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SOME ASPECTS  
OF THE PLANNING SYSTEM  
IN THE REPUBLIC OF CUBA

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## 1. INTRODUCCION

At the 1st Conference of Latin-American and Caribbean Ministers of Planning, held in 1977, it was decided to establish a system of Coordination and Cooperation among Latin-American and Caribbean Planning Institutions.

During its 16th Session, The Economic Committee for Latin America (ECLA) adopted Resolution No. 358 urging all governments of countries within the field of action of the ECLA Office for the Caribbean, to establish a body dealing with development and cooperation, thus giving rise to the Caribbean Development and Cooperation Committee (CDCC).

During its 17th Session, ECLA adopted Resolution No. 371 supporting the establishment of the system and promoting the creation of sub-regional mechanisms.

During the 3rd Meeting of CDCC held in April, 1978, in Belize, the proposal to hold a meeting of officials in charge of planning was studied and Cuba was chosen as the host country.

In light of the first meeting of planning experts from the Caribbean countries, we have decided to present some of the basic aspects of our Planning System.

## 2. Basic Aspects of the Management and Planning System

### 2.1 General Characteristics

It is undoubtedly necessary to mention some of the experiences in drafting the annual and five-year plans and the territorial aspects of planning in Cuba, before listing the main characteristics of the present System of Economic Management.

At the triumph of the Revolution and in the midst of the great tasks imposed by the administration of the nationalized enterprises, the economic blockade and defense activities, we had to provide a new structure

for economic planning and management.

The Central Planning Board (JUCEPLAN) was established before 1965, but the drafting of the annual economic plan had begun already in 1962. This stage was characterized by the intense apprenticeship of thousands of workers in the concepts and procedures involved in the tasks this plan posed.

Following these early experiences in drafting the annual plan, some improvements in short term planning were introduced, including,

- The use of the control figures as the basic figures for drafting the plan at different levels of management and planning, eliminating the prior step of issuing preliminary figures.
- a quarterly breakdown and control of the plan was provided;
- separate provincial discussion of control figures was extended to the factory level, with the active participation of the workers.

From 1967 to 1970 planning work was concentrated on the direct administration of material resources but, without giving the necessary attention to financial and management problems. After Commander in Chief, Fidel Castro's 1970 analysis of the mistakes made in the economic management of the country, we immediately set out to improve our economy by developing planning categories that had been previously neglected and a new economic management system for the country that could be applied in the near future.

and institutional methods of management were effected; the domestic financial imbalance was reduced significantly; the efforts made over previous years in infrastructure development, construction, agriculture, industry and transportation began to bear fruit, and Cuba became a member of the Council of Mutual Economic Assistance (CMEA).

National urban and rural areas were studied and analyzed on the basis of the Revolution's plans for construction and the first stage of industrialization, in order to draw up territorial plans.

Early efforts involving major resources were dedicated to solving some of the serious territorial contradictions, enlarging industrial and construction sectors to achieve better distribution of them; building new towns for workers; increasing the number of hospitals, schools and roads -- providing access to places that had previously been completely isolated.

During the first years of the Revolution, territorial planning as a means of determining new economic structures for regions, was included in the restructuring of state units for agricultural production, on the basis of a deeper knowledge of where each crop could best be grown and of the studies designed to create a new political-administrative division of the country to match the management and control operations that the revolutionary state had taken on.

Along with the plans for development in industry and other productive sectors of the economy, territorial planning efforts continued over the following years, with the drafting of projects aimed at transforming agriculture from the basic production unit up to the provincial level. Great efforts were also made to pinpoint the location of the agricultural and educational facilities that were built at an ever-accelerated pace in the 1965 - '70 period.

Finally, in the 1971-'75 period, emphasis was placed on national work in and studies of territorial planning and there was progress in applying regional analysis techniques to specific aspects of territorial management and the prospective urban system.

One of the resolutions adopted at the First Congress of the Communist Party of Cuba proposed the gradual application of an Economic Management and Planning System based on the following principles:

- That state social ownership of the means of production determines and demands one central economic development plan;
- That social production will take place through conscious application of the objective economic laws of socialism;
- That the training and education of management cadres and of all workers should contribute to the creation of a high level of economic understanding and maximum efficiency in the domestic economy;
- That management of socialist economy is centralized; that is, the main economic decisions are made centrally by the higher levels of the Party, state and government, with the assurance that the workers will contribute their initiative and active participation to economic management in their corresponding work collectives;
- That, since mercantile production continues in socialism, the Law of Value operates, but is controlled by planning;

In the socialist state, the national economy is planned according to the law of the planned nature of socialist economy. In the socialist Economic Management System, planning includes all socio-economic processes and exerts an active influence in production, distribution, consumption, the accumulation of goods and the most rational use of human, material and financial resources.

Economic accounting is the form of planned management imposed by the existence of the Law of Value and monetary-mercantile relations, that shows the expenses and the results of economic activity, in an effort to have the enterprises cover their expenses with their own income, economize on resources and guarantee a profit from production.

It serves as a tool for planned management of socialist enterprises, used for control and fulfillment of the annual plans.

The system of economic accounting provides three types of management relations:

- direct vertical relations between the higher, intermediate and lower links of the economy that play a determining role in the management of economic activities;
- horizontal relations that imply the use and administration of material, human and financial resources that the state assigns the enterprise to facilitate exchange among state enterprises and bodies and between them and the people;
- management relations with the workers, by combining material and moral incentives.

A differentiation is drawn between planning and management of resources. The state, representing the society as a whole, is the chief planning agent; the enterprise, representing the particular interests of its own workers,

is the chief management agent.

