

## Components of the State's Inefficiency in Iran (2005-2013)

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### Abstract

*This paper takes the three main indicators of Non-development-oriented states to be: the lack of an efficient bureaucratic system; rising consumption costs; and the lack of an effective relationship with the international community. Accordingly, the paper has looked into instances of such indicators in the ninth and tenth administrations which were in office from 2005 to 2013 in Iran. The existence of an unpredictable and unsystematic mechanism in the state is a sign of bureaucratic inefficiency. A rise in public funding in proportion to infrastructure and development funding will hamper the process of development. Given the high level of global communications, one prerequisite for development is to have an effective relationship with the international community in line with national interests. Based on surveys done for the research, it can be concluded that the 9<sup>th</sup> and 10<sup>th</sup> state in Iran could be categorized among Non-Developmental States.*

**Key words:** Development-oriented state, Bureaucratic inefficiency, Consumption costs, International relations

### Introduction

Efforts have been made to sideline and put all-out restrictions on the state to a lesser or larger extent in all periods. However, the increasing influence of the state like a social institution and factor has been a commonplace phenomenon in recent centuries. However, it has become extremely complicated and plays various and powerful roles; and it is expected of the state to assume an effective role in the optimal management of society and in its prosperity. This approach to needs has enabled the state to introduce itself as the protector of the public interests of society. The state's responsibilities with regard to wars, law and order and protecting national interests and the public have been different over centuries. But, today, another key responsibility is in the spotlight, which is the undeniable role of the state in paving the way for development. In light of this role, Peter Evans broaches the concept of development-oriented state. By this, Evans means a state that not only supervises industrial development but, it is also apt to say that, such a state plays an important role in creating and leading that development (Evans, 2001, 36-46). The opposite of this state is the non-development-oriented state (Ibid, 96). In such states, there is no bureaucratic impartiality and all decisions and measures are taken according to expediency, relations, interests, and personal privileges (Leftwich, 2006, 124-125).

In the event of the absence of law and a mechanism bound by the law, states will not have the efficiency needed to streamline society and move towards its development. On the one hand, a development-oriented state with an efficient, law-bound, and meritocratic bureaucracy must prevent any corruption due to the presence of people with personal motives within the body of the state, and for this reason must show itself to be autonomous. On the other hand, in order to push for development, such a state has no way but to relay on social capital coming from civil society. A major requirement of development is the development-oriented state's use of social capital. Social capital facilitates the relationship between the state and civil society in order to achieve mutual goals and interests (Knack, 2002, in "The Role of Social Capital in Development", 42). Hence, a state which is able to use its social capital while being capable of carrying out its special operations can be called development-oriented. A development-oriented state needs to further these two special tasks (autonomy/relying on society) in a simultaneous manner. Evans call this characteristic of development-oriented states "embedded autonomy" which helps the states direct the activities of economic bodies and gives them incentives and capital resources in exchange for those bodies' cooperation in the implementation of industrial policies. Given the above points, the present paper aims to answer this question: Can we put the ninth and tenth administrations of Iran in the category of non-development-oriented states? Based on the assumption of this research, the lack of bureaucracy, a rise in consumption costs and the lack of an effective relationship with the international community.

### 1. The Problem and the Theoretical Framework

Since the significance of the role of the state in political and economic development is undeniable, outlining the components of states that best help the state to fulfill this role can help answer the questions relating to development.

The priority of national interests in the context of development which means reducing poverty and heeding the indicators of human development--including increase in freedoms and cultural progress--requires an effective bureaucracy in the country, which must work according to the principles of meritocracy and pave the way for the appointment of meritorious people to key posts so as to prevent any abuse for personal gains. Thus, just as meritocracy is contingent upon the existence of an efficient, optimal bureaucracy, inefficient bureaucracy will pave the way for the appointment of people to key posts who seek personal gains. One can assert that there is a correlation between the lack of bureaucracy and personal relations. As mentioned, one of the main indicators of a non-development-oriented state is the lack of bureaucratic impartiality and the importance of personal views in the state. On this basis, given the fact that merits and skill are ignored in appointing officials to the posts in such states, one can assert that the government of a non-development-oriented state is inefficient and incompetent. As Evans maintains, the success of various states in creating the necessary infrastructure for development requires their having effective bureaucratic mechanisms. To sum up the role of bureaucracy in the development of third world countries, Evans writes: "In the absence of bureaucratic structures, the states in third world countries turn into groups of people who seek to accumulate their personal gains by abusing their administrative powers" (Evans, 1995, 71-72). Besides the above, the other indicators of non-development-oriented states are as follows according to this research's assumptions: a hike in consumption costs and the lack of effective relations with the rest of the international community. While defining consumption expenditure, the World Bank says it includes the current expenditures of governments such as compensation of employees. A hike in consumption expenditures which have no economic turnover and are made for the reproduction of the bureaucratic system is another factor which leads to underdevelopment<sup>1</sup>.

