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REVIEWS 2 YEARS OF RUMANIAN ECONOMY PRIOR TO FIVE-YEAR INVESTMENT PLAN

R. Saveanu

The investment plan constitutes one of the most important parts of the Five-Year Plan. The plan provides for the investment of 1,330,000,000,000 lei in the entire economy of the RPR (Rumanian Peoples' Republic) during the period 1951 - 1955. As a result of these investments, the basic funds of industry will be nearly doubled. This means that, as progress in the realization of the plan continues, an increasingly larger share of production will be supplied by new enterprises created during the period of the Five-Year Plan.

In 1949, investments amounted to only 110 billion lei, but in 1950 they exceeded 161 billion. In 1951, they will exceed 193 billion and, in the last year of the Five-Year Plan, they will reach 320 billion lei (computed on the basis of 1950 prices).

Thus it becomes obvious that the realization of the production plan and of the necessary cultural activities will be increasingly conditioned by the execution of the investment policy prescribed by the Five-Year Plan.

This is why it is a mistake to attach more importance to the production plan than to the investment plan, which is unjustly assumed to be of only "secondary importance." It should not be forgotten that tomorrow's production is dependent on the realization of the investment plan today.

Gains During 1949 - 1950

During 2 years of planned labor, the labor force of Rumanian economy has increased. Our workers have learned to manage our socialist enterprises by acquainting themselves with the achievements and advanced working methods of the Soviet Union. Proof of this was the 100 percent increase in the industrial production of 1949 and 1950 (over that of 1948) which easily exceeds the highest level of industrial production ever achieved in Rumania prior to 1938.

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New branches of industry, such as machine building and the electrical industry, were created. Large quantities of machinery of high quality have been manufactured.

The technological exhibit in the fall of 1950 demonstrated the rapid development of the new industries. New types of machine tools manufactured for the first time in the RPR, such as large parallel lathes, horizontal boring machines, machines for manufacturing bearings, polishing machines, sheet-metal cutters, electric motors and transformers, compressors, tractors, trackless trolleys, and equipment for the mining and oil industries were displayed. Large investments were made to assure the manufacturing of such machinery by industry. During 1949 and 1950, over 270 billion lei were invested in the national economy.

The 1949 investments have tripled and the 1950 investments are 4.5 times as large as those of 1948. The continuous expansion of the national income (which during 1949 increased by 25 percent) has permitted the accumulations and investment of large amounts of capital.

Need for Modernization of Enterprises

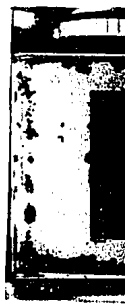
One of the most important and urgent tasks is the completion and modernization of existing enterprises. The older factories were equipped with antiquated machinery. One of their worst features was the almost complete lack of coordination between the productive capacities of the various sections of the same enterprise. Hence, the need for investments to bring about the alignment of the productive capacities of the various sections with that of the most advanced one, thus eliminating, to a considerable extent, the deficiencies in production which prevented a general increase in the productivity of our socialist industries.

Another bad feature of nationalized industry was the large number of small, nonspecialized, scattered, and poorly equipped industrial enterprises producing miscellaneous items and suffering from low labor productivity. To correct these features, especially in 1949, a part of the investment was devoted to the consolidation of these small enterprises into medium-sized or large industries. The situation in the electrotechnical industry where 50 small semiindustrial enterprises were consolidated into 15 large factories, whose over-all production in 1950 exceeded that of the individual enterprises in 1946 by 700 percent, is characteristic.

The number of industrial units completed and put into operation was even higher in 1950 than in 1949. They include: the Ovidiu I and Crainicel-Valing central electric power stations with total power of 11,300 kilowatts, the Galati-Braila and the Cluj-Campia Turzii high-tension electric cables systems, the Arad Victoria Machine-Tool Factory, oil refining installations the Saros-Ghimba gas pipeline, a blast furnace (reconstructed) and four Siemens-Martin furnaces, a steel rolling mill, a processing station for nonferrous minerals, an independent section for the manufacture of machine bearings at the Rasnov Machine-Tool Factory, two plants for the manufacture of electrolytic caustic soda, a plant for the manufacture of phenol and synthetic resins and one for sodium bichromate, a cement factory, four spinning mills with 26,500 spindles, six sawmills, silos and granaries for the storage of cereals with a total capacity of 160,000 tons, the Piatra Neamt-Pangarati railroad line, and the Arges River Dam for the Bucharest water supply.

Investment Plan Weaknesses

Although the investment year plans were surpassed by 22 percent in 1949 and by 5 percent in 1950, they were not always carried out in accordance with provisions.



Certain construction exceeded the prescribed volume (in cases where the projects were already in progress); other industrial units were completed and put into operation either on or ahead of schedule. There were also instances in which the prescribed volume of construction was not fulfilled or in which the industrial units were not put into operation in accordance with the schedule established by the plan.

In certain instances, these failures prevented certain branches of Rumanian industry from fulfilling the requirements set by the plan. An example is the case of coal-mining operations and the construction of homes for coal miners in which the production plan was only 96 percent fulfilled. Another was the delay in constructing the lignite processing plants (due to the failure of the Steaua Rosie (Red Star) Works to deliver the necessary machinery on time) which resulted in failure to fulfill the production plan for processed coal.

