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Development Plans, Economic Indicators and Planning Challenges in Iran (1979-2022)

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Abstract:

In the decade of 1979-1988, there was no development plan in Iran. During 1989-2022, six development plans implemented in Iran's economy. The assessment of development plans conducted based on the performance and the results of economic indicators over the period. Economic Growth over the course of development plans was volatile. There has been a double-digit inflation rate over the course of the development plans and Productivity and the distribution of income indices were volatile. The challenges of planning in Iran include lack of common understanding on basic concepts of development plans, challenges of comprehensive plan, essential change due to external shocks, time span, parallel initiatives, coordination failure and lack of independent evaluation entity.

1-Introduction

Development planning set out policies to achieve development objectives. Iran as a developing country formulated several plans to allocate its limited resources to reach the development objectives.

The period of 1979-2020 witnessed ups and downs in economic growth and development in Iran. Over the period of 1979-1988, there was no development plan in Iran but during 1989-2022, six development plans implemented in Iran. The assessment of development plans conducted based on plans' performance, the result of economic indicators targeted by the plans, and on the performance of planning.

The paper is structured as follows. The second section examines a decade of no development plan in Iran. The third section provides assessment criteria. In the

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fourth to ninth sections, the performance of six development plans is examined. The Tenth section devoted to the result of economic indicators targeted by the plans. Eleventh section discusses the Challenges of Planning in Iran. Finally, the paper concludes with some remarks.

2- A Decade of No Development Plan in Iran (1979-1989)

On the eve of the Islamic Revolution of Iran in February 1979, economic activities in the country were stagnated. This recession emanated from a general strike and suspension of many economic activities. In the wake of the revolution, the economy faced with new issues such as blocking of the country's foreign exchange reserves, economic sanctions, and the Iraq-Iran war. These issues and the lack of a development plan during 1979 to 1988 led to the stagnation of economic activities. The outflow of capital during the turmoil also exacerbated investment and production.

One of the most pressing issues after the revolution was the revival of industrial activity. The problem of the industrial sector in the years following the revolution was largely due to its dependence on the imports of machinery, raw materials, and foreign technology. With tariff exemptions and other privileges, a range of mainly dependent and assembly industries was created, and most of the investment was made in the production of consumer goods, using foreign technology, and imported raw materials. Given the dependence of the industrial sector, it was in crisis in the wake of the revolution. Migration of several capitalists as well as affiliates to the past regime, outflow of capital, large corporate and factories' debt to the banking system, restriction on providing raw materials and spare parts due to the foreign exchange issues were all contributed to the crisis (Central Bank of Iran, 1981:14-19).

Since late 1979, Iran has been subject to US economic sanctions. The sanctions began with a ban on the sale of US weapons and technology transfer to Iran, resulting in a complete embargo on investment and bilateral trade. Even companies' investment in Iran's oil and gas sector were sanctioned, and many bilateral oil and gas contracts, both investment and technology transfer, were canceled due to US sanctions. These sanctions have made it more difficult to recover economic growth (Amouzegar, 1997a:185,192).

The first attempt to prepare a development plan was in January 1982. At this time, the Economic Council of the cabinet approved the Planning System of Iran in which it was discussed how to develop a 20-year long-term plan up to annual plans which are government budget. In the proposed planning system, the interrelationship between different levels of planning and information flow was designed bottom up and vice versa, including perspective plans, five-year medium-term plans, national plans, provincial development plans and plans for economic sectors.

In July 1983, the government approved the first plan of economic-socio-cultural development of Iran (1983-1987) and the then Prime Minister, Mir Hossein Mousavi, passed the bill to the Islamic Consultative Assembly (Parliament), but the bill was not approved. The arguments for its rejection were as follows: approximation and ideality of part of the plan's figures; uncertainty over country expenditures due to war conditions; inaccurate sector statistics and information; inconsistency between sectors plans, lack of a precise and accurate strategy based on facts, possibilities, resources, and conditions of the economy (Plan and Budget Organization, 1998:37-40 and Amouzegar, 1997b:126-128).

From 1978 to 1988, the average annual growth rate of Iran's GDP was -2.4%. GDP increased during the period of 1981-1985, due to the increase in crude oil prices, but since the end of 1985 and in 1986, due to the sharp decline in the world oil prices, the Iranian economy was in a difficult situation. The government proposed an emergency plan to overcome the difficulties and to be able to pay the war expenses. The plan was set up based on foreign exchange constraints and its focus were to set up activities to address resource constraints.

