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PROJECT EVALUATION AND DEVELOPMENT PLANNING

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FOREWORD

1. The first Five-Year Development Plan (1963-1967) was prepared for the Turkish people who have definitely chosen the democratic way of life which makes it possible to guarantee individual rights and the welfare and prosperity of both individuals and the community. The Plan concords with the will and resolution expressed clearly in the Constitution to direct economic and social life to the pursuit of standards of living which are compatible with human dignity on the basis of equity and full employment and, in so doing, to end once for all attempts at unplanned and arbitrary conduct. Its object is to realize economic, social and cultural progress by democratic means, to raise national savings and to plan investment activities in the order of priority and in the directions which will assure most benefit to the community as a whole.

2. There has been great progress in the techniques of economic and social planning all over the world. Considerable advance has been made in the experience of planned development within a democratic order. It is considered very important that the new development efforts in Turkey should make use of the experience gained in this respect in the rest of the world.

3. Turkey's development will be based on a new and progressive concept of planning which takes account of the whole of economic and social life and relies on the latest techniques. The Development Plan, which has been conceived in a perspective of fifteen years and which covers the first five years of this period, reflects this understanding.

4. In Turkey, preparations, formulations and evaluations of the industrial projects are designed in accordance with the principles and criteria indicated in the Plan, as well as objectives and the strategy of the plan. Most important parts of the Plan for the evaluation of the industrial projects are: a) Rules of the Mixed Economy, b) General Survey of Sector Development, c) Principles and Targets for Development of the industry, d) Objectives and the Strategy of The Plan, have been outlined in the following paragraphs.

RULES OF THE MIXED ECONOMY

INTRODUCTION

5. The plan has been prepared, in compliance with the resolution adopted on the strategy of the plan, to embrace the mixed economy as a whole in which public and private sectors function side by side. The economic and social targets set forth in the plan strategy have been determined on the basis of the possibilities presented by the political and social order and the economic resources of the country, without trying to reach a final conclusion in advance on the growth of the public and private sectors.

6. The principal objective of the development policy is to attain within a free system a balanced rate of growth of 7 per cent and to achieve a just distribution of the benefits resulting from the sacrifices required for development. In establishing this policy, the public and private sectors have been taken into consideration as the two component parts of a whole, and not as two separate sectors with conflicting interests.

7. In determining targets for the economic activities of the public sector, development potentials and trends in the private sector were taken into account. Development possibilities for the private sector have been planned in such a way as to achieve the objectives of the plan and to raise total savings and investment to the highest possible level.

8. The principles of mixed economy have been defined according to the equilibrium established in the plan strategy between the political, social and economic factors for community welfare. The division of labor, cooperation and competition to be established between the public and private sectors were determined on lines which will permit the achievement of the social and economic targets of the plan.

PRINCIPLES OF THE DIVISION OF LABOUR AND COOPERATION BETWEEN THE PUBLIC AND PRIVATE SECTORS

9. In a developing economy, the duties and functions of the state can not be restricted by traditions. Economic development is a process requiring changes in the social and economic structure of a country.

This objective, as well as that harmony among citizens and stability, may be achieved under certain conditions, such as equality in the distribution of income and a balanced structure of production, both of which require the intervention of the State.

10. The private sector alone cannot realize all the conditions necessary for economic development. Economic development will be attained by accelerating investment and making basic changes in the structure and methods of production. These changes cannot be accomplished solely by entrepreneurs who adjust their activities according to market conditions. The change from an underdeveloped and stagnant economy to a progressive and dynamic one may be achieved through systematic and rational measures taken by the central authority. The development of Turkey's primitive economic structure into a more advanced production system was made possible by public investments and the activities of the State Economic Enterprises.

11. For this reason, it is neither necessary nor possible to draw a definite line between the activities of the public and private sectors. The State should be authorized to regulate economic activities with a view to create the conditions required for the attainment of the objectives of the plan. This necessity may be expressed more clearly through an example. Agricultural activity in Turkey is traditionally carried out by the private sector. Holdings consisting of the members of a single family are very common in this branch of the economy. However, without the leadership of the State, unless the State takes responsibility for certain activities, no progress can be achieved in this sector. In order to be able to attain an increase in the volume of agricultural production, certain requirements in the fields of irrigation, power supply, road construction, and communication services, as well as credit and marketing, must be met by the State, together with technical assistance and including the realization of basic structural changes such as land reform.

12. The State should be in the vanguard of progress in the industrial sector also by setting up enterprises requiring a high level of technical knowledge and capital in new fields of production.

13. The division of labor between the public and private sectors

has not been determined in a dogmatic but in a practical way. The division of labor will be based on the peculiar characteristics of these two sectors and on the prevailing economic order. Reorganization of this order will be made in accordance with the economic and social objectives of the plan.

14. a) As stated in the document on the plan strategy, in order to maintain a rate of growth 7 per cent, the largest possible part of the increase in national income must be channelled into investments. However, any increase of the propensity to save is greatly influenced by social and cultural factors which cannot be changed within a short period of time.