The failure to accomplish on time the scheduled construction at the Textila Grivita (Grevita Textile) Factory resulted in the nonfulfillment of the plan for uncombed wool, and the failure to complete the construction of the electric power station at Baia Mare was responsible for the decline in production of several industries for lack of electric energy.

Several industrial units constructed were defective, due either to the complexity of the project or to errors in planning or execution, with the following effects: (1) long delays in putting these units into operation due to the necessity of rebuilding the defective sections; (2) additional expenses for reconstruction work; (3) increases in the cost of investments, and in certain cases (4) difficulties in fulfilling the requirements of the production plan.

The metal hoist tower at the Baia Sprie mines, manufactured by the Vulcan Factory, had to be repaired before it could operate at maximum efficiency.

There were also deficiencies in the execution of several less important projects whose construction would, nevertheless, have been of assistance to the proper functioning of the respective enterprises. Such was the case of the abandoned project for supplying the Otelul Rosu (Red Steel) Works with drinking water.

Both in 1949 and in 1950, investment plans showed a continuous rise from the first to the last quarter, as follows:

Year	1st Qu	2d Qu	3d Qu	4th Qu	Total
1949	[illegible]9	16.4	23.0	53.7	[illegible].0
1950	12.2	22.5	28.5	36.8	100.0

This chart shows the seasonal character of the construction industry. For example, the slowness of construction work during the first quarter was due to the absence of projects and the lack of continuity in the execution of the investment plan.

The abrupt decline in the number of projects completed during the first quarter of 1950 (in comparison with the fourth quarter of 1949) indicated that greater efforts were required during the next three quarters to make up for the lag during the first. Since the requirements of the investment plan were exceeded during 1950, this indicates that a larger number of projects could have been executed had the deficiencies responsible for the appreciable quarterly discrepancies been remedied in time.

However, progress in 1950 was better than in 1949, and this is indicative of the successful efforts of the construction industry to overcome its seasonal character. Therefore, it may be concluded that these efforts have achieved at least a limited, if still insufficient, degree of success.

It is necessary, however, to make a detailed analysis of the deficiencies observed in the planning and execution of investments during the first 2 years of our planned economy in order to avoid their recurrence during the Five-Year Plan.

Need for Changes

One of the reasons for changes in the investment plans was the failure of certain enterprises to submit plans and estimates for their construction projects at the time the investment plans were first drawn up.

Occasionally large sums for construction work were allocated to enterprises prior to the submission of specific projects. At a later date, when the specific need of an industry became crystallized, it often happened that the allocated funds were insufficient for the execution of the projects, or that they were too plentiful, in which case the enterprise tried, within the limits of the "surplus" funds, to execute other projects which, frequently, were neither urgent nor essential. Occasionally, materials, labor, and funds were invested in certain branches of industry when they could have been used more effectively in others.

For instance, in 1949, the former Petrolifera Muntenia requesting an allocation of 13 million lei, submitted estimates for nine separate projects amounting to 15.5 million lei but hoped that sufficient economies might be made to assure the completion of all of the projects under the 13 million lei appropriation.

In other instances, projects were submitted which could not possibly have been completed within a year, either because they were too elaborate, or because the plants involved were not yet completed or organized. Thus, the General Iron and Steel Directorate submitted a project for classifying and stocking minerals at the Hunedoara Iron and Steel Combine, which had to be removed from the plan as premature.

Certain enterprises showed a tendency willfully to underestimate the magnitude of the construction projects they submitted.

A number of changes had to be made in the plan for 1951 because certain enterprises did not submit plans and estimates for their projects in time.

The failure to submit specific estimates and plans when the plan was drawn up resulted, in 1951, in overestimating the magnitude of certain projects and in underestimating certain others necessitating subsequent corrections in the plan which generally increased the number of investments as well as the number of prospective projects.

Those who try to obtain funds by willfully underestimating the cost of a project on the assumption that once started it will have to be completed, misunderstand the best interests of their enterprise or section, and hurt the interests of our industry as a whole.

Such procedures were not infrequently used during the plan years 1949 and 1950. For example, the estimate submitted for the construction of two overhead traveling cranes at Galati 7 Noembrie Plant, indicated a total construction cost of 5 million lei although it was known even to the Central Directorate that the estimate was much too low. Indeed, the actual cost of the overhead traveling cranes amounted to 12 million lei, necessitating an increase in the funds initially allocated for this project.

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The submitting of detailed plans and estimates for prospective projects before the plan is worked out in detail would eliminate the possibility of overestimating or underestimating the cost of the projects, and prevent all unfavorable consequences.

The need for making frequent alterations in the plan, for reasons already indicated, or because of the necessity for incorporating certain new tasks which become apparent only in the course of its execution, has prevented the completion of certain construction projects.

Padding the investment plan forces a dispersion of construction and financial efforts, of trained personnel, and of construction materials. Undertaking the construction of more projects than is warranted by the supply of materials, manpower, etc., will, naturally, result in shortages and delays in their execution.

