, more importantly, shifting. And since the idea of what policy is determines the idea of what it means to do policy or what policy work is, it also determines the idea of who a policy worker or expert is. In short, in the mainstream view, experts are those who give advice to politicians or decision-makers but do not make decisions themselves; from the alternative perspectives, however, the category of experts may encompass all other stakeholders as well.

Concerning the definition of the expert, from the mainstream perspective, experts are people consulted by decision-makers or politicians about which of the options proposed for a given policy area they should choose. In this respect, Colebatch, Hoppe and Noordegraaf distinguish between three types of experts. First, *functional experts* operate in a given policy area as physicians, scientists, social workers, engineers, etc. In addition to their role of ‘advisors’, some of them may be the initiators of motions in a given policy area. Second, *process experts* are skilled in formulating policy proposals, manoeuvring through the complex landscape of procedures and stakeholders’ opinions, and responding appropriately to alternative proposals. Third, *decision experts or policy analysts* are viewed as advisors who can clarify the problem, identify the options and possible risks, and find the best solution (cf. Colebatch et al. 2010, p. 13). However, when following the direction set by Colebatch, one realizes that the three-part typology is not exhaustive and one more type needs to be added. Given the blurred and shifting boundary between decision-makers and other stakeholders, one also needs to take into account other members of the policy community. We define *specialized politicians* (compare, for example, Marier’s (2008) extension of the

theory of epistemic communities to politics) as the primary tellers of the ‘story’ of a policy area presented by their party as a collective actor.

#### *17.2.2.4 Howlett’s Concept of Policy Analytical Capacity*

Although the concept of policy capacity does not originate from him, Michael Howlett narrowed it down to the specific issue of generating and utilizing knowledge and coined the term “policy analytical capacity”. He operationalized the term for a series of empirical studies of Canadian public administration (Howlett 2009a, b; Howlett and Oliphant 2010; Craft and Howlett 2012a) and extended it beyond the public sector to measure the policy analytical capacity of NGOs (Howlett and Oliphant 2010; Evans and Wellstead 2013).

Generally speaking, Howlett builds on the works of Fellegi and Peters. According to Fellegi (1996), policy capacity refers to an arrangement that enables a government to evaluate, formulate and implement public policies within its jurisdiction. More specifically, it comprises an organization’s ability to articulate mid-term and long-term objectives, to test a preferred solution for robustness and compare it to other options, to prepare policies that can challenge the status quo among professionals and in policy practice, to communicate such policies to politicians, the public and stakeholders, and to evaluate the policies. Peters (1996) regards policy capacity as a government’s ability to make decisions and change the status quo in a given area effectively (i.e. both fundamentally and in line with its aims). He associates higher levels of such capacity with an organization’s ability to act strategically instead of firefighting, in the long-term instead of the short-term, proactively instead of reactively, across different areas and not in a departmentalist way, and with regard to substantive content instead of existing formal procedures.

Howlett’s concept of policy analytical capacity integrates these fundamental notions of policy capacity with elements of research capacity (Riddell 2007). His definitions vary, especially when he adds to the mix Halligan’s (1995) idea of a policy advisory system (Craft and Howlett 2012b, 2013). In any case, the concept of policy analytical capacity can be divided into three parts: an organization’s needs or requirements (and the related mandate of its expertise-generating bodies), the resources at its disposal (number of staff, staff profile and especially educational background, material resources, and ability to tap external sources of expertise), and the nature of its activities (the culture and structure of decision-making in the organization, the types and mix of

policy analysis techniques used by it) (Howlett 2009a, b; Howlett and Oliphant 2010). Later on, Howlett shifted the concept to a more general level and made a distinction between macro-, meso- and micro-level policy analytical capacity (Craft and Howlett 2012a). Whereas the macro level encompasses the organization's position in the context of governance or in an inter-organizational policy network, the meso and micro levels comprise most of the original definition of policy analytical capacity.

We choose to build on Howlett even if we do not necessarily share all his perspectives on policy capacity and policy analytical capacity. We especially do not share the normative assumption of evidence-based policy-making, and neither do we intend to assess, from Howlett's perspective, whether the capacity of political parties is larger than that of the public administration. In such a contest, party organizations are bound to lose (cf. Cross 2007; Grunden 2013) because they pursue multiple goals, while policy formulation and implementation is basically the only formal goal of public administration organizations.

Our decision to work with Howlett's concept is mainly motivated by practical considerations. First, his focus on the gathering and utilization of evidence can easily be applied outside the government arena (see for example Howlett and Oliphant 2010; Evans and Wellstead 2013). The three original elements of policy analytical capacity correspond to our research questions. Subject to minor modifications, Howlett's distinction between macro-, meso- and micro-level policy analytical capacity can be applied to political parties as well. The second reason is that Howlett pays attention to the micro level, the profiles of individual policy workers, which corresponds with our notion of a party as an arena of interaction between individual actors. Finally, and relatedly, the third reason is that in the future, the evidence gathered by us at the micro level and, to some extent, at the meso and macro levels as well, will be comparable to similar studies undertaken in public administration and NGOs both abroad and in public administration in the Czech Republic (Veselý 2013).

### *17.2.3 Party as an Organization and a Policy Work Arena*

We use here the language of political party theory (Katz and Mair, Harmel and Janda) to express the basic idea of party organizations and the principles that govern their workings. Using the language of public

policy theory (Colebatch, Howlett), we define experts and identify the different criteria for classifying formal expert infrastructures and expert profiles. These two branches (practically a sort of rejoinder of two specific scientific fields and theoretical frameworks) help us to describe and analyse certain processes and to clarify the relationship between different factors.

We understand a party organization as an open system, i.e. a complex, heterogeneous system of coordination with multiple links to the environment with which it interacts. As a collective actor, it pursues a range of goals, including, in a broader sense, aggregation and representation of interests as well as formulation and implementation of public policies. In a narrower sense, we distinguish between vote-, office-, policy- and democracy-seeking parties (the above-mentioned representation and participation seeking activities are not so important, at least in the Czech case). Whereas an organization is always able to pursue these goals to some extent, the way it hierarchizes them and its ability to attain them vary depending on the power constellations of individual members and on the organization's internal structure.

A party is a formal expression of the permanent struggle between 'soft' rational individual members and coalitions thereof. Such formal expression consists, first, of a set of rules that govern the organization's inner workings (e.g., statutes or organizational codes of the apparatus or of the different expert committees) and external relations (e.g., the party's status under national law), and second, of a 'brand' (e.g., the party's programme or, more generally, its ideological foundation, its 'language').

Members and their coalitions wage a struggle for dominance using the power resources they control (including material resources, information flows, human resources, or capacities such as expertise). Control of resources determines who is going to dominate the party and assert their preferred hierarchy of goals. Members each pursue their own set of specific goals that are not hierarchized in a permanent way.

The boundaries of party organizations are permeable. The set of members/participants is neither stable in terms of structure (with members from different levels, staff from different levels, holders of different public offices, party list candidates who are not members, lobbyists, and external experts) nor in terms of concrete individuals (with people in the different roles coming and going). The same individual may belong to several categories and play several roles simultaneously.



The party organization's internal structure is fragmented both horizontally and vertically, and only some relations are formalized (e.g., the position of two deputy chairmen in the chain of authority is formalized while their links to different cliques are not). Although the structure is basically hierarchical and typically works both in the bottom-up logic of a membership organization and in the top-down logic of a bureaucratic organization, the permeable boundaries allow for a variety of horizontal relations (e.g., to other organizations or individual actors outside the party). A struggle for authority and dominance is waged recurrently among parts of the organization, and especially among the party's different 'faces' (on the ground, in central office, in public office), levels (local chapters, regional chapters, central leadership) and bodies (units of the apparatus, local chapters, boards versus broader decision-making bodies).

Mechanisms designed to generate expertise are included in the structure. There, relations between actors are only partly formalized (as expert committees and their statutes, organizational codes of the apparatus, or regulations applicable to the party as a whole), and exhibit horizontal and vertical fragmentation. The expert infrastructure is also witness to struggles among self-interested actors from within and outside the party, subject to divergent demands, and plays different roles depending on the party's hierarchy of goals.

The set of individual actors who interact and pursue their goals within the party—recall that they are not necessarily party members—includes the category of expert actors who, from the party's perspective, possess expertise related either to specific policy areas or to policymaking in general.

## 17.3 METHODS

### 17.3.1 *Research Frame*

The explorative nature of our study determines our methods, and we have no preconception as to what the phenomena of interest look like or how they are linked with one another. Aside from the institutionalist perspective and the general notion of the workings of party organizations, we have no preconception of the process of expertise generation in political parties. Therefore, we refrain from formulating hypotheses 'blindly' or investing in a medium-N or large-N study.

Quality of information is what we care about most at the moment, and qualitative methods are more suitable for that purpose. As long as the explorative nature of our research is not jeopardized, we do not reject quantitative methods whenever there is room for comparison with other studies (in particular, we intend to examine the profiles of individual actors/experts using the criteria developed by existing quantitative studies of policy analytical capacity, especially demographic and job experience, education and training, and day-to-day duties). However, given the limited amount of data gathered thus far, a quantitative analysis would be meaningless at the moment.

