Regional Planning in Iran: A Survey of Problems and Policies

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Extreme regional inequality characterizes Iran. A World Bank research project, examining the 1976 data for 17 representative more developed and less developed countries, found that in terms of regional inequality Iran was second only to Brazil. The research also noted that the ratio for per capita gross regional product (GRP) (including oil) between the poorest (1976 US$313) and the richest ($3,132) region was on the order of 10 to 1.1 Measured in terms of the Williamson factor, the per capita GRP inequality indicator was 0.9226 for Iran as compared to 0.1088 for the United Kingdom, 0.3078 for the Republic of Korea, 0.6775 for Thailand, and 1.6201 for Brazil.2 Extreme regional inequality in Iran and the systematic widening of the gap among the regions (despite substantial gains by the poorer regions since the 1960s) has also been noted or documented by a number of other studies.3

The purpose of this paper is not to argue for the existence or acuteness of regional inequality in Iran. These issues are, indeed, hardly disputed, although critical inquiry about them remains very important. Instead, I shall attempt to uncover the root causes of such extreme inequality by focusing on Iran’s five development plans from 1949 to 1978. Specifically, the systematic widening of the gap among the Iranian regions and the resultant extreme inequality between the least and the most developed regions are the consequences of two developments: (1) the centralist/sectoralist nature of Iranian political/administrative and socioeconomic structures that evolved with the advent of capitalism since the mid-nineteenth century but were institutionalized only from the 1920s on; and (2) planning for national economic growth on a sectoral-efficiency or natural-resource basis, and the accompanying capital-oriented policy promoted by institutionalized planning since 1949. Further stimulated by increasing oil revenues, the first of these developments annihilated regional autonomy, while the second led to a concentrated pattern of accumulation

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in the centers of power and poles of growth. As these two interrelated processes reinforced each other and blocked concern at the national level for comprehensive regional development, the gap among the regions increased.

Alternative Explanations

Numerous studies have attempted to explain the causes of regional inequality in Iran. Some have singled out lack of natural resources as the main cause; these include regional studies prepared by foreign consulting firms, such as the Itál Consult report on southeastern Iran and voluminous reports by Battelle and Scetiran for the Plan Organization. Poverty, however, does not explain why regional inequality in the period preceding the 1920s never became so acute as it is today, and why relatively resource-poor Tehran should grow to the extent that it has. Although endowment of natural resources is a crucial factor in regional development, in the absence of explicit and specific policy, a resource-rich region would not automatically develop, nor would a resource-poor region necessarily become underdeveloped. The Khužistan and Tehran regions are examples of these respective situations. Government development policy openly discriminated against resource-poor regions except, of course, in the case of regions with a strong power position such as Tehran.

Others have focused on ethnic/cultural differences as causes of regional disparity. While a high correlation exists between ethnicity and regional inequality in Iran, ethnicity cannot explain the widening gap among the regions since the 1950s. Regional variations in ethnicity and culture have characterized Iran for centuries. Thus, Aghajanian, in his study of ethnic inequality in Iran, concludes that:

- political centralization, domination of Persian language and culture, and centralization of early industrialization contributed much to the development of the interethnic inequality at an early stage of the Iranian modernization. In the new . . . [era], the 1960s and 1970s, the existing gap was further widened by centralized and urban-biased economic growth.

Several studies have sought to explain regional inequality in Iran in terms of limited regional markets and the market-oriented nature of Iranian industries. Such explanations are inadequate, however, since they address the effects rather than the causes of regional disparity.

Finally, the Iranian left has focused on national oppression, unequal exchange among regions, and imperialism as the main forces of regional disparity. While the first of these factors has been discussed extensively, the other two remain basically unexamined. National oppression, however, is a problem specific to national minorities and cannot be generalized to include the Persian-speaking underdeveloped regions.

Unequal exchange is also a loose term to explain widening regional inequality in Iran since the 1950s. Indeed, such disparity has been growing simultaneously with increasing oil revenue and decreasing government dependency on revenues generated in backward regions. Nor would a terms-of-trade argument be of any more help in reinforcing the unequal-exchange argument. The terms of trade were set against agriculture, and, therefore agricultural regions suffered, but agricultural production for exchange in such regions was too low to account for any significant transfer of wealth. Moreover, government expenditures, although negligible in the backward areas, probably did offset any income drain from backward regions, particularly during the period of institutionalized planning and increased oil revenues (1950s to 1970s). Indeed, during this later period, the Iranian regions gained in absolute terms.

Although available studies concerning the effects of imperialism (through investment, trade, and political/administrative and institutional changes) in Iran remain cursory, they nevertheless demonstrate the negative nature of such factors and their contribution to the widening gap among Iranian regions. Perhaps the best witness to this assertion is a book published by the U.S. Department of Commerce in 1977 on the activities and location of foreign firms in Iran. Most of these firms are located in Tehran, a few in poles of growth, and almost none in the backward regions.

Unfortunately, the scope of my paper does not allow for a separate examination of the impact of imperialism on the spatial economy of Iran. Given that the foreign sector in Iran has been increasingly intermingled with the public sector (through, for example, planning, joint ventures, and equity companies), their effects on regional inequality can hardly be separated, and thus my discussion in part reflects the role of imperialism.

My arguments are, nevertheless, focused on the organizational nature and the policy/planning approaches of the government. The paper will first focus on the centralist/sectoralist nature of the Iranian political/administrative and socioeconomic structures and on their impact on widening regional inequality. In the second section of the paper, emphasis will shift to the regional impact of capital-oriented policy and of sectoral planning for national economic growth. Major developments in regional planning since the revolution of 1979 are given in the third section. The final section draws conclusions and assesses the consequences of past practices for possible new directions.

Territorial Organization since the Advent of Capitalism

Centralism, Sectoralism, and the Negation of Regional Autonomy. During the Qajar period (1796–1925) a central, not centralized, government came into existence, but in the absence of well-defined ideologies of nationalism/sectoralism, the administration remained largely decentralized and territorially organized. This meant that the central government recognized the primacy of regional interests over emerging national and sectoral interests, and local people enjoyed a relatively high degree of autonomy.

