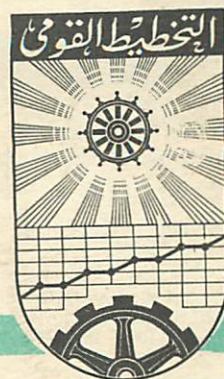


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A SYSTEMS APPROACH

TO TERRITORIALY

ORGANIZED

MANAGEMENT

PART TWO

By

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A SYSTEMS APPROACH
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ORGANIZED PLANNING
AND MANAGEMENT

PART TWO
SOME PROBLEMS OF
APPLICATION

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1. Sectorial and Territorial Aspect-Two Main Aspects in Management Systems Organisation.

Any socialist state has to perform three fundamental functions :

- the economic - organizational function.
- the cultural - educational function and
- the external and internal safeguarding function.

All three of them are of course closely linked, supplementing and very often even penetrating each other¹⁾ but nevertheless each of them provides the main aspect of the organization of specialized management and planning institutions.

In this study it is mainly the first, the economic organizational function we are interested in, though due to the mentioned interrelationship the other two cannot be neglected completely.

The economic - organizational function of the state is of utmost and growing importance in a socialist society where the state as the broadest mass organization of the people holds all the essential means of production and therefore bears the responsibility, that they are utilized to the people's interest.

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- 1) To give only a few examples. Socialist consciousness as a result of education (cultural-educational function) will find its expression in high working discipline, in striving for mastership in one's work, and in active participation in planning and management i.e. features significant for economic development.
- The safeguarding function of the state will provide certain constraints for the development of infrastructure or the spatial distribution of industries.
- On the other hand influences the development of socialist personalities their behaviour as consumers i.e. education shapes to a certain degree the demand structure for goods and services.

In every socialist revolution, after the proletariat has solved the problem of capturing power... there necessarily comes to the forefront the fundamental task of creating a social system superior to capitalism, namely raising the productivity of labour, connection (and for this purpose) securing better organization of labour¹⁾ wrote Lenin shortly after the Great October Revolution and this holds still true in the contemporary world. To bring about this is in fact the hard core of the economic-organization function²⁾.

Economic activity is this fundamental activity without which society would simply cease to exist, and which is the precondition for all other types of activities.

This attaches also a distinguished role to the economic-organizational function of the state because in many regards the economic performance is decisive how successful the other two functions can be implemented.

1) V.I. Lenin, Selected Works in Three Volumes, Progress Publishers Moscow 1970, Vol. 2, P. 661.

2) J. Bognar (Economic Policy and Planning in Developing Countries Akademiai Kiado, Budapest 1969, P. 457) expresses the importance of the economic function as follows:
"We have made it clear several times that in the long run the a government or regime is decided by the content and of its economic conception. In the short run it is conceivable that a government possessing the confidence of the masses maintain its power even under extremely adverse economic conditions (when, for instance there is a threat to the existence of the nation). But this is only possible because the masses are convinced that when the outer menace is eliminated or substantially reduced, the government will be able to continue a successful economic policy.
The fate and future of every high political leadership or leader depend on whether it is able to solve the decisive task facing the nation-that is, achieve economic growth".

Thus it is understandable, that the strengthening of the economic role of the socialist state and its specialized planning and management institutions is a key issue in all socialist countries receiving the continuous attention of the Workers Parties as well as of the other organizations of the people.

And this makes it understandable too, that this economic-organizational function is one of the most common targets of attacks from bourgeois critics of socialism. Those critics very often argue that the economic system of socialism is "overcentralized" and that only the weakening or even abolishment of directive central planning and management and the introduction of "market socialism" could, cure the "inefficiency of the socialist economy".¹⁾ To follow this advice would mean to abandon the most powerful instrument to direct economic and social development and in the long run to undermine the foundations of socialism itself and to return to the social inefficiency that the capitalist economies demonstrate nowadays so obviously.

