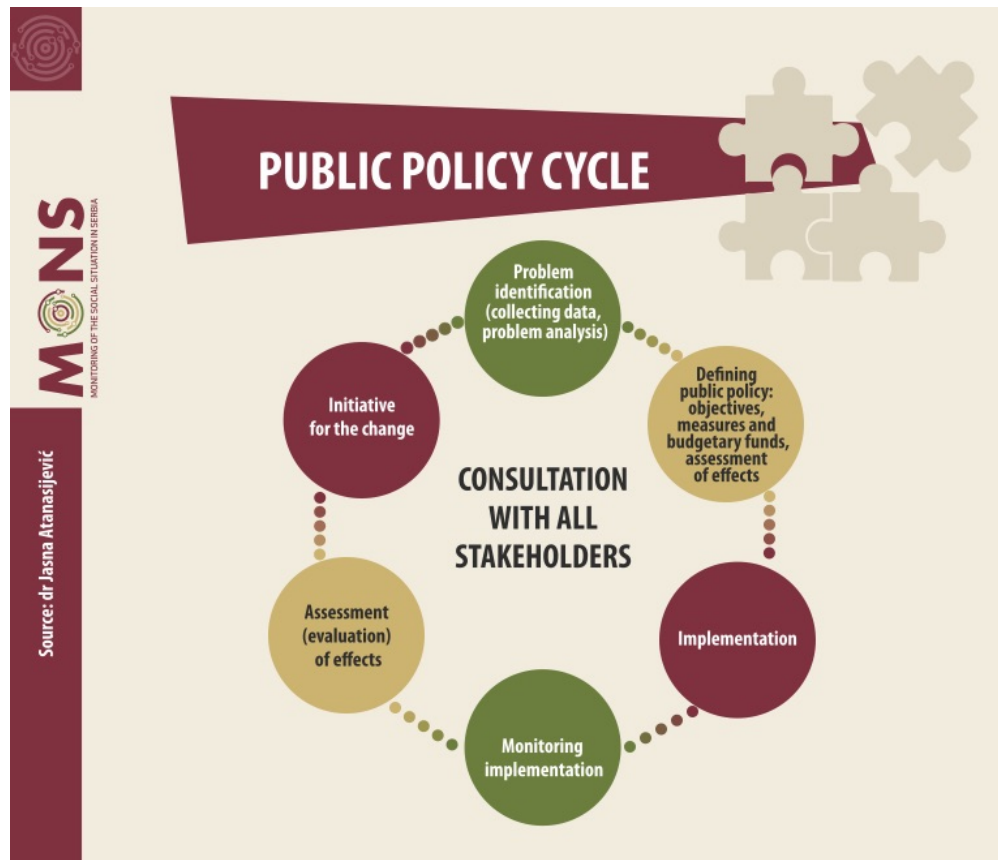


What do we mean when we say „Public policy making“?

Evidence based policy making is one of the cornerstones of the democratic political system. As a rule, the decisions regarding the improvement of the quality of life and solving certain problems important for the entire society are not the simple ones. They may refer to the air pollution in large cities, to the provision of adequate care for the growing number of elderly population, the improvement of the quality of education so that the graduate students would have better chances of engaging in the economic life, the provision of sufficient number of available kindergarten places so that the parents could go to work, the improvement of the technological equipment of both the society and the economy in order to increase the productivity and avoid so-called middle development level trap etc. In each of these cases similar principles may be applied in the decision-making process, as well as in the process of solving specific problems, in order to achieve the desired effect. Those principles shall be described below, as well as the way they are systematically and spontaneously applied in Serbia.

Public policy making is generally defined as the circular process - so-called public policy cycle which runs continuously.



Each intervention in the field of public policies starts with someone's **initiative**. It may be the initiative undertaken by the politicians in power, the citizens' appeal or a regular activity done by employees in the state administration in charge of the improvement of the conditions in certain areas of public concern (for example, public transport, public health, employment, environment).

In reality, budgetary funds are always limited, whereas the needs are numerous. In order to avoid spontaneous and disorganized solving of problems of public interest concerning a large number of citizens, the public policy cycle concept primarily requires proper **identification of the problem**. In doing so, public policy makers tend to consider the opinions of all the groups affected by the problem (**stakeholders**), as well as to understand the causes of the problem. It is important to collect all necessary data by applying various research methods. All available knowledge shall be used in those analyses for the purpose of better understanding of the causes of problems, as well as the basis for possible state intervention in solving the problems. Previously conducted empirical research and analyses shall be used, as well as the theories from various fields - from economics, through sociology, to, for example, psychology. The information on the problem is collected from various stakeholders and the discussion is led in order to consider the need for the intervention and the effects of some future measures. This **consultation** process should continue throughout the entire "cycle". However, it is clear that in practice it requires a lot of resources - time, people, knowledge and skills - as well as the appropriate exchange of opinions, negotiation and collectiveness. Naturally, the media play an important role, so that the best-quality consultations would be carried out and reached to the largest possible number of citizens.