Political/administrative functions were largely delegated to local chieftains who ruled in a more participatory manner than did their successors in the latter periods. With popular support, the local ruler had significant bargaining and decision-making power and was able to maintain the fiscal autonomy of the region. As a result, a relative power balance existed between the central government and regional communities, and the relations between the two were primarily territorial rather than sectoral. Although the central government took large sums of taxes from the regions...
(whenever it was strong enough to do so), in most cases control over the regional surplus and decisions about investment remained with local people and authorities.

With the further development of capitalism in the 1920s and the rise of Reza Shah (1878–1941) to power, this changed. In a largely feudal society beset with an intense internal power struggle and a struggle against the economic domination of foreign imperialist forces (such as Britain), capitalism could develop only under the protection of a centralized state. Such a state would, above all, create the preconditions for the triumph of capitalism, including a unified nation, a stable government, and a national market. A centralized state would also reorganize the society from a territorial to a sectoral basis as necessitated by advances in the social division of labor.

Determined to create such preconditions, Reza Shah began by suppressing regional struggles.Regional autonomy was eliminated, and a centralized power structure was established in Tehran. He then attempted to reorganize the economy on a sectoral basis by creating sectoral ministries while changing traditional regionalization, which was based primarily on ethnic and cultural lines, into provincial units dividing people of similar ethnic and cultural backgrounds or consolidating diverse social groupings into one province (Ostan).

These developments also led to a fundamentally different conception of regional administration. Local rulers were replaced by political appointees from Tehran, who often were largely ignorant of local conditions and who ruled by force of law and the police rather than tradition. In addition, the relationships between the regions and the central government became further institutionalized on a sectoral basis; the high offices of sectoral ministries were set up in the provinces to regulate such relations. As a consequence, regions lost their bargaining and decision-making power as well as their fiscal autonomy, and the new bureaucracy replaced traditional participatory processes at the local levels. In this way, provinces became politically and economically subordinate to Tehran, where all major decisions were made, including those of local significance.

Worse yet, all these new mechanisms exacerbated surplus transfers from the regions to the central government in Tehran, where decisions for their investment were made. Such decisions systematically discriminated against the less powerful regions, and, as a consequence, Tehran received a disproportionately higher share and investments became undesirably concentrated.

Under Mohammad Reza Shah (1941–1979), all these policies and trends were further institutionalized. In particular, the organizations of political centralism and sectoralism became increasingly complex and were placed within a highly bureaucratic administration headquartered in Tehran. The gradual growth in oil revenue, however, initially slowed down the transfer of regional wealth to the central treasury and later led to a reversal of such transfers. Overall, oil revenue intensified centralization and concentration tendencies, speeded up the elimination of regional autonomy, and consequently widened regional disparities.

Thus, at the provincial level, the central government came to be represented by two basic forces: politically by the governor and sectorally by the heads of the high sectoral offices. The first of these forces had a more territorial dimension than the second. The governor, as the representative of the shah, oversaw the province as a whole. Indeed, he was, in theory, responsible for the supervision and coordination of all provincial affairs. In practice, the governor found it almost impossible to carry out his functions, because the heads of the high sectoral offices were responsible only to their ministries in Tehran, and the sectoral ministers were completely independent of the national interior minister. The primary reason for such independence or lack of interrelatedness was that at least at the provincial level the country was highly centralized vertically along the two somewhat parallel lines of political and sectoral functions, while, horizontally, few bridges existed between the two (see figure 1).

Thus, the administrative processes at the provincial level were ridden with conflicts and lacked coordination and cooperation. These problems reflected even more subtle administrative problems at the highest levels among ministries and between the prime minister and his cabinet as a whole. The shah was hardly unhappy with the situation. He had chosen to govern by the tactic of divide and rule; these conflicts increased his power and created a cumbersome and inefficient political/administrative system.

Clearly, such an administrative structure could not be conducive to interdisciplinary, intersectoral, or sectoral/territorial coordination and cooperation. Nor could it stimulate decentralization, research, and education in the development process. On the contrary, the system led to frequent power struggles among the ruling elite, mismanagement of public institutions and investments, corruption, inefficiency in government operations, and ineffective planning practices at the provincial and national levels. The existence of independent private and foreign sectors, side by side with the public sector, further complicated this chaotic situation. Problems such as overconcentration of socioeconomic activities in a few provincial capitals, shortages of skilled manpower at the local level, lack of nationally specific development theory, and isolated regional development projects dispersed throughout the country combined with centralist/sectoralist forces and led to inappropriate regional planning and increasing regional disparity.

Territorial Organization under Institutional Planning. The formation of the Plan Organization in 1949 and the simultaneous inception of institutionalized planning did not help. Indeed, the achievements of these institutions were similar to those of the centralist/sectoralist forces, simply because they also were centrally/sectorally organized. Thus, as Namazi put it, "The regional planning system had to cope not only with the outside resistance of ministries, but also with the sectoral departments of the Plan Organization." At times, special regional-development organizations were created and partial efforts were made to organize the country on regional economic grounds and to create corresponding administration, but due to the centralist/sectoralist nature of the Iranian administrative system and the existing laws of the country, within a short period of their existence, functions of these regional organizations were divided among the existing ministries or, as in some cases,
new ministries were created to take over such functions, so that the original goal which was to programme and execute the interrelated development plans was completely forgotten [my translation].

During the first (1949–1955) and the second (1956–1962) seven-year plans, a number of special regional-development organizations were created to develop select backward regions through concentrated and intensive investment projects. These organizations were given special authority for budgeting, preparation, and execution of development projects designed to exploit natural resources. Major among them were the Moughan Plain Development Institution, 1953, and the Khuzistan Development Authority, 1956. The Southern Development Services (in Sistan and Baluchistan) was also established to give relief to these mostly backward areas.

During the early stages of the third five-year development plan (1963–1967), a number of other regional-development organizations were created, including Ghazvin, Jiroft, and Kuhkiluyeh Development Authorities. Shortly, however, their comprehensive regional projects were broken up along sectoral lines. Each sectoral project was then transferred for execution to a sectoral ministry. Because such projects were mainly agricultural in nature, many were transferred to the Ministry of Agriculture to be executed by the newly established provincial Water and Electricity Organizations. Although the authorities were not dismantled at this point, their existence became irrelevant. Thus, sectoral considerations prevailed over regional concerns, and centralism defeated attempts at decentralization.

