# Plan & Planning in Iran

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### Abstract

The present article studies and analyses plan and planning in Iran with respect to parameters of the idea of formation, birth, objectives, strategy and its functioning. Iran has half-a-century record of planning, and has implemented 7 constructional and developmental plans so far (5 plans before and 2 plans after the Revolution). Right now, Iran is implementing her third developmental plan. Two 7-year first and second plans have not been implemented comprehensively without any objective of quantitative development, but only in the form of a complex projects upon the framework of indices of resource allocation. Before the Revolution the Third, Fourth and Fifth Plans were achieved with an average annual growth of 8.5, 13.1 and 16.3 per cent in gross national product. Following the Revolution, Iran had no planning for 11 years (1978-1989). The First Developmental Plan (1989-1993) which had been prepared and implemented with the objective of reconstruction, water, electricity, gas and service sectors had a considerable growth but the rest of the sectors did not achieve the pre-determined objectives. The Second Developmental Plan was prepared and implemented with the objective of social justice and increase in productivity. The results were a significant growth in building sector but other sectors did not achieve their respective objectives. On one side, regional planning and development appeared from the Second Development Plan onwards in Iran before 1979 and special attention has been paid to the regional development plan in the two plans of the post-revolution. Iranian Development plans before and after the revolution was dependent on oil incomes and couldn't afford to balance national income among the ten groups of the population.

**Keywords:** Plan, planning, History of plan, Iran's Development Plan, Objectives, Functioning.

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### Foreword

Since 1948, Iran has started her implement process of plan and planning in the developmental Plans. During this long period, Iran has spent a tremendous expenses on materials, human resources as well as tens and even hundreds of organizations, planning and executive establishments, hundreds of thousands hours of research activities. Nevertheless, a great many important historical opportunities has been established for the achievement of this development. With the passage of this decisive half-a-century, the main internal and global conditions and the social, economical and political caused changes the country to be in need of comprehensive developmental plans with utmost honesty, stratagem and wisdom. Regarding the new phases of national development management and the new outlooks and careful attention to future of the country in the commencement of the second millennium, as well as global economic relations, international convergence, intensive structural changes in global economy, ever increasing dependence of production upon know-how and information technology, expansion of mass media, main upheavals in the global oil market, and in south-East Asia, etc., necessities that the experiences of this half-a-century planning in Iran (the executed plans) should be seriously analyzed for future approaches, policies and projects. Regarding the present subject matter of this research and its parameters which consists of the emergence of plan and planning thoughts, objectives, strategies, patterns, functioning, national income distribution in seven plans before and after the revolution in Iran, the paper attempts to examine and analyze plan and planning in Iran by using the "descriptive – analytical" approach. Different texts, resources, data from the Statistical Center of Iran and the Central Bank of Iran are also utilized for the research support.

# The History of Plan and Planning in Iran

The conception of plan and planning in Iran can be traced back to the time of Abbase Mirza, one of the Qajar princes and the wars between Iran and Russia. The defeat and the damages resulting from the mentioned wars posed different issues which goes back to the government of Amirkabir (the Prime Minister of Naseroddin Shah Qajar). As a matter of fact, the idea of modernism emerged during this period in Iran. At its outset, this idea pursued three objectives, viz., first, to dismiss unqualified people from administrative

machinery. Second idea of pursue is to tackle the issue of Iranian identity and a kind of precaution viz-a-viz the foreign world, and the third is to draw attention towards human status and force which was concentrated on nationality rather than on imperial arrogance (Azimi, 1999). Eventually, this thought resulted in constitutional movement which proved to be the first basic change toward development in Iran. Thus, the tribal government structure was changed into non-tribal structure.

Reza Shah, the founder of Pahlavi dynasty, established the first non-tribal government in Iran. During this era the slogan of modernism, the movements for having plan and planning were being discussed.

On March 11, 1937, the Board of Ministers approved the establishment of Economic Council proposed by the General Department of Commerce. This Council, with its 10 members was presided over by the prime minister. In the same year, the above Council convened a commission under the title of production plans. This commission prepared plans for agricultural products and tribal settlement. Later on this committee submitted a seven- year agricultural plan to the prime minister which was never materialized. Eventually from 1944 up to 1946 different committees were formed. First of all, draft of the first plan was prepared and another board called the Supreme Planning Board headed by the prime minister consisted of 5 committees started its activities on August 31, 1946.

The main task of these committees was to evaluate ministries' plans and revise the credit items sanctioned for socio-economic sectors. In the proposed plan for 5 to 7 years, 15 billion Rls. expenditure was estimated which recommended a foreign loan of around 250 million dollars (Plan & Budget Organization, 2000).

Following these changes, an agreement between Iran and an American consulting company, Morrisson Knudson was arranged. In August 1947, this company submitted a report entitled 'Developmental Plan of Iran' to the Prime Minister of Iran, Based on the above report, the government approved a developmental plan with the expenditures of 21 billion Rls with the assistance of the supreme board of planning, foreseeing a loan from international bank.

Eventually, in May 1948 a law bill on 7-year developmental plan was submitted to the parliament, which included a foreign loan of 250 million dollars.

In 1948, the General Department of Planning was named Temporary Organization of planning. The World Bank, the U.S. Embassy in Tehran, two foreign consulting companies named Morris Godson and Overseas Consultants Incorporated and an American called Max Winston Nuremburg were involved in the preparation of the first national development plan. Thus, five developmental plans (two 7-year and three 5-year plans) were prepared and implemented in Iran before the Islamic Revolution (Plan & Budget Organization, 2001).