As discussed in Part One the system (subject) of management has to reflect its object. Since the modern economy is

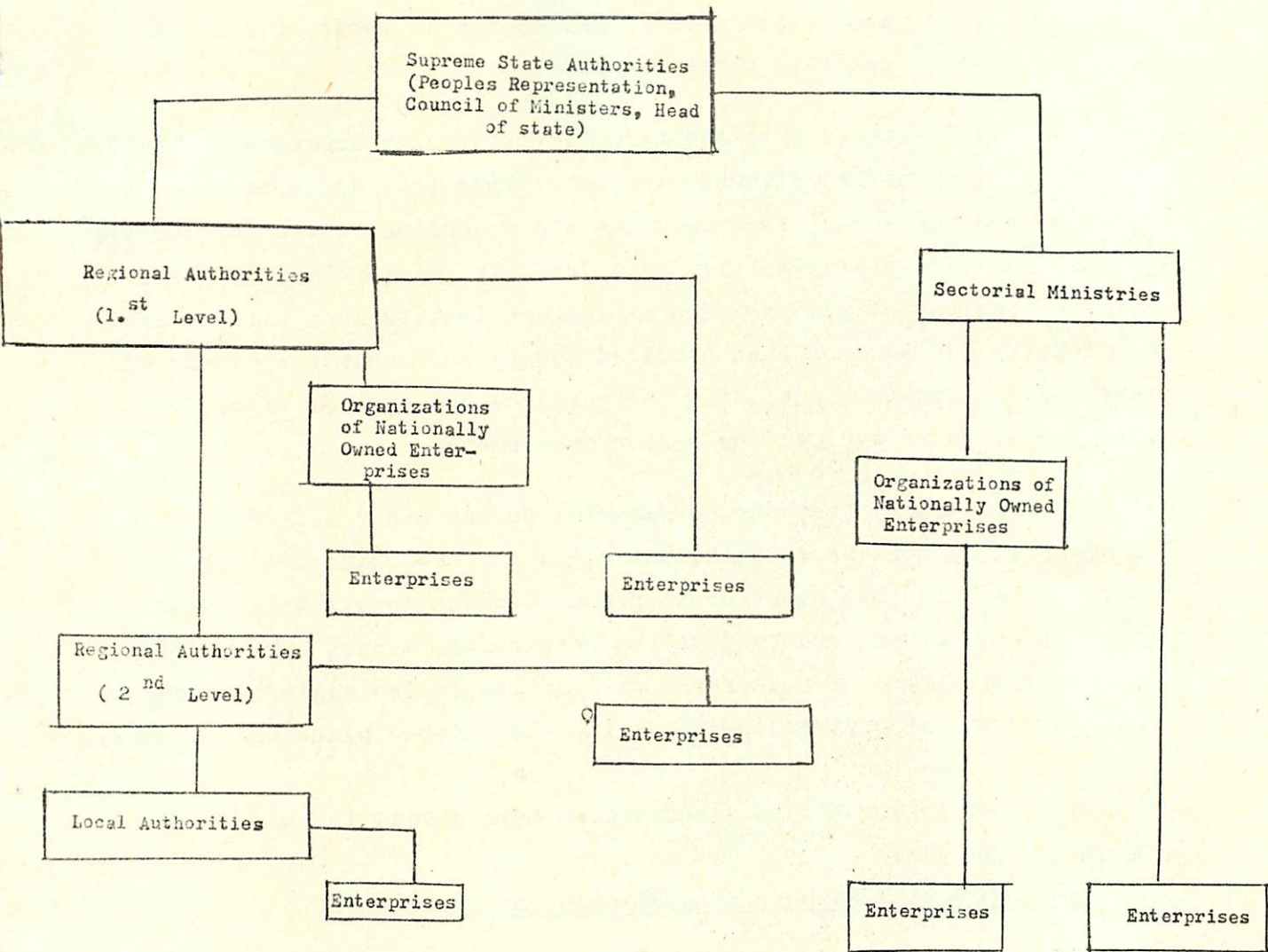
1) Compare for instance : A. Schick, Konvergenz von Zentralverwaltungswirtschaft und Marktwirtschaft. Eine Erörterung am Beispiel der Bundesrepublik, Jugoslawiens und der DDR in : Aussprache, Bonn-Bad Godesberg 21. Jahrg, 1971; C. Seidel, Theorie, Modelle und Methoden der zentralen Planwirtschaft. Eine Einführung, Westberlin 1971, K.P. Hensel, Der Zwang zum wirtschaftspolitischen Experiment in zentral gelenkten wirtschaften, in : Jahrbuch für Nationalökonomie und Statistik, Bd. 104, Stuttgart 1970.