With the advent of the third plan, a more comprehensive approach to regional planning was adopted. Attempts were made to institutionalize the regional planning system and "regionalize the sectoral Plans" so that "agricultural and industrial poles" could be established in specified locations. In pursuit of these goals, "recommendations were made for setting up regional planning units in the provinces" and the third plan law "provided the legal base for having projects identified and executed by provincial authorities."18

Moreover, in 1962, the Plan Organization established technical offices in the provincial capitals in order to help provincial authorities identify regional needs, prepare reports, plan projects, and execute provincial plans. These offices, however, lacked any decision-making power, which created problems for regional development. The dilemma was allegedly solved in 1963 when a new Ministry of Development and Housing was established and the technical offices were transferred to it as its provincial branches. Once again, sectoralism and centralism prevailed over regionalism.

During the fourth five-year plan (1968–1972), a number of important administrative changes were introduced at the regional level. Simultaneous with the introduction of the Provincial Project Complexes by the Plan Organization in 1971, the Town and Provincial Councils Law was also passed in order to promote decentralization (see fig. 1). The linkup of councils to complexes was to facilitate centrally budgeted and approved programs and project location; some financial decision-making power was also transferred to provincial authorities for the first time.

Two more regional development authorities were also created in the lesser developed provinces of Saheli and Kurdistan. In 1973, these and the Sistan-Baluchestan Development Authority came under the supervision of the provincial governors. The formation of similar organizations in other provinces, however, was forcibly resisted and blocked by the politically powerful sectoral and centralist interests in Tehran, including the shah and the ministers.

Major changes were also made in the organization of the Regional Development Authorities, which had originally been given authority for planning and execution. Toward the end of the fourth plan, they were
broken up into separate sections; planning was appended to the Plan Organization, and execution was subsequently transferred to the Ministry of Agriculture and Natural Resources. Later on, during the fifth plan (1973–1978), they became the Provincial Planning and Budgeting Bureaus. Again, struggle between sectoral and spatial forces was resolved in favor of the former.

During the early years of the fourth-plan period, the inadequacies of the 23 provinces as planning units became evident to the government (see fig. 2). Subsequently, recommendations were made by central government planners for regionalization on the basis of socioeconomic criteria. Their recommendations were accepted, and around the middle of the fourth-plan period the government for the first time undertook an organized effort to regionalize the country for planning purposes. Subsequently, through the work of Iranian planners and economists, including the Plan Organization’s Research Council on Urban and Regional Development, and Battelle Institute (an American consulting firm), the country was divided into 11 planning regions (see fig. 3) on the basis of a complex of socioeconomic and geographic factors including the degree of economic development, type of economic activity, ethnic composition, development potential, existence of growth points, and contiguity. These macroregions were, in turn, subdivided into 30 mesoregions, to be utilized as the spatial framework for local programs, and 140 microregions.

Fig. 2. Iran: Towns and Provinces (1970s).

Fig. 3. The Eleven Planning Regions of Iran (1970s).
(city-centered regions), to function as lower levels of a spatial development hierarchy. Ten regional planners were to administer these planning regions (the central region was exempted to eliminate administrative redundancy). If this had happened, the regional planners would have wielded more practical power than the provincial governors or heads of high sectoral offices. The proposal was quickly killed by the ministers in Tehran.

While the above regionalization process was underway, preparations for the fifth five-year plan (1973–1978) began. Initially, the plan was regionalized on the basis of the 11 planning regions, each with its own investment programs called “regional dimension” programs and “supplementary” / “complementary” programs. In the provinces of Khourasan, Bandar Abas, and Kermanshahan such comprehensive regional plans were already in action. Nevertheless, as the Fifth Plan was launched, the contradictions of the regional plan with the centralized system began to show itself. In practice, the $2 million study by the consulting firm was not reconciled with sectoral plans, and the two evolved in isolation. The sectoral programs were adopted and the regional studies and projects identified were put aside.

The division of the country into 11 regions was also rejected because the regions did not conform to the political and administrative divisions. In practice, the government favored the sectoral divisions in the provinces and the leading role of the governors. 

Already in 1973, the Plan Organization had undergone major administrative changes internally and in relation to other government agencies, particularly in response to the long-standing charge that the Plan Organization was too powerful and too centralized. The result was a lack of distinction between planning and implementation, which led to improper execution of development projects. The National Plan and Budget Law of 1973 sought to resolve these disputes. The Plan Organization was renamed the Plan and Budget Organization (PBO) and was decentralized in two directions: (1) to ministries and other executive agencies to whom implementation functions of the PBO were transferred and (2) to the provinces. In this way, the PBO was reduced to a staff (planning) authority, and the power of sectoral ministries increased.

The internal reorganization was also drastic. The old Regional Development Division, which was organized on a sectoral basis with practically no power, was eliminated and replaced by a Regionalization Division, at the undersecretarial level, with “functions of promoting regional economic and social development and spatial decentralization, carrying out research, and preparing programs.” The Regionalization Division was also charged with organizing Provincial Planning and Budgeting Bureaus (PPBBs) in each of the 23 provinces (see fig. 2). The formation of PPBBs became more urgent after the government rejected the idea of 11 planning regions and reverted to the concept of provincial planning. This move followed a series of debates between the provincialist and antiprovincialist forces within the PBO and other governmental agencies.

Due to many spatial problems, including an alarming concentration of socioeconomic and administrative activities in Tehran, with its attendant problems, and widening disparity among the provinces, the decentralist forces prevailed. As a result, consideration of a more comprehensive regional-planning approach was set aside in favor of provincial planning.

Under this arrangement, the PPBBs were given responsibility for the preparation of centrally funded and approved Special Regional Projects (SRPs), the provincial authorities and the local councils were given decision-making power over the location of SRPs, and the provincial governors were given more power to deal with intersectoral issues. The heads of the sectoral high offices at the provincial levels still were responsible to their ministries in Tehran. As a result, the execution of the SRPs was hampered both by the low quality of the PPBBs’ staffs and by other serious problems such as lack of coordination, cooperation, and control among various agencies.

Another attempt at regionalization came during the final years of the fifth plan, as part of the preparation for the sixth five-year plan, which was never launched because of the 1979 revolution. Around the middle of the fifth-plan period, the Center for National Spatial Planning was formed and charged with planning issues at urban, regional, and local levels and with regionalization of the country for planning purposes. Using the services of a number of consulting firms and of Iranian planners, the center divided the entire country into 13 macroregions based on the 13 largest urban centers. Given previous experience with regionalization, this scheme might have been rejected by centralist/sectoralist forces, but before its fate could be determined, the scheme was effectively negated by the 1979 revolution.

