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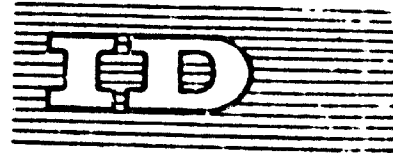
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Interregional Seminar on Industrial Location
and Regional Development

Minsk, August 1968

METHODS OF ACHIEVING CONSISTENCY BETWEEN
NATIONAL AND REGIONAL LOCATION PLANS^{1/}

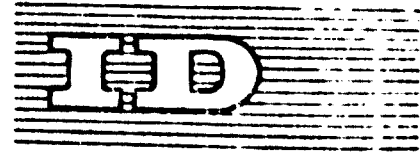
by

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Czechoslovak Socialist Republic

^{1/} The views and opinions expressed in this paper are those of the authors and do not necessarily reflect the views of the secretariat of UNIDO.

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Introduction

Consistency of the aims and efforts expressed in programmes and plans of the development of a national economy and purposeful regional arrangement form an inseparable part of national economic planning and programming. They are the most substantial part of regional planning. Production location that is concerned with the branch viewpoints and needs and manifold conditions of individual regions as well is a complicated and exigent economic activity. The correct execution of this work can benefit the producer and society as a whole. It is necessary to follow all relations induced by a newly-located production plant in each region and to evaluate these relations objectively.

The theory and practice of national economic planning is continuously facing new problems and tasks. The following study presents the basic criteria to approach the solution of problems on the basis of practice in national economic planning in the Czechoslovak Socialist Republic. The main objective of this paper is to contribute to mutual recognition of efforts for the development of planning methods and management activity in the economic life of various countries with different socio-economic orders.

I. THE RELATION OF THE NATIONAL ECONOMIC PLAN TO THE DEVELOPMENT OF ECONOMY IN REGIONS

General conception of the problem

The economic development of a country is accompanied by the need to solve the problems related to the location of the economy. The degree of solution of location differs considerably in individual countries or even in groups of countries. In various socio-economic orders economic laws operate in different ways; their influence on the production process as a whole varies also.

In centrally-planned economies the possibilities for the solution of questions related to the location of the economy are favourable because the State controls the planned management of the entire economy and employs it to the benefit and satisfaction of the interests of society as a whole. In market economies there is a vast scope of interests and goals which cannot always be harmonized.

The difference in the possibilities to solve problems related to the achievement of consistency between a national plan and regional location plans is due to the character of the development of the national economy of a country estimated from the point of view of whether planned management of national economy is involved or not.

A scientifically-planned economy is one that develops according to a programme drawn up in advance rationally utilizing all possibilities and means available for this purpose. A scientifically-planned economy not only considers all spheres of the production process such as manufacturing, distribution, exchange and consumption, but also all aspects of material, labour, costs, sectorial and territorial planning and the time aspect as well.

The criteria for a planned economy must then have these features:

- (a) Proportional development on the basis of socially-conscious planned activity of the people;
- (b) Consideration of all spheres of the production process;
- (c) Developments for the interest of society as a whole with an aim to continuously raise the living standards - both material and cultural.

Regional location of production is an inseparable part of economic planning in the development of a national economy. The position of regional planning in the complex system of the development of a national economy, especially the location of industry - technically and economically the most progressive sector of a national economy - becomes an inseparable part of a national economic plan and one of its most important aspects. The degree of consistency between a national economic plan and regional location plans - especially where industry is concerned - is dependent upon the degree of planned management of the production process of the society.

The necessary starting point is the development of production. Changes of proportions in the national economy as a whole are reflected in the proportions of various groups, branches and industries in one region or another, and in the proportions among individual regions of the country. Correct relationships between branches and industries within each region and the creation of missing links or the fortification of backward links in regions has an extraordinary importance not only for the development of a given region but for the economy of the entire country.

To secure proper regional location of production means to ensure harmonized development of all branches of national economy in regions and the creation of correct proportions in the development of the whole economy and culture. Correct proportions contribute to a maximum degree to the effectiveness of the development of national economy and help to create conditions necessary for the development of higher living standards. To reach such proportions it is necessary to start with the possibilities and necessities of the national economy and the possibilities of rational exploitation of natural and economic conditions of each region. This information becomes the basis for regional planning of the economy and within its framework the contents of regional location plans are formed.

Proportional development of all regions of a country does not mean a simple arithmetical balance, for example, of the rate of growth of industrial production, structure of industrial production and level of the population's income. Proportional development of all regions of a country signifies a proper division of labour among individual regions of the country and the most purposeful harmonized development of individual branches in the regions. This is achieved by preferential development of those branches and industries of national economy in regions that have optimal conditions for their development. These conditions can be of natural or economic character. To ensure the most purposeful growth of national economy, it is necessary for each region to utilize to a maximum degree - but rationally from the point of view of the society - all resources available in its territory. The economy of all regions can then develop in a rising curve even if it is not possible - or even purposeful - at a uniform pace. At the same time it is necessary to continue the effort to gradually eliminate substantial economic differences among regions.

While ensuring regional proportionality in the development of a national economy, it is not only a matter of proportion in the economic development of the regions themselves, but it is a matter of proportion that will bring about purposeful exploitation of natural and economic conditions for all regions by means of exploitation of national wealth, natural and financial resources, the labour force, and all other resources and interrelationships.

The principal relationship of a national plan and regional location plans is one of basic proportions of national economy in the territorial aspect of individual regions and among the regions mutually. It is a matter of comprehensive

plans of economic development of regions with a mutually harmonized development of industrial and agricultural production, transportation and building, for example, trade and commerce, cultural, educational and sanitary facilities and housing projects and the solution of such problems as water-supply.

The location of production, one of the substantial proportions of economic development in regions, must be examined comprehensively from the point of view of development of production in regions and their territory relationships. Such examination is necessary to express the conditions and costs connected with the implementation of regional location plans.

The conception of these questions quite logically leads to the term, complex economic development of regions, the substance of which is often theoretically over-valued but at the same time only partially understood.

Complex economic development of regions can be understood as the proportional development of (a) a complex of branches of a national economy, that is, certain parts of the productive sphere; and (b) the necessary complex of branches of the non-productive sphere.

The complex economic development of a **region** has individual links forming the base of the proportional development of its economy. It is possible to analyse these links and to determine the proportions of development of a region and the position of its economy in the national economic system.

Experience shows that certain general principles are valid for practical application in proper location of production. Economic activity may be subordinated to practical application according to specific conditions in each country. These principles are generally valid even though only one of them may be accentuated in each country at a certain stage of development.

The general principles have been developed from the fact that the rational location of production in the regions of a country can only be considered reasonable if favourable conditions are created for:

- (a) The growth of social productivity of labour;
- (b) The rational exploitation of all resources of a country such as natural wealth, labour and financial resources;

- (c) The solution of socio-political problems connected with overcoming economic backwardness and conspicuous differences in living standards of the population. (The backwardness of certain territorial entities must be solved by the State through an effective regional policy.)