The emergency plan did not prepare with a development approach. The main objectives of the plan were to meet all the needs of the war; to meet the minimum subsistence needs of the society; to control the general level of prices; and to continue reforming the country's economic structure (Management and Planning Organization, 2004:30 and Central Bank of Iran, 1981:22 and Plan and Budget Organization, 1998:44).

Damages caused by the Iraq-Iran war, include destroyed part of the economy's physical capital, lack of replacement investments, employed part of the production factors to serve the war, and allocated a large portion of the country's foreign exchange earnings to support warfare and putting much of the country's management and manpower at the war service.

There was a war that overshadowed development plans. One of the critical issues over the period 1979-1988 was the decline in oil prices and its instability and the decrease in foreign exchange earnings from oil exports. Another feature of this decade was the lack of a clear plan for managing the economy. Economic activities were subject to the war and oil revenues. The government was concentrated in less-productive activities due to the shortage of resources (Plan and Budget Organization, 1998:41-43).

The rapid growth of the population and the increase in the ratio of young to total population led to a rapid growth of the demand for education (from 7.391 million in 1978 to 12.350 million in 1988), which resulted in the insufficient schools and educational equipment for education. The persistence of a cheap supply policy of goods and services aimed at supporting the deprived and low-income people pressured domestic production, so that, not only it did not generate any surplus

for capacity development, but it also made it difficult to offset capital depreciation (Management and Planning Organization, 2004:218-221).

From 1982 until the end of the Iraq-Iran war (1988), the added value of agricultural sector at constant prices, except for the year 1988, continued to grow, but this growth did not meet the needs of the country. Thus, Iran imported crops and livestock. The industrial sector was fluctuating; in some years (1982-1984) it was booming and in others (1985-1986) it was in severe stagnation. The decline in the value added of Industries over the period was mainly due to technological barriers, utilization of less than full capacity, price control, coordinated failure in import policies, and a lack of incentives for private participation. During the period, Iran's economy relied heavily on oil revenues (Central Bank of Iran, 1994: 23-29).

3-Assessment criteria

The assessment of six development plans in Iran will be conducted on three aspects. The first aspect will be based on the outcome of each development plan. The second aspect will be the assessment of economic indicators targeted by the development plans such as growth, inflation, unemployment, productivity, and income distribution during the period of implementing six development plans. As the planning cycle contributed to the outcomes of development plans, the third aspect will discuss the challenges of planning cycle in Iran.

4- First Development plan (1989-1993)

When Iraq-Iran war ended in 1988, the first five-year development plan prepared and implemented from 1989. The most important objectives of the first development plan (1989-1993) was to rebuild and equip defense and meet its urgent needs; reconstruction of production and infrastructure capacities and areas damaged during the war; to increase economic growth to enhance per capita income, productive employment and reduce economic dependence, through self-sufficiency of major agricultural products and inflation control, and to meet the minimum basic needs of the population; and to encourage economic activities commensurate with the comparative advantage of each region (First Development Plan Act, 1989: 25).

In the first development plan, GDP annual growth reached an average of 7.3%, which although projected to reach average growth rate of 8.1%, it was unparalleled compared to the growth rates in the post-revolution years. The agricultural sector grew by an average of 5.6 percent annually, 0.5 percent less than it was projected. The industrial sector grew by about 12 percent, which was projected at 14.2 percent. Within the services sector, monetary and financial subsector, and transport and communications subsector had the highest growth rates of 105 percent and 86 percent, respectively.

The ratio of capital formation increased from 12.8 percent in 1989 to 16.6 percent in 1993. During the first development plan, the share of oil revenue in the total government revenues increased from 47.6 percent to 73.2 percent, largely due to the change in the exchange rate. Non-oil exports, gradually increased from about \$1 billion in 1989, to \$3.37 billion in 1993 (Plan and Budget Organization, 1999b: 14-15).

The rapid growth rate during the early years of the first development plan was due to unused productive capacities and benefiting from external loans, but by exploiting available capacities, new capacity building was very costly. Another success of the first development plan was the reconstruction of the damaged areas during the Iraq-Iran war. Non-oil exports also increased fivefold. The reduced oil revenues in the last two years of the first plan and foreign debt crisis made achieving economic growth objective, more difficult (First Development Plan Act, 1989: 39-40 and Plan and Budget Organization, 1998: 52 and Amouzegar, 1997b: 128-130).

Among the economic and social developments during the first development plan was rapid decline in population growth; before the family program began, the annual population growth rate was 3.3%, which decreased to 2.2% at the end of the program (Amir Ahmadi, 1995: 98).

