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Part II Annual Planning

by

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GENERAL ORGANIZATION OF PLANNING IN INDUSTRY

Part II

Annual Planning

(2nd newly elaborated edition)

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3. Annual planning in industry

The problem is well-known that planning of socioeconomic progress cannot end in preparing long-term programs of national economic development. This is an important but only one step on the way of achieving a fast economic advancement and high standard of living of the people in the country concerned. For immediately implementing all the detailed tasks connected with the various plans and programs mentioned so far, long-term plans are no sufficient basis of reference. This is due to two important reasons.

Firstly, direct materialization of foreseen technicoeconomic objectives requires clear-cut ideas on that what has to be done within a definite and limited space of time and that, proceeding from the tasks set and from the reached level of development, e.g. fulfilment of prospective plans attained at this point of time. Needless to say that such peculiarities cannot be considered in long-term planning but must rather be the contents of medium-term and short-term plans.

Secondly, when drafting long-term plans it can only be estimated what kind of resources will likely be available at a certain point of time. But planning of realizing objectives depends upon the exact knowledge on what is actually at one's disposal so as to tackle the foreseen tasks .

Thus, realization of economic objectives and, therewith, conducting of industrial production according to these aims demands a system of medium-term and also thort-term plans within them annual plans play, at present, a dominating role. ¹⁾ To say it in other words, for the sake of realizing long-term objectives, respective programs and plans must be subdivided into somewhat shorter periods of time. This is a necessary part of economic planning at all the neglect of which in developing countries is causing a lot of difficulties and deficiencies in implementing their long-term objectives of socio-economic development. In case of India, for instance, the affects of such a lack have been analysed by D.R. GADGIL in his book: Planning and Economic Policy in India, and he comes then to the following conclusion²)

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A national Five Year Plan is prepared, considered, and accepted largely in terms of national aggregative figures. For execution and implemention, as in the case of any other plan, scheme or budget, it has to be expressed in terms of appropriate constituent details. An overall plan has to be broken down, for example in terms of areas of activity as well as periods of time. Division by time is an elementary and important division. All Five Year Plans have to be broken down into annual plans, and all annual plans have to be broken down into allocations for different types of activities located in

¹⁾ It should be mentioned that the period of one year is a natural unit which in many respects does not coincide with the cycle of industrial production. Therefore, studies are being undertaken in socialist countries of Europe to find out a moré appropriate space of time for this kind of planning under discussion in here.

²⁾ D.R. Gadgil: Planning and economic policy in India; Asia Publishing House, 3rd edition, 1965 page 164.

different regions or areas. This is again an elementary proposition for the proper fulfilment and the implementation of a plan, the annual plan must be framed; and also that is the work of the Planning Commission.

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Though this statement was already given some years ago, it is now as before of high significance since the level of mediumterm planning in developing countries has not yet reached such a quality promising the highest possible results.

What are, in general, the weak points ?

Beside a partly complete neglecting of that stage of planning, one will find that medium-term plans, if any, are drafted in a very rough manner. There are practically no direct connections between central economic planning and planning of the various economic units, e.g. factories or organizations of public enterprises, in industry. That means, plans of economic units are set up isolatedly from planning of national economic objectives the implementation of which they are intended for. Furthermore, these plans of economic units are generally no comprehensive ones but they are containing only a very few constituent parts of industrial plans as production plan, plan of financing production, etc. elaborated by some senior officials of the factory or branch in question. Such a system of planning, however, cannot be sufficient for one of the most important advantages of public sector in industry consists in the new role in and attitude of workers towards production enabling management of enterprises to

include all groups of employees in planning reaching, therewith, a higher quality of drafted plans. This was already stressed in the introduction to the First Five Year Plan of the UAR when stating there:¹⁾

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The planning adopted in our Arab Rebublic does not make economic development the responsibility of the government alone. Indeed, it is the responsibility of the whole people, as individuals or members of establishments and organizations.

What is to do now in order to overcome such kind of shortcomings and to reach such a level of medium-term planning a high quality of managing public sector of industry is demanding for ?

3.1. Setting up of annual plans

3.1.1. Objectives and indicators

For ensuring a continuous, proportional and balanced growth of national economy, objectives of its single sectors and branches have to be derived from the targets of long-term plans. Goals being contained there for the planning period concerned have to be looked upon the starting point of planning activities in this field. As, however, there is already gone a certain space of time from the draffing of a prospective plan up to the elaboration of that annual plan now in preparation, alterations in various related fields may have occured partly different from those being ex-pected. Thus, it is inevitably necessary to analyse, at first, the following factors decisively affecting setting up of the new plan:

¹⁾ General Frame of the Five Year Plan for Economic and Social Development, Cairo 1960, page VIII.

- a) reached level of implementing prospective plans,
- b) internal and external position of the country,
- c) internal and external resources available for implementing forthcoming tasks.

Preparatory analyses

The first-mentioned point includes that planning of industrial growth can only be well-founded when proceeding from the standard of production attained hitherto. This estimation of the standard of production, again, means to judge both the quality and the quantity of present industrial production. But for getting an actual picture of planned and realized development, a system of control has necessarily to be established which - to be economically effective and actual at the same time-must closely be related to the applied system of planning.

What does this imply ?

A high efficiency of control demands, firstly, that the structure of control coincides with that of planning, i.e. there must be similar fields of planning and control as research and development, production, investment, manpower, etc. Secondly, the figures being planned and controlled have to be similar ones, too. That means, merely those economic appearances should be controlled the development of which has already been planned for this is the only method to come to real conclusions and, finally, to ensure a high degree of actuality; i.e. respective figures can be made available in time, in this case, at the point of time of preparing a new plan. Beside this, sometimes it renders necessary additionally to control the development in a strongly limited field so as to bring to light the reasons of outstanding results of working groups or of deficiencies in fulfilling target set. Since all these additional performances are requiring additional outlays, too, they are to be confined to a rather small scale.

As concerns the position of the country when preparing a new annual plan, some other problems come into the fore and must be paid attention to. It depends, for example, upon the internal soci-economic position of the country in question which degree of industrial development can be foreseen in the forthcoming period. As to that, we think of such factors as

- financial position of public sector of industry,
 e.g. effectivity of manufacturing and selling
 industrial production on home and foreign markets,
- level of qualification and experiences of workers, clerks and managerial personnel in public industrial enterprises and their organizations,
- attitude of employees in public sector towards their work, etc.

Concerning the latter, in case of the UAR, for example, respective 1) tasks have been formulated by premier S. MOHIEDDIN as follows:

1) S. Mohieddin: New look for the economy, in: The Egyptian Gazette, October 18, 1965, page 4.

The people's control over the means of production has been established and the public sector has assumed the responsibility of developing our national economy. It is natural that we should expect that its leadership should rise to the level of this serious responsibility which affects the livelihood of the people and their hopes for the future.

And he went on in saying:

We expect political organizations and labour unions to appreciate their responsibilities in the present economic stage. The concept of sound democracy is to have it become a means of increasing production and improving quality.

