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THE YUGOSLAV EXPERIENCE IN INDUSTRIAL PLANNING^{1/}

by

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Zagreb, December 1972

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I. THE ROLE OF PLANNING IN THE YUGOSLAV ECONOMIC SYSTEM

Evolution of the Social and Economic System and the Role of Planning

In the last twenty-five years, since the enactment of the Law on Economic Planning and State Planning Agencies in 1946, and the adoption of the first five-year plan in 1947, industrial planning as an integral part of economic planning in Yugoslavia has undergone radical changes in line with the evolution of the socio-political and economic system of the country. From an all-embracing centralized planning and management of the economy Yugoslavia has been moving progressively towards a decentralized market-oriented economic system based on workers self-management and on specific methods of social planning and guidance of the overall economic development. The experience in industrial planning, functional, organizational and methodological characteristics of planning at the present time as well as the direction of its further evolution can be presented only in the light of this historical perspective. It is therefore necessary to give a brief outline of the main features of this evolution process as a basis for a description of the specific role of planning in to-day's Yugoslav social and economic system. A more detailed elaboration of the technical aspects will follow in later sections.

Three main periods in this evolution may be distinguished.

The first period, from 1947. to 1952, was characterized by the detailed all-embracing centralized planning and management of the economy. This was the period of the first five-year plan when an intensive industrialization program was launched and the entire available potential of the national economy harnessed to achieve the objectives of the accelerated industrialization and of the socialist transformation of the country.

From the viewpoint of industrial planning it may be taken that the second period extended from 1953. to 1964, though it was less homogeneous than the first period. It started with the introduction of workers self-management¹⁾ and the consequent reorganization and decentralization of the whole political and institutional setup. The centralized administrative management of the economy has been gradually dismantled and the independence of the self-managed business enterprises and organisations expanded and strengthened with an increasing reliance on the market mechanism.

This process could proceed only step by step with the necessary transitional adaptations of the organisational structure of the economy. The administrative regulations and controls, which were rather strong and elaborate at the outset of this period, have been gradually replaced by a system of more general regulations within which the market mechanism could operate

1) Actually, workers self-management was legally introduced in 1950, but the appropriate changes in the economic system have been gradually put into action after 1952. following the enactment of the fundamental Law on the Planned Management of the National Economy in 1951.

more freely. The market played an increasing role in permitting a flexible adjustment of production to consumer requirements and in stimulating the initiative of producers who became free in organizing their production and sales and in making their development decisions. An increasing part of the income earned has been left at the free disposal of enterprises that distributed it to personal incomes of the employed and to the enterprise investment and social welfare funds. In this way individual earnings and the improvements in living standards of the employed in each enterprise became directly related to the overall economic performance of the enterprise. A great attention has been devoted to the methods of internal distribution of personal income among the members of the working collective according to the work performed. Microeconomic investment decisions were also primarily motivated by the expected increases in future earnings through the improved efficiency and a firmer position in the market competition.

As a result of these processes the planning system has been accordingly transformed and adjusted. The unified system of detailed directive plans of the first period has been replaced by the macroeconomic development plans in the form of the so-called social plans at the federal, republican and local levels, that assumed specific functions of formulating the main targets of development policy and of devising the appropriate methods to ensure the attainment of these targets. The methods used for the implementation of the social plans have been more and more based on economic incentives and various policy measures indirectly influencing the course of economic activity and the behavior of the autonomous enterprises in their development decisions. Within the framework of the social plans the microeconomic decisions were, in general, left to the market mechanism. The enterprises were free in drawing up their own plans which were examined and approved by their workers' council as the highest self-management body without any formal interference from the outside. They were not compelled to set any fixed production, investment or employment targets, nor were they required to submit any reports

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to the higher authorities on the fulfillment of their plans.

Throughout this period the government retained, however, some essential direct controls, particularly in the allocation of investment finance and foreign exchange resources. The federal, republican and communal investment funds, largely fed by fiscal channels, were the main source of investment finance. All major investment projects were financed through loans from these funds and the federal investment resources played a predominant role. In this way, as will be shown more precisely in later sections, the central government exerted a decisive influence on the structure, timing and geographical distribution of the bulk of investments leaving a narrow scope for the independent initiative of enterprises and for the operation of market criteria in this field.

At the initial stages of the new economic system this could be justified on many grounds. But once the economy has attained a higher level of development with a more complex and diversified production induced by the growing demands of the market, the predominant share of centralized investment decisions turned out to be very rigid hindering a flexible adjustment of investments to the needs of a growing market-oriented economy. It proved also as an obstacle to the further development and consolidation of the self-management system and to the achievement of its broader social and economic goals, once this system has become firmly embedded in the social and economic structure of the country.

The centralized investment funds were therefore abolished in 1963. and 1964. and the economic reform, inaugurated in 1965, emphasized the principle that all investment decisions should be made primarily by the self-managed enterprises and their broader integrations on the basis of internal financing and bank credits. The role of the government in investment decision-making was severely limited. For this purpose the fiscal system was thoroughly overhauled, the resources which hitherto went to the government investment funds were left to

the enterprises, and the role of the government in mobilizing investment resources and in ensuring their inter-enterprise and inter-sectoral allocation was largely taken over by the reorganized banking system. The federal government retained its responsibility for encouraging and supporting growth in the less developed republics and regions by a transfer of resources through the Federal Fund for the Accelerated Development of Underdeveloped Regions. It had also some limited funds at its disposal for the participation in financing the most important investment projects of the 1966-1970 five-year plan.

With the expiration of this plan these limited investment funds were also terminated so that at the present time the federal government has in principle no more direct share in investment financing.

The economic reform of 1965. may be taken as the beginning of the third period in the evolution of the Yugoslav economic and planning system. The general objective of the reform consisted in the final elimination of all those remainders of the earlier economic system that inevitably required a continuous state intervention in some vital economic processes, restricted and deformed the operation of market laws, impeded the rational economic behavior of the economic subjects and retarded the full development of the self-management system.

In addition to the decentralization of investment decisions a radical transformation of the price structure was undertaken with the primary aim to eliminate the internal price disparities inherited from the earlier period. Rectifying the starting economic position of various branches the new relative prices enabled the market criteria to operate to a fuller extent stimulating all economic organizations to rely on their own performance in striving for their further progress. The establishment of the new price structure was also based on the principle that the domestic price system should be brought into line with the world market prices so that foreign trade could be liberalized and the domestic economy exposed to the efficiency criteria of

the developed economies. This was achieved by the simultaneous introduction of the new uniform exchange rate for the national currency and the establishment of an adequate tariff system, which permitted the elimination of the extensive intervention policy that used a wide range of different exchange rates, export subsidies and import quotas.

With the economic reform the concept of the economic system based on workers self-management, gradually evolved and built up during the period 1953-1964, was largely completed and rounded off. Further development in subsequent years has been mainly inspired by the search for the most adequate operational ways of implementing the principles laid down by the reform and of solving the corresponding practical problems.

The fundamental preoccupation was to create the necessary conditions for the direct economic agents to take over the basic responsibility for the economic development not only within their own individual organizations but on a wider social scale. In this way, broader foundations of the self-management system, initially more or less confined within the limits of the enterprise, were laid down. All institutional changes in the social and political structure were inspired by, and directed to this aim. At the same time, enterprises were stimulated to enter into broader integrations of various forms based on their own interests and to pool their resources for undertaking joint development projects. According to the new principles of the reorganized banking system enterprises participate with their financial resources in establishing banks and as founder-members are in the position to influence the loan policy and project selection in these banks. Through their associations comprising enterprises of the same branch they have the opportunity to promote their interests, to explore jointly their development possibilities and problems, mutually adjust their programs and secure for themselves an adequate place in the development plans of the country. In this respect they are helped by the economic chambers, organized at the federal, republican and communal levels, which are concerned with the current and longer-term problems of all economic sectors in their respective territory.