The next step is **defining public policy**. The first thing to do is setting up realistic objectives for the certain period, usually for several years (for example - the 50% reduction of the average annual content of PM particles in the air, from 30 to 15 in the next five years). Then the measures should be determined for eliminating the causes of the problem. It is also essential to allocate budgetary funds, since each intervention costs a certain amount of money. It applies to the interventions that introduce:

- **regulation** of certain area (e.g. the prohibition of using tyres and various garbage in private furnaces, as well as the obligation of controlled purchase of energy products),
- **incentives** (e.g. introducing subsidies for the switching of households to the district heating system) or
- **education** which encourages behaviour in compliance with the aim of reducing the pollution (promotion of cycling and using public transportation instead of one's own car, turning off the engine while waiting at the traffic light or in case of congestion etc.).

During the defining of public policy, very often there are **multiple options** and it is necessary to consider them adequately. One of the possible options is not to take any actions at all! The important factor for the selection of measures is the evaluation of the effects, since it is advisable to choose that type of intervention which provides maximum results with minimum resources. That would be the economic criterion for decision-making. However, things often get complicated, because the economic criterion is not always the prevailing one, it is also important to take into consideration the criterion of

justice or solidarity. Nevertheless, considering that the budgetary resources are limited, economic criteria are almost always part of the decision.

Public policies are usually formulated in terms of so-called public policy documents. These are usually the most common strategies adopted by the Government, and programmes and development plans of local self-governments adopted by local assemblies. During the realization period it is desirable to **monitor the implementation**, by data collection and regular reporting. As a rule, this is done by state administration employees, but non-governmental organizations can also be engaged in that activity. During the implementation, and certainly upon the expiry of specific public policy, i.e. strategy, the good practice requires **assessment or evaluation** of (the effects of) the public policy. Thus it is estimated whether the intervention has been successful. At the same time this represents the basis for the action in the next period. The good practice requires evaluation to be carried out by an independent authority, and not the state administration which has been in charge of the implementation of the particular strategy.

Thus described process of public policy-making guarantees that all possible analyses have been carried out in order to reduce the uncertainty and the possibility of error, as well as to maximize the effects of the use of the limited budgetary funds intended for the needs of the society. It is accomplished by selecting the measures with the greatest effects in comparison with various alternatives, and those effects are previously evaluated by using all available analytical methods and all necessary data. In practice, however, public policy-making does not always happen in thus described “process” or “linear” way, step by step. In other words, not all the decisions in the public policy domain are made based on these methodologically “ideal” principles. Many reasons affect the fact that this ideal process is not followed in practice. Some decisions have to be made fast. Others are “under a veil of secrecy” due to political interests and are not desirable to be revealed in order to avoid potential public opposition. Finally, this framework is also very “expensive”, since it requires both resources and appropriate expertise.

Nevertheless, this methodological framework is adequate for presenting the desirable way of making decisions and the good practice in the developed countries, particularly when it comes to important (and expensive) decisions. In less developed countries, such as Serbia, this framework represents the direction of the reforms implemented within the state administration.

Public policy-making cycle also represents a logical result of the evolution of the state planning which previously - in the post-war years, when the state systematically began to take care of providing common needs, was far less participatory, more centralized and directional, whereas the solutions were simpler and more universal with different countries taken into consideration (connections to the water supply system, electricity and district heating system were enabled, the entire population was included into the system of education and health insurance, the market competition was protected by the implementation of anti-monopoly measures, the employees were insured against the unemployment in order to be entitled to compensation and the assistance in job search etc.). In today's globalized social life, the changes are more frequent, new problems occur on a daily basis, and we are more and more confronted with the limitations in

terms of certain important resources. Hence there is a necessity for prioritization of the use of limited budgetary funds, as well as finding new solutions and better understanding of problems, so they could be solved by the state intervention.

The problems themselves are becoming more and more complex, with no unambiguous solution and with a lot of different, usually contradictory, effects on social groups and existing interests. For example, in order to solve the problem of extremely polluted air, first it is necessary to determine the source of pollution. Once the major pollutants are determined, it is necessary to come up with the measure or the package of measures for removing the causes of pollution. However, if various materials from the garbage are used for heating by the poorest citizens, the usual solution - regulation, i.e. the prohibition of such behaviour - shall only deepen the existential problems of these households. In that context, it is necessary to create appropriate incentives for the connection to the district heating, at the same time ensuring that these households are adequately covered by some of the social protection programmes. Additionally, such a measure causes the new cost to the local self-government or the republic budget, so it is necessary to assess new expenditures, to provide budgetary funds (which may refer to the need for additional indebtedness or the reduction of some other budget line).