To consider the internal position only can, however, not be sufficient. Planning of industrial production for the forthcoming year is also influenced by the present situation and expected alterations on the world market and the political situation in the world. Hence, analyses must be started with regarding trends of supply and demand in the respective field of production, of prices, of competition on markets and of general political development decisively influencing decisionmaking on forthcoming industrial production.

Last but not least, any sound system of planning and, thereupon, of formulating new objectives is to be based on a study on the various kinds of sources and resources being with a high degree of certainty available within as well as outside the country for implementing forthcoming tasks. And this goes for such resources as, on the one hand,

- number and qualification of workers,
- accomplished new investments,
- discovery and utilization of new raw materials,
- financial means of government, public sector of industry and others.

On the other hand, any industrial development in emerging countries, in its initial stage, especially, depends to a smaller or larger scale upon foreign support. That is, it has to be analysed

- quality and efficiency of assistance by foreign countries, firms or experts in building up and running one's own country's industry,
- planned supply with new machinery, spare parts, raw materials and intermediate goods within the forthcoming planning period,

- financial loans, credits, etc. by foreign countries aimed at furthering industrial growth.

The problems mentioned so far are showing very obviously that foregoing analyses are closely connected with and cannot be separated from each other. They have been explained isolatedly only in order to make the peculiarities somewhat more evident. In practice, however, analyses must be comprehensive ones including a study of the single items and their interactions at the same time. This is the only way to come to right and well-founded conclusions.

Formulation of objectives

Taking into consideration the results of these analyses, determination of new objectives for the planning period can be started with and as already mentioned long-term plans must be regarded basis of reference. That is, it has to be analysed what are the tasks to be fulfilled in the forthcoming period so as to ensure that long-term objectives of general national economic development can be attained.

Usually, such a general estimation of the objectives and conditions valid at present should be given by central state authorities, i.e. the government of the country, for instance, and that, at the beginning of the new planning activity, showing the position of the country and drawing necessary conclusions which must be considered when drafting new plans in all the sectors and branches of national economy. These conclusions, again, have to comprise necessary changings in national economic objectives within the planning period in question and likely alterations as to the foreseen way of their implementation. In doing so, all the single economic units of national economy from the very beginning are informed on the main tasks and problems making sure, simultaneously, similarly directed efforts of all the single units in overcoming shortcomings and fulfilling new goals.

What have the objectives of the single public industrial enterprises and their organizations now to contain ?

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Generally speaking, one can say that these objectives are supposed to reflect that part of fulfilling national economic objectives public enterprises and their organizations are intenting to share with. This goes, at first, for such general but very important objectives of national economic development of any emerging country as

- increase of national income,
- increase of industrial production,
- increase of living standard of population.

For any factory or branch is, however, marked by a certain production, their share in fulfilling these state targets cannot always be expressed in a direct way, for instance, by means of specified production targets. It is, thereupon, rather necessary to use different indicators so as to show foreseen efforts of factories and branches aimed at contributing to the fulfilment of that goals. Such indicators may be the following:

- increase of profitability of foreseen production or foreseen volume of profit,
- increase of labour productivity,
- decrease of cost for a comparable unit of produc- . tion,
- reduction or even abolishing of hitherto necessary subsidies, etc.

Indicators mentioned so far are reflecting, by and large, effects of enterprises activity on development of national income as a whole. Besides this, it is necessary to know enterprises or branches share in increasing industrial output and living standard of population more in detail. Regarding this, we have in mind determination of the outcome of their activities expressed in a way heing in line with their special kind of production. Such indicators may comprise, above all:

- quality and quantity of foreseen production,
- quality and quantity of planned services,
- development of social and cultural services,
- development of wages and salaries.

As, furthermore, any industrial production is in need of certain conditions and prerequisites, formulation of objectives only cannot be sufficient for conducting economic units in a planned manner. According to the very nature of industrial production, its implementation has to be planned comprehensively, i.e. we have to determine the goals as well as the pre-conditions in order to fulfill them. So, industrial plans and the indicators used are expected to reflect both the contribution of factories and branches to the fulfilment of national economic objectives end the physical, financial and other requirements being demanded for . And this mutual dependence must be planned by means of very detailed indicators and balanced in a meticulous manner for making sure that afterwards foreseen tasks can actually be fulfilled.

A system of indicators

Though the specific contents of that indicators showing the objectives and the requirements of economic units in industry are different according to the peculiarities of various branches, some basic groups of indicators must be elaborated and applied.

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They are representing the connecting link between various levels of planning in national economy and also the skeleton for setting up and comprehensively balancing detailed enterprise plans. In the present period of economic development, these basic system of indicators used in industrial planning of developing countries should be composed as follows:¹⁾

- a) indicators of technical progress,
- b) indicators of industrial production and its distribution,
- c) composition, qualification and training of manpower,
- d) distribution and utilization of raw material resources,
- e) utilization of existing productive capacties,
- f) cost and price of main products,
- g) efficiency of selling industrial production on home and foreign markets.

Ad a) Indicators of technical progress used within annual planning have to meet various requirements. Firstly, they are expected to show what is to be done so as to carry out foreseen researches or to introduce their results into production. That is, indicators have to reflect foreseen kind of research activities and expenditures possibly needed so as to fulfil planned tasks. These expenditures, again, must be expressed in physical and finencial terms as well. The former is required in order to balance

¹⁾ In here, a short survey on most important indicators is only to be given. The necessity and the problems of their application, to avoid repetitions, are dealt with when analysing main fields of planning.

necessary amount of research time with capacities available while the latter serves for preparing the financing of the single project.

In addition to this, indicators of technical progress are marked by a certain peculiarity and that, they are specified according to the importance of the single project. In this way, it becomes obvious whether a certain project is of national economic importance and must, therefore, be given prominence when deficiencies in the course of implementing research activities in a research department or of introducing their results into production may occur.

Ad b) Indicators of production are expected to characterize the structure and volume of industrial output by underlining those goods determining industrial activities of enterprises and branches. Thus, it renders necessary to use a twofold system of indicators, on the one hand, for these very important products separately and for determining development of whole groups of products, on the other.

As concerns the distribution of production attention should be paid to the following items:

- distribution on home markets
- production for exports.

This so, because to a steadily growing extent developing countries are forced to export parts of their industrial production in order to be able to import those industrial goods not to be produced in one's own country - for the time beings or generally - because of a lack of natural conditions or of other prerequisites needed for an effective production of these goods. Ad c) Regarding manpower, indicators have to reflect the demand for workers, technicians, economists, managerial and administrative personnel needed in order to fulfil planned objectives. The calculated demand serves again as basis of reference for balancing requirements with number and structure of working people already employed in this factory, for example. In addition to this, respective indicators are to be elaborated in such a way they can be used for the collaboration of enterprises with regional authorities in order to co-ordinate their cultural and social policy in this area, i.e. building up of

dwelling-houses, expansion of medical care, etc.

