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PLANNING IN THE
STATE INDUSTRIAL ECONOMIC ASSOCIATIONS^{1/}

by

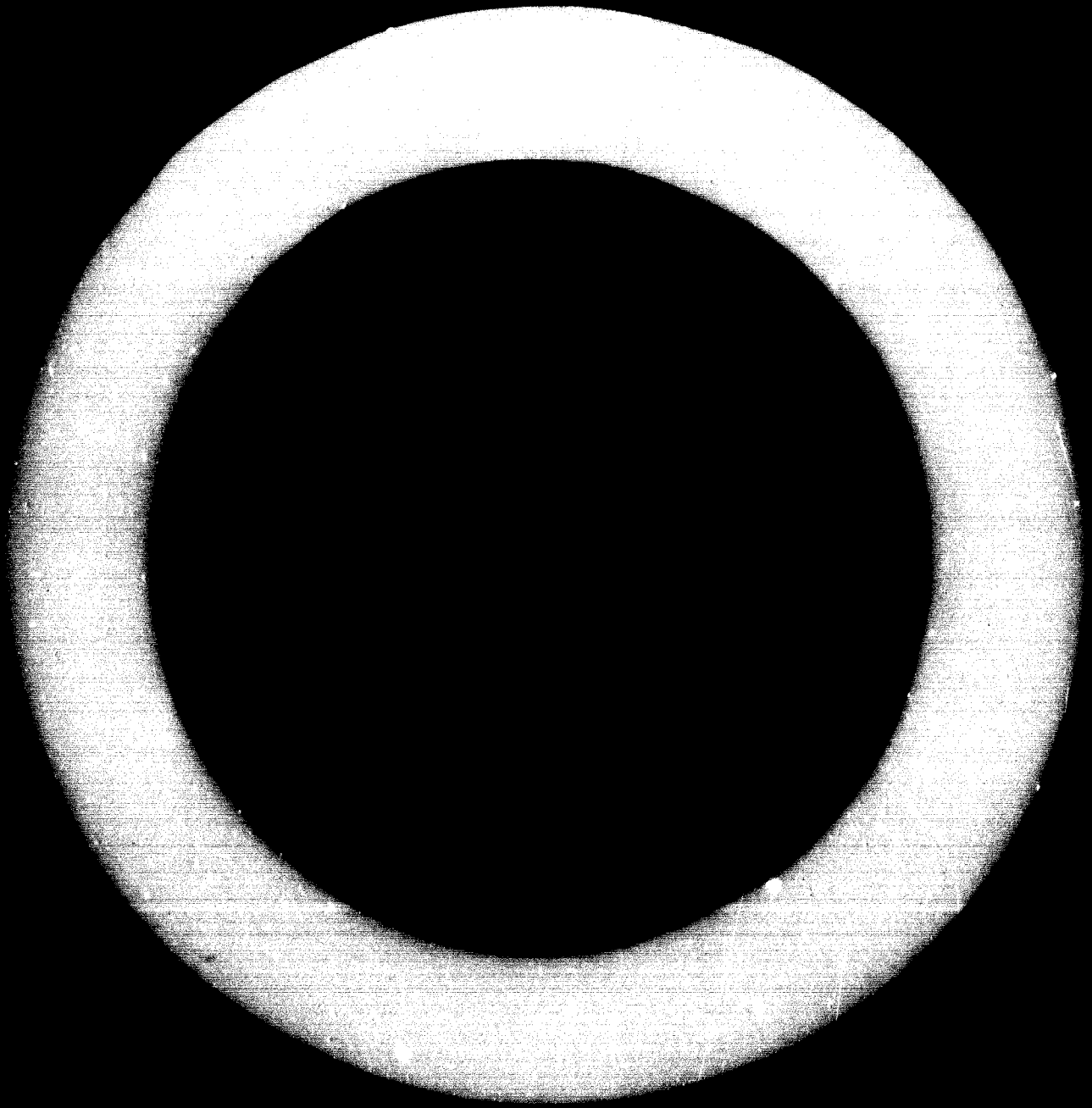
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S U M M A R Y

The state economic corporations in the People's Republic of Bulgaria are large economic organizations, which are particularly characteristic of the system of the industry in this country. From the point of view of their structures the industrial corporations consist of several organizationally independent branches /enterprises, factories, works, units, etc./, which can have different degree of economic and legal autonomy.

The state economic corporations perform various functions in different spheres: scientific and research activities and work; large-scale building or construction; supply, provision, marketing, and selling; export or foreign trade; labour payment, etc.

One of the most important functions of the state economic corporations are its activities in the sphere of planning. During the realization of its whole planned work and activities, the corporations work out not only the plans themselves, but some other documents related to the planning as well: prognoses; concepts; complex programmes. All those documents are also very important means of increasing the scientific level and quality of the planning.

The methods of making or working out the plans in the state economic corporations correspond to the means of planning, which are used in them. Those methods are: the normative, the balance, and some other different economic and mathematical methods /those of the correlation investigation; the regression analysis, the

factorial analysis, etc./.

During the working out of the perspective plans of the country, the participation of the state economic enterprise begins actually after the acceptance of the national conception and the establishment of the initial data on the part of the Council of Ministers. On the basis of the initial data the state economic corporations work out and develop conceptions of their own and complex programs for the development of their activities within their own system.

After the establishment of the law for the unified plan, the Council of Ministers charges the state industrial corporations directly with several groups of obligatory norms, limits and indices. On the basis of them all as well as on the basis of the reserves discovered by the central administrations /managements/ and the enterprises, the state economic and industrial corporations work out their complete counter-plans.

The complete economic and financial plans of the industrial corporations contain the following parts: scientific and research investigations and implementation of new productions; programs for the development of the economic and the other kinds of activities; capital investments; salaries and wages; working cost /net price/; export and import; financial and credit plans; intensification and effectivity; labour, social, living, and cultural conditions. As a rule such parts are also included in the complex programs as well, - those programs are worked out by the state economic corporations in connection with the preparation and working out of the project for the unified plan.

