



Hacettepe University Graduate School of Social Sciences
Department of Economics

**POVERTY REDUCTION POLICIES IN IRAN;
OPPORTUNITIES AND THREATS**

Seyedahmad HOSSEINI

Master's Thesis

Ankara, 2018

POVERTY REDUCTION POLICIES IN IRAN
OPPORTUNITIES AND THREATS

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Hacettepe University Graduate School of Social Sciences

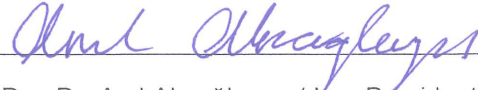
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ACCEPTANCE AND APPROVAL

The jury finds that Seyedahmad HOSSEINI has on the date of 08.06.2018 successfully passed the defense examination and approves his thesis titled "Poverty Reduction Policies in Iran, Opportunities and Threats".



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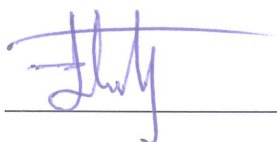
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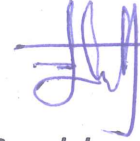
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(İmza)

Seyedahmad HOSSEINI

ÖZET

HOSSEINI, Seyedahmad. *İran'da Yoksullukla Mucadele; Fırsatlar ve Tehditler*, Master Tezi, Ankara, 2018.

Yoksulluğun azaltılması, insanlığın karşı karşıya olduğu en büyük zorluklardan biridir ve dünya nüfusunun büyük bir kısmı için refah önündeki temel engellerden biridir. Yeni kalkınma paradigmaları yoksulluğu azaltmaya odaklanmıştır. Bu tez, içerik analizi metodolojisini kullanarak kalkınma programları çerçevesinde yoksulluk azaltma programlarını değerlendirmektedir. İran'da uygulanan kalkınma planlarının yoksulluğu etkileyip etkilemediğini tespit etmeye çalışıyor. Bulgular temelinde, İran'daki tüm yoksulluk azaltma planları yoksulluk üzerinde sürdürülebilir etkilere sahip değildir. İran'da yoksulluk azaltma politikaları bu çalışmada iki dönem altında incelenecektir: devrim öncesi ve devrim sonrası. İlk dönem kısaca ve devrim sonrası dönem daha ayrıntılı olarak çalışacaktır. Buna ek olarak, bu çalışma, yoksulluğun azaltılması politikalarının izlenmesi ve aynı zamanda çoğul istatistiklerin sağlanması için İran Komitesinin yeniden kurulması gibi Ulusal sistem için gerekli olan yapısal modifikasyon bağlamında öneriler sunmaktadır.

Anhatar Sözcükler

İran, Yoksulluk Azaltma, Eşitsizlik, Yoksulluk Sınırı, İçerik Analizi, Sürdürülebilir Kalkınma.

ABSTRACT

HOSSEINI, Seyedahmad. *Poverty Reduction Policies in Iran; Opportunities and Threats*, Master's Thesis, Ankara, 2018.

Poverty reduction is one of the greatest challenges facing mankind and one of the main obstacles for wellbeing for a large part of the world population. New development paradigms have focused on reducing poverty. This thesis evaluates exist poverty reduction programs in the framework of development programs by using content analysis methodology. It is attempted to find that whether the implemented development plans in Iran affect poverty. On the basis of findings, all poverty reduction plans in Iran have not sustainable effects on poverty. Poverty reduction policies in Iran will be examined in this study under two periods: pre-revolution and post-revolution. The first period briefly and the post-revolution period will study in more details. In addition, this study provides recommendations in the context of structural modifying which is needed for Iranian system such as reestablishing National Committee in order to monitoring poverty reduction polices and also to provide plural statistics.

Key Words

Iran, Poverty Reduction, Inequality, Poverty Line, Content Analysis, Sustainable Development.

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ABBREVIATIONS

GDP	: Gross Domestic Product	15
IMF	: International Monetary Fund	9
MDGs	: Millennium Development Goals	9
NGO	: Non-Governmental Organization	117
P.R.P	: Poverty Reduction Program	56
SDGs	: Sustainable Development Goals	9
UN	: United Nation	8
UNESCO	: United Nation Educational, Scientific and Cultural Organization	115
WHO	: World Health Organization	128

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INTRODUCTION

Amartya Sen (1999), well-known economist and Nobel Prize winner in economics, writes in his famous book, *Development as Freedom*:

“One common characteristic of almost all the lasting ethical approaches related to social organization is that has required equality of something ...equality demanding origins from that all opinions must consider equality, otherwise they will face a lack of social acceptance (Sen, 1999).”

Poverty, which is underdevelopment sign, brings various problems in different dimensions to societies. Therefore, the issue of poverty has great importance for all, and plans are being implemented to eliminate or reduce poverty extent. Therefore, measuring poverty and various ways of poverty reduction in recent decades has become more important in the economic policies, especially in underdeveloped countries.

In order to respond to the complexities of the subject of development, a number of approaches to poverty reduction have emerged more than fifty years ago.

In the 1950s and 60s, the funding of large infrastructure projects, such as dams, electrical grids, irrigation systems, and roads was the World Bank's primary focus. The World Bank's technical assistance work, which provided countries with technical resources and training necessary to use the Bank's loans effectively, was increasingly requested by member countries. In the 1970s, the Bank shifted its attention to poverty eradication. Development projects reflected people-oriented objectives rather than exclusively the construction of material structures. Projects related to food production, rural and urban development, and population, health and nutrition were designed to reach the poor directly. Bank operations also expanded to identify and encourage policies, strategies, and institutions that helped countries succeed. The Bank initiated sectoral and

structural adjustment loans deemed necessary for the success of its projects (World Bank, n.d.)¹.

In 1980's, some developing countries implemented adjustment policy in order to reduce poverty. The new policy proved to be effective vis-à-vis poverty reduction and it relied heavily on the financial liberalization, widespread privatization, government minimization and special attention was paid to national economic growth.

Yet, the performance of "growth-oriented adjustments" policies even in some countries with good economic growth did not have much effect on poverty reduction. The reason behind this is that the growth rates varied and were not equal in all the sectors. (Poorest sectors' growth rates were lower than other sectors). Hence, the 1996² Human Development Report emphasized the need for economic growth along with the basic improvement of education, health, and infrastructure in poverty eradication policies. In addition, by the emergence of the idea and concept of "human capacity", achieving a better life started to be perceived as the product of the cultivation and expansion of human talents and capacities, rather than requiring more goods and services consumption. In order to reach the lowest possible poverty rates in the world, the UN set its goals as the "Millennium Development Goals" during the Millennium Summit and invited world state leaders to take effective measures to promote public health, housing, and education. All UN member states expressed their commitment of achieving their goals by 2015 (United Nations, 2000). Furthermore, the UN set Sustainable Development Goals post 2015 to 2030 in which poverty reduction was the first goal. Consequently, there exist now some requirements from the international institutions in the field of poverty eradication and human development toward governments.

In the second half of the last century, Iran was amongst the countries which tried alternative development strategies to reduce poverty. In the 1960s and 1970s, the pre-Islamic revolution era followed a growth-oriented development strategy.

¹ <http://www.worldbank.org/en/about/archives/history>

² http://hdr.undp.org/sites/default/files/reports/257/hdr_1996_en_complete_nostats.pdf

Certainly, it was assumed that the benefits of growth rates will be more beneficial to the rich than the poor. This is further proved by the increased income inequality throughout that period. The Islamic revolution has set a new agenda in which a more just and fair society is promised. The government enjoyed the "economic and social welfare" content in its development strategy. From 1980 to 1988, Iran was at war with Iraq. During the war, the Iranian government was occupied by economic problems such as inflation, sharp decline in oil revenues, and production stagnation. This led to a lack of solid vision vis-à-vis the development policy. After the war, the income distribution policy was almost abandoned and the government reduced its role and shifted its policies towards free market economy. IMF and the World Bank were tasked to launch a formal program to liberalize the trade and foreign exchange market and to privatize the economy.

In terms of last international policies such as MDGs and SDGs of UN, report on the Implementation of the Millennium Development Goals (2006) on the Islamic Republic of Iran; the Fourth Development Plan of the Islamic Republic of Iran (2005-2009) has considered significant policies for achieving each of the eight goals of the Millennium Development Goals. The Sixth Development Plan of the Islamic Republic of Iran (2017-2021) also considers policies to achieve, even though partly, some of the goals of SDGs. As a matter of fact, Islamic Republic of Iran took some policies on environment issues in the frame of SDGs but has rejected some targets such as education targets based on gender equality.

Given that poverty reduction programs are one of the most important development pillars, this study will attempt to examine poverty and poverty reduction policies in Iran under the development programs framework of Iran through document analysis, mainly national studies. This thesis tries to investigate whether development programs have any effect on poverty reduction in Iran between 1949 to 2016. The main purpose of the question is what are the main causes of poverty reduction programs failures in Iran.

Nevertheless, there is no serious study that examines changes in poverty size immediately after the revolution. This study will investigate temporal changes in poverty in rural and urban areas for two periods; pre-revolutionary and post-revolutionary. In particular, the analysis scrutinizes both the threats and

opportunities of poverty reduction in the aforementioned period. Moreover, the analysis is based on the examination of the existing body of literature, researches and analysis along with a study of data collected from official data collection centers.

In this regard, I intend to study poverty reduction policies in Iran through three chapters in which chapter 1 presents a brief discussion on the issues involved in measurement and concepts and theories of poverty. Following the definition of the poverty, based on the notion of "inability to meet basic needs", theories of poverty are examined in four economics theories: classical liberalism, modern liberalism, conservatism and radicalism.

Chapter 2 surveys poverty and policies of poverty reduction in U.S., Brazil, India and China. Additionally, the chapter focuses targeting methods of poverty reduction.

Chapter 3 investigates the temporal changes in levels of poverty in the rural and urban sectors in Iran. The theme of the third chapter is "poverty reduction in development programs" before and after the Islamic Revolution. However, in the first development plans (1949-1955), the second (1956-1962) and the third (1963-1967) before the revolution (1979), there are no special titles dedicated to social welfare and poverty, but until the end of the third plan, related actions were taken through governmental and nongovernmental organizations. the policies of the fourth development plan had continued in the fifth development plan (1973-1977). After the revolution, during the second, third, fourth and fifth Iranian five-year national development plans was paid attention to the issue of social welfare and poverty reduction.

CHAPTER 1

THEORIES AND CONCEPTS

When someone claims to increase or decrease poverty, he/she should have immediately asked what poverty is. Put differently, without specifying the concept of poverty, any claim about its increase or decrease cannot be confirmed or rejected. Poverty has been defined in different ways. The concept has changed over time in line with economic transformations and there is no consensus on its definition. In this section, the definitions and concepts of poverty will be examined.

1.1. POVERTY AND DEFINITIONS

In Europe, for ages, the pauper was opposed to the potens (the powerful), rather than the rich. In the ninth century, the pauper was considered a free man whose freedom was imperiled only by the potentes. In the texts of peace movements of the eleventh century, the pauper had become the inermis who had to respect the force of the soldiers, the miles. The word poor could be applied to the owner of a little alleu (a tax-free property), a wandering merchant, and even to any non-fighter, including the unescorted wives of knights. On the whole, the poor were quite respectable persons who had only lost, or stood in the danger of losing, their 'berth'. One of the common features among all the existing perceptions of poverty is the notion of "lack" (Sachs, 2010).

A group of Shi'a jurists think that the poverty standard is Zakat, which means that if the wealth of the individual does not reach a Zakat value (200 Dharams or 20 Dinars) he or she is considered poor. The Shariah scholar, however, regards poverty as inadequate according to Qur'anic verses, and while other elites like Shaykh Tusi, Sheikh Mufid and Shaykh Sadouq emphasize this point, Allameh Helli defines poverty as "income less than enough for a year" and for the first time he uses adverb of time to define poverty (Management and planning organization of Iran, 1996).

Among of the many different definitions of poverty, we are faced with two major trends. From one perspective, poverty is defined merely on the basis of income, but from another perspective, poverty is defined in terms of different criteria that are generally related to the consequences and effects of poverty. From the perspective of recent poverty, it means feeling lack of power, disappointment and exclusion from decision-making (Raghfar, 2011). This approach of poverty definition has also penetrated to the methodology of poverty studies, and has a very important and profound tendency in qualitative studies. For example, *Voices of the Poor*, published in 2000, was the result of interviews with 6400 poor people worldwide to identify poverty (Chambers, 1989).

A group of thinkers considers the "inability to meet basic needs" as synonymous with poverty. According to Horton, poverty is "a condition in which people do not have enough money to reach the minimum standard of health and survival as the majority of people and society perceive as normal" (Sen A. K., 1999).

Townsend was one of the first to associate the concept of poverty with the concept of citizenship rights. He did not agree with the common definitions of poverty based on "subsistence", as these definitions only addressed the limited aspects of poverty and believed that they ignored many of the necessities of today's life. Accordingly, Townsend defines poverty in a sophisticated framework based on the lack of or access to the basic goods for everyday life, and wrote:

“Individuals, families and groups can be called poor when they do not have the necessary facilities to reach a variety of food, participate in activities and enjoy the standard living conditions in their societies. Their facilities level is so lower than the level of facilities of the individual or family that practically they have deprived of patterns, customs and activities of the ordinary life (Madani, *The Necessity of Combating Poverty and Inequality in Iran*, 2015).”

Similarly, the Office of the United Nations High Commissioner for Human Rights considers a different approach to define poverty and defines poverty as lack of

human rights³ (Robinson, 2002). This definition is based on the fact that since human rights are internationally pre-determined and its laws are officially accepted by all countries, the use of its concept in defining poverty helps to clarify the meaning of the word of "poverty". This office has published a list of its human rights as following:

- adequate nutrition;
- Preventing the spread of inevitable diseases and early deaths;
- Having the needed shelter;
- having primary education;
- The ability to attend a community without feeling shameful
- The ability of providing subsistence;
- Participating in social life (OHCHR, 2002) ;

The World Bank identified poverty in "Introduction to poverty analysis"⁴ in this way:

"Poverty is hungry. Poverty is lack of shelter. Poverty is disease and disability to reaching to a doctor. Poverty is no access to school and unfamiliarity with reading. Poverty is having no job, a fear of the future and every day just survive for the same day. The poverty is child mortality due to the lack of access to clean water. Poverty is feeling powerless and lack of political freedom (World Bank Institute, 2005).

United Nations Development Programme also defines poverty as a "low quality of life", and includes three indicators for adequate income, health and education (UNDP, 2016).

Considering all these definitions and by summarizing and adapting it to the conditions of Iran, also considering the importance and impact of economic

³ <http://www.un.org/events/wssd/statements/unhchrE.htm>

⁴ <http://siteresources.worldbank.org/PGLP/Resources/PovertyManual.pdf>

poverty on other types of poverty and its consequences, poverty can be defined as follows:

"Poverty in human societies is synonymous with the inability to meet the basic needs of life. The individuals and households who are not able to afford the minimum of their own living needs, such as food, clothing, health and housing define as poor. Exclusion from Other basic and usual necessities of life such as education, employment, social participation, etc. are also important causes of poverty (Management and Planning Organization of Iran, 2000).

In fact, the minimum incomes of individuals or households that are not considered a poor is one of the most important criteria for defining poverty, which is called the "poverty line" (Madani, Poverty in Iran, 2006).

Accordingly, if someone claims that someone is not poor in Tehran if he has a monthly income \$100, and the other one claims that this figure should be \$200, in result, the number of poor people in viewpoint of second one will be much higher than the first one.

According to the Ministry of Welfare and Social Security, the poor is "those whose income does not come from a variety of sources to cover all or some of the essential needs, including food, clothing, housing, health, education and training" (Madani, Poverty in Iran, 2006).

1.2. MEASUREMENT

Since having enough income is the most important and necessary factor for achieving the above needs and measuring and recording individuals' income is also one of the easiest ways to assess poverty, "income" has been the most common and popular methods of measuring. And this is one of the major reasons behind the disagreement over poverty and inequality in Iran. As a result, different methods have been proposed for measuring poverty, which we will be mentioned briefly here.

1.2.1. Poverty Assessment Method Based on Macroeconomic Indicators

An assessment of overall poverty can be made on the basis of broad indicators of income, consumption and investment. Some scholars have tried to analyze poverty and inequality in terms of development assumptions on the basis of macroeconomic indicators. Accordingly, they are evaluating socioeconomics' macro impact by measuring the indicators of inflation, GDP, growth, investment rate, per capita income, the rate of growth of liquidity, and rates of employment and unemployment in order to draw an image of poverty (Madani, The Necessity of Combating Poverty and Inequality in Iran, 2015).

1.2.2. Poverty Assessment Methods Based on Poverty Indexes

In these methods, indicators such as extreme poverty, absolute poverty and relative poverty, (which are in the income poverty category), and capability poverty, (which defines poverty as a deprivation of capabilities and disability to exit from poverty), are calculated. Thus, under poverty line population-is measured following the above-mentioned indicators (Madani, 2015).

1.2.3. Poverty Assessment Based on Effects and Secondary Evidence

In this method, it is assumed that increasing poverty leads to adverse social effects and causes the escalation of troubles, problems and causes falling social indicators associated with it. Therefore, increasing or decreasing of many social crime and social problems, such as addiction, prostitution, theft, murder and beating of the effects and consequences of the spread of poverty and inequality (Madani, 2015).

1.3. POVERTY INDEXES

In the following, some of the most important concepts and indicators of poverty and inequality which are used to assess the situation of poverty and inequality within the framework of the first and second methods are briefly explained.

1.3.1. Extreme Poverty

This kind of poverty is mainly focused on the minimum human biological needs. This means that people have access to minimum income to achieve satiating (rather than meeting other needs). The basis of abdominal satiety is access to

that amount of food that is at least between 2100 and 2300 kcal per person per day. People who have no such income are called "poor" (Ministry of Welfare and Social Security, 2005).

In global evaluations, various figures are used to calculate the population or households under the extreme poverty line; (with earnings less than \$1, 25 or \$1.5 per day) (World Bank: Middle East and North Africa, 2003).

The poverty line equivalent to one dollar a day, which the World Bank considered as the International Poverty Line in 1990, was calculated on the basis of a study in 23 countries (developed and developing) during 1990-1998, adjusted to the 1985 domestic price index, and then, based on purchasing power parity and in dollar terms. According to the study, the average of poverty line in 15 countries which considered poor, was about 31\$ per month or 1,02 \$ per day, in addition, estimates indicated the rising poverty rate followed by the increase in private consumption in the coming years. With the new estimates of purchasing power parity in 1993, the global poverty line was again calculated, according to the results, the poorest people income was estimated to be 32,44 dollars per month (\$ 1.08 per day) (Madani, 2015).

In 2005, the World Bank calculated a new international poverty line based on the poverty line of 89 countries in the period 1990-2005. The World Bank used the "basic minimum of needs" method to calculate poverty line. Based on this method, at first the necessary minimum income to provide the minimum needed food of each individual is calculated, then the minimum non-food costs are added to it (this amount is obtained from non-food expenses of people close to the poverty line). In this method, qualitative differences between commodity baskets are considered in different countries. However, although the method used to calculate the new and previous poverty line was apparently the same, the old poverty lines were calculated using a smaller and more elaborate set of country poverty line data. In addition, have been made significant changes in the purchasing power parity to convert the currency of the countries to the dollar. Information on the results of 2005 International Assessment Program shows that the level of prices in developing countries is more than the found amount in the

previous estimates, in other words, the 1993 purchasing power parity was very low (World Bank, 2008).

On another side, in Iran, some scholars have also tried to calculate the minimum income needed to provide 2,100 to 2,300 calories. For example, according to calculations by the experts of the Ministry of Welfare and Social Security, the extreme poverty line for each person for urban and rural households in 2002 was respectively 431,833 and 283,398 Riyals monthly. In this calculation, the cost of items such as clothing, treatment, housing (non-expendable costs) is not considered (Ministry of Welfare and Social Security, 2005).

According to Welfare and Social Security Ministry, those whose incomes are not enough to buy the necessary food basket suffer from extreme poverty: "Extreme poverty is a situation where if a person even devotes all his income to buying food, still cannot buy a necessary food basket. "In most methods for measuring absolute poverty, the extreme poverty line can be considered equivalent to the cost of the food sector in calculating the absolute poverty line. For many experts, extreme poverty can only be understood by relying on an ethical analysis with an emphasis on human rights (UNDP, 1996) and (Raghfar, 2011).

1.3.2. Absolute Poverty

In order to measure absolute poverty, all basic needs are taken into account to the need for food in the extreme poverty. That is, the absolute poverty line includes the minimum income needed to meet needs such as food, clothing, education, health, and housing. In fact, absolute poverty is defined as the continuation of the survivor or at least, life, or, in other words, the range of necessary goods and services for the life of a household is considered to be the boundary between the poor and the non-poor (Schiller, 2001).

Booth and Rowntree did the first studies of absolute poverty in England. Rowntree calls the minimum requirements to maintain the physical efficiency as absolute poverty (Kakwani, Kandker s., Hyun s., 2004).

In order to measure absolute poverty line, sometimes income is estimated at \$2 a day per person (World Bank: Middle East and North Africa, 2003). As a result,

a five-person household has to earn 1,260,000 Tomans per month (based on 4,200 Tomans per Dollar) to meet at least its basic needs. According to the Ministry of Welfare and Social Security of Iran (2005), in order to measure the poverty rate, people's benefit from the minimum basic needs is determined by comparing their status with a "non-relative, non-comparable and stable" situation: "Absolute poverty is have not access to absolute (non-comparable) standard that is in order to take advantage of the basic needs for the individual" (Ministry of Welfare and Social Security, 2005).

The most commonly used definition of poverty is identification of basic human needs. It is widely known that the most basic need of every person is the nutrition needed to get a level of energy (Ravallion M. , 1994). Indeed, the lowest and at the same time the most important level of poverty is food poverty. Thereafter, deprivation is in receipt of other needs, such as clothing, housing, health and education (Araee, 2005).

The usual way to calculate the absolute poverty line is to estimate an essential food basket necessary for the physical health of the household. After determining the costs of this food basket, the amount will also be added as non-food costs to the food basket to achieve absolute poverty line.

1.3.3. Relative Poverty

Relative poverty is being lower income than the average income of society that is why it is called income poverty (Schiller, 2001).

Relative poverty is an indicator of inequality measurement. In other words, the relative poverty line is relative criteria to compare proportion of the lower income population with higher income population. The criteria for determining the relative poverty line are 50 or 66 percent of the average cost of the whole society (Rais Dana, F. and Madani, S., 2000).

According to the Iran Ministry of Welfare and Social Security, relative poverty means: "A person's inability to achieve a certain living standard which is recognized as necessary or desirable in his society" (Ministry of Welfare and Social Security, 2005).

Relative poverty is contractual concept and has different definitions in different societies. Amartya Sen warns that it should never be imagined that relative poverty is an alternative to absolute poverty. He refers to undeniable concepts of poverty such as hunger and hardship that can be forgotten in the context of relative poverty (Sen A. K., 1976).

1.3.4. Capability Poverty

The term "capability" was first used by Amartya Sen in a well-known article, "*Commodities and Capabilities*" in 1980s. Subsequently, Sen's "capability approach entered to the socio-economic literature of poverty studies. The Indian economist and philosopher changed the utility of commodity value, which ultimately wanted to serve the functional needs of mankind and desirability, and replaced it by the "capability approach", which was mainly focused on people's ability to do things. The basis of the theory of poverty is the ability to realize that the socioeconomic status of individuals must be the result of their choice, not coercion (Sharifzadegan, 2007).

