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INTERRELATIONSHIP BETWEEN SECTORAL AND PROJECT PLANNING^{2/}

by

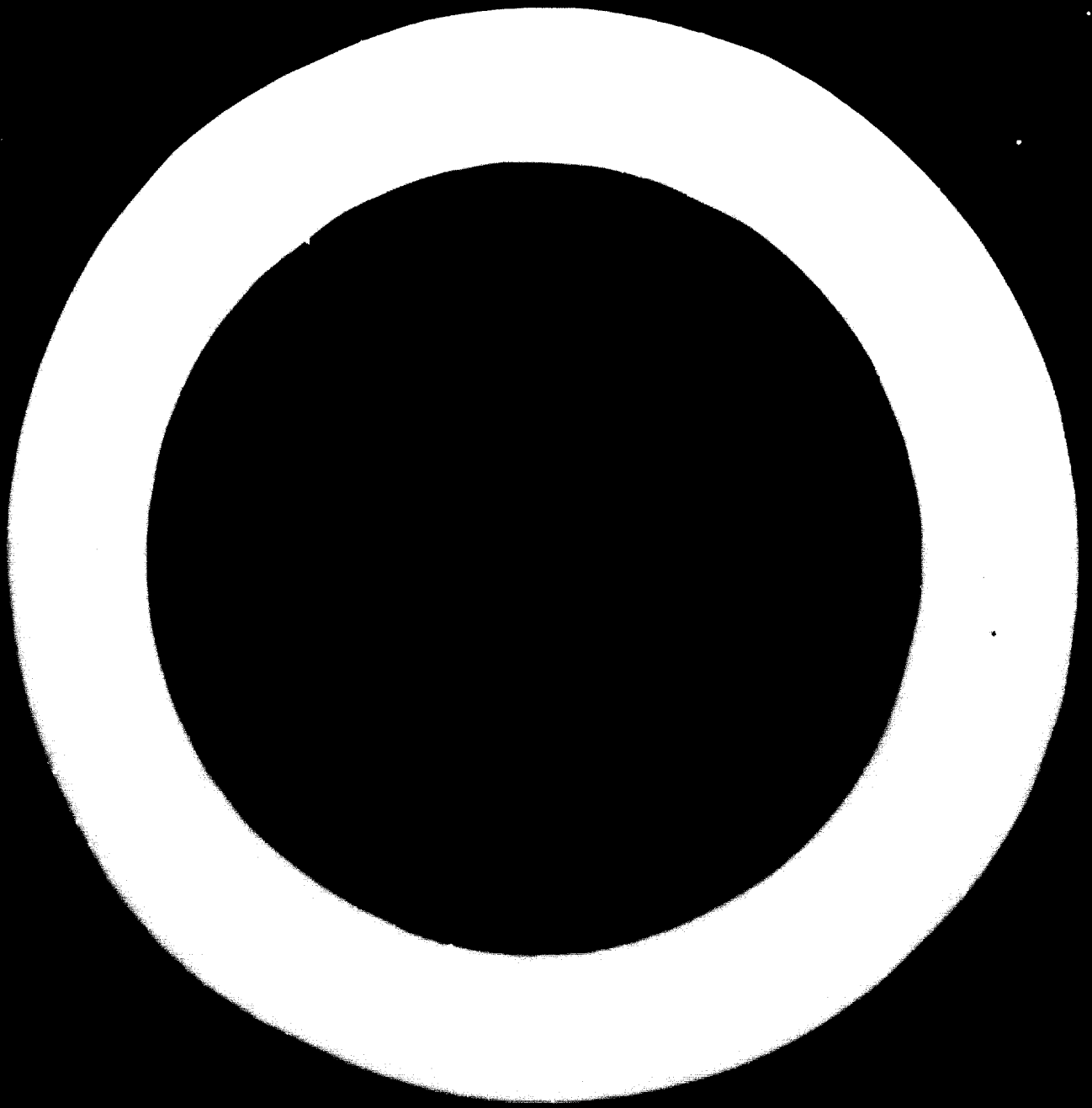
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SUMMARY

The report is an attempt at elucidating some of the basic moments characterizing the relation between the planning on the level of a given branch and the preparation and working out of the industrial projects in the People's Republic of Bulgaria. That relation is defined as a direct and feed-back /retroaction/ one. On the one hand, because the established planned limits for capital investments are a premises for the preparation and working out of the separate industrial projects, and on the other hand, because the project solutions themselves serve as one of the basis for the preparation and working out of the plan. The interrelations between those two kinds of relations are considered in a narrowly technological succession: first the direct relation, and then the feed-back /retroaction/ relation between an industrial project and the unified plan.