Following the Islamic Revolution, the national planning system was approved by the Economic Council on 31 December, 1981. As a result of this council's effort, a macro developmental plan combined with provincial plans were prepared and was approved by the State Board on 21 March 1983. It was also forwarded as a 'bill of first socio-economic and cultural developmental plan of the Islamic Republic' and was submitted to the Assembly on 13 August of the same year. This plan was not approved by the Special Planning & Budgeting Committee of the Assembly on account of insufficient data and special situation of war.

During the second term of the Assembly, the State once again asked for verification but the Assembly declared non-approval of the plan on 17 October 1984 on account of its incompatibility with the conditions and possibilities of the country. The State prepared the 'National Economic Independence Conditions Plan' during 1986-1987 and at the same time the Planning & Budgeting Organization forwarded the 'Critical Conditions Plan' which was approved by the State Board but did not materialize (Plan & Budget Organization, 2002).

With the acceptance of Resolution No. 598 of the UN Security Council, on August 18, 1988, the State included a new plan in its agenda which was eventually presented to the Assembly by the Prime Minister; But due to changes brought in the Constitution, and the changes in the government on 31 January 1989, the first 5-year plan (1989-1993) after the victory of the Islamic Revolution called 'the first plan for economic, social and cultural development' was approved by the Assembly and was executed. The second plan (1995-1999) with an interval of 2 years was approved in 1995 by the Assembly (Plan & Budget Organization, 1997).

In 1996, the studies on a 25-year plan called 'Iran-2021' were completed and was submitted to the State Board in May 1995 but it was not approved by

### First Development Plan (1948-1955)

This plan was approved on February 15, 1948 and started implementing on 23 September of the same year. Its main objectives included increase in production and export, agricultural and industrial development, exploration and utilization of mines, improvement of health and hygiene, improvement of living standards of the people and development of infrastructure and developmental affairs. This plan was prepared without specific strategy with a centralized organization and a credit of 21 billion Rls (on the basis of exchange rate of Rls. 32/\$) through foreign loan in a non-comprehensive pattern but only in a form of few developmental projects and in the framework of resources allocation indices. It had been decided that out of the resources being allocated to implement the plan, 25% would be allocated to agriculture 14.3% to industries and mines, 27.4% to infra-structural construction (road construction, railways, ports, airports, post and telegraph), and 28.5% to social affairs (Plan & Budget Organization, 1948). Regarding the fact that 9% of credits was allocated to agricultural sector for dam construction, thus, dam construction was considered part of infra-structural construction, in that case 40% of the credits was supposed to be spent on infrastructures.

The financial back up of the first plan was the oil income. The loan obtained from Melee Bank for Interrelation Improvement and Development Bank up to 350 million dollars and receiving loan from the internal institutions and external business institutions.

It had been predicted that the income of the plan from International Bank would have been 31.9% or 6.7 billions Rls. Thus oil income became one of the major financial sources for construction plan and that, too, was cut due to the nationalization of oil in Iran after the year 1951. Though this income had been received again after the year 1951, the three years of its stoppage was enough to make the plans aim shatter to the ground. The total financial sources had been

4.2 billion Rls except the foreign aids, which is approximately 7.6 billion Rls. Means 1/3 of the total while it is amazing that 5.3 billion Rls. allocated to the credibility which had been increased in the year 1951 (Motamen, 1976). The achievements of first plan had been setting up of few new factories, some rail roads, roads, and few unimportant plans like irrational development, mechanization of farms in the agricultural sections.

Under this plan, the regional thought along with the project of Moghan Plain Organization in the way of agricultural potential and settlement of Shahsavan tribes was carried out. This plan could not achieve its aims because it had no qualitative growth model.

## Second Developmental Plan (1955-1962)

The objectives of the second plan included agricultural development, creation of infra-structural facilities (roads, railways, airports, ports, telephone), establishment of industries, creation of conditions conducive for investment in private sector, meeting the needs of the people, educational and health development, increase in production and improvement of living standards of the people. This plan was prepared in an incomprehensive way with centralized organization and within a framework of a set of projects and allocation of resource indices. Except all the expenses and the direction that had been decided in the law of the first plan, no any specified and comprehensive goal had been implemented.

Financial resources of this plan would have particularly been obtained from oil income. The plan organization should have received 60% of the first two years and 70% to 80% of it in the following five years (Motormen, 1976).

Out of 70 billion RLs of total expenses only 25% of liabilities in the first plan, 70% in the decided plan in the second plan and 50% of other plan which has not yet been finalized were allocated. Within 18 months after the beginning of the plan, the total liabilities allocated had 20% increase to 84 billion RLs.

Under this plan the regional planning was brought into consideration. The project of identifying the potentials of South-Eastern Regions of the country in Sistan & Baluchestan, Kerman and Khozestan was implemented in the form of a list of development projects. In these projects, the construction of Dez dam, power distribution network, sugar cane cultivation, establishment of Khozestan sugar mill and establishment of Khozestan water & electricity organization

started. Allocation of resources in the second plan encompasses the key elements of capital growth model.

The results of plan survey during 1955-1958 show that in agricultural and irrigation system and the expenses for large dams has been considerably more than what had been predicted. Likewise, the expenses for animal raise improvement of products and loan allocation to farmers for minor irrigation plan had been less than decided liabilities. In the same way, at the cost of the loss of other considerable facilities the expenses in the communication means for the development of railroad and road construction had been extra(Bharier 1971).

