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SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

RECENT DEVELOPMENTS IN THE BULGARIAN ECONOMY

Note by the Greek Delegation

A. THE GENERAL PATTERN

As can be seen from Table 1, although a relatively high rate of growth was achieved in Bulgaria, economic expansion in 1965 decelerated compared to 1964.

TABLE 1

Volume of national (material) income, consumption and accumulation 1961 to 1965, and 1966 Plan

Percentage changes from preceding year

	1961	1962	1963	1964	1965		1966
					Plan	Actual	
National income produced	2.8	6.2	7.5	9.9	7.7	6	9
National income distributed	2.0	8.0	12.0		7.7		
Consumption of which :	8.2	4.7	5.4	7.4	6.3		7.4
Individual	9.3	3.3	6.0		5.3		
Accumulation	-16.0	21.0	31.7		-22.8		

TABLE 2

Growth Rates of National Income produced in the last medium-term plan period

	<u>Plan</u>	<u>Actual</u>
1961-1965	9.8	6.5

2. In 1965, there was a moderate increase in the import surplus and distributed national income must have risen somewhat faster than the national income produced.

3. In Bulgaria, the plan stipulates for 1966 a rate growth of national income significantly above that of the previous year (and also above the 1965 Plan).

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B. INDUSTRY

4. As can be seen from Tables 3 - 5 , there has been in Bulgaria a very rapid industrial expansion.

Table 3

Global output (A), employment (B) and output per man (C)
in industry, 1962 to 1966 Plan

Percentage changes from preceding year

	1962	1963	1964	1965 Plan(1)	1965 Actuel	1966 Plan
A	11.0	10.0	11.4	9.8	13.7	10.6
B	2.9	5.7	3.7	3.3	6.7	4.3
C	7.9	4.1	7.4	6.4	6.7	6.0

- (1) Targets set in original plans. The figures shown in the table may differ from those implied in the reported data on the actual change during the year and the percentage of plan fulfilment, either because of plan modifications or because of differences in the base. Original plan figures are usually related to preliminary estimates for the base year: plan fulfilment reports, as a rule, relate to the final returns of the base year. The output plan figures as derived from the reported percentages of plan fulfilment are Bulgaria 8.6, Czechoslovakia 5.0, Eastern Germany 4.6, Poland 6.4, Rumania 11.6. For the Soviet Union, no percentage relating to the extent of fulfilment of the annual plan was published. The 1966 plan data for Rumania are given in terms of 1963 prices, the figures for the previous year in 1955 prices.

Table 4

Global industrial production in Bulgaria 1963 to 1966

a. Indices

1960 = 100

1963	1964	1965	1964				1965				1965 long-term target(1)
			I	II	III	IV	I	II	III	IV	
134.9	150.2	170.8	147.2	149.0	149.7	155.4	164.3	169.3	173.2	176.4	170

b. Percentage changes

I 1965 I 1964	II 1965 II 1964	III 1965 III 1964	IV 1965 IV 1965
11.6	13.6	15.7	13.5

- (1) The latest version of enacted plans, even if subsequently modified or officially abandoned. In cases where the years covered by the plans were different from the 1961 to 1965 period, allowance was made for the changes in years outside this period. Such corrections were necessary in the following cases: Eastern Germany: the index for the original plan covering the years 1959, to 1965 was 188 (1958=100); Rumania: the index for the original plan covering the years 1960 to 1965 was 210 (1959=100); and the Soviet Union, where the index for the original plan covering the years 1959 to 1965 was ca. 180 (1958=100).

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CHART

Global industrial production in Bulgaria - 1964 and 1965
1960 = 100 seasonably adjusted