The interrelations between the planning on a branch level and the preparation and working out of the industrial projects are quite different in essence, of various nature, narrow, and exclusively complex and complicated. Irrespective of all that they proceed in a strictly determined succession and according to regulations fixed and determined in advance. The initial or starting point of that complex process is the national economic proportion between the funds

"Accumulation" and "Consumption" of the realized national income. The rate of the "Accumulation" fund determines the amount of the capital investments, which on their part form the basis for the planning of the bulk /size or extent/ of the designing organizations as the concrete executives of the industrial projects and designs. The executives of the research and projecting work in the People's Republic of Bulgaria are:

- independent designing organizations;
- designing organizations as branches of the state economic organizations or corporations;
- centres for research and development work and activities subordinated to the state economic corporations or organizations.

On the basis of their established plans those units realise the whole research and designing work and activities. The report deals also with the motivation of the importance of the pre-projecting studies and investigations /research/, which combine in themselves the prospective and the preliminary investigations /research/, which are essentially realized in a concrete form in the technical and economic reports. These reports, on their part serve as a basis or grounds for the condition of the concrete as a preliminary /draft/ industrial project /or design/. The draft industrial designs serve as a means of motivating the basic and the most important moments, characterizing the effectivity and the expedience of the beginning of the construction of the project during the year of the planning. That motivation should include the calculations of the balance for the production and the consumption of the products, the balance about the production capacities, the size of the capital

investments, the plan for the territorial distribution of the productive forces, the specialization and co-ordination plan, the integration with the other socialist states, with the ultimate aim of providing the necessity of beginning the construction or building of the project during the year which is planned; to include data for the introduction of the capacities in operation by years, the necessity of electric energy, fuel in kinds, water supply, basic raw materials, labour hands, and finally the planned working cost /net price/ of the products; to clarify the readiness /the possibilities/ of realizing the construction or building, as well as the state of the ensuring the necessary conditions for the realization of the construction within the planned terms, and who will realize that construction or building.

In this way all the projects and designs and especially those which are included in the title list of the plan for the capital investments, are supplied with a complete file or record, which, by means of the information contained in it, makes it possible to get a complete and exact notion, at any moment, of the economic effectivity of the objects of capital investment proposed in the draft-plan.

The information contained in the industrial project is sent back to the State Planning Committee by a return way /through a system of co-ordination and estimation/ for final planning.

The report elucidates the necessity of co-ordination of the projects and designs.

The calculation and established technical and economic indices contained in the project or design which have been received for coordination by the State Planning Committee according to the existing regulations are used as an initial information for the preparation and working out of the annual and prospect unified plans, as well as for adopting concrete resolutions concerning the plans.

INTERRELATIONSHIP BETWEEN SECTORAL AND PROJECT PLANNING

The process of investment plays a main and determining role for achieving high and stable rates of economic growth in the system of public reproduction. This role can be achieved in the process of investment as the process itself is an organic and integral part of the process of reproduction and one of its most dynamic elements and factors for development. This is particularly the reason determining the process of investment as a subject and a stage of centralised planning within the framework of the international division of labour, of the individual national economy, of the level of the industrial branch and at the level of construction design of the separate investment projects.

This paper aims at examining not the process of investment in its totality but only the interrelations originating in the process of planning at industrial branch level and the elaboration of the individual industrial projects.

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The interrelation between planning at industrial branch level and the immediate development of the individual industrial projects are quite different, close and exceptionally complicated. They are complicated as they begin as early as during the pre-plan developments, expand and deepen during the working out of the long-term and medium-term plans for the social and economic development finding an expression in the elaboration of the specific industrial project which on its own turn appears an information bearer for adopting a correct and

effective plan decision. Practice has, however, shown that positive economic results can be obtained only when these interrelations occur in strictly determined sequence in mutual relation and mutual determination, i.e. when they are in a clearly express system with direct and back relations.