In terms of income distribution, the ratio of the 10% richest to the 10% poorest, in the urban and rural areas, have been decreasing with fluctuations over the period 1984-1988, and the indices ranging from 19.5 and 20.7 in 1984, decreased to 18.1 and 19.6 in 1988 respectively. Subsidies for the staple goods have been among the factors contributing to the improvement in the income distribution (Ministry of Economic Affairs and Finance, 2004: 84-86).

In 1990, the Plan and Budget Organization introduced the Economic Adjustment Program under the first development plan Act. The purpose of implementing economic adjustment policies was to achieve equilibrium prices in all markets and eliminate dual markets. The precondition for balancing the market for goods and services was to achieve market equilibrium. The government decided to establish equilibrium prices in all markets before the end of the first development plan in 1993.

The fall in oil prices in 1993 caused severe pressure on foreign payment balances and many liabilities were due. In this situation, it was not possible to maintain a floating exchange rate. Thus, the exchange rate of 1750 Rials per US dollar was pegged, and the exchange rate control was restored by administrative decisions (Plan and Budget Organization, 1999b: 20 and Management and Planning Organization, 2004: 37).

In 1994, monetary and currency controls reduced the imbalances and government deficit. Contractionary monetary policy also reduced the liquidity growth from 34% in 1993 to 28.5% in 1994. Moreover, with the signing of bilateral

agreements, a considerable portion of the outstanding foreign obligations were delayed. A weakness of the Economic Adjustment Policies was the lack of a safety net for vulnerable people. The adjustment program failed to establish uniform prices in the markets, and the constant rise in the exchange rate raised concerns about the possibility of realizing high inflation, which eventually stopped the economic adjustment policies in 1994 (Plan and Budget Organization, 1999b: 20-21 and Nili, 1997: 359-401).

The year 1994 was devoted to the study and evaluation of the performance of the first development plan (1989-1993) and thus the second development plan prepared for the period 1995 to 1999.

5- Second Development plan (1995-1999)

The second development plan implemented from 1995 aimed at the annual average growth rate of 5.1% (Second Development Plan Act, 1996: 109). The plan projected growth rates included 4.3 percent added value for agriculture, 5.9 percent for industry and mine and 3.1 percent for services (Second Development Plan Act, 1996: 114).

In the early years of the second development plan, world oil prices dropped and made it difficult to achieve the plan objectives. The objectives and policies stated in the second development plan were based on the liberalization and privatization of the state-owned enterprises and industrial units, but this was not possible due to the domestic and international conditions. Therefore, the announced policies for the second plan were fundamentally changed and the process of liberalization in the first development plan did not continue (Second Development Plan Act, 1996b: 16, 20, 25 and Razaghi, 1994: 76).

This strategic shift led to a set of new economic measures including multiple-exchange rates, reintroduction of price controls, import restrictions and contractionary monetary policy (Plan and Budget Organization, 1999b: 20-21 and Management and Planning Organization, 2004: 36-37).

By the middle of the second development plan (1997), the presidency of Khatami began and the "Economic Regulation Program" (Samandehi) was prepared and implemented in the framework of the second development plan in which its main objectives were Job creation, inflation control, Preserving the people's purchasing power and securing their livelihoods, reducing the dependence of the government's budget on oil revenues, funding for investment, abolishing economic monopolies and improving the country's balance of payments (Plan and Budget Organization, 1998 :7-15).

At the beginning of the second development plan in 1995, the share of agriculture, industry and mines, services and oil in GDP was 18.4%, 17.5%, 48.1% and 16.7%, respectively. In 1999 (ending year of the second plan) it reached to 15.1%, 18.7%, 53.2% and 14.6% respectively. In the meantime, the

share of Industries, mines and services in GDP increased. The share of oil revenues

in GDP decreased in 1997 and 1998, due to the sharp declines in prices. With the incident of droughts in the last two years of the plan, agricultural output, and its share in the GDP also declined sharply (Central Bank of Iran, 1381: Table 16).

The performance of the second development plan indicated that the average GDP growth was 3.2 percent annually, which was far from the development plan objectives of average 5.1 percent annually. Achieving desired economic growth in the second development plan required new investment, but the emergence of a foreign exchange debt crisis in early years of the second development plan, the need to save foreign exchange reserves, the instability of fiscal and monetary policies, lower oil prices and drought in most of the provinces, led to the lower GDP growth during the period of second development plan (Management and Planning Organization, 2004: 37).