Moreover, we are in need of indicators expressing required financial means for wages and salaries of employed working people. These indicators are to be used for internal and external purposes as well. As to latter we have in mind their utilization for leading national economic policy; e.g. the distribution of national income for accumulation and consumption.

Ad d) Like indicators of manpower, indicators of material are to be based upon the necessary input per unit of production. That is, they have, firstly, to express the demand for various kinds of materials required so as to produce one unit of the final production.

Secondly, for balancing total demand of material of a certain factory or branch with the output of the supplying enterprises of raw materials or intermediate goods, aggregate indicators of material consumed must be elaborated summarizing the needs for the production program as a whole.

Beside this, by means of indicators it should be influenced what kinds of materials are or prohibited to be used for producing

certain kinds of products. In doing so, input of scarce materials, for instance, is to be steered centrally according to the most urgent needs of national economy.

Ad e) Conditioned by the general trends of mechanizing and automimizing production process with the view to increasing outcome of production, the share of dead or embodied labour in cost of production is a steadily increasing one. Thus, existing productive capacities are to be used as much as possibile, if possible, round the clock, leading to a relatively smaller share of depreciations per unit of production.

To infl-uence this development indicators should be applied marking the degree of utilizing productive capacities or its effects on enterprises efficiency. As to the utilization of capacities, the number of shifts can be taken as one indicator, others are directly to be related to the absolute employment of very important machines or equipments. More expressive are, however, such indicators connecting outcome of industrial production with input of fixed assets, working capacital as a whole and so on. This is already a method of characterizing entire economic units efficie ency of production based on aggregate figures, to be completed afterwards by other figures relevant to single products so as to be able to determine and analyse level and development of efficiency more in detail.

Ad f) Needless to say that increase of efficiency represents one of the crucial points of every industrial production, particularly in developing countries having very often not yet reached such a level achieved, for instance, by similar factories in industrially adyanced countries. Hence, indicators are to be applied marking the aims as to the level of cost or effectiveness in absolute terms or/and - that will be the mostly adopted method - determining the necessary reduction of cost and increase of profit by means of relevant indicators.

Because of the very nature of these indicators, they are representing a good basis of reference for applying material incentives encouraging the endeavours of working people to reach the fixed targets or even surpass them. This, again, is implemented by specific indicators indicating the distribution of profit, in general, and the share of workers, in particular, after having fulfilled planned objectives.

Indicators of this kind are **sim**ultaneously needed for guiding financing industrial enterprises' activities and for co-ordinating their financial relations with banks and the state budget.

Ad g) Though clessly bound with foregoing problems indicators of officiency of production should be used separately. This so, because they are representing an aggregate but at the same time specified picture of the reached or expected results of all the efforts undertaken in a certain industrial enterprise. These indicators are to be based on prices valid on home and foreign markets. As to the former, from the national economic point of view it has to be estimated whether this degree of efficiency is sufficient to reduce the prices of the products concerned, e.g. because of their importance for increasing living standard of population, or what degree of efficiency should be striven for enabling the country to sell products at prices serving implementation of its social policy. Respective goals are to be expressed by means of indicators to be attained in the forthcoming planning period.

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And this goes particularly for those products intended to be exported. Since export production of developing countries cannot or, at least, only for a very limited space of time be subsidized - any subsidies must be paid out of national income representing, therewith, a loss of financial means which should rather be used for other purposes - observation of efficiency of this kind of production is to be given prominence. That is, central state authorities should meticulously design and control economic development of that production and give priority to research and technical improvements in this field.

Proceeding from what has been said it becomes obvious that comprehensive planning of national economy and its single economic units in industry requires a lot of preparatory activities. Blaboration of indicators is supposed to be a cornerstone in this process. They can, however, not formulated and introduced over night, their introduction into planning is rather a complicated and lasting procedure to make sure that indicators applied are actually serving that purposes their formulation is intended for. That is, no central. authority or management of enterprises or their organizations is in need of a "cemetery of figures" which do not express anything of importance or can be used for nothing but pure statistics. What management is in need of is an actual tirror of what is going on in various fields of industrial activivies enabling decision-making at the highest level possible. Thus, indicators formulated once are not valid or useful for ever, they have rather to be changed in line with alterations of that conditions their application was based upon.

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3.1.2. The procedure of preparing annual plans

3.1.2.1 Basic principles of planning

Elaboration of technico-economic plans of industrial enterprises and their organizations forms a very important preconditions for a scientifically-based managerial activity. To ensure that required quality, some general rules or principles should be observed when drafting plans representing, in a way, a condensed expression of the experiences of countries marked by a planned economy.

These basic principles are:

- the principle of determination of priorities or centres,
- the principle of com-prehensive planning,
- the principle of steadily balancing plans,
- the principle of strongest economization.

As no developing country will be able to push ahead all the branches of industry at the same time, priority is to be given to those decisively influencing economic growth of the country in a certain period. These priorities have to be determined in line with the foreseen development of industry as a whole for over a longer space of time by singling out the projects being, at present, cornerstones for a further speedy progress. And these projects may concern the prior-development of an entire branch - so-called leading branch - of some factories or even one project only. The tasks arising out of the implementation of that projects must be fulfilled at first and have, therefore, especially to be earmarked within the plans at all levels of national economy. It is understood that priorities are closely connected with the level of industrial development and, thereupon, not constantly attributed to the same projects, but they are rather changeable and have, therefore, to be determined annually newly.

The next principle includes that planning of national economy and its single economic units in industry can never be successful when confining elaboration of plans to single elements of production process. This must be considered a first step only on the way to a planned economy. And it should be taken care of the fact that deficiencies caused by this one-sided system of planning are not used to put the blame for shortcomings in the economic progress of developing countries on planning at all as, sometimes, it has happened in the past.

Comprehensive planning means, therefore, planning of all spheres of industrial activities by considering their close interations.

Furthermore, setting up of plans in a comprehensive manner excludes elaboration of single plans within national economy "side by side" and " one after another". It demands rather to work them out with one another and at the same time at all the levels of national economy.

In doing so, the manifold interactions in the course of implementing foreseen objectives as well as the preconditions or repercussions of realizing planned targets, for example, of one factory on that of others being supplier of raw materials or consumer of its products, can be studied, adjusted and taken into consideration from the very beginning. This is, simultaneously, the only way to avoid decisive alterations of planned targets within the planned **period** always connected with additional expenditures and, thereupon, affecting economic efficiency of industrial enterprises concerned.

The principle of steadily balancing the plans is closely connected with that mentioned before. One can say that overall planning presupposes setting up of balances or, to say it in other words, it can only be materialized on the basis of balances of the single elements of production process in the various forms needed. And this is true of planning economic units and that of national economy as well. While, for example, within one industrial enterprise demand for productive capacity and productive capacity available, demand for manpower and manpower available, etc. are the subject of balances, the distribution of raw materials within one branch or in national economy as a whole and distribution of final production is to be balanced at higher, i.e. at the level of organizations of enterprises or central state authorities.

