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Interregional Seminar on Operation
of Industrial Planning Systems

Nessebar, Bulgaria, 21 May - 2 June 1973

REPORT OF THE INTERREGIONAL SEMINAR
ON OPERATION OF INDUSTRIAL PLANNING SYSTEMS ✓

Nessebar, Bulgaria
21 May - 2 June 1973

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I. ORGANIZATION OF THE SEMINAR

The Interregional Seminar on Operation of Industrial Planning Systems was held in Nessebar, Bulgaria, from 21 May to 2 June 1973. Organized by the United Nations Industrial Development Organisation (UNIDO), it was attended by eight participants from Egypt, Iran, Iraq, Jordan, the Libyan Arab Republic, Pakistan, the Sudan and Turkey, as well as seven representatives of the following regional institutions: The East African Community (EAC), the Organisation for Economic Co-operation and Development (OECD), the Industrial Development Centre for Arab States (IDCAS), and the Council for Mutual Economic Assistance (CMEA). The Seminar was also attended by a representative from the International Labour Organisation (ILO). A number of persons attended the Seminar as observers. Thirteen consultants took part in the Seminar: one each from France, Hungary, India and Yugoslavia and nine from the host country.

Ivan Angelev (UNIDO) was the Director of the Seminar and Werner Behrens (UNIDO) was the General Rapporteur.

The focus of the Seminar was on the operation of industrial planning systems with particular emphasis being placed on the experience gained by the developing countries in the preparation and implementation of their industrial development plans. The experiences of some developed countries were also analysed with the view of transmitting it to the developing countries. The Seminar was a project of the Industrial Policies and Programming Division, UNIDO, to acquaint participants from the developing countries with industrial planning systems which are presently being employed. The objective of the Seminar was to provide the participants with better insight into the methodology and practices of industrial planning in some of the centrally planned

economies of Europe. In order to treat the main problems on a comparative basis, the methodology and practice of industrial planning in France, and in India were presented as well. The Seminar concentrated on the technical aspects of industrial planning where there is a large scope for exchange of experience between countries with different socio-economic systems.

The general principles of the centrally planned economic systems have become quite familiar during the past decades. However, specific rules and procedures governing the technical tasks of planning, including the complex of techno-economic indices, need to be further closely examined in the light of actual experience. In fact, little is known of the practical operation of the industrial planning system, of the means and techniques of industrial planning, of the procedures of drafting, discussion, approval and implementation of the plan, of the consistency and subordination of different plans, of principal sections of the plan, of the organization of information flows required for the elaboration of the plan, of the role of different incentives and policy measures for the fulfilment of the plan, of the coordination of long and short-term national plans of one specific country with the respective plans of other countries, etc.

The Industrial Development Board of UNIDO (May 1972) in compliance with the recommendations of the Special International Conference of UNIDO (June 1971) included this Seminar in the 1972-1973 work programme.

The Deputy Chairman of the State Planning Committee welcomed the participants on behalf of the Government of Bulgaria. He drew the attention to the fact that Bulgaria has already acquired twenty five years of planning experience and that it would be possible through such seminars to acquaint participants, particularly from developing countries, with the results achieved through the application of planning. Although it was possible to change the structure of the economy from a predominant agricultural to an industrial one, he indicated that still difficulties exist in planning and in the implementation of plans. Such shortcomings in planning and in the implementation of plans should therefore be discussed at the Seminar.

The Deputy Chairman of the District People's Council of the City of Burgas, extended greetings and good wishes to the Seminar on behalf of the City of Burgas. He explained the particular problems faced at the local level with regard to the preparation and implementation of the economic development plans. He regarded the Seminar to be useful in contributing to the solution of the particular problems of communities and regional entities.

The Director of the Industrial Policies and Programming Division of UNIDO thanked the Government of Bulgaria for providing facilities and for contributing substantial support to the Seminar. He pointed out that presently in some circles a need against planning in developing countries was noticeable, since planning without the appropriate policy measures would not be the right way for the developing countries in solving their economic problems. UNIDO does not share this view. Great importance is attached to project planning which has to be consistent with the social objectives as laid down in the sectoral and national development plans. It is therefore not a question to oppose projects to plans. The emphasis laid on the preparation and evaluation of industrial investment projects does not minimize the importance of plans. He admitted that the preparation of development plans was more difficult than the preparation of investment projects and that consequently, new tools, techniques and institutes would be required to prepare development plans.

The problems of each developing country are specific. Planning can therefore not be copied from one another but has to reflect the objectives, experiences, characteristics and institutions of a country. Yet, there are common features:- through the introduction of more rationality, consistency and harmony in decision-making it would be possible to introduce in a rational way the future into the decision-making process of today.

Emphasis was placed on the roles which international organisations have to play in this context, such as the exchange of information, the preparation of an international development strategy within the framework of the Second Development Decade, as well as the World Employment Programme and the Second General Conference of UNIDO to be held in Lima, Peru, in March 1975.

At the first meeting of the Seminar on May 21, 1973, the following officers were elected:

Chairman: Mr. Stoycho Valchanov, Director of Department,
State Planning Committee, Bulgaria

Vice Chairman: Mr. Jaffar Abdul Ghani, Ministry of Planning, Iraq.

Each agenda item was presented by consultants from Bulgaria, France, India, Hungary and Yugoslavia. A general discussion followed during which the participants from the developing countries had an opportunity to present the industrial planning systems as applied by them and to comment upon the specifics as presented by the consultants.

The Seminar held seventeen plenary sessions of 3 1/2 hours each. Visits were paid to one agro-industrial complex and to one petrochemical plant in order to discuss planning methods at the management level. All substantive items as listed in the Agenda were covered in the papers of the consultants reflecting the particular experience of their countries. In support of the agenda items, several additional technical papers were commissioned by UNIDO. These papers dealt mainly with procedures of planning as adopted in Bulgaria.

All consultants, both international and from Bulgaria prepared the papers and took part in the deliberation of the Seminar in their individual and expert capacity and not as representatives of their governments. Similarly, the discussions at the Seminar presented technical and analytical reviews of the industrial planning systems rather than the official views of the organizations of the participants and consultants.

At the closing session, the participants expressed their sincerest thanks and appreciation to the host Government of Bulgaria for the generous support given to the Interregional Seminar in terms of expertise, facilities and hospitality. It was specially noted that it was only possible to cover the comprehensive agenda due to the excellent conference and interpretation services made available which guaranteed the smooth and efficient management of the seminar. The number of Bulgarian experts contributing to the Interregional Seminar are indicative of the interest the Bulgarian Government was attaching to the subject of the operation of industrial planning systems. Finally, the provisions made for visiting two factories, one agro-industrial complex and some of the touristic sites of the country were welcomed by all participants.

II. FINDINGS OF THE SEMINAR

A drafting committee prepared the following list of findings, which was adopted by the Seminar at its final session as part of its report.

1. Participants took note of the fact that UNIDO has in the past conducted workshops on project preparation and evaluation and felt that, due to additional assistance needed in these fields, further work should be done paying special attention to the relationship between individual projects and the sectoral plan. Participants therefore support the suggestion made by one of the Bulgarian consultants to organise with UNIDO a special Seminar on this subject. Moreover, it is recommended that UNIDO intensify similar activities in other regions.

2. It was felt by participants that industrial plan implementation and follow-up constitute the weakest link in the industrial development process. Need was felt for UNIDO to intensify its operational and supporting activities in the field of plan implementation and follow-up.

3. Having in mind the considerable interest shown by participants in the subject of procedures adopted in the elaboration of industrial plans, the participants recommend that UNIDO intensify its work activities on the subject of procedures necessary for the elaboration of industrial development plans.

4. Noticing that UNIDO has devoted considerable part of its work and publications to industrial profiles and the methodology of project evaluation at the project and micro level, and that little work has been done at the macro level of industrial development planning, the seminar recommends that UNIDO pay greater attention to this problem and prepares publications on the systems, methodology and procedures of industrial planning as well as on the structure of industrial planning organisations in different countries.

5. Considering the fact that transfer of technology from developed to developing countries plays a leading role in the industrial development of developing countries and absorbs the major share of investment allotted to industrial development, it is recommended that UNIDO, in co-operation with other United Nations and international agencies and organisations concerned with this problem, intensify its activities in this field to meet the needs of developing countries.

6. Due to the great interest shown by participants from different countries for the subject of indices, norms, criteria and parameters used for the preparation, evaluation, implementation, follow-up, and incentives systems used in industrial development planning, the seminar recommends that these indicators and parameters be published by UNIDO and made available to the developing countries in the form of a manual describing their application in industrial development planning.

7. Due to the exceptional interest shown by the participants in the subject of regional industrial planning on both national and multi-national levels, the Seminar recommends that UNIDO give greater attention to this subject, emphasizing particularly the methodology of regional planning within individual developing countries.

8. Taking into consideration the fact that most of the developing countries follow a form of both indicative and directive planning, it was felt by participants that more intensive work should be devoted by UNIDO to develop proper ways of industrial planning in mixed economies.

9. Particular attention was drawn to the lack of information in developing countries on technologies, production processes and methodologies presently utilized in developed countries in industrial manufacturing. This information should be made available through UNIDO in order to avoid that investment opportunities are identified not only on the basis of import substitution and export promotion possibilities.

10. Developing countries with mixed economies find it difficult to set up a system of information flows related to the operation of the industrial sector. A proposal was made in the seminar in favour of utilising the concept of industrial data banks for planning purposes. The seminar recommends that, if so requested, UNIDO should help individual countries to set up industrial data bank systems.

Agenda Item 1: System of planning - forecasts, concepts, long-term, five-year and annual plans on different levels. Means and techniques for planning.

In Bulgaria, the overall system of planning relies on a number of basic documents which are worked out within an integral system of strictly determined interrelations and interactions. The planning system comprises national targets, forecasts, projections, concepts, comprehensive programmes as well as long-term, medium-term and current plans.

The first and most important element in preparing the plans is the determination of national targets (development strategy). Forecasts and projections, concepts and comprehensive programmes are worked out prior to the actual plans. Three types of plans are elaborated at all levels and by all organs as a system of direct planning documents: long-term, five-year and annual plans.

The long-term plans which usually cover a period of 15-20 years contain the basic trends, rates and proportions of the socio-economic development of the country. They reflect the basic tendencies in the development of science and technology; the main tasks and methods of the international economic integration and particularly with COMECON member countries; development of the material basis of the society; structural economic, social and cultural changes; raising the living standard of the people, etc.

The five-year plans hold a central position within the planning system and are the principal means of planned management. They are drafted for the entire country according to sectors of the national economy, branches, economic associations and enterprises as well as on a territorial level. The five-year plans specify the solution of the political and economic tasks of the development of the society and of raising the living standard. These plans are broken down by years and set up concrete annual tasks.

The annual plans, elaborated prior to every plan year, are only specifications and corrections of the annual breakdown of the five-year plan. When such specifications and corrections are not necessary, the annual breakdown of the five-year plan performs the role of a current plan. The annual plans are consistent with the respective annual state budgets.

Material, financial and currency reserves are envisaged in the long-term, five-year and annual plans.

In Hungary, the development plan sets a co-ordinated and compulsory direction for the activities of the Government and the bodies responsible for the guidance of the economy. All national economic plans form a consistent system regardless of the different time periods for which they are intended. The subsequent series of medium-term plans are the basis for the planned guidance of the economy, laying down the major objectives and tasks of economic policy concerning rates of growth, the basic proportion and structural changes and the equilibrium of the economy. The medium-term plan does not only include targets for the increase in national income, employment, private consumption, the development of science and technology and regional development, but includes also the major investment projects to be implemented as well as the economic policy measures and the basic regulators for the activities of the enterprises.

The medium-term plans are based on long-term plans. The drafting of a plan up to 1990 is in progress.

Today, annual plans serve primarily the objective of assessing the expected development within the next year and of providing a basis for working out the measures to promote the development foreseen in the medium-term plan. They no longer serve as a means of direct control. It should be noted that annual state budgets are in harmony with the medium and short-term plans.

The State Planning Office is responsible for macro-economic planning which takes place in the four stages:-

- analysis of past growth and of the present situation of the economy;
- forecast/prognosis of the process, requirements and conditions of development;
- elaboration of alternatives for different hypotheses, concepts and projects;
- drafting of the final plan.

Enterprises are not only drafting annual plans but most recently also perspective plans which consist of the development strategy and quantitative targets for the major indicators of the company's activity. Planning at the

level of enterprises and the actual of the way to set forth in the national economic plans and of the system of economic regulators created to motivate them to fulfil the established targets.

In Yugoslavia, economic and social planning has undergone some important changes, from rigid centralized planning after the war (1947-1952) to decentralized planning at the present. Parallel to this development went the introduction of workers' self-management in business enterprises and organizations and a stronger reliance on the market mechanism. Macro-economic development plans at the level of the federation, the republics and local communes replaced the detailed directive plans. The implementation of the social plans was left primarily to economic incentives and policy measures indirectly influencing the course of the economy and the autonomous enterprises. Micro-economic decisions were left to the market mechanism. Enterprises were free to draw up their own plans which were approved by their workers' councils as the highest self-management bodies without formal interference from outside. The setting of production, investment or employment targets was no longer required.

Parallel to this decentralization went the abolishment of centralized investment funds, thus limiting Government influence in this field. The re-organized banking system became more and more important, taking the federal government out of direct investment financing. The transformation of the price structure eliminated internal price disparities.

Today, the main responsibility for development planning has been transferred to the various self-management entities leaving the federal government with a co-ordinating function.

Medium-term (five year) plans play a central role. Instead of annual plans, an analysis is undertaken at the end of each year of the fulfilment of the targets of the five year plan as well as of the economic situation. Based on this analysis an economic policy resolution is passed for the coming year.

Long-term plans and long-term development strategies have not yet been prepared in a systematic way for the economy as a whole in the form of official planning documents.