15. In the plan, the amount of savings to be created by the private sector was initially estimated on the basis of previous trends; but after considering the measures to be taken by the State to encourage savings, estimates were readjusted on the assumption that in the plan period the private sector could realize a greater volume of investment by means of individual and corporate savings. For this purpose private sector savings will be encouraged by tax and credit policies. However, all the additional resources required for the attainment of a rate of growth of 7 per cent cannot be obtained in this way. An increase in the savings of the private sector is closely connected with a rise in the profits of entrepreneurs. It is evident that a certain portion of the surpluses generated by the private sector will be used on consumer goods. Therefore, the measures taken to raise private savings may result in a decline of total savings and thus cause an inequality in the distribution of income.

16. Under these circumstances the funds created through an equitable tax system and by the State Enterprises will also play an important role in increasing the resources required for economic development.

17. b) Total investments as well as the investments to be made in each sector by the State and private enterprises will be indicated in the annual programs. Thus, the minimum volume of private investment required in each sector will be indicated. Investment targets for the public sector will be readjusted according to the volume of investment actually made by the private sector.

18. Public sector investments have been determined as follows:

(1) Basic investment (infrastructure)

19. In order to make the best use of the country's economic resources certain public services must be given greater emphasis than in the past. These services, which are the foundation of economic development, include both the traditional public services such as power supply, irrigation and dams, which are the responsibility of the central authorities even in the most advanced capitalist countries.

20. Investment in basic services require large capital sums and organizations and are such that they cannot be productive within a short period of time. Therefore, investments of this kind must be made by the State. These services are prerequisites for the investments to be made in productive fields. Large sums have been allocated to such investments particularly in the early phases of the development period, in order to create the basic structure required.

(11) Productive investments

21. Productive investments will be made by the public sector under the following circumstances:

- (a) Investments which are needed to increase the productivity and efficiency of the State Economic Enterprises. The State Economic Enterprises (including enterprises under the General Budget operating with revolving capital) today occupy an important place in the Turkish economy.

Better use of the productive capacities of this sector will result in an increase in the level of production and generate an important part of the surpluses required to attain the development objectives.

Investment already started in this sector will be completed and their working capital needs secured by complementary investments.

- (b) If the private sector does not invest in a field which is regarded as necessary in the plan and this situation creates significant bottlenecks in the economy, the State or public enterprises will readjust their investment programs to assure the realization of the necessary investment.

- (c) The establishment of mixed enterprises, which lead to the waste or inappropriate use of public resources, will in principle not be encouraged. Only in specific cases, designed to mobilize private savings or encourage foreign capital, will mixed enterprises be set up by the state.
- (d) The fields in which it is necessary in the public interest or for financial reasons to set up monopolies will be reserved to State enterprises. The State will make necessary interventions when monopolistic practices by private concern produce injurious effects and speculative gains.

COMPETITION BETWEEN PUBLIC AND PRIVATE ENTERPRISES

22. The same rules of economic policy will apply to the public and the private sector. The basic principle followed in economic policy is to lay down common and clearly specified conditions for all enterprises engaged in economic activity.
23. a) The economic policy to be followed will be clearly defined. As stated in the Plan Strategy, the fiscal monetary, price, foreign trade and investment policies to be adopted will be clearly framed and consistently pursued. This will make it possible for both the public and private sectors to plan ahead and act with confidence.
24. b) The State will direct the investment of departments with general and annexed budgets and of the State Economic Enterprises according to the plan targets. In addition, it will provide guidance for private investment by issuing information on economic developments in general and the different sectors in particular, by publishing quarterly reports on the economic situation and by setting up an information office.
25. c) The State Economic Enterprises will follow a price policy designed to yield maximum profits. The prices charged by these enterprises will be fixed below cost prices only when this is required to give temporary protection to a new industry on the home market. This may be the case if demand has not developed sufficiently to enable the plant to work at full capacity or if it is considered necessary, for social reasons and as the result of a deliberate policy to protect certain groups of consumers. The losses incurred by the enterprises in such cases will

be financed from the budget. Care will be taken to ensure that the above procedure does not in any way create unfair competition for the private sector.

26. d) interest rates and terms and incentives to be provided for the repayment of interest and capital will be determined by sectors and in accordance with the plan targets.

27. e) import programs will be determined according to the requirements of sectors. Import demands of the private and public sectors will be met after they have been examined in the light of their contribution to the plan objectives and social wellbeing. In the protective tariff policy to be applied selectively to those of the new industries which will further the plan targets and whose cost and technical structure is expected to improve in the future, no discrimination will be made between the public and private sectors.

GENERAL SURVEY OF SECTOR DEVELOPMENT

BASIC PRINCIPLES

28. In the preparation of sector programs, development prospects in various sectors were examined with a view to realizing the following targets within a framework of balanced growth:

29. a) To use natural resources, invested capital and manpower in the most economic way so that factors of production may be both increased and combined in the most efficacious manner.

