

**POPULAR MOVEMENTS, INCIDENTAL FACTORS,  
AND THE STATE'S MEASURES FOR REGIONAL DEVELOPMENT IN  
THE ISLAMIC REPUBLIC OF IRAN**

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This paper examines the major influences on and changes in regional development in Iran since the revolution of 1979, and evaluates the state's efforts to balance regional development. Three influences have been identified, namely, popular movements, incidental factors, and the state's measures. Among the incidental factors, the Iran-Iraq war has been the most significant. It led to economic destruction, reduction of provincial disparity and massive internal migration. The popular movements, on the other hand, followed disruption of the state machinery and led to a *de facto* administrative decentralization, an upsurge of local initiatives, and an active public participation in local affairs. However, the increasing centralization of the state since the Revolution is eroding the positive effects of these trends. While the state-induced constitutional, administrative, planning, and policy measures are designed to realize balanced regional development, their real effect remains limited due to problems in implementation and the lack of a coherent development strategy. However, there is evidence that regional disparity is narrowing rather than widening. Although this is a result of the three forces combined, each one of the three forces appears to have helped to induce this change.

### **1. Introduction**

Interregional disparity was among the many causes of the Iranian Revolution of 1979 and hence, its rectification was made a prominent issue in the postrevolutionary period. It is the purpose of this paper to indicate whether this objective of the Revolution has been successfully achieved. Three major forces have been identified, namely popular movements, incidental factors, and the state's measures. It is shown that as a result of the combined impact of these forces, the interprovincial disparity has narrowed, but not enough to significantly alter the relative position of the provinces in the pre-revolutionary provincial development hierarchy.

The first section that follows provides an overview of interprovincial disparity and alternative explanations concerning its causes. Section 2 focuses on the forces which have had an impact on provincial development in the post-revolutionary period. The effects of popular movements and the war with Iraq are evaluated, with particular attention given to the impact of the state's measures for regional development and mitigation of interprovincial disparity. Changes in legal, administrative, and planning structures are discussed, but emphasis is placed on the

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regional policies of the government. The final section summarizes the main findings and draws attention to a number of important measures that need to be introduced to realize a more balanced provincial development.

## 2. Provincial Disparity and Alternative Explanations

According to a World Bank publication, the disparity in Iran was among the most extreme in the Third World, indeed, second only to Brazil in 1975 (Renaud, 1982). A study by Amirahmadi and Atash (1987) using 1976 data, indicated that the gap was especially wide between the more developed provinces (MDPs) of Markazi (including Tehran), Khuzestan, Esfahan, Yazd, Fars, and Semnan on the one hand, and the less developed provinces (LDPs) of Kurdistan, Chaharmahal/Bakhtiari, Lurestan, Ilam, Hurmuzgan, Zanjan, Sistan/Baluchestan, West Azarbaijan, and Boirahmadi/Kuhkiluyeh on the other (see fig. 1). Indicators for the remaining intermediate provinces (IPs) were closer to the national averages for most of the 13 socioeconomic variables.

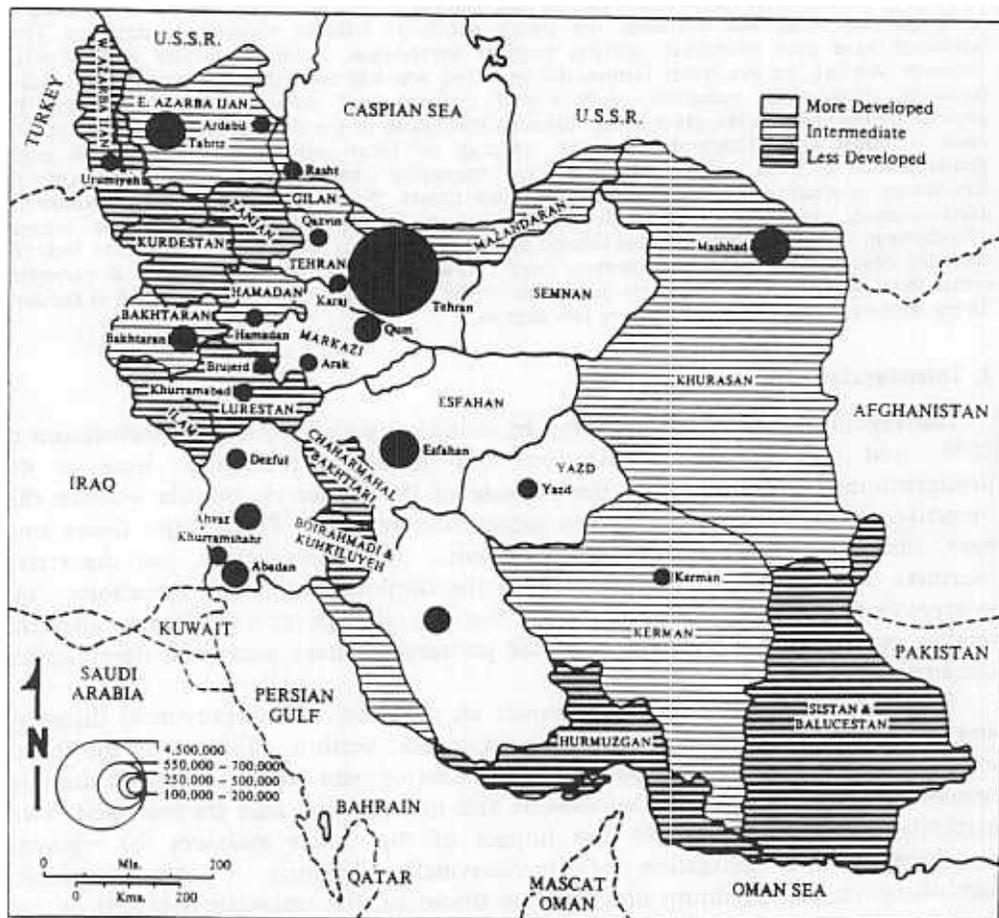


Fig. Iranian Provinces and Major Cities in 1976

Table 1  
General Characteristics of the Three Categories of Iranian Provinces, 1976