Soviet experience teaches that the construction effort must be concentrated on a small number of important projects, thus expediting their execution. If too many construction projects are undertaken at one time, the supply of labor and materials will have to be dispersed, thus lowering the general productivity of labor. It is necessary to resist the tendency to disperse our funds and supplies, which bring about a senseless freezing of invested capital.

In connection with the question of concentrating construction efforts on a limited number of objectives, an example may be cited from the work of the period of implementation of the Five-Year Plan. A certain department proposed the construction of two schools which had to be completed in 2 years. It would have been more sensible to have suggested beginning construction work on one school only. This school could have been completed and opened at the end of one year. The second could have been built in the next year.

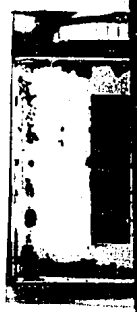
One of our serious difficulties in the field of investment planning has been the lack of experience in this field, and in the planning of the national economy.

The investment plan has not always been specific in assigning tasks. Since the section of the plan providing schedules for the completion of various projects was not prepared before the second quarter of 1950, substantial delays occurred in the completion of several projects, at least in part due to the failure to assign deadlines.

An obstacle to the realization of the investment plan has been the failure to classify investments according to their importance for the respective branches of our industry. In addition, there is a lack of adequate legislation for establishing a system which would classify investments, according to methods of financing, into centralized and decentralized investments, and further subdivide the centralized investments according to their actual importance. There is also a need for legislation to establish methods for financing noncentralized investments, major repair projects, etc., and to provide competent organs for approving these investments.

Due to the absence of a classification system, investments ranging from several thousand lei to several billion were indiscriminately included in the plan.

This led to excessive centralization since every change in the plan, no matter how trivial, had to be approved by the Council of Ministers, because the State Plan is a law and no amendments can be made without the approval of the Council of Ministers.



At the same time, the equal listing all projects, big and small, made it impossible to give priority to the most important ones in every case. Planning, allotment of materials, contracting for construction and installations, etc., was not always done on the basis of priority for the most important projects. Often priority was given to a series of smaller projects to the detriment of the larger and more important ones.

This deficiency will be remedied by establishing certain criteria based on the importance of the projects and established for all branches of industry. Projects fulfilling requirements will be listed separately in the plan; others, which do not meet requirements will be listed collectively.

The delay in launching the plan also delayed the allocation of funds to various enterprises and in turn to the various projects themselves, which resulted in delays in the beginning of work on the projects, in the organization of labor, in the acquisition of materials, etc.

During the second half of 1950, the plan was launched on time. The State Plan for 1951 was approved by the Council of Ministers on 23 December 1950 allowing the ministries and central organizations to make the necessary allocations to the various projects early in January 1951.

Elaboration of the investment plan prior to the receipt of detailed plans and estimates for prospective projects constituted the main deficiency in the work of investment planning.

The lack of detailed plans had a negative effect on the fullfillment of the investment plan since it prevented or delayed the beginning of construction work. This is the reason for the slow start in the execution of the investment plan in the first quarter of the plan year.

In instances where detailed plans were submitted, work on projects proceeded smoothly, and in the case of long-range projects, the requirements of the investment plan were actually exceeded. Examples are the main construction work at the Sovrommetal Resita Works, at the Morbeni Hydroelectric Power Station, the construction of main natural gas conduits, etc.

In cases where insufficiently detailed plans were submitted, work was delayed, as in the case of the Hunedoara Iron and Steel Combine, in certain branches of the electrotechnical industry, and in other instances.

To cope with the tasks prescribed by the industrialization of the country, it was necessary to establish institutes, directorates, and services for preparing and elaborating projects.

Thus, at the beginning of 1949, the first IPI (Institute of Industrial Planning) was established under the Ministry of Metallurgical and Chemical Industries, to be followed, during the second half of 1949, by the IPC (Institute of Construction Planning) which was placed under the guidance of the Ministry of Construction. During the second half of 1949, there were also established the ISPE (Institute of Energy Studies and Planning of the Ministry of Electric Energy) and the IPF (Institute of Forestry Planning) of the Ministry of Silviculture.

These institutes, together with the Directorate of Studies and Planning of the CFR (Rumanian Railroads), were entrusted with the task of drawing up plans for the great majority of the large and small industrial projects called for by our investment plan.

The plans had to be completed during the first few months of the year, which accounts for the great amount of work performed by new planning institutes.

The first achievement of the institutes, a schedule for the completion of projects on the basis of their urgency as prescribed by the investment and construction plans, was completed in February 1950.

Decision of 20 October 1950

The government of the Rumanian People's Republic, in order to meet new demands arising from the necessity of fulfilling the tasks prescribed by the Five-Year Plan, and to assure the most propitious conditions for the performance of planning activities and the improvement of their quality, has adopted a series of concrete measures in its decision of 20 October 1950.

The decision provides for the establishment of comprehensive planning organizations to make plans for new factories and the reconstruction of existing ones, and also provides for the establishment of specialized planning organizations for the construction of common projects, i.e., bridges, highways, railroads, dams, machines, public buildings, and others.

