

Central - regional budget allocation process in Iran: a critical analysis

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CENTRAL - REGIONAL BUDGET ALLOCATION

PROCESSIN IRAN

A CRITICAL ANALAYSIS

GHOLAMHOSSEIN FIROUZFAR

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requirements of the University of Westminster for the
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ABSTRACT

This doctoral thesis investigates the process and problems of central (top-down) budgeting system of Iran and aims at exploring how it can be replaced with a decentralized (Bottom –up) model that may be more in line with the interests and expectations of regions of the country. In chapter 1, the trend of socio-economic planning in last decades (particularly after the Islamic revolution) is studied and the reason why access to the endowment of fossilized energy resources could not accelerate and pass current developing situation is reviewed.

Then in chapters 2 and 3 a historical pathology of planning and budgeting system considering various conceptual understandings of planning and budgeting and their underlying effects on development indicators is discussed.

To highlight the importance of participatory role of people in process of planning and budgeting, the concepts and characteristics of good governance and its possibility to implement in Iran is critically reviewed in chapter 4.

Differences in the conceptual understanding of decentralization has urged the author to resort to questionnaires and face to face interviews with most experienced experts and scholars in the field of planning and budgeting in Iran, which are explained in detail in chapter five.

Based on the compilation and classification of viewpoints of the respondents and concentration on the concept of good governance, chapter 6 of the thesis entails reformative guidelines which are presented in line with necessary changes in the basic rules and regulations governing the budgeting system of the country and has provided practical steps towards its realization.

This thesis contributes to an initiative document for the adoption of executive policies in Iran's planning and budgeting system which eventually results in the improvement of living conditions and the development indices of the country.

CONTENTS

ABSTRACT	i
TABLE OF CONTENTS	iii
LIST OF TABLES	vi
LIST OF ILLUSTRATIONS	xi
DECLARATIO OF CANDIDATE	xii
ACKNOWLEDGMENT	xiii
INTRODUCTION	1
CHAPTER ONE: PROBLEM STATEMENT	13
Introduction	14
Intuition	13
Socioeconomic Contexts	15
Demographic Feathers	17
Economic Feathers	18
Human Development Index	20
Geopolitical Feathers	21
Feathers of Iran's 20-Year Vision	22
Socio- economic Challenges	25
Hypothesis of the Research	28
Main Questions of the Research	29
Aims and Objectives of the Research	29
Conceptual Framework	30
Theoretical Concepts of Decentralization	32
Feathers and Effects of Decentralization	34
Decentralization in Iran	37
Requirements of Decentralization	41
Methods and Methodology	44

CHAPTER TWO: PLANNING AND DEVELOPMENT IN IRAN	52
Introduction	52
Historical Pathology of Economic Planning in Iran	57
First 7- Year Development Plan 1948-1955	59
Second 7-Year Development Plan 1955-1962	62
Third 5-Year Development Plan 1962-1967	64
Fourth 5-Year Development Plan 1968-197	67
Fifth 5-Year Development Plan 1973-1977	69
Post-Revolution Era	70
First 5-Year Development Plan 1989-1993	70
Performance of the First Plan	72
Second 5-Year Development Plan (1994-1999)	73
Performance of the Second Plan	74
Third 5-Year Development Plan(2000-2004)	76
Orientation of the Third Plan	76
Performance of the Third Plan	77
Fourth 5-Year Development Plan (2005-2009)	79
Main issues in the Fourth Plan	79
Performance of the Fourth Plan	80
Conclusion	81
 CHAPTER THREE: HISTORY AND PROCESS OF BUDGETING IN IRAN	 85
Introduction	85
Meaning and Significance of Budget	85
Process of Budgeting	89
Budgeting Perspectives and Approaches in Brief	92
Neo-Marxists Approach	93
Political Approaches	93
Public Choice Approach	95

Hierarchy Approach	95
Macro-Micro Approach	95
Lobbying Approach	96
Rational Process Approach	96
Budgeting Techniques	96
Performance Budgeting Technique	97
Planning Programming Budgeting Technique	97
Management by Objective Technique	98
Zero-Based Budgeting Technique	98
Appropriate Budgeting Technique	98
History and Process of Budgeting in Iran	100
A: Before the Constitutional Era	100
B: From the Constitutional Revolution	102
C: From 1941 to 1972	105
D: After the 1979 Islamic Revolution	108
Nature of Public Budgeting in Iran	114
Political and Other Aspects of the Budgetary System in Iran	117
The Supervisory System of Budgeting	118
Challenges of Budgeting in Iran	120
Vicious Cycle of Iran's Inefficient Budgeting System	121
Conclusion	123

CHAPTER FOUR: GOOD GOVERNANCE AND THE POSSIBILITY OF ITS APPLICABILITY IN IRAN

Introduction	126
Governance	127
Concept of Good Governance (GG)	128
Good Governance as a Paradigm	137
Architecture of Good Governance	138
Criticism of Good Governance	140
Alternative Models of Good Governance	142

Good Enough Governance	142
Desired Islamic Governance	143
Applicability of Good Governance in Iran	143
Governmental Excellence	145
Aligning Public Administration With GG	145
Applicable Recommendations	152
Conclusion	152
 CHAPTER FIVE: STATISTICAL ANALYSIS	 155
Introduction	155
Questionnaire	156
Method of data analysis	160
Main Findings	176
Other considerations	177
 CHAPTER SIX: AN INTEGRATED CENTRAL – REGIONAL BUDGETING MODEL	 182
Introduction	182
Guidelines for Revising Rules Relevant to the Planning and Budgeting System	183
Suggested Amendments to the Law and its Impact on the Budgeting Process	189
Prerequisites for the Implementation of the Proposals	189
Proposed Amendments to Laws and Regulations	190
Institutional Reforms	204
Conclusion	210
 APPENDIX 1	 213
APPENDIX 2	243
LIST OF REFERENCE	263
BIBLIOGRAPHY	277

LIST OF TABLES

Table 1-1: Requirements of Political, socioeconomic and cultural independency	15
Table 1-2: Requirements of freedom as a means to attain independence and nurture national talent	16
Table 1-3: Features of Promoting social equality and alleviating poverty and deprivation	16
Table 1-4: Gross domestic production and per capita production of selected countries (1985-2005)	213
Table 1-5: Investment growth rate of I.R.I during different periods	214
Table 1-6: Gross capital formation (% GDP) for selected countries (1985-2010)	215
Table 1-7: Foreign Direct Investment, net inflows (million US\$) for selected countries (1985-2010)	216
Table 1-8: Development investment flow in different provinces during 1989-2004 (constant price 1997) in billion Rials.	217
Table 1-9: I.R.I's Human Development Index by provinces (1999)	218
Table 1-10: Provincial ranking of H.D.I in I.R.I (1999)	219
Table 1-11: Effect of transferred cash flow on H.D.I by provinces in I.R.I (2006)	220
Table 1-12: Iran ranking for selected indices in Southwest Asia (2005)	221
Table 1-13: Gross Domestic Production for selected countries (1985-2010)	222
Table 1-14: Population and population growth rate by different Provinces (1896-2006)	223
Table 1-15: Some main characteristics of Iran's socioeconomic structure	224
Table2-1: Goals and Targets of the First Development Plan 1948-1955	60
Table2-2: Programs of the Second Development Plan 1955-1962	62
Table 2-3: The Goals of the Third Development Plan 1962-1967	66
Table2-4: Goals and Targets of the Fourth Development Plan 1968-1972	67
Table 2-5: Goals and Targets of the Fifth Development Plan 1973-1977	69
Table2-6: Attributes of the First Plan	71
Table2-7: Policies of the First Plan	71
Table2-8: Second Plan Goals	73
Table2-9: Second Plan Key Policy Initiatives	74

Table2-10: Features of the Fourth Development Plan (2005-2009)	79
Table2-11: Most important economic indices during first development plan (1989-1994)	226
Table2-12: Comparison of general budget of the country with the first development plan (1989-1993)	227
Table2-13: Most important economic indices during second development plan (1995-1999)	228
Table2-14: Comparison of general budget of the country with second development plan (1995-1999)	229
Table2-15: Most important economic indices during third development plan (2000-2004)	230
Table2-16: Comparison of general budget of the country with the third development plan (2000-2004)	231
Table2-17: Most important economic indices during fourth development plan (2005-2009)	232
Table2-18: Comparison between performance of general budget of the country and figures of the fourth development plan (2005-2009)	233
Table 2-19: Iran's planning system transformations since 1937-2003	234
Table: 3-1 Main features of the Second Plan	110
Table: 3-2 Central monetary and budgetary policies of the Third Plan	111
Table 3-3: Most important economic indices during first development plan (1989-1994)	235
Table: 3-4 Most important economic indices during second development plan(1995-1999)	236
Table: 3-5 Most important economic indices during third development plan(2000-2004)	237
Table 3-6: Most important economic indices during fourth development plan (2005-2009)	238
Table 3-7: Comparison of general budget of the country with the first development plan (1989-1993)	239
Table3-8: Comparison of general budget of the country with second development plan (1995-1999)	240
Table 3-9: Comparison of general budget of the country with the third development plan (2000-2004)	241
Table3-10 : Comparison of general budget of the country with the fourth development plan (2005-2009)	242
Table 4-1: Important determinants of good governance	131
Table 4-2: Influential factors in governance defined by UNDP	134
Table 4-3: Characteristics of effective governance defined by UNDP	134

Table 4-4: Characteristics of good governance	137
Table 4-5: Government requirements for achieving the goals of the Iran Vision2025	150
Table 5-1: General response to questions in First Hypothesis	162
Table 5-2: Responses to question 3, in your opinion, to what extent are provincial authorities inclined toward implementing decentralized budgeting?	162
Table 5-3: Responses to question 7, in your opinion, to what extent has the Parliament passed legislation for implementing decentralization policies?	163
Table 5-4: Mean and standard deviation of data received for First hypothesis	163
Table 5-5: General response to questions in Issue II (Second Hypothesis)	164
Table 5-6: Responses to question 10, in your opinion, to what extent is reform of basic laws necessary to better implement decentralization policies?	165
Table 5-7: Responses to question 11, in your opinion, to what extent has the absence of basic laws impeded implementation of decentralization policies?	165
Table 5- 8: Mean and standard deviation of data received for Second Hypothesis	166
Table 5-9: General responses to the questions of issue III, the third hypothesis	167
Table 5-10: Responses to question 13, in your opinion, to what extent has the existing decentralization policy been able to develop regional financial authority?	167
Table 5-11: Responses to question 15, in your opinion to what extent is decentralization among the various financial levels institutionalized?	168
Table 5-12: Mean and standard deviation of data received for Third Hypothesis	168
Table 5-13: General responses to questions of Issue 4, Fourth Hypothesis	169
Table 5-14: Responses to question 26, in your opinion, how far are the methods of public participation in administration of regional affairs defined and specified?	169
Table 5-15: Responses to question 27, in your opinion, what is the extent of coordination in various phases of budgeting to implement decentralization?	170
Table 5-16: Mean and standard deviation of data received for Third Hypothesis	170
Table 5-17: General responses to questions in Issue V, the Fifth Hypothesis	171
Table 5-18: Responses to question 35, in your opinion, to what extent can decentralization bring service providers and receivers closer?	172
Table 5-19: Responses to question 39, in your opinion, to what extent can implementation of decentralization policy respond effectively to all government objectives and programs?	172
Table 5-20: Mean and standard deviation of data received for the Fourth Hypothesis	173
Table 5-21: General response to questions in Issue VI, the Sixth Hypothesis	174

Table 5-22: Responses to question 49, in your opinion, to what extent would constraining the authority of the central government to advisory and oversight roles contribute to better management of your organization?	174
Table 5-23: Responses to question 51, in your opinion, to what extent would delegation of authority to lower levels increase participation in the implementation of a decentralization policy?	175
Table 5-24: Mean and standard deviation of data received for Fourth Hypothesis	175
Table 5-25: Summary of the Outcome of the Hypotheses Tests	176
Table 6-1: Articles in the Constitution Regarding the Budgeting Process	184
Table 6- 2: Articles of the Audit Law Relevant to Budgeting	184
Table 6- 3: Articles of the General Audit Law	185
Table 6- 4: Proposed Changes to the Plan and Budget Law and its Impact on the Executive Dimension	190
Table 6- 5: Proposed Changes to the Plan and Budget Law and its Impact on the Financial Dimension	193
Table 6- 6: Proposed Changes to the Audit Law and its Impact on the Implementation Dimension	196
Table 6-7: Proposed Changes to Audit Law and its Impact on the Financial Dimension	197
Table 6- 8: Proposed Changes to Development Plan Law and its Impact on the Executive Dimension	199
Table 6-9: Proposed Changes to Development Plan Law and its Impact on the Financial Dimension	201

LIST OF ILLUSTRATION

Figure 1-1: Different aspects of the three worlds	49
Figure 3-1: Vicious Cycle of Iran's Inefficient Budgeting System	121
Figure 4-1: Characteristics of good governance	139
Figure 4-2: A model of public management to achieve goals of Iran Vision2025	154
Figure 6-1: Budgeting Process from the point of vantage of centralization and its degree in the main executive and financial dimensions	186
Figure 6-2: Budgeting Process from the point of vantage of centralization and its degree in the main executive and financial dimensions(Desirable Statues)	187

DECLARATION BY CANDIDATE

I hereby declare that this thesis is my own work and effort and that it has not been submitted anywhere for any award. Where other sources of information have been used, they have been acknowledged.

Signature: Gholamhossein Firouzfard

Date: 17 September 2012

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I must confess in all humility and sincerity that only I am responsible for the shortcomings of this thesis.

September, 2012
Gholamhossein Firouzfard

INTRODUCTION

This doctoral thesis has tried to investigate the current planning and budgeting processes in Iran which have led to an unequal socio- economic development. The purpose of this thesis which focuses on budget allocation based on an appropriate central- regional government relationship was to improve coordination and collaboration across central and regional government agencies for planning and budgeting. This would in turn lead to further improvement of the ability of the government as a whole to achieve its desired development outcomes through devolution of central authority to regional responsible people with the aim of uplifting transparency in budgeting performance and accountability of regional authorities.

The thesis principally aims at elaborating on a top- down process of budgeting (to use unique roles and regulations defined by central authorities) and down – top process (identifying significant and emerging issues, projects and priorities by regional and local authorities) basis.

At the center of this thesis lies a critical discussion of the trend of socio-economic planning and budgeting history in Iran in relation to regional development. The thesis considers various evidences of all economic development plans, and their practical

implementations which resulted in a significant inequality in distribution of budget among provinces, with wider political and social ramifications. The thesis is divided into six chapters which are briefly explained in this introductory part.

Chapter One:

The first chapter is largely engaged with expanding the problem statement, main questions of the research, conceptual framework, methodology and some important data which shows the importance of attending to this subject as a doctoral thesis. The chapter, based on figures and existing reports on different development indices, tries to show that implementation of different economic development plans over recent decades in Iran and current planning and budget allocation and existing investment flow in the country have not succeeded in the alleviation of inequality and poverty, the achievement of which would help the process of regional development. This fact has resulted in inefficient economic performance of budget allocation and caused disparity and regional imbalance between provinces.

The model and means of distribution of constructive financial facilities and investment have not been able to change or improve development indicators in all provinces at the same level. It could be said that the current concentrated budgeting system with high authority for overruling provincial budget and using an ineffective model of distribution of global constructive budget, is not efficient and needs to be revised and reorganized.

Furthermore, because of the particular policies of government centralization with its lack of political and wider public accountability - which manifests itself in terms of inadequate regional governance as well as the involvement of private sector innovators - regional governance and development have been distorted, which in turn prevent proper sustainable development.

This resulted in a wide gap between urban and rural areas on the one hand, and among different regions and provinces, on the other. Comprehensive development and a national-regional coordination development would not have occurred without enough attention to closely set conjunction of rural and urban society and their mutual effect on each other.

As such, in the first chapter of the thesis, it has been tried through figures and tables to find out why some of our people in the less- developed provinces suffer from poverty and malnutrition and why generally deprived and border provinces always remain undeveloped

class and further why injection of financial resource and governmental investment, have had very less effect on development indices in these provinces?

As an important part of the thesis I almost tried to conclude the conceptual framework of the research based on a decentralized planning and budgeting system influenced by the aims and objectives of good governance policies in an Islamic country. The core of this conceptual frame work is the current centralized approach to preparation of the annual plan and budget document. The budget of a country is the most important tool in the hand of government for implementing the socio-economic, cultural and political policies. Administrative structure of the government has a tight relation with budget preparation process. This relationship depends on comprehensive changes in structure of administration, implementation, planning, decentralization, privatization, economic liberalization and active participation of public sector in economic management of the country.

Theoretically, according to Rondinelli, (1981) to achieve all these, it requires, along with financial resources, the belief in decentralization as an ideological principle which seeks goals of democratic decision-making, public participation, and accountability of government authorities and self dependency of regions. At the same time, decentralization transfers the responsibility from central government to local and regional authorities, and emphasizes on their accountability, therefore this process has not only become a strong incentive for local authorities to consider the priorities of the regional people but also, it will result in public participation in the decision making, financial and technical efficiency and more political stability.

Chapter Two

To illustrate a critical comparison of main theoretical framework in the field of planning and development in countries like Iran, chapter two of the thesis is concerned with the literature review on theory, occurrence and the evolution of planning. A historical review on emergence of economic planning in Iran followed by its critical assessment has been presented in the last part of the second chapter.

The chapter tries to conclude given definitions of planning. A Simple definition of economic planning agreed by most of economists and planners refers to a type of

scheduling the future activities and holds three main characteristics: a) Plan is related to future, b) Plan includes time table for specific activities in national economy and c) responsible organization should implement the plan. Economic development can also be described in terms of objectives. These are most commonly described as the creation of jobs and wealth, and the improvement of quality of life or a process that influences growth and restructuring of an economy to enhance the economic well-being of a community.

Economic development policies could also be classified in 3 separate periods. The first period initiates from windup of the Second World War and continues up to the last decade of 1970, with the idea that government can equip necessary financial and non-financial resources through public and government companies. The second period(1980-1990) the follower of market economy (Neo-liberals or Chicago School) seeks to transfer part of the control of the economy from public to private sector to ostensibly, bring a more efficient government and to improve economic indicators of the nation. According to this school any kind of government interference to change what the market generates, is anti-productive. So the look towards government as a factor of development changed to an obstacle towards development. In the third period in which a new wave of theories and approaches started, the subject of size of state (large or small) was pointed out and the quantity of state has changed to quality of interference of state. If we assume the slogans of the first period "state as engine of development" and second period "small state", the slogan for the third period is "good governance" which can be defined as execution of social, economic, and administrative power according to law, efficiency and accountability.

For many of developing and new independent countries, economic planning was regarded as an appropriate model for rapid socio-economic growth and a way of renouncement from the group of less developed countries. For industrialized developed countries like Japan, planning was considered as a tool of coordinating economic growth, without any change in social structure of the country. More important, was the accentuation of international competition between industrialized countries in both east and west block which increasingly exposed the need for planning.

In Iran, the planning experience has the benefit of continuity which is found in many other developed countries, where the national plan was adopted as a central instrument of decision-making and when comprehensive medium-term plans (mainly 5-7 years plans)

were prepared in regular and uninterrupted sequence. However, Islamic revolution and imposed war of Iraq against Iran were exceptions in the duration of this continuity.

During the recent years, the approach of planning underwent further modification which was adequately flexible to take into account the constantly changing macro-economic situation, and organized development around heavy industrial and large infrastructural projects. This flexibility enables the government to adjust the annual and mid-term plans to the changes as and when they occurred.

These changes to the approach of planning illustrate the way in which the government experimented with different combinations of roles for planning, ranging from an advisory role distanced from the decision-making process to one centered in the policy-making process. The planning system in Iran benefited from three "macro, sectoral, and regional" subclass structures, a) Macro planning is the most efficient part of this system and in the economic point of view it has a very important and institutionalized position, b) Sectoral planning also due to its historical credit holds a traditional place in planning system of this country which affords the combination of activities during the period of plan according to global budget allocation, c) The third dimension (regional planning) despite many years, still has not been well established in planning system of Iran's development plans. During the period of sixty years of experience in planning in Iran, five Mid-run Constructive Development Plans before revolution and another five Development Plans after the revolution have been formulated and implemented. These development plans have been critically discussed in chapter two of the thesis.

Chapter Three

Due to the important role of budgeting in successful implementation of plans and activities, the third chapter of the thesis underscores history and process of budgeting in Iran. This part of the research has been critically analyzed based on 27 years of experience on planning and budgeting of the author of the thesis in Iran.

Traditionally, budgeting is considered to be one of the most important management tools to run the organization, evaluate its performance and motivate its people, (De Waal, 2005). Briefly, budgeting means deciding or estimating in advance, the course of action to achieve a particular target or objective in a given period of time along with numerical expression of

the inputs required and outputs expected. Today, budgeting has become the major issue of national politics and the lifeblood of government.

Budgeting in Iran, like most other countries, is the nerve center of the government. It is a decision-making system for allocating funds and tapping resources in order to achieve governmental priorities and objectives efficiently and effectively.

Iran has traditionally been a highly centralized country with most of the national resources owned and operated by the national government. Despite much emphasis made in the Constitution of Iran on the need for local councils and the active participation of people in handling community-based affairs, little has been done to transform the highly centralized administrative system of the country.

The comprehensive control of government over natural resources, particularly oil and gas, major industry, rail road's and other major means of transportation, as well as fiscal institutions (banks and insurance companies) also means that the bulk of government budget is derived from these nationalized resources rather than taxes or local community rates. State interference in the economy covers a whole spectrum: wages, prices, exchange rates, trade and business, interest rates, and state-bank lending quotas in addition to direct industrial, agricultural and commercial control (Farjadi, 2001).

In the economic arena, oil revenues in fact constitute the main source of government budget and the latter tends to suffer as a result of periodic fluctuations in oil production or prices. Despite general consensus regarding the long term consequences of heavy dependence of government budget and the national economy on a single product, almost all efforts to build an oil-free economy have so far met little success. Although not the largest sector, oil accounts for more than 80 percent of annual foreign-exchange earnings and nearly 70 percent of annual state finances.

While reduction and eventual elimination of this dependence have been mandated in each and every of the past development plans, the reliance on oil has, if anything, actually intensified. The government's need for oil receipts has increased from \$16 billion in 2001 to \$41 billion in 2009. Recent oil-price volatility in the face of Iran's increasing heavy dependence on imports of essential capital and consumer goods now presents an even more ominous threat. According to a recent IMF estimate, a protracted oil price below \$75 per barrel may play havoc with Iran's economy. The Perspective's ultimate material success may, in fact, depend largely on the fate of Iran's gas and oil industries.

The national fiscal program of the government, usually corresponding with the Iranian calendar year (starting on the 21 March), is known as the Government's Total Budget for that year. It contains the government's public budget including the budgets of banks, government corporations and affiliated enterprises. Government Public Budget is the portion of the total government budget which provides for financial resources needed by the government to carry out its annual programs and determine current and development credits for executive bodies.

Government public budget covers two broad functions: payments and receipts. Payments of the government public budget comprise all expenditures, both development (constructional) and current, paid by the government from general and exclusive revenues during a financial year. Receipts of the government public budget contain all sums known as general and exclusive revenues as well as miscellaneous sources of revenues, and funds that should legally be accumulated in the Treasury General's accounts. General revenues consist of revenues gained from oil and gas, taxes, and other sources of income in the public budget. Exclusive revenues are those legally allotted to special expenditures in the government public budget.

All funds allocated in the annual budget approved by the Islamic Consultative Assembly (Majlis or the Parliament) fall into two broad categories: Development or constructional budgets and current expenditure budgets. Development budgets refer to funds provided to implement development projects and expand current expenditures of the government's socioeconomic plans. Current expenditure refers to budgets provided to meet government's current expenditures as well as expenditures of maintaining the level of government's socioeconomic activities.

Lack of transparency in government budget is the gravest economic threat. The annual budget document, approved by the Parliament usually after weeks of deliberation, is hardly ever faithfully adhered to. Formally in balance at the time of approval, the budget invariably ends up in deficit usually due to a paltry and inflexible tax base, recurrent losses of state-owned enterprises, poor tax collection and unaffordable public-welfare expenditures.

A shortage of funds in the current expenditures is routinely made up by transfers from the constructional portion. In recent years, one-fourth of the annual constructional (development) budget has been diverted to regular expenditures, resulting in thousands of

development projects unfinished. Budget deficits are normally financed by the Central Bank, operating as the government's cash cow.

A share of 30% of the total budget is stipulated in concentrated sections (without any list of projects), which causes many problems in optimizing the allocation of the resources. In recent years, number of secondary lines corresponding to executive organizations in the budget has increased and each executive department has specified a specific budgetary line for itself. What has been briefly addressed as problems and challenges of the budgeting system in Iran has been critically and thoroughly reviewed in this chapter. Practical recommendations are also offered in the chapter.

Chapter Four

It is important to note that lack of due attention to the concept and paradigm of good governance has turned into a fundamental concern in running public affairs in many parts of the world. Given Iran's traditional bureaucracy, chapter four of the thesis deals with this concept and evaluates its applicability in Iran. This is done both theoretically and empirically with specific attention to multicultural society, constitution and political system of the Islamic Republic of Iran.

My purpose of the word "governance" in this research gives sense to the concept of governance as it is used in public policy and public administration. Governance is the capacity of government to make and implement policy and to steer society (Pierre and Peters 2000), which is an old top-down definition of governance. This chapter comprises a theoretical framework and literature review for the discussion on the concept and role of 'good governance' in development management and public administration, which emphasizes the responsibility of governments as service providers and architects of development as a whole and regional development and poverty alleviation, specifically in Iran through a mix model of Transcendental Value Management (TVM) and Public Value Management (PVM) which have been proposed with regard to the goals of Iran Vision 2025.

The concept of governance, in fact is simple. It is seen as a set of values, as well as social processes at different levels, on the basis of interaction among governments, civil society and the private sector including participation, rule of law, transparency, responsiveness, equality, inclusiveness, effectiveness, efficiency and accountability.

According to the model of good governance, governments should establish a type of governance to pave the way for their own national development. Otherwise, their weak governance will emerge as a development inhibitor. The evidence largely verifies the fact that building this model based on values explained by neoliberal presupposition will undermine its desirability to the followers of other common ideologies in the world.

In fact, this model depicts the desired governance in industrial countries, and its generalization to all countries, with different conditions and in different stages of growth and development, is not acceptable by the scientific method of research. Although Good governance was proposed by the World Bank to lay grounds for the development and growth of developing countries; the successful experience of East Asia raises the question whether good governance is really a prerequisite to development or not (MetteKjaer 2004).

Chapter four has tried to raise this question whether the characteristics mentioned for "good governance" are also justifiable with the adjective "good" in an Iranian society? In other words, isn't the idea of good governance in a country like Iran, which seeks to implement Islamic governance, a kind of clash? Maybe the best answer to such a question is a model of democracy which, given the culture of Iran and with regard to Islamic principles and values, has taken the form of Islamic democracy (religious democracy). A prominent feature of the present political system in Iran is the Islamic dimension of its government. As a result, to use the paradigm of good governance in the Islamic-Iranian pattern, we need to design a local model which would encompass all the characteristics of good governance under the umbrella of Islamic values. Therefore, to customize good governance in Iran, the "Islamic" feature should also be taken into account as one of the other characteristics of good governance.

Thus, one may ask whether in a political system based on Islamic values, accountability can be considered as a characteristic of good governance. Any prejudgment regarding this question is misleading and wrong simply because accountability in its highest perceived situation is a basic tenet of Islamic political discourse. As Hood (1995) states, there is no unique model for "good governance", rather a range of models for good governance consistent with the existing climate in countries (political and cultural factors) could be imagined. In Iran, such a model should be devised and applied with a focus on the "Islamic" feature of governance on the one side, and the long-term development plan of the country (20-Year Vision) and indigenous traits of Iranian society on the other.

Thus, the possibility should not be disregarded that the paradigm of good governance could be a solution to Iran's public administration dilemma by blending the relevant mechanisms of empowerment and the improvement of living conditions.

Chapter Five

Due to the centralized system of planning and budget allocation and poor role of provincial authorities in financial and administrative affairs of provinces in Iran, the main hypothesis of the research was framed within a theoretical conception of decentralization.

In this chapter of the thesis, the author, notwithstanding his experience in planning and budgeting system of Iran, has tried to prove this controversial hypothesis and bring forward the best understanding of the issues rising from academic studies and from government official's experiences relevant to policy formation through wide spread interviews and completion of professional questionnaire focusing on decentralization.

Since data collection via questionnaires does not necessarily imply the use of a particular technique, face to face interview, observation and content analysis were also applied. This part of the research is the result of integrated comments made by participants who contributed to the completion of questionnaires and interviews.

To this end the experiences and attitudes of Iranian experts who have been actively involved with development budgeting at both central (national) and regional (provincial) levels were investigated and the population of experts with development planning and budgeting experience at national and provincial levels were identified and 95 individual and highly respected experts and managers in a random order were eventually selected.

The sample consisted of two major subgroups. The first consisted of senior experts in national planning and budgeting who, as members of the central office of the Plan and Budget Organization, had been actively involved in the preparation of the national development plans and budgets enacted in Iran over the past two decades. The second group consisted of similarly senior experts who have been affiliated to the Governor Generals' Office or the provincial bureaus of the Plan and Budget Organization and have been actively engaged in the development of provincial development plans and budgets required for implementation.

The total of 60 questionnaires for provinces (total of 30 provinces) and 35 questionnaires for the national level (30 sectors) were collected. There are altogether 95 completed questionnaires each of which contains 6 hypotheses and 51 questions.

To summarize, the results of this part of the research which will be the basis for the recommended amendments in chapter 6, illustrate the fact that only 85.3% of the respondents among provincial authorities believed in the tendency toward the policy of implementing decentralized budgeting process.

Around 94.7% of respondents believed in the necessity of reforming the basic laws and conducting a comprehensive study of decentralization. Some 93.7 percent of the respondents believed in reforming the basic laws of the country to better implement decentralization policies.

More than 87.4 percent of the respondents believed that decentralization has been able to further extent the regional financial authority. As such, respondents have expressed their opinion in a way that decentralization has a very positive impact on structural reform and better administration in regions. About 93.7 percent voted the options that decentralization can draw service providers and receivers closer.

Another outcome shows that 68.1 percent of the respondents believed that if the authority of the central government were limited to advisory and oversight roles it would highly or very highly contribute to better management of the organization.

Nearly 90.3 percent who selected the high and very high options believed that extra delegation of authority to lower levels increases participation in the implementation of decentralization at a high and very high rate.

All in all, it can be concluded that in words of expert groups, there is a tendency towards implementation of decentralization policy, and that the basic laws of the country should be reformed in favor of decentralization. Moreover, it is necessary to extend decentralization in various phases of budgeting, and to compensate the low degree of coordination in various phases of budgeting. Finally, due to the direct correlation between decentralization and efficiency, it should be realized that the effects of decentralization on structural reform for better administration and organizational management are significant. Local government would fulfill the needs and willingness of their people much better than the central government and they would allocate financial resources more efficiently(Teibout, 1959).

Chapter Six

Chapter six attempts to use findings of the preceding chapters in order to propose recommendations for the transformation of the current centralized budgeting system into a decentralized one equipped with a better allocation of national financial resources in three dimensions.

First, the results gained by summing up the opinions of the senior experts and scholars in the planning and budgeting system of Iran, who have completed the questionnaires of this research, second, the finding of historical pathology of the current planning and budgeting system and third concept of good governance, the requirement and features of its accessibility in Iran are utilized. Accordingly, experts regarded decentralization approach in budgeting system, devolution of financial power, enhancement of the power of making decisions and reforming rules and regulation as desired option to promote public's participation in process of decision-making. This will result in a transparent implication of plans and projects, an increase in economic efficiency and leads to better accountability of regional authorities regarding the decisions taken and improves the development indices in the different regions of country.

Findings of the second dimension- historical pathology- show that due to centralized planning and budgeting system as well as centralized budget allocation for constructive projects and activities, the development level of different provinces and counties has been imbalanced and the distribution of national budgets has been unfair. The solutions were, transforming the centralized system of budgeting and budget allocation into a decentralized process, devolution of financial power to local and regional authorities, granting revenue license to different regions, and devolution of power to provincial treasuries.

The third dimension involves the concept of good Governance, and the requirement and features of its accessibility. According to both World Bank's definition and a religious ideological system, Good Governance stresses on further participation of the people, development of legal and institutional frameworks, establishment of a clear information system, enhancement of accountability level, promptness in decision-making, devolution of power to lower levels, privatization, enhancement of financial motivation in different regions, and transparency.

The findings of the research in these three dimensions (the system of planning and budgeting, completion of questionnaires and Good Governance) can be summarized in 4

eminent features, which are all the products of a decentralized administrative and financial system. The features are as follows:

- 1- Increasing the technological and financial efficiency.
- 2- Decreasing the administrative corruption.
- 3- Increasing the political stability.
- 4- Preventing the expansion of government size.

To achieve these goals, the author has recommended necessary amendments in the basic rules and regulations governing the planning and budgeting system of the country relying on his own knowledge and experiments.

The prerequisite to these reforms is the government's determination to devolve the responsibilities to local and regional authorities and to change the planning and budgeting system within a decentralized and a bottom – up approach.

Accordingly, the projects required for every region are identified, prioritized, and proposed by local and regional authorities: Then, the required budgets based on estimations made in the region will be allocated and the required licenses for generating revenue in the regions will be granted to regional authorities for planning, implementation, control and assessment of the projects.

Obviously, taking these measures lays grounds necessary for the establishment of civil institutions and NGOs which in turn will boost transparency in the implementation of projects and investment which leads to higher efficiency and accountability of regional authorities.

CHAPTER ONE:

PROBLEM STATEMENT

Introduction:

In the first chapter, I aim to present a clear-cut picture of Socio-economic realities in Iran including regional inequities which has mainly been the brainchild of inappropriate economic development planning models experienced in the past sixty years. I strongly believe this would largely contribute to the definition of the problem statement as well as the research questions upon which this doctoral thesis has been developed. The chapter later concentrates on conceptual framework, methodology and data that would underpin the core of this thesis.

Intuition

Resource allocation and the effective use of resources have been two major concerns of citizens, countries and governments, Premchand, (1993), Key.V. O, (1940) raised the issue of budgeting more than 60 years ago, “On what basis shall it be decided to allocate X dollars to activity A instead of activity B? Musgrave.R, (1969) the clearest exponent of welfare economics, has produced an abstract model that simplifies the interpretation of a budget preparation process. His model is based on the notion that budget preparation involves three branches, each of which is governed by one of the basic goals of economic

policy. These branches are: **a: *stabilization and growth***, involving prevention of unemployment and inflation, and provision for raising standards of living, **b: *distribution***, entails transferring resources to modify income distribution and correction of perceived injustices in the distribution of wealth in society, **c: *allocation***, consists of defining what public needs and collective goods are to be met and to what extent they are to be met.

Research at the center of this thesis seeks to demonstrate, based on the critical review of existing reports and analysis of empirical data, that implementation of economic development plans over recent decades in Iran, and current planning and budget allocations and investment flows, have demonstrably failed to eliminate disparities, inequality and poverty. Achievement of this lofty goal could have helped the process of regional development in this resource-rich country.

As shall be demonstrated in the study, this major setback has led to inefficient economic performance of budget allocations. Furthermore, because of centralization policies, with its lack of political and public accountability, good governance and real development have been distorted, which by extension has undermined much-needed sustainable development.

By taking into account Key's (1940) reference to the three government economic functions and his historical question, it can and should be asked whether a key concern for effective socio-economic development in Iran, as in most developing countries, is the function of budget allocation.

Presently the government in Iran is involved not only in financing public goods and services in all regions, but also in wide-ranging economic activities with little or no regard to their comparative advantage. Most, if not all, of these activities can and should be the function of private enterprise. It is largely due to these government policies that optimum allocation of resources and determining regional priorities have become all the more difficult.

A key point here is that in analyzing the budget allocation process in Iran, it is important to consider the political context within which budget allocations indeed occur, and to also contemplate its wider social impact on governance and development in the regions and provinces. To illustrate the conceptual understanding of inefficient performance of budget allocation in Iran, the socio-economic and geopolitical situation is reviewed in the following section.

Socioeconomic Contexts

Trends in socioeconomic planning in Iran in recent decades (particularly before the 1979 Islamic Revolution) have resulted in regional imbalances in growth and development, (MPO 2004)¹. This has further accelerated and expanded urbanism in a manner that insufficient attention has been paid to the rural society and border areas despite their important role in the socio-economic structure of the country. The visible result is the widening gulf between urban and rural areas on the one hand, and across different regions and provinces on the other. As such, comprehensive development and a harmonious national-regional development balance remains a tall order with little regard to the need to closely knit the rural and urban society and recognize their mutual effect on each other (ibid). As enshrined in the Iranian Constitution, Iran is defined as a society in which the liberty and greatness of human being and conditions of growth and evolution are emphasized. The main characteristics of the society as per the Constitution are as follows, (Articles 2, 3, 6, 9, 12, 19, 20 and 43 of the Constitution):

Table 1-1: Requirements of political, socioeconomic and cultural independency

Theme	Ref. in the Constitution
Political stability and legal/institutional discipline focused on development of a fair economy based on public participation.	Items 8,10,12 of Article 3
Drawing on domestic potentials for augmenting productive capabilities.	Item9 Article43
Achieving the economic independence of the society, uprooting poverty and deprivation, and fulfilling human needs in the process of development while preserving human liberty.	Article 43
Utilization of science and technology, and the training of skilled personnel in accordance with the developmental needs of the country's economy	Item 7 Article 43
Providing a suitable field for the emergence of human creative power in various forms of economic activities.	Preamble to the Constitution
Provision of basic necessities for all citizens.	Item 1 Article 43
All round strengthening of the foundations of national defense for the sake of safeguarding the independence of the country.	Item 11 Article 3

¹-Management and Planning Organization of Iran

Table 1-2: Requirements of freedom as a means to attain independence and nurture national talent

Theme	Ref. in the Constitution
Ensuring political and social freedoms within the framework of the law.	Item 7 Article 3
The participation of the entire people in determining their political, economic, social, and cultural destiny.	Item 8 Article 3
Prohibiting inquisition of belief and intrusion into the personal lives of the people.	Articles 22 & 23
Freedom for political parties, political associations, syndicates, and religious minorities	Article 26
Every person is entitled to choose the employment he wishes, so long as it is not contrary to Islam or the public interest or the rights of others.	Article 28

Table 1-3: Features of promoting social equality and alleviating poverty and deprivation

Theme	Ref. in the Constitution
Ensuring conditions and opportunities of employment for everyone, with a view to attaining full employment.	Item 2 Article 43
The prevision of basic necessities for all citizens: housing, food, clothing, hygiene, medical treatment, education.	Item 1 Article 43
Reducing the gap between the wealth and income of different strata to the minimum possible and compatible with sustainable socioeconomic development.	Item 2 Articles 43
There must be no discrimination among the various provinces with regard to the exploitation of natural resources, utilization of public revenues, and distribution of economic activities among the various provinces and regions of the country.	Article 48

Therefore, in light of these points (as outlined in the constitution), this research is geared to, and focuses on, the direction to accomplish one of the key articles of the Constitution: socioeconomic development and the relative balance among regions and provinces.

Iran as a developing country with huge energy resources has had the opportunity for effective management of its natural resources to graduate from a developing to a developed nation. Moreover, beside producing and exporting industrialized goods and finding proper

markets for exports through regional and inter-regional cooperation and trade agreements, the country has also had the means to employ knowledge and technical skills in almost all areas of production and services to join the club of developed countries. However, the development indices show that not only has the country not been able to achieve this aim, but six decades after experimenting with development planning (30 years before the revolution and 30 years after) has hardly produced the desired results regarding comprehensive and balanced development.

Demographic Feathers

The pace of demographic transition in Iran has been unusually rapid due to recurring shifts in the government's population policies. By the mid-1980s, Iran's population was amongst the fastest growing in the world. Therefore, the population grew by almost %50 between 1976 to 1986 census. In other words, in the space of barely 10 years, about 16 million people were added to the population of 1976 and reached close to 50 million in 1986 (World Development Indicator, 2006). It is worth-noting to emphasize the fact that this population grew to 70 million in 2006 which is indicative of a slow-pace growth rate of population in recent years (Iran Statistical Center, 2007).

The gradual reversal in the pro-birth policy in the late 1980s was so remarkable that by the early 1990s Iran had not only curbed its high birth rates but was moving faster in that direction compared to other countries in the Middle East and North Africa.

Consequently, Iran is at a crucial stage of its demographic transition. Between 1960 and 2005 the age distribution in Iran remained exceptionally stable, with about 30% children, 35% young adults, slightly over 25% mature adults, less than 5% middle-aged adults, and less than 5% elderly (Statistical Center of Iran, 2006). This stability prevailed despite a steady drop in mortality, which increased life expectancy at birth from around 48 in 1960 to 71 in 2005. Demographic changes in Iran have been accompanied by a rapid increase in the accumulation of human capital. This was followed by a major increase in women's participation in the labor market (from 22% in 1990 to 39% in 2004 for the 15-64 age group), which again reinforced the drop in fertility through postponement of childbearing by working women (World Bank, 2006).

Despite the promise that it holds, the demographic transition appears to be posing new structural challenges to the economy, not the least because the growing numbers of young

adults are finding it increasingly difficult to get jobs. The unemployment rates remain stubbornly in double-digits, exceeding 20% for the youth, especially for young women. The high rate of joblessness among young women in part reflects the recent rapid increase in their labor-force participation (Hakimaian, 2006).

As a result of inefficient economic planning, out of the 51.54 million net increases in population over 50 years, 38.65 million, or almost 75 percent now live in urban areas. In fact a non-stop flood of immigration from rural and backward regions to the political-administrative centers in the provinces, especially to Tehran and its direct agglomeration areas, has taken place, (ibid). With the intensification of population growth and high rate of mobility and internal immigration, the pattern of settlement gradually becomes most concentrated and comparative density of population increased from 11.5 in 1961 to 42.7 in 2006, (ibid). As a result of migrant spillover and high natural rate of population growth during these decades, the number of urban centers (easily recognized as big villages) rose from 199 to 1,015. It must be noted that a large number of these new urban centers lack the basic infrastructure for urbanization (ibid).

Economic Feathers

Based on the statistics provided by the Central Bank of Iran, the level of real per capita income in the recent years is equal to the early 1980s. Based on the data provided by the World Bank, the per capita production based on the buying power index in 1985 was \$6870 in Singapore, \$1940 in Malaysia, \$2330 in South Korea, and \$3380 in Iran. These figures in 2010 increased to \$41984 in Singapore (three times as much), \$8337 in Malaysia, \$20540 in South Korea, and \$4526 in Iran. Iran's share in the international trade is little in given its population, expansion, resources, and geopolitical situation in the region or in the world. Iran's share in the international exports increased from 0.35% in 1995 to 0.61% in 2006 and its share in the international imports increased from 0.27% in 1995 to 0.41% in 2006. Over the past 50 years (1956-2006) Iran's population has grown 3.7 fold. While in contrast the population of France and England doubled after almost 120 years (ISC, 2006)².

Iran's GDP (at current prices) has risen from \$ 170.6 billion to \$ 331.0 billion in 2010 (WDI, World Bank). It is clear that countries with high rates of population growth need to generate higher rates of growth in total income and output to keep the level of their per

² - Statistical Center of Iran

capita income constant. Compared to other countries selected from a list of developed, developing and least developed countries, and three oil exporting countries, Iran's GDP with a growth rate of 4.6 percent does not hold an appropriate place in world ranking (Table 1-4). The lower growth rates in recent years are indeed a far cry from trends in developing countries like Malaysia and South Korea. It must be noted that the target rate of growth in Iran in the Third 5 Year Development Plan (2000-2004) was 6.5% which, however, could not be achieved. The same target for the Fourth Development Plan (2005-2009) had risen to 8%, and explains the exigency of fundamental shifts in development thought that could help achieve this high rate of growth.

Average economic growth over the past decade has not been sufficient to generate employment on the scale needed. The current ratio of unemployed to employed remains very high, in particular in the 15-24 age group (World Bank, 2007). The rate of growth in Iran's per capita GDP thus can be compared with other countries in table (1-5).

-Iran is the 28th largest economy in the world but ranks only 71st in per capita GDP (as expressed in purchasing power). It ranks with countries like Belarus or Panama (George Friedman, 2008).

A glance at the total income in 2006 regional accounts indicates that Tehran Province (capital) with \$17,405 per capita income had the highest per capita income and Sistan and Baluchestan Province with \$454 was at the lowest end of the ladder. This means that the ratio of highest per capita income (Tehran) to the lowest (Sistan and Baluchestan) was almost 3.8 times, (MPO 2008).

In 2006 nine provinces out of 26 with 38% of the population (Tehran, Isfahan, Yazd, Hormozgan, Markazi, Mazandaran, Qazvin, Semnan and Bushehr) had per capita income above national average. In other words, 62% of the population living in 17 provinces had below average per capita income, a considerable gap indeed.

Trends in total investment indicate that this variable fluctuated from 1961 to 2006 (Table 1-6). Comparison of proportions of savings and gross investment to GDP in Iran with some selected countries (Tables 1-6 and 1-7) shows that these 1-two indices followed the same pattern in Malaysia and South Korea. But the point is that these two countries enjoy higher growth rates while Iran's is much lower. This situation, however, could also be the function of higher rates of investment in the two countries. In Iran it is the result of adverse use of savings and investment (World Bank, 2007). During 1981-2006 income tax

accounted for 28.7% of total government budget while 71.3% was provided by other, non-tax revenues, specially the oil sector, (MPO, 2006).

Income from oil exports, which is national wealth and must be invested in infrastructure development, is routinely disbursed for current expenditures (73% of government expenditure). Share of taxes from GDP is hardly 5.3 percent and remains one of the main pitfalls of the budgeting system, (ibid).

Ratio of government expenditure to gross domestic production (G/GDP) has been fluctuating and the index of government size gradually decreased from 24.65 in 1986 to 18.7 in the middle of the Third 5-Year Development Plan (ibid).

During the years 1991-2005, three development plans were introduced. According to figures in Table 1-9, 1,726,580 billion Rials (national currency) were invested. Distribution of total investment shows that Tehran received more than 37.1% and provinces like Khuzestan, Khorassan and Isfahan 7.8, 5.6 and 5.2 percent respectively, as the highest provinces. The provinces of Kohkiluyeh, Qom and Ilam had the lowest share -- 0.7, 0.6, 0.6 percent respectively (Table1-8).The provinces with the lowest amount of investment top the list of undeveloped provinces in Iran.

The tables 1-9 and 1-10 also show that the model and means of distribution of developmental financial facilities and investment have not been able to change or improve development indices in the provinces to acceptable levels. It could be said that the current centralized budgeting system with the power to overrule provincial budgetary needs and use ineffective models of distribution of national development budget, is simply inefficient and needs to be rewritten and revised.

Human Development Index

In table (1-11), HDI was calculated for all provinces in 1999 and published by government. The actual index draws on estimates of life expectancy, literacy rate and school enrolment ratio. An adjusted income measure to calculate an HDI value for each province (Tables1-10 and1-11) shows a new ranking between provinces, the border and deprived provinces usually occupy the lowest ranks. In a study by the World Bank (2005), the effect of investment flows and developmental financial resources on the level of development in the provinces showed that the correlation coefficient between per capita

transferred money is negative and has not improved the undeveloped areas in the said provinces (Table 1-12).

With respect to the above mentioned indices, now the key point is why are people in the less-developed provinces generally saddled with poverty and malnutrition? Are they really poor in the sense of not earning and producing enough? Or, is their condition a consequence of some personal failure? Or, are they poor and malnourished because others, in other provinces, are so much better? In other words, is poverty in the less-developed areas partly a consequence of the pull effect on resources and goods operating through the global market system, which shifts the balance of production toward those with higher incomes and high purchasing power at the expense of those with fewer resources and lower income? (Cypher, J.M. and Dietz, J.L 1997) .

Geopolitical Feathers

In geopolitical terms the Islamic Republic has a unique situation in the regional structure and also at the international level. Iran is located in a geographical area that is a primary source of world energy and has a substantial share in world's known oil and gas reserves. Iran is the only country in the region with direct access to both oil and gas reserves in the Persian Gulf and the Caspian Sea. It has the world's second largest proven natural gas reserves after Russia (estimated at 940 trillion cubic feet) and is ranked fifth in the world's known oil reserves with an estimated 125 billion barrels, roughly 10% of the world total, (Friedman, G. 2008).

To better understand Iran from a socioeconomic and political development perspective one needs to also consider its size. Iran is the 17th largest country in world with an area of 1,684,000 (Km) ². That means its territory is larger than France, Germany, The Netherlands, Belgium, Spain and Portugal combined (ibid). Iran is the 16th most populous country in the world, with about 70 million plus people; its population is larger than the populations of either France or the United Kingdom, (ibid). More important are its topographical features. Iran is defined, above all, by its mountains that constitute its frontiers surround its cities and describe its historical heartland. Iran has about 800 miles of coastlines, roughly half along the eastern shores of the Persian Gulf and the rest along the Caspian Sea, (ibid).

Geographically Iran is at the crossroads between Europe and South and Southeast Asia that is home to more than one-third of the world population. So, from the geographical angle the country plays the role of a land bridge connecting Europe to Southeast Asia. Access of the newly independent states in Central Asia and the Caucasus to the free waters is possible through Iran. Due to its easy access to the northern and southern coastal waterways, Iran has the possibility of allowing low-cost transport/transit of goods while control of the strategic Strait of Hormuz in the Persian Gulf bestows a prized geopolitical and regional position to the country.

Iran is a vast country rich in fauna and flora. More than 60% of the landmass is dominated by arid and semi-arid regions. However, it possesses a large variety of water, land and plants indicating a high level of biological diversity, (MPO, 2008).

Climate diversity offers the means for highly diversified agricultural production. The country also enjoys many historical and tourist attractions along its vast expanse that are rare in this part of the world and have the potential to draw millions of tourists. To these capabilities and potentials we should add the element of unity and the high degree of resistance to foreign incursions and threats. The heroic defense and selfless sacrifices during the 1980-88 Iraqi invasion and occupation are indeed a manifestation of Iranian patriotism, resistance and resolve, (ibid).

Feathers of Iran's 20-Years Vision

With the start of the Fourth 5-Years Economic Development Plan in March 2005, the government released a document known as the "Iran's 20-Years Vision", outlining a roadmap for the country's economic, political, social and cultural development for two decades, (Expediency Council, 2005). The preamble promised that by 2025, i.e. after the completion of four five-year development plans, Iran would be a fully advanced country, rising to the top rank in economic, scientific and technological progress among the ***neighboring and Southwest Asian states***. By that time, Iran was to be a nation with an Islamic and revolutionary identity, offering guidance and direction to the Islamic world while getting involved in effective interaction with the comity of nations (Amouzgar 2005).

The objectives as outlined in the document contain some reasonably promising potential. With only one percent of the world's population, Iran ranks seventh in mineral wealth,

possessing 10% of the world's proven oil reserves and 16% of gas deposits. The document states that to secure first place in Southwest Asia the following goals should be achieved:

- 1- Rapid economic growth
- 2- Meaningful interaction with the world economy
- 3- Compatible economy
- 4- Knowledge-based development
- 5- Environment protection
- 6- Spatial management and regional balance
- 7- Improvement in healthcare and the quality of life
- 8- Improving social security and promoting justice
- 9- Cultural development
- 10- National security
- 11- Judicial development
- 12- Rehabilitating government structures, (Expediency Council, 2005).³

Challenging these lofty goals, however, is a host of serious ideological, political, economic, managerial, technological, socio-cultural and external obstacles, (Amouzgar, 2005). Although, it may seem difficult, if not impossible, to achieve all the goals of the Iran's 20-Year Vision, but the experience of countries that have been in similar dire straits in the past shows that targets set out in the Iran's 20 -Years Vision can be met and the capacity to assist the accomplishment of the goals exist. Despite the series of challenges and constraints visiting the Iran's 20- Years Vision there is potential for achieving a considerable part of its goals by drawing upon workable economic and socio-political levers.

These levers, due to the comprehensiveness of the Iran's 20-Years Vision, have a close link to all aspects of socioeconomic and cultural conditions in the country. Detailed studies of all these aspects are beyond the scale and scope of this study. So, the focus here is on the socioeconomic lever through planning and budgeting. A rational and pragmatic utilization of these levers would contribute to achieving the goals of the Vision.

Administrative structures of governments have close ties to the budget preparation process. This relationship, however, in different government structures differs significantly.