Characteristics	Iran	More Developed Provinces	Intermediate Provinces	Less Developed Provinces
1. Population (% of nation)	100.0	41.5	41.4	17.1
2. Area (% of nation)	100.0	31.7	42.8	25.5
33. Density (per sq. km.)	20.5	26.8	19.7	13.6
4. Percentage of urban population	47.1	66.9	35.1	27.8
5. Average total food and non-food consumption expenditures of an urban family in 30 days, US\$ (1980)*	650.0	602.0	652.0	728.0
6. Average total food and non-food consumption expenditures of a rural family in 30 days, US\$ (1980)	343.0	411.0	343.0	265.0
7. Primary employment as percent of total employment	35.1	27.9	36.5	46.5
8. Secondary employment as percent of total employment	33.1	37.8	31.1	27.8
9. Value added per worker employed in large industrial establishments (1000 rials)	740.0	620.0	513.8	361.0
10. Percentage of population which is literate (6 years and over)	47.5	54.7	41.8	32.3
11. Number of physicians per 100,000 population	39.8	45.4	22.9	17.8
12. Number of hospital beds per 100,000 population	160.1	185.1	101.2	47.5
13. Percentage of dwelling units with electricity	51.7	64.1	36.6	22.9
14. Number of public sector employees per 1000 population	49.6	54.2	35.1	28.3
15. Development budget (share)	100.0	31.4	39.6	29.0

Note: For the list and location of provinces on the Iranian map see Figure 1.

Sources: Constructed on the basis of data compiled from Iranian Statistical Yearbooks and other publications by the Plan and Budget Organization including Survey of Urban/Rural Family Consumption Expenditures.

Similar results were also obtained in a subsequent study by Amirahmadi (1989), a summary of which is given in table 1. For example, the gap between the MDPs and the LDPs was 2.4 times for degree of urbanization, 2.6 and 3.9 times for number of physicians and hospital beds per 100,000 population respectively, about 3 times for percent of houses with electricity, 2 times for public employees per 1,000 population, 1.7 times for literacy rate, and 1.5 times for productivity in large industrial establishments. Interregional disparity becomes even more pronounced when one compares the least and most developed provinces. To take two extreme cases, in 1976, Markazi was 80 percent urbanized as compared to 13 percent for Boirahmadi/Kuhkiluyeh. Or, as Renaud has indicated, the ratio for per capita gross regional product (including oil) between the poorest, Sistan/Baluchestan, and the richest, Markazi, provinces was in the order of 1 to 10 (US\$313 and \$3,132 respectively). The extreme nature of interprovincial disparity has been also documented in a number of other studies, including Plan and Budget Organization (1983a), Kamiar (1985) and Imam-Jomeh (1985).

Alternative explanations have suggested different factors that underlie interprovincial disparity. International consulting firms, including Battelle, 1972, Scetiran, 1976 and Ital Consult, 1957, have emphasized uneven distribution of resource endowments among the provinces. Individual researchers, on the other

hand, have focused on ethnic and cultural differences [Aghajanian (1983) and Hariri-Akbari (1983)], national oppression via unequal exchange among regions (for example, by means of a policy that sets the terms of trade between agriculture and industry in favor of the latter), or legal and policy-related discriminations [Ghassemlou (1980) and Mu'meni (1979)]. Impact of foreign investment and multinational corporations have been only scantily considered [Richard (1975), Daftary and Borghey (1976) and Safari (1980)]. Most writers, however, seem to point toward structural causes including political centralism, dominance of sectoral planning for national economic growth and inappropriate policy measures or lack of them [Imam-Jomeh (1985), Nattagh (1984) and Atash (1986)].

After examining the pros and cons of these explanations, it seems that interprovincial disparity in Iran is primarily rooted in two interrelated factors: 1) the centralist and sectoralist nature of the Iranian political, administrative, and socioeconomic structures; and 2) the states's policies favoring capitalist accumulation and sectoral planning for national economic growth [Amirahmadi (1986)]. Rectification of the disparity problem requires major legal, political, administrative, and policy reforms. The postrevolutionary government seems to operate also on the basis of a similar understanding about the nature and roots of the disparity problem. In the absence of any officially published announcement, this proposition is well supported by the government's regional development measures. However, as we shall see, such measures, while extensive and appropriate, are not adequate to rectify the disparity problem.

However, in assessing the Islamic Republic's performance in this particular area, other major influences on the interprovincial disparity should be considered. These include what I have elsewhere called "spontaneous/popular" movements and "incidental" factors. The war with Iraq is among the most important incidental factors, while the popular movements include struggles over the state power and for the social justice, which was a major cause for the Revolution. While the specific impact of each of these forces is hard to determine, their combined forces, have led to a narrowing of interprovincial disparity.

### **3. Impacting Forces**

#### *3.1 Popular Movements*

The spontaneous/popular movements were encouraged and strengthened by the collapse of the Shah's centralized machinery in the face of the popular Revolution. The disruption led to two interrelated episodes, dual sovereignty over the state power and intensified conflicts over the social issues related to the Revolution. The dual sovereignty developed toward the end of the Shah's regime as various grassroots organizations began to take affairs in their own hands and Ayatollah Khomeini appointed a Provisional Revolutionary Government (PRG) on February 1, 1979, to take over the state from the last prime minister of the Shah.

The subsequent armed uprising from February 9-12 led to the transfer of power to the PRG, but it did not end the dual sovereignty problem. Instead, it led to the proliferation of many centers of power and sharpened the conflict between the liberal PRG and the essentially middle class-based religious Revolutionary Council (RC); which was also appointed by Ayatollah Khomeini. The PRG was considered

the legal government and controlled what remained of the Shah's apparatus, while the RC was an extra-legal organization which headed Revolutionary Committees, Guards, and Courts [Bashiriyeh (1986)]. The PRG sought to maintain the *status quo* by demobilizing the masses while the RC, along with the growing Islamic parties and Leftist organizations encouraged grass roots movements and demanded speedy changes. The takeover of the American Embassy on November 4, 1979, which was supported by the PRG opponents, resulted in its resignation.