The Planning Commission of India was set up to prepare socio-economic development plans within the framework of a mixed economy, a federal constitution and the basic social values of democracy. The Planning Commission thus has the responsibility of interpreting, co-ordinating and formulating the overall plan of the country in view of the overall objectives of the country and yet respecting the interests of the member states of the Union.

The Planning Commission prepares a perspective plan of 10-15 years defining the long-term objectives and indicating the relative priorities to be followed by the five year plans. The immediate objectives and the strategy to be followed for their implementation are laid down in the medium-term plans. Annual plans which correspond to the national economic budget are drawn up to increase the flexibility of the implementation of the five year plan and to attain a more concrete programme of development for one year.

The industrial plan is an integral part of the socio-economic plan. Overall targets of production are indicated, listing, however, the specific projects for the public sector. These projects are identified and prepared by the branch ministries; their final selection is made on the basis of their contribution to the national economy. All resources required for their implementation are allocated in the plan. The activities of the private sector are listed in the plan more in the sense of anticipation and expectation than in the form of a real plan. Policy measures are outlined to encourage the implementation of this part of the plan.

The French system of planning covers the entire economy, major attention being paid to the development of industry. Particularly, the fifth and sixth plans focus on this subject in order to prepare French industry for international competition.

French planning can be described as indicative planning, since it takes place within the framework of the market economy. The plan tries to provide better information on the overall development of the economy and to correct the imperfections of the economy by stimulating further competition.

The plan is prepared as a concerted action by the Government, professional associations, enterprises, unions and regions. It is worked out in a process of continuous consultation. The implementation of the targets and objectives is left to the good will of the different groups and to the efficiency of the medium and short-term economic policies.

The General Commissary for Planning is the main planning agency in France. As far as the application of the French planning experience in developing countries is concerned, it seems advisable not to rely on it which, however, does not mean that plans should not be considered as a means for change in the developing world.

The discussion focused on data requirements for planning; the necessity of planning for developing countries, particularly for the least developed ones; the real cost of industrial development; the linkage of plans and annual development budgets; and centralization versus decentralization in planning.

The question of data requirements was raised, since a controversy arose due to a remark made in the context of the French planning experience, i.e., that industrial planning should be undertaken even if the data base was weak. The opinion was stated that actually no alternative existed if we intend to pursue a scientifically sound planning exercise. In this form, no objection arises. If one regards, however, the usually weak data base of the developing countries, then one should start development planning even if insufficient data are available at the outset, since this situation will gradually improve. After all, many data sources exist already now which are usually not very well utilized in a systematic way: ministries (finance, labour, industry, commerce, and transport), customs department, statistical office, investment and development corporations, etc.

The problem whether no planning would in some cases be better than poor planning caused some confusion, since some of the speakers did not see this problem in the context of the least developed countries. Strong support was given for planning as a way to economic and industrial development. Yet, a modification was made in the sense that a serious plan would in any case be better than none and that no planning would be preferable in cases

where the plan was being misused or badly conceived.

The question as to the real cost of industrial development was raised in this context as well. The need for planning was agreed upon and it was pointed out that the contribution of industrial projects to be included into a plan to the development of the national economy could only be evaluated through national benefit-cost analysis. It was also underlined that a government should be aware of the real cost of incentives granted to various industries.

The question of how to link the annual plan and budget was raised. It was pointed out that in the case of Bulgaria material production planning and financial planning were co-ordinated in order to avoid misallocation of resources, but that it was a different matter to co-ordinate the plan and the fiscal budget which overlap.

Particular attention was given to the problem of decentralisation and centralisation. Supporters of centralized planning outlined that, specially due to the increased concentration on production, the advance in science and technology, the increase in trade and the expanded international division of labour, efforts have to be undertaken to plan the economic development in a centralized manner. Yet, other participants mentioned that their experience with decentralized planning was very favourable.

Agenda Item 2: Organs of planning and relations among them
on various levels

The statements of the consultants revealed that the organs of planning were quite different in the countries participating in the Seminar. Similarity was found only among the planning organs of the socialist countries which are different from the planning organs of countries which depend on the market mechanism. In these two groups of countries, the planning organs have other functions and organizational structures and apply other methods and means of planning. The structures of the plans are also not the same.

A system of planning organs has been set up in Bulgaria which fully corresponds to the social character and to the stage of development of her economy. Depending on the level of social control, the different organizations implement specific functions in the drafting and implementations of the unified plans for the country's social and economic development.

The National Assembly is the supreme organ of authority and at the same time, the supreme organ of planning. It passes the laws of the five year and annual economic development plans of the country.

The State Council is a permanently operating organ of the National Assembly which approves the basic principles related to the drafting of the long-term and five year plans. It discusses and adopts national targets as the initial moment in the formulation of the national concept, and it also has functions of guidance and control over the preparation and implementation of the plans.

The Council of Ministers is the organ which is in charge of drafting proposals for national targets, forecasts, concepts, comprehensive programmes and variants for the plans, which it afterwards discusses and adopts. Upon authorization by the National Assembly it sets limits and indices for the economic organizations for the forthcoming medium-term period and introduces specifications concerning the division of the five year plan into annual plans.

The State Planning Committee is a specialized planning organ for the methodological and organizational guidance in planning. It studies the needs of the country and the achievements of technological progress and organizes the drafting of forecasts, concepts, long-term, medium-term and annual plans at the macro level, by branches and for the territories. The State Planning Committee works out plans in different variants and assists the Government in co-ordinating its plans with the member countries of the Council for Mutual Economic Assistance.

The different fields and activities of the national economy are guided by branch and functional ministries which are planning organs at the same time. Ministries, central offices or offices, economic associations and District People's Councils elaborate their own plans and assist the State Planning Committee in drafting the basic pre-planning and planning documents.

Workers and employees of the enterprises and the Trade Unions' Committees at branch level as well as various professional organizations participate in the preparation and discussion of the plans and submit proposals for the improvement of plan indices. The Trade Unions play a very important role, particularly with regard to manpower and labour productivity planning, planning of the salaries and wages, distribution of the net profit and welfare planning.

Rather similar is the organizational set-up of planning in Hungary.

Organiser of the planning work in Hungary is the State Planning Office. This office has a special department for long-term and another one for medium-term and annual planning. Under their guidance all other departments of the State Planning Office (e.g., for Industry, Agriculture, Investment, Finance, etc.) as well as the "functional" and "branch" ministries and authorities take part in all stages of the planning process. Plan proposals are discussed with different organization. Consultations are also carried out with large enterprises which finalize their own plans at a later stage in harmony with the national economic plan. Medium and long-term plans are submitted for final discussion and approval to the Parliament, annual plans to the Council of Ministers. In economic affairs the Council of Ministers is assisted by three Government Committees chaired by Deputy Chairmen of the Council: The Economic Committee (which probably will be replaced by a Planning Committee), the Committee for International Economic Relationships and the Science Policy

Committee. The resolutions adopted by these committees are binding for the planners and other bodies of the state administration.

In Yugoslavia organs of planning exist at three different levels:-

- (a) The highest political and legislative level consists of the Federal Assembly and the assemblies of the republics and autonomous provinces. At this level, the preparation of development plans is initiated as well as the setting of the overall goals. The final draft of the plan is approved here including the policy measures and instruments for plan implementation. The fulfilment of the plan is also controlled at this level. The federal plan has to be based on the consensus of all republics and autonomous provinces. For this purpose special institutional arrangements and procedures have been established.
- (b) The organisation of planning and the drafting of social plans is entrusted to the Federal Planning Institute and to the planning institutes of the republics and autonomous provinces. These planning institutes are technical and advisory bodies responsible to their respective governments. They organise the preparation of plans, analyse their accomplishment, elaborate and recommend appropriate policy measures and instruments, and prepare the adequate planning methods and techniques. The necessary statistical basis is secured by specialised institutions such as statistical institutes, the Social Accounting Service and the National Bank. As far as the responsibilities of the different state bodies are concerned, the federation is basically in charge of those spheres of development that are of concern to all republics, the co-ordination of development planning and the formulation of development policy as well as the accelerated development of the less advanced regions. Each republic prepares a more detailed plan which in its basic points is in harmony with the federal plan objectives and targets.
- (c) The industrial enterprises and their associations co-operate closely with the planning agencies, directly or through the economic chamber, in preparing the development plans of industrial branches. This co-operation is formally institutionalized. The enterprises and their

associations are legally obliged to prepare their development plans in the form of an obligatory minimum of indicators which permits their comparability and co-ordination.

In preparing the development plans, the planning agencies are also helped by the relevant secretariats and agencies (for economic affairs, finance, foreign trade, prices). In the deliberations on the basic development policy targets, especially those concerning the standard of living, the distribution of income, the further assertion of workers' self-management, etc., an active part is also taken by the associations of trade unions.

The communes have their own technical planning services. Their plans are approved by the communal assemblies.

In the case of France the Commissariat Général du Plan elaborates the plan in a concerted action between the Government, professional associations, enterprises, unions and regions. The plan contains production targets only for a few major industrial branches in which the public is actively engaged. Due to the indicative nature of the plan, its implementation mainly depends on the suitability of the policies chosen.

The major organ of planning in India is the Planning Commission which functions under the overall guidance and direction of the National Development Council, which consists of the chief ministers of states and members of the Planning Commission. The ministers of the Central Government participate as well. The Prime Minister chairs both the Council and the Planning Commission.

The setting of detailed targets and programmes is undertaken by Steering Groups/Task Forces set up by the Planning Commission. They consist of the branch ministers concerned, the Planning Commission, technical advisers and representatives of industrial enterprises. All major groups of industries are covered by detailed studies. The remaining industry is covered by the Development Councils set up under the Industries Development and Regulations Act.

After the presentation of the various organs of planning which constitute the planning system of the respective countries, the question was raised whether these organs really have the same function in countries of differing economic and political systems. Attention was drawn to the nature of these organs which in countries with a centrally planned economy have another impact on the decision-taking process than in countries with many parties and many interest groups. The case of Yugoslavia was stated to prove that even in centrally planned economies these organs function differently.

The problem of multi-level investment decision-taking was raised, particularly in view of the experience gained in socialist countries. It was outlined that it would be difficult to transplant the experience gained in Yugoslavia to economies where investment decision-taking at the enterprise level is mainly left to the market mechanism. It was also indicated that, due to the strong position of the Central Bank in Yugoslavia, no real danger exists that the investment policy of industrial enterprises would be in contradiction to the investment objectives as laid down in the Federal Plan.

In this context it was mentioned that in Iraq the investment decision is also left to industrial enterprises, however, only up to a certain limit, beyond which they are referred to a central planning organ. In other words, in the case of Iraq multi-level investment decisions have created a centralized and a decentralized decision-making process.

Attention was drawn to the role of trade unions in industrial planning. It became clear during the discussion that all planning systems presented had sufficient provision for trade unions to participate in the preparation of industrial development plans. The Yugoslav example of workers' self-management at the enterprise level particularly shows the influence given to trade unions and workers in the investment decision process.

Problems of regional planning were raised particularly in the context of centralized planning. It was indicated that especially centralized planning would be suitable for solving the problems of regional development. The experience of Iran and Iraq shows that the promotion of regional development cannot be left to investment proposals originating in the regions since very little planning is done at this level.

The choice between export promotion and import substitution was presented as a problem of multi-national development planning. The high cost to national economies due to a continued import substitution policy proves the necessity for the developing countries to create and promote export-oriented industries suitable for easing the continuous strain on their foreign exchange reserves which is also partly due to the foreign exchange requirements of import substitution industries.

Grounds Item 3: State Council, Bureau for Drafting, discussing and approving the plans - short, medium and long-term

In accordance with the practice adopted in Bulgaria, the principal documents of planning are drafted in the following sequence:-

(1) national targets together with forecasts; (2) concepts; (3) comprehensive programmes; (4) unified plans for social and economic development together with final comprehensive programmes; (5) counter-plans of the economic organizations and of their enterprises. In accordance with this sequence and on the basis of the basic principles approved by the State Council, an outline is made of the stages and terms within which the principal pre-planning and planning documents are to be worked out.

The drafting of the plan documents as well as all methodological and organizational guidance are mainly the responsibility of the State Planning Committee. At all preparatory stages of forecasts, national concepts, comprehensive programmes and unified plans, the State Planning Committee is assisted by the respective ministries, economic and scientific organizations and trade unions.

During all stages of the drafting of the plan documents, broad co-ordination is sought with the plans of the other socialist countries. Possibilities of expanding the existing foreign economic ties with developing and capitalist countries are aimed at. Particular attention is paid to the establishment and progressive modification of the basic proportions in the system of expanded reproduction. Reference and concrete balances are worked out in order to ensure an efficient link between the sources and uses of materials, financial means, labour and foreign exchange within the plan.

The pre-planning and planning documents drafted are discussed by the State Planning Committee and the other ministries and departments. Extensive use is made of information relative to the prospects of development in the country and in other countries as well.

The drafting of long-term, medium-term and current plans is done within fixed periods. This assures a complete synchronization and mutual linkage at all levels of the draft plans.

In Hungary, all important aspects of the economic and social life as well as of the present economic situation are evaluated during the first stage of planning through the analysis of past trends. The most important characteristics are registered and their causes and interrelationships explained. These analyses are the basis for the forecasts of future trends, requirements and constraints of development in population, technical progress, international trade and other major internal and external conditions. Hypotheses, development concepts and projects are formulated as well as alternatives summarizing the different aspects of future development. These provide the basis for drafting the consistent plan, first in the form of tentative variants, and later as the final version which is to be submitted for approval.

This procedure is simpler in the case of annual plans which can and should rely on the actual medium-term plan and the up-dated analyses, forecasts and other working materials attached to this plan.

In the case of medium and long-term planning all these stages appear very articulate. For the preparation of the long-term plan a network of committees was also established in Hungary. After the analyses, forecasts and alternatives have been prepared and preliminary decisions about the seemingly optimal pace of growth taken, more attention is paid during the drafting of the medium-term plan to the possibilities, alternative ways and the measures needed for the implementation of the long-term plan. The increased number of consultations with foreign trade partners (i.e., with the planning authorities of the COMECON-countries), enterprises, and experts of the ministries and departments should reveal how the objectives of the long-term plan are to be achieved during the plan period.