These general principles of location of production express not only the goals of practical activity but also the main principles that represent the point of departure for the achievement of consistency between the national economic plan and regional location plans.

The branch principle in national economic planning and the ensuring of regional proportionality

Consistency between the national economic plan and regional industry location plans from the viewpoint of the principles and the criteria mentioned requires an organizational structure of national economy as a whole and managing and planning authorities which together serve this purpose to the best advantage.

To ensure economic proportionality in the development of a national economy requires:

- (a) A development plan for all economic branches of the national economy, evaluation of the role of sectors, plans for the utilization of labour, and other detailed planning prepared by a state planning commission;
- (b) Development plans for individual branches and industries worked out by central organizations (ministries) and their subordinate organizations;
- (c) Development plans for economic activities of regional, district, municipal and local administrations.

The comprehensive development plan of a national economy is thus formed, apart from the basic economic balances, by a combination of comprehensive development plans for all economic branches and industries according to their organizational structure and according to the development plans of the regional branches.

In planning practice the organizational structure is expressed in the so-called two lines of planning (even if several planning levels are involved):

- (a) Planning of economic activity by central organizations (branch planning bodies);
- (b) Planning of economic activity by regional organizations (local, municipal, district and regional).

In the system of national economic planning the branch principle prevails and will continue to do so. This principle does not offer a true image of its feasibility because the verification of regional possibilities cannot be realized. That is why an examination of the regional aspects of the development of individual branches and industries comes into the picture. Consistency of purpose of a national economic plan and regional location plans may be assured by:

- (a) Profitable division of labour, to ensure regional proportionality of economic plans on all levels of management and planning; and to ensure close mutual co-operation to determine the duties and liabilities for procuring basic data;
- (b) Establishing specific responsibilities for subordinated organizational units such as branch managements, branch enterprises and research and project institutes;
- (c) The creation of a system of methods by means of indexes, of economic and financial instruments of planning documentation to study economic phenomena, to establish production location and ensure economic and cultural development of the regions in accordance with their specific conditions;
- (d) The determination of appropriate economic and financial instruments to ensure regional proportionality organs.

Economic territorial division of the country

To ensure advantageous location of industry in accordance with the national economic plan, it is necessary to divide the state into units in which the planned management of national economy from the territorial viewpoint would be possible. These territorial units should correspond to best advantage to the requirements of the study and the expression of economic and natural phenomena.

Such a division of the country into regions according to economic and natural conditions determines the participation of the regions in the division of labour and creates favourable preconditions for the planned establishment of proportions on the basis of rational exploitation of resources.

Natural and economic conditions in individual parts of the state vary greatly with the consequence of substantially different regional units linked by a rational division of labour.

The division of the country into regions can then be carried out as described in the following:

- (a) Economic regions are created according to economic and natural conditions and these regions are used exclusively for the solution of questions related to the implementation of regional plans of production location. These regions usually have no directive organs and the activity concerning their development is carried out centrally. The regional location plans are then worked out according to these economic regions.
- (b) For the necessity of working out the regional location plans the administrative division of the country (regions, districts, municipalities etc.) can be used. The advantage of using the administrative division of the state for the necessities of regional planning lies in the fact that many directive and planning bodies are organized according to the regional aspect of the development of national economy so it is possible to organize co-operation among lower planning bodies. For example, the division of public administration of the CSSR as created in 1960 became the basis for the development of works connected with regional proportionality of national economic plans. This administrative division of the country into ten regions and the capital, Prague, and within these regions 108 districts, is very practical and suitable for the purposes of regional planning. In the process of creation of this regional organization due attention was paid to the decisive economic conditions of separate regions as well as to the possibilities of effective development of the economic-organizational function of the State in regions.

The suitable division of the state into smaller units in which it is possible to examine all areas of operation is one of the conditions needed for the achievement of the necessary consistency between the national plan and regional location plans. Such a territorial division of the country not only helps to solve economic problems most effectively but brings about a comprehensive cultural development of all regions.

The merger of centres into larger territorial units differs according to their problems. It is difficult to solve the balances and distribution of manpower but it is necessary to work out such balances not only for districts and regions but in relation to principal economic centres and transportation facilities.

For ensuring the regional aspect of the development of a national economy, it is useful to examine a whole system of basic data and analyses according to properly chosen territorial units (regions) which will differ from each other in extent and intensity of their natural and economic conditions.

The economic region is therefore a general denomination of various types of territorial units. In the Czechoslovak Socialist Republic the public administration division of the State has created the basic regions for which economic plans are drafted. Slovakia represents a territorial unit within the framework of a united Czechoslovak economy in which there are specific economic and political aims and a national development and historical background different from the regions of Bohemia and Moravia.

II. CONSISTENCY BETWEEN REGIONAL LOCATION PLANS AND THE NATIONAL ECONOMIC PLAN

The achievement of consistency between regional location plans and the national economic plan as an inseparable part of the whole process of planned management of national economy is realized in five basic phases:

- (a) Collection of data;
- (b) Analysis of data collected;
- (c) Decision making: setting of tasks, determination of instruments and conditions;
- (d) Fulfilment of tasks under operational management;
- (e) Final control.

Collection of data

The beginning of the process of planned management is the collection of such data as the condition of the national economy, the level of productive forces, the state of exploitation of natural resources of the country and the influence of national and international political factors on the development of the national economy. The collection of such data from the regional aspect has a decisive influence on the determination of a starting basis, and an estimation of basic trends and tendencies of development in regional location.

Analysis of data

The analysis of data collected about regions is the second phase of the process of management. Careful analyses contribute to:

- (a) Qualitative examination of individual phenomena and their individual components in regions;
- (b) Determination of the decisive links and activities, and interrelations among individual phenomena in the regions;
- (c) Formulation of conclusions about factors influencing the development of the phenomena examined and measures to be taken in accordance with the aim of the analysis.

From the regional aspect, thorough scientific analyses of the contemporary state of location and analyses of natural and economic conditions of individual regions must be regarded as the most important fundamental data at this phase of management.

It is purposeful to elaborate these analyses at the beginning of the work on a long-term prognosis of the development of a national economy. They are of a two-fold character and they are worked out along two lines - branch and regional.

Central branch organs work out, with the help of their research and project institute, the analyses of the present development and the state of production location in individual industries, development tendencies and the scientific and technical developments of industries and their influence on the further development of production location.

The regional organs work out summary analyses of the achieved degree of development and the exploitation of natural and economic conditions of individual regions.

On the basis of these analyses and its own data and information and studies, the planning centre determines:

- (a) The possibilities of further exploitation of natural and economic conditions of individual regions;
- (b) The factors which can accelerate, decelerate or even limit the development of production in the regions;
- (c) The main changes in production location which may be expected in the coming years as a consequence of present or already started development and as a consequence of the development of new techniques or other development tendencies or targets;
- (d) The problems to be solved.