Table (1): Economic Growth and Development Plans in Iran (1979-2002)

Period	1979-1988	1989-1993	1995-1999	1979-2002
Value added of Sectors/National and per capita income	Post-Revolution and War Period	First Development Plan	Second Development Plan	A Quarter Century
Agriculture	4.7	6.4	2.1	4.4
Oil and Gas	-8.2	8.9	-1.3	-2.3
Industries and Mines	-.8	10	5.1	3.8
Services	-2.3	6.5	4.2	1.7
Economic Growth	-2.4	7.4	3.2	1.6
Economic Growth(non-oil)	-.6	7.1	4	2.7
Per capita Product	-5.8	5.3	1.7	-.9
Per capita income	-10.3	10.7	1	-1.2
National Income	-7	13	2.5	.4

Source: Management and Planning Organization, "Performance Report for A Quarter Century of Islamic Republic of Iran", MPO Press, 2004, p.31

6- Third Development plan (2000-2004)

The third development plan (2000-2004) was implemented in 2000 aiming at reforming the economic structure and providing the basis for sustainable development. The Plan focused on structural and institutional reforms in the public sector to increase government efficiency. The plan envisioned the reform of country's administrative structure, divestiture of state-owned enterprises to the private sector and the remove of monopolies on tobacco, sugar, tea, rail, post, and telecommunications (Third Development Plan, 2001: 27-29 and Management and Planning Organization, 2004: 38).

Decentralization of the administrative structure was also one of the objectives of the plan, through the establishment of a provincial revenue-expenditure system.

Accordingly, the provinces allowed funding and allocating resources (Third Development Plan, 2001: 50-57).

For tackling unemployment, the Third Plan envisaged specific policies, including deporting of foreigners without a work permit, tax, and insurance discounts for employers, and increasing technical and vocational skills training (Third Development Plan, 2001: 37-39).

The Third development Plan stipulated that the government would spend an average of \$11.3 billion of its crude oil revenue annually to invest over the course of the third development plan and put the surplus in a separate account with the Central Bank under "foreign exchange reserve account" (Third Development Plan, 2001: 43).

The plan projected the average annual GDP growth of 6% and non-oil growth of 6.8%, while average economic growth performance in the second development plan was 3.2%. To achieve 6% economic growth in the third development plan, the average annual growth rate of total investment needs to be 7.1% (8.5% for private sector and 5% for public sector), but the average total investment performance in the second development plan was about 1.8%.

Another important objective of the Third development Plan was to reduce the unemployment rate. The Third development Plan was expected to create new jobs and reduce the unemployment rate to 10.5% by the end of the Third development Plan in 2004 (Plan and Budget Organization, 1999a: 131-150,390).

As indicated in table (1), over the period of 25 years (1979-2002), the average annual growth of the agricultural sector was 4.4 percent; oil and gas sector -2.3 %, industries and mines 3.8 %, and services 1.7 %. During the period, economic growth was 1.6%, which is a low growth rate, and it was unstable. There was insufficient investment from 1978 to 1989 due to the reduction in the use of available production capacities, increased government spending due to the war and general subsidies (Mirjalili, 2010: 82-98).

The average annual GDP growth, with and without oil, and per capita product, in the third development plan were 5.4%, and 5.8% and 3.8% respectively. The average annual growth of the agricultural sector, oil and gas sector, industries and mines sector and service sector in the third development plan were 4.3, 3.3, 11.1 and 4.8 percent respectively (Management and Planning Organization, 2005: 278-287). The average annual investment growth during the third plan was 9.3 percent (Ibid: 302).

However, the Third Development Plan failed in some objectives, which can be pointed to the slow growth of privatization, the continued payment of heavy subsidies to energy and production sector, the failure to deregulate and abolish monopolies, the spread of the smuggling market and also the informal market (Management and Planning Organization, Third Development plan performance's Monitoring Report, 2005: 33). The average unemployment rate of the third plan was 13.54 (Ibid: 207). Average annual productivity growth during

the third plan was as follows: labor productivity, 2 percent, capital productivity, .1 percent and total factor productivity, .8 percent (Ibid: 767). Gini coefficient during the five year of Third Development Plan reduced from 43 in 1379 to 40 in 2004. The five-years average of Gini coefficient was 41.6 which means income distribution was improved (Management and planning Organization, 2005: 877). As a result of structural reform policies, oil boom revenues, economic stability, high foreign reserves, suitable international environment and capital absorption and technology, the third development plan has been the most successful development plan over the period of 1979-2021 (Management and Planning Organization, 2005: 290).

The stability of economic growth in the third development plan has been far more than in previous plans. In the third plan, a foreign currency reserve account created which aimed to provide economic stability. The development of the capital market was essentially improved in the third plan. Central Bank's Mushraka Sukuk was issued, non-governmental banks were established, and exchange rates were unified during this period. However, in the third development plan, the relative prices and targeting of subsidies were not reformed. On unemployment rate, average performance of the second plan was 12.5%, while the average performance of the third plan increased to 13.9% (Parliament Research Center, 2006: 2-4). Income distribution also improved during the third development plan (Parliament Research Center, 2006: 23).