Over-employment at state organizations without observing the rules and regulations and regardless of the needs of such bodies with the aim of increasing the number of people within the inner circle of the state falls under the category of consumption expenditures. Unnecessary import which generally leads to losses for national production and hampers the economic foundation of a country also counts as a hike in consumption expenditures. Establishing an effective relationship with the international system is a requirement for growth and development given the increasingly significant role of communications. As Evans writes: "Domestic development calls for an effective and optimal relationship with the outside world and the relationship between national growth and international affairs is double-edged" (Evans and Others, 1993, 397). Such a relationship with the international community is another indicator of development-oriented states. The present paper aims to study the examples of the three indicators in the ninth and tenth administrations in Iran.

## **2. Research methodology**

In this research, we need an approach that would in the first place recognize the state as the most effective player in the social arena and on the other hand underline the role of bureaucracy in studying the executive mechanisms of the state. The theory of institutionalism is one effective method used for research in the field of political science (Marsh and Stocker, 1999, 83). Marsh and Stocker define the approach in this way: "Institutional approach is the subject of a study that involves formal rules, procedures and organizations of the state" (Marsh and Stocker, 1999, 101). As the definition by Marsh and Stocker shows, governance is the most pivotal question of institutionalisms. On the other hand, a major branch of institutionalism is the approach known as public administration which focuses the performance method used by the governance in socioeconomic and cultural environments (Otenyo and Lind, 2006, 1).

Public administration means institutional arrangements used for providing public services or studying public bureaucracies. One can assert that such an approach is one of the closest methods à la Evans regarding the comparative study of the relation between the state and the issue of development. The key feature of public administration is the study of institutions. This approach attracts our attention to officials who are involved running the public affairs. Thus, it studies history, structure, functions, powers, and their relations. This method seeks information about the mechanism of the work and competency of authorities. This study considers the state as the key player in the field of development and also regards the development-oriented state as one which must be of some definite components of which competent bureaucracy is the most crucial. For this reason, it uses the theory of institutionalism and in particular the approach of public administration.

## **3. Deficiency of bureaucracy**

As said before, the issue of the deficiency of bureaucracy--existence of personal relations---can be considered as the two sides of the same relationship. This means incompetence bureaucracy paves the way for the presence of people with personal motives. These people mostly lack the necessary experience and know-how to be put in charge of affairs. This can also be seen as a component of incompetency on the part of a state whereas, based on John Stuart Mill's argument, one of the main indicators of a good governance is the "tenets and qualities of people creating that governance" (Mill, 1990, 49). Weber believes that the obvious feature of a modern state is a bureaucracy which shows a rational legal power totally different from hereditary and patrimonial governments (Leftwich, Ibid, 111). On the other hand, a competent bureaucracy is one which has an executive consistency while being based on meritocracy (Evans, Ibid: 58).

### **3.1. Frequent change of government officials**

The frequent changes of officials across executive bodies in the ninth and tenth administrations led to ignoring executive consistency, which is one of the major principles of efficient bureaucracy. Meanwhile, the rampancy of personal relations among the executive officials and the president himself created the impressions that officials were appointed to various positions in such administrations not on based on their merits but on personal relations and favoritism.