Planning Functions at Various Institutional Levels

The functional and organizational separation of micro and macro planning on the one side and the specific, already firmly evolved, concept of the socio-economic and political system on the other, have necessarily required an institutionalization of the adequate planning system in which each institutional entity will independently formulate its own development plan and at the same time participate in, and exert a decisive influence on the elaboration of broader social plans. Planning is conceived as an integral social function so that macroeconomic development plans have to result from a joint cooperation and concerted efforts of all interested segments and organized entities of the society in exploring the development potentialities, in adjusting their partial and common interests, and in defining the development targets in a given period as well as ways and means for attaining these targets.

The need for the active participation of the basic economic agents in the elaboration of social plans has been more and more accentuated with their widening role in economic decision-making and with the concomitant decentralization and devolution of the corresponding functions of the state. From the organizational and technical viewpoint this participation and the ways of mutual cooperation have been formally institutionalised during the preparation of the last five-year plan (1971-75). In a broader sense, the principles of social planning have been codified in the last constitutional amendments of 1971.

The main idea is that the responsibility for the development planning should essentially be transferred to the various self-managing entities, while the federal government should in the first place perform the coordinating function. It is explicitly stated that the social plan of Yugoslavia is based on social contracts among the organisations of associated labor (enterprises and their freely formed organisations and integrations), communes and other self-managing

institutions, and on agreements among the republics and autonomous provinces.¹⁾ The joint responsibility of the republics and autonomous provinces for the development of the country as a whole has been especially underlined. In principle, the federation is responsible for those spheres of economic development that are the common concern of all republics; for the general coordination in the development planning and in formulating and implementing the development policy; for supporting accelerated development of less developed republics and regions; for ensuring the proper functioning of the unified market and the unified economic system in the whole country. In all these activities it has to secure agreement of the republics and autonomous provinces. Special institutional arrangements and procedures have been established for this purpose. In the preparation of the development plans of the country as a whole the federal agencies cooperate therefore very closely with the republics and their planning agencies.

Within the general framework of the joint development policy and basic development targets contained in the federal social plan more detailed targets corresponding to the specifics of each individual republic are the subject of its own social plan. It is the responsibility of the republics to create and ensure, by various organizational, economic and legal measures, the necessary conditions and a favorable environment for the adequate development of their respective economies. A special emphasis is placed on two groups of problems - construction of adequate infrastructural facilities and development of less developed regions. For this reason an important characteristic of the republican plan is its spatial dimension. The areas treated as underdeveloped and entitled to special assistance are, as a rule, explicitly specified in the plan according to a series of quantitative and qualitative criteria. The republics strive to encourage business organizations and banks from the more developed areas to invest in underdeveloped regions. They also organize technical assistance and attract republican resources so as to create the necessary conditions for the acceleration of the development of these

¹⁾ Yugoslavia consists of six republics and two autonomous provinces.

Enterprises and their associations draw up their development programs independently according to their specific market situation, development prospects and cooperation and integration agreements with other enterprises without any formal obligation as to the content of the program or the period of time it covers. But in order to implement the idea of a broad cooperation in the formulation of the social development plans all enterprises and communes have been requested by a special order¹⁾ during the preparation of the last five-year plan to elaborate their plan proposals in terms of a given number of minimum obligatory indicators for the five-year period of the social plan and to submit these proposals on request to the planning organs of the socio-political communities and to the professional economic associations. It is likewise stipulated that the organs of the socio-political communities will make the results of their analyses and preparatory studies accessible to the enterprises and their associations and will ensure the influence of these organizations on the formulation of social plans.

The principal aim of this cooperation, mutual exchange of information, and necessary adjustments and coordination in the course of the elaboration of the plan, in which the professional associations and economic chambers play a significant role, is to secure that social development plans at all levels represent a realistic and internally consistent synthesis of the development programs and potentialities of the basic decision-making units, which are thereby in a position to exert a concrete influence on the policy instruments and measures for the implementation of the plan targets. It does not mean, however, that the plans at lower levels are in any formal way subordinated to the plans at the higher institutional level. The plans of the enterprises are approved by their self-management organs and the plans of the socio-political communities by their respective legislative bodies.

1) Zakon o pripremanu za donošenje društvenog plana razvoja Jugoslavije za razdoblje 1971-1975 god. (Law on the preparation of the social development plan of Yugoslavia for the period 1971-75), Službeni list SRJ 13/1969

Some specific features of the social plans of communes may be briefly mentioned. Proceeding from the development plans of economic enterprises communes draw up their plans in which the development of all economic activities is synthesized and the necessary conditions for the realization of this development ascertained. Special emphasis is laid on the development of education, public health, social welfare, housing, recreation amenities, adequate transport facilities, water and power supply and on the encouragement of the tertiary sector. They also pass town and spatial plans providing for a timely reservation and preparation of industrial zones. In order to attract new industries they often prepare comprehensive industrial development programs based on specific locational advantages and external economies.

The Role of Industrial Planning

When we are talking about planning in general we have to bear in mind that throughout the postwar period industry has been playing an ever-increasing role in the economic structure of the country and that the industrialization has been in the forefront of Yugoslav planning. Some indicators may serve as an illustration.¹⁾

The physical volume of industrial production in 1971. was 11,1 times greater than in 1939, and 6,75 times greater than in 1952. The number of employed in industry and mining rose from 562 thousands in 1952. to 1531 thousands in 1971, and represents now about 46 per cent of the employed in all economic sectors and about 38 per cent of the total employment,

1) Source of data : Statistical Yearbooks of Yugoslavia.

excluding private farming.¹⁾ The increasing significance of the industrial sector in the economic structure of the country may be inferred from the percentage shares of various economic sectors in the formation of the total social product in the years 1952-53, 1963-64 and 1970-71 (Table I.)

Table I.

Social Product by Sectors
Composition and Growth
(in constant 1960 prices)

Sector	1952-53	1963-64	1970-71	Index (1970-71): (1952-53)
Industry and Mining	22	33	37	632
Agriculture (Private Farming)	37 (32)	26 (21)	20 (15)	201 179
Forestry	3	2	1	130
Construction	10	9	9	336
Transport and communications	6	7	8	464
Trade, Hotels, Catering	15	18	20	482
Handicrafts	7	5	5	268
Total	100	100	100	370

As an illustration of the changed structure of the industrial potential it may be mentioned that the share of the metalworking industry and electroindustry in the total output of industry and mining increased from 13,1 per cent in 1952. to 24,4 per cent in 1971, that of the chemical industry from 2,6 to 10,1 per cent, while at the same time the share of textile, leather and footwear industries decreased from 18,1 to 11,9 per cent. The erection of the industrial potential enjoyed an absolute priority in investments.

1) According to the preliminary results of the last census the share of the agricultural in total population is 36,0 per cent in 1971 as against 49,6 per cent in 1961 and 60,7 per cent in 1953.

Types of plans

In accordance with the specific functions of planning in the Yugoslav socio-economic system a central role is assigned to the medium-term plans covering as a rule a period of five years. All that was said about the principles of a wide social cooperation in formulating development plans relates in the first place to the five-year plans. They are based on detailed investigations and analytical preparations and they determine the main objectives and measures of the development policy encompassing all aspects of the economic and social development, as will be seen from the content of the 1971-75 five-year plan, discussed in Section Four of this paper.

Instead of annual plans, at the end of each year an analysis of the fulfillment of the targets of the five-year plan and of the current economic situation is prepared together with the resolution on the economic policy for the next year, which is discussed and approved by the legislative assemblies of the republics and the federation. This resolution may contain adjustments to compensate for shortfalls or other unforeseen deviations from the aims of the five-year plan. It defines also the specific policy instruments for the coming year.