But dual sovereignty continued in the form of a struggle between the new president, Aboulhassan Banisadr, elected in January of 1980, and the Islamic Republic Party (IRP), which had gained prominence in the course of the hostage crisis. To most in the Party, the new president appeared liberal and soft on both imperialism and communism, and it was felt unacceptable that Banisadr attempted to curb the power of the revolutionary committees, guards, and courts [Bakhash (1984) and Hiro (1986)]. The conflict was resolved only after Ayatollah Khomeini removed Banisadr from his post. The dual sovereignty, however, has more or less continued in the subsequent years. During the tenure of the Party monopoly over the state power in the 1980-1987 period, the conflict was moved inside the Party, between the radical and the conservative factions. Since the IRP's dissolution in 1987, the conflict between the factions has again moved inside the state.

The dual sovereignty weakened the ability of the central government to act in a centralized manner and led to *de facto* territorial and functional decentralization and at times to anarchy. The situation has also encouraged an intensive struggle over the social issues for the Revolution, including work place democracy, housing for the poor, land reform, and regional autonomy. However, the last two movements had greater impact on regional development issues.

Struggles over the agricultural land turned violent and took place in the rural areas of almost every province, particularly where large mechanized farms existed or the 1963 Land Reform had not been fully implemented. These included Kurdistan, West Azarbaijan, Baluchestan, Khurasan, Fars, Gorgan, and Gonbad (Turkoman Sahra in particular). Such struggles were also frequent in territories where the 1963 Land Reform had been successfully implemented in which case the landlords expropriated the small peasants, reasoning that the Shah's reforms were unislamic and illegal. In provinces with large mechanized farms and undivided agricultural lands, the landless peasants expropriated the landlords, citing Islam's concern for social justice as justification.

The response of the government to these struggles differed from place to place, generally supportive of the landlords in provinces demanding autonomy and siding with the peasants in most other cases. After an extensive campaign, the government brought the land seizures under control by a mixture of force and promises for reforms and regulations. Such promises have only partly been carried out in the recent years, largely in the form of limited reform measures affecting certain types of land and special aids to agriculture in the less developed regions and minority provinces.

The land question was ultimately tied to demand for regional autonomy because of the extreme inequality in distribution of agricultural lands in ethnic provinces. To suppress autonomy movements, the central government cultivated the big landlords and armed their retainers. The landlords were, however, more interested in controlling the landless peasants than in suppressing the autonomy movements.

This naturally strengthened the ethnic political organizations, as they became increasingly successful in recruiting a large part of the disenfranchised peasantry. The autonomy movements in Kurdistan and Turkoman Sahra benefited particularly from the support of the landless peasants.

Such movements were also rooted in ethnic nationalism and a feeling of being unequally treated by a Persian-dominated central government [Amirahmadi (1987b)]. The autonomy movements received added momentum from the government's refusal to change the old administrative structures to incorporate local participation in governance, decision-making and economic management or to reduce the dominance of the sectoral interests in favor of more balanced sector-territory relations. However, the collapse of the societal structure of domination and the consequent weakening of the national state was the most influential factor, encouraging political organizations to take up arms against the central government.

Although difficult to determine, the impact of these spontaneous/popular factors on regional development and interprovincial disparity must have been significant. Such impact was particularly strong on the central-local government relations. To begin with, they weakened the central government's control over provincial politics and resource management, leading to *de facto* decentralization, increased local initiatives, and popular participation. They also heightened the public's consciousness about the regional problems, thus creating pressure for introduction of popular legal measures and policies. Furthermore, the movements radicalized the regional people, increased their territorial consciousness, taught them the value of organized and united actions, and led to the propagation of the idea that grassroots organizations are indispensable for the introduction of democratic measures. There were also more tangible results. The autonomy movement in Kurdistan, for example, forced the central government to improve conditions there. The state also wanted to improve its image with the Kurdish people as part of a campaign against regional opposition. Similarly, the movement in Turkoman Sahra led to significant changes in its land redistribution in favor of the landless peasants.

### 3.2 *Incidental Factors*

Incidental factors have included many political episodes but the most notable factor has been the war with Iraq, on which I shall focus here. The war can be identified as "incidental" for several reasons. To begin with, it was not a planned event from the Iranian side and came as a surprise to everyone. It was also an event that happened in connection with a more important event for the Iranians, their Revolution, which had serious consequences for the people and the national economy.

The Iraqi army invaded Iran in September 1980 and quickly occupied sections of the five southern and southwestern provinces of Khuzestan, Bakhtaran, Ilam, Kurdistan, and West Azarbaijan (fig. 1). Parts of the last two provinces have also suffered from the fight between the autonomy-seeking Kurdish people and the central government. The damage to Khuzestan, an MDP, and the oil capital of the country, has been the most extensive. The provinces in the war zones are densely populated, and most of the populations are minorities (Azaris, Kurds, and Arabs). The neighboring provinces and certain cities in various parts of the country have also suffered in varying degrees.

The cumulative economic damage until September of 1985 has been estimated at U.S. \$309 billion, of which damage to human settlements is reported at about \$13 billion [Amirahmadi (1987a) and Plan and Budget (1986)]. A total of 51 cities were reported damaged in varying degrees with some "totally leveled," while the number of damaged villages was reported at 3,891. This amounts to 30 percent of villages in the five war provinces. In Khuzestan alone, for example, 356 "Arab-inhabited villages" were reported to have been reduced to ashes and literally wiped out [sic] of the map" [The Imposed War (1985:9)].

Recent data has also indicated slower population growth in the war zones compared to the rest of the country. For example, Khuzestan grew at an average annual rate of only 1.77 percent over the 1976-1986 period, less than 50 percent of the national average. In sharp contrast, the comparable figures for Tehran province (excluding City of Tehran) and Bushehr, a province adjoining Khuzestan, were 8.7 and 5.5 percent respectively [Gozideh-e Mataleb-e Amari (1987) and Amirahmadi (1989)].

