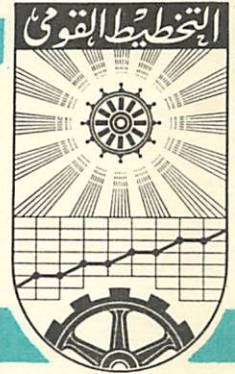


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REGIONAL ECONOMIC PLANNING

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1- What is regional planning ?

Regional planning is one of three dimensions which must be taken into consideration by the plan makers in planning for the development of resources in a country for the sake of reducing inequalities which may exist between its various regions. Thus regional planning is a dimension of planning which takes into consideration space and location factors.

Besides space and location dimension in planning the two other dimensions which a plan-maker considers in planning are the time dimension and the size of development dimension.

The importance of the time dimension stems from the fact that both short-term and long-term objectives of the plan compete simultaneously for existing resources. Such competition needs from the plan-maker to allocate these resources properly with regard to time. Besides, achievement of development with the help of applying new technology increases the time lag between decision-making and the maturity of investment.

The size of the development effort is the factor which determines the speed and intensity of the national development. Material⁽¹⁾ and non-material incentives are important considerations in this respect.

(1) population growth, natural endowment of resources, institutional set-up for management and development, level of labour and capital productivity, possible re-adjustments in consumption patterns.

2. Regional planning in advanced and under developed countries

The context of regional planning differs according to the stage of development a country has achieved.

In advanced countries there was no need for regional planning before the existence of federal and central governments in these countries. Before that time, local governments in states, countries, cities and districts used to be independent jurisdictions socially, financially and in developmental fields. This system of decentralized authority served its purpose well until federal and central governments came into existence. When federal governments started to rule they extended their national policies related to defence, financial management and foreign policies to the various regions of the countries. The result of federal actions was reflected in the form of advantages in some regions and disadvantages in others and so inequalities between various regions came into the picture in front of the planners.

Besides federal effects, the development of the transport system between various regions combined with the obsolescence of old industries in some highly urbanized areas led to the escape of investments from these areas to new centers. Such development was reflected in old areas in the form of poverty and unemployment and in the form of gold rush prosperity in the new centers. Accordingly the need for local decision mechanism both in old and new areas became necessary.

Thus the need for regional planning in advanced countries came to be considered an urgent problem both in national policies and in regional development efforts as a result of inequalities caused by central administration and developments of some economic conditions.

In underdeveloped countries regional planning is needed to overcome the administrative difficulties in the implementation stage of the plan to meet the local requirements. Decentralization of the planning process is important in underdeveloped countries because the development movement in such countries is normally guided by public action and hence is heavily biased by the central machinery in the capital.

In poor countries inequalities in development potential of different regions can be a serious problem especially if there are political, cultural, ethetical or social differences between different regions.

However and inspite of these differences regional plans are required in both advanced and underdeveloped countries to obtain a better fitting between local authority structures and development activities motivated mainly by technological and external effects. Conflicts between regions in planning or between regions and the nation as a whole must be solved through suitable procedures.

In both advanced and underdeveloped countries regional plans, aiming at the reduction of inequalities between various regions, have a cost in the short term, which must be paid by the whole community. This social cost is considered to be necessary as a price for internal peace and social cohesion.

3. Integration of regional and national plans

Integration of regional and national plans is necessary for planning analytical purposes. The importance of this point can be seen clearly when the regional authorities, for example, decides on the size of a plant to be constructed in a certain region. In taking such a decision regional plan-makers naturally must think of the economics of large scale production. Unless the economic development plan of the country and of each of its regions allows bigger demand on the products of this regional plant the choice of a smaller size for the plant which just depends on regional demand will not be economically efficient and costs of production will not be feasible. This means that the greater precision in estimating markets which results from a consistent set of economic development plans of a national state and of each of its regions is very advantageous in achieving lowest Unit-cost operations and in conserving capital.

The previous example points out the desirable results which flow from the integration of national and regional planning. Still another aspect of the desirability of intergrating regional and national planning may be seen from the stand point of the national state.

It relates to the choices the state must make in allocating scarce capital and resources among regions and projects. For example, a multi-purpose river valley development may promise tremendous gains, yet it clearly involves government investment regardless of the river valley and region considered. So do more modest undertakings involving the construction of dams for irrigation and electric generation. And even a plant necessary to make the cement for the construction of dams and other public facilities may depend on government expenditures.

The possibilities for such enterprises in the numerous producing sectors of an economy and in the several regions of the nation are many. The government must not only select from among different types of undertakings. It must also select among locations and plans and thus regions for these development projects on the basis perhaps of agreed-upon methods and procedures of estimating social and economic benefits and costs of all sorts. To do this effectively, national state economic development plans and programmes must heavily rely on the details of regional economic development plans and programmes. Where adequate regional economic development plans and programmes are lacking, the likelihood of success of national economic development programmes is decreased and the overall gains from national investments are reduced. Hence the nation suffers, and since each region is part of the nation in general the region suffers too.

If we look to the benefits to be gained from integrating regional and urban planning and hence national and urban planning we find that a sound economic development programme for a region where a plant is constructed-should take into account the numerous stimulating forces which will come from the new plant. Certain activities using the products of the plant directly and indirectly as inputs may agglomerate around the plant. This localization of industrial activities in turn sets in motion urbanization forces. Such forces can import further stimulus to industrialization, provided they are properly harnessed.