The Capability Approach focuses directly on the quality of life that individuals are actually able to achieve. This quality of life is analyzed in terms of the core concepts of 'Functioning' and 'capability'. Functioning include adequate nutrition, access to health services, access to education, and participation in group activities (Sen A. K., 1999).

The second concept that refer to the "Capability" is "freedom." For Amartya Sen, freedom means "a real opportunity which is realized as valuable to us." He does not only emphasize the barriers to freedom, but also the positive freedom which is the ability to realize the goals that a person attributes values to them (Sen A. K., 1999).

Indeed, the origin of Amartya Sen's theory was the critique of the income-based theory of poverty. Based on this critique, the utility of two people in different circumstances (for example, one in a healthy situation and the other in disability) is different from similar income and income cannot be assessed independently of their living conditions. Amartya Sen finally made human capabilities equivalent to human freedoms, and considered many human development indicators such as literacy, education, health, sanitation and other basic capabilities as a

condition for individuals to be able to rescue from scarcity, hunger and malnutrition, and the possibility of contributing to social life. In his opinion, "Anyone who cannot succeed in reaching the absolute level for attaining the minimum material capabilities appropriate to society, will be poor regardless of his relative position vis-a-vis others. Hence, poverty is not an issue of earnings, but the limitations are in achieving the minimum capability (Sen A. K., 1999). Accordingly, the ability to poverty is assessed by indicators such as illiteracy, lack of education, malnutrition, gender discrimination, to name a few.

The lack of basic capabilities in many cases makes individuals, despite having enough income, unable to meet their needs as they deserve. Considering the special significance of capabilities, Amartya Sen's theory of "Poverty Capacity" was considered seriously in poverty studies (Madani, The Necessity of Combating Poverty and Inequality in Iran, 2015).

In the documents of the Ministry of Welfare and Social Security, capability means "people's accessibility to broad freedoms which cause them to get the values such as active social presence, preparatory education, health care and long life" (Ministry of Welfare and Social Security, 2005).

1.3.5. Human Poverty

The Human Poverty Index is one of the most important indicators of the United Nations Human Development Report. This index is a combination of deprivation in three important areas: life expectancy, knowledge and acceptable living standards. In order to measure human poverty, the index of life expectancy which indicates the proportion of the population that is not expected to reach forty years of age; literacy indicator is based on adults' illiterate ratio; and the index of acceptable living standard in terms of two variables which are the proportion of population that is not available for drinking sanity water and The proportion of underweight children who are under five-year age (Madani, The Necessity of Combating Poverty and Inequality in Iran, 2015).

1.3.6. Multidimensional Poverty

The Multidimensional Poverty Index⁵ (MPI) identifies multiple deprivations at the household and individual level in health, education, and standard of living. It makes use of micro data from household surveys, and—unlike the Inequality-adjusted Human Development Index—all the indicators needed to construct the measure must come from the same survey. Each person in a given household is classified as poor or non-poor depending on the weighted number of deprivations his or her household experiences. These data are then aggregated into the national measure of poverty. The MPI reflects both the prevalence of multidimensional deprivation and its intensity—the percentage of simultaneous deprivations poor people experience. It can be used to create a comprehensive picture of people living in poverty, and permits comparisons both across countries, regions and the world and within countries by ethnic group, urban or rural location, as well as other key household and community characteristics. The MPI offers a valuable complement to income-based poverty measures (UNDP, 2016).

1.4. POVERTY THEORIES

Contemporary economists have tried to give over the issue of explaining inequality including its causes and factors to sociologists. What they tried to focus on however, is the role of public policy institutions in the distribution of income hence their discussions are more focused on deciles income rather than social classes (Madani, 2015).

This divergence does not seem to be perfect solution for a more accurate explanation of poverty, but on the contrary, the convergence of economics and sociology to identify poverty and intervene in controlling and reducing it is a path to be paralleled. Incidentally, community-based and participatory approaches to poverty studies, which are more relevant than ever before, have also looked at the socio-economic dimensions of poverty and inequality at the same time.

⁵ <http://hdr.undp.org/en/content/what-multidimensional-poverty-index>

Nevertheless, it is not denied that the knowledge of economics is more coherent and it has extensively studied poverty and inequality. Hence, first we briefly review sociological theories and continue to view the economics schools in this regard.

1.4.1. Sociological Theories

Among sociological theories, much attention has been paid to functionalism, conflict theory, and symbolic interaction theory. These three theories are considered more than others regarding the study of poverty and inequality.

Functionalists confirm the link between poverty and inequality, and believe that this inequality is inevitable, and even has a positive effect.

Davis and Moore (1945), by referring to the existence of organizations and institutions and their functions in societies, regard organizational hierarchy as the basis of inequality. In their opinion, given the fact that in the organizational hierarchy, people stay necessarily in superior positions and special situations in front of a group in lower positions. As a result, inequality leads to poverty and deprivation for those in lower positions. Certainly, the functionalists, in order to exonerate the existing systems, as an inequality factor, point out that they are those who are suffering from poverty due to lack of competencies and efforts to achieve the senior position (Madani, 2015).

Indeed, Max Weber considered the origin of poverty and inequality in wealth as inequality in power. Referring to the role of institutions in creating poverty and inequality, as well as the importance of social relations, Weber provided a different reading of Marx's views on poverty and inequality. According to Weber, the class status of each person depends on his position on the market (Weber, 1964, cited in (Zahedi Mazandarani, 2005).

It is worth noting that some functionalists who have been influenced by Weber, regard the existence of poverty in every society as essential. Among them, Herbert J. Gans, who poses such functions for poverty, writes:

- “In each economy, there are a number of temporary, dirty, tangible, dangerous and postal jobs that ensures the existence of poverty;

- Poverty for fast growing economic sectors directly provides labor, employment and financial security, in other words, poverty creates jobs for a number of specialties and professions that serve to poor people or keep them safe of from threats (police, prisoners, workers, psychoanalysts, etc.);
- The poor guarantee the position and dignity of those who are not poor” (Zahedi Mazandarani, 2005).

In contrast to the functionalists, conflict theory emphasizes the fact that poverty and deprivation are not only the product of the will of individuals, but they are also imposed on them. In conflict theory point of view, the social community forms a social class whose interests are in conflict with one another. Marx and Weber both considered poverty and deprivation as the product of the existing relationships and structures in each society, and believed that classes, groups, and parties pursued their own interests that were in conflict with other interests. Frank Parkin called this phenomenon as a social closure, and stressed that every social group tries to achieve its own interests by closing other group's way. Therefore, from the point of view of conflict theory, the path to achieving a better life and reducing poverty and inequality is reforming existing structures rather than changing the behavior of the poor. In other words, only by reforming the structures can create right conditions for the poor to reach a better life and well-being (Madani, 2015).

Orthodox-Marx's conflict theory has a special role in understanding and explaining the phenomena of poverty. Based on the understanding of class relations in the capitalist society, he showed that the inequality factor was the ownership means of production, which eventually led to a completely different and unequal income between the financial classes of the means of production and the class which only owns their own labor. Marx argues the state in the capitalist society represents the ruling classes, therefore, should not expect that the government's actions against poverty will lead to poverty reduction. Rather the efforts of the capitalist government are more focused on reducing and moderating the effects of poverty and equality.

The neo-Marxist theories also explain poverty and its causes based on the conflict theory. Dependency theory is one of those theories. According to its supporters, exploitation of the poor by rich people, at both the national and international levels, is the first cause of underdevelopment and deliberate poverty in the third World, and poverty and its deliberate just solve through ending capitalist production in developing countries (Haralambos, M. and Holborn, M., 1991).

Symbolic interaction theory has developed in the light of the theorists such as Dewey (1930), Cooley (1902), Parks (1915), Mead (1934,1938), etc. Symbolic interactionists demonstrate differences in respect of their points of view. Symbolic interaction theory, along with the two functionalist approaches and the theory of conflict, attempts to analyze society on the base of individuals. Therefore, it is one of the theories that considers the micro level analysis contrary to the two previous theories which were analyzing poverty at the macro level. Giddens believes that "social phenomena are not exactly objects Rather they depend on the symbolic meanings that we give to our behaviors; we are not society's creature, we are the creator" (Giddens, 1992). Symbolic interaction theorists emphasize the role of the subculture of poverty in the emergence and continuation of poverty. Oscar Lewis argued that the children of the poor neighborhoods when they reached the age of six, would be resolved in their fundamental subculture and culture, that is, the culture of poverty. They are not ready psychologically for changing circumstances to transform, thus they make themselves poor and disadvantaged for future like their fathers (Adibi Sedeh, M. and Beheshti S S., 2011).

1.4.2. Economics Theories

Contemporary economists have tried to entrust explaining inequality and its causes to sociologists, and themselves more specifically explain the role of public policy institutions in the distribution of income. Hence, their discussions focus more on income deciles than on social classes. This divergence does not seem to be the perfect solution for a more accurate explanation of poverty, but rather, the convergence of economics and sociology to identify poverty and intervene in controlling and reducing it, is a path to be paralleled. In fact, community-based and participatory studies of poverty, which are now more

relevant than ever before, have also looked at the economic and sociological dimensions of poverty and inequality at the same time. Nevertheless, it is not denied that the knowledge of economics is more coherent and, perhaps more than ever, has studied the issue of poverty and inequality. Hence, we will continue to review the economics theories in this regard.

1.4.2.1. Classical Liberalism

From the late eighteenth and early nineteenth centuries, some classical economists (in particular Smith, Riccardo and Malthus) presented ideas that were largely linked to growth, income distribution, and poverty. Some of these economists were very pessimistic about the future of the economy. In their view, some factors such as rapid population growth, interest rate reduction, recession and economic stagnation were expected to affect the lives of the people and cause the spread of poverty. At the same time, the school's optimistic economists saw technology advancement and new discoveries as major factor in postponing the economic downturn and poverty (Samadi, 2009). These economists theorized relationship between growth, income distribution and poverty. Smith argues that income distribution in the community would be in the favor of both workers and investors because in this case real wages will increase over time as a result of increased production, economic growth will be achieved, and by technical progress and investment increasing development is realized and poverty is eliminated. Ricardo, in contrast to Smith, who emphasized economic growth, focused his attention more on income distribution. He was seeking to prove that the invention and use of new machinery may be accompanied by a reduction in national production, and the working class will be hurt when phenomenon takes shape. Because the use of machine leads to the dismissal of labor (Sadeghi, H. Masaeli, A., 2008).

Classical liberals point to four factors as causes of poverty and inequality:

- I. Individual Productivity: John Bates Clark at the end of nineteenth century introduced the concept of "marginal productivity", which emphasized the share of each factors of production in the final product. In addition, according to this theory, employers will only be required to produce a product that worth more than the its cost, hence, in accordance with diminishing return, when

the production profit equals to the value of the final product, employers achieve maximum benefit. as a result, revenues are distributed according to the quantity and quality of the production factors that each individual provides.

- II. Individual preferences: classical liberals, while recognize differences of individual's productivity as product of their inherent or genetic talents, they are trying to emphasize the freedom of individuals to determine their own destiny. Therefore, from their point of view, between two individuals with the same genetic characteristics and innate abilities that they are pursuing for education and training, they are more qualified to earn more than those who are lazy. Hence, being wealthy or poor origins from personal choices.
- III. Technology: For classical liberal, technology has a significant share in the gap between poor and rich. For example, by expanding products based on more sophisticated scientific knowledge, such as high techs, this field provides access to higher-income jobs for advanced knowledge holders.
- IV. Government intervention: as classical liberals believe that in an absolute competitive environment, market growth and consequently wealth can be created for the benefit of all classes, government intervention is considered to be one of the most important factors in the spread of poverty and inequality. Because they believe that governments intervention has prevented real competition. For example, they insist that the minimum wage laws prevent employers from employing unskilled laborers. In addition, welfare programs have prevented self-reliance and family-based efforts to improve their lives, because government intervenes in favor of stakeholder groups, restricting competition and preventing the growth of non-profit groups.

Nevertheless, the spirit of classical liberalism has slowly begun to justify the inequalities of the bourgeoisie, despite the revolt against the feudalism and traditional institutions that did not accept the inherent equality of human being, class and religion differentiation and similar divisions. They trusted three things:

- I. Liberty: Classical liberals emphasized individual liberty and the authority of individuals to choose the type and quality of life, so they considered inequality as an inevitable and natural result of choices made by humans. This means that all government's efforts for any intervention is considered as a violation of human freedom.

Accordingly, Milton Friedman considered the accumulation of wealth by people outside the government makes people free in the society especially when the government separates political power from economic power.

- II. Effectiveness: Classical liberals emphasize that inequality leads to more efficiency, inequality is inevitable or necessary to increase efficiency. They believe that inequality will, firstly, increase incentives to increase productivity and maximize profits, secondly, inequality is saving base, so only rich people can save part of their income or accumulate capital to invest. If there is no gap, there will be no incentive for saving.
- III. Justice: Classical liberals argue that the competitive market is the guarantor of justice. In this kind of market, those who receive more money and income will incur more costs, for example, to earn more education, by neglecting leisure or accepting a higher risk, in a fair way, tried to earn more money. August von Hayek later rejected this claim of classical liberals because he believed that the chance of gaining heritable talents or knowing and gaining access to the opportunities offered by him was a huge contribution to earning money.

Classical liberals have a passive position in terms of poverty and inequality. Malthus in his book "An Essay on the Principle of Population" (1798) claimed that population grows at a faster rate than do food supplies because of the limited availability of fertile land. Thus, poverty is the product of the inherent tendency of humans to more reproducing. So he advised that poverty to be ignored because any improvement in the situation of the poor leads to more reproducing and, consequently, more human poverty. Later, classical liberals welcomed to pay to poor, if it does not affect their incentives to work. In 1960s, and given that increasing role of governments in the economy, classical liberals were interested in further efforts to improve the situation of the poor and endorsed public accountability to citizens who became poor because of improper government interventions. In this context, Milton Friedman's proposal for a progressive tax, namely determining minimum income level on which people with higher income

tax and paid to less-paid people, played a central role in classical liberal theory. In the further development of their classical liberal theory, they emphasized economic growth as the foundation for poverty reduction. Their famous slogan was: "rising tide lifts all boats." Therefore, some Classical Liberals acknowledge that eliminating welfare is not a politically viable option and instead seek to discourage applications for welfare and motivate current recipients to find work by making eligibility requirements more stringent. Proposals include requiring recipients to be married, enrolled in educational or vocational training programs, or engaged in public jobs such as sweeping sidewalks and cleaning parks. The rationale behind these proposals is that participation in welfare programs should change individual behavior toward increased self-reliance, responsibility, and ambition. That was later heavily criticized and forced some classical liberals to consider impossibility of eliminate all of welfare programs, but it would be harder and harder to consider the use of welfare resources (Clark, 1998). Hereinafter, some of the classical liberal economists' theories are described.

- **Adam Smith**

Adam Smith, a Scottish professor of moral philosophy, was the first to articulate Classical Liberalism in the form of economic theory rather than the political language of Hobbes and Locke (Clark, 1998). In Smith's viewpoint, balanced distribution of national income in society will be in the interests of both workers and investors. The high level of real wage rates goes far beyond the wage level of the minimum over time. As a result of increasing production, economic growth will be achieved, and technical progress and increased investment fosters development consequently poverty will be eliminated. In Smith's view, all this is conditioned to the existence of complete competition, freedom of business and absence of government involvement in the economy. This optimism in Smith's theory is not endless. In the end, due to scarcity of resources, the recession will eventually occur due to the limited resources of competition between economic units which will reduce profits and accumulation of capital, so wages will be reduced, and in his view, this economic conditions affect the lives of all sectors of society and poverty will spread. He believed that the economy was falling from

supply side, so he did not directly address problem of unemployment and consequently, poverty (Rostow, 1991).

- **David Ricardo**

Unlike Smith, Ricardo focused on the distribution of income rather than on economic growth. According to him, the increasing population causes to increase demand for food and consequently production cost of these materials by cultivating poorly grown land. At the same time, the landlord's income is increased, and the wage competition of the workers is reduced to the minimum wage. In other words, the population is growing, labor supply expands, and the wage falls to the minimum level of needed to subsistence.

In short, the continuation of economic development in the capitalist system depends on the share of ownership interest in total production. By increasing cultivating of the poorly grown land (due to increased demand from population growth), the share of ownership interest in national production increases and the wage share decreases. Ricardo seeks to prove that "the invention and use of new machines" may be accompanied by a reduction in the gross margin of production, and whenever this takes shape, the working classes will be damaged. because using machine leads to the dismissal of labor and, in comparison to the sources of employment, there will be an additional population of labor.

Ricardo believe that Malthusian principle of the population which leads to additional labor supply (consequently competition for job and wage cuts), along with diminishing return low which limits the food supply and increases its prices, at the same time reduces the real wages of the labor force, and this is the most important factor that puts wages at the minimum level of living and making life difficult for the working class and spreading poverty in society (Taffazzoli, 2013)⁶.

⁶https://www.amazon.com/Tarikhe-Aghayede-Eghtesadi-Persian-Edition/dp/9641853198/ref=sr_1_1?ie=UTF8&qid=1391860451&sr=8-1&keywords=aghayede

- **Thomas Robert Malthus**

Among the leading figure of classical economics, Malthus⁷ thought more than others over the reality of living in poverty. He is a pioneer in the field of development economics, who spoke about poverty and underdevelopment countries such as Spain, Portugal, Hungary and some Asian, African and Latin American countries. His theory is more in line with other classical economists with the characteristics of economic growth in developing countries.

Malthus's most important point was the analysis of the population and its impact on economic development. He studied population growth in some North American countries and the United Kingdom which saw population growth faster than food growth. According to him, food cannot respond to population growth due to land constraints and low rapid technical knowledge

. Malthus's views on the mechanism of poverty spreading can be summarized as follows: population growth and, as a result, labor supply increases so wages reduce. Even with assuming price stability, real wage rates will fall to the lowest level, so this causes poverty. If only capital stock increases at a faster pace than population growth, can be stopped decreasing real wages and prevent poverty.

Malthus's theory is more in line with the developing countries characteristics. In his view, the reason of the poor growth of the agricultural sector and the poverty of villagers is not the lack of fertile land, but it is inadequate needed capital to improve production conditions. The weakness of the agricultural sector and spreading poverty in the area are limiting demand for this sector. In his analysis of economic growth, Malthus mentions that production and distribution as two factors of wealth. The proper combination of production and distribution in the

⁷ Malthus, a professor of history and political economy at the East India College in England, was most responsible for steering Classical Liberalism away from its earlier predisposition toward the Enlightenment values of optimism, egalitarianism, and faith in reason. In contrast to Enlightenment thinkers, Malthus believed that human misery was caused by nature rather than badly organized institutions. In his book an Essay on the Principle of Population (1798), Malthus claimed that population grows at a faster rate than do food supplies because of the limited availability of fertile land. Population growth could be restrained either by "positive checks" such as famines, plagues, and wars, or by "preventive checks" such as delayed marriages and "moral restraint."

economy will be factor to increase national wealth in the short term (Parvin, 1993).

1.4.2.2. Modern Liberalism

The roots of Modern Liberalism lie deep in the tradition of Classical Liberalism. Although early Classical Liberal theorists such as and Adam Smith expressed reservations about the wisdom of sole reliance on the market to organize society, their commitment to individual liberty and private property precluded any significant action by government (Clark, 1998, p. 89).

Modern liberalism theorists have pointed to the following issues in explaining the causes of poverty and inequality:

- *Imperfect competition*: modern liberals believe that the market can certainly and definitely not be able to achieve full competition and, consequently, cannot reach justice. They emphasize that, when the economy is monopolized, the exchange of information is not transparent, individuals and groups who have more monopoly, more up-to-date information and more rich resources will have opportunities to exploit others; consequently, the income of the second group will be less and will be higher for the first group than the other.
- *Past inequities*: modern liberals attest to unequal distribution of resources, both capital and land in the past, therefore believe that injustice today is a product of a past period in which property rights were not guaranteed, and one class by forcing and other unethical methods plundered others' capital. Hence, while we are distancing from the recognition of property rights from that period, the results of past illegitimate inequities will have irreparable effects on the distribution of resources in the present situation.
- *Cycle of Poverty*: Children who grow up in disadvantaged families often fail to develop the personal attributes required for success in the market. During the 1950s, Modern Liberals appealed to the notion of a "culture of poverty" to describe the transmission from one generation to the next of certain psychological and behavioral characteristics commonly associated with poverty. For example, apathy, poor work habits, the inability to focus on long-term goals, and a lack of social skills were

attributed to environmental causes. By the 1970s, however, many Modern Liberals viewed the "culture of poverty" explanation as placing the blame for poverty on the values and lifestyles of the poor. Instead, they developed a "situational" theory of poverty, portraying the behavior of the poor as a pragmatic response to circumstances. Tendencies to avoid marriage, education, or saving derive from a lack of money.

- *Discrimination*: Modern liberals explain the link between subjectivity and objectivity in capitalist society with the concept of discrimination. They emphasize that bias toward a situation where inequality is supported by capital will lead to institutionalized discrimination against the poor. The bias against gender and religious inequalities prevents discriminated poor people to exclude from poverty (Clark, 1998).

Despite all modern liberal's criticisms against the unequal capitalist society, they believe that the only way to improve the situation of the poor and reduce inequality pass through capitalist society. Therefore, by accepting of capitalist system's interior relations, emphasizes the necessity of creating more equality in this system based on several arguments:

- *Maximization of Utility*: Modern liberals, influenced by Jeremy Bentham and John Stuart Mill's nineteenth century utilitarianism saw the increase in equality as the guarantor of the marginal utility. According to them, given greater utility of a single unit income for the poor compared to the rich, the transfer of income and the distribution of assets to the landlord will allow for more utility, and thus increase total utility⁸.
- *Freedom*: Modern liberals admit that realization of freedom requires provision of basic needs such as food, clothing, health, education and shelter. Hence, the society with political-civil rights, on the one hand, and social economic rights, on the other hand, take steps towards freedom more seriously, so if free society does not have the possibility of securing social and economic rights, that is, the basic needs of citizens, the government is required to compensate for this shortcoming.

- *Growth*: During the 1930s, John Maynard Keynes (Keynes, 1933) added another powerful argument for pursuing greater equality. Claiming that poor people are more likely than rich people to spend any additional income they receive, Keynes proposed that a redistribution of income from rich to poor would increase total spending which would, in turn, create more jobs and raise output. The appeal of the Keynesian argument is that everyone benefits from greater equality. Even the rich, who will likely pay higher taxes to finance redistribution, benefit from a growing economy.
- *Political stability*: Modern liberals, influenced by Keynes' views, believe that if the capitalist system does not significantly reduce injustice and inequality, it will lead to the spread of communism, fascism, and other social political trends that have led to serious political crises and prevents economic growth.
- *Justice*: Modern liberals constantly emphasize on the link between justice and social cohesion with health, hope and social security, and argue that inequality overwhelmingly challenges the legitimacy of wealth for the rich. In such a situation, the poor also lose the trying motivation to make a better life and refrain from entering into a conflict that they were already seeing in their defeat. John Rawls (Arthur, 1975) emphasizes that the realization of justice in society is not achieved solely by the income distribution in line with personal abilities, because these individual abilities are also significantly influenced by genetic factors that are independent from individual, therefore He emphasizes the way in which reaches the maximum possibility of poor welfare. Rawls seeks to achieve such a situation by capital accumulation, improving employment and quality of life for the poor. In this way, he insists that fair redistribution should continue to the extent that it does not lead to a reduction in the incentive for capital accumulation and harm to the poor. Despite a strong commitment to greater equality, Modern Liberals, with the exception of Rawls, have been reluctant to specify an optimal distribution. In fact, many Modern Liberals remain skeptical and cautious about
- redistributive efforts. Modern liberals acknowledge that the market mechanism never reduces poverty and inequality, and government intervention is imperative to reduce poverty and inequality. In 1960s, the

ineffectiveness of US government's measures to reduce poverty and inequality was so evident that Lyndon B. Johnson designed and implemented the "war on poverty" program, which unfortunately was stopped because of the rising costs of the Vietnam war and the beginning of a stagnant inflation situation (Clark, 1998).