Regional Planning for National Growth on a Sectoral Basis and a Capital-Oriented Policy

Early Concentration Policy. Until the 1950s, Iran remained primarily a locally organized agricultural economy. During the reign of Reza Shah, a number of changes were introduced that were either detrimental to traditional agriculture and local communities or biased in favor of nonagricultural forces and urban centers. These included the institutionalization of private property and a modern taxation system; gradual concentration of land in the hands of a few people (many of whom resided in Tehran); concentration of public works, infrastructural projects, private investments, and social services in Tehran; and introduction of import substitution industrialization policy concentrated, again, primarily in Tehran and a number of other large provincial capitals. To promote this latter policy, terms of trade were set against agriculture, and foreign trade was encouraged. Although Reza Shah did not have an explicit regional policy, the introduction of such changes in the national economy systematically worked against the less powerful regions and inevitably widened the gap between them and the more powerful ones.

Under the reign of Mohammad Reza Shah, these same policies were continued but at a more rapid pace and intensity, at least until the introduction of the third plan. Thereafter, major changes were introduced in regional planning and the national economy. The turning point in this process came with the land reform program of 1963 and the introduction of the “growth pole” strategy during the third plan. The first uprooted feudalism, and the second reinforced regional disparity.

The Tennessee Valley Authority (TVA) Approach. Generally speaking,
regional planning hardly ever existed in Iran. This is especially true when it is defined as a framework for managing change at the regional level and as a vehicle for the balanced distribution of socioeconomic resources and for a rational territorial division of labor for the purposes of national and regional integration, territorial specialization and diversification, and the reproduction of regional society. Iranian planning documents hardly ever mentioned "regional planning"; their preferred terminology was "regional development," which primarily meant "utilization of regional resources for national growth."

Throughout the first three plans, the concept remained limited to the concentration of nationally allocated, resource-oriented "intensive investments in regions with natural resources capable of attaining maximum economic output." Only secondarily was the government concerned with the improvement in the general condition of underdeveloped regions. Rare exceptions were, however, made for politically sensitive areas.

To carry out the policy, Regional Development Authorities (RDAs) were established in Moughan, Khuzistan, Jiroft, Ghazvin, Kuhkiliyeh, and Gorgan. An Italian consulting firm, Ital Consult, was also contracted to survey the development potential of Sistan, Baluchistan, and part of Kerman. The survey concluded that, except for the Jiroft area, the regions "did not possess adequate potential for the implementation of multipurpose development projects." Consequently, Sistan and Baluchistan, the two most underdeveloped regions of the country, were withdrawn from the list of candidates for comprehensive development. During the second plan, however, a number of "relief" projects were undertaken in the provinces under the authority of the Southern Development Service agency. Similar relief projects were also undertaken in the Persian Gulf area by the Authority for Relief and Development in the Persian Gulf Coastal Region.

Most of the projects carried out by the RDAs were related to modern agriculture or activities closely associated with it, including modern irrigation, dam construction, electricity generation, animal husbandry, and agroindustries. The purpose of the Moughan project was "to supply water for the agriculture of the plain from the river Aras, to settle local tribes, and to convert a nomadic animal husbandry economy into a settled mixed agricultural and animal husbandry economy."

The Khuzistan scheme was by far the most extensive and comprehensive among such development programs. This billion-dollar scheme began in 1956, following a 15-year agreement signed between the Plan Organization of Iran and the Development Resources Corporation (DRC) of New York, formed in 1955 by David E. Lilienthal and Gordon R. Clapp, both of the Tennessee Valley Authority, and the investment banking house of Lazard Frère’s and Company of New York. (Lilienthal was also a close personal friend of Ebtehtaj, the then managing director of the Plan Organization.)

On the basis of a supplemental agreement, the Khuzistan Development Services, a subsidiary of the DRC, was subsequently formed in the same year and immediately began operations. The programmes [were] based on the coordinated exploitation of all the resources of the region by principles of close cooperation between public and private groups and agencies as learned from the T.V.A. experience and taking account of local conditions. Specific projects included a system of dams, irrigation networks, powerhouse and power-distribution networks on a large-scale basis, a sugarcane plantation and a sugar factory, agricultural extension services, and a petrochemical complex. All these and many other important projects were successfully implemented in subsequent years. Nonetheless, as Richards has vividly documented, the ultimate beneficiaries were the multinational corporations rather than the native Khuzistanis.

Growth-Pole Strategy and Capital-Oriented Policy. During the third plan, a new form of regional planning was initiated in Iran: the regionalization of the sectoral programs. This introduced the creation of modern and large-scale industrial and agricultural poles in various parts of the country. The policy was primarily a response to the alarming concentration of socioeconomic and administrative activities in Tehran. On the basis of this sectoral growth-pole strategy, a few nationally planned sectoral programs were disaggregated for regional levels to be located in predetermined poles of growth. The purpose of the strategy was to capitalize on regional comparative advantage in order to spur national economic growth on a sectoral basis.

In pursuit of this strategy, preparatory works were carried out for the creation of limited industrial poles in Esfahan, Tabriz, Arak, Ahwaz, and Ghazvin, and agricultural poles were created in Gilan (Sefid Rud area), Gorgan, Minab, Esfahan, Khuzistan (the Dez area), and Azarbaijan. None of these areas was located in the lesser developed regions of the country. They were either large provincial capitals or rapidly growing cities and areas.

With the advent of the fourth plan, regional planning began to receive considerable attention. The objective and the strategy of regional development, however, remained essentially unchanged, and public investments continued to comprise the bulk of regional investments. Thus, the general objectives of regional development in the fourth plan were the evaluation of natural resources and development potential of suitable regions on a comparative basis, determination of development poles in regions of high potential, and concentration of sectoral investment in such poles in order to attain maximum output and accelerate the rate of national economic growth. This new strategy was also meant to arrest further concentration in Tehran.

