

Making Reform Stick:¹

Political Capacity for Policy Change and Innovation²

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In plain language, “capacity” typically means “ability,” though with the broader connotation of some sort of reserve or wider scope of application (hence the other use of the word in English to indicate potentiality, e.g., “seating capacity”). In the policy world, “policy capacity” seems to mean at least three things: (1) the competence to clearly define policy problems, develop solutions, and implement them, (2) a broad array of resources – both intellectual and materiel – to generate policy solutions and effect them, and, more ambiguously, (3) an untapped reservoir of capabilities that can be mustered when necessary. This last – the idea of a reserve – distinguishes a competent and effective policy regime, working at its peak capacity, from one that has deeper resources that it may mobilize if needed.⁴

The literature on policy capacity is scattered among the various furrows and grooves in the wider field of policy studies, but, as we argue below, most of it is devoted to “normal” or incremental policy-making and policy management. This paper will focus on policy capacity for significant change and/or innovation at the system level (what we will call “deep policy reform” below), that is, at the level of the polity and not at the level of organizations. That kind of capacity goes well beyond the quotidian skills of “management,” and into the political. The pressure on governments to introduce and manage major change, to innovate, and act strategically have risen exponentially. The global financial crisis has forced many governments to impose painful cuts and severe

⁴ “Capacity is a dispositional concept and may not be looked upon kindly by tough-minded empiricists. But it is like the capacity of sugar to dissolve if put in water or of a racing car to go 150 miles per hour if handled correctly. Capacity may be real, even if it is not always actual” (Bardach, 2008: 122, note 7).

disciplines on their populations (e.g., the so-called PIGS). This has been coupled with the need for deep reform to major policy fields such as pensions, health care, taxation, and the environment. Global competition is forcing countries to be more “strategic” in charting their policy directions. Business-as-usual, of course, remains and requires the normal management and policy toolkit, but the political capacity for deep policy reform is emerging as the key to successful contemporary governance.

The paper proceeds by briefly reviewing the conceptual terrain on policy capacity for change and innovation, and then assembles some scattered advice on what constitutes an effective reform capacity, drawing in part on academic observations on various experiments in policy reform and on advice from the OECD and the World Bank (we will add some references to the IMF in a later draft). We hold no particular brief for these organizations, but they are useful touchstones on this issue for several reasons. First, they are among the leading international governmental organizations (IGOs) offering governance and policy advice. This has become a crowded field, but IGOs retain their prominence in part because of their prestige, in part because of their resources, in part because they bridge the scholarly-practitioner divide, and in part because they (in some cases) can impose conditionalities as the price for supporting reform efforts (Barnett & Finnemore, 1999, 2004; Risse-Kappen, 1994; Trondal, Marcussen, Larsson, & Veggeland, 2010). The World Bank and the IMF, of course, are widely acknowledged (or excoriated) for their international policy influence (Berkman, 2008; Carin & Wood, 2005; Clegg, 2013; Gould, 2006; Jakobi & Martens, 2010; Mathiason, 2007; Peet, 2003; Rodrik, 2006; Williamson, 1993; Yi-Chong & Weller, 2009), and there is

wide acknowledgement of the OECD's important role in spreading public management ideas around the world (Armingeon & Beyeler, 2004; Huerta Melchor, 2006; Kettl, 2006; Pal, 2012; Peters, 1997; Pollitt, 2006; Premfors, 2006; Sahlin-Andersson, 1996, 2000, 2001).

Policy Capacity, Policy Change, and Policy Innovation: The Conceptual Terrain

Graham (1960) provided one of the earliest discussions of capacity as “the capacity to govern.” This was not policy capacity *per se*, but he meant essentially the same thing. Governing capacity was linked to “problem-solving,” and the bulk of the problems were services and programs. He defined capacity, in part, as the “structures, procedures and standards of government. ... It is the function of governmental machinery to make it easier for men collectively to reach rational decisions” (Graham, 1960: 72). Following on this, Honadle defined capacity as the ability to “anticipate and influence change; make informed, intelligent decisions about policy; develop programs to implement policy; attract and absorb resources; manage resources; and evaluate current activities to guide future actions” (Honadle, 1981: 577).

Clearly, while this is not the modern terminology of the policy cycle, it touches all the key phases, principally the analytical phase (information processing, analysis, decision-making) and the execution phase (implementation and evaluation). Compare a contemporary definition: “Policy capacity can be 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 those resources are mobilized and used” (Howlett, 2013: 161-62). These two broad functions – the ability to analyze and the ability to execute – have remained the primary orientations towards understanding policy capacity. The focus in the early Honadle piece was primarily organizational, or capacity in terms of management requirements. “Thus, capable bodies have the ability to make policy decisions based on organized, relevant information. They develop programs to implement those policies” (Honadle, 1981: 577). This is the stream that later flowed into analyses of the organizational capacity to implement (Bardach, 1977; Goggin, Bowman, Lester, & O’Toole, 1990; Pressman & Wildavsky, 1973).