³- These goals are directly translated from Iran's 20- Years Vision.

It is evident that to move forward from the present conditions and achieve the main objective of the 20 Year Vision (top slot in economics, science and technology in Southwest Asia), depends on comprehensive reforms in the administration, implementation, planning, decentralization, privatization and economic liberalization spheres and active participation of the private sector in economic management (Nili et al, 2004). Achieving these is necessary for building platforms for decent and sustainable growth based on technological renewal and charting a knowledge-based economy, (ibid).

In search of an elusive economic model for more than 30 years, the government has not been operating under a series of five-year development plans that have never been strictly adhered to, nor did they attain all their targets. Nevertheless, this exercise in futility has continued and was extended in the preparation of the Fifth Plan (2011- 2015). By the same token, in search of a culture-specific model, planners have switched from one flawed strategy to another. The irony is that such a specific, domestic-oriented paradigm, even if it could be charted, would not only lack scientific or rational underpinning, but also actually go against Iran's own basic national interest.

Macro developmental policies and plans in Iran are still suffering from the lack of consensus among elites and social capital at the national level. One of the obvious examples of such issue can be clearly seen in the evaluation of realization of the Iran's 20-Years Vision goals in the fourth and fifth development plans. In this regard, the fourth and fifth plans are clearly focused on approaches and sometimes on conflicting actions, and are not evaluated in the continuity and complementing each other for achieving the goals of vision. To explain this inconsistency, some planners have challenged the vision goals and the theoretical foundations of the fourth development plan. In addition, regardless of the validity of these evaluations, one can infer that there is no consensus among elites and social consensus about the development goals and objectives, and administrative plans resulted from them. Our most development plans have not been developed based on the country's –socio- cultural needs and identification of the country's identity and historical characters, but based on imported theoretical models which could not be perfectly compatible with internal capabilities. The present development model does not seem convenient and graceful in the society even with beauty and vitality they may have, because they are not consistent with values, norms, relationships, institutions and social networks, which are all elements of social capital and therefore, they will not be able to attract the

society participation, consensus and cooperation to achieve their goals, (Mirsepasi,M and Bagherzadeh,M.R. 2007).

By the time of design, most development plans have been prepared at the level of political approach dominant in the government and limited to the political tastes of the authorities, regardless of the discourse interactions at level of elites, scientific-academic institutions, media and public field and therefore, they could not attract the involvement of other approaches as well as the public involvement, and did not succeed. In most development plans, the economic approach was dominant and social, cultural and political institutions were not considered so important. In this approach, it is assumed that the desired political and social changes can be also created through economic variables. This impression is based on the assumption that actors often behave rationally and arithmetically, and economic interests are the key driver to their actions. In this case, the role of social groups, ethnicities, minorities, subcultures as well as social and local networks is being neglected.

One can argue that real development may not occur by imitating foreign economic models, but rather through genuine “national, home grown and Islamic” paradigms compatible with Iran’s history, geography, politics and culture. The ideal society as enshrined in the Iran's 20-Years Vision emphasizes social justice, poverty alleviation, regional equality, and socioeconomic and cultural balance between regions and provinces. In other words, the document upholds comprehensive and sustainable development across the country. This will obviously increase the responsibilities of planning and budgeting systems in today’s Iran. This thesis aims to contribute to this process by way of critical analysis and proposing a model for better central-regional planning and budget allocation.

Socio- economic Challenges

However, despite all the abilities and potential resources mentioned above, Iran has been unable to register a high status among Southwest Asian nations. Table 1-5, shows Iranian ranking in 4 categories, namely the SWA countries, neighboring states, oil producing countries, and rival powers (World Bank, 2007).

Iran's socioeconomic conditions described here and comparison data in tables1-1 to 1-9 show that it is facing big challenges that render highly difficult the task of clinching the top

position with regard to economic performance and development in Southwest Asia. The challenges may be categorized as follows:

- Slow and insufficient economic growth rates and low levels of productive investment.⁴
- Low employment levels and lack of skills and efficiency of the labor force.
- High and increasing disparities and poverty rates.
- Deep and serious dependency of the national economy on oil and raw material exports.
- Irregular growth in urban areas and migration.
- Significant regional imbalances.
- Huge and overlapping administrative bodies that have not only failed in their responsibilities and in fine tuning the relationship between socio-economic sectors, but have, by and large, emerged as part of the problem.
- Significant degradation of the environment and natural resources as a result of overpopulation, disorganized and rapid urbanization along with unsustainable development and consumption patterns.

With this short description of goals and challenges to Iran's 20-Year Vision, which is regarded as the most important national document after the Constitution, the question that arises is: *To what extent is it possible to achieve these goals?*"

Despite the natural and material wealth, resources and capacities, mineral reserves, young, educated and professional labor force, cherished geographical position and diverse climate "why has Iran in a relatively long period been unable to achieve economic and industrial transformation worthy of its status and missed the great opportunities available in the last decade of the twentieth century?"

It is a universal fact that in the last two decades, in comparison to Iran countries like Malaysia, South Korea, China, and Turkey in Asia, and Brazil, Chili, Argentina and Mexico in the Americas, with a big population base were able to achieve higher economic growth rates by adopting prudent development strategies and are slowly, but steadily, joining the ranks of the industrialized world.

⁴-According to Fourth Economic Development Plan the average economic growth rate was set at 8% but barely 4.5% was achieved.

In response to the above questions, one should dwell on the following issues and realities in and about Iran over the past two decades. First, the monumental challenges in the aftermath of the 1979 Islamic Revolution. Second, the post-revolutionary political and managerial overhaul. Third, eight years of war imposed by Iraq. Fourth, fluctuations in oil export revenues as a determining factor in the national economy, and finally, the crippling western and international sanctions along with major obstacles to Iran's access to global markets and capital (MPO⁵ 2007).

Besides these five key impediments, as will be discussed in the following chapters, one also should take stock of the three basic factors in assessing the country's poor economic performance. First, the inefficient and centralized budgeting system, second, the unstable policymaking, inconsistent, uncertain and contradictory policy shifts and decisions and third, lack of a long-term strategy and absence of cohesive and coherent industrial and economic development policies.

The absence of viable long-range strategic plans for economic and industrial development, and the continuation of independent political development and approaches derived from wider global economic development, particularly policies not built upon economic sense and scientific logic, have all led to diverging development trends in Iran. One of the most significant policies followed systematically was the pivotal role given to agriculture in economic development plans which resulted in negligence toward expansion of industrialization and stabilization of rural population without considering technological transformations.

Acceptance of the 'small is beautiful' theory, coupled with the negative approach to large firms and trade-industry complexes without considering the organic connection between clusters, small and medium scale industries with large industrial units was another policy that has led to the persistent industrial dilemma.

Considering government sovereignty and authority as equal to the size of government, belief in expanding government influence as necessary to address economic ills and provide basic needs, and negative approach to private sector development and industrial investment should be seen as other questionable policies of recent years, (Firouzfard, 2001).

Expansion of government control and wholesale interference in almost all economic spheres like pricing, regulating the labor market, financial market, and control of banking

⁵- Management and Planning Organization of Iran

resources, sovereignty of internal-oriented approach based on a closed economy and self-reliance, and prioritizing income distribution and social justice without proper attention to production cycles, growth, productivity and efficiency, should be factored as policies leading to divergences in the development process,(ibid).

The outcome of such beliefs and policies, besides the sheer lack of attention to the role and importance of investment as a key factor in economic growth, has pushed the Iranian economy into a situation where it cannot undertake the reforms so crucial for development planning.

Despite some positive impact of economic reforms in recent times, we could say that the 60 years of baggage of development planning has demonstrated the inappropriateness of a single dimensional command-based model of development.

Therefore, it is inevitable and necessary to reconsider concepts of dominant models of development planning and initiate moves toward sustainable and comprehensive planning. The new approach, like in other countries, should be founded on cultures and social values of the society while at the same time pay enough heed to international developments and experience and the economic characteristics of the country.

The investigation of some performance indices and their comparative analysis with other countries that started the process of development simultaneously or even later than Iran could reveal the success of the implemented plan. It should be noted that in order to compare countries, figures and statistics in the CD provided by the World Bank, titled WDI, have been used, and (tables 1-4 to 1-14).

The problem of regional disparity and non-development in some provinces in Iran will be more acute if we deliberate Iran's 20-Year Vision program as a superior document for preparing midterm development plans and annual budgets which are used as key instruments of revenue and expenditure of the government for at least one year.

Hypothesis of Research

As the previous section sought to demonstrate, the inefficient performance of budget allocation in Iran has led to inequitable development and disparities between regions and provinces. Within this context, the core hypothesis of this thesis, therefore, is that sustainable (economic, political and social) development has not been achieved due to the lack of an effective central-regional development relationship. In other words, the current

quality of relations is devoid of effective decentralization, regional participation and regional accountability based on functioning regional democratic institutions capable of monitoring and managing the implementation of budget outlays on a transparent central-regional paradigm.

Main Questions of the Research

This research, with the aid of conceptual and empirical analysis, seeks to understand inequalities among Iran's diverse regions and establish what an optimum model of budget distribution could be for the country. The following questions are at the center of the research endeavor:

1. What are the characteristics and the current model of financial resource distribution, and what are the ensuing (economic, political, and social) problems and challenges of present budgeting system?
2. How does the current budget allocation regime relate to the wider central- regional government relationship and the public/private sector in Iran?
3. Can a decentralized budgeting system achieve all the goals of the government?
4. In particular, how can we address and overcome the deficiencies of the current allocation system and adjust the central-regional government relationship to help reduce inequalities and underpin the emergence of homogeneous development in all regions even when the process of investment changes?
5. What can be learnt, generally, from the Iranian experience in terms of the impact of the central-regional governance relationship on economic, political and social development and related policy-making?
6. From a more normative-prescriptive view, what could be the ideal model of budgeting in the current circumstances in Iran?

Aims and Objectives of the Research

The budgeting system of countries particularly those with similar government structures to Iran, due to their predominant role in the economic arena and in addition to their role in determining the income and expenses of government are usually vested with the responsibility for coordination among diverse socio-economic sectors. As a result, the government budget has turned into a key element in the development plans. As for Iran, the

government stands the most important and primitive kingpin of the budgeting system dealing with 690 independent public organizations holding separate budget codes.

Iran's National Annual Budget, a comprehensive document, is the representation of government structure in which the administrative and government decision-making systems are reflected. This maximum presence of government in economy has brought about many adverse consequences. On one hand, it results in lack of accountability in management system at different hierarchical levels and on the other, it makes opportunities for control evasion and lack of transparency which are the result of a centralized planning and budgeting system (top-down system).

The aim of this study is to review the process and problems of centralized (top-down) budgeting system in Iran. It later attempts to explore how it can be replaced by a decentralized (bottom-up) decision-making and budget allocation mechanism that could be compatible with the interests and expectations of regional authorities in order to have more equitable allocation of national resources.

In this regard, survey on the experiences and challenges of some selected countries and their model of planning and budgeting systems from a particular perspective of budget allocation processes in the central-regional government relationship would be considered. At the end, based on the conclusions and policies resulted from critical analysis of intensive centralization of planning and budgeting process in Iran (chapter two and three of the thesis), and considering concept of "good governance" and responsibility of government for fair, reasonable, efficient and accountable service delivery (chapter 4) and also results derived from field studies including interviews and questionnaires by a wide range of experts and eminent scholars of planning and budgeting system in Iran (chapter 5), I will illustrate a decentralized model of planning and budgeting which benefits from an integrated central-regional government relationship that in turn results from a set of guidelines aimed at modifying rules and regulation pertinent to the planning and budgeting system of Iran.

Conceptual Framework

Planning and budgeting constitute the process by which objectives and resources, and the interrelation among them, are taken into account to achieve a coherent and comprehensive program of action for the government, (Murphy, 2006). This research, like

any other development study, attempts to develop a framework in which this process may be carried out and followed by theories and approaches of modern planning and economic development at national and regional levels. A survey of the history of planning and budgetary system in Iran and a critical review of economic development planning at global level are all provided.

As noted, most of the reasons behind regional imbalance in Iran have been explained by the economic development theories based on maximizing input and allocation of resources to different sectors for achieving higher economic growth. The economic growth models which will be thoroughly discussed in Chapter 2, support regional development idea through national income spillover. If these models prevail, it would take ages to induce a decent standard of living for people in the least-developed regions of the country.

Iran (as opposed to Faludi's findings 1998) is a country with maximum share of socio-economic activities including development plans implemented by governmental organizations using inflexible centralized financial and administrative structures coupled with a semi-balance of de-concentration in the form of minor delegation of authority to provincial officials. So, instead of allowing the private sector to emerge as the locomotive of growth, the public sector still remains the main source of production and employment. This shows the dismal condition of Iran's centralized economy (Mahmoodi, 2006).

Due to the centralized planning and budgeting system and the ineffective role of regional authorities in the financial and administrative affairs of regions, the research is framed within a theoretical concept of decentralization which will be discussed in the coming paragraphs.

In addition, secondary data related to the issues of concern are collated and synthesized. The research will follow Rondinelli's (1981) view regarding the summon and use of financial resources for development and belief in decentralization as an ideological principle which seeks goals of democratic decision-making, public participation, government accountability and self-reliance of regions. The research also pays due attention to Turner,M and David Hulme's (1997) category of devolution of authority from central to the lower levels of government which consist of a) devolution in formal political structures; b) internal transformation of authority in public and non-public administrative structures (from the central office of a ministry to the sectorial office in the same ministry);

and finally authority transformation from a government institution to a non-government organization.

If the assumption is that a plan is the outcome of public participation and government planning, or we assume that it is the result of consensus of public, private and civil organizations, and emphasize on institutionalization, it would not be possible to build a workable and rational plan, unless it is done in a purely decentralized circumstance and with the participation of all groups, communities and parties at different levels of planning, (Ejlali 2006).

Theoretical Concepts of Decentralization:

Decentralization is the transformation of authority and responsibility from the central government to local and regional authorities or private sector, so the theoretical and rational credit for this conceptual framework in the economic sense is the relation between decentralization and efficiency which was first propounded by Tiebout (1956).

Tiebout argued that, local government would fulfill the needs and willingness of their people much better than the central government and they would allocate financial resources more efficiently. In the concept of public finance theory, the most important aim in financial decentralization is to improve efficiency which will lead to an increase in the welfare of consumers or tax payers. In the concept of General Choice Theory, decentralization also means the control of authority of central government (Martinez-Vazquez, and R.M. McNab (2000). It is also said that, decentralization can prevent excessive supply of public goods and services and reduce inefficiency of the public sector (Brennan, G and J. Buchanan 1980).

Since the appearance of Tiebout (1956), or Oates (1972) classic studies, a growing branch of literature on public economics has focused on emphasizing the benefits of political decentralization and the federal state, and the competition among regional or local governments that it makes possible, to the detriment of centralized systems in which resource allocation and spending decisions are made by central governments" (Cai and Treisman 2004). Besley and Coate (2003) are of the opinion that this has already become a classic problem in public finance and economics, in which the questions on how authorities should allocate public goods and how the costs of provision should be shared demand appropriate answers.

From an economic perspective, it is argued that decentralized systems of a government have better abilities to match service provision to the preferences of the constituencies and, accordingly, can deliver public services more efficiently (Rodríguez-Pose and Bwire 2004). If we analyse the issue from a political point of view, it is argued that they are preferable because "they tend to be more accountable and transparent and increase political participation factors which, in turn, have an indirect positive effect on efficiency" (Ibid).

Therefore, as suggested by Sewell (1996), the case for decentralization is fundamentally based on efficiency considerations, and two discourses would compete, namely, the proposition that central governments are more efficient in providing services (Prud'homme 1995), and the devolutionist and "new regionalist" discourses (Keating 1998) according to which there is a positive link between efficiency and decentralization. The most compelling argument in favor of decentralization is that it can better match citizens' preferences for public goods. On the other hand, opponents of decentralization, such as Crook and Sverrisson (2001) and Smith (1985), argue that power should remain in the hands of central governments, since local authorities' lack of human, financial and technical resources would prevent them from providing appropriate public services in a decentralized scenario (Faguet, 2004). Specifically, enhanced decentralization may lead to higher administrative costs, which arise due to the difficulties of exploiting economies of scale in local governments.

Several case studies corroborated that typically decentralized countries are more responsive to citizen preferences in service delivery and strive harder to serve their people than centralized countries. Crook and Manor (1994) in India, and Blair (1996) in Philippines concluded that decentralized government had a positive impact on the quality of service provided for their people and created an index of governance equality by the creation of several quality of life indices like, political freedom, lack of corruptions, level of education and health, citizen participation, political stability, judicial and bureaucratic efficiency.

According to studies done by Huther and Shan, (1998), there is a high correlation between governance quality and per capita income. OECD countries dominate the top governance category and none are in the two categories with the poor and poorest governance. In this survey, there are no African countries in the top governance category. But now the question would be that, whether a country like Saudi Arabia, or Kuwait with a

high per capita income, can claim that good governance or top governance runs in these countries?

Feathers and Effects of Decentralization:

In a centralized country, central government assumes the exclusive responsibility for fiscal policy. In decentralized countries, fiscal policy becomes a responsibility shared by all levels of government. The central government in these countries uses its power to the purse (transfer) and moral suasion through joint meeting to induce a coordinated approach (Blair, 1996). The statements "enable everyone to act and think like a leader, not merely follow the plan", (Yukl, 2008), or "enable everyone to act and think like a leader"(Hope and Fraser, 2003) carries with it a certain amount of ambiguity. However, they clarify this somewhat by saying that the objective is to create a more participative society whereby decision making and responsiveness is devolved and everyone in each part of country carries personal responsibility for his or her part in it. This is called a devolved and adaptive approach to centralization and devolution and is in contrast to the present traditional budget based and centrally planned model.

Therefore, real decentralization indeed functions as an efficient tool for increasing and augmenting the efficiency of the public sector and the national economy by transformation of authority to lower levels of government for decreasing the authority of the central government (Rondinelli 1981). Rondinelli has mentioned a lot of positive results in favor of decentralization.

- a. In some areas, decentralization has resulted in the increased cooperation of the people and the power of local administrative and political leaders to exert pressure on the central government's organizations.
- b. In many countries, the administrative and technical capacity of the regional and local organizations has been gradually increased.
- c. There has been an increased access to the central government's sources and institutions for the people who inhabit rural areas and local communities.
- d. A lot of new organizations have been established at local and regional levels aiming at development planning and management.

Another positive effect of decentralization in terms of efficiency is that, in a centralized system, policymakers take decisions aimed at reflecting the interests of the entire country

(Rodríguez-Pose and Gill 2005). However, if interests differed across regions, this would be inefficient, as some regions would not benefit from national policies. If preferences vary from region to region, it would be more efficient to alter the public provision of services geographically. Under these circumstances the provision of services by the public sector would be more efficient in a decentralized structure of government.

Since the responsibilities which are to be carried out via decentralization are assigned to local and regional levels at once, usually many administrative problems will occur. One of the identified problems is the difficulty of an accurate division of various tasks over different levels of government, and drawing a border between them is not an easy task (World Bank, 1992).

In cases where the decentralization projects have failed, they have usually faced insufficient political and administrative support of the central government, or in other words, the tendency of the political and administrative leaders to preserve the centralized authority. If the bureaucracy of the top level of the central government opposes decentralization or does not fully understand it, decentralization task will not make any progress, because for many years, the capital settling bureaucrats have been accustomed to determine everything in the center and notify it to lower levels, (Ibid).

Decentralization experience in various sectors of third world has shown that local development requires the cooperation of different institutions, a kind of cooperation that should be integrated and include supplementation among its various parts, (Yukl, 2008). The services and technologies supportive of local development should regularly boost each other, (ibid). Even in centralized systems of management and planning, coordination among institutions plays a significant role in the proper management. However, in decentralized systems, coordination is the magic word that leads the whole system to a systematic movement or causes distress and indiscipline, (World Bank, 1992). Another reason for the failure of decentralization projects is the failure in the transference of the financial sources to the level of government to whom the responsibility has been assigned, (Ejlali, 2006). Transference of power without the transference of financial sources is one of the factors resulting in confusion and finally, failure of the projects. Central government, doubtful and disbeliever in the local governments' ability, usually adapts this approach, i.e. it transfers some of the power, but makes the delivery of credits conditional to the agreement of a central authority, (Ibid).

Decentralization must be a gradual process for capacity building and for the establishment of non-governmental and local organizations that can efficiently accept the new responsibilities and tasks. The notion that decentralization implies withdrawing the tasks from central agencies and transferring them to their regional and local counterparts does not match the reality, (Ibid). Most of the time, such agencies do not exist. The available branches of ministries or the existing weak and inactive units are, organizationally and attitudinally, not able to act as governmental local units and/or based on a self-standing criterion. The capacity building is all technical, organizational as well as cultural and social, (Ibid).

Introversion, regionalism, and stinginess of small environments can prevent from making sound and sensible decisions for a long time. These inefficiencies continue as long as they remain hidden from the people and critics behind the generosity of the central government. That is why if the central government does not restrict the financial transferences, assignment of power to local authorities will result in the increased costs for the government, (Rahnavard, 2010)

The cultural infrastructure of the society or human agent is also one of the most important factors that must receive due attention in every kind of decentralization plan. By cultural infrastructure of the society, we mean the social habits of the people concerning cooperation in the management of the society affairs which is what is referred to as the cooperation culture or political culture (Ejlali, 2006).

Since the behavior of the people (both individual and collective) originates from the previous historical experiences, and every kind of organizational reform has to be carried out by human agents, the traditional political culture can act as an obstacle or, on the contrary, as a reinforcement for decentralization policy (Rodrguez-Pose and Bwire, 2004).

However, in addition to a nation's past, its current conditions can also act for or against decentralization. For example, in the countries which have huge revenues in the form of rental income (like oil in oil-rich countries), the regional and local levels have accustomed to rely on the "endless credits" of the capital, and their usual method of planning is to make a list of their needs and refer to the capital to take the required money for their fulfillment. In these countries, decentralization is contrary to the established habits of all authorities and local people as well as the governmental bureaucrats and politicians.

In these conditions, decentralization may be accepted by all in words. But, immediately they will request more credits from the central government, and when they are told that decentralization means the continuous decrease in the aids from the central government until they reach a minimum, not the increase of such aids, they conclude that adoption of this approach is impossible. However, fortunately, the growth of population, instability of costs of the valuable raw materials in global markets, constant changes in prices, and tendency to futurism and planning, will gradually force the politicians of these countries to increasingly rely on the internal interests and for this purpose, accept to use decentralization as a toolkit (Rahnavard, 2010).

Decentralization in Iran:

Considering all these merits and demerits of decentralization, taking into account my understanding and lengthy experiments of the features of Iran, I will attempt to raise some ambiguities that might come to mind with regard to the issue of decentralization in, this ancient land. We should first distinguish between centralization/decentralization in governance and other applications of this term. This study deals with decentralization of governance (government or country's administration).

Based on this definition, decentralization of administration is an integrated and undividable phenomenon and cannot be categorized into different administrative, financial, and political types. This is due to the fact that none of these hypothetical types could be realized in isolation from other types. With this regard, the main opinion among regional planners is the view that Rondinelli, the famous regional planner, and his colleague Cheema proposed in the articles they first wrote for the World Bank in 1981 and then in 1983. It is still agreed that decentralization in governance is not of different types, but of three dimensions: political, administrative, and financial. The difference between the different types and different dimensions is that different types of decentralization of governance could mean that the political structure of the country is totally decentralized (authority to make decisions in that country has been to a great extent bestowed upon lower national levels) while administrative structure has remained centralized (i.e. administrative regulations and solutions require the order to be issued from a center in order to be legitimate).

Despite the existence of a decentralized administrative and political structure, there is not a regional or district authority or financial resource; in other words, financial structure is totally centralized. It is obvious that transfer of authority to make decisions will not result in decentralization without having financial and budget resources and regulations for carrying out the duties at lower levels than national. The opposite is also true, i.e. having regulations or financial resources without having the authority to make decisions will not result in decentralization. In other words, it is possible to decentralize governance only when it is done at three dimensions of politics, finance, and administration.

As a result, decentralization at only one of these dimensions is in fact practically meaningless. In addition, until the above process has not been translated into law and until it is not implemented at the national level and all across the country and for all sectors based on a pre-designed and agreed plan, its effects will not be tangible.

Another important principle with regard to decentralization is the distinction between legal decentralization and practical decentralization. From the point of view of political law, the system of governance in Iran is a centralized one that lacks agglomeration. A central governance, or in legal terms, an integrated governance means that in these countries, from the perspective of law, only one governance has the authority to make decisions.

However, governance in Iran is agglomerated too; meaning that based on ordinary rules and regulations, some authorities of the central government is bestowed upon governmental bodies that are lower than the national level. The major rules and regulations are the laws pertaining to divisions of the country and councils' rules in which some parts of the government authority is bestowed upon intermediary government institutions such as provincial governments, general offices or local institutions such as administrative sector, municipalities, village administration offices, and councils in cities, towns, and villages. These institutions are placed at a lower level than national and are somewhat considered the followers or representatives of the central government (and not independent government bodies) and whose authority is limited to certain scopes.

In its general sense, decentralization is a necessary process and is one of the signs of good governance. It could pave the way for participation of the private sector, civil institutions and the people. In order to become decentralized, government's responsibilities need to be categorized and each category (and category of authority) is bestowed upon a

certain level of government institution. In fact, the legal federal system provides excellent conditions for decentralization and makes it legal. However, it is by no means necessary to have a federal government; in order to become decentralized. This process is absolutely possible through delegation of authority and using ordinary laws. In many countries all over the world, among them Iran, this trend has been common after constitution period and thus it is possible to continue with this approach.

A group of experts in Iran have repeatedly emphasized that the establishment of government institutions, which are lower than the national level, as representatives of the central government is a sort of de-agglomeration and is limited to reducing the work load of the central government and thus is not related to decentralization, (Ejlali 2006). Although this is true in theory and in legal terms, it is to some extent passive thinking. The fact is that there is not a firm boundary between decentralization and de-agglomeration. Different experiences all around the world have also confirmed this claim. Most of the countries that started establishment of these institutions in the 1970s (including Iran where decentralization started with the establishment of provincial Offices for Plan and Budget and specific district projects as well as councils in cities and provinces) obtained considerable success in reducing the gap between center of the country and its regional areas (PBO, 1987). Local institutions are usually formed gradually with the expansion of the authorities of this institutions and this provides the grounds for turning de-agglomeration into decentralization. This is an event that has occurred in many countries. However, one could here distinguish a significant boundary between pure de-agglomeration and a sort of dense decentralization and that would be the establishment and activities of the election-based institutions at levels lower than the national level (Ibid).

The existence of an election-based institution construes people's participation and supervision and it legitimizes non-central decisions. Establishment of such institutions is usually possible under usual laws (in Japan, England, French and many developing countries). In Iran, such institutions have been envisaged by the constitution (councils of provinces, cities, towns, and villages).

Therefore, Rondinelli and Cheema in their classic article in the 1980s regarded decentralization and de-agglomeration as two points on a continuum that goes from absolute centralization to absolute decentralization.

Local election-based institutions would only contribute to decentralization if they were really decision-making institutions (within the scope of their responsibilities and influence, no matter how limited it is). If such institutions are only formal entities and play merely an advisory role for the authorities in the province or the city, or even worse, and if they play the role of mass media by going from one office to another just trying to bring about people's problems, beg to solve people's issues, while themselves are deprived of any authority but to collect people's money (an assumption that some hold with regard to councils), they will leave no effect on decentralization. The goal of these election-based institutions is supervision from below and making decisions on the issues that could be decided at a level lower than the national level. This means doing something that the central government cannot perform (Ejlali 2006).

In other words, responsibilities of these councils as representatives of people include supervision of local authorities. Among other tasks, one could name ratification of regional and local development plans. In contrast, it might be argued that intervention of these institutions limits local and regional authorities and will lead to disagreement. With the supervision of central government on the performance of local authorities and the existence of monitory institutions at the national level, one could ask what the logic behind having a bottom-up sort of supervision is.

In response, it should be said that top-down supervision is always different from bottom-up supervision and each is tied with certain responsibilities that could be diverse. Top-down supervision is mainly viewed from the financial and legal perspective and is usually done after spending the budget, while bottom-up supervision deals with the performance of institutions and the quality of their services. It is through this sort of supervision and election that people participate in regional and local development plans and affairs and careful attention is paid to the performance of local authorities who enjoy good authority and financial facilities in decentralized conditions and want to be accountable.

Local media and civil society and the local private sector are other elements of this system that change the process of regional and local administration from a bureaucratic act to a political one, thus leading to a lively atmosphere for discussion. In such a condition, corruption will decrease significantly. However, top-down supervision has only been allocated to proper implementation of rules and regulations and current expenses. This is because the central government has no more the supervisory ability.

Administration of countries is a historical phenomenon and no two countries have similar historical experiences. Therefore, any sort of change in the administration of countries needs to take into account the history and should be done gradually. For instance, in Iran's past history, centralized governance has always resulted in safer roads and boost of commerce and agriculture. However, decentralized governance, insecurity and war have resulted in stalemate of commerce and thus increase of poverty. Therefore, people have naturally preferred centralization and oppression that is accompanied with security over insecurity. The result of this historical experience is that Iranians, in their historical unconscious, attribute security and progress to centralization and confusion to decentralization. It is impossible to change this historical memory without proper education.

Decentralization of administration is an approach that is used to enhance the quality of management in the country and is not a goal in itself, thus it should not be imitated, (Rodriguez-Pose and Bwire 2004). The best practice is not to make any changes in the combinations that lead to proper conduct of responsibilities and it is better to limit decentralization to the affairs in which tasks are not progressed desirably. It should be noted that decentralization needs to increase efficiency, people's participation, and democracy and should result in saving. In order to realize these goals, time plays a crucial role, i.e. experience has demonstrated that costs might increase in the initial years and even tasks might slow down. However, we should not lose hope and we should keep in mind that decentralization is a gradual process (ibid).

Requirements of Decentralization:

We should also keep in mind that these three factors, i.e. higher efficiency, democracy and saving, are the criteria for allocating responsibilities to different level of governance. When allocating responsibilities to different levels, in addition to global norms, one needs to take into account the particular situation in Iran. Since it takes some time for the lower-level institutions to obtain the necessary efficiency to perform tasks, and they need to be provided enough opportunity before making judgments on their capability.

For a successful decentralization first central government must be seriously willing to start and in the local and intermediary levels, there must be enough willingness and potential for accepting new responsibilities, (Loehr, W. and Manasan, R. 1999). At the

local and regional level, not always is there motivation to accept new responsibilities, (Rahnavard). In many cases, provincial authorities or even those located in cities might prefer for the decisions to be adopted by the center (ibid). This is due to the fact that decision-making is a difficult and hard task and not everyone is willing to do that. In addition to motivation, potential is also a serious issue. The important point that could be raised here is how decentralization would be possible in the absence of hardware and software facilities (necessary potential) for doing current and civil activities at levels lower than the national level. The answer is: through all existing potentials in the region, in the private and government sectors, in the civil society and the media as they all play important roles. Advisor engineers, contractors, universities, human force, and investors are the other players in the scene of decentralized management and planning without whom it would be impossible to direct the show of “decentralization”. Therefore, organizational capacities and social and human assets are other requirements of a successful decentralization.

The last important issue with regard to Iran is inter-coordination between different sectors. It is basically difficult to have inter-sector coordination in a centralized system, which is based on vertical hierarchies. However, the central government is rich and has access over an immense revenue (such as oil revenue), thus increasing the existing problems. Since government resources are based on oil revenue, the assumption that government resources are unlimited, either consciously or unconsciously, will lead everyone towards proposing and implementing projects. Therefore, each ministry claims that the sector under its supervision has a bigger role in the development of the country and thus asks for bigger budget. Thus, ministries are expanded and they establish all the different kinds of institutes from research to entertainment, administrative, manufacturing and the like and affiliate themselves to these institutes. It is natural that in such a case ministries act based on sector’s interests and not the interests of the whole economy (national interests). This is because authorities in the sector are usually unaware of the total state of the economy and do not hold themselves accountable. It is the president and his advisory organizations that need to take care of the inter-sector interests and the whole well-being of the society. Most of such organizations have been part of the administrative body and in the Management organization and some have been part of the education and research institutes. In the legislative body, the Islamic Majlis has been responsible.

Expediency Council that is responsible for the generic policies could also contribute to inter-sector coordination. Meanwhile, if these organizations do not have enough information and act poorly, the inter-sector coordination will not be realized. Consequently, the result could be construction of hospitals that lack doctors, ships that do not have piers to discharge their cargo, and graduates for whom there's no employment opportunity in the economy. Such a situation could lead to wastage of resources and failure of all development attempts. A positive feeling and result of a good decentralization in Iran would be the increase in the coordination among different sectors and particularly at the level of provinces and cities. If the discussion around integrated urban management (and provincial) is realistic and unexaggerated, in other words if the issues we raised on decentralization are observed, it could lead to a decentralized system that achieves saving and coordination in development decisions and eventually the country's progress.

As discussed, decentralization transfers the responsibility from central government to local and regional authorities, and emphasizes their accountability, therefore this process not only becomes a strong incentive for local authorities to consider the priorities of the regional people, but also leads to innovations and initiatives in the production of goods and services, cuts production costs, and helps improve quality (Loehr and Manasan 1999). Through decentralization accountability of politicians to public increases, and by extension curbs corruption in the public sector (ibid).

So, the extent of the right to decision-making and its implications, and the mechanism on which the decision-maker has to be accountable to the public, and under the supervision of the people or their legal representative(s), is the base and foundation of an ideal management system. In more recent times and at the global level, commitments of decision-makers are measured by the degree of their accountability vis-à-vis their formal responsibility (UNCRD, World Bank).

Any failure in the realm of decentralization would result in the inefficiency of implemented development plans. In the words of Wood (1997), real decentralization, privatization, deregulation, and economic liberalization should be accompanied by **a)** democratic political system, **b)** dynamic civil society, **c)** local and regional elected decision-makers with enough authority, **d)** participation of NGOs, **e)** active private sector, **f)** decentralized budgeting system, and finally **g)** an efficient budget allocation model (Wood, 1997).

So, the conceptual framework of this research is based on points "f " and "g " of Wood, emphasizes on greater participation of the public and NGOs in regions.

According to these frameworks, the research will explore the changing role of the central government in the final years of the Fourth 5-Year Development Plan in 2009. It argues that although economic policymaking is now conducted in a very different political climate compared to the years before the 1979 revolution, there remains a powerful institutional legacy. The thesis examines the evolving role of the national planning process and looks at the implications of the new law on national planning, especially delegating the task of decision-making to and among the national planning agencies (Management and Planning Organization) and its provincial branches which are now affiliated to the Interior Ministry.

Methods and Methodology:

Every effective scientific research is informed by and relies on a philosophical perspective, a methodological framework in line with that philosophical perspective and approach, and methods and techniques compatible with the methodological framework in question. For research in the field of Human and Social Sciences, to which the present study belongs, usually a number of standard philosophical perspectives are utilized.

The present research which is a critical review of the process of planning and budgeting in Iran over a period of 60 years (thirty years before and thirty years after the Islamic Revolution in Iran), makes use of the philosophical perspective of Critical Rationalism, methodological framework of Situational Analysis, and various methods such as sifting through library documents, reports issued by various government agencies in Iran, books and papers on planning in general and on the case of Iran in particular, expert and official reports of international organizations concerning the issue of planning, as well as in-depth interviews with Iranian experts on planning.

The fact that the present research is partly a descriptive study does not conflict with its analytic, critical and applied aspects. A descriptive research can be used for elaborating on and rational criticism of a theory (Babbie, 2001). On the other hand, the descriptive part of the research does not clash with either quantitative or qualitative methods for gathering the required data and information.

A descriptive research can either be carried out on a very small number of observation units (cases) and hence, there is no need to apply statistical approaches to the analysis of the results. Or, it can be carried out by using a big number of observation units (cases) and therefore, it necessitates the application of statistical approaches. However, a descriptive research can also be a field, survey or documentary research depending on the data collection tools it utilizes (*ibid*).

Using the survey method does not necessarily mean the use of a particular technique for data collection. For the present research I have not only used questionnaires but have made use of other techniques such as face to face interviews and content analysis (or more accurately, secondary analysis of existing data and interviews), as recommended by (De Vaus, 1991). In Babbie's words (2001), a survey research is the application of questionnaires on a sample of respondents who are selected from among a population, and this is exactly what I have done through face to face interviews with Iranian experts for collating their 'tacit knowledge' concerning the process of planning in Iran. Details of this approach are explained in chapter 5 of this thesis.

Also, Alreck and Settle (1995) believe that face to face interview provides the most actual contact with respondents since it facilitates both auditory and visual communications with them. Face to face interview can help to acquire the cooperation of respondents and maintain it for a long time. This method minimizes no-response bias and is appropriate for small and geographically concentrated samples. It is faster than postal surveys. However, it is usually the most expensive method per respondent due to the travel and the interviewer expenses particularly if the respondents are scattered across a wide geographical area.

According to Alreck and Settle (1995) the questions addressed to respondents make up the main part of the survey plan. Every effort is aimed at questioning and investigation. Questions are the elements that do the actual interrogations. The questions which address the respondents are the most basic elements whose application usually has more fundamental impact on the survey results. The task of writing the questions, which is so important and should be carried out with precision and accuracy, is considered very essential. Therefore, attention should be paid to three features in drafting the questions: focus, brevity and simplicity of design. With all the above in mind, I developed a questionnaire containing fifty- one questions which were divided into seven sections.

Part of the present study covers the experiences of Iranian experts actively involved in the development of budgeting at both the central (national) and regional (provincial) levels. For this purpose, a group of experts with development planning and budgeting experience at the national and provincial levels were identified and were invited to answer and discuss research questions and deliberate on complex ideas.

As almost all books on methodology suggest, in a study of the type undertaken here, the persuasiveness of the group providing expert judgment is central to its success. The persuasiveness, in large part, is linked to the reputation of the planning and budgeting experience of the members of the group.

The experts who were invited to take part in the process of data-collection and information gathering for the project, constituted two major subgroups. The first were senior experts in national planning and budgeting who, as members of the central office of the Plan and Budget Organization (PBO), have been actively involved in the preparation of national development plans and budgets in Iran over the past two decades. The second group was comprised of senior experts who were affiliated to the Office of the Governor Generals or provincial bureaus of the PBO and have been actively engaged in preparing and implementing provincial development plans and budgets. Using a combination of random and non-random sample strategies, a representative sample was taken from each of the above groups. Given the relatively small size of the number of experts who were involved in the above exercise, a sample size of 30 was considered adequate for each group.

Regarding the philosophical perspective/methodological framework of the research, from among the available philosophical perspectives and frameworks usually entitled as positivism, hermeneutic, phenomenology, constructionalism, Critical School, etc. (Denzin and Lincoln 2000), the philosophical perspective known as Critical Rationalism has been selected.

Critical Rationalism (CR) is a school of thought particularly associated with the Austrian (naturalized British) philosopher Sir Karl Popper (1902-94). The main tenet of this school is defined by Popper in terms of intellectual attitude: "An attitude of readiness to listen to critical arguments and to learn from experience; it is fundamentally an attitude of admitting that 'I may be wrong and you may be right, and by an effort, we may get nearer to the truth'" (Popper 1971).

Popper has made significant contributions in many fields of traditional philosophy, in particular, epistemology and scientific method, and his work has been influential on many distinguished scholars/academics/researchers working in various branches of natural and social sciences and humanities.

According to Popper (1972) explanation and justification run in opposite directions. When confronted with this opposition, we can either abandon justification or explanation. Popper pointed out we can never justify anything, we merely criticize and weed out bad ideas and work with what's left.

Popper maintained that science moves forward through a method of conjecture and refutation. He emphasizes the need for an open society, a society where people can speak out and criticize. After all, if science progresses through refutations, criticizing becomes essential. We need to speak out and therefore we need the freedom to do so. Popper was against any form of government that didn't give people the chance to speak out. Popper's thinking could probably best be summed up in this quote, "I may be wrong and you may be and by an effort, we may get nearer to the truth" (Popper 1971).

Critical Rationalism upholds a kind of Socratic Method which rejects the conviction of most philosophical traditions which regard knowledge as something that has to be certain and justified. CR takes the view that we don't have ultimate answers, but knowledge is nevertheless possible; through error-elimination we will be able to get closer to the Truth.

While CR often emphasizes criticism, it also encourages, epistemic pluralism and creative thinking; we need to come up with as many new ideas as we can, then let the process of criticism weed out the less workable ones (Popper 1972).

Critical rationalism relies on a non-naive and minimal realistic point of view, suggesting that there is a reality independent of our minds, languages and conventions. .

Critical rationalism subscribes to the view that attainment of objective knowledge is possible. Knowledge, according to critical rationalists, is neither 'justified true belief', nor 'reliable true belief', nor 'self-evident true belief' (Miller, 1996). It is a set of conjectures constructed by us to 'represent/explain' reality (in the areas of interest, whether in the realm of nature, or the territory of socially constructed entities (Popper, 1963/1965). 'Objectivity' boils down to 'public accessibility and public assessability' of our knowledge-claims (Paya 2011, Popper, 1979).

Critical rationalism divides reality, from a general perspective, into three scopes of physical realities, subjective realities, and "constructed realities" which are the products of cooperation between mind and the world outside it (Popper, 1985). These three territories have been respectively named "World 1" "World 2", and "World 3". Popper defines the three Worlds in the following way:

"First, there is the physical world – the universe of physical entities-; this I will call 'World 1'. Second, there is the world of mental states including states of consciousness and psychological dispositions and unconscious states; this I will call 'World 2'. But there is also a third such world, the world of the contents of thought, and, indeed, of the products of the human mind; this I will call 'World 3' ..."(Popper (1984)cited in Faludi 1986).

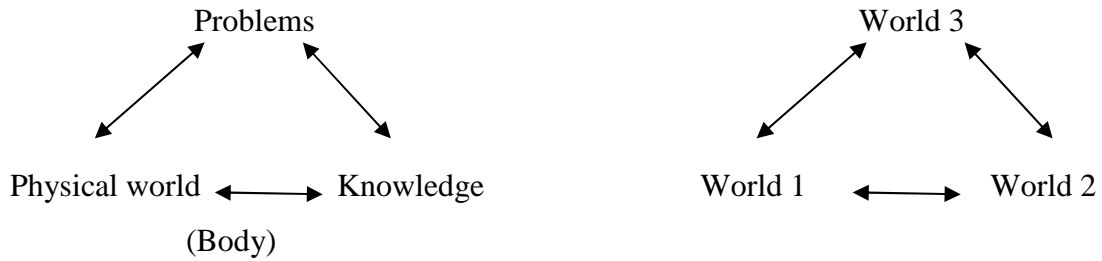
World 3 which is the result of the interaction between worlds 1 and 2, is the container of theories, thoughts, the content of ethical and legal systems, lyrics and music, stories and legends,... and the entire humans' developmental products. Many of these exist in the form of material and belong to World 1, but here what matters is what they express (Faludi 1983).

This world is objective and independent of individuals. The sign of reality for any entity is its capability of causing change in other entities. According to Popper, "... that the entities which we conjecture to be real should be able to exert a causal effect upon the *prima facie* real things; that is, upon material things of an ordinary size..." (Popper and Eccles (1984),cited in Faludi 1986, p.274).

This applies to W3. That is, World 3 affects World 2 (humans' minds) and consequently (World 1).....and, in turn, is affected by W2 and W1 (the latter affects it through W2). For example, in the time of Iran's Islamic Revolution, the cassettes containing the late Imam Khomeini's speeches played an important role in encouraging and guiding the revolutionary movement. The contents of these cassettes belong to World 3.

In the following figure and table, different aspects of the three worlds 1, 2 and 3 are illustrated:

Figure 1-1: Different aspects of the three worlds



Source: Mark Amadeus Notturmo, On Popper, Wadsworth Publishing Co, 2002

Concepts and function of different aspects of the three worlds 1, 2, 3

World	Concepts	Language Function
3	<ul style="list-style-type: none"> - Scientific and philosophical theories and issues - Ethical principles, religious teachings and legal terms. - Myths, fictions, narrations, conjectures, and assumptions. - Technological construction plans and projects 	Critical Prescriptive Descriptive Descriptive and Prescriptive
2	Self Knowledge Feelings from 5 Senses emotion and excitements	Descriptive Critical (exclusively as a member of a society) Communicative Descriptive
1	body	

Source: Mark Amadeus Notturmo, On Popper, Wadsworth Publishing Co, 2002

As indicated by Faludi (1983), Popper suggests three "building blocks for the methodology of planning as regards the definition of decision situation". One of these building blocks is "Situational Analysis". Popper gives the following account of this concept: "by a situational analysis I mean a certain kind of tentative explanation of human action which appeals to the situation in which the agent finds himself... we can try... to give an idealized reconstruction of the problem situation in which the agent found himself,

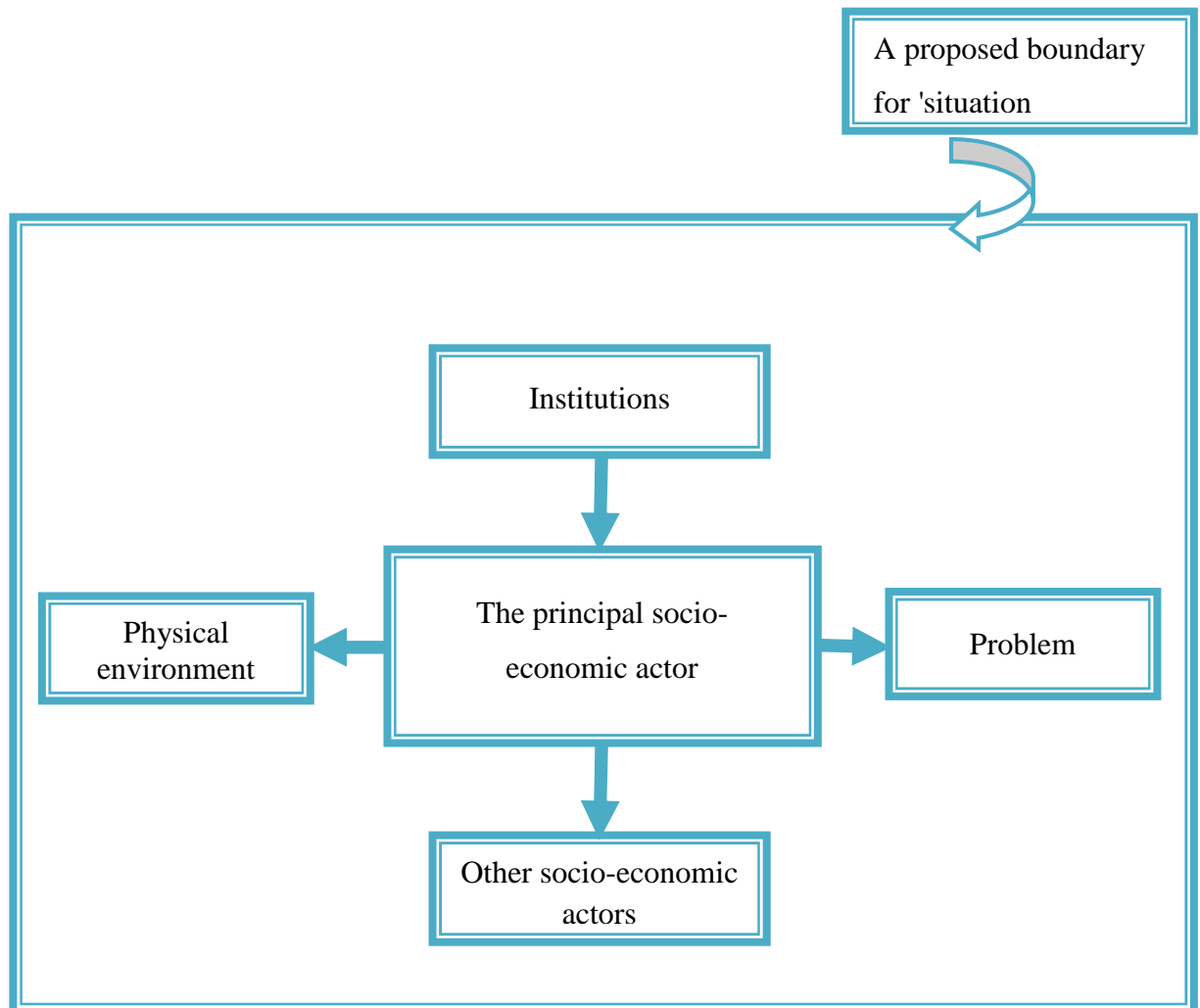
and to that extent make the action 'understandable'... that is to say, adequate to his situation as he saw it" Popper (1979), cited in Faludi (1983).

An advantage of this framework which is one of the most appropriate methodological frameworks for humanities and social sciences is that it makes adoption of many different methods and techniques possible. Moreover, this methodology enjoys the strengths of methodologies like hermeneutics while is free of their weaknesses such as their tendency toward relativism.

A further strength of this methodological framework lies in the objectivity of its findings. That is, in this methodological approach instead of relying on subjective and unavailable epistemic aspects of socio-economic actors, attention is directed to objective aspects such as the desired goals and values for the actors, and available knowledge to them, and the environmental circumstances (in its general sense) within which they act. It is in this context that the dynamism of interaction among socio-economic actors is assessed. In interpreting the action of each actor, this methodology stresses on aspects which can be publicly criticized, assessed and consequently improved.

Another important point to note about the methodology/method of Situational Analysis is that it not only can be used for explaining the behavior of individual actors, but also the behavior of institutions, organizations, and other collective entities such as nations. Here, the principle of 'Methodological Individualism' informs the application of the methodology/method of Situational Analysis. (Popper (1945) 1966, pp. 88–99). The following chart presents different components of the methodological framework/method of "Situational Analysis".

Figure 1-2: Different components of the methodological framework/method of "Situational Analysis"



CHAPTER TWO:

PLANNING AND DEVELOPMENT IN IRAN

Introduction

For decades thorough and reliable reviews and informed critical analyses of the planning, budgeting and developmental process in Iran have been a rare if not extinct feature. The absence is as conspicuous in Farsi-language economic studies as it is in other (English) languages related to and dealing with Iran's economic health.

The focus of this chapter is to provide a critical assessment of planning and budgeting and their subsequent relevance to development patterns in Iran. A historical overview of planning and budgeting in the country is also presented and special effort has been made to demonstrate why the two processes--planning and budgeting -- have been unable to produce the desired results.

Planning is usually regarded as a rational method to allocate scarce resources to the most important goals considered necessary to build and elevate a society to a higher status. Perhaps the first question that arises is indeed what type of a society planning could create and nurture. Prioritizing the goals is the next step in the complex exercise known as economic development. An elaborate roadmap to achieve the goals is desired function of the planning process.

There is hardly agreement among economists with regard to an acceptable universal meaning of the term economic planning. Economic planning refers to any directing or planning of economic activity outside the mechanisms of the market. According to Prof. L. Robbins economic planning is the "collective control or suppression of private activities of production and exchange" (as cited in Jhingan, 1978). According to Hayek planning means "the direction of productive activity by a central authority" (ibid). According to Dalton, "economic planning in the widest sense is the deliberate direction by persons in charge of large resources of economic activity towards a chosen end". (ibid) Even though there is no unanimity of opinion on the subject, yet economic planning as understood by most economists implies deliberate control and direction of the economy by a central authority for the purpose of achieving definite targets and objectives within a specified period,(ibid).

Planning is the exercise of intelligence to deal with facts and situations as they are and find a way to solve problems (Nehru, Jawaharlal 1961). If we could first know where we are, and whither we are tending, we could better judge what to do, and how to do it (Abraham Lincoln 1858).

National economic planning is a wide, complicated and diversified phenomenon and defines not only the political and economic system of a country; it also illustrates its structure, size and level of economic development. As such, economic planning activities in all countries can be associated with one or two planning systems, which include developed and developing countries. It seems the main differences in the nature and method of planning between countries are the starting point of planning and their ulterior intention of planning. Regarding this framework, planners and theorists generally have defined two methods of economic planning:

The first recognizes the social goals, sources of achievements, and analyzes the means of accession of goals in detail. This technique which was usually practiced in socialist countries was named conventional planning by Limdlom, 1973 and 1977. The second type of planning, usually in the western world, is strategic planning which avoids details and further formulates processes which could be in contradiction with future transformations, (ibid).