The lack of a systematic work on the long-term development strategy and on long-term projections and plans has been increasingly recognized as an important gap in the whole structure of planning. True, for the sectors where this is indispensable (like power production, transport, forestry, etc) development programs for a longer period have been worked out. Recently a long-term development program for the Adriatic region has been completed. Occasionally, long-term projections for the whole economy and for various republics have been also elaborated, but they have been considered only as research studies serving for internal use of planning agencies and have never been formally adopted. At present an extensive research

project on the long-term development of the country is under way. It is foreseen to serve as a basis for the formulation of the long-term development strategy.

II. MAIN STAGES IN THE EVOLUTION OF PLANNING - TECHNICAL ASPECTS

The basic features of the evolution of the socio-political structure lying at the basis and determining the evolution of the planning system have been discussed in the preceding section. Now we will review the most important technical and organizational aspects of planning in the three characteristic periods.

The Period of Centralized Directive Planning

There is no need to dwell at length on technical aspects of the centralized directive planning of this period. They have been repeatedly surveyed and discussed in numerous publications and are already sufficiently known. It will suffice to point out briefly some elements that may help to explain the specific features in the development of the planning system at subsequent periods.

The system of the centralized directive planning was constructed in such a way as to make possible a detailed regulation of all economic processes and management of the entire economic system from a single commanding center. This was achieved by fixing in the plan for each enterprise detailed produc-

tion plans and investment programs and by specifying to whom to deliver its products and from whom to buy the necessary quantities of raw materials, intermediate goods and capital equipment, prescribed on the basis of the elaborate technical norms that were constantly supervised by the higher planning authorities. The quantitative physical planning required a painstaking elaboration and mutual adjusting of a huge number of detailed material balances that had to cover the complex network of commodity transactions. Their implementation required also a very ramified daily supervision and control that could be achieved only through the installation of an enormous administrative apparatus organized on a strongly centralized hierarchic basis - the federal planning commission, the planning commissions in republics, districts and communes, federal and republican economic ministries, directorates for each branch of industry, planning units in each enterprise, control commissions. Nevertheless, the detailed production and allocation plans could not always ensure a smooth working of the economy, so that frequent revisions of the plans and ad hoc interventions were needed, which gave rise to the organization of specialized service groups within the operative organs of management at each hierarchical level. This was also the reason that after first experiences the detailed all-embracing material allocation plans were gradually narrowed to comprise only key products and broad groups of materials, within which the sellers and purchasers concerned were left to decide on the composition and assortment of individual products.

The prices for all commodities¹⁾ and wage rates for different skills and jobs were fixed by the plan. On this basis the financial plan of the enterprise could be directly calculated. The financial plan of the enterprise constituted an integral part of the financial plan of the entire economy, that

1) Except for a part of private farming products sold on the free market.

was integrated into the state budget and served as a general instrument of management and control. All earnings of the enterprises exceeding the prescribed current expenditures were automatically paid into the budget (except for a small part earmarked for the enterprise fund), while any possible losses, foreseen in the plan, were covered from the budget. The planned investment expenditures were also entirely covered from the budget.

As a consequence, the basic preoccupation of the enterprise management was to fulfill and, if possible, to overfulfill the fixed planned targets at any cost, since this was the foremost indicator of its performance. True, enterprise plans contained also cost reduction schedules specifying various cost items that had to be cut by a planned percentage, but in practice these cost reductions were often made at the expense of the product quality, which was possible because the buyers had not much choice. Various moral and material incentives, such as special funds for rewards and premiums, were introduced to stimulate the fulfillment of planned targets. But within the very rigid framework of the plan that had the force of law, there existed an extremely limited scope for a broader initiative of producers in the field of efficiency, innovations and creative contributions to the economic development. On the other side, it permitted an energetic concentration of all human and economic resources on the erection of the basic industrial potential of the country in a relatively short period of time. This restrained initiative would have certainly proved as a more serious constraint at later stages of a more complex and diversified development.

By a strict and detailed regulation of all material and financial flows the plan did not leave any room for the allocative function of prices. The price formation, coupled with an all-embracing financial system, had to facilitate the realization of the vast industrialization program of the first five-year plan that required a sharp rise in the rate of accumulation and a strict concentration and redistribution of accumu-

lated investment resources to the priority sectors and projects. High prices of industrial consumer goods, effectuated by the imposition of the turnover tax, served to restrict consumption on the one hand, and to collect financial resources for investment projects on the other. Through the low prices for the compulsory deliveries of agricultural produce the accumulation was extracted from agriculture, which was a predominant economic sector immediately after the war, and used for financing the industrialization program. At the same time, prices of industrial equipment and intermediate goods were kept at a relatively low level.

Such price manipulations resulted in considerable disparities between domestic and foreign prices, which entailed a complicated system of export and import regulation. The resulting internal price distortions caused a great many difficulties at a later transition to the decentralized decision-making and increased reliance on market mechanism. Despite the partial corrections undertaken on several occasions the protracted disparities both in the internal price structure and in relation to the external prices were not definitely liquidated before the economic reform of 1965.

That is one of the important reasons for extensive state interventions and regulations of economic processes in the next period when the new economic and planning system was gradually constructed.

The Period 1953-1964

With the introduction of workers self-management and the abandonment of the centralized administrative management of the economy the planning system had to be accordingly reshaped. Since the function of planning was separated from the function of direct management the Federal Planning Commission

was stripped of its executive and administrative authority over the operation of the economy and the newly organized federal planning institute took over the technical and advisory functions in connection with planning. In a similar manner the planning commissions of the republics and communes were reorganized. In accordance with the principle of decentralization each planning agency was made formally independent of any other planning agency and was directly responsible only to its own government and legislative body.

As has been pointed out in the preceding section, enterprises drew up their plans and organized their activity autonomously on the basis of market research taking the social plans and the accompanying policy measures and instruments as general guidelines. But the most important unifying link that connected the independent plans of enterprises with the intentions of the social plans were the legal regulations which all enterprises had to follow in distributing their income. With these regulations a twofold objective was pursued. Leaving an ample freedom for the initiative of producers and connecting directly their material well-being with their business efficiency and performance they were framed so as to secure the basic proportion in the distribution of national income to the current consumption and investments in accordance with the plan. These regulations were therefore accompanied by a broad spectrum of different fiscal instruments that had to be skillfully designed to stimulate the initiative of enterprises without endangering the basic aims of the social plan. In order to achieve these simultaneous goals they have been, with the practical experience acquired, frequently revised, adapted and improved in the course of the period under review. It was a complicated task because, to avoid direct administrative intervention, these instruments must be framed in terms of percentages applicable to quantities that materialize later as a result of the concrete operation of all enterprises. On the other side, frequent revisions of these instruments introduced an element of uncertainty into the prospects and behavior of the enterprises. That was the reason for the wide-spread claims that

the conditions in which enterprises have to operate should be more stable. At any rate, it was not always easy in a constantly changing situation to reconcile the conflicting and common interests of the enterprise and the community and to ensure the achievement of the development policy goals.

However, immediately after the introduction of the new system the directive role of the social plan was still very strong. As a transitional measure the plans prescribed the basic structure of production by fixing for each enterprise a required minimum percentage of utilization of its productive capacity; determined with precision the pattern of income distribution by setting the obligatory rates of accumulation; elaborated in detail the structure of investments and explicitly specified the principal investment projects; regulated the price relations, etc. In subsequent years the scope of the government interference was gradually reduced so that the social plans were more and more confined to setting the basic proportions in the more aggregate terms.

It is interesting to follow the main steps in the evolution of the system of workers remuneration. At first, the rules for the distribution of the total revenue of the enterprise foresaw a profit-sharing scheme. The workers pay consisted of two parts - regular wages that entered into the operating expenses of the enterprise and a share in the profit. A percentage of the profit was also retained for the enterprise funds that could be used for investments and social welfare purposes.