The complex programs and the complete counter-plans of the state economic corporations are worked out, on the basis of a various and abundant information of different kinds. That information includes above all a definite fund of individual /concrete/ and aggregated, obligatory and calculated norms and normative acts.

For the preparation and working out of each of the parts of the plan there is used an information, which is different both in nature and scope and concerns a number of different problems; different kinds of calculations; different approach and technology for the establishment of the indices.

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PLANNING IN THE STATE INDUSTRIAL ECONOMIC ASSOCIATIONS

1. General Characteristic Features of the State Economic Trusts

The state economic trusts are big economic organizations in the People's Republic of Bulgaria, typical of the country's industrial system.

The state economic trusts are based on the principle of state ownership. They perform their activities with the work forces in their system, functioning on the principle of cost accounting and financial autonomy in accordance with the tasks of the integrated plan for the country's socio-economic development. From a legal viewpoint, they are independent bodies corporate.

The state economic trusts are set up on the principle of similarity or identity of production, the unification of interrelated production processes, specialization and cooperation in production, etc. Some 75 trusts have so far been set up in the industrial system of the People's Republic of Bulgaria, including some 25 in the machine-building industry, about 10 in the food industry, etc. The average number of workers and employees in a trust is about 12,000-15,000. A certain property is allotted to the state economic organizations (trusts) for the implementation of their economic activities. This property consists of the right to manage state-owned fixed and circulating capital, bank deposits, rights over trade marks, industrial models and licences, participation in companies, credits and debts, etc. The right of the state economic trusts to manage certain state-owned property is expressed in their possibility to possess fixed and circulating capital,

which they can use and manage within the limits of normative acts (laws, decrees etc.), in accordance with their economic tasks and purposes.

The property of the economic organizations constitutes the material facilities for the implementation of their immediate economic activities in accordance with the principles of cost accounting and financial independence. The basic principle among them is that of self-support, which requires that the economic organization should meet its expenses from its own returns and should realize a certain profit. That is why self-support is one of the basic principles in the planned management of the economic activity of the state economic organizations, requiring and securing the fulfilment and overfulfilment of the state tasks in all indicators, with the least expenditure of labour, material and financial resources, and a profitable operation of the state economic organization.

The economic independence of the state economic trusts has placed these organizations in closest dependence upon the utilization of commodity-money relations between the state and the economic organization, between these organizations themselves and between the economic organizations and their work forces. In this way, economic relations between the autonomous economic organizations and inside the latter, in all component parts of the reproduction process, are effected in a commodity-money form, which fact is one of the basic principles in planning their economic activity.

Structurally, an industrial trust consists of separate subdivisions which may have a different degree of economic and legal independence, but in principle function on the basis of inner cost accounting and financial autonomy. The basic subdivisions are the enterprises and branches under a central management, which as a rule have a separate name and seat, balance sheet and

bank account.

2. Place and Role of the State Economic Trusts in the State Industrial System

The state economic trusts and the economic boards at the district people's councils, which are treated on an equal footing with them, are the basic economic units in the industry of the People's Republic of Bulgaria. In the system of the country's social administration, it is through the economic trusts that the link is established between the macrosphere and the microsphere, between the topmost organs of management and the local economic units. Expressed schematically, the trusts receive their tasks from the central bodies, and assign tasks to their branches, with respect to which they act as controllers vested with full rights.

In fulfilling their functions, the trusts enter into relations with the branch and functional ministries and departments.

Within a trust, there is a nearly complete cycle of reproduction in a given industrial branch or subbranch. In carrying out all their activities aimed at the development of the respective subbranch, the trusts receive methodological and organizational assistance from the branch ministries and departments. The branch ministries and departments come forward with suggestions of their own in accordance with the plans of the separate trusts. Together with the State Planning Committee, they put forward proposals about the norms, limits and indicators to be approved by the Council of Ministers on the basis of the common tasks under the integrated plan of the country. The branch ministries and departments also coordinate the production relations and technical policies in the branch / in the

trusts of the same branch respectively, adopting also a plan for cooperated supplies between the trusts.

At the ministries and departments there are two funds: a Technical Development Fund, and a Fund for Assisting the State Economic Organizations. They are formed by sums allotted from the state budget, and in certain cases financial assistance is rendered to the trusts and mainly to those which are temporarily in financial difficulties.

The trusts have a wide range of functions in fulfilling their tasks during the different phases of the reproduction process.

In the field of scientific research and development, the state economic trusts put in hand all undertakings necessary for the effective development of the branch. For this purpose, specialized subdivisions are set up at the trusts. As a rule, such subdivisions are the research and development centres. Through these research and development centres, the trusts guide the activity in connection with the drafting of proposals for new standards, in connection with inventions and rationalizations, and the collection of the necessary scientific and technical information. Besides, they organize and maintain technical laboratories, clubs for amateur technical and scientific activities of the young people, and carry out all other similar undertakings within their system.

In the field of capital construction, the industrial trusts are in principle investors in all construction projects within their system, and can entrust the implementation of certain decentralized capital investments to their branches. For the implementation of the envisaged capital investments, the industrial trusts sign design and construction contracts with the design and construction organizations. The financing of ca-

pital construction is also effected by the central trusts. The financing of certain decentralized capital investments may, as an exception, be effected by the branches. The greater part of all capital investments (more than 75 per cent) is effected by bank credits and from the trusts' own funds, and a small part with funds from the budget.

In the field of financing, the trusts must, as a rule, secure the implementation of their activities with funds of their own and with borrowed funds. By decision of the Council of Ministers, the financing of certain specific construction projects, or construction projects and activities which are of particularly great importance for the nation's economy, may be effected with funds from the budget. The trust secures funds for financing the activities of its branches, and can for this purpose redistribute their circulating capital. It also negotiates bank loans and pays the loans made for capital investments and the interest on them. The interest on loans for circulating capital is paid by the branches.