Economic accounting operates according to the following general principles:

- the enterprise guarantees financial self-sufficiency and profits;

• the enterprises are responsible for covering their expenses with their income and showing a profit or surplus product;

- the enterprise operates on the basis of economic independence.

The enterprise does not act on its own without regard for social interests, but operates independently within the framework of the plan the higher bodies have approved for it, which it must fulfill.

- the enterprise collective and each worker in particular has an interest in the results of the enterprise's activities.

This is accomplished by adequately combining material and moral incentives. Direct material incentives consistently follow the socialist principle of distribution, "From each according to his ability, to each according to his work." Moral incentives are expressed through society's recognition of the best workers' collectives and individual workers.

- monetary control of the enterprise's activity is in the hands of financial and banking entities and the higher bodies of the enterprise.



This means that the enterprise's expenses must be controlled so that its production meets the plan and it is encouraged to limit its expenditures to basic needs in order to achieve maximum production with minimum expenses in a constant struggle to raise social labor productivity for the benefit of the people's interests.

The system implies intense political and ideological work emphasizing each worker's and each collective's responsibility in fulfilling their social duties, meeting the technical and economic plans of the enterprise and guaranteeing the most rational and efficient use of the resources allocated to them for the country's economic development and society's well-being. The economic incentives that are part of the system have to be used for educational purposes, to instill economic consciousness in administrative and political cadres and in the workers.

The socialist production or service enterprise is the primary link in the domestic economy, to which the mechanisms of the Management System are directed. The enterprise guarantees the reproduction of productive forces and relations of socialist production; that is, it guarantees the development of the socialist economy.

The enterprise is characterized by the following features:

- the internal and objective technical-economic unity of the production process;
- territorial unity that provides the utmost rationality in organization, planning, control and management;
- relative independence, which distinguishes it from other economic units and allows for a certain operational economic autonomy in its management.

Moreover, the Economic Management System should serve as a basic tool in achieving the principal aims of the society, such as educating the people in a new type of human relations and in a new attitude vis-à-vis their social duties.

## 2.2 Operation, Finances and Incentives of the System

Economic operations among enterprises and state bodies and within the private sector will be based on purchases and sales, by charging and paying for products sold and services provided.

Mercantile transactions between production enterprises and service bodies will be based on contracts that fall into two categories: directive and autonomous.

The basic means are financed by the state budget or, in a decentralized manner, with funds made available to the enterprise.

The enterprise will contract the necessary workers through its own efforts.

The enterprises will have decentralized funds for development, for social purposes and for awards.

Development funds are to be used for the purchase of minor equipment; for repairs, enlarging and remodeling; and for increasing turnover.

Collective incentives for social ends will be used for sociocultural projects that benefit the workers (the construction and repair of housing, nursery schools, recreational facilities, libraries and workers' cafeterias) and awards will be made in the form of

outstanding workers and leadership personnel, based on the results of the economic activity.

Changes and improvements in the accounting and statistical information system allow for the correct evaluation of costs, income and payments from the decentralized funds and provide the indices, criteria and evaluation methods needed at all levels.

Socialist financing is a system of economic relations that provides for the accumulation and use of monetary funds to continuously increase and extend socialist production; it is one of the basic tools in the distribution and redistribution of national income and the products created by society.

Financing, within the Economic Management System, is concerned with the planning and efficient control of the accumulation of centralized state funds, bank loans, the circulation of money, costs and prices.

The enterprises must incorporate the following factors in applying the financial system:

- The financial plan, the culmination of the enterprise's technical-economic plan, permits it to integrate productive tasks with financial resources and mobilize the reserves of the enterprise.

The components of the financial plan of the enterprise are

the financial balance sheet, which determines the origin and destination of the enterprise's planned monetary accumulation;

the profit or loss summary, which determines the total amount of the enterprise's planned profit or loss;

the financing and turnover summary, which sets forth the nature of the monies that the enterprise uses for financing and its financial, turnover; and

the resume of other income and expenses, which determines the income from the sale of salvageable waste, containers, etc. and the expenses for materials, wages and other activities outside the normal business of the enterprise.

Financial norms govern the turnover funds that the state makes available to the enterprise.

- . In socialist economy, loans are an economic tool for attaining greater efficiency in the use of material, financial and human resources and contributing to greater turnover, increased sales, etc.
- . The budget is the basic guide for planned accumulation and the use of the centralized monetary fund and is designed to ensure reproduction and the extension of socialist production.

The enterprise is the main source of financial resources for the budget.

The enterprise makes a direct, obligatory contribution to the budget; at the same time, the enterprise receives budgetary resources to finance the activities included in the technical-economic plan.

The enterprise contributes the profits and other taxes and payments for which it is responsible to the budget and makes other amortization payments on the basic means of production.

At the same time, the budget provides the enterprises with subsidies for losses, financing to cover planned investment expenses and the amounts corresponding to the deficits in turnover.

- . The Cash Plan, covering the amount of money in circulation, regulates the flow of money in the socialist economy. The plan requires the enterprises to meet the schedules, procedures and methodologies established for each quarterly and annual plan, on time and in the proper form.
- . Prices, include enterprise prices for supplies of technical materials, storage prices for agricultural products and prices involved in the distribution and sale of consumer products.

The basic price breakdown reflects the labor expenses involved in distributing and selling the products, including costs and established profits.

This system applies surcharge or discount rates to list prices of the products that the enterprises receive or dispatch in line with their activity, in order to fill whatever shortages may exist.

The principle of harmonizing collective and individual interests in society is an essential characteristic of socialism. Society is every bit as concerned with respecting the interests of each collective and each worker as it is with respecting the interests of all the collectives for the general prosperity of social production. This principle does not operate spontaneously, however. There must be a constant mechanism providing moral and material compensation for the realistic achievements of each collective and each worker, in the interests of society.