The other broad stream emphasizes “policy analytical capacity.” Painter and Pierre argued that policy capacity was the ability to “marshal the necessary resources to make intelligent collective choices, in particular to set strategic directions... .” (Painter & Pierre, 2005). Howlett (2013: 162) approaches policy capacity as knowledge acquisition and utilization in policy processes:

It refers to the 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 to 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 and ... to

integrate information into the decision-making stage of the policy process.

It is clear from this definition that analytical capacity is principally the ability of people to think, and hence is primarily a matter of a highly trained workforce. While there are organizational dimensions to this – the resources marshalled to hire this workforce, inter-departmental coordination of information and decision-making flows, and external resources (universities, think tanks) – the focus here is on ideas, information, data, and the techniques to process them into policy options.

Approached this way, both of these streams in the capacity literature are describing business-as-usual or “normal” policy-making. In the management sense, it is the daily management of programs, collecting taxes and delivering services. In the analytical sense, it is having the resources and the time to think through issues within relatively narrow boundaries, making micro-adjustments among means but not ends.

However, “normal” policy-making in this sense is neither particularly interesting nor particularly challenging. Modern governments are under constant pressure to manage change, not equilibrium. The well-worn list of pressures includes rapidly changing technology, increased citizen demands, tight budgets, financial crises, unemployment, natural disasters, and economic decline. Policy capacity in this environment presumably builds on the generic capacities one expects for normal policy-making, but must involve anticipating, managing, and sometimes imposing change and reform in the face of time constraints or severe opposition. What does the policy literature tell us about these conditions?

Somewhat surprisingly, not much – aside from a concentrated literature on policy dismantling and policy termination, which we will discuss below (Bardach, 1976; Bauer, Jordan, Green-Pedersen, & Héritier, 2012; Bauer & Knill, 2014; deLeon, 1978a, 1978b, 1982, 1987; Pierson, 1994). This is not the place for a literature review, but we can highlight several broad reasons for this blind spot. One is the early dominance of incrementalism as the “orthodox” theory of decision-making (Lindblom, 1959, 1979; for a review of the literature, see Pal, 2011), which, despite well-known dissatisfaction (Dror, 1964; Etzioni, 1967), was only first successfully challenged by Hall’s argument that policy change can involve paradigm shifts (Hall, 1993; Howlett & Cashore, 2009). A second conceptual blinker was, and remains, the influence of institutional theory, which tends to emphasize the stability of institutions and hence the stability of policies (Hall, 2010; John, 2012: chap. 3; Mahoney & Thelen, 2010a, 2010b; Streeck & Thelen, 2005; Thelen, 2004), coupled with the strong drag coefficient that comes with path dependency (Pierson, 2004). A third constraint has been the reliance on the otherwise useful metaphor of the “policy cycle.” It is a universal short-hand for describing the phases of the policy cycle, but its DNA fuses incrementalism, rationalism, and the instinct that policy must move slowly, through measured stages (Howlett & Giest, 2012).⁵

Orthodoxy begets apostasy. For example, the policy literature did come to grips with the issue of fundamental change with Hall’s model of paradigm shift and later with

⁵ The grip of the policy cycle model was evident in its adoption by the UK Treasury in 2003 (in the form of ROAMEF, for the stages of Rationale, Objectives, Appraisal, Monitoring, Evaluation, Feedback) (HM Treasury, 2003). It remains as “guidance,” but extensive interviews with senior UK public servants revealed that they find it “unrealistic” (Hallsworth & Rutter, 2011).

the idea of “punctuated equilibrium” (Jones & Baumgartner, 2005). There have been references to “atypical policy change” in the context of incrementalism (Howlett, Ramesh, & Perl, 2009: 201-210), and to the idea of “policy generations” (de Vries, 2010). However, one of the interesting, if minor, streams in the policy literature that addresses change is policy innovation. To innovate is, by definition, to change in a serious and fundamental way. Innovation implies stepping outside of the day-to-day and the “normal,” and doing something that is new, different, and possibly paradigmatic.⁶ Indeed, we can argue that policy innovation is connected to policy capacity (in the analytical sense), as discussed above. The marshalling and mobilizing of information and evidence for decision-making should entail at least an element of fresh perspective, and consequently, of policy change.