In the field of supplies and sales, the trusts secure the necessary deliveries of raw and prime materials, fuel, power, machinery and equipment for all their activity. They also organize the sale of their production. In principle, supplies between a trust and its branches are effected on the basis of contracts. For this purpose, contracts are signed with the contracting parties - furnishers and consumers. The trusts may entrust the fulfilment of the direct contracts concluded by them to their branches, by giving them the respective instructions for the purpose. They may also set up and maintain an internal commercial network of their own or representative stores with the permission of the Ministry of Home Trade and the district people's councils.

In the field of foreign trade, the trusts perform their activity by means of foreign trade organizations, subordinated to them, or through companies in which they are partners. By way of exception, foreign trade may also be implemented by foreign trade organizations which are subordinate to the Ministry of Foreign Trade. The maintenance of all kinds of foreign trade organizations is secured by the trusts which they serve, through discounts and surcharges, commissions and the like, in accordance with the normative acts issued for the purpose. The final results of this foreign trade activity are reflected on the general results of the activity of the trust as a whole.

In the field of labour remuneration, the trusts set up a Wage Fund based on a state normative act or plan. They determine the manner in which the Wage Fund is to be formed in their branches in accordance with the normative acts. The trusts settle the matter of wages in accordance with the specific conditions of production and with the Regulation for Organising Wages approved by the Council of Ministers. Eventual deficits in the Wage Fund within the system of a given trust are covered from the Economic Impact and Assistance Fund, which is formed in the trust itself by putting away part of the sum total of wages determined in advance, or by bank loans.

In the field of social, communal and cultural activities, the trusts carry out corresponding undertakings and secure sums to finance them, whereby they create conditions necessary for the normal performance of their economic activities. The conclusion of collective labour contracts constitutes the basis for the implementation of these undertakings. The trusts take care to raise the qualification and cultural level of the working people.

In carrying out these functions the trusts enter into

- 1 -

relations not only with the branch ministries, but also with the respective basic (functional) ministries and departments, from which they receive certain tasks and methodical and organizational guidance in the respective sphere of activity. In connection with the questions of research and development activities, the trusts are immediately connected with the State Committee for Science, Technical Progress and Higher Education; in connection with supplies and sales - with the Ministry of Supplies and State Reserves; in connection with foreign trade - with the Ministry of Foreign Trade; in connection with wages and social and communal and cultural activities - with the Ministry of Labour and Social Welfare; in connection with financing, the formation and distribution of profit - with the Ministry of Finances. The trusts also maintain permanent connections with the public organizations. Thus, for instance, with the central committees of the respective trade unions they conclude agreements, in which they establish their reciprocal obligations under the collective labour contracts of their branches.

3. Functions, Means and Methods of Planning at the State Economic Trusts

Among the most important functions of the trusts are those in the field of planning, because all phases of their activity are regulated by the plans. As a rule, the trusts develop their activities on the basis of long-term, five-year and annual plans. The plans are drawn up on the basis of approved norms and indicators, derived from the integrated state plan for the socio-economic development of the country and the contracts concluded with different parties. In implementing their planning activity as a whole, the trusts elaborate not only the plans themselves, but also documents in which they make

suggestions and assist the drawing up of the integrated state plan of the country, and hence - of their own plans too. Such documents are the forecasts, conceptions and comprehensive programmes. As a rule, their elaboration precedes the drawing up of the integrated plan, and in this sense they are conventionally called "preplan" elaborations. All these documents are important instruments for raising the scientific level of planning. Their elaboration helps to balance the integrated plan, because it gives the greatest possible planning information about the development of the respective branches and subbranches, and hence - of the whole country. In using them to draw up the country's integrated plan, we do not start from a "vacuum", but with the most exact possible science-based data at hand on the respective socio-economic processes and phenomena, which are the object of our planning. In this connection, an exceptionally important means of raising the scientific level of planning and of a scientific elaboration of the trusts' plans is the system of norms and quotas, which are used in drawing them up. What we have in mind here are mainly "preliminary" norms and quotas, i.e. those which have been elaborated prior to the drawing up of the plans themselves. Included here are both "generally valid" norms approved with separate acts (normative time limits for construction, for purchasing fixed capital, for tax payments, prices, customs duties, etc.), as well as technical and economic norms for the utilization of material resources, labour, machinery and equipment, for financing the different undertakings, etc. These norms and quotas are elaborated by the trusts prior to drawing up the integrated plan, and are specified on the basis of the resulting norms, which are assigned as tasks to the trusts after the approval of the integrated plan. Resulting norms are those for the Wage Fund, for dotations, for the relative share of means

for modernization and reconstruction in the total volume of capital investments, etc.

The methods of drawing up the plans at the trusts correspond to the means of planning used in them. The normative method is above all made use of, under which basic indicators are determined from the proposals in connection with the plan and the plan itself, on the basis of science-based norms and quotas elaborated in advance, with due account being taken of the goals of the plan in their systematized order. The basic principles of the balancing method of planning are also applied, according to which the available and income resources which are placed at the disposal of the trusts have to be balanced with the needs for the performance of the entire activity of the trust. In making some of the elaborations under the plan and mostly the forecasts, different economic and mathematical methods are resorted to (correlational investigations and regression analysis, factorial analysis, the cotention of corresponding parameters through the solution of appropriate functions, calculation and science-based utilization in the accounts of different and appropriate growth rates, such as: average exponential, average geometrical, average parabolical, etc.) In this connection it should be pointed out that in drawing up the plan itself, the method of statistical dynamic rows is replaced by the normative method. In drawing up all planning documents at the trust, the methods of mathematical modelling and the preparation of economic and mathematical models are resorted to in accordance with the concrete needs. Economic and mathematical models of varying scope and purpose are elaborated for the forecasts, the comprehensive programmes and the plans themselves.