Based on these experiences, modern liberals reject direct payments to poverty victims, and on the contrary, advocate a fight against market forces and government policies which create poverty and inequality. Their proposed plans to reduce poverty and combat inequality are as follows:

- Means-tested benefits to restrict government benefits to only those persons falling below a designated level of income or wealth. This strategy could be implemented with social security, student loans, farm subsidies, and Medicare.
- Tax incentives for employers who hire and train people previously unemployed or receiving public assistance.
- "Workfare" programs that require welfare recipients to engage in public jobs—such as cleaning parks or sweeping sidewalks—in exchange for aid. While such programs are intended to maintain self-esteem and provide experience with the daily routine of working, some Modern Liberals are critical, claiming that the menial jobs provided by workfare teach no employable skills.
- Federally funded day-care centers and training programs to provide parents and young workers with increased opportunities to enter the labor force.
- Affirmative action programs to promote the hiring of women and minorities, as well as comparable worth programs to secure pay equity.
- Busing programs to establish racial balance throughout school districts to provide all children with an opportunity for equal education.
- Labor market policies to train unemployed workers, improve the flow of information between employers and job seekers, and assist workers with job-search procedures and interviewing techniques.

- Industrial policy to involve government in coordinating the allocation of resources by targeting credit toward specific industries and generally attempting to increase the efficiency and fairness of the economy.
- The dispersion of profit and stock-ownership through profit-sharing schemes and employee stock-ownership plans (ESOPs)
- A high minimum wage. Modern Liberals claim that raising the minimum wage will provide employers with increased incentives to improve labor productivity by upgrading the skills of the workforce. They also claim that a higher minimum wage can actually increase employment by increasing worker satisfaction and effort (Clark, 1998).

In the following, the views of some modern liberal thinkers are briefly explained:

- **Alfred Marshall (1842-1924)**

He is one of the most prominent economists of the neoclassical school and one of the greatest thinkers in the economy of growth. Marshall has paid more attention to poverty and standard of living than other theorists of this school. He has devoted a part of one of the chapters of his books of the "*Principles of Economics*" (1890) to the issue of standard living standards. Marshall was not a strong advocate of government intervention. In fact, he was quite cautious about any proposals that would restrict economic freedom or violate property rights, claiming that freedom and security of property were essential to stimulate innovation, entrepreneurship, and economic growth.

For A. Marshall, if development is to be achieved, production will be expanded, and the use of machines will increase all this coupled with the growth of technology that will reduce the variable cost of each primary unit hence the high wage of the workforce will be definitive. In such manner, Marshall, with a strong optimism about liberal economic theories, suggests that increasing productivity (through technology growth) increases wages and incomes, and poverty becomes limited (Clark, 1998).

Despite this optimism, Alfred Marshall acknowledges that if poverty is not spread due to structural problems because of the positive results of economic progress,

it would be expedient because he thought that spending a shilling on a rich person's income would be less favorable than providing the same amount for a poor person's expense.

Considering the increase in labor efficiency, as a result of the expansion of industries, it becomes clear that by increasing productivity, wages and income will increase and poverty will decrease, but he opposed with policies for determining the minimum wage (even in extreme poverty conditions) because of the obstacle Opposed to increase employment (Parvin, 1993).

- **John Maynard Keynes (1883-1946)**

The great depression has changed the optimism of hope that was born in the thinking of economists of the nineteenth century and again expanded the notion of poverty as a result of unemployment and objective reality (Taffazzoli, 2013).

General conditions, as described in Ricardo and Malthus's theories, were violated by the industrial development of the second half of the nineteenth century and the early years of the twentieth century, but with the great depression of the third decade of the twentieth century it was felt that poverty in industrialized countries was persistent and it cannot be eliminated by the simple steps Marshall and his followers have put in place. The recession continued for several years and showed that the conditions of recession can be public in society. The effects of the recession were so widespread that more than a third of society faced poverty of food and housing. These experiences are based on the stability of liberal theories of violent castile (Samadi, 2009).

Keynes, as the founder of this school, pointed out in the particular circumstances of the Great Depression: There is no certainty that the economy can always create a balance between savings and investment in the full employment position. Therefore, equilibrium conditions can include the simultaneous unemployment of a wide range of labor. This was the situation that had adapted to the state of America during 1930-1933, when unemployment and poverty widened. The great recession has shown that widespread unemployment can lead to poverty.

After Keynes, economists gradually expanded their theory to the issues of the Third World. In 1963, Dudley Sears argued that the economies of developed countries (in full or incomplete employment) have a particular state and the economies of poor countries have a general state. Therefore, the economics of the northern countries are not applicable in many southern societies. In his view, none of the existing economic theories can analyze the state of poverty, which occurs in some industrial economies. In general, it can be said that poverty can be attributed to two general factors: The "structural reasons" which Marshall refers to it and the "inadequate demand" resulting from the unemployment of the workforce and Keynes emphasizes it (Taffazzoli, 2013).

1.4.2.3. Conservatives

Conservatism was a sort of hidden side of the French Revolution. The Revolution marked a cut with many traditional institutions this change in system was accompanied with a sense of anxiety about the changing conditions. Conservatives led people back to the traditional community and defended its advantages. This wave swept Europe rapidly as many German philosophers and scholars warned against negative effects of modernization and emphasized the importance of traditional culture to maintain social cohesion, strengthen human emotions, beauty sanctification and harmony with nature. This process became known later as Romanticism. An approach which became gradually linked to nationalism because it insisted on common people's heritage, common language, culture, and the preservation of national identity. Conservatives, with the critique of liberal approaches, viewed individualism as mechanical and impersonal. It fosters cultural degeneration and an increasing sense of selflessness. These criticized traits are, indeed, what modern capitalism and democracy are criticized for as well. Based on these criticisms, conservative economists defined the community as a set of responsible people who live together in communities. From the context of these perspectives, neo-fascist, corporatism, and neo-conservative theories were born.

Conservatives were involved in explaining the causes of poverty and inequality:

- *Innate differences in ability*: Conservatism arose in opposition to the Enlightenment belief in the basic equality of all people. Conservatives

emphasize innate differences in individual abilities, claiming that people naturally seek to occupy those social roles compatible with their strengths and weaknesses. In recent years, the Conservative appeal to innate differences in individual abilities has been most prominently articulated by William Shockley, Arthur Jensen, Richard Herrnstein (1930-1994), and Charles Murray (Jensen, 1969).

- *Functionality of the Hierarchy*: Conservatives find it essential to have inequality in wealth and power in order to increase and improve production and social order. They consider the labor division according to the hierarchy only through the exercise of authority and recognition of the differences in abilities and talents, and thus the difference in wages and incomes.
- *Capitalism*: During the nineteenth century, Conservatives expressed contempt for the profit-seeking activities of businessmen and worried that the dynamism of the market would upset the natural order of society. By mobilizing resources and focusing attention on money-making and consumption, capitalism pulls people out of their traditional social networks and transforms them into autonomous and calculating maximizers of utility. These isolated individuals seek immediate gratification rather than engaging in long-term, constructive efforts to build meaningful lives through education, marriage, work, and involvement in the community. Thus, the narrow pursuit of pleasure actually contributes to poverty and misery.
- *Government*: Though at the beginning conservatives hoped the states would control the market by supervising the market, and for this reason, also had positive responsibilities for the government, they gradually became suspicious of the state and its role, as far as they perceived the state as more dangerous than capitalism, they emphasized the role of the state in intensifying inequality and poverty because of the formation of the groups which protecting powerful interests.
- *Culture*: Conservatives differ in their diversity between different cultures because of their function and their role in creating and spreading poverty and inequity, or vice versa, in encouraging work and wealth, and thus

cultures that entail idleness, unemployment and escape social responsibilities causes of poverty and inequality.

Some ways to tackle poverty which suggested by conservatives as following:

- *Eugenics*: Conservatives who adhere to genetic interpretations of inequality have proposed selective forms of population control such as sterilization of impoverished persons. They would reduce poverty by preventing the birth of children with deficient genetic endowments. Such thinking was not uncommon during the early twentieth century when an active "eugenics" movement appeared, culminating in Nazi efforts in Germany to breed a super-race. More recently, American physicist William Shockley became so concerned about the deterioration of the human gene pool that he established a sperm bank for Nobel prize winners.
- *Tracking*: Some Conservatives propose a more rigorous system of tracking in public schools to steer children toward appropriate adult roles. Tracking improves the match between individuals and the social roles they occupy and functions to lower the expectations of those who will occupy the bottom rungs of the socioeconomic ladder. Conservatives believe that poverty in affluent societies is more a matter of perception than actual material deprivation. If individuals recognize their limited possibilities at an early age, less anger and resentment and, consequently, less crime and social disorder will occur.
- *Mild welfare*: Neoconservatives such as Irving Kristol and George Will accept the need for government involvement in enlarging opportunities for the poor. Claiming that defects in both the market and governmental policy have disrupted the natural order of society, neoconservatives acknowledge that poverty is not always the fault of the poor and that private charity is inadequate. Since poverty contributes to crime and class hostility, neoconservatives justify some welfare programs as enabling the poor to retain their virtue and self-respect so they eventually will be integrated into mainstream society.

Neoconservatives struggle to devise poverty programs that foster virtue and social order without destabilizing the intermediate institutions of family, church, and neighborhood. While government is an obvious source of funds and leadership for making social improvements, neoconservatives remain skeptical of "social engineering" and "top-down" programs. Therefore, if government is to help solve poverty, neoconservatives urge that programs be designed to restore the functioning of intermediate institutions. Once family, church, and neighborhood regain their significance, individuals will once again make long-term commitments and lead productive lives. Some Conservatives support changes in tax laws to encourage the formation and maintenance of families, "workfare" to provide welfare recipients with job experience and self-respect, and community-based programs that respond to the unique situations of different clients.²⁶ With the restoration of healthy communities, many individuals unable to support themselves due to disabilities can be cared for by families, neighbors, or churches. Conservatives anticipate that well-designed poverty programs will eventually eliminate much of the need for intervention by government (Clark, 1998).

1.4.2.4. Radicalism

Radical theory was the product of a critique by a group of economists and thinkers on social issues related to views and functions of the liberals in the age of enlightenment. Radicals believed that government and private property were the source of inequality and injustice in society. For thinkers of the radical school, liberals, and by accepting both the principles of state and private property, have proven their inability to improve justice and reduce poverty and inequality. At a later stage, radicals expanded their field of critique to all areas of social life and institutions and emphasized necessity of commitment to principle of equality and strengthening of people's participation in solving problems of society, especially poverty and injustice. Radicals were strongly opposed to private property as they found it in conflict with public good and they believed that it causes social conflict. Gradually, they focused their efforts on providing a governance model in which there exists no class or even a dominant state. This led to Marx's (1883-1888)

attempts to formulate a coherent theory which led to foundation of radical views after his death. After the fundamental transformations experienced by Stalin's radical approach in the context of the Soviet Union, initial ideas were pursued within the framework of some theories such as institutional economy, social economy, and post-Marxist theories.

Radicals considered ownership benefits as human exploitation and they believed that the continuation of poverty and inequality in capitalist society was inevitable. because there was no other way to accumulate capital and profitability for owners. In general, radicals point out four factors of spread of injustice and poverty:

- *Primitive accumulation*: According to radicals, property inequality has led to a historical controversy from past ages to the present, which ultimately led to more human exploitation. This class struggle in the era of slavery, feudalism, and industrial had its own formulas, but at the same time its reliance and main goal was the capital accumulation. In the new era, from the 16th to the 18th centuries, the capitalist system made a massive exploitation of capital to accumulate more and eventually created many profitable companies that exploited the lower classes, especially workers, to accumulate capital and necessarily increase and sustain poverty and injustice.

- *The reserve army*: Radicals, referring to the massive supply of labor and the constraints on labor market demand, believe that this is a way paying lower wages to workers and exploiting them more. But gradually, with increasing demand for products, unemployed army number was reduced and decreased wages. Accordingly, the capitalist system began to replace machines with labor for more profit, thus increased unemployed population again, consequently wages diminished, this eventually led to the continuation of inequality and injustice. According to this analysis, radicals denied liberal theory of labor and productivity and rejected the claim that technological development led to the labor productivity. Thus, the radicals insisted on the correctness of Marx's theory that increasing labor supply, on

the one hand, and increasing productivity, on the other hand, would reduce wages and, consequently, more workers' poverty.

- *The law of uneven development*: Radicals believe that both internal and external economies cause concentrations of capital in particular areas and leave other areas underdeveloped. Internal economies, often called economies of scale, occur when large-scale production results in lower average costs. Internal economies may drive smaller firms out of business, causing the further concentration of capital. In contrast, external economies arise when the operation of one firm provides benefits for other firms. External economies explain why some areas experience sudden bursts of growth; once development has passed a certain threshold, the presence of local infrastructure, suppliers, and subsidiary industries reduces business costs and new firms are attracted to the area. The law of uneven development demonstrates that poverty and inequality may reflect regional patterns of capital accumulation rather than the abilities and preferences of individuals (Clark, 1998).

- *Dual labor markets*: Radicals claim that labor markets in modern capitalist economies are divided into a "primary" sector, consisting of workers with appropriate credentials and personal attributes who compete for high-paying corporate positions, and a "secondary" sector, consisting of workers lacking credentials and personal attributes who compete for jobs with smaller firms offering lower wages and less fulfilling work environments. While barriers such as racial and sexual discrimination reinforce dual labor markets, Radicals argue that the fundamental cause of labor market segmentation is the difference in "market power" between large, monopolistic firms and small, competitive firms. Workers in the primary sector earn a higher rate of return on their human capital than do workers in the secondary sector because large corporations can pay higher wages while still maintaining a satisfactory rate of profit (David, M. Gordon, Richard C. Edwards, and Michael R., 1982). From the Radical perspective, dual labor markets benefit capitalists by maintaining labor force stability. The skilled employees in the primary sector are offered attractive wages and working conditions to secure their allegiance and dedication. Less desirable

employees can then be hired for menial jobs at low wages. With little mobility between the two labor markets, workers in the primary sector receive wages in excess of the competitive level, while workers in the secondary sector receive lower wages than if the entire labor market were unified. Workers in the secondary sector are, in effect, subsidizing the high wages of workers in the primary sector. Dual labor markets also maintain divisions and disharmony among workers, thereby undermining their bargaining power. By pitting lower-paid workers against higher-paid workers, capitalists "divide and conquer" the labor force (Richard C. Edwards, Michael Reich, and David M. Gordon, 1975).

Radicals have a deep commitment to justice and equality and put forward three main arguments in this regard:

- *Efficiency*: Radicals believe that economic efficiency is promoted by greater equality. While inequality may be functional in maintaining profitability within capitalism, it ultimately reduces society's well-being. By keeping a portion of the population subordinate, inequality wastes much human talent and energy. Poverty not only prevents some people from gaining the resources to develop their capacities but lowers their self-esteem and motivation to excel. At the other end of the social hierarchy, the rich may squander their personal abilities in lifestyles of leisure and frivolous consumption. Even technological development may be slowed by an incompatibility between hierarchical social structures and those technologies dependent on cooperative, group-oriented work relations.
- *Social order*: A society with extensive poverty and inequality will be forced to devote substantial resources to repress citizens' anger and frustration resulting from deprivation and hopelessness. Police protection, courts and prisons, and elaborate insurance and security measures become necessary in a class-divided society. Extreme concentrations of wealth also lead to displays of affluence and contemptuous attitudes toward the poor, fostering tension and social conflict. The pursuit of wealth and status spurred by sharp inequalities will result in deterioration of the restraints on

self-aggrandizement. The tendency to overstep the bounds of legal and ethical behavior erodes basic values and leads to social disorder.

- *Human Rights*: Radicals support equality because they believe oppression and suffering diminish the dignity of all persons. Marx labeled humans as "species beings" united by common interests that overshadow their individual differences. He condemned capitalism for alienating people from their social existence and causing them, instead, to focus on the pursuit of private, material gain. Radicals believe that every person deserves a decent standard of living (Clark, 1998).

Radical responses to poverty and inequality:

Because poverty and inequality are functionally necessary to capitalism, Radicals doubt the viability of redistributive policies that stop short of a major restructuring of the economy. In fact, they claim that many governmental efforts aimed at helping the poor actually perpetuate inequality. The social programs associated with the modern welfare state often function to pacify low-income people and prevent social disorder. The major expansions in the role of the welfare state occurred during periods when widespread discontent threatened to overturn the existing power structure. Capitalist welfare programs are not designed to reduce poverty and unemployment since depletion of the reserve army would increase the bargaining power of workers. Radicals conclude that the primary purpose of welfare programs are to maintain a pool of cheap labor and control over a potentially rebellious lower class (Piven Frances Fox and Cloward Richard A., 1 January 1972).

In the past, Radicals were likely to favor a guaranteed minimum income as a means of assuring that the basic needs of all citizens were met.¹⁶ However, the growing public disillusion with welfare has raised doubts about the political viability of income transfers to able-bodied persons. The notion of an entitlement or right to a decent standard of living has fostered antagonism toward the poor resembling the resentment against wealthy aristocrats in previous centuries. In an ironic twist, the poor are viewed by many as the new privileged elite who have the luxury of living without working. The Classical Liberal linkage between productive contribution and reward is deeply embedded in modern ethics and is

even mirrored in Marx's insistence that reward corresponds to labor. For these reasons, Radicals tend to focus more on full employment and public provision of basic necessities such as healthcare and transportation. Full employment might be achieved either through government incentives to private employers or reliance on government as the employer of last resort. Also, appropriate fiscal and monetary policies might be used to push the economy toward high levels of employment (Clark, 1998).

A recent Radical proposal for reducing inequality is called "asset-based redistribution." Samuel Bowles and Herbert Gintis (1996) argue that giving all citizens ownership rights to assets such as workplaces and residences would result in increased productivity and efficiency as individuals assume the rights and responsibilities of property ownership. Admittedly, some individuals would use their property more wisely than others, but Bowles and Gintis believe that the resulting inequality would be substantially less than in most existing societies where the bulk of assets are owned by a small minority of the population. This proposal reflects a growing disenchantment among Radicals with the traditional vision of socialism as consisting of public ownership of property and central planning of production. According to Bowles and Gintis, the socialist goal of a more egalitarian society is achievable through a market economy in which an equitable pattern of property ownership has been established and the government provides various regulations and insurance programs as buffers against the vagaries of the market (Bowles, S. and Gintis, H., December, 1996).

CHAPTER 2

POVERTY REDUCTION POLICIES IN THE WORLD

In the 2008 Global Development Indicators Report of World Bank⁹, a new estimate was obtained after redefining poverty line on the base of one dollar per day, and the International Poverty Line by using new purchasing power parities data rose to \$ 1/25. International comparison program study as well as household budget surveys in selected countries present a new estimate of the extent and depth of poverty in 115 developing countries, based on the latest information on the living cost in these countries. In previous World Bank reports related to poverty situation in developing countries, low estimated of the price level and a high estimate of living standards was reported. According to the new benchmark, about 1.4 billion people live in extreme poverty (more than a quarter of the population of developing countries), while in 1990, about 42% of the developing world's people was lived with an income below 1/25 Dollars a day. Thus, between 1990 and 2005, after fifteen years, World poverty declined by an average of 1% per year (World Bank, 2008).

This trend of global poverty reduction (equivalent to \$ 1.25 per day) began in 1980, and the number of people below the absolute poverty line ranged from 1.9 billion in 1981 to 1.8 billion in 1990 and 1.4 billion in 2005. The highest drop of poor people number has been reported in East Asia and Pacific. Poverty in these areas has fallen from 78% in 1981 to 17% in 2005 and the number of people living with \$ 1.25 per day reached below 750 million. The highest rate of poverty reduction is in China with poverty rates reduction from 84% to 16%. It means 627 million poor people decreased¹⁰. According to China's current poverty standard

⁹ <https://openknowledge.worldbank.org/handle/10986/28241>

¹⁰ In the past three decades, China's broad-based and high-speed economic growth helped more than 700 million people rise out of poverty. Hofman noted that "the nature of poverty in China is changing," which requires the country to maintain moderately rapid growth, accompanied by measures that reduce inequality and put in place social safety nets for the most vulnerable. Today, the government has a new, ambitious goal of lifting all 55 million extremely poor citizens out of poverty by 2020. There is strong interest, particularly in Global South, to better understand the Chinese experience and the strategies that helped it drastically reduce poverty (World Bank, 2016).

(per capita rural net income of RMB 2,300 per year in 2010 constant prices), there were 55 million poor in rural areas in 2015¹¹(World Bank).

The poverty rate in South Asia declined from 59% to 40% during the above-mentioned period. In African countries poverty rate raised from 54% in 1981 to 59% in 1999 and then 51% in 2005. The number of people below the poverty line in Africa has almost doubled.

Of course, poor people who exit from absolute poverty which their daily income is more than \$ 1/25, are still poor with regards to medium-sized economies standards, since the average poverty line in developing countries in 2005 is estimated \$ 2 a day. The poverty rate in developing countries has fallen from 70 percent in 1981 to 47 percent in 2005, but the number of people with less than \$ 2 per day is almost constant (2.5 billion). The highest rate of poverty reduction is in East Asia and Pacific, especially in China. In other countries, the number of people living on less than \$ 2 per day has risen and the number of people who have risen from \$ 1.25 to \$ 3 a day has nearly doubled (1.8 billion) (World Bank, 2008).

Table. 2-1 shows the number and share of people with income less than \$ 1.25 and \$ 2 a day in different parts of the world between 1981 and 2005.

¹¹ <http://www.worldbank.org/en/country/china/overview>

Table 1: The number and share of people with income less than \$ 1.25 and \$ 2 a day

Region	1981	1984	1987	1990	1993	1996	1999	2002	2005
People living on less than 2005 PPP \$1.25 a day (millions)									
East Asia & Pacific	1,071	947	822	873	845	622	635	507	316
China	835	720	586	683	633	443	447	363	208
Europe & Central Asia	7	6	5	9	20	22	24	22	17
Latin America & Caribbean	47	59	57	50	47	53	55	57	45
Middle east & North Africa	14	12	12	10	10	11	12	10	11
South Asia	548	548	569	579	559	594	589	616	596
India	420	416	428	435	444	442	447	460	456
Sub-Saharan Africa	212	242	258	298	317	356	383	390	388
Total	1,900	1,814	1,723	1,818	1,799	1,658	1,698	1,601	1,374
People living on less than 2005 PPP \$2.00 a day (millions)									
Region	1981	1984	1987	1990	1993	1996	1999	2002	2005
East Asia & Pacific	1,278	1,280	1,238	1,274	1,262	1,108	1,105	954	729
China	972	963	907	961	926	792	770	655	474
Europe & Central Asia	35	28	25	32	49	56	68	57	42
Latin America & Caribbean	90	110	103	96	96	107	111	114	94
Middle east & North Africa	46	44	47	44	48	52	52	51	51
South Asia	799	836	881	926	950	1,009	1,031	1,084	1,092
India	609	636	669	702	735	757	783	813	828
Sub-Saharan Africa	294	328	351	393	423	471	509	536	556
Total	2,542	2,625	2,646	2,765	2,828	2,803	2,875	2,795	2,564

(World Bank, 2008)

In addition to a small change in the proportion of population below the poverty line, the pattern of poverty is also rapidly changing. According to the United Nations, there has been an increasing urban poverty, declining rural poverty what increased unemployment and the proportion of informal workers among urban poor. Preliminary results suggest that urban population growth has a very significant effect on reducing rural poverty¹². In this context, increasing slum population to about 1 billion in urban areas has led to an increase in the prevalence of illness, violence, social exclusion, political and economic vulnerability among them. UN-Habitat estimates subsistence growth for slum dwellers more than urban. Significant part of the world's population involving with chronic poverty and also in poverty trap, although not a new phenomenon. indeed, take 340 to 470 million people in the world are in a vortex of poverty, especially in South Asia and the sub-Saharan Africa in which most victims are children, women, elderly and physically and mentally handicapped people.