Our study relies on three main data sources. First, we examine documents of a procedural nature (statutes, organizational codes, election codes, minutes from sessions of party bodies, convention reports and protocols, etc.) or substantive nature (committee reports, programmes, studies, policy papers, etc.) These, combined with observation, help us construct the picture of formal mechanisms of expertise generation and grasp the general characteristics of that process. Second, we undertake a qualitative sociological study by means of semi-structured interviews with experts. The interviews are complemented by a questionnaire survey inspired by existing studies of policy analytical capacity.<sup>8</sup> From this data we construct the picture of informal mechanisms of expertise generation and grasp any specific characteristics of the process of expertise generation in the different policy areas. Finally, we perform both participant and non-participant observation (of sessions of party bodies and specifically conventions, and of meetings of bodies that serve to generate expertise such as expert committees or analytical units), recording a set of field notes.

### 17.3.2 *Research Design*

The present study was designed as a case study, deemed as the most appropriate design for theory building. The process of generating specific expertise in a specific political party comprised the unit of analysis or case.

Our sampling effort was driven by the following theoretical considerations. We generally assumed that expertise generation depends on institutional setting, i.e. the different parties' organizational arrangements and normative/cognitive frames (see section on basic perspective, 17.2.1). In order to examine the broadest possible variety of cases, we

sought to select parties with different organizational profiles,<sup>9</sup> organizational goals,<sup>10</sup> positions in the party system<sup>11</sup> and programmatic profiles.<sup>12</sup> The resulting sample included the Czech Social Democratic Party (*Česká strana sociálnědemokratická—ČSSD*), the Civic Democratic Party (*Občanská demokratická strana—ODS*) and the Green Party (*Strana zelených—SZ*).<sup>13</sup>

The selection of policy areas follows the selection of parties. Choosing a single policy area for all three parties would increase the risk of generalizing a specific aspect of expertise generation in that area, while the potential of the variability of factors applied to party selection would remain unexplored. At the same time, each policy area should be replicated to avoid random findings. Therefore, at least two policy areas have to be examined for each party, and each policy area has to be examined for at least two parties. Thus, for three parties, one must select at least three issues under the given policy areas. Our choice is as follows: the issue of pension reform under pension policy, the issue of higher education reform under education policy, and the issue of e-government under public service policy.<sup>14</sup>

### 17.3.3 *Theoretical Population*

By theoretical population we understand a set of actors from whose accounts of the phenomenon in question, among other things, we are going to infer our findings. These include, for instance, the respondents we interviewed, but also the different people communicating through the texts or debates within the party bodies we examine. The theoretical population refers to a set of actors to whom our generalizations apply. Conceptually, this is an easy thing to do: our theoretical population consists of experts and, inspired by Colebatch, we distinguish between four types of experts (functional experts, process experts, policy analysts and specialized politicians). Yet in practice, an effort to operationalize those types, especially for the purposes of sociological research, faces a number of issues.

First we want to reiterate that, as opposed to public administration surveys, our study is unable to define its theoretical population by reference to formal organization affiliation. We treat a party/organization as an open system with permeable boundaries and varying membership. All party members are not experts, and all expertise is not generated

by members; indeed, no institutionalized, formal affiliation is necessary (such as a formal contract or a salary). As a typical example, an expert who sits on a party's committee is not a member of the party, does not get paid, and is motivated by promoting ideas and making a difference in policy decisions.

Another issue occurs in trying to identify the places within the party where one might find such an expert, based on his/her theoretical job description. A functional expert can be found in an expert committee, but he/she may have other simultaneous roles as expert (e.g., process expert or policy analyst) or as the party's 'face' (e.g., head of local chapter). A process expert can be found, above all, in the party apparatus (as head or secretary of an expert committee, but they can also be a current or past officeholder, or someone who is consulted in the course of negotiations and implementation of the party's policy priorities in government practice). A policy analyst will probably work in an analytical body of the party apparatus, or possibly in an expert committee or as advisor to the party's officeholders. In addition to policy analysis, he/she may engage in public opinion research, analysis of organizational solutions, legal analysis, or other types of studies. A specialized politician will be found primarily in a public office (as minister, floor leader, chairman of a parliamentary committee, or 'politically appointed' deputy minister) or in party leadership (shadow minister, expert spokesman). The latter are typically referred to by the parties themselves as experts. Experts or analysts help connect the 'faces' of the party and tell a coherent 'story' of a given policy area in practical terms vis-à-vis the membership, whereas specialized politicians do so symbolically vis-à-vis the membership and both practically and symbolically vis-à-vis the public. It follows that the same person may simultaneously have several types of expertise, and it is difficult or impossible to identify a fixed hierarchy of roles or to discern which role a given interview passage refers to.

For these reasons, our operationalization for the purposes of sociological research is based on a combination of three criteria, which will be assessed partially arbitrarily but at are least consistent with our organizational perspective: (1) formal organizational affiliation,<sup>15</sup> (2) informal organizational affiliation,<sup>16</sup> and (3) self-identification.<sup>17</sup> Our theoretical population is comprised of those individuals who meet one of the first two criteria.

## 17.4 RESULTS

The following section is not a comprehensive summary of our empirical results. It is merely a selection of the most important information which is of relevance to existing studies of policy analytical capacity undertaken in public administration and NGOs.

### *17.4.1 General Results*

The study has demonstrated the capacity of Czech political parties to generate expertise. Such capacity varies both between parties, between policy areas within a party, and within a party depending on time. The expertise generated serves a number of purposes that can be divided into two categories: for the needs of the party in public office (a mostly reactive, considerably less active approach, mostly motivated from within the party in public office; and in rhythm with the workings of the given public office), and for the needs of the party as an actor in the party system (both an active and reactive approach, including the formulation of election programmes and less often press releases, argument portfolios, etc.) The relative importance of these two categories varies with the party's organizational goals (vote/office/policy/democracy) and position in the party system (opposition/government, with/without parliamentary representation). At the same time, the study confirms the assumption that expertise generation and the infrastructure for that purpose are utilized not only by the party as an organization and collective actor but also by individual actors as a means and an arena of intra-party struggle.

### *17.4.2 Macro-level Results*

Formally institutionalized links between organizations are rare. Some parties have established long-term links to quasi-independent, affiliated organizations, yet expertise generation is not the primary purpose of those organizations and they do not systematically engage it. This is especially true for the case of the ODS for instance (for instance the think tank CEVRO linked to this party), but also for the ČSSD (but partly on the basis of more classical mass party organizations, such as trade unions).

The parties have relatively frequent links to government bodies (depending of course on the electoral results bringing them to power),

but the links are formally institutionalized only in some parties and only during some time periods; more typically these relationships operate on an informal and individual basis, namely between parties and the public offices held by them. In some cases (for instance, the right-wing party TOP 09), they can also use the services of parliamentary institutions (*Parlamentní institut*) to fulfil major gaps in their expertise capacities.

Links to other organizations (interest groups, academia, etc.) are much rarer, mostly informal, and based on the activities of individuals, rather than the organization, even in the case of long-term relationships. Because the networks are more personal than institutional, they can change quite quickly regardless of systemic factors. The only formally institutionalized international inter-organizational links exist with sister parties in one's party family, i.e. the Euro party or EP group; the links are never or very rarely used to generate expertise, and certainly not in a systematic way.

### 17.4.3 *Meso-level Results*

Expertise is mainly, but not exclusively, generated by formal mechanisms established for that purpose (for instance, in the infrastructure of expert committees and sections). Practically all the parties have developed similar formal structures, even if they go by different names. All these expert committees are open to members and to the sympathizers or individuals somehow linked to the party (open in the sense that practically everyone can join). In most cases the formal groups are led by people from the highest party structure, who play the role of official party spokesman on the topic or policy (this means that these people are frequently members of the party's 'shadow cabinet'). The domination of the party in central office or party in public office is obvious.

In this regard the situation of the ODS is very interesting. After the electoral defeat of this long-dominant party in the 2013 elections, it changed its expert commissions system (which was at the time comparable with the system used by other Czech parties) to a much more individualized (personalized) model, where an official spokesman, who has the right to form their own staff, is supported by selected individuals. This radical change seems to confirm Janda's and Harmel's theoretical proposal, but it is nevertheless too recent to be analysed in-depth and might change in the future.

Expertise is also generated or its generation is influenced by formal mechanisms established for producing expertise other than policy-related expertise. Then there are informal mechanisms based on personal links to decision-makers or simply on physical proximity to decision points (primarily in Prague). Moreover, the given formal infrastructure generates only a part of the expertise, often merely processing and legitimizing expertise that originates outside the party. Its relative importance varies with the position of the party: the importance of infrastructure should not be mistaken for the importance of individual actors; for example, a formal party infrastructure may experience a relative decline of importance in government parties only to be replaced by expertise produced by the very same people in public office. This is due in part to the fact that Czech Republic did not have a public servant law before 2015, as well as to the fact that there is significant movement from the party to the administration and back.<sup>18</sup>

However, the key factor in the generation of expertise is the amount of resources allocated to expertise generation by party organizations. While hundreds of people are involved in the work of expert committees (not a negligible figure given the total size of membership), the overwhelming majority are volunteers working on several types of jobs simultaneously, and they are not paid for their participation. Only a small part are paid staff who are primarily or exclusively responsible for expertise generation. The party supports its expert teams only materially (for instance, giving them the possibility to use meeting rooms, electronic devices and systems and so on). Incentives for experts could include the possibility to be nominated in some functions (thanks to the linkage with the party) or eventually to be better known from the public as good experts.