Multipurpose and comprehensive surveys of natural resources and production potential were undertaken in selected regions for the purpose of expanding and strengthening existing growth poles and creating new ones on the basis of sectorally intensive investments. This goal was to be obtained through the attraction of private firms and manpower. On the basis of the income tax law of 1966–1967, measures were introduced to facilitate this process. These included such incentives as:

Exempting from income tax those industries locating in the provinces Designating regional development poles by providing them with infrastructures
Creating easy banking credit for investment in provinces
Giving priority to provincial development poles for establishment of
services and amenities
Allocating special investments to produce employment opportunities in
places recording net out-migration during 1960s
Giving government patronage to provincial industrial production
Providing assistance to workers wishing to transfer from Tehran to
provinces
Expanding government-owned industries in provincial cities
Creating vocational schools and colleges in provincial cities
Giving additional salary to government employees residing and working
in the provinces. 36

To complement the above decentralization policy, control measures were
also introduced to reduce administrative and economic concentration in
Tehran. Such control measures included:

Not issuing licenses for industrial establishments within a radius of
120 km of Tehran
Decentralizing administration
Requiring several years of provincial work experience before a gov-
ernment employee could transfer to Tehran
Creating city master plans to control and direct land-use development. 37

Special regional-development organizations were also set up in the
provinces (and existing ones were strengthened) in order to utilize and
mobilize local institutions and resources. In conjunction with this mea-
sure, a small complex of development projects (in the fields of education;
health; environmental sanitation; agriculture; industry; communications;
and urban, rural, and tribal development), with important local inputs,
were promoted at provincial levels. 38

Promotion of small-scale projects during the fourth plan, as with the
third plan, remained an exception to the rule of promoting large-scale
projects. Large-scale farming, animal husbandry, and fisheries, all using
the most advanced techniques, were planned and implemented in huge
agricultural poles located in the vicinity of large dams and places where
modern irrigation methods were applied. Such poles were created in the
districts of Rezaiyeh, Mahabad, Arak, the Shah Abas Dam, Kazerun,
Khameh, Darab, Bampej, Saravan, Marivan and Sarakhs, Kermanshah
and Hamadan, Sarakhs and Darch Gaz, Mazandaran, Garmisr,
Varamin, Mashhad and Esfarayeen, Torbat Jam, Zanjan and Khomeh,
Karaj, and Shahrud, among others.

Similarly, large-scale industrial projects, using the most sophisticated
techniques, were planned and established in huge industrial poles in se-
lected "suitable" regions. A number of such poles had already been es-
tablished during the third plan; during the fourth plan, these poles were
completed and mobilized, and new ones were created in Shiraz, Bandar
Shahpur, and Ghazvin. Surveys were also carried out for the establish-
ment of industrial centers in Rasht, Mashhad, and Kermanshah.

Alongside the creation of growth poles, attention was also focused on
the fostering of tourist centers, particularly along the Bazargan-Tehran
and Tehran-Esfahan-Shiraz axis and in the vicinity of growth poles. Such
centers were designed to expand the poles and promote regional de-
velopment. Their impact remained limited during the fourth plan.

The policy of economic decentralization during the fourth plan, there-
fore, did not favor underdeveloped regions. Its purpose was to stop fur-
ther concentration in Tehran and to concentrate expanding economic ac-
tivities in other areas with growth potential. The policy was one of
concentrated decentralization. In the absence of a number of factors, dis-
cussed below, such a policy would not, or could not, have been imple-
mented on the scale envisioned in the fourth plan.

To begin with, land reform since 1963 had created a more secure en-
vironment for capital in the outlying areas and freed hundreds of thou-
sands of rural peasants from the yoke of the landlords. They could not
have been absorbed into Tehran and its immediate environs without se-
rious damage to these areas' socioeconomic and political viability and le-
gitimacy. In the late 1960s, for example, Tehran was 7 times larger than
the second-largest city of the nation (Esfahan) and was growing at the
alarming rate of 8 percent per annum. With a population of only 12
percent of the national total, the city accounted for over 50 percent of
all manufacturing industries, 56 percent of all large business establish-
ments, 50 percent of the total value added by industry in the country,
and 100 percent of all banks, headquarters for insurance companies, and
other financial institutions. Tehran also had over 30 percent of all gov-
ernment employees, 60 percent of the country's student population, 22
percent of the nation's total labor force, over 50 percent of all licensed
physicians, over 77 percent of all hospital beds, 95 percent of all daily
newspapers, 62 percent of all passenger cars, and 71 percent of all
telephones. 39

Additionally, the major projects of the fourth plan were huge in size,
primarily resource oriented, and required large areas and specific local
and natural conditions. They could only be implemented outside of con-
gested Tehran. Experience during the third plan with growth poles had
also proven this policy effective in achieving the government objective
of maximum national growth. Gross national product had increased at an
average annual rate of 10 percent over the plan period.

Major projects in large growth poles were also supported by big do-
meric capitalists and multinational corporations, high-ranking and cor-
rupt officials, and the World Bank. Domestic and foreign capital sup-
ported the policies which generated these projects because they allowed
for large-scale transfer of public funds to private hands primarily through
contracts, joint ventures, and incentive-credit policies. Multinational cor-
porations favored the policies because they involved huge contracts and
use of large-scale production and technology. Finally, the World Bank
supported the policies because they were judged the most effective tools
for speedily making public ownership private and for controlling the
direction of the economy.

Thus, pressure from all these forces led to the planning for large-scale
sectoral projects and implementing them in the growth poles. The government hoped that these measures would reduce pressure on Tehran, spur national growth, and benefit backward areas through "trickle-down" effects. Only the growth objective was realized. Gross national product grew at an average annual rate of 13 percent over the plan period. Tehran continued to grow, and large provincial capitals surrounding the poles began to develop serious socioeconomic and demographic stress. Local agriculture continued to decline and rural-to-urban migration increased. The income gap between the rural and urban areas widened from a ratio of 5.6:1 in 1969 to 8:1 in the mid-1970s, and regional disparity was further exacerbated, particularly between the more developed and the less developed regions. In the absence of a radical redistributive policy, a national growth strategy based on concentrated accumulation on sectoral lines, efficiency, and resources endowment could not but produce these results.

Provincial Planning and Decentralization Strategy. By the end of the fourth plan, regional problems had grown worse. Coupled with political pressure from national and regional interest groups, the above problems forced the government to redefine its regional-development objectives and operational policies during the fifth plan.