The main socio-economic problem which will be solved in this country in the next few years is to set up conditions for gradual improvement of the living standards of the people.

The further construction of the basis of materials and equipment, the maintenance of high and stable rate of economic growth, the extension of the process of intensification of social production in all its spheres and activities will be subjugated to this task with a view to increasing its effectivity and setting up of conditions on this basis for the fuller and maximum satisfaction of the material and cultural needs of our people.

The practical realisation of these tasks which are enormous in their reach and significance and which are characteristic of the process of reproduction in their totality may take place, above all, by conducting a correct policy of investments and the materialisation of a highly effective and dynamic process of investments. If we take that this process is a system of introduction of scientific achievements, technical progress, study and design, construction and putting into operation of newly established production capacities and the subsequent control for their achievement and most rational use - then it becomes obvious how important and complicated it appears as a subject and a stage of centralised planning.

To conduct a realistic and highly efficient policy of investments it is insufficient merely to explain the ultimate goals but it is also necessary to ensure the necessary capital

investments for achieving these objectives.

It is well known that the national income, and its part for the "Accumulation" Fund and the depreciation percentages for the recovery of the basic funds are the basic sources for the establishment of the necessary capital investment.

To maintain high and stable rates it is not sufficient that an individual country should possess only funds for capital investment. It is also necessary to keep the strictest account for their most rational aiming and effective use. This is so because if the effectivity of public reproduction is not increased in the subsequent periods of the country's development of the economy, and in private the effectivity of capital investment - then the high rates of economic development cannot be preserved. Such an approach, would, however, automatically result in reducing the "Consumption" fund and to a stand still or even a reduction of the living standards of the working people. The alternative in this case would be to ensure the necessary material conditions and premises for fulfilment and overfulfilment of the laid down objectives by creating conditions for the most rational aiming and most efficient use of the funds set aside for the "Accumulation" by a smaller share of the funds allocated for accumulation by the national income. On this basis, the volume of the means for the Consumption Fund can be increased and in this way the opportunities for increasing the living standards of the people.

From science and practice is known that expanded reproduction can be realised in two ways:

- extensively, at the expense of increasing the mass of labour involved;
- non-intensively, at the expense of increasing social productivity of labour which in the long run results in increas-

ing social production.

Under the conditions of the modern scientific technical revolution and the transformation of science in direct productive force, the problem in what way will extended reproduction materialise is of exceptional national economic significance. For this country it has been solved in favour of the intensive way of development where the economic growth of the country's economy can and must be achieved solely at the expense of utilising the intensive factors. The main strategic objective in this direction in the years of the long-term perspectives for our economy is the achievement of complete intensification in all its phases and activities. Therefore the possibilities for running of the process of investment are predetermined objectively between the proportion between the "Accumulation" and the "Consumption" funds and it is one of the main criteria for determining the opportunities and rates with which the individual national economy or the separate industrial branches will develop in the following years. This proportion also determines the volume of the capital investments.

According to the acting "Regulations for Capital Investment" in the People's Republic of Bulgaria, under capital investment is meant all expenses for setting up, or reconstruction, extension, modernisation or restoration of the capital stock of productive or non-productive designation. The capital investment plan is an organically integral part of the uniform plan for the country's socio-economic development.

The planned capital investments are determined by investors in the Five-Year Plans and are divided by years, in accordance with the needs for the commissioning of the respective capacities and the established normatives for the time of design and construction. The Council of Ministers approves

general limits for the capital investment directly for the Industrial Corporations supplying name lists of the basic projects the limits of which are bound and are supplied by the uniform Five-Year Plan. The limits thus approved are differentiated as follows:

a) limit for capital investment divided by projects which are listed by names in the uniform plan. For these projects, the plan names the place, the cost estimate, the planned capacity and the time for putting them into operation. The limit for this group of capital investments is approved by the Council of Ministers as it appears the most important one from the point of view of the national economy;

b) limits for capital investment of projects which are not listed in the uniform plan. In fact the distribution of these funds for specific projects is done by the State Economic Corporations after agreeing them with the respective Ministries, Departments, the State Planning Committee and the Bulgarian National Bank.