That said, this is more a rivulet than a stream within the policy literature. Many standard texts, for example, make no mention of innovation in the index (for example, Considine, 2005; Dunn, 2004; Parsons, 1995; Thissen & Walker, 2013; Weimer & Vining, 2011). A somewhat surprising and early exception is the 1983 text by Brewer and deLeon (1983). It actually has an index entry and separate discussion of creativity and innovation. Referring to Lasswell’s discussion of creativity, Brewer and deLeon define it as: “the capability to view a problem and propose alternatives in perspectives and

⁶ The standard work on the diffusion of innovation is Rogers (2003), which, interestingly, has not been connected to the policy diffusion literature. The other two standard sources on innovation (primarily, though not exclusively, in the commercial sense) are the Oslo Manual (OECD, 2005b) and the Frascati Manual (OECD, 2002). The Oslo Manual defines innovation 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.”

methods that are unique and unlike any prior attempts to solve similar problems...” (p. 62). They offered an “innovation perspective” on policy-making that foreshadows many of the features of “deep policy reform” that we will discuss shortly:

One person’s innovation could be another’s destruction. The creation-as-destruction view presumes that innovations are not introduced *de novo* but rather disrupt or supersede existing practice and arrangements. This view allows one to appreciate the many difficulties encountered by those attempting to implement a new policy or program, particularly when the novelty has wholesale or readily apparent implications. Disturbing the status quo is seldom easily or painlessly done. Institutions, like personal habits, persist and aggrandize; those heavily invested or captive can be expected to fight efforts at change. (Brewer & deLeon, 1983: 283-84)

The other few references to innovation in the policy literature tend to focus on analytical capacity in the sense of innovative problem definition or agenda-setting. Kingdon, for example, while not mentioning innovation in his index, does highlight chance and openings of policy windows. He also refers to the “re-categorization” of policy issues: “The emergence of a new category is a signal public policy event” (Kingdon, 2011: 113). However, in discussing the qualities of effective policy entrepreneurs, he only mentions their claim to have a hearing, political connections/negotiating skill, and persistence (Kingdon, 2011: 180-81). Nothing about innovation. Indeed, he argues (*pace* incrementalism) that there really is nothing new under the sun, only re-combinations of existing ideas (Kingdon, 2011: 142), similar to the

point made by Klein and Marmor that innovation is comparatively rare (Klein & Marmor, 2006: 904).⁷ Geva-May and Wildavsky build on the Kingdon model in terms of the re-definition of policy problems and reframing of the agenda-setting process through innovative policy alternatives: “Innovative program or policy provisions can force issues into or out of *the political agenda*” (Geva-May & Wildavsky, 1997: 96; emphasis in original). Bardach does not refer to innovation directly either, but rather to “smart practice,” which he defines as “an interesting idea embedded in some practice” (Bardach, 2000: 72). He notes “breaking loose from conventions and assumptions” as another way of “being clever” (Bardach, 2000: 76).

There has been more attention to innovation in the public management field, particularly innovation in the delivery of public services (Bekkers, Edelenbos, & Steijn, 2011b; Borins, 2008; Osborne & Brown, 2013). Some of this shades into what we would consider the policy rather than the purely management arena: “The need for public innovation can be defined as the search for new ideas and concepts, technologies, techniques and methods, forms, systems and procedures to create meaningful interactions between the government and society in order to deal with a number of societal challenges” (Bekkers, Edelenbos, & Steijn, 2011a: 6). Management may be more interested in innovation because it typically focuses on the *means* (policy instruments

⁷ An interesting, if neglected, precursor to Kingdon’s “streams” approach was (Polsby, 1984). He defined policy innovations as having three characteristics: (1) relatively large scale phenomenon, (2) embodying a “break with preceding governmental responses to the range of problems to which they are addresses,” and (3) having lasting institutional or social effects (p. 8). Policy innovation was the result of two processes: interventions and proposals of interest groups, combined with routine political cycles and pressures, and hence “policy search.”

and implementation mechanisms) rather than the ends. Driven by NPM – the “new” public management – the management field in the last decades has stressed innovative approaches to the modalities of governance. This pressure to innovate in the public management field has also attracted the attention of international governmental organizations (as an example, see OECD, 2010a).