The slow population growth in the war zones may be attributed to a number of causes including death, destruction, and migration. The latter factor has been particularly critical in population redistribution. Some 2.5 million have fled the war areas to settle in large cities and refugee camps in other parts of the country, particularly in cities located in the center and in areas adjoining the war zones [Amirahmadi (1987a)]. Karj, Qum, Shiraz, Arak, and Zanjan are examples (see fig. 1).

An equally large number have also migrated from the village areas and smaller towns to refugee camps and the provincial capitals within the war zones where people have been better protected. Examples include cities of Ahvaz, Urumiyeh, and Bakhtaran which have continued to grow at over 5 percent per year over the 1976-1986 period. In sharp contrast, smaller towns in the war zones have had a significantly lower growth rate. Dezful in Khuzestan, e.g., grew only at 0.2 percent over the 1976-1984 period [Salnameh-e Amari (1984)].

While the war destroyed a good portion of the socioeconomic activities in the war zones, it led to concentration of significant war-supporting activities and expenditures in the neighboring provinces [Amirahmadi and Atash (1987)]. Increased war-related imports have also promoted development in the southern coastal provinces with port facilities. The improved development of Kurdistan and Ilam in the war zones may be explained by the same factors that were responsible for the improved relative development position of other LDPs, namely policies of the government in support of the LDP. Yet, the impact of the war must have been equally powerful since it destroyed Iranian industries and consequently led to the relative decline of the MDPs. The war also triggered a development program being implemented in the strategic Persian Gulf Islands. Finally, the war has led to drastic changes in investment priorities of the government, both in terms of location and type of production. Most defense industries and strategic establishments have been moved to more secured areas in the central and eastern parts of the country, and many of the existing capacities were re-directed toward military production.

### *3.3 The State's Measures*

#### *3.3.a. Legal, Planning, and Administrative Changes*

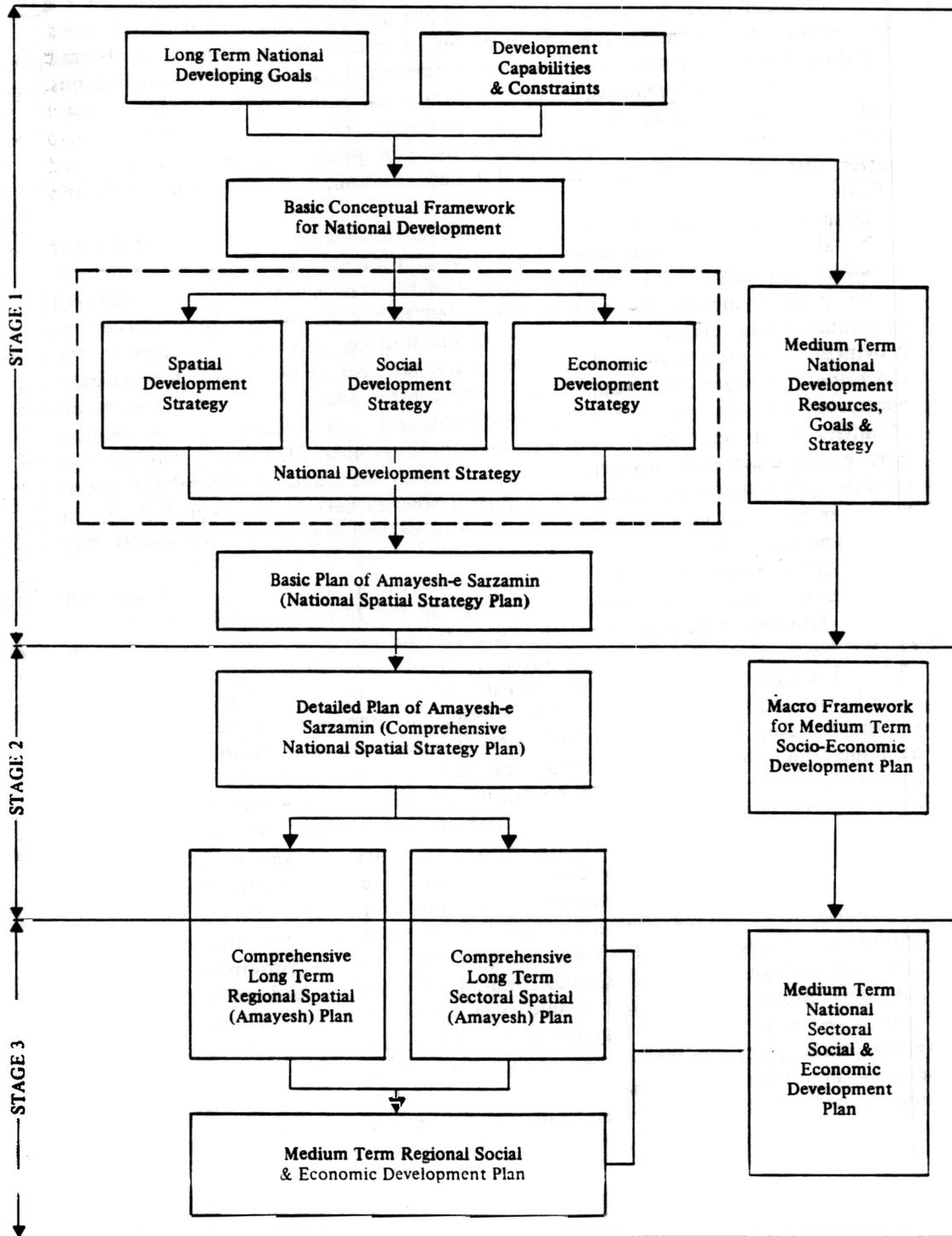
As expected from the nature of the Iranian Revolution, the new Constitution of 1979 incorporates several important articles concerning balanced regional development. Specifically, it contains articles on socioeconomic justice, local participation, cultural and racial equalities, balanced distribution of public resources and economic activities across provinces, and the importance of the role and place of spatial councils in management and planning of regional development. It provides a Supreme Council of Provinces with power to prevent interprovincial discrimination, make decisions and plans, and improve cooperation among provinces in matters of planning and implementation of programs.

