

FINANCIAL DISCIPLINE AND STRUCTURAL ADJUSTMENT IN
YUGOSLAVIA: REHABILITATION AND BANKRUPTCY OF
LOSS-MAKING ENTERPRISES¹

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INTRODUCTION

Adjusting the structure of an economy to operate efficiently with higher real energy prices and to obtain greater benefits from international trade requires both modification of economic behaviour at the enterprise level and new investments. Enterprises must adapt to prices reflecting new relative scarcities. New technologies, products, markets, and sources of supply must be sought. While much adjustment can be achieved without physical investment, new plants, machinery and equipment are often needed to achieve the full potential benefits of the adjustment process. On the other hand, inefficient investment, not guided by appropriate factor and product prices, may hinder rather than further the adjustment process.

In a market economy, enterprises which fail to adjust to a changed economic environment are likely to experience losses and eventually bankruptcy. The prospect of bankruptcy is the ultimate «stick» which complements the carrot of greater profits which await successful adjusters. But bankruptcy and attendant liquidation of going concerns have high economic, social, and political costs. Hence, in most countries provision is made for «workout» or rehabilitation solutions. Bankruptcy and liquidation remain as last resorts when rehabilitation fails.

Yugoslavia is no exception. Yugoslav enterprises which have incurred losses have had to recourse to a wide variety of sources for covering the losses. Among them are not only their own reserves, but also reserves of other basic organizations of associated labour (BOALs) with which

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they are linked by self-management agreement (SMAs), »solidarity contributions« from other enterprises to which they are not linked by SMAs but which are important suppliers and customers, pooled reserves at the commune and republican provincial level, bank loans and reschedulings, write-offs of debts, and postponement or cancelling of tax and contribution obligations to socio-political communities (SPCs — the Yugoslav term for federal, republican/provincial and commune governments) and communities providing social services all without any direct contribution from the budgets of SPCs.²

In addition, Yugoslav enterprises (and not just loss-makers) have been able to obtain credit by paying for goods and services with promissory notes and other forms of deferred payment which they have not always executed when due. Beginning in 1977 the rise in registered inter-enterprise claims has been well above the rate of inflation.

There has been widespread discussion in the press of the scale of enterprise losses and the laxity of financial discipline that they present. A consensus appears to be forming among Yugoslav economists and policy-makers that successful completion of the country's structural adjustment programme requires stricter financial discipline to increase the economic pressure on enterprises to adjust. To use the term coined by the Hungarian economist Janos Kornai, the »soft budget constraint« facing Yugoslav enterprises needs to be »hardened«.³

Table 1 provides statistics on the extent of uncovered losses incurred in 1981. Loss-making BOALs in »economic« activities (sectors I—II in the Yugoslav classification) were 7.8% of all BOALs, employed 4.9% of all social sector workers, and the losses came to roughly 1.5% of social sector gross material product (GMP) for these activities. These numbers appear to be significant from the macroeconomic viewpoint, though not overwhelming. But the uncovered losses in Table 1 may only be the tip of an iceberg. Losses already covered at the time annual financial reports were submitted were some 26% greater than uncovered losses. Interest rates charged on loans to BOALs have been well below the rate of inflation, resulting in hidden subsidies. And given the increasingly difficult economic situation faced by the country since 1982, with decreased demand and acute shortages of foreign exchange, the problem has probably become more serious, though the statistics on losses for these years were not available to the author at the time the main text of this paper was written (October 1983). In any case, the meaning of a loss in Yugoslavia is quite different from that in Western countries.

² Unless otherwise indicated, the word enterprises refers to BOALs, work organizations not composed of BOALs, basic co-operative associations, basic organizations of co-operative associations, artisan and other cooperatives, and contractual organizations of associated labour. For a brief description of the evolution of the Yugoslav system of worker self-management and its specialized terminology, see the section on Yugoslavia in the author's »Economic Reforms in Socialist Countries. The Experiences of China, Hungary, Romania, and Yugoslavia,« World Bank Staff Working Paper No. 579 (Washington, D. C.: The World Bank, 1983). For more details, see the references of Yugoslavia in the bibliography of that paper.

³ Janos Kornai »Hard« and »Soft« Budget Constraints, *Acta Economica* 25:3—4 (1980) pp 231—246.

es, as is explained in the next section of the paper. This means that comparisons with data for other countries are risky.

It is likely, however, that without more effective financial controls and a greater possibility of bankruptcy than has prevailed in the past, the allocation gains of a greater reliance on the price system, which is now planned, will be lost. The issue of enterprise losses is also intimately related to issues of nominal incomes policy, price control, inter-enterprise credit (and hence monetary policy) and national savings.

This paper focuses on two aspects of the general question of financial discipline in Yugoslavia: rehabilitation and bankruptcy of loss-making enterprises and inter-enterprise credit. In each case the nature of the problem, the present legal framework, recent experience, and expected future developments are reviewed. Conclusions and policy recommendations are contained in the final section of the paper. A short postscript provides some information on developments through June, 1984.

REHABILITATION AND BANKRUPTCY OF LOSS-MAKING ENTERPRISES

The Problem

When a bankrupt firm is liquidated, assets are generally sold at distress prices, i. e. at prices far below their reproduction value. The proceeds to the creditors fall short of the principal value of their claims and debt is extinguished. The services required in the form of lawyers, asset-selling expenses and the like constitute a considerable consumption of real resources which corresponds to both a private and a social cost. The financial costs associated with the termination of labour and other contracts are a private cost to claimants, if not a social one. Also, assets are often sold at distress prices on liquidation, and creditors and holders of the last shreds of equity in troubled firms receive less than »fair value« for their claims. For these reasons, these private parties prefer »workout« or rehabilitation solutions to bankruptcy.

There are additional costs to society inherent in bankruptcy, and for these reasons bankruptcy law and social practice (including that of Yugoslavia) try to promote rehabilitation and avoid liquidation when possible. An enterprise is more than the sum of its real and financial assets — it is a going concern. Its value as such is its goodwill or intangible assets. In economic terms, the firm is an organization that embodies human capital and a technology — that of the management of labour and capital. In their haste to get their fair share of a troubled company's eroding assets, creditors in Western countries often opt for liquidation, even if it involves disruption of enterprise management structures and production, breaking up a functioning organization that would be costly to reproduce.

⁴ I am indebted to Frank Veneroso for the ideas and much of the language of this and the following paragraph.