According to some economists, planning is a sign of regularity, logic and rationality. To others planning means regulation, more control and curbing economic freedoms (Ejllali, 2005). The varying interpretations actuate to present an independent and impartial

definition of planning. One definition of economic planning to which most economists and planners subscribe is a type of scheduling future activities. Thus, economic planning could be defined as a process of preparing a timetable for national economic activities and has three main characteristics:

- a- Plan related to the future
- b- Plan includes timetable for specific activities in national economy
- c- A responsible organization should implement the plan (Asgari, 2005).

Although, economic planning is a form of decision-making, it transgresses, because it involves the implementation of specific policies and activities, and also includes forecasts of economic variables. Furthermore, planning, does not necessarily mean interference of the government, because in many cases the government interferes but without any planning. Since the emergence of development economies after the Second World War, the pursuit of economic development was reflected in the almost universal acceptance of development planning as the surest and most direct route to economic progress (Todaro, 1994). Planning may be described as a deliberate government attempt to coordinate economic decision-making over the long term and to influence, direct, and in some cases, even control the level and growth of a nation's principal economic variables (income, consumption, employment, investment, savings, export, import, etc.) to achieve a predetermined set of development targets (ibid).

In essence, economic planning was to allow choices about social welfare to be made consciously, instead of haphazardly, as the outcome of erratic market processes. (Kalecki, M. 1986). The quest for rapid economic progress predicates largely the formulation and implementation of comprehensive development plans. Over the years planning has become a key instrument in the strategy of modernization. Ministries of economic planning in these nations are largely preoccupied with the process of drawing up such plans to be able to set forth in a logical and consistent manner the priorities, goals, and aspirations of their government (Todaro, 1997).

In predominantly private enterprise economics like those of the United States, the United Kingdom and Japan, planning plays a vital yet relatively indirect role in the economic process. In the content of those economics, usually exists in the conscious efforts of governments the aim to attain rapid economic growth with high employment and stable prices through various fiscal and monetary policies (ibid).

The second category of economic planning was associated largely with central planning as seen in the former Soviet-type economics in Eastern Europe and Asia, where the government actively and directly controlled the movement of the economy through a strict and centralized decision-making process. The essential difference between planning in capitalist and collectivist (socialist) economies is one of inducement verses control. While the former seeks to prevent the economy from straying off a desired path of stable growth through active but indirect instruments of policy, the latter not only draws up a specific set of targets representing a desired course of economic progress, it also tries to implement its plan directly and by controlling the activities of practically all productive units in the national economy (ibid).

An important feature of economic planning lies in the realm of development planning within the framework of the mixed economy. These economies are characterized by the existence of an institutional setting in which part of the productive resources are privately owned while the other part belongs to the public sector. The actual proportionate division of public and private ownership varies from country to country (ibid). In the context of such an institutional setup we can recognize two principal aspects of planning in mixed economies. First, governments' deliberate utilization of domestic savings and foreign finance to carry out public investment projects and to mobilize resources into areas that can be expected to make the greatest contribution to economic progress. Second, government policy is to facilitate, stimulate, direct and in some cases control private economic activity to ensure a harmonious relationship between the desires of private businesses and economic plans of the central government.

Another criterion for survey of economic planning experiments refers to those usually prepared according to time limits -short, mid and long term. Short time economic plans are mostly yearlong and relate to annual budgets, while midterm plans are prepared for five years to cover the trade circles and provide enough space for major projects to yield. The main aim of such plans, irrespective of the system of government, is to create structural changes induced by investment in these countries. No single definition incorporates all of the different strands of economic development. Typically economic development can and should be described in terms of objectives. These are commonly portrayed as the creation

of jobs and wealth, and improvement of the quality of life, (IEDC¹). Economic development also can be described as a process that influences growth and restructures the economy to help enhance the economic wellbeing of a community, (ibid).

It can fairly be said that the bottom line of economic development today is about building prosperity-- a high and rising standard of living. Productivity and productivity growth are the fundamental pillars of prosperity and innovation is a key driver of productivity. The focus of economic development should be on supporting innovation and increasing prosperity, (Sampson, D.A, 2010).

Economic development, according to Harvard University Professor Michael E. Porter is the “Long-term process of building a number of interdependent microeconomic capabilities and incentives to support more advance forms of competition“.

These capabilities and incentives, which were originally identified in Porter's paper ‘The Competitive Advantage of Nations’ (1990), include the nature and extent of the inputs required by firms to produce goods or services, the rules, incentives and norms governing the type and intensity of local rivalry, the quality of demand for local services, and the extent and quality of local suppliers and related industries.

The main goal of economic development is improving the economic well being of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life, (IEDC, 2006).

Development cannot be considered as a series of disconnected sectoral activities or purely technological choices. It implies global coherence and the political will to bring about social change. It often occurs through institutional changes: it assumes a certain degree of articulation and organization on the part of the agents of social change (Henry, P.1991).

The process of development, in many developing countries, must be redefined as an attack on the primary evils in today’s world: malnutrition, disease, illiteracy, slums (having long emerged as a growth industry), unemployment and inequality. Measured in terms of aggregate growth rates, development has been a great success. But measured in terms of jobs, justice, and the elimination of poverty, it has been a failure or only a partial success (Streeten, 1997).

¹International Economic Development Council

Interference or the lack of it by a weak and inefficient government does not bear fruit because interference of such a government in the economic affairs of a country would result in one set of crisis while non-interference would create other ills. Special attention has thus been paid to cognition, recommendations and applications of this theory in most developed and developing countries. Application of good governance and executive policies of this theory are the main subjects of economic, planning and budgeting surveys in recent years. This theory recommends a wide-range of executive policies to policymakers, of which improvement in the operation of public institutions, modification of fiscal and budgetary systems are the most important.

Historical Pathology of Economic Planning in Iran

Until the world economic crisis in 1929, due to the sovereignty of classical thoughts, planning was not popular. The justification for government intervention in economic affairs was made by John Maynard Keynes after the great global recession and devastation of the Second World War. It resulted in the creation, expansion and extension of planning as tools of development in many countries. In Iran before WWII the necessity of a socio-economic development plan was felt and the first step was taken in 1937 by the Supreme Economic Council. But after the destruction and breakdown of economic affairs due to the war, the idea of adjusting to and embarking on meaningful economic development gained currency among statesmen (Kordbache, 2004).

It was first in 1937 that Iran faced the concept of planning in its formal context. That year according to a proposal by the Bureau of Commerce of the cabinet, establishment of the Economic Council was approved. One responsibility of the council was preparation of economic plans and to offer practical ways to implement them. The council set up a permanent commission to explore policies to reform agriculture statutes and address problems emanating from migration. However, in 1938 the subject was suspended and the commission disbanded, (PBO², 1995). Six years later in 1944 the government reestablished the Supreme Economic Council (SEC) according the same pattern as in 1937. Due to changes in cabinet members nothing was achieved up until 1946 when a government was formed by the new Prime Minister (Ahmad Qavam) and it was decided that the SEC should

²Plan and Budget Organization

present its plans based on two principals. First, improving living standards and second, adjusting wealth distribution.

To this end a new committee was formed and in a report outlined the impediments to preparing development plans, namely lack of necessary data and accurate information, newness of relevant subjects, unspecified policies, the scale and scope of the task along with punishing schedules. The committee presented the first draft of plans to the SEC with emphasis on a proposal to create a Supreme Plan Committee (SPC) to finalize the plans, (ibid). After a review of the proposed plans, the SPC realized that the financial capacity of country would not allow for the implementation of the plans. On this premise it suggested to apply for a USD 250 million loan from the International Bank for Reconstruction and Development (IBRD). The move resulted in a contract between the government of Iran and an international American company 'Morisen Nodsen' for preparing details of plans and projects to be presented to the IBRD to qualify for the loan.

Morisen Nodsen published its final report 'Iran Economic Development Plan' and submitted it to the government in Tehran in late 1947. A year later Iran's first seven-year development plan with a budget of 21 billion Rials was approved by parliament. For the first time this ancient land was introduced formally to a development plan and an organization tasked with economic planning (ibid).

Iran's history of experiments with planning is marked by two phases: before and after the Islamic Revolution. The 1979 revolution put an end to the rule of kings and replaced it with a republic system of governance (ibid), which follows view of the doctrine of five mid-term development plans and their core elements which was the product of the 'Kingdom Experiment' that initiated the first plan in 1946. The second experiment includes 4 five-year development plans prepared in the post-revolution era.

A survey of Iran's economic planning from 1948 to 2009 could be classified into ten phases subject to time. The first goes back to the years before 1948 when there was no scope for planning in the contemporary sense and individual and abstracted decision making was the rule. Phases 2-5 followed with the aim of establishing modern planning systems to replace individual and cumbersome decision making during the years spanning from the second to the fifth development plans. Phases six and seven can be constituted as the duration of preparing revolutionary plans and also the transition phases from revolutionary decisions to equinoctial and rational decisions. Phases eight and nine in fact

refer to the process during which moderate and rational decision making found blazon value. The tenth phase, which started from 1999 with the baggage of 50years of planning experience, was, among other things, intended to help build and ensure a strong future based on long-range planning. This last phase of planning during which the future transformation of society could take place remains ambiguous because it is still saddled with sectorial tendencies and in a palate budgeting framework. The circuit transition of planning knowledge with emphasis on concepts of sustainable development and spatial planning uses budget planning and budget allocation in the last phase and particularly in view of implementation of plans. In the following pages I briefly explain the traits and performance of mid-term development plans both before and after the Islamic Revolution.

First 7-Year Development Plan 1948-1955

The planning system in Iran, before the 1979 revolution and during the five subsequent plans was based on a central approach: intensive concentration of all affairs in the political-administrative center of the country. This led to a top-down system of planning in most plans prepared by the government and the relevant institution(s), and the lack of a regional planning and decision-making paradigm in the structure of the macro-sectorial plans. Policies were based largely on economic growth levels drawn from the theory of 'Growth Pole' with attention on regional metropolitan centers and industrial poles that in effect produced imbalances at the regional and local levels.

After the end of the First World War, the issue of planning, which already had been suggested during the 1930s, was reinvented with added emphasis and concentrated on two goals, namely, rehabilitating the structure of non-profit organizations, except the oil industry, tobacco products and railroads, which was transferred to the Bank of Industry and Mine, and also conceiving a national development program. In 1946 a 'committee for preparing the development and reform plan' headed by the finance minister was established. According to a report by this committee, the council of ministers established a new commission, the Supreme Committee for Programming headed by the prime minister.

In 1948 the government set up an administration organization for planning responsible for preparing the seven-year plans. This office was later renamed as the Provisional Organization. After that, to benefit from technical services a contract was signed with the American company 'Overseas Consultants Inc.'. A five-member team from this company

studied the economic and social conditions in, and traveled to, different parts of the country. It produced the ‘First Seven-Year Plan’ on January 12, 1948. This plan was approved by Parliament on July 4, 1949. According to the legal framework outlined in the First Plan, a special body, the ‘Plan Organization’ was responsible for the performance of the plan. Goals of the First Plan included:

Table2-1: Goals and Targets of the First Development Plan 1948-1955

<i>No.</i>	<i>Goals and Targets</i>
1	Increasing production and exports
2	Internal production of basic goods
3	Improving the agricultural and industrial base, exploration of mines and underground resources, oil in particular
4	Improving healthcare and education
5	Raising living standards
6	Reducing the cost of living

Funding for the First Plan focused on some main sectors. The first sector dealt with agriculture. The second sector aimed at the construction of roads, railways, ports and airports, the third sector was mostly concerned with mines and industries. In the fourth sector the development of post, telegraph and telephone was in perspective and finally, social and urban reform was the focus of the fourth sector.

From budget allocation point of view the important sectors in the plan were social modification with 28.6 percent, agriculture 24.8 and roads and transportation 23.8 percent of the total budget. Mines and industries ranked on fourth with only 14.3 percent. Besides expenditures mentioned in the plan, the income table shows that the financial resources for the plan consisted of: Oil revenues 37%, loan from the National Bank of Iran up to 750 million Rials, borrowing from the IBRD up to USD 250 million, and loans from internal non-government institutions.

The budget outlay indicates that the working development model was tuned to agricultural development through the private sector. However, it was the government that precedes dam construction and trench of agricultural lands. Industries as the second productive sector got fourth place in the budget allocation with an eye on industries producing consumption goods, particularly the textile industry.

The plan prepared by the American company tried to attribute to Iran the role of a producer of agricultural raw materials that at best could also have some industries for consumer goods. It was for this reason that the plan was unable to address and alleviate the inherent causes of underdevelopment across the country.

The first year of the plan was taken up in establishing the Plan Organization and reforming the Industrial Organization which was transferred from the Bank of Mines and Industry to the Plan Organization. A special budget was earmarked for operations of the Plan Organization. It was decided that the total oil revenues be used for construction projects. The performance of the First Plan showed that no loan was received from international banks or lenders and the National Bank of Iran could provide only a small part of the designated loan. Therefore oil earnings were the main financial source for funding construction programs and that too was cut off after nationalization of the oil industry in 1951. Although oil income resumed from 1954, the three-year gap was more than enough to render impossible the main targets of the program.

Total income during the program, except 4.2 billion Rials in foreign aid, was 7.6 billion Rials or almost 1/3 above the estimated amount. Despite lapses in income generation, 5.3 billion Rials was added to the budget plan in 1952 (agriculture 2.1 billion Rials, road construction 2 billion Rials, mines and industry 1.2 billion Rials). As expected, funds allocated by the Plan Organization were significantly less than what was decided and till September 1956, only 6.7 billion Rials, equivalent to 1/4 of the expenses outlined in the revised program in 1952 was allocated. The known outcome of the plan was limited to setting up six factories, building roads and railways, several irrigation projects and mechanization of agricultural production.

The First Plan was indeed short-lived and was implemented only for 2 years. By initiating a move to nationalize the oil industry in 1950, and the added constraints of the multilateral sanctions due to the nationalization, earnings from oil exports forecast for implementing the plan dried up and Iran's foreign exchange reserves in Britain were frozen.

The International Bank for Reconstruction and Development also joined the sanctions regime and suspended the loan to Tehran. It linked resumption of lending to a protocol to be signed between Iran and the British oil company which was at the center of the dispute. After oil revenues resumed the need for a new economic development plan was found necessary, more so because of the fallout from the oil embargo. For this purpose

implementation of the First Plan was suspended in 1950 while barely 31.4 percent of the total 21 billion-Rial budget for the plan was allocated and paid.

Second 7-Year Development Plan 1955-1962

The oil embargo was lifted and exports resumed in 1958 following an agreement between a new consortium and the government of Iran. Financial resources were made available for the Second Plan. The plan, however, was overhauled in 1958 and a completely new version was presented.

This plan was similar to the First Plan and lacked a holistic and comprehensive approach. It included a list of projects in diverse sectors without offering clear proposals for control or internal harmony. It was simply a combination of projects visibly lacking conventional wisdom and the instruments of cost-benefit analysis. The most important change that occurred then in the planning system was the responsibility of the Supervising Committee for introducing the evaluation tools in the process of programming. The committee (comprising six members, three selected by the Senate and three by Parliament) was responsible for controlling project costs and ensuring their consistency with the plan estimations. For the first time in 1960 a mid-period evaluation was undertaken to assess the performance of the plan which to some degree proved effective in the better performance of the plan in the remaining period. Spending in the Second Plan had two parts. The first part included the residual budget from the First Plan and the second part consisted of total budget amounting 52.8 billion Rials and its programs fell under the following titles:

Table2-2: Programs of the Second Development Plan 1955-1962

<i>No.</i>	<i>Programs</i>
1	Agricultural development
2	Infrastructure development, roads, ports
3	Setting up foundries
4	Creating an atmosphere friendly to private investment
5	Assisting production of basic goods namely sugar, textiles and cement
6	Emphasizing the role of government in industries lacking appeal to private enterprise
7	Expanding education, health, and treatment of pandemics, namely, malaria and pox (PBO reports)

Execution of the revised plan coincided with the economic expansion and stability program that was proposed due to rising inflation and decline in resources caused by the Second Plan. Targets of the program included maintaining the value of the local currency, stability of prices, maintaining the foreign trade balance via import restrictions, bank facilities, balancing the budget deficit, reducing government debt to the domestic banking system and boosting bank deposits by raising interest rates.

Each of the targets was divided into sub-groups and an annual budget was proposed for each. Except for the total expenses there was no other specific general target in the plan and financial resources had to be acquired through oil exports. It was expected that the Plan Organization would receive 60% of the annual oil income in the first two years of the plan and 70-80% in the next five years.

It was also forecast that annual spending would increase to its highest level in the second year of the plan and decrease gradually in the following years, but annual income had to increase constantly in a way that in the first half of the plan there may be deficit and the deficit should be offset from the surplus in the second half. In 1956 there was discussion about addressing the deficit problem by applying for 5.7 billion Rials in loans from the International Banks.

As is apparent, the goals of the plan were defined broadly in global terms and little if any effort was made to clarify aims such as increase in national income or job creation. So, the Second Plan cannot be considered as an economic development plan in the true sense. In essence it was a budget distribution scheme between projects and different economic sectors of the country and a project- by-project approach to planning (Waterson, 1965).

According to Lewis, (1955) most developing nations which usually do not have enough reliable information necessary for economic planning, should concentrate on bringing order into the public sector programs and their economic policies. This would help administrators and decision-makers acquire a certain degree of experience in planning and plan implementation which is the basis for effective planning. But the piecemeal project-by-project planning approach seen in the Second Plan did not benefit from such an experiment and faced serious challenges.

The estimated budget for the plan initially was 70 billion Rials, but with an increase of 7.2 percent it reached 75 billion Rials which was 3.5 times over and above that of the First

Plan. It should be mentioned that a major part of the increase was due to the leap in price levels and also increase in foreign exchange rates.

As shown in the table below, communications with 39.8 percent, agriculture and irrigation with 31.1 percent, and mines and industries with 11.8 percent of total budget of the plan, were the key sectors in the Second Plan.

Although the plan reemphasized the agricultural sector through dam construction and efficient water utilization, more funds were allocated to communication and telecommunications and this sector emerged as a fundamental base for development. As was the case in the First Plan, industries again received less importance and the plan paid no attention to heavy industries.

Yet again spending in the plan period was largely from oil revenues. About 80 percent of total oil earnings generated in the first two years of the plan, 60 percent in the next one and the half years and about 55 percent in the last two and half years were apportioned for the Second Plan. Other than the oil revenues allocated for implementing the second mid-term plan, an extra 25 billion Rials in a variety of loans was given to the government for the plan.

Third 5-Year Development Plan 1962-1967

The Third Plan, which was to cover five years in fact extended to 5.5 years. It was the first comprehensive development plan of the country and almost all important economic indices were targeted. Based on three different assumptions for GDP growth rates, the annual growth rate was set at 6% and the total budget of the plan was 140 billion Rials. However, later it increased first to 200 billion Rials and then to 230 billion resulting in the economic growth rate of 8.6% at fixed prices. One of the secondary targets of the plan was creating one million jobs to curb growing joblessness, especially in the large urban areas. That was setting the bar too high as not only creating jobs was far away from the priority list, the increase in the working-age population to 1.8 million made a bad employment situation worse.

Economic expansion in the Third Plan was undermined by inflation and limitations related to and emanating from the balance of payment because of three reasons. First, although private consumption expenses had a faster growth compared to the Second Plan, it was compromised with the increase in consumption by private industries. Second, many

programs in the pipeline in the Second Plan would reach fruition during the Third Plan period, and third, oil income from exact payments³10 and taxes added to the growing import bill. Therefore, the planning system underwent major changes in the Third Plan, namely:

1-Executive administrations and ministries directly entered the planning process. Initially the general format of the plan was determined by the director for economic assistance at the Plan Organization. It included targets and budget allocations. In the next phase executive programs of different sectors were prepared by sectoral committees that consisted of representatives from the economic assistance department of the Plan Organization and relevant executive bodies. The reason for establishing the committees was to help facilitate sectoral programs and expansion/extension of planning concepts in the ministries.

2 -The Plan Organization lost its executive power and this part of its authority was transferred to executive departments and ministries. The organization continued the execution of plans which were under its domain in the Second Plan.

3 -The Supervision Committee and the Supreme Committee were dissolved and replaced by the Supreme Organization Committee, the Executive Plan Committee and an Accounting Committee.

4-A department for Program and Plan was established in the Plan Organization and its key responsibility included preparing economic reports and economic evaluation of plans.

5-The Plan Organization was responsible for presenting an economic report for the current year and one forecasting economic trends in the following year to the Supreme Organization Committee at the end of each September.

6-Total budget in the Third Plan was 230 billion Rials in order to reach a target of 6% growth in national income including oil. According to the plan a part of the annual oil income was deposited in a special account known as the Plan Account and the government was authorized to use foreign financial resources to offset income deficits during the Plan.

7 -According to the plan, almost 50% of the assumed investment in industry and mines was to come from private enterprise. However, because of government support during the plan period participation of the private sector was higher and its share in industrial investment was close to 65%.

³The exact payment was equal to 12.5% of the fixed oil price with the rent, which the member oil company in the consortium paid for the quantity of the exported oil to the government.

The Third Plan in comparison to the earlier two consisted of more sectors (10 sectors). As mentioned earlier, the first and second plans consisted of a list of different development projects, but the third was comprehensive and envisioned the following goals:

Table 2-3: The Goals of the Third Development Plan 1962-1967

<i>No.</i>	<i>Goals</i>
1	Creating and expanding industries that augment national income;
2	Facilitating proper conditions for creating foundries along with chemical, automobile, aluminum, tractor and pipe factories;
3	Expanding infrastructure, education and health services;
4	Agriculture and irrigation development;
5	Housing and construction;
6	Improving data collection, statistics and planning;
7	Cultural development and improving quality of education in schools and universities;
8	Creating jobs and training the labor force;
9	Developing energy and power plants;
10	Urban development.

One key feature of the goals of the plan was land reform, initiated in 1962 and with all its significance to the political climate in Iran then, which ultimately paved the way for the Islamic Revolution in 1979, which was not a part of this plan.

The total budget estimated for the Third Plan was 222.4 billion Rials or 2.7 times the amount allocated for the Second Plan. The communication sector with 25.6%, agriculture and irrigation with 21.5% and energy with 15.8% were the most important sectors respectively. As for revenues, almost 66 percent of the 222.4 billion allocated to the plan was financed by oil exports and 13% from domestic borrowing. The balance was the function of foreign loans and miscellaneous resources.

The development model in the plan accorded priority to communication and telecommunication. In the production sectors agriculture stood first while industries received a lesser share compared to the Second Plan. As indicated in the plan, the government participated in sectors in which private companies, due to technical and financial constraints, were unable or unwilling to enter. As a result the government

embarked on expanding infrastructure networks and spent generously thanks to oil revenues which almost doubled in that period.

Needless to say, land reform unleashed the migration of millions from the rural to urban areas and by extension led to private sector growth. That phenomenon not only could not provide cheap labor for economic activities, such as the construction industry and services, but also production and consumption markets in rural areas suffered due to the anti-development move under the banner of the highly controversial land reforms. Although the plan was successful in achieving the relatively high growth rate due largely to the huge and unexpected increase in international oil prices, it was shy of attaining sectoral goals.

The government's total investment increased, but these were aimed mostly at the domestic market irrespective of their levels of comparative advantage. This notion was indeed strengthened in the next two development plans resulting in the expansion of the heavy base industries and an apparently costly and controversial industrialization drive in the country.

Fourth 5-Year Development Plan 1968-1972

The Fourth 5-Year Development Plan was approved on March 18, 1967. Like its predecessor, it was launched with three different assumptions regarding the national gross production rate, i.e. 6, 7, and 8%. However, in light of the high growth rate in the Third Plan, at last 9% growth rate was determined as the target for the new plan. To achieve this figure, 810 billion Rials in investment was forecast almost 60% of which had to be made by the government. According to the single article of law of the plan, 480 billion Rials from the government sector had to be transferred to the Plan Organization to help achieve the following targets:

Table2-4: Goals and Targets of the Fourth Development Plan 1968-1972

No.	Goals and Targets
1	Expedite economic growth and increase national income by augmenting purchasing power and industrial expansion
2	Fair distribution of income by ensuring employment and expansion of social and welfare services
3	Reducing dependency on foreign countries for basic commodities by increasing domestic agricultural output
4	Diversifying exports and market expansion
5	Improving administrative services through reforms in the administration system

During plan period the government paid more attention to capital incentive industries like steel and aluminum plants and machine manufacture. Steel mills and petrochemical industries under construction during the Third Plan came on stream. During this period the share of the American businesses in the total investment was 50%, Germans 14% and Britons 10%.

During the Fourth Plan relations between oil producing countries were placed on a firm and friendly footing. The move resulted in the increase in international crude prices and had a positive impact vis-à-vis attaining targets of the plan. In the last year of the plan, oil revenues increased 2.6 times compared to 1967. Average annual growth in oil production and export was accordingly up 14.3% and 16.1% respectively. During this period the Tehran Oil Refinery was inaugurated with a capacity of 85,000 barrels per day. In next phase the refinery's capacity increased to 95,000 bpd. The Madras Oil Refinery was also built in India with Iran's financial input. A deal for exporting natural gas to the Soviet Union was signed in 1970.

The Fourth Plan came into effect with a total budget of 480 billion Rials but increased to 554 billion during the plan period. Although this plan's declared mandate was to promote economic independence in actuality the opposite happened. More than ever before the Iranian economy fell in the throes of foreign dependence. Budget for the plan was 2.5 times that of the Third Plan. Funds for the key agriculture sector were deducted and diverted to the industries, oil and gas and housing sectors. The most important sector in the Fourth Plan that received the biggest amount of money was mine and industry with 22.3% of the total budget.

Almost 96 percent of total spending in the plan came from oil exports and the remaining from other financial sources. One main pillar of the plan was development of the industrial sector. The industrialization movement which was in its infancy after being launched in the closing years of the Third Plan was reinforced. During the plan period gross domestic investment grew by 13% per annum and the share of public and private sectors in total investment stood at 58 and 42% respectively. Gross domestic production increased at the rate of 11% a year.

Impressive economic growth and stability during the plan period notwithstanding, it was marked also by several shortcomings, namely, lack of sectoral balance in economic growth and yawning gaps between the urban and rural areas. Another shortcoming concerned

unprecedented dependence on imports which, among other things, further saddled the balance of payment, and finally, the industrialization rush in that period dislodged the agriculture sector as an important segment of the plan.

Fifth 5-Year Development Plan 1973-1977

The Fifth Plan was finalized and approved in the second half of 1973. Steadily rising global oil prices and the systematic increase in Iran's oil exports ushered in windfall profits in a manner unheard of in the history of the country. As money flowed into state coffers, the temptation was high to review and revise the Fifth Plan in 1974 with extra infusions of petrodollars. The main goals of the plan were:

Table 2-5: Goals and Targets of the Fifth Development Plan 1973-1977

<i>No.</i>	<i>Goals and Targets</i>
1	Improving the quality of life of all social strata
2	Rapid and sustainable economic growth rates
3	Minimum increase in prices
4	Job generation across the country and improving the quality and availability of human resource
5	Conservation and protection of the environment
6	Improving and augmenting comparative advantage in the production and export of industrial goods
7	Safeguarding the cultural heritage

During the plan period the Central Bank extended considerable facilities to the Plan Organization to help underpin economic growth and reduce inflationary pressures as demand for goods and services had outstripped supply. The relative GDP index increased annually by 4.3% and price of goods and services index reached 3.7%. Despite some imbalances between supply and demand, relative stability in prices was maintained through proper and timely financial policies.

Total budget for the plan was 1,560 billion Rials which was divided between three important segments: public affairs 7.9%, social affairs 30.1%, and economic affairs 62%. A review of the segments shows that public institutions and construction with 75% of the

budget allocated to public affairs, education with 49% and housing at 17.7% in social affairs, agriculture 21%, industries 18.9%, transport and communications 17.7% were the top beneficiaries.

Post-Revolution Era

First 5-Year Development Plan 1989-1993

Given the upheavals during and after the 1979 Islamic Revolution and devastation of the 1980-88 Iraq-Iran War, there was no time or space for meaningful economic planning in Iran until 1989. However, due to similarities in the preparation of development plans in the past with annual planning and budgeting frameworks, it can be fairly claimed that planning did exist in some form up until 1989. In that year the First 5-Year Economic, Social and Cultural Development Plan of the Islamic Republic of Iran was endorsed by the Parliament.

Planning after the revolution incorporated a broader and systemic approach and as the name indicates covered social, economic and cultural development for more than 20 years since inception. The focus of the first development plan after the revolution was on rehabilitating the war-torn economy. Function of the First Plan was built upon a financial framework compatible with the needs of rebuilding the country after eight years of death and destruction unleashed by the Iraqi invasion. The process was made possible, inter alia, with a moderate budget and new income-generating systems including higher taxes/tariffs and adjustment of services cost.

The plan set into motion a new-found strategy that came to be known as 'Free market economy'. The main goal of the plan was to utilize state funds for massive post-war reconstruction projects and draw efficiently on potentials to reverse the negative trends in the economy and make way for sustainable growth. Therefore, the first plan was also known as the 'reconstruction plan.' In those years decent economic growth was understandably one of the fundamental prerequisites of national development and economic policy was tuned to raising production levels. The main attributes and main policies of the First Plan are listed in the following tables (2-6, 2-7):

Table2-6: Attributes of the First Plan

No.	Attributes
1	Incentives for investment, productive employment, and economic growth while reducing outside dependency ,promoting self-reliance in strategic agricultural products and taming inflation;
2	Reducing population growth and mortality rates, increasing literacy and education rates;
3	Attempts to promote Islamic social justice;
4	Spreading public awareness about the needs of the younger generation;
5	Reconstruction, rehab and mobilization of defense power, infrastructure and manufacturing sectors;
6	Reforming the administrative and judicial organizations,

Table2-7: Policies of the First Plan

No.	Policies
1	Strengthening the national currency and controlling inflation by reducing budget deficits;
2	Curbing government spending by encouraging the people to participate in and contribute to establishing and managing educational and medical institutions;
3	Revisiting the rationing system of basic goods in a way that subsidies would be allowed only to low-income groups;
4	Changing policies for price regulation of both goods and services in a way that balanced prices for economic resources would be possible;
5	Putting an end to years of state/government monopoly in foreign trade in specified cases;
6	Eliminating special centers created during the 1980-88 war for the procurement and distribution of goods;
7	Supporting cooperatives and creating the conditions for improving their competitiveness,

Performance of the First Plan

The first years of the plan period registered decent economic growth that, however, did not last in its final years. GDP grew at an average annual rate of 7.3%, which was slightly

less than the targeted 8.1% (MPO⁴, 1994). This indicates that the plan was unable to ensure sustainable growth rates and economic growth was apparently under the influence of factors beyond the command and control of the plan. A large part of the growth during the first half of the plan was a result of the access to previously unused capital. The degree of capital utilization was about 40% at the end of the 1980s (Amuzegar, 2005). This is the primary reason why economic growth demonstrated a lackluster performance towards the end of the plan (ibid). Furthermore, during the plan period import of goods and services saw a monumental increase from USD 13 billion in 1989 to \$31 billion in 1992 (Pesaran, 1995).

Therefore, it can be argued that the high growth in the first three years of this plan is largely attributable to the increase in imports. However in the last year of the plan, when the exchange unification policy was launched, total exports did not keep pace with increased demand for imports (Valadkhani, 2001). Consequently, Iran faced some difficulties with respect to the repayment of its external debt, which was estimated in 1993 at \$23.4 billion (Dadkhah, 2009).

Among the major developments in this period was the temporary increase in oil incomes resulting from the invasion and military occupation of Kuwait by Iraq, injection of foreign loans into the national economy and consequently the predicament of meeting debt repayment deadlines. In addition, during its implementation, the plan underwent certain changes, among them not using the existing potentials, prioritizing the strategy of encouraging exports, the policy of a fixed rate for foreign exchange, price liberalization, and rapid privatization. In the First Plan, about 384,000 job opportunities were created each year (on average) and this realized 97% of the plan's objective. The plan succeeded in lowering the unemployment rate in a way that it fell to 11.5% at the end of the plan period, (Table 2-11 and 2-12). The plan targeted increase in the non-government sector investment by 12.2% per year on average, i.e. higher than the rate forecast for the government sector. In practice, however, average annual investment by the government was higher than that of the non-government sector. Therefore, it can be said that the approach of the plan with regard to enhancing private sector role in the economy was not successful. The performance of liquidity growth during the plan period was higher than the target (i.e. 8.2% per year). Average annual liquidity growth in the first plan was 25.1%. Based on the data in

⁴Management and Planning Organization

the said table, average increase in annual inflation was 18.9% in the five year period of the plan, i.e. 4.5% higher than presumed. The First Plan produced major achievements in the social sphere, including reduction in population growth rates (from 3.5% to nearly 2%), curbed the mortality rate, and improved literacy rates along with education coverage.

In sum, the plan lacked impetus when it came to providing the legal basis in accordance with strategic policy in a way that the privatization strategy, the policy for freeing currency exchange rates and foreign trade were not effectively implemented. These problems drove up prices in the last two years of the plan period and the negative trend continued well into the first years of the Second Plan.

Second 5-Year Development Plan (1994-1999)

One main feature of the Second Plan was to sustain the achievements of the First Plan, stabilize the positive economic trends, and reduce the burden of severe economic fluctuations on the masses. In terms of structure and nature the plan was almost similar to the First Plan and was based on economic liberalization and privatization. Economic growth and development were among its fundamental pillars with added emphasis on sustainability. No wonder that the plan was also known as the ‘Economic Stability Plan’. The major objectives and targets of the plan included:

Table2-8: Second Plan Goals

<i>No.</i>	<i>Goals</i>
1	Promoting social justice;
2	Elevating the virtues of Islamic ethics, and upgrading public culture;
3	Advancing the rule of law, protecting the people’s security, encouraging the culture of upholding and respecting the law, social harmony and improving work ethics;
4	Guiding the youth and encouraging their role in the economic, social, cultural and political spheres;
5	Upholding the demands of wisdom, dignity and national interest in foreign policy;
6	Augmenting defense power,
7	Raising productivity, protection of the environment and optimal use of resources.

The Key Policy Initiatives of the Second Plan are as follows:

Table2-9: Second Plan Key Policy Initiatives

<i>No.</i>	<i>Policy Initiatives</i>
1	Encouraging exports by drawing effectively on the country's comparative advantage, improving competitiveness with the outside world to improve domestic technology;
2	Developing the financial, capital, labor and service markets;
3	Improving financial policy by addressing and developing the planning and budgeting structures, raising the share of tax revenues in the budget, creating a logical balance between income and expenditures, delegating affairs to people, downsizing and curbing the government's economic control authority;
4	Population control through effective public awareness and holding national census to learn more of the country's demographic trends and labor market;
5	Creating jobs thorough efficient use of labor market data and associated networks, promoting small-scale and conversion industries,
6	Price reforms.

Performance of the Second Plan

The plan came into effect under circumstances after which access to the available untapped potential of the First Plan years and changes in the economic direction was subject to investment flows in new economic spheres. Factors such as the hard currency crisis in the early period of the plan, increasing need for savings in foreign currency, instability in the monetary, financial and currency policies, sliding global oil prices compared to those forecast in 1997 and further drops in 1998, drought in most provinces, and political developments were among the obstacles to realizing the objectives set out in the plan. In short, a fundamental change emerged in the direction toward implementing the plan. Currency controls, the pressure of foreign financial commitments, galloping inflation, public concern over possible further rise in prices, and increasing demand for goods and hard currency brought in its wake new economic control mechanisms including a multi-rate currency system, new controls on prices and imports, and monetary contraction measures.

The performance of the plan shows that the average annual GDP growth was 3.2%, which was lower than the plan objective (5.1%). Since investment by the non-government sector in the second plan period increased by an average 13.7% per year, it can be claimed that the role of private enterprise in the economy was higher than in the First Plan.

Furthermore, in terms of creating jobs and checking unemployment the plan was not in compliance with its objectives. As per the plan, unemployment should have been reduced to 12.6% but it stood at 13.1%, (Table 2-13 and 2-14). Also, new jobs created in the Second Plan period were in the region of 263,000 while the target was 404,000. In the monetary and inflation area, the plan's declared objectives were not realized as the average performance of liquidity growth in the plan period was 25.5% but its forecast target was 12.5%. Finally, the average inflation rate during the years of the plan was 25.6% -- almost double the figure that was forecast at 13.2%, (MPO, 2001). Macroeconomic instability and declining growth rates compelled the government to delay much needed structural reforms. However, because of the lack of a systematic insight into the complex structure of the economy, the performance of these plans has been far from satisfactory (Valadkhani, 2001).

In sum, despite implementation of the two plans, as well as the exchange rate unification policy, demand management adjustment measures as well as structural and institutional reforms after the end of the Iraq-Iran war in 1988 and the National Rehabilitation Plan initiated by the government of President Muhammad Khatami in 1998, there was little if any success in reversing the deteriorating economic conditions.

Inflation at 20.1% and unemployment hovering near 16.2% in 1999 indicated that the government was unable to get the job done. A low GDP growth of 2.4% in 1999 clearly fell short of enhancing the misery index --the summation of the inflation and unemployment rates (Ibid). The economic climate was characterized largely by widespread rent-seeking, government-mandated panoply of financial rates of return and huge credit allocations to inefficient revolutionary foundations and state-owned enterprises, unaffordable energy subsidies, and multiple foreign exchange rates. The Second Plan too failed to get rid of the huge subsidies, privatize the long-list of inefficient and wasteful state-owned enterprises and unify the exchange rate.

Third 5-Year Development Plan (2000-2004)

Structural problems of the first and second development plans, need for better international ties and improvement of relations within OPEC, as well as the economic reform plan in 1998 collectively led to a new model for reforming the economic structure within a domestic approach in the Third Plan. An instrumental element of the Third Plan

was its intention to create and provide the instruments necessary for sustainable development. Accordingly, the plan was premised on the strategy of economic reforms in line with 'competitive economic development' by moving towards economic liberalization, forming a comprehensive social security apparatus, legal and institutional reforms and eliminating monopolies of various stripes to be able to pave the way for enhanced private sector role and by the same token diminish government controls. Hence, the plan came to be known as the 'structural reform plan' -- a central and critical aspect of the plan. The main orientation of the plan was toward structural and institutional reforms to help liberalize the economy and induce privatization. Reforming the business environment, easing rigid regulations governing investment procedures, strengthening competitiveness by moving towards liberal pricing systems and setting prices based on market economics as an efficient tool for resource allocation were among the strategies of the plan.

A single foreign exchange rate, trade liberalization, elimination of non-tariff barriers, judicious allocation of bank/lending facilities, establishment of private and non-government banks, setting up a special forex fund, and lifting energy subsidies were among the paradigms essential for price reforms as emphasized in the Third Plan, (MPO,2000).

Orientation of the Third Plan

- 1 .Structural and institutional reforms in the public sector to increase the government effectiveness and improve efficiency of national resources.
- 2 .Reviewing and regulating financial, monetary, foreign currency, trade, employment and production policies along with expansion of social security networks with the aid of supportive policies.
- 3 .Encouraging productive employment.
- 4 .Privatization and government downsizing.
- 5 .Curbing dependence on oil revenues.
- 6 .Disbanding monopolies plaguing the distribution of sugar, sugar cubes, and tobacco.
- 7 .Increasing non-oil exports.
- 8 .Eliminating non-tariff barriers.
- 9 .Disengaging policymaking bodies from absolute power and control.
- 10 .Judicious use of domestic construction capabilities and encouraging Iranian contractors and consultants.

- 11 .Creating bodies that support risky investments.
- 12 .Reforming the direct tax act and ways to collect custom duties.
- 13 .Decentralizing the administrative and economic structure.
- 14 .Promoting human values, enhancing the moral and spiritual capacity of the society and enhancing religious beliefs to help the process of cultural development.
- 15 .Guaranteeing legal rights and liberties to all citizens and stimulating a secure and lawful environment for all activities, (MPO, 2000).

Performance of the Third Plan

The above mentioned policies came into effect in 2000. Some reforms and measures were undertaken, including reforming the foreign exchange rate, implementing a single-tier rate for foreign exchange, gradual replacement of tariffs instead of non-tariff barriers, creating conditions for reduction of tariffs and allowing Iranian and foreign banks in the free economic zones. Other moves focused on strengthening the bourse (launching regional and commodity stock exchanges) and non-bank financial bodies to eliminate monopolies in the banking sector for ensuring more security for businesses, enactment and implementation of the foreign investment act, a new tax act, customs collection act, elimination of brokers in the export sector, privatization of banks, allowing private insurance companies, and provisions to open accounts in foreign currency to help strengthen the foundations of production and investment.

Two outstanding moves during the Third Plan period were namely the creation of a special hard currency fund and unifying the foreign exchange rate. Deposits in the Forex fund (also known as the Oil Stabilization Fund) were made solely from crude oil exports and aimed to reform the budgeting structure, oversee oil revenues and help encourage investment, particularly from the private sector. The unified foreign exchange rate came to the aid of annual national budgets as that (Rial) rate was used in budget outlays and forecasts, (ibid).

The Third Plan achieved a 6.1% annual economic growth and a 10.7 % (Table2- 15 and 2-16) increase in investment, which was higher than the plan's target. Moreover, performance of the labor market in the plan period was better compared to the Second Plan as almost 76% of the new job opportunities were realized and the unemployment rate was below the rate seen in the plan.

On the whole the plan was more effective than its predecessors and helped improve the general business environment. The average annual increase in inflation in the plan years was 15.9% and thus considering the target of 14.1%foreseen, it can be said that the plan was also successful in this arena (ibid). The plan, however, was a failure with respect to other objectives. The slow pace of privatization, continuation of costly subsidies in the energy and manufacturing sectors, failure to deregulate, persistent monopolies and rampant smuggling, emergence of informal (black) markets were among its major defects (Ibid).

However, unlike the previous two plans, one paramount concern of the Third Plan was the growing unemployment among the youth. As a result of the population explosion in the 1980s, the population structure in Iran could be referred to as a time bomb.

During 1996-2000 on average 296,250 new jobs were created per annum, while in the said five years on average 692,750 new job-seekers entered the already saturated labor market (MPO, 2000). Trends in investment during the Third Plan show that the reversal of the present conditions without meaningful constitutional amendments and real change in the state's attitude toward free enterprise and free market reforms is immensely difficult, if not impossible (Ibid). The annual average share of private investment in GDP did not change much from the period 1959-1979 to the years 1980-1999. On average, this share was hardly 11% in both pre- and post-revolutionary eras (Tabibian, 2005). During the plan period (2000- 2005) the share of private investment in GDP shows a moderate increase. This share has been fluctuating around a mean of 9.2%, whereas private consumption has shown an overall upward trend in the post-revolutionary decades (Toufigh, 2004). If private sector investment grew by more than 8 percent, the government would have to earmark extra oil revenues for capital expenditure to stimulate output and investment growth, which so far it has been unable or unwilling to do. Due to the lack of sufficient domestic savings annual GDP growth was 5.2% during the course of the plan (ibid).

Fourth 5-Year Development Plan (2005-2009)

The Fourth Plan as become singled out as compared to the previous ones due to the fact that it was so far the only plan dully developed and approved within the Iran's 20-Year Vision and the macro policies stipulated by the supreme leader. The objective of the plan was a dynamic and forward- oriented view towards problem based management. Within the framework of this view, planning and individual and social movements are oriented toward the future. All economic, social, cultural, and environmental issues were approached and

addressed as one entity. In addition, upheavals in the global economy, and proposed debates for, inter alia, convergence of policies, globalization of production, international division of labor, access to advanced science and technology, reforms in government functions, requirements and regulations in the new globalized setup led architects of the Fourth Plan to forge a new platform for changing the development patterns in the country while at the same time reemphasizing policies pertaining to structural reforms as outlined in the Third Plan.

Main issues in the Fourth Plan

As noted above, the Fourth Plan was prepared in the framework of Iran's long-range 2025 vision while having a general orientation toward rapid economic growth. This plan was billed as a roadmap for 'sustainable development with a global approach.'

The outlines of the plan were prepared and defined in 4 areas: the first area included cultural, scientific and technological affairs; the second area dealt with social, political, defense, and security affairs; the third area was mostly concerned with diplomacy and foreign relations; and finally, the last area consisted of economic affairs. The main features of the plan are listed in the following table:

Table2-10: Features of the Fourth Development Plan (2005-2009)

<i>No.</i>	<i>Features</i>
1	Creating the conditions for rapid economic growth
2	Active interaction with the global economy
3	Economic compatibility
4	Knowledge-based development
5	Protecting the environment
6	Efficient and planned use of land and regional balance
7	Elevating health standards and the quality of life
8	Enhancement of human security and social justice
9	Cultural development
10	National security
11	Developing the judicial apparatus
12	Better governance and government rehabilitation

In the Fourth Plan goals were set in terms of geographical coverage and at the national, sectoral and provincial levels.

Performance of the Fourth Plan

It is yet not possible to have a comprehensive evaluation of the plan as there is no formal review and also because of the lack of relevant data. Only a few social-economic factors are discussed here.

A comparison of what the plan had forecast and its objectives shows that the average annual economic growth in the first three years was 6.7%, or lower than the figure predicted, which was 7.4%. Average annual investment growth in the plan period was close to 6% (Table 2-17 and 2-18).

A scrutiny of the other three important indices -- new jobs, unemployment rates, and inflation rate -- indicates that according to the objectives of the plan, unemployment should have declined to 10.1% at the end of the third year, while it remained at 12.7%. As to jobs, job opportunities in the first 3 years of the plan stood at 725,000 jobs per year, while the forecast figure was 848,000. The rate of inflation jumped from 10.4% in 2005 to 18.4% in 2007, (Central Bank of Iran, 2008).

Conclusion:

Iran is amongst the first countries that have adopted "planning" as an important tool for drawing the prospect of its socio-economic future since World War II. After the Islamic Revolution, "planning" was continued in a structure adapted to the values of the revolution. There is no doubt that the welfare and prosperity of the people and social justice in the society depend largely on the manner of using the material and intellectual resources (physical and human capital) of the country which would appear in the framework of "plans." This part of research highlights the inappropriateness of the administrative structure of the government devised for the planning functions. In this respect, it elaborates on the structural mismatch existing between the planning body and the executive organs, lack of organic relationship between the plan and the budget, lack of feedback mechanisms in the government structure and lack of organic relationship between the parliament and the planning system of the government.

At the beginning of the Constitution System era, the administrative structure of government in Iran was a mere copy of the then-existing administrative systems in France and Belgium. Human resources and management features and the administrative structure had been designed for limited executive functions. Those functions were prompted by the conditions of a rather agricultural-nomadic country with its special characteristics. Under the influence of the culture and worldview of domestic bureaucrats and foreign consultants, a system was formed that was not efficient even for the current affairs of that time.

In the process of development and transition, affected by internal and external socioeconomic forces, the country slowly entered an era of modernization at first, followed by a swift pace during the 40s (1960-1970).

Despite contradictory views on the achievements of this era, the dramatic transformation of government functions, both in terms of nature and extent of the coverage, cannot be denied. On the one hand, huge revenues from oil sales created the possibility of extending an unprecedented deepening of the government dominance (which of course, theoretically faced a lot of problems) and made it possible for the government to enter into significant civil affairs unprecedented in the history on the other.

Both these aspects, particularly the latter which substantively required completely different organization, forced the administrative structure of the government to experience a severe dichotomy in the existing and the desirable situation, removal of which required general substantive restructuring. Unfortunately, this substantive restructuring was never effectuated and only some reforms in the existing structure was thought to suffice; in other words, instead of creating a new structure in accordance with or proportionate to the new needs, it was thought that manipulation of the old structure by omitting some parts or adding new ones will suffice.

Consequently, what is left now is a system based on principles of line and staff, which at its best can be used for administrative duties but by no means appropriate for the execution of civil plans. These asymmetries have not been hidden to the experts, policymakers and statesmen, and measures have occasionally been taken to correct them. The creation of the Kingdom Auditing Organization before the Revolution and the need for administrative revolution after the Islamic Revolution is apparent instances of feeling such necessity.

In a general classification, the Iranian centralized system of planning can be considered as being composed of two main parts: one part is dedicated to policymaking, designing, monitoring and evaluation and the other is known as the bidder and performer. Although the first part is mainly centralized in the Plan and Budget Organization, it is depended, especially in matters of policymaking and financing, on other agencies, including the Central Bank, Ministry of Economic Affairs and Finance, The Cultural Revolution Council and many other institutions and organizations. The second part is generally under the control of the ministries and other executive organs whose planning is largely based on the discretion of the Minister or the head of the organ. Even in this centralized system, there are two main kinds of inconsonance:

a) Inconsonance in the manner of communicating by the organs with the Plan and Budget Organization which is not based on an automated and clear mechanism but largely influenced by the relationship between the two Directors on either side of the function. Therefore, planning experiences abound fluctuation and ambiguity over time, generally with regard to policymaking jurisdiction, monitoring degree, evaluation mechanisms, selection and finally budget allocation criterion.

b) The second inconsistency relates to the method of organizing the plan activities within administrative bodies. Tasks related to the plan in these bodies can be generally divided into two main groups: The first group includes preparation and proposing the Plan and the second includes the administrative duties after the approval of the plan.

It is obvious that these two groups should enjoy a very close and strong relationship because, on the one hand, each plan takes shape based on the executive performance of the previous plan and, on the other hand, the planners should be fully aware of the qualitative and quantitative progress of the previous plan so that, if needed, they can make the adjustments necessary to achieve the purposes of the plan. These communication and coordination are not structured and organized and the plan is formed or altered within each body on the perceptions, experiences and tastes of senior directors. Though it appears that due to major differences in the functions of the bodies having flexibility is desirable, ignoring the general and necessary principles may result in the loss of opportunities, wasting resources and diversion of executive plans from the designed purposes.

Another necessary feature of every system is the existence of automated feedback mechanisms and refining. In other words, if the system fails to revise and correct its

functions over time and in proportion to the changes and scientific advances in a variety of economic, social and cultural structure, even if it initially lacks any defect and constraint in its original design, it will lose its efficiency and will face slowness and inefficiency. In a dynamic system like planning such an issue is of vital importance and should not only be coordinated with changes and domestic developments constantly but also have an eye on international events. In so called developing countries, including Iran, another dimension is added to the issue which is the uncertainty of the data and information needed and used in planning. In other words, even if we ignore the economic, social and cultural changes, access to newer and more accurate information may dictate revisions in the plans. This feature should exist in the planning system somehow automated and with a dynamic mechanism while the lack of such mechanism is strongly felt in the planning system of Iran.

Although from a legal point of view, enactment by the Islamic Consultative Assembly (the Parliament) on one hand gives credibility to the plan, approves the allocations and reinforces the implementation, this enactment is essentially the result of a higher value, that is, the endorsement of the plan by the public through its representatives. The normal procedure of such relation between the government and Parliament is that the plan is brought before the Parliament after preparation in the Cabinet and competent bodies of the government the components of which are thoroughly reviewed in the specialized committees of the Parliament. Then, it is presented for approval to the parliament floor. This procedure is proved to be efficient if and only one of the following two assumptions is in process:

Firstly, the plan provides a degree of accuracy that the parliament does not deem any changes necessary, and secondly, the plan is prepared using so precise and consistent a mechanism that any proposed legislative changes in each of its components (objectives, strategies, policies, plans and projects for broadcast) transferred to all other elements of the plan are immediately affected in accordance with that modification due to the relation existing among activities, subsectors and the master plan. If this is not the case, which surly that is, if the changes imposed by the legislative lack the ability to be conveyed to the rest of the plan and modify it, one of the two following possibilities has to be admitted:

First: The plan, as prepared by the government, has been absolutely consistent and the modifications made by the parliament have disrupted the harmony. In other words, the

modifications have emptied the plan of its basic characteristics of harmony and consistency; therefore, the approved plan is not a desirable one.

Second: The plan prepared by government lacks certain characteristics necessary for a good plan and the legislative has optimized it completely or partially by making modifications in it. In this case, the rationale behind having a planning body as a specialized institution for preparing plans is put into question.

The fact is that none of the above assumptions is true. In other words, the optimality of the government's plan is not certain and the efficiency of the proposed legislative modifications in the total plan is neither estimable nor measurable.

This has roots in the problems in the Parliament and government relations in the process of preparing plans. Continuous and direct communication does not exist between these two main institutions (preparatory and approver) and all stages of planning (long-term, midterm and short-term) is done within the administrative and planning bodies without the participation of the parliament. It might be argued that the parliament foreknowledge of the plan or consultation with the parliament in the preparation of various sections of the plan is not necessary, because if the plan has the confirmation of the parliament, it will be approved otherwise, it will be rejected. However, we know that this is not the case; and the plan is usually submitted to Parliament when the time for scrutiny is very short and due to this shortage, there is no opportunity for cross-commenting and making modifications by the parliament in the plan. This is also because any proposed change will cause a loss of balance and coordination in the plan (if present) and re-establishment of harmony and balance using the present mechanism of planning requires a rather long time which is almost out of question.