one of labour division two of its principal aspects, the sectorial and territorial one, provide the fundamental framework for the social organization of economic management and planning. Picture 1 shows a management set - up that is with certain variations applied in the socialist countries and developing countries with a considerable nationalised sector too. It is characterized by two lines of management. The first one is organized on the basis of labour division among sectors according to the principles discussed in Part I, Chapter 4.2. The second one subdivides the entire country into a hierarchy of administrative-territorial units.

But that sectorial and territorial aspects provide the organizational guideline to set up the management hierarchy does not mean, that the institutions in the respective lines are concerned only with their particular aspect. As we found in Part I decisions and management activities are to the greater part complex and have to observe various aspects of social life.

That is the reason why we put this paper under the heading territorially organized planning and management instead of territorial (regional) planning and management. The first of the two notions describes a management principle, the second one an aspect and the contents of them is differing considerably. Territorial (regional) planning, which was the subject of several of my earlier Memos,¹⁾ is concerned with the spatial organization of society and in particular its economy, i.e. with the spatial aspect of social and economic development. In this sense it is a task of

1) Compare INP Memos 1053 (1973) 1070 Part One (1974) , 1070 Part Two (1975) , 370 (1974) , 443 (1975).



Picture 1: Hierarchy of Economic Management (Simplified)

all planning and management authorities as far as their decisions and actions bear spatial consequences.

Opposite to this the term "territorially organized planning and management" comprehends the activities in a definite line of planning and management that is organised according to the territorial principle, i.e. the activities of a definite hierarchy of administrative-territorial planning and management institutions with an array of tasks far broader than provided for by the subject-matter of territorial planning, including the guidance and control of enterprises i.e. tasks typical for sector management.

The fact, that the territorial or any other aspect has to be observed by various institutions calls for co-ordination among them. As a rule this function is given to those institutions that are organized in accordance with the respective aspect e.g. territorial co-ordination of resource-utilization to the regional authorities or the respective department in the central planning authority.

But this will be discussed in more detail in one of the following chapters.

2. The Territorial Principle in Planning and Management:

The regional subdivision of certain functions of government has an age-long history. The nomes, topoi and komai (as the Greek called them) of Ancient Egypt, the provinces of the Roman Empire, the kingdoms, counties, bishoprics etc. of the Holy Roman Empire or the governorates of Tsarist Russia are only a few examples.

But only in rare cases were economic factors playing a significant role in the development of this administrative-territorial

structure due to the weakness of the economic function in comparison with the other functions of those states.

Among the exceptions from this rule one could mention the ancient oriental states, where the natural conditions forced the governments to organize such life necessary public works as the construction and maintenance of the irrigation systems¹⁾.

But nevertheless whatever the factors were that caused the administrative-territorial division of the various countries in the past, there is one feed-back effect, that can be traced in any country with varying strength. Once established the administrative division becomes an economic factor exercising its influence upon further development, the power of this impact depends to a large extent upon the real power given to the regional units. The more powerful the regional and local administrations are i.e. the higher their share in the total power the state possesses and in the resources it commands, the greater is their capability to shape the economy of their region, to the good or to the worse.