The basic data for these analyses can be divided into such categories as: data about natural conditions and raw materials and emergency resources (the possibilities of their exploitation and the time when it will be possible to start to exploit these resources); data about demographic development and structure of the population; the location of industrial and agricultural production; production and consumption relations within each region and among regions; and transportation data.

The data should be usable for perspective plans, the material clear, of simple construction and with graphic and cartographic annexes. This basic material must be available to the decisive branch and regional planning bodies.

The development and the predestination of industrial location in the Czechoslovak Socialist Republic and the basic tendencies of influence must be respected to a large extent in further plans of regional location of production. That is the case of the Czechoslovak Socialist Republic at present, where the five-year plan 1966-1970 is being completed and where a long-term projection for fifteen to twenty years is being prepared. The conclusions arrived at on the basis of the analyses which could be applied to a number of industrially-developed countries can be characterized as:

- (a) The present development of Czechoslovak economy demanded high exploitation of conditions and resources and utilization of already existing productive fixed assets for the achievement of more regular location of the production so that the future development of national economy and with it the production location will be influenced by the degree of exploitation of these conditions for economic development. Economic relations within the regions and among themselves have grown and become significantly more intricate;
- (b) Under the necessity to increase economic effectiveness through intensification and through the realization of necessary structural changes, especially in manufacturing industries, strong tendencies will lead to the situation that under these conditions the increase of production will occur under further concentration of production in key plants, branches and industries;
- (c) The location of new productive capacities in a number of branches, especially in manufacturing industries, has to be secured - while observing the principles of social effectiveness - in such a manner that it might be possible to utilize manpower resources available in certain regions;
- (d) The necessary process of reconstruction and modernization of productive fixed assets of a number of branches will have an outstanding regional character. It is indisputable that the needs of complex development of the regions will become also an important condition in decision-making on the order and significance of reconstruction and modernization of existing productive fixed assets (the problem of the reconstruction of productive fixed assets in Bohemian regions in districts and branches industrialized in the epoch of the primary industrial revolution);

- (e) The process of production concentration and specialization started already in many industries (engineering, textile and garments industries, and foodstuffs) brings new regional problems in the organization of full exploitation of new productive fixed assets, in the growth of new and more complicated co-operation relations and in the problems of reserve labour opportunities in localities with old productive capacities liquidated;
- (f) Development of agriculture demands a solution not only for the selection of land suitable for intensive development in individual regions but the solution of a whole set of problems of outstanding regional character brought to life by the introduction of wholesale production in this sector.
- (g) The organization of cargo transport in national economy as a whole will require a strict observation of regional aspects in the location of productive forces;
- (h) The direction of the flow of supplies resulting from the developed international socialistic division of labour (coal, iron ore, oil, gas) became a new factor in more rational and effective location of productive forces. This led to the creation of new industrial regions (Bratislava, Košice) where an extensive construction of new productive capacities of a series of basic industries is under way (metalworking, chemistry and engineering);
- (i) The development of production occurs under continuously deteriorating conditions as far as water-supply for industry, agriculture and population is concerned. The maintenance of water in the region is manifested by good care of forests and the avoidance of pollution.
- (j) It is necessary, more now than ever, to connect the gradual solution of housing problems together with the elimination of backwardness in technical and civic undertakings.

The preceding survey, which should serve for basic orientation only, shows that these and other circumstances have their influence on the development of the economy as a whole and quite urgently require a sensitive solution in regional distribution and location.

Decision-making: setting of tasks, determination of instruments and conditions

The third principal phase of planned management of national economy and of its regional aspect of development is decision-making: setting of tasks, determination of instruments and conditions for their implementation.

Economic decision-making results from the analyses and studies carried out, from the goals of economic development, from the determination of direction and pace of this development, from the basic proportions of the development and the determination of means for its realization. The basic instrument of the management and thus of decision-making is the national economic plan as a general conception of economic development giving the proper orientation to each enterprise as a part of the national economy. The plan must represent the binding framework of the economic policy of the State, specially through centrally-directed financial credit, income and price policies. National economic plan and measures taken by the State in this respect have to determine concrete tasks of units that are the bearers of economic activity.

Decision-making should be considered the main phase of the process of management in the field of regional planning and the choice of indicators and instruments should be subject to it.

Fulfilment of tasks and operational management

The fulfilment of the plan and the realization of economic tasks occur under ever-changing conditions. In the fulfilment of the plan itself unforeseen circumstances, unsatisfactory work, the influence of foreign trade, and changes in international relations, can change the economic relations in future development and consequently influence investment activity and the development of the labour supply.

It is therefore necessary to adjust or to modify the set economic tasks according to influences and to do so on the basis of influences on operational management of economic administration.

Final control

The control of the fulfilment of the tasks by the managing organs which closes the process of management is very important. While controlling the fulfilment of the development plan of national economy from the regional viewpoint it is necessary to concentrate on the principle of the main link, to direct the attention to the main link of the national economic plan, to regions and tasks which can influence in a decisive manner the goals and development of the national economy.

It is obvious that it is necessary to establish a system of indicators and controls for this purpose. As individual changes occurring in the regional production location usually have a long cycle, it is not necessary to execute the control of the fulfilment of the plan in this field at short-time intervals; semi-annual and annual controls are usually sufficient. In some economic activities the time period can be even longer.

The control should be based on the data of statistical services which should organize their work also in relation to regional problems.

III. ORGANIZATIONAL FORMS OF PLANNED MANAGEMENT

The solution of the problems related to the realization of economic plans from the regional viewpoint demands effective organizational forms.

In the system of planned management of national economy the basic condition for the solution of the regional aspect of the development of national economy is the creation of relations of the planning centre with central branch and industrial organs and regional organs.^{1/} From this aspect it is necessary to create the conditions for the elaboration of the draft of the plan in individual branches of the national economy (the co-operation of central branch and industrial organs and enterprises with regional organs). These relations create the organizational conditions for the estimation of proportions in the development of economy managed by the centre and economies managed by regional units.

The determination of basic proportions in economic development of regions and proportions among regions and the use of economic instruments must be organized by central authorities. The regional aspect of the development of a national economy is therefore directed and centrally co-ordinated by the planning centre (in the CSSR the State Planning Commission). For this purpose it elaborates the analysis and the principal evaluation of the existing state of exploitation of natural and economic conditions of individual regions and works out the basic proposals for effective exploitation.

On the basis of these analyses and considered lines of development of the national economy, it proposes the basic long-term directions and aims of the development of individual regions consistent with the needs of further development of productive and non-productive spheres and presents these proposals to the Government for approval as a part of a comprehensive draft of the national plan. Ministries and other central units, branch managements and association enterprises, and regions are informed of these directions and aims. The proposals of the centre are then confronted with the technical-economic studies worked out for the development of individual branches from the viewpoint of economic needs and requirements. On the basis of these confrontations, basic long-term directives and aims are set.