The Constitution, however, does not give the provinces a self-management role. On the contrary, the provincial governors and councils are subordinated to the central administrations (Article 100) and the centralization of the government budget is made mandatory (Article 53). Nonetheless, if implemented, the Constitution could have provided planners with the ingredients needed to institute a fairly progressive, decentralized, and participatory regional planning. Councils would have acted as the cornerstone of this new approach. However, as most postrevolutionary states, the IRI has also been characterized by a lack of unity between its ideological commitments and its practice.

Certain changes have also occurred in regional planning for spatial development, but such changes remain largely procedural. The Constitution accepts regional planning as a major tool for balanced national development, but subordinates it to sectoral planning. The practice has also followed a similar line despite resistance to rigid sectoralism and centralism in the postrevolutionary Iran [Interviews (1986-1988)]. Economic decline seems to have further exacerbated the move away from equity toward efficiency considerations [Amirahmadi (1988)]. The first indication that sector will continue to dominate space in the Islamic Republic came with the preparation of the First Plan of the new republic in 1981: the Plan adopted a sectoral approach and looked upon provinces as locations where sectoral projects would be implemented [Plan and Budget (1983a)].

Since 1983, however, a particular kind of spatial planning, known as *Amayesh-e Sarzamin* (or National Spatial Strategy Planning -- NSSP), has become increasingly more popular [Amirahmadi (1988b) and Fouladi (1986)]. A less rigorous version of the methodology was first introduced in Iran in 1976 under the previous regime, taking an efficiency view of space and advocating linking socioeconomic and spatial development, as well as national and regional planning, in a single comprehensive framework. As indicated in fig. 2, the methodology has three stages and follows a top down approach to planmaking similar to the traditional aggregation approach to regional planning. In sharp contrast, however, it arrives at sectoral and regional plans simultaneously rather than deducting regional plans from sectoral plans. At the time of this writing (July 1988), the first stage has been tentatively completed and the work on the second stage is under way [Interview (1988)]. Among the major defects of the new approach are its insensitivity to local participation and initiatives, overemphasis on procedures at the expense of contextual matters, and a gross neglect of implementation.

Fig. 2 The Processes of Comprehensive National Development Planning



Source: Adapted with modifications from Fouladi 1986

Few steps have been taken to remedy gross deficiencies that characterized regional and planning administrations in prerevolutionary Iran [Amirahmadi (1986)]. The unitary/centralized system of government, as opposed to federalism, remains in place, and the society continues to be organized socioeconomically along sectoral (vertical) administrations, and politically into provincial (horizontal) administrations. Previously, however, only at the very top of the state hierarchy did the two bureaucracies meet and there was almost no coordination at the local levels. By significantly strengthening the position of provincial governors, the Islamic Republic has reduced the gap between the horizontal and vertical administrations. Under the new arrangements, heads of provincial sectoral offices have to report both to their respective ministers and governors. Provincial governors are also involved in provincial development planning. The governor exercises his increased power through a powerful Provincial Planning Committee [Ettela'at, 26 Esfand (1984)].

Despite a significant expansion of the public sector and continuation of the war with Iraq, postrevolutionary Iran remains less centralized than during Shah's regime. This has been largely due to the disruption of the state machinery and the strength of the popular movements, both of which led to the weakening of territorial and functional links between the central administrations and their branches in the provinces. The new Law of Islamic Council has also helped, since it demarcates functional divisions of labour between the central and local governments in all matters of strategy determination, implementation, supervision, and evaluation [Ministry of Justice (1982)]. For example, the Provincial Planning Committee can only propose national projects, but is allowed to plan and implement provincial projects, given that they would not require resources beyond local capabilities. On the other hand, while national budget remains centralized, local governments may collect and retain certain taxes.

Certain changes have also been made in the planning administration. An unsuccessful attempt was made in 1982 to group the 24 provinces into 10 planning regions. This was followed by a new design for territorial planning administration on the basis of a complete reorganization of the Plan and Budget Organization (PBO). The agency was made into a ministry with an interdisciplinary portfolio and moved from the prime minister's office. Among the nine newly created deputies was Deputy for Regional Affairs (RDA) with an elaborate administrative chart of its own including two deputies for planning and budgeting at the national level, 24 Provincial Plan and Budget Organizations (PPBO), and the Office of Regional Planning (ORP), which is located in Tehran and charged with the Amayesh-e Sarzamin. While the ORP is a reality, with a tight structure and an active agenda, the PPBOs exist largely on paper except for a small core of large provinces.

Regional and planning administrations continue to suffer from a number of deficiencies. For example, spatial councils have to be fully operationalized before a centrally controlled decentralized regional government and a participatory planning system can emerge. Provincial governors must be delegated considerably more power than they presently wield and should also be given a more articulate body of regional technical staff than they presently have. The link between horizontal and vertical bureaucracies should be expanded by creation of certain *meso organizations* such as an interministerial coordinating body. Finally, the state should gradually move away from rigid centralism and sectoralism toward what I have elsewhere

called "an associative system of regional governments in which common interests and purposes are the primary integrating forces, and where regionalism is subordinate to nationalism but not to sectoralism" [Amirahmadi (1989)] .

The impact of the legal, planning, and administrative changes on the regional development in postrevolutionary Iran cannot be easily determined. Most such changes remain to be implemented and others that are put in practice have not been subjected to any impact analysis. Scarcity of information is not the only problem with such an assessment. Even more troubling is the impossibility of separating the impact of these changes from other state's measures, incidental factors, and popular movements. Certain safe generalizations can, nevertheless, be made. For example, most regionalists in the country continue to receive legitimacy for their radical demands from the Constitution; the new spatial planning system has generated significant interest in regional development and has produced a considerable amount of information about various aspects of the provinces; and finally, administrative changes have helped to increase the power of provincial governments and efficiency of resource uses at the local levels. While such impacts have not led to any significant short-term changes, their long-term consequences for regional development could be tremendous.