The aims of the incentives included in the system are

- a) to back up the drafting and fulfillment of plans;
- b) to develop economic efficiency by encouraging the collectives of an enterprise to make optimal use of their resources;
- c) to include all workers -- technical, administrative and other personnel engaged in nonproductive work, as well as production workers -- in the incentives;
- d) to develop a collective spirit, since the accumulation of decentralized funds depends on the work of the enterprise as a whole; and
- e) to develop economic consciousness and responsibility in the fulfillment of social duties among all administrative and technical leadership cadres and among the workers in general.

It is clear that the enterprise plan is the crux of the operation. Thus, all the economic and administrative mechanisms that can help in drafting, controlling and applying it must be used.

It is important to note that moral and material incentives are used to achieve the aims previously mentioned, to guarantee fulfillment of the principle of material responsibility in the proposed management system.

The mechanisms and measures for developing individual and collective moral incentives, include

- a) developing and improving the current system of moral incentives;
- b) developing ways in which all types of voluntary work can be recognized;

- c) developing emulation and linking it, basically, to moral incentives;
- d) selecting the best enterprises and giving them social recognition in the press, in local acknowledgment ceremonies and in other ways;
- e) exposing inefficient enterprises publicly;
- f) making greater use of public bulletin boards for recognition of the best workers;
- g) providing scholarships and special courses; and
- h) applying proper methods of promotion.

### 2.3 The Planning System

National economic planning is based on general scientific premises, principles, methods and organization of socialist planning; it determines the basic directions of development.

Scientifically-based planning is designed process of development, the methods and forms for the conscious application of economic laws in the interests of the planned organization of social production and the management of national economic development.

Planning includes the spheres and branches of the national economy and all the elements of extended socialist reproduction. Through planning, under the leadership of the Communist Party of Cuba, the Cuban state is not only solving the economic and social problems of Cuban society and the economy as a whole but is also determining the development perspectives for each branch, the economic relations among the

branches and territories -- and ways to improve them -- and the foreign relations of the economy so as to obtain the most efficient results from foreign trade.

The Programmatic Platform approved at the 1st Congress of the Communist Party of Cuba stated that "...planning is the key to national economic management. It should objectively reflect the processes taking place in the country's economic and social life and exert an active influence over them by continuously raising their scientific level and eliminating all traces of voluntarism and subjectivism."

The practical application of the program for building socialism in our country demands a continuous improvement in planned economic management and an ever-higher scientific level of planning.

Success in building socialism depends, above all, on plans for national economic development that are correctly designed and implemented.

Improved planning and higher levels of economic management in applying the National Economic Management and Planning System, approved at the historic 1st Congress of the CPC, assume not only an improvement in the work of the planning bodies but also participation by Party, economic and mass organizations in drafting and implementing national economic plans.

It has already been noted that planning is the central link in national economic management in a socialist society. It is constantly being improved, objectively reflecting the growth in the productive forces, the development of relations of production and the changes in the social structure of society.



A planning system and planned methods of coordinating the development of the national economy are essential in solving the great tasks posed by social change, creating new capacities and scientifically determining the tasks involved in building a socialist society.

The planning system -- and each of its component plans -- fulfills specific functions and tasks corresponding to the concrete conditions of the period it covers. It is a complex process wherein each sub-plan solves specific tasks and uses different methods.

One characteristic of planning is the continuity of the plans. At present, the economic planning system involves long-range, five-year annual plans that are dovetailed by means of different prognoses and designed in line with a single strategy of development.

Extensive scientific work is required to provide the scientific-technical and economic basis on which specific decisions can be made.

National economic forecasts are based on scientifically-founded hypotheses regarding where development should take place and the future of the socioeconomic system and its elements, interrelated and integrated in a strategy of development.

Such a strategy of development has two characteristics. On the one hand, it includes the knowledge and forecast of socioeconomic processes, and, on the other, it demands an investigation of the real possibilities that exist for actively influencing the direction of economic development.

The strategy of development includes phases of analysis and forecast as basic research for the actual plan. Research (forecasting) is now going on in our country to determine the future behavior of certain components of economic and social development and their scientific aspects, up to the year 2000.

The drafting of the strategy of development as a stage prior to the drafting of the long-range plan contains steps that are interrelated with general national economic planning; nevertheless, the two are different, with their own specific characteristics.

One of the essential differences between the plan and the strategy of development lies in the fact that the plan is the outcome and implementation of a political-economic decision that has already been made, while the strategy is the search for a realistic and economically viable solution in the foreseeable future, with alternatives and variants.

The experience of forecasting within the framework of a strategy of development has led to the following classification of forecasts:

1. forecasts on the development of science and their effect on the development of the national economy,
2. demographic forecasts of the work force,
3. forecasts of natural resources and how they will be used in the economic life of the country,
4. economic forecasts,
5. social forecasts and

The long-range plan includes the general strategy of socioeconomic development and the guidelines for Party and state policy in this field.

The strategic tasks in this plan include creating the technical-material base for socialism in our country, developing social programs to increase the volume of material goods, raising the people's standard of living and changing the structures of consumption.

The broad parameters of development and the changes, content, forms and resources necessary for its achievement are laid out in these plans.

All these problems can be solved in a number of years, on the basis of five-year plans. These plans have specific limitations with respect to improving the proposals made for the national economy and solving socioeconomic problems, since these are matters that fall within the scope of the long-range plans.

The strategic tasks are specified and spelled out in detail in the five-year central economic and social development plan, with the aid of technical-economic standards and the balance sheet system in the national economy. These plans are more concretely based on social consumption and resources.

The indices and goals of the five-year plan are drawn up by year, which allows for overall coordination within the time limit.