30. b) To lay the foundations for sustained development. If the development of any sector were based only on notions of short-term profitability, bottlenecks would soon be created and require costly interventions. Sustained development implies that the production of basic goods and services should be geared to meet long-term demand. Due importance has therefore been attached to basic infrastructure investment (e.g. transport, energy, education, etc.).

31. The availability of basic goods and services does not in itself cause or stimulate expansion. The channelling of investments to the output of those goods and services for which demand is likely to incre

ase with rising incomes will make it possible, with certain sacrifices, to maintain the rate of growth at a high level and to meet requirements fully as they develop. These considerations have been applied to both internal and external demand.

32. c) To prevent imbalances and bottlenecks in inter-sector relationships. Thus, consideration has been given to keeping the output of raw material producing sectors in line with the requirements of those consuming sectors that are expected to develop rapidly. For example the equipment and machinery requirements resulting from the expansion of various sectors have been calculated and plans made to coordinate equipment and machine production with sector demand.

33. d) To promote the development of sectors producing export goods and those producing import-replacing goods. In view of the foreign exchange difficulties likely to occur during the plan period importance was attached both to expanding exports and to promoting import substitution.

34. The methods used in the selection of lines of development that are likely to prove most fruitful are stated below.

METHODS

35. Production targets and the size of investments in the different sectors were computed by comparing the results obtained from three separate studies made on the basis of a 7 per cent annual average increase in gross national product.

36. An input-output table for fifteen sectors was prepared and sector projections were made in accordance with the results of this table. On the other hand, sectors and subsectors were analyzed individually and developments and changes in each of these were estimated. Finally project studies were made in order to analyze the direct and indirect effects of projects and pre-projects coming from the public and private sectors.

(a) Input-Output Studies

37. In order to determine production targets by sector a fifteen sector input-output table was constructed. The data in this table is based on the inventory studies of specialized sector committees and on

the publication of the Central Statistical Office.

38. The matrix showing the interrelationships between the fifteen sectors was solved with respect to the values that total final demand will attain during the plan period.

39. Total final demand was divided into seven groups and for each group appropriate means of analysis were used. These groups comprise private consumption, public consumption, exports, competitive imports, private investments, public investments and changes in stocks. Private consumption—the most important component of final demand was estimated on the basis of the income elasticity of consumer demand in the last ten years. Public consumption was taken as the demand on sectors arising from general and annexed budget expenditures. Export estimates were based on studies of the prospects of specific commodities with regard to production and sales on external markets.

(b) Sector Studies

40. These studies concern essentially the investments to be made in the coming five years, the production targets in different sectors, the inter-sector relationship, export and import values, and the evaluation of import replacement. They contain demand forecasts made in a fifteen-year perspective and estimates as to the value added and investment requirements.

41. Sector committees were set up to carry out this work and collect basic data for the plan. These committees first made an inventory of their sectors. They then investigated the possibilities of utilizing, without resorting to large scale investments, the capacity lying idle as a result of technical, administrative, legal or economic barriers; and finally they pointed out briefly the prospects for development in their respective sectors. Extensive use made of this work in setting sectoral production targets.

(1) Demand Projections

42. Demand projections based on present tendencies were made for different variables and an area limited by maximum and minimum demand was thus defined. This demand was determined on a per capita basis. Income elasticity of demand was calculated for those goods with a time

series and compared to income elasticities in countries with similar per capita income levels. The extent to which restrictions and bottlenecks affecting demand or supply could be mitigated was examined. In the case of inter-industry demand, adjustments were made on the basis of the estimated development of the sectors in which the demand would arise. Inter-sector relationships were taken into account in order to prevent the emergence of bottlenecks in the supply of basic goods during the development period.

43. In addition to establishing a balance within each sector, measures necessary to maintain equilibrium in the supply of and demand for basic goods of each sector during the five-year plan period are shown. In the event of difficulties in supply due to production time-lags, imports to balance supply and demand are shown in the foreign trade program.

44. Goods which represent an insignificant amount of the value produced by given sectors have been examined jointly and an aggregate equilibrium has been sought. Equilibrium for each commodity in this group will be maintained by the price mechanism of the market.

45. In addition to the studies on domestic final demand and inter-industry demand, two separate working groups have examined export prospects. The group on sector studies examined primarily the production prospects of exportable goods, while the export groups concentrated on studies relating to the elasticity of foreign demand and marketing possibilities. The conclusions of these two studies were brought together and the exports of the various sectors determined accordingly.

(ii) Production Targets

46. In determining production targets the main consideration was to meet final inter-industry and foreign demand. In this connection, the production capacity of sectors was analyzed, idle capacity was determined and the extent to which demand could be met by a more efficient use of this capacity was assessed. After calculating the additional capacity to be established in order to meet the demand which existing capacity is not able to satisfy, the optimum capacity of production units was found and broken down by years in order to make it consistent with demand.

(iii) Inputs Related to Production

47. The varieties, quantities and values of inputs at the production level of plants were determined and adjustments and estimates were made to take into account future technological changes in the various branches of industrial activity.

48. Input requirements, imports included computed for the activities in each sector are contained in the outputs of the relevant sectors. Thus all sectors have been planned to develop in a harmonious fashion without creating congestion or bottlenecks.