¹² A 20% increase in urban population in a district is associated with a reduction in the incidence of poverty in rural areas of one-third. This effect is still highly significant after controlling for economic growth, the urban poverty rate in the district and other significant variables such as change in climatic conditions. The results are equally strong when using the poverty gap as the measure of poverty – indicating that urban population growth has positive effects also for the very poor in rural areas. Importantly, the results still hold when the largest cities are excluded (Cali & Menon, 2008, cited in Chronic Poverty Research Center Report).

Moreover, gender, ethnic, and religious discrimination also lead to more poverty (Chronic Poverty Research Center, 2008-9).

According to World Bank's World Development 2006 Report, colonial policies have also played an important role in the formation and emergence of inequality and poverty in underdeveloped and developing countries. Colonial policies have even promoted plans and methods that influenced economic and political institutions functions and has led to increase inequality and poverty (World Bank, 2006).

In spite of all efforts, extreme poverty has continued in many developed countries and has deepened the gap between rich and poor. Therefore, it is clear that in such a situation, the global development goals (halving the proportion of those who are in extreme poverty) will not be realized unless existing trends change (Javaheri Pour, 2004).

In the light of these considerations, the international community began a serious review of development policies and debates on poverty. The new policies are based on the wider integration of the socio-economic basis. The strategy, in theory, suggests fundamental changes in various fields, especially in five areas:

First, low-income groups should be involved in programs as a stakeholder, not an assistance recipient. In structural adjustment programs, low-income groups were considered as target groups or beneficiaries which were supposed to be supported and therefore focused on assistance, and a supportive and compensatory measures series within the framework of public welfare programs, children and women nutrition and food subsidies was provided to them. But poor is considered as "real poverty experts" by recognizing the poor as beneficiary groups in the framework of poverty reduction strategy and according to their collaborative views, they will be active actors involved in the process of reducing poverty and inequality. In this way, new policies which are founded on the principle of poor participation (that is, participation and engagement) are likely to be more successful and accompanied with more favorable long-term benefits.

Secondly, during structural adjustment programs, more lending programs were provided by the Bretton Woods institutions and borrowing countries. Such

projections did not lead to government responsibility. Adverse outcomes of the programs were often accompanied by negligible accountability. But Poverty Reduction Strategy Papers went beyond this and raised the concept of self-conscious development. According to the World Bank, by using poverty reduction strategies countries can be skilled in their development (World Bank, 1995).

Third, the notion of promoting economic growth idea was replaced by the new approach, sustainable development and poverty reduction. In structural adjustment programs, long-term goals included increasing efficiency and growth rates, followed by poverty reduction. However, in the 1990s, World Bank came to the conclusion that, while macroeconomic stabilization is essential for growth, it is not enough to address the poverty reduction strategy. New poverty reduction strategies are working to integrate macroeconomic stabilization with structural, social and human aspects. This idea seeks to go beyond "World Development Program statistics to address long-term and fundamental issues in the structure, outlook and nature of social development" (2001, World Bank).

Fourth, there was little flexibility in structural adjustment programs, for example, loan conditions were predicted on two complementary goals: first, achieving the most important reform objectives, that is, creating conditions for guaranteeing a loan before the assignment, second, ensuring the country's awareness for taking into account the expectations and having the means to fulfill his obligations.

These conditions were kind of "constraint" that could take various approaches, such as the prerequisite for improving institutions, accepting a public-sector expenditure plan, moving towards trade liberalization and deregulation, but poverty reduction strategies provide the necessary flexibility for each country. In such a manner, governments should define their goals and prioritize them. Also, they have to determine the timing of activities based on their human and financial capacities. This had a central role in designing national poverty reduction strategies.

Fifth, attention to urban poverty by, for example, having separate and independent allocations, is part of the new approaches to poverty reduction programs. A separate chapter on urban poverty enriched the concept of poverty in structural adjustment program. In addition to an independent chapter on how

to tailor a strategy for reducing urban poverty, moving towards self-understanding of urban poverty and needing for a distinction between urban poverty and rural poverty is a major step in new approaches. Poverty Reduction Strategy provides a comprehensive framework for observing urban poverty at national scale as well as strategic solutions for urban-scale activity through strategic decision-making and planning (Javaheri Pour, 2004).

Based on these experiences and achievements, a wide range of poverty reduction programs were designed and implemented, most notably as following:

A) Program: Public works (usually in the form of infrastructure development projects)

Target groups: Poor unemployed people include informal sector workers, poor agricultural workers in the agricultural sector during seasonal unemployment

Methods: Self-targeting (by setting a wage rate lower than the minimum wage), geographic

Disadvantages: rapid implementation after the onset of the crisis, subject to availability of capacity, the possibility of easy reduction of the scale of the program after the end of the crisis, creation or maintenance the necessary infrastructure

Disadvantages: Possibility of distorting motivational factors of market, the possibility of leakage of benefits to the non-poor, depending on the design of the program and targeting methods, implementation problem, problem of calculating the relationship between the objectives of poverty reduction and infrastructure development

B) Program: Human Resources Development of targeting group: Conditional transfer payments, such as attending school or receiving preventive healthcare with cash payments

Target groups: Poor students, poor households with access to health services

Methods: Geographic or class, Mean test, community-based

Advantages: Increasing attendance at schools by using health services, supporting poor people's income, expanding human capital development

Disadvantages: Effectiveness under the influence of health and education infrastructure, extensive regulatory costs

C) Program: Exemption from service fees (school fees, using scholarships, health care)

Target Group: Poor students, poor households with access to health services

Methods: Geographic or class, Mean test, community-based

Advantages: expanding Human Recourse Development

Disadvantages: The effectiveness of the program is influenced by the health and educational infrastructure; there is evidence of long-term effects of this program on attending schools by using health care

D) Program: Nutrition (Nutrition in Schools, Supplemental Nutrition Program for Women, Children and Youth)

Target Group: Children, pregnant and lactating mothers, schoolchildren of deprived areas

Methods: Self-targeting, mean test, geographic

Advantages: Effective for alleviating hunger; Increasing attendance at school; The probability of expanding and developing human capital.

Disadvantages: Being limited target groups; high execution cost; possibility of leakage of benefits, depending on targeting methods; slope towards urban population;

E) Program: Microcredits (micro-credits for seasonal, rural employment, essential credits for poor people)

Target Group: Poor women; poor people who need jobs

Methods: geographic, Mean test, Project quality assessment

Advantages: Fixed capital development in poorer regions; rising household income; rising government resources through increasing investment rates;

Disadvantages: Limited target groups; High execution cost, slope towards rural population

F) Program: Social funds (small-scale infrastructure development, supporting micro-employment creating, community-based social services)

Target group: Poor families; women and children; poor unemployed

Method: Geographic

Advantages: developing accumulation human and physical capital in poor areas; High degree community participation in project selection and implementation

Disadvantages: The difficulty of accepting quickly after the crisis starting; slope often towards the rural population (Madani, The Necessity of Combating Poverty and Inequality in Iran, 2015).

2.1. POVERTY REDUCTION PROGRAMS IN SOME COUNTRIES

In this part, some countries will be examined in terms of poverty definition and also in terms of their experiences of poverty reduction policies. It will be evaluated each country's poverty definition, implemented poverty reduction policies and its measures, target groups and goals. These countries have been selected from each continent and also because of some reasons. In the United States, sustainable poverty is a relatively rare phenomenon.

2.1.1. United States

Based on the sample of people who remained in the survey from 1996 to 1999, 40.9 million people, or 16 percent of the population, were in poverty (using the official poverty measure) in an average month in 1996. By 1999, the average number in poverty had fallen to 34.8 million, yielding an average monthly rate of 13 percent. Overall, 34 percent of people were in poverty for at least 2 months during the study period and 2 percent were in poverty every month of the 4-year period from 1996 through 1999¹³. Poverty is not necessarily a permanent

¹³ Reflecting declines in poverty between 1996 and 1999, more people exited than entered poverty over the study period. Of those who were in poverty in 1996, 65 percent remained in poverty in 1997, 56 percent were in poverty in 1998, and 50 percent continued to be in poverty in 1999.10 Of those who were not in poverty in 1996, 2.9 percent entered poverty in 1997, 3.3 percent in 1998, and 3.5 percent in 1999. Poverty transitions occur more frequently when using a monthly rather than an annual poverty measure, reflecting the

condition, according to a report (Dynamics of Economic Well-Being: Poverty, 2004-2006) released by the U.S. Census Bureau. While 29 percent of the nation's population was in poverty for at least two months between the start of 2004 and the end of 2006, only 3 percent were poor during the entire period¹⁴. In other words, in the United States, sustainable poverty is relatively rare phenomenon. However, according to data from the US National Center Statistics¹⁵, the number of US poor was 37 million, or 1.25 percent of the country's population in 2005. In total, between 2003 and 2005, 12.6 percent of the population of the United States was below the poverty line (U.S. Census Bureau, 2005). In some American cities, slumming is a serious problem, for example, in Los Angeles, the number of slums from 1996 to April 2000 is twenty percent (Deverteuil, 2006). According to some reports¹⁶, a significant proportion of children living in American cities live in low-income families, and this proportion is increasing (NCCP, 2005). It is estimated that US economic spending for urban children poverty is about \$ 500 billion per year, equivalent to four percent of its gross national product (Hozler, 2008). Since 1990s, the US government has launched a program called "Temporary Assistance for Needy Families" to counter the spread of poverty and alleviate poverty.

Definition of Poverty: The US Census Bureau¹⁷ identifies poverty status by comparing pre-tax cash income to a threshold adjusted by family size, composition, adjusted annually by inflation using the Consumer Price Index and the age of the household, which was set at three times the cost of an annual food diet in 1963. It appears this poverty line mainly focus on the absolute poverty line which focuses on all basic needs (food, clothing, health, education and housing). This amount varies according to the number of family members and is updated every year to cover changes in consumer price index. "Family" is defined as

higher volume of short-term fluctuations in income. The majority of poverty experiences ended within 4 months. About four-fifths ended within a year (U.S. Census Bureau, 2005).

¹⁴ <https://www.census.gov/newsroom/releases/archives/poverty/cb11-49.html>

¹⁵ <https://www.census.gov/population/pop-profile/dynamic/poverty.pdf>

¹⁶ http://nccp.org/publications/pub_637.html

¹⁷ <https://www.census.gov/topics/income-poverty/poverty/guidance/poverty-measures.html>

persons who are cohabiting, born, married, or adopted by official poverty prevention. Thresholds do not change geographically. In 2005, the poverty line for a four-person family was \$ 19,971. This amount for the family's 2016 poverty threshold (below) was \$29,360.

Target groups: Elderly poverty; children that make up the poorest population in the US (especially the black families); women-headed households and women under the tutelage of strangers are most important target groups of the poverty reduction program "temporary assistance to needy families". The unemployed and immigrants are also among the target groups.

Program Objectives: The goal of this program is to reduce the poverty rate.

Program implementation methods: To implement program such as providing food assistances; implementing a medical care plan for who needed health care services; social insurance plans such as social insurance schemes, unemployment insurance and medical care. The purpose of these activities is to prevent the emergence of poverty at times such as dismissal or retirement which threatens the well-being of families.

Program Evaluation: The effectiveness of poverty alleviation programs is calculated by counting the number of people whose income has been below the poverty line before receiving support, but after receiving the payments has risen above this line. According to official estimates, public programs and social insurance in the United States have been able to reach above poverty line almost half of those who paid off below the poverty line by 2002. This success represents a 10 percent reduction in poverty rate by implementing these programs. Meanwhile, according to experts, cash payments based on assessing needs of individuals tend to reduce their willingness to work. Such criticisms of the United States resulted modifying Poverty Reduction Program in 1996 (Madani, The Necessity of Combating Poverty and Inequality in Iran, 2015).

According to modified "Temporary Assistance for Needy Families" project, the mothers who receive these funds should work in return for this assistance and these benefits will only be paid for five years. In the United States, by adopting a new policy of reform which required policies and work programs as the best

strategy for poverty reduction from the mid-1990s, provided significant reductions and control on Poverty.

Temporary Assistance for Needy Families Program " has succeeded in reducing the poverty-stricken population from 11 percent in 1996 to 9.8 percent in 2006. The annual unemployment rate fell from 5.4% in 1996 to 4.6% in 2007¹⁸ (Carter, 2018).

In addition to the "Temporary Assistance to Needy Families" program, several programs have also been implemented to control and reduce poverty in the United States within the framework of cooperative development. A review of the ten-year plans (1990-2000) for cooperative development services (CDS) in the scale of Colorado demonstrated that this policy succeeds to increase welfare of members of cooperatives and the creation of job opportunity. This has reduced the class gap and increased social and economic capabilities of the poor (McPhail, 2003 cited in Najafi, 2009¹⁹).

2.1.2. Brazil²⁰

Brazil's Poverty Reduction Program is a moderated version of the World Bank's programs, known as the "Washington Consensus". Brazil's P.R.P focus on reforming macroeconomic structures, reducing inflation, and reducing budget deficits. Brazil started the program from the late eighties and continued in the nineties. The difference between implemented program in Brazil and the Washington Consensus program is that in addition to economic reforms, social security and children empowerment and adolescents have also been highlighted. Actually, the slogan of the program in Brazil was "fighting Poverty".

Definition of Poverty: In Brazil, people who have income less than \$ 1.25 per day and cannot provide minimum basic needs are referred to as poor.

¹⁸<https://www.acf.hhs.gov/ofa/resource/tanf-acf-im-2018-01the-use-of-tanf-funds-to-promote-employment-programs-for-noncustodial-parents>

¹⁹ (Najafi, World Experiences in Poverty Reduction, 2009)

²⁰ <https://openknowledge.worldbank.org/handle/10986/13499>

Target Groups: Eleven million households who are poorest of Brazilian community are target groups for this structural reform program. It accounts for sixty percent of the country's poor.

Program objectives: Reducing poverty and empowering children and adolescents are the main goals of the Washington Consensus-based agenda in Brazil. by moving forward on the path of sustainable growth is one of the targeted goals.

Program implementation methods: Performing reforms on macroeconomics level is the most important method to implement the program. The first step was to control inflation and reduce the budget deficit. Subsequently, implementing reforms in the economic and government offices along with privatization was carried out to increase productivity and increase export efforts. In addition to these measures, the government has put increasing social security on its agenda and transfer payments has subjected to responsibility of sending children to schools and paying attention to their health.

Program assessment: Given the severe inequality in Brazil, the implementation of this program has contributed to economic growth but has not been successful in reducing poverty. Experts say the large number of Brazilian poor result from the program's failure outcome and believe that these programs coverage has not been complete. But despite investing in children's education during program implementation, there is a good basis for long-term economic growth and poverty reduction (Ravallion M. , 2011).

2.1.3. Poverty Reduction Programs in EU – Case Study: Germany

Germany is one of the leading countries in terms of developing and fighting poverty in Europe but we will see here that has not succeeded in reducing poverty in comparison with countries like France and Belgium.

In Germany, Sozialhilfe or Sozialfürsorge program ensures minimum income for the majority of people. Provided benefits under this program are not subject to any specific condition except the lack of subsistence. The core of this program is

" basic safety net" thus no one should be under the basic safety net designated income.

Definition of Poverty: In German's Social Care or Social Welfare Program, income poverty is the criteria for identifying the poor. Given the general level of welfare of community, poverty line is calculated to be equal to fifty percent of the national income.

Target Groups: In Germany, the relative poverty rate is 50% of the national income average, comprising 8% of households. In Germany, all households with an average income of less than fifty percent of the national average are among the target groups of the program. In addition, certain social groups, such as homeless people, the elderly, the disabled, unemployed single parents, poor workers, and low-income foreigners, are in target group of program.

Program Objectives: The purpose of this program is to provide the minimum incomes of households faced with poverty through redistribution. The ultimate goals of this program is that the minimum household's income should be at least 50% of the national income average.

Program Implementation Methods: The German government uses the horizontal method of "transfers and taxes" to implement the Social Care program. This is not the case for example in some welfare states such as Sweden and the United Kingdom, which emphasize vertical redistribution. Redistribution of income occurs after testing. According to testing, aid recipients must earn less than fifty percent of the national average.

Program Assessment: Germany has not succeeded in reducing poverty in comparison with countries like France and Belgium which have spent relatively little or equal proportions of their GDP on the social security for young people under the age of fifty. In Germany, however, poverty rate has dropped somewhat after transfers and payments. According to experts, this reduction is more related to support initial income distribution rather than Social Care program. However, it cannot be admitted that the Social Care program has completely failed. Researchers have shown that if there are no test-based advantages in Germany,

10.5 percent of households will be below poverty line, and if this advantages be provided, they will drop to 6.7 percent (Behrendt, 2002).

At the same time, due to the low volume redistribution of revenues and the lack of minimum income-providing mechanisms, out of social assistance program, re-distribution of income has not been successful, while, poverty rate in comparison with other Europe's welfare states is in better position (Behrendt, 2002).

2.1.4. Poverty Reduction Programs in Asian Countries: India

In 2005, 23.6 percent of urban population of India, 67.1 billion people, was living below poverty line. Furthermore, there was a strong correlation between poverty and slum in cities (Ministry of Urban Employment, 2006).

In India, using IT to reduce poverty is the main reason to examine its poverty reduction policies and used definition.

A) Poverty Reduction Strategy: Today, a question arises in debate on India's economic development. Did economic growth in this country lead to poverty alleviation? Some experts believe that the process of agricultural growth which triggered a green revolution coupled with the development of cities, did not have the benefit or the poor villagers and townspeople. Others have sought key of reducing rural and urban poverty in agricultural growth and urban development (Ravallion M. , 2011). Despite disagreement on the relationship between poverty, economic development, and agricultural growth, the Indian government, sought to plan to tackle poverty by relying on the United Nations Development Program supports in the 1990s. In this way, the "Poverty Reduction Strategy" was implemented with the aim of influencing public policy and public discourse. This strategy has led to a second discourse formation for poverty alleviation by focusing on human development.

Definition of Poverty: In India, although Poverty Reduction Strategy has not succeeded in bringing about an innovative stream concepts and analysis of poverty or methods of combating it, performed activities have led to spread of

concept of human development. In other words, in this strategy, without providing a precise definition of poverty, concept of human development as a key of poverty eradication surfaced as prerequisite and condition for poverty reduction and it entered the official discourse of policy makers.

Target groups: “The Poverty Reduction Strategy’s target group has been researchers, planners, and policymakers who have functioned to reduce poverty in India.

Program Objectives: The program aims to provide analytical reports subject to poverty and, in general, human developing in order to empower disadvantaged groups, civil society and state for poverty alleviation. In the Poverty Reduction Strategy in India, this goal is achieved by helping to achieve other goals such as raising awareness, creating information, building synergies, and anti-poverty activities integrity.

Program Implementation method: UNDP played a significant role in implementing Poverty Reduction Strategy of India. UNDP undertook the task of increasing capacity for regular human development reports on both local and national levels. Measures were taken to reach the following purpose: assessing state-level expert capacities; assessing existing state-level needs and capabilities; providing expert services to state’s governments to improve the quality of data collection and analysis; Expert services to create and complete various indicators and apprenticeship and sensitization of local staff especially those dealing with statistics, planning and management; creating and developing activities to improve distribution mechanisms with respect to basic services for human development specially earning subsistence.

Indian local governments, for example Amla, Madhya Pradesh, prepared method of human development reports and other United Nations programs. Also, such local authorities considered some three of the UN principles within its decision-making process regarding poverty alleviation:

First turning government spending towards activities that directly affect the well-being of poor people; second, adopting a multifaceted approach to social issues, because human development actually is result of simultaneous improving of

different aspects of people's lives; Finally, encouraging people to participate in activities related to their welfare.

Program Assessment: Implementing Poverty Reduction Program in India has led to a catalytic background for generating public discussion about need for poverty alleviation. The implementation of this program in India also had a positive impact on the minds and actions of government policymakers at the national and local levels. And it led to a transformation of civil society which developed a determination and commitment to eradicating poverty through the consideration of multidimensional human development. Local authorities, for example, found out how they could use the human development index to push central government to allocate more credits to poverty reduction. Additionally, local authorities tried to push some syndicates and unions through using the results of reports to more commitment towards human development (Osmani, 2003, cited in Madani, 2015, p. 139).

B) Information Technology to Reduce Poverty:

Andhra Pradesh is one of the southern states of India which has implemented initiatives in using information technology to reduce poverty. Estimated poverty for state between 1993-1994 was respectively 22.2% and 27.8%. There is no consensus among experts on the role of information technology in poverty reduction. Some, for example, consider it to be ineffective in the development of developing countries because of the lack of access to these technologies when it comes to poor people. Nevertheless, the government has committed itself to the use of information technology in order to improve people's quality of life.

Definition of Poverty: In Andhra Pradesh, poverty has been considered as a multidimensional phenomenon with signs such as bad nutrition, illness, deprivation of education, lack of adequate shelter, vulnerability and disability in the community.

Target Groups: The target group is all urban and rural poor.

Program Objectives: The goals of program are (i) to improve people live quality by helping them to earn more money and get full employment, (ii) promote and

encourage the widespread use of information technology with the aim of achieving high levels of efficiency and competitiveness of the private and public sector. State authorities have also identified areas where information technology can make a change in poor people's lives, for example: using information technology to create new businesses for poorest layers of society (this would lead to income increase), making use of state-run administrative financial organizations thereby increasing rate of economic growth, reforming education system and health (this will lead to an improvement of the quality of human resources). Last but not least, using information technology and seeking capacity building among the poor to be able to effectively use information technology. This task relies heavily on improving accessibility to technology with the goal of increasing productivity and agricultural production (this results in higher income for the rural poor and consequently positively contributes to poverty reduction). As a matter of fact, Information technology, by providing transparency and accountability in relation to governance, helps to push towards rational distribution, in other words, it helps in terms of tracking government expenditure, and it pushes towards investing in financial resources to improve infrastructure development for the benefit of the poor. Besides, it accelerates decision-making process, reduces constricts and creates favorable conditions for regional economic growth (Madani, 2015, p. 140).

Implementation Method: The Andhra Pradesh government implemented methods for achieving its goals (defined as "indivisible elements") such as: "Focusing on human resource development; creating broadband; implementing smart e-government programs; encouraging public and private participation; providing a legal framework to facilitate the widespread using of IT (Madani, S. 2015)."