To avoid a lack of coordination in instances where several parts of a project are drawn up by different specialized planning organizations, the decision prescribes that a comprehensive planning organization coordinate, verify, and collect all the partial plans and assume the responsiblitity for the final drawing up of the over-all plan for the project.

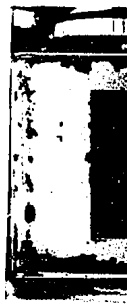
The decision also requires that ministries pay special attention to the activities of the planning bureaus of the various enterprises, and especially to the bureaus of the machine-building enterprises to encourage the individual planning of machines by the plants in which they will be built, since planning is much facilitated by the accumulated experience of the enterprises. To assure an increased volume of planning operations, the existing planning organizations are strengthened and new specialized planning organizations are established for the main industrial branches.

The important provisions of the decision of the Council of Ministers concerning the improvement of labor in the planning section demonstrate the importance attached by the government to this field of activity and give an opportunity to appreciate the rapid progress in the field of planning.

In 1949, the drawing up of plans for the projects scheduled for execution during 1950 was postponed until December 1949. In contrast, the decisions of the Council of Ministers of 25 May 1950 and 2 June 1950 adopted the necessary measures for financing and scheduling the prospective projects and, consequently, the planning organizations started the preparation of plans for 1951 projects as early as September 1950. The time thus gained was of great value to many enterprises as it enabled them to submit many major projects for the approval of the Council of Ministers as early as January and February. We now also have more time to formulate projects scheduled for 1952; thus, the plan for 1952 will be drawn up on the basis of detailed plans and estimates.

The important successes obtained thus far by planning organizations should not overshadow the fact that their work has been deficient in many respects. Some of these deficiencies could have been, at least partly, avoided and some of those entrusted with the formulation of the plans could have assumed a more responsible attitude towards their work.

Thus the basic problems of certain projects are not fully studied and there are instances when the prospective projects are submitted in a most sketchy manner by the prospective beneficiaries. Occasionally the solution of the problems of water and electric supply is neglected; in other instances, no solutions are offered for the problems of transportation of raw materials and finished products.



For instance, a project was submitted for the construction of refrigeration plants at Turnu Severin, and Tulcea (the Tulcea refrigeration plants constituting a major project) but the question of electric supply was neglected and the refrigeration plants remained inoperative for lack of electricity. The Harnicia Oil Refinery is in the same predicament.

A garage for RATA (Motor Vehicle Department) was constructed at Deva in 1949 but no provision was made for the installation of the necessary plumbing.

In certain cases, the nature of the terrain was not properly studied. For example, the foundations of the workers' homes at Sovrommetal and Otelul Rosu were laid in marshland. At the Hunedoara Iron and Steel Combine, an engine shed was constructed on soft ground. As a result, cracks were soon observed in the structure of the construction. Similarly, the foundations of the workers' homes at Otelul Rosu had to be abandoned and construction started elsewhere. Likewise, the Borsa-Balbeni Sawmill was located in a swamp area.

Also there were a number of incomplete or incorrectly prepared plans for projects. The latter situation is especially serious since deficient plans lead to changes, revisions, demolition of construction, increased construction costs, and delays in putting the completed projects into operation, thus upsetting the schedule and provisions of the production plan, which requires completion of approved projects within a definite time.

The case of the sodium bichromate plant planned by IPRO-CHIM (Institute of Chemical Planning) is of interest. This plant was begun without first coordinating the various plans submitted for its separate sections. This lack of coordination resulted in defective construction which caused postponement of operations for 6 months. This delay upset the entire production plan and necessitated increased imports of sodium bichromate.

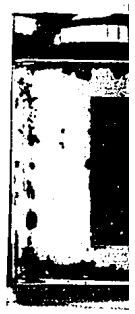
Questions of economy are occasionally disregarded in construction work. Thus large constructions utilized scarce material instead of those more readily available. Examples of unnecessarily massive constructions are the canteen of the Ploesti 1 Mai Plant, and cultural buildings of the Arad and Targu Mures refrigeration plants, where the buildings will be surrounded by concrete fences despite the fact that brick or other materials could have been used to save cement.

There is also the case of the Dorobanti-Tasaul railroad line connected with the construction of the Danube-Black Sea Canal. The cost of this line could have been reduced by one million lei without affecting its operating capacity. This economy could have been achieved, as suggested by the CSP [Committee for Scientific Planning?] by curtailing service to two intermediate railroad stations, by reducing the totalnumber of stations, and by adopting more economical types of buildings, and finally, by adopting a simple but adequate system of traffic signals more suitable for the projected line.

It is necessary to oppose strongly the tendency of certain planners who, for so-called aesthetic reasons, overload constructions with unnecessary and expensive details which actually represent waste.

The lack of planning or the submission of plans in installments has led to stoppages in construction work and to the inadequate construction of projects.