Table 1: Loss-making BOALs to all BOALs in Yugoslavia, 1981
(Economic Activities only)

	Loss Making BOALs a/			Total BOALs			Proportion of Loss-Makers to Total/or Social Sector		
	Number of BOALs	Thousand Workers Involved	Amount (in Din B) of Losses	Number of BOALs	Thousand Workers Involved	GMP (in Din B) for the Sector b)	Number of BOALs	Number of Workers c)	GMP for the Sector c)
	(1)	(2)	(3)	(4)	(5)	(6)	(1) as % of (4)	(2) as % of (5)	(3) as % of (6)
Industry and Mining	465	124	20.8	6,053	2,053	856.8	7.7	5.5	2.4
Agriculture and Fishing	132	14	1.4	1,252	200	91.0	10.5	6.8	1.6
Forestry	4	1	—	380	63	25.9	1.1	1.0	0.1
Water Economy	4	—	—	90	18	6.9	4.4	1.7	0.3
Construction	89	27	1.9	1,611	622	20.7	5.5	4.4	1.0
Transportation and Communication	105	44	2.3	1,457	408	152.5	7.2	10.7	1.5
Trade	70	8	0.6	555	596	395.4	12.6	1.3	0.2
Catering and Tourism	101	11	0.6	455	210	54.9	22.2	5.2	1.0
Handicrafts	41	4	0.7	584	172	47.2	7.0	2.3	0.3
Financial and Other Services	16	1	0.1	497	112	n.a.	7.8	3.8	n.a.
TOTAL	1,066	237	28.6	13,667	4,848	1,830.2	7.8	4.9	1.6

a) BOALs showing uncovered losses on their Annual Financial Reports for 1981 as of December, 31, 1982.

b) Social sector only.

c) Calculated from untouched original data.

In Yugoslavia, the bankruptcy and liquidation solution for loss-makers has rarely been invoked and the procedures for rehabilitation, while in principle adequate, in practice are seldom fully executed. They also appear to provide insufficient pressure to induce real structural adjustment by firms. The Yugoslav rehabilitation often smells more of a bail-out than a workout. The problem, therefore, is how to secure more effective adjustment by increasing the credibility of the bankruptcy threat while putting more «teeth» into rehabilitation procedures.

Before proceeding to a summary description of the existing legislation governing rehabilitation and bankruptcy of loss-making enterprises, a short digression is necessary to clarify the special meaning of the losses in the Yugoslav systems of worker's self-management. In this system the basic accounting and legal unit is the BOAL. While *kombinati* and intermediate «work organizations» are composed of multiple BOALS linked by SMAs, all assets, equity and liabilities remain under the control of BOALs. It is the practice for a kombinat to prepare and submit to the Social Accounting Service (SDK) consolidated accounts for the BOALs which comprise it. Such a consolidation, however, cannot be viewed as an organic unity, as is often appropriate in considering the accounts of a holding company and its subsidiaries in Western countries.

In the Yugoslav system, labour rather than capital is the residual claimant of the surplus left after paying for purchased inputs and services (including borrowed capital) and taxes. Labour income is not considered a cost. In principle, capital is owned by society, but in practice its rental value accrues to groups of workers (including managers) who enjoy its usufruct, except in the case where such workers lend it for interest to another BOAL, either directly or through the banking system. In this case the interest income accrues to the group of workers lending the capital and only any return above the interest goes to the workers actually «employing» it.

Article 154 of the Associated Labour Act of 1976 states that a basic organization shall be considered to have incurred a business loss if, according to its annual balance sheet, it has not received sufficient income to cover amounts spent on personal incomes provisionally accounted and paid out, or to pay statutorily-guaranteed personal incomes for the accounting business period for which personal incomes have not been provisionally accounted or paid, or for which statutorily-guaranteed personal incomes have not been paid.

Thus it is possible for a firm whose workers vote themselves excessively generous advances on personal incomes (e.g. incomes well above the average for the activity involved) to incur a loss lacking the normal economic significance of a loss in most Western countries. The (understandable) reluctance of workers' councils to fire or lay-off colleagues tends to produce losses when demand falls if personal incomes are not reduced. On the other hand, a loss might be a «programmed» one caused by economic policies, such as price controls on the firm's output, which have no efficiency implications for the firm. A loss of this kind would not call for economic adjustment by the firm in ques-

tion, but rather changes in price policy on the provision of some form of subsidy.

THE LEGAL FRAMEWORK AS OF APRIL 1983

The basic legal framework for enterprise rehabilitation and bankruptcy in Yugoslavia is the law on Rehabilitation and Liquidation of Organizations of Associated Labour of July 1980. This law became effective on December 31, 1980 and has since been amended three times. The following is a brief summary description of its major provisions and covers the law as amended through April 1983.

Three types of rehabilitation procedures of progressively greater severity are provided for. The first two are technically known as «pre-rehabilitation» procedures. More formal rehabilitation procedures, for which statistics are regularly reported by the SDK, apply to enterprises showing losses on their annual financial reports (AFRs), due by the end of February of the following year. An enterprise showing a loss on its AFR must initiate a set of procedures following a timetable specified in the law. These include informing associated BOALs and various official organizations, including the relevant SPCs and the SDK, of its situation and the procedures adopted, establishing the causes of and responsibility for the loss, and the means to be taken for eliminating the loss. It also includes adopting a rehabilitation programme which specifies, *inter alia*, the method and deadlines for obtaining funds to cover losses not already covered from non-reimbursable sources (its own reserve funds, reserve funds or net income of associated BOALs linked by a SMA on the pooling of labour and resources, or other sources), and (if the loss was found to be due to obsolete technology, inadequate productive capacity, a shortage of working capital, or uneconomic business operations) measures and financial means to solve the problem.

Requests for funds to cover the loss together with a copy of the rehabilitation programme must be sent to BOALs with which the loss-making BOAL is linked by a SMA, BOALs with which it has generated more than half its total revenue declared in the AFR in which the uncovered loss is shown, the joint reserve fund for the territory of the SPC in which it has pooled its reserve funds, the competent body of the SPC, and the competent branch of the SDK. In the rehabilitation proceedings funds must be obtained at least up to the level of the uncovered loss and of three major types: non-reimbursable resources, write-offs of creditors' claims, and rehabilitation credits. If the loss-making BOAL does not cover the loss and fails to find parties willing to do so (called rehabilitation administrators) within the time limits established (that is by roughly August 8 of the year following that in which the loss was incurred) it must submit to the general association with which it is associated, without delay, a proposal for initiating rehabilitation with a view to finding the rehabilitation administrator. When rehabilitation administrators have been found, a SMA on mutual relations under rehabilitation must be established setting forth the

rights and duties of all parties concerned, including the basis and criteria for determining personal incomes for the duration of the rehabilitating programme as well as the method of co-ordinating positions and joint decision-making in cases where the workers of the BOAL under rehabilitation do not act in conformity with the obligations they assumed in the SMA on rehabilitation. This SMA may envisage that the administrators participate in the BOAL's decision-making on the execution of the rehabilitation programme.

If no rehabilitation administrators are forthcoming by approximately September 7 of the year following that in which the loss was incurred, consultations on a reduction in claims by creditors must be initiated. If an agreement cannot be reached within another 30 days, bankruptcy proceedings must be initiated. These may lead either to an enforced settlement (reduction in claims) or liquidation of the debtor BOAL.

RECENT EXPERIENCE

The statistical material concerning rehabilitation which was made available to the World Bank mission does not include pre-rehabilitation programmes. Nevertheless, interviews with enterprises and banks indicate that considerable effort and resources are expended by both enterprises and their creditors to avoid an enterprise showing a loss on the AFR and thereby entering formal rehabilitation proceedings. Reportedly funds for projects under construction are sometimes diverted to finance working capital for existing activities. This is one of many factors leading to cost overruns and delays in investment projects. Indirect financing to avoid an enterprise showing a loss may be provided when its bank finances the enterprise's suppliers and/or customers.