### *3.3.b. Regional Policies*

Although the Islamic Republic lacks a coherent system of policies for regional development, a good number of isolated policies have been implemented. These include both explicit spatial policies aimed at improving certain conditions in given regions, generally the LDPs, and implicit policies, that is, non-spatial policies with significant repercussions for regional development. After the Revolution and especially after the war, the government began directing part of the private and public investment toward the LDPs. For example, of all Agreements in Principle and Permits issued by the Ministry of Industries, only 0.42 percent went to the LDPs in 1976. The figure increased to 1.5 percent in 1981 and then to 8.7 percent in the first six months of 1986 [Shaikh Attar (1986)] . The policy of making agriculture an "axis" of development has been equally helpful to the LDPs. Price support programs, cheap and easy credit arrangements, services provision, and low-level technical assistance have been among the major components of the policy.

Most economic and social service sectors have also transferred part of their operations to the LDPs. This is particularly true of the newly established Ministry of Reconstruction Crusade (RC), which has carried out extensive socioeconomic and infrastructural works in the rural areas, particularly electrification, road construction and provision of certain social services including health and housing [Zanganeh (1986)] . The war zones have also benefited from activities of the Foundation for the Affairs of the War-Inflicted Population, the Foundation for the Oppressed, and the Headquarters for the Reconstruction and Renovation of the War-Damaged Areas.

A number of policies focusing on tribal areas, rural settlements, and small urban centers have tended to benefit the LDPs. Most helpless residents of rural and tribal areas over 60 years of age receive welfare payments under the "Shahid Raja'i Program" from the Imam Relief Committee. The Committee pays up to 3,000 rials per month to such an individual and 5,000 rials to a head of a family in the forms

of cash or essential goods of capital or consumer types (Article 11 of the budget laws since 1983). Of the funds allocated each year to municipalities under Article 19 of the budget laws, 80 percent must be distributed to cities other than provincial centers [Kayhan-e Hava'i, 21 Esfand (1985) and 19 Farvardin (1987)]. Article 6 of the budget laws also targets the most backward spots in the country. The Ministry of Plan and Budget has identified 41 such areas [Plan and Budget (1983b)]. In addition to normal allocation from their respective provincial budgets, these areas receive special funds directly from the central administration in Tehran. In 1988, for example, 16 billion rials were allocated to fixed investments in "essential" and "specified" development projects in designated depressed areas. At least 70 percent of the funds must be expensed in development projects in rural and tribal areas [Kayhan-e Hava'i, 19 and 26 Esfand (1987)].

Among the most important regional policies of the Islamic Republic that were designed to benefit the LDPs since 1985 are Articles 3 and 16 of the budget laws. In instituting Article 16, the state also follows other aims, namely to receive financial help for its projects from the wealthy, and to encourage public participation in smaller projects with local significance. Each year, the central government allocates a specified sum of funds (for example, 100 billion rials in 1986 and 150 billion rials in 1988) to be allocated to provinces relative to their shares in the nation's general budget. Each province may spend the funds on new small projects or projects in the process of completion that are initiated by the private sector. The law prohibits initiation of projects requiring more than 50 billion rials of expenditures. In rural and tribal areas, at least 30 percent of the investment for such projects must be committed by the private sector, 50 percent in urban places, with credit from the private participants including cash, labor, and/or materials.

"To allow participation of private entrepreneurs in development of their respective regions," Article 16 also allows the Council of Provincial Planning to retain up to 50 percent of the monthly occupational taxes it collects, as well as any sum that it collects in provincial capitals (with the exception of Tehran) over and above the sum collected in the same month in 1985. Such taxes must be placed under the Provincial Planning Committee and exclusively invested in provincial development projects of the following types: public education and health, urban development, physical training, water projects, and rural roads. The law stipulates that "in these sectors, projects favored by the taxpayers must receive priority." The Council identifies various projects, for each of which a trustee and a bank account is established. Taxpayers are free to choose among the projects announced by the Council and to deposit their tax dues to the corresponding accounts. Moreover, the taxpayer may request that taxes be invested outside the region of one's residence excluding cities of Tehran, Mashhad, Esfahan, Tabriz, and Shiraz, which are among the largest provincial centers [Kayhan-e Hava'i, 21 Esfand (1985)]. This policy benefits the predominantly tax-losing LDPs but are of little help to the poor as provincial wealth holders, including the landlords and the capitalists, would choose projects directly benefiting their own investments and activities.

Article 3, on the other hand, allows the government to use the banking system to support private local initiatives with little or no start-up capital and to assist reactivation and/or expansion of the existing operations. Such initiatives and operations have to be technically and financially sound and feasible, economically needed, and organized into cooperatives. Originally, the law did not apply to

individual applicants but that has been changed in most recent budget laws which only require a 50 percent minimum expenditure of the funds in the cooperative sector. The stated purpose of the government in advancing this Article is to generate jobs and increase production in agriculture and industries particularly those organized into cooperatives and located in rural areas. The Central Bank is obliged to provide the needed credits for the eligible projects from the internal sources of the Provincial Banks (provincial branches of the Exports Bank) and, when needed, from resources of other banks.

Most funds under this article have gone to agriculture, rural industries, and the LDPs. For example, of the 60 billion rials allocated for these purposes in 1988, 30 billion went to agriculture and rural industries, 8 billion to construction materials, 5 billion to industries, 5 billion to mines, 5 billion to the Foundation for the War Migrants, and the rest was divided among many social services and cultural activities. Of the amount allocated to agriculture and rural industries, Sistan/Baluchestan, an LDP, received 3 billion rials as compared to .03 billion for Tehran and 1 billion for East Azarbaijan. The LDPs of West Azabaijan and Kurdistan were allocated 0.915 and 0.7 billion rials respectively. Despite these higher shares going to the LDPs, critics remain unhappy with the implementation of this Article. For example, Movahedi Sajedi, a Parliament Representative, has charged that Article 3 has neither benefited the poor and created the expected number of jobs, nor increased production, and that the beneficiaries have actually been those with connections and friends in the bureaucracy. He goes on to demand a more equitable distribution of such funds [Kayhan-e Hava'i, 19 Esfand (1987)] .