Besides this, interactions between industrial enterprises and local or regional authorities must be adjusted, too. Regarding that, we have in mind such items as

- social and health service for working people and their families of all the factories in this area,
- transport of workers to the factories in line with the working time and shift-regimes applied,
- training facilities for preparing workers, e.g. polytechnical education of pupils in factories, etc.

In carrying out preparation of plans in such a way, we are able to ensure their necessary quality and foundation and with a high of certainty a smooth run of entire production and reproduction process within national economy.

When speaking about balancing of plans, another problems comes into the fore and that concerns the units to be used as basis of reference. And, as a matter of fact, any balancing of tempnico-economic plans can only be effective when it is proceeding from technically-founded norms or standards for the expenditure of social labour required in order to produce certain goods or to guarantee a certain performance. These standards are to be elaborated for repeating expenditures of living or dead (embodied) labour and for producing various kinds of goods or performances. Hence, we are in need of technically-based standards of working time, material, capacity etc. expressed either in physical or value terms. Their calculation itself is to carried out in a very thorough manner with the view to economizing in-put of material, manpower and so on. In using now these standards for working out of balances of these various kinds of elements of production process, optimum distribution and utilization of all the existing resources is to be made sure.

To conclude this, it should be added that annual plans are to be prepared by using the most appropriate organization of planning at all. Of course, its elaboration is not an easy task and economists have, first and foremost, to study progressive experiences in those countries marked by similar socio-economic conditions. Afterwards, their applicability in one's own country has to be analysed. This, however, cannot be done by a simple transformation of that methods applied in other countries but is to be carried out by adapting these methods according to the conditions given. For the practical use of these methods and experiences can never comprehensively be proved on the basis of a theoretical pattern, manifold practical experiments have to be arranged. Their successful implementation is the most important condition for a step by step introduction in similar or related factories and branches of industry.

3.1.2.2 Main stages of preparing annual plans

Though annual plans of industrial enterprises and their organizations are to be set up comprehensively and in close collaboration with all levels of industry and national economy, a temporal and qualitative subdivision according to certain main stages of planning renders necessary to make the entire procedure a highly effective one. That is to say, annual plans of industrial enterprises, for instance, cannot be drafted in all the details at a point of time national economic objectives for the forthcoming year have not yet been formulated. Enterprise plans are contributing to that but, at the same time, they are affected by these targets and their goals

should, therefore, be defined step by step within these main stages and in line with the progress of planning at other levels of management.

What do this main stages contain ? In general, they are characterized as follows:

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- a) elaboration of the first project of the plan,
- b) elaboration of the plan-proposal,
- c) elaboration of the final plan.

Ad a) The first project of the plan

As a rule, one can say that annual planning starts with drafting a first outline of the forthcoming objectives. This goes for all the various level of management in industry alike. In so doing, the first ideas as to the targets of the following **year** are fixed based upon the reached level of implementing prospective plans and the annual plans of the current period.

Initially, these considerations are carried out, by and large, separately, i.e. at any level of industrial management there are formulated these tasks serving fulfilment of their longterm objectives best. Of course, these tasks are to be derived, in case of enterprises, for instance, from a thorough investigation of demand and markets and an analaysis of development of productive capacities but without being confined to a small field of possible activities only. That is, the first project forms, in a way, a program of the desired development leading to the highest possible utilization of productive capacities, the highest degree of profitableness, etc. of the industrial enterprise concerned. For there may exist different solutions by setting greater store by the one or the other factor, the first project can an even should consist of some variants of technico-economic development containing the foreseen main tasks and requirements and effects of their fulfilment, to be offered by the enterprises to their organizations or superior authorities.

As regards the main tasks, we have in mind:

- planned production by quality and quantity,
- planned profits,
- main objectives of technical progress,
- -vphysical and financial preconditions for implementing mentioned targets,
- utilization and effectivity of funds available, etc.

They are to be calculated for each of the proposed variants by underlining those being from the national economic point of view the most efficient ones. And on basis of the abovementioned figures superior authorities must be able to estimate the conditions and the outcome when applying the various variants and their effects on the development of the branch as a whole.

Similar preparatory activities are expected to be undertaken at the level of organizations of enterprises, too, proceeding from their long-term objectives and the most suitable way of their fulfilment in the forthcoming planning period.

Then, the proposals of the factories and their organizations have to be compared, assessed critically and discussed or even defended so as, in result of this, to find out such an optimum solution which fits in with the intentions of the factories and their superior authorities as well.

Since similar negotiations are carried out at the same time and at all levels of management of industry and national economy, this will, finally, lead to clear-cut ideas regarding that what must generally be done in all the branches of industry in the next year to meet the requirements of a further speedy and economically effective development of national economy. That means that, lastly, only one variant can be determined which is to be followed in the forthcoming year. And the figures of that variant are serving as basis of reference in order to set up the more specialized plan-proposal of the economic unit in question.

Ad b) Elaboration of the plan-proposal

To ensure now a uniformity of actions within a planned economy, preparation of plan-proposals has to be influenced or even guided by central state instructions. These instructions are to be based upon the results of the first main stage of planning incorporating in this way the ideas of the various economic units in national economy concerning their foreseen development. This represents, however, one part of the problem only. Before mentioned state instructions and, especially, respective orientation data can be fixed, the various effects of implementing these targets on other sectors and branches must be analysed in a more specified manner. Main instruments for realizing this are balances, in general, and interlacing balances, in particular. They are the most important basis to formulate such orientation data considering all the distinct interactions and fitting the single tasks into that of a proportional growth of national economy as a whole.

1) c.f. memo No. 599, Theoretical problems of industrial planning, part III, of the INP, Cairo.

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Thus, state orientation data as regards technico-economic development of all the sectors and branches are to be derived from interlacing balances and, afterwards, submitted to their leading organs. In case of industry, this concerns the ministry of industry or other institutions taking over its functions or responsibilities in the country in question.

Since, however, by means of orientation data not all the tasks can be expressed in the most appropriate way, a general instruction is to be added explaining in somewhat more details those problems to be taken into consideration when setting up planproposals. Such general instructions contain, for example, the necessity of increasing quality of production, the importance of a higher degree of utilizing productive capacities, new problems and tasks regarding qualification of manpower, etc., informing, thereby, all working people on those tasks to be given prominence in the forthcoming planning period.

Submitted orientation-data and instructions are then to be analysed by ministries and, afterwards, by the organizations of public enterprises and to be compared with their foreseen objectives for the next year. That means, orientation data of central state authorities handed over to the ministries should not simply be distributed between their subordinated organizations. They are rather to be specified in line with their own studies concerning the necessary technico-economic development and the commitments arising over against other sectors of national economy, e.g. agriculture, foreign trade, etc, calculated again, on the basis of interlacing balances of the sector and the branches in question.

The same procedure has to be applied in case of the single branches and their managerial institutions elaborating in this way, i.e. by considering their internal and external interlacements, orientation data and instructions for industrial enterprises subordinated to them.

Owing to their position, the most detailed tasks of preparing annual plans have to be taken over by industrial enterprises. This so, because enterprises are delivering the **bi**ggest share of industrial/production and, fihally, they are those being responsible for meeting demand for industrial goods of all sectors of national economy qualitatively, quantitatively and temporally as well. Therefore, the level of planning in enterprises has to correspond to these requirements being demanded for.