An example of a partially successful pre-rehabilitation programme is provided by the national airline, JAT. At the end of June 1982 losses totalled some Din 780 million, but they were reduced to Din 450 million by December 31 through a combination of a freeze on new hiring, revision of flight schedules to increase load factors, an expense control programme, and by holding increases in personal incomes below the rate of inflation. Seasonal factors may also have helped improve performance. As part of the pre-rehabilitation programme, JAT launched a study on reorganization of the enterprise which was expected to result in consolidating its six BOALs into one or two, with considerable cost savings through elimination of management functions and better control over costs, including advances on personal income.

For all Yugoslavia, total losses as shown in annual financial reports at the time of presentation to SDK came to 1.6%, 1.3% and 1.4% of GMP respectively in 1979, 1980, and 1981 (see Table 2). In 1981 losses reported were a total of Din 31 billion, of which Din 6.6 (21%) were covered from non-reimbursable funds, as specified by the 1980 rehabilitation and liquidation law, at the time the reports were presented to the SDK. To the remaining 24.3 billion must be added Din 4.1 bil-

lion in losses from earlier years still uncovered at the end of 1980 to get a total of Din 28.4 billion of uncovered losses at the time the 1981 AFRs were prepared.

Table 2: *Losses in the Social Sector, their Coverage, and Investment in Loss-Making Boals, 1969—1981*

(Billion Dinars unless otherwise indicated)

Total losses shown on AFRs	18.7	20.0	31.0
(as % of Gross Material Product)	(1.6)	(1.3)	(1.4)
Losses covered at time AFR was prepared	2.0	3.3	6.6
Uncovered losses at time AFR was prepared	16.6	16.7	24.3
Number of BOALs	1,383	1,303	1,277
Thousand Workers	279.2	277.2	261.6
(as % of workers in social sector)	(5.1)	(4.9)	(4.5)
Losses still uncovered as of December 31 of subsequent year	1.0	4.1	6.1
Number of BOALs	94	198	204
Thousand workers	20.3	53.1	44.7
Investment in BOALs showing losses on AFRs	27.7	37.8	34.6
(as % of Gross Investment in the Social Sector)	(7.4)	(8.3)	(n.a.)

Table 3 shows the distribution of losses between republics and autonomous provinces in relation to territorial GMP for the years 1979-81. In general the less developed regions tend to have a larger share of losses than production. The average ratio of the percentage of total losses shown on AFRs at the time of preparation to the percentage share of GMP for these three years is given in the following table.

Territory	Average Ratio of % of Total Losses on AFRs to % of GMP, 1979-81
Less Developed Regions	
Bosnia—Heryegovina	1.27
Montenegro	2.45
Macedonia	1.79
Kosovo	3.67

Table 3. *Distribution of Losses Shown in Annual Financial Reports GMP by Territory 1979—1981 a)*

	1979			1980			1981		
	Losses (% of total)	GMP (% of total)	% Loss/% GMP (ratio)	Losses (% of total)	GMP (% of total)	% Loss/% GMP	Losses (% of total)	GMP (% of total)	% Loss/% GMP
Bosnia—Herzegovina	14.3	12.5	11.4	18.1	12.5	1.45	15.4	12.5	1.23
Montenegro	8.2	1.7	4.82	3.3	2.1	1.57	2.0	2.1	.95
Croatia	27.6	26.3	1.05	18.7	26.5	.71	21.9	26.5	.83
Macedonia	9.0	5.6	1.61	11.6	5.5	2.11	9.2	5.6	1.64
Slovenia	7.3	16.4	.45	9.4	16.1	.58	14.6	15.5	.94
Serbia	33.7	37.4	.90	38.9	37.3	1.04	36.9	37.8	.98
Serbia Proper	15.8	24.1	.66	15.0	24.0	.63	12.6	24.0	.53
Kosovo	7.8	2.2	3.55	8.0	2.2	3.64	9.2	2.4	3.83
Vojvodina	10.2	11.1	.92	15.9	11.1	1.43	15.1	11.5	1.31
Yugoslavia	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note:

a) Economic sectors (—11) only

More Developed Regions

Croatia	.86
Slovenia	.66
Serbia proper	.61
Vojvodina	1.22

The only more developed region with a ratio exceeding unity is Vojvodina. The undisputed leader in loss-making in relation to GMP is Kosovo.

Uncovered losses for 1981 were shown by 1,277 BOALs with 261,634 workers, or 4.5% of the workers in the social sector (including «non-economic» activities) that year. The number of BOALs and workers in loss-making BOALs in 1981 were 7.7% and 6.8% below the levels in 1979 (see Table 2).

Table 4 summarizes the way uncovered losses for the years 1979-81 were financed in the year following that in which the loss was incurred. Coverage from reimbursable sources fell from 14.4% of the total in 1979 to 12.5% in 1981. Other BOALs provided an increasing percentage of coverage, reaching 5.8% total uncovered losses shown on the AFRs for 1981. Another important trend is the decline in non-reimbursable funding from SPCs and «other users of social resources» (reportedly mostly communities of interest). These are healthy trends since they are likely to result in increased pressure on loss-making BOALs to improve their performance by workers in other BOALs. SPCs and communities of interest are more distant and impersonal, and their contribution does not normally take the form of budgetary allocations, but rather the pardoning of deferral of tax and contribution obligations.

The share of losses financed by rehabilitation credits fell from 80.9% in 1979 to 66.6% in 1981. This is almost all accounted for by decreases in the share of credits supplied by banks and by SPCs and other users of social resources. Again, this can be interpreted as a favourable phenomenon. A caveat is posed by another trend, however, the increase in the share of uncovered losses shown on AFRs which remained uncovered at the end of the year following that in which they were incurred. It rose from 4.7% for losses incurred in 1979 to 20.9% for losses incurred in 1981. As will be discussed below, an amendment to the rehabilitation and bankruptcy law passed in June 1983 authorizes the SDK to initiate bankruptcy proceedings for any enterprise still showing an uncovered loss as of December 31 of the year following its incurrence.

Table 5 shows total losses recorded in AFRs for 1981 at the time they were prepared, investments during 1981 in BOALs showing losses, and the total amount of rehabilitation credits outstanding and disbursed for twelve four-digit industrial subsectors which had losses exceeding Din 800 million (US \$23 million) in 1981 as shown in Table A 1.3 of the Statistical Appendix. These 12 industrial subsectors were responsible for 68% of all losses shown on the 1981 AFRs. The average loss in these subsectors was 4.4% of subsectoral GMP, compared with

Table 4: Financing of Uncovered Losses Shown on Annual Financial Reports, Social Sector, as of December 31 of Subsequent Year, 1979-1981
(Percentages of Total)

	1979	1980	1981
Total Uncovered Loss of which	100.0	100.0	100.0
Covered with Non-reimbursable Funds of which	14.4	13.1	12.5
From BOALs linked by SMAs	2.2	3.2	5.8
From Common Reserve Funds	1.1	1.6	2.9
From Banks	0.2	—	—
From SPCs and other Users of Social Resources	9.7	6.9	2.8
Claims Written off	1.3	1.3	1.0
Covered with Rehabilitation credits of which	80.9	67.3	66.6
From BOALs linked by SMAs and other BOALs	9.0	10.8	9.1
From Common Reserve Funds	39.5	34.0	39.1
From Banks	21.4	18.3	14.6
From SPCs and Other Users of Social resources	11.1	4.2	3.8
Still Uncovered as of December 31 of Subsequent Year	4.7	19.6	20.9