Later on, in 1957/58, with the introduction of the new income distribution system based on the determination of the so-called net income, the concept of profit, as well as the concept of wages and salaries as a part of the operating expense, has been eliminated and replaced by the net income of the enterprise which, after deduction of taxes, contributions and other forms of legal obligations, could be allocated by the workers council to the personal incomes of the employed and to the enterprise funds. In this way, total income earned by the

members of the working collective was treated as a contribution in, and was dependent on, the business results of the enterprise and was directly related to the productivity of the enterprise. This was obviously an important further step in the consolidation of the self-management system. At the same time, an increasing part of the social product was left at the disposal of the enterprises.

By allotting different contributions and taxes to the federal, republican or local authorities and enterprises, these political entities or institutions have secured the necessary material basis for asserting their role in planning and implementing the policy of economic development. Moreover, through these instruments the government could stimulate the growth of an industry by allowing it to pay its contributions at a reduced rate or by exempting it conditionally from such payments. In a similar manner the government could help improve the relative economic position of an industry that was not able to achieve a reasonable rate of rentability, owing to the depressed prices of its products or to other reasons.

For the sake of illustration let us mention one special purpose instrument of a special interest. Each enterprise had to pay a tax in the form of an interest on its fixed and working capital, which in principle amounted to six per cent of the book value of its assets, but for some sectors it was lower and some were completely exempt from it. These exceptional cases were always determined by the plan. This tax was designed to induce enterprises to make more effective use of their productive assets and at the same time to feed the federal investment fund from which the major investment projects, foreseen in the plan, were financed.

The instruments regulating the distribution of the enterprise income and its channeling to various destinations constitute a general framework for the implementation of a given development policy. They are supplemented by various measures of financial, fiscal, monetary, credit, price and

foreign trade policy.

But in addition to it, in the period under review, the government retained in its hands a tight control over the bulk of investments. A significant part of the available investment resources was concentrated in the social investment funds, organized at the federal, republican and communal levels, and administered by the authorized banks. The General Investment Fund, belonging to the federal government and administered by the Yugoslav Investment Bank, played by far the most important role. Investment projects ensuring the achievement of the principal planned development targets were financed in the form of repayable long-term loans extended on the basis of competitive bidding.

As a rule, when the plan provided for expanding an economic sector the Investment bank announced an official auction for investment loans. It was entrusted with the responsibility of allocating funds among different alternatives within the sector in question. The applicants for the loan were required to submit detailed economic and technical documentation and a fully elaborated investment project. Information to be furnished according to the prescribed scheme included the analysis of the expected sources of inputs and of the prospective market for the output, the integration of the new production into the corresponding industrial branch and the national economy as a whole (the solution of the existing structural disproportions, the increase in export potential, the substitution of imports, the resulting effect on the balance of payments, etc.), the analysis of locational factors, an estimate of the period of construction and of the construction costs, foreign exchange requirements, the expected profitability to be realized from the operation of the completed project, engineering designs, technological process and equipment specifications, the financial position of the applicant and his propositions for meeting the Bank's conditions for the loan. Through the screening of the applications received the Bank with its expert commissions sought to secure the most efficient realiza-

tion of the development targets of the federal social plan. Priority was given to the applicants offering the most favorable conditions. A similar procedure was applied to the distribution of investment loans from the republican and communal investment funds.

The share of the government in investment financing may be seen from the summary data in Table II.

Table II.

Investment Finance by Sources - Social Sector
(percentage shares)

	1953-1963	1966-1971	1966	1971
1. Economic organizations	30,6	29,9	39,3	26,8
2. Other organizations	6,6	6,3	6,6	7,2
3. State	60,1	15,8	15,2	15,0
- Federal government	33,3	8,3	6,2	7,7
- Republics	10,3	3,0	2,4	3,6
- Communes	16,5	4,5	6,6	3,7
4. Banks	2,7	48,0	38,9	51,0
Total	100,0	100,0	100,0	100,0

Source : Statistički bilteni Službe društvenog knjigovodstva (Statistical Bulletins of the Social Accounting Service)

State financing accounted on average for about 60 per cent (the federal government 33,3 per cent) of total investments in the social sector in the period 1953-64.

The actual role of the federal government was still greater owing to the provisions that the borrowers from the General Investment Fund were required to participate with their own resources, at least to a predetermined minimum extent, in financing a given project. Participation by the borrower was intended not only to stimulate an efficient and rapid completion of the project, but also to mobilize and channel decentralized investment resources toward achieving the targets of the federal plans. The same effect was achieved by the guarantee deposit which the borrower had to make and which served as a security for partial repayment of the loan and for the case of the higher cost of the project than estimated. Often the borrowers were compelled to resort to other credit sources (republican and communal investment funds, for example) to get the required sums for the obligatory participation and guarantee deposits.

Undoubtedly, the system of competitive bidding for investment loans was superior to the old system of the administrative allocation of investments, but the ensuing centralization of investment resources and decisions became soon the subject of much criticism, both from the purely economic viewpoint and from the viewpoint of the further evolution and consolidation of the self-management system. In general, the producers and direct economic agents were not able to adapt their investment activity in time, dimension and structure to the requirements of an ever-increasing complexity of economic development, they were thwarted in developing their economically sound initiative and full responsibility and in organizing themselves on a wider self-management basis, being oriented to centralized funds for the necessary investment finance that they were prepared to accept at any price. Economic responsibility was blurred and fragmented among many factors with differing interests. The profitability calculations and other criteria that the Bank used for the selection of the most favorable projects and borrowers proved very uncertain in the specific circumstances in which the economy operated.

For example, according to an empirical investigation¹⁾, 60,9 per cent of the investment projects financed by the General Investment Fund in 1959-62 period were completed with a delay from six months to over two years, and in 52,7 per cent of the number of projects accounting for 66 per cent of their total value the construction cost was higher than programmed (in 24,2 per cent of cases over 20 per cent and in some cases even over 50 per cent higher). Consequently, the criteria of construction period and construction cost were in fact not effective in selecting projects and investors. On the other side, social investment funds, being under a strong influence of political structures, could not always withstand pressures to make uneconomic loans, which resulted in the so-called "political investments" without a sound economic footing.

All this led eventually to the decision to liquidate the centralised investment funds and to decentralize the investment decision-making. That meant, together with the other measures of the economic reform in 1965, the beginning of the third period in the evolution of the planning system.

The Period after 1965

The effects of the radical decentralization of investment decision-making can be seen from Table II. The share of the government in investment financing declined from 60,1 per cent in the period 1953-63 to 15,8 per cent in the period 1966-71 (the share of the federal government declined from 33,3 to 8,3 per cent), while that of the banks increased from 2,7 to 48,0 per cent. More than a half of federal investment resources were used for the less developed republics.

1) B. Depolo : Neki problemi u fazi realizacije investicija u SFRJ (Some Problems in the Realisation of Investment Projects in Yugoslavia), Institute of Social Sciences, Belgrade

In addition to the funds earmarked for the acceleration of growth in the less developed republics (funds collected on the basis of a specified percentage from the social product generated in the social sector of the economy) the federal government had, under the 1966-70 five-year plan, some limited funds at its disposal to participate in financing some major investment projects (power production and distribution facilities, coal, oil and natural gas, cement, steel, chemical fertilizers), but on strictly specified conditions fixed by the plan. For instance, the 20 per cent participation of the federal government in financing the electric power projects was foreseen under the condition that the projects ensure the planned additional output of electricity and provide the „optimal and most economical solution for the economy as a whole, taking into account the power requirements in various regions of the country“.

The severe reduction of the role of the government was counterbalanced by the rising importance of the banking system in the mobilization and allocation of investment resources, as emerges clearly from the pattern of investment financing shown in Table II. The share of the own resources of economic enterprises remained more or less stable, amounting to 30,6 per cent in the period 1953-63 and to 29,9 per cent in 1966-71 (slowly declining to 27 per cent in 1971). The banking system has actually taken over this role from the government and is now largely responsible for inter-enterprise and inter-sectoral allocation of investment resources. At the same time, the banking system has had an ever-increasing role in transferring savings from the household sector to the social sector.