^{1/} In CSSR the law emphasizes the highly responsible role of national committees - organs of popular administration - while securing the harmonious complex development of national economy in regions administered by them and irrespective of the subordination of economic activities in the regions. In this sense the term "regional organs" is used in the text.

The planning centre has a special department of regional proportionality which organizes the elaboration and application of appropriate economic and financial instruments. These form part of the whole economic system which leads to the ensuring of regional proportionality.

The planning centre then proposes a general system for: co-ordinating the co-operation of ministries, central units, branch managements and regional units for material and organizational problems of production location and economic development of regions; co-operation of central statistical units to determine the extent of accounting and statistics necessary and presentation of suggestions for scientific research in the field of these problems.

Central and branch units work out calculations and analyses for the development and changes in location of the economy they manage from the viewpoint of the location of production, fixed assets and basic co-operation relationships.

The development of branch industries in regions usually are formed by:

- (a) The conception of location of a productive-technical and development-research basis in the regions based on existing location and maximum exploitation of existing capacities;
- (b) Classification of organizational units, enterprises, plants, works in regions, i.e. the division of individual enterprises, plants and works into categories of development units, stabilized units, units for liquidation, expected changes in the utilization of productive capacities, etc.;
- (c) The conception of the organization of the production of the branch in the region, i.e. especially the problems of concentration, specialization and combination of productions with respect to customer-supplier relations and co-operation relations and the conception of the development of technical level of production;
- (d) The conception of the development of the production of individual branches and industries in regions on the basis of the coverage of economic needs;
- (e) The utilization of economic instruments for ensuring long-term conception of the development of production of individual branches and industries consistent with regional proportionality.

Regional units are the necessary organizational components to solve regional problems in the development of the national economy and they should ensure the full economic aspect of the development of regions.

In accordance with the needs of the national economy on the basis of instructions from the planning centre and the Government, regional units can ensure the

most purposeful utilization of natural and economic conditions of regions and the correct consistency of development and location of the economy administered and planned by local organs with the location and development of a centrally-managed economy. They must estimate the development of proportions and relations in the complex economic development of regions, smaller territorial units, industrial agglomerations and large cities.

Regional units must work out comprehensive drafts of the plans of economic development of the regions on the basis of directives from the planning centre, their own basic data, data from the branch and industrial managing organs and their subordinated units, communities, municipalities and districts for enterprises administered by them, and present them to the planning centre. This comprehensive draft becomes a basic document for the management of economic activity.

The suggestions of regional units for better utilization of natural and economic conditions of the regions and how to arrive at interregional proportions and how to utilize economic instruments become a part of the draft of the plan.

IV. THE REGIONAL ASPECT OF NATIONAL ECONOMY
AID PLANNING DOCUMENTATION

The system of national economic indicators, economic instruments, planning methods and procedures and documentation help to develop the regional aspect of a national economy. To fulfil its mission the system must respect individual conditions of branches, industries and regions in such a way that the specific features are observed and bring about unified activity.

System of indicators

The system of economic indicators in the field of regional planning is a verbal expression and numerical determination of the quantitative contents and qualitative relations of one aspect of the reproduction process - the regional aspect. This system should:

- (a) Determine the basic relations and the degree of utilization of natural and economic conditions of the regions;
- (b) Estimate and determine the main changes in production location and the basic proportions of the economic development of regions, mainly the proportions in the development of productive and non-productive spheres, between the development of industry and agriculture, between the need of construction work and the capacity of building industries, between the resources and need of manpower, and between incomes and expenditures of the population;
- (c) Estimate and determine interregional proportions in the development of production, transportation and housing;
- (d) Carry out balance and unifying of works needed to ensure regional proportions of manpower, investment construction, water supply administration, transport and incomes and expenditures of the population;
- (e) Estimate the economic effectiveness of proposed solutions;
- (f) Create conditions for organizations at the branch and regional management levels to collect data on responsibilities.

The system of indicators can be divided into two basic groups:

- (a) Indicators which become the subject of co-ordination in individual regions such as the indicators of the plan of labour, investment activity, construction work, transport, water supply administration, housing projects, educational, cultural and recreational facilities;
- (b) Indicators that estimate and determine the pace of development of the economy in regions, the development of living standards, the state and degree of the utilization of natural wealth and the state and development of the location of production branches and industries. Together with the first group, these indicators estimate basic regional proportions.

Both groups of regional indicators form an inseparable part of the method of instructions issued by the planning centre for drawing up the plans for regional and branch organizations.

The indicators listed in the annex are used in national economic plans (especially for the five-year period) for the examination and determination of regional proportionality in the Czechoslovak Socialist Republic.

Economic instruments

Economic instruments are also an important factor in the system of methods. Following the basic principle, economic and financial instruments do not work against the main demands of society in production location.

Even if the basic instrument of the management of the regional aspect of the development of a national economy is the plan with its basic goals, ways and means, another instrument of management has to be seen in a purposeful connexion of the plan with the market mechanism.

The utilization of economic instruments must be determined in such a manner that they work as an attractive force or a brake in the intentions of plants and enterprises. Their determination must then respect the fact that economic processes in regions and localities demand the expenditure of certain means of society (induced investment) and as a consequence the development plants and enterprises and investors must participate in terms proportional to their own development. The effectiveness of the location of investment from the point of view of the costs for society is thus ensured.

The basis for the determination of economic instruments to ensure the regional aspect of the development of a national economy is the analysis of the development of the economy in regions. It is determined by a long-term (five-year) plan indicating problem areas and basic goals.

Economic (financial) instruments can be divided into positively stimulating economic instruments, and limiting economic instruments. Some examples are given below.

Positively stimulating economic instruments:

- (a) Subsidies from the State for partial coverage of investment costs of the investors. The subsidies can be a fixed per cent of the budget cost of the investment (e.g. 15% of the total budget cost) or a per cent limit (e.g. 5 to 25% of budget investment cost when giving preference to certain industries), that is, for regions and localities which would be determined by the Government for a longer planning period, such as a five-year period;

- (b) Reduction in the per cent of contributions (taxes) payable from the productive and non-productive fixed assets to level out the increased operational costs of the enterprises in special cases and regions determined by the Government. The enterprises and plants would pay the contribution (tax) from fixed assets in specified regions or specified branches according to a reduced percentage rate (reduction by 1/3) and for a certain period after being put into operation (3 to 5 years) or for the period of the necessary trial-run of the production;
- (c) Credit preference and eventually a reduced interest rate on the credit granted - a certain percentage cut set in advance for investment operations in selected regions, industries and activities.

Limiting economic instruments influence organizations which plan the development of production and investment activity in regions with intricate technical and territorial problems, especially manufacturing industries that do not require a location related to a raw material base or some specific natural condition.