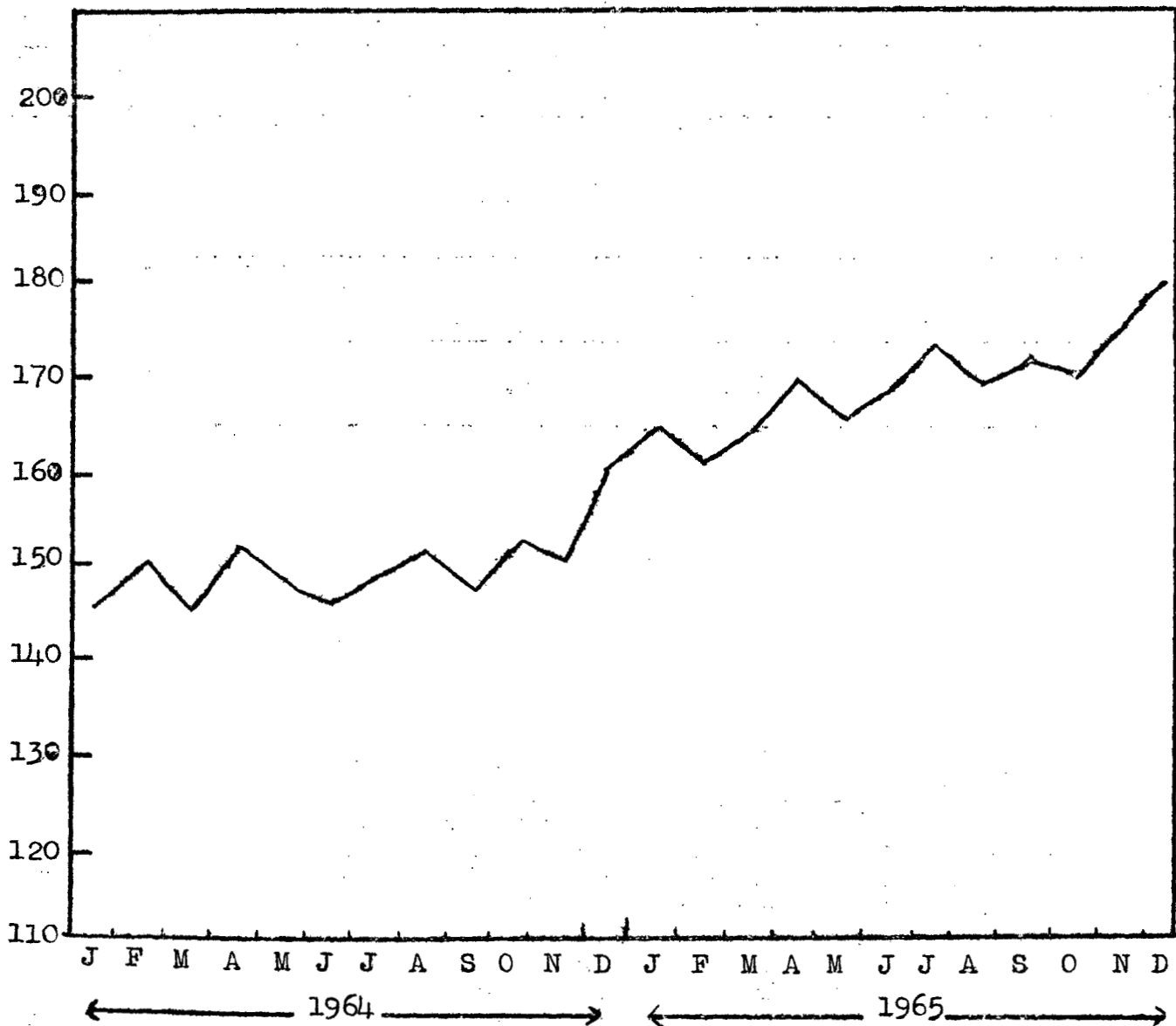


TABLE 5

Indicators of industrial activity by main branches in Bulgaria
1962 to 1966 PlanPercentage change in global output
from preceding year

Branch	1962	1963	1964	1965 Plan	1965 Actual	1966 Plan
Fuel	8.4	20.1	64.3	20.1	12.6	..
Energy	13.2	12.9	14.7	17.0	18.8	..
Ferrous metallurgy	36.3	19.0	32.4	21.4	28.6	..
Non-ferrous metallurgy	18.1	2.6	14.5	9.3	13.4	..
Engineering and metal working	23.6	20.5	16.9	17.3	20.6	..
Building materials	14.7	7.2	16.9	..	11.9	..
Chemicals and rubber	20.5	16.6	22.7	13.0	19.3	..
Timber and wood	7.4	0.7	3.5	..	2.3	..
Cellulose and paper	13.6	16.9	20.2	..	11.3	..
Glass and china	28.9	15.9	12.4	..	13.9	..
Textiles	5.2	6.4	3.3	4.9	7.9	..
Clothing	14.5	10.9	1.5	..	21.5	..
Fur, leather and footwear	27.4	13.6	-3.0	..	2.2	..
Food processing	4.9	9.0	7.9	..	11.3	..

5. In 1965 the expansion continued at a rapid rate in Bulgaria and the long-term industrial programme was successfully completed. The output of Bulgarian industry increased during the 1961-1965 plan period at an annual rate of 11.2 per cent - exactly as planned. The course of development during the plan periods has been as follows : high growth rates at the outset, dipping during the middle period and tending to rise towards the end. With a projected increase of 10.6 per cent for 1966, Bulgarian industry should practically maintain its past average growth rate.

6. Bulgarian industry increased its growth rate in 1965, surpassing the annual target by a considerable margin. With a new capacity being introduced at a rapid rate, most heavy industries could more or less sustain their high growth rates, and some achieved rates in excess of the 1964 results. However, it was the hitherto slowly growing branches - light industry and food processing - in which the acceleration was most pronounced and which contributed most to the overall improvement. About one-half of the rise in global industrial production during the year was attributable to higher output per man, compared with a planned 66 per cent - the contribution realized in 1964. This implies that employment rose

more than in the preceding year, and indeed it increased at twice planned rate (1).