Thus, the plan declared its basic objectives for regional development in the following terms: "to prevent any increase in existing [regional] disparities," "to coordinate regional investment and development activities," "to insure greater direct [local] participation," and "to reduce the rate of migration." These objectives were to be attained by "greater emphasis on the provision of social services and the creation of employment in backward regions through investment in specific regional programmes with strong social characteristics," creation of "agricultural, industrial, [and] tourism poles," and the promotion of "private investment in back regions." The theoretical foundation of this new approach was the "growth with redistribution" strategy promulgated by the World Bank and the ILO toward the end of the 1960s.

These objectives and policies were to be implemented by establishing Planning and Budgeting Bureaus in provincial capitals, decentralizing the development budget system (which never materialized), and preparing a provincial master plan, entitled the "provincial development program," based on the "quantitative and qualitative expansion" of "complex development projects" implemented during the fourth plan. The provincial development program included a number of special regional projects and regular regional projects. In addition, tribal complexes were to be established to promote socioeconomic development among major tribes. Fifty complexes were established throughout the country during the plan period.

Despite this change in emphasis from partial to comprehensive provincial-development planning, the relative size of the budget allocated for the purpose of regional development ($1.481.3 million) remained small, only 2.1 percent of total planned investments. Compared to corresponding figures for any previous plans (except the first plan, which allocated no funds for regional development), this figure was the lowest. Budget for regional investments in the second plan was 15 percent of total planned investment (mainly spent in Khuzestan). It dropped to 3.1 and 3.8 percent in the third and fourth plans respectively.

Thus, as in the past, it was still national sectoral projects that determined the extent and direction of development in the provinces. Many of these public and private projects continued to be concentrated in Tehran and poles of growth. Given that such projects were large scale and capital intensive and required extensive use of resources and a highly skilled labor force, they could hardly be located in backward areas. The government's generous incentive schemes to promote private investment in such areas therefore remained largely ineffective. In the few underdeveloped regions where large-scale projects were located, they hardly benefited the general population, who were primarily peasants and possessed few skills.

The nature of sectoral priority (against agriculture in general) and the priority granted to large-scale commercial agricultural projects also discriminated against backward areas where subsistence agriculture was still the main livelihood. In 1972, for example, agriculture contributed 18 percent to the gross domestic product as compared to 22 percent for industries. Yet, in the fifth plan, agriculture received only one-third of the funds allocated to industries and activities related to industrialization. Moreover, 50 percent of the funds allocated to agriculture went to large-scale mechanized commercial farming, most of which was operated and controlled by agribusinesses.

In sum, despite the government's genuine concerns about socioeconomic consequences and political ramifications of centralism (indeed dictatorship) and concentrated accumulation, it did not, or could not, promote an effective decentralization policy. The fifth plan's measures in this direction remained minimal and economic in nature. The power relationship between the regions and the central government was untouched. Decision making was never decentralized to any significant degree. Local authorities were, at best, to decide on minor aspects of regional projects, such as their location within a specified boundary. All major decisions, including those of local significance, continued to be made at the highest level of the Tehran bureaucracy.

Economic decentralization measures remained equally minimal. Sectoral distribution of investment funds, on the basis of national priorities, continued to dominate allocational policy. Territorial aspects remained a minor consideration, and regional projects were insignificant relative to the size of the plan's operation. Incentives were essentially capital oriented, and control measures remained loose and ineffective, only promoting corruption and misuse of public resources. Despite propaganda about decentralization, development still centered on the growth-pole strategy. Indeed, to the Iranian planners, decentralization came to mean only deconcentration of Tehran or concentration of sectoral investments in specified poles outside the capital. Tehran's growth was further accentuated, mainly due to expansion of services and as a consequence of increased oil revenue, a number of provincial capitals continued their unbalanced expansion, rural-to-urban migration increased, and interre-
Regional and urban-rural income distribution deteriorated. By 1976, the per capita gross regional product of the most developed region was 10 times that of the least developed region. 47

Regional Planning since the Revolution of 1979

The shah's revolution was toppled by the people's revolution of February 1979. The revolution had multiple origins, including the shah's dictatorship and antidemocratic centralism, uneven interpersonal and spatial development of the economy, and external dependency relations. Thus, the three main revolutionary slogans of the people were: "democracy," "social justice," and "national independence." 48 The Islamic leadership of the revolution was able to convince the people that their demands would be met under an Islamic government, about which only a few had real knowledge.

It is outside the scope of this paper to give an assessment of the transformations that Iran has undergone under the Islamic Republic (IR). 49 In what follows, I will outline the IR's approach to regional planning using the few sources that exist.

According to the constitution of the Islamic Republic, the Islamic government "is based on the teachings of the Ayatollah Khomeini," who defines it as a "government of the Divine Law," where "there is no place for opinions and whims." 50 Thus, principle 4 of the constitution makes all laws and regulations subject to Islamic rules and standards as determined or interpreted by the religious jurists of the Council of Guardians. Notwithstanding this theocratic conception of government, the constitution outlines a fairly democratic society. Principle 2, for example, accepts negation of all kinds of oppression and dominance, and, according to principle 19, the people of Iran regardless of ethnic and tribal origin enjoy equal rights. Moreover, the constitution specifies that:

there should be no discrimination with regard to benefits to be gained from the use of natural resources, the utilization of public funds on the provincial level, and the distribution of economic activities among the provinces and various regions of the country. This is to say that every region will have within its reach capital and opportunity to fulfill its needs and develop its skills (principle 48).

Participation and consultation are also emphasized in principles 3 and 7, respectively. Specifically, principle 3 accepts participation of all the people in determining their political, economic, social, and cultural destiny but falls short of accepting regional autonomy for the Iranian nationalities. Only the use of local and national languages in their press and mass media is allowed by principle 15, which declares Persian (Farsi) the sole official language of the country.

Elected councils, both spatial (at provincial, urban, city, local, and village levels) and sectoral (in agricultural and industrial production units), are recognized as organs of public participation and cooperation in administering local affairs, preparing programs, and coordinating progress (principles 7, 100, and 104). 51 Theoretically, the strongest of these councils is the Supreme Council of the Provinces, in which each province has a representative. The council has the right to make plans within the limits of its duties (principle 102) and is superior to the governors and all other provincial government officials (principle 103).