In case of project of production designation the value of which is under 150,000 leva, or up to 50,000 leva if they have no production designation, the distribution of these capital investments can be done by the head of the State Economic Corporation himself, agreed only with the Bulgarian National Bank.

c) limit for decentralised capital investment which are determined by a special ordinance and are controlled only by the Bulgarian National Bank. The State Economic Organisations, the Ministries, Departments and the District People's Councils determine themselves the share of the decentralised capital investments within the framework of the total planned limit.

What is the connection between the approved plan and more particularly between the limits for capital investment and the individual industrial projects? This relation can be defined as a direct and back relation, i.e. on one side the design decisions are prepared on the basis of the approved limits for capital investment, and on the other hand the design decisions themselves serve as a foundation for the preparation of the plan. The use of funds from the approved limits for capital investment are allowed only when **THERE IS AN APPROVED PRELIMINARY DESIGN ACCOMPANIED BY COST ESTIMATES AND PROVEN ECONOMIC EFFECTIVENESS OF THE CAPITAL INVESTMENTS.**

In accordance with the requirements of the Regulations for Capital Investment published in this country, new construction, extensions or modernisation of existing production capacities can be done only if there is:

- approved capital investment limit;
- approved preliminary design for a specific enterprise;
- details, norms and normatives for the duration of construction works, the commissioning of the capacities of the projects and proven economic effectiveness.

The approval of capital investment limits does not mean yet elaboration and approval of an industrial project. But the specified limit for capital investment, however, appears a chief premise for determining the volume of design work. The design organisations, in fact, are those which in the long run develop a specific design decision. Design work as one of the basic elements of the total process of investment is also subject of planning. The provided for capital investments are the initial basis for the determination of the volume of design work. The plan on survey and designing is drafted in two sections: by investors and by executors. In principle the investors are the Corporations for all projects within their

system, and only in some decentralised capital investments by exception the enterprises appear as investors. The executors in respect of research and design are the following units in the People's Republic of Bulgaria:

- independent design organisations;
- design organisations as branches of the State Economic Corporations;
- the centres for scientific and development work at the economic organisations.

All these units conduct the entire survey and design work on the basis of their approved plans. Preparations of a respective industrial project is done in two stages:

- preliminary design with cost estimate;
- working design with cost estimate.

The elaboration of the ideological project is preceded by pre-design research which are formed in techno-economic reports or studies.

The setting up of a modern design for the construction of a new industrial enterprise or for a system of management of separate socio-economic processes corresponding to the best achievements of science and technical progress requires not only good individual training and technico-economic competence by the design personnel but also the organisation of wide and systematic comprehensive research activities with the objective of studying and using the experience of the latest achievements in this country and in the advanced industrial countries. Practice has shown that the quality of the cost estimates depends above all on the degree and scope of the long-term and preliminary investigations.

Long-term investigations are made for a longer period of time, on a wider scope and are made usually for one or

several branches of material production, for one or several socio-economic phenomena (processes). The objective of these investigations is to establish economically the most favourable conditions for the extension of a given type of production by way of new construction or by extension, modernisation or reconstruction of the existing capacities; to trace the changes which will occur in some or other socio-economic phenomenon (process).

Preliminary investigations are specified in collecting and studying of data and indicators necessary for the clarification of all preliminary problems associated with the design and the construction of a specified industrial project.

There can be no sharp boundary between these two types of studies. These are two interrelated aspects of the same activity. Their task is to study, systematise and analyse the latest technico-economic achievements in the world development of one or several interrelated branches of the national economy for a longer period of time; to see the extent of the technical development achieved in this country in comparison with these achievements and what perspectives of development there exist for this particular branch (phenomenon) in the country with a view to selecting the most favourable economic conditions for building the necessary new capacities (the further development of these processes) at the highest degree of technical development and the largest economic effect for the national economy.