CHAPTER THREE:

HISTORY AND PROCESS OF BUDGETING

IN IRAN

Introduction:

This chapter focuses on the 60-year history of budgeting in Iran and tries to explore how the budgetary process works and why annual budgets have often not been accurate roadmaps to achieving the goals of national plans. The chapter consists of two parts. The first concentrates on concepts and theoretical foundations of budgeting and rational linkage between planning and budgeting, and the second is an overview of Iran's experiment with budgeting in four stages.

Meaning and Significance of Budget

Conventionally, budgeting is considered as the most important management tool to steer an organization, evaluate its performance and motivate its people, (AndreA de waal, 2005). Budgeting means deciding or estimating in advance, the course of action to achieve a particular target or objective in a given period of time along with numerical expression of the inputs required and outputs expected. Normally, a budget statement is expressed in both the terms-currency and quantity (units). Currency refers to the cost or value and

quantity refers to the activity level or volume of function, (GP Jakhotiya, 1992). Certain budgets can be expressed only in currency as the function cannot be quantified. Hence, any budget statement has the following essentials: a. preparation in advance; b. inputs and outputs are properly estimated and defined, in relation to a well-defined objective; and. should be for a definite period of time, (ibid).

In a broader context, budgeting defines our priorities; it reflects our inner beliefs and guides our behavior; budgets establish the winners and losers in policy debates that shape the future of our collective society (Wildavsky, 1999). Fundamental questions posed in the budgetary process remain unchanged by the passage of time. Budgeters ask how to maximize the value of scarce resources, how to make comparisons between competing demands, how to raise revenues, and how to determine aggregate spending levels, (ibid).

Presumably, those who prepare a budget intend to configure a direct connection between what is written in it and future events. If requests for funds are granted, if they are spent in accordance with instructions, and if the actions involved lead to the desired consequences, then the purpose stated in the document will be achieved (Kordbacheh, 2005). Budgets, thus, become links between financial resources and human behavior in order to accomplish policy objectives.

Today, budgeting has emerged as a key issue in national politics and the lifeblood of governments. How large government will be, the part it will play in our lives, whether more or less will be done for defense or welfare, how much and what sort of people will pay for services, in what kind of society.

In sum, all these are routinely discussed in budget debates. The importance of conflict over the size and distribution of the budget- failure to pass a budget on time or at all has become a sign of inability to govern - underscores the overriding importance of budgeting. As the sheer volume of budgeting has risen along with increasingly higher stakes and ever-changing procedures, the need grows apace for an up-to-date account of the new process through which spending decisions are made.

One of the features of public budgeting is that decisions about how money will be spent are made not by those providing the money but by their representatives. The payers and the deciders are two distinct groups. The payers are not given a choice about whether they want to pay or how much they want to pay. (Rubin, 1992).

The distinction between the payers and the deciders leads to two crucial characteristics of public budgeting: public accountability and political acceptability. Accountability means to make sure that every penny of public money is spent as agreed and to report accurately to the public on how money was spent (ibid).

Acceptability means that public officials who make budget decisions are constrained by what the public wants, (ibid). Sometimes they will do precisely what they think the public wants, even if the results are inefficient or inequitable, and sometimes they will present the budget so that it will be accepted by the public, even if they have not precisely followed public will. This effort may involve persuasion or deception (ibid). Because public demands may not be clearly expressed, and because different segments of the public may make different and competing demands, and because public officials themselves may have other priorities, officials may not be able or willing to be bound tightly to public opinion (ibid).

Nevertheless, if politicians knowingly make decisions that differ from what the public seems to want, there is pressure to present the budget in a way that makes it appear acceptable. That pressure creates tension between acceptability, which sometimes involves hiding or distorting information or presenting it in an unclear fashion, (ibid).

On the other hand, the application of private sector standards to public sector budgets may be impossible. Growth in public sector agencies appears to be a function of public perception of need and legislative willingness to meet that need. Growth in the private sector appears to be more a function of the willingness of buyers in the marketplace to purchase specific goods or services. Perception of need in the private sector must be backed by purchasing power (Koven, 1988). The commonly recognized goal of profit in private sector is not applicable to the public sector. How, then, do public sector policy analysts and budgeters assess the policy effectiveness of resource allocation?

Because of separation of payer and decider, the budget document itself becomes an important means of public accountability. How did the public's representative actually decide to spend taxpayer money? Did they waste it? Did they spend it on defense or police or on social service? A citizen does not typically watch the decision-making, but they and the press have access to the budget document and can look for answers. They can hold the government accountable through the budget, to see that what officials promised them was actually delivered (Rubin, 1992). A budget, therefore, may also be characterized as a series of goals with price tags attached. When the choices are related to one another so as to

achieve the desired goals, a budget may be called coordinated. Should it include a detailed specification of how objectives are to be achieved, a budget also may serve as a plan of work for those who assume the task of implementation. If emphasis is placed on achieving the most policy returns for a given sum of money, or on obtaining the desired objectives at the lowest cost, a budget may become an instrument for ensuring efficiency (Wildavsky, 1999).

Although the language of a budget calls for achieving certain goals, through planned expenditures, investigation may reveal that no funds were spent for these purposes, that the money has been used for other purposes, that quite different goals have been achieved, or that the same goals have been reached in different ways (ibid.)

The central government uses the budget to establish and pursue national objectives, to promote favorable economic conditions, to manage its diverse activities, to respond to the demands of citizens and groups, to assess past performance, and to plan for the future.

Analysis is an increasingly important part of the budgetary process, providing information that contributes to informed decisions (Durning and Campbell, 2002).

A government's budget is the product of numerous policy decisions, made over many years, about what services it will provide and who will pay for them. Such budgetary policy decisions distribute both the benefits and financial burdens of government, and they usually involve difficult choices among competing claims on government resources. When allocating benefits and burdens, elected policymakers consider the political implications of their decisions, but beyond that they are also expected to be concerned with the political implications of their decisions. Beyond that they also are expected to be concerned with the economic efficiency and the equity effects of their decisions, (Durning and Campbell, 2002.)

Using formal cost-benefit analysis, analysts can even suggest which programs should be included in the budget to maximize net social benefits, (ibid.) (However, both analysts and decision-makers have more difficulty using analytic methods to determine which expenditures and taxes are fairer than their alternatives. When they try to compare the equity of alternative expenditures and taxes, they face many competing measures of equity but no method to determine definitively which is the "right" or best measure (ibid.)

Among the continuing fiscal management difficulties in many countries is the reliance on the central bank for data on budget execution and the absence of a clearly defined fiscal

management role for the ministry of finance authority and a standard of accountability for public spending. Development of legislation embodying these principles is an essential base for building fiscal management institutions in these economies (ibid).

It could be concluded that the old role of budgeting was cost control and prevention of mal-finance. The new role as the second wave of budget reform would be management in pursuit of the public good which aimed squarely at financial accountability. A more expansive definition of accountability emerged, and it was linked to the notion of public management (Gulick and Urwick, 1937).

To develop the idea of accountability it is good to review words of Burkhead (1961) the budget was conceived as a major weapon for instilling responsibility in the governmental structure: the budget system rests on popular control; the budget will publicize what government is doing and make for an informed and alert citizenry; the budget will destroy the rule of invisible government.

The question that emerges immediately is that how well has budgeting met professional standards of accountability, and how well has it achieved its broader obligations? With reaction to the growth of government in an environment of mixed level of economic growth, broad and fundamental changes brought about by globalization have strengthened government accountability by tightening the link between budget decision and government performance (Miller, Baterly& Rabin, 2000).

Process of Budgeting

Budget formulation, or the proposed allocation of resources for the next fiscal year, usually comes in three phases. At the outset the chief executive and central staff agencies - primarily the budget office- send a long list of do's and don'ts to the operating agencies to guide them in the preparation of their budget requests. These admonitions and exhortations cover a wide variety of predetermined policies and procedures, large and small: fiscal and economic policy, expenditure ceilings and other constraints, program priorities and cutbacks, and detailed instructions on the preparation of the budget (Axelrod, 1999).

In the second stage, the operating agencies take over and, in conformity with "top-down" guidance, prepare their budget requests for submission to the central budget office by a fixed date. The third stage begins when the central budget office receives the massive tomes containing thousands of budget requests. That office analyzes them and recommends appropriate action to the political leadership of the government, which, of course, has the final word. Equally important, the central budget office must balance proposed expenditures against estimated revenues in order to come up with a financial plan that either results in a balanced budget or limits the size of the deficit (ibid).

None of these three processes are mutually exclusive. In developing budgetary guidelines, the central budget office consults widely with the operating agencies (in effect, "bottom-up" participation). The operating agencies begin budgeting the instant they receive instructions from the budget office. Knowing generally what's expected, many agencies (at least the better-managed ones) start the process earlier to provide adequate time for analysis and internal debates. Similarly, the central budget office anticipates many of the problems that will arise and begins working on them long before the requests arrive (ibid).

In preparing departmental budget requests the head of each agency faces the challenge of producing a budget that will be compatible with the policies, guidelines, cash ceilings, and instructions of the chief executive and the central budget office, (Kordbacheh, 2005). At the same time the budget must be sensitive to the needs of major programs in the agency and responsive to the phalanx of interest groups, legislators, and bureaucracies that support these programs.

It must also take into account the many constraints that burden budgeting—legal restrictions, relatively uncontrollable costs, spending caps, judicial decisions, legislative intent, legislative investigations, fund structures, and the requirements imposed by other levels of government, (Axelrod, 1999). These assorted pressures complicate budget decision making in every agency. Hence, many agencies attempt to design custom-tailored budget systems that will meet their needs and facilitate decisions (ibid).

The quest for the ideal system never ceases. What internal budget procedures are most appropriate? What are the best ways and means of developing an overall budget strategy that will enhance the accomplishment of an agency's objectives and priorities? In what specific ways should the budget reflect the administration's policies and political positions? What budget controls will ensure prompt attention to the critical issues in budgeting? What

are the best ways to overcome vulnerable policies and cost overruns? How far down the organization should budgeting take place? How adequate are performance and cost data? To what extent will the budget system flush out realistic options for decision by the agency head? These are some of the key issues in departmental budgeting that affect every agency (ibid).

No matter how simple or complex an agency may be, budget making requires it to pull apart its entire budget, to disaggregate it, and to examine the needs of each program, project, activity, and organizational unit. The review can be cursory or detailed, superficial or searching. At the end of the review the agency must somehow reconcile its internal differences and pull together the separate bits and pieces of the budget into a coherent whole that will be compatible with the administration's policies. Where the agency is to compress budgeting into a few short months, the task would be staggering. So onerous, however, are the demands of modern budgeting that it has become a year-round exercise. Budget decision making, performed in a short period of time, intensifies and accelerates what is an on-going process (ibid).

An annual budget law, which is enacted under the provisions of the constitution or budget management law, primarily serves the purpose of appropriating funds from the public account--that is, obtaining authorization from the legislature for expenditure from public funds to carry out the programs of government. The law may also include conditions applicable to elements of the budget (e.g., for a specific level of borrowing) consistent with the provisions of the budget management law (Wildavsky, 1999).

The existence of such legislation compounds the problem of providing a consistent legal and administrative framework for budget management. It is necessary to have some form of reconciliation process to ensure as far as possible that budget decisions take into account both annually voted and standing appropriations. In most countries, the executive branch of government takes administrative steps to review relevant legislation either prior to or at the same time as the budget appropriation, (Allan, 1995).

Generally, the budget management law also gives to the minister responsible for public finance the authority to issue detailed regulations and instructions. These itemize the financial duties of public officers and the current practices and procedures for release of funds, control of spending and public assets, and receipt of public moneys, accounting and reporting (ibid).

Budgeting Perspectives and Approaches in Brief

Among all budgeting theories, Wildavsky (1999) successfully proposed an incremental theory applied especially to government budgeting. The Wildavsky model consisted of budgeting "base," calculations of "fair-share" changes to the base, agency heads as advocates of increased spending, and a single central role of guardian of the treasury. This explanation seemed germane for several national states. Change in this model is slow and not sensitive to policy decisions because of its bottom-up focus on growth, (Trautman, 1995).

Niskanen (2008) concluded that the budget increments were more likely to move up than down. He found that a bureaucrat's rational goal was to maximize the budget of his or her bureau and that congressional review also favored increases over than decreases in agency budgets. Niskanen's bureaucrats were seen as maximizers rather than incrementalists; however, resource constraints produced budgetary outputs that were incremental (ibid).

Incrementalists saw budgeting as a formal process, based on bargaining and technical needs, but fairly devoid of policy concerns. Money had to be appropriated to run the agencies, the fiscal year had to begin, and divisive policy matters were decided elsewhere. As a result, the incrementalists did not envision the budget process as responding to perceived societal problems, emerging situations, or environmental changes. They assumed budgets would continue to be allocated pretty much the same way from year to year. Thus instrumentalism was unable to theorize about changing budgets or budget process, (ibid).

The incremental perspective suggests that in order to find out how much to spend on a particular good or service, the best method is to identify how much was spent on that item in the preceding year. Barring any catastrophe, the safest and least controversial manner of deciding who gets what is to give everyone what they received in the prior year, plus a little more to account for inflation and marginal growth. In this incremental scenario there are no real winners or losers and budgeters do not have to go through the difficult and emotionally draining task of informing certain agencies that they have been targeted for bigger decreases or smaller increases than others.

Furthermore, in the incremental budgeting scenario analysts do not have to go through the difficult process of evaluating agencies and objectively quantifying needs. Instrumentalism, in short, is a seductively appealing concept to budgeters because it makes

their job relatively easy, (Koven, 1999). All that is needed is a pocket calculator and a copy of the previous year's budget. Instrumentalism, however, is limited in that it does not reflect priority changes that occur over time.

Although in recent years observers have agreed that variations in budgeting from place to place and from time to time are significant, when the relationship of budgeting to society are examined, each theoretical school makes its own assumptions (Rubin, 1992).

Neo-Marxists Approach

Neo-Marxists have argued that class interests dominate budgeting and allocation choices. Several different schools of thought argue that government itself, as represented by the bureaucrats or agency heads, determine allocations, while some scholars have argued that interest groups dominate or even determine budgeting (ibid).

The Neo-Marxists, generally argue government is controlled by capitalists, or those who own the means of production, and that they determine spending priorities to serve their own needs. Those needs include particular programs and funds that aid in the accumulation of capital. Social welfare programs in this theory are used to buy off opposition from the poor who would otherwise protest the system and possibly overturn it. Neo-Marxists call attention to military spending as enriching arms manufacturers, to increases in spending for economic development, much of which is a transfer payment from the average citizen to the relatively well-to-do, and to a variety of tax breaks that have benefited the well-to-do more than the poor. In a Neo-Marxian perspective, maintaining markets abroad has been the reason for both imperialism and wars, and preserving bond markets has been a major reason for much of state and local fiscal policy (Rubin, 1992).

Political Approaches

A second approach to the study of budgeting is found in the so-called political perspective. This perspective of budgeting focuses upon the bargaining and negotiating that occur between budget actors in the process of resource allocation. The political perspective is somewhat complex and can be broken down into a number of components. Elections, legislative behavior, bureaucratic interests, political ideology, individual interests and lobbying all influence public sector budgeting. When these political factors are considered, budgeting is viewed from the perspective of being the result of bargaining and compromise

between competing forces in society. This view rejects the perspective of so-called scientific analysis that characterizes the rational perspective and accepts the perspective of outputs resulting from the conflict over who is able to get his or her policy preferences implemented and who has the power to shape events.

Elections shape budgets because they determine which candidate and which preference will prevail to exert influence on policy. This is often, however, a hazardous assumption; yet from the perspective of democratic theory, this scenario is viewed positively because power can ultimately be traced back to the citizenry, (Koven, 1999).

A second perception of political budgeting involves the behavior of legislators. Legislators are well known for their logrolling or trading votes in order to secure pork-barrel legislation. This type of legislation results in passage of bills that will secure benefits for constituents back home. Budgeting under this perspective is more a test of a legislator's ability to bring tangible benefits to constituents than of his or her ability to pass sound and responsible budgets.

Another perception of political budgeting involves the role bureaucratic interests play in determining outputs. Career bureaucrats invariably prefer larger budgets for their agencies and support policy changes that will lead to these ends. Bureaucrats become advocates for specific public sector action. As advocates of their chosen agency, they desire bigger budgets, larger staffs, and other responsibilities that will lead to larger salaries, larger offices, and more prestige. The goal of optimizing scarce resources is replaced by the bureaucratic priorities of power and prestige (ibid).

Political ideology also affects budgeting because ideology shapes values and these values in turn shape spending priorities. Key recognized this link between values and budget priorities back in 1940 (as cited in Koven, 1988). Gorham also identified this phenomenon during testimony before the Joint Economic Committee in 1967(ibid). Gorham accurately noted that the "grand decisions" such as how much health, how much education, how much welfare, and which groups in society should benefit were really questions of value judgment (ibid).

Individual interests may also have a subtle but pervasive effect on budgeting. For example, if you are the head of an agency and your best friend is in charge of a department within your agency, the personal relationship that you have developed with your friend can either subtly or overtly influence funding decisions (ibid).

Public Choice Approach

Another theoretical approach to linking budgeting and society is the public choice school. Individual theorists have taken widely varied positions, but what they share is the assumption that human behavior is based on individual economic rationality and the maximization of individual benefits, or what economists call utility. Their model of the ideal government is an extension of the marketplace where citizens can buy exactly the amount of services they want in the combinations they prefer. They deplore any departure from this model that provides people with more government services than they would choose on their own. They argue that a combination of majority voting and the ability of individuals and groups to share the cost of what they want with other taxpayers make the costs of many benefits to individuals too cheap and inflate the demand for public goods and services. Government thus tends to over provide services in comparison to a true market, (Rubin, 1992).

Public choice theorists emphasize the very important issue of the relationship between what the citizen taxpayers want government to do and spend and what it actually does and spends.

Hierarchy Approach

Hierarchy theory says that the top levels of the executive branch make decisions about broad policy issues, and judge the environment, and pass that information down through the budget office to the agencies before they make their requests. Thus the identification of current problems and the selection of which ones will be addressed in the current budget are made early and frame the decisions of subordinates. Perceptions of interest group power may enter at this level or at the level of the budget office when it is judging requests from the agencies. The budget offices judge the requests based, to some extent, on knowledge and performance of the agencies, and to some extent on the priorities given to them by the chief executive (ibid).

Macro-Micro Approach

The macro-micro budgeting theory argues that bargaining still goes on over budget strategies, but broader policy issues are also explicitly dealt with and frame the choices and outcomes of the bargaining. On the parliamentary side, economic policies, priorities, spending ceilings, and assumptions about the growth of the economy are made by the

budget committees and to some extent guide or determine the decisions of the other committees as they work on parts of the budget(ibid).

The integration of budget policy and consideration of the environment and its constraints go on at federal, state, and local levels, regardless of the structure or degree of independence of the executive and legislative branches. The current consensus is that budgeting is linked to the society and to the environment by both technical constraints and policy, and that interest groups are sometimes important in determining outcomes, although their role has not been well specified. Also Coalitions of interest groups usually tend to form class boundaries. However; there is no evidence of continuing such class dominance. None of the deterministic models has survived well, and their inability to predict or explain change has been a major factor in their obsolescence. Current theory has drifted toward a consensus that allows for both direct and indirect influence of the environment over budgeting, and hence builds in the possibility of continuous change and adaptation, (Koven, 1999).

Lobbying Approach

Lobbying as another approach can also influence budget allocations. Lobbyists attempt to shape budget priorities in favor of private clients or any public project in a specific location. Lobbyists can distort rationally in the budgetary process if they are powerful enough to have their client's interests prevail over the interests of the general public. Rationally in terms of allocation analysis that will result in the greatest good for the greatest number is willingly sacrificed by lobbyists at the altar of personal gain (ibid).

Rational Process Approach

Finally, the next perspective from which to view budgeting is a rational process of decision making. According to this perspective, budgeters employ empirical techniques to optimize the allocation of scarce resources. This perspective follows principles of economics and assumes that subjective values can be quantified. Once values are quantified, budgetary problems are solved, as one would solve a problem in mathematics or physics. Through rational, comprehensive analysis it is assumed that one can objectively determine proper levels of spending and maximize the social good for society. Over time,

various rational techniques for budgeting have been developed. The success of these techniques, however, has been at best limited (ibid).

Budgeting Techniques

Public managers and policy planners are painfully aware of the need to show the benefits of public expenditure. When analyzed carefully, these benefits are construed around three notions: the impact of expenditure; the outputs to achieve that impact and the processes to achieve that output. In the private sector, no such concern exists because of the underlying efficiency forced by the requirement for real profits over operating costs. The market is the test. No such test exists in public administration.

Performance Budgeting Technique

Yet in practice, performance budgeting (PB), acknowledges the conceptual and practical difficulties of making it work to the satisfaction of both politicians and public managers. PB is one attempt to establish a public (non-trading) sector equivalent to the discipline of the market. If this is so in the most economically advanced nation on earth, why should it not apply, with benefit, to developing countries? (McGill, 2001). PB refers generally to the process of linking expected results to budget levels but not to any particular approach. Thus, there is no definitive PB process. "Performance budget" intended to shift the focus away from inputs of government to its functions, activities, costs and accomplishments. Thus, rather than emphasizing items of expenditure, salaries, rent and supplies, a performance budget was to describe the expected outputs resulting from a specific function or activity, such as weapons or training. However, PB has to reconcile the program structure with the organizational structure it represents (ibid).

Planning Programming Budgeting Technique

The other popular rational budgetary techniques, according to leading authorities, are Planning Programming Budgeting (PPB) a system where competing expenditure options are evaluated for their marginal benefit to the program. PPB was hailed as a way to integrate planning and budgeting by using systems theory and cost-benefit analysis. It was superior to performance budgeting, its proponents claimed, because the work activities being measured in a performance budget are simply the process by which inputs are

converted into outputs. In PPB, substitutable alternatives are evaluated for their contribution to the program objective, yielding high quality budgetary decisions (Kelly, 2005). PPB assumed that different levels and types of performance could be arrayed, quantified and analyzed to make the best budgetary decisions, (McGill, 2001).

Management by Objective Technique

Management by objective (MBO), as another technique loosely based on Drucker (1954), looked promising for two reasons. First, it offered a way to align activities with objectives; and second, it seemed to address the widely perceived management problem in the government. MBO's fate was sealed by its implementation instructions. However, MBO endures in the sense of "negotiating goals and holding subordinates accountable for achieving them" (McGill, 2001). MBO establishes the principle of management accountability for program outputs and the patterns of expenditure for achieving them. PB is the foundation for performance agreements with any agency's senior (program) manager.

Zero-Based Budgeting Technique

Zero-Based Budgeting (ZBB), a system which would force agencies to examine their activities anew each year and consider new ways to deliver benefits at the least cost, is the next budgetary system. As Lauth (1980) pointed out, zero based budgeting may not substantially reduce program costs nor change program activities as a result, though it surely will facilitate redistribution of resources among programs, (Kelly, 2005). ZBB required agencies to set priorities based on the program results that could be achieved at alternative spending levels, one of which was to be below current funding. The key to ZBB as a process is that planning and budgeting are to be done at the same time; they are part and parcel of the same process.

Appropriate Budgeting Technique

Budgeting is a financial reflection of economic and social alternatives of a society and like other economic policies functions as a key policy-making tool in a macro scale. Financial discipline and allocation of resources are the general goals of budget management which introduces itself as a powerful tool in achieving macro goals.

The fundamental issues in budgeting system of each country are the allocation of limited resources based on the needs, different goals and benefits and their prioritization. The question on what basis should one proceed with decision-making when there is a limitation of resources has nowadays turned into a challenge for the economists. In the course of the last seventy years, theorists have made continuous attempts to compile the basics of decision-making required for appropriate allocation of limited resources in the public sector. This has, on the one hand, resulted in the compilation of principles and guidelines as basics of decision-making for the allocation of resources in the public sector and discovery of techniques for the application of the said principles. On the other hand, approaches such as administrative budgeting, rationalism, instrumentalism, and public choice have each influenced the budgeting institutions and procedures and have transformed public budgeting into a concept open to theories. Although no comprehensive theory on budgeting and resolution of the issue has been introduced, significant progress has been observed in suiting the needs of different applicants in order to benefit from the public resources. Obviously, these approaches cannot provide a satisfactory basis for the allocation of resources exclusively. However, when combined, in case decision-making on costs, government interference logic, and the costs and profits thereto, and the distributive influences of the public expenditure are concerned, they play a decisive role.

Each of these techniques enjoyed periods of respectability, but eventually all were discredited. The focus is now on improving public sector efficiency. An efficient solution is one that maximizes social welfare subject to a given flow of land, labor, and capital resources. The rule for achieving an efficient allocation of resources is to supply a service up to that point where at the margin--for the last unit of the service supplied--the welfare benefit to society just matches its cost. In the private sector, as a general rule, the market-price system accomplishes this goal. For circumstances where the private market fails in this objective (pure public goods, externalities, monopoly), there is a case for public intervention--the public's commandeering of resources in order to supply the activity. Once the public sector intervenes, the efficiency logic is in favor of some form of fiscal decentralization. The argument is that because of spatial considerations sub-national (regional or local) governments become the conduit for setting up a system of budgets that best approximates the efficient solution of equating benefits and costs. In the economist's jargon, this is the benefit model of local finance (Ebel, 2003).

To satisfy these conditions, sub national (regional or local) governments must be given the authority to exercise own-source taxation at the margin and be in a financial position to do so. This is the essence of decentralization and this is why sub national local tax policy design matters.

In countries with more government's intervention in economic activities the modern legacy of the cutback budgeting era is backward budgeting. The government determines how much revenue it is able or willing to raise and makes program-funding decisions based on those resources. This is fundamentally different from deciding what level of programs and services are necessary and appropriate to meet needs and raising the revenue necessary to provide them. Another legacy that endures from this period is the idea that government programs are generally ineffective and inefficient. The idea that government is wasteful and inefficient is accepted in public opinion and supported by most of economists that a weaker public sector would strengthen the private sector (ibid).

In conclusion, these theories and techniques just summarized deal with why budgeting is important and provide an overall orientation to the field. Budget theory can be helpful in explaining what budgeting is and how it operates. Much of this literature has taken the perspective that budgeting is decision making, and the task of theory is to describe the decision making that occurs during budgeting. Key issues have been how rational budgeting has been, how much effort has there been to get the best possible results, how much comparison of alternatives has there been, and what criteria are used to make decisions (Rubin, 1992).

History and Process of Budgeting in Iran

A: Before the Constitutional Era

To describe solely, the Iranian economy in the 19th century was an obvious model of a traditional atrophy (Katouzian, 1981). Until 1906 the main economic role of the government was restricted to selling a variety of concessions to foreign companies to encourage the exploitation of national natural resources. Some of the concessions had noticeable income for the government. Concession of South Fishery to Lianas off, the concession of Debenture Bank to Russia, oil, tar and wax concessions to the Australian William Knox D'Arcy, and the concession of the Iranian Imperial Bank to Britain's Baron Jolious Dorwiter all instigated outrage and protests in opposition ranks. Although the

concessions became a basis for progress in some aspects of the economy and secured financial resources for the government, they were not premised on economic development plans. In fact they were inherently and collectively to the benefit of the countries and companies receiving the grants, (Kordbacheh, 2004).

According to estimates in the years 1870-1886, almost 60% of income was allocated to the army and government administration, and the balance to the royal court, pensions for aristocrats, the clergy and other specific groups. Except for ensuring funds for schools, which was equal to 6% of all recorded expenses in 1875, a paltry amount was spent for public services (Katouzian, 1981).

In the early 20th century, the government in Iran had a minor role in the economy and its annual budget was hardly 2% of gross national product (GNP). The government had no practical role in capital formation and in many cases government expenses were not justifiable by any means. There were some transfers in the form of wages and/or pension to the imperial family, and spending for the army was the primary annual expenditure of the government. State bodies and ministries did not present cost control accounts or audit reports.

Government revenues came from two sources: First, regular income consisting of tax on agricultural land, domestic animals and birds, craftsmen, trade and miscellaneous, and also revenues from industrial land, custom duties, rent and other sources including mortgages. The second source was irregular income such as that from public taxes, gifts, and fines and penalties from offenders and criminals. In 1901 total government income from all of the resources was almost 6.7 million 'Toomans' -- 25% from custom duties, 8% from monopolies, and the remainder 67% from public taxes. The tax calendar was usually old and outdated resulting mostly in unfair taxation and in many cases the process was to the benefit of tax collectors. Tax was paid in cash or in kind and the tax in kind was 15 to 20% of the total. Because of the fact that taxation was undertaken by the higher bidder (winner of the tender) through a contract, 50% extra tax was always demanded from taxpayers in addition to the recorded tax.

Besides granting concessions there was no other important economic activity nor government industry or industrial policy. Agriculture was not included on the government list and was the sole premise of feudal interests. During the reign of Mozzafar-al-Din Shah (1895-1906) government expenses were always over and above its income and deficits

were plugged through foreign loans. In the last years of his rule the government budget deficit was 'six crore Tooman' (3 million Toomans), which was almost 30% of the total budget.

B: From the Constitutional Revolution

Victory of the Iranian Constitutional Revolution offered modernists an opportunity to emulate western models and initiate some reforms to the inefficient and wasteful administrative system. As a result, the first public accounting procedure in Iran was imitated from public commercial rules in France which was endorsed by the Majlis (Parliament) in 1909. That move was limited to the process of budget preparation for the government and related needs and ensuring financial accountability (Shobairi Nejad, 1996).

The first new general budget was prepared in 1910. In that the rule of consistency of budget was configured on the patterns in developed countries. It had some other features, namely that taxpayers could pay a part of the tax in wheat, grain and rice. Spending was divided between eight ministries. The changes notwithstanding; the budget was not approved by Parliament, (Kordbacheh, 2004).

American W. Morgan Shuster arrived in Iran with four assistants in May 1911 and was appointed High Treasurer. He had the authority to overhaul Iran's financial system (law of June 1911). In his book "The Strangling of Persia" he wrote when he was financial advisor in Iran the total estimated tax revenue was 5 million Toomans, and if the full amount was received there would still be a 6 million Tooman deficit, which was 40% of the total annual budget (Jamalzadeh, 1981.)

According to records, 50% of the budget was for the army, 30% for salaries, and 10% for the Royal Courts, 10% for internal and foreign affairs. Payment of salaries was at the bottom-end of the list while the army could not always expect to receive the money it needed. Shuster first obliged the ministries to spend thriftily. He prepared a plan for the gradual phasing out of pensions and the Council of Ministers approved the measure (Bharier 1984, p.89.)

There was no indirect tax in Iran until after the Constitutional Revolution. From 1906 when budget deficits were of the ascending order, the Parliament and Council of the Ministers had to find a solution. They started introducing new taxes such as: tax on salt (from 1910), opium (from 1912), alcohol (from 1909), means of transportation (from 1910), and tax on tobacco (from 1915). Usually two-thirds of the revenue from custom duties was

confiscated by the Russian and British governments in lieu of loans given to the government of Iran. Generally two-thirds of the custom revenue was deducted for loan repayments and the balance was given to the government, (ibid.)

Most government expenses included two parts: spending for government administration and repayment of loans taken by the government. Total government income and expenditure in the fiscal year 1910 as indicated in the “Ganj-e-Shayegan” is shown in Table 3-3. As per the table it is clear that the budget deficit (not provided) in 1910 was nearly 8.4 million Toomans. The figures are approximate and display the area and combination of income and expenses (Jamalzadeh 1983).

In the years 1912 to 1918 the government cancelled some of Shuster’s reform measures. Until 1920 the concept of balancing official accounts was consigned to oblivion. The budget office of the Ministry of Finance was inactive. In that year a British committee, headed by Armitage Smith, came to Iran to investigate four years of delay in presenting government accounts to the Ministry of Finance. However, the mandate of the committee before leaving Tehran was to negotiate a new agreement between Anglo-Persian Oil Company (Bharier, 1984).

By the end of the First World War in 1918, Iran’s economy gradually stabilized and was, to a certain degree, balanced. After the coup in 1920, with the expansion of power of the central government, some effort was made toward further strengthening national security (Katouzian 1981). In 1922, a second American committee, headed by Dr. A.C. Millspaugh traveled to Iran. It started rehabilitating aqueducts and monuments and imported machinery and tools for agricultural development. Despite a series of disagreements, Millspaugh stayed in Iran for five years during which he had full authority to reform and rewrite the financial system of the country.

Iran’s annual budget was first published in 1924 and in 1927 government debt declined to 3% of the total (165 million Toomans) budget. Although, defense spending amounted to 40% of the budget, salaries were cut making it possible to allocate 13% of the budget to public institutions. The remaining amount was divided between ministries.

In 1927 the Millspaugh team left Iran and a German banker was appointed the head of Iranian finance and a Swiss banker his treasurer. In the opinion of the then government economic expansion was not fast enough, therefore in 1929-1930 new rules and regulations were introduced to expand the economic authority of the government. The most important

sources of government income in that period were direct and indirect taxes, custom duties and oil. The first general law for income tax was approved in 1930.

From 1933 income tax charts were changed at regular intervals, but none of the changes affected government income system and the distribution of income. The first change came into effect in 1933 based on net income system and decreased levels of income categories to 4 levels. Each type of income had its own tax bracket, which in any case did not exceed 4% of net income, (ibid). In 1937 government earnings rose significantly with the establishment of government monopolies on cotton, sugar, sugar cube, tea, opium and tobacco products, and also from government administrations.

During the period 1921-1941 Iran received 40 million pounds in oil exports through the Anglo-Persian Oil Company (APOC). The industry fully provided the oil consumption needs and in the end of that period Iran had no need for imported oil products. The said amount was the result of exporting almost 123 million tons of crude and equivalent to one-third of the total income generated from oil export. It needs mention that up until 1921 Iran's franchise from oil export was paid directly into government coffers. But after that the amounts were deposited into a special 'savings account'. Thus, the general budget was prepared without oil income for nearly 10 years and marked the first experience of budgeting without oil revenues (Pakdaman, 1972).

There are no precise figures on spending during those years. According to data, from 1927 to 1941, of the 31.9 million pounds paid to the government for oil concessions, 16.3 million was spent on arms; 11.4 million for constructing railroads, and the remaining 4.2 million pounds was incorporated in the government budget (ibid).

A basic expenditure during those years was construction of the Iranian National Railroad, which connected Shah Port (renamed Torkaman Port) via Tehran to Ahvaz stretching 1,400km, linking the west to the southwest. Work on the major project commenced in October 1927 and was completed in 1938. Money for the railroad came mostly from a special tax on tea and sugar, bank loans and government credits. Besides the railroad the government had also embarked on a program to expand and improve roads. Overall close to 13,000km of new roads were built interconnecting main provinces across the country, (Katouzian, 1981, p.161).

Over the years the industrial sector emerged as a pet project. In 1941 budget for the industrial sector was eight times over the amount allocated in 1932. Consequently the share

of industries in the general budget jumped from a meager 3.3% to 22.9%. Funds were largely made available for modern factories for production of sugar, sugar cube, silk and cotton, and construction materials. The second priority was for units producing glass, matches and wooden products. However; the increase expected in employment of the industrial workforce was not noticeable as compared to that of production. For instance, in 1941 the industrial workforce (excluding oil sector) was about three times bigger than what it was in past ten years (Katouzian, 1981).

During the years there was no integrated chart for the annual budget in which government income and expenses could be compared. By comparing tables 3-5 with 3-6, we see that in 1922 the budget was in the red to the tune of 26.7 million Rials, or 10.5% of the total. It seems that in 1931 the government budget was balanced with a slight increase (24,000 Rials) in income compared to expenses. Ten years later (1941) the budget deficits reached 610.1 million Rials or 14% of the total (ibid).

In 1937 it was decided that construction activities needed planning and organization. In March of that year an 'Economic Committee' was formed for economic studies headed by the prime minister. The committee in its 10th session (June 22, 1937) presented to Reza Shah Pahlavi a report proposing ways to prepare a general economic plan. Consequently a permanent commission, for preparing the plan under supervision of the Economic Committee, was set up. The commission in a report to the prime minister outlined reforms on agriculture and settlement of tribal affairs known as the 'Seven-Year Agricultural Program'. However, breakout of the First World War sealed the fate of the plan and it was never implemented (Toufigh, 2004).

C: From 1941 to 1972

Iran was occupied by the Allies during the First World War and faced chaos, instability and insecurity. The government was weak and on the defense against the hostile powers. Struggling with the major political challenges of the time, governments in Tehran lasted for short periods and was removed in quick succession. Foreign occupation plus internal instability gave rise to crippling shortages and galloping inflation. As if that was not enough, hoarding by and corruption of government workers made a bad situation worse. Private investment was risky and thin, demand was of the downward order while unemployment and poverty spread across the country. The national currency had lost value,

hoarding was rearing its ugly head and those with money were buying up urban land and property. It was only with oil income that government(s) survived and was (were) able to pay for imports (Katouzian, 1981).

In 1951 Prime Minister Mohammad Mosaddegh in a speech 'A Message to Iranians' announced the income and expenses of the Anglo-Persian Oil Company for 1934 to 1949. The amount paid to Iran was only 11.9% of the total gross income of the company and less than 19.5% of the tax the company paid to the British government as its main shareholder. Iran's share was less than 12.8% paid to shareholders among which the imperial government in London was the biggest. About 55.8% of the total income of the company was kept for investment or as undistributed profit. Iran's share in the net profit of the company (even after tax paid to the British government) was 14.6%. It should be noted that according to the 1903 D'Arcy concession, Iran's share should have been 16% of the net profit. Lastly, although the oil in totality belonged to Iran, 88% of the oil revenues went into British coffers presumably for oil investment and exploitation (ibid).

Iran's oil industry was nationalized according to a law passed on April 30, 1951, but did not come into effect until 1954 when a new deal was signed with the consortium (some exception was made for oil export and maintenance). The new consortium consisted of 5 important US oil companies with 40% share; the British Petroleum Company had 40%, a Dutch oil firm 14%, and a French company 6%. The new concession was officially confirmed in October 1954. In April 1955 the US companies transferred one - eighth of their shares (5% of the total shares) to 8 independent American companies as hush - money (against the rule of anti - trust). The consortium accepted responsibility for producing and exporting Iranian oil for 25 years in return for 50% of net oil income export gained by the government.

Regarding budgetary systems during the period of the first and second plans, though the national budgets were prepared thoroughly but spending for most government bodies and companies was not indicated in the budget document. Funding for these entities was referred by a code in the total to be finalized in detail by the ministry of finance, other ministries or relevant organizations and then approved by the Budget Commission of the Parliament. After approval by the Cabinet, the budget bill was finalized by the finance ministry and presented to Parliament by the prime minister. Parliament would debate the

bill in a set time and after approval by majority vote officially send it to the government for execution, (PBO publication 1995).

From 1960 the government started a fresh study to modify the method by which the budget was prepared. A year later the budget was drawn up methodologically as a plan (a long list of projects), but because of impractical estimations and executive constraints it was shunned. Budgets for the preceding years were prepared as per old procedures.

Monetary and banking systems underwent major changes in the Second Plan. With the founding of the Central Bank of Iran (CBI) in 1960, monetary and banking affairs came under the supervision of government and to a large degree planning and execution of financial policy became a CBI function. In late 1960 a new policy was adopted to address deficits in the balance of payment and prevent increase in price of goods and services. Extra banking facilities(loans) were fixed at 6 billion Rials , the discount rate increased from 4to 6% and the minimum rate of borrowing from the National Bank was fixed at 2.5% ,more than the official rate. To encourage people to deposit their money with the bank, interest rate for deposit accounts increased from 4 to 5% (Kordbacheh, 2004).

Budgeting was again subjected to major changes in the Third Plan. In September 1964, responsibility of preparing the budget was transferred from the finance ministry to the Plan Organization and a new office‘ Budget Central Office’ was set up in the in the organization. The primary reason for this move was to help forge harmony and closer coordination between the general budget and the development budget, (PBO 1995).In 1965 a detailed budget for ministries and government bodies (including 19 subtitles) was appended to the budget. The 1966 budget had three annexes. First, description of government executions; Second, performance of budget for non-profit and trading institutions affiliated to the government; Third, report on the performance of budgets of ministries and government bodies in the previous year.

Since 1967 responsibility for preparing the general and development budgets, which were prepared separately by the Central Programming Office and Budget Central Office, were transferred to the newly founded ‘Plan and Budget Central Office’. The outcome was better coordination in preparing the general and development budgets. In the budget law of 1967 a new provision was made for provincial budgetary allocations for the ministries of education, housing, habitation and sanitation (ibid).The most important change in the

monetary and banking system during the Third Plan was the establishment of a capital market. In 1967 and after relevant studies the stock exchange opened.

A crucial aspect of change in the planning and budgetary system in the Fifth Plan was approval of a law guiding plan and budget in March 1972 and preparing annual budgets and five year development plans. Approval of a law for public accounting in 1970 was another important change in the budgetary system that came into effect a year later. During the Fifth Plan a monetary and banking law was approved in July 1972 and due to changes in the economy an earlier piece of legislation had to be revised. The new law, modified in March 1979, is still valid.

D: After the 1979 Islamic Revolution

In light of the conditions after the 1979 Islamic Revolution and the 1980-88 Iraqi-imposed war the government was unable to put together a long-term development plan. The first development plan was prepared in 1982 but due to the war and critical conditions it could not pass in the parliament. Consequently, because of the lack of a mid-term development plan preparing the annual budget in the framework of a five-year development plan was untenable. This condition prevailed until the end of the war (1988) and the First 5-Year Development Plan in the post-revolution era was launched in 1989.

During the First Plan, an important financial law "Income generating and spending for special cases" was approved. After the revolution and since 1981, due to financial restraints and inadequate income for executive bodies, some regulations were gradually annexed to the budget laws. As per these regulations some executive departments were allowed to generate appropriate income for goods and services provided by them and use part of it for their own expenses. The regulations included 73 articles and 6 annexes that were approved by Parliament in December 1990 and became law. A key deficiency of this law was its discrepancy with the doctrine of non-allocation of budget, in that it annually wrenched away a considerable share of credits in the budget for itself. In 1997 according to a proposal by a group of lawmakers a sumptuary section of the law was eliminated. Changes in the budget and economic condition of the government during the First Plan (1989-1993) can be analyzed in two parts.

Firstly, coordination and compatibility of executive budgets with targets/ policies of the plan as well as with annual budget laws. One main drawback of budgets before 1989 was

the inability to generate revenues forecast in the document that resulted in rectification notes and supplementary budgeting that were sent to parliament. But during the First Plan, income and expenses of the government were in tandem with figures mentioned in the budgets and also with targets of the plan. The rates of income and expenses from 1989 to 1993 compared to figures in the budget laws were 101% and 105% respectively.

Secondly, positive changes regarding volume and combination of incomes. From 1985 to 1988, government earnings were precarious and decreased 6.3% annually. However, revenues increased 57.5% and the ratio of income of public budget to GNP increased from 9.6% in 1988 to 21.8% in 1993, which was 17% above the target set in the First Plan. During this period annual average increase in government spending was 47.8%, therefore given the increase in income, budget deficit dropped significantly and the ratio of budget deficit to the general budget decreased from a massive 50.1% in 1988 to 2.5% in 1993.

Regarding government debt to the Central Bank for bank liabilities related to foreign exchange, the budget deficit in 1993 was 7.1% of GDP. Higher tax revenues and increase of its share in the gross national income were considered as the main income source of the government. In this respect, tax income, which was way below expectation in the three years before the plan and was pegged to 1,000 billion Rials, had increased more than four times compared to 1988 during the First Plan period reaching 4,061 billion Rials.

One declared aim of the budget in the First Plan was to increase the share of development spending in the general expenses of the government and raise it from 19.4% in 1988 to 28% in 1993. Performance of the budgets shows that the share of development budget in general expenses of the government in 1993 increased to 34.6% and development spending also increased from 32% in 1988 to more than 48% in 1993. In sum, spending for development projects during the First Plan period was 75% above the figure approved in the plan. The reason, albeit, was largely due to the decrease in the dollar exchange rate. Another goal was prioritizing the social and cultural sectors and increasing their budget.

Performance of the budget shows that the share of key social and cultural sectors, i.e. education, higher education, health, social security, culture and the arts, increased from 31% in 1989 to 36% in 1993. By implementing the law of ‘coordinated payment system’ the government was able to improve the quality of life of its workers.

Table: 3-1 Main features of the Second Plan

<i>No.</i>	<i>Main features</i>
1	To study and codify planning and budgetary system for achieving targets stipulated in the plan;
2	To underpin financial discipline and encourage savings both in the development and general budget and assets of government companies;
3	To downsize the government by abolishing overlapping departments, merging ministries, organizations and government companies and delegating their tasks to the private sector and cooperatives;
4	To expedite the process of transferring government firms and affiliated organizations to private ownership and cooperatives as per Article 44 of the Constitutional Law;
5	To undertake accounting standards based on cost prices to help protect the public treasury;
6	To continue subsidizing basic goods, expose hidden subsidies and strengthen the social security system and the culture of insurance;
7	To increase the share of direct taxation in tax revenues, except payroll taxes;
8	Gradual phasing out tax exemptions;
9	Adjusting and finalizing tax regulations to implement direct tariffs in an efficient manner and based exclusively on product value;
10	Reforming organizations and taxation procedures, modernizing the overall tax system and minimizing tax collection time;
11	To reorient oil revenues towards development expenses;

The bill of the Second 5-Year Economic, Social and Cultural Development Plan of the Islamic Republic of Iran (1994-1998), was presented to Parliament in December 1993. But because lawmakers demanded a longer period to debate the bill, it was approved one year later in December 1994. So the duration of the Second Plan was from 1995 to 1999 with no program for 1994.

All these policies were in fact not implemented because of the lack of a clear execution framework for each. Those that were implemented were at best haphazard. Getting rid of tax exemptions/holidays and privatizing government companies are two examples of the latter. From the total development budget in the Second Plan almost 93.7%, was allocated, but the current budget, which was at 133,156 billion Rials, actually jumped to 233,268 billion, i.e. 75% over and above the forecast amount. From 100,000 billion Rials surplus predicted in the current budget, 11% went for public spending, 18% for defense, 42% for social affairs and the rest for miscellaneous purposes. Thus, the share of development budget in the total budget, which was predicted to increase to 48% in 1999, was restricted to 28.6%. The government's annual revenues on average increased by 26.4% and were

nearly 323,000 billion Rials -- oil export and sale of hard currency accounted for 52.8%, tax income 25.3%, and others 21.9%. The ratio between tax income of the government and its total earnings increased from almost 20% in 1993 to 27.3% in 1999. Similarly, the ratio between tax income and gross domestic product also improved from 4.3% in 1993 to 6.4% in 1999. However, in contrast, the ratio between revenues (minus oil) to current expenses, which was 41.1% in 1993, declined to 35% in 1999.

In a letter attested to the Third Plan (2000-2004) the president (Mohammad Khatami) called for “special attention to the basic necessities and future challenges, namely: needs of the youth (almost half of Iran’s population is below 30), increasing social participation, creating jobs, achieving decent economic growth rates to help curb unemployment, improving human resources and technological prowess, and protecting and sustaining the resources and capabilities of the country and its advantages.” Central monetary and budgetary policies of the Third Plan can be summed up as follows:

Table: 3-2 Central monetary and budgetary policies of the Third Plan

No.	Policies
1	Eliminating discounts, preferential treatment, and tax and custom duty exemptions for all executive bodies
2	Establishing an ‘Organization of Tax Affairs’ as a government body to help boost the performance of the taxation system, removing existing organizational hurdles, and concentration of taxation affairs
3	Establishing a Sovereign Wealth Fund on the basis of national and hard currency generated from oil exports to create a balance between the foreign and national currency revenues from crude oil exports
4	Planning and launching the general taxation system for compiling and processing information related to the economic activities of tax collectors in the expanding network, and expansion and advancement of the voluntary system
5	Specifying the current and development budget on the basis of separating the public (government) functions from those that can be delegated to the private sector
6	Paying a part of the development budget in form of various facilities, technical and financial assistance by specialized development banks
7	Organizing the annual budget according to a “no debt policy” from the Central Bank
8	Reviewing fixed assets of government companies 100% of which belongs to the government

The important aspect of the Third Plan was adjusting the capacity and balancing the income and expenses of the government (current budgetary system). The income aspect was such that, except in the special period (1985 to 1989), the share of the non-oil income did not exceed 50% of the government income. Besides, an important part of non-oil income was directly or indirectly dependent on oil, which rendered government revenues extremely vulnerable to international oil price volatility.

More than 20% of income tax was the function of import tariffs, which directly depended on the foreign currency earned from oil exports. Since the huge increase in global oil prices in 1974, import duties leaped from almost 60 billion Rials in 1973 to more than 169 billion in 1976 and to 5,805 billion Rials in 1999. The figure estimated for import duties in 2000 was 6,900 billion Rials, which was 20.3% of the total income of the annual budget.

The capacity and rate of income tax can be judged from factors such as taxation effort and the ratio between tax incomes to the current expenses. The result was that the taxation effort was not compatible with tax capacity nor global rates at the time. The ratio of income tax to GDP fluctuated heavily in the past, which at maximum was 9.1% in 1972 and a minimum 4% in 1995. In sum, the ratio during 1971 to 1978 was equal to 8.1% on average and declined to 6% and 5% between 1979 to 1988 and 1989 to 1999 respectively.

From the financial perspective, current expenses were justified, if, however, it could be funded by the increase in income tax and not by added value of the productive sectors. Under those conditions, increase in current expenses would be considered as increase in the supply of social services, and tax on that is like the share that consumers pay for social services.

A review of the earlier process of increase in current expenses in relation to income tax reveals an intense and growing dependence of current expenses on oil income. The deepening gap between current expenses and income tax, which was 117.2 billion Rials in 1971, increased to 814 billion Rials in 1977 and further to 2,397 billion Rials in 1988 and to 42,178 billion Rials in 1999. The figures display huge deficits in the general budgets of the government, which in recent years have been plugged thanks to high oil prices and the generosity of the national treasury.

Current expenses in the general budgets during the years 1971 to 1999 were of the ascending order except for a few years. However, the momentum of the increase was

different at various levels. Before the revolution, current expenses increased from 199.4 billion Rials in 1971 to 1,387 billion in 1977, the average annual growth rate being 32%. During 1973-1974, because of the increase in global oil prices, current expenses shot up from 370.2 billion Rials to 825.8 billion. It can be said that the government embarked on a spending spree with unprecedented generosity in 1974 and did not curtail it in the preceding years as was apparent from the nature of the current expenses which were mostly to cover civil services payments.

In the first decade after the revolution, despite the Iraqi-imposed war, there was a big decrease in the growth of current expenses to the extent that the average growth rate was limited to 9.4% from 1979 to 1988 (the 8 years of war) .By the end of the war and when reconstruction projects started the growth in current expenses shot up. During the first and second development plans the average annual growth rate in current expenses was 32.2% and 37.6%.

It needs mention that despite the significant share of civil service payments in current expenses; restriction of the growth in expenses was actually aimed at curbing the purchasing power of government workers that included a large segment of the society. For compensating the said decrease, transferred payments from current expenses increased from 296 billion Rials in 1989 to 17,511 billion Rials in 1999. Consequently, transformed payment per person increased from 5,568 Rials in 1989 to 279,000 Rials in 1999. With the elimination of transformed payments from current expenses, these expenses were equal to 1,857 billion Rials at fixed prices in 1999 which was nearly 30% less than the corresponding figure in 1979.

Development spending in the years 1971-1977 at current prices had increased from 116 billion Rials in 1971 to 926.8 billion in 1977 and showed an average annual growth rate of 41.4%. In those years the huge increase in development spending plus increase in oil revenues from 1973 to 1974 was so significant that development expenses increased from 161.2 billion Rials in 1973 to 384.7 billion in 1974 -- a growth of 138.6%. In the period from 1979 to 1999, development spending had changed in line with changes in government income and increased from 657.1 billion Rials in 1979 to 816.4 billion in 1988, or at an annual average growth rate of 2.2%. After 1989 the development budget multiplied in leaps and bounds registering 54.7% annual growth in the first and 30.3% in the second plan.