A necessary prerequisite in applying the methods of economic and mathematic modelling, while drawing up the plans of

the trusts, is that the conditions and trends in the development of the different phases of the activity, or the entire activity of the trusts, should be expressed in a mathematical form. This is an important prerequisite, making possible the utilization and solution of different economic and mathematical models of a linear and nonlinear type. Linear programming can be applied for the solution of problems of a production type, problems of the cutting out and distribution of materials, problems of transport and problems of mixtures. The solution of different optimum economic and mathematical models makes possible many variants of optimal elaborations.

The application of the economic and mathematical methods in planning requires a corresponding training of cadres and an increase in the number of electronic computers and devices, which is being effected in our country at accelerated rates.

4. Organization for Drawing up the Plans

The functions of the trusts in the field of planning are visually manifested in different phases of the organization for drawing up the current and long-range plans.

In drawing up long-range plans, the participation of the trusts begins in fact after the adoption of the national conception and the approval of the initial data (restrictive conditions) by the Council of Ministers. Before that, the trusts, and their research and development centres, play a certain role with their information, mainly forecast elaborations, in the drawing up of the branch and territorial drafts of conceptions. For this purpose, they make scientific and technical forecasts for improving the technique and technology of new articles and products, for a new organization of production, labour and management.

On the basis of the initial data, the trusts elaborate

their own conceptions and comprehensive programmes for the development of the activity within their system. The comprehensive programmes are drawn up in several variants, one of which is obligatorily within the framework of the initial data.

In drawing up the comprehensive programmes, wide use is made of forecasts and mathematical and economic models, with a view to better explaining the indicators of the programmes. The comprehensive programmes are presented to the State Planning Committee and the corresponding ministries and departments. Excerpts from these programmes are submitted to the district people's councils in connection with the activity which is to be developed on their territory by the economic units under central subordination. These excerpts are used to draft the proposals of the territorial bodies on the future integrated state plan.

In elaborating the variants of the conceptions and comprehensive programmes, special attention is paid to raising the technical level of production, economic efficiency, the competitive character of the articles on the foreign markets and the attainment of the world level in certain indicators.

Side by side with their conceptions and comprehensive programmes, the trusts also submit proposals for generalised norms obtained by generalising the individual (concrete) norms used in elaborating the programmes. The trusts submit to the district people's councils proposals of their own, based on certain indicators and on the territorial principle. The district people's councils for their part inform the trusts of their considerations regarding the territorial distribution of the activities under central subordination.

In elaborating the conceptions and comprehensive programmes, the trusts enter into relations with each other and with the respective ministries and departments, as well as with the district

people's councils, with a view to creating prerequisites for balancing the plans.

The comprehensive programmes and conceptions of the trusts serve as a prerequisite for the elaboration of the integrated draft plan. This draft is discussed at the Council of Ministers and is then submitted as a bill to the National Assembly of the People's Republic of Bulgaria.

After the law on the Integrated Plan is adopted by the National Assembly, the Council of Ministers approves the breaking up of the plan and obligatory norms, limits and indicators for those who will fulfil them, including the trusts. This is done on the basis of a joint proposal by the branch ministries and department and the State Planning Committee, but they themselves do not set tasks to the trusts under the plan. In other words, at present in determining the obligatory indicators under the plan, direct relations are established between the Council of Ministers and the industrial trusts. The Council of Ministers approves directly:

1. Basic tasks of technical progress, technical level and quality of production (introduction of new technologies, new articles, volume of production on different technical levels and quality, number of automated control systems, etc.

2. Natural indicators for production, purchases and sales, home and foreign trade (according to the state nomenclature, approved by the five-year plan).

3. Basic cooperated deliveries between economic organizations (supply of spare parts, units, details, semi-finished goods, and the like).

4. Limits for main raw and prime materials, machinery and equipment (according to the nomenclature approved in the five-year plan).

On the basis of the material balances, the limits are dis-

tributed among the economic organizations by the Ministry of Supplies and State Reserves.

5. General limit for capital investments (planned and unplanned), with the names of the main construction projects duly listed, including:

construction and assembly work,
machinery and equipment imported from the socialist and non-socialist countries.

6. The relative share of the funds for modernization and improvement within the volume of capital investments, (percentual relation of the sums for the maintenance and improvement of the actual fixed capital in production to the total volume of capital investments).

7. Volume of fixed capital funds put into operation.

8. Norms or limits for the Wage Fund.^{1/}

9. Volume of foreign currency obtained from exports - total, and from the capitalist and socialist countries.

10. Limit of currency for imports - total and for the socialist and non-socialist countries.

11. Quotations - for production and for exports.

12. Norms and quotes for distributing profits (income) and the formation of funds (allotments to the funds of the trust -

^{1/} The norms of the Wage Fund are an expression of the ratio between the absolute sum of the fund and the general income. The general income for its part is the sum total of the fund and the profit of the trust. The limit of the Wage Fund represents the absolute sum of this Fund, which in principle cannot be exceeded.

the Social and Communal Undertakings Fund, the Rationalizations and Technical Improvements Fund, etc., or for the maintenance of the central management, expressed in absolute figures or in per cent).

13. Tasks in accordance with the indicators for bonuses to be paid to the staff of the central management of the state economic organization (trust):

a) Labour productivity, as determined by the general income per person of the average number of personnel, whose labour is paid from the Wage Fund established by a state norm (limit);

b) Recovery of exports to the socialist and non-socialist countries, determined on the basis of the value of leva equal to the foreign currency obtained from exports, as established through the approved currency coefficients to the cost price of exported production.

c) Quality and technical level of production.

d) Profitability of economic activity, calculated on the basis of profit per hundred leva production fund.

