

## Aspects of Regional Development Planning and Financing

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**ABSTRACT:** To be able to realize the planned regional investment politics, as the main booster of their real economy, not taking into account their economic politics, it must be admitted that the financing of investments presents the findings of financial means to realize the planned and programmed investments.

**KEYWORDS:** financial investments, regional planning, economic development, regional development.

Before, the investment aspect of regional development has been review because relevant investments are a main precondition for realizing regional plans. However, to be able to realize investment politics of the regional plans, as a main instigator of their real economy, not taking into account the political and economic system, it should be agreed that "investment financing presents the state of financial tools to realize the planned and programmed investments".<sup>1</sup> So, one of the main question (especially if we take into account all the complicated problems of investments) that raises willing or unwillingly, is this: how to secure appropriate financial means (according to the source quality, structure, volume, and dynamics), aiming to invest as quickly as possible in particular investment objects, putting them into economic activities as well as giving the planned financial effects.

Due to the fact that financing manifests in the form of permanent investment of certain financial means in the regional range of the economic processes, two main questions arise: 1) have the regional investors secured in time enough financial means for financing all the investments, and 2) would these investors be able, from the coming financial results of the activated investment objects, to expiate their obligations following their payments dynamics in time and with a disciplined manner.

All the above explored arguments show that the essence and contents of the process of investment financing in the region is summarized as the definition of required financial means, security of these means source, efficient and rational investment, and the return in time of the foreign means used. So, these are the main determinants of the financial aspect of regional and programed investment politics. In practice, these are solved depending on the investment financing system and methodology, where different regions have a great impact.

To shortly illustrate the solution to this problem in some places (especially in the eastern places where it was born), we shall do a little appropriate review. Actually, in all those places, it comes to the volume and modalities of financing the development of undeveloped (regional) parts. Due to the complexity of the problem, the public bodies dealt with it (local and central) which tried that with relatively little means to achieve bigger development effects. Western countries have paid special caution into finding appropriate ways to attract the private capital and initiative to solve this issue.

1) The USA have worked on this issue by fixing the Tennessee valley. However, in this case the private capital attraction was not taken into account so much because during that time, the US was going through an economic crisis so the citizens could

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<sup>1</sup> Boris Zver, *Teorija I Praska odlu. Ivanja, 1959*

not risk with enough private capital investments. Due to this, the function of financing that regions development was taken by Tennessee valley Administration. The annual budget of this Administration was generated from three sources: the main funds were secured from the sales of electricity and artificial fertilizers in Alabama; the second source was the loans from the American capital market; and the third source was the direct contribution from the federal treasury. Industry wise, the Tennessee valley Administration did not create new production units, but initiated the industrial development by exploiting natural and human resources.

2) In France, the system of financing undeveloped regions has varied due to the country's economic varying structure. It had some undeveloped regions distributed asymmetrically throughout the country. For this region, regional development in France is completely integrated in the "national plan" with a tendency for a better distribution of work regions. However, even though the concentration is done at the Center of Planning and Development, the financing was still decentralized. From this, the given development financing was done in two levels: a) financing from the Center, and b) financing at the regional level through the so-called the Mixed-Economy Association. In any case, this development financing was conducted by different financial institutions, including some half-public institutions. Within the regions, the main bodies are associations; the government appoints one or more commissioners, whereas the whole society is in control of the economic and financial situation of the country. Most of these associations have competences of a territorial character. There are only a few associations that have a main objective to develop the overall regional economy. It can be said that in France's system of regional development financing, the main situation lies with the government because it has not attracted capital investment with a significant pace.

3) Italy is very important in the study of regional development financing because it is characterized by compact, undeveloped areas in the south of Italy (the so-called Mezzogiorno), which covers 41% of the whole country's territory. The development politics of the undeveloped area had started with the "Fund for Mezzogiorno" in 1950. This fund had a "public institutions" character which had the responsibility to deliver the fund collected for the destined places in the South. The "Institute for Economic Development of South Italy" was also developed. In 1952, the fund started the first loan from the international bank for development and reconstruction, which was utilized from regional institutions to finance the industry in Sicily.<sup>2</sup> However, the fund for Mezzogiorno was not the only source of financing for the regional development of South Italy. In 1953, it was allowed for the special institutions to be created for the clearance of social capital, so the special institutions were created to finance the development of the south including "Institute for Sicily's Industry Financing", and "Industrial Loan of Sardinia". These institutions have secured loans by means of loans, subventions, precocious return of state debt, etc. All these institutions that were under the umbrella of the Fund for Mezzogiorno played a key role as a modality of the regional financing of the undeveloped south part of Italy.

At the end of treating this financial aspect of regional development in the western countries, it must be added that in this complicated yet important aspect, a key role has been played by their fiscal policy. A clear attitude was towards giving priority to development of undeveloped regions through fiscal policies, as are the necessary fiscal stimuli for making fund concentration available who has to be limited in time and space. The usage of these fiscal measures, as a tool to help implement the development politics of undeveloped regions is evident throughout major western countries.<sup>3</sup>

However, when it is about less developed countries, this process, as a determinant of economic development, brings many problems because the accumulation of capital on one hand and the usage of innovation in the other hand are on a dependent reciprocity. This way, Hirschman points the logical dilemma: "it is nice to say that less developed countries can copy developed countries, but it must be made sure that important processes were not skipped."<sup>4</sup> There are always pessimistic and optimistic opinions, but some authors argue that insisting in using innovations does not always use capital, but can actually save the capital.

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<sup>2</sup> Myrdal G., "Ekonomiska Teorija inerazvijemi regioni". London, 1957.

<sup>3</sup> Draguljub Jankovic, "Savremeni menagment", referat u organizaciji I FON-a u Beogradu. 19-21 September 1994

<sup>4</sup> Hirschman A.O., *The strategy of Economic Development*. Yale University Press. New York, 1998.

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