<sup>1</sup>Link of definition: <http://data.worldbank.org/indicator/NE.CON.GOVZ>

In light of the principle of executive consistency regarding competent bureaucracies, frequent dismissals and appointments regardless of the reason would end up reducing the efficiency of the bureaucracy and will cause problems for the executive affairs of the state. In the ninth administration, six ministers were officially dismissed upon the order of the president. One of the measures which was taken by the ninth administration that can be seen as a sign of bureaucratic weakness, was the dissolution of the *Management and Planning Organization*. The main task of the *Management and Planning Organization* which was founded during the presidency of former president Seyed Mohammad Khatami on March 1, 2000 was “consolidating the macro management of the country, making management systems in line with mid-term and long-term plans, concentrating inter-related, congruous tasks and activities in the planning affairs, reducing conflict and parallelism between the functions of staff organizations, upgrading the expert and decision-making capability of the state and paving the way for achieving the desired goals of the economic, social and cultural development plan of the country” (cited from the regulations System of the Parliament’s Research Center, Order Number 450/14, date: March 6, 2000)<sup>2</sup>.

The view of the president about bureaucracy is seen in an editorial newspaper: “Some people give in and receive working records from the inferior authorities and give them to the superior ones and comfort in such figures. This is while for people like me what matters is individuals, not figures. Such statistics are provided by all administrations and managers who know how to play with figures, that is, their reports suggest that everything is ok and ideal. All people can rest assured that bureaucracy is awake” (The Resaalat newspaper, June of 2007). On account of this views that the head of the executive branch of the government dissolved the Management and Planning Organization at the 133rd meeting of the Supreme Administrative Council which was presided by him in the June of 2007 (The approvals of the 133rd meeting of the Supreme Administrative Council on July 9, 2007, No. 156062/1901 cited by the website of the parliament’s Research Center)<sup>3</sup>.

#### **4. The Increase of Consumption Expenditure**

##### **4.1. The Excessive Growth in Imports**

Consumerism has been defined as follows: “Consumerism (as an indicator) belongs to societies whose members set their goals based on the ownership of goods which they actually do not need” (Streams, 2001, ix). More generally, consumerism can be considered as excessive growth in the purchase of goods which are not vital for a country. One implication of such an increase in consumerism in Iran has been an increase in imports. According to the figures released by the Iran’s Customs office, the country imported goods worth nearly \$40bn in 2005, which was the first year of the ninth administration. In the solar years 2006, 2007 and 2008, the figure was respectively 41, 48.5, and 56 billion dollars.

This is while production was in a dire condition during the same period. As the then governor of Iran’s Central bank says, the ninth administration took action to distribute as many imported goods as it could to tackle the rising inflation in the country during its tenure. This approach (rise in imports to combat inflation) is a technique to which developed nations resort in order to reduce the rising inflation rate. However, figures show that this method was never successful and failed to lower the inflation rate (Crowley, 2010, 27). The rise in the inflation rate during the tenure of the ninth administration shows that the inflation rate rose from 13.4 percent in the first year of the administration’s takeover of office in 2005 to 25.5 percent in 2008<sup>4</sup>.

Figures show the trade balance of the ninth and tenth administrations was dire. The ninth administration registered the negative figure of 57.5 billion dollars as its trade balance and the tenth administration’s trade balance hit the negative amount of 71.29 billion dollars in the first two years of its tenure alone (The *Donyaye Eghtesad* newspaper, January 31, 2016). The coincidence of the poor economic performance of the ninth and tenth administrations with a high number of corruption and embezzlement cases which came about during the tenure of the two adversely affected the economic structure of Iran, and also had negative social and political ramifications for the nation. Public mistrust in the government was one of the most important of those ramifications. Iran’s economy has always been heavily dependent on oil. Various administrations after the victory of the Revolution of 1979 have stressed the effect of oil prices as a factor in helping develop the nation.

The ratio of the crude sales to total exports of Iran between 2006 and 2010--a period which covers the major part of the tenure of the ninth administration--equals 83.8 percent (*Hamshahri* newspaper online, March 16, 2012, code: 162759). In the first three years of the tenure of the ninth administration (2005-2008), we witnessed a jump in oil prices from 50.46 dollars (on average) in 2005 to 94.45 dollars per barrel in 2008<sup>5</sup>. The unprecedented rise in crude prices resulted in an increase in the government’s oil revenues such that the proceeds from selling oil in 2005 was 53.83 billion dollars (no considerable change compared to 2004). In 2006, 2007 and 2008, oil revenues respectively hit 62.1, 81.6 and 81.9 billion dollars.