Hence it becomes obvious that the division of resources, responsibility and labour between the central government and the regional and local levels is of great importance for the efficiency of economic policy. This is in particular so under socialist conditions where the state is the prime organizer of the economy and the holder of the essential resources;

1) Compare: K. Marx, The British Rule in India in K. Marx F. Engels, Selected Works in three Volumes, Progress Publishers, Moscow 1969, Vol. One, P. 488.

Therefore to shape the administrative-territorial hierarchy means simultancously to define the labour division between the various levels of government . Whether a certain administrative division of the country is efficient or not depends in many cases much more on the correspondence of the functions assigned to each level with the potential¹⁾ at its disposal, than on the actual number of levels, the exact configuration of the boundaries etc.

To keep this in mind is important because deviations from this correspondence may hamper the efficiency of the entire planning and management system seriously. To underestimate the regional and local levels means that the central government overburdens²⁾ itself with problems which could be decided right on the spot normally in a much less bureaucratic and therefore timesaving and cheaper way and even with a higher quality, based on the knowledge and the cooperation of the local people. Beside this the central government could concentrate its activities on the strategical problems which can only be decided on a nationwide scale .

On the opposite, to entrust the regional authorities, with rights and duties, which can only be exercised efficiently in a wider scope than these authorities have at their disposal bears the danger that the problems concerned are either not solved at all or only in a quite unsatisfactory manner, if one evaluates the solution under an overall national economic point of view.

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- 1) Potential is here applied in a very broad sense comprising not only the economic potential but such factors as decision power, qualification of management staff etc.too .
 - 2) Remember the case of the army commander that we discussed in Part One, Chapter 2.

Hence it is the question of "proper areal division of governmental power" (Paul Ylvisaker) that has to be answered, i.e. the question what has to be planned and managed on central level, what can or even must be done on regional or local level i.e. what are the appropriate levels to assign certain tasks to. There is of course no answer that would be valid everywhere and at all times but each country has to find the solution according to its specific conditions during a given period of its development. Theory and practical experience from various countries provide however, a considerable host of knowledge that may serve for guidance.

The basic principle according to which any socialist management hierarchy is organized is - as already pointed out in Part One - the principle of democratic centralism. This is of course also valid for the territorial - administrative hierarchy. This principle asks for the combination of central state planning and management of the basic issues of social development with the individual responsibility of the regional and local authorities and enterprises and with the initiative of the working people.

Central, regional and local authorities are part and parcel of one socio-political entity, the socialist state, set up to serve the welfare of the people. ¹⁾

1) As an example, that is representative for all the European socialist countries we quote Article 4 of the G.D.R.'s Constitution: "All power serves the welfare of the people. It ensures a peaceful life, protects socialist society and guarantees a socialist way of life for the citizens, the free development of man, the preservation of human dignity, and guarantees the rights stipulated in this Constitution."

The supreme institutions on all levels of government (central, regional, local) are the democratically elected popular representative bodies, all other state institutions on the respective levels are subordinated to them, thus guaranteeing democracy? This guarantee is further strengthened by the stipulation that all deputies are during their entire time of service responsible to their electorate and that any deputy who grossly infringes his duties can be recalled by his electors. ¹⁾ Hence the people holds truly the power, not only on election - day.

As members of the socialist state the popular representations of the territorial - administrative units and their organs are responsible for the elaboration and implementation of the state's policy within their territory.

But in order to be able to hold them responsible it is necessary to define properly what their responsibilities are. This is another aspect of the principle of democratic centralism, strongly backed by experience ; Only if the duties and the rights of the various government institutions on all levels are clearly

1) This is another difference between socialist and capitalist states. In capitalist countries it is considered "democratic" that deputies who are elected on the understanding, that they carry out a certain programme, should not be bound by their pledges or by instructions given by the electorate but should solely follow the dictates of their own-sometimes very elastic-consciences. Thus it happens again and again that deputies once elected forget everything they promised during the electoral campaign and sell their services to the highest bidder. And nobody, least of all the electorate is able to do anything about it.