Thus the plans for the Turda Cement Factory, planned by the ICSR (Institute of Research and Planning for Constructions), and for the Petrosani Merchandise Depot, planned by IPSR (Institute for Sovrom Constructions), were delivered after great delay and, in the case of the former, in installments. Likewise, the plans for the minerals sorting station at the Galati Christea Nicolae Plant, planned



by IPC (Institute for Construction Planning), and at the Bucharest Timpuri Noi Plant, planned by IPI (Institute for Industrial Planning), were also submitted in installments. Similarly, the plans for the Sofronie Abattoir, planned by Centrala Frigului (Central Refrigeration), and for the Campia Turzii Steel Rolling Mill and Steelworks were submitted late or in installments. Consequently, changes had to be made in the plans after construction work had started.

It must also be mentioned that in the case of major projects alternative preliminary plans are not always submitted regardless of the fact that there may be more than one solution to the same problem. It is essential to submit several alternative plans in order to give the agencies charged with analysis of the economic aspects of the projects an opportunity to evaluate the extent to which the solutions submitted by the planners are in agreement with current political and economic objectives.

Positive Achievements of Workers

Construction projects have been started in all parts of the country. The efforts of the construction workers are characterized by several positive achievements, e.g., economy brigades have been established at every construction project; laboratories for testing materials have been installed at major projects; economies have been realized through the adoption of several new mechanical devices; new equipment, such as collapsible frames (Molnar type), collapsible scaffolding (Boser type), a more economical system of insulating water pipes (Hayos), machines for bending pipes without heating, machines for straightening nails, etc., are being used for the first time.

Previous construction norms were exceeded by using advanced Soviet methods; the productivity of labor was increased, and reductions in construction costs were obtained.

The experience gained in 1949 - 1950 shows that it will be necessary to pursue energetically the struggle to eliminate deficiencies, to adopt Soviet working methods universally, to raise the productivity of labor and lower construction costs, to improve the quality of construction work and to achieve economies at all construction projects, and finally, to reduce operating expenses by improving the organization of construction projects and shortening the period of construction.

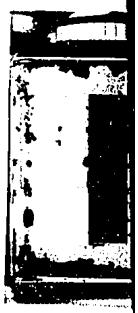
Attention must be devoted primarily to the fulfillment of the task of putting the projects into operation on schedule, shortening the period of construction, and completing unfinished projects, to increase the sources of socialist accumulation of our country.

No project on which work will be performed during the current plan year should be started without the previous approval, of competent technical organs, and without considering over-all plans for the entire project. In addition, full estimate of costs must be prepared. Similarly, no construction project should be started without a complete organization plan based on plans for the entire project.

It is necessary to fulfill the projects plan for 1951 and begin the preparation of plans of projects scheduled for 1952, so that by 1 November 1951 all plans of the important projects for next year will have been completed.

Contribution of Construction Industry

The communique of the State Planning Commission on the achievements of the State Plan of the Rumanian People's Republic for 1950 reveals the magnitude of the contribution made last year by the construction industry to the realization of the investment plan. The communique follows:



"During 1950, construction projects amounting to 62 billion lei (or 40 percent of the total investment fund) were completed. The other 60 percent were invested in equipment and installations, means of transportation, etc. Although the Ministry of Constructions has fulfilled its share of the plan for 1950, exceeding by 60 percent the volume of construction for 1949, the general construction plan for 1950 was not fulfilled because of delays in the completion of construction performed by individual enterprises for their own use."

Many important projects were not executed in accordance with the provisions of the plan, or their completion was considerably delayed: for example, the construction of the cast-iron and steel processing plant, the moving of the forge at the Bucharest 23 Augusta Works, the construction of the forge, workshops, and other projects at the Targoviste metalworks.

The conclusion which must be drawn from these observations is that the execution of construction projects must be entrusted to specialized construction enterprises. This is especially true in the case of more elaborate and important projects. Only the smaller projects should be executed by the interested industrial enterprises themselves.

Moreover, specialized construction enterprises represent a superior type of organization for they operate according to the principles of planned administration. These qualifications are not met by the industrial enterprises which engage in their own construction work. Therefore, all major construction projects must be performed only by specialized construction enterprises which have adopted the principle of planned administration.

The experience of the years 1949 and 1950 has shown that construction projects executed by industrial enterprises are usually completed behind schedule, and, occasionally, are even abandoned after their construction has begun. Moreover, the enterprises frequently violate the discipline of the plan by beginning work on projects without approved plans or estimates and, in cases where financial difficulties are encountered, by transferring funds allotted for production to construction, during the construction of the project.

Experience has also shown that it was unwise to entrust the large construction enterprises of the Ministry of Constructions or Sovromconstructia with the execution of innumerable small projects. This forced these enterprises to devote their efforts and construction capacity to a large number of small construction projects scattered all over the country and resulted in delays in the completion of certain projects and the noncompletion of others.

The small projects must be entrusted to local construction companies or to the interested individual industrial enterprises, while the large construction companies should concentrate only on major projects thus avoiding the dispersion of their construction capacity.

The experience of 1950 has taught us that Sovromconstructia and the General Directorate of Labor of the Ministry of Constructions have exceeded the requirements of their plans largely due to the fact that they executed only important construction projects. The General Directorate of Constructions and Installations of the same ministry was unable to fulfill the requirements of its plan due to the fact that it had to disperse its labor force and equipment over a large number of small construction projects. This also prevented the General Directorate from properly supervising the execution of the projects.