The constitution thus provided Iranian planners with the ingredients needed to institute a fairly progressive, decentralized, and participatory type of spatial or territorial planning. Councils were to act as the cornerstone of this new approach. Certain problems prevented the design of such a system, however. Lack of clarity in the constitution regarding private property was one. According to the constitution, "the economic system of the Islamic Republic consists of three sectors: government cooperative and private with systematic and sound planning" (principle 44). Yet in principle 43, the Islamic economic system is defined as on which "prevents profiteering from the labor of others." The two principles are obviously contradictory: the private sector cannot exist without making profit that comes from the labor it employs. Other problems blocking the formation of new regional-development planning include the old planning system (which was condemned as too rigidly centralized on a sectoral basis), the political fight between the Islamic Republic Party (IRP) and the "liberals" in power at the time (1979–1982), and the lack of expertise for designing a new planning system. 52

Despite these problems, in January 1982, the Plan and Budget Organization (PBO) submitted a document to the Economic Council entitled "The Planning System." This document was approved and made the basis of the subsequent planning organization and procedures (see figs. 4 and 5). The new system was designed to be practical—a "machine" which produces the development plan—and basically avoided many ideologically/politically hot issues of the time, including the concepts of "Islamic economic system" and sectoral councils. Additionally, the new system reestablished the centralized structure of the old system and it bias in favor of sectoral planning.

Regional planning, nevertheless, received more attention in the new system than it had ever received in the old one, at least theoretically. According to Razavi and Vakil:

the system explicitly recognizes that a realistic plan for any region can only be prepared by those who work (as planner or in other related professions) in that region. Furthermore, it is hoped that the preparation of a regional plan by the residents of that region will persuade a more effective public participation in the planning affairs. 53

The new "bottom to top and from top to down" regional planning is depicted in figures 4 and 5. 54 The flow of information and project proposals starts at the village level and then goes through the district, county and provincial levels. The provincial planning and political authority analyze the information and proposals using the central government sectoral/regional guidelines and prepare a provincial plan and a list of major sectoral projects in the form of proposals, which are then submitted to the PBO and the corresponding ministries. Each ministry analyzes and modifies the proposals to arrive at its own sectoral plan with a regional distribution and sends the result to the PBO, where the sectoral regional plans are consolidated into a unified national plan consistent with the development targets and guidelines issued by the Council of Ministries and Islamic parliament. This development plan is then submitted to the Council of Ministries and the parliament. After modification,
and approval, it is sent back to the PBO. The regional planning section, with the help of the sectoral planning bureau, prepares proposals for regional distribution of sectoral targets and submits them to the Regional Planning Council for preparation of detailed regional plans, consisting of development projects in each sector and region. The detailed plan is then announced to the provincial planning councils. Each provincial council

Fig. 4. Organization of Planning System of the Islamic Republic of Iran. Source: Translated from "The Planning System," chart 2 (Tehran: Plan and Budget Organization, 1982).

utilizes a similar procedure to allocate the budget among the county districts, and villages. The institutions that carry out the task at regional and provincial levels are depicted in figure 6.

The framework, despite its emphasis on a bottom-up approach, remains essentially centralized on a sectoral basis. While information flows proposal making, low-level budget allocation, and implementation
A somewhat similar, though much less vigorous, decentralization system was also attempted during the final years of the old regime.

Whatever its pros and cons, the above framework for spatial planning as outlined in the planning system has not yet been applied. Indeed the first development plan of the Islamic Republic (1982–1986) was never approved by parliament; it did not spell out a clear national-development strategy. Such a strategy still remains to be formulated. In its absence territorial planning in the Islamic Republic remains essentially ad hoc. This includes the activities of a number of revolutionary institutions (Nehadpayeh Enghelabi), such as Reconstruction Crusade (Jihad Sazandegi) and Mobilization of Oppressed (Basij-e Moustazafan). They only programmed and directed spatial activity of the Islamic Republic to far concerns preplanning studies at the regional and local levels for preparation of the basic design of spatial planning (Tarh-e Payeh-e Aamaayesh Sarzamin). These studies provide a detailed picture of resource availability, potential, constraints, and problems at various spatial levels be used as a guide for future spatial planning. The studies have been going on since 1983.

In the absence of statistics, it is difficult to judge the state of spatial development in postrevolutionary Iran or trends related to it. Certain problems are well known. Despite the Islamic Republic's rural/agriculture-oriented development strategy, agricultural and rural areas have continued to decline, causing the most massive rural-to-urban migration in the recent history of the country. As a result, Tehran's growth rate has more than doubled since the revolution. The city's population is estimated to have increased by over two-thirds during the last six years, from about 5 million in 1979 to about 8 million in 1985. Other large urban centers—particularly those in the central, eastern, and northern parts of the country—have also been growing faster in the postrevolutionary period compared to the decade preceding the revolution.

Aside from migration and natural population increase (over 3.2 percent per annum), the war with Iraq has been a major contributing factor in the explosive growth of large urban centers in the central, northern, and eastern parts of the country. The war has, on the other hand, resulted in depopulation and destruction of the southern and southwestern parts. In addition, the Kurdistan province in particular has suffered from a war between the central government and the Kurdish people, who are demanding regional autonomy. These conflicts have also contributed to regional decline by eating up over one-third of the national annual budget given declining oil revenues, the wars have largely been financed out of funds that could have otherwise been devoted to development expenditures.

Conclusions and Policy Implications

Spatial inequality in Iran has its origin in two developments: (1) the centralist/sectoralist nature of Iranian political/administrative and socioeconomic structures that evolved with the advent of capitalism since the mid-nineteenth century but were institutionalized only from the 1920s on; and (2) planning for national economic growth on a sectoral-efficiency
or natural-resource basis, and the accompanying capital-oriented policy as developed with institutionalized planning since 1949. The first of these annihilated regional autonomy, while the second led to a concentrated pattern of accumulation in centers of power and poles of growth.

With the advent of capitalism in the 1930s, the spatial and decentralized relationships among the Iranian regions were gradually replaced by nationally organized, centralized, and sectoralized relationships. This led to the concentration of political power in Tehran. Subsequent developments simply reinforced this process. Attempts to construct new relationships in favor of less developed regions were forcefully resisted by the sectoralist/centralist forces headquartered in Tehran. Regional organizations with a spatial dimension were also broken up along sectoral lines soon after they had been established. Thus, centralism and sectoralism, in the name of nationalism, constantly negated regionalism.