The annual plans specify and establish goals from year to year, in line with the specific development conditions in the economy. These plans take note of domestic reserves, the influence of scientific-technical progress, etc., and their short-term nature allows for maximum coordination to meet each year's goals.

In Cuba, the general planning process guarantees continuity, compatibility and consistency in solving the social, economic and scientific-technical problems of building a socialist society, through interrelated five- and one-year plans. Studies are also being made to develop a long-range development plan that extends to the year 2000.

#### 2.4 Structure of the National Economic Plan. Methodology, System of Indices and Procedure

Cuba's central economic and social development plan -- in both its branch and territorial aspects -- is composed of various sections describing the progress of the national economy and the tasks that should be carried out during the stipulated period, to wit:

- The planning of scientific-technical progress is aimed at predicting the relation between the costs of scientific research and its use in the national economy. This section includes technical quota-setting, the training of scientific cadres and financing for scientific and technical projects.
- The weight of the plan concerns the industrial and agricultural branches, and a separate section is dedicated to each of them ("Planning of Industrial Production" and "Planning of Agricultural Production").

The main objective of the "Planning of Industrial Production" section is to attain the greatest possible number of final products of a stipulated composition and quality, through the best use of all available human and material resources in each of the various branches and sub-branches of economic activity.

The section on "Planning of Agricultural Production" is basically concerned with determining the levels of agricultural production, based on forecasts of food consumption and exports, along with the industrial products that require agricultural raw materials for their manufacture.

- Another section goes into the tasks of "Planning in Transportation and Communications," aimed at meeting the transportation needs of the national economy and the population by providing better quality service at lower cost. With regard to communications, the main indices of production, media capacities and quality are defined.
- Since investments are the basis of development in all branches of material production and are at the root of raising the people's standard of living, the "Investment Planning" section is very important to the successful completion of the national economic plan. It sets forth the tasks to be carried out in creating the production capacities and basic funds needed for the later development of the economy and society.
- The "Construction Planning" section, closely related to "Investment Planning," is a part of the national economy and includes the tasks related to the elaboration of construction projects, the work of construction and mounting, geological exploration, drilling and geodesy.
- "Material Balances and Technical-Material Supplies Planning" is an integral part of the plan for developing the national economy. This section coordinates the production and consumption of goods in industry and determines the proportions of their distribution in the national economy, with the aim of reducing costs.

- . A special section of the plan is devoted to the tasks of "Foreign Trade and Foreign Exchange Planning."
- . Problems related to the work force, the training of cadres, the use of work resources, raising work productivity in the various branches, wage planning and how to balance the work force are taken up in the section dedicated to "Work Planning, Wages and Cadres."
- . Monetary<sup>o</sup>-mercantile relations offer economic planning a powerful means for stimulating intensive-work plans and greater efficiency in social production. Therefore, the section on "Planning Costs, Profits and Profitability" enables us to give our national economic plan a sound foundation.
- . "Planning and the Analysis of the Economic Efficiency of Social Production" has a central place in the national economic plan, because it sets forth ways to increase efficiency in social production as foundation of the country's economic development. This is based on a system of general indices of social production.
- . Even though the indices on raising the people's standard of living appear in almost all sections of the central economic and social development plan, some sections contain very concrete tasks and aspects related to the population and social development, such as "Merchandise Distribution Planning," "Community and Personal Services Planning," "Social Services Planning" and "Planning to Raise the People's Standard of Living."
- . Smooth coordination of resources and demands will enable us to achieve optimal conditions for the national economy and on the inter-branch level. On the national scale, these problems are solved with the help of the balance sheet for the national economy, that reflects the results, proportions and main factors in socialist reproduction.

The "Planned Balance Sheet of the National Economy" section expresses the unity of the economic links needed for the proportional development of the national economy and coordinates the main indices and tasks of this development.

- The "Territorial Planning" section is one of the main means offered by the national economic plan for solving socioeconomic problems and gradually equalizing the levels of development of the various territories (provinces), thus facilitating the proportional, balanced functioning of the entire national economy, with better use of local resources.

The central economic and social development plan sets forth a conglomerate of tasks that reflect the whole process of extended reproduction of the economy, its various elements and the ties and relations between its various parts.

The goals of the plan are set forth in the form of magnitudes (indices) characterizing the development of the national economy that should be achieved by the end of the period covered by the plan.

The indices in each section of the plan have special characteristics, determined by the nature of the branches and the minimal objectives to be achieved in each of them.

A system of scientifically based indices

- describes, with maximum precision, the ways and directions of development of the national economy and the specific characteristics of the process of extended reproduction, by component parts;
- stimulates the fulfillment and overfulfillment of plans; and

- guarantees the unity and comparable nature of the plans throughout the national economy -- and, thus, their coordination.

Therefore, the central economic and social development plan includes indices that play a role in the planning process, according to the use they will be given in the planned guidance of the national economy, to wit:

- Directive indices, established because of the enterprise's obligations and responsibility to society, are formulated in line with the tasks set forth in the plan, that are vital for the successful fulfillment of the economic and social objectives of the national economic plan.

These indices -- worked out by the higher organizations -- must be fulfilled by the lower organizations. They are included in the plans at both levels.

- There are also complementary autonomous indices that should be drawn up and approved by the enterprises themselves and, therefore, appear only in the plans for that level.
- In addition to these indices, the process of drawing up the plan also includes "calculation indices," defined as those used in establishing any of the other indices that appear in the plan.

The system of balances is the most universally used planning method, both in establishing the general proportions of the national economy and in detailing the structures of the branches. This method is also used in planning the internal proportions of the branches and even the activities of the productive enterprises.



