

An Evaluation of Rural Economic Development Policies; a Regional Approach by Looking at Iran's Governmental Policies

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Extended Abstract

Introduction

Rural areas have a considerable proportion of national land area and national population. Hence, the economic performance of these regions has a substantial impact on national prosperity and productivity. However, even in developed countries like United States, the widening gap in economic performance between rural and urban areas has become a major challenge. Scholars believe this widening gap is as a result of government's special approach to rural areas, which overlooks the unique characteristics of each rural area, considers rural areas same as agriculture, and doesn't consider neighboring metropolitan regions. In order to correct this approach, scholars believe that it should also be treated with a regional approach and should be analyzed as a region. This is because each rural area is located in an economic region. Meanwhile, one of the most reputable and widely used frameworks in regional policy making is Michael Porter's Diamond Framework and his cluster theory. Numerous studies have used this framework to survey rural

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economic development policies. The Cluster theory is also an accepted framework among scholars who studying development driving forces in developing countries.

Methodology

In this article we have tried to study Iran's governmental policies on rural areas. A survey was conducted of 31 university experts and mid-level policy makers in three government agencies in Iran which were responsible for rural development. In addition, we studied three more recent National Five Year Development Plans. Our aim was to study the extent to which Iran's governmental policies conform to a regional approach. In the survey, we used non-parametric Wilcoxon Rank Test in SPSS to analyze the gathered data.

Results

In this study, we will show that in Iran the government has not treated rural areas by a regional approach. In other words, the government has overlooked the unique characteristics of each rural area, has considered rural areas the same as agriculture, and has not considered neighboring metropolitan regions. In addition, we will show that in factor conditions (according to the Michael Porter's Diamond) rural areas are not in a proper condition in human resources, knowledge resources and capital resources although communication infrastructures and transportation infrastructures are relatively in a better condition. We believe this proves that the main focus of governmental policies in rural areas in the recent decades has been mainly toward providing infrastructures and better access to rural areas. Then in demand conditions, we will show that the demand which rural firms and businesses see in front is not so much complex and innovation stimulating. Then we will show that rural firms are not located in proximity of their suppliers and relevant firms. Rural firms also show a low commitment to their industry and the intensity of rivalry between them is not intense. Our respondents believe that the above conditions is the result of government subsidies, guaranteed purchases, market protection, overlook of the surrounding clusters, central planning of education, and government owned capital markets.

Furthermore, it will be shown that the Fifth National Five Year Development Plan has a more robust framework than the Third and Fourth National Five Year Development Plans. In this Plan, it is for the first time that concepts like the “linkage between rural areas and neighboring metropolitan areas”, “clusters”, and “industry chains”, and “rural business environment” could be seen.

Conclusion

We will conclude our article with some recommendations. First, it is recommended that the government accepts the cluster approach as the underpinning framework of its policy making for rural areas. Second, it's recommended that any incentive for encouraging firms to be located in rural areas must be defined based on existing established clusters in the surrounding regions or based on providing some services to adjacent metropolitan areas. Third, it is recommended that government's direct supports to firms (like subsidies, guaranteed purchases, market protection, etc.) must be stopped and instead, indirect supports should be provided in such a way that they get a more proper human resources, knowledge resources and capital resources. The supports must be in more contact with their suppliers and relevant firms, and they must be encountered with a more competition and more complex buyers. These indirect supports should be defined in such a way that make rural firms encouraged from commodities to more complex products and to niche markets of neighboring metropolitan areas. Fourth, it's recommended that centralized education planning for rural areas become a more decentralized planning at the cluster level.

Our study had some limitations and there are some needs for following studies. First, our survey sample could be expanded and other groups like rural businesses, other mid-level policy makers nearer to the rural areas, rural councils, and other important stakeholders are just included. Second, the spatial scope of the survey could be more narrowed and governmental policies are studied in more details at the province level. Third, some methods other than survey could be used including tracking of national budgets to recognize the main focus of governmental policies in reality.

Keywords: Cluster theory, Michael Porter's Diamond Framework, Regional approach, Rural economic development.

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