The execution in 1950 of construction work amounting to 62 billion lei (more than 60 percent higher than in 1949) represents a great achievement. Nevertheless, in the construction field, work has met with obstacles and suffered from deficiencies which must be eliminated.

The lack of complete plans for certain important projects and the beginning of construction work on the basis of partial plans only resulted in a defective organization of construction projects. The lack of a comprehensive plan for the organization of construction projects leads to the defective organization of labor and to the haphazard location of barracks, yard installations, and depots for materials which must later be removed or rebuilt. Thus, in 1950, work on the construction project of the important Bicaz I. V. Lenin Hydroelectric Power Station was started before a comprehensive organization plan was prepared. This led to stoppages and obstacles in the execution of the preliminary work on the project.

The launching of any construction work, especially large projects, before comprehensive plans have been worked out must be avoided. The lack of a plan leads to delays in the execution of the project and to increases in costs.

The supply of materials to various construction projects was still defective in 1950, thus preventing continuous work on certain projects. The system adopted in 1950, which provides for the allocation of construction materials on a quota based on the nature and number of projects executed by or for individual industrial enterprises, represents a step forward from 1949. Since this system was not rigorously applied it was not uncommon to find certain construction enterprises hoarding materials while others were suffering shortages. It became necessary to transfer materials from one construction enterprise to another as was the case at Construction Enterprise No 24 in Targu-Mures.

A frequent violation of the provisions of the plan is the reallocation of materials allotted for projects listed in the plan to projects which are not included therein.

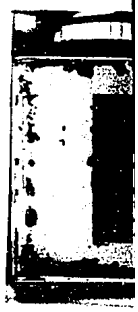
During 1950, when the shortage of cement and timber was well known, certain departments requested permission to build new construction projects, or actually began work on them, on the grounds that their supply of cement and timber was ample to carry out the construction successfully. Thus, during the third quarter of 1950, the Ministry of Health requested certain projects amounting to 100 million lei (the Comanest-Bacau Hospital, the Colentina Hospital, the Targu-Mures Polyclinic and Medicopharmaceutical Institute, etc.) on the grounds that it possessed the necessary materials for construction, while other construction projects, even some of the same ministry, were suffering from shortages of materials.

By allotting materials to projects not listed in the plan serious violations of the discipline of the plan are committed, and obstacles are laid in the path of socialist construction.

The supply field is generally most vulnerable to the attacks of the class enemy wishing to sabotage the construction of socialism in our country. We must therefore be very cautious in this field. Lack of understanding and negligence in the distribution of materials to the consumer are inexcusable offenses.

A fairly serious deficiency, which led during 1950 to a shortage of construction equipment, was the irrational use of available equipment. For example, in Construction Enterprise No 9, at Cluj, a large number of oscillators remained unpacked for several months for the alleged reason that they were of no use to the enterprise; at the same time, several construction enterprises suffered a shortage of this equipment.

Similarly, Construction Enterprise No 3 used five trucks at the Cluj Electrocarbon Plant to transport materials over average distances of only 500 meters, thus clearly using the vehicles in an irrational manner.



The equipment received by enterprises from equipment-manufacturing industries in our country and abroad should be entrusted only to competent workers to prevent it from being damaged or rapidly worn out, as was the case in certain metal and textile industries. The equipment should be distributed fairly among the various construction enterprises in accordance with the needs of each construction project, giving priority to the most important projects.

It is necessary to assure, through the fair distribution of equipment, the completion of the most important projects listed in the investment plan for 1951 so that the completed projects may be put into operation on schedule.

Defects To Be Avoided

Insofar as the quality of construction is conderned, there were certain defects which could have been avoided. For instance, at the Livezi Harnicia Oil Refinery, built by Construction Enterprise No 6 (Craiova), the basement of the building is invariably flooded. Likewise, the concrete chimney of the Turda Cement Factory constructed by Construction Enterprise No 3 settled on a slant and had to be straightened.

A serious deficiency is the failure to deliver equipment on time. This may have serious consequences in view of the close coordination between production, investment, and construction plans. Because the Steaua Rosie Enterprise failed to deliver the equipment required by coal-processing stations on schedule, the General Directorate for Coal was unable to open the new coal-processing station at Filipesti in 1950 as provided in the investment plan. Therefore, as a further consequence, the production plan for coal could not be fulfilled. This means that coal from other parts of the country had to be delivered to the CFR thus reducing the supply for other industrial enterprises. This reduction in the supply of coal in turn, adversely affected the production of these enterprises.

This demonstrates the close correlation between the various components of the general state plan. It is therefore essential to devote as much attention to the realization of the investment plan as to the production plan, since investments represent the most important element for assuring the growth of industrial production.

This is why each enterprise must consider its plan as an integral component of the general state plan and realize that the nonfulfillment of its plan, in all particulars, will lead to the nonfulfillment of the plans of other industries.