In 1958, a complete evaluation of the second plan has been done and a more comprehensive revised plan had been implemented. The implementation of the second half of revised plan made a flourishing economy and later the economic stability plan tried to control the inflation and drop in foreign currency reserve. Infact, the total expenses has been more than what had been predicted (Plan & Budget Organization, 1958).

### Third Development Plan (1962-67)

The Third Plan was approved on 11 May 1962 and entered the phase of execution in October of the same year. Its developmental credit amounted to RLs. 230 billions. The most important objectives of the plan included the establishment and development of industries, providing preliminaries for steel melting, petrochemicals, aluminum machines manufacturing, tractor manufacturing, pipe manufacturing, development of infra-structural facilities, expanding of education and health facilities. The overall development strategy of the plan concentrated on industrialization and heavy industries through the production of commodities for substituting importing commodities. The execution of agrarian reforms of 1962 was not considered in this plan.

The main objectives of this plan included 6% growth in productions, creating new working opportunities and a more just distribution of profits. The overall strategy of the plan was the substitution of import along with supporting domestic industries.

The plan was comprehensive and had centralized organization. Regional planning, regional classification, sectional plans, participation of provinces and

Table1: Comparison of the Functioning of the Third Plan with the Approved Objectives

Sectors	Approved annual growth (%)	Actual annual growth 1(%)
Agriculture	2.8	3.4
Industries & mines	12.7	13.8
Construction	11.4	10.7
Water & electricity	14.5	28.9
Oil	13.6	28.5
Other sectors	9.3	10.3

Sources:

- 1- Plan & Budget Organization, 1983.
- 2- Plan & Budget Organization, 1997.

lower general governments were taken into account by the Third Plan in the compilation of developmental plans. During this period, the regional development bureau was created according to the Plan & Budget Organization.

Under the Third Development Plan, development projects were carried out in a number of regions, especially the development project of Jiroft region in agriculture, livestock farming and agricultural industries, Qazvin Plain Development Project in agro industry.

In 1965, the Kohgiloyeh and Gorgon Plain Development Organizations were created with the sole objective to utilize the natural and agricultural potentials in relation to the policy of modernism. Under these projects, the sugar mill of Kohgiloyeh and a sound irrigation system in Gorgan Plain were established and technical offices were also established in provincial centers and lower general governorates. Under this plan, the regional planning for Qazvin Plain, Jiroft, Kohkiloyeh, Mahidasht, Pull-e-Zahib were decided and development organizations established. As long as these organizations coordinated their activities, they were successful. But as they started working sector-wise were not that much successful.

At the outset of the Third Plan (1963), the Ministry of Development & Housing was established which looked after government urban, rural and tribal developmental plans.

Until the beginning of the Third Plan, regional planning had no legal status in Iran. For the first time, was given to the regional plan a relatively independent status in Article 17 of Planning Act, albeit in a defective way which mainly concentrated on the aspect of decentralization. This Act included preparation of provincial development plans in consultation with the governors, and the Planning Organization ought to have provided an expert for each Province.

The function of the Third Plan was directed towards the achievement of 8.5% growth in gross national product (Bharier, 1971).

The development model was considered to some extent in this Plan. It consisted of investment plan for public as well as private sectors.

Special attention had also been paid to industry & mines sector. In general, the balanced social objectives such as employment and just distribution of income were realized as basic objectives of planning. The annual growth of agriculture, industries & mines, water & power and oil sectors exceed of the determined goal (table 1).

In this plan, economic development has no any tendency toward the inflation faced by the second plan. Since there was an increase in the consuming products of private industry, the second plan faced no difficulty in its development and thus, the income of oil remained unharmed. Perceptual income of people started increasing continuously and only a part of it was devoted to tax. (Plan & Budget Organization, 1997).

# Fourth Development Plan (1967-72)

The fourth five-year plan was approved in May 1967 and was put into effect on 21 March 1968. Its development credit amounted to RLs. 568 billions and its objective was 9.4 per cent growth. The main objectives of the plan included rapid economic growth, increase in national per-capital income through gradual increase, relative importance of industries, just distribution of income, reduction of foreign dependence in the field of basic needs, diversity in exports and improvement of administrative services (Plan & Budget Organization, 1973).

The overall strategy concentrated on substitution of imports, growth of national production, stable prices as well as investment in State and private. It was a comprehensive plan with the result of decentralized organization.

Table 2: Comparison of the functioning of the Fourth Plan with the approved objectives

Sectors	Approved annual growth (%)	Actual annual growth (%)
Gross National Products	9.4	13.1
Fixed domestic investment	13.6	13.6
Export of commodities &	15.6	15.4
Services		
Import of commodities &	13.1	15
Services		
Private & public Consumption	7.4	11

Source: Plan & Budget Organization, Tehran, 1997

In the fourth plan an attempt had been made to increase the oil and gas exports for the sake of investment in the area of manufacturing and further partnership in the establishment of oil refineries as well as foreign investment (Plan & Budget Organization, 1997).

Regional planning was also considered in this plan. Agriculture poles and regional potentials were identified. The Industrial poles in the cities of Isfahan, Ahwaz, Arak, Tabriz, Shiraz, Qazvin, Bandar Imam, Mashed, and Bakhtaran were given first priority. Under this plan comprehensive socio-economic development projects for Hormozgan, Bakhtaran and Khorasan regions, as well as Master plans for 34 other towns were prepared and approved.