Nature of Public Budgeting in Iran

Administratively, Iran has traditionally been a highly centralized country with most national resources owned and operated by the national government. Despite strong emphasis on the need for and belief in local councils and the active participation of the people in running their affairs as enshrined in the Constitution of the Islamic Republic, little has been done to revamp the rigid centralized administration. Although the formation of publicly elected urban and rural councils and the appointment of mayors in several cities and towns is a step toward devolution to local authority, details of their sphere of authority, responsibility and sources of revenue remain sketchy (Farjadi, 2001).

Full control of the central government over natural resources, particularly oil and gas, major industries, railroads and other major means of transportation, and fiscal bodies (banks, insurance companies) also means that the bulk of government budget is derived from nationalized resources rather than taxes or local revenue (ibid). State influence and interference in the economy covers a wide spectrum: wages, prices, exchange rates, trade and business, interest rates, lending rates plus direct industrial, agricultural and commercial domination (Farjadi, 2001).

In the economic arena, oil revenues constitute the lifeline of government spending and the latter tends to suffer as a result of periodic fluctuations in oil production and prices. Despite general consensus regarding the long-term implications of overdependence of the budget and the national economy on a single product, almost all efforts to build an oil-free economy have had little success if any. Although not the largest sector, oil accounts for more than 80% of annual foreign exchange earnings and 70% of annual state finances. While reduction and eventual elimination of this risky dependence has been mandated in every one of the past development plans, reliance on oil has indeed become more not less. The government's need for oil receipts increased from \$16 billion in 2001 to \$41 billion in 2009. Recent oil price volatility in the face of Iran's increasing dependence on imports of essential capital and consumer goods now presents a bigger and more ominous threat. According to a recent IMF survey, a protracted oil price below \$75 per barrel could play havoc with Iran's economy. The ultimate material success may, in fact, depend largely on the fate of Iran's gas and oil industries (Amouzgar, 2011).

The financial program of the government for any financial year, which usually corresponds with the Iranian calendar year (starting March 21), is known as the

government's total budget for that year. It includes the government's public budget as well as the budgets of banks, government corporations and government affiliated bodies. The government public budget is the portion of total government budget which provides for financial resources needed by the government to implement its annual programs and to determine current and development credits for executive bodies.

Government public budget covers two broad spheres: payments and receipts. Payments of the public budget comprise all expenditures, both development and current, paid by the government from general and special revenues during a financial year. Receipts of the public budget contains all amounts known as general and special revenues as well as miscellaneous sources of credit and funds that as per law should be deposited with the treasury. General revenues consist of revenues from oil and gas, taxes, and other incomes of the public budget. Special revenues are revenues allocated for special expenditures in the government's public budget as mandated by law.

All funds allocated for special expenditures in the annual budget approved by the Parliament are known as credits. Credit is defined as a sum allocated by the Majlis for special expenditures to achieve certain goals and to implement specified plans and programs. Credits fall into two broad categories: Development credits and current credits. Development credits refer to credits provided for in the five-year development plans as a whole, and in the government public budget in parts, to implement development projects and expand current expenditures for socioeconomic plans. Current credits refer to credits provided for in the five-year development plans as a whole, and in the government public budget in parts, to meet the government's current expenditures and spending for maintaining the level of socioeconomic activities. Activities and financial commitments of the government are classified into four major categories:

- i) Public administration
- ii) National defense
- iii) Social affairs
- iv) Economic affairs

Inherent lack of transparency in the government budget remains a grate economic challenge. The annual budget approved by Parliament usually after weeks of deliberation, is hardly ever faithfully adhered to. Always formulated in balance at the time of endorsement, the budget invariably ends up in deficit due to a poor and

inflexible tax base, recurrent losses of state-owned organizations, haphazard tax collection and unaffordable public welfare spending. A shortage of funds in current expenditures is routinely made up by cuts in the development (capital investment) sphere. In recent years, one-fourth of the annual capital investment budget has been diverted to regular expenditures, with the result that thousands of development projects lag behind and remain unfinished due to lack of funds. Budget deficits are normally financed by the Central Bank, operating as the government's cash cow. Iran's endemic double-digit inflation, the highest in the region and among the eight highest in the world, is the result of monetization of the public debt (Amouzgar, 2011).

Over the years figures have been added gradually to the income side of the budget, which have led to difficulties in international comparisons of the government income and even in internal annual comparisons due to inadequate classification and placement.

For example, income generated from selling shares of companies owned by the Expansion and Renovation Organization of Iranian Industries was included in the miscellaneous income, but income from selling shares of the National Industries Organization was stipulated in the third part of incomes. Also income from leasing government buildings was shown in the third part of the income section, but income from sale of the government buildings was enumerated in the fourth part of the same section.

According to Clause 12 of the public accounting law, figures considered as loans, issuance of bonds, return of previous payments (loan repayments) and similar topics in the general law of the budget are not considered income but projected as "other resources". This was at a time when sale of goods income from the sale of participative bonds was registered in sale of goods income section from 1997, and facilities (credits) from the World Bank were stipulated in the miscellaneous income section of the general budget in 1994.

A share of 30% of the total budget is stipulated in concentrated sections (without listing projects), which causes a series of problems in optimizing the allocation of resources. In recent years, a number of secondary lines under the main lines of the executive sections in the budget have increased and each executive department has positioned a specific budgetary line for itself. These moves not only increase the physical capacity of the budget document in an illogical way, but also result in an increase in the total current budget.

Political and Other Aspects of the Budgetary System in Iran:

Political and peripheral considerations have always been a part and parcel of budgeting in Iran with negative impact on both the preparation of budget draft and its final approval in parliament. These factors have led to unhelpful changes in the financial process and ineffectiveness of policies. Some instances are noted in this chapter:

First, budget evaluation and outlays for executive departments are key factors in budget preparation by the Plan and Budget Organization. Considering the fact that these evaluations are basic elements of a budget, they should be based on careful and critical analysis without the influence of individuals or interest groups.

Second, some executive departments unable to pass the scrutiny of the budget preparation process and with close relations to the Majlis Budget Commission or other factions in Parliament try to lobby and assert their positions when the budget bill is debated by lawmakers.

Third, MPs normally do their best to become members of the influential Plan and Budget Commission or Economic and Commercial Affairs Commission of the Parliament. This is largely because of the important role of these two commissions, especially the former, in scrutinizing annual budgets. To limit the role of Plan and Budget Commission, a temporary commission, comprising members of the same commission plus one representative from each of the other parliamentary commissions, are responsible for studying the draft budget.

Fourth, the process of preparing a budget normally takes two months in the government and Parliament also needs nearly the same time for debate and final approval. Changes to the budget bill in Parliament have no restrictions and there have been cases when 70% of a budget has been revised and altered. The changes were often in sectoral and regional priorities so that it differentiated priorities of programs outlined by the government and created constraints with regard to achieving government targets.

Fifth, at times decisions by Parliament are inclined toward soliciting public support without due attention to economic and social feasibilities and their future impacts. Some of these decisions can and should be referred to the subsidies for food, fuel and energy approved by the legislature in recent years.

Sixth, parliamentary factions have a role in the approval or rejection of proposals in the open sessions of the Majlis. There have been instances when proposals were endorsed despite their contradiction to what the government wanted. One case was the stipulation of

a \$330 million loan from foreign countries for water and wastewater projects in the 1999 budget bill. Seventh, political leanings of the majority faction in the Parliament result in special emphasis on ensuring credits for some pet executive departments and imbalances between funding for of these organizations and others. The significant increases in the budgets for the state-owned Radio and TV Organization okayed in Parliament can be an example. Finally, although live radio and TV broadcasts of the open session of the Parliament have a basic role in informing the public, TV cameras in essence have led to an increase in proposals by the MPs and lengthened the time for debating/approving the budget in the chamber.

The Supervisory System of Budgeting:

In the budgetary system in Iran, the general entity of operational supervision has discrepancies from legal and executive points, which in part is due to the performance of the budgetary system, the performance of the Management and Planning Organization (formerly the Plan and Budget Organization) and other executive departments. First, presently, one problem of the budgetary system is performance responsibility of the government. The government has taken upon itself many commitments without considering income possibilities. Programs with less priority get a large share of the budget. Second, Because of weak information feedback, enforcing political notions of responsibilities and also weak authority of supervising departments, there is no strong interconnection between the supervisory system and other budgeting processes.

Third, given the essence of annual budgets that should consider previous projects, development spending is allocated through a bargaining process between executive departments and the MPO. Fourth, The MPO's supervisory role, due to changes in the recent past, does not have the necessary clout and authority in relation to preparation, outlay and technical/economic evaluation of programs. Regarding oversight and supervisory visits, hardly 50% of projects on average are under the auspices of this key organization. Other executive (government) departments supervise the rest of the projects. Moreover, given the fact that preparing reliable supervisory reports is subject to extended periods, their results have little functional value. The MPO is responsible for technical and economic evaluation of projects as well as supervisory visits, but has not been successful in fulfilling its mandate. These constraints have had negative impacts, one being that

development projects are almost always delayed and never completed on schedule. For instance, according to a recent MPO report 77.4% of the projects were under execution, 13.9% were completed, 4.4% ceased to exist and 14.3% still remain on paper. The average time for executing 114 projects under supervision which were completed by that time was 8.7 years. Estimated period for completing new projects under supervision was 4.4 years, and for all the projects supervised was 9.7 years. In addition, supervision and operational control of the budget in Iran does not have a clear and defined system. An important phase of supervision is undertaken by executive bodies and organizations which are funded by the government and are obliged to write reports on the performance to the government. Because of ingrained bureaucracy and since each of these organizations work according to their own regulations, systemic supervision is not possible. This causes discrepancy in law or may lead to poor performance of Article 90 of the Law of Public Audit for execution of activities and development programs, and also inhibits execution of Article 37 of the Plan and Budget Law.

Moreover, effective supervision and oversight of development plans and projects needs an integrated computerized accounting system, which efficiently informs those in charge about the performance of expenditures. In the prevailing financial system, developmental accountancy is performed according to executive guidelines of accounting development projects approved in 1973 that are inadequate and inefficient. In addition, according to Article 55 of the Constitution, a Supreme Auditing Court (affiliated to Parliament) is responsible for the parliamentary oversight of the annual budget by preparing a report of settlement of budget. This tribunal has the following problems in carrying out its tasks: First, the content of Item 42 of the law of audit, which allows the tribunal to investigate every case it deems necessary does not have the necessary help and cooperation from relevant organizations and executive bodies. Moreover, in the second chapter of the Law of Public Audit approved in 1960, the time and method of financing budget resources, and alterations and appendixes to the budget was outlined.

However, this point was deleted in the new audit law passed in 1987 and has undermined compilation of a fair and impartial report on the settlement of budgetary issues. In addition, according to Amendment 99 of the law of the Second Plan, the ministry of economy and finance and the Plan and Budget Organization were responsible for supervising the performance of executive organizations and reporting to the Cabinet,

financial tribunal and parliamentary commissions. No such report has been received by the financial tribunal. Furthermore, lack of coordination between the accounting system of the economy ministry and that of the tribunal. Likewise, numerous concentrated lines in the annual budget and preparation of reports on budget performance and settlement are cumbersome. What is more, heavy concentration of credits and basic lines make qualitative and quantitative control over the performance of executive organizations impossible.

Challenges of Budgeting in Iran

As noted earlier, during the last decades of the conventional budgeting system in Iran, the utmost efforts of the administrative bodies of the nation have been to acquire more resources to spend and it has not been made transparent that at what cost and quality the responsibilities regarding the public are met. In order to submit their next year's budget estimate to the cabinet, every administrative body considers the country's annual inflation rate and other possible costs as well as its current year's budget as the criterion and adds some percentages to its revenues and expenses, without evaluating its performance or calculating the actual production costs for each unit of its goods or services.

Officials of public institutions and budgeting system in Iran always ignore the bottom line of their agencies and the efficiency at which the results of their activities are delivered to the public. It is not clear that if the actual costs associated with their initiatives are justified against the value delivered by those activities. The question is whether or not it is possible to provide for more and higher quality services while decreasing the loss of time?

Unfortunately, during budget preparation, approval and implementation, no attention is paid to macro budgetary characteristics and the respective economic and social effects. Moreover, annual budgets do not include all the country's public resources and expenses. The following are some of the reasons for the outstanding difference between budget forecasts and budget performance:

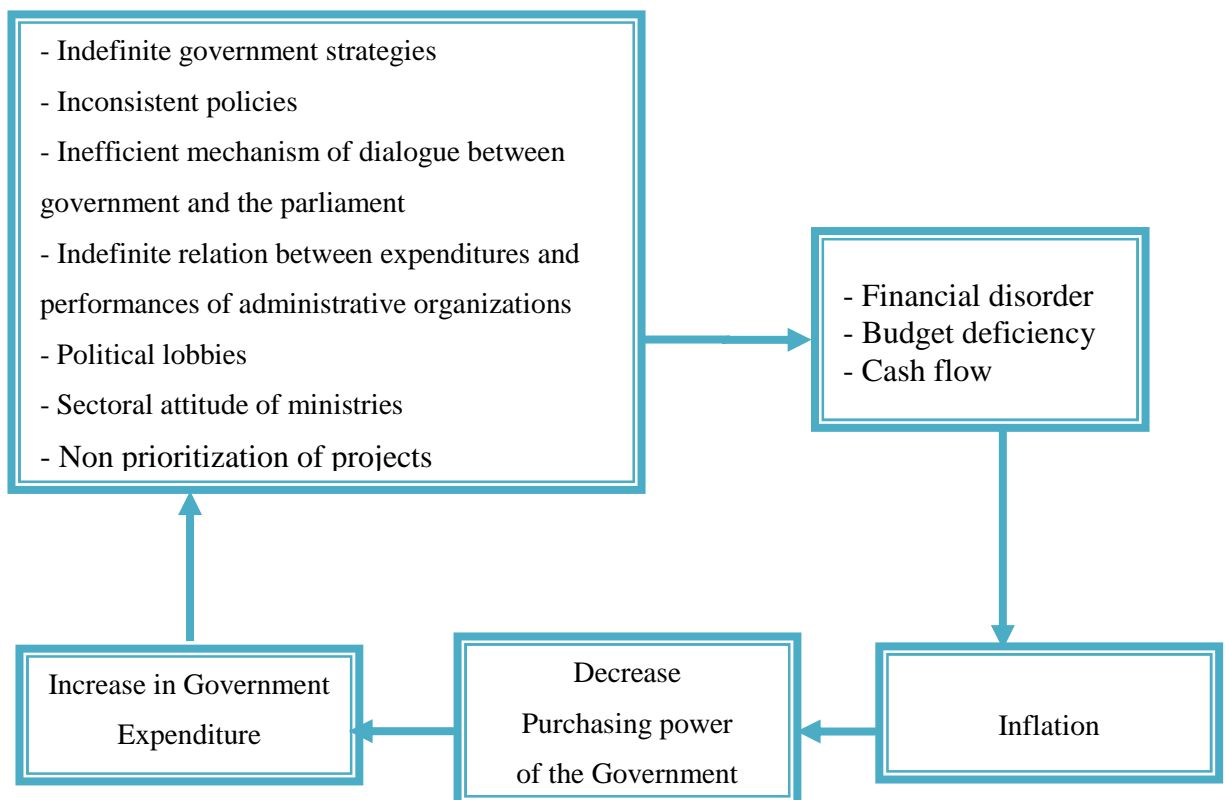
- a) Conflicts between development plans and annual budgets;
- b) Giving priority to some administrative bodies;
- c) Creating false revenues to offset costs and false budget balance;
- d) Spending funds to meet the demands of specific individuals and groups;
- e) Overestimation of revenues and underestimation of costs,

f) Making new budgetary decisions while implementing the budget.

Therefore, the budget fails to conduct one of its major tasks, i.e. the establishment of fiscal discipline in the country which is then creates a vicious cycle in Iran's budgeting system (figure 3). Another disadvantage of current budgeting method is that if an institution acquired higher budgets compared to its actual needs, it would get more budgets in the next year and it would deprive people from the goods and services of the other agencies that get lower budgets. Finally, in the budgeting of Iranian public institutions, the important matter is their survival, not the actual needs of the society. It is always ignored whether or not the survival of a public institution can meet the social needs stated in its objectives. The actual cost for each unit of work is not calculated and no matters if the private sector can offer these services with better quality and lower cost.

However, we know that budgeting is based on the principle of saving financial resources. If these studies are conducted, one will observe that based on economic calculations, many public institutions and organizations are redundant, parallel, vain, and imposed on the country's scarce resources.

Figure:3-1 Vicious Cycle of Iran's Inefficient Budgeting System



The studies conducted in this research suggest that the current budgeting system is underdeveloped and flawed and requires fundamental reforms. The current budget structure is such that it simply incurs costs, and it does not separate actual resources from non-actual and inflation resources. Moreover, unlike its definition in the Public Audit Law, it is not comprehensive, complete and balanced. The current budgeting system considers the receipts from oil exports as "revenue" while they should be considered as national wealth. In addition, its spending must change from "current expenditure" to "capital expenditure". For many years, the national budget relied on borrowing from the central bank and other financial agencies. The reliance on unrealistic, monetary and credit resources which inject to the national budget to meet the annual budget deficits are the main sources of inflation in Iran.

The authority of the Management and Planning Organization of Iran has decreased due to political and unprofessional considerations of some individuals and institutions over time. This is the reason why the bargaining logic has become the dominant logic in public resource allocation in the last few decades. The dissolution of the mentioned organization and aggravated this problem. There are no specific criteria for the separation of national and provincial activities and there is no clear and fair mechanism to allocate resources to the provinces. These are the reasons for the persistence of discriminatory differences between the provinces. The Cabinet's provincial trips did not solve this problem, but reduced decision-making capacity and sense of responsibility in the provinces by increasing centralization in decision making (resource allocation decisions were made by the cabinet instead of the provincial authorities).

Reforms of the current inefficient budgeting system require substantial activities which, in turn, require professional studies and planning in a broad level and gradual implementation over time. Temporary and everyday behaviors cannot solve problems and address the existing deficiencies in the country's budgeting. Such a reform needs thinking, expertise, time, training, and a powerful custodian. To achieve the above objectives, the current budgeting system, which can be mainly classified in the context of incremental budgeting system, should become performance-based. Such a system measures the efficiency and effectiveness of the utilized resources for offering services to the public.

Thus, in this method, the main emphasis is on the "results management" instead of the service "preparation process" and the ultimate goal is to increase sense of responsibility,

improve management and ensure efficient allocation of resources. Therefore, the expected results are matched with the budget's required resources. In other words, the performance-based budgeting system determines the quality and quantity of expected services based on the resources allocated to public agencies. This process allows policymakers to allocate resources to the promised results and the future orientations of institutions.

Conclusion:

Budgeting is a financial reflection of economic and social alternatives of a society and like other economic policies functions as a key policy-making tool in a macro scale. Financial discipline and allocation of resources are the general goals of budget management which introduces itself as a powerful tool in achieving macro goals.

The fundamental issues in budgeting system of each country are the allocation of limited resources based on the needs, different goals and benefits and their prioritization. The question on what basis should one proceed with decision-making when there is a limitation of resources has nowadays turned into a challenge for the economists. In the course of the last seventy years, theorists have made continuous attempts to compile the basics of decision-making required for appropriate allocation of limited resources in the public sector. This has, on the one hand, resulted in the compilation of principles and guidelines as basics of decision-making for the allocation of resources in the public sector and discovery of techniques for the application of the said principles. On the other hand, approaches such as administrative budgeting, rationalism, instrumentalism, and public choice have each influenced the budgeting institutions and procedures and have transformed public budgeting into a concept open to theories. Although no comprehensive theory on budgeting and resolution of the issue has been introduced, significant progress has been observed in suiting the needs of different applicants in order to benefit from the public resources. Obviously, these approaches cannot provide a satisfactory basis for the allocation of resources exclusively. However, when combined, in case decision-making on costs, government interference logic, and the costs and profits thereto, and the distributive influences of the public expenditure are concerned, they play a decisive role.

Despite the widespread involvement of the Iranian government in the economy of the nation due to reasons such as access to oil revenues and based on specific religious beliefs, the importance of budgeting, as one of the most important economic policy-making tools, is

accentuated. Nevertheless, this document hasn't proved to be a practical tool in the implementation of development plans.

Prior to the recognition of government as a key player in the economic development in Iran, budgeting functioned merely as a tool for controlling and auditing financial flows. With the emergence of government in the realm of economy and the assumption of new responsibilities for providing the society with services, the application of budgeting as a management tool became necessary. This necessity has resulted in different classifications of budgeting; namely, organizational and institutional classification through which each executive body annually receive funds under the incremental budgetary method.

One of the decisive factors involved in determination of budgeting methods is considered to be the degree to which the government involves in and influences the social-economic activities. These methods are chosen based on the planning system (the openness of the economic atmosphere of the country) and also the designed mid-term plans to achieve the determined economic and social goals. Iran has experienced diverse methods of budgeting and in each point of time in history a special method has been applied for the regulation of the budgeting document and the credits required in each sector. However, due to the centralized planning structure in Iran and the dispersion of construction and development activities of the country, the incremental method of budgeting has been applied; whereas, the type of government activities necessitates an integrated method. Based on the constitution law and the items in the third, fourth and fifth national development plan, the activities which lie under the authority of the government, the operating budgeting method shall be applied, so that the finalized cost of each activity can be evaluated. Moreover, where possible the economic-social activities should be delegated to the private sector and for the delegation of such activities, the PPBS¹ method is recommended. In addition, the adoption of a policy which bans the consideration of oil export revenues in the current expenditure budgets seems to be one of the main challenges for the budgeting system. In spite of the fact that this issue has been raised in the last few years, the consumption of oil revenues in the expenditure budgets of the country is common and regular.

Another point in the analysis of the budgeting system in Iran is the fact that in addition to sever dependence on oil revenues, the budgeting system lacks a comprehensive outlook

¹planning Programming and Budgeting System,

on economic sectors. This system doesn't hold a precise attitude towards the capabilities, capacities, weaknesses and the requirements of the private sector whether the incomes and the revenue resources or the costs are concerned. In other words, the national budgeting system and also the development plans, do not consider an appropriate place for the participation of the private sector in the implementation of development plans.

In summary, one could claim that there is no compulsion for the application of one single budgeting method in Iran, but quite on the contrary and due to the importance and the level of government's involvement, the application of integrated methods deems vital, and this wouldn't be feasible unless necessary reforms in the budgeting system are implemented. These reforms will be covered thoroughly in the following chapters.

CHAPTER FOUR:

GOOD GOVERNANCE AND THE POSSIBILITY OF ITS APPLICABILITY IN IRAN

Introuduction :

This chapter comprises a theoretical framework and literature review for the discussion on the concept and role of ‘good governance’ in development management and public administration, which emphasizes the responsibilities of governments as service providers and architects of development.

Through this chapter I seek to illustrate what steps should be taken from the point of good governance and characteristics defended by scholars of this paradigm to promote the path of development as a whole and regional development and poverty alleviation, specifically in Iran. These are shown through a mix model of Transcendental Value management (TVM) and public value management (PVM) which have been proposed with regard to the goals of Iran Vision 2025.

The momentum of national and international development has inevitably challenged all the structures, institutions and management of public affairs. In such a situation, where the public needs and demands are under the influence of the mass media, information technology and other tectonic changes in the information-age, every action

of the staff and government decision-makers who have been chosen by the people to take responsibility for managing their affairs, is open to question and critical evaluation.

As a result, governments are expected to introduce a set of reforms in their administrative, political and economic systems, which are generally known as “good governance” and have attracted the attention of the media and public opinion.

Governance

Governance was traditionally associated with the government, with the service of power by political leaders (Mette Kjaer, 2004). Although, imposing this restriction on the scope of governance, still leaves us with concepts that have multiple meanings. Governance is the act or manner of governing, to govern to rule or control with authority. Governance is the stewardship of formal and informal political rules of the game. Governance refers to those measures that involve setting the rules for the exercise of power and setting conflicts over such rules (Hyden, 1999:185)

Governance does not point to state actors and institutions as the only relevant institutions and actors in the authoritative allocation of values (Stern, 1996). They all, to some extent focus on the role of networks in the pursuit of common goals; these networks could be inter-organizational (Rhodes, 1996). They can be transnational (Rosenau, 1997) or they could be networks of trust and reciprocity crossing the state-society divides (Hyden, 1999).

Governance is the capacity of government to make and implement policy and to steer society (Pierre and Peters, 2000). In new governance theories, analysts often explore the nature of governance: has the role of state declined, or if it has not declined, has it changed? Some use governance in both the old and new sense: governance is the institutional capacity of public organizations to provide the public and other goods demanded by a country's citizens or their representatives in an effective, transparent impartial and accountable manner (World Bank, 2000).

To steer and improve accountability in this sense, governance should resurrect relationship between legitimacy and efficiency (Pierre and Peters, 2000). The main creations identified for the setting and management of political rules of the game, are legitimacy, efficiency, democracy and accountability.

A useful distinction here is between "input-oriented" and "output-oriented" legitimacy. (Scharpf, 1997b: 525). Input oriented legitimacy derives from agreement of those who are asked to comply with the rules (establishment of democratic procedures for taking collectively binding decisions). Output oriented legitimacy derives from the effectiveness of rules to produce tangible results (if they serve the common good). Thus, legitimacy may derive from democracy as well as from efficiency. The issue is whether it is possible to have both or whether there is a trade-off between the two.

Accountability implies responsibility: to be accountable is to be held responsible. To talk about accountability is to define who can be called to account and who has the duty to explain (Day and Klein, 1987). Accountability must be direct and continuous. Inability to make someone accountable implies a lack of power and control (ibid).

Increased participation by citizens has been called for, in order to reintroduce direct accountability and thereby short-circuit the increasingly complex structures of accountability. To ensure that, service providers are responsive to the user's needs. Accountability is ensured through traditional parliamentary routes, as well as through more participatory means.

In public administration, the governance debate is about changes that have taken place in the public sector since 1980s. The traditional model of public sector that was defined and sketched by Max Weber (the principles of a modern bureaucracy), the basic for all political authority is the sovereign people; power is exercised by people in an indirect way through elected representatives. The basic organizing principle for connecting the people or the electorate, to their representatives is the principle of plurality, free association and speech, one vote and the secret ballot. The legislature defines the common interest of the nation and oversees the government's implementation of its decisions.

The Concept of Good Governance (GG)

The concept of 'governance' is not new. However, it means different things to different people; therefore we have to get our focus right. The concept has been around in both political and academic discourse for a long time, referring in a generic sense to the task of running a government, or any other appropriate entity for that matter. In this regard the general definition provided by Webster's Third New International Dictionary (1986) is of some assistance, indicating only that governance is a synonym for government, or "the act or process of governing, specifically authoritative direction and control". This interpretation

focuses specifically on the effectiveness of the executive branch of government (South Africa's National Party Website)

Good governance is referred to the paradigm which emerged over the past two decades and is regarded as one of the international orientations in the management of public affairs. The idea of good governance has been presented in contrast with poor governance. As Ray and May (1996) have stated, in poor governance; firstly, laws and regulations overtly curb the proper trend of the market, increase administrative corruption and weaken competition; secondly, misplaced priorities result in improper allocation of resources; and thirdly, there can be seen inability in policy making and proper governmental behavior which results in development. If we accept good governance as a new paradigm for using power in managing the country, we should also say that its applicability depends on concocting a proper indigenous model.

The concept of governance, in fact is simple. It is seen as a set of values, as well as social processes at different levels, on the basis of interaction among governments, civil society and the private sector. It is not new and is probably as old as human civilization. It broadly means the process of decision-making and the process by which decisions are or are not implemented. The concept of governance relates to the quality of relationship between governments and the citizens whom it serves and protects.

The Asian Development Bank states the instrumental nature of governance with its four pillars, namely accountability, transparency, predictability and participation. These are universally applicable regardless of economic orientation, strategic priorities, or policy of the government in question. The universally accepted characteristics of good governance include participation, rule of law, transparency, responsiveness, equality, inclusiveness, effectiveness, efficiency and accountability.

Good governance has been defined by Healey,J and Robinson,M. (1992) as: a high level of organizational effectiveness in relation to policy formulation and the policies actually pursued, especially in the conduct of economic policy and its contribution to growth, stability and popular welfare. Good government also implies accountability, transparency, participation, openness and the rule of law. It also tends to be a prerequisite for political legitimacy. Governance, as a process of establishing reciprocal interaction between and within government, market-economy and people, is gaining prominence.

In this research I have tried to outline the effectiveness of governance as a strategy in establishing an appropriate balance in relative roles of public, private and civil society organizations, rights and responsibilities of politicians, bureaucrats, and community and third sector's players. Public administration is a system of administration created with public funds for private gain. The changing concepts of development, globalization and growth of new technologies, and the changing perception of the role of state, are some important factors influencing the nature and process of government (James D.Wolfensohn, President of the World Bank). He considers localization with emphasis on decentralization of political power and urbanization as important strategies for future development (WDR 1999-2000).

The World Bank Report (1997) envisions a more effective state by restricting its activities to match its capabilities, and also advocates improving the state's capabilities by reinvigorating public institutions. The market also has been considered a more effective institution for allocation of social resources. The key role of the state in development is questioned. This market driven approach to development strengthens the factors of liberalization and privatization.

Good governance is a fuzzy concept. According to World Bank,(1992) good governance is the manner in which power is exercised in the management of a country's economic and social resources for development. The World Bank has identified following distinct aspects in the conceptualization of governance. One of the aspects refers to the form of political regime. Another aspect is concerned with the process by which authority is exercised in the management of the country's economic and social resources. The third aspect is capacity of government to design formulate and implement policies, and in general, to discharge government functions. And finally, the fourth aspect deals e- Governance, internet facilities and new technologies which facilitate better interface between people and government and more transparency. Some of the determinants of good governance are listed in the table below:

Table 4-1: Important Determinants of Good Governance

No.	Determinants	No.	Determinants
1	Democratic policy	5	Independent judiciary
2	Flexible models of government	6	Competitive government (service delivery)
3	Established legal framework based on rule of law	7	Efficient and result - oriented
4	Probity in public life	8	Transparent administrative system
9	Small government in terms of size	14	Responsive to the needs of citizens
10	Ethical approach to human concerns	15	Quality of services and performance assessment
11	Organizational pluralism – state, market and civil society organizations for governance.	16	Building social capacity
12	Decentralization –devolution of power to local organizations	17	Performance partnership between government, NGOs and private agencies
13	People's participation	18	E-governance

The working definition used by the British Council, however, emphasizes that "governance" is a broader notion than government (and for that matter, also related concepts like the state, good government and regime), and goes on to state: "Governance involves interaction between the formal institutions and those in civil society. Governance refers to a process whereby elements in society wield power, authority and influence and enact policies and decisions concerning public life and social issues, (South Africa's National Party Website).

Governance, therefore, not only encompasses but transcends the collective meaning of related concepts like the state, government, regime, and good government. Many of the elements and principles underlying 'good government' have become an integral part of the meaning of 'governance'. John Healey and Mark Robinson define good government as follows: "It implies a high level of organizational effectiveness in relation to policy-formulation and the policies actually pursued, especially in the conduct of economic policy and its contribution to growth, stability and popular welfare. Good government also implies accountability, transparency, participation, openness and the rule of law. It does not necessarily presuppose a value judgment, for example, a healthy respect for civil and

political liberties, although good government tends to be a prerequisite for political legitimacy, (Healey,J and Robinson,M. 1992).

We can exercise our minds on the definition of governance provided by the World Bank: "Good governance is epitomized by predictable, open and enlightened policymaking, a bureaucracy imbued with professional ethos acting in furtherance of the public good, the rule of law, transparent processes, and a strong civil society participating in public affairs. Poor governance (on the other hand) is characterized by arbitrary policymaking, unaccountable bureaucracies, unenforced or unjust legal systems, the abuse of executive power, a civil society unengaged in public life, and widespread corruption".

The World Bank's focus on governance reflects the worldwide thrust toward political and economic liberalization. Such a governance approach highlights issues of greater state responsiveness and accountability, and the impact of these factors on political stability and economic development. In its 1989 report, 'From Crisis to Sustainable Growth', the World Bank expressed this notion as follows:

"Efforts to create an enabling environment and to build capacities will be wasted if the political context is not favorable. Ultimately, better governance requires political renewal. This means a concerted attack on corruption from the highest to lowest level. This can be done by setting a good example, by strengthening accountability, by encouraging public debate, and by nurturing a free press. It also means fostering grassroots and non-governmental organizations such as farmers' associations, cooperatives, and women's groups."

The World Bank has also used the following definition: "By governance we mean the manner in which power is exercised in the management of a country's social and economic resources". It makes a clear distinction between the political and economic dimensions of governance. The Bank's call for good governance is to encourage governments to create the legal and institutional framework for transparency, predictability and competence in the conduct of public affairs and the management of economic development. (World Bank, 1994)

Apart from the World Bank's emphasis on governance, it is also necessary to refer to academic literature on governance, which mostly originates from scholars working with international development and donor agencies. The majority of these scholars has concentrated almost exclusively on the issue of political legitimacy, which is the dependent

variable produced by effective governance. Governance, as defined here, is "the conscious management of regime structures, with a view to enhancing the public realm."

The contribution by Hyden, (1999) to bring greater clarity to the concept of governance needs special attention. He elevates governance to an "umbrella concept to define an approach to comparative politics, an approach that fills analytical gaps left by others". Using a governance approach, he emphasizes "the creative potential of politics, especially with the ability of leaders to rise above the existing structure of the ordinary, to change the rules of the game and to inspire others to partake in efforts to move society forward in new and productive directions" (South Africa's National Party Website).

By governance we mean the manner in which power is exercised by governments in the management of a country's social and economic resources. 'Good' governance is the exercise of power by various levels of government that is effective, honest, equitable, transparent and accountable. Most international organizations and bilateral agencies have developed their own definition of governance.

UNDP¹ has developed a fairly broad strategy and policy linking public-sector management, governance and sustainable human development. UNDP definition of good governance is set out in a 1997 UNDP policy document entitled "Governance for Sustainable Human Development". The document states that governance can be seen as the exercise of economic, political and administrative authority to manage a country's affairs at all levels. Thus, "Under the Parameters of Sustainable Human Development", sound governance has come to mean a framework of public management based on the rule of law, a fair and efficient system of justice, and broad popular involvement in the process of governing and being governed. UNDP identifies the following factors as having the greatest impact on governance:

¹United Nation Development Program

Table 4-2: Influential Factors in Governance Defined By UNDP

<i>No.</i>	<i>Influential Factors</i>
1	Organizations or entities such as political systems, parliaments, legal authorities and NGOs
2	Institutions, or the formal or informal system of values, rules and procedures used to manage human, natural and economic resources
3	Capacity of government to develop and implement policies (this includes bringing about organizational change, influencing institutions, and changing the nature of interaction between organizations and institutions)
4	Nature of interaction between political authority and civil society
5	Freedom of expression and role of the media

The following table enlists what UNDP identifies as the principal characteristics of effective governance:

Table 4-3: Characteristics of Effective Governance Defined By UNDP

<i>No.</i>	<i>Characteristics</i>	<i>No.</i>	<i>Characteristics</i>
1	political legitimacy and accountability;	6	effective and efficient management of the public sector;
2	freedom of association and participation;	7	cooperation with organizations in civil society;
3	reliable legal system;	8	decentralization and support for local government;
4	accountability of the public service;	9	civil society;
5	freedom of information and expression;	10	policy development planning and support.

Development banks have focused mainly on the social and economic aspects of the concept of governance. The European Union and EBRD have broader visions in which governance includes political dimensions, such as human rights and democracy.

The 'Institute on Governance' has established the following definition: Governance comprises the institutions, processes and traditions which determine how power is exercised, how decisions are taken and how citizens have their say. Thus governance is not the sole concern of government, but of all those involved in decision-making.

Miller, (1996) of the 'Parliamentary Center' talks about the concept of the ecology of governance. He emphasizes the importance of going beyond a vision of governance that is strictly limited to the perspective of government institutions.

The Asian Development Bank is the only development bank that has developed a policy on governance. It focuses primarily on the social and economic aspects of governance, and identifies the following basic components: accountability of the public sector, participation of the private sector, predictability of the legal framework and public policy, transparency of information, and clarity of regulations and policies.

According to the ADB, governance refers to the institutional context in which citizens interact among themselves and with government agencies. Even though policy issues are important to development, the concept of governance as defined by the Bank basically focuses on the ingredients of effective management. It sees governance as being synonymous with effective management of development. The Bank's analytical framework for dealing with governance issues distinguishes between the components of governance and specific areas of activity for promoting it (such as public sector management). The Bank identifies the following key success factors:

Accountability (government capacity building): public-sector arrangement, management and reform of public enterprises, financial management, reform of the public service.

Participation (participatory development process): participation of recipient groups, interface between the public and private sectors, decentralization (empowerment /accountability of local governments), cooperation with NGOs.

Predictability (legal framework): law and development, legal frameworks for private sector development.

Transparency (information and openness): disclosure of information, (Asian Development Bank 1995).

The European Union is primarily concerned with the political, social and economic dimensions of governance, especially in the context of its support for African, Caribbean and Pacific (ACP) countries, and its initiatives in the Mediterranean. Special attention is paid to human rights and fundamental freedoms, recognition and application of democratic principles, and consolidation of the rule of law and good governance (DAC-OECD 1995).

To conclude, it is clear that the concept of governance has over the years gained momentum and a wider meaning. Apart from being an instrument of public affairs management, or a gauge of political development, governance has become a useful mechanism to enhance the legitimacy of the public realm. It has also become an analytical framework or approach to comparative politics (South Africa's Website 2010).

To accept World Bank definition for governance as: The methods of using power in managing economic and social resources. in the same line, three different aspects of governance may be considered; firstly, the form of the political regime; secondly, the procedure of using power for managing the economic and social resources for development; and thirdly, the government's capacity for planning and implementing strategies and executive duties.

In most of the dictionaries, governance is defined as using power in managing an institution, organization, or a country, and Weiss (2000) has also posed it at the international level. Therefore, governance can be discussed at different levels and does not include only the governmental level. Governance can be discussed even in terms of the subject.

Governance, just like government, can be either good or bad. Therefore, good governance can be regarded as a new paradigm in governance being recognized with specific features. These features are the outcome of the views of some international institutions and political and executive experts. As an example, the 'International Fund', within the framework of good governance, attempts to encourage member countries to make clear economic policies, announce public finance as much as they can, standardize procedures, and recently, anti-money laundering policies.

According to the World Bank (1992), member countries have to improve the procedures of allocating resources, auditing procedures, selection and implementation of strategies, and the relations between citizens and the government. UNDP considers good governance as related to the stable development of human resources, while the ADB emphasizes the partnership of the private sector. Lyon (2000), borrowing the definition used in Australia, regards good governance as effective management of the economic and social resources of a country which has to be clear, accountable, seeking justice, and open.

In sum, we can consider the following common characteristics for good governance (Taylor, 2000; Mobius, 2001; Weiss, 2000; Roy and Tisdell, 1998):

Table 4-4: Characteristics of Good Governance

No.	Characteristics
1	Establishing and strengthening democratic structures;
2	Clarity, accountability, intelligence, and joint partnership;
3	Taking into consideration people's demands and responding to them;
4	Proper economic policies to facilitate development;
5	Respect for human rights and power of the law.

With regard to these characteristics, we can conclude that good governance is an ideal situation the realization of which seems difficult on the whole. Few countries and societies have managed to reach the status of good governance. Nevertheless, with regard to the emphasis of the World Bank (1991) on the establishment of good governance in member countries and to guarantee stable development of human resources, the governments' measures are in parallel to the realization of such an ideal (World Bank, 1992; Elgardo, 1992).

Good Governance as a Paradigm

A paradigm is a conceptual model according to which and through which we look at the realities, judge about them and show reactions (Barker, 1992:12); a collection of thoughts, perceptions, and values that reflect a particular aspect of the reality. There can be three distinguished levels of paradigm: the first level is a paradigm which is referred to a single organization; the second is a general approach to management, strategy and organization which has become legitimate through theories and the executors; and the third includes a collection of general beliefs, theories and inclinations towards the power based on which the managing approach has been structured (Darwin, 1996).

Based on the above-mentioned definition, good governance is, in fact, a new paradigm in exercising governance which seeks to, with accumulation of specific characteristics, describe ideal governance. The emergence of good governance can be considered as a new collection of governing ideology in managing public affairs that has resulted in the formation of ideas and main beliefs in the macro-management of the society.

Architecture of Good Governance

The realization of good governance requires governance architecture at the level of the society. Governance architecture includes the formation and continuous management of a framework for 'future governance'. This framework directs fundamental and continuous changes in the arena of the government and makes it possible to pay simultaneous attention to the change of content (the reason) and the procedure (the manner) on a large scale. Change in the model of governance on a large scale is a stable change in the size of the government which changes its behavior meaningfully. The model of good governance architecture is a basis for using administrative, political and economic power in managing a country. Borrowing the theory of government architecture (CIO Council, 1999), eight elements of this framework are:

1-Motives of architectural design: The stimulus for architecture at the level of governance can speed up development, new management initiatives, and international requirements.

2-Strategic Inclination: It is guidance for good governance and includes outlook, principles, and qualitative and quantitative goals.

3-Current Architecture: defines present governance and is a representation of the ways of using administrative, political and economic power in the current circumstances, and consists of two phases of using power at the national and international level.

4-Ideal Architecture: defines expected governance and consists of two national and international architectures. This architecture is a representation of the ways of using power in managing the country in the future that should play the role of facilitator and be accountable to the needs of the people.

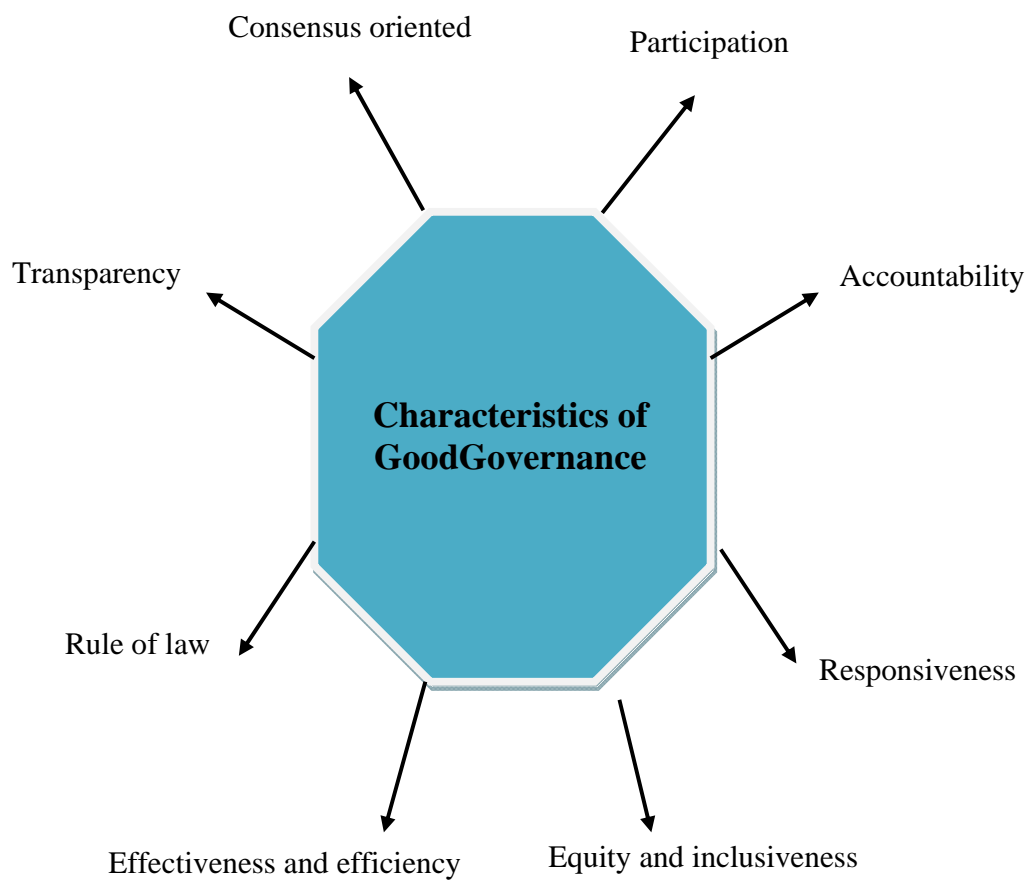
5-Transitive Processes: It shows how the present governance transits to good governance. The key processes of transition include planning for the realization of the features of good governance.

6-Architectural Sectors: includes attempts concentrating on major executive fields such as administrative, political and economic systems.

7-Architectural Models: Defines the models of good governance being used in architecture.

8- Standards: It refers to all the standards, instructions, and circulars related to the architecture of good governance at the level of the society.

Figure 4-1: Characteristics of Good Governance



Criticism of Good Governance

The model of good governance is a great and rich theory, but disappointingly strict and inflexible. The strong point of the theory lies in the recognition of the cause of underdevelopment in non-industrial countries, i.e. poor governance.

The key weakness of this theory is the generalization of governmental characteristics of developed countries to other countries. This model is an idealistic model that depicts the desired governmental outlook; influences development, but is not necessarily a prerequisite to development. It is the selection of the model of good governance by the World Bank as the standard for monitoring the performance of governments in different countries that has made it different from other excellence models.

According to the model of good governance, governments should establish a type of governance to pave the way for their own national development. Otherwise, their weak governance will emerge as a development inhibitor. The evidence largely verifies the paradigm of good governance, but it also emphasizes some important warnings:

First: Implicit Presupposition

There is an implicit presupposition behind the framework of good governance which must be considered due to its great influence on the model and the explanation of its relations. Neoliberal values are the central base of the model of good governance (Moore, 1995). Therefore, building this model based on such values will undermine its desirability to the followers of other common ideologies in the world.

Second: Unstable Framework

Lack of accuracy is evident in the hexahedron model of the World Bank. It is not clear why the World Bank uses a hexahedron model. Why do some elements such as clarity seem to be pale in this model? Has the model been formed based on factor analysis, preferences of the persons, or available secondary data?

Third: Deductive Model

In fact, this model depicts the desired governance in industrial countries, and its generalization to all countries, with different conditions and in different stages of growth and development, is not acceptable from the point of view of the scientific method of research.

Forth: Environmental Conditions

The effect of national conditions, including culture in the development of good governance, has not been regarded in this model. According to the Alignment Principle, selection of a governance model compatible with the specific conditions of each country is necessary and imposition of a single model on different conditions means ignoring the Contingency Theory.

Fifth: Regional Unions

The model of good governance emphasizes the role of governance in traditional countries, and is incapable of addressing transnational governance like the European Union.

Eight: Technology

Since it underestimates the role of technology in deepening the desired democracy and governance, the model of good governance is basically a static model. Technology is not an exogenous variable; rather, it is an incremental and cumulative process over time. The excellence of governance is increasingly dependent on technology.

Ninth: Role of Global Governance

The model of good governance does not consider the effect of global governance on national governance. In many cases, the decisions of international institutions are imposed on member countries and the development of some of the characteristics of desired governance arises from these countries' following the standards, which is typically more observable in small countries.

Tenth: Prerequisite to Development

Good governance was proposed by the World Bank (1989) to prepare the grounds for the development of developing countries; while the successful experience of East Asia raises the question that whether good governance is really a prerequisite to development (Mette K, 2004).

Eleventh: Contradictory Indicators

The model of good governance proposes indicators for measurement of each aspect the occasionally increase of which in some is associated with decrease in others. For instance,

providing emotional citizens and uninformed masses with freedom may galvanize them and consequently decrease the indicators of political stability.

Twelfth: Error of Judgment

Secondary data is used in the survey of 'Global Governance' for the measurement of desirability of governance in different countries. Hence, a considerable margin of error in judgment should be expected in the evaluation of its different aspects.

Alternative Models of Good Governance

The question posed here is whether the characteristics mentioned above, which is the result of the accumulation of different approaches, are also justifiable with the adjective "good" in an Iranian society. In other words, isn't the idea of good governance in a country like Iran, which seeks to implement Islamic governance, a kind of clash? Maybe the best answer to such a question is a model of democracy which, given the culture of Iran and with regard to Islamic principles and values, has taken the form of Islamic democracy (religious democracy). Therefore, to domesticate good governance in Iran, the "Islamic" feature should also be regarded as one of the other characteristics of good governance, and by "Islam" we mean a collection of principles and values which should be taken into consideration for the realization of Islamic governance. With regard to the deficiencies mentioned for good governance, there have been attempts to design alternative models. Here, two prominent models are discussed; firstly, the good enough governance model, and secondly, the desired Islamic governance model

Good Enough Governance

The idea of good enough governance has unsecured the validity of good governance's action plan (Grindel, 2005). This model proposes that not only is it not necessary but also impossible to urgently obviate all the requirements of government. That is why any capacity building or institutionalization should be done through years ahead. The good enough governance means that the thought of modification of government should be followed by considering the socio-economic situation of individual countries. This kind of government modification should be selected under the light and radiation of historical factors, time duration, socio-economic conditions and depth of democracy in these countries. Model of good enough governance has drawn its attention to the minimum government conditions for political and economic development. So, this model is a base for

questioning long-term instructions for structural changes and innovations of public capacity building which presently are considered very important for development. In other words, although the model of good enough governance does not accept the instructed model of "Good Governance" but from a conceptual point of view the localized model of "Good Governance."

Desired Islamic Governance

As the last divine religion, Islam enjoys the capability of eliciting and adopting the desired governance model in accordance with Islamic principles and values. Islamic scholars in general, and Shiites in particular, describe and illustrate the model of Islamic utopia based on Islamic laws, the traditions and practices of Prophet Muhammad and Imam Ali, and the Doctrine of Mahdism. They believe that human emancipation and well-being is possible within the framework of such governance (scholars such as Allameh Majlesi, Mulla Sadra, and Imam Khomeini). It is necessary to note that in contrast to Plato, Islamic scholars regard the Infallible Imams and in their absence, the Faqih (Supreme Jurisprudent) at the top of the utopia and qualified for the leadership of the society. The concept of 'Leadership of the Faqih' was first proposed by Abu al-Salah Halabi.

Applicability of Good Governance in Iran

Islam as the last divine religion has the potential capacity to use the good governance model compatible with Islamic values and principles. What could indeed guarantee the eloquence and prosperity of a society is only the Holy Quran's interpretation of "transcend" which can be achieved under the auspices of theosophy, consciousness, justice and government based on Islamic rules. Although the idea of a governmental excellence in its general concept has often been discussed in Iran, but the lack of a tailored model of this philosophy has been a major impediment.

A prominent feature of the present political system in Iran is the Islamic dimension of its government. According to Caiden (1988), public pressure and expectation of the masses for better services by lesser tax will play an important role in the achievements of the modification of administrative plans in developed countries. However, these kinds of demands from civil society in developing countries are not very effective for such modifications. Consequently, efforts to imitate and impose models experienced in the developed world would be rather disappointing for the accomplishment of good governance

in developing countries. As a result, to use the paradigm of good governance in the Islamic-Iranian pattern, we need to design a local model which would encompass all the characteristics of good governance under the umbrella of Islamic values. Such a model would have the following attributes:

Justice: according to Islamic principles the government should be built on justice and fairness.

Divine Legalism: the second aspect of an Islamic government should be compliance of principles and rules established by Islam and based on the Holy Quran.

Participation: Imam Khomeini believed that a good government for its formation and survival should be based on the opinion and the vote of the people. Good governors should serve the masses and uphold public expediency as their primary goal.

Serving the Masses: One of the important responsibilities of a good government is to serve society and to strive to deliver the social and economic needs of the people. In this context, government is only an instrument of service, training and leading a nation towards justice and prosperity.

Morality: according to Islam, government is a pact and convention of God with the people in which there is no place for the oppressive and corrupt.

Submitting to Supervision: accepting and tolerating reprimand, censure and disapproval is another feature of a good government according to Islamic teachings. Governments divorced from public scrutiny and supervision, and in charge without responsibility, have roots in autocracy and despotism. Islam underscores the status of and belief in public consciousness and their role in supervising government performance. This approach, the religion maintains, helps in ensuring the security and well-being of the society.

Accountability: In the good government model presented by the World Bank, which is a referee of western thought, accountability is elevated to a prominent and deserving position. Thus, one may ask whether in a political system based on Islamic values, accountability can be considered as a characteristic of good governance. Pishehfard (2004) believes that those who opine that accountability in an Islamic system is impossible prejudice in their understanding that in Islam governance, Faqih supervisory means a kind of tutorship. This prejudgment is misleading and wrong simply because accountability in high places is a basic tenet of Islamic political discourse.