7- Fourth Development plan (2005-2010)

It was a six year development plan and as the first medium-term plan in line with the Long-term Perspective Plan (Cheshmandaz) aimed at accelerating economic growth, enhancing economic competitiveness, interacting actively with the world economy, pursue knowledge-based development, sustainable development, environmental protection and regional balance, health development and improvement of quality of life, and moving towards social justice and preservation of Islamic and Iranian identity and Culture, addressing water scarcity, improving the quality of life, cultural development, development of government management, and judicial development (Fourth Development Plan Act, 2005:1-192).

The fourth development plan targeted to achieve 8% economic growth, 3.5% growth in labor productivity, 10.7% growth in non-oil exports, and to control liquidity growth to about 20% . It also targeted inflation reduction to 9.9%, Gini coefficient decrease to .38, improvement of human development index to .82 and increase the life expectancy to 73 years at the end of the fourth development plan (Fourth Development Plan Act, 2005: 198-201).

The Fourth Development Plan shifted from comprehensive planning and transformed to "Core Planning" based on executive programs. It has set up to remove development barriers or to create development poles.

Unlike the third development plan, which aimed at reforming the economic structure with an internal approach, the Fourth Development Plan has developed with a global approach to reforming the economic structure. During the Fourth Development Plan, Management and Planning Organization was disbanded and the vice presidency for Planning and Strategic Oversight established. The then president challenged the fourth development plan and followed its own initiative entitled "Economic Transformation (Tahavol) Policies".

Average annual GDP growth during the fourth development plan was 3.4% and non-oil GDP was 5%. Average annual GDP sectoral growth during 2005-2010 was as follows: Agricultural sector: 4%, Oil and gas sector: 2%, Industries and mines: 6.4%, and Services sector: 4.7% (Vice Presidency for Strategic Planning and Oversight, 2012: 100).

On the Unemployment rate over the period 2005-2010, the average of six years unemployment rate was 11.5%. Unemployment rate during the period fluctuated from lowest 10.4 in 2008 to 13.5% which was the highest in 2010 (Annual results of labor force census plan, Iran Statistics Center).

On Gini coefficient, it was 42/. in 2005 but increased to 43/. in 2006 and 2007 and decreased to 41/. in 2008 and 2009, and finally reached 40/. in 2010 (Statistical Center of Iran and Vice Presidency for Planning and Strategic Oversight report of the fourth development plan: 296). The reduction of the coefficient figures toward zero means moving toward more equality, therefore, the decreasing trend of the Gini coefficient during the fourth development plan from 42/. in 2005 to 40/. in 2010 implies improvement in income distribution.

The ratio of higher decile expenditures to lower decile expenditures during the period 2005-2010 was as follows: 16.46 in 2005, 17.40 in 2006, 17.59 in 2007, 15.79 in 2008, 15.97 in 2009, 14.71 in 2010 (Statistical Center of Iran, and Vice Presidency for Planning and Strategic Oversight report of Fourth Development Plan: 298). The higher this ratio, the greater the income gap between these two groups and the greater the inequality. This ratio has decreased from 16.46 in 2005 to 14.71 in 2010.

8- Fifth Development plan (2011-2016)

The plan was prepared in line with the Long-term Perspective Plan (Cheshmandaz) and called upon to develop an Islamic-Iranian model of Progress over the course of the plan and submit to the Parliament for approval to be the basis for preparing the sixth and subsequent development plans (Plan and Budget Organization, 2010, p.2).

The Fifth Development Plan aimed at achieving 8% sustainable economic growth, Promoting investment and capital inflow, development of science and

technology with an emphasis on information technology, enhancing the productivity contribution to economic growth by one-third at the end of the development plan period, cutting off budget dependence on oil revenues by the end of the fifth development plan and annually deposit at least 20% of the proceeds from oil and gas exports and petroleum products to the National Development Fund, divestiture of state-owned enterprises to the private sector and cooperatives under Article 44 Policies, comprehensive social security and promotion of community health, development of foreign relations, regional development and spatial planning, promotion of cooperatives, enhancing competitiveness, reducing unemployment rate to 7% and reducing the gap between upper- and lower-income group to reduce Gini coefficient to .35 at the end of the fifth development plan period (Fifth Development Plan, 2010).