Three stages may be distinguished at the parliamentary level in Yugoslavia:-

- (a) Based on the analysis of the fulfilment of the current plan, the Federal Assembly, at the proposal of the Executive Council, issues the basic guidelines for the preparation of the development plan and issues a law defining the obligations of all institutions and economic agents in the process of the plan preparation.

- (b) In the second stage, the Federal Assembly discusses the preliminary draft plan and submits it for public discussion for a pre-determined period of time, at least one month.
- (c) In the third stage, the final draft plan is discussed and adopted by the Federal Assembly.

A similar procedure is applied to the preparation of the development plans in the republics. The plans of the communes are approved by the communal assemblies.

The elaboration of the plan proceeds in three main stages:-

- (a) Preliminary aggregate and sectoral forecasts are prepared in the planning offices. Simultaneously, enterprises and their associations prepare their development programmes, or if these programmes already exist, synthesise them in terms of the minimum obligatory indicators for the mutual comparability and co-ordination.
- (b) In the second stage, a detailed co-ordination process takes place in which the industrial associations participate, usually within the organization of the economic chamber. The preliminary aggregate and sectoral projections are confronted with the development programmes of individual industrial sectors and the underlying hypotheses are re-examined. The final result is the first draft of the plan.
- (c) In the third stage, after this draft plan has been discussed in the legislative assemblies and in the public, the final plan is elaborated in the planning offices.

The procedure is similar for the elaboration of the federal and republican plans. The mutual agreement on the basic development objectives and policies has already been assured during the planning process itself and in the course of the formulation of the precise policy measures.

In France the planning process takes place in two phases: one administrative and one public. During the preparatory administrative work, different groups dealing with long-term problems, horizontal and technical problems of forecasting are charged with the advancement of the planning process. The groups charged with long-term problems focus on sectoral studies,

technological perspectives and studies, e.g., of energy and raw materials requirements. Studies of external trade, employment, financing, industrial structures, etc. are undertaken by the groups dealing with horizontal studies. The technical groups work, e.g., on macro-economic projections, and prepare the background material for the different commissions utilizing the physical-financial (FiFi) model.

The public phase of the planning process takes place in two steps. During the proposal phase, various commissions work on a first draft of a global development strategy. The members of these commissions are proposed by the Commissariat Général du Plan (CGP) and are nominated by the Government. The CGP submits the strategy proposals to the Government which selects the most desirable alternative. The Government in turn forwards the project to the Economic and Social Council for agreement. The proposal is then sent to the Parliament for approval.

The next step is the preparation of the actual plan. The commissions suggest economic policies required for the implementation of the plan and prepare sectoral proposals.

The 1969-1974 Indian Economic and Social Development Plan was prepared in the following four stages:- *

- (a) Basic data were collected and analysed, existing programmes were reviewed, priorities were established, and tasks were spelled out.

On the basis of data supplied by the States, eight steering groups, forty-two planning/working groups, eighty-three subgroups, and a panel each on Welfare of Backward Classes, Social Welfare, Small-scale Industries and Cottage Industries were set up at the Centre to undertake studies in depth and formulate proposals on the size, content and strategy of sectoral programmes.

- (b) The objectives and strategy of the plan were then laid down in a document prepared by the Planning Commission. These were endorsed by the National Development Council, after which the Planning Commission issued guidelines to the central ministries and state governments for the formulation of their plans.

- (c) The concrete and quantitative aspects of the plan were then determined by the Planning Commission in consultation with state governments, the administrations of the Union Territories and the central ministries. The criteria for the allocation of central assistance to states were decided upon by the Committee of State Chief Ministers of the National Development Council.
- (d) In the final stage, the programmes formulated by the state governments and central ministries for the five year period as well as for the first year of the plan were considered at a series of meetings with central and state authorities.

Particular attention was drawn to the problem of procedures which is of lesser significance in Western Europe and the socialist countries than in the developing countries. It is apparently not too difficult for Western Europe to cope with the different interest groups during the planning process; this is still easier for socialist countries in which differences of interest do not exist. Developing countries with pluralistic societies face, however, serious problems in obtaining the political consensus from their parliaments for any plan proposal. The opinion was therefore expressed not to indulge in any mechanical imitation of a planning system which would not correspond to the political and socio-economic structure of the developing societies. For the developing countries it is of major concern to obtain the consensus from the various interest groups and to create among the population the incentive for real efforts towards development.

In this context, attention was drawn to Austria's decision to nationalise her heavy industry after World War II in an effort to rebuild the economy through the expansion of the public sector. Taking into account that Austria's basic economic conditions were more advantageous than those of developing countries, it was underlined that the development of the public sector could play a positive role in the development of an economy.

In this connexion emphasis was laid again on the enormous significance of the adopted political and economic system. Iraq, e.g., has abolished the

system of feudal relations in 1945, nationalized the interests of large enterprises and banks in 1957 and the largest oil monopoly in 1972 for social reasons and is increasingly relying on central planning.

Particularly, since in many of the developing countries special conditions prevail, it was strongly advised not to draw an analogy between developing and developed countries and for that matter also with Austria.

The question was then raised concerning the number of selecting advisers in the field of industrial planning and in particular how they could adjust their advice to the economic system of the host country which usually differs from that of the country from which they come.

In developing countries large-scale projects might not be economically viable during their initial or even later operation. The Bulgarian example of a centrally planned economy was outlined to prove the expediency and significance of such heavy industry projects which were indeed the basis of the country's advancement. It was, in turn, indicated that the present stage of some of the developing countries was not fully taken into account. Although project preparation and evaluation are important tools for coping with the problem of commercial and economic profitability, it was doubted whether these countries would stop relying on the market in order to leave their development to other forces.

The planning procedures of Jordan, Iraq, the East African Community and the Sudan were described briefly.

The question whether developing countries should make use of advanced economic and mathematical models was discussed at some length. The experience gained in Bulgaria in forecasting and in the utilization of such models was presented. It was emphasized that models would be a desirable tool for raising the qualitative level of planning and that developing countries should therefore start making use of them. This opinion was, however, not fully supported, since it would be too early for many of those countries to apply comprehensive modelling which would also be beyond their professional and conceptual scope. Instead, it was repeatedly suggested to refer to traditional planning methods and to some simpler forms of economic models until more experience has been gained. The Hungarian experience in demand and supply forecasting was briefly outlined.

Agenda Item 4: Principal sections of the industrial development plan - content, objectives and interrelationships. Forms and indices used in drafting the plan.

The long-term and the five-year plans in Bulgaria have almost the same structure. In the long-term plan the sections are more aggregated and the number of the forms and indices smaller.

The integrated five-year plan consists of three parts:

- (a) **Basic trends in the socio-economic development of the country.**
It comprises the following sections: political and economic tasks, basic growth rates and structural changes; science and technology; foreign trade relations and socialist economic integration; living standard and social changes; quantitative indicators for the production sectors (industry, agriculture, etc.); quantitative indicators for the non-productive sphere; investments; labour and wages; production costs; prices; overall financial and credit plans; national economic efficiency.
- (b) **Development of the individual sectors, branches and economic associations.** This part contains almost the same sections adjusted to the specifics of the respective sectors.
- (c) **Basic trends in the territorial location of the productive forces.** This part comprises different measures aiming at improvement of the territorial structure of the economy.

The interrelationships among the sections of the plan are complex and diverse. The elaboration of the plan is a complicated and complex process consisting of many stages in which the resources are specified at many phases until their complete balancing is achieved.

The forms and indices used in drafting the plan are of two general groups: for the macro- and for the micro-level planning. They differ mainly in the degree of detailization of the estimates and in the scope of the indices. The State Committee on Planning with the assistance of other ministries, central offices and economic associations has produced a booklet "Methodological Instructions, Forms and Indices for Drafting the Integrated National Development Plan", which is used by all planning organs. The instruction contains

a uniform nomenclature of natural indicators - approximately 2,000 items, of which only 200 are centrally controlled.

The plans for the industrial branches contain 30 main forms that cover indices for the volume of production, capacity utilization, labour, production cost, capital investment, supply of materials and equipment, financial plans, economic efficiency, etc. These forms are a pre-requisite for the linkage of the physical and financial aspects of the plan.

The major sections and indicators of the industrial plans are the same in Hungary as in Bulgaria and are based on their own 25 year planning experience as well as the experience of the Union of Soviet Socialist Republics and other centrally planned economies. Differences emerge in the breakdown, in the number of components planned (products, sub-items, etc.), in the obligatory or informative character of the various indicators (e.g., the different types of productivity indicators). Planning is always done both in physical units and value terms (in current and constant prices), by components and by aggregate figures, by subbranches and by industry as a whole and by different approaches (e.g., from the input and output or from the demand and supply side). Aggregations and balances are the main tools for co-ordinating and harmonizing the sections and indicators of the plan.

The content of the Yugoslav development plan is determined by the role of planning as a tool for the management of the economy and, above all, for the guidance of economic development according to the desirable social goals. The role of planning in Yugoslavia is based on social ownership of the means of production, workers' self-management, decentralized decision-making and a specific utilization of the market mechanism.

No specific physical or value targets are imposed on any enterprise in the development plans of the country. But the rules regulating incomes, internal funds and contributions to various social funds owned by the socio-political communities are very strict and are elaborated in great detail and carefully controlled by the Social Accounting Service. These rules are a very important part of the development plan having to secure the desired division of the national income to consumption and investment accumulation as well as the general proportions in the allocation of resources according to the planned objectives.

In addition to the overall rates of growth of the social product and its main components, the development plan contains sectoral targets which are arrived at as a result of the detailed process of mutual adjustments and co-ordination between the corresponding industrial associations and the planning organs. Twenty-one industrial sectors are usually distinguished with further disaggregations in some important cases.

In fixing sectoral targets, the financial resources for attaining these targets are also investigated (own resources of the branch, bank credits, foreign loans, different social funds, the government finance in some cases), so that the sectoral plans are also checked by the corresponding financial balances. In order to secure the realization of the financial basis for the plan implementation, appropriate organizational and other policy measures are foreseen in the plan.

For basic industries (e.g., iron and steel, basic chemicals, cement and lumber) and infrastructure more precise quantitative targets are fixed together with the responsibilities for their achievement. The same is true for the development programme of the less developed areas. Yet, concrete projects do not enter into the social development plans, although they have been sketched during the plan preparation.

The plan does not only contain balances for finances, but also for the basic capital, intermediate and consumer goods as well as for exports and imports. The corresponding policy measures to be undertaken are also included. This section is considered very important, since it synthesizes the main lines of economic policy that will be pursued in different fields and at all institutional levels with the aim of achieving the goals set by the plan.

In the Sixth French Development Plan industry is divided into a protected part and another which is exposed to international competition. For this part it is assumed that foreign prices are dominant and that the rate of self-financing is given. For the past planning period a ratio of self-financing and total investment has already been established. The major objective of the plan is to increase the international competitiveness of French industry.

During the preparatory planning stage extrapolation of past achievements showed an industrial growth of six per cent which actually would have led to a rising imbalance in foreign trade and an increase in unemployment which was politically and economically not acceptable. The final plan assumes, however, a growth rate of 7.5 % which would result in the creation of 250,000 new jobs and a balance of payment surplus for industrial commodities of Ffrs. 15 billion.

To achieve these targets, it was agreed to improve the structure of enterprises through the same incentives as already granted in the Fifth Plan, investments in foreign countries and new means of financing for small but fast growing enterprises. In addition, it was proposed to ameliorate the external operating conditions of enterprises through better training facilities for cadres and professionals, the intensification of industrial research and the improvement of financing facilities to increase the volume of long-term investment capital for industry.

The discussion related to this subject concentrated mainly on two items: the nature of indices developed in industrial plans and the role of the national technology policies in the industrial planning process.

Indices utilised in the planning process usually do not show the type of technology used. Any technological policy should set up criteria for the choice of appropriate technology for the various operations of the production process. Anyone dealing with industrial planning should consequently be aware of the existing technological alternatives. Thus, today growing emphasis is placed on the multi-disciplinary approach. It was felt that in Western countries co-operation between economists and technologists was relatively easily secured at the micro-level (enterprises). There seem to be many difficulties, however, in treating explicitly the question of technology at the level of planning organs where macro-economic considerations prevail; organs concerned with science and technology policies and plans tend to have communication gaps with those concerned with the economic aspects of industrial planning.

It was also indicated that technologists of developing countries tend to have their own concept of progress which favours the adoption of the most modern technology of the advanced countries even when it is economically (and even socially) inappropriate. An industry employing such technology usually operates under monopolistic protection and with manipulated product prices that are considerably higher than the prices prevailing on the international market. The intended long-term benefits of such quasi-commercial operations would depend critically on what kind of measures are taken to affect the domestic technological capacity, i.e., plans concerned with research and development, vocational training, education systems, etc.

Two questions were raised for discussion:-

- (a) Are the indices of technical efficiency used in Bulgaria, for example, a clear enough language to communicate with both engineers and economists in agreeing upon particular development objectives which the planning agency wants to put forward?
- (b) Socialist planning systems have obviously an advantage in satisfying the needed principle of "participatory" planning at all levels. Looking back into the history of evaluation of the planning process, however, were there any difficulties at one stage or another in elaborating the language suitable for multi-disciplinary communication? Can we learn how practical solutions were worked out to cope with such difficulties

in terms of improvement of the procedural conditions, institutional set-up and the development of indices.

In the subsequent discussion it was emphasized that many developing countries (e.g. Iraq) are dependent on the industrialized nations with regard to technology. Furthermore, it was hinted that most of the time no real link existed between the economic and industrial plan and the science and technology plan for solving development problems. The questions posed above are thus highly relevant for a developing country to seek better solutions to their planning problems.