Governmental Excellence

Undoubtedly, traditional governance partly seeks a degree of accountability, lucidity, adherence to participation, rule of law and justice, but does not meet the people's expectations. This type of governance simply fails to deliver when times are bad. In today's world countries from the perspective of good governance (voice and accountability, political stability and non-violence, government effectiveness, regulatory quality, rule of law and corruption control) are systematically under the public spotlight and their performance ratings are the subject of periodic reports by prominent international agencies.

Although these activities are taken place towards excellence in governance, but it is obvious that accepting this kind of models may be face with ideological principles of some other countries like Islamic ones. Hence, from contingency perspective, developing a native model of governmental excellence is a strategic necessity.

Aligning Public Administration With GG

In order to establish a high degree of excellence in governance, it is necessary to align public administration with governance's requirements. If we accept that good governance is a new paradigm in managing the affairs of the people, it becomes necessary to fathom how far the present situation in Iran is from the ideal by looking closer at its traditional bureaucracy. Iran is an ancient land in the Middle East which has seen more than its fair share of ups and downs. With its cultural/ethnic mix and diversity (Azeri, Baluch, Arab, Kurd, and Fars), it is regarded as a multi-cultural society. Dynasties that came to power over centuries established the 'courtier bureaucracy'. With few exceptions, bureaucracies were almost always at the service of the royal court where kings were lords and people were peasants without basic rights. Bureaucracy in its new form and manifestation was born in Iran during the Qajar Dynasty. In the process of Iran's political and cultural relations with Europe, especially Britain and France, new concepts of bureaucracy gradually emerged, namely the "representative bureaucracy." Introduction of democratic principles and the victory of the Constitutional Revolution marked a fundamental shift from bureaucracy based on governance to bureaucracy based on democracy. However, principles and features of representative bureaucracy emerged gradually.

The idea of what came to be known as 'religious democracy' was first floated in Iran almost two decades after the Islamic Revolution in 1979. Although the notion of good

governance has often been discussed in its general sense, the lack of an indigenous model has made its realization difficult, if not impossible.

The singular trait of Iran's political system is its "Islamic" feature. Its indication lies in the creation of state institutions such as the 'Velayat Faqih' (rule of the supreme jurisprudent), the Islamic Consultative Assembly (parliament), the Council of Guardians, State National Security Council, Expediency Council, Assembly of Experts, and the elite Islamic Revolution's Guards Corps, and their predominant roles.

A key issue is that the applicability of good governance depends partly on the quality of interaction between these powerful institutions and civil society. As Caiden (1988) points out, general pressures and people's expectations for better services with lower taxation, play a determining role in the success of plans for administrative reform in the developed countries, while demands by civil society in developing countries for administrative reforms are hardly met. Hence, attempts to impose models of the developed world on developing nations for the realization of good governance will be disappointing, to say the least. In applying the paradigm of good governance in an Iranian environment, we need to consider two important points; on the one hand, the determining role of social pressures in administrative reconstruction; and on the other hand, the possibility of implementing reforms based on good governance within the framework of prevailing institutions.

Generally speaking, we could say that governments in Iran do not face pressures as witnessed in democratic societies. The essence and quality of relations between the government and people prevents the emergence of such pressures. The reason is that: firstly, the government has an Islamic disposition and does not allow demands contrary to Islamic principles. As a result, the governing bureaucracy operates as a guardian and a director not as a responsible bureaucracy, (Rahnavard, 2010). Secondly, the masses are not organized to be able to push for demands. Non-government formations have yet not been institutionalized and so are not considered public interest speakers to be effective in government decisions. Hence, fundamental reforms in the public sector for materializing the features of good governance depend largely on powerful government managers in charge (ibid).

As Hood (1995) states, there is no unique model for "good governance", rather a range of models for good governance consistent with the existing climate in countries (political and cultural factors) could be imagined. In Iran, such a model should be devised and applied with focus on the "Islamic" feature of governance on one side, and the long-term

development plan of the country (20-Year Vision) and indigenous traits of Iranian society on the other.

In Iran there is a national will that the path and direction of development should move ahead, and this key purpose is reflected in the 20- Year Vision. Indeed, challenging conditions, namely high unemployment, expanding urban sector, inefficient economy largely dependent on oil, disproportionate expansion of the public sector, systemic rise in current expenditures, high inflation, and population explosion (more than half the population was born in the past 30 years), have together imposed an extra burden on the rulers allowing them little time or space for meaningful reforms (Rahnavard, 2011).

Thus, the possibility should not be disregarded that the paradigm of good governance could be a solution to Iran's public administration dilemma by blending the relevant mechanisms of rehabilitation and improving living conditions. However, the primary question is to what extent the architects would be able and willing to devise and implement plans to move from the present bureaucracy to good governance through fundamental change in the political, administrative, and economic structures and within an acceptable timeframe.

In this part of the study I have tried to clarify the existing public administrative model in Iran which was traditionally formed according to the three above mentioned aspects. This model shows that experts on public administration and public policy in Iran, out of the different characteristics of four famous public administration models (Transcendental Value Management (TVM)), Public Administration (PA), New Public Management (NPM), and Public Value Management (PVM), anticipate the following features appropriate for achieving the goals of the Iran Vision 2025 (Rahnavard, 2011). These points, however, may also be common between the four models of public administration:

- 1- Acceptance of public management based on values and democratic theories (emphasized in TVM & PVM models).
- 2- Acceptance of economic and political man as the rational sovereignty on management of human resources (emphasized in PVM).
- 3- Define public interests based on the approach of national-religious demands (emphasized in TVM).
- 4- Define key beneficiaries in the form of citizens (emphasized in PVM).

- 5- Define the role of general direction and mediation among non-government institutions for the government (emphasis in NPM & PVM).
- 6- Implementing policy through comprehensive partnership and participation of the players (emphasis in PVM & TVM).
- 7- Accountability based on 360 degree approach (emphasis in PVM).
- 8- Administrative and legal legitimate authorities (emphasis in TVM).
- 9- Horizontal and participatory structures (emphasis in TVM).
- 10- Motivation based on entrepreneurship and service delivery (emphasis in PVM & NPM).
- 11- Key role of managers: Leading and integrating service delivery networks (emphasis in TVM & PVM).
- 12- Comprehensive inclination toward public administration service (emphasis in TVM&PVM).
- 13- Key goals of the system: Achieving public values and enduring exaltation of the society (emphasis in TVM & PVM).

As is concluded from the pre-mentioned characteristics, from the total thirteen characteristics of public value management, ten characteristics are seen in the integrated model, seven in the transcendental value management model, and two features of new public management have been reflected in the model. It should be bear in mind that there is no feature of traditional public administration (TPA) in the composing model.

Therefore, with some indulgence, one can say that public value management model constitutes the main core of the integrated model (Transcend Value Management model).

According to the exigency approach, there is no best model or approach; rather the optimum model appears and conceptualizes depending on the status quo. The public administration management model for implementing the government's approach, including the 20-Year Vision or macro-policies, are not an exception to this rule. This model is effective and efficient only when it is designed and implemented in accordance with the needs of macro-policies at the government level and the status quo.

Governments that are unable to foster their cognitive abilities and move on the excellence and exaltation path will face an obscure future that cannot make proper decisions and lead. Such governments will be reduced to dealing mainly with the day-to-day problems of the society and cannot be successful in the global environment.

The world today is in need of governments that have foresight and ponder about the proper procedures to meet the new needs of their people and have promoted the procedures of decision-making and implementation of decisions at different levels of management.

Government policies of the bygone era that still consider the masses as peasants and the government as lord, are simply irrelevant and incompatible with today's environs. Governments across the globe need to garnish themselves with insignia of accountability, adherence to participation, rule of law, and ethical values to be able to recognize objectively the emerging demands of their people and deliver.

As mentioned earlier, the 20-Year Vision has different targets. From these, it is essential to focus, for their realization, on government obligations to devise the desirable governance and make available the corresponding instruments. Based on the analysis of the key features of the Vision, government requirements for achieving the goals of the Vision are elaborated as follows:

Table 4-5: Government requirements for achieving the goals of the Iran Vision2025

No.	Characteristics of the Vision	Government Requirements
1	Development in concord with cultural, geographical and historical exigencies and based on moral principles and Islamic, national and revolutionary values. Emphasis on religious democracy, social justice, legitimate freedoms, perseverance of generosity, human rights and social/ juridical security.	<ul style="list-style-type: none"> - expansionism - adherence to participation - rule of law - adherence to security - inclined toward partnership - nationalism - fundamentalism - seeking justice - accountability & clarity - considering the voice of the people - upholding the people's rights - focusing on citizens
2	Advancing knowledge, ability to produce science and technology, focus on bigger share of human resources and social capital in national production.	<ul style="list-style-type: none"> - ability to advance knowledge - capable of producing science and technology. - based on intellectual human resources and social capital for national production.
3	Building a safe, independent and powerful nation with a defense system based on total deterrence and harmony between the people and government.	<ul style="list-style-type: none"> - adherence to trust - adherence to independence - representativeness - dedication to service - adherence to security - inclined toward partnership
4	Access of all the people to healthcare, welfare, food security, social security, equal opportunities, fair distribution of income, healthy family, eliminating poverty, corruption and discrimination, and a safe environment.	<ul style="list-style-type: none"> - welfare inclination & poverty - sustainable development - expansion of human resources - quality policymaking - parity and encompassing - fighting corruption - upholding meritocracy - inclined to establish family - protecting the environment

Continued Table 4-5

No.	Characteristics of the Vision	Government Requirements
5	Building a society that is active, responsible, altruist, religious and content, and uphold work ethics, discipline, cooperation and social compatibility, commitment to the Islamic Revolution, the ruling system and Iran's progress, and is proud of being Iranian.	<ul style="list-style-type: none"> - social responsibility - assurance - fostering self- confidence - adherence to participation - focusing on citizens - empowerment
6	Achieving the top rank in the economic, scientific & technological spheres in Southwest Asia (including Central Asia, the Caucasus, Middle East & the neighboring states) with emphasis on the movement of software and production of science, sustainable economic growth, relative increase in per capita income & full employment.	<ul style="list-style-type: none"> - pioneering based on technology - creativity & innovation - sustainable development - inclination toward welfare - expansion of non - government sectors - promoting competitiveness
7	Inspiring the Islamic world by strengthening the model of religious democracy, viable development, moral society, and intellectual and social dynamism... and their effectiveness on Islamic and regional convergence based on Islamic teachings and the thoughts of Imam Khomeini.	<ul style="list-style-type: none"> - adherence to morality - sustainable development - democracy (inclination to partnership, participation and people's rights) - adherence to excellence - creativity & innovation - regional interaction
8	Promoting constructive and effective interaction/cooperation with the outside world based on the principles of dignity, wisdom & expediency.	<ul style="list-style-type: none"> - global adherence to interaction - pragmatic foreign policy

Applicable Recommendations

Though the aforementioned features and the corresponding requirements imply constraints in the realization of good governance in Iran, however, they are not to the extent to render impossible the implementation of the new ideology of governance. Considering the nature of intra-government relations, and bearing in mind the important issue that Iran's effective and viable presence on the global stage is subject to convergence with international institutions, the following recommendations are presented:

1. Contrary to a single plan and goal that should be terminated at a specific time, good governance should be considered a long-term policy.
2. As opposed to some response to a threat or a specific crisis, good governance should be accepted and upheld as an opportunity to reinvent governance.
3. In determining what has to be changed premised on good governance, it is necessary that the relevant decisions be made with the involvement of the interested parties. Leadership of the transition from traditional governance to good governance should be the function of the representatives of interested groups.
4. A mechanism should be created so that all the executive systems feel responsible for the realization of good governance, and the task not be delegated solely to the Managing and Planning Organization (MPO).
5. Good governance should not be considered a course of action simply to evade the past (traditional governance), rather it should be intertwined with the 20-Year Vision.
6. It should be ensured that all executive bodies are fully abreast of the goals of good governance and the policies to be pursued. Devising plans for improving the administrative system that are divergent must be avoided.
7. Instead of wasting time and afterward pushing policies and plans for the betterment of society, the executive bodies must prepare for the realization of good governance via timely and appropriate strategic management.
8. Instead of restricting good governance to an approach, a combination of widely used approaches should be made available in the context of the current situation of the country, and Islamic values should be taken into consideration as a regional model underpinning good governance.

Conclusion

All things considered, there is nothing new about good governance. Excellence in governance was proposed in the form of utopia in the ancient centuries. But in the new

format, it has been discussed and its key features have been revealed in the current century. It is worth mentioning that since good governance has become a prevailing abstract model in judging government performance, it is considered as a paradigm. Even though this management improvement model has partly been implemented in countries like Britain and The Netherlands, in some developing countries it is still considered “new”. Some commentators believe that good governance is a universal phenomenon moving and spreading from one country to another (Lam, 1996; Ridley, 1996).

Against this attitude that the “good governance movement” is considered a new global paradigm, some authors believe that good governance is merely a transient management caprice (Abrahamson, 1991). Supporters of such an attitude believe that good governance will be a thing of the past when newer models emerge. Others argue that good governance will develop in order to be compatible with the requirements of managing the public administration (Kickert, 1997), as we have chosen an integrated model of this approach in Iran.

As shown in Table 1, moving towards good governance is possible when there are enough national and international stimuli. If and when that happens, reconsidering the model of governance would indeed be necessary. Moving from the present governance architecture to good (ideal) architecture should be planned and implemented across the political, economic, judicial, and administrative ambience in Iran in the context of the 20-Year Vision with the help of an integrated public administration management model.

To maintain the cohesion between this chapter and other parts of the research, chapter five aims to put to test the goals and objectives of a good governance's paradigm in the form of a sub-hypothesis consisted of several questions, in the framework of a questionnaire to be completed by a number of Iranian experts, involved in the Iranian planning and budgeting system, both at central (national) and regional (provincial) levels.

To this end, the sub-hypothesis concerning the effects of decentralization on the country's structural and management reform has been examined through 11 related questions, including the role of decentralization in such elements as: The optimal size of the government, battling corruption, politico-economic stability, public participation in the country's executive affairs, government's accountability, transparency in performance of public and state institutions and enhancement of state organizations' efficiency and effectiveness.

Provided that the sub-hypothesis, as put forth in chapter five, is confirmed, chapter six will set out a number of proposals, aimed at proposing required amendments to current laws and regulations in various scopes of Iranian Plan and Budget Code, as well as in financial and administrative regulations, related to Iran's planning and budgeting system.

Figure 4-2: A Model of Public Management to Achieve Goals of Iran Vision2025



CHAPTER FIVE:

STATISTICAL ANALYSIS¹

Introduction:

Since this research is of a descriptive nature, and as was discussed in the methodology section of the first chapter, like most similar descriptive studies we resorted to interviews with, and presented questionnaires to, a group of informed people to collect data. To avoid any prejudgment and reliance on personal views and experiments on the concluding statement on the budgeting system in Iran, or proposing the creation of an effective budgeting order within the economic planning system in Iran, we got the opinion of experts with over 20 years of professional experience either in their own fields or with the state planning and budgeting system. In this part of the study, the experience and attitude of Iranian experts who have been actively involved in development budgeting at both the central (national and sectoral) and regional (provincial) levels has been examined.

For this purpose, the group of experts with development planning and budgeting experience at the national and provincial levels has been identified. The samples consist of

¹For this part of the research I'm beholden to my dear friend Dr. Tajgardoan, whom I appreciate for his kind collaboration and management.

two major subgroups. The first includes senior experts in national planning and budgeting who, as members of the central office of the Plan and Budget Organization (PBO), were actively involved in the preparation of national development plans and budgets enacted in Iran over the past two decades. The second group consists of senior experts who have been either affiliated to the offices of governor generals or the provincial PBO bureaus and have been actively engaged in crafting provincial development plans and budgets required for implementing them. The questionnaires were filled out in face to face interview with the qualified candidates.

At this stage of the research, on the basis of the main hypothesis of the research *"sustainable (economic, political and social) development has not been achieved due to the lack of an effective central-regional development relationship"* we completed 60 questionnaires for provinces (total of 30 provinces) and 35 questionnaires for the national level (30 sectors). There are altogether 95 completed questionnaires each of which contains 6 sub- hypotheses and 51 questions. Some took one full day to be completed and were returned to the researcher. Statistical samples selected for the study on the basis of Krejcie, Morgan and Cohen tables were given to 120 interviewees. To determine members of the statistical sample units, random sampling was used to reflect the list of PBO directors and managers after the 1979 Islamic Revolution who was available. The samples were selected by using random figures.

The questionnaires contained 6 sub-hypothesis and each of them consisted of 4-12 questions. The sub- hypothesis and related questions in the questionnaires were as follows:

Questionnaire

Dear Sir/ Madam

Further to our meeting and negotiations, you are kindly requested to answer the following questions (please mark one of the five proposed alternative) with regard to the given sub- hypotheses and definitions of centralization and decentralization below.

Definitions:

Decentralization: The transfer of authority and responsibility for public functions from the central government to subordinate or quasi-independent government organizations and/or the private sector.

Centralization: The situation in which decision-making power is at the top of an organization and there is little delegation of authority.

Sub- hypotheses:

First Sub-hypothesis: There is a high tendency toward implementation of decentralization policy:

- 1- In your opinion, to what extent the government tends to implement decentralized budgeting?
- 2- In your opinion, to what extent the government and parliament tend to implement decentralized budgeting?
- 3- In your opinion, to what extent provincial authorities are inclined to implement decentralized budgeting?
- 4- In your opinion, to what degree are the national authorities willing to implement decentralized budgeting?
- 5- In your opinion, to what extent the government and parliament together are willing to implement decentralized budgeting?
- 6- In your opinion, to what extent is the central government willing to support regional decision-makers?
- 7- In your opinion, to what extent has parliament enacted laws and regulations for proper implementation of decentralization policies?
- 8- In your opinion, to what extent the government-public relationship in administration affairs has been defined in the laws and regulations?

Second sub-hypothesis: Basic laws of the country should be reformed in favor of decentralization:

- 9- In your opinion, to what extent can careful examination and charting of decentralization policy in budgeting help the government and the parliament move towards implementing the decentralization policies?
- 10- In your opinion, to what extent is reforming the basic laws of the country necessary to better implement decentralization?
- 11- In your opinion, to what extent has the lack of comprehensive and basic laws impeded implementation of decentralization?

12- In your opinion, to what extent could comprehensive legislation on decentralization be considered as a prerequisite to proper implementation of decentralization?

Third Sub -hypothesis: Degree of decentralization among various phases of the country's budgeting is high:

13- In your opinion, how far has existing decentralization been able to develop regional financial latitude?

14- In your opinion, how far has the existing decentralization been able to improve the country's economic governance and monitoring?

15- In your opinion, to what extent decentralization among various financial levels is institutionalized?

16- In your opinion, to what extent laws and regulations governing decentralization have been defined in budget preparation?

17- In your opinion, to what extent have laws for overseeing implementation of budgets in the regions on decentralized basis been defined?

18- In your opinion, to what degree have the means of executing budget on decentralized basis in the region been defined?

19- In your opinion, what is the extent of decentralization in preparing the budget within the government?

20- In your opinion, what is the extent of decentralization in the process of budget approval?

21- In your opinion, what is the scale of decentralization in executing the budget within the government?

22- In your opinion, to what degree is the budget oversight decentralized?

Forth Sub -hypothesis: Degree of coordination in various phases of budgeting is high:

23- In your opinion, to what extent are laws and regulations in place for coordination between various national and provincial levels in the process of budgeting?

24- In your opinion, what is the level of coordination required to enhance the means and latitude toward securing more financial resources?

25- In your opinion, how far are volunteer organizations able and willing to secure the needs of the society in the regions?

26- In your opinion, to what extent have the modes of public participation in the administration of regional affairs been defined and specified?

27- In your opinion, how far does coordination exist in the various phases of budgeting to implement a decentralization system?

Fifth Sub- hypothesis: Positive effects of decentralization on structural reform and administration of the country is high:

28- In your opinion, what would be the impact of decentralization on the optimum size of government?

29- In your opinion, how would decentralization help curb bureaucratic corruption?

30- In your opinion, to what extent decentralization may or may not affect political stability?

31- In your opinion, to what extent decentralization may improve public-government relationship?

32- In your opinion, how far can decentralization contribute to transparency of the information system (decision making)?

33- In your opinion, to what extent would decentralization positively affect government responsiveness?

34- In your opinion, to what extent can decentralization encourage the people's participation in the better administration of the country?

35- In your opinion, how could decentralization bring together service providers and receivers?

36- In your opinion, to what extent decentralization can enhance public participation in the country's executive affairs?

37- In your opinion, to what extent can decentralization improve government effectiveness?

38- In your opinion, to what degree can decentralization contribute to training qualified employees for regional management affairs?

39- In your opinion, what would be the scale and scope of decentralization policy responsiveness to all government goals and programs?

Sixth Sub-hypothesis: Positive impact of decentralization on better organizational management is high:

- 40- In your opinion, how effective is decentralization on better organization management?
- 41- In your opinion, to what extent would decentralization help affect productivity in your organization?
- 42- In your opinion, to what degree would decentralization affect efficiency in your organization?
- 43- In your opinion, to what degree does decentralization affect the effectiveness of your organization?
- 44- In your opinion, what would be the extent of the impact of decentralization on enhancing coordination in your organization?
- 45- In your opinion, what would be the extent of the impact of decentralization on enhancing service delivery to the clients in your organization?
- 46- In your opinion what would be the level of impact of decentralization on transparency of internal flow of information in your organization?
- 47- In your opinion, to what degree can decentralization affect responsiveness of the officials in your organization?
- 48- In your opinion, to what extent can decentralization help contribute to training and hiring qualified staff for your organization?
- 49- In your opinion, to what extent would restricting the authority of the central government to advisory and oversight roles contribute to better management of your organization?
- 50- In your opinion, to what extent can independence in accounting, budget, treasury and revenue earning help improve management in your organization?
- 51- In your opinion, to what degree would higher delegation of authority to lower levels increase participation in implementing decentralization?

Method of data analysis:

In the first phase we prepared frequency distribution tables and graphs to describe statistical population from different points of view. By using the same method, each of the research and responses has been briefly described. In the presumptive section of the research, we used the single factor t test to examine the sub-hypotheses. Methods of the selected samples were determined by the respondents as (1) very low, (2) low, (3) average,

(4) high, and (4) very high. Due to the fact that the above mean score is 3, this figure was selected as the expected mean in the assumed target population. This test was performed at the 0.05 Alfa level. In this research, each sub-hypothesis is composed of a few questions. Due to the fact that each of the sub- hypotheses was a combination of questions, scores from 1 to 5 were assigned to the question options from very low to very high. The typical five-level Likert item was used in the form of the following table. In fact, the test aimed at the question of whether the responses by interviewees to our questions exceed the mean or less.

Option	Very low	Low	Average	High	Very high
Spectrum	1	2	3	4	5

Within the concept of Low, should the first sub-hypothesis be rejected, we may conclude that the respondents to those questions believed in more options, meaning that they were in favor. Therefore, the scale of the sub-hypothesis (the entire set of questions) has left the ordering scale and tuned into distance scale, in which case the parametric test could be used to test the sub-hypothesis (the formula). On the basis of the above formula the calculated t has been compared with the t of the standard table with a degree of freedom of n-1 and the favored level of significance. If the calculated t was smaller than the t of the standard table with the favored degree of freedom, the sub-sub-hypothesis is then rejected. If it was bigger, the sub-hypothesis would be accepted.

In the SPSS software, the calculated statistics is compared with the critical amount. Therefore, on the basis of the obtained level of significance out of these calculations, the sub-hypothesis could be adopted or rejected. In consideration of the single spectrum test, the critical amount stands on the right side of the curve.

First Sub-hypothesis: There is a high tendency toward implementation of decentralization policy:

By listing 8 questions it has been tried to test the first sub-hypothesis. The aggregate table of response to questions of first sub-hypothesis shows that the highest percentage of responses belongs to the average column with 33.91%. This means that on average, some 34% of the respondents have chosen the mean as answer to questions of first sub-

hypothesis. It seems that the general tendency among the respondents to questions of Issue 1 has been 'mean' to 'low'. Only 24.41% of the respondents have chosen high and very high. The rest opted for low and very low as their response. This should mean that by choosing the mean-to-low option, the respondents believed that the tendency toward implementation of decentralized budgeting is not high. Furthermore, questions three and seven have been selected as the worst and best responses whose detailed information and analysis is as follows:

Table 5-1: General Response to Questions in First Sub-hypothesis

Question	Low Very		Low		Average		High		Very High		Total
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	
1	10	10.5	27	28.4	37	38.9	19	20	2	2.1	95
2	4	4.2	25	26.3	33	34.7	25	26.3	8	8.4	95
3	2	2.1	6	6.3	6	6.3	38	40	43	45.3	95
4	21	22.1	37	38.9	27	28.4	8	8.4	2	2.1	95
5	8	8.4	31	32.6	42	44.2	12	12.6	2	2.1	95
6	6	6.3	35	36.8	41	43.2	11	11.6	2	2.1	95
7	13	13.7	39	41.1	38	40	5	5.3	0	0	95
8	18	19.4	34	36.6	33	35.5	7	7.5	1	1.1	93
Total	82	10.82	234	30.87	257	33.91	125	16.49	60	7.92	758

Table 5-2: Responses to question 3, in your opinion, to what extent are provincial authorities inclined toward implementing decentralized budgeting?

Description	Frequency	Percent	Cumulative Percentage
Very Low	2	2.1	2.1
Low	6	6.3	8.4
Average	6	6.3	14.7
High	38	40	54.7
High Very	43	45.3	100
Grand Total	95	100	

As seen, the highest number of respondents has selected the very high component, whereas the least number represents the low component. The results illustrate that only 14.7% of the respondents believed that the tendency among provincial authorities toward decentralized mode is average, low and very low. The rest believe in high tendency of provincial officials toward the policy of implementing decentralized budgeting.

Table 5-3: Responses to question 7, in your opinion, to what extent has the Parliament passed legislation for implementing decentralization policies?

Description	Frequency	Percent	Cumulative Percentage
Very Low	13	13.7	13.7
Low	39	41.1	54.7
Average	38	40	94.7
High	5	5.3	100
High Very	-	-	
Grand Total	95	100	

The result shows that 94.7% of respondents believed that in very low, low and average level have laws and regulations for implementing decentralization been legislated. In other words, pertinent laws have not been passed by the legislature. More than 50% of the respondents have chosen the very low and low components.

Conclusion of the first sub-hypothesis (There is a high tendency toward implementation of decentralization policy):

Table 5-4: Mean and Standard Deviation of Data Received for First Sub- hypothesis

Number	Mean	Standard deviation	Standard deviation of the sample mean
93	2.81	0.53	0.055
t	Degree of Freedom	Significant rate	
-3.524	92	0	

Taking into account the t as calculated on the basis of data provided in the above table whose value is -3,524, and the critical value on the right side of the curve, the t as calculated is much lower than the t of the standard table with the desirable degree of freedom. Therefore, this sub-hypothesis is rejected.

Second Sub-hypothesis: Basic laws of the country should be reformed in favor of decentralization:

As seen in table 5-5, responses to the questions of the second sub-hypothesis determine that the most frequently answers are in the High column. Some 46.84 percent have selected the answer High and 38.95 percent have selected Very high. None of the respondents chose the Very Low option. Only 5% favored the Low option. This should be interpreted that, by choosing High and Very High options, the respondents have supported the necessity of reforming the basic laws and conducting a comprehensive study of decentralization.

Questions 10 and 11 are selected as the worst and best options. Detailed responses and their analysis related to these two questions are provided as a sample.

Table 5-5: General Response to Questions in Issue II (Second Sub-hypothesis)

Question	Low Very		Low		Average		High		Very High		Total
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	
9	0	0	1	1.1	5	5.3	41	43.2	48	40.4	95
10	0	0	1	1.1	5	5.3	38	40	51	53.7	95
11	0	0	5	5.3	9	9.5	53	55.8	28	19.5	95
12	0	0	12	12.6	16	16.8	46	48.4	21	22.1	95
Total	0	0	19	5	35	9.21	178	46.84	148	38.95	380

Table 5-6: Responses to question 10, in your opinion, to what extent is reform of basic laws necessary to better implement decentralization policies?

Description	Frequency	Percent	Cumulative Percentage
Very Low	0	0	0
Low	1	1.1	1.1
Average	5	5.3	6.3
High	38	40	46.3
High Very	51	53.7	100
Grand Total	95	100	

The outcomes indicate that as with the previous questions, some 93.7 percent of the respondents believed in a high and very high need for reforming the basic laws of the country to better implement decentralization policies. Only 6.3 percent of the respondents believed that there would be no need to reform the laws to achieve the same objective.

Table 5-7: Responses to question 11, in your opinion, to what extent has the absence of basic laws impeded implementation of decentralization policies?

Description	Frequency	Percent	Cumulative Percentage
Very Low	0	0	0
Low	1	1.1	1.1
Average	5	5.3	6.3
High	38	40	46.3
High Very	51	53.7	100
Grand Total	95	100	

The above results indicate that some 85.3 percent of the respondents believe in High and Very High options, meaning that decentralization in the country is impeded by the absence of comprehensive and basic laws. Only 14.7 percent who selected the Low and Average options believed otherwise.

Conclusion of the Second Sub-hypothesis: The basic laws of the country should be reformed in favor of decentralization:

Table5- 8: Mean and Standard Deviation of Data Received for Second Sub -hypothesis

Number	Mean	Standard deviation	Standard deviation of the sample mean
95	4.20	0.52	0.053
t	Degree of Freedom	Significant rate	
22.636	94	0	

Taking into account the t as calculated on the basis of the data of the above table which is 22,636 and whose significant rate was zero, the above sub-hypothesis is acceptable. In a sense this sub-hypothesis is adopted with a high degree of certainty (almost 100 %).

Third Sub-hypothesis: Degree of decentralization among various phases of the country's budgeting is high:

Questions 13 through 23 indicate opinion of the respondents on third sub-hypothesis. These questions discuss the degree of decentralization during the various phases of budgeting. The highest percent of responses related to the column Average with 39.19 percent followed by the column Low. Responses illustrate the view that the respondents believe in low rate of decentralization in the budgeting system.

As seen, only 15.56 percent of respondents are of the opinion that the extent of decentralization in budgeting is high. The rest believe that such extent is average, low and very low. Questions 13 and 15 have been selected as the best and worst alternatives. Detailed answers and their analysis are brought in the following section.

Table 5-9: General Responses to the Questions of Third Sub-hypothesis

Question	Low Very		Low		Average		High		Very High		Total
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	
13	0	0	5	5.3	28	29.5	50	52.9	12	12.6	95
14	7	7.4	48	51.1	28	29.8	10	10.6	1	1.1	94
15	4	4.3	54	58.1	33	25.5	2	2.2	0	0	93
16	6	6.3	38	40	47	49.5	4	4.2	0	0	95
17	11	11.6	41	43.2	33	34.7	10	10.5	0	0	95
18	11	11.6	44	46.3	37	38.9	3	3.2	0	0	95
19	10	10.6	38	40.4	33	35.1	11	11.7	2	2.1	94
20	13	14	33	35.5	36	38.7	7	7.5	4	4.3	93
21	5	5.3	27	28.4	44	46.3	14	14.7	5	5.3	95
22	8	8.4	24	25.3	51	53.7	12	12.6	0	0	95
Total	75	7.94	352	37.29	370	39.19	123	13.03	24	2.54	944

Table 5-10: Responses to question 13, in your opinion, to what extent has the existing decentralization policy been able to develop regional financial authority?

Description	Frequency	Percent	Cumulative Percentage
Very Low	0	0	0
Low	5	5.3	5.3
Average	28	29.5	34.7
High	50	52.9	87.4
High Very	12	12.6	100
Grand Total	95	100	

The above table illustrates that some 87.4 percent of the respondents believed that decentralization has been able to further extent the regional financial authority, but only to an average, low and very low degree. Although the percent of respondents who have chosen the average option is only 52.6 percent, but the low percent of the respondents with

a high opinion (12.6 percent) indicates higher tendency toward low degree of decentralization.

Table 5-11: Responses to question 15, in your opinion to what extent is decentralization among the various financial levels institutionalized?

Description	Frequency	Percent	Cumulative Percentage
Very Low	4	4.3	4.3
Low	54	58.1	62.4
Average	33	35.5	97.8
High	2	2.2	100
High Very	0	0	100
Grand Total	93	100	

As per the previous question, some 97.8 percent of the respondents have selected the average, low and very low options in answering this question. Only 2.1 percent chose the high option. This is indicative of the fact that decentralization among various financial levels in the regions has not been institutionalized.

Conclusion of the Third Sub-hypothesis: Degree of decentralization among various phases of the country's budgeting is high:

Table 5-12: Mean and Standard Deviation of Data Received for Third Sub- hypothesis

Number	Mean	Standard deviation	Standard deviation of the sample mean
91	2.53	0.44	0.047
t	Degree of Freedom	Significant rate	
-10.092	90	0	

Taking tascalatedon the basis of information in theabove table whosequantity is-10,092,and as said in the sub-hypotheses test section, the critical amount is on the right side of the curve, meaning that the t as calculated is less than the t of the standard table with a desirable degree of freedom, therefore, this sub-hypothesis is rejected.

Fourth Sub-hypothesis: Degree of coordination in various phases of budgeting is high:

Table 5- 13: General Response to Questions in Fourth Sub-hypothesis

Question	Low Very		Low		Average		High		Very High		Total
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	
23	8	8.5	54	54.7	27	28.7	5	5.3	0	0	94
24	11	11.7	55	58.5	25	26.6	3	3.2	0	0	94
25	12	13	36	39.1	32	34.8	11	12	1	1.1	92
26	30	31.9	46	48.9	16	17	2	2.1	0	0	94
27	10	10.6	52	55.3	25	26.6	6	6.4	1	1.1	94
Total	71	15.17	243	51.92	125	26.71	27	5.77	2	0.43	468

Table 5-14: Responses to question 26, in your opinion, how far are the methods of public participation in administration of regional affairs defined and specified?

Description	Frequency	Percent	Cumulative Percentage
Very Low	30	31.9	31.9
Low	46	48.9	80.8
Average	16	17.1	97.9
High	2	2.1	100
High Very	0	0	
Grand Total	94	100	

Nearly 98% of the respondents have selected the average, low and very low options. The figure of 48.4 percent for the low option is indicative of disbelief on the part of respondents in the existence of specified definition of public participation in regional administration. Only 2.1 percent of the respondents have chosen the high option.

Table 5-15: Responses to question 27, in your opinion, what is the extent of coordination in various phases of budgeting to implement decentralization?

Description	Frequency	Percent	Cumulative Percentage
Very Low	10	10.6	10.6
Low	52	55.3	66
Average	25	26.6	92.6
High	6	6.4	98.9
High Very	1	1.1	100
Grand Total	94	100	

In this question also almost 92.6 percent of the respondents have chosen the low and very low options. This should mean that 92.6 percent at the levels of average, low and very low believed in the existence of the necessary coordination in different phases of budgeting to implement the decentralized system.

Conclusion of the Fourth Sub-hypothesis: Degree of coordination in various phases of budgeting is high:

Table 5-16: Mean and Standard Deviation of Data Received for Fourth Sub-hypothesis

Number	Mean	Standard deviation	Standard deviation of the sample mean
90	2.24	0.51	0.053
t	Degree of Freedom	Significant rate	
-14.216	89	0	

Taking into consideration the t as calculated on the basis of the data of the above table which is -14,216, and the critical amount on the basis of the significant rate of 99 percent and the desirable degree of freedom of (89), equals 2.6, therefore t as calculated is much smaller than the t in the standard table with the desired degree of freedom. For these reasons, the above sub-hypothesis is also rejected.

Fifth Sub-hypothesis: Positive effects of decentralization on structural reform and administration of the country is high:

Questions 28 through 39 indicate the effects of decentralization on structural reform and better administration of the country. The highest option selected by the respondents is the high option. 50.75 percent of the respondents on average believe that effects of decentralization on structural reform and administration of the country are high. The very high is the next option chosen by the respondents. This is on the condition that less than one percent of respondents on average have chosen the very low option and only 3/5 percent chose the low option. As such, respondents have expressed their opinion in a way that decentralization has a very positive impact on structural reform and better administration.

Table 5-17: General Responses to Questions in Fifth Sub-hypothesis

Question	Low Very		Low		Average		High		Very High		Total
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	
28	3	3.2	4	4.2	11	11.6	49	51.6	28	29.5	95
29	3	3.2	9	9.5	21	22.1	40	42.1	22	23.2	95
30	0	0	10	10.8	18	19.4	45	48.4	20	21.5	93
31	0	0	5	5.3	10	10.5	49	51.6	31	32.6	95
32	0	0	3	3.2	14	14.9	45	47.9	32	34	94
33	1	1.1	2	2.1	11	11.6	50	52.6	31	32.6	95
34	1	1.1	2	2.1	8	8.4	48	50.5	36	37.9	95
35	1	1.1	0	0	5	5.3	53	55.8	36	37.9	95
36	2	2.1	0	0	12	12.6	52	54.7	29	30.5	95
37	0	0	2	2.1	16	16.8	54	56.8	23	24.2	95
38	0	0	1	1.1	13	13.7	46	48.4	35	36.8	95
39	0	0	2	2.1	34	35.8	46	48.4	13	13.7	95
Total	11	0.97	40	3.52	173	15.22	577	50.75	336	29.55	1137

Table 5-18: Responses to question 35, in your opinion, to what extent can decentralization bring service providers and receivers closer?

Description	Frequency	Percent	Cumulative Percentage
Very Low	10	10.6	10.6
Low	52	55.3	66
Average	25	26.6	92.6
High	6	6.4	98.9
High Very	1	1.1	100
Grand Total	94	100	

The above statistics show that close to 93.7 percent believe in the high and very high options that decentralization can draw service providers and receivers closer together. Only 6.3 percent of the respondents believe that decentralization does not have such a great impact.

Table 5-19: Responses to question 39, in your opinion, to what extent can implementation of decentralization policy respond effectively to all government objectives and programs?

Description	Frequency	Percent	Cumulative Percentage
Very Low	0	0	0
Low	2	2.1	2.1
Average	34	35.8	37.9
High	46	48.4	86.3
High Very	13	13.7	100
Grand Total	95	100	

The above information shows that despite a decline in the percentage of respondents of high and very high options of the previous few questions, the final outcome of the table indicates that 62.1 percent of the respondents believe in the high and very high degree of

effectiveness of this policy toward achievement of all government goals and programs. The share of 35.8 percent opting for the average option is also considerable.

Conclusion of the Fifth Sub-hypothesis: Positive effects of decentralization on structural reform and administration of the country is high:

Table 5-20: Mean and Standard Deviation of Data Received for Fifth Sub- hypothesis

Number	Mean	Standard deviation	Standard deviation of the sample mean
89	4.12	0.49	0.052
t	Degree of Freedom	Significant rate	
21.633	88	0	

Taking into consideration that the t as calculated on the basis of data of the above table which is 21,633 and that its significant rate was zero, the above sub-hypothesis is acceptable. In other words, this sub-hypothesis is adopted with a high rate of certainty (nearly 100%).

Sixth Sub-hypothesis: Positive impact of decentralization on better organizational management is high:

Issue six deals with better management of the organization. Questions 40 thorough 51 explain this issue. Similar to fifth sub-hypothesis, the highest percentage of responses reflects the high option followed by the very high option.

Some 83% of the respondents on average have selected the high and very high option and less than 3% believe in the low and very low options. In a sense, all the respondents believed that decentralization has high and very high impact on better organization. Questions 49 and 51 have been selected as the worst and best responses whose details and analysis are provided as follows:

Table 5-21: General Response to Questions in Issue VI, (Sixth Sub-hypothesis)

Question	Low Very		Low		Average		High		Very High		Total
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	
40	1	1.1	0	0	9	9.6	61	64.9	23	24.5	94
41	0	0	1	1.1	12	12.6	57	60	25	26.3	95
42	0	0	1	1.1	8	8.4	57	60	29	30.5	95
43	0	0	1	1.1	9	9.6	56	59.6	28	29.8	94
44	0	0	1	1.1	21	22.1	44	46.3	29	30.5	95
45	0	0	1	1.1	9	9.5	50	52.6	35	36.8	95
46	1	1.1	2	2.1	20	21.11	38	40	34	35.8	95
47	0	0	4	4.1	11	11.6	47	49.5	33	34.7	95
48	0	0	2	2.1	23	24.2	41	43.2	29	30.5	95
49	0	0	8	8.5	22	23.4	42	44.7	22	23.4	94
50	0	0	3	3.2	16	17	50	53.2	25	26.6	94
51	0	0	4	4.3	5	5.4	50	53.8	34	36.6	93
Total	2	0.18	28	29.47	165	14.55	593	52.29	346	30.51	1134

Table 5-22: Responses to question 49, in your opinion, to what extent would constraining the authority of the central government to advisory and oversight roles contribute to better management of your organization?

Description	Frequency	Percent	Cumulative Percentage
Very Low	0	0	0
Low	8	8.5	8.5
Average	22	23.4	31.9
High	42	44.7	76.6
High Very	22	33.4	100
Grand Total	94	100	

The outcomes show that 68.1 percent of the respondents believed that if the authority of the central government be limited to advisory and oversight roles it would highly or very highly contribute to better organization management. 31.9 percent of respondents evaluated this issue at an average and low rate.

Table 5-23: Responses to question 51, in your opinion, to what extent would delegation of authority to lower levels increase participation in the implementation of a decentralization policy?

Description	Frequency	Percent	Cumulative Percentage
Very Low	0	0	0
Low	4	4.3	4.3
Average	5	5.4	9.7
High	50	53.8	63.4
High Very	34	36.6	100
Grand Total	93	100	

Outcome of the above table shows that nearly 90.3 percent who selected the high and very high options believed that extra delegation of authority to lower levels increases participation in implementation of decentralization at a high and very high rate. Whereas 9.8 percent maintained that the effect of delegation of authority on higher participation in implementing such a policy would be average and low.

Conclusion of the Sixth Sub-hypothesis: Positive impact of decentralization on better organizational management is high.

Table5-24: Mean and Standard Deviation of Data Received for Sixth Sub- hypothesis

Number	Mean	Standard deviation	Standard deviation of the sample mean
92	4.05	0.54	0.056
t	Degree of Freedom	Significant rate	
18.771	91	0	

Taking into consideration the t as calculated on the basis of information given in the above table which is 18,771 and that the significant rate is zero, the above sub-hypothesis is accepted. In other words, this sub-hypothesis is acceptable with a high rate of certainty.

Table 5-25: Summary of the Outcome of the Sub-hypotheses Tests

Number	Title of Sub-hypotheses	Test Result
1	Tendency toward implementation of decentralization policy	Sub-hypothesis rejected
2	Basic laws of the country should be reformed in favor of decentralization	Sub-hypothesis confirmed
3	Extent of decentralization in various phases of budgeting	Sub-hypothesis rejected
4	Degree of coordination in various phases of budgeting	Sub-hypothesis rejected
5	Effects of decentralization on structural reform and better administration	Sub-hypothesis confirmed
6	Impact of decentralization on better organizational management	Sub-sub-hypothesis confirmed

Main Findings:

The results achieved from questionnaires demonstrate that the majorities of respondents believe to:

- 1- Provincial authorities appreciate decentralized planning and budgeting policies.
- 2- The necessary rules and regulation for real decentralization has not approved by parliament.
- 3- Degree of decentralization in budgeting system of the country is low.
- 4- If appropriate decentralization takes place, regional's financial latitude will be developed.
- 5- There is no sign of institutionalization of different financial level in provinces.
- 6- There are many uncoordinated activates in different levels of budgeting system.
- 7- There is no clear-cut definition of public participation's approaches in regional administrative managements.

- 8- Implementation of decentralized budgeting system requires coordination in all budgetary process.
- 9- Decentralization carry better effect on modification of structure and administrative of the country.
- 10- Decentralization can proximate deliverers and receivers of services.
- 11- Implementation of decentralized policies has the potential of responsiveness to goals and programs of government.
- 12- Decentralization will have significant effects on better management of government's institutions.
- 13- Devolution of power to lower part of regional authorities leads to more participation in implementation of decentralized policies.

Other Considerations:

A survey of the qualification of respondents to questionnaires shows that 22% hold bachelor degree, 67% masters degree and 7% have PhDs. Executive experience of the respondents found that almost 11% have experience below 10 years, 8% between 10-15 years, 30% between 15-20 years, 29% enjoy experience of 20-25 years, and 20% have 30 years of professional experience.

Classification of respondents according to their place of service, shows that 45% have work experience in the provinces, 30% in the central government, and 24% have worked for both, the provinces and the central government.

Although, in the first part of this chapter, I have concluded the result of research sub-hypothesis, but due to the expansive spectrum of questions in the questionnaire, familiarization with other respondents to the questions can help us in compiling a better analysis in the coming chapters. Thus, to facilitate the answers given to 51 questions in the questionnaire, I have summarized the response percentage for each question according to the value assigned to each option from very low to very high which are shown in Table 26.

As shown in this table, 39% of the respondents have marked the options of very low and low to question 1 that is “to what extent the government tends to implement decentralized budgeting”. For question 2, tendency of the parliament toward implementing decentralized budgeting, the majority of respondents opted for average, which means those in charge of

budgeting, including the elected representatives of the people, are unconcerned and unenthusiastic about decentralized budgeting.

In question 3, in which the extent of provincial authorities' tendency to implement decentralized budgeting was asked, more than 85% of the respondents marked the options of high and very high. However, 61% selected the options of very low and low for question 4 which asked about the tendency of national authorities willing to embrace decentralized budgeting.

In question 5 that asked about the joint willingness of the government and parliament to implement decentralized budgeting, 41% of the respondents selected the options of very low and low, and 44% marked the "average" option. Regarding question 6 "the degree of consent of the central government to support regional decision-makers," barely 13.7% of respondents chose the options of high and very high. In short, the majority of respondents believe the government is non-supportive in this regard.

Response to question 7, which asked to what extent the parliament has passed legislation for effective implementation of decentralization policies, was only 5% high, and 55% low and very low. Question 8 had a similar fate as 64% of the respondents recognized the options of low and very low when asked about the degree of government-public relationship in the administration of the country's affairs as defined by law.

Question 9, which asked about the degree of careful examination and the charting of decentralization policy in budgeting, which helps the government and parliament in implementing decentralization policies, 93% of the respondents, marked the options high and very high. This means that the decentralized budget policies lack intellectual depth and are not based on expertise survey or research.

In response to question 10, asking about the necessary reform to basic law to better implement decentralized policies; more than 93% opted for the high and very high options. Likewise, for question 11, "to what extent lack of comprehensive and basic laws impede decentralization", 85% chose the options of high and very high.

Almost 70% of the respondents ticked the high and very high options to question 12, which emphasizes the prerequisite of comprehensive and binding laws on decentralization for meaningful implementation of decentralization.

On question 13, "how far the existing decentralization has been able to develop regional financial authorization", 12.6% chose the high option, 53% opted for average option, and

35% settled for the low and very low options. Response to the question on how far has the existing decentralization policy been able to improve the country's auditing and monitoring system is negative, as more than 58% of the respondents chose the options of low and very low while only 11.7% ticked high and very high. This means that these policies lack appeal and are weak and ineffective.

On question 15, "is decentralization among various financial levels institutionalized" the majority of respondents (62.4%) said low and very low. Answers to question 16, "to what extent are laws and regulations governing decentralization defined in budget preparation", were 4.2% high, 49% low and very low, and close to 50% marked the average option. This means according to their views, basically there is no compelling view of this key issue in Iran's budgeting laws.

About 58% of the respondents to question 17, "to what extent are laws and regulations defined for overseeing the implementation of budgets in the regions on a decentralized basis," ticked the low and very low options and only 4% believed in the high option. The 34.7 percentage voted to option 3(the average) cannot change the analysis that decisions taken for laws and regulations needed for a decentralized budgeting system are weak and ineffective.

Respondents to questions 18-22 which were designed to ascertain the degree of decentralization at different levels of budget preparation chose options similar to questions 16 and 17, and majority of them marked the low and very low options. Regarding question 23, in which I asked about laws and regulations for coordination between national and provincial levels in the process of budgeting, 66% of the respondents chose the low and very low side.

In question 24 "to what extent does coordination exist to enhance the means and latitudes towards securing more financial resources", 70% marked low and very low. Respondents to questions 25, 26 and 27 which refer to role of volunteer organizations in securing the needs of society, modes of public participation in administration of regional affairs, and coordination needed for various phases of budgeting, a majority of the respondents by selecting the low and very low options, made known their dissatisfaction with the centralized budgeting system.

Responses to questions 28-39, which were asked for the Fifth Sub-sub-hypothesis of this research, namely the effect of decentralization on modification of government structure and better administrative affairs, show that 81.2% of the respondents believed in the high and very high options regarding the effect of decentralization on optimum size of government (question 28), and 65.2% marked the high and very high options on the effect of decentralization on curbing bureaucratic corruption (question 29).

Similarly, 69.9% of respondents marked the options high and very high for question 30, which asked whether or not decentralization can lead to more political stability.

More than 84% of the respondents to question 31 ticked high and very high which indicates the effect of decentralization in improving public-government relationship. More than 82% of the respondents attested to the effect of decentralization on transparency of the information system, by choosing the high and very high options (question 32).

Regarding the very important question 33, “effect of decentralization on government responsiveness”, 85% of the respondents supported the high and very high options. For question 34 which asks about the effect of decentralization on boosting the people’s participation in better administration of the country, 88% selected the high and very high options.

As the percentage in Table 26 shows, the majority of respondents to questions 35, 36, 37, 38 and 39 chose the high and very high options. They acknowledged decentralization as a way of bringing people closer, encouraging greater public participation, improving government effectiveness, hiring qualified people in the regions, and its responsiveness to all government goals and programs.

In the Sixth Sub-hypothesis regarding the effect of decentralization on better organizational management, 12 questions were asked. The quality of responses underscores the compulsion of permanently doing away with the present centralized budgeting bureaucracy and moving toward a functioning decentralized system.

For instance, in question 40 about 89% of the respondents chose the options of high and very high for the effect of decentralization on better organization management. In question 41 regarding the effect of decentralization on productivity, 89% selected the high and very high options.

For questions 42- 48 which inquires the effect of decentralization on efficiency, better service delivery, transparency of internal flow of information in organizations,

responsiveness of officials of organizations, and training and hiring qualified staff in the regions, similar percentages can be seen in the table. In some instances, close to 90% of the respondents selected the high and very high possibility.

More than 68% of the respondents marked high and very high for question 49 regarding the effect of restricting the authority of the central government to advisory and oversight roles on improving governance.

Our question about the effect of independency in accounting, budget treasury and revenues on better management, resulted in 79.8% of respondents selecting high and very high options. In other words, almost 80% of planning and budgeting experts we questioned for this research believe the provinces should be allowed more freedom and independence in the financial affairs of their regions, and should be responsible to the central government only for the results of their actions and decisions or the lack of it.

The last question of this questionnaire was about the effect of delegating higher authority to lower levels on better participation in implementing decentralization policies. To this query 90% selected the high and very high options.

Details of the percentage and accumulated percentage of each question can be reviewed in appendix 2.

CHAPTER SIX:

AN INTEGRATED CENTRAL–REGIONAL BUDGETING MODEL

Introduction:

The sixth and final chapter of this research presents the conclusion and suggests appropriate policies for methods for improving budget allocations, and also recommends a mechanism for a fair distribution of funds to help alleviate poverty and enhance development indices in Iran.

As mentioned in the second and third chapters of the research, the pattern of change in the planning and budgeting system in Iran and intensive centralization of the planning process have, inter alia, resulted in imbalanced and uneven development. Moreover, a significant disparity in development indicators in various regions across the country is obvious. Results from field studies, including interviews and questionnaires filled by experts and leading scholars involved in planning and budgeting in Iran, the conclusions of which were closely reviewed in chapter five, underpin the crucial need for rewriting the planning and budgeting system in tandem with a decentralized framework. To this end the following factors are highlighted:

- The government and parliament in Iran noticeably are averse to the much-needed decentralized approach in budgeting despite the fact that both institutions often emphasize the belief in and disposition to decentralization.
- It is essential that laws be reformed to promote decentralization and achieve its declared objectives.
- The degree of decentralization in the various phases of budgeting is simply unimpressive. In short, decentralization in the process of preparing, compiling, ratifying, implementing and supervising budgets is miniscule.
- Decentralization can and will lead to reforming the administrative and executive structure and render them more effective and efficient.

The sheer aversion of senior officials notwithstanding, which is largely because of vested interests, experts across the board stress the fundamental need for: reforming the governing laws and regulations, meaningful coordination in the budgeting process, and increasing the level of decentralization in the different phases of budgeting. The strong belief in and support for such measures among experts, in particular those closely involved in the planning and budgeting process, further demonstrates the necessity of introducing a new administrative order for the intricate task of balanced budgeting.