14. Limit to the number of personnel.

The Council of Ministers may entrust the determination of concrete indicators to the Ministries and departments, as for instance: the Ministry of Finance, the Ministry of Labour and Social Welfare, etc.

On the basis of the approved norms, limits and indicators stemming from the integrated five-year plan, the reserves discovered by the central management and the branches and the contracts concluded, the trusts, with the help of the ministries, departments and district people's councils draw up their local "do better" plans. For this purpose, the trusts, in accordance with the state tasks approved with the five-year plan, determine obligatory norms, limits and indicators for the whole five-year

period for their subdivisions (enterprises and branches), and they in turn for their units (shops, sections, etc.) for the whole five-year period. The approved norms cannot be changed as a result of reserves (possibilities) discovered in the local "do better" plans, or of their factual fulfilment.

This is in harmony with the principle of stability of norms and indicators. The stability of indicators helps to expand the initiatives and activity of the work forces.

On the basis of the norms, limits and indicators approved by the trusts, the centrally discovered reserves by the management and the contracts concluded, the subdivisions (enterprises and branches) approve norms, limits and indicators for their own units. These units elaborate "do better" plans of their own, in which they reflect the reserves discovered by them for the fulfilment and overfulfilment of the tasks approved by the subdivisions on the basis of their obligatory norms, limits and indicators. On the basis of the approved norms, limits and indicators, and of the "do better" plans of the units, the subdivisions draw up "do better" plans for their economic activity, reflecting in them the discovered reserves. As can be seen, with the "do better" plans better achievements are envisaged than those under the integrated plan. It is also obvious that the "do better" plans of the trusts and their subdivisions are elaborated on the basis of a much wider circle of indicators than those of the state plan. The annual (current) plans in the People's Republic of Bulgaria represent specifications of the breaking up of the five-year plan by years. The role of the trusts with respect to these specifications differs from that with respect to the five-year plans. By July 25 of the year preceding the year of the plan, the trusts submit their suggestions for specifications in the five-year plan to the State Planning Committee and to the respective branch and

functional ministries and departments. After the Council of Ministers approves the annual plan of the economic organizations, branches and complexes and makes known the changes in the norms and indicators approved beforehand with the five-year plan, the trusts may introduce changes in their own plans, in their relations with furnishers and consumers and in the respective contracts with furnishers and consumers and in the respective contracts concluded with them. *

The trusts are also responsible for the distribution of the obligatory norms and indicators during the different periods of the year. They approve their quarterly distribution in the beginning of the corresponding year, and the breaking up of the quarterly plan into monthly plans - 30 days prior to the setting in of the respective three-month period.

In the process of the fulfilment of the plan, the trusts organize, coordinate, control and analyze the whole economic activity of their subdivisions with a view to enabling them successfully to fulfil their tasks under the integrated plan for the country's socio-economic development.

The first phase in organizing the fulfilment of the plan is the setting of tasks under it to the subdivisions of the trusts. This is performed by an Economic Council which is a collective managing body. The Economic Council adopts the long-range and annual plans of the trusts and approves the obligatory norms, indicators and limits of the subdivisions. The tasks set by the plan are brought to the knowledge of the subdivisions officially, through the respective planning documents. At the subdivisions, the tasks under the plan are discussed and examined by the general assembly of industrial and office workers (at the larger subdivisions - by the assembly of delegates) and are brought to the knowledge of the units (shops, sections, teams), and thence

to the immediate individual performers.

Control over and coordination of the fulfilment of the tasks under the plan within the system of the trust is exercised first of all by its executive bureau and by the chief executive (general director, director, manager, etc.). The executive bureau, for instance, listens to periodical reports by the managers of the subdivisions on the fulfilment of the set tasks and takes measures for the improvement of their work. The leading bodies also exercise operative control over the fulfilment of the plan through the directions, departments, the finance and control services and other units from the central management of the trusts.

The trust performs its functions of organizing, controlling and coordinating the fulfilment of the tasks under the plan in close connection with the respective trade union bodies. This is particularly true of questions of organizing working wages and of drawing up a section of the plan for the social development of the work forces (improvement of working, cultural and living conditions). This close connection is also expressed in the personal participation of the chairmen of the trade union committees of the subdivisions and of a representative of the central committee of the respective trade union in the Economic Council.

5. Sections of the Plan of the State Economic Trusts.

The integrated economic and financial plans of the industrial trusts have the following sections:

- scientific investigations and production of new articles;
- programmes for the development of economic and other activities (including cooperated supplies);
- capital investments;
- material and technical supplies;
- labour and wages;
- cost price;

- import and export;
- financial and credit plan;
- intensification and effectiveness;
- working, cultural and living conditions.

As a matter of fact, such sections are also contained in the comprehensive programmes elaborated by the trusts in the comprehensive programmes elaborated by the trusts in connection with the drawing up of the draft of the integrated plan.

There is a most immediate link between these sections, such as exists objectively between the different elements and phases of the reproduction process. That is why a basic requirement in drawing up the plan of the economic organization is to achieve complete integration not only between its sections but also between all its indicators.

The first section for scientific investigations and the production of new articles is a prerequisite for the elaboration of all other sections of the plan, because measures are envisaged in it for technical progress, which secure a more rapid development of the system of the trust as a whole.

The programme for the development of economic activities (the production programme) is connected on one hand with the sections in which the resources for production are envisaged (capital investments, material and technical supplies, labour and wages, imports, financing). On the other hand, the production programme with respect to sales is linked with exports and with certain indicators of the financial and effectiveness plan.

The section on capital investments is connected with all other sections of the plan: not only with the production programme and hence with imports and exports, material and technical supplies and the financial plan, but also with the qualitative indicators included in the sections of labour and wages,

of production costs and of intensification and effectiveness.

The section on material and technical supplies is above all connected with the production programme and capital investments, with the cost price indicators, those of imports and exports, and hence - with the financial plan and the indicators of intensification and effectiveness.