Program Assessment: Evaluation of the information technology program for poverty reduction shows that this program had remarkable achievements in the following areas: 1- literacy training, school education and vocational education (healthcare) (distance education plan, education and training of medical and health staff, providing diseases history, providing effective medical and pharmaceutical facilities, and providing analytical tools); 2- capacity building (organizing women's self-help groups, creating special water users associations,

forming 6616 joint forest management committees and provide education and Training) 3- Agriculture (establishment of Comprehensive Irrigation Management Based on IT, water distribution networks based on national data, discovery, weather information, market information, computer service to farmers, and disaster forecasting); 4- targeting the poor through the compilation of a database of all citizens and good governance (Countering corruption, accountability and coordination with government employees) has played an effective role in reducing poverty (Sudan, 2005 cited in Madani, 2005).

2.1.5. China

China has succeeded in eradicating poverty by significant economic jump. for example, its share of extreme poverty has dropped from two-thirds (634 million) in 1981 to one-tenth of (128 million) in 2004 (N Department, 2006 cited in Raghfar, 2011).

A) Economic Transition, Privatization and Restructuring

Part of China's program for economic growth with privatization and economic restructuring has been directed towards poverty reduction (Ravallion M. , 2011). The Chinese government focused on poverty reduction in the first step on the rural population and then on the urban poor. Issues such as employment, production, consumption and sales are among the most effective areas for poverty reduction (Kalhor, 2005). In China, small-scale rural and handicraft industries have been reformed within the framework of the general policy and have been improved during the restructuring economic system. China, far from any accelerated privatization, and by adopting a bilateral approach, "while attempting to adapt them to market conditions, through administrative structure reforming, established rapidly non-governmental sector and privatize smaller businesses." The outcome of China's reform policy in economy accounts for 90% of the total employment in 2002 in the non-governmental sector, including private entrepreneur firms, cooperative companies, joint venture companies and foreign investment companies. Set of these policies has led to reduction of poverty caused by unemployment in cities and inadequate employment in villages (Bouche, N. & Riskin C. & Shantong, Li & Guobao, W. and Huijiong, W, 2004).

Definition of Poverty: The poverty line in China is based on food needs (2100 to 2150 kcal) (Management and Planning Organization of Iran, 2000), so that 90% is cereals and 10% is other foods (Hajizadeh, 2010). Of course, it is necessary to mention that, depending on habits and advantages of the regions, various food baskets are tailored according to characteristics of each area to determine the poverty line (Management and Planning Organization of Iran, 2000).

Target groups: poor households and semi-employed rural farmers are the most important groups of poverty reduction in China. Meanwhile, improving situation of urban poor families is also considered by these programs (Kalhor, 2005). These goals are pursued through decentralizing and expanding non-governmental sector, including private entrepreneur firms, cooperative companies, joint venture companies and foreign investment companies (Bouche, N. & Riskin C. & Shantong, Li & Guobao, W. and Huijiong, W, 2004).

Program Objectives: China has pursued three main objectives to reduce poverty under structural reform program: first, reducing poverty and, if possible, eradicating it, second, controlling poverty; third, facing poverty problems and removing them.

Program Implementation Method: The Chinese government has implemented organized anti-poverty programs throughout the country with an emphasis on the rural poor. In this context, examining incomes and expenditures of rural households and providing expert advice, (sometimes based on international experience with the aim of improving living conditions of villager) have been priorities of the program to combat poverty. It is noteworthy that Chinese government has also taken measures to address poverty in urban households such as home-made small-scale products and handicrafts. Conducting international seminars by domestic and foreign experts to identify the concept and criteria of poverty. In addition, teaching rural practitioners with the aim of introducing them with poverty criteria, (how to deal with them, how to use the strategies and global standards) has played effective role in the formulation and implementation of small and local level programs to fight poverty (Kalhor, 2005).

Program Evaluation: Poverty reduction in China has taken place in the context of economic reform. Although poverty reduction process reviewing in china demonstrates programs success, this process has gone through a full-blown course (Ravallion M. , 2011). Consequence of China's reform policy in the economy accounts for 90% of the total employment in 2002 to the nongovernmental sector, including private entrepreneurial firms, cooperative companies, joint venture companies and foreign investment companies. The set of policies has led to a reduction in poverty caused by unemployment in cities and inadequate rural employment. Another result of financial and economic system reforming in China was that official financial sector in the villages (such as the Agricultural Bank of China, the China Agricultural Development Bank and credit cooperatives) played an important role for mobilizing resources and improving the living conditions of the villagers. Of course, this role became more significant when decentralizing policy during reforming period gradually led to increase in regional revenues from the share of total government funding. All of this ultimately reflects the relative success of China in controlling poverty through structural reforms in the economic sector (Bouche et al., 2004).

B) China's 8-7 National Poverty Reduction Program

China began its economic reforms in 1978, reforms which in the first years led to high economic growth and a dramatic increase in per capita income with the same level of income poverty. But this trend has changed since the mid-eighties, as despite the continued rapid and substantial growth of the economy, poverty reduction rates have been reduced. In addition, while the process of reducing poverty has continued, this trend has taken place unevenly in different regions of country as well as urban and rural areas. Poverty reduction rate, of course, was normal during this period, as the extreme poverty of previous periods allowed extreme poverty reduction through economic growth as well as targeted resources allocation in terms of areas, in other words, by reducing its poor population, Poverty reduction was also a downward trend.

In 2000, after 22 years, and by implementing these policies, the population of the poor has dropped from 250 million to 25 million, in fact, the year 2000 was the end of the seven-year plan for the elimination of poverty in China, called "seven

and eight" (8-7). This program began in 1994. Seven-eight title is essentially a symbol of the numbers of eighty million poor people and the poverty reduction goal during seven years.

Definition of Poverty: Based on the definition given in the Seven-Eight Program, the poverty line is equivalent to \$ 0.66 per day.

Target Groups: The target group of this program was generally rural people.

Program Objectives: The Seven-eight program goal was reducing poverty of eighty million poor Chinese people over the course of seven years and improve total main asset poverty.

Program Implementation Method: Adoption of an appropriate institutional arrangement for fair distribution of benefits of growth and ultimately improving main asset of poor people such as environmental, institutional, cultural, social and personal resources strengthening, has been the most important method of this program.

Program Assessment: An important trait vis-à-vis the success of the Seven-Eight Program is that this success was primarily because of rapid economic growth in the rural sector as well as an appropriate institutional arrangement for the fair distribution of the benefits of growth with involving less poverty alleviation policies. In other words, the stagnation of the poverty reduction trend since 1984, and indeed the slowdown, indicates that the pattern of growth, and in particular increasing inequalities, has led to the continuation poverty. The reason is that with China's growing presence in global markets since the mid-1980s, foreign direct investment and exports have become the main drivers of growth. And since coastal areas were beneficial, they ignored the rural areas of the Chinese central area, especially the mountainous areas and some of the urban areas.

Of course, by the year 2000, China had not just targeted income poverty but tried to improve the main asset of poor such as with an approach to human poverty and a strategy in this regard. In other words, in 1996 the Chinese government's concerns were mainly about 16 percent of illiterate adults, and in the early 1990s, about 14 percent of children were underweight and 22 percent were women with anemia. According Chinese government's statistics office, 20% of 170,000

villages in China did not have access to the road, 8% were deprived of electricity, two-thirds of the villages did not have telecommunication facilities and plumbing, 14% were deprived of elementary school and 25% of villages have not health doctor (Management and Planning Organization of Iran, 2000).



CHAPTER 3

POVERTY REDUCTION POLICIES IN IRAN

For long, socio-economic planners believed that poverty reduction programs will only be effective and sustained in the context of development plans. Furthermore, in this context, increasing justice and reducing poverty have been always targets of many developmental approaches. Prosperity is considered as a product of development in many cases. For this reason, benefiting poor people from sustainable development outcomes is an important indicator. In addition, numerous experiences suggest that if poverty reduction programs are not codified and implemented in the context of development plans they will quickly conflict with development programs and will be eliminated once priority is given to growth indicators at the expense of poverty reduction programs. Iran also considers all poverty reduction policies in the frame of developments plan.

This chapter first examines anti-poverty measures in the pre-revolutionary development programs with a quick overview to move later on to the scrutiny of post-revolution development plans thoroughly.

3.1. PRE-REVOLUTION DEVELOPMENT PROGRAMS (1949-1979)

In 1949, Planning and Budget Organization started to run as a main organization of planning development system. Since 1949, social welfare policies and programs and poverty reduction were considered in the framework of the national planning system.

3.1.1. First to third Development Programs (1949-1967)

First Development Plans (1949-1955), the Second (1956-1962) and the Third (1963-1967) took into account a specific heading for programs to combat poverty and improve social welfare and also in some cases to improve the living conditions and general well-being of people. And the third goal of the first seven

years of the program was "improving public health, level of information and people live." However, as the text of mentioned objectives in three, poverty reduction is not the direct objective of three development programs, but efforts to increase and improve some indicators in the field of health and education which are necessary for reducing poverty and inequality (Sadeghi, H. & Ghanbari, A., 2009).

3.1.2. Fourth Development Program (1968-1972)

In the fourth Development Program, "fair income distribution" was considered for the first time. This indicate that the issue of poverty and inequality gradually became noticeable and emphasized by the planning system (Sadeghi, H. & Ghanbari, A., 2009). The authors of the Fourth Program were somewhat influenced by the developmental texts of that period especially structuralisms, and therefore they revised their economic growth based development, (although economic concept of development was dominant in their thinking (Madani, The Necessity of Combating Poverty and Inequality in Iran, 2015).

3.1.3. Fifth Development Program (1973-1977)

The fifth program was approved in January 1973, but it was revised following rising oil prices in 1974 and reapproved in February, 1975. Compared to the four previous programs, the fifth program focused on the subsistence, well-being, poverty and inequality of the people. Five of predicted seven goals were objectives of promoting the quality of all groups lives:

- Maintaining a rapid, balanced and continuous economic growth with minimal price increases
- The fair income distribution and spread of social, economic, political and cultural justice;
- Providing productive employment in all regions of the country and improving and increasing human resources supply;
- Restoring, maintaining and improving the environment and enhancing quality of society life, especially in densely populated areas (Sadeghi, H. & Ghanbari, A., 2009).

Respectively, one of the important policies of the fifth development program was welfare and raising the living standards of lower classes. Hence, in this program fair income distribution was selected as a goal for first time. Broadly, the fifth program was influenced by the welfare approaches of the time period (such as provision of basic needs). Also International Labor Organization had recommended the approach (Bahrain, 1999). In the fifth program, employment and wages were considered as an important element of designing social policy in order to provide the possibility of offering minimum subsistence for low incomes (Sadeghi et al., 2009).

3.2. POST-REVOLUTION DEVELOPMENT PROGRAMS (1989-2015)

After the Islamic Revolution in 1979, occurred some changes in welfare and social security system which were as follows:

- Some of previous organizations such as Imperial Services Agency were dissolved;
- Some of previous organizations such as Welfare Organization, merged with other several organizations and institutions and became a new organization;
- Founded some new organizations including 15-Khordad Foundation, Imam Relief Committee and Mostazafan Foundation (Madani, Poverty in Iran, 2006).

3.2.1. Unplanned Years (1979-1988)

After Islamic revolution of Iran political instability emerged. The back-then government was not in a position to advance any framework to regulate economic mechanisms. But during 1979-1987, after transferring power from the Pahlavi regime to the Islamic Republic, important economic activities were carried out and led to income distribution and establishment of new vision and relations between politics and economics. Widespread confiscations, nationalization of banks, presence of large private companies and industries, and the replacement of inexperienced or less experienced managers created an uncontrollable situation. Agricultural land division policies, dissolution of a significant part of the agro-industry complex, also a major effort to build or restore

rural roads, supply agricultural institutions at subsidized prices and guarantee purchases, extremely changed rural regions. In that period, the breakout of the Iran-Iraq war had a negative impact on the socio-economic structure of Iran. In addition, war inevitably devoured a significant part of the country's resources which was to be spent on investment and increasing job opportunities. Destruction of infrastructure, massive migration from war zones to central provinces and involvement of a significant portion of human recourse into war can be added to the list. According to Hadi Zonooz, at the same time, the demographic policies and the encouragement of fertility also are contradicted to declining trend of economic resources and had three major losses:

1. Poor household's subsistence rate and per capita income decreased;
2. Government spending on health services and subsidies increased;
3. The young population has been delayed to enter labor market for two decades.

Regardless of the political and economic conditions prevailing in this period, international situation also was not very favorable. Extensive international sanctions and limited access to global markets hindered foreign investment attraction, technology transfer and created barriers to scientific and technical cooperation while worsening the country's economic management, especially in the area of poverty and inequality (Hadi Zonooz, 2009).

Verily, studies about magnitude of poverty and population below the poverty line after the revolution and before the start of the first program are limited. However, some of the available literature is mentioned in this section.

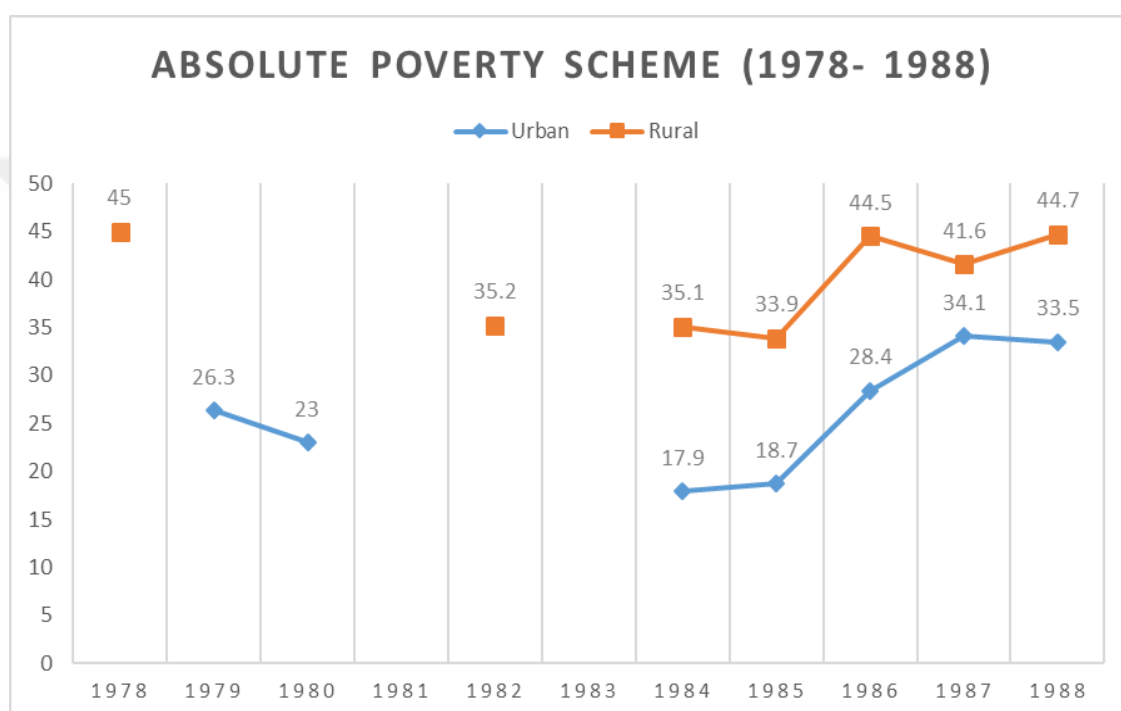
According to a study Khodadad-Kashi (2005), extreme food poverty rate based on two bases of 2179 kcal and 2300 kcal per day during 1984-1988 in urban areas was an average of about 64.02% per year and in rural areas has grown by 72.8 and 89.6 respectively which significantly higher than the annual rate of inflation, which means that in both urban and rural areas, poor population has increased on the basis of the extreme poverty line (Khodadad Kashi, F. & Bagheri, F., 2005).

However, government faced serious problems because of war, including inflation, a sharp decline in oil revenues and a serious recession of production

process in the 1980s. Consequently, it had to revise the income distribution policies (Asadzadeh, A. and Paul, S., 2004).

According to Salehi's estimations, from revolution until the end of the war (1978-1988), rural poverty rate was not significantly reduced but urban poverty rate increased later on. Graph 3-1 shows population below absolute poverty line (Salehi-Isfahani, 2006) during the aforementioned period of time.

Figure 1, Population below absolute poverty line



(Salehi-Isfahani, 2006)

In one of the Management and Planning Organization's published reports (2003) some of the key indicators of poverty and inequality during 1984 to 1989 are outlined as can be seen in 3-1 table.

Table 2: Average of poverty and inequality index (1984-89)

Column1	Column2	Column3	Column4	Column5	Column6
	Gini	Decile 1	Decile 2	Relative	Absolute
Urban		19.4	10	21.48	15.13
Rural		21.23	10.35	32.15	23.77
Overall	0.446	22.74	11.51		

Management and Planning Organization of Iran, 2003

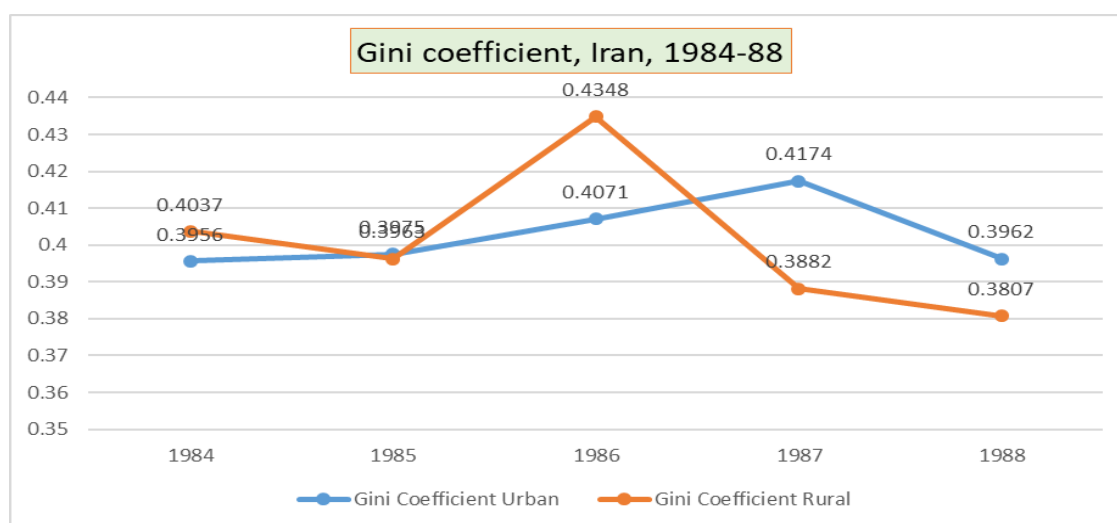
The above-mentioned report highlights the fact that high rate of population below absolute poverty line in rural versus urban during 1984-1989 is consistent with the results of most similar studies.

However, World Bank's study which covers period 1986-1998 and which is calculated in terms of population below the poverty line (World Bank, 2011), shows that in 1986, about 27.3% of Iran's people were poor, which was reported for urban 20.9% and rural 34.9%. These estimations are more than population below the poverty line in compare with MPO of Iran. An important point is the lowering of the World Bank's benchmark for determining the poverty line compared to the study of the Higher Institute of Research.

At this level, it is worth remembering that Gini index is also important to study inequality during post-revolution and the start of first development. According to Babakhani et al. (2012), the Gini coefficient ranged from 0.3993 to 0.3967 between 1984-88 which means that there was not a significant change in income distribution between 1984-1988. (Babakhani, M. and Ghasemi, R. and rafei, H. and Raghfar, H. and Biglarian, A., 2012).

Hosseini and Ghaffari (2012) have estimated some indicators of poverty and inequality for years 1984-88, Gini index is presented in 3-2 Graph (Hooseini, M. and Ghaffari, H., 2012).

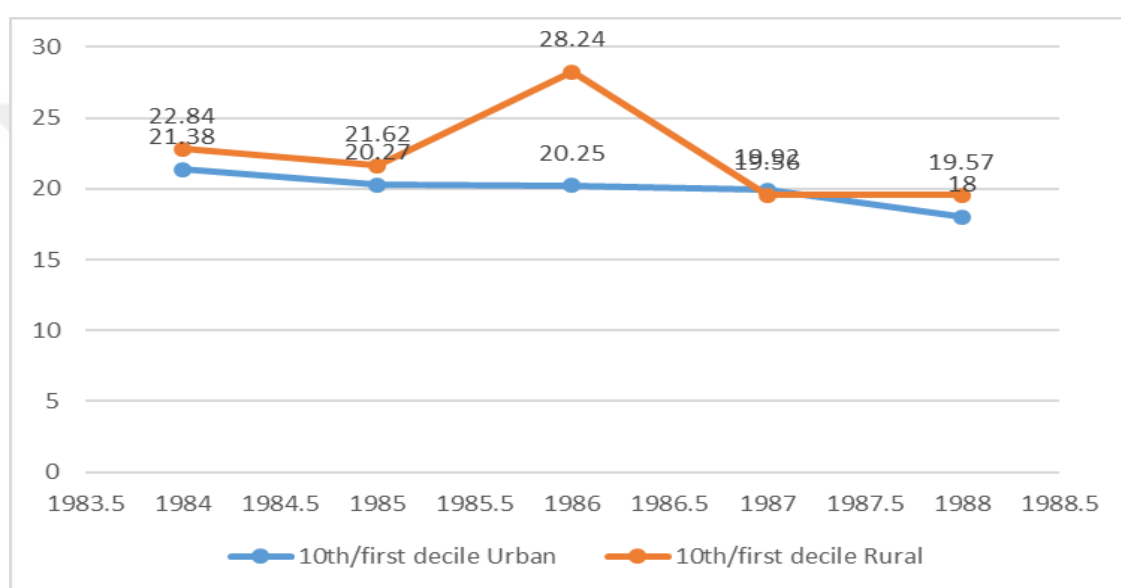
Figure 2: Gini Coefficient, 1984-88



Hooseini & Ghaffari, 2006

According to this study, 1984 to 1988, Gini coefficient have not made a remarkable change for urban, but for rural areas raised from 0.4037 to 0.3807 during 1984-88. Although it is significant inequality, but is also shown relative improving. Hosseini and Ghaffari have also calculated some other indicators of inequality, such as Tile index and decile tenth-to-first ratio in which 10th decile/1th decile for urban areas ranged from 21.28 in 1984 to 18 in 1988 and for rural have increased from 22.84 to 19.57 which indicates reduction trend inequality in study years (3-3 Graph).

Figure 3: Decile Ratio, Iran, 84-88

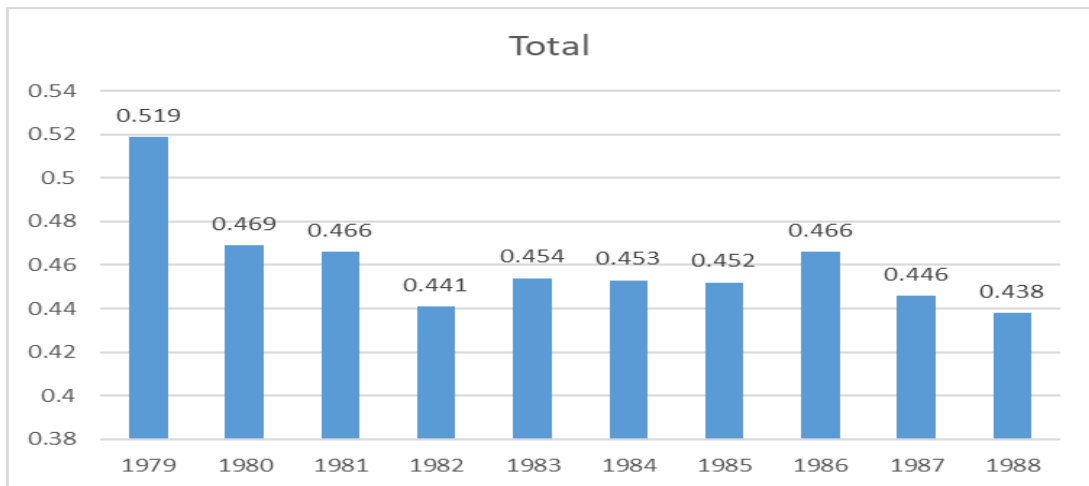


Hosseini & Ghaffari, 2006

Statistical Center of Iran (2013)²¹ also calculated these two indicators, Gini coefficient and the tenth to first decile ratio. Accordingly, total Gini coefficient from 0.4746 reached 0.519 in 1979 but after that, because of government's distributive policies, indicators were somewhat stabilized and even decreased. Graph 3-4 shows inequality indicators between 1979 and 1988 and the beginning of the first development plan.