Guidelines for Revising rules Relevant to the Planning and Budgeting System

The following pages explain the rules and regulations of managing administrative affairs of the country, mainly those related to planning, budgeting, centralization and decentralization. A review of the articles of the Iranian Constitution dealing with the budgeting process shows that the preparing and compiling phase is a single-tier undertaking with some narrow space for decentralization.

The ratification phase of the budget is completely centralized wherein the legislature enjoys immense power. The implementation phase, however, is decentralized to a certain degree but yet not what is desired (according to our conclusion based on the completed questionnaires). Due to the inflexible centralized executive system, although the regional (provincial) authority is recognized by law, the state has been unable and/or unwilling to draw on the existing potential for decentralized budgeting and harmonizing the overall budgeting process.

The supervision phase, like in most other countries, has a considerable decentralized component. Tables 6-1, 6-2 and 6-3 outline important features related to the budgeting process as enshrined in the Iranian Constitution.

Table 6-1: Articles in the Constitution Regarding the Budgeting Process

Subject	Article	Content
<i>Compilation of the budget by the government</i>	6	In the Islamic Republic of Iran affairs of the country should be managed based on public vote (democratic administration).
<i>Ratification of the budget by parliament.</i>	52	The executive branch (government) prepares the budget and submits it to parliament for scrutiny and ratification.
<i>Budget implementation: Centralization in government revenues (financial income)</i>	53	Government collects all the revenues and deposits it with the state treasury. All payments are made in the framework of ratified outlays based on law (centralized financial income).
<i>Authority of the executive power of the president</i>	60	Activities of the Government through the president and the cabinet.
<i>Role of public institutions in supervision</i>	102	High Provincial Councils can present projects to the parliament (within its jurisdiction).
<i>Responsibility of the head of the executive branch</i>	122	The president, within the confines of his jurisdiction, is responsible to the people, the supreme leader and the parliament (accountability).
<i>Responsibility for plan and budget</i>	126	The president is responsible for planning, budgeting, administrative and recruitment affairs (responsiveness), and can revolute these responsibilities to others.
<i>Accountability of ministers</i>	137	Every minister is responsible for his/her particular duties before the president and parliament (accountability).

Table 6- 2: Articles of the Audit Law Relevant to Budgeting

Subject	Article	Content
<i>Budget implementation: Centralization in government earnings</i>	11	All government revenues are centralized and should be deposited with the treasury.
<i>Financial and operational supervision</i>	90	Overall financial supervision is the function of the Ministry of Economy and Finance and operational supervision is undertaken by the Plan and Budget Organization.

Table 6- 3: Articles of the General Audit Law

<i>Subject</i>	<i>Article</i>	<i>Content</i>
<i>Financial supervision</i>	1	Establishment of the General Audit Organization to oversee financial operations, inspect and audit the expended funds and incomes, and prepare the budget report.
<i>Activities of the legislative branch in supervision</i>	90	The General Audit Organization operates under the auspices of the parliament

To help get a better grasp and understanding of the present status of the budgeting process, I have illustrated it in picture 6-1 in terms of centralization and its degree in the main executive and financial dimensions. The Constitution, the Audit Law, Plan and Budget Law, and Five-Year Development Plan Laws are the governing laws on which the budgeting process is indeed founded.

Thus, from the constitutional point of view and the executive and financial dimensions, despite having enough capacity (to transfer authority to lower and junior levels), the country is saddled with an administration system that is rigorous, inflexible and overtly centralized. If and when there are some small exceptions to this ‘rule’ they are few and far between.

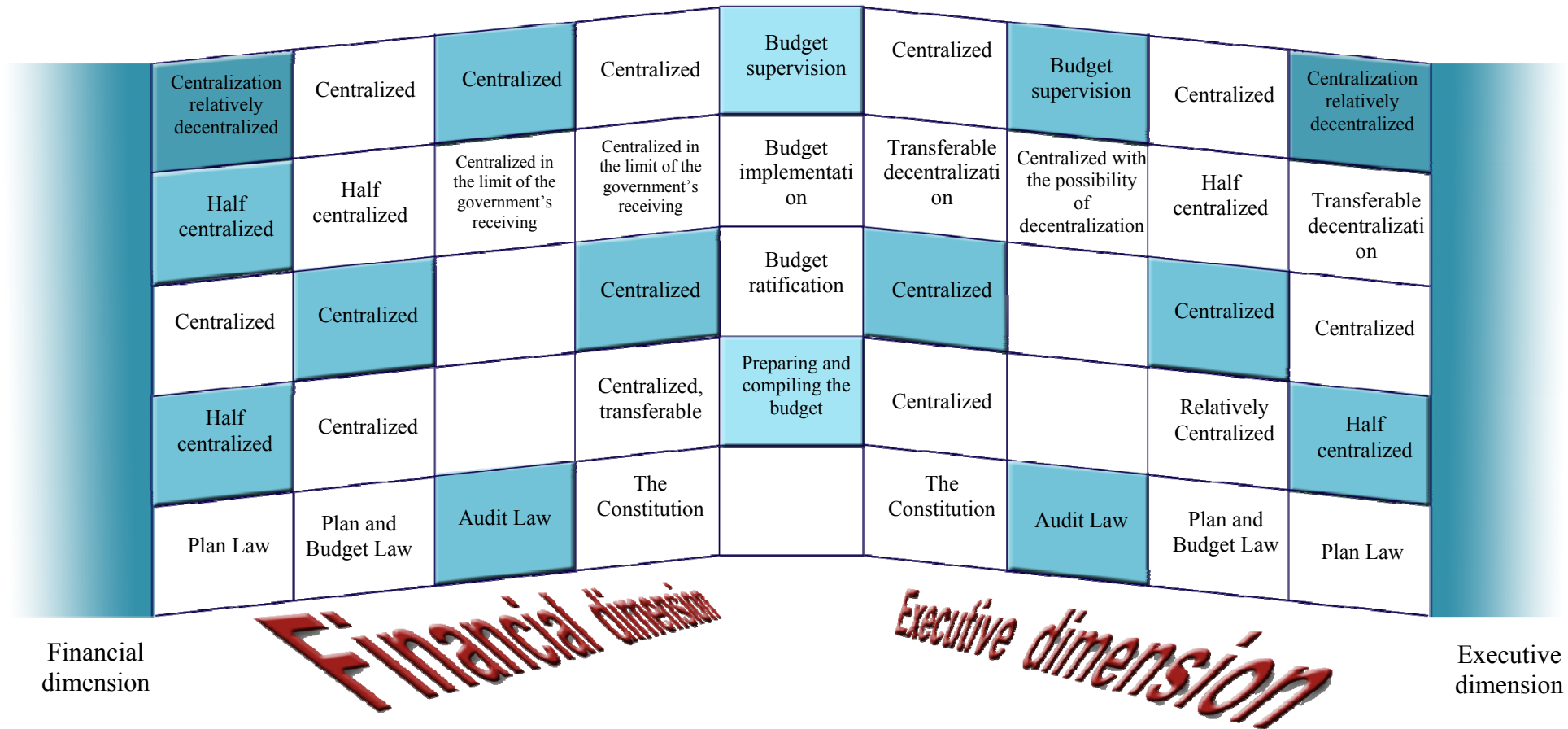
This dire situation is conspicuous in the last Five-Year Economic Development Plan. As the diagram shows, in General Audit Law, the degree of decentralization is high, and despite the possibility of delegating some affairs, the issue has not received the attention it deserves. To be able to move away from the bloated centralized system in the key executive and financial sectors, particularly with respect to the budgeting process, it is crucial to present a workable model that espouses the capabilities and potentials enshrined in the Constitution.

Picture 6-2 shows the situation in terms of centralization and its degree in the governing laws. It is amply clear that no effort has been made over decades to amend the Constitution to be able to produce and present the desired model. This lack of will and enthusiasm should be considered from two perspectives:

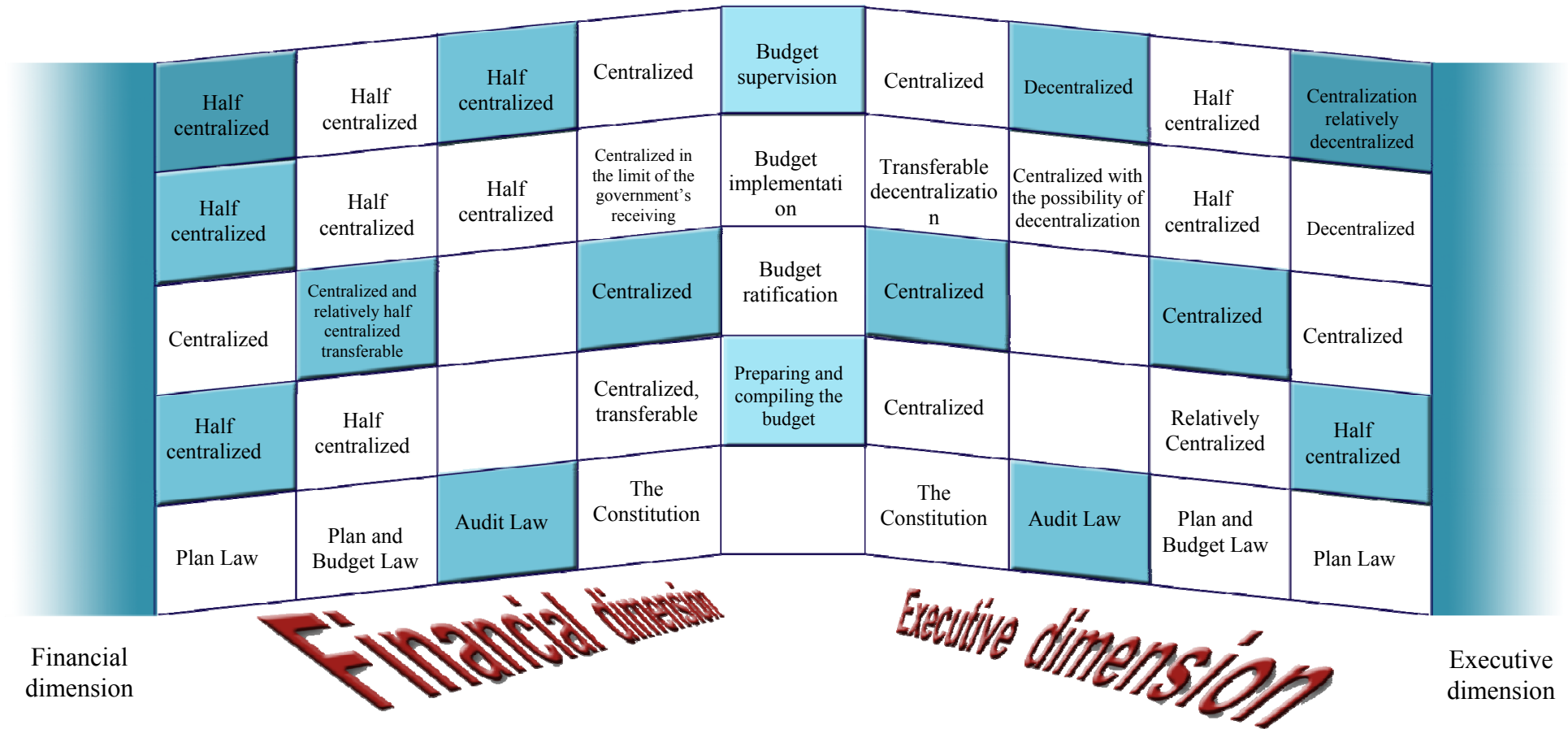
First, the process of amending the Constitution is arduous, not to mention that it is almost impossible. Second, by revising some parts of the Constitution, there is the possibility of their substitution with dissimilar choices with the corresponding outcome being far from

what is needed and desired. Therefore, it is generally acknowledged that the Constitution will remain unchangeable and that its unexploited capacities can and should be drawn upon to revise laws in the search for effective decentralization with emphasis on budget outlays.

Picture 6-1: Budgeting process from the vantage point of centralization and its degree (Present Status)



Picture 6-2: Budgeting process from the vantage point of centralization and its degree (Desirable Status)



Suggested Amendments to the Law and its Impact on the Budgeting Process

This part of the research, based on my experience in the planning and budgeting process in Iran as well as result derived from completed questionnaires, proposes changes in laws relevant to the budgeting process that could help reconstruct a decentralized central-provincial government relationship.

As recognized in compiling of the questionnaires and hypothesis test, plan and budget experts and directors are of the opinion that there is simply no coordination in and among the different phases of budgeting. Therefore, effort has been made to consolidate and combine the suggestions to help enhance the much-needed coordination. Also, to evaluate each proposed change, I have tried to assess the changes based upon the four main characteristics of decentralization, namely: economic and technical efficiency (increase), administrative corruption (decrease), avoiding further expansion of the government, and lastly, enhancing political stability. These are the four main criteria for assessing the proposed changes to the law to reach the desired level of decentralization in executive and financial affairs.

In this method, a set of activities is transferred from the central government and affiliated organizations to the provincial authorities and local power will then increase and become responsible. This move, among other things, will encourage motivation to boost revenues in the provinces and improve accountability in government bodies.

Prerequisites for the Implementation of the Proposals

Prior to explaining the model and its effects, it is essential to briefly outline the prerequisites for the success of the proposed model. These can be summed up as follows:

- 1- Revising the relevant laws.
- 2- Delegating sizeable tasks of the Management and Planning Organization (MPO) to executive bodies.
- 3- Agreements between the MPO and executive bodies within the framework of action plans.
- 4- Only the Provincial Planning and Development Council submits the provincial plan of action and headquarters makes no changes to the budget related to provincial executive organizations.
- 5- Provincial earnings in the entirety (minus oil) should be deposited with the provincial treasury and the central government should assist the provinces only from oil export revenues.

Proposed Amendments to Laws and Regulations

The first governing law is the Plan and Budget Law that was passed by the parliament in 1972. Changes are proposed in the executive and financial aspects of this 40-year-old piece of legislation.

Table 6- 4: Proposed Changes to the Plan and Budget Law (Executive Dimension)

<i>Phase</i>	<i>Change</i>	<i>Impact</i>	
<i>Providing and compiling</i>	<p><i>Relatively centralized to semi-centralized</i></p> <p><i>Article 13:</i> Issue: Submitting the proposed budget of executive bodies to the Plan & Budget Organization (PBO).</p>	<p>A:</p> <ul style="list-style-type: none"> -Productivity will increase -Financial incentive will increase -Decision-making time will decrease 	<p>⇒ Economic and Technical efficiency will increase</p>
	<p><i>Change:</i> Regarding this article it must be noted that local executive bodies submit their budget proposals to the provincial organization and after that the PBO receives all the proposals for survey.</p>	<p>B:</p> <ul style="list-style-type: none"> -Proximity of those receiving and delivering the service will increase -Precise and transparent information system will increase -Democracy will increase 	<p>⇒ Administrative corruption will decrease</p>
	<p><i>Article 14:</i> Issue: Approval of the proposed budget of executive bodies by ministers or the highest authority therein.</p>	<p>C:</p> <p>Delegating authority to junior levels will increase</p>	<p>⇒ Government size will increase while lacking precise supervision</p>
	<p><i>Change:</i> The budgets of all provincial executive bodies should be approved by the Provincial Planning Council (PPC).</p>	<p>D:</p> <ul style="list-style-type: none"> -Institutional and legal framework will increase -People's participation will increase -Giving authority to the people will increase 	<p>⇒ Political stability will increase</p>

Continue Table 6-4

Phase	Change	Impact	
Implementation	<p>Semi-centralized to decentralized</p> <p>Article 24: Issue: Defintion of financial resources, resource, centralization and its approval.</p> <p>Article 9: Issue: Approval of general executive plans by parliament.</p> <p>Change: Endorsement of the general executive plans of local executive bodies should be assigned to the PPC.</p> <p>Article 19: Issue: Notification of the budget of executive bodies by the prime minister (now president). Change: As mentioned in the proposed amendments, in which the provincial budget is compiled and approved independently, it is necessary to make corrections by clarifying that funding for the provinces' executive bodies should be notified by the PBO's provincial offices.</p>	<p>A: -The financial incentives of the regions will increase -Decision-making time will decrease -Productivity will increase</p>	<p>⇒ Economic and technical efficiency will increase</p>
		<p>B: -Proximity of those receiving and delivering service will increase -Open and transparent information system will increase -Level of government accountability will increase</p>	<p>⇒ Administrative corruption will decrease</p>
		<p>C: Delegating authority to junior levels will increase</p>	<p>⇒ Government size will increase while lacking precise supervision</p>
		<p>D: -Institutional and legal framework will increase -People's participation will increase -Giving authority to the people will increase</p>	<p>⇒ Political stability will increase</p>
		<p>A: -Regions financial incentives will increase -Decision-making time will increase -Productivity will increase</p>	<p>⇒ Economic and technical efficiency will increase</p>
Implementation	<p>Article 30: Issue: Establishment of the Allocation Committee.</p> <p>Change: With regard to delegating financial authority to the provincial level, the income and expenditure of provinces should be adjusted. Therefore, the Allocation Committee should be redefined with a new mandate and exercise higher authority to be able to fulfill its responsibilities.</p>	<p>B: -Proximity of those receiving and delivering service will increase -Open and transparent information system will increase -Degree of government accountability will increase</p>	<p>⇒ Administrative corruption will decrease</p>
		<p>C: Delegating authority to junior levels will increase</p>	<p>⇒ Government size will increase While lacking supervision</p>

Continue Table 6-4

Phase	Change	Impact	
Implementation		D: -Institutional and legal framework will increase -People's participation will increase -Giving authority to the people will increase	Political Stability will increase
Supervision	Centralized to Semi-centralize Article 34: Issue: Supervision of development projects and activities from the viewpoint of evaluation and adjustability of results with goals of budget. Change: With respect to delegating selected authority to the provinces, there is need to enhance the supervisory role of the provincial PBOs in authorizing projects and development issues that by extension would improve accountability and transparency.	A: - Productivity will increase - Decision-making time will decrease	Technical productivity will increase
		B: - Open and Transparent information system will increase - Level of government accountability will increase	Administrative Corruption will decrease
		C: Power delegation to junior levels will increase	Government size will increase
		D: Institutional and legal framework will increase	Political Stability will increase

The suggested changes in the phase of controlling planning and budgeting law i.e. article 34 lead to an increase in the productivity, and also devolution of more authority to lower levels which in turn results in an increase in the accountability of the authorities and establishment of institutional and legal frameworks. From the financial point of view, making the suggested changes in the aforementioned law and specially articles 18, 24, 30, 35, and 36 (table 6-5) in the development, compilation, ratification, implementation and control phase, leads to an increase in economic and technical efficiency, and political stability and a decrease in administrative corruption. Lack of precision in thorough and proper implementation of the suggested legal changes and policies can result in the enlargement of the government.

Table 6- 5: Proposed Changes to the Plan and Budget Law and its Impact on the Financial Dimension

Phase	Change	Impact	
<i>Providing and compiling</i>	<p>Centralized to half-centralized</p> <p>Article 18: Issue: Preparing the budget bill in observance of Article 26 of the General Audit Law.</p> <p>Change: It should be recognized that the provincial PBO is responsible for scrutinizing and securing the proposed budgets of executive bodies before submission to the Planning Council and upholding Article 26 of the General Audit Law.</p>	<p>A:</p> <ul style="list-style-type: none"> -Financial incentive of the provinces will increase -Decision-making time will decrease -Productivity will increase 	⇒ Economic and technical efficiency will increase
		<p>B:</p> <ul style="list-style-type: none"> -Level of government accountability will increase -Open and transparent information system will increase -Proximity of those receiving and delivering service will increase 	⇒ Administrative Corruption will decrease
		<p>C:</p> <ul style="list-style-type: none"> -Power delegation to junior levels will increase 	⇒ Government Size will increase While lacking supervision
		<p>D:</p> <ul style="list-style-type: none"> -Institutional and legal framework will increase -Giving authority to the people will increase 	⇒ Political Stability will increase
<i>Adoption</i>	<p>Centralized to relatively semi-centralized</p> <p>Article 24: Issue: Determining financial resources, resource</p>	<p>A:</p> <ul style="list-style-type: none"> -Financial incentives of the provinces will increase -Decision-making-time will decrease -Productivity will increase 	⇒ Economic and technical efficiency will increase

Continue Table 6-5

Phase	Change	Impact	
	<p>allocation and approval.</p> <p>Change:</p> <p>Since the objective is to move away from centralization to relative semi-centralization, it is necessary to add the term 'provincial treasury' to this article to facilitate funding.</p>	<p>B:</p> <ul style="list-style-type: none"> -Level of government accountability will increase -Open and transparent information system will increase -Proximity of the deliverers and receivers of service will increase 	⇒ Administrative Corruption will decrease
		<p>C:</p> <ul style="list-style-type: none"> -Power delegation to junior levels will increase 	⇒ Government Size will increase
		<p>D:</p> <ul style="list-style-type: none"> -Institutional and legal framework will increase -Giving authority to the people will increase 	⇒ Political Stability will increase
Implementation	<p>Centralized to Semi-centralized</p> <p>Article 30:</p> <p>Issue: Establishment of Budget Allocation Committee</p> <p>Change:</p> <p>It is necessary to mention and emphasize the office of the Provincial Budget Allocation Committee in the law.</p>	<p>It is expected that by recognizing subtle changes in some laws and regulations, coordination and collaboration would improve in and among the different phases of budgeting.</p>	
Supervision	<p>Centralized to semi-centralized</p> <p>Article 35:</p> <p>Issue: To oblige executive bodies to send all the</p>	<p>A:</p> <ul style="list-style-type: none"> -Decision-making time will decrease -Productivity will increase 	⇒ Technical efficiency will increase

Continue Table 6-5

Phase	Change	Impact	
	<p>required information to the provincial PBO offices.</p> <p>Change: With respect to delegating tasks to the provinces, it is essential to specify that local and national executive bodies in the framework of their obligations are responsible for providing all the information the provincial PBO branches demand.</p>	<p>B:</p> <ul style="list-style-type: none"> -Level of government accountability will increase -Open and transparent information system will increase 	<p>⇒ Administrative Corruption will decrease</p>
	<p>Article 36: Issue: Obligation of the Ministry of Economy and Finance to submit to the PBO information related to payments.</p> <p>Change: It should be binding on the treasury in the provinces to send all such information to the provincial PBOs.</p>	<p>C:</p> <ul style="list-style-type: none"> - Power delegation to junior levels will increase - Institutional and legal framework will increase. 	<p>⇒ Government Size will Increase While lacking supervision</p>
		<p>D:</p> <ul style="list-style-type: none"> - Power delegation to the people will increase. 	<p>⇒ Political Stability will increase</p>

In table 6-6 the recommended changes in the enforcement phase of the national audit law and the consequences thereto can be seen. The changes in articles 33 and 39 of this law, which presumes the excellent control of financial measures of the country, aim at an increase in the authority and tasks of the provincial treasury which in turn results in a faster decision-making process, further increase in productivity, higher motivation to equip the financial resources in provinces, better accountability and a more transparent information system, more public participation and higher political stability.

Table 6- 6: Proposed Changes to the Public Audit Law and its Impact on the Implementation Dimension

<i>Phase</i>	<i>Change</i>	<i>Impact</i>	
<i>Implementation</i>	<p>Centralized to semi-centralized & decentralized</p> <p>Article 33: Issue: responsibility of the treasury in the provinces as representative of the General Treasury.</p>	<p>A: -Financial incentives of the provinces will increase -Decision- making time will decrease -Productivity will increase</p>	<p>⇒ Economic and technical efficiency will increase</p>
	<p>Change: It is necessary that provincial revenues be accumulated and centralized in the provincial treasury.</p>	<p>B: -Level of government accountability will increase -Open and transparent information system will increase</p>	<p>⇒ Administrative Corruption will decrease</p>
	<p>Article 39: Issue: Depositing national revenues with the national treasury.</p>	<p>C: -Power delegation to junior levels will increase</p>	<p>⇒ Government Size will increase While lacking supervision</p>
	<p>Change: Permissions should be granted to have provincial revenues deposited into provincial treasury accounts.</p>	<p>D: -Institutional and legal framework will increase -Participation of the people will increase</p>	<p>⇒ Political Stability will increase</p>
<i>Supervision</i>	<p>Centralized to semi-centralized</p> <p>Issue: Setting up the Supreme Audit Organization in the provinces.</p>	<p>A: -Decision making-time will decrease -Productivity will increase</p>	<p>⇒ Technical Efficiency will increase</p>
	<p>Change: In respect of empowering the provinces it would be essential to establish provincial audit bodies having the power and authority to demand, on a regular basis, reports from the treasury and executive</p>	<p>B: -Level of government accountability will increase -Open and transparent information system will increase</p>	<p>⇒ Administrative Corruption will decrease</p>
		<p>C: -Power delegation to junior levels will increase</p>	<p>⇒ Government size will increase While lacking supervision</p>

Continue Table 6-6

<i>Phase</i>	<i>Change</i>	<i>Impact</i>	
	bodies, and also establish advisory councils in the provinces.	D: -Institutional and legal framework will increase	⇒ Political Stability will increase

From the executive point of view, the suggestion provided for articles 11, 14, 12, 68, and 101 of the audit law (table 6-7) underlie the establishment of provincial treasury accounts, description of exclusive revenues formation of consultative boards which can lead to a faster decision-making process, more productivity, better accountability and more public participation in the process of planning and budgeting of the regions which constitutes a key factor in a decentralized planning system.

Table 6-7: Proposed Changes to Audit Law and its Impact on the Financial Dimension:

<i>Phase</i>	<i>Change</i>	<i>Impact</i>	
<i>Implementation</i>	Centralized government revenue level to semi-centralized Article 11: Issue: centralization of government revenues and depositing it with the national treasury. Change: permission should be granted to the provincial treasury to open its own accounts in order to have government revenues deposited into the accounts.	A: -Financial incentives of the provinces will increase -Decision- making time will decrease -productivity will increase	⇒ Technical Efficiency will increase
	Issue: defining allocated revenues for the executive bodies. Change: Granting permission to allow the so-called allocated revenues to each province. At the same time revenue allocated costs should be incorporated into law.	B: -Proximity of deliverers and receivers of service will increase -Level of government accountability will increase -Open and transparent information system will increase	⇒ Administrative corruption will decrease
		C: -Delegating authority to junior levels will increase	⇒ Government Size will Increase While lacking supervision

Continue Table 6-7

Phase	Change	Impact	
Implementation	Article 68: Issue: Inclusion of budgets of ministries and executive bodies in the budget law. Change: It is necessary to stipulate the budget of each province separately in the national budget.	D: -Institutional and legal framework will increase	⇒ Political Stability will increase
	Centralized to decentralized Article 12: National Audit Law Issue: Establishing an advisory board in the audit organization to help address violations. Change: Given the need to bridge the gap between effective supervision and prompt investigation of violations, creating advisory boards at the provincial levels is vital. Article 101: Issue: Obliging the national treasury to send invoices of monthly revenue and expenditure to the supreme audit organization. Change: The provincial treasury should be obliged to report monthly revenues and expenditures to the provincial audit organization.	A: -Decision-making time will decrease -productivity will increase B: -Level of government accountability will increase -Open and transparent information system will increase C: -Delegating authority to junior levels will increase D: -Institutional and legal framework will increase	⇒ Technical Efficiency will increase ⇒ Administrative Corruption will decrease ⇒ Government Size will increase While lacking supervision ⇒ Political Stability will increase

With regard to the third law closely scrutinized in this study, some reformative suggestions are provided from the enforcement and financial point of view under an ideal model named Regional-Central Government Relationship. This law is related to the development and regulation of mid-term development plans. Tables 6-8 and 6-9 entail the suggested reforms in the existing articles and also development of new articles from the executive and financial point of view.

**Table 6- 8: Proposed Changes to Development Plan Law and its Impact
on the Executive Dimension**

<i>Phase</i>	<i>Change</i>	<i>Impact</i>	
<i>Providing and compiling</i>	<i>Semi-centralized process will remain.</i>	In this phase it is possible to create the grounds for improving efficiency through minor changes and monitoring the structure of the semi-centralized status.	
<i>Adoption</i>	<p>Centralized to semi-centralized</p> <p>Issue: Approval of the provincial budget.</p> <p>Article 71: reconfirmed by Article 83 of the Fourth Five-Year Development Plan, outlines the manner of establishing the Council for Provincial Planning and defining its tasks. Based on paragraphs "m", "h", "z", the Council studies, confirms and allocates funds</p> <p>.It is necessary to add that the Council for Provincial Planning and Development approves the current and the development budgets according to the budget ceiling so that it would later be under no circumstances amended or changed by the Management and Planning Organization and the Cabinet accordingly.</p>	<p>A:</p> <p>-Decision- making time will decrease</p> <p>-Productivity will increase</p>	<p>⇒</p> <p>Technical Efficiency will increase</p>
		<p>B:</p> <p>-Open and transparent information system will increase</p>	<p>⇒</p> <p>Administrative corruption will decrease</p>
		<p>C:</p> <p>-Delegating authority to junior levels will increase</p>	<p>⇒</p> <p>Government Size will Increase While lacking supervision</p>

Continue Table 6-8

Phase	Change	Impact	
		D: -Institutional and legal framework will increase -Public participation will increase	⇒ Political Stability will Increase
Implementation	<p>Moving from decentralization to decentralized status During the Third and Fourth Development Plans a concerted efforts were made to decentralize the budget. However, due to inconsistency between this phase and other phases, and also inconsistency with other laws, it appears that that effort did not produce the desired results.</p> <p>Therefore, it is suggested that the following be integrated into the laws guiding the five-year national development plans:</p> <ul style="list-style-type: none"> -Local bodies take charge of the provinces' executive affairs. - Full authority over revenues/ resources generated by the provincial treasury be given to the Provincial Allocation Committee -Only one development agreement shall be signed between the province and the center and the head of the Council for Proprovincial Planning and Development will be accountable to the cabinet for provincial activities. -The governor as head of the Council for Provincial Planning and Development will benefit from added executive and managerial authority. Regarding the scope of tasks, it functions beyond the authority of the Ministry of Interior but under the auspices of the president. -Governors of the provinces are introduced to the government on the recommendation of ministries of interior and planning together. -Executive bodies will undertake only one operational program agreement. -The provincial treasury would no longer be restricted to a narrow defined status and have the benefit of a higher legal identity according to the amendment. -The provincial and city councils will play a bigger and stronger role in provincial planning. 	A: -Financial incentives of provinces will increase -Decision- making time will decrease -Productivity will increase.	⇒ Technical and economic efficiency will increase
		B: Proximity of deliverers and receivers of service will increase -Level of government accountability will increase	⇒ Administrative corruption will decrease
Implementation		C: -Delegating authority to junior levels will increase	⇒ Government size will increase
		D: -Institutional and legal framework will increase	⇒ Political Stability will increase

Continue Table 6-8

Phase	Change	Impact	
supervision	<p>Relatively centralized to semi-centralized</p> <p>-Establishment of advisory boards in the audit organizations of the provinces to help facilitate</p> <p>-Expansion of supervision by city and provincial councils.</p> <p>-The audit report for total revenues and expenditure shall be submitted by the provincial MPOs.</p> <p>-The heads of executive bodies shall be accountable to the heads of provincial planning councils for the operational program, and ministers will not be accountable to the parliament based on their scope of authority.</p>	<p>A:</p> <p>-Decision-making time will decrease</p> <p>-Productivity will increase</p>	<p>⇒</p> <p>Technical and economic efficiency will increase</p>
		<p>B:</p> <p>-Level of government accountability will increase</p> <p>-Open and transparent information system will increase</p>	<p>⇒</p> <p>Administrative corruption will decrease</p>
		<p>C:</p> <p>-Delegating authority to junior levels will increase</p>	<p>⇒</p> <p>Government Size will increase</p>
		<p>D:</p> <p>-Institutional and legal framework will increase</p>	<p>⇒</p> <p>Political Stability will increase</p>

Table 6- 9: Proposed Changes to Development Plan Law and its Impact on the Financial Dimension

Phase	Change	Impact
Providing and compiling	<i>Semi-centralized process will remain.</i>	With the implementation of some functional changes better conditions can be created for the execution of decentralization policies.

Continue Table 6-9

Phase	Change	Impact	
Adoption	<p>Centralized to semi-centralized</p> <p>Issue: Provincial revenues</p> <p>-The total provincial revenues (minus oil) will be transferred to the treasury and figures forecast by the Council for Provincial Planning and Development shall be enacted.</p> <p>-Enactment of the total provincial revenue (notified by the center) is the function of the Council for Provincial Planning and Development.</p> <p>-The provincial treasury provides the budget amount if and only if it is a large figure enacted by the Council for Provincial Planning and</p>	<p>A:</p> <p>-Decision- making time will decrease</p> <p>-Poductivitywill increase</p>	<p>⇒ Technical and economic efficiency will increase</p>
		<p>B:</p> <p>-Level of government accountabilitywill increase</p>	<p>⇒ Administrative corruption will decrease</p>
		<p>C:</p> <p>-Power deligation to junior levels will increase</p>	<p>⇒ Government Size will increase While lacking supervision</p>
		<p>D:</p> <p>-Institutional and legal framework will increase</p> <p>-People participation will increase</p>	<p>⇒ Political Stability will increase</p>
Implementation	<p>Semi-centralized process will remain.</p>	<p>Decentralized policies that are being relatively implemented should be documented.</p>	

Continue Table 6-9

Phase	Change	Impact	
supervision	<p>Relatively decentralized to semi- centralized</p> <p>In this phase of budgeting due to the transfer of extra activities to the provinces, supervisory bodies should be expanded to help augment the task of rapid decision-making and supervision.</p>	<p>A:</p> <ul style="list-style-type: none"> -Decision- making time will decrease -Productivity will increase 	<p>Technical and economic efficiency will increase</p>
supervision	<p>-Executive bodies in charge of budgeting and governors are solely responsible for the outlays.</p> <p>-The relevant laws should be modified so that the treasury provides regular financial reports, the audit organization does likewise regularly, and the MPO makes available, on a systemic basis, its supervisory reports to the Council for Provincial Planning and Management.</p>	<p>C:</p> <ul style="list-style-type: none"> - Power delegation to junior levels will increase 	<p>Government Size will Increase While lacking supervision</p>
		<p>D:</p> <ul style="list-style-type: none"> -Institutional and legal framework will increase 	<p>Political Stability will increase</p>

Institutional Reforms

The last part of this research suggests several institutional reforms that will help move the current inefficient planning and budgeting system toward a more perfect one. Though, this has always been a kind of ambiguity whether the power given to central organizations allows them to experiment proposed reforms in favor of decentralization and devolution of power to local and regional authorities, these reforms are proposed to deal with the problem of sophisticated centralized planning and budgeting system in Iran.

These institutional reforms can create incentives for individuals and societies and thereby promote the objectives of good governance which could be summarized in more social welfare and prosperity of the people. One of the basic principles of these institutional reforms was to ensure that the interests of those who make political and social decisions are aligned with those affected by them.

Although Iran's Constitution offers a clear roadmap for changing the laws and institutions by which we live, due to its multiple barriers to change, including separate levels of and branches of government and a difficult amendment process to enhance the democracy, it has been tried to involve only those rules and regulation that the modification process is foregone. Any obstacle on organizing a successful reform movement and amendment of the proposed laws and regulation reinforces the status quo bias in centralized planning policies of the country.

1)Organizational reforms for better use of oil wealth

As it was presented in previous chapters, due to the weak socio-economic performance on the one hand and unbalanced distribution of total government budget in different provinces of the country on the other hand, this question was formed as why Iran's economic growth rate is so low compared with countries like South Korea and Malaysia? This question is more significant specially when basic economic theory tells us that countries with more capital and natural resource wealth (such as oil & gas income in case of Iran), should grow more quickly.

Although in words of Richard Auty (1988), the oil wealth has been described as an economic curse and Ross. Michael, (2013) believed that resources wealth in general and petroleum in particular, is an economic blight, there are many evidences that show by end

of 1989 and during 1990-2006 the oil producing countries grew about 40 percent faster than the rest of the world. This clarifies that petroleum has not been an economic curse; otherwise the countries with greater per capita income like Saudi-Arabia should be among the world's poorest countries (ibid).

The Islamic Republic is also benefitting from oil and gas windfalls which are a kind of capital and should have accelerated the path of economic growth of the country. Nevertheless this country currently lags far behind other countries in the region according to most socio-economic indices, there is no doubt that unless the causes of such poor performance are clearly modified and effectively dealt with, the next development plans will have no better outcome than the others. Findings acquired in this study show that Iran's disappointing economic growth rate in recent years is the consequence of lack of powerful democratic institutions, lack of rules and regulation for a perfect decentralization on planning and budgeting and also inappropriate performance of government in financial, administrative and political affairs. At the same time, the income generated from sub soil asset has made the government less accountable, less or not responsiveness and also less inclined to promote the general welfare of the society. To achieve fast-paced and sustainable economic growth; creation of employment opportunities; evaluation of productivity of labor force, improving political stability and increasing technical efficiency which are the result of a decentralized, transparent and responsive government, we need a careful new look at our institutional reforms.

During the past 30 years many multilateral institutions and organizations have been created to address socio-economic and cultural development of the country. Even though many of these responses are complementary; there are also areas of overlap, duplication of efforts and even conflict which are needed to be resolved.

However, while opening up new prospects for economic growth and poverty alleviation which are the main objectives of this research as a whole, challenges must obviously be met with rigorous action, notably structural and institutional reforms, to allow the regions to take full advantage of the benefits of law's amendments in favor of decentralization by redefinition of the role and functions of the state, central authorities, regional authorities, the private sector, and regional organizations for better management of government budget and financial resources. An accountable and responsive systematic approach is essential to provide a stable environment for sustainable economic growth. To this end better

integration of the important dimensions of sustainable development policies (legal, economic and social), privatization, empowerment of democratic institution to play their effective roles in decision making, financial management and monitoring should be highlighted to promote institutional reforms.

2) Need for a systematic approach

A systematic approach is urgently needed to identify and effectively use the synergies that exist among many institutions and actors involved in Iran's planning and budgeting system. The inter-linkages approach offers a coordinated way to do this. A focus on inter-linkages may reduce the burden placed on national authorities, promote the efficient use of regional and national resources and ensure that proposed amendments on financial and executive dimensions of laws and regulations regarding Iran's planning and budgeting system are mutually supportive.

Efforts should be done to introduce formal institutions of the country to be a seminal contribution to how we think about institutional reforms and changes such as amendments of fiscal rules or anti-corruption regulations. This needs to bring together a diverse group of practitioners and academics to discuss what its significance is for reform practice today.

3) Policy and legislative review

The legal system is nowadays, one of the fundamental elements of institutional infrastructure to the extent that inadequacies in the legal system constraints the effectiveness of democratic institutions. The reforms should mature to the point where regional administrations are well established, financial flows are structured to fit regional realities and local authorities start to lead service provision. There should be better ways of monitoring performance of regional and local administrators and create incentives for these authorities to pursue high levels of performance.

Despite the growing volume of academic papers on the lack of coherency in the application of the laws and regulation, only limited efforts have been undertaken to systematically address these issues.

It is necessary to organize an expert meeting to consult on options for achieving proposed reforms in tables 4-6 to 4-10. Experts must be invited to comment on pragmatic options and share their own proposals or concerns to these amendments. This consultation

should take place in connection with the Plan and Budget Law, Audit Law, Development plan Law and their impacts on the executive and financial dimensions.

It should be the purpose of the consultation to obtain the views of leading experts on specific proposals given in chapter 6 of the research for affecting institutional reform with respect to evaluation of technical efficiency, political stability, transparency in the performance of the government and also minimizing administrative corruption which are in fact the result of decentralization in planning and budgeting approach of the country in national and regional level.

These reforms defiantly help the provinces to change the underlying processes and power dynamics that determine how resources are actually allocated and help them to receive appropriate budget according to their potentials and requirements.

4) Empowerment of Urban and Rural Councils

According to the law, Urban and Rural Councils which are eligible to elect the mayors and approve the municipality's budgets and responsible peoples for implementing the projects, should start looking for ways to address these important responsibilities. They currently have eschewed their latitudes on identifying priorities of regions, monitoring and controlling poor performance and management of national and regional administrators as poorly fitted to their context and looked instead to traditional centralized model of planning and budgeting.

It should be noted that according to this law (The Law of Urban and Rural Councils Election) Tehran Urban Council which consisted of 15 members has enough power to compete with parliament in providing, compiling, notification, implementation, supervision and control on all aspects of Tehran's planning and budgeting system as well as nominating and electing the mayor who usually and traditionally nominates himself to take the position of the President.

The Tehran urban and rural council is becoming more organized and collaborate more effectively with responsible organizations. Cooperation with ministries, government institutions and dialog with legislation is a good example of how this phenomenon works at national levels. Efforts should be made for same cooperation and dialog with provincial's authorities at regional levels. In many provinces these councils play a dual role. First, as a mouthpiece for democracy, it is the chief challenger of the power of the state, limiting

deviations from good governance and acting as a regulator in the political arena and a credible negotiator between the people and public powers. Second, despite its overall efficiency, the council as a nongovernmental entity serves as a watchdog to guard against any environmental, social, political and economical abuse by increasing public awareness.

5) Privatization and promoting the role of private sector

In the context of economic development, the private sector is the main engine for growth. Accordingly, its operations must be free of heavy-handed and cumbersome regulatory or bureaucratic procedures that could slow its expansion. To take full advantage of Iran's Constitution, article 44 should be completely and perfectly implemented. The private sector also needs high-quality human resources and managerial capabilities. The sector itself must assume some responsibility for the education and training of the workforce, enabling workers to take advantage of the potential offered by new information and communication technologies and to benefit from the relocation of industrial businesses and services.

To flourish, however, the private sector also needs to be supported by a sound banking and financial sector within a liberalized institutional context. In particular, credit policy must be managed flexibly and be resolutely oriented toward fighting inflation. Exchange and interest rates must also be as realistic as possible, reflecting internal cyclical variations while staying connected to international market conditions.

6) Financial management systems

The success of a credible monetary policy depends crucially on a central bank that is wholly independent of political pressure. In addition, because of their significant role in the collection of savings and the financing of economic activity, banks' operations need to be supported by a secure regulatory framework that meets following criteria:

- a) Freedom of action that excludes any intervention by political powers in the distribution of credit;
- b) Development of and compliance with prudential standards comparable to those used internationally; and

c) Establishment of a banking oversight committee specifically responsible for monitoring strict compliance with approved banking management methods.

All these reforms have extremely high financial and social costs that far exceed the continent's current resources. It is hoped, therefore, that the government may be able to count on international cooperation to support its economic development efforts. Particular attention must be paid to managing the foreign direct investment on infrastructure projects that aim at poverty reduction.

7) *Monitoring and evaluating system*

What is meant here by monitoring and evaluating system for development programs and plans is to provide guidance on all stages of the design and implementation of a monitoring and evaluation system and presents the main options with respect to the scope, issues and organization. Although often mentioned together, monitoring and evaluation are, in fact, two distinct activities, related but not identical. What they have in common is that they seek to capture information about what we are doing and how we are doing it.

Monitoring: This type of evaluation is performed while a project or a program is being implemented and involves tracking our progress by systematically gathering and analyzing information about what we are doing and whom we are reaching with the aim of improving the project design and functioning while in action. It can serve as a kind of early warning system that lets us know if activities are being carried out as originally planned. And, if not, we can take measures to correct problems and adjust activities or the work plan as needed to be more effective. Monitoring provides the basic information and building blocks for evaluation.

Evaluation is a more in-depth assessment of the performance and activities than monitoring. An evaluation studies the outcome of a project (changes in income, housing quality, benefits distribution, cost-effectiveness, etc.) with the aim of informing the design of future projects. Evaluation enables us to assess the progress, quality and impact of our work against our program strategy, our targets and our work plan. Evaluation reveals whether we did what we planned to do and, if not why not? It also answers questions about accountability—did we complete what was promised in our proposal—and helps inform management decisions. It answers the questions: what was accomplished, what was the cost, is it worth doing again, how might it be done better in the future? In addition,

evaluation results increase knowledge for both our budgeting organization and stakeholders interested in our planning and budgeting performance.

Conclusion

Much has been said and written about the need and benefit of decentralization ever since it was introduced to the developing world in the 1980s. As governments started experimenting with and submitting to the values of decentralization, they encountered a tall order, including legal constraints, pore of vested interests, challenges of accountability, and the need for sharing power, authority and wealth with the masses. What has been the outcome of these colossal challenges related to planning, budgeting, transparency and accountability in the developed nations is not the focus of this research. Though we stand to gain if the powerhouses in Tehran and their supporters learn from the valuable experience of the developing world and realize that in today's world the concentration of wealth and economic/political power in the hands of a selected few is simply not sustainable.

This thesis and its author seek to do their fair share in contributing to the instruments essential to improve the quality of life and economic wellbeing of the majority of Iranians, enhance government accountability and responsiveness, curb the state's unwanted and unhelpful interference in the economy and delegate power to the people. It can be fairly stated that Iran is not entirely a newcomer to the demands of decentralization and delegation of power. Though we may have been a bit late in embracing these lofty values due to the Islamic Revolution (1979) and the chaos of the Iraq-imposed war (1980-88), but prominent economists, uncorrupted politicians and respected analysts have over the years underlined the dire need to share economic and political power. Most barely make a secret of the fact that the state and its huge political-security apparatus can afford to ignore the voice of wisdom at its own peril.

This research recognizes that despite the colossal constraints and challenges, it is possible and necessary to shake the pillars of economic centralization and move toward a decent, balanced, equitable, transparent and accountable state of affairs. To move strongly effectively on this herculean task it is crucial that lawmakers, policymakers and decision makers realize the gravity of the situation and hear the voice of socio-economic reason and logic.

Needless to say, the first step in the right direction is decentralizing the cumbersome budgeting process in which all orders and dictates flow out of Tehran to the 30 plus provinces. Experts in no small numbers strongly believe in and stress the need for: reforming the governing regulations, meaningful coordination in the budgeting process, and increasing the level of decentralization in the different phases of budgeting.

With clarity of purpose it can and must be said that the venue to start from is the five-year development plans that encompass the economic, social and cultural needs and priorities of our people at five year intervals. In Iranian socio-political parlance 'plan' primarily means access to funds as without responsible funding and spending authority plans of whatever stripe would fall on the wayside.

It is often claimed that the maneuverability of officials is restricted because of the laws, rules and regulations that guide the budgeting process. That may be partly true, but those in high places also need to realize that rules are not written in stone. To get better results from the usually limited funds that are available, we need to take a closer look at and learn from the mistakes of the former communist and centralized economies that ignored the legitimate demands of their peoples and were consigned to history as failures.

This research has argued that Iran's extended and omnipresent economic dilemma is the logical outcome of inflexible, unresponsive and centralized power. Were it not the case, the Iranian economy with its multi-billion-dollar annual earnings (according to published reports over the past seven years the government generated close to \$700 billion only from oil exports) would have been on a better footing and offered the working class a decent standard of living.

So, in the context of the five-year plans and the '20-Year Vision', it is imperative that planners and policymakers insist on reforming regulations that for all practical purposes have become a part of the problem not the solution. To this end, this study has proposed changes to the laws guiding development plans, the work of the high audit organizations and finally the inefficient plan/budget system.

Parallel to the proposals, I also have considered the impact of these changes on the financial, executive and implementation dimensions of national governance. In all three spheres it has been demonstrated that the changes built on the bulwark of meaningful decentralization and delegation of authority to the provinces would augur well for key sectors. The positive impact will include, but will not be restricted to, productivity,

delegation power to lower levels, economic and technological efficiency, and participation of the people in the politico-economic process.

Similarly, the changes will help improve government accountability, open up the information system, create financial motivation in the provincial governments (keen on balancing their earnings and expenditures), develop the institutional and legal capacity, and last but not the least curb rampant administrative corruption.

One key aspect of the proposed changes calls for budgetary and financial restructuring. In short, it calls for gradually breaking away from past centralized practices and delegating power to the provincial managers and holding them and the relevant councils and ombudsmen accountable for their actions or the lack of it.

Truth be said, budgeting and the provision of funds is a powerful political, social and economic weapon in today's modern but certainly complex world. It plays a prominent role not only in the allocation and distribution of scarce resources but also in the growth and development of economies and by extension the citizens of a country. By the same token it also determines the power base, social status and economic health of societies and individuals.

The much needed economic reform in the Islamic Republic will not be meaningful unless the decades-old budgetary system is also rewritten and the bloated bureaucracy restructured in conformity with the socio-economic needs and goals of the people.

Now it is up to those holding the levers of power in Iran to rise to the occasion and embark on the long delayed program of meaningful economic reforms starting with organized decentralization, changing obsolete and cumbersome regulations, embracing accountability, fighting corruption and bridging the deepening gulf between the rulers and the ruled.