The decision of the Council of Ministers, discussing the necessary organizational measures for assuring the successful accomplishment of the 1950 State Plan of the RPR, declares that:

"It must be clearly understood by everybody that the State Plan is a collective entity and that any delay, letdown, irregularity, or negligence in any of its components will bring about difficulties, delays, and deficiencies in another component and thus constitute an impediment to the realization of the State Plan."

Place of Contracts

The relationships and obligations among various enterprises participating in the realization of the State Plan are established by contracts. Contracts are a weapon in the struggle to assure the quantitative and qualitative fulfillment of the economic plans in their entirety, since they assure the strengthening of socialist management as a means of directing our planned socialist economy. Contracts also contribute to the strengthening of the discipline of the plan.

The strict observance of all contracts will automatically lead to the elimination of the deficiencies, and thus contribute to the effective realization of the investment plan.

Importance of Control

An important principle of planned management is the establishment of a control apparatus for supervising the execution of the plan.

The principal task of the organs of control is the prevention of shortages by anticipating the factors which may cause work stoppages. During the execution of control activities, attempts must be made to discover new reserves which will contribute to the development of the national economy, and practical methods must be originated to assure the completion before schedule of the tasks set by the plan, in order to accelerate the production rhythm.

In addition to planning organs, to financial organs which control the financial aspects of the plan, and to ministries and institutions, party and trade-union organizations, as well as the people's councils, play an important part in the control activities of the plan.

The control apparatus must concentrate its activities on those branches which most directly influence the development of the national economy, i.e., the branches producing raw materials and fuel, the metallurgical branch, the electric energy branch, etc.

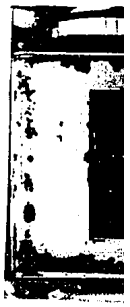
The problems of control are particularly acute in Rumania where the absence of a fully developed control apparatus occasionally makes it difficult to supervise all branches of industry. Therefore, it is necessary that the control apparatus concentrate its activities on the basic branches of industry which determine the successful development of the national economy.

Control must be performed on the basis of statistical data, as well as by studying the progress of the project in the field.

One of our main shortcomings, during the execution of the investment plan of 1949 - 1950, was the inability to form an adequate control apparatus.

In certain instances, planning directorates of the ministries, or the investment services of the central directorates of departments, were unable to control the execution of the investment plan at the site because they were insufficiently staffed. Had the Ministry of Light Industry been able to supervise properly the execution of one of its main projects -- the Botosani textile mill -- the high-caliber technical equipment sent to the mill would not have been left to rust and the construction defects, which now hamper the work of the mill, could have been avoided.

On the other hand, the Ministry of Metallurgical and Chemical Industries has adopted a series of control measures the enforcement of which was entrusted to the managing staff and to agents of the investment services. The Ministry of Metallurgical and Chemical Industries has revealed that, as a means of checking the progress of the execution of the plan, detailed charts, showing the achievements at various stages of construction, were prepared by all control sections. It also revealed that certain general directorates (iron and steel, machine construction, heavy industry) had prepared individual charts recording the progress of individual projects insofar as supply with equipment and actual construction and installation works was concerned.



The technical control apparatus of the Ministry of Constructions was composed of only a handful of technicians, which was clearly an insufficient staff for performing control functions properly. The lack of control activities was noticeable even in the case of certain organs of the State Planning Commission entrusted with the supervision of the execution of the plan. The Investment Division, which should have supervised the execution of the construction projects of the most important industries, or at least of the most important projects, performed but very few inspections in the field during 1950.

Statistics constitute another important method of control and are used both as a means for supervising the progress of the execution of the plan for each industry, for the various branches of our industry, and also for the entire national economy. Statistical data must also be used as a guide for future planning.

For this reason, statistical data must truly reflect the activities of industry. Such data must be compiled faithfully and accurately, but we are still weak in this respect. Collection of accurate data -- the basis of statistical operations -- is still ineptly and slowly performed.

The central organs do not receive sufficiently accurate data since certain industrial enterprises frequently release data in such a manner that different figures actually represent the same information. The situation is aggravated by the fact that industries release data at very infrequent intervals.

This lack of accuracy must be corrected since it deprives the guiding or central organs of a means of control, and often causes difficulties in planning. For instance, the formulation of quarterly plans is hampered by insufficient knowledge of the stage of construction at a given time.

The analysis of statistical data should lead to the discovery of the reasons which prevent the realization of the plan and to the adoption of measures for eliminating deficiencies and shortages which occur during construction.

The control apparatus entrusted with the realization of the investment plan must concern itself with the following tasks: (1) assure the proper supply of materials and equipment necessary for the execution of construction projects; (2) take the necessary steps to assure an even progress of work. In this way, the fluctuation between the fourth quarter of one year and the first quarter of the next will be reduced and the necessary arrangements will be made for preventing disruption of work during the winter months.

The control agencies must also take the necessary steps to bring about (1) improvements in the quality of labor, (2) reduce actual construction costs below the estimates, (3) more efficient socialist competitions, and (4) the general adoption of the working methods used at leading construction projects.

Special importance must be paid to the task of increasing the speed of construction thus putting the completed projects into operation ahead of schedule.