To recap, the policy literature has defined policy capacity principally in terms either of execution capacity (implementation) or analytical capacity (research, integrating sophisticated information into decision-making). We noted that both types presume “normal” policy-making processes, when in fact the contemporary policy environment is anything but normal; it is marked by change and turbulence. Managing change and what that might mean in terms of policy capacity is only now being addressed determinedly in the literature. Most of the work seems to be about theorizing change itself (e.g., when is a change a radical change, or an incremental one?) rather than on reflecting on what policy capacity might mean in these circumstances. We get some inkling in the work on policy innovation, which links it to creativity (fresh alternatives, unique ways of tackling policy problems). Brewer and deLeon went so far as to suggest an almost Schumpeterian view of innovation as creative destruction.

In the next section of this paper we will look at policy capacity in terms of dealing with change, and in particular anticipating, managing, and sometimes imposing change and reform in the face of time constraints or strong opposition, or both. We proceed on the basis of several assumptions, which will form the foundation for a model of “deep policy reform”:

1. "Change" and "reform" are nebulous terms, and essentially could mean anything that departs from the status quo. However, we can distinguish changes that are Pareto improvements (at least one person is better off, no one is worse off) from non-Pareto changes. Pareto improvements, in principle, are not difficult to impose. Non-Pareto changes impose losses to improve overall efficiency or allocations, and consequently are more challenging. It is these types of changes or reforms that we focus on here. Classic examples in economic policy include the introduction of market opening reforms (pro-competition) or the elimination of subsidies; in social policy the reduction of benefits or increase in contributions; in the public sector broadly, pay cuts or anti-corruption measures.
2. We accept a version of Hall's three levels of policy change in arguing that some changes or reforms are instrumental in orientation (an increase in taxes), while some are institutional (going from a progressive to flat tax system). The latter are more difficult, but longer lasting if they "stick."
3. We will assume political systems with an element of realistic feedback or potential opposition to reforms, making it necessary for policy makers to consider the reform process, and hence necessary to have some capacity to manage it. Feedback includes elections, institutional veto players, and outside pressures. Beyond this, institutional

configurations will vary substantially, and so the strategies and requirements to build policy capacity will vary as well. Some configurations may facilitate change and reform more easily than others to the degree that reformers are more insulated from feedback, or have institutional capacities to resist them (Pal & Weaver, 2003).

4. Policy capacity for reform is a mix of the political and the technical. The technical dimension is, in generic terms, similar to the broad elements we discussed above (analytical ability). But because it involves loss imposition, it must be adapted in specific ways. The political dimension hinges on the dynamics of loss imposition as well – groups facing losses will resist and oppose them. The capacities to deal with this type of opposition are of a different order than the usual technical, policy skills.

As we noted, the mainstream policy literature does not carry a strong suit on reform or change. In fact, however, the pressures for reform and change among developed countries have been quite intense over the last twenty years,⁸ and in particular with the global financial crisis. The collapse of communism meant major institutional and policy changes in a range of former Soviet Union countries, starting in the 1990s and continuing today. Finally, developing countries (some of which overlap

⁸ As illustrations, see the two compendia of public sector reforms among developed countries, published ten years apart by the OECD (OECD, 1995, 2005a).

with the previous category) have long been the target of reform efforts supported (or pushed) by international agencies (Easterly, 2006, 2013; Moyo, 2009).

Building on these assumptions and the previous discussion, we offer a model of non-incremental, i.e., serious and challenging, “deep policy reform,” which we will contrast with “normal policy-making.”⁹ The ten characteristics of this model are grouped into three sub-categories: (1) the nature of the policy problem, (2) the policy response, and (3) policy skills or capacity. Our interest here is not in exploring the nature of the policy problem, the characteristics of which will call for “deep” as opposed to “normal” policy responses. However, these types of policy problems typically are what have been defined in the literature as “wicked” or even “super-wicked” problems that challenge both analytical and institutional capabilities (Levin, Cashore, Bernstein, & Auld, 2012; Rittel & Webber, 1973). Here we simply highlight a few features, without any further comment. Table 1 is followed by a brief explanation of each of the ten characteristics. The discussion will then address policy responses and skills.

⁹ We are not suggesting that these characteristics are purely empirical. They have a strong perceptual dimension, so for example, a policy problem can be *defined* as a “crisis” and hence manipulated the sense that it “cannot be avoided.”