Table 5: Total Losses and Investments, 1981, and Rehabilitation Credits Outstanding and Disbursed as of 30 September 1982, Selected Industrial Subsectors a)

(Million Dinars and Percentage of Gross Material Product)

Activity Code Number Industrial Subsector	Loss at Time 1981 AFR Prepared	GMP 1981	Col 1 / Col 2 (%)		Making Investment 1981	Making BOALs in Loss-making BOALs	Col 6 / Col 2		Col 7 / Col 2	
			3	4			5	6	7	
0101 Electric Energy	900	55,369	1.6	2,733	4.9	1,102	2.0			
0102 Extraction of Coal	850	22,365	3.8	935	4.2	1,464	6.5			
0107 Iron and Steel	1,739	25,957	6.7	811	3.1	1,795	6.9			
0109 Non-Ferrous Metals	1,529	7,233	21.1	157	2.2	2,265	31.3			
0113 Metal Fabrication	1,254	92,522	1.4	1,163	1.3	3,094	3.3			
0115 Transport Equipment	1,265	43,968	2.9	564	1.3	2,840	6.5			
0117 Electrical Machinery	1,777	57,616	3.1	1,022	1.8	2,560	4.4			
0118 Manufacture of Chemicals	3,633	23,255	15.6	1,249	5.4	5,139	22.1			
0121 Building Materials	1,091	26,359	4.1	1,855	7.0	4,085	15.5			
0124 Paper	895	20,858	4.3	353	1.7	2,292	11.0			
0130 Food Processing	3,903	63,302	6.2	3,800	6.0	8,274	13.1			
0601 Railways	1,681	23,238	7.2	3,125	13.4	3,959	17.0			
Subtotal	20,517	462,042	4.4	17,767	3.8	38,869	8.4			
01-11 Total, All Economic Activities, Social Sector	30,065	1,924,863	1.6	32,871	1.7	67,738	3.5			

Note a) 4 Digit subsectors with 1981 losses over Din. 800 million.

1.6% for all economic activities (sectors 01-11). Subsectors whose losses were more than 6% of subsectoral GMP were iron and steel (6.7%), non-ferrous metals (21.1%), manufacture of chemicals (15.6%), food processing (6.2%) and railways (7.2%). Note that electric energy (1.6%) was at the average for all economic activities in 1981.

Investment in fixed assets in loss-making BOALs averaged 3.8% of subsectoral GMP in all industrial subsectors with losses above Din 800 million compared with 1.7% for all economic sectors. Subsectors with investment in loss-makers over 5% of subsectoral GMP were manufacture of chemicals (5.4%), building materials (7.09%), paper (7.0%), food processing (6.0%) and railways (13.4%).

Whether investment in loss-making BOALs represents modernization and expansion of productive capacity that will reduce future losses, or good money following bad cannot be determined from these data. Investment in 1981 at the sub-sectoral level is, however, positively and significantly correlated with losses in that year as well as with investment in 1985.⁵ While such a positive statistical association does not prove that investment is caused by losses or by previous investment, it does suggest that loss-makers do not tend to cut back on investment.

The provisions of the Law on Rehabilitation and Liquidation appear to induce loss-making BOALs to carry out additional investment, and the rehabilitation procedures prescribed by this law suggest that such investment may not be rigorously appraised for its economic viability. The workers' council of the loss-making BOAL determines the causes of losses, which may be inefficient management and/or workers, obsolete technology or other bottlenecks in productive capacity, and/or the government's price intervention policies. The self-criticism does not appear to work well, and the first cause is rarely established. The second cause is frequently accepted, and the predictable response is to invest further. In the case of the third cause, the BOAL often chooses to diversify by investment. Since the decision-makers' (members of the workers' council) jobs are at stake, the option of closing the facility and cutting losses is almost never seriously considered.

Rehabilitation credits outstanding and disbursed as of 30 September 1982 totalled 8.4% of 1981 subsectoral GMP in the 12 selected subsectors compared with 3.5% for all economic activities. Subsectors

⁵ For 41 observations at the four digit level for industry and mining and the two digit level for other activities:

$$I81 = 564.0 + 0.698 I80 - 382.0 DUM \quad R^2 = .42 \quad DW = 1.74$$

$$I81 = 157.1 + 0.859 I80 + 0.040 LS81 - 182.8 DUM \quad R^2 = .75 \quad MW = 1.78$$

Where

I81 = Investment in 1981 in Din M

I80 = Investment in 1980 in Din M

LS81 = Losses on 1981 AFRs at time prepared in Din M

DUM = Dummy for 4 digit sub-sector

where such credits exceeded 10% of subsectoral GMP include non-ferrous metals (31.3%), manufacture of chemicals (22.1%), building materials (11.0%) and railways (17.0%). In industry and mining, 72% of uncovered losses reported in the AFRs for 1981 were covered by rehabilitation credits as of the end of 1982.

Using four rather arbitrary criteria — (1) subsectoral losses greater than Din 800 million for 1981, (2) losses greater than 6% of 1981 subsectoral GMP, (3) 1981 investment in loss-makers greater than 5% of subsectoral GMP for 1981, and (4) rehabilitation credits outstanding and disbursed as of 30 September 1982 greater than 10% of 1981 subsectoral GMP — the leading loss-making absorbers of resources are given in the following table.

<i>Meet All Four Criteria</i>	<i>Meet Three Criteria</i>
Manufacture of chemicals	Non-ferrous metals
Railways	Food processing
	Building materials

Table 6 shows that the great majority of enterprises with uncovered losses on their AFRs (84% for 1981) completed rehabilitation programmes in the following year. Since the Rehabilitation and Liquidation Law of 1980 became effective, the number of BOALs initiating procedures for fixing responsibility for losses has risen sharply reaching 38.9% in 1982 for the BOALs showing uncovered losses in 1981. Apparently this was still not a popular activity, despite the legal obligation of workers in all BOALs reporting uncovered losses on their AFRs to institute such procedures within 30 days of adopting the AFR. Even less common was the initiation of procedures to remove managers. This took place during the subsequent year in 14% of the BOALs showing uncovered losses in their 1980 AFRs, but only 2% of the BOALs showing uncovered losses in their 1981 AFRs.

Initiation of bankruptcy procedures was a truly rare event, affecting only 14 BOALs (1% of all BOALs showing uncovered losses in their 1981 AFRs) with 1,306 workers in 1982, the continuation of a decline from 29 BOALs and 7,279 workers in 1980 under the old bankruptcy law.