#### 17.4.4 *Micro-level Results*

Given the amount of data gathered, it would be meaningless to quantify most variables that characterize individual actors. Two findings are worth mentioning. First, both party members and non-members are involved in expertise generation. In some cases there are efforts to try and attract independent experts in order to delegitimize the other parties (arguing that their experts are politicized and act in favour of the party's interests). For the three parties we focused on, the situation depended on the party membership; the smallest party, the SZ, lacks the personnel capacity of the

two biggest parties (ČSSD and ODS), but there is in fact a general tendency for all the parties to try to attract well-known people from outside.

Second, only a very small minority of individuals are motivated by immediate material utility in terms of wages or other material incentives. Generally, individuals' participation in expertise generation is based on their willingness to do something for the party in a field where they are competent.

Participation means that they are connected and able to communicate within a network of party experts, that they should participate in some meetings (depending on the capacities of the leader of the group to organize such activities, which are more or less supported in a material way by the head of the party). Volunteers do not receive any wages or direct material support, but they can in some cases influence the decision-making process and eventually acquire a better position within the party structure—for instance, gaining influence through the informal mechanisms as mentioned above, or being nominated for an administrative function. This is an option only if the party is in the government, especially in the case of the ČSSD and previously in the case of the ODS.

## 17.5 CONCLUSION

With this research we have opened the topic of expertise generation in political parties. The topic is naturally not specific to the Czech Republic, and the evidence from our research only illustrates a more general structural change that has been taking place in Europe's liberal democratic systems. After briefly outlining that change (a growing tension between representation/participation and government effectiveness due to the nature of liberal democracies; the simultaneous trends of increasing use of expertise in politics and delegitimizing parties with respect to participation and representation of interests; and an increasing emphasis on outcomes and capacity for effective policymaking), we formulated the following general question: What is the capacity of political parties to fulfil the policymaking role that has been ascribed to them by the liberal democratic system and that has been steadily growing in importance? More specifically, we posed three basic research questions: Where is expertise generated in political parties, by whom, and how is it generated?

There are no theories of policy-related expertise generation in political parties, and few specific accounts of that process. Therefore, our



investigation is necessarily explorative in nature, relies on a bottom-up logic, and should result in a theory that explains the phenomenon. However, it is embedded theoretically at two levels. At the level of basic perspective we rely on institutionalism, on the notion of the political party as a collective actor or arena, and on the notion of the political party as an organization. At the level of concepts and categories, we rely on four compatible theoretical approaches. Two of them relate to political parties (Katz and Mair's cartel party theory, and Janda and Harmel's integrated theory of party goals and party change); and two relate to public policy (Colebatch's notion of policy work and policy workers, and Howlett's concept of policy analytical capacity). The first two theories provide us with the basic idea of party organizations and the principles that govern their workings. The other two provide us with complementary information about the definition of experts, different expert profiles, and criteria for classifying the parties' formal expert infrastructures.

Our research indicates that in fact the policy analytical capacities of the studied Czech political parties are weak. However, political parties remain at the heart of the public policymaking process, and their weak policy analytical capacities by no means handicap the parties in generating sufficient expertise for their needs. It is obvious that each party addresses this issue according to their capabilities (in the broad sense—not just financial and practical, but also personal or organizational).

One possible explanation for our finding is that the parties' dominant goals (particularly in the case of the vote and the office seeking parties, according to Harmel and Janda's classification) are focused on tasks other than the creation of public policies. Because cartel parties (Katz and Mair 1995) operate primarily with public financing, they are forced to seek the best election result (thus fulfilling their office-seeking goal). In this respect, the SZ is somewhat exceptional. Another possible explanation is that political parties have a different kind of capacity than do public administration or non-profit organizations; they do not focus on generating analytical data for decision making, but play other roles in the process of public policymaking.

All in all, Czech parties appear to have developed consistent, formal structures for incorporating expertise, but the game is de facto dominated by informal structures and personal networks that give power to the head of the party to control expertise.

## NOTES

1. Initial signs of the trend appeared before WWII when governments were for the first time formed by socialists, as representatives of interests that had been politically excluded until then.
2. We focus here on cognitive capacities or conditions, and leave aside normative conditions (even if the normative conditions are also subject to change, there is currently a widespread belief that the voice of citizens, which translates into electoral support for political parties).
3. Not only through elements of the party's expert infrastructure, such as expert committees, but also through its apparatus, political bodies and associated external organizations.
4. Such normative and cognitive frames determine whether or not a stimulus becomes a problem to solve, the purpose of solutions proposed, and finally the ways expertise is generated. Such frames also comprise ideas about the organization's role in the environment, here the party's position in the party system (government/opposition, with/without parliamentary representation, predominant/pivotal, etc.).
5. In the sense of James March's foreword to the second edition of *Organisations* (March 1993). Actors are rational in terms of weighing the consequences of different choices on furthering their interests, calculating, and acting on that basis. However, in this 'analysis-based action' or 'logic of consequences', their calculation is subject to multiple bounds, including time, cognitive abilities, ambiguous interests, unclear hierarchy of goals, and lack of relevant information.
6. In Scott's (2003) classification.
7. By power resources, we refer to capacities in terms of expertise, money, information flow, formal rules, human resources at all organizational levels, relations with the environment or pathways from outside to within the organization and vice versa.
8. Existing studies cannot be easily replicated because they differ in terms of cultural background (cf. Howlett for Canada and Veselý for the Czech Republic) and type of organizations (cf. Howlett for government and Evans and Wellstead for NGOs). Nevertheless, the subject matter is so closely related that a basic comparison is warranted.
9. We loosely adhere to the organizational dimension of party typologies of Katz and Mair's (1995) and Krouwel's (2006, 2012), especially (a) size and relevance of membership (b) degree of organizational cohesion a centralization (c) professionalization of organization; operationalized using the criteria of (1) total number of members and number of members in proportion to the total electorate (2) proportion of party's income from members on total income of party (3) inclusiveness of candidacy,

inclusiveness of electorate and centralization of candidate selection using criteria of Hazan and Rahat's (2010) (4) range of party's chairman control over the party apparatus (5) total number of professional staff and number of these employees in proportion to the size of party's membership.

10. According to Harmel and Janda's (1994) classification; operationalized following Wolinetz (2002, pp. 153–156).
11. Operationalized using two criteria: (1) in government/opposition at the national level and (2) with/without representation in the country's main legislative body.
12. According to party family affiliation (see Mair and Mudde 1998); operationalized based on membership in European Parliament fractions or Europarties.
13. Our classification is as follows: ČSSD: medium/strong organization; office/vote seeking; in government, with parliamentary representation; left wing, socialists and social democrats. ODS: medium/strong organization; office/vote seeking; in opposition, with parliamentary representation; right wing, liberals and conservatives. SZ: weak organization; policy/democracy seeking; in opposition, without parliamentary representation; greens. Another reason for this sampling choice is that all three parties have existed in the Czech party system for a long time and have been in government before (ČSSD from 1998–2006 and 2013–present, ODS from 1992–1998 and 2006–2013, and SZ from 2006–2010).
14. The research design is thus that of a case study,  $N = 6$ . (1) Pension reform—ČSSD, (2) pension reform—SZ, (3) higher education reform—ČSSD, (4) higher education reform—ODS, (5) e-government—ODS, (6) e-government—SZ.
15. Assessed by formal job position, e.g., as regular member of an expert committee, as head or secretary of an expert committee, as shadow minister, as expert spokesman.
16. As identified by another actor holding a formal position; a member of the apparatus who administers the party's expert infrastructure; or the head of the expert committee.
17. Self-identification was determined by declaring a given role in the questionnaire. The third criterion serves to triangulate the results with questionnaire data.
18. The party experts (even non-members of the party) nominated in the administration frequently stay out of the party system after their period of public service engagement. This is especially true in the case of an electoral collapse of the party, which contributes to a sort of expert volatility.

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# The Dynamic Nature of Policy Capacity: Internet Policy in Italy, Belarus and Russia

*Nina Belyaeva*

## 18.1 INTRODUCTION

This chapter considers policy capacity as a dynamic characteristic of the policy actor, one which can be attributed to different social organizations, both state and non-state actors, that are involved in certain policy process or affected by policy outcomes. It is important to keep in mind that the policy capacity of an actor is created, sustained and developed in a lively public sphere, among a multiplicity of business and non-profit citizen organizations. All of them have their own social goals and often their own specific policy agendas; many of them want to influence state policies. Intense communication and interaction of those organizations with each other and with the broader public creates a unique public sphere, bound together by common issues of concern, such as access to information, freedom of expression or internet regulation, defined by the state. At the same time, the concerned publics may strongly disagree with those regulations and turn to collective action.

Various scholars have made contributions to understanding ‘the public’ as a social actor, including Amitai Etzioni (1991), Habermas (2006), John Dewey (1927), James Grunig (1983) and Gabriel Vasquez (1993). Of particular importance is Michael Warner’s *Publics and Counterpublics* (2002), which is directly applicable to our goal of defining policy capacity, because one of the key capacities of a policy actor is to create and

sustain “its own loyal public” that shares policy goals and implements them. Counter-publics, with opposite interests, need to be considered, studied and, hopefully, involved in dialogue to find a compromise. British scholar Nick Mahony has more recently defined publics as a “pre-existing collectivity, that can be identified, addressed and moved to action” (2013, p. 932).

Different authors focus attention on varying aspects of the multidimensional phenomena of policy capacity, on issues including ‘intelligent choices’ (Painter and Pierre 2005); skills and competencies (Gleeson et al. 2009; Wu et al. 2010); or on strategic visions (Fukuyama 2013). Wu et al.’s (2015, p. 3) ‘operational’ definition defines it as a “set of skills and resources—or competencies and capabilities—necessary to perform policy functions”.