The performance of the plan was as follows. The average annual economic growth during the fifth development plan was about 1.3 percent, which is lower than the average growth of the fourth plan (3.4 percent) and the eight percent growth target of the plan. The situation has been mainly affected by the financial and economic sanction and uncoordinated policies (Plan and Budget Organization, 2016: 61-62).

In 2012, the economic growth rate decreased to -7.7% which can be attributed to the negative growth rate of the value-added of oil, industries and mines group. It was due to the intensification of foreign sanctions in the fields of banking, oil, and trade. In 2013, there was a negative growth of .3% due to the reduction of value-added of oil, industries and mines group. The growth of agriculture group was (4.9%), oil group (1.8%), industries and mines (.9%), and services was (2.2%) in the fifth development plan (Plan and Budget Organization, 2016: 67-69). The performance of the real sector of the economy in the six years of the fifth Development plan (2011-2016) was as follows. The average annual growth of GDP was 1.3%, non-oil GDP growth was 1.4%, agricultural group 4.7% , oil group 1.2% , industries and mines group 1%, and service group 1.7% (Plan and Budget Organization, 2016:70).

Since 2011, Iran's economy adversely affected by the intensification of sanctions, especially in the areas of banking, oil, and foreign trade (Plan and Budget Organization, 2017: 71). The average growth of investment in the fifth development plan has been minus 5.5%. In fact, the growth of gross domestic capital formation in both machinery and building has been negative during the period of the fifth development plan.

International sanctions along with uncoordinated policies are the most important factors that reduced the average growth of the GDP during the fifth development plan period and realized significantly lower than the 8 percent growth of the plan's target (Plan and Budget Organization, 2016: 75). The development of

income distribution and productivity during the fifth development plan are illustrated in table (2).

Table (2): Income Distribution and Productivity During the Fifth Development Plan (2011-2016) (percent)

	2011	2012	2013	2014	2015	2016
Gini Coefficient	37	36	36	37	38	39
Expenditure Ratio of the upper income decile to lower decile	11.09	10.79	10.68	12.33	12.65	12.99
Total Factor Productivity growth	4	-9.33	-2.79	1.95	-3.52	10.66
Labor productivity growth	5	-8.24	3.68	3.42	-4.58	9.45
Capital productivity growth	-4	10.07	-2.17	./ 99	-2.81	11.48

Source: Plan and Budget Organization, 2016, p.375, 376, 441.

As illustrated in table (2), on income distribution the Gini coefficient was fluctuated and increased in 2016. and the ratio of upper income decile to lower decile was also fluctuated and increased in 2016. On productivity growth, it was volatile and decreasing for labor, capital and total factor productivity during the fifth development plan (Plan and Budget Organization, 2016, P.441).

9- Sixth Development plan (2017-2022)

The then government refused to prepare the sixth development plan and instead submitted a bill for the permanent provisions needed to implement the sixth development plan to the parliament. The Parliament complemented the bill and approved it. The then President refused to promulgate the law for implementation, therefore, the parliament speaker promulgated it to implement by the administration.

The sixth development plan targeted average annual growth of 8% for the GDP, 6.7% growth for per capita product, and 2.8% growth for total factor productivity, 21.4% growth for gross fixed capital formation and average unemployment rate of 10.2%.

The performance of the 6th development plan from 2017 to 2021 indicated that the average annual growth of the GDP, per capita product, and gross fixed capital formation were -./5% , -1.8% and -5% respectively. On the growth of economic sectors, the average annual growth of the added value for agriculture, oil, industry, and mining were 3.2%, -9% , 1.2% , and 2.4% respectively. The average annual growth of job creation from 2017 to 2021 was about ./ 8% and the average annual growth of total factors productivity from 2017 to 2020 was - ./8% (Parliament Research Center, 2022:23).

Economic growth of 8 percent as the goal of the fifth and sixth plans has not been achieved in any of the years of the two development plans (except for 2015, due to the significant growth of oil exports). Meanwhile, due to negative economic

growth in most years, Iran's average economic growth during the years of the sixth development plan was - .5%.

Therefore, it is a fact that eight percent target growth was unrealistic for two development plans in Iran's economy. As a matter of fact, it is due to the failure to achieve the average growth target of gross fixed capital formation. The growth of gross fixed capital formation during 2017 and 2018 was - 18 and - 17.4 percent, respectively, which can be caused by instability in the macroeconomic environment and inappropriate business environment.

Also, another factor is the failure to realize the average target growth of total factors productivity during the sixth development plan. In addition, the consequences of the COVID-19 outbreak have played a determinant role in the failure to achieve the targets of the sixth development plan in 2018 and 2019 (Parliament Research Center, 1401: 24).