The section on cost price on the one hand reflects in the form of value all indicators in the productive activity of the trusts. On the other hand, it is a prerequisite for the calculation of the basic part of the financial plan and of many of the indicators of intensification and effectiveness.

The connection of the section on imports and exports with the other indicators has already been pointed out.

The section of the financial and credit plan occupies a special place in the system of the integrated plan of the trusts. The financial and credit resources are linked in it with the needs of financing and securing credits for the growth of the fixed and circulating capital funds, and the entire production and other activity in the industrial trusts.

The section on intensification and effectiveness includes the basic qualitative indicators of other sections of the plan, with which, consequently, it is immediately connected.

The section on working, cultural and living conditions occupies a special place. In our practical experience, this section in the plans of the trusts is comparatively the newest and is subject to substantial further improvement. All undertakings connected with the social development of the work forces are reflected in it. These undertakings are further connected with all other sections of the plan, because, on the one hand, they take place on the basis of resources set aside for this purpose (material^s, manpower, capital investments), and on the

other hand, they secure, though indirectly, the more rapid and the more effective development of the entire activity of the trusts.

6. Drawing up the Plan by Sections

The comprehensive programmes and integrated "do better" plans of the trusts are drawn up with the utilization of the most diverse and ample information. This information first of all includes a certain amount of individual (concrete) and aggregated norms and quotas. Moreover, it includes data from analyses of the current activity of the trust, data on the level attained in accordance with the respective indicators in the economically advanced countries and the like. Forecasts and future programmes constitute information of a special character. Forecasts as a rule treat of the exogenous factors, processes and phenomena for a given field of activity and for the trust's general development. The informative data obtained from an analysis of the development in the respective field so far are systematized in the forecasts, and these data are a prerequisite for the most accurate possible forecasts for the future, although they are not balanced.

The system of forecasts, which serves as a source of information in working out the plan, includes first of all science-based forecasts for the basic scientific discoveries and the applied scientific and technical research, for the development of the demographic processes, for the discovery and tapping of new natural resources, for the growth and structure of the needs of society and the citizens, etc.

The future plans are more concrete than the elaborated forecasts with respect to possible solutions of the problems in future. They contain the decisions in principle in a given

field, but are not so detailed and specified as to represent real design, construction and prototype solutions. The elaboration of forecasts for the future is secured through the widest participation of the centres of research, design and development, the specialized independent design organizations, research institutes, centres of scientific, technical and economic information, etc.

Consequently, the basic sources of information in working out the plan, and more particularly of the norms and indicators constituting their basis, are: the scientific, research, forecasting, international and other information, and more particularly the designs in the field of construction, modernization and reconstruction, the introduction of new technology, new machinery and new articles, the introduction of a scientific organization of production, labour and management, the qualification of the cadres, the development of organization, systems of communication, housing construction and furnishing the dwellings, consumption by and services to the population, protection of the natural environment, etc.

In examining and investigating the elaborations of the individual sections of the plan, which take place at the trusts, the fact must without fail be borne in mind that the initial moment in drawing up the comprehensive programme (proposals in connection with the integrated plan) and of the "do better" plans (after the approval of the plan), differ not only in character but also in the level of the envisaged achievements, in stress. In elaborating the "free" variants of the comprehensive programmes, i.e. those variants which are not within the framework of the initial data, basic orienting factors are not only the set goals, the norms and quotas elaborated in advance by scientific and designing organizations and by the operative depart-

ments of the trusts, but also the computations of available and new capacities, the possibilities for sales in accordance with consumer demands. In these cases, the approved limits are in fact not observed. Even in the variant, which is within the framework, of the initial data (and they are comparatively limited in number), the possibilities for inner variability with respect to the separate indicators of the sections of the comprehensive programme are considerable. In drawing up the "do better" plans, initial moments are in the first place the obligatory norms, limits and indicators approved by the Council of Ministers.

The section on scientific investigations is drawn up on the basis of the obligatory norms and indicators, forecasting elaborations, designs for the future of the research and development centres at the trusts, or of all scientific organisations, in accordance with its character. The work connected with its drafting is guided by the scientific, research and development centres. Basic norms and indicators of this section are:

- the scientific and technical problems (for scientific and technical improvement of production, for the utilization of licences in production, etc.);

- the elaboration and mastery of new and improvement of existing productions and technologies (implements and objects of labour, production of consumer goods, etc.);

- the technical level of industrial production:

- a) Volume of production of goods with appraisal of their quality and technical level on the basis of the total volume of production at factory prices;

- b) Volume of production of goods with a technical assessment "K"; 2)

2) Assessment "K" is given to production with basic technical and economic parameters above the world level;

Assessment "1" - to production with parameters on a world level.

c) Volume of production of goods with a technical assessment";

d) Volume of the new and improved production as part of the total volume of production at factory prices.

On the basis of these indicators, elaborated for the trusts, tasks are set in their individual subdivisions for raising the technical level and quality of production. Besides, for their subdivisions the trusts also approve thematic plans for scientific, technical and other problems which have to be solved with the help of inventors and rationalizers.

As has been pointed out, the plan for scientific investigations and the production of new articles, in which the elaboration and introduction of the achievements of the scientific and technical revolution are reflected, is the initial point in elaborating the other sections of the plan at a most progressive technical and economic level.

The section on the production programme in the comprehensive programmes of the trusts is worked out on the basis of the set goals, the country's established needs and the available resources of implements of labour, objects of labour and manpower. This also holds good for the "do better" plan, but in this case a decisive role is also played by the norms and indicators approved by the Council of Ministers.