In addition, sound urban planning has one other positive feature. It is becoming widely recognized that for many industries a high level of urban services and an efficient urban plan are important location factors, important because they can significantly lower costs of production and distribution, and raise the productivity of various enterprises. In this way far-sighted urban planning can provide major stimulus to economic growth and increases in welfare.

These statements coupled with the fact that according to best estimates the urbanization process absorbs for social overhead purposes roughly 25-30 percent of all national capital investment and roughly another 20-25 percent for housing make crystal clear the importance of wise urban planning in both regional and national economic development programmes.

Other elements involving the interrelation of national, regional and urban programmes are significant to the economic growth process. People live in specific localities. In these localities most of them find their incentives. A small number are also motivated in terms of and by the larger regional community and find additional incentives in the social, economic and political structure of that community. And a very few, relatively speaking, have still broader contacts, their behaviour is conditioned by forces and processes related to the national state. Sound economic development plans and programmes involve productive contributions from people in each of these categories and thus involve the proper motivation of people with all different kinds of perspectives and horizons.

4- Basic problems of regions in the process of economic development.

Comprehensive and efficient schemes of regional economic development must involve co-ordinating complementary actions embracing all the activities of the region in all economic, social, demographic and human fields.

This global approach means that the agencies responsible for economic development must have

1) an appropriate legal structure during the preparatory period and during the implementation of the scheme.

2) rationally organized executive services.

3) special methods of financing.

a) Legal structures of regional economic
development agencies

Studies⁽¹⁾ during the preparatory period of the plan can be made by commissions which can be established for this purpose. These commissions can set up working parties to examine the different aspects of the problem or call in the services of expert or specialized firms of consultants.

These commissions may be official boards appointed by the public authorities, or free associations of citizens having no particular legal form.

They usually draw up reports which propose ways and means of dealing with the problems arising, and prepare the way for the creation of agencies to put the plan into practice.

(1) Such studies involve :-

a) an analysis of the constituent elements of the region, its demographic, economic and social situation and the problems arising there from

b) drawing up a plan indicating the objectives and main lines of action.

c) programmes for carrying out the plan by stages according to an order of priority.

d) technical and economic projects for implementing these programmes.

Besides commissions, study companies in the form of private or commercial companies can be set up to work out these plans and programmes and to establish technical projects for the works to be carried out.

According to the results of their studies and the consequent division of labour, these companies will either be wound up or will be converted into permanent executive bodies. In this case such companies will acquire rights over the plans and projects prepared by them in return for taking over the expenditure committed for this purpose.

Execution of the plan requires the formation of the bodies responsible for carrying out the plan. Here distinction must be made between economic development works undertaken as part of a single major project⁽²⁾ and economic development works consisting of a large number of projects and activities in various fields.

(1) Formed under the civil law.

(2) such as improvement of a river and river basin, or improvement of a large scale irrigation and land development system.

When the economic development of a region is based on a major work⁽¹⁾, the general economic development of the region must be in the hands of the body responsible for this major work in order to maintain a permanent relation between technical investments and their economic exploitation and to modify these two factors flexibly according to the lessons of day-to-day experience. Also to avoid too great disparity between the scale of the works and the use to which they are put i.e. to save intermediate charges and ensure full employment and maximum profitability of technical investments.

The nature of this single body responsible for the general economic development of the region differs according to needs and also according to the spirit of the laws and customs of each country. This body can be the state, a state institution⁽²⁾ a mixed company⁽³⁾, a body set up by an association of local authorities or individuals according to regulations periscribed by law and made responsible for the execution and management of improvement works by a

(1) A major work which has an influence in moulding the future of the region that the entire development plan is conceived and carried out around that work.

(2) independantly administered and financed, but managed by government officials under a special decision of the government.

(3) A combination of representatives of the state and local authorities together with private representatives.

government decision, or by a private company which holds a concession⁽¹⁾ granted by the state or some other public authority. In most cases, this system implies that ownership of the development works shall revert to the state on expiry of the concession.

When the economic development of the region is based on a large number of different activities scattered over various fields of economic and social activities the agency responsible for economic development must not be an executive body but a co-ordinating one. Its function now must concentrate on bringing together the various projects and activities which contribute to economic development. Such co-ordinating bodies can be co-ordinating institutions,⁽²⁾ management boards⁽³⁾ or co-ordinating committees⁽⁴⁾ for economic development.

(1) the concession implies the existence of specifications and conditions which lay down the main lines for the execution of the plan, such as the concession holder's obligations towards the government and the conditions for governmental intervention in the preparation, use and future ownership of the development works.

(2) Whose functions are to draw up the programme of action, to make sure that it is carried out by various competent bodies and to administer the budget and finance various activities carried out by executive bodies.

(3) Whose functions are, the proposition of plans and programmes for government approval, and to supervise execution.

(4) Its function is merely consultative.

It seems that the first formula is the only suitable one for quickly and effectively carrying out the work of economic development.

2. Administrative operation of regional
economic development agencies

Economic development, in whatever form it is applied necessarily involves three distinct kinds of problems technical problems, economic problems, administrative and financial problems.

The administrative methods applied by the agencies must necessarily be defined in relation to this fact, though they will be adopted to the special needs of each specific case.

An economic development agency consists normally of a council or board of management⁽¹⁾, a general directorate⁽²⁾ and special directorates⁽³⁾. This corresponds more particularly to the assumption of an economic development undertaking centered upon a major technical work.

(1) The board of management acts like the board of management of any public or private body.

(2) The general directorate is the body responsible for carrying out the decisions of the council

(3) Technical, economic and administrative financial directorates.