7. Of the major branches, only in the fuel, building materials and pulp and paper industries did growth slow down considerably. In the case of the fuel industry this reflected a decrease in the rate of expansion of coal output from 16 to 3 per cent and a slackening in the growth of petroleum refining apparently due to delays in the full utilization of the Burgas refinery. Output of ferrous and non-ferrous metals, chemicals and the timber and wood-working industries rose at a rate only slightly below that of the previous year, and in the power, engineering, glass and china, textiles, clothing, footwear and food-processing industries, the rate of expansion quickened. The exceptionally fast growth of the metal industry continued almost unabated owing to a further extension of operations at the "Kremkovtzi" combine, the output of iron ore, pig-iron, raw steel and rolled products rising by 152, 52, 24 and 19 per cent respectively. This rapid growth is planned to continue in 1966, with the introduction of much more capacity (2). Power output rose 19 per cent. The current plan calls for the installation of an additional 670 MWh capacity, and it was stated officially that at the end of 1966 the construction of an 800 MWh atomic power station will begin. The output of the machine-building and metal-working branch rose by 21 per cent, reflecting significant increases in the output of ball-bearings, tractors, and

(1) This general pattern was repeated in most branches, as shown by the following figures :
The proportion of output increases attributed to labour productivity improvements

	<u>Percentages</u>	
	<u>1964</u>	<u>1965</u>
Electricity	53	73
Fuel	84	40
Ferrous metals	23	16
Non-ferrous metals	83	60
Engineering	66	52
Printing	30	57
Chemicals and rubber	29	50
Construction materials	75	59
Timber and woodworking	128	152
Pulp and paper	79	42
Food processing	90	27

(2) The "Kremkovtzi" programme envisages the operation of three new converters each with an annual capacity of 100 thousand tons, a hot rolling mill of 1,2 million tons capacity and new iron ore mines with one million tons capacity. Moreover, the hot rolling mill at the "Lenin" metal works is to be enlarged to an annual capacity of 200 thousand tons. Output of pig-iron is planned to rise to one million tons, that of crude steel to 950 thousand tons, and that of hot rolled products to 465 thousand tons, representing rises of 45, 62 and 8 per cent respectively over the 1965 levels of production.

forklift and platform trucks, a substantial number of the latter being exported (1). Production of household refrigerators rose 81 per cent and of television sets 37 per cent, but the output of some other appliances, including radios and washing machines, decreased. In 1965, the textiles and clothing industries attained record growth rates for the nineteen-sixties the output of clothing rising by as much as 22 per cent as a result of lower retail prices and larger exports.

C. AGRICULTURE

8. In the agricultural sector of Bulgaria, the accumulated effects of both direct and indirect investment undertaken in recent years are gradually beginning to have an impact: the agrotechnical basis for productivity advances is clearly being consolidated. These developments are shown in the tables below:

TABLE 6

Global agricultural output, 1962 to 1966 Plan
Percentage increase over preceding year

	Average cumulative 1959-64	1962	1963	1964	1965 Plan	1966 Actual	1966 Plan
Total	3.5	4.2	2.6	11.4	8.0	-	10.7
Crop output	3.0	8.8	4.6	10.3	..	-3.5	14.7
Animal output	4.6	-3.7	-1.1	13.7	..	6.8	3.5

TABLE 7

Livestock numbers and output of livestock products 1962 to 1965

9. Numbers of livestock in thousands, output of meat and wool in thousands of tons, of milk in millions of litres, of eggs in millions.

	Number				Output			
	Cattle	of which Cows	Pigs	Sheep	Meat	Milk	Eggs	Wool
1962	1,582(2)	600	2,066	10,107	525	1,093	1,316	23
1963	1,494(2)	568	2,097	10,308	497	1,136	1,246	24
1964	1,470(2)	576	2,607	10,440	545	1,246	1,326	25
1965	..	..	..	..	..	..	..	..

- (1) It was reported that the output of the engineering industry now meets 27 per cent of domestic needs: nearly 30 per cent of the output of this industry is exported.
- (2) Excluding buffaloes.

TABLE 8

Production and yields of some basic crops in Bulgaria, 1962 to 1965
and 1966 Plan

Output in millions of tons and yields in quintals per hectare

	Production				Yield			
	1962	1963	1964	1965	1962	1963	1964	1965
Wheat	2.03	1.89	2.12	2.90	16.7	15.8	17.7	25.3
Barley	0.60	0.62	0.76	0.87	19.7	17.9	21.2	23.7
Maize	1.56	1.73	2.06	..	23.7	26.0	30.9	22.9
Potatoes	0.36	0.41	0.50	..	74.0	83.3	104.9	..
Sugar-beet	1.12	1.12	2.10	..	165.5	162.2	270.3	..
Sunflower seed	0.36	0.34	0.34	..	13.1	13.2	14.1	..

10. Global output remained at last year's level. Though output of the crop sector declined, the production of bread against cereals was a record, 35 percent more than in 1964 from a slightly reduced area; the progress recorded in the field of seed selection, especially in the case of wheat, is beginning to show results. The rice crop from enlarged irrigated areas is reported to have been about 29 per cent greater than in the previous year. However, the severe drought, which started as early as May, adversely affected most spring-sown crops, especially maize. The sunflower seed harvest did not reach the 1964 level despite the fact that a larger area was given over to this crop. Output of cotton, tobacco and sugar-beet fell by 14, 22 and 37 per cent respectively. Vegetables also suffered and the yields of most fruits, except plums and prunes, were small, but the harvest of wine and table grapes was exceptional, with the crops exceeding those of the previous year by 80 and 68 per cent.