Collected, systematised and analysed, the data are processed further and are presented in the form of a TECHNICO-ECONOMIC REPORT. By their form and content the technico-economic report is, therefore, a complex study and analysis of the conditions and factors determining the further development of a

given type of production, sub-industry or industry for the national economy, of a given process or phenomenon characterising the country's socio-economic development.

The following problems should be ~~not~~ examined and solved in the elaboration of the technico-economic report:

- technico-economic characteristics of the existing state in the industry, sub-industry or the individual production (phenomenon or process) in this country and abroad.

Special attention should be paid in the analysis on the technical standards of the existing production above all, what is the volume of its output (expressed in value and in kind), what is the structure of this production, what type of specialisation and cooperation has been achieved at the moment of the study. The technical standards and the state of the operating basic funds, the raw materials used for this production, where this raw materials will be supplied from (local or imported), the presence and the qualification of the manpower employed and others are of special interest to this analysis. The technico-economic indicators obtained are analysed and conclusions are made whether there are conditions present and opportunities for extension and reconstruction of the existing capacities and whether new type of construction is necessary. Depending on the obtained results in the technico-economic report a conclusion should be made whether the development of a given type of production is economically adequate for the national economy.

The organisation of production of the industry, sub-industry or the economic unit is developed on the basis of the objectives and necessities of a given type of production. Particular attention should be paid here to the choice of the

technological processes, the creation of conditions for mass introduction of special and specialised machines and equipment, automatic units and automated lines and setting up of premises for the introduction of complex mechanisation and automation of the production processes.

Finally the cost of production and the effectiveness of the capital investment necessary for the materialisation of the specific project are made.

An integral part to the techno-economic report is the evidence material consisting of tables, technico-economic indicators, information on the best achievements in this country and abroad (by type of production), for a sub-industry or industry of the national economy.

Technico-economic conditions are also developed for the purpose of designing determining the designation, capacity, content and the approximate price of the project, and data are supplied for the situation, size, levelling, the building regime and the sources for the supply of power, water, steam and others, determining the economic effectiveness of building the project and other necessary conditions and requirements connected with the implementation of the designed project.

This is not, however, the end of the study. They continue in the course of the designing itself.

The preliminary plans are developed on the basis of the comprehensive studies done so far.

On the basis of the Five-Year plan for socio-economic development, the preliminary industrial designs give a solution for complex technico-economic problems related to the construction of new enterprises or extension, reconstruction or modernisation of the existing, already constructed capacities. The preliminary industrial designs determine the basic

and most important moments characteristic of the effectivity and adequacy of beginning the construction of the project in the year for the plan. In this substantiation should include the estimates for the manufacture and consumption of the output, the estimate for the production capacities, the amount of capital investment, the diagram for the territorial distribution of the productive forces, the plan for specialisation and cooperation, integration with the socialist countries, with the ultimate objective of proving the necessity of beginning the construction in the planned year; supply data on the putting into operation of capacities by years, the needs for electricity, heat by types, water, basic raw and other materials, manpower, and in the long run - the cost estimate of production; elucidate preparations for construction and what has been done to ensure conditions for carrying out the construction within the time limit in the norm and who will implement this construction work.

In this way all projects and particularly those included in the name list of the capital investment plan have a complete file containing all the necessary information giving chances to obtain the best idea about the economic effectiveness of the capital construction projects proposed in the draft plan.

The implementation of a project can take place only if contains complete cost estimates giving specific solution of the construction problem facing the designer.

Depending on the phase and the level of design, the design solutions are made more specific in DRAFTS AND COST ESTIMATES (CALCULATIONS). The stage of development of the design work plays a determining role for the level of the design solutions. At this stage the designer should account for and embody

the latest and most modern achievements of present-day scientific and technical progress, take into consideration the type, the quality and reliability of the commodity to be turned out by the future enterprise or by way of modernisation and reconstruction to select and propose new technology the realisation of which can take place only under the conditions of complex mechanisation and automation of the production process, and create premises for the introduction of a number of innovations, introduction of scientific organisation of production, labour and management and on this basis create conditions for quick and high quality materialisation (building) of the project at the maximum application of the operating standards, standard designs, catalogues, sections and details and most efficient use of building mechanisation in the course of its construction.