Table 1. Characteristics of Deep Policy Reform

	Normal Policy-making	Deep Policy Reform	
1. Time	Unhurried	Immediate Impending Deep (structural)	Nature of Policy Problem
2. Problem Dimension	Small	Large	
3. Problem Scale	Sub-system	Systemic	
4. Losses from Reform (costs)	Small Spread widely	Large, concentrated Symbolic	
5. Policy Design	Settings	Instrument Goal hierarchy	Policy Response
6. Institutional Change	Small, none	Large	
7. Compensatory Strategies	Low	High	
8. Stickiness	High	Low	
9. Analytical Skills	Basic	Advanced	Skills
10. Political Skills	Basic	Sophisticated	

Nature of Policy Problem

1. *Time*: Normal policy-making takes place over a measured cadence of time. Whatever that cadence might be, it certainly is unhurried, leaving time for analysis, reflection, discussion, consultation, compromise, and careful implementation. Policy reform operates with a qualitatively different cadence. It feels hurried, pressured, even if it is not rapid. There is a sense that “something must be done,” either because of the problem’s immediacy (e.g., refugee claimants appearing offshore), impending catastrophe (“unless something is done...”), or its depth/extent. Interestingly, these can coincide. Climate change, for example, combines a sense of immediate

manifestation (extreme weather phenomena), impending menace (much worse to come), and depth/extent (affecting the entire planet).

2. *Problem Dimension*: Normal is about small. Reform is about big. Again, these categories are perceptual and not easily defined *a priori*. And it is true that sometimes what seems “small” can be a tipping point and lead to big changes. But what we have in mind here is a sense that change is far-reaching or multi-dimensional.
3. *Problem Scale*: Scale refers to the extent of the policy field being addressed, and links to the point below about design. Reforming the welfare state, or the pension system, or health care, is qualitatively different from raising pension contributions or re-jigging the professional qualifications of health care providers. Obamacare is a good example of policy reform on a massive scale.
4. *Losses from Reform*: The political dimension of policy reform manifests itself in resistance, and that resistance is sparked by loss. As we mentioned above, the type of policy reform we are discussing here is the painful variety, the type that imposes losses as opposed to providing benefits. Giving people a large tax break or providing an apparently costless new benefit or service is not difficult. Doing the opposite is. But costs and losses come in different forms (J. Q. Wilson, 1980). Briefly, small losses that are spread out over a large group usually go unnoticed and are easier to implement. Material losses that are large and visible, as well as concentrated, *ceteris paribus*, are more difficult to impose. Symbolic losses are an important category as well. These

are losses that affect group identities or core values. Good examples are same sex marriage or abortion (Smith & Tatalovich, 2003).

Policy Response

5. *Policy Design*: Policy reform on a broad, systemic scale requires interventions or responses that are themselves broad and systemic – beyond what Hall termed “settings.”
6. *Institutional Change*: This is consistent with the problem dimension, scale, and response. Deep policy reform usually involves some major institutional change, and by institution we mean enduring, authoritative patterns of rules that govern important subsets of societal behaviour (March & Olsen, 1989, 2006; Ostrom, 1999).
7. *Compensatory Strategies*: In one respect this is a subset of point 4 above and point 10 below on losses and political skills, but deserves separate mention. Losers get angry, and can often block reform or water it down beyond recognition. Absent simple repression, policy reformers have to consider compensatory strategies to “buy off” or fool the losers in the reform process.
8. *Stickiness*: Ultimately, policy reforms that are soon reversed are policy failures in their own terms. Hence, a key objective in deep policy reform is to make it stick, at least over a reasonable period.

Skills and Capacities

9. *Analytical Skills*: Policy analytic skills are usually defined in terms of problem definition, design, implementation and evaluation. Even small changes, like raising

the minimum wage by a few cents, can pose analytical challenges in terms of their ultimate effects on labour markets and economic growth. But something on the scale of Obamacare or the introduction of a new contributory pension scheme demand much more complex analyses and modeling to gauge their ultimate effects.

10. *Political Skills*: Normal policy-making does not require a Machiavelli or a Tocqueville. Neither does the brute imposition of reform. Dictators do not need to be diplomats. However, in political systems with any modicum of feedback that might threaten the position of reformers, there is indeed a demand for political skills of a higher order, both to sell the reforms and to make them stick.

Capacity for Deep Policy Reform

There is no shortage of practical guides for normal policy-making, the most routinely cited being Bardach's "eight-fold path" (2000). The UK government has been particularly active on this front, producing the ROAMEF in 2003 (HM Treasury, 2003), Capability Reviews in 2005 (HM Government, 2009), and the Policy Skills Framework in 2010 (HM Government, 2013a),¹⁰ updated in 2013 as a twelve-step action plan to professionalize policy-making across the government (HM Government, 2013b). While these guides in most cases touch on some of the elements expressed in our model, for the most part they address policy-making in the day-to-day. What follows is an admittedly eclectic list of capacities keyed more closely to the two categories of the model that deal with policy response and skills.

¹⁰ The position of Head of the Policy Profession was instituted in UK government departments in 2008.