How to reach such a high quality of planning ?

It is our opinion that such a high level of planning public enterprises can only be achieved by including really all the employees of the factories in this process. Their participation in planning is one of that features arising out of the new position of workers and their responsibility in public enterprises and has to be stimulated, therefore, by the management and social organizations of workers likewise. This was particularly stressed by S. MOHIEDDIN in his statement on the new tasks of the economy in the UAR, already quoted before.

As to our problems, now under discussion, participation of workers in planning should be incited in such a way that they are informed upon the general objectives of their factory, for instance, from the very beginning of preparing annual plans. In practice, this can be realized by an official handing over of the factory's orientation data by the director general of their superior organization. In this meeting the director general, or another high-ranking official on behalf of him, should not only read out these objectives but explain to the workers the importance of their fulfilment for implementing other targets of national economy as a whole. Furthermore, in order to encourage their active participation in planning, the main methods for realizing these goals, existing good experiences and obstacles hampering a speedy progress should be pointed out leading, therewith, initiative of working people to the solution of main tasks and avoiding a fritter away of their power on too many objects.

As, naturally, orientation data of factories are more of less condensed figures, they cannot immediately be used as basis of discussion with all the workers. They are rather to be specified by the top-management of enterprises and to be discussed with the representatives of workers and their social organizations so as to reach a uniform system of actions in the afterwards following discussions.

Necessary specifications include, again, a refinement of objectives handed over to the factories on basis of their own investigations of demand and markets and comprehensive analyses of preceding planning periods as well as preparation of detailed targets for each of the productive and managerial departments of the factory concerned. And, as experiences show, the quality of these preparations influences decisively the contribution of workers to planning. What does this imply ?

The interest of working people in discussing their further tasks is all the higher the more exactly they are informed upon. That is, their tasks are to be prepared in such a way that they are actually able to estimate whether and how they can be fulfilled.

To give an example.

Objectives of productive departments, for instance, can be formulated in a very manifold manner. On the one hand, they may contain that the production of one department is to be increased by, let us say, LE 200 000 in the forthcoming year. But, when informing on this figure only, most of the productive workers will be unable to derive their special tasks to be fulfilled in order to reach this target and, thereupon, they will not share in the discussion.

If, however, the goals of that department are explained as follows:

- output of product I has to be increased by 5000 pieces,
- output of product II must be raised by 3000 pieces,
- necessary working time for processing product I is to be reduced by 8% and of product II by 5%, etc.,

then, the workers will be able to compare the present level of production with that being demanded for and to develop their ideas of how the gap between both the levels can be narrowed or even closed. In general, these necessary improvements have to be prepared in a very careful manner, merely, by means of a system of comprehensive analyses of the various activities within this department. In detail, the following fields of activities are to be analysed:

- technology applied for manufacturing the different components or products,
- organization of production process,
- organization of materials handling,
- planning and follow-up of production,
- effectiveness of applied system of wages and material incentives, etc.,

the improvement of which represents crucial points for increasing level and outcome of production in industrial enterprises.

How to reach now a high level of these improvements ?

Generally speaking, this can be realized in a twofold way, on the one hand, by preparing clear-cut ideas about that what must be done in the forthcoming year, as it has been dealt with so far, on the other hand, by including all the workers in this process of analyses and planning. This needs, however, to be implemented in a well-organized manner.

1) c.f. Memo No. 617, Planning of technical progress, part III, of the JNP, Cairo.

For example, to ensure a high quality of analyses, they are to be carried out by forming working teams consisting of workers, technicians, engineers and economists knowing the problems under discussion best. When studying then all the conditions and circumstances of a certain field of activities theoretically as well as on the spot, working teams are going, firstly, to reveal outstanding working results, for example, of single workers the generalization of which is expected to lead to a higher outcome of production, increase of labour productivity etc. Secondly, studies on the spot will reveal idle resources and hampering factors of production. But, if the reasons for that have been disclosed, one will usually be able to develop amendments aimed at overcoming these deficiencies and reaching better economic effects.

It should be mentioned in this context that this kind of teamwork in public enterprises represents not only a very important precondition for preparing technical and organizational improvements of production process. At the same time, team-work is supposed to be an additional system of training all the members concerned affecting the ideas and activities of engineers and economists and productive workers as well. That is, such common activities are expected to lead to a broader scale of mutual informations on the various problems facing on either side, thus, to be better mutual understanding and collaboration also in the further. Again, this forms one of the decisive advantages of public enterprises resulting, finally, in their superiority to any other kind of social organization of production.

1) These problems are analysed more in detail in memo No. 617, Planning of technical progress in industry, part III, of the JNP, Cairo. According to the basic rules of management in public enterprises, working people should be interested in this kind of team-work morally and materially alike. That means, beside the moral responsibility for the activity of their public enterprises, working people are materially to be incited to reach really valuable improvements in result of their proposed alterations. And these incentives should be applied in a two- • fold manner

- by granting bonuses according to the efficiency of proposed amendments,
- by determining that bonus fund being, for instance, at a productive department's disposal after having fulfilled the tasks.

As regard the former, respective systems in the European socialist countries are shaped in such a way that the amount of bonus depends upon the savings likely to be reached within one year. In the German Democratic Republic, for example; the general relations between efficiency of improvements based on amendment proposals of working people and the amount of bonus is as follows:

efficiency	percentage	plus	
up to MDN 1000 MDN 1001 - 2000 MDN 2001 - 5000 MEN 5001 - 10 000 MDN 10 001-20 000 MDN 20 001-50 000 MDN 50 001-100 000 MDN 100 001 - 200 000 MDN 200 001 - 500 000 MDN 500 001 - 1000 000 more than 1000 000	at least 16 12 8 6 4 3 2 1.5 1.0 0.75 0.5 maximum payments	MDN MDN MDN MDN MDN MDN MDN MDN MDN MDN	30 40 120 220 420 620 1120 1620 2620 3870 6370 30 000

Bonuses awarded for amendment proposals

Owing to such a system, working people are stimulated to take part in working teams in order to analyse single fields of activities and they are materially interested in preparing commonly or separately - amendment proposals so as to achieve better technical or economic results.

Concerning the second point, we have in mind a system of material incentives putting pressure on the departments but also of reaching that technical or economic effects calculated in advance. In doing so, a certain amount of bonus is to be fixed, in this case by the management of the factory, being paid after having attained the new targets set. Management of public industrial enterprises is able to do so for the main tasks and the likely volume of bonuses are known or can be calculated on the basis of respective state regulations.

x) concerned to take care not only of introducing the improvements

Accordingly, it is up to them to allot financial means of the enterprise bonus fund to the fulfilment of single objectives in a way promising highest possible effects as to the realization of common tasks.