The control agencies must also look for deficiencies in the planning of projects and discover superfluous construction included in the plan, so that they may recommend their deletion from the project to the proper authorities. Thus, by eliminating superfluous construction, control agencies will assure reductions in investments.

All these facts lead to the conclusion that it is necessary to strengthen our control of the tasks set by the investment plan and to spur the efforts of all agencies entrusted with control functions. The control apparatus must concentrate its activities on the key branches of the national economy, on the key

enterprises of these branches, and on the main construction projects performed for the benefit of these enterprises. Finally, the control apparatus must assure the strict enforcement of the discipline of the plan both in its financial and construction aspects.

Violations of the discipline of the plan may assume various forms. No matter which form they assume, however, the result is always the same -- they adversely affect the other branches of economic activity and, consequently, the entire national economy.

One of the frequent violations of the discipline of the plan is the beginning of construction work without first securing the approval of plans and estimates from the proper authorities in accordance with existing regulations. Sometimes, construction work is begun even on the basis of incomplete plans. In certain cases this infraction has had serious repercussions.

Thus, the Geological Committee started construction on a large workshop project in Bucharest without first securing the necessary approval for its plans and estimates. Had approval been sought first, it is likely that a better location would have been chosen for the construction of the workshops.

The Ploesti 1 Mai Plant requested approval of plans and estimates for its 120 million lei canteen (for which only 40 million were provided in the plan for 1950) only after the building was nearly completed. Had the plans for the project been submitted earlier, certain changes would have been made which would have brought about substantial reductions in construction costs.

The CFR began the construction of the waiting room of its baggage station in January 1950, although plans and estimates were not submitted for approval until May 1950. Up to that time the construction was financed in direct violation of the financial provisions of the investment plan.

Work on the workers' homes at Filipesti de Padure, which was begun in 1950 without previous approval, had to be delayed for lack of sufficient funds.

Another form of violation of the discipline of the plan, and of the state, is the ignoring of decisions of the Council of Ministers issued in conjunction with the approval of certain projects. For example, a coal-burning central heating system was authorized for the Comanesti Hospital, instead of an oil-burning system originally requested by the Ministry of Health. Nevertheless, the organs of the Ministry of Health ignored the order and installed a central heating system which could consume only liquid fuel.

Another violation of the discipline of the plan is the system practiced by certain enterprises which, at the end of the year, stock large quantities of construction materials and make large advance payments to suppliers and construction enterprises in order to include all these expenses in their achievement reports for the year.

This system leads, in the first place, to the reporting of false data since stocked materials and advance payments do not represent actual construction achievements, and, in the second, to erroneous planning, since the advance payments are subtracted from the general allocation for the actual construction work which is to be performed during the following year on the assumption that the work has already been done.

Thus, a smaller number of constructions than are actually necessary are planned. This leads to delays in the completion of certain projects. Such was the case at the CSH (Hunedoara Iron and Steel School), the Bucharest Republica

Works, the Botosani Moldova Textile Mills, etc., which at the end of 1949 included as actual accomplishments several tens of million lei given as advance payment to several construction enterprises, and consequently, submitted smaller estimates for the completion of construction in 1950. As a consequence, the plan provided only sufficient funds to complete a supposedly smaller number of projects which led, in many instances, to delays and difficulties in their execution. Violations of the discipline of the plan were accompanied by violations of the financial discipline since many enterprises started construction without obtaining the necessary funds in accordance with existing legal provisions, and instead financed their construction from operating funds, or amortization funds allocated for major repair and reconstruction work.

In certain instances this caused financial difficulties in the production end of the enterprise since an important part of the operating funds were thus blocked. This happened, in the beginning of 1950, at the Bucharest 23 Augusta Works which constructed -- without prior approval and allocation of funds -- a Siemens-Martin furnace and other construction amounting to tens of million lei.

Knowing the negative effects which every violation of the discipline of the plan has on the national economy, it will be necessary in the future to adopt the most drastic measures for enforcing the discipline of the plan and the financial discipline.

Experience to date has taught that violations of the discipline of the investment plan, committed with the intention of expediting the execution of construction projects by beginning work before plans and estimates have been approved by the proper authorities, have invariably led to delays. Delays also occur as a consequence of financial difficulties resulting from beginning work without waiting for the proper allocation of funds, or, from changes made in the projects when construction was undertaken on the basis of tentative or partial plans.

There were instances where foundations had to be abandonded or destroyed, and even where a completed project could not be put into operation because it was executed on the basis of deficient or hurriedly drawn plans. The Tarnaveni Sodium Bichromate Factory is a good example of the latter. All this leads to long delays, and also to the expenditure of occasionally large sums.

Experience has shown that a project based on detailed plans, approved by the proper authorities, constructed by a well-organized labor force, and adequately supplied with equipment and materials, can be completed without difficulties or stoppages, put into operation on schedule or before, and usually at a lower cost than anticipated.

In instances where complete plans for project were submitted, work proceeded rapidly and, in the case of long-range projects, the plan was actually exceeded. Examples are the main construction projects at the Sovrommetal Resita Works, the construction of the Gozna Dam, the Dvaninicel Central Hydroelectric Power Station, and Moroeni Hydroelectic Power Station.

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