Sharing the view that policy capacity is better defined through skills, competencies and resources, we add several functional characteristics to the definition. We define policy capacity as a combination of governing capabilities, addressing a specific regulatory goal within a policy environment, which includes factors of prior existing regulatory regimes, actor plurality within this system; and qualities of targeted publics and counter-publics. In a pluralistic multi-actor society, policy capacity will inevitably be contested by some publics, who have a different scale of support for those policies. One of the most important capabilities of any policy actor is the analytical ability to distinguish all important actors in each policy field and recognize their interests, in order to deal with them while searching for solutions to policy problems.

Another contribution that we suggest to deepen understanding of policy capacity is to recognize a division between the ‘hard’ and ‘soft’ capabilities that governments use to address policy goals. These capabilities may change with the transformation of the political and regulatory regime or through the different stages of the policy cycle. We illustrate the division between these capabilities through three country cases and conclude with an analysis of how the balance between state and society capabilities influences policy outcomes.

The distinction between ‘hard’ and ‘soft’ capabilities may be analogous to that between ‘general’ and ‘specific’ capabilities. Policy capacity regarding a certain policy task depends on and consists of ‘specific’ capabilities that must be possessed both by individuals (Colebatch 2006) and by institutional actors and their managers (Howlett and Walker 2012) who should be able to address the policy issue and get it resolved.



This distinction between ‘hard’ and ‘soft’ capabilities is important for another reason: ‘hard’ capabilities are the prerogative of the states, as they are supported by state coercive power and can be exercised by state structures, who impose them on other social actors and individuals; ‘soft’ capabilities, like ‘communication’, ‘argumentation’, and ‘negotiation’, require the ‘other party’ to be involved in the process. In this case, the success of policy implementation will depend not just on the strength of coercive mechanisms, but on an ability to understand the complexity of the regulatory system and recognize other important actors and their qualities, including skills of engaging in dialogue with other policy actors, target publics and a wider range of stakeholders.

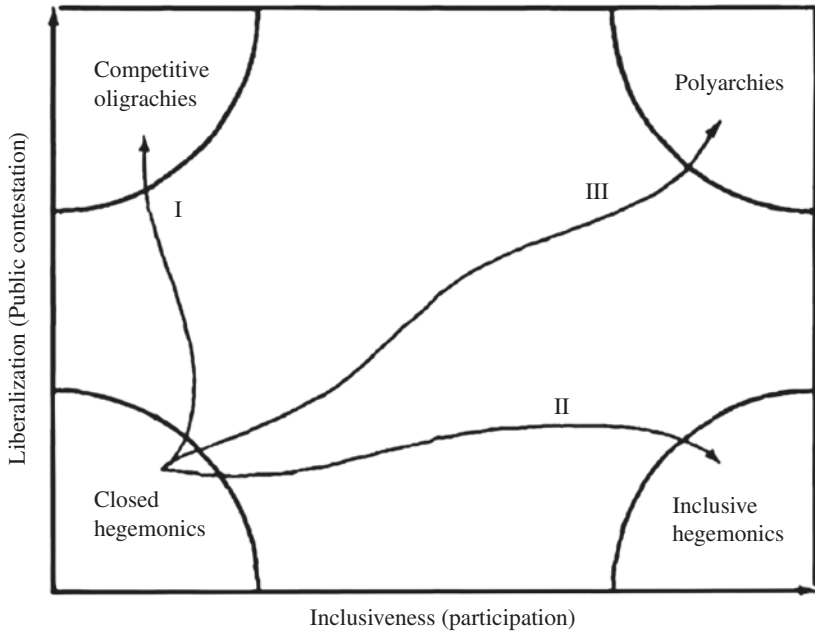
In this chapter, we examine internet regulation policy in three very different countries—Russia, Belarus and Italy—to explore the effectiveness of the states’ ‘hard’ and ‘soft’ capabilities towards media and internet regulation and how the balance of state and society capabilities is affecting policy outcomes.

## 18.2 DYNAMIC OF POLITICAL REGIMES AS A KEY FACTOR OF SYSTEMIC POLICY CAPABILITIES

Our chapter focuses on the systemic level of analysis, as introduced in Chap. 1 in this volume. We agree with Woo, Ramesh and Howlett that the systemic level establishes a “crucial foundation upon which other forms and aspects of policy capacity may be built” (Woo et al. 2015, p. 273).

To illustrate the dynamic characteristics of systemic policy capabilities, we use Robert Dahl’s scheme of political regime transformation. In his classic work, *Polyarchy: Participation and Opposition* (1971), Dahl argues that the terms ‘democracy’ and ‘authoritarianism’ are archaic and insufficient for understanding modern societies. He suggests a new one: polyarchy. Dahl defines institutional guarantees which a government should meet to be the ideal polyarchal state.

This is illustrated in Fig. 18.1, where the Y (vertical axis) represents public contestation (liberalization) and the X (horizontal axis) represents the level of citizen participation in a political life—in other words, the openness of the system. Dahl argues that democratization is “made up of at least two dimensions: public contestation and the right to participate” (1971, p. 5). This space allows Dahl to speak about four types of political regimes and changes in regimes.



**Fig. 18.1** Liberalization, inclusiveness and democratization (Dahl 1971, p. 7)

Dahl's approach allows us to examine the balance between state regulatory capacity and public response (participation) as dynamic characteristic that depends on both skills and resources of a given state and its public, which is the main subject of our research. Three trajectories of political regime transformation suggested by Dahl (1971) can be illustrated by the three countries chosen for analysis here: Italy, Belarus and Russia.

A common starting point of political regime transformation of those countries is the 1940s, when all three countries could legitimately be considered as 'closed hegemonies', with a fascist regime in Italy and Soviet regimes in Russia and Belarus. In the next several decades the trajectories moved in three different directions: Italy developed to a full polyarchy, Russia began to move towards competitive oligarchy, and Belarus moved towards 'inclusive hegemony'. After several decades of democratic

**Table 18.1** The economist “Index of democracy”: Country ranking<sup>a</sup>

|         | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------|------|------|------|------|------|------|
| Italy   | 29   | 31   | 32   | 31   | 29   | 21   |
| Russia  | 107  | 117  | 122  | 125  | 132  | 132  |
| Belarus | 130  | 139  | 141  | 142  | 125  | 127  |

1—Most democratic, 167—Most authoritarian

<sup>a</sup>Table created by author using information provided by Economist Intelligence Unit: [http://www.eiu.com/public/topical\\_report.aspx?campaignid=DemocracyIndex2015](http://www.eiu.com/public/topical_report.aspx?campaignid=DemocracyIndex2015)

development following the collapse of the USSR, both Russia and Belarus changed their trajectories and are currently moving back towards the starting point of ‘closed hegemony’.

Though this reverse movement did not bring post-Soviet countries back to the level of closed hegemony of party ideological control, international monitoring organizations that assess democracy and political regimes, such as Freedom House and the Economist Intelligence Unit, present different trajectories of the three countries (See Table 18.1). Both monitoring organizations report a high, stable democracy for Italy in recent years. The score for Belarus is stable but very low, while the Russian Federation, which a decade ago was scored as “partly free”, has steadily declined since 2010.

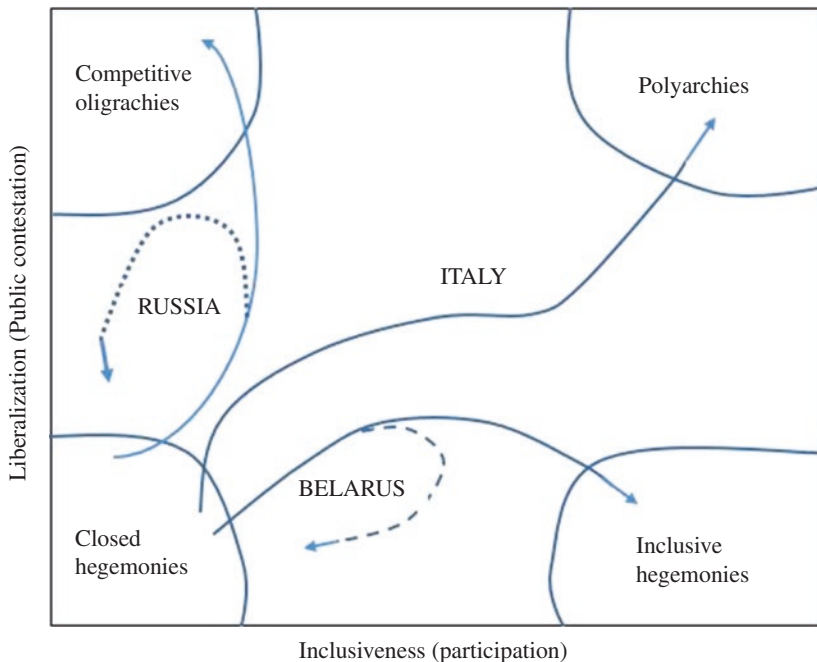
While theorizing on factors of democratic development, Dahl specified several fundamental opportunities that states must guarantee to citizens, including freedom of expression and access to alternative sources of information through its regulatory regimes (see Dahl 1971, pp. 2–3).

Therefore, political regimes make strong implications on their regulatory regimes, particularly in the sphere of regulating civil liberties, such as freedom of information and freedom of speech, including both traditional and social media.

Political regimes are dynamic: they evolve in certain directions, and the state’s capacity to handle regulation of freedoms and liberties also changes, providing different levels of recognition of opposition and different levels of public participation. In developed democracies or pol-yarchies, the state has less reason to silence dissenting voices or limit information flow, and regulatory goals are in tune with societal needs. In authoritarian states, in contrast, the interests of the state and its citizens differ and are often opposite.