In the Union of Soviet Socialist Republics extensive use is made of planning indices defined by the State Planning Commission. Several major groups of indices are available, i.e., for industry, capital construction, labour, education and housing. All local planning organs (e.g., the republics) receive these data for the preparation of their plans. It was also pointed out that certain types of balances (e.g., for energy, labour, finance) are in use in the USSR and that it would be desirable to combine a system of indices with the drafting of such balances.

Many representatives of the developing countries, particularly with mixed economies, pointed out that the indices and norms used in their planning are of a somewhat different nature from those used in the socialist countries. Since their plans cover the private sector as well, they have to refer to less accurate planning tools. In the case of Pakistan, the plan for the private sector does not go into great detail, but restricts itself to the provision of benchmarks, the inclusion of additional capacities and the mentioning of policy measures to control this sector of the economy and to narrow the gap between private and social profitability.

Concerning the problem of transfer of technology, different opinions were stated. One participant felt rather confident that his country would be able to adopt labour-intensive technologies which would be more in line with the factor proportions of his country. In the case of Turkey, it was quoted that the country's technological policy tried to establish three objectives: (1) to import modern technology in order to raise the standards

of quality and to increase the level of national competitiveness;
(2) to produce technical equipment locally in order to develop this type
of industry; and (3) to apply modern technologies to accelerate the develop-
ment of its own processing industry.

Different experiences were quoted by Hungary and Bulgaria with regard
to the problem of harmonizing the approach of economists and engineers to
the question of technology. In the case of Hungary it was reported that
in the past the engineering approach usually prevailed, favouring advanced
technologies. Decisions on large-scale projects are now being prepared by
interdisciplinary teams. It was pointed out that the impact and usefulness
of certain techniques should not be judged only on the basis of technical
indices, but that one has to consider also the side effects, e.g., environ-
mental problems. Commercial profitability analysis is therefore not
sufficient but has to be supplemented by national cost-benefit analysis.

The introduction of new technologies in Bulgaria did not cause any major
problems, since these transfers were not based only on techno-economic indices
and economic profitability analyses, but resulted from the efforts of experts
from different fields of the socio-economic life. The specific Bulgarian
experience of harmonious development of agriculture and industry was described.
It was emphasized that planning had, and still has, the objective of creating
conditions for balanced development as opposed to indicative planning (France)
which is limited to the reduction of economically undesirable amplitudes in
development.

To conclude this summary, a report on ILO's experience with manpower
planning was given.

Agenda Item 5: Interrelationship between sectoral and project planning.
Derivation of investment projects from the parameters
of the sectoral plan.

In Bulgaria the preparation of the capital investment plan is based on the requirements of the national economy which are defined analytically by using balances and input and output tables.

These requirements and the creation of adequate conditions for the earliest possible implementation of the national targets serve the State Planning Committee to work out preliminary data which are passed on to branch ministries and economic associations to prepare and submit their recommendations to the State Planning Committee for discussion and finalization. The proposal for capital investments is afterwards submitted to the Council of Ministers for approval in order to be returned afterwards to the branch ministries and economic organizations to initiate the elaboration of industrial projects.

Project proposals are worked out in at least two alternatives by specialized units which, from an organizational and structural point of view, form an integral part of the economic associations.

Based on the information contained in the industrial proposals and considering the results and trends of development in science and technology, the State Planning Committee works out a system of standards or national parameters, which are to be used to define the volume of capital investments for the economy, sectors and the different industrial branches.

In Bulgaria particular attention is paid to the various stages of project development. The time requirements for each stage of the project cycle are given. In the course of this cycle all efforts should be made to find the most efficient solutions, particularly for the (three stages of) pre-investment studies, process planning and erection of the plant. This does not, however, mean that the two other stages of the running-in of the plant and the achievement of full capacity are to be neglected.

To conclude: The project cycle is a complex process of five separate stages with strong interconnections and feedback.

According to current practice in Bulgaria, each draft project, before being approved must be co-ordinated with a number of central departments and with the State Planning Committee. Essentially, each project solution has to be substantiated both economically and technically. By co-ordination of a draft project one understands a process which must lead to the acceptance of the technical and economic indices and data calculated for the project. These indices and data must prove the relevant needs, the optimum size of the enterprise, the technological process adopted, the need for labour, raw materials, power, water and other material inputs, the degree of industrial co-operation envisaged, the cost of the products manufactured as well as a number of other technical and social aspects of the future industrial activity of the enterprise.

The project must also prove that the corresponding manufacturing process is planned at a given maximum capacity. It is furthermore necessary to propose the most favourable variant for the creation of productive capacities either through expansion, reconstruction or modernization of existing capacities or through the construction of a new plant.

In the final account the project must prove that the future economic activity of the enterprise will result in a corresponding economic effect which, compared to the capital expenditures made, will be up to the requirements of economic efficiency as adopted in Bulgaria.

In the course of project preparation several varying solutions are to be proposed. The economic evaluation of a particular draft solution starts with the selection of the most efficient variant. In practice, the elimination of the variants with contradictory characteristics for operating costs and fixed and working assets (i.e. of the production funds) is carried out by the method of "adduced costs":

$$C_i + E_n \cdot K_i = \min.$$

where: C_i = operating costs for the respective i variant in a normal year of production

K_i = capital investments or production funds for the respective i variant; and

E_n = coefficient of efficacy reflecting the normative gross profit which must be obtained from a unit of production funds.

These coefficients are approved by the Council of Ministers for the entire country, and they are differentiated according to sub-branches.

Reasons for adopting differentiated coefficients of efficacy are the different level of profitability, differences in the organic composition of the production funds and the different degrees of technological progress. The lowest and highest coefficients for the respective sub-branches range within broad limits of one to five times with light industry having the highest and heavy industry the lowest coefficient.

In order to eliminate competing project variants, studies and comparisons are made, e.g. of a number of technical and economic indices such as the extent of material consumption, percentage of material utilization, extent of labour and fund consumption, recuperation from exports, utilization of machine time and capacities, degree of mechanization and automation.

In those cases where the output is fully or partially exported, the coefficient of economic efficacy or its reciprocal quantity - the payback period - is determined as follows:

$$\frac{(Q_1 - C_1) + (Q_2 - C_2)}{K} = E_n$$

where: K - production funds

Q_1 - volume of locally sold output

Q_2 - volume of foreign exchange earnings from exports converted into leva by means of the operative coefficients for the value of one rouble or of one US dollar. These coefficients are worked out in a dynamic aspect by the Ministry for Foreign Trade.

C_1 - production costs of locally sold output

C_2 - production costs of exported output

E - coefficient of efficacy of the industrial project

E_n - the normative established coefficient of efficacy

All quantities in the above formulae are given in levas.

In order to update the capital investments (production funds) for a particular moment of time the formula

$$(1 + R)^t \text{ or } \frac{1}{(1 + R)^t}$$

has to be used where t = years of capital investment.

The Hungarian reform of economic guidance of 1968 decentralized the investment decisions. Investments which can best be decided by state authorities are to be financed from budgetary appropriations or state loans; investments which can better be evaluated and chosen by enterprises will be financed from their internal funds and may be supplemented by credits. Project proposals originate partly from enterprises, partly from sectoral planning with the objective to cover imbalances, increase exports, substitute imports, introduce new products, etc.

Enterprises evaluate their investment projects according to criteria of commercial profitability. The method of pay-back period is used frequently. National economic profitability analysis utilizes primarily the discounted cash flow method for a fifteen years time period at a discount rate of 12%.

Individual projects are first harmonized at the sectoral planning level according to the input and output requirements of the projects. Harmonization at the national level is reached with a system of balances. The approval of the total investment figures included in the medium-term national economic plan takes account of the "material composition" of the projects (construction, machinery, exports, etc.) and of the financial resources broken down into branches and spheres of decision-making. Some complex development projects and about one hundred larger projects are approved individually.

The Yugoslav development plans contain, as a rule, only sectoral targets. The actual project selection takes place in a variety of ways depending on the significance of the project for the attainment of the basic development goals, on its size, the required investment finance, etc.

The system of project selection within the sectoral planned targets which was practiced for quite a long period since the abolishment of the direct financing of investment projects from the State budget was based on the compe-

tition of interested investors for the investment loans earmarked for the different industrial branches in line with the objectives of the development plan. The applicants for the loans were required to submit a detailed economic, technical and financial documentation and a fully elaborated investment project according to a prescribed scheme. Broadly, this scheme related to the following two groups of questions and indices:

- a) the questions concerning the expected impact of the project on the corresponding industrial branch, the interrelated branches and on the economy as a whole, the sources of raw materials, power and other inputs, capital equipment from domestic and foreign sources, the prospective market for the output, the contribution of the project to solving urgent development problems, the solution of existing structural disproportions, the use of available natural resources, employment of available labour force, the problem of skilled personnel, the increase of export potential or the substitution of imports with the resulting effect on the balance of payments, technical solutions in the light of the technical progress to be achieved, the problem of capital and labour intensity, etc.
- b) The other group of indices is related to the micro-economic efficiency criteria such as the expected profitability, the estimate of the period of construction and of construction costs, the financial position of the applicant, the interest rate and the repayment period of the loan, the financial resources it is contributing to the financing of the project, etc.

The relevant locational factors and criteria were also taken into account.

By using this procedure it was possible to mobilize a broad spectrum of projects and to choose the most promising and favourable both from the viewpoint of attaining the planned development targets and from the viewpoint of efficiency. Of course, the selection criteria have to be carefully defined and applied and competent selection bodies and procedures organized.

At the newest stage of the evolution of the Yugoslav economic system this procedure has been more decentralized, but the principles of project selection are in essence the same.

All this relates to the selection of an important size. Investment projects relating to the expansion, modernization and reconstruction of the existing plants have been left to the sphere of the independent decisions of the enterprises themselves. Various policy instruments are used to influence and guide them according to the development plan of the country.

The French Commissariat Général de Plan prepares projections for thirty-six sectors which deal with various source and use balances (production, imports, consumption, investments, exports) and the factors of production (gross formation of fixed capital, number of persons employed).

Sectors creating employment and improving the balance of trade obtain the highest priority. In the case of the Sixth Plan priority was attached to the chemical, machinery and equipment, agricultural and food and electronics industries.

No direct relation exists between the plan and private investments which can only be influenced by incentive policies. As far as the public sector is concerned, use is made of social discounting to calculate the benefits of investments and in order to enable rational decision making.

Finland has no direct planning, but relies on the market mechanism for the allocation of resources despite the quite significant size of the public sector. It was felt, however, that some kind of central planning would be desirable at the national level in order to formulate a development policy for the developing areas of Finland, to support the efforts stemming from several agreements signed with the COMECON-countries and to contribute to the preparation and planning of Finnish investment projects in the developing countries.

Sectoral and project planning in forest industry represents a very complicated area of planning, in which the optimization of planning decisions is difficult, due to the many special features of this sector of industry. Above all, the non-homogeneity of the forest as a planning object and the only partial use of wood as a raw material in the wood conversion industry, e.g., residue from the saw mill and plywood industries, forms a notable source of raw material for the pulp industry. This being the case, planning

of raw material resources should not only cover the planning of forest resources, but also the secondary raw material resources of the production sector. The economy of transportation systems is another important aspect which has a decisive effect on the location of plants and on their size. Environmental problems complicate the planning process still further. Since modern plants as well as transportation systems are very capital intensive, the size of production units has a great effect on the quantity of investment requirements per production unit.

Integrated planning of forestry and forest industries to achieve an optimal result from the point of view of both the national and commercial profitability is consequently most demanding.

In sectoral and project planning in the forest industries, it is of utmost importance to clarify the profitability factors both from the national economy's and the business point of view and to stress in a proper way their interrelationship. Project development can be approached from project planning through financial profitability "filter" towards sectoral planning, as it has traditionally been done in market economies. On the other hand, the same goal can be approached starting with sectoral planning, taking into consideration national economic planning criteria and derivating individual projects from these requirements. Which road is followed depends on the economic system and political decision-making methods of the country in question. Intermediate forms of the afore-mentioned extreme cases can also, naturally, be used. Application of financial profitability cannot be considered an exclusive criterion for project planning in market economies. Against a background of diminishing raw material resources, the need also for effective centralized sectoral planning, especially in the forest industries, is admitted in many market economy countries. On the other hand, in planned economies which have traditionally operated according to criteria of national profitability, there is an increasing tendency to study the profitability of forest industry projects during the planning process from the commercial point of view as applied in market economies and, as a rule, to check sectoral planning by individual project planning. Generally, it can be stated that a trend is noticeable towards comprehensive planning in forest industries which was made possible only through project planning, mathematical models and the application of computers.

During the discussion particular attention was drawn to the importance of proper project development as a key to successful industrialization. The significance of an adequate flow of information from the project level to the main planning organ was emphasized. It was indicated that socialist countries obviously dispose of a better functioning information system than market economies. The question of the selection of relative priorities was raised and reference was made to UNIDO's Guidelines on Project Evaluation which uses the shadow price of investment as a national parameter to correct the market prices. UNIDO's approach to national cost-benefit analysis deliberately bypasses the concept of "sectors of the economy" and "branches" of industry by allowing the few basic price parameters to co-ordinate separate activities. It is assumed by the authors of the Guidelines that the problems related to inter-sectoral and interbranch balances have already been taken care of in the market analysis conducted by each project proponent. This approach was still considered problematic and not very practical, since one cannot obtain a ranking of all projects proposed for the different industrial sectors.

The two formulas which, among many others, are used today in Bulgaria to evaluate the economic profitability of industrial projects, were of particular interest to the participants. Although several of the questions raised (e.g., the value of E_n) were already answered in the definition given above, it still seems worthwhile to outline two particular points which focused on exports and capital.

It was emphasized that it would not be advisable to base a new industry of a developing country on exports unless long-term delivery contracts are obtainable. Equal reliance on local markets is therefore desirable. It was indicated by the Bulgarian consultant that exports based on long-term agreements and contractual fixed prices are taken into account by the formula of economic efficiency.

To finance a project usually both domestic and foreign resources are utilized. Since foreign capital is very likely to be repatriated, one would have to consider certain balance of payments effects which would result in the utilization of two different types of "K".