11. Information relating to changes in the livestock population is incomplete. Numbers in state and collective farms at the end of the year were smaller (1), though changes in the private sector may have compensated for this decline. Animal output in all categories increased mainly due to productivity improvements. Preliminary estimates indicate increases of about 4.5 per cent in milk yields per cow, 4 per cent in wool cut per sheep and of nearly 7 per cent in the number of eggs per laying hen (2).

(1) Percentage changes in 1965 in numbers of livestock on state and collective farms, when compared with 1964, were : -2.3 per cent for cattle (+0.3 per cent for cows), -5.8 per cent for sheep, +6.1 per cent for pigs, and -14.1 per cent for poultry.

(2) Information supplied to the ECE Committee on Agricultural Problems, Geneva, December 1965.

Table 9

Supplies of tractors, grain combines and chemical fertilizers in Bulgaria 1962-1965

12. Tractors and combines in thousands: fertilizers in kilogrammes of pure content per hectare of arable land.

S t o c k s											
Tractors(1)				Combines							
1962	1963	1964	1965	1962	1963	1964	1965				
48.4	54.6	61.7	67.4	10.6	11.9	12.0	11.9				

D e l i v e r i e s											
Tractors(1)				Combines				Fertilizer application(2)			
1962	1963	1964	1965	1962	1963	1964	1965	1962	1963	1964	1965
..	..	6.3	7.1	..	..	1.4	1.4	31.4	36.5	58.7	73.0

Sources: Statistical yearbook

D. INVESTMENT OUTLAYS AND CONSTRUCTION

13. A comparison of the rates at which investment expended in 1964 and 1965 shows a considerable rise.

Table 10

Fixed investment outlays, 1964 to 1966 Plan
Percentage change from the previous
year

Sector	1964 Actual	1965 Plan	1965 Actual	1966 Plan
Total Socialist sector	10.2	4.8	ca.12	..

14. Production in the construction industry, the other major industry supplying recourse for capital investment, repairs and maintenance, increased by 13 per cent. Annual output was much higher than planned (since only a 4 per cent rise had been envisaged).

(1) Tractors in h.p. units

(2) Fertilizers per hectare of arable land, except in Albania and Bulgaria (per hectare of cultivable land).

TABLE 11

Changes in output, employment, productivity and fixed assets
per worker in the construction industry, 1960 to 1965

Indices

Year	Output	Employment	Output per man	Fixed assets per wage-earner
1964 (1960 = 100)	..	130	..	153
1965 (1964 = 100)	113	..	..	..

15. As the accompanying table shows, the proportion of completed fixed investment tended to increase in the more recent years.

Addition to the stock of uncompleted investments
as percentage of total fixed investment

Year	Percentage
1951 - 1955	11.1
1956 - 1960	15.4
1961 - 1964	9.2
1961	22.4
1962	16.8
1963	4.6
1964	- 3.0

Sources : National statistical yearbooks; and Kapitalni Vlozhenia N.R. Bulgarie 1964.

Medium - term plan fulfilment

16. Investment during the now completed medium-term plan periods was roughly in accordance with the plan. (See table 12); the volume of state and collective farm investment in 1959 - 1965 corresponded almost exactly with the plan target.

17. The total volume of planned investment was not achieved, (see table 12). Investment in the 1961-1965 period was 7.6 billion leva instead of the planned 8.2 billion (at relatively stable "current" investment prices). This enabled the investment goals in industry and transport to be reached, but not those in agriculture and housing and other non-productive sectors where there were substantial investment deficiencies.

Table 12

Fulfilment of medium-term investment plans in Bulgaria
1961-1965

Current prices

Period	Billion units of national currency		Percentage distribution	
	Plan	Actual	Plan	Actual
Total of planned investment(1) of which:	8.22	7.6	100.0	100(2)
Industry	3.38	3.5(3)	41.1	46.5
Agriculture	2.27	2.0(3)	27.6	26.0
Transport and communications	ca.0.52	0.6(3)	6.4	7.7
Housing and social services	ca.0.48	1.5(3)	(5.8	(19.8
Other services	1.57)		(19.1	

E. CONSUMERS' INCOMES AND SUPPLIES

18. Consumption levels in Bulgaria seem to have continued to rise at the rather high rate experienced during the preceding two years. Total money income of the population rose considerably faster than the volume of consumption - reflecting increases in price levels and a more proportionate growth of personal savings - and faster than had been planned. The latter discrepancy was due to a difficulty of keeping the wage-fund within the planned limits, in turn attributable principally to a failure to control the rise in non-agricultural employment.