Using Robert Dahl's initial figure, we can visualize different trends of the political regime transformation in the three chosen countries (Fig. 18.2).

To illustrate the different models of assessing government capacity to regulate internet activities within state borders, we analyze the three cases along three dimensions. The first is the characteristics of the regulatory regime of a given country, including the general features of the political regime and its dynamics. This dimension allows us to assess regulatory goals concerning internet regulation and control, as presented in major regulations and governing acts and state bodies of regulation and control. The second dimension is the 'hard' and 'soft' capabilities of the government and its bodies. Here, 'hard' means unilateral, restrictive action of the government and 'soft' refers to measures that require dialogue with targeted publics and interactions with various non-state



**Fig. 18.2** Trajectories of political regime transformation in Italy, Belarus and Russia (1940–2015)

actors. The third and final dimension is the role of non-state actors in the sphere of Internet activities and ICT organizations, including Internet Service Providers (ISPs), IT companies and their associations, as well as social media organizations, bloggers and other internet users..

## 18.3 ITALY

### 18.3.1 *Internet Regulatory Regime*

Italy is a multiparty democracy, with regular popular elections and a long tradition of political participation. The Italian Constitution, adopted in 1948, was written to preclude the possibility to return to a one-party dictatorship and powers are spread between branches of government.

As a member of the EU and a signatory to most of its Conventions protecting fundamental rights, Italy promotes freedom of speech, including print media and online social media and blogging, which is very popular both among political figures and citizens.

Freedom House scores Italy quite high with regards to Internet regulation and practices (see Table 18.2).

Though some problems are identified in violations of user rights (where Italy scores 12 out of 40), limits on content are minor (6 out of 30) and obstacles to internet access are marginal (4 out of 25). The general rating of internet regulatory regime and practices is recognized as “Free”.

Compared to many European countries, however, Italy lags in Internet penetration (at 62%), and the Italian government has been reported to be “slow to address many on-line privacy issues and freedom-of-information concerns”.<sup>1</sup>

As for the regulatory bodies responsible for the internet, the main regulatory organ is the independent Authority for Communications (AGCOM). AGCOM is accountable to the Parliament, and its prime responsibilities include providing access to networks, protecting intellectual property rights, regulating advertisements and overseeing public broadcasting. The president of AGCOM is appointed by the majority party of the Parliament, which ensures its independence from the executive branch.

Another regulatory body in communication is the Italian Data Protection Authority (DPA), whose task is to supervise compliance with data protection laws by both government and nongovernmental organizations. DPA has an important regulatory function of “banning or

**Table 18.2** “Freedom on the net” ranking,<sup>a</sup> 2015. Italy<sup>b</sup>

|                                  | 2014 | 2015 |
|----------------------------------|------|------|
| Internet freedom status          | Free | Free |
| Obstacles to access (0–25)       | 4    | 4    |
| Limits on content (0–30)         | 6    | 6    |
| Violations of user rights (0–40) | 12   | 13   |
| TOTAL* (0–100)                   | 22   | 23   |

\*0—Most free, 100—Least free

<sup>a</sup>About the methodology of “Freedom on the Net” rating see more at <https://freedomhouse.org/report/freedom-net/freedom-net-2015>

<sup>b</sup>[https://freedomhouse.org/sites/default/files/resources/FOTN%202015\\_Italy.pdf](https://freedomhouse.org/sites/default/files/resources/FOTN%202015_Italy.pdf)

blocking processing operations that are liable to cause serious harm to individuals”.<sup>2</sup>

The regulatory goals are mostly aimed at providing secure information and protecting privacy and copyright regulations. Following many EU countries, Italian legislators regularly focus on combating child pornography websites and those sites providing unauthorized gambling. Thus, in 2006, Italy enacted a law that requires Internet Service Providers to block the websites of gambling operators that are not licensed nationally. Providers that continue to allow users to place bets with banned websites after receiving a list of such sites from the Autonomous Administration of State Monopolies (a part of the Ministry of Economy and Finances) can be punished with a substantial fine (from 30,000 to 180,000 Euros per violation).<sup>3</sup> In addition, in January 2007, a law was passed that obliges Internet Service Providers to block websites that display child pornography within 6 h of receiving a notice from the Ministry of Communications.<sup>4</sup>

Yet another regulatory institution—the National Security Committee, established in 2002—is responsible for all security issues connected to the Internet. For our goal of analyzing state-society relations in creating stronger governing capacity, it is important to mention the membership composition of this committee. Though it was initiated by the government, it includes not only state representatives and civil servants, including the military and the bureaucracy, but also members of academia and lawyer’s associations. The committee’s work includes public hearings, but it has still been criticized for not directly involving representatives of civil rights organizations in its discussions and public hearings.<sup>5</sup>

### 18.3.2 *Hard Regulatory Capabilities*

Italian legislation imposes some restrictions on the internet, particularly on issues related to national security, which can be considered as use of “hard capabilities” by the government. But each of those restrictive measures are discussed, criticized and often amended to consider public concerns. For example, an anti-terrorism law that was adopted in April 2015 criminalized any form of online terrorist recruitment, as well as its endorsement or incitement. The draft law included a provision to authorize the police to remotely access targeted computers. After public criticism, this provision was removed from the law.<sup>6</sup>

Another example is a controversial resolution by the Italian Communications Regulatory Authority (AGCOM), adopted in December 2013, that gave AGCOM the power to remove certain content from websites upon review of AGCOM’s internal panel, but without prior judicial approval<sup>7</sup> if a copyright violation was detected.<sup>8</sup> The most controversial aspect of the resolution was that content removal could happen on the basis of administrative order and that ISPs can inhibit access to specific websites, even those which simply contain links through which it is possible to download copyright-protected content. In this case, both consumer associations and ISPs, after their initial criticism over AGCOM was not effective, came together to appeal against the resolution in Administrative Court in Rome. The court ruled that opposition to the resolution was justified and asked AGCOM for a ‘moratorium’ of its implementation, allowing deeper examination.<sup>9</sup>

Those examples show that society is not excluded from the process of Internet regulation, although there are not many reasons for society to protest regulations, because most ‘freedom investigators’, like Freedom House, state in their reports that “Italy does not block or filter content of political, social or religious nature”<sup>10</sup> and the Italian government “does not impose restrictions on ICT connectivity”.<sup>11</sup> Italy’s policies allow for very active use of social networks, especially Facebook and Twitter, which have been popular tools of organizing mass social events and political protests. Nevertheless, even facing direct political opposition, the Italian government did not change its policies towards Internet regulation. The most illustrative example of Internet usage for political purposes is the electoral success of the Five Star Movement. This movement began as a team of devoted followers of former comedian Beppe Grillo, who had severely criticized the political regime, mobilized

millions through social networks into a strong online community. The group came offline and developed into a formal political party that won 25% of Parliamentary seats in the 2013 elections.

### *18.3.3 Soft Regulatory Capabilities: Forms of Dialogue Between Authorities and Internet Community*

Seeking to keep dialogue with society for creating a safe internet environment, the Italian government is launching many initiatives in the field of internet governance, coordinating activities of many stakeholders to provide an effective legal framework. In particular, “the *Ministero delle Comunicazioni* and the *Ministero per l’Innovazione e la tecnologia* have undersigned a code of conduct to be applied as a mean of protection for minors. The content of the code, entitled “*Internet @ minori*”, has been drafted not only by the government offices but also by many consumer’s associations and professional representatives”.<sup>12</sup>

Italy is the first European country to adopt an internet “Bill of Rights”, drafted by inter-parliamentary committee, appointed in 2014. Its work resulted in the non-binding “Declaration of Internet Rights” that contains general principles of internet governance. Though the principles are quite generic—for example, defending the right to Internet access, data protection, net neutrality, anonymity and the right to be forgotten<sup>13</sup>—the document shows vision, illustrates the hopes and aspirations of an active internet community, and contributes to a general ‘favorable regulatory climate’ in the field of internet activity.

### *18.3.4 Public Response to State Internet Policies*

As we see from the examples above, there is no systemic contradiction between the government and non-governmental entities when it comes to regulatory governance of internet activities. Still, it is important to name several influential non-state actors, mostly Internet Service Providers. Telecom Italia is the biggest one (with almost 80% of the market), followed by Swiss-owned Fast web (with around 15% of the market) Tiscali<sup>14</sup> and Wind.<sup>15</sup>

Those and other internet organizations are also participating in generating more “soft” regulatory capabilities through self-regulation. For example, “in 1997 the Italian Association of Internet Service Providers (AIIP) with the support of other Italian organizations drafted a document aimed at creating a Code of Conduct for Internet Service



Providers. In May 1997, a final text draft of the Code was submitted to a forum for discussion at the Italian Ministry of Communications, composed by representatives of the Ministry, Telecom operators and consumer's associations. After several months of public debates, the text of the Code was approved and adopted as the official Italian Internet Service Providers Self-Regulation Conduct".<sup>16</sup> In 2008 the Berlusconi IV Cabinet announced the intention to adopt the bill and «DDL intercettazioni» («Wiretapping Bill»),<sup>17</sup> which dealt with the media and Internet resources. This bill required all media, including websites, to respond to complaints within 48 h. No judicial procedures were imposed.