(iv) Effect on Foreign Trade

49. The imports of investment goods and of needed raw and auxiliary materials for the operations of each sector and the exports to be generated by the sectors were computed. As the achievement of balance in foreign trade was taken as one of the targets in the sector studies, consideration was given, in the light of comparative cost evaluations made especially for industry to the establishment of import replacing undertakings.

(v) Value Added

50. The yearly value added was calculated, taking into account only the direct effects of the activities in each sector.

(vi) Investments

51. The new production units to be set up were planned so as to reach the yearly production levels set as targets. The investments for these facilities were spread over the plan years with due regard for the physical characteristic and construction periods of these facilities.

52. Sector studies were made in the light of actual conditions prevailing in the country; technical shortcomings, bottlenecks and foreseeable developments were taken into account in the theoretical analyses made, thus making it possible to avoid obstructions in the implementation of the plan.

53. In view of the fact that some inputs, due to their nature, cannot be imported (energy, communications, etc.) planning with regard to these inputs was designed to permit the growth of the other sectors of the economy on the lines envisaged.

(c) Project Analyses

54. In determining the units to be added to production, and in spreading the investments over time, specific projects were, to a large extent, taken into account. Project proposals were collected from State organizations and evaluated separately in relation to sectors.
55. There are several reasons for basing studies on projects, namely:
- information about needs and possibilities can be collected directly from the authorities concerned;
 - The practical difficulties which prevent following a predetermined order in dealing with new production units (whether the project for the plant is ready or not etc.) will be ascertained;
 - it will be possible to have a more thorough knowledge of the units to be set up, to ascertain the related production and investments that will be required and thus prevent the creation of bottlenecks
 - It will be possible to determine the distribution of investments within the country;
 - The practice of preparing projects, which is still not widely established in the country, will be encouraged;
 - By means of project studies it will be possible to ensure the cooperation of the private sector and the implementing agencies in the preparation of the plan.
56. Investments contemplated by the private sector have been surveyed and appraised by a special group which has been in contact with entrepreneurs in the fifteen most important provinces.
57. After careful analysis, the draft projects collected from the public sector and private enterprise were classified according to their order of priority within their respective sectors.
58. The various criteria used in determining the priority of projects serve to assess the contribution to be made by individual projects to the economy in relation to the limited resources to be devoted to their realization.
59. According to their nature, projects were divided into two groups. For projects of an economic nature the criteria described above were

used. For projects of a social nature, comparative needs and regional development possibilities and needs were taken as criteria.

60. As the objectives defined must be attained with a minimum expenditure of resources it follows that projects should be examined according to certain criteria and only the best among them selected.

61. Moreover, as some resources such as capital and foreign exchange, are more limited than others their allocation to projects had to be based on a system of priorities, in determining the priority of projects, consideration was given to the value added by the project to the national income, its profitability its effect on the balance of payments, the foreign exchange earnings obtained from investments made in foreign currency and the comparative cost and employment effect. The regional distribution of projects was taken as an additional criterion.

PRINCIPLES AND TARGETS FOR DEVELOPMENT OF THE INDUSTRY

62. The realization of a 7 per cent rate of growth depends to a large degree on the development that can take place in the industry. For reasons outlined earlier, it was estimated that the average yearly rate of growth in the agricultural sector would not exceed 4.2 per cent. In industry, on the other hand, the yearly average rate of growth will be 12.9 per cent.

BASIC PRINCIPLES

63. a) it is not the aim to manufacture every kind of product in the country.
64. b) in order to raise national income and living standards, production will be developed in fields where comparative cost analyses appear to give favorable results.
65. c) it was considered that in fields where there is excess capacity it might be economical to use this excess capacity when the marginal production cost resulting from the use of this capacity compares favourably with international prices.
66. a) The necessary organization measures have been defined and will

applied to ensure that excess capacity is used and that further excess capacity is not created.

67. e) By affording protection to certain newly set-up industries during a specified period of adjustment or for an initial period related to the level of demand, it is considered that these industries may attain cost levels comparable to international costs.

68. f) It is thought that the measures to be taken to protect industry, and the rates of production that will be applied in the framework of the policy of imports will be determined in conformity with development targets, and that administrative and legal provisions which favor imported products at the expense of internal production will be eliminated.

69. g) Imports of goods, for which internal production is satisfactory with regard to both quantity and quality, will be controlled in conformity with protection goals or will be totally prohibited.

70. h) Importation of competitive goods will be allowed after a suitable period of delay in order to prevent the prices of home-produced commodities from greatly exceeding world prices and to accustom domestic industry to international competition.

71. i) Measures will be taken to prevent price disturbances due to monopolistic situations and the concentration of excessive profits in a few hands.

ENCOURAGEMENT OF INDUSTRY

72. The following measures will be taken to encourage industry:

73. a) Industrial locations will be selected with a view to increasing total productivity and promoting a balanced interregional development.