Cost estimates are prepared on the basis of the clarified and accepted draft designs. Regardless of the stage of design, they are worked out within the framework of the acting enactments and legal provisions, regulating capital construction in this country.

The actual cost estimate which includes the types and amount of the separate types of work (taken from the quantity accounts of the separate units of the project and developed on the basis of working drawings, in current prices) is a basic moment in the elaboration of the cost estimate design.

The cost estimate documentation is differentiated (compiled) by structure indicators: construction and assembly work, machines and equipment and other expenses.

The developed and clarified cost estimate documentation is summed up in the general account which gives the final cost of the project. It is a focus collecting all expenses which

are necessary for the realisation (building) of a given project. This moment in particular determines the general account as an indicator characterising the level of a given design solution and an initial basis for determining the effectiveness of the capital investments which are required for its materialisation.

The cost documentation are compulsorily accompanied by explanatory notes which give characteristics of the building site, the geological survey and geographical conditions of the terrain in which this site is situated, the funds required for its improvement so that it may become suitable for the implementation of the construction works; the situation of the districts from which building materials will be brought; the necessary power sources; type of transportation and its use and a comprehensive plan for the organisation and mechanisation of the building works.

The economic effectivity of the capital investment is determined by a system of indicators and for this purpose concrete methods are prepared and approved to solve this problem in a complex manner at the necessary levels.

From all that has been said so far it becomes clear how long and complicated is the process until it reaches the phase of making the plan for the socio-economic development and the preparation of the individual industrial project plan. The developed industrial project is not only a concretisation of the capital investment. It is, above all, a rich carrier and a source of information both from technical and from economic aspect.

Norms and normatives are drawn on the basis of the thus elaborated drafts and they are used in the preparation of the uniform long-term and medium-term plans. Particular attention should be paid in drawing these normatives in clarifying the

normatives for capital absorbing and funds absorbing aspects; of the normative for the specific capital investments; of the normative for the duration of construction and others.

In the economic evaluation of the design solutions and the determination of their efficiency, wide application is made of the indicator "Time of Paying Back the Capital Investments".

How does this rich information by way of backfeed reaches the interested Departments and mainly the State Planning Committee?

In accordance with the provisions of the "Regulations for the Survey and Design Works on Capital Construction" in the People's Republic of Bulgaria all design solutions, including the technico-economic reports and preliminary designs are coordinated compulsorily with 12 Departments. The State Planning Committee plays the central role as a coordinating body.

Why is this coordination necessary? In the first place to check the sequence, scope and quality of the developed design; to assess the respectiveness and efficiency of the postulations and formulations in the design; to appreciate whether they correspond to the existing normative enactments and provisions in this country; and finally to make an evaluation to what extent the respective design, with its realisation, would create conditions for the further acceleration of the rates of development of the economy and solving the main objective - raising the living standards of the people.

Considerably great attention is paid to the process of coordination in this country. The Council of Ministers do not approve the design solution without coordinating the preliminary design with the respective departments and the investor

and it cannot be materialised.

In principle the preliminary designs with a cost estimate exceeding 10 million leva and technico-economic reports exceeding 25 million leva are approved by the Council of Ministers, and preliminary designs under 10 million leva and technico-economic reports under 25 million leva are approved by the respective manager of the department. The State Planning Committee coordinates the design solutions by specified methods and order and makes the complete technico-economic assessment of the industrial projects from the point of view of effectivity for the whole national economy. In practice the assessment is made from the aspect how this design solution would affect the balance bindings in respect of ensuring raw and other materials, manpower, capital investment, foreign currency, transport links, etc. Such an assessment can be also made in a complex manner proceeding from the interests of the national economy. The design and approved technical and economic data and indicators, contained in the draft, are included and used as concrete information for the development of the annual and long-term plans which have entered the State Planning Committee for coordination. This requirement is also valid for the investing departments, the Ministry of Finance and the other interested departments.