In the fourth plan, an attempt was made for the identification of structural lacunae of national economy and their amendments. In general, although the fourth plan unlike first and second plan, did not consider economic development at par with economic growth, it is still regarded as an economic concept. This plan concentrated on concepts such as just distribution of income and employment considered as a support for economic growth. Under this plan gross national product reached 13.1 per cent (Table 2).

## Fifth Development Plan (1973-1978)

The fifth plan was approved in March 1973 and put into effect towards the end of March 1974. Following the increase in oil prices in July 1974, the plan was revised and its credit was increased from RLs. 1560 billions to RLs. 2626 billions. The main objectives of this plan includes improvement of life standards, rapid and continuous growth of economy with decreasing of prices, just distribution of income, expansion of social, economic, political and cultural justice, ensuring productive employment in the entire regions of the country, improvement of bio-environment, creation of relative advantages in production, export of industrial goods and safeguarding cultural heritage (Plan & Budget Organization, 1973).

The overall strategy of the plan concentrated on growth of national products, substitution of imports, establishment of industries, population control and increase of investment in private sector. The plan was comprehensive and had decentralized organization.

In the fifth national development plan, further attention was paid towards regional planning and it emphasized a well balanced economic growth for provinces, just distribution of services, people's participation and consolidation of economic bases of the regions. Under this plan, 5-year developmental plans were prepared for each province and budget planning offices were established for the sake of decentralized and regional planning system. In this process, the preliminaries were provided for the preparation of the Spatial Plan (Amayesh-e-Sarzamin) of the country in 1975.

The Spatial Plan (Amayesh-e- Sarzamin) of the country for the sake of regional planning is one of the most significant steps prior to the Revolution which was worked out by Sect-Iran Consulting Engineers as land utilization of the country on three national, regional and intermediate levels. The Sect-Iran project divided Iran into 8 large regions. The final report of these surveys was prepared in four sections, viz. Urban (12 Volumes), rural (1Volume), Khozestan-Azarbaijan axis (1 volume), and decentralization of the activities of sections 2 & 3 (1 Volume).

Another document on regional planning was the surveys carried out by Battle Consulting Engineers in 1973, according to which Iran was divided into 11 large regions and it was decided that a comprehensive plan has to be prepared for every region. The surveys of this team concentrated on the reduction of

disputes between the ministries and the provinces, which were the main hindrance for the progress of provincial plans. In this study attentions were paid to the regions, the relation of investment with the population, land area and regional facilities.

In 1972, another project was prepared under the title of comprehensive animal protein project by F.M. Consulting Engineers with the objective of the production of maximum amount of proteins, attention towards the factors of land, water, pastures, and fodder. This project divided Iran into 14 large regions. In 1976, Bookers Hunting Consulting Engineers divided Iran into 10 large regions on the basis of natural conditions of land and provincial boundaries of the county were taken into account.

Table 3: Comparison of the functioning of the Fifth Plan with the approved objectives

Sectors	Approved annual growth (%)	Actual annual growth (%)
Agriculture	7	5.4
Oil	51.5	1.8
Industries & mines	18	18.4
Services	16.4	14.6
Gross National Products	25.8	16.3

Sources:

- 1. Plan & Budget Organization, 1983.
- 2. Plan & Budget Organization, 1997.

Despite the fact that the developmental credit of this plan was 2.8 times more than the fourth plan but the share of social sector of this plan was 5 times more than that.

Although this plan was prepared ambitiously and as such should have had a 25.9 per cent growth of gross national products, it achieved 16.3 per cent growth. What ever high this figure might appear as compared with all plans of Iran, the reason for the failure in achieving the above growth can be ascribed to the reduced function of oil sector at the level of 1.8 per cent (Table 3).

# The First Plan of the Islamic Republic (1989-93)

From 1978 up to 1989, i.e., during 11 years since the victory of the Revolution, there was no development plan in Iran. Finally, on 31 January 1990

the first Iran developmental plan was prepared with a budget of RLs. 8189 billions carrying objectives of 8.1 per cent growth in gross national products, rehabilitation of manufacturing centers and the population harmed by the war, creation of economic growth with the emphasis upon agricultural self-sufficiency, harnessing inflation, ensuring people's needs on a minimum scale, social justice, determining and consumption amendment pattern, improvement in the organization and executive and specially management of the country, spatial organization and geographical distribution of the population, controlling prices and paying subsidies to the producers. But from 1991 onwards, the policy of economic equilibrium substituted the law of first plan. The overall strategy of the plan concentrated on providing support to domestic industries, substitution of imports and reduction of dependence on oil. This plan was comprehensive and region was equated to province but no 5-year plan was compiled for the provinces.

Table 4: Comparison of the functioning of the First Plan of Islamic Republic of Iran with the approved objectives

Sectors	Approved annual growth (%)	Actual annual growth (%)
Agriculture	6.1	6
Oil	9.5	8.6
Industries & mines	15	8.5
Water, electricity & gas	9.1	12.7
Construction	14.5	5.3
Services Gross National Products	6.7	7.3
GIUSS MALIUMAI FIUUUCIS	8.1	7.2

Sources: 1. Plan & Budget Organization, 1989.