As a consequence, the problem of the efficiency of resource allocation in the attainment of the planned development targets has to a large extent become concentrated on the adequate organization of the banking system and its successful inclusion into the institutional framework of the self-management system. This has become one of the most important organizational problems for which an improved solution is sought for in the present phase of the evolution of the economic and planning system.

III. INSTITUTIONAL AND ORGANIZATIONAL STRUCTURE OF PLANNING

The organization of planning and the drafting of social plans is entrusted to the Federal Planning Institute and to the planning institutes of republics and autonomous provinces. These planning institutes are technical and advisory bodies responsible to their respective governments (executive councils) and legislative assemblies. It is their duty to organize the preparation and elaboration of social plans and to carry on all technical work in this connection, to analyze the accomplishment of these plans, to elaborate and recommend appropriate policy measures and instruments, and to evolve the adequate planning methods and techniques. The development of the planning methodology is a special responsibility of the Federal Planning Institute.

The principal sources of information for preparing social plans are the federal and republican statistical institutes (regular statistical services and special inquiries if needed for the plan preparation), Social Accounting Service (financial statistics) and the National Bank (monetary and credit statistics). Various research projects on certain development problems and methodological questions, initiated and coordinated by the Planning Institute, are usually entrusted to the specialized research institutions.

But in exploring development potentialities of individual industrial branches the planning institutes cooperate very closely with the professional industrial associations and with the industrial sections of economic chambers. The industrial associations, as the professional organizations of industrial enterprises of a given branch, are continuously engaged in analyzing the joint development problems of their branch, in searching for the adequate solutions of these problems and in pro-

posing the corresponding measures to the relevant government institutions. They form also important links between the planning agencies at all governmental levels and the economic enterprises by coordinating the plans of their member-enterprises. In line with the basic principles of the planning system, discussed in the preceding sections, they are called upon to take an active part in the preparation of social development plans. Their participation is organized as a rule through the economic chambers. In order to secure an adequate place in the social plan they are motivated by the interests of their own branch to prepare well-defined development programs and to substantiate them with detailed economic and technical data. Within the corresponding sections and committees of the economic chambers they have the opportunity to coordinate and mutually adjust their programs. This represents then an invaluable contribution to the realistic estimates of the overall development possibilities and to the elaboration of a well-founded macroeconomic development plan.

The organization of this cooperation has been formally institutionalized during the preparation of the last five-year plan by establishing the legal obligations of all participants and an obligatory minimum of the methodological congruity of their development programs, which should facilitate their comparability and coordination.

In preparing the federal social development plan the Federal Planning Institute is also helped by the relevant federal secretariats and agencies (economy, finance, foreign trade, prices) as regards the questions from their domain. 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 taken by the associations of trade unions.

Formally, there are three stages in the procedure of the drafting of the federal social development plan. First, on the basis of the analyses of the fulfillment of the current plan and of the open and urgent development problems the Federal Assembly, on the proposal of the Federal Executive Council, issues the basic guidelines for the preparation of the development plan for the next period and calls upon all interested institutions to take part in this preparation. In the second stage, the Federal Assembly discusses the preliminary draft of the plan and submits it for the public discussion. The widespread discussion of the draft plan has the advantage of contributing to public understanding of the objectives and contents of the plan, of inciting the interested groups, the basic economic agents and different self-managed institutions to give their remarks and counterproposals and to express explicitly their attitudes towards the proposed solutions of various development problems. For this reason the draft plan is open for public discussion for a predetermined period of time, at least one month. This institutional arrangement is intended to help the affirmation of planning as an integral social function. In the third stage the final draft of the plan, in which all these remarks, suggestions, criticisms and proposals have been duly taken into account, is discussed and adopted by the Federal Assembly. A similar procedure is applied to the preparation of development plans in the republics. As has been already pointed out, concrete measures for the implementation of the federal plan have to be based on the consensus of all republics and autonomous provinces.

The communes have their own technical planning services organised in accordance with their specific needs. In communes with greater industrial agglomerations these services are usually an integral part of the broader research centers for economic development. The plans of the communes are approved by the communal assemblies.

IV. METHODS AND TECHNIQUES OF PLANNING

The methods and techniques used in the preparation of the medium-term plans as the basic type of social development plans have been gradually developed and adapted to the evolution of the specific role of planning and its institutional and organizational structure. In principle, the elaboration of the plan proceeds now in three main stages.

At first, preliminary aggregate and sectoral forecasts, based on extensive analyses of past development trends and of factors likely to determine the expected further growth, are prepared in the planning institutes. Different analytical techniques from the known arsenal of the forecasting methods are combined and used in an elective way. Simultaneously, the basic economic agents, enterprises and their associations, prepare their development programs or, if these programs already exist, synthesize them in terms of the minimum obligatory indicators, which allow their mutual comparability, the calculation of their global effects on the aggregate economic proportions and a general verification of their feasibility. The feasibility problem is posed from the viewpoint of the macroeconomic proportions, while the micro feasibility question is left entirely to the corresponding economic organizations (enterprise or integrations of enterprises, banks) as the basic decision-making units. That is why in the process of coordination which follows the principal interest is attached to the sectoral development programs worked out by the professional branch associations in collaboration with their member-enterprises.

In the second stage a detailed coordination process takes place, in which all interested institutions and groups participate. The preliminary aggregate and sectoral projections are confronted with the development programs of individual industrial sectors, the underlying hypotheses are re-examined, the additional information collected and screened, and alternative courses of action considered. The result is the first

draft of the plan.

In the third stage, after the discussion of this draft plan in the legislative assemblies and in the public the final plan is elaborated in the planning institutes. In addition to the development objectives and targets it contains as its integral part the outline of the policy measures that will be undertaken to ensure its implementation.

The procedure is similar for the elaboration of the federal and republican plans, their mutual coordination in the basic development objectives and policies being assured during the planning process itself (especially in the second stage) and in the course of the policy measures concretization which, as has been noted, must be based on inter-republican consensus.

Let us review briefly the information necessary for the elaboration of the plans both at the macro and micro level and the available sources of this information.

Information at the Macro Level

a) For the analysis of the development trends of various economic phenomena and their mutual interdependences regular statistical data are compiled and published by the federal and republican statistical offices. A summary survey of statistics of economic, demographic and social developments for the country as whole and for individual republics and communes has been published yearly since 1954. (in Statistical Yearbooks). Detailed statistical surveys of different fields are periodically given in separate statistical bulletins. Regular foreign trade statistics are published in great detail. Even monthly surveys of basic economic statistics have been regularly published ever since 1952.

b) For the analysis of the aggregate economic flows a system of national accounts has been developed and gradually expanded since 1952. It includes six basic accounts (production, receipts and expenditures of households, receipts and expenditures of nonproductive activities, personal and collective consumption, investments, relations with the rest of the world) and numerous supporting tables in detailed disaggregation.

c) Integrated statistics on financial flows and all financial operations of economic enterprises and other institutions are published by the Social Accounting Service which is charged with the overall financial control. The compilation and analysis of the annual balance sheets of all enterprises, worked out according to a uniform scheme, represent a rich source of information on the current situation and development prospects of individual enterprises and productive sectors. Summarized data on income distribution in individual economic sectors and branches, on available resources in various funds, on investment financing, etc. provides a possibility for realistic estimates of the financial aspects of the implementation of the plan.

d) Analyses of intersectoral relations and projections of the structure of production are based on the input-output tables compiled in two-years intervals since 1962, after the first experimental tables had been constructed for 1955. and 1958. The entire production system is disaggregated into 98 sectors, 69 of which relate to industry and mining. Separate matrices of import flows are also compiled permitting a detailed analysis of the import dependence of various sectors and segments of the economy. This is of an utmost importance in planning because of a great dependence of many industrial sectors on imports of intermediate products.¹⁾ Input-output models

1) See M. Sekulić - Struktura uvozne zavisnosti jugoslavenske privrede u proteklom desetljeću (The Structure of the Import Dependence of the Yugoslav Economy in the Past Decade), in Aktuelni problemi privrednog razvoja i privrednog sistema Jugoslavije, Ekonomski institut 1976, pp. 127-151

are also used to calculate the complex effects of price corrections or of the exchange rate changes on the relative economic position of various sectors and on the whole price structure (for example, the economic reform in 1965.¹⁾, the devaluations of dinar in 1971.²⁾).

e) For the analysis of 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. These surveys are made regularly on a relatively small sample of households, but periodically this sample is considerably enlarged (to about 16000 households). The calculated income elasticities combined with time series analysis, international comparisons, etc. serve as a tool for projecting the structure of personal consumption.

f) In addition to these main statistical sources data on many other relevant features of industrial development are regularly or periodically collected and analysed.