The sixth year of the implementation of Sixth Development Plan in Iran was 2022. The most important reasons for the non-fulfillment of the provisions of sixth development plan based on a survey conducted by the Parliament Research Center were as follows: "Defects caused by legislation", "inadequate allocation of anticipated funds", "non-cooperation of related institutions" as well as "international conditions and external obstacles" (Parliament Research Center, 1401: 20) Table (3) compare the actual growth rates in 3rd, 4th, 5th, and 6th development plans in Iran.

Table (3): Economic Growth in the Third, Fourth, Fifth and Sixth Development Plans in Iran (2000-2022) (percent)

Period	2000-2004	2005-2010	2011-2016	2017-2022
Value added of Sectors/National and per capita income	Third Development Plan	Fourth Development Plan	Fifth Development Plan	Sixth Development Plan
Agriculture	4.3	4	4.7	3.2
Oil and Gas	3.3	-.2	1.2	-9
Industries and Mines	11.1	6.4	-.1	1.2(industries) and 2.4(Mines)
Services	4.8	4.7	1.7	-
Economic Growth	5.4	3.4	1.3	-.5
Economic Growth(non-oil)	5.8	5	1.4	-
Per capita Product	3.8	-	-	-1.8

Source: Management and Planning Organization, "Economic report of 2013 and monitoring of the five-year performance of the third development plan", Volume 1: Trans-sectoral, 2014, and Vice Presidency for Planning and Strategic Oversight, Economic Report of 2010 and Monitoring Report of six years of Fourth Development Plan", 2012, and Plan and Budget Organization, Report on the Implementation of the fifth development plan, Volume 1, 2016, and Research Center for the Parliament, "Evaluation of the Performance of the Law of the Sixth Development Plan and the Law of Permanent Provisions of the Development Plans of the Country", 2022.

10- Economic Indicators During the Development Plans' Implementation

The performance of the development plans could be examined by the results of economic growth, inflation and unemployment rates, productivity, and income distribution during the period of implementing six development plans. The indicators are provided in Table (4).

Table (4): Economic Growth, Inflation Rate, Unemployment, Productivity and Income Distribution During the six Development Plans (1989-2022) (percent)

	First development plan (1989-1993)	Second development plan (1995-1999)	Third development plan (2000-2004)	Fourth development plan (2005-2010)	Fifth development plan (2011-2016)	Sixth development Plan (2017-2022)
average Growth rate	7.4	3.2	6.1	3.4	1.3	-.5
average inflation rate	18.8	25.62	14.2	15.38	22.84	35.5
average unemployment rate	9.1	13.3	12.68	11.12	11.28	-
Labor productivity Growth	3.42	1.52	2.19	3.31	-1.22	-
capital productivity Growth	./93	./85	1.24	./44	-2.89	-
Total factor productivity growth	2.17	1.18	1.72	1.43	-2.63	-.8
Gini coefficient	./398	./399	./406	./396	./375	-
Share of the richest 10 percent to the poorest 10 percent of the population	16.34	15.18	15.42	14.44	11.51	-

Source: Plan and Budget Organization (growth), Central Bank of Iran (inflation), Iran Statistical Center (unemployment), National Iranian Productivity Organization (productivity), Iran Statistical Center (Income Distribution)

The first development plan had the highest and the sixth plan had the lowest economic growth rate. There has been a double-digit inflation rate over the course of six development plans. The annual unemployment rates were fluctuated between 9.1 and 13.3% over the period of implementing development plans. In the six development plans, the growth of labor, capital and total factor productivity have been fluctuating.

As it was indicated in the table (4), the two-digit inflation rate in the development plans has worsened the distribution of income, and the share of the richest to the poorest in the development plans have fluctuated between 11.51 and 16.34 times.

11- Challenges of Planning in Iran

Development planning is a tool for achieving development objectives. Stock taking from the failures of six development plans indicate the challenges of planning in Iran.

In the development plans there are no clear “practical definition” of the concept of “development”, “progress” “economic justice”, its dimensions, and its features. Instead, economic growth has been explicitly stated as the objective of the plans. As a result, in the different planning periods, different interpretations of the mentioned concepts put forwarded in the plans which has been a challenge for planners and executives. The disagreements on the definition of development led to the establishment of a Center for Islamic-Iranian model of progress. This means the lack of common understanding on the basic concepts for development planning. Common understanding on the development concepts is necessary to be the mandate of resources allocation.

The method of preparing development plans in Iran was based on the “comprehensive planning”. We can hardly find a successful story of any comprehensive development plan in the world. Moreover, our experience indicated that with limited resources, there is a pressing need to focus on “core planning” instead of comprehensive one. Then, the plan would be a set of projects in the areas that need intervention in the medium-term (Khandoozi, 2010 :119).