Deep policy reform will typically rely on broad, systemic policy instruments and quite frequently on institutional change. A key capacity therefore is an understanding both of institutional context and of institutional design. Studies of international government reform efforts consistently highlight the importance of grasping the institutional policy context (Wollmann, 2003). Brinkerhoff and Crosby (2002) report on the lessons from the USAID Implementing Policy Change Project that analyzed reform efforts in over 40 countries, at the national, regional and local levels, from 1991 to 2001. One lesson is the importance of change in government organizations themselves to manage and deliver new policies (p. 21), and it is part of a framework for making policy reform that has six tasks: (1) creating legitimacy, (2) building constituencies, (3) accumulating resources, (4) modifying organizational structures, (5) mobilizing resources and actions, and (6) monitoring impact. Several strategies are suggested for modifying organizational structures:

- Fitting new missions to old organizations or creating new organizations
- Building implementation capacity
- Developing boundary-spanning links
- Fostering networks and partnerships
- Enhancing cooperation and coordination among implementing agencies

(Brinkerhoff & Crosby, 2002: 36, table 2.2)

A somewhat distinct but related approach is offered by Room (2011) in a framework explicitly designed to deal with turbulence and not normal policy-making. His model begins with the injunction to “map the landscape,” and includes questions

such as “Is the policy landscape stable or turbulent?” “What institutional rigidities and frozen structures are there?” “What routes towards change are most readily available? Are there ‘runaway loops’ by which processes of change can become self-reinforcing?” (Room, 2011: 312).

International organizations concentrating on policy reform have also highlighted the importance and challenge of institutional change. In *Making Reform Happen* (2010b), the OECD noted that:

The foregoing challenges, in turn, are more likely to be met where appropriate institutions exist, capable of supporting reform from decision to implementation. The impact of economic analysis, in particular, depends to a significant extent on the source: research presented by an authoritative, non-partisan institution that commands trust across the political spectrum appears to have a far greater impact. Building such institutions can take time, as their effectiveness depends on their reputation, but where they exist, their prior analysis appears to have enhanced the prospects for reform in particular areas. Yet institutions capable of providing expertise and advice are not all that is needed. Effective institutions are often required to guide and monitor implementation.

The World Bank came to the same conclusion over a decade ago as it continued to expand its work on governance and policy reform:

An emphasis on institution-building has already increased significantly in some areas of Bank work (such as public expenditure and infrastructure work), and it needs to continue. For example, rather than advising countries exclusively on the content of annual budget allocations, as was the focus of early Public Expenditure Reviews, the Bank is increasingly helping countries build effective budgeting and expenditure management systems. Rather than focusing on layoffs of a certain number of civil servants, as was common in early adjustment lending, it is increasingly helping build long-term systems for efficient employment and career incentives in the civil service. And rather than focusing on the direct supply of physical infrastructure or social services, it is increasingly helping build the institutions that allow public and private actors to enter the market and that encourage them to provide services efficiently and equitably. (World Bank, 2000)

The capacity to develop compensatory strategies and enhance “stickiness” are directly related to the probability that deep policy reform will create significant losses for some groups and hence mobilize opposition. As we noted, normal policy-making tends to spread losses either over groups or over time so that they appear either insignificant or invisible, and so tend not (unless there is suddenly some sort of symbolic dimension or a tipping point effect) to generate opposition. With deep policy reform, a key capacity is the ability to size up who loses, and how to blunt the perception of those losses. To cite the same sources as above, Brinkerhoff and Crosby argue that a critical

distinction in major policy reform efforts is costs and benefits: “Who gains the benefits, and are those benefits broadly or narrowly distributed? Who bears the costs and where are those costs concentrated?” The OECD puts this assessment at the heart of its analysis of reform success:

When it comes to policy reform, there is thus a twofold challenge. The first is to design reforms that will enhance aggregate welfare, even allowing for the costs that reform may impose on some agents. The second is to devise strategies for securing adoption of such reforms that prevent the opponents of change from blocking reform, but that also address their legitimate concerns about its distributional consequences. ... A good deal of theoretical and empirical work also points to the significance of ... [l]oss aversion: there is evidence to suggest that agents tend to prefer avoiding losses to acquiring gains and that they will therefore run greater risks to avoid loss than to acquire gains. In most situations, this tends to make agents more risk-averse than a standard expected-utility approach would imply. (OECD, 2010b: 13)

As we noted above, policy reform can generate different types of losses, with different consequences for mobilization. Effective capacity to manage the reform requires a toolkit of strategies to mitigate the effect of losses. The cookbook recommendations of “consultation” and “engagement” are not likely to generate much consensus or acceptance if the losses are sharply felt and concentrated. We can draw on the loss imposition and policy termination literature for a few more helpful techniques

that apply in the case of deep policy reform (Bauer & Knill, 2014; Jacobs, 2011; Pal & Weaver, 2003; Weaver, 1986). We concentrate here on the analytical component, the sort of calculations that would have to be made in the form of advice to decision-makers:

- Compensate losers for their material losses. The practical question is whether to compensate for the entirety of the loss, or some portion of it. Also, there is the question of legitimacy – whether losers can rally support, or whether they will be perceived as a whiney minority defending their specific privileges. The obvious political strategy for reformers is either a quiet, limited buy-off, or an attack on the losers’ claim for compensation for the rents they have enjoyed. Good cases are opening regulated taxi markets (being driven by such web-based services as Uber) and dismantling agricultural marketing boards.
- Spread losses over time. This has the liability of simply spreading the pain temporally, and avoiding the institutional and policy change that comes with a “big bang.” However, this connects to the goal of the “stickiness” of reforms. Sometimes the “stealth” introduction of losses over time can lead to gradual, almost invisible institutional change. Time sometimes can also buy legitimacy. The analytical questions are over the length of time, etc.
- Grandfathering to protect current beneficiaries of the status quo, and impose the pain on future entrants. Again, there are analytical demands on how to calibrate the mechanism, who to protect and for how long.

- Delegate the decision and implementation of loss imposition to better-insulated institutions like an appointed board or agency.

A somewhat delicate problem in sketching out a few of these strategies is that they imply a combination of both analytical and political skills. Our interest here is in policy capacity in terms of analytical capacity, but the reality is that in order to be truly effective this shades off into an appreciation of political dynamics, which are properly though not exclusively the domain of elected leaders. So, the analytical capacity for deep policy reform will come in the form of smart policy design, institutional reform, assessment of losses and benefits, and acknowledgement that there is a fluid political terrain of supporters and opponents that will have to be navigated and shaped by political leaders.¹¹ The political or leadership capacity for deep policy reform will build on these analytic contributions, but has a distinctive profile. Some examples (again, drawing on the same literature and IGO examples):

- Developing a mandate for change, typically through elections or some form decisive public consultation like a referendum. Major constitutional changes are often driven by referenda (e.g., the EU, various separatist movements). Major economic changes like free or more open trade, or currency unions, also often depend on elections or referenda.
- Coalition-building. Analytics can highlight who loses and who benefits, but part of the art of policy reform is to align and re-align the numbers so that

¹¹ This overlap between analytics and politics is accepted in the latest UK guides on policy-making advice for governmental policy professionals; see (HM Government, 2013a).

reform supporters win. This is more than just collecting votes, and can involve major and long-lasting political realignments (Gourevitch, 1986). A key, if ineffable, political skill is divining what an emergent coalition might be, such as “Reagan Democrats.”

- Heresthetics, or the ability to shape the terms of policy debate in order to build winning coalitions. This is extremely difficult to define, and falls into the “you know it when you see it” category. However, there is a mountain of work on the importance of framing, of language, and of persuasion in shaping policy perceptions, and hence coalitions (Dryzek & Niemeyer, 2010; Fischer & Forester, 1993; Hood, 2000; Perelman, 1982; Riker, 1986, 1996).

Wilson, in discussing different types of material losses, acknowledged that a sense of justice and equity is an important part of the equation since supporters of what appears to be an inequitable policy “must respond by either modifying its terms, changing the perception of its effects, justifying those effects, or inducing (perhaps corruptly) others to ignore those effects” (J. Q. Wilson, 1980: 367).

- A subset of heresthetics is important enough to warrant separate mention, and that is the definition and mobilization of “crisis.” We’ve noted earlier the link between deep policy reform and crisis, the on-going global financial crisis being the best case in point. Deep policy reform needs to break through encrusted institutions and past loss-avoiding opponents, and often the best way of justifying radical change and deep pain is that it is unavoidable due to

“crisis.” As Rahm Emanuel, President Obama’s former White House Chief of Staff, famously put it in 2009: “You never want a serious crisis to go to waste. And what I mean by that is an opportunity to do things you think you could not do before.” Of course, crises are not simply constructs, and not every crisis – not even the global financial crisis – will necessarily facilitate deep policy reform (G. Wilson, 2012).