Banks do not generally provide financial support for a rehabilitation programme if the enterprise in question has not made a significant contribution from its own resources. The extent to which banks take an active part in the elaboration, execution and monitoring of rehabilitation programmes varies considerably. In some cases they make their own analysis of the causes of losses and insist on strong conditionality, including reductions in personal incomes, in return for rescheduling debts, granting rehabilitation credits, or financing new investments as part of a rehabilitation programme. They may insist on use of external consultants by the loss-making enterprise to help in the diagnosis of economic ills and the prescription of appropriate remedies. They may participate in frequent meetings of the rehabili-

Table 6: *Rehabilitation Programmes and Bankruptcy Initiated in the Social Sector as of 31 December, 1980—1982*

	1980 a/	1981	1982
<i>Number of BOALs with</i>			
Uncovered Loss on AFR for Previous Year	1,383	1,303	1,277
Rehabilitation in Process	62	178	190
Rehabilitation Completed	1,286	1,150	1,073
Bankruptcy Procedure Initiated	29	20	14
Procedure for Fixing Responsibility Initiated	203	447	497
Procedure for Removal of Managers Initiated	na	184	27
<i>Workers in BOALs with</i>			
Uncovered Loss on AFR for Previous Year	279,858	277,195	261,634
Rehabilitation in Process	15,678	51,119	43,440
Rehabilitation Completed	259,573	224,132	216,888
Bankruptcy Procedure Initiated	7,279	1,994	1,306

Note

a/ Number of BOALs and Workers in BOALs showing losses in AFR not equal to sums for rehabilitations in process, rehabilitations completed, and bankruptcy procedures initiated in original source, Table A 2.1. (b)

tation administrators to monitor the execution of the rehabilitation programme.

But banks may also be subject to considerable pressure from the enterprise in difficulties, particularly if it is large and a founding member of the bank in question. Bank officials admit that there are cases when this pressure is strong enough that the bank feels it has little choice in responding to a rehabilitation programme proposed by such a loss-maker, and consequently takes a fairly passive role in meeting its demands with few questions asked. Frequently pressure to accommodate also comes from SPCs on whose territory the loss-maker is based. Banks generally administer common reserve funds at the level of SPCs, and are expected to provide a recommendation as to their use to the governing boards of these funds which approve the granting of rehabilitation credits.

The consolidated balance sheet for the common reserve funds of all Yugoslav socio-political communities for 1980 and 1981 may be found in the Statistical Appendix, Table A 5.1. As of 31 December 1981, total assets were Din 59.4 billion, equivalent to 2.7% of Yugoslavia's GMP in that year. Of this total, 79% consisted in credits for the coverage of losses. The largest source of funds was pooled reserves of BOALs, which accounted for 58% of total liabilities of the consolidated common reserve funds. An additional 28% of the liabilities were made up of credits received.

Interest rates on rehabilitation credits from banks were reportedly in the 5—7% range in 1982, but in 1983 are on the order of 14%—18%. The interest rate on rehabilitation credits from common reserve funds is reportedly only 4% for periods up to 10 years, the period being based on the economic possibilities of the loss-making enterprise.

Investment credits for modernization or expansion under rehabilitation programmes generally carry more favourable conditions than normal investment credits and BOALs under rehabilitation may receive up to 100% bank financing for such investments, i.e. they are exempt from the normal requirements for financing a percentage of the investment from retained earnings. Highly negative real rates of interest and 100% bank financing may constitute powerful incentives to incur losses.

It is difficult to determine to what extent loss-making enterprises have actually reduced personal incomes as part of rehabilitation programmes, though in principle the SDK could determine this from the data which it possesses. The following table, gives the percentage of the total of 1303 loss-making BOALs using different methods.

Manner of Determining Advances on Personal Incomes	Percent of Total
As per SMA on Association	58
As per SMA on Rehabilitation	2
Minimum guaranteed personal incomes	5
Average of 9 months in 1980	13
Above the average of 9 months in 1980	15
Unpaid	7

Note that only a total of 7% of the BOALs were paying out the guaranteed (minimum) personal incomes or amounts specified in an SMA on rehabilitation. The mission heard reports that there is no significant difference in personal incomes paid by loss-making enterprises as opposed to those operating profitably, but was not able to verify this. It was observed, however, that reducing personal incomes may result in the loss of an enterprise's better workers, and that maintaining incomes at the nominal level of the previous year may be too drastic a measure to enforce when inflation is running at 20 to 30% a year.

DEVELOPMENTS THROUGH JUNE 1983

The Anti—Inflation Programme prepared by the Stabilization Commission in 1982 argued that business losses of enterprises have in practice been socialized to an excessively high degree with the result that their workers are not sufficiently interested in, and are in fact

noticeably indifferent to, business losses.⁴ This document calls for applying stricter measures which would accelerate the process of rationalizing work in loss-making enterprises so as to cover and eliminate the losses and further encourage them to avoid operating at a loss in the future. Among the measures called for applying to enterprises showing losses on their APRs are:

(a) mandatory reduction in personal incomes by a given percentage;

(b) exemption from income taxes and other contributions payable out of income and from obligations to contribute to the funds for accelerated development of less developed regions;

(c) reduction in depreciation charges on the condition that they be offset by increases in later years;

(d) provisions that rehabilitation programmes should envisage eliminating surplus labour by introducing additional shifts, increasing capital utilization or expanding the production programme, and if these measures are not possible by reducing the number of workers employed;

(e) mandatory elections for a new workers' council and management body at the end of each year during which an enterprise operates at a loss;

(f) greater emphasis on solidarity and mutual responsibility of other BOALs in the same work organization or composite organization or self-managed community of interest in accord with the SMA on association;

(g) mandatory sharing by banks in the risks of credits extended to loss-making enterprises through cancelling interest on regular credits to such enterprises and rescheduling investment credits;

(h) reducing or eliminating fiscal and other contributory obligations of loss-making enterprises to SPCs and self-managing communities of interest;

(i) special compensation for «programmed losses» of enterprises which must operate at a loss because of price controls imposed on them;

(j) elimination of common reserve funds at the regional level and their transformation into institutions through which payments will be provided for decreased personal incomes of workers; and

(k) faster liquidation of enterprises in the event that rehabilitation programmes fail, but only where economically justified — unemployed workers would get social benefits.⁷

As of April 1983, it was already possible for loss-makers to reschedule depreciation payments as proposed by the Stabilization Commission. At that time, a number of amendments to the 1980 Rehabilitation and Liquidation Law were under discussion. Briefly, these were meant

⁴ The Stabilization Commission is a semi-official body composed of well-known economists and policy-makers.

⁷ Anti-Inflation Programme, as published in *Borba* in 1982, exact date not available.

to further strengthen the role of banks and other organizations that participate in financing the rehabilitation programme in the design and monitoring of rehabilitation procedures and to provide for the possibility of replacing and recalling managers of loss-making enterprises. The power of rehabilitation administrators was to be strengthened to enable them to influence the production and planning decisions of the loss-making enterprise. Loss-making BOALs were to be required to identify the causes of losses and to assign responsibility to individual workers, managers, or management bodies. The competent agency of the SPC and the SDK were to be informed by the BOAL of these actions. Were the BOAL to fail to determine the causes of its losses, the draft amendments provided for the intervention of bodies of the SPC as provided for in Article 622 of the Associated Labour Act.⁹ The SDK which has the power to block payments of personal incomes in excess of the levels established in the rehabilitation programme, was to be authorized to institute bankruptcy proceedings in court if the BOAL failed to cover its losses within a specified period.

The final amendments to the Rehabilitation and Liquidation Law were passed by the Federal Assembly in June 1983. These amendments do not differ significantly from the draft amendments. Essentially the final amendments suggest a further strengthening of the role of the SDK (unlike in the draft amendments, the SDK can now initiate bankruptcy proceedings in court for BOALs in railway, postal, telephone, telegraph, electric power and coal industries) and provides for the imposition of penalties on BOALs and lending banks for not fulfilling obligations listed in the Law.