Although united against regionalism, sectoralist/centralist forces have never lived comfortably together. Their relations have been ridden with conflicts and have lacked coordination and cooperation, particularly at the provincial level, where sectoral and political administrations were tied vertically to Tehran, while horizontally few bridges existed among them.

These factors were detrimental to comprehensive territorial development and effectively neutralized decentralization attempts. Balanced regional planning was also forgone for the sake of national sectoral growth and, consequently, regional interests were subordinated to sectoral considerations.

Thus the early five-year plans had insignificant spatial impact. Regions were looked upon as locations for centrally planned sectoral investments designed to boost national economic growth. With the introduction of the growth-pole strategy, this regional concept was further institutionalized. Places with growth potential received ample attention, while resource-poor regions were largely neglected. Only toward the end of the 1960s was territorial dimension incorporated into Iranian planning, but even then it remained subordinated to sectoral considerations. Attempts to introduce comprehensive regional development and decentralized decision-making processes were effectively neutralized, despite continuing concentration in Tehran and its ramifications for the political stability of the system as a whole.

Local people had hoped that the revolution would change this centralized, sectorally based planning system in favor of a more decentralized and territorially based one. Although the Islamic constitution had provided certain principles for designing such a planning system (e.g., councils), it failed to acknowledge regional autonomy as a way of sharing decision-making power with nationalities and to change the ownership structure of the Iranian socioeconomic system. Handicapped by these constraints, the new planning system is not radically different from the old one: territorial planning remains subordinated to sectoral planning, and the system is almost as centralized as in prerevolutionary Iran.

Policy implications of the above analysis are clear. Any serious attempt at comprehensive territorial planning for balanced regional development in Iran should necessarily start with a complete reorganization of political/administrative and socioeconomic structures. This would include among other changes, a move away from free-market mechanisms, a rigid centralism/sectoralism toward a more territorially structured sector organization based on a democratically defined balance of power among the regions and between the regions and the central administration. A prerequisite to successfully implementing this reorganization, the sectoral hierarchy between the national and regional governments should be modified and subordinated to a well-defined territorial hierarchy; decision making, planning, and budgeting power for specified activities should be decentralized along this line; and effective territorial institutions should be created at all levels of the territorial hierarchy, including microlevel planning mechanisms. A weakening of vertical links would improve the chances for further horizontal cooperation among all territorial/sectoral units and increase intersectoral, interregional, and regional/sectoral coordination for management, planning, and research.

Comprehensive territorial planning would also require a radical shift in the government’s objectives, priorities, and operational policies. Planning for national growth should be redefined along territorial lines and be based on the formation of comprehensive sectoral-territorial complexes. Sectoral priorities should be defined and determined on territorial levels and planned accordingly. Finally, operational policies should be regionally specific and must emphasize control measures. The success of this new approach largely depends on a radical redistribution of assets and incomes, including oil revenues, on a territorial and interpersonal basis. All this, in turn, presupposes a genuinely democratic/federative central (not centralized) state representing the unity of largely self-governing provinces organized on the basis of sectoral and territorial councils. The formation of such a state may require a revolution, but revolution is not sufficient to bring it about. This is the lesson of the 1979 revolution in Iran.

NOTES

1Bertrand Renaud, National Urbanisation Policy in Developing Countries (New York: Oxford University Press for the World Bank, 1981), p. 118. As noted by Renaud, “GF estimates are only blunt indicators of regional disparities.” In the absence of data, these estimates nevertheless remain indispensable to construct more reliable measures such as the gini coefficient.

2Ibid.; the Williamson factor is an index consisting of a coefficient of variation adjusted for the relative population of each region. See Jeffrey C. Williamson, “Regional Inequality and the Process of National Development: A Description of the Patterns,” Economic Development and Cultural Change 13 (Part 2, July 1965): 3–84.


4See, for example, Olivier, "Regional Problems."

4Aghajanian, "Ethnic Inequality."

4Ibid., p. 222.

4See, for example, Looney, *Economic Development*, chap. 7.


6For a study of the Iranian political economy under the Qajars see Hooshang Amirnakhsh, "Transition from Feudalism to Capitalist Manufacturing and the Origins of Dependency Relations in Iran: 1796–1921" (Ph.D. diss., Cornell University, 1982).


12Ibid., p. 6.


14Hemmati, "Identification of Functional Regions."

15Battelle, *Regional Development Project."


17Richardson, "Regional Planning," p. 15. See also Namazi, "Iranian Approach," p. 25.

18Hemmati, "Identification of Functional Regions."


20Fourth National Development Plan, p. 83.

21Review of the Second Seven-Year Plan, p. 110.

22Ibid.

23Fourth National Development Plan, p. 83.


25Ibid., p. 20.

26Richards, "Land Reform."

27Exclusion of Regional Planning in Iran [in Persian] (Tehran: Plan and Budget Organization, 2536 [1977]).

Fourth National Development Plan, p. 84; and Report about Regional Planning, pp. 9–10.


Ibid., chap. 4, pp. 4–7.

Ibid., chap. 4, pp. 7, 12.


See, for example, U.S., Department of Commerce, Iran: A Survey.

Ibid.; and Richards, "Land Reform."

Renaud, National Urbanization Policy, pp. 117–18.


On sectoral councils see Shahrazed Avid, Workers’ and Peasants’ Councils in Iran Monthly Review (October 1980); and A. Bayat, "Workers’ Control after the Revolution" MERIP Reports, no. 113 (1983).

Razavi and Vakil, Political Environment, pp. 113–15.

Ibid., p. 115.

Ibid.

Ibid., p. 116–19.


Ibid. See also A Series of Studies in Cognition of the Urban and Rural System within the Framework of Regional Planning, Reports 1 and 2 [in Persian] (Isfahan: I and Budget Organization of Isfahan Province, Siberia 1363 [August 1984] and Mehr 1 [September 1984]).

The newspapers Keyhan and Etelaat [in Persian] have frequently carried articles interviews with the mayor of Tehran and other government officials on the problem: rural to urban migration and rapid growth of large Iranian cities, Tehran in particular Etelaat, 15 May 1985, and Keyhan, 13 February 1985, may be cited as examples. Historical perspective on migration in Iran, see also Mohammad Alizadeh and Kasem Kazermoun, Migration and Urbanization in Iran (Tehran: Plan and Budget Organization 1363 [1984]).