74. b) Various types of industrial credits will be increased. In the granting of credit to industries, special consideration will be given to those which manufacture or will manufacture articles whose production is considered necessary or desirable in the plan.

75. c) Accelerated depreciation will be applied in industry.

76. d) In order that industries which have started on the basis of assembly may pass to the process of complete manufacture, the applica-

tion of the production tax will be revised and encouragement will be given to raising the percentage of domestically produced components.

77. e) The Center for the promotion of exports will undertake export studies and the exportation of industrial products will be facilitated

78. f) Consideration will be given to measures which will make it possible to obtain the domestic raw materials entering in export products at international prices and thus lower the cost of export products.

QUALITY CONTROL AND STANDARDIZATION

79. a) The quality of products will be controlled and the sale of those that do not conform to a specific quality and standard will not be allowed. The manufacturer will be required to give guarantees in cases where this is obligatory.

80. b) The standardization of industrial products will be accelerated.

PERSONNEL

81. a) In order to increase the competence of administrative and other personnel, vocational training at all levels will be ensured and the necessary arrangements made for personnel to gain advanced education and specialization.

82. b) More responsibilities and scope for initiative will be given to personnel.

83. c) The wage and salary policy and the system of bonuses will be revised to offer more incentives.

OBJECTIVES AND THE STRATEGY OF THE PLAN

GENERAL PRINCIPLES

84. A development plan will be prepared to attain and sustain the highest possible rate of economic growth and to achieve social justice within the democratic system which is the preferred way of life of the Turkish people.

DEVELOPMENT PLANS

85. 1) Development plans will be prepared to cover five-year periods in a perspective of fifteen years. Within this framework, plans will be subjected to scrutiny annually.

86. Due consideration will be given to the long-term relationships between the rate of population growth and the rate of economic growth.

87. 2) Turkish economy is a mixed economy where public and private sectors function side by side. From the standpoint of planning, emphasis will be placed upon maximum utilization of the potentials afforded by this mixed economy, and its rules of game will be observed.

88. Activities of the public sector will be planned in such a manner as to achieve the rate of growth and balanced development which the plan strategy calls for.

89. Private enterprise will be encouraged to increase its investments in keeping with the increase of total savings and to channel these investments into areas essential for a rapid and balanced development. In this encouragement, direct controls will be eschewed. Recourse will be had to such indirect measures as policies of taxation and credit, and the creation and development of a capital market.

90. 3) Clarity and consistence will govern the economic policy of the government. Principles of clarity and consistence will be adhered to in the fiscal, monetary, pricing, foreign trade and investment policies. In both public and private sectors, acting with foresight and confidence will be made possible.

RATE OF GROWTH

91. 1) Taking into account the present rate of population growth, attainment of a rate of growth of approximately 7 per cent has been determined as the target for the forthcoming plan-period. According to preliminary estimates, in order to attain this objective it will be necessary to invest approximately 18 per cent of the gross national product, 14 per cent of which will be financed from internal and 4 per cent from external sources.

92. 2) The largest possible part of the increases in the national income will be channelled into investment.

93. It is evident that the desired economic growth may be achieved through certain sacrifices on the part of the people. Such major factors as intensive agriculture, industrialization, evaluation of manpower, which increase productivity, can all be realized through investment. This, in turn, necessitates large amounts of savings.

94. It is out of the question to lower the living standards of the great majority of the people below their present consumption level for the purpose of increasing savings. Yet, to spare large portions of the increases in national income for investments during the coming few years is an unavoidable requisite of the desired goal. This sacrifice should be accepted by the society in order to reach higher stages of welfare in the future. However, the following principles will be observed in trying to increase savings:

95. a) Consumption of necessities must increase at least as much as the increase in population.

96. b) Efforts to increase savings should lead to a narrowing rather than to widening of the differentials in income distribution.

97. The rise in savings and investment will be achieved, in the main, by preventing increases in the consumption of luxuries. Therefore, the sacrifice expected from the people is less in actual fact than what it may seem to be at first glance. Because, even if average per capita consumption may register a very modest increase, it will be possible to raise the living standard of the majority, and thus increase the welfare of the society by virtue of a more equitable income distribution.

98. c) In order to obtain the necessary amount of savings, private savings will be encouraged on the one hand, on the other hand, recourse will be had to ways of raising forced savings to their maximum level.

99. For the increase of voluntary savings, existence of suitable milieu and organization is necessary. An efficient organization will serve the purpose of not only increasing total savings but also facilitating the best utilization of these funds for investments. Emphasis will be placed upon the measures which must be adopted in this respect. Moreover, measures will be adopted which may enable the increase of private savings and which will prevent waste.

100. It is essential to avoid inflation which sometimes seems like an attractive instrument of forced savings. Forced savings by means of inflation not only creates results which are contrary to principles of social justice, but also brings about waste of resources and instabi-

lity in the economy. What is meant by inflation here is the case of rapid and prolonged rises in the price level and balance of payments difficulties not related to development objectives, which come about as a result of excessive spending through printing money.