The essence of this method consists of coordinating demands and resources at all levels of social production, coordinating the various branches and industries of the national economy and establishing proportions and coordination among all the basic elements of the national economic plan, the branches and the territories.

This method makes it possible to harmonize the proportions in the national economy in both physical units and values, thus assuring the unity of the plans.

Balance sheets are used on materials, finances and manpower -- which are organically linked -- reflecting the various aspects of the central process of extended socialist reproduction.

The balance sheets on materials express the production, distribution, consumption and accumulation of means of production and consumer goods, contrasting the resources and demands of each concrete type of production.

The balance sheets on finances reflect the accumulation and distribution of state, enterprise and individual income. Balance sheets play an important role in planning the national economy, for they make it possible to draw up, control and analyze plan fulfillment.

The balance sheets on finances have two parts. One lists income; the other, expenses. Therefore, the two together reflect the movement of values and the accumulation, distribution and redistribution of state, enterprise and individual income.

The balance sheets on manpower express manpower resources and needs. That is, they reflect the demand for the work force at the various levels of production and services. These balance sheets make it possible to plan the distribution of manpower among the branches of the national economy and territories and the training of cadres.

Not only one or several isolated balance sheets but a whole system of interrelated balance sheets and tables is used in drawing up these proportions. This is done so as to reflect the entire process of extended reproduction as a single one, analyzed as systems and subsystems of interrelated tables. We refer to the system of balance sheets of the national economy.

The balance sheet on the national economic plan is a graphic expression of the most important aspects of the interrelated reproduction of production, distribution, exchange and consumption; along with the scales, rhythms and factors of development of social production in its basic proportions.

The most important balance sheets include

- the balance sheet on production, consumption and accumulation of the gross social product. This balance sheet describes the proportions manifested in the process of creating and using the gross social product in its material aspect: where it comes from, by branch; its dynamics; and its use for replacement, consumption, accumulation and export;
- the balance sheet on production, distribution and final use of national income, that reflects the main aspects of extended socialist reproduction from the point of view of value (financial aspect), showing how primary income is formed, distributed and redistributed and the final use of the product and the income, so as to compensate for material expenditures; meet consumption needs; and increase basic means, those of turnover and reserves;
- the balance sheet on basic means, listing these means -- both productive and nonproductive items, by economic sector and form of ownership -- and how they are added to and how they are used up, and

the balance sheet on manpower resources, which shows the manpower available to society, its volume and structure, reproduction and distribution by sectors of the economy.

In addition, the balance sheet for the national economy includes indices of specific balances of investments, national income redistribution, financial resources, individual income and expenditures and payments.

The Economic Management and Planning System in Cuba assumes the integration of various economic levels with a view to establishing coherence among the various economic links, among their mechanisms, etc.

The state management of the economy is carried out by the National Assembly of People's Power, the Council of State and the leaders designated by the Assembly: the Council of Ministers and its Executive Committee.

These higher bodies of state power are empowered to establish national economic plans, approve the state budget, establish planning principles, manage enterprises and financial and credit systems in the country and solicit reports on how these are fulfilled.

The Council of Ministers, the highest executive body of state power, directs the work of the central state administrative bodies and draws up and adopts measures to guarantee fulfillment of the national economic plan and state budget.

As an organic part of the state apparatus, the national, provincial and other planning bodies do the direct work of planning the national economy.

The Central Planning Board is in charge of the system of management and planning bodies for the national economy. It and the other state committees (that handle overall

economic questions) and the ministries (that handle the development of specific branches of the economy) constitute the national bodies of this system.

At the levels lower than the national, the system includes the planning and control apparatus of the bodies of People's Power in the provinces and municipalities and in the enterprises themselves.

The management and planning system has three economic levels: the national economy as a whole (overall), branch economy and enterprise economy. These are coordinated with territorial planning.

### 3. The Relation Between National and Local Planning and the Regions

#### 3.1 The Combination of Branch and Territorial Plans

National economic planning is based on knowing and<sup>r</sup> correctly applying objective economic laws and principles that emanate from them. The main principles for all countries that begin to build socialism and develop planned economies include 1) that of the unity of the development plan for the national economy, a principle conditioned by the objective unity of the process of extended reproduction and the one that determines the need for closely coordinating all the branch plans, 2) the principles of the combination of the branch and territorial aspects, that complements the preceding one to a certain extent through its coordination of the branch and territorial plans in the interest of the nation.

The process of planning the socialist economy is a reflection of the law of harmonious and proportional development. The social nature of the process of extended socialist reproduction requires that there be a proper proportion among all elements in the national economy. This, in turn, requires

- a) an adequate determination of the rate of development, to guarantee continuous extended reproduction, unmarred by crises and depressions -- that is, development that is harmonious in each period --
- b) a proportional structure of social production -- that is, a rational correlation among the branches and elements of the process of extended reproduction -- and
- c) the harmonious distribution of social production throughout the country and within each territory and region, regardless of its size.

Although these three aspects differ somewhat, they are very closely linked. The proportions in the branches and elements of social production depend on the level and rate of development. The rate of development of the national economy largely determines the rate of growth of the productive forces in each territory and the proportions among them. And the territorial distribution of social production clearly influences the rate of development of the whole national economy, because this distribution depends to a certain extent on the economic efficiency of social production as a whole.

These three aspects can only be combined harmoniously when the question is considered from the point of view of national interests, starting from the need to obtain maximum rationality of proportions in economic development and maximum efficiency throughout the national economy.

The combination of branch and territorial planning has objective bases that stem from the unity of the various forms of the division of labor. The various branches have the tendency to be situated in those parts of the country that are the most propitious in terms of their specific natural and economic conditions. Thus, because production is always developed in a certain territory, the division of labor by branches becomes a territorial division.