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- 1) M. Sekulić & G. Grdić - Using Input-Output Model for the Yugoslav Price and Currency Reform, in Input-Output Techniques, North-Holland Pub.Co., 1972, pp.233-241.
 - 2) M. Sekulić - Sensitivity of the Yugoslav Economy to the Changes in Import Prices, Structural Analysis, Ekonomski Pregled, No 3-4, Zagreb 1972

The broad spectrum of regularly compiled statistical data supplemented with the additional statistical and analytical investigations provide a basis for a comprehensive analysis of past development trends and of various structural relationships and their parameters which permit the identification of those factors that decisively influenced the rate and structure of growth achieved and that could be at work in the next planning period. They form a starting basis for the elaboration of the preliminary projections.

The resulting preliminary projections are then, as has been noted above, confronted during the second stage in the process of the plan preparation with the development programs made by the individual industrial sectors. It is only through this confrontation, through the balancing and adjustments of more detailed structural proportions, that propulsive and limiting factors of development are discovered, the simultaneous feasibility of the development targets determined, the complex implications of various development variants established and an insight obtained into the key problems which are likely to arise during the implementation of the plan.

Information at the micro level

The elaboration of the development programs in individual enterprises, broader integrations of enterprises and in industrial sectors are based on detailed technical, economic and financial considerations which are specific for each case. But in order to enable a concerted approach to the elaboration of social development plans a minimum of obligatory indicators has been prescribed for enterprises, their associations and

communes. Now we will give a brief review of these indicators.¹⁾

They are classified into three groups :

a) joint indicators for enterprises, their associations and communes, b) additional indicators for enterprises and associations, c) additional indicators for communes.

The first group contains the data on fixed assets, total revenue, operating expenses, depreciation and income with the distribution of income to personal incomes and enterprise funds. The communes have to consolidate these indicators for all economic organizations in their territory.

The second group relating only to the enterprises and their associations includes the indicators on : The number of employed (classified according to skill); volume of output; inputs of the main intermediate goods; investments in fixed assets (the structure of investments, the source of finance, the economic effects expected); investments in working capital (the part financed from own resources); investments in social standard facilities; volume of exports.

1) Zakon o pripremanju za donošenje društvenog plana razvoja Jugoslavije za razdoblje 1971-1975 god. (Law on the preparation of the social development plan of Yugoslavia for the period 1971-75), Službeni list SFRJ, No. 13/1969

Naredba o utvrđivanju minimuma zajedničkih pokazatelja za izradu planova razvoja radnih organizacija, njihovih asocijacija i općina za razdoblje od 1971 do 1975 god. (Decree on the minimum of joint indicators for the elaboration of development plans of the work organizations, their associations and communes for the period 1971-75), Službeni list SFRJ, No 23/1969

The additional indicators for the communes refer to the demographic data and the structure of the labor force, to the total social product broken down by the main sectors, to the total receipts of households and public budgets, to the collective consumption (health, social insurance, education, cultural activities), to total economic investments and separately to the non-economic investments broken down by the main categories.

All these indicators are given for the planning period and for the preceding five-year period (stocks for the end-years, flows for the whole period).

The principal sections of the plan

In reviewing the principal sections of the medium-term plan we will primarily lean on the 1971-75 five-year plan¹⁾ since it reflects the latest stage in the evolution of the concept of social planning.

In the preamble of the document on the plan adopted by the Federal Assembly it is explicitly stated that the plan represents an agreement of the republics and autonomous provinces on the common economic policy in the period 1971-75, that it is based on the development programs of the organizations of associated labor and of the socio-political communities, and that it has been prepared in cooperation with the economic associations and the other social and political factors in the country.

1) Društveni plan rasvoja Jugoslavije za razdoblje od 1971.do 1975. godine (Social Development of Yugoslavia for the Period 1971-1975), Službeni list SFRJ, No 35/1972

The plan determines the main objectives, targets and measures of the development policy, and defines the corresponding tasks and necessary courses of action of all agents responsible for the attainment of the planned objectives and targets. The content of the plan is as follows :

I. The attained level of development and the main development problems

II. Socio-economic development in the period 1971-75.

1. Basic objectives and targets

2. Basic components of development policy (summarized in the projected rates of growth of the social product, employment, labor productivity, investments, living standards, collective consumption, exports, imports and prices)

3. Policy of expanded reproduction (general policy of economic development and structure of production; basic structure of investments by sectors and sources of finance; science and research, education and training, culture and health; development of economic infrastructure with fixed targets for expansion of power production and supply; production targets for the most important raw materials - iron and steel, nonferrous metallurgy, basic chemicals, cement, lumber; development of capital goods production, of construction and of other manufacturing industries with the main organizational measures that should be undertaken; agriculture and food processing industry; tertiary sector).

4. Economic relations with the outside world

5. Regional development and the policy of accelerated development of less developed republics and the autonomous province of Kosovo

6. Employment and professional cadres

7. Standard of living

III. Guidelines for economic policy measures

This section of the plan is considered very important because 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 plan under review these guidelines refer to :

Stabilization of economic flows;
Market and prices;
Economic relations with foreign countries;
Monetary and credit policy;
Fiscal policy (taxes, contributions, financing
of the federation);
Policy measures relating to expanded reproduction;
Encouragement of accelerated development of less
developed republics.

The role of different policy measures will be reviewed
in the next section of this paper.

V. THE ROLE OF DIFFERENT POLICY MEASURES AND INCENTIVES

As has been pointed out, different policy measures and incentives aimed at stimulating the fulfillment of the planned development targets constitute an essential part of the plan. In the five-year plan they are, as a rule, framed in the form of general guidelines to be followed by various institutional bodies in implementing the development policy adopted in the plan. The concrete operationalization of these guidelines is very flexible. Besides the traditional economic policy measures a special emphasis is placed on organizing the self-managed agreements among the interested groups for the purpose of achieving various targets of the plan. These agreements arise primarily from the own economic interests of all those concerned, but they may be also initiated or directly organized by the socio-political communities (the republics in the first place), or by the economic chambers. The preferential treatment in the fiscal and credit policy is often made dependent on the effective realization of such agreements. The insistence on the self-

managed agreements as a vehicle for the realization of the planned development policy represents a concrete materialization of the concept of planning as an integral social function.

The main policy instruments have been already indicated in the section of this paper dealing with the evolution of the planning system. Of the most general importance are the laws on the income distribution in the enterprises coupled with the fiscal system and the legal regulations prescribing how various obligatory enterprise funds can be used. These rules are framed in such a way as to ensure the basic planned proportion in the division of national income between consumption and accumulation stimulating at the same time the producers to maximize the total income by increasing their efficiency and by satisfying the qualitative and quantitative requirements of the market. The motive of the prospective income maximization, if supported and guided by the informative and coordinating function of the social plan, supplemented by adequate direct and indirect policy measures and economic incentives, becomes a strong stimulus for an efficient use of the available investment resources.