As imports figures show, the major part of the oil revenues was spent on buying consumer goods. In 2005, despite a 48 % in crude prices compared to the previous year (oil price was on average 36 dollars per barrel in 2004), exports and production showed a mere 2% growth. In 2006, oil prices showed a 20% growth while exports decreased 6% compared to the previous year. In 2007, production grew only by 2%<sup>6</sup>. The ninth government not only lacked any “long-term planning” but also the huge oil revenues during the period led to a sharp increase in liquidity from huge amounts of petrodollars and a hike in imports. The hike in imports and the growth of liquidity worsened the economic crisis in Iran, and not only did it fail to help lower inflation but it also pushed it up.

<sup>2</sup>. <http://rc.majlis.ir/fa/law>

<sup>3</sup>. <http://www.icana.ir/Fa>

<sup>4</sup>. Figures taken from the website of the World Bank: <http://databank.worldbank.org/>

<sup>5</sup>. All figures cited by OPEC reports: [http://www.opec.org/opec\\_web/en/publications/337.htm](http://www.opec.org/opec_web/en/publications/337.htm)

<sup>6</sup>. All figures taken from the website of Economy Watch, which is one of the biggest economic statistics institutions of the world: <http://www.economywatch.com/>

During this period, we witness frequent tapping into the foreign exchange stockpile with the aim of overcoming the budget deficit<sup>7</sup>. We also see that the government pressures the Central Bank to print banknotes and increase liquidity in order to tackle the galloping inflation.

The Central Bank's figures show that liquidity increased 7-fold from March and April of 2004 until May and June of 2012, rising from 51,000 billion to over 374,000 billion tomans (the dollar's exchange rate was 1,000 tomans). While the economic growth at best stood at 5% during the years, liquidity on average increased by 90%. Thus, due to the incongruity between economic growth and liquidity, inflation soared and people's purchasing power plunged (Kalateh Seyfari, 2012: 181). Some figures show the two administrations had earned up to 800 billion tomans in oil revenues and their income from selling government property was 100,000 billion tomans. Despite such huge incomes, the ninth and tenth administrations were in debt to Iran's banking system for 540,000 billion tomans (*Shargh* newspaper, December 24, 2015). Under the rules and regulations of the third and fourth development plans, only when the oil revenues fall below forecasts can the government tap into the foreign exchange reserves. Meanwhile, it is banned to tap into the foreign exchange reserves to offset the public budget deficit from the non-oil proceeds<sup>8</sup>. However, the ninth administration tapped into the foreign exchange reserves when it faced a budget deficit during its 4-year tenure. Naturally, given the high crude prices and high revenues from exports, one cannot assume that the cause of these setbacks was the failure to achieve oil revenues envisioned in the budget. But the only reason for them has been lack of an efficient plan regarding the budget cost.

#### 4.2. Iran's Targeted Subsidy Plan

The implementation of the targeted subsidy plan by the tenth administration was a sequel to the ninth administration's policy to increase consumption expenditure in the social and economic structure of Iran. The Organization of Economic Cooperation and Development (OECD) defines subsidy as such: "A subsidy on a product is a subsidy payable per unit of a good or service produced, either as a specific amount of money per unit of quantity of a good or service or as a specified percentage of the price per unit; it may also be calculated as the difference between a specified target price and the market price actually paid by a buyer" (OECD, 2006, 7).

Subsidies are paid in various ways. In Iran, economic decision-makers had long been obsessed above all with meting out subsidies in a targeted manner. With the outbreak of the Iran-Iraq war, Iranian authorities decided that it was absolutely necessary to pay subsidies in order to control the economic situation. The subsidies continued to be a component of Iran's economic structure to the extent that the Organization of Supporting Producers and Consumers began working with a new Articles of Association in February and January of 1980 for the purpose of supporting low-income citizens. The organization pursued such goals as pricing and controlling the prices. This can be regarded as an example showing the significance of subsidies in the country during the Iraqi imposed war as the solar year 1983 was named "The Year of Effort to Fix Prices" (Sadrabadi, 2005, 54).