Conclusion

The literature typically defines policy capacity as the ability to effectively analyze policy problems, develop reasonably good policy responses, and execute them efficiently and effectively. We argued that most of that literature assumes a “normal” policy-making environment, and has relatively anodyne recommendations on how to enhance capacity (e.g., better methods, training, personnel, resources). This paper took a different tack and tried to explore what policy capacity might mean in the context of deep policy change. Our model, outlined in Table 1, lists ten characteristics of deep policy change. We did not address in detail the nature of the problems that would generate a need for deep response, and this warrants further investigation. Clearly, the nature of “wicked” problems requires sophisticated analysis: big data techniques, causal modeling, marshalling vast amounts of different types of evidence, etc. These methodological skills are important, of course, but in this paper we addressed some of the less obvious analytical and political capacities that might be required for deep policy

reform beyond the phase of problem specification. In terms of analytical policy capacity, the key areas are a fine grasp of institutional structures and dynamics, an assessment of the distribution of losses and benefits, and policy designs to deal with the inevitable opposition to loss imposition. In terms of political policy capacity, the core skills are coalition-building and heresthetics (both in the sense of issue framing and of “fixing” institutional games and outcomes).

A final point about capacity is the idea of latency, that it is something that rests in reserve and that can be exercised when needed. This is more than a philosophical or etymological point. At any given point, we can assume that there is an equilibrium between government policy resources and societal demands. Policy problems (the set of *a, b, c...*) have been defined, and policy and program responses (a set of *x, y, z...*) have been developed and implemented. An example might be the health and income requirements for the population over the age of 65. But what happens when the problem matrix changes?¹² When the changes are trivial, the responses can simply mobilize existing capabilities. When the changes are non-trivial, or new and unexpected, an effective government should be able to draw on latent resources – capacities – that it did not need before but which are nonetheless available in some form to be actualized in practice.

This sense of capacity as a latent reservoir of ability has several implications that we will only mention here. First, more is not necessarily better. When a new problem

¹² We use the term “problem matrix” here since the change might not be in the population per se, but in the government’s fiscal position, or the economy, or some other related factor that impinges on the older population.

comes along, one response might be to add more resources to deal with it, but another might be to tap into the reservoir, and this applies both to analysis and to implementation. Second, the reservoir or “reserve” capacity does not, in most cases, simply “exist.” Olympic athletes, for example, clearly are stronger and faster than most of us, but they win medals on the basis of relentless and continuous training that shapes and nurtures a reservoir of ability that can be drawn upon in competition. Third, that reservoir is maximized when it is deliberately rather than randomly deployed. To use the Olympic metaphor again, the athlete will certainly be able to draw on reserves at short notice, but knowing when the competition is about to take place (“game day”) allows mental preparation and deeper engagement with latent ability.

How does this translate into policy capacity? The “more is not better” idea suggests that governments should look beyond their own internal resources for policy capacity, in both analysis and implementation. Internal resources are fine for normal policy-making, but change and turbulence may require the rapid scaling, leveraging and networking of external resources. For example, in implementation it might suggest the capacity of the third sector to support policy implementation in new fields or in response to new needs (Phillips & Smith, 2010), or as partners in regulatory governance (Cashore, Auld, & Newsom, 2004; Deaton, 2004). In analysis, it might mean fostering and supporting policy research networks in universities and think tanks, or commissioning policy advice on big problems (Abelson, 2002; Inwood & Johns, 2014; Stone, Denham, & Garnett, 1998).

The idea of constant training to develop capacity of course translates into the usual and fairly obvious recommendation for better education and higher qualifications for policy analysts. A less obvious implication is the idea of experimentation and “testing” – of providing opportunities to stretch and think in new, unencumbered and innovative ways. The use of external research networks mentioned above can help, but the pressing need is inside government. The UK Civil Service initiative around building policy capacity through “Policy Labs” is instructive: “Departments would be able to access a creative space where policy teams could draw on techniques such as design-based thinking and ethnography to approach policy problems in a new way. Innovation has consistently been identified as a weakness in the Civil Service’s approach to policy making. The Policy Lab will seek to address this by being modelled on successful similar initiatives from Scandinavia including MindLab in Denmark and Sitra in Finland” (HM Government, 2013b: 14).

In the policy world, deliberate application translates into strategic foresight and agility. It means a reasonable and thoughtful degree of environmental scanning and analysis (embedded in the appropriate institutions – not an easy thing) that can flag issues with sufficient warning that reservoirs of analytical strength can be marshalled as needed. Of course, the last refuge of every armchair critic is that government should be more “strategic.” It’s usually unclear what that means beyond platitudes, but we do have examples of governments that have tried to institutionalize a mechanism of “strategic foresight,” organized through a hierarchy of units conducting early warning, trends analysis, and foresight units (Kuosa, 2012). And the idea of “strategic agility”

(Doz & Kosonen, 2008) has been used by the OECD to assess the quality of governance systems (OECD, 2010c).

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