The branch plans determine the volume and variety of production in line with national demands, the increase in efficiency and the use of the reserves within the branches.

However, these plans can't establish the proportions and distribution of production on the basis of local distinguishing characteristics. The levels of economic development of the territories and the improvement of their infrastructures are not

Integral planning of the development of the regions becomes more important as the structure of the economy becomes more complex, the material resources are used more intensively and the productive forces as a whole are used more efficiently.

This objective is deepened and perfected with the incorporation of territorial planning, combined with the branch plans.

### 3.2 Territorial Planning

Territorial planning, as we have already pointed out, is an important means for solving socioeconomic problems and for guaranteeing an adequate level of economic development in the various regions, in line with the main objectives of the central economic and social development plan.

The territorial plans, that are drawn up as a part of the five-year plan and in line with the concrete conditions of the economic activities in the provinces, require, first of all, knowledge and analysis of the results obtained in the period preceding the incorporation of new capacities and existing reserves to increase production and its efficiency, plus an analysis of the social specifics and economic structures in the territories. This makes it possible to obtain a correct grounding for the content of the plans in order to guarantee their fulfillment. Thus, the territorial plans may act as instruments for operational management in the provinces while permitting the greatest possible coordination of tasks at the level on which they originate.

The main objectives to be met in the corresponding territorial plans have been established in accord with the exigencies that come up in territorial

planning and keeping in mind their role in the national economic management and planning system. These objectives are: to guarantee an increase in the efficiency of social production through the proportional development of the branches in each region; to attain a rational economic structure in accord with existing socioeconomic conditions and resources; and, on this basis, to raise the people's standard of living.

A series of questions that contribute to the fulfillment of these objectives arise in the process of drawing up the territorial plans, questions based on the interests expressed in the central economic and social development plan, including

- . the development and growth of the main lines of production assigned to the territory, those that are needed to supply other activities -- such as construction materials -- and the products earmarked for popular consumption;
- . the development of the building capacity in the territory;
- . the location of new enterprises and installations and the expansion of existing facilities, in both the productive and nonproductive spheres;
- . the rational use of natural resources (minerals, water, agricultural resources, forests, etc.);
- . increases in productivity and the rational use of human resources;
- . the development of activities in the nonproductive sphere that help to raise the people's standard of living;



- . the establishment of intermunicipal and interprovincial economic ties that will reduce irrational transportation and establish more effective relations;
- . the development and expansion of cooperation among the branches and enterprises in the territory; and
- . the conservation of nature and the defense of the environment against the noxious effects which industrial activities may cause.

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Territorial planning implies the consideration of socioeconomic factors. Therefore, the treatment of the aspects enunciated above is based on studies and projects of a territorial nature, drawn up by each level of the politico-administrative division for the nuclei -- mainly towns.

There are two levels -- national and provincial -- of territorial planning. The latter is conditioned by the institutional and economic elements considered when the new political-administrative division of the country was established.

In line with these characteristics, the province is the subordinate link, for which the plans of activities to be carried out in its territory are elaborated.

The provincial plans are aimed at guaranteeing the socioeconomic development of each province, keeping in mind solutions to the problems of national importance that are raised -- especially those concerning the country's economy. To achieve this aim, the provincial planning bodies consider all the activities in their territories, independently of their administrative subordination, in drawing up

these plans. Only when considering this joint analysis can the relations and dependencies among branches, the level of use given resources, the efficiency of social production, the people's standard of living and other aspects be evaluated and coordinated in a planned way.

The planning of productive activities is aimed at deepening and developing the specialization of the existing economy in each province, in line with the tasks of the central economic and social development plan. The analysis of the level of cooperation among the enterprises and the possibilities of extending these relations within and among the provinces all enter into this analysis.

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The elaboration of territorial plans on the provincial scale not only is oriented toward achieving these goals but also takes in the problem of effectively balancing the needs set forth by each branch with the resources that exist in the territory. The answer to this problem entails an analysis of the various factors and conditions that act in it; the relationship that should exist between volume and increased production in the various branches with regard to available agricultural, water and raw material resources; the development of the building capacity of the province, that enables it to meet the demand for buildings for the projects proposed in the plan; the difference between available manpower resources and the manpower needs of the branches in their respective development proposals; and other elements.

Thus, the provincial plans have a double role.

On the one hand, they make possible adequate coordination of the branch plans within the territory, based on provincial interests and resources. AM

On the other, they constitute an element for working with and centrally harmonizing the development and growth of the branches with the development of each of the provinces, based on the interests set forth in the central economic and social development plan.

In drawing up the national economic plan, the Central Planning Board can draw on the provincial plan budgets for the elements needed to include territorial sections in the central economic and social development plan that will enable it to harmonize the development possibilities of each branch and province with the overriding interests of the national economy.

The creation of territorial plans for the national economy makes it easier for the central level to carry out the required analyses of the main problems that affect the socioeconomic development of each province and to be aware of the existing inequalities in the territories (including the development of production and services, the increase of production and transportation capacities, the demand for manpower, levels of productivity achieved and available manpower resources) -- and, therefore, adopt measures to solve them.

The main tasks and problems which are rationally answered through territorial planning combined with branch planning at the central level are very diverse. They include the deepening of the productive specialization of the provinces; the incorporation in production of the most economically viable natural resources and their integral use; the improvement of interprovincial ties and the establishment of more efficient economic relations; the territorial placing of investments with an eye to efficiency and the effects they will bring about

in developing the branches and territories; and the incidence of these and other social problems on the occupational categories, services offered and well-being of the population.

Two kinds of planning bodies directly related with the two levels of work already described -- national and provincial -- take part in drawing up the proposals and plans and in carrying out the other tasks involved in territorial planning, with the institutional structure of our country in mind.