2. Plan & Budget Organization, 1997.

In the first plan of the Islamic Republic, regional planning and development enjoyed a prominent position as compared to the plans before the Revolution. During this period, the comprehensive water project (Jamab) divided the country into 8 large regions on the basis of river basins and embarked upon surveying and foreseeing water needed by the cities of these regions up to 2002. Likewise, the 1989 project of Spatial Plan of the Islamic Republic (Amayesh-e-Sarzamin), comprehensive regional projects, comprehensive area projects, comprehensive projects of rural organization,

shelter project of 2011 or finding location for population settlement up to the year 2011, the project of space regional classification (provincial regional classification) with 9 large regions were prepared during this period. For the first time, this plan explicitly directed the capital towards disadvantaged regions and indicated the balance distribution among the regions.

The agricultural section achieved its goal to approximation. This achievement brought about 22.5% employments, 22% GNP and 32% export of non- oil in the year 1992 which carries a considerable significance (Amirahmady, 1995, p.100).

The industry and mine section of the plan could not achieve its goals and thus, became unsuccessful. With respect to the potential of this sector of first plan, there was a lot of hope for 15% growth with it active role in fulfilling the national and economical growth but it did not achieve its goals in reality. The severe fluctuation of industrial growth and approximate interruption of growth in the two enduring years of the plan denotes the increasing of the internal problems and lack of specified strategies for industrial development of the country e.g. moving toward freedom of economy, floating of exchange rate and facilitating the import of foreign merchandise which had really negative impact on this sector of plan. The gradual privation policy of mines has not been successful, too. On the whole, the weak performance of industry and mines has had a fundamental impact in the economical condition of society. The performance of building section shows its half way of achieving its goals. This section has had the weakest performance among the others economical sections.

The service section had a growth of more than expected and predicted and the growth of real capitalization to the national perceptual products had been admittedly negative (Amirahmady, 1995, p.13). On the whole, the high inflation rate in the first

Plan, particularly at its ending, increasing of unemployment and decreasing of oil export to half of its predicted idea show the executives inefficient performance of the plan (Mirmotahari, 1994.p.89).

Eventually, the unsuccessfulness of this plan was due to the structural and executive factors, misconception of new opportunities in the world and particularly in the region, weakness of executive management, the incompatibility of the required executive system of the plan with the dominating

power, haste revision of the plan, inability of regulating past policies of finance, monetary, foreign currency and business.

## The Second Plan of the Islamic Republic (1995-99)

This plan was approved on 11 December 1993 by the Consulting Assembly. Among its main objectives, the realization of social justice, moral growth of Islamic and cultural virtues, increase of productivity, training of needed human forces, agriculture-oriented economic growth, development of non-oil exports, environmental protection, consolidation of defense bases of the country, struggle towards the rule of law and consolidation of public participation, consolidation of researches and creation of working opportunities can be named. The credit of this plan amounted to RLs. 105029.1 billions and its quantitative growth had been envisaged 5.1%. The overall strategy of the plan comprised of sustained growth and development, reduction of dependence on oil income and substitution of imports. The plan was comprehensive with decentralized organization. Planning for each province was carried out by the planning committee, which consisted of government employers (general directors). Under this plan, the possibility of regional supervision was not provided. A comprehensive planning for each government and private sector as well as reduction of dependence upon oil did not materialize. Serious attention was paid to regional development through comprehensive regional plans, rural organization, and comprehensive urban and rural projects. A comprehensive plan of 18 new towns in the periphery of great cities was approved by the Higher Council of Urban Development & Architecture.

The function analysis of the plan shows that with the exception of construction and services sectors which enjoyed 8 and 3.5 per cent annual growth other sections didn't approve annual growth. In this plan, the gross national production achieves its approves objectives corresponding to 3.8 per cent growth (table 5).

Table 5: Comparison of the Functioning in the Second Plan of The Islamic Republic of Iran with the Approved Objectives

	Approved annual	Actual annual				
Sectors	growth (%)	growth (%) <sup>2</sup>				
Agriculture	4.3	3.7				
Oil	1.6	1.2				
Industries & mines	5.9	4.6				
Water, electricity & gas	8	5.9				
Construction	4	8				
Services	3.1	3.5				
Gross National Production	5.1	3.8				
Oil and gas	1.5	9				
Gross National Expenditure	5.1	3.8				
Private Consumption	4	2.8				
Government Consumption	.9	4.2				
Gross National Investment	6.2	2.5				
Oil Expert	3.4	2.2				
Non Oil Expert	8.4	-6.5				
Import	4.3	1.4				
Cash Volume	12.5	25.5				
Consumption of Goods Price Index	12.4	25.5				
Government Incomes	15.2	25.9				
Government Expenditures	15.2	26.9				

Sources: Central Bank of Islamic Republic of Iran, Annual Report, Tehran, 2001.

Regarding evaluation of the plan, it can be said that the second plan's structure and nature does not have any difference with the first plan in the post Revolution.

The important aspect of this plan as compared to the first plan is the fulfillment of growth and development of basic economy. The most

prominent aspects of this plan have been emphasis on social Justice, reduction of foreign exchange demand, increasing of internal resources and reducing the volume of government's financial responsibilities and develop the educational facilities of employment. On the whole, the second plan has been more conservative than the first plan. Attention has not been paid to the relationships of the government and its society and even to the institutions which could play great roles in the development. Similarly, there has been no any enhancement in establishing and structural changes of social, economical, political and cultural institutions. This plan does not have any kind of basic thought to support its key aims in the future.

Basically, the second plan has been an economical plan and not a development one. Yet, a minor part of it, was only economical. Consequently, allocating liabilities for the establishment of educational, sanitary and recreational facilities has also been limited. The political development had no any crucial position and no liabilities had been allocated for it. This plan could not achieve social justice due to the thoughts through out development growth.