Furthermore, sometimes it is necessary to change the regulation in order to assign the right to assistance to a certain category of households. The change of regulations has its own methodology and procedure. If the source of pollution from huge industrial plant is equally large, it may be necessary to introduce greater environmental compensation for that category of polluters which do not own appropriate modern technology such as filters for the purification of gasses from the plant. New levies will certainly encounter the disapproval of these companies, and if introduced, they will impose the need for savings on some other costs or for increasing the price of products, which might lead to the decrease of export and the reduction of employment in these companies.

It is clear that during the entire process - from the analysis, through the elaboration of specific measures and the assessment of their effects, to the change of regulations - it is necessary to establish intensive communication with all various groups (households, companies, local authorities, specialized agencies, associations etc.) in order to collect, along with official data, as much information as possible on the specific problem and the effects of the solution. Simultaneously, this can forestall decisions which might cause even stronger disapproval of certain social groups. The same is true for other numerous problems - e.g. digital platforms for public transportation which encounter the disapproval of the existing taxi drivers, at the same time encountering the approval of the public users. There is also the problem of unemployment or the problem of the lack of appropriate qualifications in people seeking for a job at the labour market, as well the problem of emigration of the educated population. These problems are also called "malignant" or "wicked" problems. It is clear that they require special approach, critical observation skills, interdisciplinary analytical efforts, communication skills, negotiation skills, as well as creativity in terms of finding solutions and flexibility for possible subsequent reaction.

It is clear from the above that public policies are everyday topics for good reasons, and that they refer to all citizens in one society. However, since we live in the market-oriented economy with the government still significantly participating in the economy (in

the unfinished privatization of former social, and nowadays government property and in the unimplemented reorganization of large public enterprises), it is important to clarify the basis for the existence of public policies, i.e. engagement of the government in terms of the needs of the society. In other words, it is important to understand the criteria based on which we know when we are in the need of public policies, and when there is another or a better solution for the specific problem.

From the point of view of the economic theory, the need for the existence of a public policy is explained by the situation when the free market does not provide for economically more efficient outcome for the entire society. In such situations, we say that there are market imperfections, which means that the spontaneous market activity (private production and trade under the influence of the "market competition") could not meet the particular social need. In such cases, according to the criterion of economic efficiency, the government intervention shall be considered a justified way of compensation for the market imperfection.

These are the typical situations, i.e. market imperfections.

1. When the private production and trade might affect third parties and it is not even their own decision. These are so-called positive and negative externalities. For example, if someone hires private security, all the tenants and residents of that particular neighbourhood shall enjoy the benefits (just like stowaways). This is why such a service would not be beneficial both to a buyer and a sender, and it would not be offered at all. These economic arguments serve as an explanation and the proof that the defence and the security are public goods
2. The next typical case is when buyers and sellers are not equally informed about the subject of the trade, or if the realization of a contract goes beyond the knowledge of one party, i.e. in case of so-called information asymmetry. For example, medicine users do not have the same expertise as manufacturers and sellers, so they are not able to rely on the available information when they make a decision related to the application. That is why there is an obligatory medicine registration with the competent state authority, as well as the public policy in this area which protects the users by defining necessary information that the seller has to emphasize during the sale. The same applies to certain food products and, for example, to financial services.
3. When on one side of the market there is a considerable market power, i.e. a monopoly. Such a situation requires the public policy which would protect the market competition and prevent the abuse of the monopoly position.

However, in practice, economic criteria are not always the ones to determine whether the government is going to implement public policy in certain area of social life. There are also other criteria crucial in defining something as the private interest. These refer to some other social values. For example, since the market can lead to the distribution of wealth in the society which might be considered unfair, the appropriate social policy and taxation shall be used for redistribution. In that way, the affected members of society are protected based on the principles of justice and solidarity, and the fair access to certain goods and services is provided (for example, the access to free education, regardless of the material status).

Finally, in practice, various decisions and acts define something as the public interest, so it shall be subjected to the state intervention. Such decisions might be the result of advocating and lobbying of various social groups with more or less justified arguments. The closing statement regarding whether there will be a public policy in a particular case shall be given by the politicians, of course, who at the same time bear political responsibility for the results in terms of the quality of life of citizens.

The author: **Jasna Atanasijević**, PhD, assistant professor at the Department of Mathematics and Informatics of the Faculty of Sciences, University of Novi Sad