In working out the production programme, of great importance is also the estimate for the utilization of all production capacities and fixed capital. Initial points for these estimates are the norms and quotas for the utilization of machinery and equipment. This is particularly true with regard to the "free" variants of the comprehensive programme. In the "do better" plans, the better utilization of fixed capital is in certain cases limited by the material and labour resources made available under the integrated plan, in accordance with the country's possibi-

lities. This, however, does not altogether tie the hands of the trusts. They can envisage a better utilization of their fixed capital within the framework of their resources, at the expense of increased intensification in the process of industrial consumption.

The basic indicators of the production programme are of two kinds: in kind and in value. The indicators in kind embrace the quantity of production in physical units of measure. Of particular significance are those indicators in kind which are approved by the Council of Ministers. They include in all some 200 positions which differ in number in the different branches and subbranches. Other indicators in kind, which must be observed by the trusts, are approved by the Ministry of Supplies and State Reserves. The indicators in value are:

- the total volume of production at comparable (unchanging) prices;
- the output of goods at current (actual) prices;
- net production;
- comparable (unchanging) prices are usually those from the beginning of the respective five-year period. For the period 1971-1975 the prices as on January 1, 1971 have been adopted as base.

The indicators in kind for the volume of production are those upon which the calculations at the trust are based.⁵⁾

On the basis of its production programme, the trust approves obligatory indicators for the volume and structure of pro-

⁵⁾ These indicators are not approved by the hierarchically higher bodies, but are set independently by the economic units of the respective levels of management and planning and can be modified by them without the permission of the higher body. The indicators used for calculations on a national scale are those set up by the State Planning Committee in drawing up the draft of the National Plan; they are not approved by the National Assembly of the Council of Ministers.

duction expressed in value and in kind. These indicators are among the basic criteria for determining the bonuses to be paid to the management personnel in the branches.

The production programme, linked with the set goals, is a direct or indirect prerequisite for the elaboration of almost all other sections of the plan. This refers mainly to the comprehensive programme of the trusts. But under the final plan, it is more appropriate to speak of the reciprocal impact between the production programme and the other sections of the plan, because in it the quantities of production can only be planned within the framework of the approved limits and the measures worked out for improving the norms for utilising the different kinds of resources.

The section of capital investments is drawn up on the basis of the established necessity to restore the capital funds which have gone out of operation and to increase production, after all possibilities have been exhausted for achieving expanded reproduction by way of improving the available capital funds. At the trusts, this section is elaborated by the departments of capital construction, but the planning department links it with the other sections of the plan and especially with the production programme.

Main indicators of this section are:

- the limit for capital investments;
- the expenditure on capital investments;
- the relative share of the sums set aside for modernisation and reconstruction in the total volume of capital investments.

According to the new Regulations of Capital Construction which are in force in the People's Republic of Bulgaria, the limit for capital investments is equal to the fixed capital put

into operation, i.e. the finished production of capital construction. The indicators for expenditure on capital investment are determined by taking into consideration not only the volume of fixed capital which is put into operation, but also the norm for the relative share of unfinished construction of capital investments at the beginning and at the end of the respective year.

One of the initial norms in determining the ratio between completed construction projects and unfinished construction projects are the normative periods of time set for the duration of a construction project.

A very important centrally approved norm in the section of capital investments is the relative share of sums allotted for modernization and reconstruction in the total volume of capital investments. It reflects the trends of increasing the intensification and effectiveness in the field of capital investments, although they constitute an extensive factor for economic growth.

In determining the obligatory indicators in the section of capital investments, of great significance are the estimates for their effectiveness. Basic norms in making those estimates are the normative periods of time for the repayment of the fixed capital funds. They are determined on the basis of the ratio between the sum of the fixed capital funds and the net income obtained from them.

An inseparable part of the plan for capital investments are the lists containing names of the construction projects. Since the trusts themselves carry out in principle an investment policy within their system, as a rule no indicators for capital investments are approved for their subdivisions. Only a limit for decentralized capital investments can be approved

for the subdivision. In the cases when the trust finances certain decentralized capital investments through its subdivisions, it approves for them lists containing the names of the construction projects or the amount of the funds set aside for this purpose. For its subdivisions, the trust approves a plan for basic repairs which they will perform.

The section on material and technical supplies is in principle drawn up on the basis of the envisaged production programme, the norms for the expenditure of materials for these articles and the changes in the production reserves of the respective prices and raw materials. The indicators included in it for machinery and equipment (expressed in kind) are determined on the basis of the respective indicators in the section of capital investments.

The plan for material and technical supplies is elaborated by the supply department of the trusts within the framework of limits approved by the Council of Ministers. It is examined and linked with the other sections of the plan by the planning department. The cooperated supplies which the respective trust is to receive from other organizations may also be added to it. This refers mainly to the economic units in the machine-building and chemical industry.

The indicators for material and technical supplies are in principle only in kind. By way of exception, only some of them (for instance those for spare parts) may be determined in value.

On the basis of its plan for material and technical supplies, the trust sets both limits and norms for expenditure of raw and prime materials for its branches. They represent a concrete expression of the tasks assigned by the Council of Ministers.

The section on labour and wages in the comprehensive pro-

grammes of the trusts is elaborated on the basis of the indicators for the volume of production, expressed in value and in kind, the norms for the expenditure of labour, the established rates and pay-rolls for the remuneration of labour, the norms for additional material incentives and bonuses. The norms and quotas themselves are determined by taking into consideration the measures mapped out for raising labour productivity. In the final ("do better") plan, besides this, initial maxima are the norms for the wage fund and the limit for the number of personnel.

The indicators under the plan in this section are elaborated by the planning department of the trust with the cooperation of the labour and wages department.

The basic indicators in the plan of labour and wages are the obligatory norms for the wage fund and for labour productivity and the limit for the number of personnel. An important indicator is that for the average wage per person employed, but it is not approved as obligatory by the hierarchically higher bodies. The determining of the norm for the wage fund, which has replaced the indicator for this fund in absolute amount, lends flexibility and operativeness to its economic management, helps decisively to develop the initiatives of the work forces and to create similarity between the interests of society and those of the individual economic units. The indicator for the volume of total income (the sum total of profits and the wage fund) per employed worker is comparatively the most appropriate indicator for assessing social labour productivity. The economies of both live and invested labour are reflected in its changes.