As an example of the process of project evaluation in a mixed economy, reference was made to Bulgaria. In Bulgaria industrial projects are formulated by the autonomous public corporation concerned and are evaluated by the Planning Commission which uses the discounted cash flow technique to arrive at financial and economic feasibility criteria such as the internal rate of return and the net present worth of the project. If found feasible, the project is submitted for approval to a high powered committee. Approval does not, however, mean that the project automatically finds a place in the Plan. Shortage of resources sometimes prevents this and the sanctioning of public sector projects is, therefore, distinct from their inclusion in the development programme. The evaluation of private sector industrial projects is, by and large, left to the development banks which finance such projects and the evaluation techniques used are limited to laying out cash flow and working out returns of capital invested.

An inquiry was made as to the number of people employed in the entire Bulgarian planning system. It was outlined that at the macro-level about 550 People are employed by the State Planning organization and approximately 8-15 by the various ministries. Bulgaria has between 60 and 65 industrial economic associations which engage 5-8 professionals each in planning of the micro-level industrial enterprises.

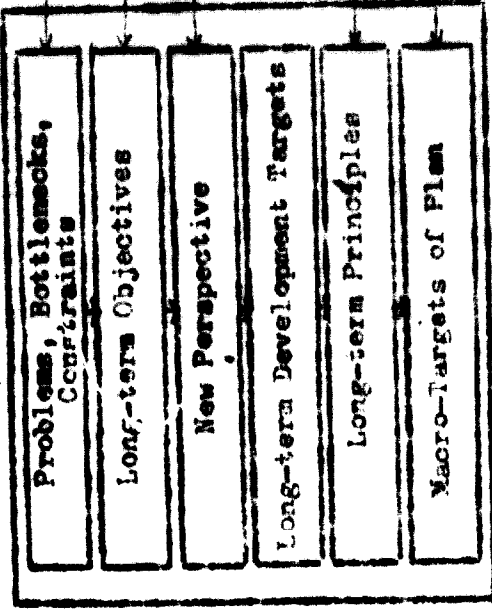
A detailed presentation was given of the planning process as well as of the interrelationship between sectoral and project planning in Turkey (see attached graphs). The process of comprehensive planning is divided into three different parts: (a) policy planning (1973-1995) covering problems and bottlenecks of economic development, long-term objectives, new perspectives, long-term development targets, long-term principles and macro-targets of the plan; (b) the five year development plan (1973-1977) which correspondingly deals with details of problems, objectives, perspectives, principles and detailed macro targets for the five year period, and (c) the annual implementation programme (1973) which covers problems, objectives, principles and macro targets of annual programmes.

When viewing at the interrelationship between sectoral and project planning in Turkey, one can see from the attached graphs that project

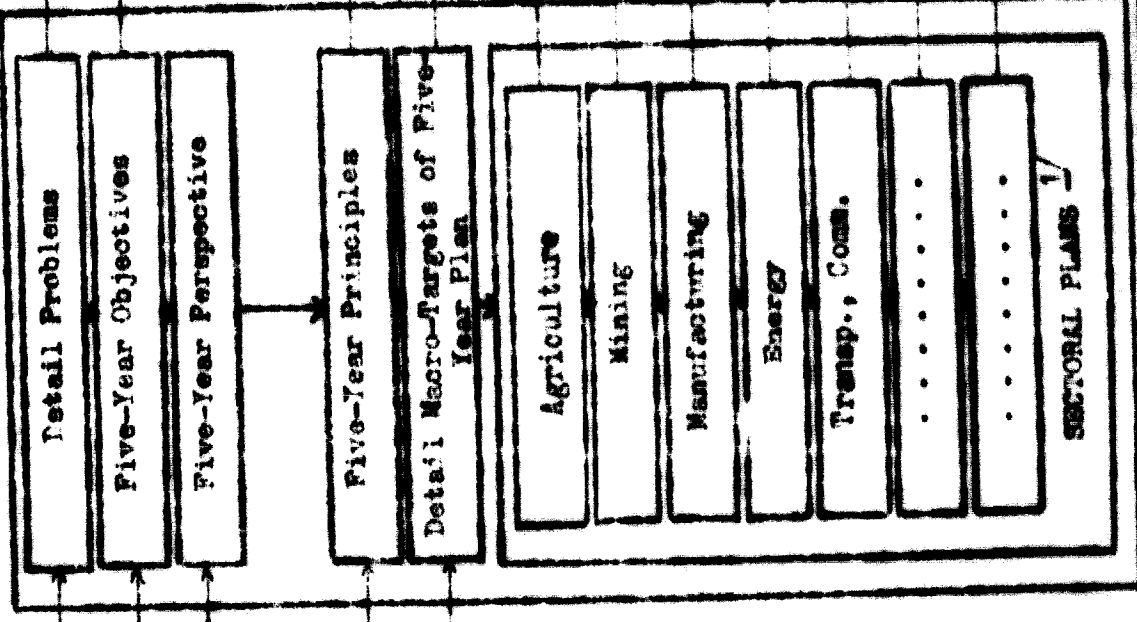
planning becomes only effective after sectoral targets have been projected and measures for their implementation been formulated. The management of projects is left to the State Planning Organization, planning units in ministries, state economic enterprises, and foreign, domestic, private or public consulting firms. An important role is given to project integration (consistency analysis) in order to assure that the impacts of identified investment projects are consistent with sectoral targets, public income and expenditures, and the inter-sectoral commodity flow. The final selection of projects and the finalization of the sectoral investment programme is only done thereafter. Project implementation and operation is left to the enterprises whether private or public, foreign or domestic.

Finally, it was recommended by participants to improve the effectiveness of project preparation and evaluation and sectoral planning through additional international technical assistance in these fields.