101. Taxation must be the major means of increasing public savings. Social justice necessitates progressivity in taxation. Income tax remains far from achieving the desired progressivity in Turkey (as in the case of many underdeveloped countries) because of inadequate administration and social organization. It is therefore necessary to fill in the gaps of the income tax by improving other taxes, and thus secure progressivity.

102. Alongside progressive taxation, state economic enterprises are also in a position to constitute a significant source of savings. A definite end will be put to those factors of frustration which, because of various sentimental attitudes, undermine the ability of the state economic enterprises to exhaust investible funds because of certain scattered concerns for social justice that are devoid of foundation and coherence.

103. All social insurance institutions will be regarded as significant sources of savings, and a rational utilization of social security funds will be made possible.

INVESTMENT POLICY

104. 1) Government investments will be planned in a long-term perspective and with due regard to the economy as a whole, and investments in the private sector will be guided in accordance with the same principles.

105. In order to obtain the best use of the scarce capital resources of the economy, it is essential to make investments according to general and far-sighted criteria. This general and long-range view will emerge from the plan. Investment criteria will be taken into account at the stage of project appraisal for big investments and during the formulation of economic policy for smaller investments.

I06. In the long run, development in Turkey will materialize as a result of investing in the most productive fields. In a country like Turkey, where nearly half of the national income is generated in agriculture and where three-fourths of the population live in villages, it is appropriate to think in terms of marginal adjustments rather than in terms of all or nothing when considering the choice between agricultural and industrial investments.

I07. Choosing investments in a long-term perspective will call for large-scale use of advanced technology and for consideration and encouragement of technological possibilities and progress.

I08. The fundamental principle to be observed in making public investments will be to undertake investment necessary for long-term development, strategic investments and other investments which are not fulfilled by the private sector.

I09. In Turkey, the rate of economic growth will generally be limited by the extent of capital accumulation. This, in turn, is limited by the amount of capital goods that can be produced domestically or imported from abroad. For this reason, priority will be given to investments in capital goods industries and export goods industries.

I10. 2) In the geographic distribution of investments due consideration will be given to the principle of a balanced interregional development.

I11. In Turkey there are wide differences among regions from the standpoint of the volume of economic activity and income levels. A major element of a balanced growth will be to minimize large-scale inequalities among regions. In this respect it is necessary to act in a manner conducive to such a balance in the distribution of investments over the regions.

I12. It is certain that the attainment of the objective of an interregional balance will necessitate the solution of many complex problems. Therefore, it is appropriate to adopt a three-stage program of action for regional planning.

I13. a) At the first stage, emphasis will be placed upon decisions pertaining to locations.

- 1) It will be suggested that more than one location be considered in the formulation of investment projects.
- 2) Among the projects given an equal rating in terms of other investment criteria, priority will be recognized to those which have selected less developed regions as locations.

II4. b) At the second stage, measures will be adopted for the encouragement of private investments in certain regions, and in the programs for government investments priority will be given to those regions.

II5. c) At the final stage, full-scale regional development plans will be designed. For the selection of the regions, both economic considerations (growth potential of the regions) and social considerations (development of backward regions) will be taken into account.

TRAINING OF QUALIFIED MANPOWER

II6. Systematic training of healthy and skilled manpower in sufficient quantities holds a place of special importance in accelerating the rate of development and in guaranteeing the success of the plan. Priority will be given to training and education at all levels in order to expand research and technical know-how for the purpose of securing the highest productivity in investments undertaken in the plan or for making the best use of the existing capacities and potentials.

PUBLIC EXPENDITURES

II7. 1) The total of those public expenditures which are in the nature of consumption will be allowed to increase only in approximately the same proportion as the rate of population growth.

II8. Inasmuch as it is necessary, for the attainment of the desired rate of growth, to channel a substantial portion of the increments of national income into investments, it will be essential to confine to definite limits those public expenditures which are in the nature of consumption. It may be considered reasonable to hold the per capita amount of expenditures directed to services of this type at a fixed level.

II9. 2) Necessary steps will be taken to enable public participation in the organization and administration of government services, and priority will be recognized, with due regard to other criteria as well,

to those communities that make a special effort in this respect.

I20. The method used heretofore in the distribution of government services has been unilateral action on the part of the government. Public participation in organizing and administering such services not only facilitates the success of the services but also alleviates the government's burden. There are great social benefits to be gained from establishing the understanding that public services require the cooperation of public authorities and of the people, and from encouraging the communities to engage in concerted action and to get organized in order to solve their various problems. In this manner it will be possible to release into action an energy that otherwise would not emerge, to utilize unused manpower, and to prepare the social conditions which facilitate growth.

ORGANIZATION

I21. To improve and modernize the organization in agriculture, industry, commerce and government services, measures will be taken in order to secure full exploitation and utmost utilization of existing potentials.

I22. Reorganization in the field of agriculture is of vital importance. It is necessary, through agricultural reform, to have farms reach the optimum size, make the greatest use of mechanization and be able to apply efficient production methods. Unless this is achieved, new investments in agriculture cannot be expected to yield sufficiently productive results.