The regulation of the distribution of enterprise incomes has been recently further developed by the introduction of incomes policy agreements (between the republican government, the chamber of the economy and the trade unions) establishing the guidelines for personal income payments in the enterprises. The principles fixed in these general guidelines are worked out in detail by each branch (in the form of the so-called self-management agreements) to take into account its peculiarities. The aim of these incomes policy agreements is to bring personal incomes more in line with the productivity and efficiency increase, to reduce unjustified inter-branch and inter-firm differences in personal incomes and to ensure socially desirable rates of accumulation. These new measures are designed to remedy the shortcomings experienced in the past period and to serve as a tool for influencing the development of personal income, aggregate demand, and resource mobilization and allocation.

The influence on resource allocation in accordance with the development targets is achieved through various organizational measures and policy instruments.

To assure the planned expansion of power production (electricity, coal, oil) the republics, individually or on the basis of a joint agreement, take the appropriate measures to mobilize the necessary investment resources through compulsory or voluntary pooling of funds, through the internal or external loans, through the price, fiscal and credit policy relating to these sectors. For example, in the period 1966-70 a contribution (ranging up to 2 per cent) on all investment payments was directed to a special fund earmarked for financing the planned electric power generating facilities. In this way new consumers of electricity had to contribute to the provision of the additional electricity output. Different possibilities of resource pooling are now under consideration.

The planned expansion of various productive sectors is stimulated through a selective credit policy including sectoral priorities in allocating credit, reduced interest rates and other preferential conditions. The banks may be compensated by the socio-political communities for the loss incurred in giving credits at reduced interest rates and other preferential conditions if these credits are based on specific arrangements guaranteeing the fulfillment of certain planned development targets. To be entitled to such a preferential treatment the prospective investors have to ensure the mutual adjustments of their development programs and bring them in accordance with the social plan. Different fiscal charges may be also framed in such a manner as to foster the development of the sectors having the priority place in the plan.

The development and export promotion of the capital goods industry is achieved through the Export Credit and Insurance Fund. By extending credits for capital goods exports and for investment works abroad it enables the exporting industries to be competitive in the international capital goods market. At the same time, in approving credits it pursues the broader objec-

tives of promoting the development of the domestic industry by applying the appropriate criteria, such as: the prospects for acquiring long-term markets for the corresponding products; the share of the domestic raw materials and intermediate goods contained in the products exported; the level of integration in the domestic industry attained in producing and financing the products exported; the extent to which the exports in question contribute to the long-term cooperation and specialization arrangements with the foreign partners, etc. Recently the fund has been transformed into a self-managed institution representing the joint interests of economic organizations.

Generally, export incentives consist of various fiscal and financial instruments. They include tax rebates, special re-discount facilities at subsidized interest for export credits and especially the so-called retention quotas meaning the proportion of the foreign exchange earnings that the exporters are permitted to retain and freely use for import payments and other purposes.

To stimulate the modernization of the industry through the import of modern equipment, technology and know-how each enterprise is entitled to use a percentage of its depreciation allowances for purchasing foreign currency. These percentages are fixed by the government for individual branches. In this way, the rates of the retention quotas and of the depreciation allowances in foreign exchange serve as indirect regulators of the volume of equipment imports. They may serve also as a financial basis for contracting foreign credits. But to counteract possible excessive increases in equipment imports and to regulate external borrowing obligatory deposits in domestic currency are introduced and the government can change the percentage of dinar deposit requirements.

The tariff protection of the domestic industry is also geared to the planned development goals. In this respect it is insisted, however, that the domestic industry be exposed as far as possible to the efficiency criteria of the developed economies, so that the initial protective tariffs for some industries

should be gradually reduced. The imports are therefore liberalized in principle, the general regulation being effected through the allocation of the global foreign exchange quota among the broad commodity groups and through the import licenses in specific cases.

The price policy and price formation principles have a great importance not only for the realization of a given development policy but for the functioning of the whole economic system as well. As has been already pointed out, in the economic reform of 1965, the whole price structure was overhauled and the new relative prices established, so that the market criteria could be allowed to operate more fully in the field of resource allocation. In principle, price formation was left to the market mechanism subject to the general regulation of market relations through the economic policy measures, the use of government commodity reserves for interventions in the market, etc., while direct price control had to be resorted to in cases when the price relations and stability could not be ensured by the economic means. In order to improve the functioning of the price mechanism, to make it more adaptable to the development policy objectives, and to lay down more appropriate foundations for the price policy a new law on the social control of prices has been enacted in 1972¹⁾. The basic principle of the free price formation according to the market relations will henceforth be subjected to a systematic but very flexible social price control effected primarily through various forms of agreements among those concerned, but also through the direct control if it is needed to secure the conditions for the realization of the planned development policy and to preclude arrangements aimed at attaining monopolistic position in the market.

1) Zakon o društvenoj kontroli cijena (Law on Social Control of Prices), Službeni list SFRJ, No 25/1972.

Different procedures are foreseen for the mutual adjustments of prices, for the mechanisms of price formation, for the protection of domestic producers from the possible large fluctuations of foreign prices, for the compensation of those producers that could be adversely affected by specific price policy measures, for the general supervision of the self-managed price agreements, etc.

An aspect of a great significance in the development policy is the promotion of the faster growth of the less developed areas of the country. This has been one of the major objectives of Yugoslavia's development policy throughout the postwar period. With the abolition of the role of the federal government in direct investment financing a special Fund for the Accelerated Development of Underdeveloped Regions has been set up. During the previous five-year plan (1966-70) the resources of the fund were mobilized by a special contribution of 1,85 per cent on the social product generated in the socialized sectors of the economy. About one fourth of the investment outlays in the less developed republics and regions has been financed from this fund. Under the new five-year plan (1971-75) each republic is responsible for the fulfillment of its quota of resources for this fund amounting to 1,94 per cent of the social product (the increase over the previous quota of 1,85 per cent being earmarked for the autonomous province of Kosovo as an addition to its normal share), and this quota is met by the obligatory loans from economic enterprises. The resources collected are now distributed among the less developed republics on the long-term credit basis (15 years at 4 per cent, and for Kosovo 19 years at 3 per cent). Special allocations of foreign exchange resources, priorities in using foreign loans, etc. are also foreseen. In addition to the direct transfer of investment resources, various incentives are accorded to enterprises and banks in the developed regions to undertake investments in underdeveloped areas and to provide the necessary technical assistance.

Within the framework of the social development plan with the accompanying organizational measures and policy instruments the market mechanism is allowed to bring about the optimal allocation of resources. Improvements in the allocative efficiency represent one of the crucial problems in the further evolution of the planning system. Significant organizational efforts are at present directed to this aim. They include the reorganization of the banking system, the introduction of the more severe criteria for project selection, the strengthening of the financial responsibility and a broader affirmation of the self-managed agreements and social contracts in carrying out the development objectives of the plan.

VI. DEVELOPMENT PLANNING IN INDUSTRIAL ENTERPRISES AND ASSOCIATIONS

The general role of industrial enterprises and their associations in development planning has been already described in the preceding exposition of the structure of the planning system. Now we can briefly summarize the main determinants for the development planning in the enterprises themselves.

First of all, in the development planning at the micro level two different sets of determinants have to be distinguished. The first set relates to the expected general macroeconomic environment (overall growth, structural changes, economic policy parameters, etc.) that will be relevant for the possible expansion of the sector to which a given enterprise belongs. This information is furnished by the social development plans. A general coordination of the principal development programs within each sector is also achieved in the course

of the preparation of social plans. Herein lies the importance of the informative and coordinating function of social macroeconomic plans.

Within this framework the development of each individual enterprise or of a given industrial complex are determined by its specific market prospects, its position asserted through past performances and its ability to absorb innovations and technical progress, its financial potential and its outlook to mobilize additional resources, or in one word, by its vigor to keep pace with the dynamics of economic development. This set of determinants take a pre-eminent place in the development planning at the micro level.