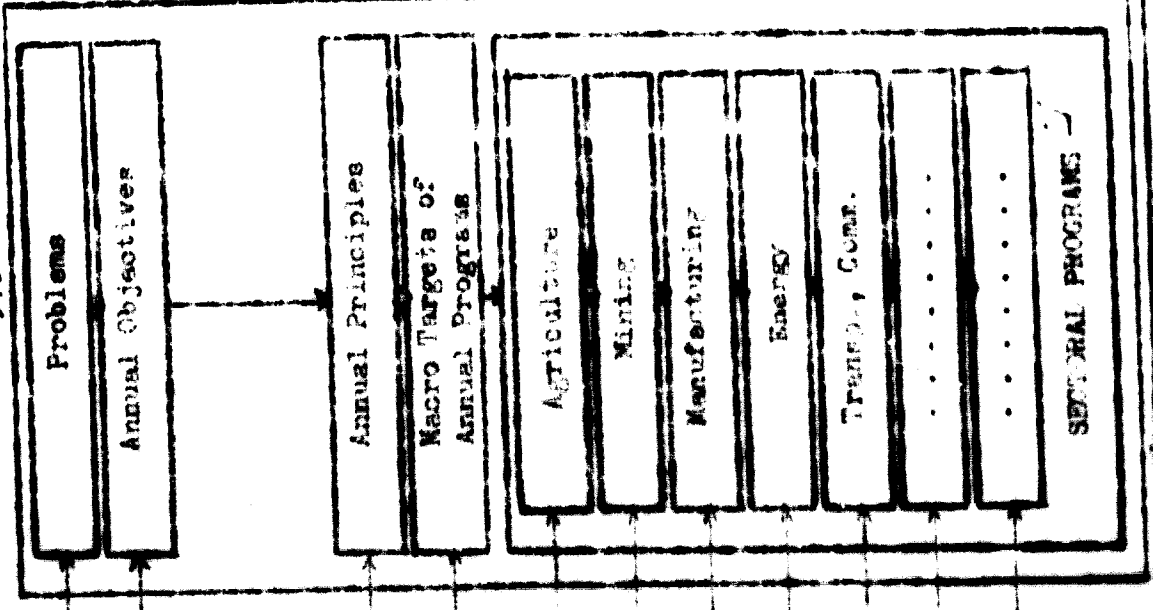
POLICY PLANNING
1973 - 1995



COMPREHENSIVE PLANNING
FIVE-YEAR DEV. PLAN
1973 - 1977

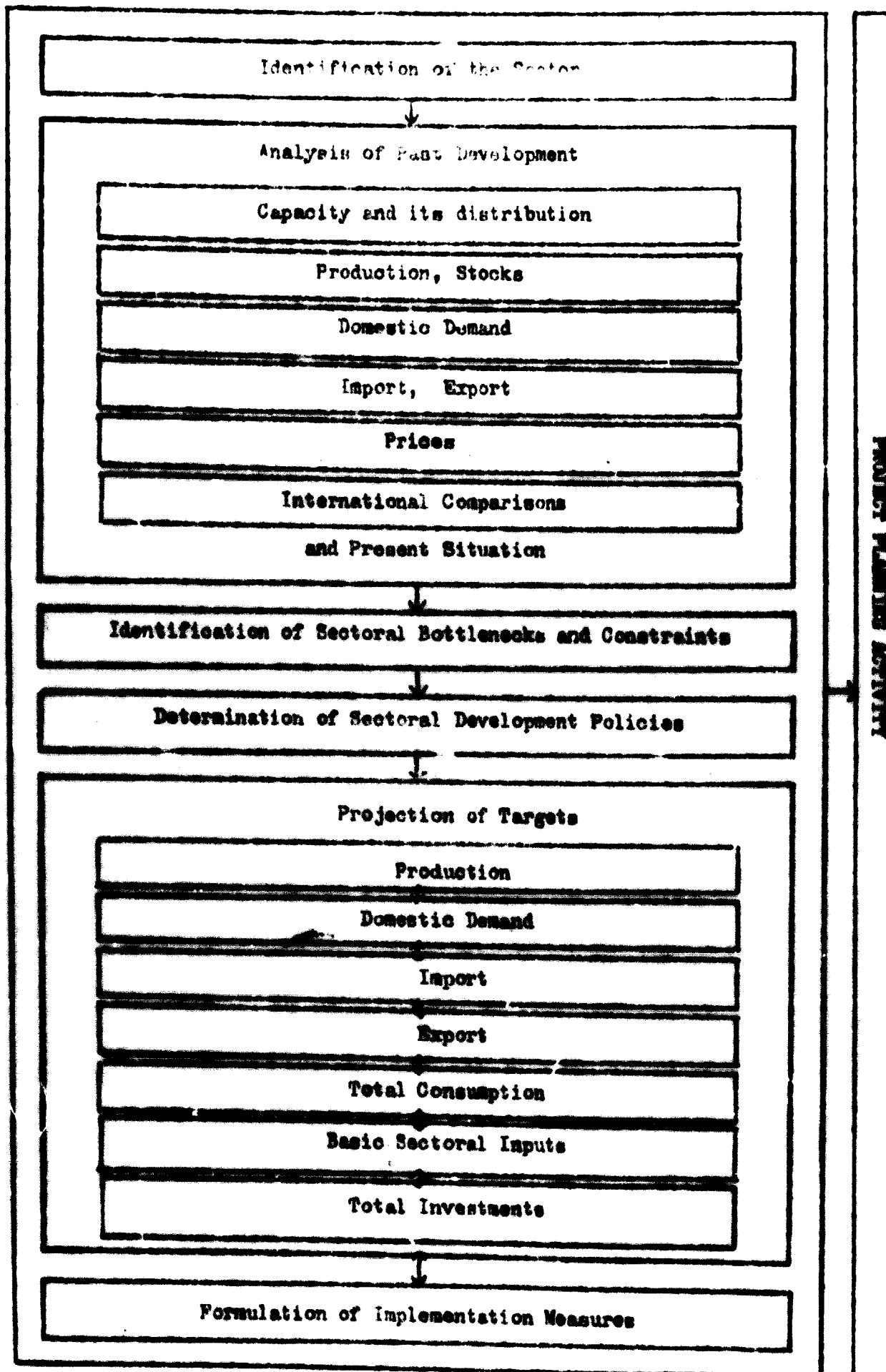


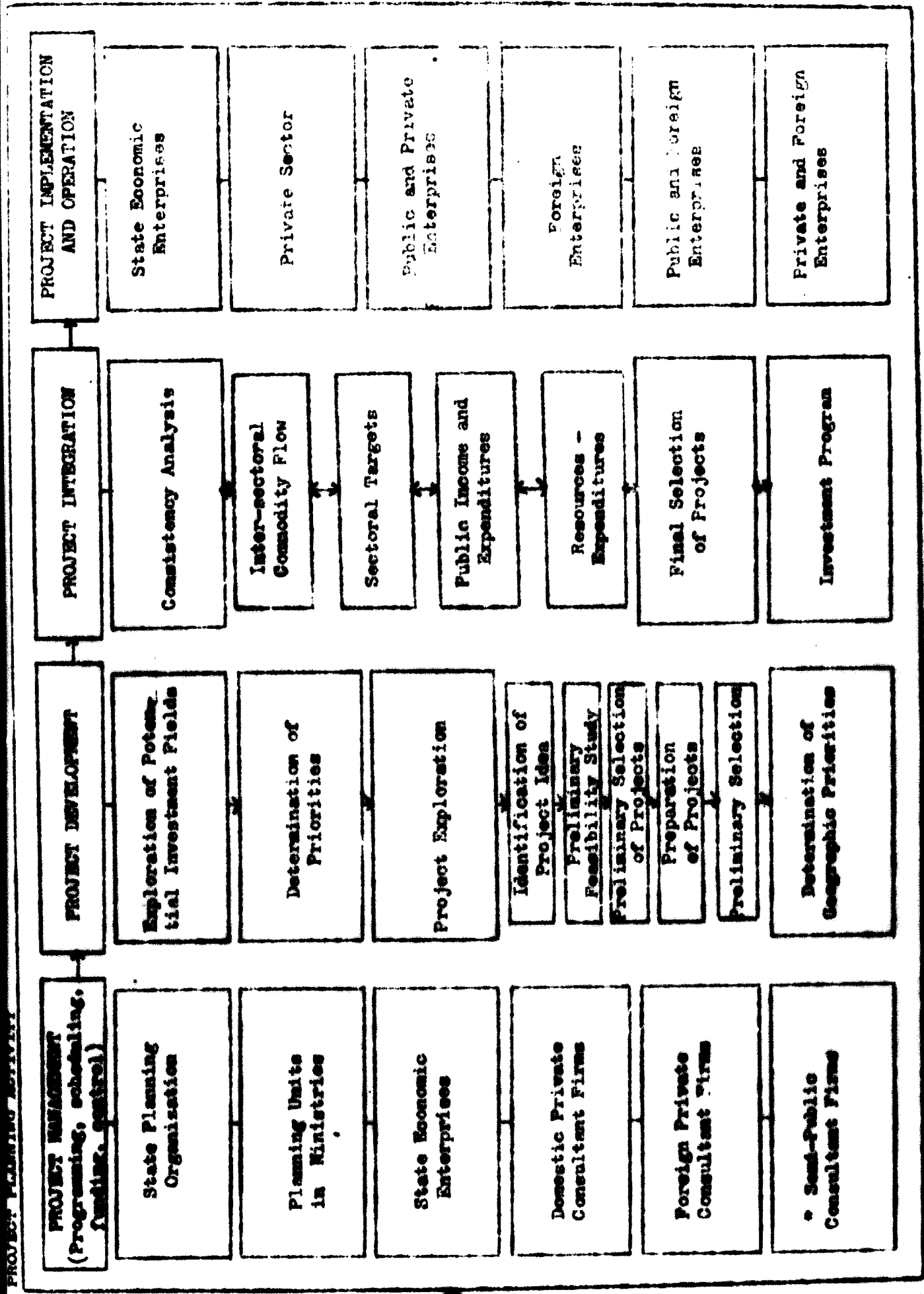
ANNUAL IMPLEMENTATION PROGRAM
1973



→ Inputs

INTERRELATIONSHIP BETWEEN SECTORAL AND PROJECT PLANNING IN TURKEY
SECTORAL PLANNING AND PROGRAMMING





SECTORAL PLANNING AND PROGRAMMING

Private and Public

- 1 -

Agenda item : Co-ordination of the national industrial development plans at regional or sub-regional levels

The plans of the member countries of the Council for Mutual Economic Assistance (CMEA) are co-ordinated in parallel both on bilateral and multi-lateral bases.

The basic principles of the co-ordination are the following:- recognition of national sovereignty, attainment of mutual benefits, rendering of mutual assistance with a view to ensuring the implementation of the common economic model of the member countries, i.e., the acceleration of the economic growth of each country separately and of the community as a whole.

This type of co-ordination has a large impact on the economy of Bulgaria as outlined before. Without it, it would have been impossible to maintain high rates of economic growth. Large-scale specialization and industrial co-operation have been achieved. Today Bulgaria is one of the world's foremost producers of electric trucks, motor trucks, electric hoists, cigarettes and grapes.

Another form of the joint planning activities is the mutual forecasting which ensures the availability of abundant information for plan preparation. Through joint planning of certain industrial branches and activities, better links can be established between the material and value balances of the respective countries.

The quantitative and qualitative changes that have taken place in the Bulgarian economy during recent years necessitated the initiation of work on a general scheme that could be considered as a spatial synthesis of socio-economic forecasts and as a fundamental document for the territorial allocation of the country's productive forces during the period 1976-1990.

The general scheme is worked out by the Board of Territorial Distribution of the Productive Forces at the State Planning Committee and at the Research Centre of the Committee, with the assistance of research institutes, centres, ministries, state economic associations, educational institutions, etc.

The general scheme should ensure the territorial location of industrial branches and enterprises, to effect the development of the territorial units in order to ensure the more and more rational utilization of capital funds and labour resources and to ensure a continuous rise in the efficiency of industry during its next period. A gradual approximation of the standards of living of the territorial units is envisaged.

The general scheme is a specific organizational form for the pre-planning studies and which largely overcomes the "purely" regional aspects of social and economic development. It incorporates all interrelated problems of a regional and national nature and reflects the projection and dynamics of the relationships within the national economy as a whole as well as between its individual branches and territorial units. In this sense, the general scheme can be defined as a global macro-economic model expressing the rate and structure-determinant factors at all levels and in all sections.

Territorial planning in the context of national economic planning is an important factor in achieving maximum efficiency of the national economy. The territorial plan is an independent part of the overall social and economic development plan. It is prepared in accordance with the indices utilized for the drafting of the national plan.

The co-ordination of branch and territorial planning is carried out in two phases. At first, co-ordination takes place between the District People's Councils and the organs of branch or sectoral planning (economic associations and ministries). This stage is necessary to lay down the industrial targets of the industrial enterprises, to define their problems of reconstruction and expansion as well as to check possibilities for setting up new industrial units. Secondly, the State Planning Committee compares and co-ordinates the proposals made by the District People's Councils with the objectives of the country's development as contained in the unified plan. In this way, the territorial plan becomes the result of the concerted efforts of the District People's Councils, the branch departments and the State Planning Committee.

The co-ordination of the regional development plan with the plans of other countries is done in the same way as in Bulgaria. Great importance is attached to this kind of co-operation. The international character of trade based on long-term agreements and co-ordinated national and sectoral plans as well as the high share (two thirds) of the socialist countries in Hungary's foreign trade necessitate the co-operation. Problems of price harmonization by commodity groups and countries as well as by physical and value terms still exist. Regional development within the country is dealt with in a separate section of the plan. The development of the infrastructure and the creation of employment opportunities through industrialization are the main objectives in order to increase the standard of living in the less developed areas. Today, regional development is, however, no longer of great concern.

No specific plan exists in India for the industrial development of regions or subregions. This important objective is covered by the individual state plans as well as by the central plan which all aim at balanced growth and full utilization of the resources of the region. Not all regions lend themselves equally well to industrial development, but it is nevertheless one of the main objectives of the central Government to reduce the level of disparities between member states of the Union. It belongs to the development strategy to assure the other Union states of an equal amount of investment in case a large-scale project is undertaken elsewhere. While undoubtedly some dispersal has been achieved, there has also been a pronounced tendency to concentrate industries in the more developed regions and states. Some efforts have been undertaken to expand infrastructural facilities at focal growth points and to provide adequate incentives to neutralise the disadvantages arising from location of industries in backward regions, but experience has shown that these efforts need to be increased to attract industries to such regions. The Fifth Plan has placed greater emphasis on the development of backward areas. Massive levels of investment will be required to create new infrastructural facilities together with a sustained programme of multi-level regional planning as an integral part of the overall national plan. The development of village and small-scale industries, of industrial estates as well as promotional activities of large scope are required.

In Europe, planning for development has been the result of the European Community. In 1970 a medium-term development plan was elaborated. In 1973, a general agreement between the member states of the EC to co-operate in economic planning. This co-operation had to take place within the framework of these medium-term development objectives.

Since then, the EC has developed its own medium-term planning model which for the time being has not yet been considered by the French Commissariat du Plan. It is, however, envisaged to incorporate these objectives in the Seventh Development Plan.

The EC deals today with three major policy issues:- agricultural, monetary and industrial policies. In agriculture a real common policy has now been achieved which is based on a differentiated subsidy system. As far as monetary policies are concerned, all member states have finally agreed to float their currencies with regard to the US dollar. Not all members are, however, concerned to the same extent. The mutual EC industrial policies dealt in the past with tariff problems. Since 1968 tariffs for industrial products are abolished and a mutual external tariff was established. Common proposals are presently being prepared for the Nixon Round which will take place in the fall of 1973. Labour and capital are by now free to circulate. After 1974, it will no longer be possible for the member states to sign bilateral trade agreements which after that date will cover the entire EC. An office will also be established to further the concentration of the community's enterprises.

As an additional measure to intensify the economic and industrial integration, it is now required to publish all bids for public contracts in the official bulletins of the member governments.

The Seventh Development Plan will pay additional attention to problems of European integration.

The Council for Mutual Economic Assistance (CMEA) has accumulated considerable experience in the co-ordination and preparation of national economic plans after the adoption of the "Comprehensive Programme for the Further Extension and Improvement of Co-operation and the Development of Socialist Economic Intergration" in 1971. Until now, the plans covering the following periods have been co-ordinated among the CMEA-members: 1956-1960, 1961-1965, 1966-1970, 1971-1975, and 1976-1980 (in progress). For key branches of the national economies long-term plans are co-ordinated up to 1985 and in some areas even up to 1990.

Economic and institutional principles of plan co-ordination were developed. Due to the positive results achieved, plan co-ordination has become a major method of co-operation and a chief means for the promotion of stable and mutually beneficial economic, scientific and technological relations among the member countries.

In addition to the co-ordination of five year plans, the co-operation exercised in planning includes forecasting, long-term plan co-ordination of major national economic sectors and areas of production, joint planning by interested countries of certain agreed upon industries and lines of production as well as the exchange of experience in improved systems of national economic planning and management.

The central planning bodies of the CMEA member countries have the main responsibility for the organizational work involved in the co-ordination of both bilateral and multilateral plans. Multilateral efforts are largely centered on the basic problems of economic, scientific and technical co-operation as envisaged in the "Comprehensive Programme".

The future five year plans will be co-ordinated in two stages. During the first stage (1972-1973) multilateral problems will chiefly be discussed within the CMEA sectoral commissions, while the same matters will be negotiated on a bilateral basis between the central planning agencies, sectoral ministries and departments of the respective CMEA countries.

At present the CMEA countries are conducting bilateral consultations to co-ordinate their national economic plans for 1976-1980. Their ministries and economic organizations are engaged in an intensive exchange of views on

the possibilities for economic co-ordination after 1970, as well as on the expansion of the manufacture and the trade in raw materials, machinery, complete installations, technological equipment and consumer goods. They are also discussing the future co-operation in the engineering, electronics, chemical and several light industries.

In the process of five year plan co-ordination member countries also exchange information on the major aspects and general trends of their draft five year plans and on mutual co-operation in 1970-1975. Their preliminary considerations on the projected economic development will also be used by the CMEA agencies to pinpoint and elaborate individual problems of economic, scientific and technical co-operation. In this connexion, a list of indicators was approved for use by the member countries' central planning agencies in reporting the necessary data.

During the second stage of plan co-ordination, the CMEA agencies will have advanced so far in their work that inter-governmental agreements, contracts between economic organizations and protocols between the planning agencies concerned can be concluded. Long-term trade agreements also are envisaged.

The CMEA countries intend to promote their external economic relations not only within the CMEA community, but also with other countries. Particular significance is attached to extended relations with the developing countries. The implementation of the CMEA "Comprehensive Programme" is not restricted to member countries but is open to non-members as well.

In order to provide industrial planners in Arab countries with data, the Industrial Development Centre for Arab States (IDCAS) has carried out industrial surveys and investment opportunity studies in nine Arab countries. Another step towards the broadening of the statistical basis in the Arab region was the creation of the Permanent Consultative Committee for Industrial Statistics, which aims at standardizing the collection and tabulation of data to facilitate the future industrial co-ordination and integration. Moreover, the Committee aims at unifying statistical concepts in Arab countries. The following results have been achieved by the Committee:-

1. Unified national accounting system for Arab countries;
2. Unified questionnaires for large and small industrial enterprises to unify the data basis and their compilation;
3. Unified Arab commodity classifications system for economic activities to establish linkages between ISIC, SITC, and BTN, and to standardize the basis for data collection and tabulation;
4. Unified manual for recording statistics designed to establish linkages between the financial accounts at the industrial enterprise level and the national accounts at the macro level;
5. Unified accounting concepts (in the form of a dictionary) in both English and French with the relevant unified and agreed upon Arabic concepts.

IDCAS is currently carrying out production and consumption projections for 15 basic industrial commodities in the Arab region which will be at the disposal of Arab countries. They also set a basis for the comprehensive feasibility studies of basic industries which IDCAS undertakes at the regional level.

As far as planning techniques are concerned, IDCAS conducts training workshops on project preparation and evaluation. A simplified and detailed manual for project preparation and evaluation to be used in Arab countries will be prepared soon with the help of UNIDO.

Another effort which IDCAS is making in the field of data development is the industrial plan summaries and analysis, which include the national development objectives of different Arab countries for comparison with the overall regional objectives. Moreover, plan summaries are intended to identify areas of incompatibility in the future development of Arab countries.

The basic aim of the East African Community is to strengthen and regulate, inter alia, the industrial relations of the Partner States in order to accelerate, harmonize and balance sustained development in the region.

The Partner States have sought to co-ordinate their economic planning by consultative means. In order to achieve this end, the Treaty established three instruments through which balanced industrial development would be achieved.

A transfer tax system was introduced by those Partner States which suffered balance of trade deficits in manufactured articles. The primary aim was to attract industries into Uganda and the United Republic of Tanzania by reducing the competition of goods from Kenya. It should be pointed out that, although this system has not reduced the growth of trade between the Partner States, it has not achieved the major objective of reducing industrial imbalance in the Community. A second instrument was to adopt a common scheme of fiscal incentives. A report outlining the mechanics of implementing the system has been finalized and is being discussed.

An East African Development Bank was established with the aim of effecting industrial investment in the region - 38 3/4 per cent each in Uganda and the United Republic of Tanzania, 22 1/2 per cent in Kenya. One of the objectives of this Bank is to allocate its investment in such a way that the economies would become increasingly complementary. Up to now, it has fulfilled the objectives of differential investment, but not that of complementarity. It should be noted, however, that the investment funds of the Bank are indeed small compared with the East African requirements.

There is a system of industrial licensing which aims at reducing uneconomic competition by granting licences in selected industries. Furthermore, studies have been commissioned in the field of textiles, balance of payment and monetary policy, and state trading corporation practices. The aim of these studies is to ensure the proper functioning of the common market, particularly in trade. The Secretariat has studied and identified large-scale industrial projects with the assistance of a consulting firm. The scale of these projects is too large for one Partner State to undertake, if they are to be commercially and/or economically viable. The Secretariat is also looking into the possibilities of investigating areas where there are excess industrial capacities so as to recommend programmes of specialization. The study of small and medium-scale industries is underway.