Limiting economic instruments:

- (a) The increase of the rates of contribution (taxes) from the fixed assets of newly constructed production capacities for a certain time since the start of production (1/3 of the rate). The resources gained in this manner can become a resource for the administration in districts, municipalities and localities or they can be used for subsidies for the promotion of economically less developed regions;
- (b) The determination of additional contributions (taxes) from gross income or profit for a certain period after the start of the operation of production organizations which can be passed to the State budget or to local administration budgets;
- (c) The determination of fees in the case of newly started constructions, where the basis would be a percentage from the price of the realized investment to the State budget or to the local administration budget;
- (d) The introduction of an economic instrument to direct the development and proportions in regional distribution and utilization of manpower resources. The utilization of this instrument can be bound to the extent of the total of wages paid out in enterprises and plants (e.g. Z_p') in relation to the increment of workers in comparison with the preceding period (e.g. a year). This additional fee (tax) can be determined only for the regions and localities where there are larger differences between the resources and demands for manpower, eventually differentiated to ensure a purposeful development of the structure of workers in relation to resources (men-women) and where the society does not have any interest in further concentration of production and population to a few industrial agglomerations and wants to solve further location of industry from the political-social aspects. The aim of the application of this instrument is to lead the producers of the given region to use progressive technical solutions in production to save labour and thus to ensure the planned result in the production increase.

The utilization of economic instruments for ensuring the regional aspect of the development of a national economy is an important link in the achievement of consistency in the national economic plan and in regional industrial production location plans.

Kinds of plans

The long-term perspective plan for the development of a country worked out for a period of ten or even 15 to 20 years can cover the problems of production location to a full extent. On the basis of the evaluation of natural conditions, the perspective plan can contain the tasks for: the solution of complex economic problems in regions, the preparation of large territories for industry or agriculture, the exploitation of natural resources such as mineral wealth, the orientation of agricultural production, and the creation of pre-conditions for industrial processing. The long-term plan can assess in the best manner the need for and the consistency of production in the non-productive sphere, the conception of housing construction and the construction of civic and technical facilities. The tasks in regional location of production (enterprises or plants) resulting from the state of production location in individual regions are preceded by basic studies from the planning centre.

In preliminary technical-economic studies for the development of branches, it is possible to assess the effectiveness, needs and demands of branches while locating them in regions. The determination of technology for the development of industries is one of the basic factors connected with regional problems.

Perspective plans worked out, for example, for a five-year period must gradually bring to a realization the intentions for production location contained in a long-term plan. Perspective plans include a more detailed consideration of regions than is possible in a long-term plan. They estimate the demands for production in relation to conditions of space and time and they include a selection of location variants. They estimate in detail the relationship between primary industries and manufacturing industries.

Perspective plans are worked out for individual years of a given period in a manner which enables mutual co-ordination of time and planned action in regions.

In year plans the questions of regional development and production location are mentioned only. Year plans are important instruments for the realization of regional intentions and for divulging existing or future partial disproportions in regions which have not yet been recognized in detail.

The system of national economic plans used at present in the Czechoslovak Socialist Republic gives every possible opportunity for efforts to reach the consistency of the interests of the economy as a whole with the interests in regions in production location. The tasks of individual plans of this system are expressed in their specific methodology so that the solution of regional problems might be worked out gradually and concretely.

Mutual co-operation of planning bodies

If a plan is to fulfil its role in the realization of objectives for the development of the economy, the necessary co-operation of the managing units must be achieved at all stages of the national economic plan (irrespective of its kind) in a time continuancy that will enable the units to fulfil their functions.

After the determination and issuance of the directives for the drawing up of a plan by the planning centre (Government) or in the period of preparations of perspective conceptions, it is necessary to ensure that the branch units (ministries, association enterprises and branch managements) present their projects within the determined scope of regional indicators both to the planning centre and to regional units as well.

The regional units should participate directly at the preparation of the plan as they influence it. On the basis of their own data and the data of the branches, they work out the drafts for the development of the economy and culture in regions and present them to the regional units of the planning centre. It is necessary to make the results of negotiations between branch and regional organs an inseparable part of the planning documentation.

The planning centre has then at its disposal the drafts of the plan of the branch units with certain basic data about the regional location of production and regional complex drafts of the development of the whole economy on the territory of the regions including the results of negotiations between these units. The planning centre should be informed of the details of contradictions between units. It is at this moment of the process of the creation of a national economic plan that the closest consistency with the regional aspects of realization is reached from the methodological point of view.

On the basis of the data mentioned and its own material, the planning centre should discuss the contradiction of aims between branch and regional units, work out the final draft of the plan of regional location of the economy as an inseparable part of the comprehensive national economic plan, and determine the basic goals and tasks in this field.

The comprehensive national economic plan (including the regional aspect) must be approved by the Government. In the Czechoslovak Socialist Republic the Government and the National Assembly approve the basic goals and tasks in order for the development of the national economy to become a law.

The regional aspect of development

The method of the main link belongs to the basic methods of work in the field of regional problems. Usually, the whole complex of economy in regions, specialization and position of regions in the national economy are examined by this method.

The decisive factor in complex economic development of regions is represented by the fields of production which establish the position of a region and its specialization. These are the specializations which will bring about the most rapid development of the productive forces of the entire State from the viewpoint of the most effective utilization of local conditions, material and manpower.

The degree of specialization of production can be expressed by the share of the total production of all branches in the regions, by the share in state production of respective branches, and by the share of production in the coverage of necessities of other regions of the country. The extent and direction of the relations among individual regions of the country is determined by the concentration of production and the peculiarities of structure.

The level of the development of productive forces in individual regions is first of all dependent on the scope and pace of development of specialized industries. The economic complex of a region is formed around one or several industries. The complex of industries has to be examined therefore in the relation to the leading industries.

Recent experience in Czechoslovakia shows that in a number of regions it is not possible to realize an all-round development of industrial production. Because of economic reasons, some industries, enterprises or plants get a "preference". This means that a longer-term process of more distinctive specialization in accordance with the needs of the national economy begins to appear.

For the future, the problem rests in the determination of the main lines of regional specialization, the main links of development, and in the subordination of all other intentions for the development of the economic structure of the regions in these decisive directions.

The development level of production fields and future possibilities which are consistent with the uninterrupted development of the specialized production of regions are taken into account when using the method of the main link.

To increase the level and possibilities of these fields is not only important for the mobilization of the resources in each region but also to accelerate the production process, to decrease production costs and to enable effective management of production.

The industries and enterprises connected with the production of goods for local consumption are an important consideration, especially the production of construction materials, consumer and foodstuffs industries and agricultural production. Proportional unity of these three groups of production is important to ensure the complex development of the economy of regions and the correct regional location of production in general.

There is a certain dependency between technical progress and regional location of productive forces which cannot be omitted while using the method of the main link. Technical progress changes the criteria for production location, liberates the production of its local borders and enables a more regular location of industry and agriculture in the country. The achievements of technical progress can be applied best under the conditions of the most rational production location, that is, under the most purposeful utilization of natural and economic conditions of individual regions.