Therefore, in a general outline, the development programs at the micro level are based

- on a detailed investigation of the prospective increase in the domestic demand, of the export possibilities, and of the competitive position in the domestic and foreign market;
- on technological research and development results stemming from the research work of the own development institutes or transferred on the basis of licensing contracts and joint production and technical assistance arrangements with the foreign manufacturing firms;
- on self-managed cooperation or closer inter-firm agreements with the other industrial organizations to ensure specialization and complementarity in development program as well as a necessary pooling of investment resources. Such agreements have increasingly become a typical characteristic of the economic scene in recent years;
- on possible financial constructions for the realization of the development program containing the own accumulated funds, the joint resources with other partners, investment credits from domestic banks or foreign lenders, or, in the case of the less developed regions, the credits from the corresponding specific-purpose funds. The financial aspect

of development programming stresses the importance of the internal income distribution schemes that should enable the formation of sizeable own investment funds because such funds serve also as a firm basis for acquiring additional investment finance.

All these elements, in conjunction with the specific technico-economic characteristics of different industrial branches and complexes, determine also their time horizon in development planning.

Industrial Planning in Yugoslavia

Summary

Industrial planning as an integral part of economic planning in Yugoslavia has undergone radical changes in line with the evolution of the socio-political and economic system of the country. From centralized planning and management of the economy it has been moving progressively towards a decentralized market-oriented economic system based on workers' self-management and on specific methods of social planning and guidance of the overall economic development. The experience in industrial planning, functional, organizational and methodological characteristics of planning at the present time as well as the direction of its further evolution are presented in the light of this historical perspective.

The general objective of the economic reform of 1965 consisted in the final elimination of all remainders of the earlier economic system that inevitably required a continuous state intervention in some vital economic processes, restricted the operation of market laws, impeded the rational economic behaviour of the economic subjects and retarded the full development of the self-management system.

In addition to the decentralization of investment decisions a radical transformation of the price structure has been undertaken. The fundamental preoccupation is to create the necessary conditions for the direct economic agents to take over the basic responsibility for the economic development not only within their own individual organizations but on a wider social scale. The main idea is that the responsibility for the development planning should essentially be transferred to the various self-managing entities, while the federal government should in the first place perform the co-ordinating functions.


The social plan of Yugoslavia is based on social contracts among the organizations of associated labour (enterprises and their freely formed organizations and integrations), communes and other self-managing institutions and on agreements among the republics and autonomous provinces. The joint responsibility of the republics and autonomous provinces for the development of the country as a whole is specially underlined. In principle, the federation is responsible for those spheres of economic development that are the common concern of all republics; for the general co-ordination in development planning and in formulating and implementing the development policy; for supporting accelerated development of less developed republics and regions; for ensuring

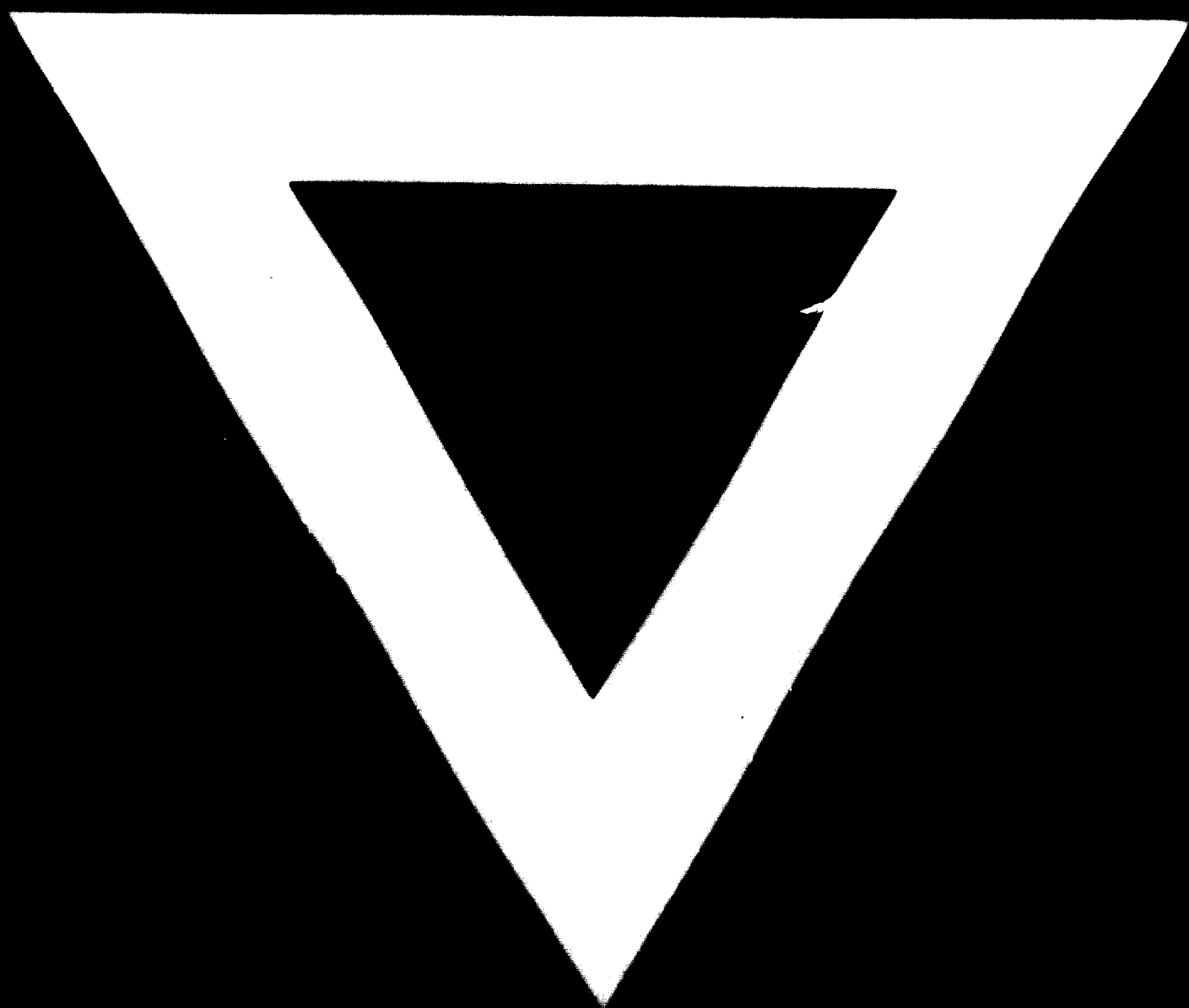
the proper functioning of the unified market and the unified economic system of the whole country. In all these activities it has to secure the cooperation of the republics and autonomous provinces. Special institutional arrangements and procedures have been established for this purpose.

Within the general framework of the joint development policy and basic development targets contained in the federal plan more detailed targets corresponding to the specifics of each individual republic are the subject of its own social plan. It is the responsibility of the republics to create and ensure, by various organizational, economic and legal measures, the necessary conditions and a favourable environment for the adequate development of their respective economies.

Enterprises and their associations draw up their development programmes independently according to their specific market situation, development prospects and co-operation and integration agreements with other enterprises without any formal obligation as to the content of the programme or the period of time it covers. But in order to implement the idea of a broad co-operation in the formulation of the social development plans all enterprises and communes are requested during the preparation of the five year plan to elaborate their plan proposals in terms of a given number of minimum obligatory indicators for the five-year period of the social plan and to submit these proposals on request to the planning organs of the socio-political communities and to the professional economic associations. It is likewise stipulated that the organs of the socio-political communities will make the results of their analyses and preparatory studies accessible to the enterprises and their associations and will ensure the influence of these organizations on the formulation of social plans.

The aim of this co-operation in the course of the elaboration of the plan, in which the professional associations and economic chambers play a significant role, is to secure that social development plans at all levels represent a realistic and internally consistent synthesis of the development programmes and potentialities of the basic decision-making units. It does not mean, however, that the plans at lower levels are in any formal way subordinate to the plans at the higher institutional level. The plans of the enterprises are approved by their self-management organs and the plans of the socio-political communities by their respective legislative bodies.





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