Table 13

Average nominal and real wages in Bulgaria 1963-1966 Plan
Percentage change from precedeing year

Nominal Wages			Cost of Living			Real wages				
1963	1964	1965	1963	1964	1965	1963	1964	1965	1965 Plan	1966 Plan
3.3	2.4	2.3	2	-	-0.4(3)	1	2	3	..	1.6(4)

Source: Statistical Yearbook

- (1) Planned investment excludes rural dwelling construction.
- (2) Refers to 1961-1964.
- (3) Estimate by the Secretariat of the Economic Commission for Europe.
- (4) Average nominal wage

Table 14

Volume or value of retail trade turnover, including
public catering, 1963 to 1966 Plan

Percentage change from preceding year

	1963	1964	1965	1965 Plan	1966 Plan
Total sales	9.1	5.3	7.8	6.6	5.9
Food	6.3	5.3	..	..	3.7
of which: Catering	7.7	4.7	7.6	..	9.4
Non-food	12.0	6.3			

Sources: National statistics, plans and plan-fulfilment reports;
Pénzügyi szemle, No 1, 1966; Sovetskaya trgovlya,
No 1, 1966

Table 15

Retail sales of some products in Bulgaria 1963, to 1965

Percentage change from preceding year

	1963	1964	1965
Meat	10	16	9
Meat products	10	-7	-
Sugar	10	6	6
Butter	..	..
Milk	14	8	13
Cheese	2	8	-2
Eggs	-9	17	-1
Fresh fruit	-3	-2	15
Fresh vegetables	12	-1	1
All fabrics	..	..	..
of which:			
Woolen fabrics	..	-2	6
Cotton fabrics	7	-4	5
Silk fabrics	12	10	7
Ready-made clothing	14	7	10
Footwear	4	12	-3
Bicycles	..	..	..
Motor-cycles and scooters	..	..	..
Washing machines	37	8	3
Refrigerators	109	35	69
Sewing machines	..	41	..
Vacuum cleaners	..	..	..
Watches	3	-13	..
Motor cars	73	-34	69
Radios	5	2	-9
Television sets	74	54	9
Furniture	11	5	7

19. Delayed benefits from the excellent 1964 harvest and the continuous expansion of the output of consumers' goods industries enabled incomes and consumption to rise in 1965, although agricultural output did not rise in that year. After several years of little progress, average real wages rose by about 3 per cent in 1965, a result of a 2.3 per cent increase in average nominal wages and a decrease in the cost of living - the latter being influenced by cuts in the prices of some textiles and clothing articles and in those of fruit and vegetables (1). The working population has also benefited from a further increase in employment (2) and the usual concomitant increase in the ratio of wage-earners in the family (3).

TABLE 16

Dwelling construction 1963 to 1966 Plan

	Thousand sqm. of total space				
	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1965</u> Plan	<u>1966</u> Plan
Total	2,647	2,806	..	..	..
Under state plan	357	523	..	..	..
Co-operative and individual	2,290	2,283	..	..	..

Sources: Statistical yearbook, plans and plan-fulfilment reports

F. FOREIGN TRADE

20. In 1965, both exports and imports grew faster than in 1964, as it is shown in the following table :

TABLE 17

Foreign trade of Bulgaria 1963 to 1966 Plan

	1965 value in million dollars	1963	1964	1965		1966 Plan
				Plan	Actual	
				Percentage change over previous year		
Exports	1,160	8.0	16.2	19	19.7	..
Imports	1,275	18.9	13.4	16	20.5	..
National income		7.5	9.9	7.7	6.0	9.5

- (1) A comparison of changes in the value and the volume of retail trade turnover suggests a decrease in the price level of about 0.5 per cent.
- (2) No data have been published about changes in total employment in the national economy, but the industrial labour force expanded by as much as 6.6 per cent.
- (3) In 1964, the average urban household consisted of 3.63 members, of which nearly two were in gainful employment. Rabotnichesko delo, 21 December 1965.

21. As already indicated, Bulgarian Foreign trade continued to grow at a rapid rate in 1965. Exports rose by 19.7 per cent, slightly exceeding the plan target, and imports by rather more than 20 per cent, compared with a planned rise of 16 per cent. The trade deficit was \$115 million, compared with \$89 million in 1964 and a planned \$46 million. That the rise in imports was greater than planned was largely due, it seems, to the more rapid rate at which credit facilities were made available by the Soviet Union in order that certain important investment projects be speedily completed. In addition, it seems that use has been made of medium-term credits obtained from some western European countries.

22. The unusually rapid expansion of Bulgarian exports was the result of the combined effect of several factors. First, exports continued to enjoy a high priority in the allocation of domestic output (reflecting, in turn, the high import dependence of domestic economic activity), and the market for Bulgarian goods in eastern European countries was supplemented by a growing demand (particularly for food products and metals) in western Europe. Secondly, the rapidly expanding metal-using industry (and, above all, engineering, specialising in the production of some hundred types of machines) raised its exports by about 21 per cent to the point where it accounted for roughly one-quarter of total exports. Thirdly, despite the fact that there was little change in the level of agricultural output, the value of food exports continued to rise, partly at the expense of the growth of domestic consumption and partly due to a higher share of the more highly processed products. Fourthly, a significant contribution to the export expansion has been made by the expanding chemical industry. The accelerated rate of industrial expansion and lively investment activity were responsible for raising imports beyond the planned level.

G. INSTITUTIONAL DEVELOPMENTS

Defence Expenditure

23. As it results from Table 14 on page 33, defence expenditure rose between the years 1959 and 1962 from 163 million leva to 258 million leva that is an increase of 58.3 per cent or an annual rate of 16.5 per cent. There are no relevant data available for the years 1964 and 1965. If, however, the average annual rate between the years 1959 and 1962 is applied here as well then the defence expenditure for the years 1964 and 1965 would be 301 million leva and 351 million leva respectively, (or in million dollars: 1959 139; 1962 220; 1964 257 and 1965 300).