An additional measure under consideration in April 1983 would decrease the probability of enterprises operating at a loss was a draft law on the provision of working capital to BOALs. This law would prohibit investment in fixed assets by BOALs with insufficient working capital. Likewise, such BOALs would not be permitted to receive investment credits from banks unless at the same time the bank or other social sector organization provides credit for the difference between the available working capital from long-term sources prescribed by statute and for the working capital needed for the new investment.

As of December 31 of each year all BOALs would have to calculate their need for working capital, and so inform the SDK and the bank

⁹ Art. 622 of the Associated Labour Act allows the SPC to take the following measures of social protection against an organization of associated labour (OAL):

- (a) Change the business-managing organ;
 - (b) Relieve of duty individual workers vested with special authority and responsibilities;
 - (c) Dissolve the workers' council;
 - (d) Dissolve the executive organ;
 - (e) Temporarily restrict the exercise of specified self-management rights of workers;
 - (f) Appoint a temporary organ in the OAL;
 - (g) Order other statutorily-prescribed temporary measures.
- Measures under (e) and (f) may not last longer than specified by law, and in no case for more than one year.

providing investment credits. On the basis of this calculation the SDK would be required to inform the bank in which the said BOAL has its deposit accounts and the assembly of the commune in which the BOAL is located of the fact that the BOAL had not secured long-term sources of working capital in the required amounts. The draft law provided that the Federal Executive Council shall prescribe the manner of calculating the working capital requirements to be met from the organization's own resources and other long-term sources of funding, as well as the deadlines for submitting this calculation. Fines would be imposed on enterprises, including banks, who violate the principal provisions of the law.⁹

INTER-ENTERPRISE CREDIT

The Problem

The control of domestic credit and enterprise incomes depends crucially on the disciplined behaviour of the enterprise sector. The stock of outstanding credit registered with the SDK that has accumulated outside the banking system has reached very high levels and reportedly there has been a significant increase in the value of claims which are not paid on time. The rise in registered inter-enterprise claims was three times the rate of inflation in 1981 and continued to increase faster than inflation in 1982 and 1983. These claims represent a significant source of credit allowing enterprises to pursue more expansive wage and investment policies and/or to operate more profitably than would have been the case in its absence. This source of credit constitutes an additional softening of the budget constraint facing Yugoslav firms at a time when attempts are being made to increase financial discipline.

The Legal Framework as of April 1983

The legal framework governing inter-enterprise credit is the Law on Securing Payments Among Users of Social Resources of December 1975 as amended in April 1976 and April 1978.¹⁰

This law specifies that payment between users of social resources may be secured in four ways:

- (a) a cheque for immediate payment;
- (b) an endorsed promissory note for payment within a period which may not exceed 90 days from the date goods are delivered or services rendered;

⁹ The Law on Securing Working Capital was adopted in the Federal Executive Council on May 14, 1984. This law is similar to draft law discussed here.

¹⁰ The Law was amended again in June 1983.

- (c) an irrevocable letter of credit if payment is effected on the basis of documentation established in the contract concluded between the debtor and the creditor; and
- (d) a guarantee if payment is effected within a period which may not exceed 30 days from the date goods are delivered or services rendered, except in cases 1—3 above.

Guarantees are issued by enterprises, including banks, in their own name and on their own account, except that banks may issue a guarantee for investments in their own name, but upon authorization of one or more users of social resources who then become liable if the guarantor cannot execute the guarantee. Banks may also obtain »super-guarantees« from other banks to back up their own guarantees.

A guarantee or letter of credit must be provided to the seller on or before the date goods are delivered or services rendered (this is called the date of initiation of debtor-creditor relations in the law), and a cheque or promissory note within 10 days of that date.

Letters of credit establish a separate account in the SDK which may be drawn by the creditor upon presentation of documentation specified in the letter. They are the safest form of payment from the creditor's point of view, since the SDK transfers existing funds from the issuing enterprise's giro account to a special account created for the purpose specified in the letter. SDK will not open such an account if the funds are not available. Letters of Credit therefore involve no net increase in basis of other obligations of the debtor. Such special accounts can also be set up to secure payment by cheque, but they are not obligatory. Promissory notes may be for up to 90 days and must be countersigned (in effect guaranteed) by another enterprise, which can be a bank. As will be seen below, this involves the creation of new means of payment and therefore has implications for monetary policy.

Promissory notes, which are drawn on the debtor's SDK office, may be endorsed by the creditor and used as a means of payment, or they may be discounted at a bank or other social sector organization (user of social resources) as provided by that organization's statutes. The SDK pays the holder of the promissory note on the maturity date, drawing on the issuer's giro account. If the issuer's funds are insufficient to cover statutory minimum personal income payments, then the SDK will issue an order to take the required funds from the account of the countersigner, charging the account of the original issuer and registering it as an outstanding obligation. If the countersigner's funds are insufficient, the SDK submits the promissory note to a court, informing the creditor, who may then take legal recourse.

The issue of a promissory note, then, creates a form of money which, while backed by real goods and services, may circulate among enterprises and be discounted and rediscounted (that is transformed into a more broadly useable form of money, namely deposits in accounts at branches of the SDK).

SDK statistics on the status of claims against purchasers for goods and services sold show a category »claims for which payment date was

agreed.« This category represents goods delivered and services rendered for which no payment instrument has yet been transferred from the debtor to the creditor and no guarantee or letter of credit issued — a status which in April 1983 was legal for up to 10 days after the initiation of debtor-creditor relations but illegal thereafter.

Recent Experience

Table 7 shows the aggregate value of outstanding claims at the end of the years 1979—83. A number of interesting facts emerge from a perusal of this table. First is the predominance of promissory notes, which, however, make up declining proportion of total inter-enterprise claims outstanding over this five year period falling from 52.7% of the total end-1979 to 43.3% at end-1983. Second is the rise in the percentage of total claims accounted for by »claims for which payment date was agreed« in 1982 and 1983. The third is a clear increase in the percentage of claims for which letters of credit and guarantees were received.

Table 7.
SERVICES SOLD, ALL ECONOMIC ACTIVITIES
31 DECEMBER 1979—1983

(Billion Dinars, Percentages of Total and Percentage of GMP)

Type of Claim	Date	31 December 1979	31 December 1980	31 December 1981	31 December 1982	31 December 1983
Claim for which Letters of Credit and Guarantees were Received		114.1	166.9	246.4	344.8	611.5
(% of total)		(30.4)	(31.7)	(33.9)	(33.8)	(37.2)
Claims for which Payment Date was Agreed		61.6	86.0	112.8	173.8	314.9
(% of total)		(16.4)	(16.3)	(15.5)	(17.1)	(19.2)
Uncashed Cheques		1.9	1.5	3.1	3.1	5.4
(% of total)		(0.5)	(0.3)	(0.4)	(0.3)	(0.3)
Promissory Notes		197.6	272.0	364.3	497.4	710.7
(% of total)		(52.7)	(51.7)	(50.1)	(48.8)	(43.3)
Total Claims		375.1	526.5	726.6	1,019.2	1,642.5
(% of GMP)		(33.3)	(35.0)	(32.9)	(35.1)	(40.7)

Note:

., Estimate based on preliminary estimate of GMP.