The influences of technical progress and regional location of production can be briefly characterized as follows:

- (a) Improvement of technology of production changes the demands on production location and the criteria for location;
- (b) Mechanization and automation leads to a considerable growth of productivity of labour and growth of production and a decrease of production costs;
- (c) Development of techniques enlarges and enriches the raw material basis of the industry; new sorts of raw materials appear, and research methods help to discover new natural resources;
- (d) Concentration of production increases the specialization of the regions and their share in total production;
- (e) Increase of the efficiency of technological methods has a direct influence on the growth and proportionality of the economic development of the region;

- (f) Changes in the structure occur such as combined enterprises which utilize completely raw materials and the waste materials;
- (g) Economies in raw materials made possible by general technical progress of the industry cause changes in the needs of regions;
- (h) Changes in transport utilities either heighten the efficiency or change the mode of transportation as an important factor of rational transportation.

A final group in the complex economic development of regions is formed by those branches of national economy which create the conditions for the activity of the mentioned groups of production (transport, water supply, energy, etc.).

V. INVESTMENT ACTIVITY

Preparation and creation of investment plan

Investment activity, especially the construction of new productive capacities, has a decisive influence on the changes in production location and on the pace and structure of the development of production in regions. The reconstruction of existing capacities, their modernization, completion, etc., has a significant regional importance. The plan of investment construction has become the most important instrument in the regional aspect for the development of a national economy.

It is purposeful to divide the preparation of investment construction into several time-limited stages according to their character. The initial stage has the character of planning preparation while the following stages assume gradually the character of project preparations, that is, technical-economic and technical projects and territorial-technical basic data.

The construction of new industrial capacities (enterprises and plants) comes from the fulfillment of development plans of the national economy. Long-term perspectives can solve the complicated questions related to production location, preparation of new sites for the construction of industrial bases, the construction of hydroelectric power stations, railway networks, and the preparation of the territory for the development of agriculture.

By their character, regional schemes come out of national economic plans and require precise demands on time, material and total investment. Therefore the result of such a complicated activity is the project of certain territory which is then decisive in the construction and reconstruction of productive capacities, as well as of the other related objects either induced or conditionally bound to such a construction.

According to the character of the territory and the character of the problems to be solved by the projects, solutions can be brought about by regional schemes for large territories or development plans for settlements, towns, agglomerations or villages.

Territorial projects serve as a basis for the issuance of building permits for the realization of an investment in the territory. The issuance of a building permit concludes basically the site of location. The unit issuing the building permit (usually district, municipal or local administration) controls before its issuance the conditions to determine the stages of the preparation of the investment.

Regional schemes are advantageous for the construction of large territorial areas which call for vast and complicated changes in the surroundings, reconstruction of territories, and the construction and reconstruction of cities.

Technical-economic motivation

An important part of the planning preparation of investment construction is the elaboration of technical-economic motivation of the investment to estimate and determine the main economic and technical indicators of the construction.

Technical-economic motivation is usually a part of long-term perspective plans of investment construction and is the basis for working out project and budget documentation.

The technical-economic motivation of industrial construction usually contains such information as calculations to determine the size of production capacity or the structure of a production programme, economic motivation of raw material, fuel and energy basis, calculations on the relation of the production of the enterprise to the regions of consumption, water-supply data, transport information, and manpower demand.

The economic motivation of the site of construction in regional variants requires a separate analysis of investment for the construction of the production capacity and the inducement of investment.

The construction of industrial capacities, especially with large demands on labour, call for considerable costs for the development of the municipality and influence significantly the total economy in the investment location. Under these conditions the investor has to cover in substance the investment induced in the development of the municipality. He must also examine the possibility of location in economically less developed regions with manpower resources.

In its relation to economically less developed regions, the planning centre must carry out the following:

- (a) Make selection of economically less developed regions and evaluate their possibilities and determine a programme for the preparation of these territories for economic development;
- (b) Exercise "pressure" for the organization of production programmes in industrial agglomerations for the best possible conditions to stress production specialization in these regions;

- (c) Contribute to the organization of aid of industrial agglomerations for economically less exploited regions where industrial development is planned. (Training of experts on the spot for the realization of construction and taking over newly constructed production capacities);

The complex evaluation of all conditions of regional location of production capacities and their location in concrete territories represents a vast economic activity directed not only to the quantification of branch conditions but to the evaluation of individual regional, territorial solutions, correct decision-making and utilization of the time factor. Each final solution in regional territorial location of new plants is an act in which the analysis of a number of factors helps to create conditions for highly effective production and at the same time improvement of the social and economic life in the regions.

Association of investment in regions

Association of investments refers to investors connected by a common interest for the development of certain utilities. There is a considerable significance in the relationship to the construction of the infrastructure in a territory. It is to the benefit of the national economy to issue a binding rule which solves in detail the procedure of association of investments, including financing.

Association of investments in one common investment brings considerable savings to all participants, especially for costs connected with the operation.

A well-chosen participation of regional units of administration to achieve savings results in their material interest to ensure the whole process of association led by the following principles:

- (a) Association of investments should be carried out in regions by economic organizations administered by the branches, by the administrative units or enterprises of production co-operatives regardless of whether the investment is of a productive or non-productive character;
- (b) The association should be voluntary, modified by economic pressure in the cases where the effectiveness of an associated investment is doubtless (e.g. in the form of refusal of investment credit or its limitation);
- (c) Strengthening of the position of regional organs of people's administration of all levels should result from the whole process of the association of investments, especially in their active role and initiative in proposals for association, in the approval of the main investor, in determination of the participation of partial investors not only at the construction but at the utilization of associated investment as well, in solutions of difficulties in financing and realization of associated investments, and in the division of savings achieved;

- (d) It is purposeful to determine the participation of the units of people's administration on savings reached up to the level of 50 per cent of total savings which go to the reserve fund for the development of economy of these units;
- (e) An active role by the State bank is important in decision-making for an associated investment.

VI. CONTEMPORARY TENDENCIES IN THE IMPROVEMENT OF REGIONAL
PLANNING IN THE CZECHOSLOVAK SOCIALIST REPUBLIC

The explanation presented of the methods to achieve consistency between a national economic plan and production location is basically an explanation of methods and organization of regional planning based on the practices and experience of the Czechoslovak Socialist Republic. During the period of development of planning of national economy in the Czechoslovak Socialist Republic extensive attention was given to the development of regions and to those planning methods which would achieve development.

Economic development in the last fifteen years has resulted in more than a quadruple increase of industrial production. At all stages of this development of the Czechoslovak economy considerable emphasis was laid on the role of industrial agglomerations in which a considerable part of the effort for the total growth of economy took place.

The economic development brought about the construction and growth of production in economically less developed regions, gave birth to new industrial centres and wiped out economically less developed territories from the map of the Republic.

The expected growth of Czechoslovak economy in the fourth five-year-plan, up to 1970, and the work on the preparation of a long-term perspective (up to 1980) presently under way will increase the demands for the solution of regional proportionality.