In the February and January of 2007, the ninth administration submitted its budget bill for the solar year 2008 to the parliament in a show of its resolve to implement fundamental economic reforms in Iran. The president went to the parliament to defend his proposed budget. Under the plan of the president which is called "The Economic Transformation Plan", the government committed itself to transform the Iranian economy in seven different areas: 1 - The subsidy system; 2 - Tax system; 3 - Banking system; 4 - Foreign currency system; 5-customs; 6 - Productivity; 7- Distribution system (cited by website of the Center for Targeted Subsidy Plan, February 27, 2012)<sup>9</sup>. The president said the key objectives of the plan was to "administer justice and end discrimination, and then make better use of natural resources, make the economy more transparent, give a change to prudence and sound management for implementing the right economic procedures, minimize dependence on oil and increase development activities" (cited by the government's information database, December 18, 2010)<sup>10</sup>. According to figures, the intensity of energy consumption in Iran in 2007 was 4.5 times the average global consumption. In that year, gasoline consumption per capita was 330 liters and that of gasoil was 386 liters in Iran. This is while the gasoline consumption per capita is 180 liters and that of gasoil 200 liters (figures taken from the National Iranian Oil Production and Distribution Company).

The administration thought that one objective of the targeted subsidy plan was to confront this excessive consumption. The revenues from the targeted subsidy plan from December 19, 2010 until June 20, 2012 was nearly 30,000 billion tomans. This is while consumption and expenditure by the government during that period was 62,000 billion tomans. This translates into a 32,000 billion toman budget deficit (*Shada* monthly magazine; the Economic and Finance Network of Iran, 2014, 27). The shortage faced by the government in paying subsidies in cash prevented other parts of the targeted subsidy plan from being implemented. Those parts included helping the growth and development of domestic production (*Shada*, Ibid, 27). While the government was seeking to achieve two special objectives of the targeted subsidy plan, that is, optimizing energy consumption and other resources of the country and also administering justice (cited by the website of the Targeted Subsidy Plan Organization)<sup>11</sup>, studies show that the living standards of people during the period when the plan was implemented--it was concurrent with the entire tenure of the tenth administration--decreased considerably (*Ghanoon* newspaper, January 14, 2014).

<sup>7</sup>. The ninth administration called for allocating 30% of the exchange reserve to Mehr Imam Reza Fund and also another percentage to quick-impact facilities and corporations. Many believe the projects ended in failure after deviating 80 degrees from their objectives (Khabar Online, June 22, 2015, Code: 3539).

<sup>8</sup>. This law has been mentioned in Article 60 of the 3rd Development Plan and Paragraph C of Article 1 of the 4th Development Plan.

<sup>9</sup>. <http://www.hadafmandi.ir/index.php/2013-02-26-00-34-09/2013-02-26-00-40-20>

<sup>10</sup>. Cited from a televised interview with Dr. Mahmoud Ahmadinejad:

<http://www.dolat.ir/NSite/Information/?Info=7&Date=1503488000>

<sup>11</sup>. <http://www.hadafmandi.ir/index.php/2013-02-26-00-34-09/2013-02-26-00-40-20>

Therefore, the tenth administration failed to achieve a key goal of the targeted subsidy plan, namely reducing poverty and boosting justice in society. On the other hand, according to figures released by the National Iranian Oil Production and Distribution Company, the consumption of energy products and natural gas in 2013 increased by 3% compared to the previous year. The figures also showed that gasoline consumption in 2013 grew 8% compared to 2012 (*Amarnameh*, oil production consumption, 2013, PP.10-11). Thus, the tenth administration also failed to achieve the other major goal of the targeted subsidy plan, that is, the optimization and reduction of excessive fuel consumption in Iran. During the implementation of plan, fuel and natural resources consumption did not decrease in Iran. To the contrary, it increased considerably<sup>12</sup>.

### 5. Effective Relationship with the International Community

The history of development after World War II clearly shows that however much a country might be powerful domestically, it cannot provide all the resources it needs. Thus, there is no choice but to obtain some of them from abroad. In the modern era, given the expansion of communications and trade between different political entities, one requirement of the modern state is to make its causes and economic activities compatible with “the global division of labor”. For this reason, establishing an optimal relationship between various sectors of the international system for the purpose of domestic economic development (which is a source of the modern state’s legitimacy) is one of the main tasks of the states (Evans, *Ibid*, 6–7). In this section, we will discuss the failure of Iran’s ninth and tenth administrations to establish an optimal and appropriate relationship with the international community, which was a major reason behind Iran’s lack of development during their tenure. Hence, the development-oriented state is obliged to interact constructively with the world in order to achieve national development.