Developments through June 1983

As part of the stabilization programme, the Yugoslav authorities seek to lighten controls over inter-enterprise credit. The principal vehicle for accomplishing this was a set of amendments to the 1975 Law on Securing Payments Among Users of Social Resources which were passed in June 1984. These amendments were being discussed in draft in April 1983. Among the important changes introduced in the draft amendments were:

- (a) a requirement that the seller of goods and services must provide an invoice or bill to the purchaser within eight (rather than ten) days of the time goods are delivered or services rendered, likewise the purchaser must provide the seller a receipt within the same eight day period;
- (b) the purchaser would be allowed 15 days rather than 10 before he would have to provide a cheque or promissory note to the seller if he had not already provided a guarantee or letter of credit; and he would not be allowed to provide a promissory note before talking delivery;
- (c) if the debtor does not deliver an instrument of payment within the legal deadline, the creditor would have to report to the SDK within 10 days of the deadline (i. e. a maximum of 25 days after the goods are delivered or services rendered);
- (d) a debtor enterprise which did not effect payments on time would be prohibited from paying personal incomes above the statutory minimum for the republic or province in which it is based until its payments position was regularized;
- (e) after settlement of obligations on the basis of which he has received a promissory note, a creditor would be allowed to endorse it in favour of another enterprise as payment for goods or services, repayment of a credit, down-payment required by a contract, to discharge an obligation for pooling resources, as a payment of interest, but *not* to grant credit to another enterprise or to settle an obligation to a labour collective, or he could discount the promissory note with a bank;
- (f) the original issuer of a promissory note who acquires the note prior to its due date could not endorse it to pay his own obligations;
- (g) discounting and rediscounting of promissory notes could be performed only by banks, including internal banks of a work organization;
- (h) fines would be levied for illegal use of payments instruments — including payment by cheque or promissory note before delivery of goods or performance of services or more than 15 days later, if the debtor BOAL pays personal incomes above the statutory minimum before regularizing its payments situation, illegally discounts a promissory note, if a creditor does not report the failure of a debtor to pay on time, etc.

The amendments to the Payments Law passed in June 1983 had minor changes from the draft amendments. It was expected that they would reduce the volume of »claims for which payment date was agreed« to Din 50 billion by the end of 1984, but that has not occurred — the total was DY 314.9 at end-December 1983 and had risen again to DY 412.6 at end-March 1984.

Amendments to the SDK law were also passed during 1983 which placed that institution in a better position in terms of organizational structure and authority to carry out the monitoring of inter-enterprise credit.

CONCLUSION AND RECOMMENDATIONS

The amendments to the Law on Rehabilitation and Liquidation of Organizations of Associated Labour, the Law on Securing Payments among Users of Social Resources, the SDK law as well as the Law on Provision of Working Assets of BOALs go a long way toward hardening the rather soft budget constraint which has faced Yugoslav enterprises. The legislation stepped up the economic pressure on these enterprises to increase their efficiency and more broadly to achieve the objectives of the structural adjustment programme. It will be necessary, however, to mobilize the political will to enforce the new legislation. Clearly this is a major challenge, given the laxity with which even the existing laws have been enforced and the frequent intervention of SPCs, both in investment decisions and the bailing-out of loss-makers. The interlocking system of banks, enterprises, and SPCs has ensured that bankruptcy proceedings have been instituted only exceptionally. To break out of this self-serving system of rehabilitation proceedings, it is necessary that they be conducted by independent bodies.

The SDK is the obvious candidate to perform this function. An amendment to the Rehabilitation and Liquidation Law could provide the necessary legal framework by requiring that the SDK or external consultants licensed by the SDK participate actively in determining the causes of losses, fixing responsibility for them, and developing rehabilitation programmes, including appraisal of any proposed investments for modernizing or expanding productive capacity, which would have some minimum (positive in real terms) economic rate of return to quality for bank financing. The SDK would have to provide a written appraisal of rehabilitation programmes which would have to be attached before they could be sent to potential rehabilitation administrators.

If the SDK were to perform these functions it would have to be strengthened, and this might require technical assistance, new hiring and/or staff training. There are a number of consultant groups, such as the Institute for Industrial Economics in Belgrade, which have some experience in this field and are interested in expanding their assistance to enterprises in economic difficulty. Banks might also develop specialized units for this purpose.

Banks could also increase the technical assistance component of their loans and the stringency of conditionality for rehabilitation pro-

grams. Even the founding member enterprises may look more critically at new loans by their banks if there are less resources available from common reserve funds and SPCs to help cover the losses. But the current ownership structure for banks does tend to make them less selective in their lending to member enterprises than would be the case for more independent banks.

The SDK has over 600 offices and an elaborate computer network, and thus has the potential to collect, analyze, and act upon detailed BOAL-level data and to aggregate this data as required for supervision at all levels of the federal system. It is not clear that this ability is fully utilized, or that the capacity yet exists at the federal level to directly access and aggregate data from the BOAL level upwards simply by calling it up from a central computer console. Yet in principle this could be done. As a starter it would be helpful to collect and analyze quarterly data disaggregated by four digit industrial subsectors for each republic and autonomous province as well as for Yugoslavia. In order to monitor whether personal incomes are actually being reduced in loss-making enterprises, data on average monthly advances on personal incomes in enterprises showing losses on their latest ARRs could be compared with that for all enterprises, again by four digit industrial subsector and for each republic and autonomous province as well as for Yugoslavia. Use of BOAL level data and multivariate analysis could help determine more precisely the characteristics of loss-makers. Among the independent variables which might «explain» loss-making are size of assets, number of workers, capital/labour ratios, incremental capital-output ratios (ICORs), location (developed or less-developed regions), and the presence of price controls on output. It would also be useful to see whether loss-making BOALs make greater use of promissory notes than do financially healthy enterprises.

There is a critical relationship between progress in eliminating price distortions and enforcing greater financial discipline by phasing out or greatly reducing the common reserve funds and other sources of covering losses which are far removed from the enterprises. So long as controls hold prices below economic levels, it will be necessary to provide some form of subsidy to the programmed loss-makers. Eliminating price controls or at least greatly reducing the number of products subject to them, as was planned as of June 1983, is in most cases a necessary condition for ending programmed losses. Another important way to increase financial discipline and promote efficient structural adjustment is to phase out interest rate subsidies, including those for rehabilitation credits. Enterprises should face realistic prices for capital.

Finally, the whole question of inter-enterprise credit needs more study. Before any further measures are recommended in this area it will be necessary to look at quarterly or monthly data and better understand the seasonal patterns and the mechanism involved in the different modes of payment. It will also be useful to see the impact of the new legislation which should be on the books during the second half of 1983, and to understand to what extent, if any, claims not registered with the SDK have accumulated.

POSTSCRIPT

The amendments to the Law on Rehabilitation and Liquidation of BOALs, to the Law on Securing Payments Between Users of Social Resources, and to the SDK Law passed during 1983 strengthened the legal and institutional framework for tightening financing discipline in Yugoslav firms. In April 1984 two new federal laws were passed which provide additional instruments for enforcing financing discipline.