The Government has increased the role of national committees at all levels - regional, district, municipal and local - to ensure complex economic development of the territory administered by them. The fulfilment of this task consists in ensuring harmonious development of the economy of the territory administered by national committees of whether the production units are managed centrally or by local units. (Law on National Committees No. 65/1966). The modifications of the National Committees Law cover to a large extent tasks in the activity of national committees as organs of people's administration, especially with regard to the necessity to increase their attention to living conditions in respective regions.

The intricate conditions in the location of productive forces in the Czechoslovak Socialist Republic have called for a deeper scientific examination and research, especially from the point of view of perspective planning. These requirements have led to a new evaluation of the role of scientific organizations. The Czechoslovak Academy of Sciences and the Economic Institute of the Slovak Academy of Sciences is examining the theoretical problems of the location of production forces. The extent of regional problems in the Czechoslovak Socialist Republic has recently led to the founding of a special research institute for regional planning. The task of this research centre is to analyse and evaluate scientific methods for development of the Czechoslovak economy in regions and to examine possibilities of the regions for their role in the economy of the country.

VII. CONCLUSION

Methods of Achieving Consistency between National and Regional Location Plans presents an explanation of basic criteria, preconditions, methods and organization of regional planning as an inseparable part of national economic planning. The growing exigency for a solution of production location and a harmonious development of the economy in regions consistent with their natural and economic conditions is pointed out.

The solution of the problem requires counterbalance between application of the branch principle in planning and management of the economy and the ever-growing level of the methods of regional planning. The preparation of drafts and their realization requires organizational conditions for the fulfilment of these tasks. The problems of management in this field should be connected with economic regionalization of the country. The Czechoslovak Socialist Republic uses for this purpose the administrative division of the State.

All activity related to the regional aspect of national economic plan must be based on a thorough knowledge of facts about regions and a detailed recognition of demands of branches and industries on the "absorption" of existing possibilities in regions.

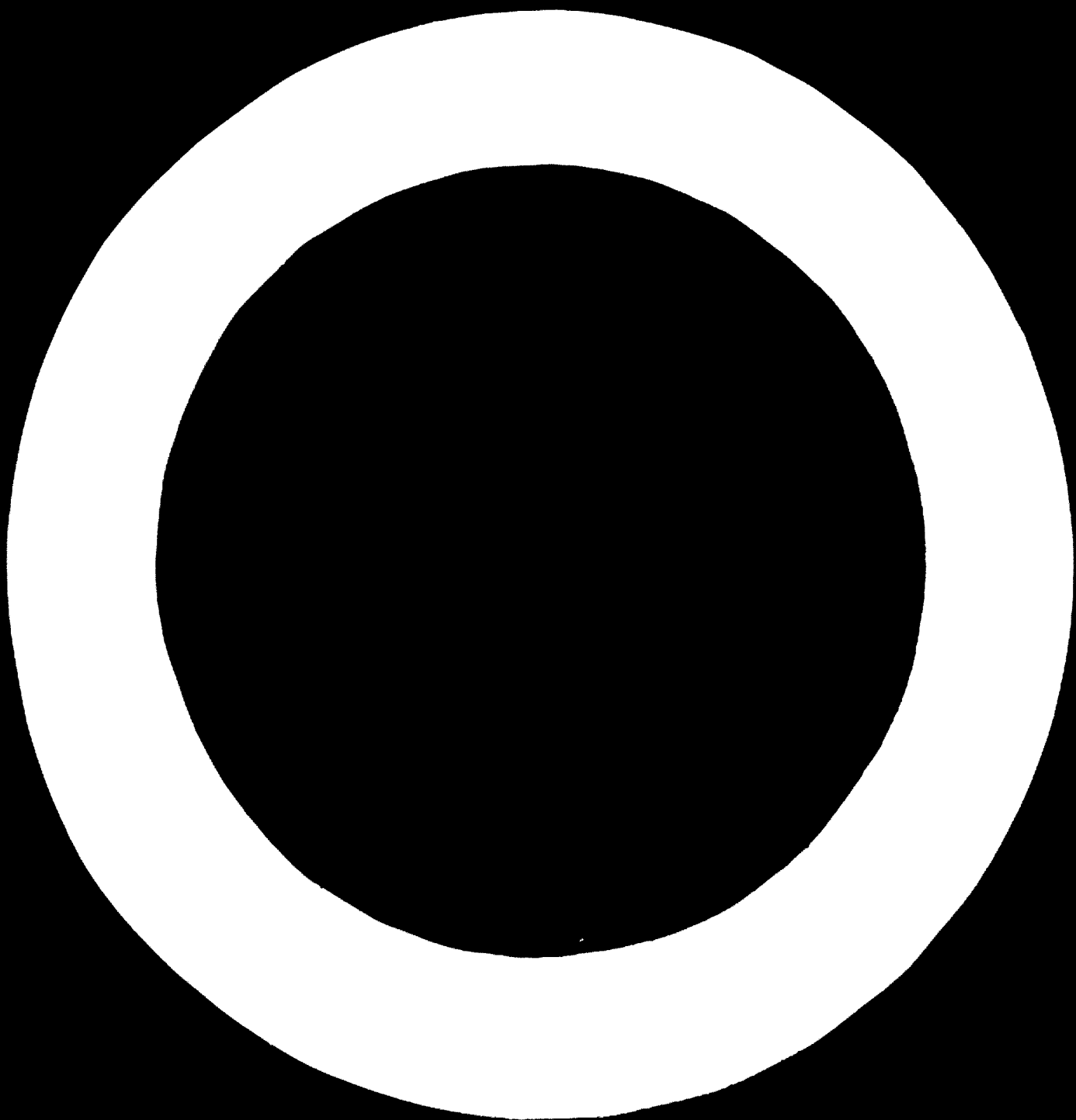
The methods of this work are based on the system of indicators, on economic instruments, limiting the development in regions, and on the application of correct measures to regulate economic development in regions.

For the proper functioning of the whole system of regional planning, it is necessary to ensure that branch managing organs deal with the regional aspect of the development of their production. It is necessary to authorize the appropriate units in individual regions to organize the work to ensure all-round co-ordination, especially when perspective intentions of participants in the development of economy in regions is concerned.

Technical-economic motivation of the location of productive investment, all-round preparation and implementation of investment programmes, and the evaluation of variants of location of new production in regions represent further opportunities to exploit the investment activity as an important factor of production location.

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Annex

Indicators used in the Czechoslovak Socialist Republic

Indicators used in the Czechoslovak Socialist Republic for the elaboration of the draft of complex economic development of regions, selected districts and agglomerations for 1966-1970 are listed below.