²¹ https://www.amar.org.ir/Portals/0/Files/reports/g_jini_80-91.pdf

Figure 4 Total Gini Coefficient, Iran, 179-88



Statistical Center of Iran, 2013

Despite ambiguities in the status of poverty and inequality indicators before running first development program, Asadzadeh and Pal (2001) confirmed the mentioned study so that between 1982 and 1992, income inequality in rural and urban has diminished simultaneously increasing poverty.

According to Statistical Center of Iran (2013), the important indicator of the ratio of the income share of the top-down decile has significantly decreased in the three groups of urban, rural and total population during the years 1979 to 1988. Particularly, the trend towards improving the income gap in rural area is more dramatic and has risen from 28 times in 1979 to 67.19 in 1988 which is important in the wake of war and other political and economic crises.

Nevertheless, Hadi Zonooz (2009) believes: "In the post-revolution period, government by giving priority to income distribution and ignoring the priority of economic growth, improved the housing, health, treatment and education of poor people, However, due to inefficient allocation of resources, economy suffered heavy losses (Hadi Zonooz, 2009)."

3.2.2. First Development Program (1989-1994)

In 1988, after a long period of struggle in the country's executive system on the subject of planning for development, resumption of development planning was finally prepared and the title of these programs changed from the construction

plan to the development plan. The Law on Economic, Social and Cultural Development of the Islamic Republic of Iran is referred to as the mantle Program which is set up through the government for five-year period and is approved by the Islamic parliament of Iran.

The first economic, social, and cultural development program was prepared and drafted along with identifying its objectives, policies, strategies and developmental plans. The plan was prepared in a time when the country finished eight-year war what negatively affected both society and economy especially macroeconomics and social development indicators.

Naturally, these conditions affected the household and community welfare and relative poverty rate increased. Accordingly, first development plan, with the axis of economic development and GDP growth took place. It relied on efficiency and efficient using of unused and semi-finished capacities to provide service sector with the priority of higher education, health care, Well-being and social security. Thus, the share of resources allocated from public budget to social sectors increased from about 32.8 percent in 1988 to 45.7 percent in 1993. Reviewing major goals of first development program shows that these goals were, in fact, unclear because of their ideological and non-operational nature, that it was impossible to clarify their specific approach to poverty reduction programs and social welfare improvements. However, program's objectives which were partly related to poverty reduction and social welfare improvements as following:

- Goal 3: expanding quantitative and improving quality of public culture, education and science and technology with particular attention to the younger generation;
- Goal 5: Striving for Islamic Social Justice;
- Goal 6: Providing minimum basic needs of people;
- Goal 7: Determine and modify consumption pattern in order to determine human and social needs to preserve human dignity and liberty;

Accordingly, majority of these goals can be considered close to social welfare programs. But these goals were not based on a comprehensive social welfare theory, and there was basically no link between program and goals. Thus, the

first serious disadvantage program was the lack of a certain attitude or approach to social welfare and welfare programs and reduction of poverty (Madani, The Necessity of Combating Poverty and Inequality in Iran, 2015).

3.2.2.1. Extreme Poverty in First Program

Extreme poverty has been studied in first years of first program. Khodadad Kashi et al. (2005) estimated poverty line for per day needs 2179 and 2300 kcal and showed that during 1989 to 1994 urban poverty line based on 2179 kcal / month per person was from 20455 Rials to 63355 Rials and based on 2300 kcal from 21572 Rials to 75984 Rials, that is expected to increase extreme poverty due to increase these two indicators.

On the other hand, Torkamani's (1996) calculated in his article "extreme poverty in Iran" through the patterns of food and its changes from 1992 to 1994. He shows that share of bread in household food basket as a cheap alternative has increased due to deteriorating income situation of Iranian families. In this study, he concludes that 55 percent of the urban community and 65 percent of the rural population were under poverty line by 1994 (by taking into account share of food subsidies and nutritional standard).

Accordingly, at the end of the first development plan, not only a significant population of the country was below the poverty line, but also food quality fell, and Iranian people provided cheaper food in order to compensate purchasing power reduction due to high food inflation (Torkamani, 1996 cited in Madani, 2015).

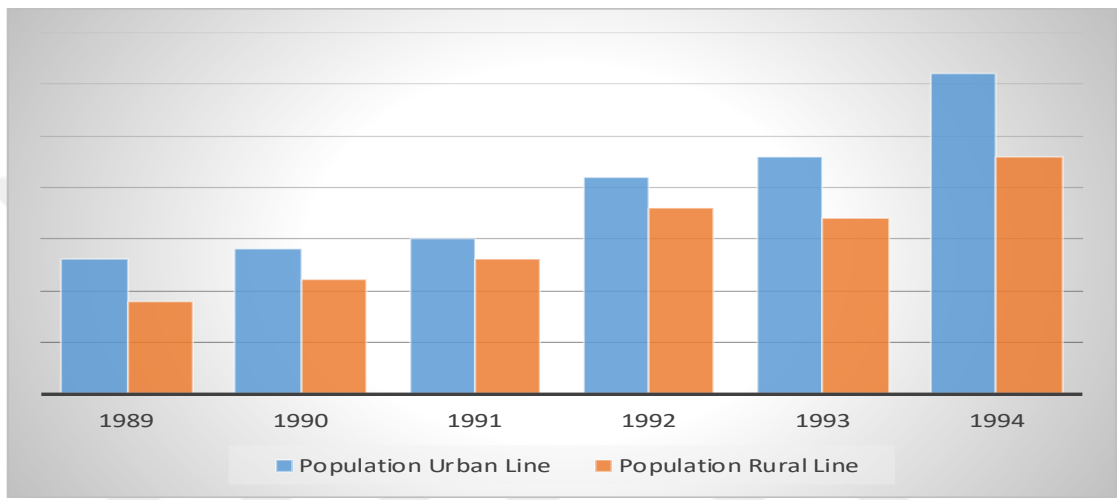
3.2.2.2. Absolute poverty in First Program

Researchers have put much efforts on assessing absolute poverty in rural areas and throughout the country while neglecting to an extent the study of extreme poverty.

Raghfar argues that population below absolute poverty line both in urban areas and in rural areas decreased during the period from 1989 to 1991. But this indicator sharply increased to the maximum in 1992, later on, index of population below poverty line for urban and rural has been decreased during 1992 to 1998. Raghfar estimated population under absolute poverty line (nutritional need equal

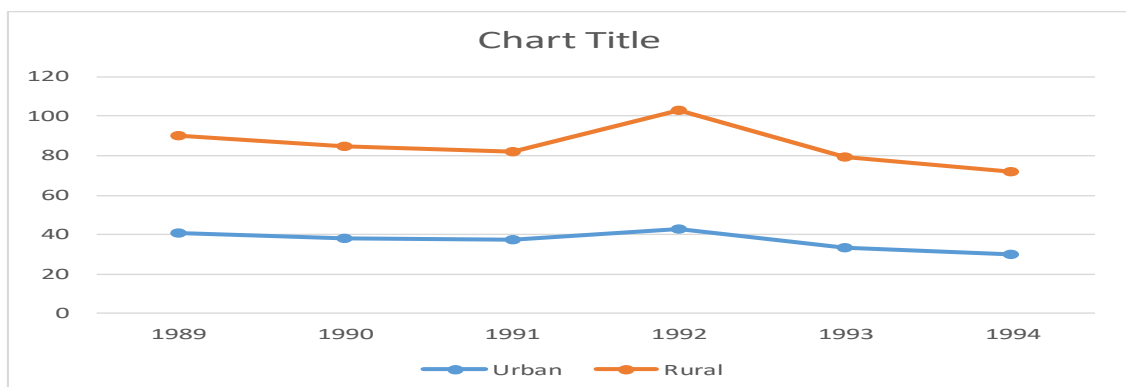
to 2000 kilocalories per day), respectively, 41% and 49%, respectively on August, 1989. This index reaches maximum in urban and rural areas in 1992, equivalent to 43% in the urban and 60% in rural. But again, it goes down in last year for first program (1994) for urban about 30% and for rural 42% of the population (Raghfar, 2007 cited in Madani, 2015).

Figure 5: Poverty Line Scheme by Urban and Rural Areas in the First Development Plan (1989-1994).



Raghfar, 2007

Figure 6: Absolute Poverty Scheme by Urban and Rural Areas in the First Development Plan (1989-1994).

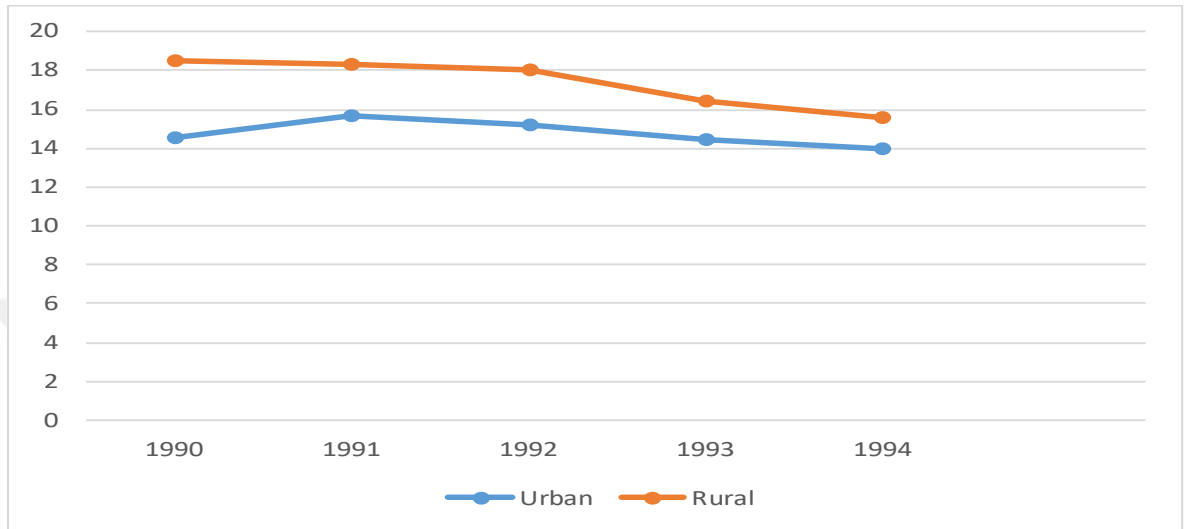


Raghfar, 2007

Suri (1998) also confirms decreasing indicators in both urban and rural areas during the first year of implementation. Yet, he estimated population below poverty line less than Raghfar's estimate at 1990 for urban and it was 14.5% fell to 14% in 1994. Thus, according to Suri's estimates, the population below the poverty line rate during the first years of program did not change significantly

what had given the population growth trend in these years. It can be concluded that based on his calculations, absolute number of population below absolute poverty line Increased (Suri, Poverty, Inequality and Growth in Iran, 1998).

Figure 7: Poverty census broken down by urban and rural areas in first program

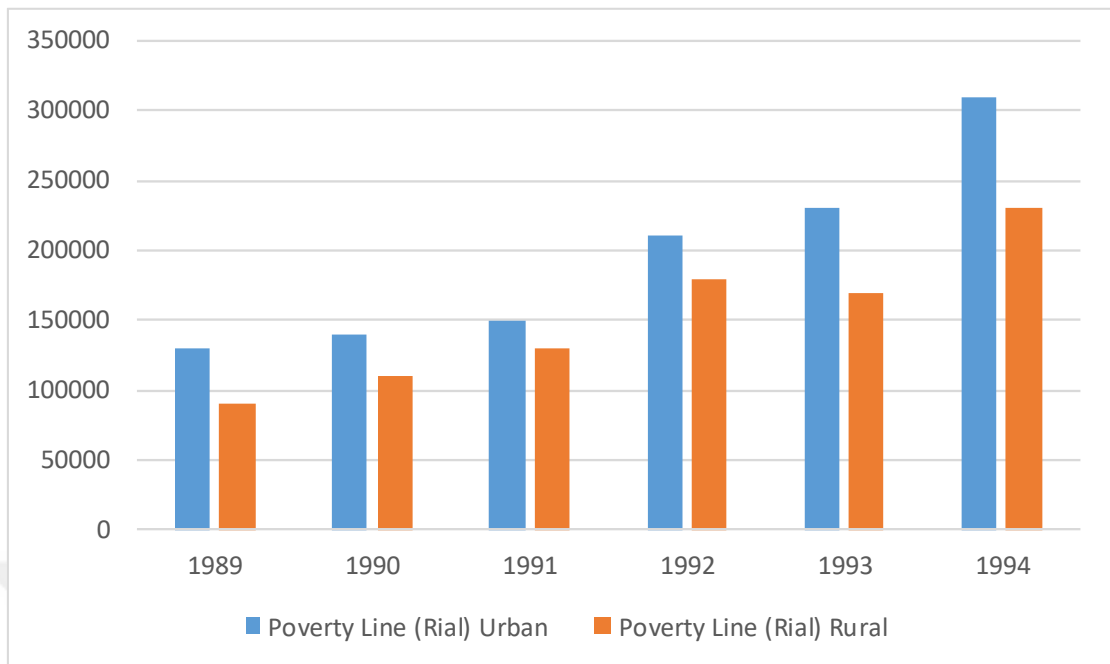


Suri, 1998

Suri (2001), in his *"Poverty and macroeconomic policies"*, showed that general poverty level has remained stable over the period from 1988 to 1991 and decreased during 1991 to 1993 and increased again in the period of 1993-1995 and remained stable in 1996 at the level of 1995 (Suri, Poverty and Macroeconomical Policies, 2001).

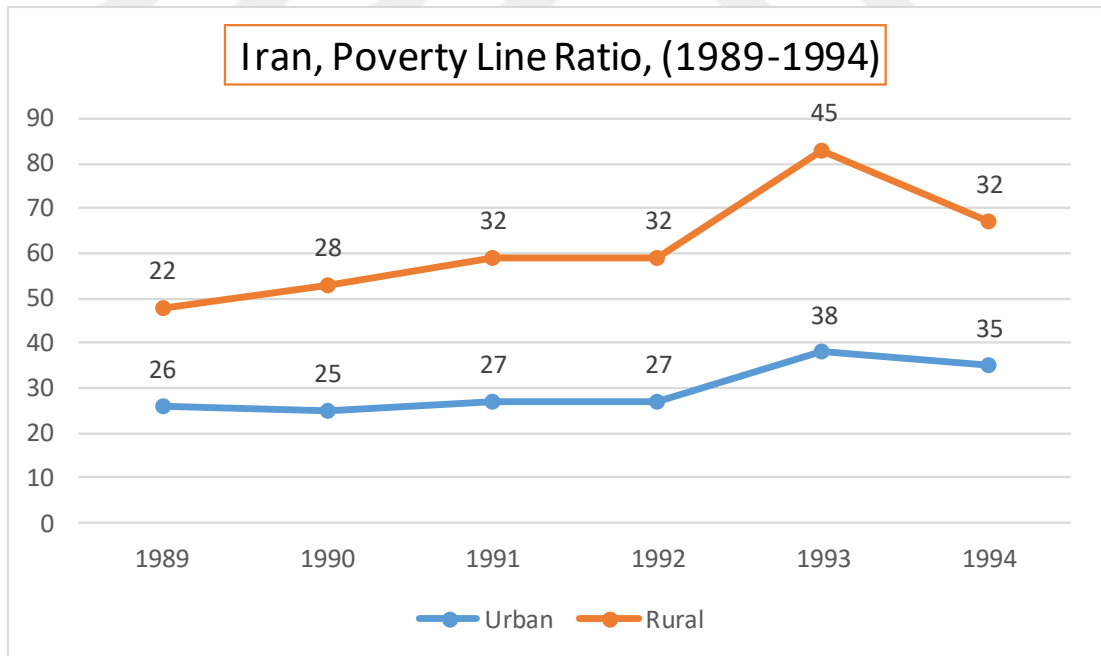
Yazdanpanah (2010) calculated absolute poverty line based on the daily requirement 2000 kcal and using Foster-Greer-Thornback index for five-person household, and also proportion of population below the poverty line during the first year of implementation of the first development plan. Whose results are presented in Table 3-8 and 3-9. Based on the results of this study, during the first years of development, population below the poverty line ratio for rural and urban has been increased (Yazdanpanah, M. and Raghfar, H., 2009).

Figure 8: Poverty Line, (1989-1994)



Yazdanpanah, 2010

Figure 9: Poverty Line ratio, (1989-1994)

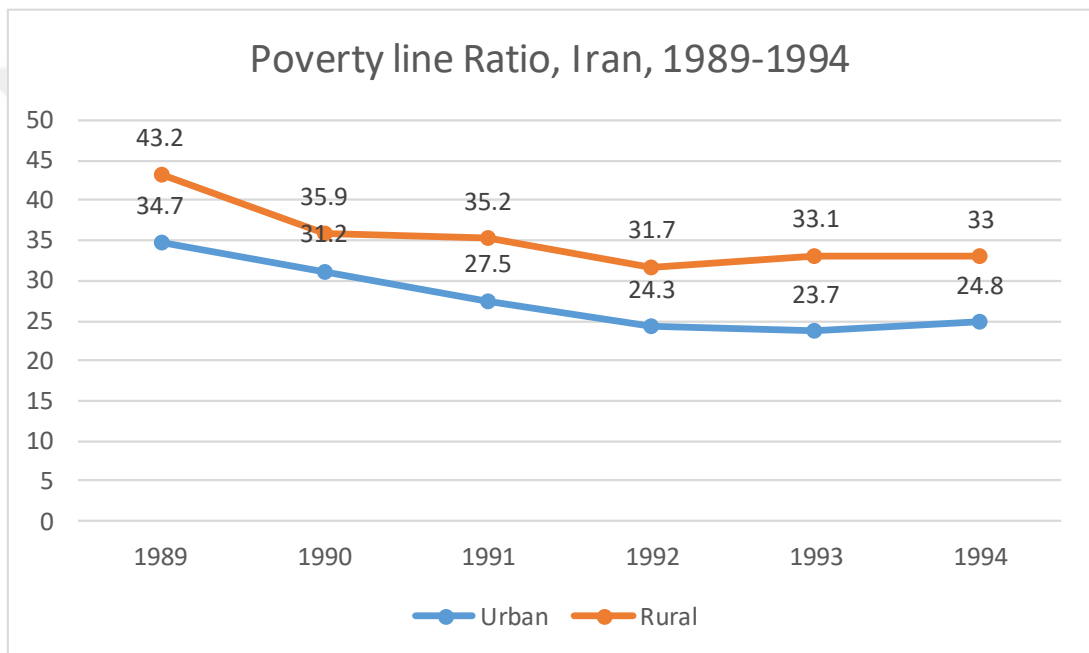


Yazdanpanah, 2010

Salehi-Isfahani (2006) calculates population ratio below absolute poverty line during the first years of development. He emphasizes that after war in 1988, government reduced role and turning to the free market. Consequently, began

negotiations with International Monetary Fund and the World Bank to introduce its first development program of foreign trade and the privatization of economy. Liberalize policies of foreign trade, privatization, social justice and basic human needs providing were among the goals that were considered in the first development program. However, the results differed from what was expected. Graph 3-10 shows population ratio below poverty line during first years based on the results of Salehi's study.

Figure 10: Absolute Poverty Ratio, Iran (1989-1994)

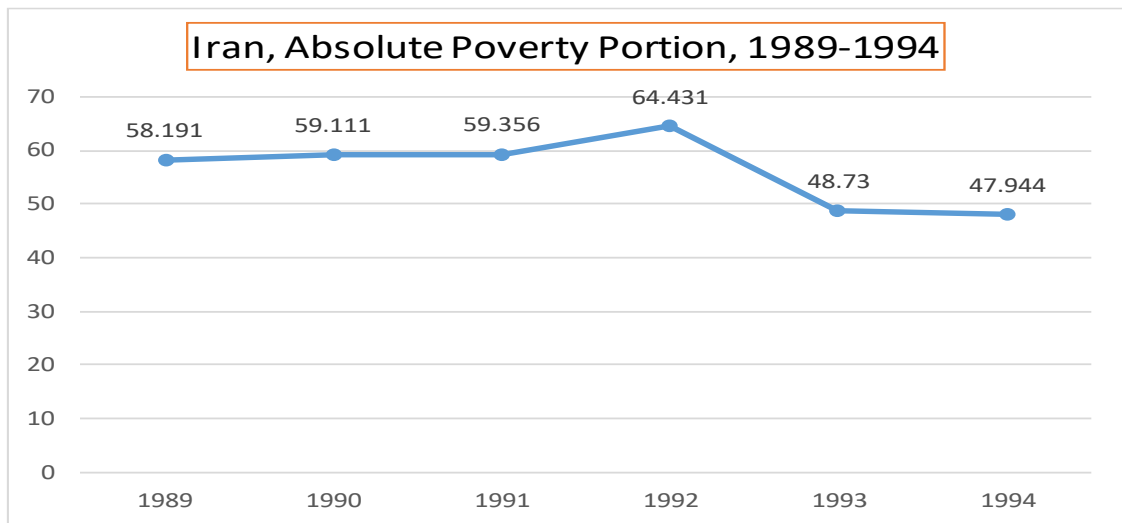


Salehi-Isfahani (2006)

Salehi-Isfahani (2006) study indicates also a declining population Ratio below absolute poverty line during the first years of implementation, although based on his findings, in last year of first development program (1994), about a quarter of population and one-third of rural population was under absolute poverty line, which is significant (Salehi-Isfahani, 2006).

Babakhani (2012) et al. reported that proportion of the population below the absolute poverty line during the first years of development (1989-1994), as presented in Graph. 3-11.