# Distribution of National Income in Development Plans

Before and after the Revolution the Development Plans could not be effective to balance people's income. Before the announcement and execution of the Land Reforms (1963), the Iranian's economic structure was more dependent on agriculture.

Since the price of oil at that time was not high, the government obtained its income from the rich agricultural landowners (Roosta and Ramazani,2001, P. 252). Unfortunately, there is no statistical figures about the distribution of income in the First and Second Development plans. In the Third Development Plan, the amount of Gini coefficient was reported 0.4. At the end of this program the gap between the richest and the poorest members of Iranian society has been reported 28.8 times. During the Third Development Program 10% of the poorest members of the society (the first tenth) owned 1.3% of the national income and that of the richest members (the 10 th tenth) owned 37.4% of the national income. In the fourth development plan (1967-71), the Gini coefficient increased to 5%. During the end of this period the income condition of the poorest people improved to some extent. During 1972, 10% of the poorest people owned 2% of

the national income while that of the richest owned 34.4% of national income. The gap between these two groups amounted to 17.2 times. Although the condition of the distribution of the income relatively improved, the gap between these two groups of society still existed. The reason for the lack of distribution of the national income during the Third Development plan was the defective executive of Land Reform. An unfair distribution of agricultural lands and the structure of the country's economy were based more on agriculture and about half of the villagers did not own agricultural land. During the end of the Fifth Development plan the amount of Gini coefficient increased to 0.514. Only 1.5% of the national income devoted to 10% of the poorest members of the society while 41.5% devoted to 10% of the richest member of the society. The gap between the richest and the poorest in the society was reported 31.9 times. The reasons were the destruction of the agricultural section, an unfair distribution of agricultural lands, ill execution of Land Reforms, the immigration of villagers to large cities and the increase of income of large cities inhabitants. After revolution, the government attempted to establish its authority in the society and to fight against its foreign enemy so it paid slight attention to economy. The effect of strikes at the beginning of revolution as well as the escape of foreign and Iranian experts and capitalists to abroad caused the decrease of people's national income. On the other hand, the high inflation and the increase of the dollar's value against Rail caused the owners of industrial sections benefit a lot. These factors were very effective to imbalance the people's income in the society. The Gini coefficient during 1977 and 1978 amounted to 0.52 and 0.51 respectively. Thus, the gap between these two groups of people amounted to 27.7 times. In 1980, a war started between Iran and Iraq. The Western countries sanction against Iran, the bombardment of inhabitant, industrial and oil wells areas cost a lot of expenses for the government. During the war (1980-1989) the amount of Gini coefficient decreased from 0.512 to 0.438 and the gap between these two groups of people amounted to 22.2 times. The reasons of the decrease in the gap was the government attention to agricultural products, land distribution among villagers without owning land by the so called "7 Members of Land Distributor Board", the government payment of subsidiary for products with high prices, and its control on economy affairs. During the First Development plan of Iran (1989-1993) and the end of war, the time for the reconstruction of the country started. The new government tried to balance and to

modify its policies. These included equalizing current exchange rate, the reduction of the government current costs and the sale of companies sustaining a loss to private companies. The effects of these policies were high inflation up to 49.7%, the increase of Gina Model (0.456) and the gap between these two groups amounted to 34.5 times. Consequently, at the end of the First Development Plan the condition of the poor people became severely worse than the previous periods so that only 9% of the national income was devoted to them. Concerning different periods of Development Plans in Iran, the poor people were not encountered with such severe condition. During the Second Development Plan (1995-1999), the condition of the poor people became better than that of the First one. The proportion of the income among the riches were decreased to some extent so that the gap between the groups decreased from 27.2 times (which was started during the First Development Plan) to 18.2 times at the end of 1988. In total the Iranian Development Plans before and after the revolution could not balance the national income among the ten groups of the population. The reason is that the Iranian economy structure was highly dependent on oil price.

# Role of Oil in National Planning

Before the rule of the first Pahlavi, the economy of Iran was basically supported by agriculture, trade, handicrafts and textile industry (Jamalzadeh, 1983). In the initial stages of the first Pahlavi rule (1920 – 1926), the income from oil rose from 20% to 51%. In 1927 a special account was opened. By the end of the regime of the first pahlavi (1941) 10 Per cent of the income from oil was reflected in the national budget, 47 Percent was reserved for arms and ammunition, and 43% was given to the construction of railways (Razaqui, 1984). In general, during the regime of the first pahlavi, the total income from oil export rose from 51.5% to 58.3% (Barrier, 1971).

At the beginning of the rule of the second pahlavi (1941-1950) oil contributed to a gradual increase in the national budget. It was only after nationalizing oil and oil industry during the years 1950-53 and only after oil ban for exporting in the year 1954 that the income from oil decreased. At this stage 21% of the national income was based on oil. In fact, 37% of the expenditure of the first seven-year plan (1948-1955) was supported by oil sale and during this period oil contributed to 4% of the raw production of the nation (Razaqui, 1984).

During the second seven-year plan (1955-62) oil contributed its rise from 51% in 1956 to 64.5% in 1962. It was observed that oil supported a large amount of the expenditure of the second seven-year plan (Jahangerd, 1998).

At the end of the plan, after oil was nationalized (1950-1953), the income from oil reached 7% of the national raw production (Jahangerd, 1998). Almost 66% of the expenditure of the third seven year plan (1962-67) was obtained from oil production, 13% was from internal loans, 9.1% was from foreign loans and credits and the rest was from treasure documents and other miscellaneous sources. During this period oil income formed the basic network that was doubled in respect to the first plan. During the 3rd plan, the land amendment rights caused millions of rural immigrants to move to the cities, which resulted in the growth of privatization.