General features

24. In Bulgaria, where some experiments had been conducted with almost no publicity, the basic principles of a new economic system were prepared by the Political Bureau of the Party and published on 4th December, 1965(1). The "basic principles" of this Bulgarian reform have their origin in a process which had started some years previously. In 1963 preliminary experiments with a new system were conducted in several selected enterprises. By April 1964, fifty-two enterprises were operating very much in the manner defined by the new "basic principles", and since April 1965 the number of enterprises covered by the experimental scheme has been constantly increasing. The experimental scheme is to be terminated by the end of the current year, so that 1967 could see the new system being implemented throughout the economy.

(1) Rabotnichesko delo, 4 December 1965

25. One of the main objectives of the new system is to endow the enterprise with more independence, and thereby to instil the management and the workers' collective with more interest in its performance. Thus, the "basic principles" provide for a sharp reduction in the number of centrally fixed targets, emphasizing the need for a greater degree of initiative at the enterprise level and the importance of direct ties between economic units. Out of the maze of mandatory indicators, which existed under the old system, only five now remain, though there is a proviso that a number of other targets, defined as "calculative" indicators, should be fixed by the enterprise itself.

26. The five centrally-determined targets are:

- (i) Production assignments in physical terms for the most important products(1);
- (ii) The upper limit for the amount of capital investment and operation of new production capacity;
- (iii) Limits concerning the use of certain important materials;
- (iv) The exports targets, expressed in foreign currency, and the amount of foreign currency to be placed at the disposal of the enterprise for the purchase of imports;
- (v) A list of the most important construction projects and the territorial distribution of productive resources, in the case of projects of a nation-wide and/or regional importance.

27. Other targets such as global output, the proportion of total output destined for the market, the variety of products, total profits, reductions in the cost price and the changes in labour productivity, are all to become the subject of "calculative" indicators(2). Once these have been determined by the enterprise in the light of certain control figures received from the central authorities, they are passed to higher-level organizations as informative material for the preparation of the national plan.

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- (1) According to the temporary statutes of the enterprises working under the new system, the number of items for which production assignments will continue to be fixed centrally will be 124.
 - (2) The gross income of the enterprise seems to be considered a particularly important indicator of the enterprise's activity, but it is supplemented by two additional criteria: distribution of gross income between the enterprise and society, and the ratio between the wage-fund and net income(profit). Notwithstanding the importance attached to gross income, profit is described as "the most synthetic indicator of the way in which the means of production and the labour force are being used in each individual enterprise". The relative weights attached to these indicators, therefore, are not altogether clear.

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28. The new Bulgarian system is intended to improve the traditional pattern of material incentives tied to the fulfilment or over-fulfilment of the various specific norms and target. Earnings are to be split into two parts: the first, to be paid during the main accounting period, is intended to reflect individual effort and qualifications, etc. (as provided for in the wage-scale system), and the results expected for the enterprise, the second, to be paid at the end of a given period, will depend entirely on the results finally obtained. In other words, it is intended to involve a system which will stimulate the workers' active interest not only in particular aspects of the enterprise's performance, but also in anything which can affect the enterprise's income. It is also hoped that the "production committees", to be established under the new system and which will include workers' representatives, will reinforce the expected incentive effects of the new wage system.

29. The wage scales will continue to be determined centrally. Moreover, it is required that the growth of the total wage bill (including payments out of profits) should not exceed the growth of productivity. Subject to these qualifications, decisions concerning the wage bill are left to the enterprise, implying that direct central control of the wage-fund has been surrendered. In exchange, fiscal and price policies and instruments are to be used to influence the decisions taken by enterprises in respect of wages; and, in addition, long-term normatives (to be centrally determined and varied between industrial branches and groups of enterprises) will be established for the relative growth of productivity in wages.

30. As in other countries of the area where economic reform is proceeding, decentralized investment is to become more important in Bulgaria. The growth fund, as well as others (1) at the disposal of

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- (1) Enterprises will have at their disposal the following funds:
- (i) The "growth and technical improvement" fund (for capital repairs, the introduction of new techniques, etc.) which, in addition to allocations from profits, will absorb between 40 and 70 per cent (and, in the case of co-operative enterprise, up to 100 per cent) of depreciation allowances;
 - (ii) The "social and cultural undertakings" fund (for increasing "collective" material incentives in the form of housing, recreation facilities, etc.) financed by allocations from "income for consumption and assets available for non-productive activities, etc.;
 - (iii) The reserve wage and salary fund (to be used in periods of depressed activity) financed by 0.3 to 0.5 per cent (according to the branch) of income available for individual distribution.

In commercial and co-operative enterprises (with the exception of public catering) a fund for "the regulation of retail prices" will also be established. This fund will be mainly to enable the enterprise to reduce the prices of old-fashioned goods and those which, for one reason or another, do not sell easily. Contributions to the fund will come from deductions from the enterprise's income for distribution from allocations by the Ministry of Trade and from the sales of fruits and vegetables at prices which are above the "calculative" ones.