The government also encourages provincial exports production by providing the producers and exporters with various production, financial, and marketing services. This export-promotion regional policy is complimented with another policy that allows inhabitants of the deprived regions of the border provinces in the south to engage in import and export activities provided that such transactions do not create foreign exchange commitments nor exceed a 100,000 rials ceiling. The law has created lucrative opportunities for traders since foreign currencies they earn may be sold in the black market at about 15 times higher than their officially determined exchange rates with rials.

The original law in 1986 required that the inhabitants be members of certain cooperatives. This condition was relaxed in the subsequent year by the Council of Guardians, and the change led to corruption: since non-member individuals are poor and illiterate, they cannot benefit from the law. They usually sell their rights to merchants and middlemen who reap off the benefits [Iran Press Digest (1987)] .

Another policy mandates that a predetermined number of entrants to the country's universities each year must include applicants from the LDPs. These students, most of whom receive scholarships from the government, must, in turn, undertake to work in their native province for a specified period after graduation. The LDPs also receive additional funds for education. Under Article 8 of the 1988 budget, for example, 3 billion rials were allocated for the purpose and were distributed among provinces on the basis of their relative educational deprivation. Half of the funds were allocated to the creation of model schools and the other half paid for upgrading the quality of education where it had noticeably dropped. The said Article also allocated 20 billion rials for free nutrition programs in the LDPs.

In the absence of a migration policy, the government has adopted a number of

measures to influence the movement of the population, particularly the state employees, away from the MDPs toward the LDPs. Working in the deprived areas for at least a limited period, usually a year, has become obligatory for most government employees and certain professions including medicine, dentistry, and higher education. The prerevolutionary policy of differential wage rates for the government employees serving in different regions continues to be in force. In a few LDPs, the wage rates are 3 times as high as in Tehran for comparable jobs. This should be a powerful incentive where inflation runs high in large cities and overtime pay is restricted in most regular jobs.

Finally, the government has made a conscious effort to change its budget allocation priority from one based on regional comparative advantage to one based on need for immediate relief. Thus, the shares of the LDPs in the development budget have increased relative to the figures for the MDPs, and in comparison with the LDPs' shares in the years preceding the Revolution. For example, as indicated in table 2, over the 1982-1986 period, the LDPs received, on the average, about 33 percent of the nation's regional development budget, while the figure for the MDPs was below 30 percent, although the latter's population was more than twice as large as the former's. The corresponding budget figures for the LDPs and the MDPs over the 1973-1977 prerevolutionary period were 28.4 and 32 (table 3). The intermediate provinces (IPs), on the other hand, have experienced only a slight improvement in their budget shares. However, the war has made it increasingly difficult for the government to continue its pro-LDPs policy as indicated by the decline in their budget shares since 1984 (table 2).

Table 2  
Provincial Distribution of Development Budgets (fixed investments)  
1982-1986, (percent share)

PROVINCES	1982 <sup>a</sup>	1983 <sup>b</sup>	1984 <sup>c</sup>	1985 <sup>d</sup>	1986 <sup>e</sup>
<b>MORE DEVELOPED</b>	<b>30.9</b>	<b>30.8</b>	<b>29.2</b>	<b>28.2</b>	<b>28.8</b>
MARKAZI	5.5	7.0	6.7	6.6	6.9
ESFAHAN	5.4	5.4	5.4	4.7	4.8
YAZED	2.7	2.6	2.4	2.1	2.2
KHUZESTAN	8.6	7.1	6.6	6.7	6.6
FARS	6.5	6.2	5.8	5.7	5.9
SEMNAN	2.2	2.5	2.4	2.4	2.4
<b>INTERMEDIATE</b>	<b>35.2</b>	<b>35.2</b>	<b>38.0</b>	<b>40.1</b>	<b>39.9</b>
BAKHTARAN	3.7	4.1	4.1	3.8	3.9
KHURASAN	6.1	7.4	7.2	8.2	7.9
E. AZARBAIJAN	6.6	5.5	6.9	8.0	7.9
GILAN	3.4	3.2	3.9	4.1	3.7
HAMADAN	1.7	1.9	3.4	2.9	2.6
KERMAN	6.2	5.0	4.9	4.6	4.9
MAZANDARAN	4.0	5.1	4.4	5.3	5.8
BUSHEHR	3.3	3.0	3.1	3.2	3.2
<b>LESS DEVELOPED</b>	<b>33.9</b>	<b>34.0</b>	<b>32.8</b>	<b>31.7</b>	<b>31.3</b>
CHAHARMAHAL/BAKHTIARI	4.2	3.9	3.0	2.9	2.9
HURMUZGAN	4.1	3.4	3.7	4.1	3.6
KURDESTAN	2.9	3.8	3.6	3.3	3.7
ILAM	2.9	2.7	3.0	2.6	2.9
W. AZARBAIJAN	4.8	5.5	4.6	4.5	4.7
LURESTAN	3.0	3.7	3.7	3.5	3.7
BOIRAHMADI/KUHKILUYEH	3.7	3.3	3.2	2.9	2.8
SISTAN/BALUCHESTAN	5.3	4.6	4.4	4.7	3.9
ZANJAN	3.0	3.1	3.6	3.2	3.1
IRAN (percentage)	100	100	100	100	100
IRAN* (million rial, current prices)	150,609	195,627	194,309	186,077	160,406

Notes and Sources: 1982 data from Salnameh-e Amari, 1362 (1983), p.694; 1983-1985 data from Salnameh-e Amari, 1363 (1984), p.769; and Iran Dar A'ine-he Amar, No. 5, 1364, P.220.