Figure 11: Absolute Poverty Ratio, Iran (1989-1994)



Babakhani, 2012

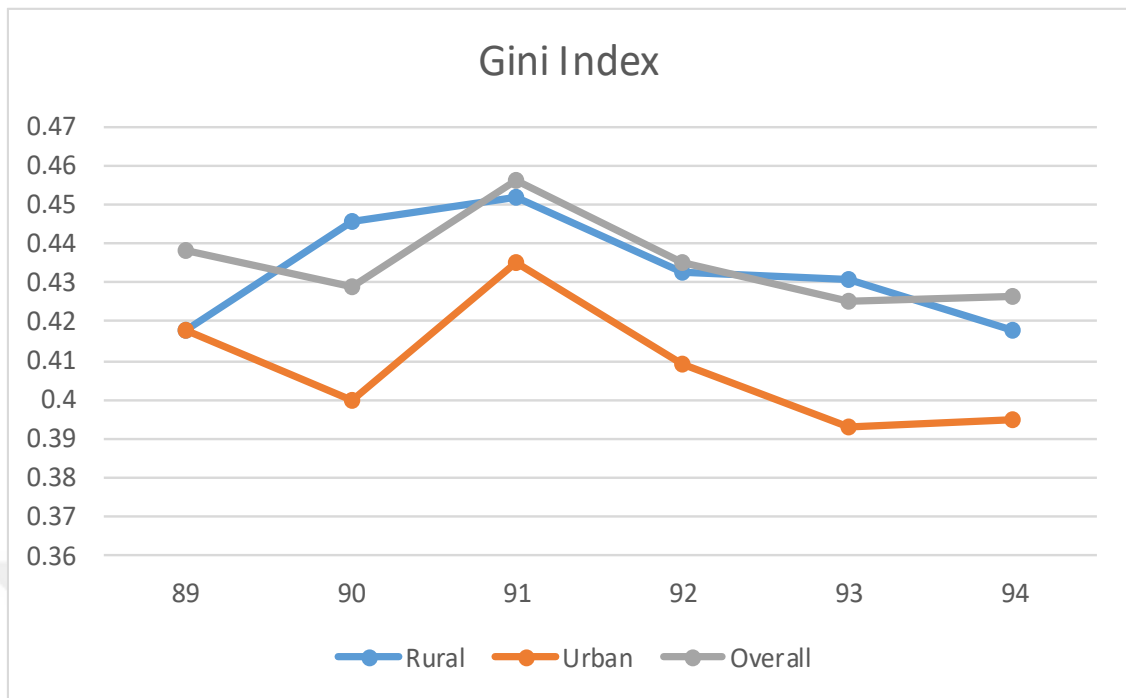
According to the study, Babakhani calculated the absolute poverty line using the Foster-Greer-Thornback method. The poverty census for the whole country between 1989 and 1994 were estimated to be 191.58 to 944.47 percent, respectively. His arrangement also confirms the declining trend of the index during the first years of implementation despite the high estimate of the proportion of the population below the poverty line.

3.2.2.3. Relative Poverty and Inequality Indexes

Some of the inequality indicators²² during the first years of implementation of the first development plan (1989-1994) suggests a downturn in the rate of these indicators. But anyway, the changes are very limited and show signs of structural inequality. Graph. 3-12 and Graph. 3-13 shows these indices (Statistical Center of Iran).

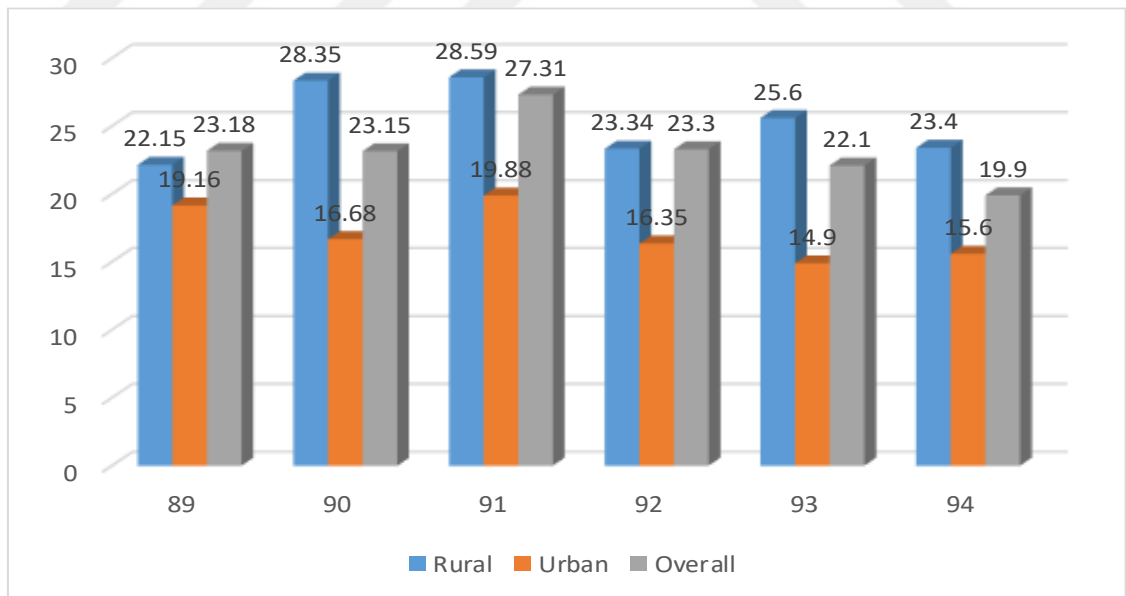
²² <https://www.amar.org.ir/Portals/0/Files/reports/tozie%20daramad-76-86-web.pdf>

Figure 12: Gini Index (89-94)



Statistical Center of IRAN

Figure 13: Upper Decile to Lower Decile Ratio



Statistical Center of IRAN

According to Graphs 3-12 and 3-13, have increased in rural areas during First Development program running but for urban and throughout country inequality

indexes have decreased. For example, ratio of upper decile to lower has dropped from 23.18 in 1989 to 19.9 in 1994 what indicates a relatively positive trend.

The Management and Planning Organization of Iran reported in 2003 that some of the indicators of poverty and inequality during the first years of implementation of the program except last year (1993-1996), as presented in Table. 3-14.

Table 3: Average of some inequality and poverty indexes (1989-1993)

Region	Gini Coefficient	Decile Retio (up/low)	Below Relative Pov. Ratio	Below Absolute Pov. Ratio
Urban	0.42	18.76	19.97	15.08
Rural	0.437	26.04	33.37	25.7
Whole	0.443	25.09		

The Management and Planning Organization of Iran, 2003

General Assessment of First Development Program

Nilli (1997) argues that Iranian society had witnessed a significant decline in poverty during the first development plan (1989-1994). This, however, has not been confirmed by other studies. He defined relative poverty line as equal to half of median income distribution of the community and showed that 17% of urban households and 15% of rural households were below the relative poverty line at first the year after development plan (1994). He points out that lower percentage in rural areas is due to a more balanced distribution of rural incomes and should not be considered to be a higher income level in rural areas (Nili, 1997).

Contrary to Nilli's conclusion, Hadi Zonooz (2005)²³ believes that in the first program (1989-1994), Hashemi's government invested huge amount for rebuilding war devastation and developed physical infrastructures. Government provided reconstruction's finance recourses partly from depreciation of the Rial and huge budget deficits. These policies caused extreme inflation and triggered external debt crisis. Inflation which continued at a high rate during the period from

²³ http://refahj.uswr.ac.ir/browse.php?a_id=2118&sid=1&slc_lang=en

1988 to 1999, affected income distribution badly in which poor people were defenseless and vulnerable (Hadi zenooz, 2005).

Fatehi (1996), in his examination of the causes of poverty in economy of Iran, tried to provide an interdisciplinary assessment of poverty in the end of the first program. He points to increasing inflation, economic downturn, and unemployment that it was at the end of the first year as a source of poverty. "In the Iranian economy, poverty became a serious issue for two reasons: a strong growth in demand (due to population growth) and another its inflationary structure" (Fatehi, 1996).

The evaluation of macroeconomic variables in the first program suggests that the goals and policies that have been foreseen were **relatively** implemented. A significant part of the policies was not realized because of several failures. Among them:

- Failure to control inflation and continue to increase in the first years of program and also increased volume of liquidity in this period;
- Failure to reform the public subsidies system and failure to use less prosperous people from government policies and subsidies.

The first program achievements in terms of macroeconomic and social objectives, and improving level of household well-being and deprivation, was as follows:

- Social sectors (health and education, social security and welfare), as well as housing and rehabilitation of affected areas and units, both of resource allocation and demographic coverage, are developed.
- Special attention was paid to the development of deprived areas;
- The policy of determining and enforcing guaranteed prices of agricultural and livestock products was seriously implemented which preserved relative purchasing power of farmers and reduced impact of inflation in rural society;
- In order to reduce consumer subsidies, direct and indirect subsidized goods of government decreased, and through modifying methods and

mechanisms of pricing, it was possible to clarify the hidden subsidies and benefiting groups from it (Madani, S. 2015).

3.2.3. Second Development Program (1995-1999)

This program, like the first one, focused on economic liberalization and privatization approach. Its most important target was sustainable economic growth. Some of the major objectives of the Second Plan were related to poverty and social welfare, including:

- Trying to realize social justice;
- Promoting quantitative and qualitative public culture based on Islamic ethics;
- Guiding youth and push to participate to cultural, social, political and economic scenes;
- Strengthening public participation;
- Striving for full rule of law and the maintaining civilian population security (Madani, Strategies For Reducing Social Damage in the First and Second Development Plans, 1998).

The failure to realize first program's goals, including failing to control inflation and not reforming subsidy system affected the second plan orientations to address vulnerable sectors to some extent. In this program, actions were taken in relation to poverty eradication (such as increasing productivity and sustainable economic growth and development with a focus on the agricultural sector) (Management and Planning Organization of Iran, 2000).

The second program, unlike the first plan, was more focused on social welfare. In spite of this, the logic of both first and second programs and the basic policies on which programs were drafted based on were almost identical and had some important weaknesses. As noted in the first assessment, there was no coherence in the second development program in the welfare and social welfare sector. Thus, the second development plan lacked any systematic approach to social welfare and poverty reduction programs (Madani, S. 2015).

Regarding control policies and programs, and poverty reduction and inequality, in the second development plan during 1995-99, a review of the results of studies that have evaluated the extent of poverty and inequality indicators during implementing years will be presented in the following section.

3.2.3.1. Extreme Poverty

Despite the claim that relative declining inequality occurred during second development plan, study of Management and Planning Organization of Iran (2005) show that about 13.46% of the population were under the poverty line in the first year of the program (1995), based on the poverty line index for income less than two dollars per day. In addition, based on the poverty line, 12.75 percent of the population was below the poverty line (Management and Planning Organization, 2005).

The World Bank (2003) with the Management and Poverty Planning Organization of Iran confirms that fifth of population was below poverty line:

In the year 1998:

Urban: equal to 14.2 percent

Rural areas equal to 7.31 percent

Although, population below the poverty line at the fourth year of the second development plan was reduced from 27.3 percent to 20.9 percent in compared with 1986. According to the World Bank's report in last years of the second program, the main features of poverty as following:

- Education level has a negative relationship with poverty, that is, with increasing levels of education, the poverty risk is reduced;
- Family population has direct relationship with poverty and if household population increase the probability of poverty is also increasing;
- head of household gender in rural areas has significant relationship with poverty and the probability of a poorer household in the female head of household is more than the male households;

- Unemployment is one of the most important factors in the poverty line, although a significant share of poor households has employed household head;
- Employment in the private sector has increased poverty risks line in comparison with the public sector;
- Poverty is sustainable and close to half of poor population stay always poor (World Bank: Middle East and North Africa, 2003).

Regardless of these results, Ahmad Akhavi's (1996) reviews show much unfavorable situation for 1995. He suggested that urban population below poverty line was calculated based on household food basket equal to 2500 calories in low quality (low cost) and high (expensive) food, which indicates that in the first case (cheap food basket Prices) were 36.5% of urban population, and in the latter case, 59.6% of the population was below the poverty line (Akhavi, 1996).

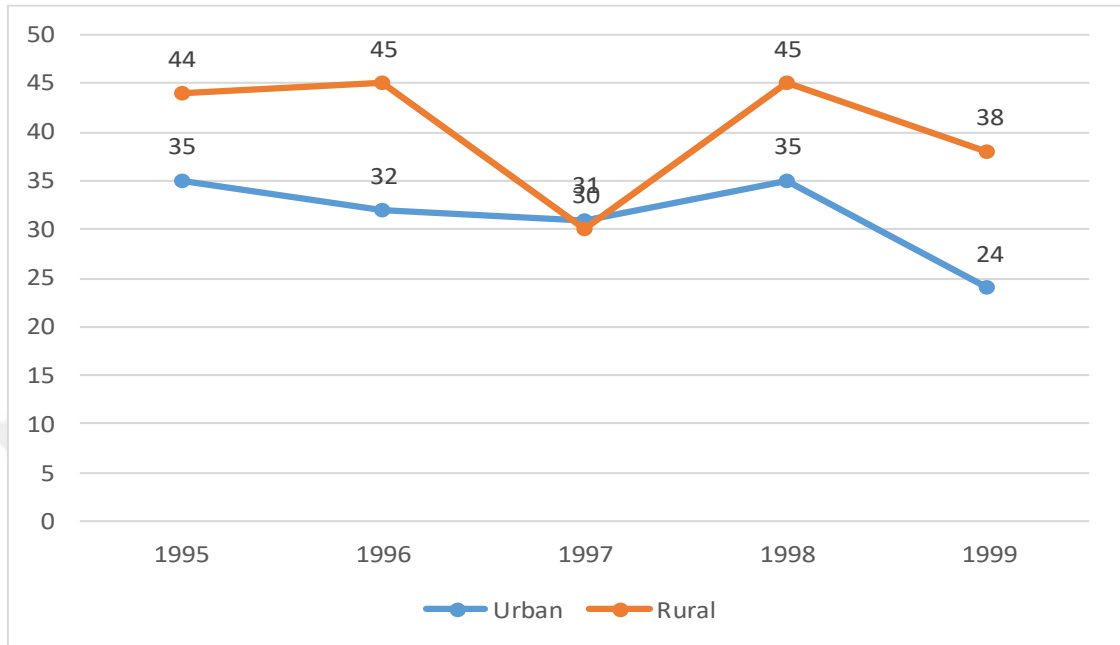
3.2.3.2. Absolute Poverty

The studies with interest in absolute poverty show that in the second development program there are two different categories of evaluation. Some researchers have reported that poverty index has been favorable in the second year of implementation. In other words, population below poverty line has fallen, on the contrary, another group of researchers has specified that this process is unfavorable or at least it has been constant, that is, population below the poverty line has grown or it has not been changed in some cases. The results of these studies will be discussed below.

According to Raghfar (2010) in the mid-term of the first development plan during 1992 until 1998, that is the end of second development plan, population index was below absolute poverty line, with exception of year 1988, when rural areas indicator decreased significantly. According to Raghfar, in 1995, population under absolute poverty line was 35% in urban areas and 44% in rural areas. However, Raghfar's estimates are lower than Akhavi's (1996) and more than Suri's. Raghfar estimates proportion of population below the poverty line at last year of program (1999) as 24% for urban and 38% for rural. He concludes that

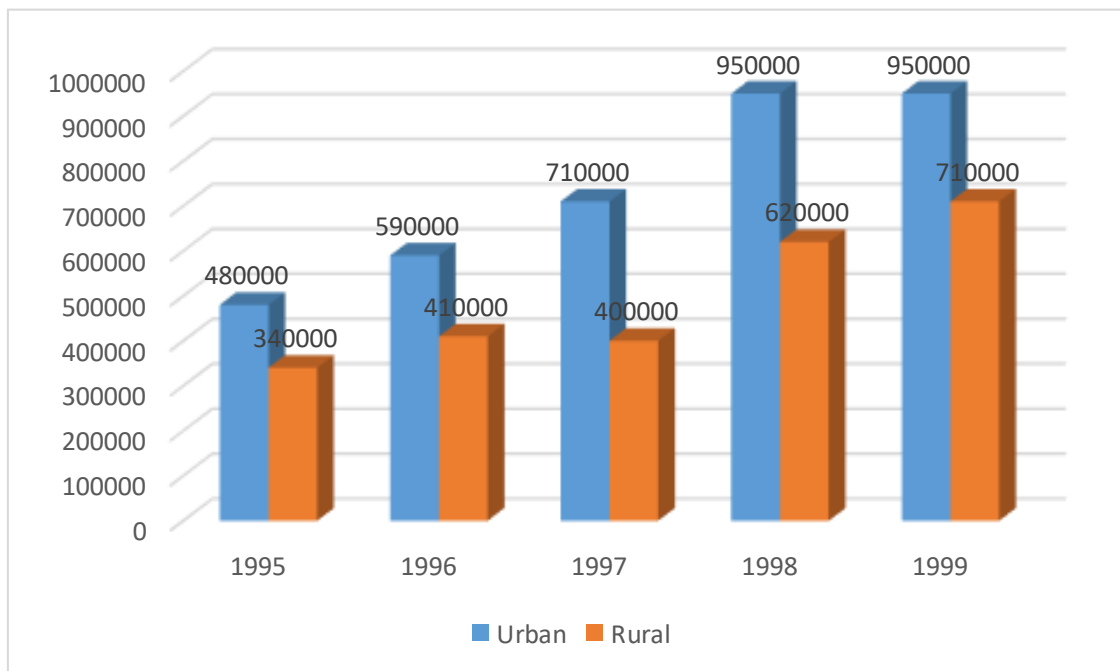
in any case, during the second program, poverty has been reduced (Raghfar, H. and Sanei, L., 2010).

Figure 14: Population Poverty Line Ratio, Second Program, 1995-99



Raghfar, 2010

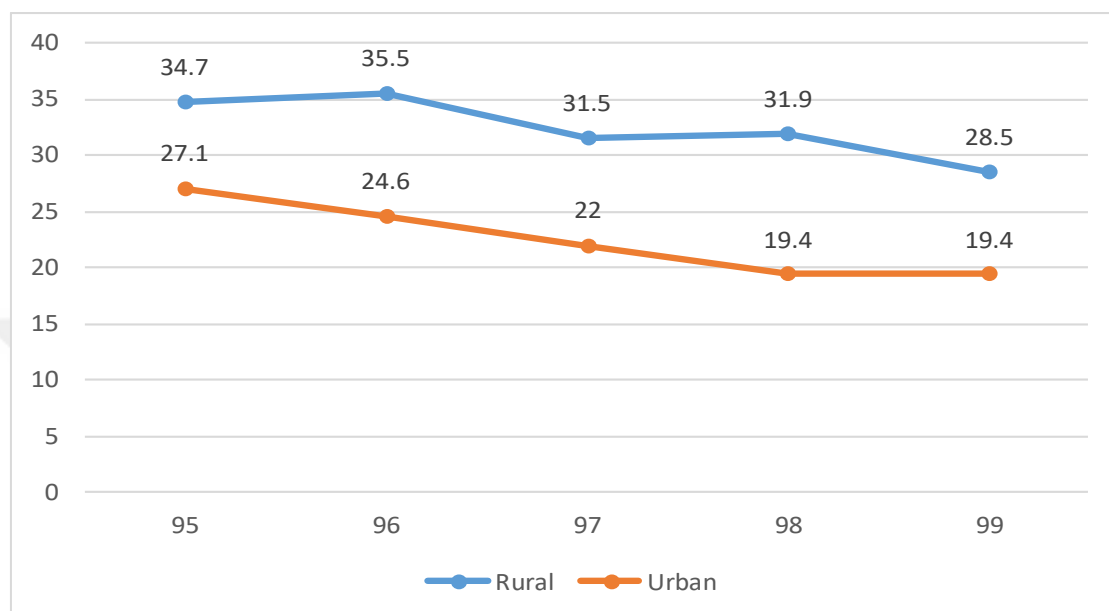
Figure 15: Poverty Headcount, Second Program, 1995-99



Raghfar, 2010

Salehi-Isfahani also calculated absolute poverty line and the proportion of population below the absolute poverty line based on the need for minimum food and non-food products during the implementation of the second development plan (Table 3-17), (Salehi-Isfahani, 2006).

Figure 16: Proportion of population below the absolute poverty line

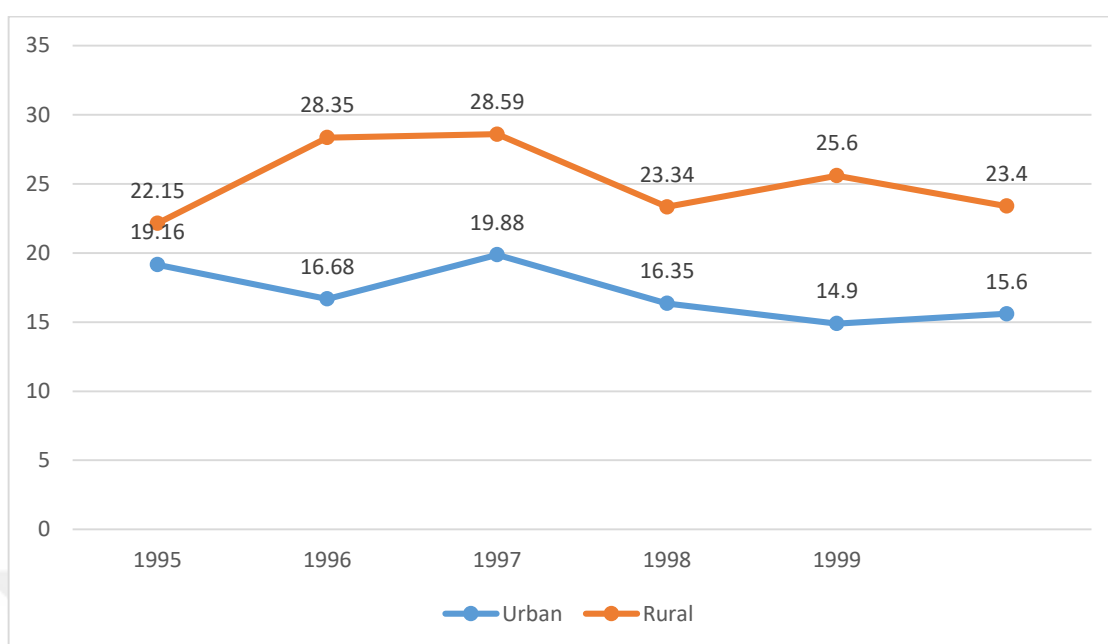


Salehi-Isfahani, 2006

Although there are many similarities between Salehi-Isfahani's and Raghfar's study of absolute poverty during second program, Raghfar has estimated different rates of population below poverty line in the final year. According to Salehi-Isfahani's report in 1999, the proportion of poor people in urban and rural areas was 17.4% and 28.5% respectively. Also, Babakhani's study can be add to these research in which the Foster-Greer-Thornback Poverty index dropped from 45.88% in the first year of second development program (1995) to 38.3% in last year of program (1999).

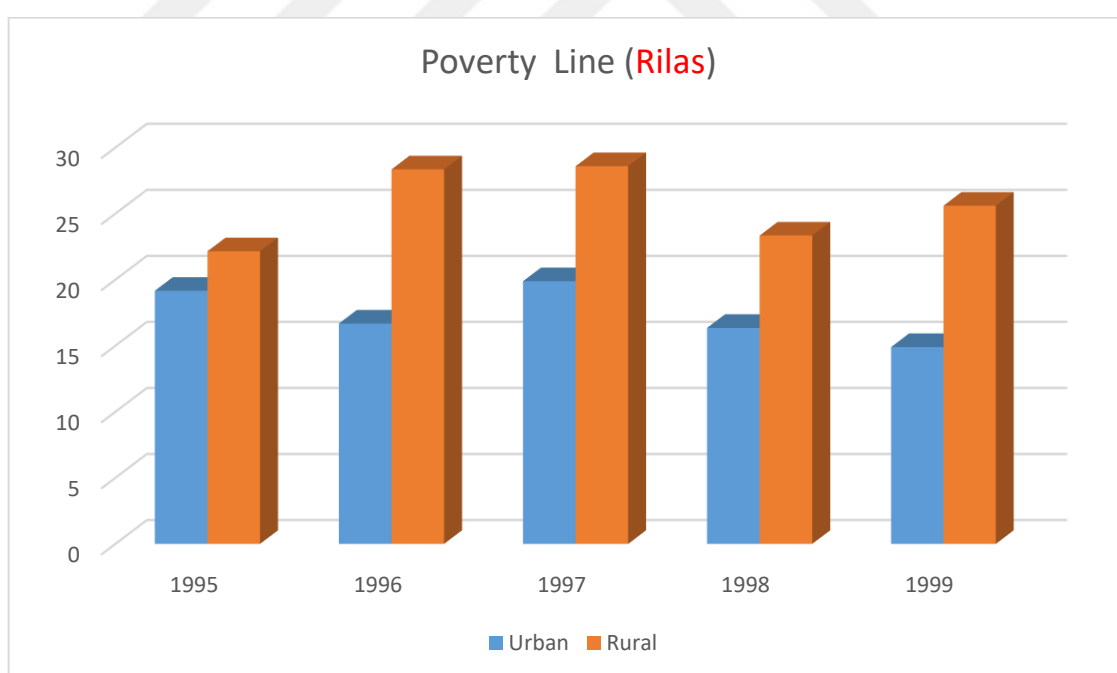
According to Yazdanpanah and others (2010), the annual average growth rate of absolute poverty line in the second year of program was 19.6% in urban and rural areas and 217% for rural, in addition, the poverty line in the last year of the program in comparison with the first year has increased and in cities it has risen from 36% to 47% and in rural areas from 46% to 64%. (Graph. 3-18 & Table. 3-19)

Figure 17: Proportion of Population Below Poverty Line, Iran, 1995-99



Yazdanpanah et al., 2010

Figure 18: Poverty Line, Second Program, 1995-99



Yazdanpanah et al., 2010

3.2.3.3. Relative poverty and Inequality

In a 2003 report²⁴ of Management and Planning Organization of Iran the average of some indicators of poverty and inequality during second program, plus the last year of the first program, is presented in Graph 3-20.