There are, of course, no generally valid and detailed instructions of how to solve these problems now under discussion. It depends rather upon a thorough study of all the circumstances at present and in the forthcoming period in which way bonus funds are to be used. On the other hand, it reveals the responsibility of enterprises' top-management which care must be taken so as to utilize best that material incentives being represented by the bonus fund.

After having accomplished above-mentioned activities, on basis of submitted orientation data a comprehensive plan-proposal for the respective productive unit has to be workerd out and discussed with all those employed there. This so, in order to make them acquainted with the results of other working teams and the effect and interactions when realizing proposed improvements.

Furthermore, they are to be informed on

- the consequences of implementing proposed improvements on the activities of each worker,
- the detailed tasks to be fulfilled by them,
- the necessary prerequisites so as to fulfil these targets,
- changings in the qualification needed and foreseen methods of training to meet new requirements,
- last not least, the material incentives and financial means available for stimulating fulfilment of planned objectives.

To say it in other words, the discussions are to be conducted with the view to analysing in all details whether set targets are optimum ones, to determining what is to do in order to attain them and, finally, to convincing the employees of that department that by means of their active participation targets can actually be fulfilled.

The importance of such a discussion was again stressed in the Recommendations of the Production Conference of the UAR. There, it has been pointed out:

The failure of the potentialities available in the realization of the desired aims may entail negative results adversely affecting the moral of workers, dishearten them and shake their confidence. It is, therefore, necessary that the plan should be subject to continuous discussions on various levels to ensure equilibrium between the desired aims and potentialities available and overcome the difficulties and obstacles confronting execution.

Hence, to make sure an equilibrium between aims and potentialities forms one of the main goals of these discussions. And this goes for the internal relations of enterprises, i.e. within and between departments, and their external interlacements likewise. In order to prepare these final discussions, planproposals of single departments have to be collected, adjusted and balanced with each other and a comprehensive plan-proposal for the whole enterprise be elaborated by its central planning department.

The planning department, on behalf of the director of the factory, takes the lead in shouldering the responsibility for setting up this plan-proposal. This does not mean that the

1) c.f. Production Conference Recommendations; in: The Egyptian Gazette, October 20, 1965, page 4. planning department itself should carry out all the activities connected with. On the contrary, in line with the position of managers in public enterprises, they are fully responsible for their respective field of activities. This includes, for example, that the director of a sales-department is in charge of drafting relevant plans as to the investigation of demand and markets and development of sales, the director for technical affairs has to plan implementation and introduction of research and development, etc. Furthermore, they have to balance necessary activities within their subordinated departments and, in as far as external re-

lations are concerned, to co-ordinate these relations on the basis of their plans. Concerning that, we think of

- necessary negotiations as to the supply with raw materials,
- preparation of sales contracts with consuming enterprises or home and foreign trade organizations,
- agreements with the bank to ensure financing of production.

All these items must be negotiated upon before submitting productive and administrative departments' plan-proposals to the central planning department. The planning department leads and prepares these activities so as to reach a high quality of plans and to keep the necessary expenditures for the administrative part of the work at a rather low level. This is merely ensured by means of a wellprepared system of organizing planning activities and concerns, above all;

- suggestions as to the elaboration of planproposals within productive and administrative departments,
 - determination of figures and termini to be used in planning,
- preparation of time-tables marking the temporal progress of elaborating plan-proposals within departments and the enterprise as a whole,
- elaboration of uniform forms for handing over plan-proposals,
 - development of suitable methods for calculating efficiency of technical improvements, etc.

The organizational system, however, should not hamper development of creative faculties of working people, but it is rather intended to stimulate them and to guarantee the necessary conformity of efforts of all units within the factory in question. This renders necessary especially by using data-processingmachines in planning. Their economic application is only possible on the basis of such an uniform system compulsory to be applied at all levels of management.

Though organization and technique of setting up the comprehensive plan-proposal of the factory affects its quality and the amount of working time and money needed, the final accomplishment of the plan-proposal is again determined by the working people. That is, without analysing and estimating the qualitative side of the various interlacements of the enterprise with other parts of national economy, quantitative figures can never be balanced in a proper manner. The qualitative conditions, therefore, are to be put into the centre of deliberations also when the plan-proposal of a factory is finally worked out and quantitative targets are discussed.

Which methods of discussing that plan-proposal of the enterprise by the workers is to be applied depends upon conditions given. Generally, however, participation of social organizations of workers or other representatives of working people must be ensured. And in line with their increasing role in public enterprises, such forms have to be introduced corresponding to their responsibility for development of public sector. So, one will find, for instance, that in the European socialist countries no plan-proposal can be submitted to superior outhorities without being confirmed by the employees of the factory or their social organizations.

Regardless the fact that the plan-proposal is to be confirmed, the director of the factory is solely responsible for its quality and he himself has to defend the objectives contained there against his superior authority. This seems to contradict each other but does not in practice as in public enterprises interest of workers and of the director is, in general, similarly directed. Accordingly, the director is forced to make himself acquainted with the most important problems of science and technique, production, economy a.s.o. for being able to prove why the foreseen way of production is to be followed.

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After that, plan-proposals of industrial enterprises subordinated to an organization have to be put together and balanced, the internal and external relations analysed and critically assessed and, finally, objectives obtained in this way compared with the organization's tasks and ideas as to the technicoeconomic development in the forthcoming year. In result of this a plan-proposal of the organization is going to be worked out and must again be defended against his superior ministry, usually, the ministry of industry. Afterwards, the plan-proposal of the ministry can be set up and handed over to the government.

Summarizingly, mentioned procedure of drafting a plan-proposal is to be demonstrated by a sketch. (Skecth 1)

Ad c) The final plan

Plan-proposals of all sectors of national economy are to be discussed by the government and the highest authority of the country, the parliament. So, representatives of all strata of the population are expected to give the final decision upon planned objectives for the next year, the fulfilment of which is then as compulsory as the observation of any other law.

Confirmed objectives are distributed like orientation data up to the single enterprises and must again be compared with those targets being contained in their plan-proposals. As a rule, it can be stated that deviations are all the smaller the better plan-proposals have been prepared and co-ordinated or balanced with other enterprises, branches or sectors of national economy. Therefore, working out of plan-proposals has to be considered the most important stage and be paid much attention to.



If deviations might occur, plans and circumstances have to be analysed newly and all those preconditions determined necessary to fulfil targets set. Problems arising in this context are to be discussed with superior authorities so as to get a conclusive decision upon the objectives of the economic unit concerned. Then, confirmed targets can be handed over to single productive and administrative departments being the basis for their last arrangements in order to fulfil their goals.

To sum up, we would like to show the whole process of setting up industrial plans by means of an, of course, somewhat simplified sketch. (Sketch 2)

3.2. <u>Main fields of annual planning of industrial enterprises</u> Generally speaking, annual plans of economic units like industrial enterprises have to contain the same parts as prospective plans. According to the different functions in **managing** public sector, the contents must be, however, somewhat different, This so, because annual plans are looked upon as an instrument in order immediately to organize entire production and reproduction process. Thus, annual plans of enterprises are to be balanced in all details and up to the smallest productive unit with the view to increasing production, to using existing productive capacities best and to achieving **the** highest possible economic efficiency.