To protest against this draft bill, Italian journalists went on strike on July 9, 2010.<sup>18</sup> They were joined by the Italian version of Wikipedia (October 4, 2011), which had closed all its pages,<sup>19</sup> and redirected all user requests to a statement opposing the proposed legislation. The statement was made available in all major European languages, which allowed leading international media to support the protests. The results of the protests were almost immediate—in 2 days the draft bill was amended, withdrawing its most controversial paragraph. Despite its approval in the senate, the bill was never approved by the Chamber of Deputies during the XVI Legislature and was not repeated in the next parliamentary term.<sup>20</sup>

### *18.3.5 Balance of State Actions and Public Response*

Summing up the case of Italy in terms of state capacity of internet regulation, there are very few 'hard' capabilities used for this goal: there are no restrictions on connectivity and no blocking on political content, and no online activists have been detained, prosecuted or sanctioned by law enforcement agencies.

The regulatory mechanisms are diverse and open to broad public and non-state actors for discussion and contestation. The disputes are also resolved by 'soft' regulatory tools like consultations, joint committees, and public debates that allow different interested publics to respond to regulatory bodies with alternatives, and, finally, by appealing to the judicial system, all of which provide adequate protection. This allows us to consider the balance of state and society capabilities in the field of internet regulation to be equally strong and characterize the regulatory regime as dominated by soft capabilities, because all they are based on mutual recognition and constructive dialogue.

## 18.4 BELARUS

### 18.4.1 *Internet Regulatory Regime*

The Belarussian political system is one of the most closed in the post-Soviet world outside of the Middle Asia region. Political, citizen and even cultural associations are being marginalized both by media propaganda and judicial methods. Since 1994, the president of the republic is Alexander Lukashenko. Under the constitution, the president is elected openly and publicly, but a 2004 referendum abolished any limits for presidential terms, so President Lukashenko's rule can, formally, continue indefinitely. This non-changeable centralized power explains other characteristics of the political regime: no free elections, no division of powers, no rule of law and constant harassment of the opposition and every independent social activity, which entails very strict control on information flows, both on traditional media and on the internet. Heavy regulation and control of the internet has become critically important because Belarussian society continues to experience very rapid growth in internet use, reaching 59% of population in 2014.<sup>21</sup>

In Freedom House's 2013 Freedom of the Press rating, Belarus ranked 193 out of 197 in terms of press freedom.<sup>22</sup> In the same year, Reporters without Borders ranked the state 157 out of 179 in the Press Freedom Index.<sup>23</sup> Those facts provide the general picture of a regulatory regime that has been exclusively restrictive, as shown in Table 18.3.

As compared with Belarus's Freedom of the Press ranking, the country's situation with internet freedom is relatively better. At the same time, we clearly see the negative dynamics: the situation is worsening both in terms of limits on content and violation of user rights.

It is difficult to define Belarus's regulatory goals, because repressive regimes do not feel obliged to clearly explain the goals regarding new regulations, but at times, especially when restrictions are severe, authorities try to provide some explanation for restrictive actions. Thus, before launching amendments to the Media Law in December 2014, authorities legitimized those restrictions by the need for "national security" and "protection of national cyberspace". In June 2014, President Lukashenko called for learning from the Chinese experience of Internet regulation, which he claimed managed to "create an effective system of protection of national cyberspace", because "the world had already entered into an era of undeclared cyber wars".<sup>24</sup> This statement shows

**Table 18.3** “Freedom on the net” ranking, 2015. Belarus<sup>a</sup>

|                                  | 2014     | 2015     |
|----------------------------------|----------|----------|
| Internet freedom status          | Not free | Not free |
| Obstacles to access (0–25)       | 15       | 15       |
| Limits on content (0–30)         | 20       | 21       |
| Violations of user rights (0–40) | 27       | 28       |
| TOTAL* (0–100)                   | 62       | 64       |

\*0—Most free, 100—Least free

<sup>a</sup>[https://freedomhouse.org/sites/default/files/resources/FOTN%202015\\_Belarus.pdf](https://freedomhouse.org/sites/default/files/resources/FOTN%202015_Belarus.pdf)

that the country’s internet regulatory goal is quite clear: an informationally “closed society” where the state bureaucracy has a monopoly on information flows within the country’s borders.

As for the regulatory bodies responsible for implementation of such a regulatory policy, there is a clear justification that they should be many of them, as each is performing a special function of monitoring the implementation of the restrictions that are adopted either by state law, by ministerial decree, or by an order of the president himself. The main regulatory bodies for internet control are the president and the administration of the president; the Operational and Analytical Centre (OAC) at the President of Belarus; the Ministry of Communications and Informatization; the Ministry of Information; the State Inspectorate for Telecommunications of the Ministry of Communications and Informatization; and the state telecommunications company, Beltelecom, which controls more than 80% of the internet market in the country.

Now we turn our attention to the regulatory capabilities of the state of Republic of Belarus, using the distinction between ‘hard’ and ‘soft’ to demonstrate how are they working. We will begin with the dominant hard capabilities.

## 18.4.2 *Hard Regulatory Capabilities: Practices and Prosecutions*

### 18.4.2.1 *Repressive Practices*

One frequently used practice is the creation of ‘stop lists’ of independent web resources. [Charter97.org](http://Charter97.org) and [belaruspartisan.org](http://belaruspartisan.org) were put on such a list, as well as the site Vyasna Human Rights Center ([spring96.org](http://spring96.org)).

There is also a practice of ‘self-censorship’ by individual bloggers who do not want to take risks of publishing controversial or critical content

and by several educational institutions and private companies, who have restricted access to independent web resources and social networks.<sup>25</sup>

The Law “On Mass Media” was adopted in 2008 and took effect on 8 February 2009, despite objections from the office of the OSCE Representative on Freedom of the Media and the Belarusian Association of Journalists.<sup>26</sup>

Another example is the more recent Act of the Ministry of Communications and Informatization (enacted in February 2015). This decision of the Ministry was made in the development of the presidential decrees of 2010 and 2014. Besides browsing history, Internet Service Providers must now store the MAC-addresses or identification numbers of mobile devices users use to access the internet, the date and time of calls, IP addresses, and the amount of data received and sent. ISPs must know the name, address and passport data of their users—both of private persons and the names of legal entities and their legal addresses.<sup>27</sup>

#### *18.4.2.2 Prosecutions*

According to the “World Press Freedom Index 2011/2012”, in 2011, more than 100 bloggers and journalists were prosecuted, and 30 of them were jailed.<sup>28</sup> The editor-in-chief of the new media oppositional site Charter-97, Natalia Radzina, was beaten and imprisoned following the disputed election in 2010. Radzina fled Belarus and sought political asylum in neighboring Lithuania.<sup>29</sup> Andzrej Pochobut, one of the country’s most popular bloggers, is also a journalist for the Polish newspaper “Gazeta Wyborzca”. On March 28, 2012, he was accused of insulting President Lukashenko. The official document states, “During the period 2010–2011, Pochobut published text files on [www.wyborzca.pl](http://www.wyborzca.pl), [belarus-partisan.org](http://belarus-partisan.org), and [poczobut.livejournal.com](http://poczobut.livejournal.com), which are entitled “Time to tighten the screws”, “Belarus elections without choice”, “Lukashenko Yes, I rigged the elections”, “Pre-election populism in Belarus”, “Belarusian KGB scares like that”, charges against him were that his texts” contain signs of publicly insulting the president of the Republic of Belarus”.<sup>30</sup>

The most popular prosecution practice in Belarus is filtering internet content and blocking web pages. Opposition web sites on the ‘blacklist’ include Charter 97, [belaruspartisan.org](http://belaruspartisan.org), and the human rights group Vyasna. Per the official website of the Belarussian State Inspection of Electronic Communications, there are 35 websites on the list of limited access.

The websites for Charter 97 and Belarus Partisan have been constantly attacked. The government engages in the most intense blocking and filtering before and during mass opposition rallies. According to the website “All Belarusian providers”, there are 66 ISPs in Belarus,<sup>31</sup> but there is no evidence to show that they take any initiative to support of freedom on the Internet or their customers.

#### *18.4.2.3 Public Response to State Internet Policies*

Among non-state actors the fastest growing category is business companies (ISPs). In 2013 there were 59 ISPs in the republic, and by mid-2015, there were 64.<sup>32</sup> The growth in the number of business actors may have resulted in an appearance of independent actors able to provide meaningful public response to internet restrictions. The major goals and interests of the ISPs are clear—to get more clients and to increase profits—which means that restrictive internet policies are counter to their interests. But ISPs in Belarus fail to generate any productive campaigning, because they are highly dependent on the state financially and organizationally. All of them are obliged to buy internet access from government-owned Beltelecom, which controls 84% of the internet market, including transmission of international traffic.<sup>33</sup> As a result, business actors in Belarus do not appear to be helpful to civil society in its struggle against restrictions.

There are some examples of voluntary non-state actors that try to provide alternatives to the state monopoly in the information sphere. Three of the most visible actors are The Human Rights Center “Vyasna”, the Internet portal “Belarus Partisan”, and the information agency BelaPAN.<sup>34</sup>

The Human Rights Center “Vyasna” was registered in 1997 as a Minsk city organization. In 1999 it changed its status to a Republican human rights public association. In October 2003, the center was officially shut down and their legal personality liquidated by the Supreme Court of the Republic of Belarus, because its members participated in monitoring the 2001 presidential elections. Vyasna tried to get a new registration, but after the organization’s registration was rejected a third time, the Council ceased further attempts to register and has continued to operate without state registration. Vyasna acts as an independent citizen human rights group and has managed to continue to keep its website functioning despite inclusion on stop lists and DDOS attacks.<sup>35</sup>

The Internet portal “Belarusian Partisan” was created by several independent journalists in 2005, who formulated their mission as accurately

and fully informing their readers about events in Belarus and creating a space for the free and open exchange of information. The portal's publications have been criticized by pro-government media for a lack of patriotism. On December 19, 2010, the day of the presidential elections, access to the site was blocked by Beltelecom, and later it was put on the stop list. The site continues to operate from Ukraine.