#### 5.1. Lack of Familiarity with the International Diplomatic Language

The dominant discourse of the ninth administration and the president’s remarks, in particular, considered pushing the world towards its fate as the administration’s mission. The president challenged the diplomatic order and international relations in the global community and believed that Iran’s and, in particular, his own mission was to replace the order with a justice-oriented and loving order<sup>13</sup>. Such a harsh tone was evident in the president’s speeches at the UN General Assembly summit which takes place annually. In his first term as president (2005), the head of the ninth administration promised to offer a solution for Iran’s nuclear issue to the Western countries. He proposed the formation of a special committee tasked with preparing a comprehensive report on practical ways for a complete global nuclear disarmament in the world. The West gave this proposal the cold shoulder with then U.S. Secretary of State Condoleezza Rice saying it was time for anti-Iran sanctions to be stepped up and to hit Tehran’s oil exports<sup>14</sup>.

In his second trip to New York in 2006 and in his speech at the UN General Assembly, the Iranian president made some comments which were blamed for most of the ensuing tensions between the country and the West. He questioned the Holocaust. He then railed against the UN Security Council, calling it unjust. The president also demanded veto right for one of the members of the Non-Aligned Movement, NAM, the Organization of Islamic Conference, OIC, and the continent of Africa (taken from the text of the president’s speech)<sup>15</sup>. The third trip and speech of the president in 2007 can be described as one the most controversial ones in his first term in office. This time, the US refused to grant visas for some of the members of the president’s entourage and they failed to accompany him to New York (*Iran newspaper*, September 2, 2007). Prior to this trip, the president requested to visit Ground Zero where the twin towers used to be before the 9/11 attacks of 2001 (as a tribute to the victims of the attacks). These requests were rejected by the U.S. government (cited from *The Washington Post*, September 21, 2007).

Another controversial event during the visit to the U.S. was the president’s speech at the Columbia University. There, he once again denied the Holocaust and caused some tensions (*The Washington Post*, September 25, 2007). The hostile comments of the Iranian president fueled skepticism in the international community about Iran and its concurrence with the nuclear issue plunged the nation’s foreign policy into a crisis such that even Iran’s main allies, namely Russia and China, voted for anti-Iran resolutions at the UN Security Council. Sanctions are a component of the diplomacy ruling the world which is used as tool by those who imposes sanctions to bring targeted states into line (Hufbauer et. al., 2008, 5). Less than a year after the ninth administration took office, Iran’s nuclear case was referred to the UN Security Council and Resolutions 1696, 1737, and 1747 were approved against Tehran less than ten months after the first anniversary of the electoral victory of the president. Later, the UN Security Council overwhelmingly ratified Resolutions 1803 and 1835 against Iran. In response, the president called the resolutions “torn pieces of paper.” He stressed that Iran would push ahead with its nuclear objectives, saying: “Iran’s nuclear train has no brake and rear shift” (cited from *The Shargh* newspaper, June 25, 2007). The incendiary remarks prompted the international community to continue with its hostile stance towards Iran throughout the tenure of the tenth administration.

<sup>12</sup>.David Michel, a researcher with the Stimson Center which is a U.S.-based think tank, wrote in a paper entitled *Iran’s Environment: A Threat Greater than Foreign Foes* that financial resources reaped from the targeted subsidy plan were spent on other projects than such infrastructure facilities as the nation’s water supply installations and that this created great environmental challenges for Iran.

(<http://iranprimer.usip.org/blog/2013/oct/28/iran%E2%80%99s-environment-greater-threat-foreign-foes>)

<sup>13</sup>.The president in the ninth administration believed that a halo of light had been formed around him during his speech at the UN and that the halo was protecting him while stunning the audience at the world body (*Halo of Light: Story of First Trip*, Gozaresh monthly magazine, December of 2011, 232nd issue).