I23. Improvements in the organization of industrial and commercial activities are also necessary. Especially for full utilization of resources, scattered small capital funds and firms in certain fields should be brought together, thus yielding the benefits of large-scale production.

I24. The increase of savings in the private sector and allocation of these funds to the most productive fields depend upon the existence of a well-functioning capital market. Unfortunately this is completely lacking in Turkey. Except for public funds, capital is closely tied to its owner. This makes concentration of small capital funds impossible. It is, therefore, mandatory to reorganize institutions like the banking

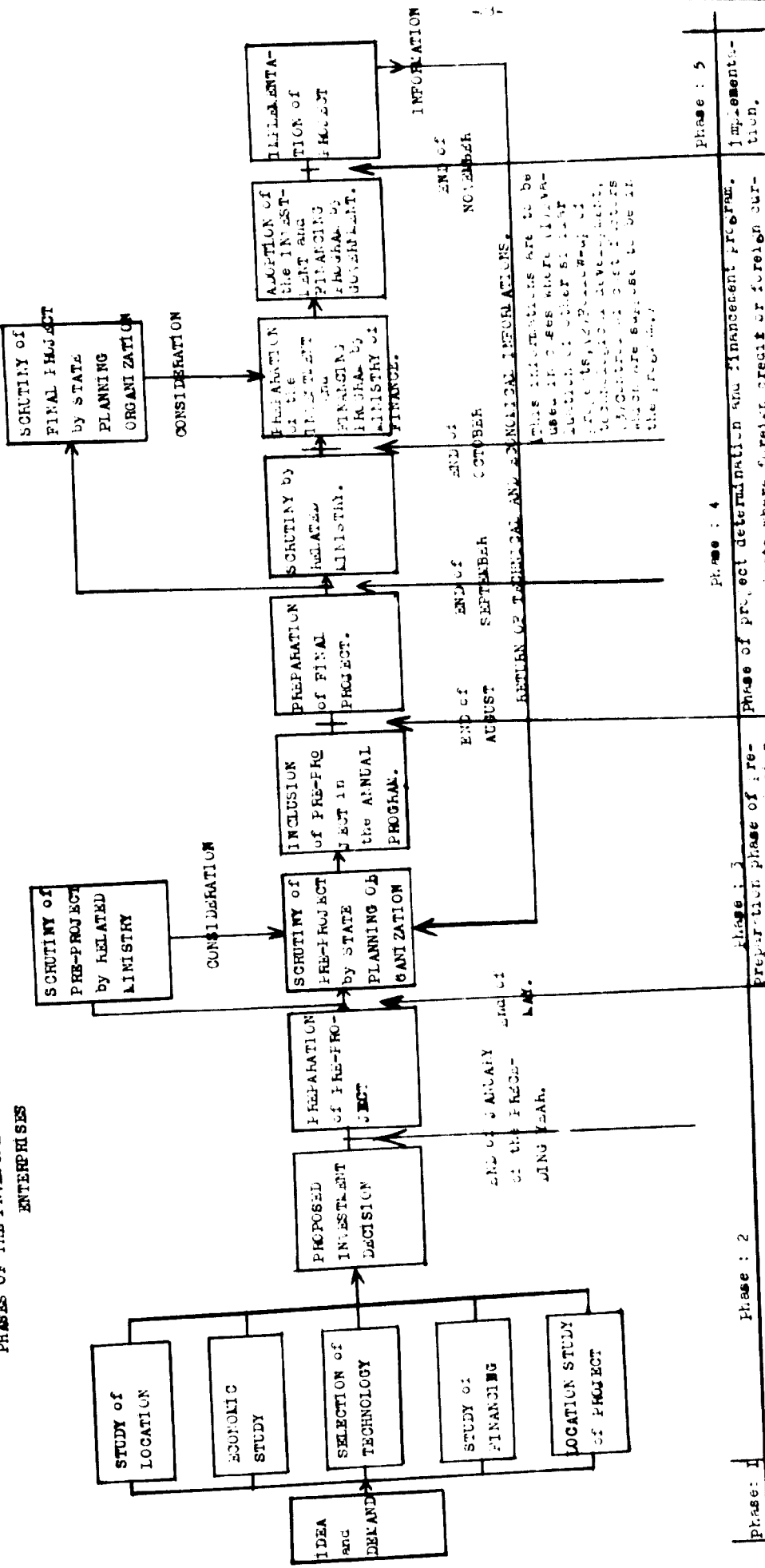
system, social insurance organizations and stock exchanges in such a way as to create a capital market.

125. The waste due to lack of efficient organization in public services is also significant. Through measures of reorganization in some fields, it is possible to obtain greater returns from public services without incurring additional cost.

DIFFICULTIES

126. In the private and public sectors, difficulties have been encountered in the preparation of sound and bankable investment projects. In order to overcome these difficulties, specially in the public sector, preparations have been made in the direction of establishing "Industrial Project and Engineering Services Office". For this purpose an expert Mr. Izhak Bavly from U.N.T.A.B. has been invited to Turkey in 1964 who has prepared a report. A draft bill has been prepared on this subject and the report has been used as reference whenever applicable.