It goes without saying, furthermore, that in result of this the contents of plans will differ between the various branches of industry, too, so as to bring in line the contents of that plans with the requirements of leading reproduction process. When analysing applied methods of annual planning, one is forced, therefore, to start with analysing conditions of production in the enterprise or branch in question.



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There is, on the other hand, no need for overstating the special conditions.N ational economic planning requires, of necessity, a certain uniformity as to the applied indicators and planning methods as well so as to co-ordinate and balance aims and requirements of all sectors and branches. This has to be seen, especially, in connection with the elaboration of partial or comprehensive interlacing balances being a decisive tool for a proportional development of national economy as a whole. An optimum solution has, therefore, to be find out fitting in with needs of enterprises and central planning alike. Which are now the main fields of annual plans of enterprises?

a) Planning of technical progress

Because of its significance for any industrial progress planning of technical progress is to be started with comprising usually two main sections, firstly, planning of research and development and, secondly, planning of introducing its results into production. As to the former, it is necessary to observe that all the various research activities to be carried out in the forthcoming year have to be planned. And this goes for such kind of research activities as¹

- determination of new topics of research,
- implementation of foreseen topics,
- experimental activities in connection with developing new products or technologies,
- research activities for improvements of current production and applied technologies, etc.

1) c.f. Memo No 617, Planning of technical progress in industry, part 1, of the INP, Cairo. to be planned and balanced with existing research capacities separately by taking into consideration the national economic importance of the single projects concerned.

As regards introduction of new technique into production, all the preconditions and the temporal progress of their implementation have to be included to make sure their realization in time and according to the quality being demanded for. Yet, we have to keep in mind that introduction of new technique does not mean, and this in developing countries especially, practical utilization of own results of research and development only. On the contrary, to a steadily growing extent because of the steadily growing division of labour, research included, in all the countries all over the world - scientific results of other countries are also applied. Undoubtedly, this will bring about new problems and difficulties which must be analysed beforehand for the sake of overcoming them as quickly as possible.

In addition to this, due to the new position and attitude of workers in public enterprises, some new phenomena are coming into the fore. They are marked by the active participation of workers in research and development, widening in this way the capacity of research departments, and their suggestion of new ideas of how to amend the conditions of production. This represents a new feature of carrying out technical improvements in public enterprises and every efforts of workers in this direc-

tion are, therefore, morally and materially to be supported form the very beginning. This so, in order to encourage them to utilize their creative faculties for achieving a higher outcome and efficiency of production in public enterprises. Since technical improvements are affecting all the spheres of enterprises' activities, all the other parts of enterprise planning are influenced by the planning of technical progress, one can even say, that respective plans have to be founded by the effici ency of measures or improvements of the plan of technical progress.

b) Planning of production

On the basis of long-term and short-term investigations of demand, by considering existing productive capacities as well as the consequences of implementing the plan of technical progress, the production targets have to be fixed. And, although production differs between single branches and enterprises, some general ideas have always to be taken into account.

Firstly, those products have qualitatively, quantitatively and temporally to be planned intended to be sold. This is true of both final products, from the point of view of one factory, and intermediate goods, e.g. spare parts, needed for maintaining or repairing these final products. Secondly, an excess of intermediate goods within the factory must be ensured so as to guarantee a continuous progress of production, particularly, in the first days after a finished planning period. This is a problems a lot of factories are suffering from and is to be underlined, therefore, in here.

Thirdly, the deepening division of labour in all fields of industrial production leads not only to a growing exchange of separately produced components but also of performances. That is, one component is worked in different factories, for example in case of such special performances as termo-electrical treatments and something like this. Since a certain part of that enterprise's capacity is required respective tasks are to be laid down in the production plan.

Finally, the foreseen distribution of production or performances has to be planned merely as a basis for drafting balances and co-ordinating targets of collaborating enterprises, This holds true, for example, with regard to investment balances in case of producer goods and to commodity balances inasmuch as consumer goods are concerned.

Widespread is, therefore, a subdivision of industrial factories' commodity production according to the following items:

- commodity production as a whole,
- production for export,
- production for the local markets or, in case of consumer goods,
- production for population,

expressed in line with the importance of the goods in physical and/or value terms. If needed, other indicators can be added supposed to enable superior authorities to estimate and control whether production and distribution of goods is in consistency with national economic tasks. But only those indicators are to be planned the observation of which can really be controlled.

For any industrial production is in need of productive capacities, planning of production and utilization of productive capacities are closely linked with each other and the results of an effective utilization of productive capacities can be demonstrated by the proposed production targets. Thereupon, planning of utilizing productive capacities is a mere internal matter of industrial enterprises, the indicators of which must not necessarily or only to a very small extent centrally be planned and be submitted to superior authorities. This goes especially for those branches marked by a uniform production, having already certain experiences in planning and being well acquainted with the conditions of their subordinated factories. Sometimes, however, it can be of use to have, at least, a survey on the utilization of those machines or departments representing bottlenecks in entire production process or being, in case of equipment, of high importance for the branch as a whole. In this case, a separate planning only for that purposes should be asked for.

c) Planning of manpower

While within the frame of prospective planning the basic trends as to structure and composition of working people and necessary conditions to attain the level of qualification required are subject of planning, in annual planning some other problems are coming more into the centre. These are, above all, those questions related to planning and balancing of

- the quantitative demand for manpower,
- development of wages and salaries,
- relations between increase of productivity and wages,
- implementation of foreseen objectives of qualifying workers and other employees of various kinds of qualification.

The first item concerns a very important problem of developing countries, generally characterized by a high degree of open or disguised unemployment. But, the solution cannot be found in such a way of creating jobs anywho. This is the most uneconomical way to go and will never lead to a highly efficient production. The answer must rather be given by a very detailed determination of workers, clerks, etc. calculated on the basis of production targets, working places available, number of shifts and the necessary managerial and administrative activities. Some advanced developing countries are well aware of these tasks which particularly are emphasized, again, by S. MOHIEDDIN. In his statement on the role of workers in the UAR, he pointed out:¹⁾

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The increase of employment in any project will not solve the unemployment problem. We have a continuous increase in population each year. The number of people applying for jobs increases year after year. The solution of the problem cannot be realized through the concentration of workers in factories. 'If a project requires ten workers, ten workers only should be employed. This gives a chance for defining the responsibilities of workers from the highest level to the lowest worker. The solution can be through increasing production. By increasing production, the income will be increased and, consequently, wages can be increased and funds can be made available for being invested in additional projects allowing employment for new workers.

So, the problems of wages and salaries are also touched and the general way is shown how to solve the problems under discussion. As a rule, in annual planning it has always to be taken care of the fact that labour productivity increases more quickly than average wages sum. This is the only way to cope with above mentioned tasks and respective figures have to **peflect** that levelopment in the manpower plan.

What does this mean?

1) c.f. S. Mohieddin: The role of workers, in : The Egyptian Gazette, November, 3, 1965, page 4.