During the fourth plan (1967-72), 96% of the national income came from oil and the rest was supported by the other sources (Jahangerd, 1998). Oil export was doubled by this time and the income from oil compensated for the import of goods and services that resulted in collaborations (Razaqui, 1984). During the fifth plan oil contribution reached 80%. In general, Iran during the regime of the Pahlavi, oil affected the finance and foreign exchange. Before revolution oil contributed too more than 4/5 of the national plans. It never fell below 43 percent (except the year 1950-54 when a boycott was maintained against the sale of oil) (Razaqui, 1984).

During the Pahlavi rule before construction and planning was administered (1921-56) the population growth of Iran was at a low level 1.8 per cent the majority were from villages and districts (28 percent were urban).

The population grew from 19 million to 33.1 million and the relative urban co-efficient increased from 31.4 percent to 47.1 percent. The number of cities also increased from 199 to 373 between the year 1956 to 1976 (Javan, 2002).

In other words, many villages were deserted in such a way that the percentage of empty villages grew from 19 percent to 45.8 percent. And the percentage of rural immigrants grew from 11 percent in the first plan to 22.6 percent at the end of the fifth plan.

Before revolution factors such as faulty land amendment rights, programmers for the settlement of tribes, decrease and collapse of agriculture were all responsible for immigration. On the other hand, in the cities increase in oil income and capitalization increase in the shares and shareholders, increase in

salary and the gifts and bonus given by the government to the employees created a considerable financial imbalance between the urban and the rural dwellers.

After the revolution of 1979 all programmed were postponed and the government directed its focus towards revolution, insights, various political groups, and Iran-Iraq problems.

After cease-fire and with the establishment of the new government, the economy of the nation was directed toward global paradigm.

After the period of war between 1989 to 1993, the initial plans of the government were to bring about a significant change in the economy of the country. This was achieved by decreasing the controlling power of the government, selling government and private property, decreasing commercial support, stabilizing the foreign exchange, improving the payment of tax-bills, achieving changes in the banking system, and lowering the prices of goods. The period between the years 1989-1993 was perhaps the best period in the counter economy.

Uses of industrial capacity, a high increase in oil prices after the Gulfwar, utilization of short-time foreign loans, and increase in import and decrease in the rate of population were all factors responsible for the growth of natural raw products to reach 7 percent and Considerable improvement of a few section of society.

But many of the goals relating to quantity could not be implied. The aim of the plans in privatization and free trade did not work out successfully. On the other hand, some of the factors such as the low efficiency of government projects, severe increase in application, dependence on the financial income of banks, increase in the short – term foreign loan enhanced the increase of inflectional pressures that led to economical pressure in 1990.

The reason for the two-year interruption in the second plan after the revolution was mainly due to severe unorganized internal and foreign affairs. This disharmony is because of the miss calculations in the previous plan, the loans for short – term from foreign credits, decrease in oil prices, doubts on the logical decrease (President Rafsanjani), assessment-and the necessity of passive evaluation of the in success of the first plan.

In the process of the second plan, the economy of Iran counterfeited the following problems:

- 1- A complete control of government on the economical sections, organizations and companies. The subsidies provided by the government helped in the survival of these companies.
- 2- Financial corruption in offices.
- 3- Deficit in budget and the necessity of government organizations and companies in acquiring loans. Since the companies were losing their capital added to inflation pressure. The companies lacked efficient administrators and in general the financial resources were maintained by the banks.
- 4- Slight increases in economy.
- 5- Increase in population and unemployment caused hygiene and education problems.
- 6- Inefficient tax system, imbalance in financial distribution and incorrect administering of rules and regulations. All these problems resulted in a decrease in the national income and the dependency of the government on oil.
- 7- A weak and defective foreign exchange, a lack of clear strategy for export and lack of support in attracting foreign capital. As a result the nation was not benefited from foreign capitals.
- 8- The economy completely depended upon oil export, limited foreign resources.

After revolution, the nation lost its dependency on oil and emphasis was given to the other products, the situation became worse. After revolution, in the first and the second plan, the role of oil increased 82 percent and 80 percent respectively. Oil played a significant role in foreign exchange in the, third, fourth and fifth plans before revolution i.e. 82 percent, and 81.4 percent and 83.2 percent respectively. And in the first and second plan after revolution with a percentage of 81.2 and 77.5 respectively (Central Bank of Islamic Republic of Iran, 2001).

These statistical figures show the dominance of oil in Iran's economy and the failure of objective due to the lack of bonding in oil-income programmers after revolution(In general, the income from oil had never fallen below 31 percent).

After revolution the total population is as follows: 49.4 million (1981), 60.1m (1996) and 65 million (2001) (Ziari, 2003) and also the population growth reached 3.1 per cent, 2.7 per cent, 3.9 per cent and 1.96 per cent in the periods of 1956-66, 1966-76, 1976-86 and 1986-1996. The nation suffered seriously from

the lack of proper programmers for marriages and establishing families, increasing of population in the first decade of revolution, and economical problem.

But between the years 1986-1996 the population growth control was considerably efficient. The average of urban population growth before and after revolution reached 5.1 per cent, 4.9 per cent, 5.4 per cent and 3.2 per cent in the periods of 1956-66, 1966-76, 1976-1986 and 1986-1996.