Belarusian information company BelaPAN is a private news agency with an extensive network of correspondents in all the regions of Belarus. Despite constant attacks and inclusion on the stop list, BelaPAN continues to create news products in three languages—Belarusian, Russian and English—for more than 20 information agencies, media, analytical and social research organizations.

#### *18.4.2.4 Balance of State Actions and Public Response*

The case of Belarus suggests that the capabilities used by the authorities to limit internet freedoms are almost exclusively from the 'hard' repertoire: the government uses repressive legislation and prosecutions, and does not exert effort on sophisticated 'soft' methods because the policy planners assume that restrictive policies are working well so far.

The core capabilities of non-state actors are focused on finding ways to survive in a repressive regulatory regime, continue their operations, produce alternative internet content and distribute it through their websites or sell it to various media and social actors. There is very little cooperation between these non-state actors, and together they do not have enough resources to mobilize the broader public in their support.

Those facts allow us to assess the balance of state capabilities of internet control as 'strong' and the public response to this policy as 'weak' and dominated by the state.

## 18.5 RUSSIA

### *18.5.1 Internet Regulatory Regime*

The Russian political regime is not easy to define, because it is a "moving target". In the mid-1990s it was called semi-democratic, at the beginning of the 2000s it was described as "hybrid" with authoritarian tendencies, and after 2007 (after Putin's famous "Munich speech", where he launched a confrontation with the West) it turned towards an isolationist course, with an openly authoritarian and later a military regime,

following the annexation of Crimea and an un-declared war against Ukraine.

Scholars at Moscow's Carnegie Center have described the key features of RF's political regime as follows: "The political regime built by President Vladimir Putin has lost legitimacy in the eyes of the more dynamic, modernizing, and now politically active segments of society. In response, the Kremlin has made token concessions and resorted to targeted repression and restrictive and punitive legislation".<sup>36</sup>

Since 2010 (see Table 18.1), Russia's ranking for general freedoms has gradually declined. Freedom House also shows recent decline in freedom in internet, presented in Table 18.4.

It is useful to compare Table 18.4 concerning Russia with with Table 18.3 on Belarus, because Russia's ranking on certain parameters is almost the same as in Belarus. On criteria such as as obstacles to access, Russia scored five points higher—10 for Russia and 15 for Belarus—making Russia look more 'free', enabling Russia's overall internet freedom status in 2014 to be "Partly Free". If we look at other parameters, however, Russia fares worse. For example, on limits to content, Russia scored 22 for 2014 and 23 for 2015, while in Belarus the same parameter was scored as 20 for 2014 and 21 for 2015. Similarly, on the parameter of violating user rights, Russia scored 29 in 2015, while Belarus scored 28. This shows us that for internet freedom, Russia is not much better than Belarus, with a total score in 2015 of 62—the same level as Belarus in 2014—thus moving from the category "Partly Free" to "Not Free".

One of the reasons for the similarities in internet regulation between Russia and Belarus is the single-type political and regulatory regimes in both countries, where all levels and sources of regulation are concentrated in non-accountable and personalized power. Even the regulatory goals are defined in the same way: by the President personally.

President Putin has formulated the country's regulatory goals in the sphere of information and especially in the sphere of internet activities. According to Putin, an important goal of internet regulation is to develop a national internet system and secure the placement of major internet servers on Russia's territory, because currently the main servers are all located in US. According to Putin, "internet had emerged as a project of CIA and is still developing on the same line".<sup>37</sup> Inspired by this general vision, Russia's regulatory bodies began multiple initiatives of restrictive regulations, with the function of ensuring state control over all internet users.

**Table 18.4** “Freedom on the Net” ranking, 2015. Russia<sup>a</sup>

|                                  | 2014        | 2015     |
|----------------------------------|-------------|----------|
| Internet Freedom Status          | Partly Free | Not Free |
| Obstacles to Access (0–25)       | 10          | 10       |
| Limits on Content (0–30)         | 22          | 23       |
| Violations of User Rights (0–40) | 28          | 29       |
| TOTAL* (0–100)                   | 60          | 62       |
| *0—most free, 100—least free     |             |          |

<sup>a</sup>[https://freedomhouse.org/sites/default/files/resources/FOTN%202015\\_Russia.pdf](https://freedomhouse.org/sites/default/files/resources/FOTN%202015_Russia.pdf)

As for the *regulatory bodies*, there are two main types in the Russian Federation: those performing technical regulatory functions, and those who design and implement regulatory policy. Technical functions, which define the rules of internet technology development in the national domains.RU and. RF, are performed by the Coordination Center for TLD RU and domain name registrars. In addition, a number of executive bodies determine the development and implementation of state policy in the sphere of the internet, including the Ministry of Communications and Mass Communications; the Ministry of Education and Science; the Presidential Directorate for Application of Information Technology and the Development of E-Democracy; the Government Commission on the Use of Information Technology to Improve the Quality of Life and Business Environment; The State Duma Committee on Information Policy, Information Technology and Communications; the Temporary Commission for the Development of the Information Society of the Federation Council; and a specialized controlling body—Russian Federal Surveillance Service for Mass Media and Communications (Roskomnadzor).

### 18.5.2 *Hard Regulatory Capabilities: Practices and Prosecutions*

#### 18.5.2.1 *Repressive Practices*

DDoS attacks are the most popular method of making a web page unavailable to readers and users. The book *Ethical Hacking and Countermeasures: Threats and Defense Mechanisms*, written by the International Council of Electronic Commerce Consultants, explains the popularity of this kind of attacks: “These attacks can be very dangerous



because they can quickly consume the largest host on the Internet, rendering them useless”.<sup>38</sup>

On December 4th 2011, parliamentary elections day, 11 independent liberal or oppositional websites came under DDoS attack: Echo Moskva news radio, [Kommersant.ru](http://Kommersant.ru), [Golos.org](http://Golos.org), [Gazeta.ru](http://Gazeta.ru), [Lenizdat.ru](http://Lenizdat.ru), Saint Petersburg independent news channel, [Slon.ru](http://Slon.ru), [NewTimes.ru](http://NewTimes.ru), [Ridus.ru](http://Ridus.ru), [TvRain](http://TvRain.ru), [Zaks.ru](http://Zaks.ru).

On May 2014, Russian telecom operator Rostelecom, which owns the ISP brand Online, announced that the authorities had access to technologies allowing them to filter both individual web pages with forbidden content and the entire websites.<sup>39</sup>

### *18.5.2.2 Prosecutions*

The worst type of ‘hard’ capabilities used against independent bloggers is criminal prosecution, mostly based on alleged violation of anti-extremist legislation. In 2007, 28 Internet journalists and bloggers suffered criminal and administrative prosecution. This number increased to 45 in 2008, and 78 in 2011. Most of the cases were labeled as extremist propaganda. This trend continued in 2012: in the first half of the year 32 bloggers faced criminal prosecution, and 18 of them were convicted.<sup>40</sup> The human rights organization Agora argues that a new form of harassment of independent internet journalists and bloggers involves accusing them of defamation and “insulting the honor and dignity” of public officials; at least 11 bloggers were sued for this in 2011. Per Agora’s yearly monitoring, this number has been increasing steadily and from 2012 to 2015 there were a total of 664 persons who had been criminally prosecuted.<sup>41</sup>

### *18.5.2.3 Soft Regulatory Capabilities: Forms of Dialogue Between Authorities and Internet Community*

One of the most used forms of interaction between state and non-state actors are Public Councils, which are established by government regulatory and executive bodies upon the decision of the Public Council of the Ministry of Communications and Mass Communications of the Russian Federation, established in 2014<sup>42</sup> by the Order of the Minister. Membership in the Council consists of civil servants and representatives of the internet business community.

Another example is the Expert Counsel on the internet and the development of e-democracy with the Committee of State Duma of the Russian Federation on Information Policy, IT and Communications,

which was founded in 2014.<sup>43</sup> This Council was created by decision of Parliamentary Committee. Among its 94 members, about half come from commercial and non-profit organizations, representing the wider circle of internet community.