The first new law limits payments out of Joint Reserve Funds (there are over 500 such funds in Yugoslavia) so that cumulative quarterly payments in 1983 can only exceed the level (during the same periods) in 1982 by 50% of the increase in the retail price index (lagged one quarter). The second limits personal income payments by loss-making and illiquid BOALs whether they were in profit- or loss-making work organizations. The percentage increase in personal income payments by loss-making enterprises is now limited to 50% of the growth in total personal incomes per employee in the social sector of the relevant republic or province, beginning March 1, 1984. A limited number of exceptions to this provision are provided for, including electricity generation. In illiquid enterprises the same provisions became effective July 1, 1984, with the same exceptions. The SDK is to monitor the provisions of the law. When an enterprise wishes to make payments of personal incomes it has to sign a declaration that it does not have unpaid obligations. The SDK is to check all personal income payments against a list of enterprises with payments arrears. A creditor enterprise must report twice a month to its regional SDK the names of enterprises with unpaid obligations to it. The SDK then must send copies of the report to the regional SDKs where these debtor enterprises are situated, thus establishing the list of illiquid enterprises.

Even stricter limitations on personal income payments by illiquid enterprises were contained in the amendments of the Law on Securing Payments Between Users of Social Resources passed in June 1983, but as of April 1984 these provisions were expected to come into force only on January 1, 1985. They would limit personal income payments by illiquid enterprises to the nominal level paid in the previous year.

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FINANSISKA DISCIPLINA I STRUKTURNO PRILAGOĐAVANJE
U JUGOSLAVIJI:
SANACIJA I LIKVIDACIJA PREDUZEĆA KOJA POSLUJU
SA GUBICIMA

Peter T. KNIGHT

Rezimé

Uspešno sprovođenje jugoslovenskog programa strukturnog prilagođavanja zahteva strožu finansijsku disciplinu, kako bi se povećao uticaj ekonomske prinude pri prilagođavanju preduzeća. Ovaj članak stavlja u fokus dva aspekta po pitanju finansijske discipline: sanacija i likvidacija preduzeća koja posluju sa gubicima i međusobno finansiranje. I u jednom i u drugom slučaju razmatra se priroda problema, sadašnje zakonodavstvo, skorašnje iskustvo i očekivani budući razvoj.

U 1981. godini 7,8% od ukupnog broja jugoslovenskih preduzeća, koja se bave privrednim delatnostima, poslovala su sa gubicima — sa 4,9% zaposlenih u ovim delatnostima od ukupnog broja radnika u društvenom sektoru. Njihovi gubici iznosili su oko 1,5% od ukupnog nacionalnog proizvoda. Institucionalno dobro data rešenja u vezi pitanja likvidacije preduzeća sa gubicima veoma retko su bila primenljivana. U principu, postupak za oživljavanje je adekvatan, ali u praksi se retko u potpunosti izvršava. Takođe, izgleda da ne obezbeđuje snažnu prinudu koja bi izazvala stvarno prilagođavanje od strane preduzeća. Oživljavanje često uključuje obimne subvencije i zajmove uz veoma negativne realne kamatne stope. Rezultat je često pre spasavanje nego rešavanje problema.

Nedavno su donete zakonske mere koje bi trebalo da omoguće jugoslovenskim preduzećima postizanje ciljeva programa strukturnog prilagođavanja. Ali biće potrebno mobilisati političku volju da bi se primenilo novo zakonodavstvo, a i ono iz prethodnih zakonskih propisa. Izrazita povezanost među bankama, preduzećima i ušim društveno-političkim zajednicama nije dovela do znatnijeg ograničenja budžeta kod jugoslovenskih preduzeća sa gubicima. Da bi se napustio ovakav samouslužni sistem rehabilitacije, neophodno je da taj postupak obavlja nezavisni posrednik. Služba društvenog knjigovodstva je očigledan kandidat da izvrši ovu funkciju. Banke bi takođe mogle da povećavaju tehničku pomoć pri obezbeđivanju zajmova i ostalih neophodnih uslova za ostvarenje programa oživljavanja.

Upotreba podataka na nivou preduzeća i multivariaciona analiza mogu pomoći da se preciznije odrede karakteristike preduzeća koja posluju sa gubicima, nego što je to bilo moguće u ovom članku koristeći podatke na nivou podsektora. Napuštanje direktne kontrole cena i negativna realna kamatna stopa takođe su važni delovi programa za povećanje finansijske discipline i unapređenje strukturnog prilagođavanja.

Christopher Eaton Gunn

WORKERS' SELF-MANAGEMENT IN THE UNITED STATES

Cornell University Press, Ithaca, 1984

Christopher Eaton Gunn u svojoj knjizi *Radničko samoupravljanje u Sjedinjenim Državama*, kako sâm kaže u Uvodu, »objašnjava koncept radničkog samoupravljanja u istorijskom i teorijskom smislu i u svetlu stvarnog praktičnog iskustva ljudi i žena u ovoj zemlji (SAD A. P.) danas« (str. 9).

Jedna je od osnovnih Gunnovih tvrdnji kako je radničko samoupravljanje postojalo u parcijalnim oblicima i kao cilj u različitim granama i različitim periodima američke istorije (nepobitne dokaze za ovu tvrdnju autor ne pruža), iako danas postoji samo u izolovanim i eksperimentalnim oblicima.

U prvom delu knjige, »Definicija, teorija i dokaz«, autor najpre govori šta je to samoupravno preduzeće, s obzirom da je ono neposredno predmet njegovog istraživanja, odnosno šta je to radničko samoupravljanje. Radničko samoupravljanje je kolektivan proces samouprave i demokratskog rukovođenja u organizacijama koje proizvode dobra ili usluge, ono eliminiše odnos zaposleni-poslodavac i obezbeđuje širenje i jačanje demokratskih principa. Ono je definisano iz premise da kapital nema inherentno pravo da učestvuje u upravljanju i locira pravo učestvovanja u upravljanju radom na sâm rad a ne na vlasništvo kapitala. Naime, svako ko aktivno učestvuje u proizvodnji, bez obzira na nivo stručnosti i sposobnosti, ima pravo da njome upravlja. Radničko samoupravljanje je kolektivan proces, odnosi se na relativnu autonomiju preduzeća u vođenju svojih poslova i određivanju pravca akcije i to je proces zasnovan na demokratskim principima i postupcima koji svim učesnicima obezbeđuju jednako pravo glasa u upravljanju preduzećem. Gunn posebnu pažnju posvećuje poređenju radničkog samoupravljanja i participacije u upravljanju preduzećem, ističući da se u slučaju ovog potonjeg ništa suštinski ne menja, da ono služi interesima kapitala i da su mu razmere ograničene upravo tim interesima.

Autor potom pokušava da odgovori na pitanje zašto danas raste interesovanje za samoupravno organizovanje proizvodnje i da da sažet pregled ideja o samoupravljanju i praktičnih primera, na osnovu kojeg zaključuje kako su: »Raznovrsnost filozofskih korena i praktičnih iskustava... dokaz da su mnogi ljudi u mnogim zemljama stremili radničkom samoupravljanju. Ovim ljudima bilo je zajedničko verovanje da bi radni ljudi trebalo da organizuju i kontrolišu svoj rad« (str. 31). Nakon toga on pristupa formulisanju uslova (njih 10) koji omogućavaju da se oceni da li je i u ko-