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The Community also assists the Partner States in standardization and metrication, harmonization of standards in various sectors, and energy and power consultations. All these co-operative measures would ensure proper industrial development.

In the Union of Soviet Socialist Republics, regional and territorial planning is an integral part of the planning of the entire economy. It is based on the objectives, methods and techniques of economic as well as of regional planning. A far-reaching division of labour is achieved and the economic allocation of productive forces guaranteed. This type of planning is done within the frame of perspective planning, since it requires a longer time period for implementation. The overall national development plan contains plans for the different sectors and branches of the economy and for 13 regions of the country.

In 1970, a general scheme for the location of productive forces up to 1990 was designed by the State Planning Council consisting mainly of territorial aspects. Both local and state interests are taken into account. Particular attention is paid to the allocation of enterprises and manpower. Both problems are of major concern to the country, since in many instances the industrialization policy is endangered by either lack of manpower or capital.

It was noted by the representative of the OECD that the expectations of developing countries with regard to economic growth were not met and that unemployment was still the dominating feature. The question was raised concerning the design of a dual development strategy since these economies are really of a dual nature. It was emphasized that the traditional sector of these economies should not be neglected but that an indigenous technology for the small-scale local sector should be developed. OECD has already drawn attention to the problem of helping the developing countries to initiate new efforts at the level of mass population. Particular reference was made to the high cost of capital (interest rates of 30-40 per cent) or even the complete lack of access to bank loans. And yet, the efficiency of the existing industrial small-scale establishments could

be increased tremendously by just adding a little capital. On the other hand, it was noted that the industry of developing countries is usually highly capital-intensive and that it would not be competitive if international market prices were adopted for the commodities manufactured. The problem at hand is how to move the development process to the traditional sector, how to reach those people, if technical and financial aid is given, taking into account that their ventures are so small and insignificant and that the administration of such aid programmes would be very difficult. And yet, one should consider that small projects as a whole can reach a significant size. New perspectives for development planning are opened with this issue.

The point of view was particularly supported by the representative of the Indian Planning Commission. The development of the village industry should attract the main imagination of industrial planners since it would not be possible for a long time that the modern sector could absorb the traditional one. Since this sector could, however, benefit by applying modern management and organizational concepts, skills of scientists and technologists in an imaginative way, special attention was drawn to finding quick solutions to this pressing problem.

Agenda item 7: The role of economic incentives and policy measures with regard to the elaboration and fulfilment of the plan

The creation of a system of the effective economic stimulation of production is one of the major management functions of the Bulgarian Government which is in line with the direction and resolution as laid down by the party congresses. A complex system of material and moral stimuli has therefore been set up with special attention being paid to the material ones. A distinction is being made between material stimulation which is geared at raising the interest in a given kind of activity among the members of the individual socialist production collective bodies, and economic stimulation which is directed towards the activity of all collective bodies.

The economic stimulation of the socialist economic units (i.e., of the economic organizations) is mainly realized by price changes, tax payment, premiums and subsidies from the budget, credits, interests and norms for the distribution of net profits by the socialist economic organizations. Prices, e.g., are established by the respective state institutions and as a rule are changed in a five year cycle. Sales and profit taxes are the major fiscal regulators of the economy. The normative distribution of profits is considered to be the most effective economic stimulus for production. The state as the owner of the means of production establishes in advance (five years) the distribution of profits between the budget and the economic organizations which is effected through taxation. Prior to taxation, a preliminary distribution of those profits takes place which originated from increases in productivity. Norms have therefore to be set up for production costs, i.e., also for the payment of labour. Thus, the economic organizations are entitled to use the part of the general income increase which resulted from productivity improvements for additional labour payments.

The economic organizations are large systems which are composed of numerous production units, factories, etc. These production units implement their work as internal branches which receive directions about their work including the norms for prices and production costs of products from their

respective economic organizations. The necessary material for wage and salary payments are based on technical norms for labour remuneration plus some additional allowances for premiums for workers and officials for fulfilling the basic production tasks. The allowances are put into a fund for material stimulation which is used by the internal branches of the economic organizations. Depending on their own interests, the economic organizations increase or reduce the allowances thus either stimulating or limiting production.

Another means of economic stimulation at the level of the internal branches of the economic organization is the distribution of savings due to the overall reduction of production costs. Such material stimulation funds are also formed within the companies and workshops of the branches as well as within the central management of the economic organizations.

The measures of the economic stimulation reach the individual workers and officials as personal material incentives. Wages and salaries are based on the amount of realized work (piece-rate system plus periodical premium system) and on premium remunerations for economic efficiency. These premiums can be paid as annual awards (not exceeding ten per cent of the wages or salaries received), as prizes or as premiums for the fulfilment of assigned tasks.

As initial step in elaborating the policy measures for Hungary's Fifth Five Year Plan (1976-1980), a general concept of economic policy is drawn up based on the assessment of the period 1971-1975 and on the objectives laid down in the long-term plan (1971-1985). Parallel to this, major techno-economic programmes and plans are drafted for the basic sectors, consultations are carried out with foreign partners and large enterprises, detailed economic policy concepts and measures are designed concerning standards of living, employment, investments, finances, prices, etc., improvements in the system of economic guidance are elaborated together with concrete parameters, regulators and incentives which have to be adequate to induce enterprises to draft and fulfil their plans in line with the targets of the national economic plan. Enterprises should be stimulated to increase their profitability through organizational improvements, cost reduction measures, etc.

The impact of specific regulators, incentives and taxes on the operation of industrial enterprises has to be kept in mind in order to build up a system coherent with the objectives and quantitative targets of the national economic plan. Consequently, plan implementation has to be followed up with great attention in order to be able to come up with appropriate measures in case the established targets cannot be reached.

The Yugoslav system of workers' self-management is used as stimulus for all producers and members of the working collective to maximize total income by increasing the efficiency and by satisfying the qualitative and quantitative requirements of the market within the federal framework of the overall development plans. Maximization of total income results in maximizing personal incomes and of internal funds required for investments and social welfare. It can also serve as a stimulus for an efficient allocation and use of investment resources if it is supported and guided by the co-ordinating function of the plan.

Various policy measures and incentives serving this purpose constitute an essential part of the development plan. In addition to the traditional measures of economic policy, special emphasis is placed on implementing the agreements signed among the self-managed sector of the economy. Selective credit policy, fiscal policy, foreign trade policy, promotion of export-oriented industries, tariff protection policy, the allocation of foreign exchange, price policy are among the measures most frequently used. Of special importance are the policy measures and incentives designed for supporting the accelerated growth of less developed republics and regions.

The objectives and targets of the Indian Five Year Plan are to be achieved through a number of instruments of control and regulation concerning industrial licensing, capital issues, imports, foreign investment and collaboration, monopolies and restrictive trade practices. In addition, industrial investments and production are influenced by the selective flow of funds from public financial institutions, fiscal measures and the provision of certain incentives and disincentives.

Two types of industrial policy instruments are applied in France, one having general and the other one having specific implications on the operations of industrial enterprises.

Among the instruments of more general impact, both direct and indirect measures can be differentiated. The most important direct measure is the control of prices which the Government is exercising since 1965 for all public orders. Indirect measures are more numerous and are concerned with influencing the demand for goods and services (e.g., through budgetary measures, minimum wage policy and changes in public demand) and the availability of production factors (e.g., through immigration policy, monetary and fiscal policies).

Measures of specific impact are related to financial and fiscal incentives which should guide the actions of individual enterprises according to the objectives of the plan. Major attention is being paid to research and development, training, infrastructures, decentralization, investments abroad.

It is very difficult for the Government, however, to influence the operations of multinational companies. Foreign investments of one million francs and above are therefore reviewed by a special committee composed of the Ministry of Industry, Ministry of Social Affairs and the Commissariat Général du Plan. Attention is being paid to the effects of foreign investments on economic growth, employment, regional development and export promotion. If French capital is available, foreign investments may not be approved.

During the discussion frequent reference was made to the problem of incentives which are of different significance for market and centrally planned economies. The role played by trade unions in stimulating management to increase the competitiveness of industry was emphasized. Only in a continuous dialogue between management and trade unions would it be possible to achieve the required productivity increases. Labour should be stimulated to participate in the effort to augment productivity which is beneficial to

all parties concerned. Poor labour relations should not only be attributed to labour alone, since, as in the recent history of India, poor management particularly at the national level has very negative effects on the entire labour relations. But not only through changes in the quality of management would it be possible to improve these relations, but particularly through the upgrading of labour skills. In India, it has been proven that qualified labour, once it was put in the position of management, performed as efficiently and competently as the former management.

In this context, the question was raised how to professionalize management in industry. It was explained that in the case of the Indian public sector a reasonable degree of success was reached by creating favourable conditions to encourage good managers to head public enterprises. It was indicated that autonomy of work was frequently more prevailing in firms of the public sector than in private, foreign or joint venture companies. Yet it was frequently not possible - due to weak and unskilled management in this sector - to utilize this autonomy of work and decision-taking. Therefore, India is adopting more and more the concept of holding-companies in order to assure that subsidiary enterprises obtain sufficient freedom in management which is of course supervised by a board of directors, public auditing and the Parliament. Particular importance is being paid to career development of second and third line managers in order to assure their promotion within their companies.

In the context of macro-level incentives, the problem of accelerated depreciation was touched upon. The example of Austria was quoted which showed that incentives to the private processing industry through a low-price-policy for commodities produced by the public sector (e.g., lignite, steel, fertilizers) are effective, however, not maintainable for too long a period. This view was supported by the consultant from India who indicated that private and public companies can only reach full capacity and a reasonable profit ratio after a period of incentive measures was granted. The difficulties are of a larger nature in India than getting industries started since an elaborate incentive scheme has to be set up, e.g. to subsidize the mountainous regions so they have easier access to the markets of the sub-continent.

The problem of adequate policies to initiate and accelerate mergers was touched upon. The Indian case showed that for small-scale industries the creation of co-operatives was an efficient way to merge small and inefficient production units. This experience was also made in Bulgaria with the setting-up of large-scale co-operatives working in an industry-like manner.

Of interest were the various types of incentives presently granted in Bulgaria. Material and financial incentives are in operation, e.g., to stimulate industrial enterprises to employ the least possible number of workers and employees to keep the deadlines set in contractual agreements or to operate within the amount of working capital planned. The payment of a special tax up to one monthly salary per worker is in effect in the case of overemployment, a special interest penalty is applied if excess working capital is used. In addition, a large scheme of moral incentives is applied. Special banners are given to companies, ministries or unions together with cash payments, badges, medals and the award of the title "Hero of Socialist Labour", as the highest prize which can go to individuals, industries, economic associations and enterprises.

Agenda item 3: Information needed for the planning and implementation of the plan.

The Bulgarian concept of information for planning embraces essentially the state of operations.

The first set of questions concerns the functions of the Central Board of Statistics at the Ministry of Information and Communications. As the only agency responsible for statistics it is requested to provide the various organs and organizations with timely, true and scientifically substantiated statistical information.

The Central Board of Statistics thus improves the methods of statistical observations and studies, determines their sequence and terms of reference, analyses their results, compares them with data of more advanced countries, and publishes them. The Central Board of Statistics also checks the reliance of the data supplied by ministries, departments, institutions, people's councils, economic and other organizations. It also reviews e.g. the methods, terms and decrees utilized in the field of statistical information.

The second set of questions deals with the organization and major characteristics of industrial statistics in Bulgaria.

The basic unit of accounting in statistical studies related to industry is the state economic organization with its two varieties, namely the state economic association and the state economic enterprise.

Statistical studies in the field of industry are carried out in accordance with forms, indices and methods which are co-ordinated between the State Planning Committee and the interested ministries, departments and people's councils. These studies may serve for current or single application and may be representative or exhaustive.

The information collected is processed according to industrial branches and sub-branches, economic groups, social sectors, departments, economic associations, districts, regions, towns and villages.

Under conditions of continuous rapid progress in science and technology it is not possible to embrace entirely the great complexity of relations between separate systems and subsystems of the national economy by using traditional methods of planning. Economic and mathematical models are useful for a comprehensive measurement of these relations and inter-dependences, to mechanize their calculation and to experiment with a number of variants.

Since 1971 a Centre for Planning, Mathematical Modelling and Forecasting of Social and Economic Development has been in operation at the State Planning Committee. Models are developed for the macro and branch level. During the preparation of Bulgaria's 6th Five Year Plan extensive use was made for the first time of economic and mathematical models.

The need to set up a system of optimum planning calls for an all-round structure of models at various levels. A draft has already been worked out for a system of models of the Bulgarian national economy and for submodels of the individual branches such as power, metallurgy, machine-building, chemical industry, light industry as well as for models of the state economic associations and the related sub-branches. In the final account all these models will be integrated into a comprehensive system to be used by the planning organs. With the help of computers it will take little time both to draft new plans and to introduce corrections which may become necessary due to various dynamic factors of social and economic development.

In Hungary the collection of statistical data is controlled by the Central Statistical Office and covers all major economic institutions affected. The system of classification, definition and periodicity of surveys are determined by the Central Statistical Office jointly with the State Planning Office taking account of the requirements of planning as well as of existing international statistical standards and surveys. Publication of statistical data is carried out at regular intervals. Accounting and balance data are collected and made available to the competent planning bodies by the Ministry of Finance. Main emphasis is presently laid on the collection of documentation and processing of technical information under the authority of the National Board of Technical Progress. This information is being dealt with by an extensive network based on the National Technical Library and Documentation Centre which is supplemented by sectoral and enterprise level documentation services which carry out similar duties for their respective sectors.

A documentation network for economic information has not yet been established, although certain ideas are under discussion. At the moment, both the technical documentation services and the major economic libraries and institutes take care of the collection, systematization and publication of such data.

Information on market studies exists at the level of enterprises and of two central market research institutes. In addition, opinion polls are taken from various population groups and enterprises.