On the basis of its labour plan, the trust approves for its subdivisions limits for the number of workers, norms for the expenditure of labour and of wages. The latter are included in the normative production cost.

In the final plan of the trust the labour indicators are among the main limiting conditions in drawing up the production programme, and constitute one of the basic factors in elaborating the section on cost price.

The section on cost price, as has already been mentioned, represents a generalization expressed in value, of all other sections. In this sense, initial moments in drafting it are not only the norms and quotes for an effective utilization of the elements of the production process, but also the supply prices of raw and prime materials, the rates and amounts of labour remuneration and the norms for wear and tear. Since the section on cost price reflects a high degree of generalization of indicators, different in character and content, of great importance for its correct and exact drafting is the verification of all normative calculations by establishing the sources of economies in the individual items of expenditure. In this respect, the method of planning by factors is resorted to, and more particularly a separating of the factors outside the system of the trust from the internal production factors. This method is also used for establishing the sources of economies from a reduction in cost price over a certain period taken as a basis. After this, such economies are deducted from the basic level of cost prices. Basic groups of factors (resources) for economies are: the raising of the technical level of production; the improvement of the organization of production, labour and management; a change in the structure and volume of produced goods; changes in the conditions and methods of mining ores; national economic and branch factors.

In establishing the operation and impact of the different factors, a substantial, though auxiliary, role is played by an analysis of the data of the closest periods or of the expected fulfilment of the preceding period. This method of analysis is

applied, for instance, for a separate determination of the expenditure of raw and prime materials, which can be and cannot be regulated by norms.

Obligatory norms and indicators for cost prices are not approved by the Council of Ministers for the trust. The role of a centrally established indicator, which determines, though indirectly, the level of cost prices, is played by the norm for the wage fund, in which the economies of material expenditures are also reflected. A basic generalising indicator for calculating cost prices at the trust are the expenses per hundred leva stock production. Oriented by them, the trust approves normative cost prices in its branches for articles, groups of articles or activities.

The normative cost prices of articles and groups of articles are established by two groups of expenses: for labour wages and for material expenses. Before coming to them, however, calculations are made of the different articles with a view to properly distributing the different expenses - those of the shop, those of the plant and those not connected with production.

In the branches and subbranches with a limited manufacture of output, the normative cost prices can be elaborated by the trusts themselves. But in the branches with a wide range of goods, the trusts usually give to their branches control expenses per 100 leva stock production, and require of them suggestions for cost price per unit output. After that, the trust checks and analyses the suggested cost prices, links them up with its own norms and approves them as obligatory.

In elaborating the different cost prices, wide use is made of accounts for the direct expenditure of raw and prime materials and labour, the shop, plant and non-production expenses, and separate accounts for deductions for wear and tear, etc. In draw-

ing up these accounts, the natural and price components of the expenses are linked together, and different methods are used.

The section on cost price connects production with the financial part of the integrated plan of the trust.

The finance and credit plan links up the resources with the expenditure of financial means in the trust. It is drawn up on the basis of the obligatory indicators and elaborations for the production programme, capital investments and cost price.

Profitability, dotations for production and exports, the norms and limits for distributing profit and for the formation of the funds are basic obligatory financial indicators for the trust. An important indicator is the absolute amount of profit in the balance sheet, but it is not approved as obligatory by the hierarchically higher body.

A basic account in connection with the financial plan is the scheme for the formation and distribution of profit. Profits are formed by the difference between returns from sales of output and other returns (including dotations under the budget), on the one hand, and the commercial cost price of the sold output and other expenses, on the other. Added to this profit is the profit (loss) from foreign trade and the difference in the dotations granted for export. Profits are distributed for: profit tax, payment of interest on loans, property insurance payments, maintenance of the central management and allotments to the funds for individual and collective material incentives.

The scheme of the formation and distribution of profits is a visual expression of the relations between the trust and the financial and credit system. At the same time, it gives an adequate, though general, idea of the economic levers acting as material incentives, the utilisation of the system of planning and

management of the trusts in the People's Republic of Bulgaria.

The section on imports and exports is drawn up as a concrete expression of the centrally approved indicators.

The basic indicators are: volume of currency for export and limit of currency for import. Both indicators are approved in principle separately for the socialist and the non-socialist countries. The currency for the import of machinery, equipment and complete assemblies is placed at the disposal of the trusts themselves, and the currency for imports of raw and prime materials and for spare parts - at the disposal of the Ministry of Foreign Trade and the Ministry of Supplies and State Reserves, which distribute them among the respective foreign trade and supply and delivery organizations. Indicators for foreign trade are not approved for the subdivisions.


The section of imports and exports is drawn up with the close participation of the Ministry of Foreign Trade and the Bulgarian Foreign Trade Bank. This is particularly true with respect to its quarterly distributions.

The section on intensification and effectiveness contains the major qualitative indicators of the other sections of the trust's plan, and gives a visual idea of the links between them. Indicators are included here for the relation between the volume of production and the amount of the basic funds, the decrease of expenditure for materials per unit of output, etc.

The section on working, cultural and living conditions contains the undertakings aimed at securing labour safety and hygiene, the improvement of the vocational and qualification structure of the personnel, the improvement of housing and living conditions, the use made of leisure and the raising of the socialist consciousness of the working people, etc.

The last two sections are drawn up at the planning de-

partment of the trust. For the time being, in the majority of trusts the first steps in their elaboration are being made. There is no doubt, however, that their importance will steadily grow in accordance with the basic economic policies of the People's Republic of Bulgaria of stepping up the intensification and effectiveness of social production for the purpose of raising the people's living standards.





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