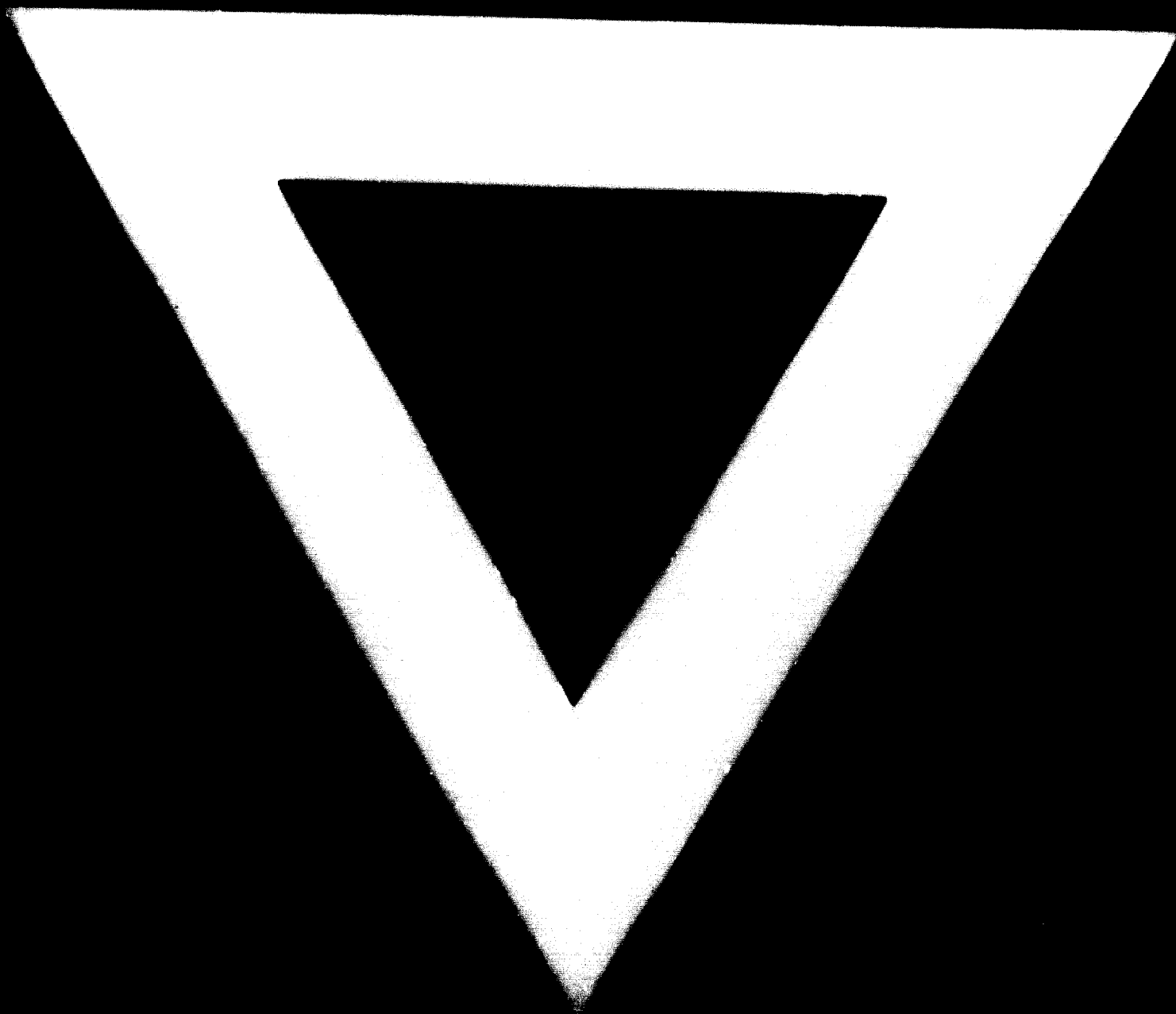
The relation between the planning authorities and the individual industrial enterprise does not stop here. After the realisation of the design solution, the State Planning Committee, in conjunction with the Bulgarian National Bank, conduct continuous control expressed in checks to what extent do the technico-economic indicators approved in the design are reached within the laid down normative times. On the other

hand control is also exercised in respect as to what extent the state economic organisation and the enterprises, after the expiration of the time for reaching the planned capacities, develop their plans on the basis of the technico-economic indicators, approved by the design solutions.

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