Total number of cities after revolution was 612 in 1996 and, 885 cities in 2003(Statistical Center of Iran, 2003). Centralization policies, war problems, decrease in buying power, unemployment, giving land at a low price in the cities to people, Job opportunities and capitalization in cities, Job facilities and services in cities caused the immigration of rural people toward cities especially big cities and also resulting in an imbalance in the rural and urban areas.

#### Conclusion

In a single summation, we may say that it is almost 55 years that plan and planning started functioning in Iran. In the five plans before the Revolution economic growth as a dominant objective and the strategy of substituting imports as industrialization strategy had been considered. In fact, the commencement of planning in Iran can be looked upon as a kind of reaction towards the changes introduced by modernization, and theoretical-experimental models of the world. Two first and second 7-year plans before the Revolution were incomprehensive and comprised a set of developmental projects and resources allocation without any specific strategy.

The second development plan was prepared without the objective of quantitative growth in which the first priority was given to infrastructures followed by agriculture and industry. The third development plan was concentrated on a number of regional projects and on the establishment of institutions and organizations. This plan succeeded in achieving 8.5 per cent growth in gross national products.

The functioning of the fourth development plans was directed towards the achievement of 13.1 per cent growth. Among the total plans before and after the Revolution, the fifth development plan despite reduction in the functioning of oil sector had a higher performance in the gross national products (16.3 per cent). For the first time, attention towards regional plans, and Spatial Plan (Amayesh-e-

Sarzamine) for development, are among its achievements. After the Revolution, despite the absence of development plan for the period of 11 years (due to warrelated problems), the first development plan achieved 7.2 per cent growth in gross national products although it had its specific problems.

The second development plan achieved 3.8 per cent growth envisaged in the plan. Attention towards regional plans, Spatial Plan (Amayesh-e-Sarzamine) is among their achievements.

In the entire plans before and after the Revolution, the income derived from the oil sale is one of the most significant financial resources of the plans, notwithstanding the fact that the first plan before the Revolution and the first plan after the Revolution were affected by foreign loan as well. Iranian Development Plans before and after the revolution couldn't afford to balance the national income among the ten groups of the population.

To sum up, no significant difference is being observed between pre- and post-Revolution plans from the point of view of structure and dependence upon oil, but there are differences between the envisaged and realized objectives.

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Variable	1997	1996	1995	1994	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1979	1977	1975	1974	1973	1972	1971	1970	1969	1968
Gini Coeficient	-	-	-	-	.456	.428	.437	.438	.466	.466	.452	.452	.454	.434	.512	.514	.517	.473	.515	.45	.445	.47	.441	.47
Proportion of the share of the 10% of the high - incomers to the 10% of the low-incomers	18.30	21.70	27.15	34.43	24.73	23.51	23.18	22.19	23.17	29.78	24.99	25.31	25.86	27.50	26.67	31.92	26.67	19.44	28.00	17.45	17.20	24.33	22.93	28.77
Share of the tenth first of the poorest families	1.68	1.34	1.17	./93	1.24	1.32	1.38	1.45	1.43	1.15	1.31	1.3	1.25	1.15	1.5	1.3	1.5	1.8	1.5	2	2	1.5	1.5	1.3
Share of the tenth second	3.56	2.94	3.27	3.37	2.82	3.03	3	2.04	2.97	2.65	2.81	2.8	2.84	3.98	2.5	2.8	2.5	2.2	2.7	3.2	3.1	3.1	3.6	3.3
Share of the tenth third	4.85	4.52	4.62	4.69	4.07	4.39	4.25	4.27	4.12	3.85	4.04	4	4	4.17	3.5	2.9	3	4	3.6	4.2	4.8	3.9	4.6	4.4
Share of the tenth fourth	5.98	5.93	5.76	5.88	5.28	5.62	5.42	5.45	5.34	5.06	5.24	5.2	5.21	5.27	4.5	4.5	4.5	4.5	4.4	5.1	5.3	4.9	5.3	5
Share of the tenth fifth	7.11	7.26	7.04	7.06	6.57	6.9	6.67	6.62	6.63	6.38	6.55	6.5	6.55	6.68	5	5.5	4.5	6.5	5.4	6.1	6.4	6	6.3	5.9
Share of the tenth sixth	8.45	8.68	8.38	8.39	8.02	8.37	8.17	8.04	8.08	7.9	8.05	8	8.1	8.19	6	6.5	7	7	6.6	7.4	7.6	7.3	7.7	7.3
Share of the tenth seventh	10.02	10.32	10.04	9.97	9.83	10.15	10.04	9.89	9.86	9.82	9.91	9.9	10.02	10.09	8.5	8.5	10	8	8.2	9.2	9.3	9.1	9.2	8.9
Share of the tenth eighth	12.14	12.46	12.21	12.09	12.2	12.59	12.54	12.38	12.18	12.39	12.53	12.5	12.6	12.73	10.5	12	10	11	10.6	11.7	11.7	11.7	11.6	11.4
Share of the tenth ninth	15.52	17.58	15.73	15.50	16.03	16.53	16.54	16.68	16.26	16.53	16.82	16.9	17.1	17.04	18	14.5	40	35	42	34.9	34.4	36.5	34.4	37.4
Share of the tenth tenth of the richest families	30.70	28.99	31.79	32.12	30.66	31.03	31.99	32.18	33.13	34.25	32.74	32.9	27.33	31.63	40	41.5	40	35	42	34.9	34.4	36.5	34.4	37.4

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