The most interesting example of the soft capabilities used by the government is the recognition and support of interaction, dialogue and negotiation formats, suggested by the internet community itself. An example of such on-going dialogue is Russian Internet Forum, founded in 1997.<sup>44</sup> This initiative was launched by the non-profit organization “Russian Association of Electronic Communications” (RAEC).<sup>45</sup> The Forum is open to the broader internet community and holds 2–3 day sessions every year since its inception; participants include major players in the Internet sphere both from commercial and non-commercial internet organizations. One important feature of the Forum is the regular participation by representatives of state bodies, including the Russian Federal Agency for Mass Communications.<sup>46</sup> In recent years Forum is headlit suburban residence of the Russian President’s Administration and in 2008 the Forum was opened by then Russian President Dmitry Medvedev.<sup>47</sup> In 2012, the State Duma deputy, Robert Schlegel, presented to Forum participants a draft concept of legal regulation of Internet activity (the “Law on the Internet”).<sup>48</sup> The most active members of Forum discussions on this issue were then invited to continue the dialogue on this draft to the State Duma in 2013,<sup>49</sup> which eventually resulted in the inclusion of Internet Forum representatives in the list of regular consultants for the development of this concept.<sup>50</sup>

In 2013, speaking at the forum, Minister of Communications and Mass Media Nikolai Nikiforov highlighted the importance of dialogue with the internet industry and announced the readiness of the state to support the concept of Strategy “Runet 2020”, which had been proposed by the Forum, under the condition that the Forum could secure consolidated support from the whole internet industry.<sup>51</sup>

It is important to note that “Runet 2020” was initiated by active internet public and includes the following provisions:

- elimination of excessive legislative constraints in internet regulation;
- respect for fundamental human rights in the distribution of and access to information; and
- equal participation of the state, business and civil society organizations in activities aimed at the development of the Internet.<sup>52</sup>

#### *18.5.2.4 Public Response to Internet Control Policies*

As stated by the Carnegie Moscow Center, RF's political regime has lost credibility and legitimacy in the eyes of the more dynamic, modernizing, and politically engaged segments of society. This cluster of citizens, often called the 'creative class', constitutes the most active and intelligent internet users. They are the ones that represent the 'protest public' that is willing and capable to provide intelligent public response to government measures, using their own capabilities from self-organizing and technical knowledge to actions of solidarity with those whose rights have been violated.

#### *18.5.2.5 Lobbying for Legislation Change*

The first reaction usually comes from the internet market, as IT companies try to come together to stop repressive practices. A recent legislative initiative, known as the "Anti-terrorist packet of legislation" or the "Yarovaya Pack" (2016), threatens to fully withdraw anonymity on social media and demands that ISPs monitor and store all user information. Those who do not comply face criminal charges. This initiative generated solidarity within the internet and IT community, who published a critical statement addressed to legislators.

RAEC, which includes representatives from large companies such as Google and Microsoft, issued a strong statement opposing this legislation.<sup>53</sup> At the same time, protest was also growing among individual Internet users, and a petition against on [Change.org](#) gathered more than 500,000 signatures.<sup>54</sup>

The regional public organization "Center of Internet-technologies" (ROCIT), established in 1996, stated: "on the key disclosure requirements to decode the messages leading to the establishment of threat to the security and privacy of citizens, pose a threat to business and puts Russian companies at a disadvantage, it poses a threat to national security."<sup>55</sup>

The non-governmental organization "Internet Community" (created in 2013), which brings together the heads of major Internet companies, said: "We believe that the adopted norms are a threat to the stability and safety of the Russian Internet, are harmful to the reputation of the domestic Internet projects, reduce the role and influence of our country in the global dialogue on issues internet governance".<sup>56</sup>

#### *18.5.2.6 Responding to DDoS Attacks Against Opposition Websites*

As mentioned before, certain capabilities are impossible to keep as a monopoly of the state and its institutions. This is particularly true for

technical capabilities in the field of internet and new media. Active internet users have begun “fighting back” against state institutions that they believe are implementing restrictive, harmful and unjust policies. For example, on March 14, 2014, the sites of the Kremlin, the Central Bank, and the Russian Foreign Ministry were subject to DDoS attacks.<sup>57</sup> Similar attacks have been recorded on December 4, 2014 on the site of Roskomnadzor.<sup>58</sup> Blocking access to web pages thus is not a monopoly of the state.

#### *18.5.2.7 IT Companies Protecting their Clients*

Internet providers have also found other, creative ways of responding to government control over popular internet authors and bloggers. For example, when the Russian government adopted a regulation which made popular bloggers—those having more than 3000 followers—subject to mass media regulations, the biggest Russian search systems companies, including Yandex, Rambler, and Mail.ru, have supported their clients by not publicizing the number of followers that each of the bloggers had accumulated. By doing so they made those popular bloggers ‘invisible’ to the main controlling body Roskomnadzor, and hid many popular themes of discussion, many of which were critical of authorities. Another example is the internet platform for blogging “LiveJournal”, which adopted the following Memorandum: “LiveJournal is changing its policy regarding public subscriber data users. From today all bloggers profiles and communities, whose number of subscribers exceeds two thousand and a half, will not show the actual number of users in the box “Friend of” to the public. The open figure is “2500+” from now. The actual number is available only to owners of blogs and community’s owners and caretakers.<sup>59</sup>

#### *18.5.2.8 Active Internet Public: Self-help by Netizens*

After several political activist websites were blocked in March 2014, Russian netizens started to share instructions<sup>60</sup> on how to avoid these restrictions. Some of the suggestions include: using the special function “Opera Turbo” in the Opera browser; changing Domain Name Service (DNS) server; anonymizers; special programs that “protect all of your computer’s identifying information while it surfs for you, enabling you to remain at least one step removed from the sites you visit”<sup>61</sup>; using the Chinese-designed ultra-surf software, developed to avoid web filtering by the Chinese government; using the browser “Tor”, which directs

Internet traffic through a free volunteer network consisting of more than five thousand relays to conceal a user's location or usage from anyone conducting network surveillance or traffic analysis.<sup>62</sup>

In the Russian case of restricting internet freedom and controlling the blogosphere, Russia uses both 'hard' and 'soft' capabilities quite skillfully, and seeks to legitimize restrictions with claims of 'child protection' and creating and sponsoring non-state actors,

In response, the media and internet community—both businesses and individual netizens—use multiple technological and organizational skills and competencies to avoid the restrictions. Thus, restrictive policies are not reaching their target. For the public, the restrictions create serious limitations in access to free media, while the most active and mobilized and the technology savvy can continue to enjoy internet opportunities.

#### *18.5.2.9 Balance of State Actions and Public Response*

An assessment of the balance of capabilities between the state and the internet community shows it to be uncertain, non-consistent and controversial: while the legal environment is becoming more and more restrictive, and targeted repressions are widening, the internet community is not silent and certain forms of dialogue still exist. Because of the constant increase in internet operational skills and technical competencies, most active internet users can escape government control, which means that restrictive policies are not effective. Until recent years, the consolidated position of ISPs and users' organizations allowed to prevent total control, like in Belarus, but current trends shows a state preference for 'hard' capabilities that are becoming more sophisticated.

## 18.6 CONCLUSIONS

In these concluding remarks, we want to summarize the results of our analysis of three countries and compare them to each other on most important parameters. What we consider important—for the goal of this chapter—is the following: the level of freedom of the Internet regulatory regime, the predominant state regulatory capabilities (hard or soft), and the level of public response to government actions in the sphere of Internet regulation.

We then compare the Internet regulatory policy outcomes, per their regulatory goals. To highlight positive interactions and outcomes, we begin with Italy, where policy outcomes are successful through the

dialogue of state and society, followed by Belarus, which provides a contrasting example of a coercive regulatory environment, and concluding with the case of the Russian Federation, which suggests a hardening contestation between state and Internet publics, which make Internet censorship policy only partly successful.

All these characteristics are brought together in Table 18.5.

Table 18.5 summarizes the country case studies and helps to visualize that:

- ‘Closed’ authoritarian regimes are more likely to use hard regulatory capabilities;
- Different regimes may combine ‘hard’ and ‘soft’ capabilities; what matters is the proportion, or which regulatory capabilities dominate;
- Policy outcomes may be considered ‘successful’ in contrasting examples (here it is case of Italy and case of Belarus), depending on regulatory goals. While in Italy this goal is understood as providing safe Internet services and protecting intellectual property rights, in Belarus the goal of regulation is ‘protection of national cyberspace’; and
- The capabilities of non-state actors to respond to state regulatory policies are of crucial importance to access policy outcomes. In the case of Italy, regulatory policy is successful because non-state actors are joining the work of regulatory bodies or contesting them in courts, while in Belarus non-state actors are too weak to oppose restrictive regulation.

Our major conclusion is that state policy capacity—both on the organizational and the systemic level—is, indeed, a dynamic characteristic, often depending on changing regulatory goals. If the state is ready to enter public dialogue, additional soft capabilities—of consultation, public argumentation, mediation, or negotiation—may be acquired or better developed.

Therefore, we suggest that policy capacity be considered not as a ‘given set of competencies’ that exist prior to developing policy design in a certain sphere, but rather as a process of ‘try-it-out’ combinations of different capabilities, depending on the regulatory environment and the ‘responsive capacity’ of the targeted publics.

Another conclusion concerns the assessment of policy capacity of government agencies, or the state at large. To make a fair judgement,

**Table 18.5** Systemic political capabilities of state and public

| <i>Country</i> | <i>“Freedom on the NET” ranking (2014–2016)</i> | <i>Type of regulatory capabilities</i> | <i>Balance of capabilities</i>             |  | <i>Policy of internet control outcomes</i>   |
|----------------|---|--|--|--|--|
|                |   |  | <i>States capacity to control Internet</i> | <i>Public capacity to respond to state actions</i> |  |
| Italy          | Free  | Predominantly soft                     | Strong                                     | Strong   | Internet regulation policy successful, soft capabilities allow full public inclusion   |
| Belarus        | Not free  | Predominantly hard                     | Strong                                     | Weak   | Control policy established by hard capabilities is successful; society does not have capacity to respond   |
| Russia         | Partly free                                     | Both hard and soft                     | Strong                                     | Medium   | Control policy is ineffective: strong state coercive capabilities meet substantial response from society to fight back, escape, lobby for change |

it should be compared or counter-positioned to the specific capabilities of the society and its various organizations, networks and active self-organized publics. We believe that such a comparison provides a tool for deeper analysis of state policy capacity.

## NOTES

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