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the enterprise, will be enlarged, and enterprises will also be authorized to apply to the banks for interest-bearing loans when in need of additional fixed and working capital. A capital charge on the fixed and working assets of the enterprise - amounting to 2 per cent in extractive industries, construction, trade and the procurement of materials, and to 5 per cent in other branches - will be introduced.

31. The "basic principles" do not deal systematically with the problem of prices, but they nevertheless indicate that in a number of cases enterprises will enjoy a certain amount of scope for independent decisions. While the prices of goods that are considered to be of decisive importance for domestic output and the consumption of the population will continue to be determined centrally, three new categories of prices will be introduced : first, there will be prices (for products outside the scope of inter-enterprise contracts) determined by the enterprises within limits set by the state; secondly, prices to be agreed by enterprises when drawing up contracts - again within centrally fixed limits; and thirdly, prices of goods mainly of minor importance to be determined in the course of contractual negotiations between the producing units and the trading organizations.

32. The reform also provides for the creation of economic associations, both of the vertical and horizontal types, which in some cases may also engage in trade activities. At the same time, and as already indicated, the development of direct contracts between economic units is expected to be very important. It is true that such contracts are by no means new, but under the old system they were conceived primarily as an instrument for the implementation of the plan. In the future, however, enterprises will be allowed to enter into contracts on the basis of control figures only (which are of an indicative character), and the conclusion of contracts is to become part of the process of the formulation of national plans.

STATISTICAL ANNEX

1. Output of selected industrial products 1963 to 1965 and 1966 Plan.

Product	1963	1964	1965		1966
			Plan	Actual	
Electric power (million KWh)	7.2	8.7	10.0	10.2	11.5
Coal(1) (million tons)	21.9	25.5	28.7	26.2	..
Petroleum (million tons)	0.17	0.16	..	0.23	..
Natural gas (billion m ²)	-	-	-	-	-
Pig iron (million tons)	0.27	0.46	0.61	0.69	1.00
Caustic soda (thousand tons)	20.8	29.7	..	33	..
Plastic and resins (thous. tons)	19	25	34	33	..
Synthetic and artificial fibres (thousand tons)	-	-	-	-	-
Cement (million tons)	2.2	2.6	2.8	2.7	..
Paper (thousand tons)	71	79	87	85	..
Crude steel (million tons)	0.46	0.48	0.58	0.59	0.95
Rolled steel (million tons)	0.35	0.36	0.44	0.43	0.47
Mineral fertilizers (2) (th. tons)	171.5	295.7	354.0(3)	344.6(3)	..
Sulphuric acid (thous. tons)	269.3	290.8	335	319	..
Metal cutting machine tools (thousands)	5.8	6.0	..	..	..
Tractors (two axle) (thous.)	-	1.5	..	2.8	..
Electric and diesel locomotives (4) units)	-	-	-	-	-
Railway freight wagons (thous.)	1.63	1.39	..	1.58	..
Motors-lorries (thous.)	-	-	-	-	-
Passenger motor-cars (thous.)	-	-	-	-	-
Television sets (thous.)	29	54	70	74	..
Radios (thousands)	204	142	..	130	..
Domestic refrigerators (th.)	16	22	..	41	..

- (1) Hard coal, brown coal and lignite
(2) Hot rolled steel
(3) Excluding steel tubes
(4) All mineral fertilizers in terms of pure content.

1. Output of selected industrial products 1963 to 1965 and 1966 Plan (Contd.)

Product	1963	1964	1965		1966
			Plan	Actual	
Domestic washing machines (th.)	96	106	..	89	..
Bicycles (thousands)	21	..	..	..	..
Cotton fabrics (million m.)	251	269	282	291	..
Wollen fabrics (million m.)	18.9	18.7	19	19	..
Leather footwear (million pairs)	10.4	9.9	..	13	..
Meat (thousand tons)	166	178	..	207	..
Butter (thousand tons)	9.5	11.6	..	12	..
Sugar (thousand tons)	143	225	229	315	..
Vegetable oil (thousand tons)	100.7	95.7	103	98	..
Fish catch (thousand tons)	4.3	9.9	..	15	..

2. National Income (Net Material Product)
at current prices

(In million leva)

Year	National Income (Net material product)
1953	2,779.8
1954	2,708.1
1955	2,820.3
1956	2,744.7
1957	3,208.9
1958	3,486.3
1959	4,219.8
1960	4,488.8
1961	4,715.8
1962	5,158.2
1963	5,675.8
1964	6,203.7

3. Expenditure on gross national product at market prices

(In million Leva)

Year	Net ma- terial product at mar- ket prices	Individ- ual con- sumption expendi- ture	Collec- tive consump- tion expend.	Net Fixed capital forma- tion	In- crease in stocks	Ex- ports Of good and productive services (1)	Less Im- ports	Net factor income from abroad
percentage distribution								
1953	2,779.8	68	6	7	20	-1		.
1958	3,486.3	73	6	10	8	3		.
1960	4,488.8	66	6	14	13	1		.
1964	6,203.7	66	6	20	12	-4		.

(1) Includes a statistical discrepancy.