Statistical and documentary publications are further processed by the planning organs. Ultimately, they influence the determination of targets and indicators of the plan. The central planning agencies organise regular consultations with the enterprises, sectoral, functional, and regional bodies in order to learn about their assessment of the possibilities, preconditions and limitations of development. These working connexions transmit, at the same time, information from the centre to the lower level planning organs. An important part of the exchange of information is related to international economic relations, since the planning agencies of the socialist countries are conducting direct co-ordinating consultations (COMECON countries).

In Yugoslavia sufficient information is supplied both at the macro and the micro-economic level. At the macro-economic level, five types of data are collected. For the analysis of development trends of various economic phenomena and their mutual interdependencies, statistical data are compiled and published regularly since 1954 by the federal and state statistical offices. To analyse aggregate economic flows, a system of national accounts (six basic accounts and numerous supporting tables in detailed disaggregation) has been developed and gradually expanded since 1952. Integrated statistics on financial flows and all financial operations of economic enterprises and other institutions are published by the Social Accounting Service. The compilation and analysis of annual balance sheets of all enterprises, of summarized data on income distribution in individual economic sectors and branches and on investment financing, etc., assures the availability of valuable planning data. Analyses of intersectoral relations and projections of the structure of production are based on the input-output tables compiled in two year intervals since 1962. Finally, to analyse the structure of personal consumption and for the calculation of income elasticities of various product groups, family budget surveys are organized by the Statistical Institutes.

At the micro-economic level, a minimum of obligatory indicators has been prescribed in order to facilitate the concerted elaboration of the social development plans. These indicators are therefore related to the specific requirements of (a) enterprises, their associations and communes (e.g., fixed assets, operating expenses, depreciation and income, the latter being distributed between personal income and enterprise funds), (b) enterprises and associations (e.g., number of employed, output, major intermediate inputs, fixed assets and working capital, exports), and (c) the communes (e.g., demographic data, receipts of households, public budgets).

All data collected at the macro and micro-economic level provide a basis for a comprehensive analysis of the past development and for the elaboration of preliminary projections.

For the drafting of the Indian Social and Economic Development Plan two types of statistics are of particular interest:-

- (a) dimensional data, measuring the performance of the economy, and
- (b) functional data, showing the interrelationship between the various sectors of the economy.

Dimensional data are dealing with material and human resources, installed capacities, capital stock, income and savings, production and consumption, savings and investments, prices, value added, income distribution among classes, flow of money, national accounts and balances (e.g., for labour, capacities and production).

Functional data are related to qualitative expressions such as income distribution functions, consumption-saving functions, demand functions for consumer commodities, production functions, demand elasticities, capital/output ratios, etc.

Both types of data are required for the planning of medium and large-scale industry. Data for the planning of small-scale and cottage industries are not yet accessible since their collection constitutes a problem of major organizational dimension.

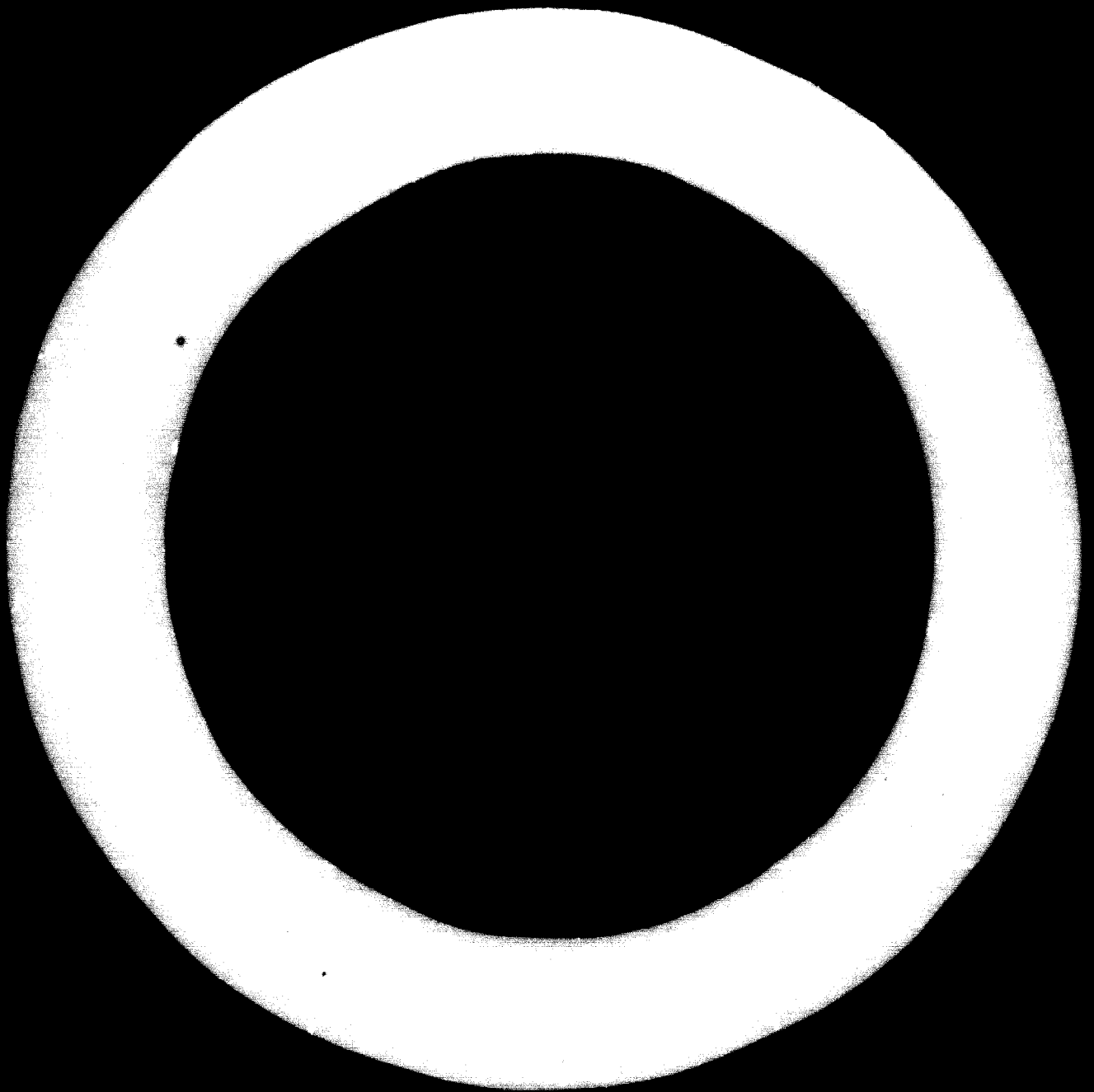
Attention was drawn to the information requirements for the follow-up on plan implementation. Failures in plan implementation were considered to be of more serious nature than failures in planning. Exact information is therefore necessary preferably on an anticipating basis in order to foresee trouble areas. Such an alarm bell system is being initiated in India making use of the available professional competence in all sectors of the economy at the state and at the level of the industrial branches and enterprises. A constant review of plan implementation in physical and financial terms at all these levels is required in order to avoid any pitfalls at the macro level. A special Monitoring and Evaluation Department has been set up in the Indian Planning Commission.

Finally, reference was made to the great significance attributed to the problem existing between accelerated economic growth and the desire for a more equal distribution of incomes. The concentration of economic

power, the development of new entrepreneurship, the growth of small-scale industry, a better regional development and the advancement of technical and scientific capabilities are some of the topics to be dealt with in this context.

The discussion centered around the data required for the drafting and implementation of industrial development plans. Several participants described the experience gained in their countries particularly as far as implementation at the enterprise and at the plan level are concerned. Attention was drawn to the significance of statistics as a means for industrial management. The question was raised whether systems had already been established in some of the developing countries to control the performance of enterprises. This timely information is needed, since the knowledge of the failure of enterprises is imperative for any planning agency in order to take appropriate counter-measures to assure better plan implementation. These information systems differ of course whether they exist in centralized or market-oriented economies. In case of Bulgaria, industrial enterprises submit accounting forms, balance sheets, etc. to the District's Statistical Offices and the economic associations monthly, quarterly and at the end of the year. The Central Board of Statistics publishes a variety of statistical bulletins which are made available to the enterprises in order to increase their information level. The Central Board of Statistics together with the State Planning Commission submit periodically implementation figures to the Council of Ministers which decides on any measures if desired.

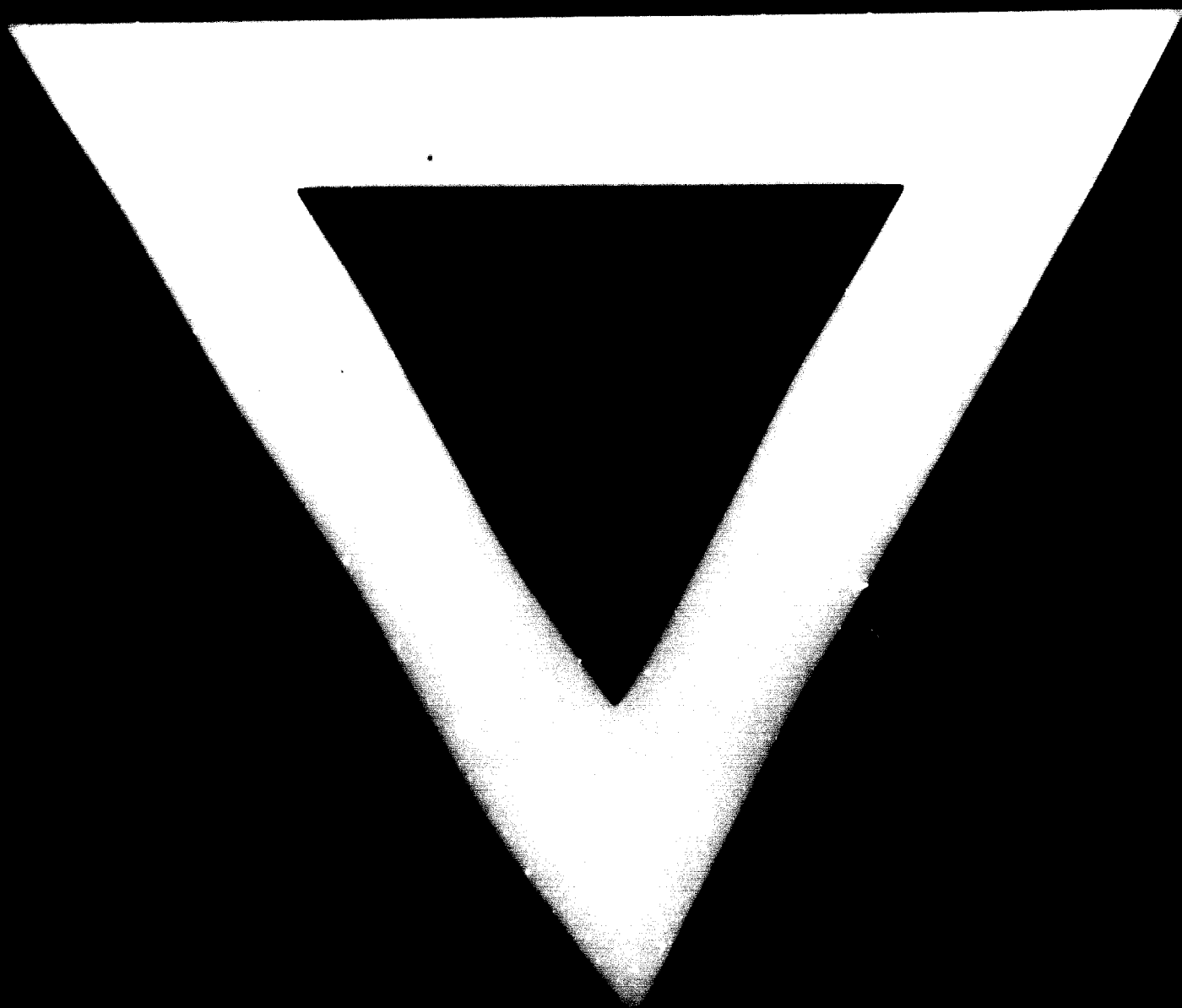
In Turkey, on the other hand, information on the achievements of the mixed economy is rather difficult to obtain. First of all, only indicative planning takes place both for the public and the private sector of the economy. Through physical supervision of the construction sites, control of the number of licences issued, imports of equipment and raw material approved for private account at reduced customs duties, attempts are undertaken to formulate an opinion about the implementation of the targets set for the private sector. Incomplete as these data might be, they show at least a tendency of the implementation work. Follow-up of plan implementation of the public sector of industry can be easier achieved since direct access to reporting data is given. Failures of Government bodies to implement targets set up for the public sector are normally followed by changes in their management.



Annex

List of documents prepared for the Seminar

- ID/WG.147/1 Agenda
- ID/WG.147/2 Work programme
- ID/WG.147/3 Industrial planning in Hungary
 Zoltan Roman, Hungary
- ID/WG.147/4 The Yugoslav experience in industrial planning
 Mijo Sekulić, Zagreb
- ID/WG.147/5 Interrelationship between sectoral and project planning
 K. Kostov and St. Danchev, Bulgaria
- ID/WG.147/6 Economic incentives and industrial planning
 S. Kiossev, Bulgaria
- ID/WG.147/7 Planning in the industrial enterprises
 S. Videnov and T. Krastev, Bulgaria
- ID/WG.147/8 Planning in the state industrial economic associations
 S. Kalinov and G. Koinov, Bulgaria
- ID/WG.147/9 Industrial planning on the national level
 S. Valchanov and I. Tabchiev, Bulgaria
- ID/WG.147/10 Means and techniques for optimal sectoral and project planning
 in forest industries
 E. Novitsky, Finland
- ID/WG.147/11 Industrial planning in India
 M.S. Pathak, India
- ID/WG.147/12 L'Experience française de planification industrielle
 J.J. Bonnaud et A. Bosser, France
- ID/WG.147/13 Final report
- ID/WG.147/14 List of participants
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