The first of these levels is that of the Central Planning Board, that is in charge of laying down the lines for the work and consolidating and harmonizing the proposals of the territorial plans of the national economy. It is also responsible for the operational-methodological work of the bodies immediately subordinated to it.

The second level consists of the provincial planning bodies (of People's Power), which are in charge of drawing up draft plans (in line with the directives they have received) for their territories and that function under the principle of double subordination: to the Executive Committee and the People's Power Assembly in administrative matters and to the Central Planning Board in matters of operation and methodology.

In drawing up territorial plans, the provincial planning bodies are guided by the methodological guidelines that are obligatory for the Central Planning Board. At the same time, they also base themselves on the specific methodological suggestions and instructions that, on a complementary basis, are issued by that central body.

Below, in order to clarify the content and extent of territorial planning in present conditions, we list some of the elements that are considered in drawing up the territorial plans in our country and the possibilities that exist for the economic and social development required for the construction of socialism. NB

Industrial production planning at the territorial level includes an analysis of the level of geographic concentration of industry with a view to the distribution of investments and other decisions that affect a balanced socioeconomic development. This includes taking into account production volumes, the resources needed to attain them, investment plans and the reserves and installations that are not being used to capacity.

In order to provide a broader description of industrial activity by territory and analyze and project the proportional development of the economy, the elaboration of these plans includes aspects related to the top efficiency of production in industry, the expansion and perfection of interprovincial ties and the possibilities for turning out products for which there is a crying demand (including consumer articles for the population that do not require complex production techniques).

Agricultural planning is a basic part of planning at the territorial level. Thus, the storage plan is aimed at boosting production, achieving the highest yields, upping economic effectiveness and making the most rational use of the resources and other means in the territory.

When this storage plan is drawn up, attention is paid to the close relations existing with other economic

sectors both inside and outside the territory and the coordination that should exist among the agriculture, transportation, industrial and commercial enterprise. Thus, the process of branch coordination considers the periods of harvest, expected volumes, existing storage capacities in the territories, industrial processing capacities and the possibilities for meeting most of the territory's needs for agricultural products.

A balance sheet on land is drawn up in each province as an important element in the elaboration of the plan. This balance sheet provides important criteria on the areas to be planted, irrigation, mechanization, etc. -- planning factors pertaining to this activity in the territory...

Transportation and communications planning within each territory mainly concerns local services. The plans consider the increases in passenger travel via the various types of transportation and the capacities available for guaranteeing this service in the period covered by the plan -- both within each territory and nationally. Therefore, the existing possibilities in the territories are analyzed, as is the contribution that the national transportation system should make. The same procedure is applied to freight.

Because of the establishment of a system of central leadership and decentralized administrative management the elaboration of the plan includes the development of a broad and efficient system of communications. Thus, the availability of telephones, telegraph services and other means of communication, such as radio and television, is analyzed at the territorial levels in order to evaluate and propose extensions and improvements to meet the needs of each territory.

The planning of construction in the territories requires close coordination with the investment plans, plans for the production of materials and other elements for these projects, etc.

The construction plan is a basic factor for guaranteeing the development of the investment plan -- and, therefore, raising production and the standard of living of the people in each territory.

Therefore, the constructive capacities in the territories must grow, based on the balance sheets of the capacities of national and local enterprises and the relationship between these and the needs of the projects to be carried out in the period.

The structure and territorial distribution of investments exerts a considerable influence on the prospective development of both the national and territorial economies. Therefore, the creation of a construction plan in the provinces is an important element paralleling the investment plan. However, with regard to investments, territorial activities include other very important aspects, as well: to provide projects, make recommendations, participate in determining the size and location of investments, etc. Developing the branches in which each territory specializes helps direct attention to the most efficient ways of incorporating the natural resources in the economy and to ways of overcoming the socioeconomic imbalances among territories. It also facilitates the analysis of local possibilities so as to guarantee the fulfillment of the investment plans.

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The main problem that arises in territorial planning of the work force and wages is that of achieving a rational distribution of manpower among the various branches and territories.

The rational distribution and redistribution of manpower resources is based, first of all, on a determination of the needs of each branch at the provincial level, in line with the tasks that have been projected and the level of productivity to be achieved in the planning period. With these elements, overall balance sheets are drawn up on manpower resources, complementary needs, source of supplies and demands for and supplies of skilled manpower. These balance sheets, that are elaborated at the national, provincial and municipal levels, are the essential base of the manpower plan.

Territorial planning of social and community services is aimed at meeting the educational, cultural and health needs of the population; maintaining housing; providing a water supply; and seeing to other aspects of the people's life.

Existing capacities, prevailing conditions, the evolution of services and the level of satisfaction programmed for the period are analysed in drawing up these plans. These analyses make it possible to evaluate each service in terms of how adequately it serves the urban and rural populations in the territory, among other aspects. This is the basis on which the measures needed to improve the territorial distribution of the institutions are determined, so as to meet these demands as fully as possible.

The improvement of community and personal services for the population is an integral part of the people's well-being. The development of these services through their extension and rational distribution, helps to prolong the useful life of buildings, increase hygienic conditions and cleanliness and improve the communities environmentally and aesthetically.



The water supply and cleaning of sewers is planned territorially, taking into consideration the size of the population and its socioeconomic activities. The creation of enterprises and institutions -- mainly in the cities -- is related to increases in populated areas. Great attention is given to building water and sewage lines and purifying water -- both to supply clean water to the population and to avoid the contamination of its sources and the environment.

The people's standard of living is one of the main aspects of the territorial plans. Several aspects are considered in their elaboration, including the people's income, consumption, working conditions, the general state of housing and services, health, educational possibilities and occupational categories.