4. Industrial origin of gross domestic product
at factor cost.

(In million Leva)

Year	Net Material product at fac- tor cost	Agri- cul- ture	Industrial activity		Constr- uction	Trans- port and commu- ni- cation	Whole- sale and retail trade	Other (1)
			Total	Manu- factu- ring				
Percentage distribution								
1955	2,820.3	30	34	..	8	5	20	3
1958	3,486.3	33	41	..	7	4	12	3
1960	4,488.8	32	46	..	7	4	9	2
1964	6,203.7	34	45	..	7	4	8	2

(1) Other branches of material production.

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5. Retail and wholesale trade

Index numbers of value

1958 = 100

	1948	1954	1955	1956	1957	1959	1960	1961	1962	1963	
			<u>A. Retail Trade</u>								
	...	73	77	82	91	117	130	142	153	171	
			<u>B. Wholesale Trade</u>								
General	...	83	87	93	91	115	106	108	113	128	
Food	...	106	115	122	96	122	83	91	100	113	
Non-food	...	73	75	81	89	111	115	115	119	135	

6. External Trade

Value in million U.S. dollars

	1938	1948	1953	1955	1956	1957	1958	1959	1960	1961	1962	1963
					<u>Imports C.I.F. (1)</u>							
60	...	200	250	251	332	367	580	633	666	780	915	
					<u>Exports F.O.B.</u>							
68	...	206	237	302	370	373	467	572	663	773	838	

(1) Beginning 1943, imports F.O.B.

7. Index Numbers of External Trade

1958 = 100

1938	1948	1955	1956	1957	1959	1960	1961	1962	
				<u>Imports</u>					
				Volume Index					
...	...	66	67	89	168	172	183	220	
		Unit Value (Price) Index (in US dollars)							
...	...	104	103	102	95	...	...	...
				<u>Exports</u>					
				Unit Value (Price) Index (in US dollars)					
...	...	108	101	101	99	...	...	...

8. Wages and Prices(1)

Earnings in manufacturing(2). by hour(H), day(d), week(2) or month(M)

M. Male F. Female MF. Both sexes

Code	Sex	Unit	1948	1955	1956	1957	1958	1959	1960	1961	1962	1963
M(3)	MF	Lev	...	66	67	70	72	75	79	83	85	88

Source: International Labour Office

-
- (1) Socialist sector
 - (2) Including mining and electricity and quarrying
 - (3) Including payments in kind

9. Consumer price index numbers

Annual averages

A. All items B. Food 1958 = 100

Code	1948	1955	1956	1957	1958	1959	1960	1961	1962	1963
A.	...	108	100	100	100	99	99	99	103	...
B.	...	105	99	100	100	100	101	103	108	...

10. Estimates of national income(1)

In 1000 million leva

1953	1955	1956	1957	1958	1959	1960	1961	1962	1963
2.78	2.82	2.74	3.21	3.49	4.22	4.49	4.72	5.16	5.68

11. Index numbers of total and per capita product at constant prices. 1958 = 100

A. Total B. Per capita

Code	1950	1953	1955	1956	1957	1958	1959	1960	1961	1962	1963
A(1)	...	78	82	83	94	100	122	130	134	141	...
B(1)	...	82	85	84	95	100	120	128	130	136	...

(1) Net material product at market prices

12. Average annual rates of growth of real product and its components

B. Net material product (in per cent)

Period	NMP(1)		Expenditure on NMP(1)			Industrial origin of NMP(1)			
	Total	Per capita	Individual consumption(2)	Collective consumption(3)	Net fixed capital formation	Agriculture and forestry	Mining and quarrying	Manufacturing(4)	Construction
1955-61	8.9	7.9	8.0	9.8	10.3	...	...	...	...

13. Exchange rates

Leva per U.S. dollar

Unit	Official Parity
Leva	1.17

- (1) Net material product at constant prices
- (2) Expenditure by the population for those goods and "productive" service which are considered part of the material product of the country
- (3) Refers to that part of the material products spent to meet requirements of those activities which are not included in the material product proper, e.g., public administration and defence, education and other services
- (4) Includes the production of electricity and gas

14. Budget accounts and public debt

Million leva

Items	1959	1960	1961	1962	1963	1964	1965
			<u>Calendar years</u>				
Expenditure:						E	E
Education	172	213	235	245	259	}	
Public health	103	124	131	140	150		
Science, art, culture	57	61	57	54	60	}	853
Social security	217	242	271	305	347		
Defence	163	179	217	258	}	}	75
Administration	72	74	73	81			
Other current expenditure	258	238	250	338			546
National economy	1,585	1,864	2,042	1,813	2,103	1,450	1,625
TOTAL	2,627	2,995	3,276	3,234	3,500	2,924	3,121
Receipts:							
Turnover tax	1,496	1,547	1,630	1,587	1,738	}	
Share in profits of the state enterprises	452	525	626	476	602		
Other receipts from the national economy	238	263	320	386	355	}	2,173
Taxes from population	158	194	222	229	216		
Other receipts	358	538	520	579	642		765
TOTAL	2,702	3,067	3,318	3,257	3,553	2,938	3,132
Balance (+) or (-)	+75	+72	+42	+23	+53	+14	+11

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