<u>Indicator</u>	<u>Unit</u>
1. <u>Indicators of industrial production</u>	
Volume of industrial production (Gross production in comparable prices)	mil. Kčs
Selected indicators in material units	
2. <u>Indicators of agricultural production</u>	
(per selected districts and per region as a whole)	
(a) Areas of cultivation	
agricultural land	ha
arable land	ha
bearing hop-fields	ha
orchards	ha
vineyards	ha
(b) Crop areas	
grains: total	ha
technical plants: total	ha
sugar beet	ha
potatoes	ha
fodder plants on arable land	ha
permanent pastures	ha
(c) Number of domestic animals	
cattle: total	pcs
cows	pcs
(d) Market production for state funds: total	
Vegetable produce:	
grains total - mercantile	t
technical sugar beet	t
potatoes - mercantile	t
Animal produce:	
meat: total	t
milk	1000 litres
eggs	100 pcs

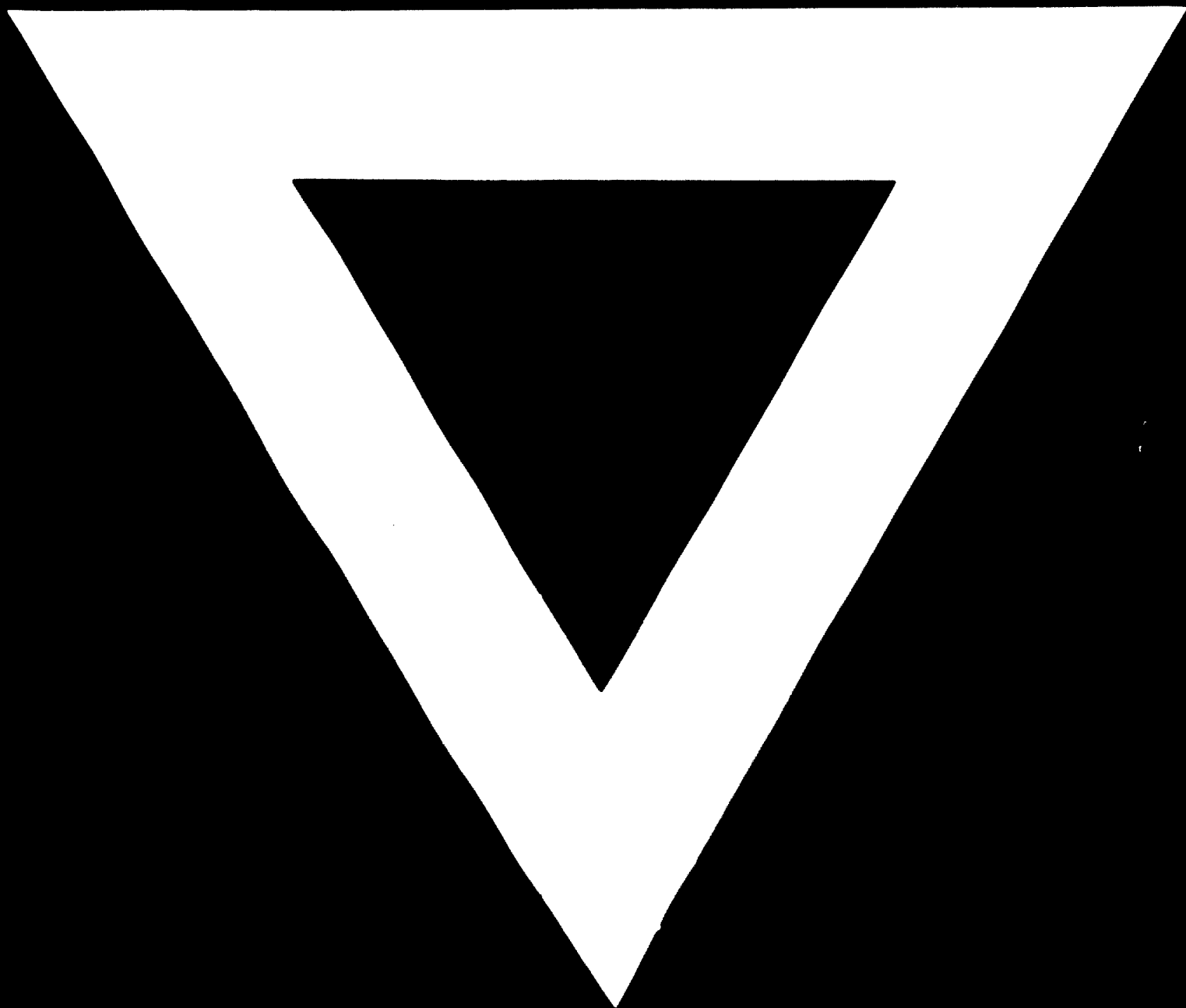
	<u>Indicator</u>	<u>Unit</u>
(e)	Labour	
	need of steady workers total	persons
	number of steady workers	persons
	women	persons
3.	<u>Indicators of forestry</u>	
	Forest area	ha
	Real timber production	
4.	<u>Transport development</u>	
	Transportation of goods per main substrata and type of transport	t
	Road transport of persons (only CSAD = state bus company) total of persons transported	1000 persons
5.	<u>Retail turnover: total</u>	mil. Kčs
	Enterprises of public nutrition	mil. Kčs
	Number of beds	bed
6.	<u>Education and culture</u>	
	Number of new students at day high schools and specialized high schools, total	
	Total number of students at high schools	
	at specialized high schools	
	Total number of apprentices	apprentice
	in agricultural and forest schools	
	in specialized schools	
	in apprentice schools	
	kindergartens - number of children	child
	school clubs	pupils
	number of boarders	persons
	children's homes	persons
7.	<u>Health and social care</u>	
	Number of beds in sanitary establishments, total	bed
	Homes of retired	places

	<u>Indicator</u>	<u>Unit</u>
8.	<u>Local enterprises and co-operatives</u> Incomes from the population	mil. Kčs
9.	<u>Investment construction^{a/}</u> Total volume of investment construction in building works	mil. Kčs mil. Kčs
	Total housing construction state in family houses	apartment
	Volume of building works carried out by construction organizations with the site of the enterprise within the region (irrespective of the site of construction) enterprises of local building trade others	mil. Kčs
10.	<u>Labour^{a/}</u> Total number of workers as per regional balances (without apprentices) Average: Final number of 31 December (physical) Wage fund in the same classification	persons persons mil. Kčs
	<u>Youth:</u> Total for specialized schools for apprenticeship	pupils
11.	<u>Water administration</u> Need of water Consumption of water Unpurified refuse waters Number of inhabitants using public water-supply system Number of inhabitants in flats with public sewerage system	m ³ /s 1000 inh. 1000 inh.

^{a/} Presented by all branch and industrial organizations within the region.

	<u>Indicator</u>	<u>Unit</u>
12.	<u>Gasification</u> Number of inhabitants in flats connected with public gas system	1000 inh.
13.	<u>Nominal Lists:</u> List of newly-started investment actions List of capacities newly put into operation List of project works List of plants and works destined for liquidation List of places of deposits of useful minerals and their exploitation	





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