<sup>14</sup>.The Washington Post, September 17, 2005:

<http://www.washingtonpost.com/wp-dyn/content/article/2005/09/17/AR2005091701124.html>

<sup>15</sup>.Full text of speech at <http://www.un.org/webcast/ga/61/pdfs/iran-e.pdf>

During the period, two more resolutions 1887 and 1929 slapped a new set of sanctions against Iran<sup>16</sup>. Resolution 1929, with a long text (18 pages), imposed any sanctions which could be imagined against Iran. The resolution turned the precautionary measures including those related to arms sales to Iran of the previous resolutions into sanctions. It also banned world nations from cooperation with Iranian banks with the aim of preventing the provision of financial services to Iran and the opening of branches for Iranian banks outside the country and vice versa. Meanwhile, the resolution slapped sanctions on more Iranian individuals and entities and imposed restrictions on the activities of Iranian airlines and shipping companies abroad (Baiedinejad, 2015, PP.220-221). Paragraph (Article) 21 of Resolution 1929, said: “The UN members, while implementing the previous resolutions, commit themselves to prevent the provision of financial services to Iran such as insurance or reinsurance or the transfer of any assets or finance resources by their subjects or through their territory or through entities and organizations operating under their law (including their branching based in other countries) or individuals or financial institutions in their territory”.

According to Paragraph (Article) 20 of Resolution 1929, the UN member states were obliged to avoid giving insurance services to Iranian ships. The paragraphs also targeted Iran’s oil exports. Thus, the country’s oil exports dropped from 3.7 million barrels per day in 2010 respectively to 3.6 m, 2.9 m and 2.6 m barrels per day in 2011, 2012, and 2013<sup>17</sup>. Iran faced many economic hardships during the period as its GDP plunged from 5.8% in 2010 (the first year of the tenth administration) to 4% in 2011 and -5.8% in 2012. The inflation rate was respectively 12.4%, 21.5%, and 30.5% in the three years<sup>18</sup>. In addition, figures show that the share of domestic producers of medicine was 45% and the remaining 55% of the needs of the healthcare industries were imported from other countries. During the sanctions period, the imports faced numerous problems which left an irreparable impact on the vulnerable social classes who were in need of foreign-made medicines (Healthcare Industry, 2013, 63). The tenth administration’s foreign policy changed little compared to the president’s first term in office. The main features of the foreign policy during the period were:

- 1- Insisting on Iran’s nuclear rights and tolerating the hardships caused by this insistence;
- 2- Radicalizing such causes as wiping Israel off the map and
- 3- Adopting the policy of looking to the east and closeness to China and Russia as well as Latin American countries (Saeed, 2012, 28-29).

Not only did these approaches not help improve the image of Iran in the international community which had been tarnished as a result of actions by the ninth administration, but it also escalated tensions in Iran’s foreign policy and made the global community to step up pressures on Iran. In the 20-year Vision document which aims to forecast Iran's economic performance in the year 2025, it is stated that until that year, “Iran will join the club of developed countries and will rank first economically, scientifically and technologically in the region with an Islamic and revolutionary identity and will be an inspiring nation in the Muslim world and will interact constructively and effectively with the international community”<sup>19</sup>. Achieving that level of development requires a constructive and effective interaction with the world based on the principles of dignity, prudence, and interests. The foreign policy of the ninth and tenth administration not only did not facilitate achieving the goals of the vision, instead it caused the Iranian nuclear case to become a security threat, and its refusal to interact constructively with the international community plunged Iran into a political and economic crisis. During the tenure of the ninth and tenth administrations, in comparison with the previous ones, Iran became severely isolated in the international community and most world nations distanced themselves diplomatically from Iran and this was caused by a campaign of Iran phobia. The issue further damaged Iran's image in the world and the country found it extremely difficult and complicated to conduct ordinary economic transactions and transfer funds. Thus, Iran's economic and political structure suffered heavy losses.

## 6. Conclusion

One of the major presuppositions of this paper has been the significance of the state’s role in development. Thus, the authors assert that paving the way for development is a function of the state. In light of this, the approach of the research was based on the theory of *institutionalism* and more particularly on *public administration* which is closest to the models of the development-oriented and non-development-oriented states of Peter Evans and Adrian Leftwich. To define the concept of development-oriented states, Evans puts emphasis on the need for an able and integrated “economic bureaucracy.”

