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ECONOMIC COMMITTEE

ECONOMIC REVIEW OF EASTERN COUNTRIES:
CHANGE OF THE PLANNING SYSTEM IN BULGARIA

Note by the German Delegation

The National Conference of the Bulgarian Communist Party on 20th and 21st April, 1978 approved various measures modifying the Bulgarian planning system which had already been adopted by the Politbureau of the Bulgarian Communist Party in the Autumn of 1977 and had been introduced and tested in some sectors.

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Essential characteristics of the economic reform

2. It is the objective of these measures to increase the engagement of the workers in the economic process and to give more freedom of action to the enterprises. For this purpose the process of economic planning and the form of plan implementation have been modified.

3. Central planning, which continues to dominate, has been supplemented by a feedback mechanism which is to ensure the participation of the workers - through worker's brigades and local organizations - and the enterprises in the formulation of the plan. For the enterprises this means that they receive more global planning targets and not, as previously, very detailed planning index numbers, and that their mutual economic relations in the implementation of the plan are now determined by new criteria: instead of allocation and delivery now purchase and sale.

4. However, market economy elements are not to be introduced at once. Beginning with some supplies in the consumer goods industry, further sectors are to be included into this reorganization only gradually. Certain sectors of the Bulgarian economy - such as energy, basic products, heavy and armaments industries - will be excluded from the "more flexible planning". Moreover, the central planning authorities reserve themselves the right to fix prices and wages.

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Motives for the economic reform

5. Of decisive importance for the abandonment of a planning system strictly based on instructions will probably have been the realization - which is not new - that with the increasing complexity of the Bulgarian economy the failure of some enterprises to fulfil the plan has negative consequences throughout the economy.

6. Up to now, every enterprise could justify its own falling behind planning targets by referring to the failures of other enterprises even if only unimportant supplies failed to arrive. Now - and this seems to be the most important modification within the reform measures - the enterprises are committed to arrange for the continuous and timely arrival of supplies and the sale of their own goods under their own responsibility.

7. Moreover, the manpower shortage and excessive indebtedness vis-à-vis the West - with the consequence of fewer investment goods imports from Western countries - necessitate the increased release of domestic growth reserves in order to maintain satisfactory economic growth. Among the possibilities to achieve this are in particular a better organization of working methods within and between enterprises and the creation of additional incentives.

The question of material incentives

8. With respect to the granting of material incentives to the workers, the reform measures brought little change - also in comparison with the economic reform in Romania. The enterprises were only accorded a certain freedom with regard to the distribution of the net profit to the various funds of the enterprises. There is no direct profitsharing of the workers. They can only participate in the profits through the enterprise's fund for social benefits.

9. It is noted in this connection that the National Conference of the Bulgarian Communist Party originally was to discuss also "the remuneration of work" - in addition to the "further improvement of the planned economic performance of the national economy and the socialist organization of work". Even on the 23rd March, 1978 a press announcement of the Bulgarian Press Agency BTA still said that "some people" had proposed "to introduce a system of incentives which would be better understandable and more tangible for the workers". However, this subject was not discussed at the National Conference. The only outcome of the conference with regard to the future remuneration of the workers was Todor Zhivkov's announcement that the minimum wages can be increased by 12.5% until 1980. However, this has surely not been the last word on the question of a stronger interest of the workers in material improvements.

10. The Bulgarian leadership is obviously discussing the question at present whether in view of the precarious foreign trade situation at least the workers of enterprises producing export goods for Western countries should not receive part of their wages in foreign exchange to enable them, too, to buy in the KOREKOM shops which offer Western consumer goods and high-quality Bulgarian articles against hard currency (at present this is only possible for tourists and Bulgarians who can prove that they are legally in possession of foreign exchange).

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