The General Policy formulation by the Expediency Council and the development plan preparation by the Plan and Budget Organization are separate processes and there has been minimum interactions between the experts for drafting the development plans. If we add the provisions that always added by the Parliament to the plan in the ramification step, then low coherence and failures in the development plans could be expected. While the consolidation of the prepared plan is needed to achieve desired outcome (Parliament Research Center, 2010:22).

The shortage of future studies and understanding of international environment in preparing the development plans in Iran is critical. Thus, with the occurrence of new international developments, those who involved in the implementation of the plans surprised and to face the challenges, they had to neglect the development plan and allocate resources to tackle the new challenge. Moreover, given the essential change in the plan’s resources such as drops in the oil proceeds, and external shocks from intensified economic sanctions, it is necessary to incorporate future studies and international environment circumstances in the preparation of development plans (Parliament Research Center, 2009 :15).

Another challenge has been the low engagement of the private sector and civil society organizations in preparation of the development plans.

Other important challenge in the preparation of the development plan is the time span. Given the lasting change of external and internal circumstances which adversely affected six development plans in Iran, the shorter period of development plans such as three years could result in less failure than five- or six-years’ plans.

Given the public choice arguments, the changes made by the parliament in the plans during the ratification step were a cause of exceeding expenditures over the revenues and to some extent resulted in the failures of development plans. These interventions led to the launch of projects that lacked technical and economic justification and were beyond the financial and implementation capacity. Many projects and programs were not anticipated in the plans but incorporated in the plans during the ratification step. We witness thousands of unfinished projects across the country or implemented in the inappropriate locations, such as water demand projects in the scarce water regions. Moreover, there are prolonged run-time for the implementation of these projects, which increased the need for new financing that multiplies the initial cost estimate.

Over the course of the implementation of development plans in Iran, a parallel initiative by the then governments had adversely affected the implementation of the development plans. In this regard, we can point out "Economic Adjustment Policies" which was concurrent with the first development plan, and "Economic Regulation (Samandehi) policies" which was concurrent with the second development plan, and "Economic Transformation (Tahavol) Policies" which was concurrent with the fourth and fifth development plans by the then governments.

Coordination failure between monetary, financial, commercial, exchange rate, and industrial policies has been a challenge in the implementation of development plans.

Evaluation of the development plans by the Plan and Budget Organization is under question. Because the task of preparing the plan, resource allocation, and overseeing the implementation are all conducted by this organization. As a result, evaluation reduced to performance reporting (Barmaki, 2014, pp. 7-40), while we need an independent entity for the evaluation of development plans in Iran.

12- Conclusion

Over the period of 1979-1988, there was no development plan in Iran but during 1989-2022, six development plans implemented in Iran. Economic growth rates were volatile during the implementation of the development plans. There has been a double-digit inflation rate over the course of the development plans. The indices of productivity and distribution of income has been fluctuating. Planning challenges include lack of practical definition on the basic concepts of development plans, challenges of comprehensive plan, essential change due to external shocks, time span, parallel initiatives, coordination failure and lack of independent evaluation entity.

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برنامه‌های توسعه، شاخص‌های اقتصادی و چالش‌های برنامه‌ریزی در ایران (1358-1401)

چکیده

دهه ۱۳۵۸ تا ۱۳۶۷ فاقد برنامه توسعه در ایران بود. طی سال‌های ۱۳۶۸ تا ۱۴۰۱ شش برنامه توسعه در اقتصاد ایران اجرا شد. ارزیابی برنامه‌های توسعه بر اساس عملکرد و نتایج شاخص‌های اقتصادی در طول دوره و بر اساس کارکرد برنامه انجام شده است. رشد اقتصادی طی برنامه‌های توسعه بی ثبات بوده است. در طول برنامه‌های توسعه، نرخ تورم دو رقمی بوده است. رشد بهره‌وری و شاخص توزیع درآمد بی ثبات بوده است. چالش‌های برنامه در ایران شامل فقدان درک مشترک از مفاهیم اساسی برنامه‌های توسعه، چالش‌های برنامه جامع، تغییرات اساسی ناشی از شوک‌های بیرونی، دوره زمانی برنامه، طرح‌های ابتکاری موازی برنامه، شکست در هماهنگی و فقدان نهاد مستقل برای ارزیابی برنامه است.

کلیدواژه: برنامه‌ریزی توسعه، اقتصاد ایران، شاخص اقتصادی، برنامه جامع، آسیب شناسی.