Therefore, when drawing up plans to raise the people's standard of living in the territories, it is indispensable to establish the interrelationship between these indices and those of the other branches and to emphasize their multifaceted nature.

The indices summing up the standard of living are planned territorially on the basis of the balance sheets on the population's income and expenditures in addition to budgets and other data which the financial and economic entities provide for the planning bodies.

Finally, territorial planning includes the problem of the conservation and protection of nature. The tasks related to this aspect include soil conservation and fertility, water conservation and purity, environmental control, the care and development of flora and fauna and the rational use of natural resources.

4. Planning of Aspects Related to the Social Development of the Population

The importance of planning in raising the people's standard of living is inherent to the socialist system and is one of its chief aims. The satisfaction of man's ever-growing material and cultural needs is a basic economic law of socialism.

The standard of living, as a concept, encompasses the structure and dynamics of needs, physical conditions, means procedures and forms of satisfaction. Especially in socialism, mode of life cannot be separated from conditions work content and the individual's attitude toward work and his place in society, in line with the work he contributes.

Economically speaking, the standard of living will depend on work, consumption and surroundings -- that is, on all the conditions that determine the development of man's physical and intellectual capacities and condition his existence.

The raising of a people's standard of living is the main -- and highest -- goal of the development of socialist production. This objective is expressed in a section of the central economic and social development plan which is aimed at coordinating the planning of all tasks related to raising the people's standard of living and linking them to the goals set in various sections of the plan.

The Programmatic Platform of the Communist Party of Cuba states that "Raising the people's standard of living will depend, in the end, on increasing production and on the social productivity of labor; thus, we will work hard to use all of socialism's possibilities to achieve a constant increase."

A number of indices expressed in physical factors and in value are used in planning the existing standard of living and how to raise it.

The system of indices includes the following groups:

I Synthetic indices These reflect, in a general way, the people's consumption of material goods and services.

- A. Real income of the population. This represents the part of total national income that is used for individual and social consumption. The graph of real income reflects not only the division between individual and social consumption but also the proportions of different types of income and how income is used.
- B. Total consumption of material goods and services. This index reflects the total volume of social work devoted to satisfying individual and social needs, including the products and productive services the population consumes directly and those consumed by the nonproductive institutions that serve the population. It also shows the cost of work invested in community sociocultural service institutions.
- C. Total consumption of services. This index shows the total value of the productive and nonproductive sectors and branches that provide services to the people, including a breakdown of paid and free services.
- D. Social consumption fund. This index shows the material goods and services that the population receives free of charge.

The social consumption fund can provide very important insights, since it indicates specific categories in the population with a view to satisfying their social needs.

1. Maintenance and education of children
  - a. Nursery schools
  - b. Primary schools with no lunch programs
  - c. Primary schools with lunch programs
  - d. Primary boarding schools
  - e. Maternity leave subsidies to working women
  
2. Cadre training
  - a. Universities
  - b. Junior and senior high schools
  - c. Technical-professional training, etc.
  
3. Health care
  - a. Hospitals and clinics
  - b. Physical education
  - c. Sanatariums and rest homes
  - d. Workmen's compensation
  
4. Maintenance of the elderly and other nonworkers
  - a. Pensions, subsidies and other social security expenses
  - b. Invalids and the elderly
  
5. Social-cultural-community services, including cultural training centers

The source of the data for compiling these indices is the state budget and its figures on the expenses of enterprise cooperatives, etc., and the balance sheets on basic, nonproductive funds and on the population's monetary income and expenditures.

The planning of the people's standard of living would not be complete without the people's "indirect" areas of it -- which become more and more important in the development of socialist society.

II. Specific standard of living indices. These reflect specific aspects of the people's consumption and are grouped according to the material nature of the goods or services involved, their purpose and their use.

- A. Food consumption.
- B. Shoes and other clothing.
- C. Housing and furnishings.
- D. Transportation and services.
- E. Public health and social welfare.
- F. Education, culture and art.

The specific standard of living indices are expressed in physical units, in total and per capita value, etc., depending on what is involved.

These indices are compiled on the basis of consumer goods on hand; the planning structure for merchandise distribution; and the plans for social, community and individual services.

III. The planned balance of the population's income and expenditures.

This balance sheet is an integral part of planning the standard of living. Its aim is to estimate and fix the proper relationship between the income the population receives from various sources and the expenditures incurred, basically in material goods and services offered and distributed during a specific period.

At present, the balance sheet on the population's income and expenditures is based on a small, two part sample showing the income the population receives from state, social and cooperative bodies, enterprises and institutions as payment for work, merchandise or services; payment from social funds; and the financial loan system; and total payments by the people to enterprises, bodies, etc.

This system, composed of the groups of synthetic and specific indices and the balance sheet on the population's income and expenditures, provides an overall description of the population's planned level of well-being. It is also related to other sections of the national economic plan, such as the social services.

The definitive plan for raising the people's standard of living is drawn up in the last stage of preparing the draft plan, on the basis of other completed sections of the central economic and social development plan. Nevertheless, overall estimates of the standard of living in the period covered by the plan are made as far back as the initial stage of the plan, including all preliminary calculations.

It should be noted that the problems related to the people's standard of living include not only the factors previously explained but also, in other sections of the plan, tasks that complement this aim -- such as the planning of distribution; services; cultural, sports and recreational activities; and educational and health services.

B I B L I O G R A P H Y

Main Report to the 1st Congress of the Communist Party  
of Cuba

Programmatic Platform of the Communist Party of Cuba

Resolution of the 1st Congress of the Communist Party  
of Cuba on the Economic Planning and Management System

Methodological indices for drafting the national economic  
plan