He says a development-oriented state must establish a set of close ties with social groups outside its own being so that it can advance the development projects with their cooperation. However, without independence from the same outside groups, the state risks being reduced to a functionary for them. Thus, the immediate special interests of these groups shall replace the long-term objectives which must be on top of the state’s agenda. The existence of an effective and efficient bureaucratic mechanism is mentioned by Adrian Leftwich as an indicator of a development-oriented state. A non-development-oriented state is incapable of creating a balance between autonomy and reliance on society, it cannot move towards development and its main feature is the existence of an inefficient and non-meritocratic bureaucracy and the absence of the rule of law. This inefficient bureaucracy allows individuals who have neither merits nor a good executive record and who only pursue their own interests, to enter the executive system of the country. In Evans’ classification which is based on the relationship between the state and development, Iran falls in the group of countries with a medium state.

<sup>16</sup>.Text of UNSC Resolutions 1887 and 1929 are respectively at: <http://www.refworld.org/docid/4abcd4792.html> and [https://www.iaea.org/sites/default/files/unscre\\_1929-2010.pdf](https://www.iaea.org/sites/default/files/unscre_1929-2010.pdf)

<sup>17</sup>.Figures from OPEC’s annual reports: [http://www.opec.org/opec\\_web/en/publications/337.htm](http://www.opec.org/opec_web/en/publications/337.htm)

<sup>18</sup>.Figures from Iranian Central Banks economic indices: [http://www.cbi.ir/category/EconomicTrends\\_fa.aspx](http://www.cbi.ir/category/EconomicTrends_fa.aspx)

<sup>19</sup>.Text of Iran’s 20-year Prospective: [www.dolat.ir/PDF/20years.pdf](http://www.dolat.ir/PDF/20years.pdf)

In the medium states, organizations and segments of the government are cohesive enough to carry out joint ventures with organized groups of society. Such countries do not grapple with the problems faced by totally non-development-oriented states. However, they have failed to create a sufficiently effective balance between autonomy and reliance on society which is necessary for fundamental economic reforms. It seems that in the period in question, namely the ninth and tenth administrations, Iran moved away from Evans' category and showed a growing inclination towards the group of non-development-oriented and incompetent states. The medium status --examples of which are the so-called constructionist and reformist governments in Iran during 1989-2005 -- does not put Iran in the club of states with a meritocratic and systemic bureaucracy (according to Webber's definition). Nevertheless, during the tenure of the ninth and tenth administrations, Iran moved away from the meritocracy and lawfulness more and more.

The other ramification of the ninth and tenth administrations for Iran's economic and political structure was a hike in consumption expenditures from 2005 to 2013. Consumerism can be defined as an excessive rise in the purchasing of goods which are not vitally needed in a country. One implication of the rise in consumerism was a hike in imports of goods. There was another project which led to a hike in consumption expenditures and confronted the nation with a crisis as it created a huge budget deficit. That was the targeted subsidy plan in the tenth administration. Critics believed that the plan was implemented hastily and inexpertly and as a result had disastrous consequences for the Iranian economy. Official figures show that from 2010 to 2012, 4,000 production units as well as small and big industrial plants were shut down across Iran. The figures released by the Ministry of Cooperation, Labor and Social Welfare also show that in 2012, nearly 1,750 industrial units faced disruptions in their production activities and were forced to lay off some of their workers. The ninth and tenth administrations considered minimizing class divisions as their most crucial economic objective; and to this end they took a series of measures in favor of the low-income and lower classes of society. In fact, we can assert that although the economic measures by the administrations such as the cash payment of subsidies in the short term benefited the poor, the administrations' other steps such as the increase in the government's involvement in economic activities, the policy of dictating to the Central Bank, the monetary and financial policies and the rise in public expenditure all weakened Iran's economy and brought about negative growth for the nation in the long run. The lack of an effective relationship with the international community was another aspect with regard to Iran's underdevelopment during the period. Tensions with the global community and undiplomatic remarks by the president triggered an avalanche of economic and political sanctions against Iran. The foreign policy of the ninth and tenth administrations was not conducive to the fulfillment of Iran's national interests. Instead, it made Iran's nuclear cases an international security issue and fueled Iran phobia, thus painting a negative image of the country worldwide.

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