Table 1-4: Gross domestic production and per capita production of selected countries (1985-2005)

Developed countries	Gross domestic production growth (%)					Per capita production (current prices) US \$				
	1985	1995	2000	2005	2010	1985	1995	2000	2005	2010
France	1.71	2.12	3.91	1.9	1.7	9600	25180	24452	34950	39170
Germany	2.33	1.89	3.21	0.78	3.7	9530	28630	25510	34980	39852
Japan	5.8	1.96	2.86	1.93	4.4	10850	40350	34620	38940	43063
USA	4.1	2.54	3.69	3.08	3	3	27910	****	43510	46702
United Kingdom	3.54	2.94	3.8	1.84	2.1	8070	19430	25480	38320	36186
Developing countries										
India	2.23	7.57	4.03	9.35	9.6	300	380.1	740	740	1375
Indonesia	3.48	8.4	4.92	5.69	6.2	530	1010	590	1250	2952
South Korea	6.8	9.17	8.49	4.2	6.3	2330	10770	9800	15930	20540
Pakistan	7.6	4.96	4.26	7.67	4.1	370	490	490	720	1019
Singapore	-1.44	8.15	10.06	7.3	14.8	6870	23260	22970	2629	41987
Malaysia	-1.12	9.83	8.86	5.33	7.2	1940	4030	3450	5200	8373
Under developed Countries										
Senegal	3.28	5.36	3.2	5.63	4.1	410	540	490	740	1034
Sri Lanka	May-00	5.5	6	6.24	8	370	700	880	1200	2400
Namibia	0/55	4.11	3.4	4.71	6.6	1120	2200	1880	2650	4876
Oil exporting countries										
Venezuela	0.2	4	3.69	10.32	-1.5	3460	2930	4	4950	13658
Saudi Arabia	-4.32	0.2	4.86	5.55	4.6	9560	7850	8.8	12700	16424
United Arab Emirate	-6.6	7.95	4.98	8.2	1.4	19900	19260	19270	0	39625
Iran	2.07	2.66	5.14	4.62	1.8*	3380	1270	1670	2570	4526*

Source: World development Indicators, World Bank

* Data belongs to year 2009

Table 1-5: Investment growth rate of I.R.I during different periods

Period	Private sector Investment	Public Sector Investment	Total Investment
1961-2001	5.34	7.29	5.69
1971-2001	5.25	4.10	3.88
1981-2001	3.93	1.45	2.75
1988-2001	5.25	4.89	7.60
2001-2006	3.74	6	4.32

Source: Management and Planning Organization 2007

Table 1-6: Gross capital formation (% GDP) for selected countries (1985-2010)

Country	1985	1995	2000	2005	2010
France	19.22	18.56	20.47	20.33	19
Germany	21.57	22.22	21.78	17.08	17
Japan	28.72	28.43	25.44	23.57	20
United state	20.28	18.15	20.49	19.51	15
United Kingdom	18.54	17.39	17.98	17.47	15
India	23.47	26.59	24.16	34.82	35
Indonesia	27.96	31.93	22.25	25.08	32
Korea, Rep.	29.97	37.67	31.00	30.06	29
Pakistan	18.32	18.55	17.23	19.08	15
Singapore	42.71	34.48	33.30	19.93	22
Malaysia	24.84	43.64	26.87	19.99	21
Senegal	17.19	13.62	20.46	29.68	29
Sri Lanka	23.82	25.73	28.04	26.14	28
Namibia	10.53	21.70	19.55	27.69	26
Venezuela, RB	19.15	18.11	24.17	23.00	21
Saudi Arabia	21.45	19.79	18.71	18.24	23
United Arab Emirates	25.14	29.69	23.17	20.38	25
Iran, Islamic Rep.	21.11	29.20	32.98	32.69	*

Source: World Department Indicators, World Bank

*Data not available

Table 1-7: Foreign Direct Investment, net inflows (million US\$) for selected countries (1985-2010)

Country	1981	1991	2000	2005	2010
France	2595.5	23736.3	42379.5	84996.5	71831
Germany	821.5	11985.5	210085.4	41064.7	56644
Japan	637.7	39.3	8227.2	3213.6	
United state	20010.0	57800.0	321274.0	112638.0	243151
United Kingdom	5476.5	21731.5	122156.8	177405.1	154120
India	106.1	2143.6	3584.2	6676.5	20336
Indonesia	310.0	4346.0	-4550.4	8336.3	4914
Korea, Rep.	233.5	1775.8	9283.4	6308.5	3586
Pakistan	131.4	722.6	308.0	2201.0	4237
Singapore	1046.7	11535.3	16484.5	13930.3	29348
Malaysia	694.7	4178.2	3787.6	3966.0	6076
Senegal	-15.8	31.7	62.9	44.6	220
Sri Lanka	26.2	56.0	172.9	272.4	479
Namibia	..	153.0	118.9	166.1	30888
Venezuela, RB	68.0	985.0	4701.0	2602.0	-508
Saudi Arabia	491.4	-1874.7	-1881.1	463.7	18317
United Arab Emirates	12806
Iran, Islamic Rep.	-38.2	17.0	39.0	917.9	1647

Source: World Department Indicators, World Bank

Table 1-8: Development investment flow in different provinces during 1989-2004 (constant price 1997) in billion Rials

Programprovinces	Total	National budget	Provincial Budget	Gov. company investment	Banking Facilities	Foreign currency loans
Country Total	1,726,480	269,304	80,195	70,619	1,247,772	58,589
Markazi	31,616	6,969	1,647	1,152	21,202	646
Gilan	45,353	5,724	2,980	1,635	34,841	173
Mazandaran	56,629	6,772	2,607	2,447	43,709	1,095
East Azarbaijan	61,289	13,903	3,458	3,426	40,272	229
West Azarbaijan	32,032	5,737	2,913	1,538	21,788	56
Kermanshah	24,833	3,611	4,315	935	15,364	608
Khuzestan	134,297	53,489	9,563	15,414	49,947	5,884
Fars	68,009	13,135	4,447	4,002	44,291	2,134
Kerman	45,400	7,790	3,414	1,913	28,471	3,812
Khorasan	96,518	13,316	6,237	5,288	69,622	2,016
Isfahan	95,040	12,163	3,036	3,663	74,649	1,529
Hormozgan	43,414	17,075	3,206	2,866	12,898	7,370
Sistan and Baluchistan	24,116	7,463	3,927	1,415	11,311	1
Kurdistan	16,904	2,716	2,772	854	10,518	44
Hamadan	23,841	3,270	1,746	997	17,666	162
Lorestan	20,923	3,372	2,451	1,080	14,809	211
Ilam	12,106	2,912	2,315	342	6,145	392
Zanjan	19,642	2,342	1,555	908	14,725	412
ChaharMahaal and Bakhtiari	15,478	2,498	1,554	1,218	10,107	101
Kohgiluyeh and BoyerAhmad	10,837	3,272	1,626	706	5,038	195
Semnan	17,935	1,551	1,120	772	14,435	57
Yazd	41,056	6,386	1,218	1,261	30,568	1,623
Bushehr	85,463	36,693	2,224	2,632	18,305	25,609
Tehran	640,811	29,663	4,119	12,850	590,373	3,805
Ardabil	16,3351	2,644	1,986	453	11,205	62
Qom	11,122	1,725	708	439	8,107	143
Qazvin	14,288	2,205	1,241	411	10,253	178
Golestan	20,875	1,907	1,813	0	17,112	44

Source: Different Formal Authorities of I.R.I

Table 1-9: I.R.I's Human Development Index by provinces (1999)

Province	Life Expediency Index	Literacy Index	Income Index
Tehran	0.758	0.841	0.928
Qom	0.71	0.748	0.928
Isfahan	0.755	0.789	0.824
Fars	0.708	0.747	0.9
Yazd	0.725	0.778	0.831
Gilan	0.755	0.742	0.781
Semnan	0.72	0.794	0.739
Markazi	0.695	0.735	0.82
Kermanshah	0.667	0.7	0.875
Khuzestan	0.698	0.703	0.836
Kerman	0.773	0.741	0.803
Mazandaran	0.707	0.74	0.725
East Azarbaijan	0.692	0.693	0.772
Bushehr	0.693	0.723	0.693
Ardabil	0.678	0.664	0.772
Khorasan	0.655	0.741	0.697
Hormozgan	0.682	0.658	0.738
ChaharMahaal and Bakhtiari	0.682	0.7	0.665
Lorestan	0.66	0.697	0.684
Ilam	0.65	0.724	0.651
West Azarbaijan	0.662	0.623	0.666
Zanjan	0.68	0.676	0.592
Hamadan	0.675	0.698	0.538
Kohgiluyeh and BoyerAhmad	0.64	0.702	0.527
Kurdistan	0.61	0.607	0.641
Sistan and Baluchestan	0.602	0.525	0.507

Source: First Human Development Index of I.R.I, World Bank 1999

Table 1-10: Provincial Ranking of H.D.I in Iran (2006)

Province	Human Development Index (HDI)	Life Expectancy	Literacy	Income
Tehran	1	1	1	1
Qom	2	6	5	2
Isfahan	3	2	3	7
Fars	4	7	6	3
Yazd	5	4	4	6
Gilan	6	3	7	10
Semnan	7	5	2	13
Markazi	8	10	11	8
Kermanshah	9	19	16	4
Khuzestan	10	9	14	5
Kerman	11	18	8	9
Mazandaran	12	8	10	15
East Azarbaijan	13	12	20	11
Bushehr	14	11	13	17
Ardabil	15	16	22	12
Khorasan	16	22	9	16
Hormozgan	17	13	23	14
ChaharMahaal and Bakhtiari	18	14	17	20
Lorestan	19	21	19	18
Ilam	20	23	12	21
West Azarbaijan	21	2	24	19
Zanjan	22	15	21	23
Hamadan	23	17	18	24
Kohgiluyeh and BoyerAhmad	24	24	15	25
Kurdistan	25	25	25	22
Sistan and Baluchestan	26	26	26	26

Source: First Human Development index I.R.I, World Bank 1999

Table 1-11: Effect of transferred cash flow on H.D.I by provinces in I.R.I (2006)

Province	Cash flow Transferred Million Rials	H.D.I	Life Expectancy Index	Literacy Index	Income Index
Markazi	270.759	0.71	0.71	0.80	0.61
Gilan	516.626	0.73	0.75	0.80	0.64
Mazandaran	539.848	0.73	0.72	0.80	0.63
East Azarbaijan	360.101	0.69	0.71	0.76	0.59
West Azarbaijan	456.205	0.66	0.69	0.72	0.58
Kermanshah	697.595	0.68	0.69	0.78	0.56
Khuzestan	395.309	0.71	0.72	0.81	0.62
Fars	498.966	0.73	0.73	0.83	0.63
Kerman	611.086	0.69	0.70	0.80	0.59
Khorasan	481.408	0.70	0.68	0.81	0.60
Isfahan	179.412	0.75	0.75	0.85	0.65
Hormozgan	525.273	0.69	0.71	0.76	0.59
Sistan and Baluchistan	557.930	0.58	0.64	0.58	0.51
Kurdistan	663.693	0.63	0.65	0.68	0.55
Hamadan	556.478	0.68	0.70	0.78	0.57
Lorestan	670.843	0.67	0.69	0.76	0.57
Ilam	1.199.129	0.69	0.68	0.78	0.62
Zanjan	557.235	0.68	0.70	0.75	0.59
Chaharmahal and Bakhtiari	840.315	0.69	0.71	0.76	0.60
Kohgiluyeh Boyer Ahmad	1.072.365	0.67	0.67	0.77	0.56
Semnan	776.951	0.72	0.73	0.84	0.60
Yazd	552.208	0.72	0.74	0.83	0.60
Boushehr	758.460	0.72	0.71	0.82	0.64
Tehran	94.027	0.78	0.75	0.90	0.71
Ardabil	635.227	0.66	0.70	0.72	0.55
Qom	446.889	0.71	0.73	0.82	0.58
Qazvin	82.071	0.73	0.73	0.81	0.66
Golestan	583.098	0.70	0.70	0.78	0.61
Average	428.394	---	---	---	---
Correlation coefficient with Per Capita transferred flow	-----	-0.42	-0.53	-0.29	0.46

Source: Management and Planning Organization of I.R.I Iran, 2006

Table 1-12: Iran ranking for selected indices in Southwest Asia

Index	Percentage	Rank			
		S.W.A countries	Neighboring countries	Oil producing countries	Rival countries
HDI	0.759	13	8	7	5
Life Expectancy	70.2	14	8	7	5
Literacy rate	82.4	16	9	6	5
GDP	7.68	9	7	7	5
Inflation	17.5	8	1	1	1
Unemployment	11.6	4	2	2	1
Active Population	26.2	3	3	1	3
Rate of Participation	58.2	17	10	6	4
Gross National Income	177.3	3	2	2	3
Gross Domestic Production Growth	4.4	18	10	6	6

Source: World Development Indicators, World Bank 2007

Table 1-13: Gross Domestic Production for selected countries (1985-2010)

Country \ Years	1985	1995	2000	2010
France	543.4	1572.0	1326.3	2549.0
Germany	708.9	2522.8	1886.4	3258.9
Japan	1384.5	5333.9	4731.1	5488.4
United state	4184.8	7338.4	9898.8	14447.1
United Kingdom	464.2	1157.1	1477.2	2251.9
India	236.6	366.6	474.7	1684.3
Indonesia	87.3	202.1	165.0	708.5
Korea, Rep.	96.6	517.1	533.4	1014.8
Pakistan	31.1	60.6	73.9	176.8
Singapore	19.0	80.7	95.9	213.1
Malaysia	31.7	88.8	93.8	237.7
Senegal	2.9	4.9	4.7	12.8
Sri Lanka	5.9	13.0	16.3	49.5
Namibia	1.3	3.5	3.9	11.1
Venezuela, RB	57.9	74.9	117.1	393.8
Saudi Arabia	103.9	142.4	188.4	450.7
United Arab Emirates	40.6	65.7	104.3	297.6
Iran, Islamic Rep.	170.6	90.9	101.3	331.0

Source: World Department Indicators, World Bank

*Data not available

Table 1-14: Population and population growth rate by different Provinces (1896-2006)

Province	1996	2006	2011	1986-1996	1996-2006
East Azarbaijan	3225540	3602456	3724620	0.78	0.81
West Azarbaijan	2496320	2873459	3080576	2.39	1.42
Ardabil	1168011	1228155	1248488	1.20	0.48
Isfahan	39223255	4559256	4879312	1.76	1.51
Ilam	487886	545787	557599	2.47	1.13
Boushehr	743675	886267	1032949	1.96	1.77
Tehran	10343965	11345375	12183391	2.48	2.63
ChaharMahal and Bakhtiari	761168	857910	895263	1.89	1.20
Khorasan	6047661	7041071	7524663	0.43	1.74
Khuzestan	3746772	4274979	4531720	1.45	1.71
Zanjan	900890	964601	1015734	2.24	1.03
Semnan	501447	589742	631218	3.40	1.33
Sistan and Baluchistan	1722579	2405742	2534327	1.41	0.69
Fars	3817036	4336878	4596658	1.86	1.64
Qazvin	968257	1143200	1201565	3.71	3.40
Qom	853044	1046737	1151672	1.80	1.28
Kurdistan	1346383	1440156	1439645	1.86	1.67
Kerman	2004328	2652413	2938988	3.29	2.01
Kermanshah	1778596	1879385	1945227	2.24	0.66
Kohgiluyeh and Boyer Ahmad	544356	634299	658629	2.13	2.84
Golestan	1426288	1617087	1777014	1.97	0.55
Gilan	2241896	2404861	2480874	2.83	1.54
Lorestan	1584434	1716527	1754243	2.22	1.26
Mazandaran	2602008	2922432	3073943	0.75	0.70
Markazi	1228812	1351257	1413959	1.49	0.80
Hormozgan	1062155	1403674	1578183	1.36	1.16
Hamadan	1677957	1703267	1758268	1.28	0.94
Yazd	990818	750769	990818	3.37	2.83

Source: Static Center of Iran, 1896, 2006, 2011.

Table 1-15: Some main characteristics of Iran's socio- economic structure

No.	Issue	Characteristics
1	Market structure	Fixed and inflexible with administrative pricing for key economic activities.
2	Space and extent of competition	National (inefficient) monopolistic, protectionist and much influenced by political atmosphere.
3	Production organization structure	Administrative bureaucracy
4	Structure of economic production	Traditional, trade, and based upon natural resources
5	Sources of economic values	Oil, raw material and physical capital
6	Production characteristics	Less than capacity, low quality and local market oriented
7	Key growth motivations	Physical capital, labor force, oil and energy
8	Sources of comparative competition	Government subsidies and cheap production factor
9	R & D importance	Very low
10	Firms relationship	Weak, centralized and individual
11	Consumer priorities	Fixed and with less changes
12	Communications	Internal oriented
13	Change adoption	Past oriented and emphasizing traditional models
14	Skills	Particular job skills
15	Training needs	Career skills and educational degree
16	Work place relationship	Administrative and uncoordinated
17	Job quality	Fixed and without any risk

Continue Table1 -15

18	Relationship with businesses	Imposed regularities, unsuitable control and imperfect distribution system
19	Nature of law and regulation	Fixed and without any risk
20	Public service	Aimless subsidies system
21	Role of managers	Bureaucratic
22	Mode of employment	Life time
23	Role of government and degree of intervention	Maximum interference and minimum role of market
24	Kind of accountability	Unaccountable and bureaucratic

Source: Forth 5- Year Development Plan of I.R. Iran, 2004.

Table2-11: Most important economic indices during first development plan (1989-1994)

No.	Year Title	1989		1990		1991		1992		1993		1994		Average	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Gross domestic production growth (percentage)	7/9	5/90	9/2	14/10	6/8	12/10	8/5	4/00	8/4	1/50		0/50	8/16	7/52
2	Investment growth (percentage)	26/4	7/40	31/9	13/80	2/9	26/40	-0/2	-3/50	1/2	-10/30		-14/20	12/44	6/76
3	Oil and Gas Exports (billion \$)		12/04		17/99		16/01		16/88		14/33		14/60		15/45
4	Non Oil Exports (billion \$)	1/73	1/04	2/38	1/31	3/14	2/65	4/24	3/00	6/31	3/75	4/82	4/82	3/56	2/35
5	Imports (FOB) (billion \$)	15/61	13/45	19/59	18/33	20/19	25/90	19/84	23/27		19/29		12/62	18/80	20/04
6	Oil Price (US\$)		17/31		22/26		18/62		18/44		16/33		15/53		18/59
7	Liquidity growth (Percentage)	10/8	19/54	11/7	22/48	9/2	24/64	5/9	25/28	3/5	34/21		28/48	8/22	25/23
8	Inflation rate (Percentage)	20/5	17/40	16/8	9/00	14/3	20/70	11/4	24/40	8/9	22/90		35/20	14/38	18/88
9	Exchange rate (Dollar / Rail)		1207		1413/0		1420/0		1498/0		1803/0		2667/0		1468/2
10	Unemployment rate (percentage)	13/4	14/20	13/4		13/4		13/4		13/4	11/10			13/4	12/65
11	Gini Coefficient		0/409		0/396		0/399		0/387		0/397		0/399		0/398

Source: Central Bank of Iran, Iran Statistical Center, (1989-1994)

Table2-12: Comparison of general budget of the country with the first development plan (1989-1993)

No	Year Title	1989		1990		1991		1992		1993	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Tax incomes	1150/0	1187/9	1688/0	1695	2097/0	2765/0	2592/0	3773/4	3180/0	4061/3
2	Oil & Gas incomes	900/0	1515/1	1011/3	3375/1	1142/3	3549/4	1345/4	5141/3	1344/0	14683/3
3	Other incomes	1100/0	478/4	1309/5	568/4	1482/4	688/9	1658/0	1044/9	1918/1	1614/2
4	Total incomes	3150/0	3181/4	4008/8	5638/5	4721/7	7003/3	5595/4	9959/6	6442/1	2035/8
5	Current Expenditure	3430/0	3385/2	3923/5	4284/8	4226/7	5584/0	4482/1	7783/6	4704/2	13783/5
6	Constrictive Expenditure	1018/0	931/5	1657/3	1766/3	1828/9	2537/9	1854/4	3192/8	1830/4	7018/0
7	Total Expenditure	4448/0	4316/7	5580/8	6051/1	6065/6	8121/9	6336/5	10976/4	6534/6	20801/5

Source: Proceeding of the second development plan 1993, P. B. O, Iran.

Table2-13: Comparison of goals and performance of the most important economic indices during the second development plan (1995-1999)

No.	Year Title	1995		1996		1997		1998		1999		Average	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Gross domestic production growth (percentage)	3/9	2/90	3/9	6/10	3/9	2/80	3/9	2/90	3/9	1/60	3/9	3/26
2	Investment growth (percentage)	4/3	-4/50	4/3	25/00	4/3	12/50	4/3	3/20	4/3	5/80	4/3	8/4
3	Oil and Gas Exports (billion \$)	*	15/11	*	19/27	*	15/47	*	9/93	10/95	17/09	*	15/37
4	Non-Oil Exports (billion \$)	3/25	3/25	3/21	3/11	2/87	2/91	*	3/18	3/90	3/94	3/30	3/27
5	Imports (FOB) (billion \$)	*	12/77	*	14/99	*	14/12	*	14/29	16/99	13/43	*	13/92
6	Oil Price (US\$)	*	16/86	*	20/29	*	18/68	*	12/28	*	17/47	*	17/11
7	Liquidity growth (Percentage)	27/3	37/6	27/3	37	27/3	15/20	27/3	19/46	24/6	20/13	26/76	25/87
8	Inflation rate (Percentage)	12/4	49/40	12/4	23/20	12/4	17/30	12/4	18/10	22/1	20/10	14/34	25/62
9	Exchange rate (Dollar / Rail)	1570/00	4078/00	1570/00	4444/00	1570/00	4785/00	1570/00	6460/00	1570/00	8632/00	1570/00	5679/8
10	Unemployment rate (percentage)	12/6	*	12/6	9/10	12/6	13/10	12/6	12/50	12/6	13/50	12/6	12/05
11	Gini Coefficient	*	0/4074	*	0/3910	*	0/4029	*	0/3965	*	0/4009	*	0/3997

Source: Central Bank of Iran, Iran Statistical Center, (1995-1999)

* Data not found

Table2-14: Comparison of general budget of the country with second development plan (1995-1999)

No.	Year Title	1995		1996		1997		1998		1999	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Total incomes	36219/0	41850/6	41121/0	57342/9	46558	65073/4	52763	64358/8	60650	94571
2	Tax incomes	7862/0	7313/0	9659/0	12560/2	11866	17344/5	14577	18686/6	17908	25831
3	Oil & Gas incomes	21508/0	26666/2	22907/0	32745/7	24037	26018/0	25267	22168/0	26325	24170
4	Other incomes	6849/0	7871/3	8555/0	12037/0	10655	21710/9	12919	23504/3	16417	24570
5	Total Expenditure	36394/0	41330/9	41296/0	54963/4	46733	654437/8	52938	71474/8	60825	95210/7
6	Current Expenditure	22595/6	28448/1	24385/0	37571/2	26118	44966/7	28423	53818/4	31635	68009/2
7	Constrictive Expenditure	13798/4	12882/8	16911/0	17392/4	20615	20471/1	24515	17655/4	29190	27201/5

Source: Proceeding of the third development plan 1999, P. B. O, Iran.

Table2-15: Most important economic indices during third development plan (2000-2004)

No.	Title	2000		2001		2002		2003		2004		Average	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Gross domestic production growth (percentage)	4/5	5/00	5/5	3/30	6/5	8/1	6/7	7/8	6/8	6/4	6	5/5
2	Investment growth (percentage)	6/00	4/10	6/9	14/20	7/3	12/00	7/8	10/80	7/9	7/00	7/18	9/62
3	Oil and Gas Exports (billion \$)	11/08	24/28	10/86	19/34	22/80	22/97	23/09	27/36	22/55	36/32	18/07	26/05
4	Non-Oil Exports (billion \$)	4/82	4/18	5/93	4/56	5/37	5/27	6/97	6/64	7/72	7/54	6/16	5/63
5	Imports (FOB) (billion \$)	22/33	15/08	23/04	18/13	23/78	22/04	24/25	29/56	30/74	38/20	24/82	24/60
6	Oil Price (US\$)		27/60		23/12		24/36		28/10		36/05		84/27
7	Liquidity growth (Percentage)	20/8	29/28	18/00	28/84	15/7	30/09	14/2	26/12	13/1	30/25	16/36	23/14
8	Inflation rate (Percentage)	19/9	12/60	17/40	11/40	15/30	15/80	14/00	15/60	13	15/20	15/92	14/12
9	Exchange rate (Dollar / Rail)		8190/00		8009/00		8019/00		8325/00		8748/00		8258
10	Unemployment rate (percentage)		14/30		14/20	12/8	12/80		11/80	12/5	10/30	12/65	12/68
11	Gini Coefficient	0/43	0/3991	0/43	0/3985	0/43	0/4191	0/43	0/4156	0/43	0/3996	0/43	0/4063

Source: Central Bank of Iran, Iran Statistical Center, (2000-2004)

Table2-16: Comparison of general budget of the country with the third development plan (2000-2004)

No	Year Title	2000		2001		2002		2003		2004	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Total incomes	110048/6	107029	128539/8	128244	152541/1	213147/9	183821/2	263375	221544/2	327318
2	Tax incomes	32204/2	32842	40060/3	38797	49386/6	50587	60130/1	65099	72718/8	84421
3	Oil & Gas incomes	56880/48	59449	62298/9	74957	70993/57	153817	84821/98	169944	99461/21	204560
4	Other incomes	20963/9	14738	26180/6	14490	32160/9	8743/9	38869/1	28332	49364/2	38337
5	Total Expenditure	110988/6	108316	129784/8	128282	154031	185509/8	185671/1	236023	223604/2	289438
6	Current Expenditure	85082/3	85865	98455/5	104772	114907/7	148297/3	136083/2	178251	156481/2	231923
7	Constrictive Expenditure	25906/3	22451	31296/3	23510	39123/3	37212/5	49587/9	57772	67123	57515

Source: Proceeding of the third development plan 2004, P. B. O, Iran.

Table2-17: Most important economic indices during the fourth development plan (2005-2009)

No.	Year Title	2005		2006		2007		2008		2009		Average	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Gross domestic production growth (percentage)	8/0	6/9	8/0	6/6	8/0	6/7	8/0	4/50	8/0		8/0	5/82
2	Investment growth (percentage)	12/2	5/10	12/2	3/30	12/2	6/00	12/2		12/2		12/2	4/8
3	Oil and Gas Exports (billion \$)	22/64	53/82	23/27	62/46	23/77	81/76	25/05	82/20	25/26		23/99	70/06
4	Non Oil Exports (billion \$)	8/50	10/55	9/46	13/08	10/47	15/64	11/59	18/15	12/81		10/56	14/35
5	Imports (FOB) (billion \$)	32/77	40/97	34/93	51/26	37/23	56/58	39/69	55/80	42/38		37/4	51/15
6	Oil Price (US\$)		50/64		61/08		69/08		94/45				68/81
7	Liquidity growth (Percentage)	20	34/29	20	39/40	20	27/70	20	15/92	20		20	29/37
8	Inflation rate (Percentage)	9/9	12/1	9/9	13/6	9/9	18/40	9/9	25/40	9/9		9/9	16/52
9	Exchange rate (Dollar / Rail)		9042/00		9226/00		9285/00		9574/00				9281/00
10	Unemployment rate (percentage)	8/4	11/52	8/4	11/25	8/4	10/58	8/4	10/45	8/4		8/4	10/95
11	Gini Coefficient	0/38	0/4010	0/38	0/4004	0/38	0/4045	0/38		0/38		0/38	0/4019

Source: Central Bank of Iran, Iran Statistical Center, (2005-2009)

**Table2-18: Comparison between performance of general budget of the country
and figures of the fourth development plan (2005-2009)**

No	Year Title	2005		2006		2007		2008		2009	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Total incomes	457491.2	470990	526836	574989	593110.6	629609	670808.2	814235	758645	Not given
2	Tax incomes	117830/4	102706	150397/7	125487	182521/9	162578/5	218558/7	203040/6	262631/4	Not given
3	Oil & Gas incomes	128494.2	316277	140734.5	374109	157517.5	336062.5	175954.5	436575.4	192242.3	Not given
4	Other incomes	29158/7	37119	35563/7	559	43399/9	80075	52947/8	80910	62741/5	Not given
5	Total Expenditure	457491.4	468623	526836	567556	593110.6	612964	670808.2	789407	758645	Not given
6	Current Expenditure	326651.1	330884	361233.5	415788	399840.3	421285	437234.6	563590	463593.9	Not given
7	Constrictive Expenditure	130840.3	130837	165602.5	151768	193270.3	191679	233573.6	225817	295051	Not given

Source: Proceeding of the third development plan 2009, P. B. O, Iran.

Table 2-19: Iran's planning system transformations since 1937-2003

Period	Plan title	Historical and administrative conditions	Contain and structure of planning system
Before 1937	Non classical planning	Feeling stability in administrative system of kingdom regime	Establishment of economic council and commission of planning
1933-48	Arrangement of first plan in kingdom period	Constructive activities depend to relevant income	Establishment of economic council, planning committee and invitation of foreign consultants
1948-55	First constructive plan	Effect of foreign experts and international income elements on plan	A sectorial planning acceptable for a century devoid of planning
1955-62	Second constructive plan	Attention to sectorial- traditional planning depend on empirical point of view	Sectorial planning based on financial resource and budget allocation
1962-67	Third constructive plan	Historical particular transformations needed for plan like land reforms	Sectorial planning depend on foreign financial resources
1967-73	Forth constructive plan	Providing arrangements of basic theoretical principals of planning	Sectorial budget planning
1973-78	Fifth constructive plan	Enjoyment of oil revenue instead of any other approach in planning	Budgeting instead of planning and theoretical attention to spatial planning
1983-89	Revolutionary and cross-section plans	Emergence of diversified thoughts for ideal development planning	Attention to planning aspiration while following the annual budgeting trend
1984-1989	First socio-economic development planning (non-approved)	Lunched into tools and patterns of planning and involving spatial planning	Sectorial budget planning based on intermediate study of development theories
1989-1993	First socio-economic development planning (approved)	Effective attention to financial resources for plan and its impact on planning system	Budget planning under title of development planning and yeasty look to spatial planning
1994-1998	Second development plan of IRI	Effective attention to financial resources for plan and its impact on planning system	Sectorial budget planning based on national and international financial resources
1999-2 003	Third development plan of IRI	A planning system with tendency to sustainable development	Sectorial regional budget planning
2004-2008	Forth development plan of IRI	A planning system based on spatial planning and regional development.	Sectorial regional budget planning

Source: Different publications of I.R. Iran's Plan and Budget Organization

Appendix1

Table 3-3: Most important economic indices during first development plan (1989-1994)

No.	Year Title	1989		1990		1991		1992		1993		1994		Average	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Gross domestic production growth (percentage)	7/9	5/90	9/2	14/10	6/8	12/10	8/5	4/00	8/4	1/50		0/50	8/16	7/52
2	Investment growth (percentage)	26/4	7/40	31/9	13/80	2/9	26/40	-0/2	-3/50	1/2	-10/30		-14/20	12/44	6/76
3	Oil and Gas Exports (billion \$)		12/04		17/99		16/01		16/88		14/33		14/60		15/45
4	Non Oil Exports (billion \$)	1/73	1/04	2/38	1/31	3/14	2/65	4/24	3/00	6/31	3/75	4/82	4/82	3/56	2/35
5	Imports (FOB) (billion \$)	15/61	13/45	19/59	18/33	20/19	25/90	19/84	23/27		19/29		12/62	18/80	20/04
6	Oil Price (US\$)		17/31		22/26		18/62		18/44		16/33		15/53		18/59
7	Liquidity growth (Percentage)	10/8	19/54	11/7	22/48	9/2	24/64	5/9	25/28	3/5	34/21		28/48	8/22	25/23
8	Inflation rate (Percentage)	20/5	17/40	16/8	9/00	14/3	20/70	11/4	24/40	8/9	22/90		35/20	14/38	18/88
9	Exchange rate (Dollar / Rail)		1207/00		1413/00		1420/00		1498/00		1803/00		2667/00		1468/2
10	Unemployment rate (percentage)	13/4	14/20	13/4		13/4		13/4		13/4	11/10			13/4	12/65
11	Gini Coefficient		0/4092		0/3969		0/3996		0/3870		0/3976		0/3993		0/3980

Source: Central Bank of Iran, Iran Statistical Center, (1989-1994)

Table 3-4: Most important economic indices during second development plan (1995-1999)

No.	Year Title	1995		1996		1997		1998		1999		Average	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Gross domestic production growth (percentage)	3/9	2/90	3/9	6/10	3/9	2/80	3/9	2/90	3/9	1/60	3/9	3/26
2	Investment growth (percentage)	4/3	-4/50	4/3	25/00	4/3	12/50	4/3	3/20	4/3	5/80	4/3	8/4
3	Oil and Gas Exports (billion \$)		15/11		19/27		15/47		9/93	10/95	17/09		15/37
4	Non Oil Exports (billion \$)	3/25	3/25	3/21	3/11	2/87	2/91		3/18	3/90	3/94	3/30	3/27
5	Imports (FOB) (billion \$)		12/77		14/99		14/12		14/29	16/99	13/43		13/92
6	Oil Price (US\$)		16/86		20/29		18/68		12/28		17/47		17/11
7	Liquidity growth (Percentage)	27/3	37/6	27/3	37	27/3	15/20	27/3	19/46	24/6	20/13	26/76	25/87
8	Inflation rate (Percentage)	12/4	49/40	12/4	23/20	12/4	17/30	12/4	18/10	22/1	20/10	14/34	25/62
9	Exchange rate (Dollar / Rail)	1570/00	4078/00	1570/00	4444/00	1570/00	4785/00	1570/00	6460/00	1570/00	8632/00	1570/00	5679/8
10	Unemployment rate (percentage)	12/6		12/6	9/10	12/6	13/10	12/6	12/50	12/6	13/50	12/6	12/05
11	Gini Coefficient		0/4074		0/3910		0/4029		0/3965		0/4009		0/3997

Source: Central Bank of Iran, Iran Statistical Center, (1995-1999)

Table 3-5: Most important economic indices during third development plan (2000-2004)

No.	Year Title	2000		2001		2002		2003		2004		Average	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Gross domestic production growth (percentage)	4/5	5/00	5/5	3/30	6/5	8/1	6/7	7/8	6/8	6/4	6	5/5
2	Investment growth (percentage)	6/00	4/10	6/9	14/20	7/3	12/00	7/8	10/80	7/9	7/00	7/18	9/62
3	Oil and Gas Exports (billion \$)	11/08	24/28	10/86	19/34	22/80	22/97	23/09	27/36	22/55	36/32	18/07	26/05
4	Non Oil Exports (billion \$)	4/82	4/18	5/93	4/56	5/37	5/27	6/97	6/64	7/72	7/54	6/16	5/63
5	Imports (FOB) (billion \$)	22/33	15/08	23/04	18/13	23/78	22/04	24/25	29/56	30/74	38/20	24/82	24/60
6	Oil Price (US\$)		27/60		23/12		24/36		28/10		36/05		84/27
7	Liquidity growth (Percentage)	20/8	29/28	18/00	28/84	15/7	30/09	14/2	26/12	13/1	30/25	16/36	23/14
8	Inflation rate (Percentage)	19/9	12/60	17/40	11/40	15/30	15/80	14/00	15/60	13	15/20	15/92	14/12
9	Exchange rate (Dollar / Rail)		8190/00		8009/00		8019/00		8325/00		8748/00		8258
10	Unemployment rate (percentage)		14/30		14/20	12/8	12/80		11/80	12/5	10/30	12/65	12/68
11	Gini Coefficient	0/43	0/3991	0/43	0/3985	0/43	0/4191	0/43	0/4156	0/43	0/3996	0/43	0/4063

Source: Central Bank of Iran, Iran Statistical Center, (2000-2004)

Table 3-6: Most important economic indices during fourth development plan (2005-2009)

No.	Title	2005		2006		2007		2008		2009		Average	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Gross domestic production growth (percentage)	8/0	6/9	8/0	6/6	8/0	6/7	8/0	4/50	8/0		8/0	5/82
2	Investment growth (percentage)	12/2	5/10	12/2	3/30	12/2	6/00	12/2		12/2		12/2	4/8
3	Oil and Gas Exports (billion \$)	22/64	53/82	23/27	62/46	23/77	81/76	25/05	82/20	25/26		23/99	70/06
4	Non Oil Exports (billion \$)	8/50	10/55	9/46	13/08	10/47	15/64	11/59	18/15	12/81		10/56	14/35
5	Imports (FOB) (billion \$)	32/77	40/97	34/93	51/26	37/23	56/58	39/69	55/80	42/38		37/4	51/15
6	Oil Price (US\$)		50/64		61/08		69/08		94/45				68/81
7	Liquidity growth (Percentage)	20	34/29	20	39/40	20	27/70	20	15/92	20		20	29/37
8	Inflation rate (Percentage)	9/9	12/1	9/9	13/6	9/9	18/40	9/9	25/40	9/9		9/9	16/52
9	Exchange rate (Dollar / Rail)		9042/00		9226/00		9285/00		9574/00				9281/00
10	Unemployment rate (percentage)	8/4	11/52	8/4	11/25	8/4	10/58	8/4	10/45	8/4		8/4	10/95
11	Gini Coefficient	0/38	0/4010	0/38	0/4004	0/38	0/4045	0/38		0/38		0/38	0/4019

Source: Central Bank of Iran, Iran Statistical Center, (2005-2009)

Table 3-7: Comparison of general budget of the country with the first development plan (1989-1993)

No.	Year Title	1989		1990		1991		1992		1993	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Tax incomes	1150/0	1187/9	1688/0	1695	2097/0	2765/0	2592/0	3773/4	3180/0	4061/3
2	Oil & Gas incomes	900/0	1515/1	1011/3	3375/1	1142/3	3549/4	1345/4	5141/3	1344/0	14683/3
3	Other incomes	1100/0	478/4	1309/5	568/4	1482/4	688/9	1658/0	1044/9	1918/1	1614/2
4	Total incomes	3150/0	3181/4	4008/8	5638/5	4721/7	7003/3	5595/4	9959/6	6442/1	2035/8
5	Current Expenditure	3430/0	3385/2	3923/5	4284/8	4226/7	5584/0	4482/1	7783/6	4704/2	13783/5
6	Constrictive Expenditure	1018/0	931/5	1657/3	1766/3	1828/9	2537/9	1854/4	3192/8	1830/4	7018/0
7	Total Expenditure	4448/0	4316/7	5580/8	6051/1	6065/6	8121/9	6336/5	10976/4	6534/6	20801/5

Source: Proceeding of the second development plan 1993, P. B. O, Iran.

Table 3-8: Comparison of general budget of the country with second development plan (1995-1999)

No.	Year Title	1995		1996		1997		1998		1999	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Total Incomes	36219/0	41850/6	41121/0	57342/9	46558	65073/4	52763	64358/8	60650	94571
2	Tax incomes	7862/0	7313/0	9659/0	12560/2	11866	17344/5	14577	18686/6	17908	25831
3	Oil & Gas incomes	21508/0	26666/2	22907/0	32745/7	24037	26018/0	25267	22168/0	26325	24170
4	Other incomes	6849/0	7871/3	8555/0	12037/0	10655	21710/9	12919	23504/3	16417	24570
5	Total Expenditure	36394/0	41330/9	41296/0	54963/4	46733	654437/8	52938	71474/8	60825	95210/7
6	Current Expenditure	22595/6	28448/1	24385/0	37571/2	26118	44966/7	28423	53818/4	31635	68009/2
7	Constrictive Expenditure	13798/4	12882/8	16911/0	17392/4	20615	20471/1	24515	17655/4	29190	27201/5

Source: Proceeding of the third development plan 1999, P. B. O, Iran.

Table 3-9: Comparison of general budget of the country with the third development plan (2000-2004)

No.	Year Title	2000		2001		2002		2003		2004	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Total incomes	110048/6	107029	128539/8	128244	152541/1	213147/9	183821/2	263375	221544/2	327318
2	Tax incomes	32204/2	32842	40060/3	38797	49386/6	50587	60130/1	65099	72718/8	84421
3	Oil & Gas incomes	56880/48	59449	62298/9	74957	70993/57	153817	84821/98	169944	99461/21	204560
4	Other incomes	20963/9	14738	26180/6	14490	32160/9	8743/9	38869/1	28332	49364/2	38337
5	Total Expenditure	110988/6	108316	129784/8	128282	154031	185509/8	185671/1	236023	223604/2	289438
6	Current Expenditure	85082/3	85865	98455/5	104772	114907/7	148297/3	136083/2	178251	156481/2	231923
7	Constrictive Expenditure	25906/3	22451	31296/3	23510	39123/3	37212/5	49587/9	57772	67123	57515

Source: Proceeding of the third development plan 2004, P. B. O, Iran.

Table 3-10: Comparison of general budget of the country with the fourth development plan (2005-2009)

No.	Year Title	2005		2006		2007		2008		2009	
		Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance	Plan	Performance
1	Total incomes	457491.2	470990	526836	574989	593110.6	629609	670808.2	814235	758645	Not given
2	Tax incomes	117830/4	102706	150397/7	125487	182521/9	162578/5	218558/7	203040/6	262631/4	Not given
3	Oil & Gas incomes	128494.2	316277	140734.5	374109	157517.5	336062.5	175954.5	436575.4	192242.3	Not given
4	Other incomes	29158/7	37119	35563/7	559	43399/9	80075	52947/8	80910	62741/5	Not given
5	Total Expenditure	457491.4	468623	526836	567556	593110.6	612964	670808.2	789407	758645	Not given
6	Current Expenditure	326651.1	330884	361233.5	415788	399840.3	421285	437234.6	563590	463593.9	Not given
7	Constrictive Expenditure	130840.3	130837	165602.5	151768	193270.3	191679	233573.6	225817	295051	Not given

Source: Proceeding of the third development plan 2009, P. B. O, Iran.

Appendix2

Degree Qualification of Respondents

Description	Frequency	Percent	Valid Percent	Cumulative Percent
Bachelor	21	22.1	22.8	22.8
Master	64	67.4	69.6	92.4
PhD	7	7.4	7.06	100.0
Total	92	96.8	100.0	
Missing	3	3.2		
Total	95	100.0		

Appendix2

Regional Experience of Respondents

Description	Frequency	Percent	Valid Percent	Cumulative Percent
Province	43	45.0	45.1	63.8
Center	28	29.4	29.4	75.5
Center-Province	23	24.2	24.5	100.0
Total	94	98.9	100.0	
Missing System	1	1.1		
Total	95	100.0		

Appendix2

Executive Experience of Respondents by Year

Experience year	Frequency	Percent	Valid Percent	Cumulative Percent
3	4	4.2	10.0	10.0
4	3	3.2	7.5	17.5
5	3	3.2	7.5	25.0
6	2	2.1	5.0	30.0
7	2	2.1	5.0	35.0
8	2	2.1	5.0	40.0
10	3	3.2	7.5	47.5
11	2	2.1	5.0	52.5
12	2	2.1	5.0	57.5
13	1	1.1	2.5	60.0
14	3	3.2	7.5	67.5
15	4	4.2	10.0	77.5
16	2	2.1	5.0	82.5
17	1	1.1	2.5	85.0
18	1	1.1	2.5	87.5
20	5	5.3	12.5	100.0
Total	40	42.1	100.0	
Missing System	55	57.9		
Total	95	100.0		

Appendix2

Question 1

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	10	10.5	10.5	10.5
Low	27	28.4	28.4	38.9
Average	37	38.9	38.9	77.9
High	19	20.0	20.0	97.9
Very high	2	2.1	2.1	100.0
Total	95	100.0	100.0	

Question 2

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	4	4.2	4.2	4.2
Low	25	26.3	26.3	30.5
Average	33	34.7	34.7	65.3
High	25	26.3	26.3	91.6
Very high	8	8.4	8.4	100.0
Total	95	100.0	100.0	

Question 3

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	2	2.1	2.1	2.1
Low	6	6.3	6.3	8.4
Average	6	6.3	6.3	14.7
High	38	40.0	40.0	54.7
Very high	43	45.3	45.3	100.0
Total	95	100.0	100.0	

Appendix2

Question 4

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	21	22.1	22.1	22.1
Low	37	38.9	38.9	61.1
Average	27	28.4	28.4	89.5
High	8	8.4	8.4	97.9
Very high	2	2.1	2.1	100.0
Total	95	100.0	100.0	

Question 5

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	8	8.4	8.4	8.4
Low	31	32.6	32.6	41.1
Average	42	44.2	44.2	85.3
High	12	12.6	12.6	97.9
Very high	2	2.1	2.1	100.0
Total	95	100.0	100.0	

Question 6

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	6	6.3	6.3	6.3
Low	35	36.8	36.8	43.2
Average	41	43.2	43.2	86.3
High	11	11.6	11.6	97.9
Very high	2	2.1	2.1	100.0
Total	95	100.0	100.0	

Appendix2

Question 7

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	13	13.7	13.7	13.7
Low	39	41.1	41.1	54.7
Average	38	40.0	40.0	94.7
High	5	5.3	5.3	100.0
Total	95	100.0	100.0	

Question 8

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	18	18.9	19.4	19.4
Low	34	35.8	36.6	55.9
Average	33	34.7	35.5	91.4
High	7	7.4	7.5	98.9
Very high	1	1.1	1.1	100.0
Total	93	97.9	100.0	
Missing Data	2	2.1		
Total	95	100.0		

Question9

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	1	1.1	1.1	1.1
Average	5	5.3	5.3	6.3
High	41	43.2	43.2	49.5
Very high	48	50.5	50.5	100.0
Total	95	100.0	100.0	

Appendix2



Question 10

Value	Frequency	Percent	Valid Percent	Cumulative Percent
low	1	1.1	1.1	1.1
Average	5	5.3	5.3	6.3
High	38	40.0	40.0	46.3
Very high	51	53.7	53.7	100.0
Total	95	100.0	100.0	



Question 11

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	5	5.3	5.3	5.3
Average	9	9.5	9.5	14.7
High	53	55.8	55.8	70.5
Very high	28	29.5	29.5	100.0
Total	95	100.0	100.0	



Question 12

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	12	12.6	12.6	12.6
Average	16	16.8	16.8	29.5
High	46	48.4	48.4	77.9
Very high	21	22.1	22.1	100.0
Total	95	100.0	100.0	

Appendix2



Question 13

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	5	5.3	5.3	5.3
low	28	29.5	29.5	34.7
Average	50	52.6	52.6	87.4
High	12	12.6	12.6	100.0
Total	95	100.0	100.0	



Question 14

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	7	7.4	7.4	7.4
Low	48	50.5	51.1	58.5
Average	28	29.5	29.8	88.3
High	10	10.5	10.6	98.9
Very high	1	1.1	1.1	100.0
Total	94	98.9	100.0	
Missing Data	1	1.1		
Total	95	100.0		



Question 15

	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	7	4.2	4.3	4.3
Low	54	56.8	58.1	62.4
Average	33	34.7	35.5	97.8
High	2	2.1	2.2	100.0
Total	93	97.9	100.0	
Missing Data	2	2.1		
Total	95	100.0		

Appendix2



Question 16

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	6	6.3	6.3	4.3
low	38	40.0	40.0	46.3
Average	47	49.5	49.5	95.8
High	4	4.2	4.2	100.0
Total	95	100.0	100.0	



Question 17

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	11	11.6	11.6	11.6
Low	41	43.2	43.2	54.7
Average	33	34.7	34.7	89.5
High	10	10.5	10.5	100.0
Total	95	100.0	100.0	



Question 18

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	11	11.6	11.6	11.6
Low	44	46.3	46.3	57.9
Average	37	38.9	38.9	96.8
High	3	3.2	3.2	100.0
Total	95	100.0	100.0	

Appendix2



Question 19

	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	10	10.5	10.6	10.6
low	38	40.0	40.4	51.1
Average	33	34.7	35.1	82.2
High	11	11.6	11.7	97.9
Very high	2	2.1	2.1	100.0
Total	94	98.9	100.0	
Missing System	1	1.1		
Total	95	100.0		



Question 20

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	13	13.7	14.0	14.0
Low	33	34.7	35.5	49.5
Average	36	37.9	38.7	88.2
High	7	7.4	7.5	95.7
Very high	4	4.2	4.3	100.0
Total	93	97.9	100.0	
Missing Data	2	2.1		
Total	95	100.0		



Question 21

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	5	5.3	5.3	5.3
Low	27	28.4	28.4	33.7
Average	44	46.3	46.3	80.0
High	14	14.7	14.7	84.7
Very high	5	5.3	5.3	100.0
Total	95	100.0	100.0	

Appendix2



Question 22

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	8	8.4	8.4	8.4
low	24	25.3	25.3	33.7
Average	51	53.7	53.7	87.4
High	12	12.6	12.6	100.0
Total	95	100.0	100.0	



Question 23

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	8	8.4	8.5	8.5
Low	54	56.8	57.4	66.0
Average	27	28.4	28.7	94.7
High	5	5.3	5.3	100.0
Total	94	98.9	100.0	
Missing Data	1	1.1		
Total	95	100.0		



Question 24

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	11	11.6	11.7	11.7
Low	55	57.9	58.5	70.2
Average	25	26.3	26.6	96.8
High	3	3.2	3.2	100.0
Total	94	98.9	100.0	
Missing Data	1	1.1		
Total	95	100.0		

Appendix2



Question 25

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	12	12.6	13.0	13.0
low	36	37.9	39.1	52.2
Average	32	33.7	34.8	87.0
High	11	11.6	12.0	98.9
Very high	1	1.1	1.1	100.0
Total	92	96.8	100.0	
Missing Data	3	3.2		
Total	95	100.0		



Question 26

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	30	31.6	31.9	31.9
Low	46	48.4	48.9	80.9
Average	16	16.8	17.0	97.9
High	2	2.1	2.1	100.0
Total	94	98.9	100.0	
Missing Data	1	1.1		
Total	95	100.0		



Question 27

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very low	10	10.5	10.6	10.6
Low	52	54.7	55.3	66.0
Average	25	26.3	26.6	92.6
High	6	6.3	6.4	98.9
Very high	1	1.1	1.1	100.0
Total	94	98.9	100.0	
Missing Data	1	1.1		
Total	95	100.0		

Appendix2

Question 28

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very Low	3	3.2	3.2	3.2
Low	4	4.2	4.2	7.4
Average	11	11.6	11.6	18.9
High	49	51.6	51.6	70.5
Very high	28	29.5	29.5	100.0
Total	95	100.0	100.0	

Question 29

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very Low	3	3.2	3.2	3.2
Low	9	9.5	9.5	12.6
Average	21	22.1	22.1	34.7
High	40	42.1	42.1	76.8
Very high	22	23.2	23.2	100.0
Total	95	100.0	100.0	

Question 30

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	10	10.5	10.8	10.8
Average	18	18.9	19.4	30.1
High	45	47.4	48.4	78.5
Very high	20	21.1	21.5	100.0
Total	93	97.9	100.0	
Missing Data	2	2.1		
Total	95	100.0		

Appendix2

Question 31

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	5	5.3	5.3	5.3
Average	10	10.5	10.5	15.8
High	49	51.6	51.6	67.4
Very high	31	32.6	32.6	100.0
Total	95	100.0	100.0	

Question 32

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	3	3.2	3.2	3.2
Average	14	14.7	14.9	18.1
High	45	47.4	47.9	66.0
Very high	32	33.7	34.0	100.0
Total	94	98.9	100.0	
Missing Data	1	1.1		
Total	95	100.0		

Question 33

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very Low	1	1.1	1.1	1.1
Low	2	2.1	2.1	3.2
Average	11	11.6	11.6	14.7
High	50	52.6	52.6	67.4
Very high	31	32.6	32.6	100.0
Total	95	100.0	100.0	

Appendix2



Question 34

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very Low	1	1.1	1.1	1.1
Low	2	2.1	2.1	3.2
Average	8	8.4	8.4	11.6
High	48	50.5	50.5	62.1
Very high	36	37.9	37.9	100.0
Total	95	100.0	100.0	



Question 35

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very Low	1	1.1	1.1	1.1
Average	5	5.3	5.3	6.3
High	53	55.8	55.8	62.1
Very high	36	37.9	37.9	100.0
Total	95	100.0	100.0	



Question 36

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very Low	2	2.1	2.1	2.1
Average	12	12.6	12.6	14.7
High	52	54.7	54.7	69.5
Very high	29	30.5	30.5	100.0
Total	95	100.0	100.0	

Appendix2

Question 37

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	2	2.1	2.1	2.1
Average	16	16.8	16.8	18.9
High	54	56.8	56.8	75.8
Very high	23	24.2	24.2	100.0
Total	95	100.0	100.0	

Question 38

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	1	1.1	1.1	1.1
Average	13	13.7	13.7	14.7
High	46	48.4	48.4	63.2
Very high	35	36.8	36.8	100.0
Total	95	100.0	100.0	

Question 39

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	2	2.1	2.1	2.1
Average	34	35.8	35.8	37.9
High	46	48.4	48.4	86.3
Very high	13	13.7	13.7	100.0
Total	95	100.0	100.0	

Appendix2

Question 40

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very Low	1	1.1	1.1	1.1
Average	9	9.5	9.6	10.6
High	61	64.2	64.9	75.5
Very high	23	24.2	24.5	100.0
Total	94	98.9	100.0	
Missing Data	1	1.1		
Total	95	100.0		

Question 41

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	1	1.1	1.1	1.1
Average	12	12.6	12.6	13.7
High	57	60.0	60.0	73.7
Very high	25	26.3	26.3	100.0
Total	95	100.0	100.0	

Question 42

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	1	1.1	1.1	1.1
Average	8	8.4	8.4	9.5
High	57	60.0	60.0	69.5
Very high	29	30.5	30.5	100.0
Total	95	100.0	100.0	



Appendix2

Question 43

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	1	1.1	1.1	1.1
Average	9	9.5	9.6	10.6
High	56	58.9	59.6	70.2
Very high	28	29.5	29.8	100.0
Total	94	98.9	100.0	
Missing System	1	1.1		
Total	95	100.0		



Question 44

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	1	1.1	1.1	1.1
Average	21	22.1	22.1	23.2
High	44	46.3	46.3	69.5
Very high	29	30.5	30.5	100.0
Total	95	100.0	100.0	



Question 45

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	1	1.1	1.1	1.1
Average	9	9.5	9.5	10.5
High	50	52.6	52.6	63.2
Very high	35	36.8	36.8	100.0
Total	95	100.0	100.0	

Appendix2



Question 46

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Very Low	1	1.1	1.1	1.1
Low	2	2.1	2.1	3.2
Average	20	21.1	21.1	24.2
High	38	40.0	40.0	64.2
Very high	34	35.8	35.8	100.0
Total	95	100.0	100.0	



Question 47

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	2	2.1	2.1	2.1
Average	23	24.2	24.2	26.3
High	41	43.2	43.2	69.5
Very high	29	30.5	30.5	100.0
Total	95	100.0	100.0	



Question 48

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	4	4.1	4.2	4.2
Average	11	11.6	11.6	15.8
High	47	49.5	49.5	65.3
Very high	33	34.7	34.7	100.0
Total	95	100.0	100.0	

Appendix2



Question 49

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	8	8.4	8.5	8.5
Average	22	23.2	23.4	31.9
High	42	44.2	44.7	76.6
Very high	22	23.2	23.4	100.0
Total	94	98.9	100.0	
Missing Data	1	1.1		
Total	95	100.0		



Question 50

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	3	3.2	3.2	3.2
Average	16	16.8	17.0	20.2
High	50	52.6	53.2	73.4
Very high	25	26.3	26.6	100.0
Total	94	98.9	100.0	
Missing Data	1	1.1		
Total	95	100.0		



Question 51

Value	Frequency	Percent	Valid Percent	Cumulative Percent
Low	4	4.2	4.3	4.3
Average	5	5.3	5.4	9.7
High	50	52.6	53.8	63.4
Very high	34	35.8	36.6	100.0
Total	93	97.9	100.0	
Missing Data	2	2.1		
Total	95	100.0		

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