Though there is an urgent need to increase developing countries' living standard of population, financial means allotted to this must be limited so that they do not exceed the possibilities of the country in question if lasting economic effects - without coming into debts - are to be achieved. And the problem becomes still more difficult because of the rapid growth of population in many developing countries.

In the UAR, for instance, consumption has been increased from LE 1,199.7 millions in 1959/60 to LE 1,762.2 millions in 1964/65, i.e. by LE 652.5 or 46.9%. The planned increase of consumption, however, was only 25% during this period in order to make sure financing of other projects of national economic development. The effects of that speedy growth of consumption are summarized by S. MOHIEDDIN, prime minister of the UAR, as follows:¹⁾

But what happened was that consumption went beyond the prescribed limit ... It increased enormously if we note that local output increased during this period (estimated by the present prices) by 49.1%. The proximity of the two percentages shows that we have consumed the greater part of the increase in our production and we have not managed to direct to savings and investments but only the slightest part of this increase despite the fact that saving a large part of the increase in national output for investment purposes is a basic necessity for the attainment of development.

Needless to say that this increase of consumption must be influened and steered, for instance, by handing over indicators to the industrial enterprises marking the possible volume of wages and salaries for carrying out foreseen production. This amount should only be allowed to be surpassed in case of overfulfilling state production targets and observing set standards of quality of production and cost.

1) S. Mohieddin: Produce more, curb consumption, in : The Egyptian Gazette, December 5, 1965, page 5. Last but not least, annual manpower planning is supposed to be a tool for implementing long-term or short-term objectives of training manpower. That is, there are to be fixed those tasks to be solved within the annual programs of training,

the outlays needed and likely losses of working time due to training during normal working hours as well as the effects of a higher qualification on required working time and number of workers. And the latter is of particular significance.

Every training, like technical improvements, is finally aimed at increasing productivity. But if productivity increases this results in a necessarily smaller input of working time for producing a comparable volume of production. To make sure utilization of these new conditions, improved standards of working time are to be used as basis of reference for planning demand for manpower as from this date alterations are expected to be effective. Again, the need of a comprehensive balancing of manpower plans becomes obvious for it is the most important method to use all the new achievements to their utmost.

d) Planning of material requirements and supply

Planning of material requirements is expected to result in a systematic survey about all the materials needed for producing foreseen goods. To determine demand for material presupposes, however, elaboration of standards expressing the material required for a certain basic unit of production. Though that demand is mainly influenced by the technical features of the products in question and the applied technology of manufacturing, their sole consideration cannot be sufficient. In the course of production, workers are influencing these technically-calculated standards and they are able to find out methods reducing the necessary amount of material. That is, why annual planning of materials required should proceed from the latest results of utilizing materials and the foreseem changings in technology being contained in the plan of technical progress. This is the only way so as to avoid that more materials are ordered than absolutely necessary-increasing stocks and, therefore, cost of production while in other factories these materials are urgently needed for expanding current or starting a new production.

But, when speaking about planning of material, some other problems are coming into the fore and should also be paid attention to. For example, to avoid from the very beginning a waste or uneconomical use of one's own or imported raw materials, central state authorities must have an eye to their application and utilization. And that includes the limitation of using raw materials for special purposes only up to the strict prohibition to process raw material of high value to final products of a low standard. To say it in plainer words, longstaple cotton is only and exclusively to be processed to fabrics of high quality. Particular attention is to be paid to the utilization of imported raw materials to make sure that they are not wasted for the production of less important articles, as we can notice it very often, but for such industrial goods that quality of material is actually required. This does not mean to establish a rigid scheme of planning and distribution all the materials. It must only be specified in such a way that figures about material required submitted by enterprises can be used for drafting balances of formation and distribution of that materials. Simultaneously, this

enables central state authorities to keep a strict eye on those demanding import of materials and to look for its further use.

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So, it becomes obvious that the plan of material requirements and supply has to reflect demand for the various kinds of materials and the sources materials are expected to come from.

Indicators concerning that must have such a quality they can easily be used as basis for concluding commercial contrasts or drafting of balances for such materials being of national economic importance.

e) Planning of cost and financing

According to the designation, this field of planning has to reflect expenditures for carrying out production process in financial terms and the way of how to finance this production. Hence, it is generally to be divided into the two sections:

> - planning of prime cost and profit - planning of financing.

The first section has to contain the **com**position of costs of single products and production as a whole. That is, it is expected in detail to show financial outlays for necessary wages and salaries, for consumed materials, for physical and moral wear and tear of machines and buildings and other services looked upon as elements of costs in public enterprises.

Since planning of cost does not end in simply reflecting necessary expenses but shall play an active part in

diminishing them, effects of all the foreseen improvements on costs have to be made evident. One can even say that this planning of the absolute or relative reduction of cost forms one of the main tasks of costing.

This so, because increase of efficiency of production is one of the crucial points of industrial progress in developing countries. Though they are, sometimes, favoured by natural conditions or, especially, by the level of wages and salaries, cost of their production is very often higher than in other countries. Higher cost entails, however, higher prices affecting the ability of enterprises to compete with imported goods on the home market or, what is even more important, effectively to sell their products on foreign markets. Of course, state taxes on imported goods and subsidies for exported production can protect or supportindustry in one's own country. But these methods do not solve the problem and they are only tem-porally applicable, i.e. they cannot be used for ever. Efficiency of production has rather to be increased by introducing and utilizing best new results of technical progress and by applying material incentives interesting working people materially increaching necessary reduction of costs. These material incentives are nothing but a certain part of the profit, and so the second part of planning of cost has been touched namely planning of profit . As to planning of profit we have in mind planning of formation and distribution of profit on the basis of and in dine with the effects or tasks of other fields of planning. That is, formation of profit is to be planned on the basis of the production plan and sales programs as well as by considering the effects of implementing technical progress. Distribution of profit, again, must also be derived from the planned development of the factory as concerns, for

example, expansion of production, expansion of working capital, etc., the formation of bonus funds and public enterprises contribution to the financing of tasks of superior authorities like organizations of public enterprises and the state.

What kind of formation and distribution is to be striven for shall be demonstrated in this plan.

The plan of financing industrial enterprises is supposed to show financial means required for financing fixed assets and working capital and respective sources. This includes necessary expenses for maintaining and repairing fixed assets, for implementing the plan of technical progress - especially; in as far as they are paid by the enterprise itself - and for carrying out production, i.e. for financing wages, salaries and materials.

Since not all the financial means are paid out of own funds of enterprises, the connections between them and other institutions taking part in financing their tasks, as organizations, state banks, etc., must be brought to light.

From what has been said it appears that mentioned parts of enterprise plans are, as a matter of fact, reflecting all the spheres of industrial enterprises activities. And as a main tool for leading that activities, respective plans have necessarily to be elaborated for internal and external purposes. It

depends, however, upon the adopted system of planning and the degree of centralization and decentralization of management in public sector of industry in which details enterprise plans are submitted to and confirmed by superior authorities. This is a question to be decided upon by every country separately.