PHASES OF THE INVESTMENT ACTIVITIES IN THE STATE ECONOMIC ENTERPRISES



Phase: 1
Thoughts and mental preparation.

Phase: 2
Phase of Technical and Economic Studies.

Phase: 3
Preparation phase of a project and its inclusion in the annual investment programs.

Phase: 4
Phase of project determination and financing program.
NOTE: For projects where foreign credit or foreign currency from the Central Bank is required, a separate timing table may be applied at this phase.

Phase: 5
Implementation.

END OF JANUARY and of the PRE-PROJECTING YEAR.

END OF SEPTEMBER

END OF OCTOBER

END OF NOVEMBER

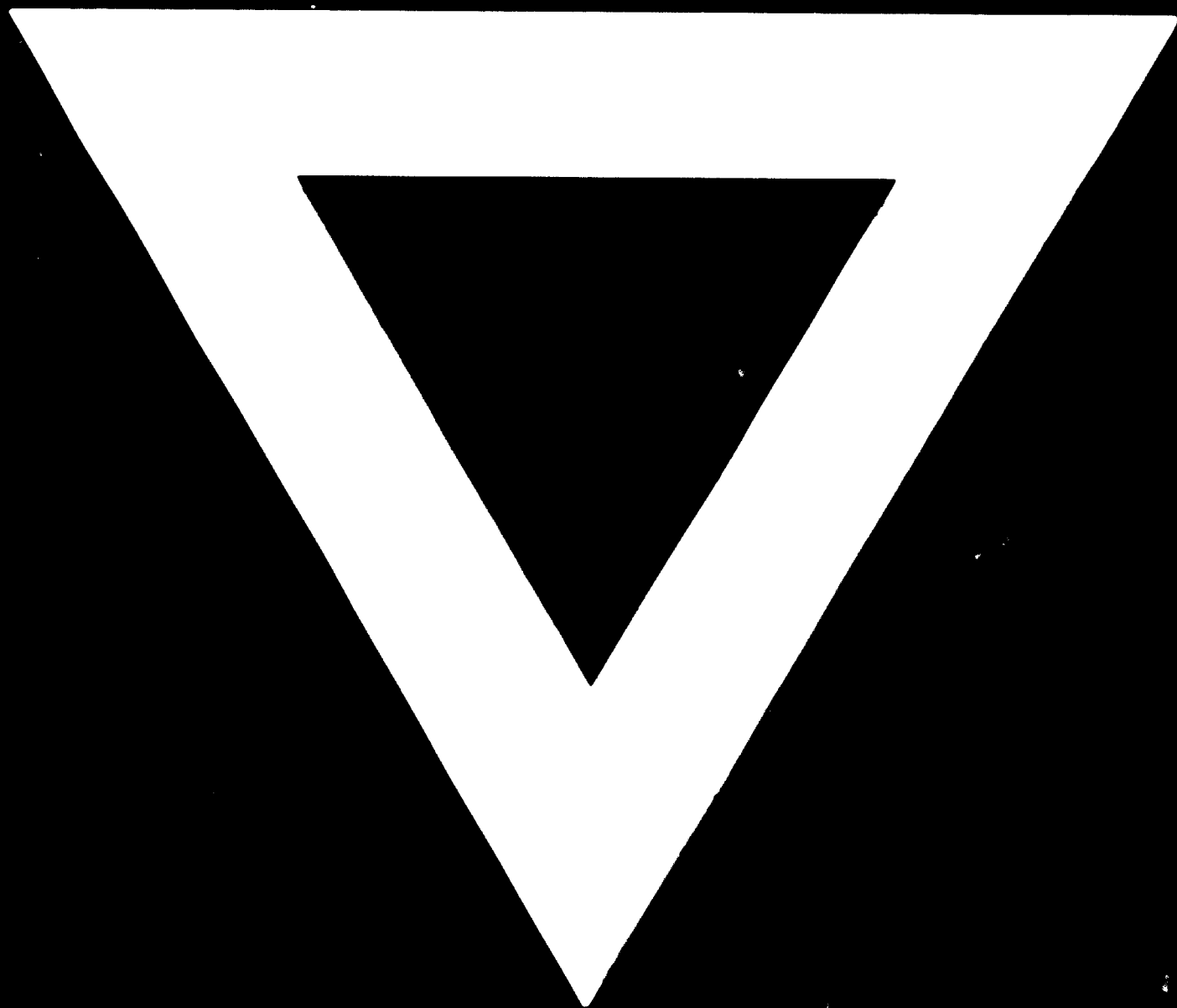
END OF

RETURN OF TECHNICAL AND ECONOMIC INFORMATION.

THIS INFORMATION IS TO BE USED IN CASES WHERE INVESTMENT OF OTHER STATE ENTERPRISES OR GOVERNMENTAL INSTITUTIONS IS INVOLVED. PROJECTS OF STATE ENTERPRISES WHICH ARE SUBJECT TO BE IN THE PROGRAM.

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards, even though the best possible copy was used for preparing the master fiche.

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