- a. Provincial distribution of the following budgeted development funds were not available and are not included in the year's statistics: 1) Jihad-e Sazandegi (Construction Crusade): 7200 million rials; and 2) Special Funds: 11870 million rials.
- b. Provincial distribution of the following budgeted development funds were not available and are not included in the year's statistics: 1) Jihad-e Sazandegi (Construction Crusade): 89279 million rials; and 2) Special Funds: 6534 million rials.
- c. Provincial distribution of the Special Funds, 9010 million rials, were not available for the year and are not included.
- d. Provincial distribution of the Special Funds, 2500 million rials, and war expenditures were not available for the year and are not included. Figures are approved, not actual.
- e. The amount of 9136 million rials development credits on the basis of special permission are not included because their distribution among various affairs were not available. (Figures are estimates.)

\* Please note that the absolute figures of this row are not comparable to the corresponding figures in Table 3.

Table 3  
Provincial Development Budgets  
1973-1977, (percent share)

PROVINCES	1973	1974	1975	1976	1977
<b>MORE DEVELOPED</b>					
MARKAZI					
ESFAHAN					
YAZED					
KHUZESTAN					
FARS					
SEMNAN					
<b>INTERMEDIATE</b>					
BAKHTARAN					
KHURASAN					
E. AZARBAIJAN					
GILAN					
HAMADAN					
KERMAN					
MAZANDARAN					
BUSHEHR					
<b>LESS DEVELOPED</b>					
CHAHARMAHAL/BAKHTIARI					
HURMUZGAN					
KURDESTAN					
ILAM					
W. AZARBAIJAN					
LURESTAN					
BOIRAHMADI/KUHKILUYEH					
SISTAN/BALUCHESTAN					
ZANJAN					
IRAN (percentage)	100.0	100.0	100.0	100.0	100.0
IRAN* (million rial, current prices)	6,539.5	18,618.6	24,740.0	22,866.0	22,329.3

Source: SAIR-E BARNAMEHRIZI-YE MANTAQEHII DAR IRAN (Evolution of Regional Planning in Iran). Tehran: Plan and Budget Organization, 2536 (1977).

Note: 1973-77: Includes funds for Special Regional Projects and additional funds allocated to provinces after revision of the Fifth Plan following the fourfold increase in oil revenue in 1973 (the Law of Article One). 1976-77: Also includes money allocated to provinces under Development Funds for Regional Projects (fixed investments).

\* Please note that the absolute figures in this row are not comparable to the corresponding figures in Table 2.

While extensive, the state's regional policies remain fragmented. They were hardly coordinated or put into a broader development perspective. Incentives were not directed to well targeted objectives and most projects were funded for no apparent reasons or any meaningful eligibility criteria such as desirability, feasibility, replicability and affordability on a national scale. Equally absent was an impact analysis for efficiency or equity perspectives. Locational requirements remained also largely unspecified and the policies were not given proper legal protection to reinforce their implementation. They also lacked adequate managing organizations. Supporting policies were equally absent and many major provincial problems were not covered by any of the explicit policies. Specifically, incentives were not extended to include project- or locale-specific grants; control instruments (concerning migration or activity location) were not instituted; and territorial development agencies were not established. Finally, most policies took a "place prosperity" approach ignoring the social dimensions of territorial issues [Amirahmadi (1989)] .

Despite the shortcomings, the extensive policy measures adapted must have made certain contributions to various aspects of provincial development in the country. However, in the absence of data and the presence of other impacting forces, it is impossible to precisely assess the extent or quality of the effects of these policies. The only significant evidence, a recent study by Amirahmadi and Atash (1987), indicates a moderation in the disparity gap among the LDPs and the MDPs. The study used coefficient of variations and standardized scores to examine changes in regional disparity for seven socioeconomic variables between 1976 (before the Revolution) and 1984, the last postrevolutionary year for which statistics were available. The variables examined included percentage of urban population, consumption expenditures of urban/rural families, value added per worker in large industrial establishments, number of post offices per 10,000 sq.km., number of hospital beds per 100,000 population, and number of physicians per 100,000 population. Of these, provincial disparity increased only for the last variable, while it declined in all other cases. Indeed, shortly after the Revolution, medical schools were closed for about three years and the existing physicians either fled the country, or were sent to war zones and hospitals in large cities, particularly Tehran. The study also found that, during the 1976-1984 period, most of the IPs and the LDPs improved their relative position within the provincial hierarchy, while four of the six MDPs suffered relative decline. However, as Amirahmadi and Atash (1987) concluded, "except for a few cases, the relative position of the provinces did not change in any significant way and thus their place in the provincial hierarchy remained largely unaffected by the socio-economic development processes." It is not clear if this spatial change made any significant impact on the conditions of the poor in the LDPs.

#### **4. Conclusions**

The purpose of this paper is to assess the Revolution's goal of reducing interprovincial disparity. Three major impacting forces have been identified, namely popular movements, incidental factors, and the state's measures. It is shown that as a result of the combined impact of these forces, the interprovincial disparity has narrowed, but not enough to significantly alter the relative position of provinces in

the pre-revolutionary provincial development hierarchy.

This paper has focused on the domestic aspects of the constraints to a more balanced regional development. For a more comprehensive picture to emerge, the impact of international constraints must also be assessed. The Islamic Republic has lived most of its life in a war climate and situation of frequent Western economic sanctions. These conditions along with the country's dependence on the capitalist world economy for oil-generated revenue and industrial inputs were the most damaging to the initial goals of the Revolution and a balanced regional development. Although the termination of the war in the summer of 1988 has significantly reduced the paralyzing impact of such forces, they continue to constrain the state's attempts to reduce interprovincial disparity.

In sum, while trends do not look dramatic in the short run as might have been expected from the causes of the Revolution, there is evidence that regional disparity is narrowing rather than widening. Although this is a combined effect of the three forces, each of these forces appears to have contributed to its reduction. As two of the three forces are diminishing at this time, greater improvements in the state's policies and implementation capacities would be needed for further reducing provincial disparity.

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