Table 4: Average of Some Indicators of Poverty and Inequality, 1994-99.

	Urban	Rural	Overall
Gini	0.379	0.429	0.426
Decile Ratio	14.49	21.21	20.05
Relative Poverty	18.59	32.22	
Absolute Poverty	11.6	23.39	

Management and Planning Organization of Iran, 2003

According to this report, average population under poverty line in urban and rural was estimated to be 11.6% and 39.22% which is much more optimistic than the estimates of other researchers and their findings presented in the previous section.

A review of some inequality indicators during implementation of the second development plan (1995 - 1999) shows that there has not been significant change in level of these indices during this period. For example, the Gini coefficient ranges from 0.4195 to 0.4003, Tile index from 0.2674 to 0.2542, and ratio of decile up/low from 20.54 to 20.72 in first year, compared to the last year has changed (Table 3-21).

Table 5: Inequality Indexes (1995-99)

Year	Gini Coefficient			Tile Index			Decile up/low Ratio		
	Rural	Urban	Whole	Rural	Urban	Whole	Rural	Urban	Whole
95	0.39	0.45	0.4195	0.2868	0.2527	0.2674	21.3	16.8	20.54
96	0.393	0.419	0.4457	0.2872	0.252	0.2665	20.5	15	20.22
97	0.393	0.412	0.4153	0.2781	0.2406	0.2502	23.8	14.8	20.42
98	0.413	0.409	0.4056	0.2766	0.2452	0.2674	20.54	15.1	20.6
99	0.397	0.406	0.4003	0.2683	0.245	0.2542	20.32	15.3	20.72

Statistic Center of Iran

²⁴<https://mpb.mporg.ir/Portal/View/Page.aspx?PageId=9d67a6d5-2165-4a93-8fd1-1e761cbda614>

The important point in Table 3-21 is relative reduction of all three indicators of inequality in urban areas during second program. In addition, the ratio of highest contribution to the lowest decile of urban incomes has changed significantly compared to the rural and whole country has risen from 16.6 times in 1995 to 15.20 in 1999.

The examination of the macroeconomic objectives of second development plan shows that average gross domestic product at constant price of 1982 was averagely increase 5.1% per annum. This resulted in an average growth of 3.2%. The annual average rate of investment growth and economic growth amounted to 13.3% and 7.4%. Additionally, despite annual average growth rate declining, liquidity reached to 25.1 and the average annual inflation rate remained at the same level for the first years. Income ratio of the rich to the poor in rural and urban areas reached 26 and 18.7 respectively due to the government's withdrawal from social protection policies and shift to price liberalization. The experience of this period reflects the fact that while paying attention to investment and production in order to build wealth for country is inevitable, wealth flowing without regard to social justice can be problematic and causes class divide and poverty. In practice, the second development plan faced problems such as the over-reduction of oil prices (especially in the final years), the external debt crisis and the inability to repay them (there was a need to save foreign exchange costs), instability in monetary policy and currency. Consequently, the government was forced to retreat from its initial goals and restore multi-currency exchange rate system. Also, the government re-established control of prices, imports, and applied contraction policy (Madani, S. 2015).

General Assessment of Second Development Program

During the first and second plans, government programs focused on adjustment policy. Some of the most basic principles of adjustment programs were removing subsidies, devaluation of the national currency, reduction of public sector employees, privatization, strengthening of the export sector, and facilitating attraction of foreign investment. The experience of moderating policy in many countries has shown that implementation of this program will have social consequences including the increase in poverty rates. Therefore, along with the

implementation of adjustment programs, welfare policies should be expanded and they should be considered seriously. To prevent the social consequences of these policies, IMF suggested two policies for countries to mitigate the negative social consequences of adjustment programs: (i) the establishment of a social safety net for disability people and the very poor (by allocating a portion of budget to them) (ii) Slowing down moderation and gradual adjustment (Madani, S. 2015).

Unfortunately, the first and second programs did not take necessary measures to compensate the effects of adjustment policies. Moreover, there was a lack of:

- Consideration of need for a change in the traditional structure of welfare and social welfare.
- Adequate strategy and program in the structure and activities of the sectors.

Preventive actions (that prevents the severe negative effects of adjustment, especially poverty and inequality) (Madani, S. 2015).

3.2.4. Third Development Program (2000-2004)

According to result of first and second development plan and their implications, state and economic structure tried to give wider opportunity to private sector and emphasize sustainable development in the third development plan. The third round of economic reforms included reforming foreign exchange and foreign trade system with emphasis on supporting non-oil exports and reducing economic dependency of oil in order to (1) improve private sector participation in all fields including banking, (2) strengthen and expand stock market, (3) formulate regulations and fundamental rules for organization of economy, (4) establish mechanisms to realize Social Justice (Management and Planning Organization of Iran, 2000).

In the third plan, and in accordance with the approach adopted by the Cabinet of Ministers, fighting against poverty and support for low-income groups was planned through the implementation of a comprehensive social security system. This support umbrella covered various types of poverty and, to some extent, identified target groups. Paying attention to the villagers and emphasizing the

continuation of subsidies was another approach which also aimed at preserving humans' dignity. Targeting subsidization policies by removing subsidies for affluent households, maintaining them for modest households, increasing subsidies for low-income and poor households, and adopting appropriate food and nutrition security policies was also among the other approaches of the Cabinet of Ministers in the third development plan.

The general approach adopted by the Third Program emphasized other aspects of poverty which are partly complementary to the Council of Ministers. In this regard, participation of ordinary people and non-governmental organizations was effective to deal with poverty-related factors and create an income database to reach an accurate identification of target groups.

Despite such attention to protect poor and the low income groups, legal provisions were not approved to meet expectations, and there were many problems with targeting subsidies and the maintenance of supportive system. For example, under Article 46, the government was obliged to provide subsidies for basic goods in accordance with the policy of the second plan for all.

In terms of executive action, discussing targeting energy subsidies by modifying prices was suggested as a support to vulnerable groups. If this was approved and applied, reforming administrative structure would have been possible. However, this proposal was not approved by the parliament during the review of the budget billing, and affluent households' benefit of energy subsidy remained (Management and Planning Organization of Iran, 2000).

Regarding policies and programs to combat poverty and inequality in the Third Development Plan (2000-2004), it seems that there was a relative agreement among experts on necessity of improving poverty indicators and inequalities and reduce them. Accordingly, the results of the most important studies of this course are presented.

3.2.4.1. Extreme Poverty

Khodadad Kashi and his colleagues (2012) examined extreme poverty line during the implementation of third development plan and showed that growth rate of the extreme poverty line, based on the daily requirement of 2179 kcal in urban

and rural areas, has grown 11.8 Percent and 14.4 percent respectively. If the high poverty line calculates on the basis of daily 2300 kcal requirement, annual growth of the urban and rural poverty line would be 27.1% and 25.8%, (which is higher than the inflation rate) (Table 3-22). This study argues that proportion of population below poverty line in both areas has been reduced (Khodadad-kashi, F. and Shahikitash, M., 2012).

Table 6: Extreme Poverty Line basis of daily needed 2179 and 2300 kcal (2000-2004)

Index	Region	2000	2001	2002	2003	2004
Extreme Poverty line (2179 kcal)	Urban	153408	126497	158864	179340	244180
	Rural	84684	96481	119119	116222	145900
Extreme Poverty line (2300 kcal)	Urban	161928	186316	230133	293541	381519
	Rural	89383	101838	125734	161643	205045

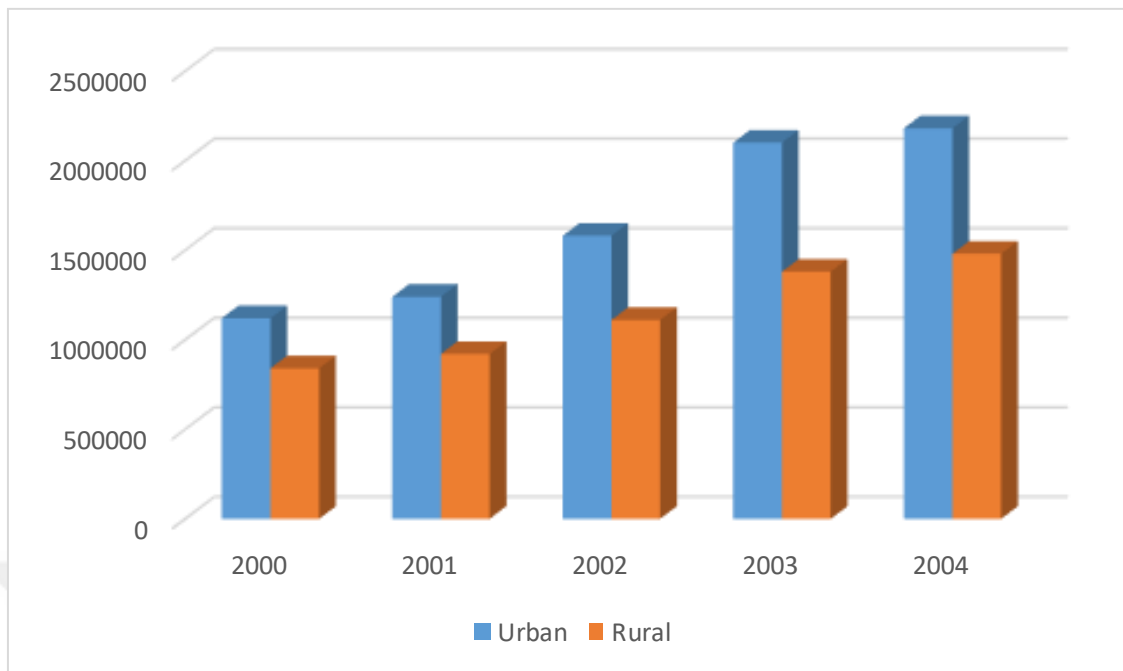
Khodad Kashi et al. 2005 & 2009

3.2.4.2. Absolute Poverty

Iran's Management and Planning Organization (2005) examined poverty rate during Third Development Plan (2002) which shows that the proportion of the population below the absolute poverty line for less than \$ 2.00 per day, is equivalent to 6.2%. Compared to 1995, the proportion of the population below the poverty line has decreased significantly. In 1995, 13.46 percent of the population was poor.

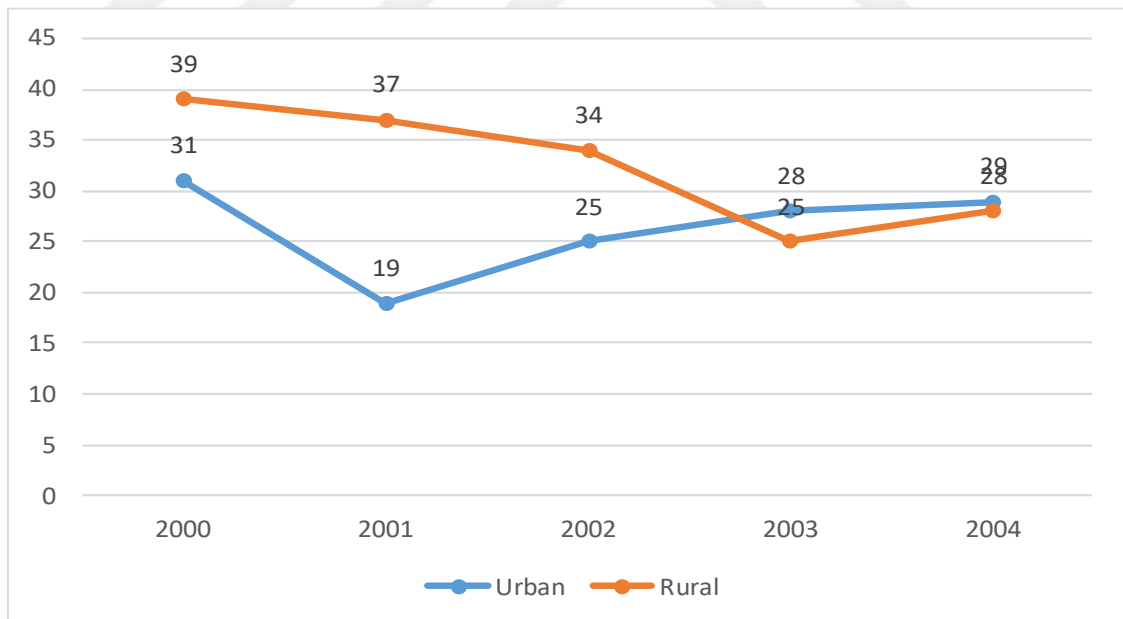
Also, according to the results of Raghfar research (2007), in the third program, population below the poverty line has fallen to 29% and 28% in 2004 from 31% and 39% respectively in urban and rural communities. Raghfar has made his calculations to determine the poverty line in terms of income to provide 2,000 kilocalories per day in a five-person household. (Graph. 3-23 & 3-24)

Figure 19: Poverty Line, 2000 kcal per day, Urban & Rural, (2000-2004)



Raghfar, 2007

Figure 20: Population Under Poverty Line Ratio, 2000-2004

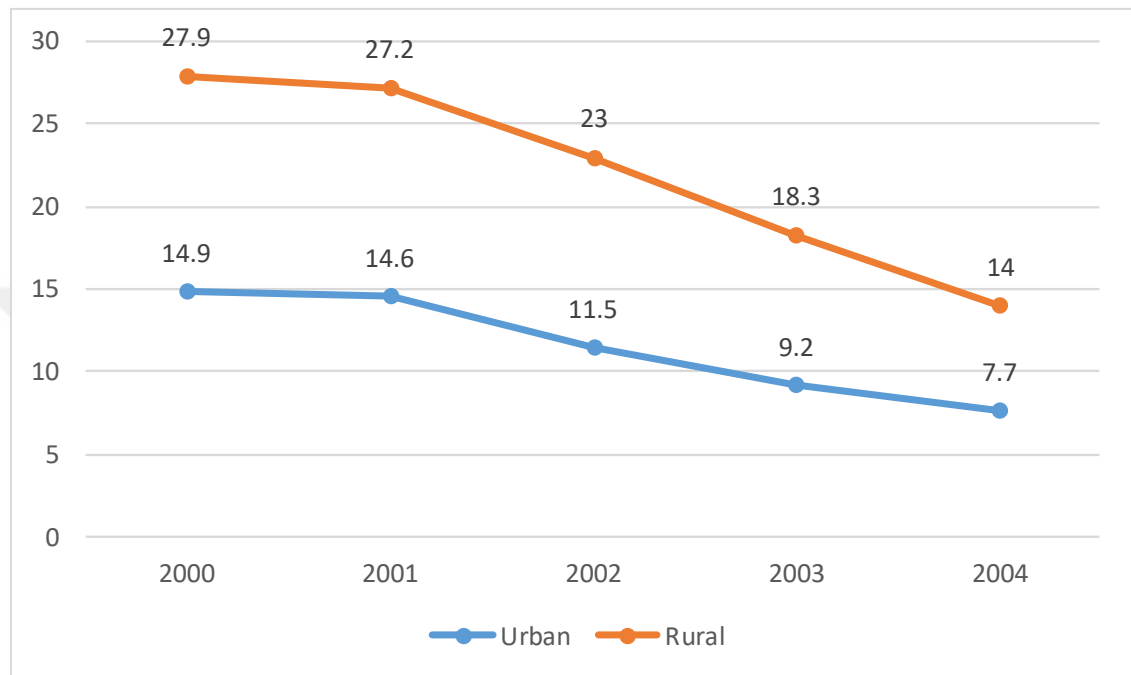


Raghfar, 2007

Raghfar's findings are in line with the Management and Planning Organization of Iran in terms of poverty reduction during third development program from 2000 to 2004.

Salehi-Isfahani (2006) reported the absolute poverty line based on the minimum needs for food and non-food households during the implementation of the third development plan and reported the results in Graph. 3-25.

Figure 21: Extreme Poverty Line



Salehi-Isfahani, 2006

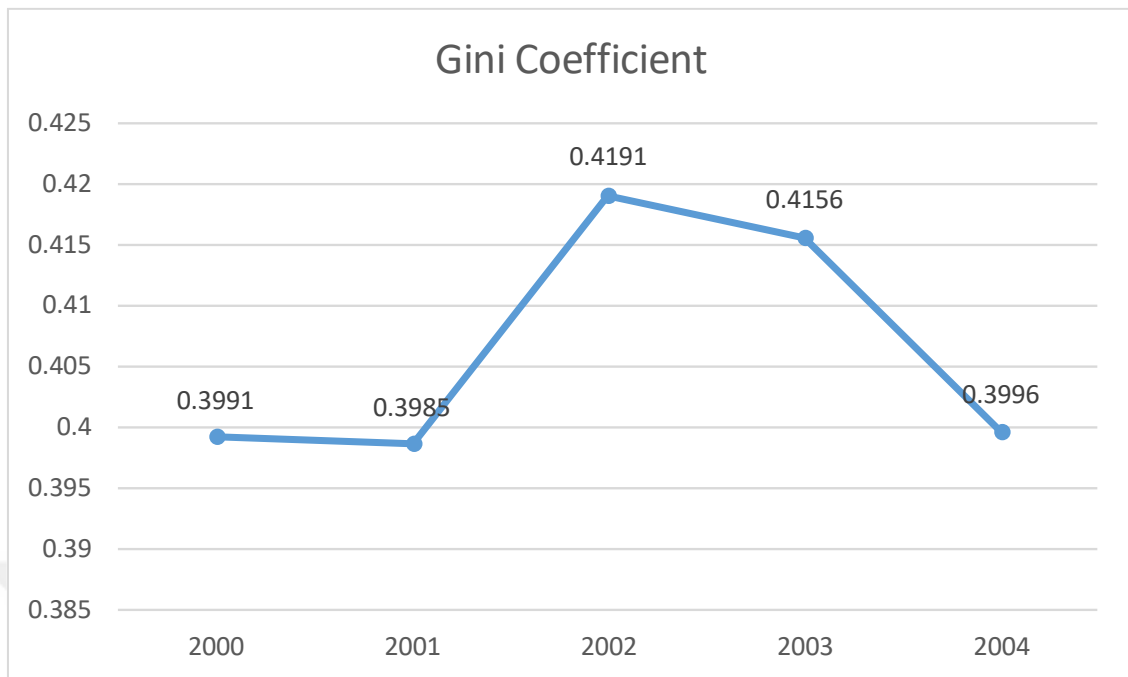
Salehi-Isfahani, like many of the other experts, has evaluated the percentage of population below the absolute poverty line in the third development plan, but he has estimated the proportion of the population below the poverty line less than other researchers.

3.2.4.3. Relative Poverty and Equality

There are no many reports of the situation of inequality in the third development plan. Yet these brief reports often point to reducing inequality in the third development plan.

The status of indicators of inequality in the third development plan are presented in Graph. 3-26 Based on the Central Bank of the Islamic Republic of Iran's statistics, (2000-2004).

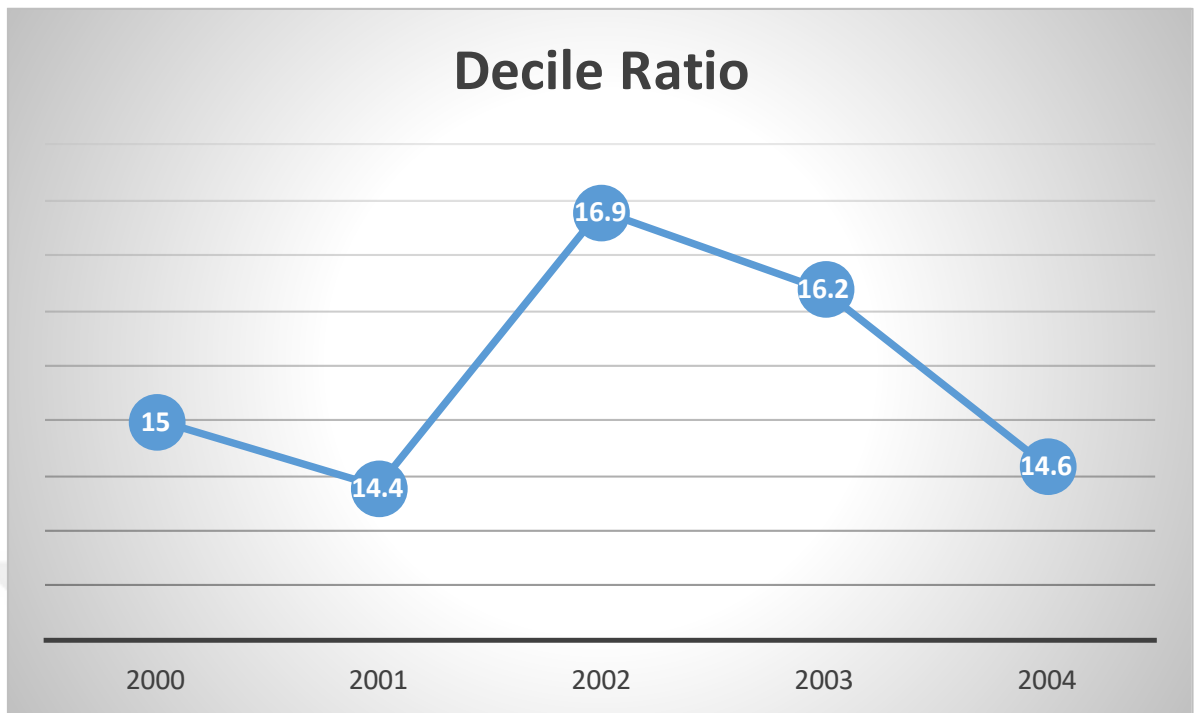
Figure 22: Gini Coefficient, Iran, 2000-2004



Central Bank of the Islamic Republic of Iran

As demonstrated above, the Gini coefficient in the years of the third development plan after the increase in 2002, (and during half of the implementation of the program), had declined slightly and reached the same level as in the first year; from 0.3991 in 2000 to 0.3996 in 2004. In addition, the ratio of the cost of the 10th decile to the first decile follows a similar trend and it has fallen fifteen times in the first year of the fourth program (2000) to 16.9 times in the middle of the program (2002) and then to 16.4 times in the last year of program (2004). (Graph. 3-27)

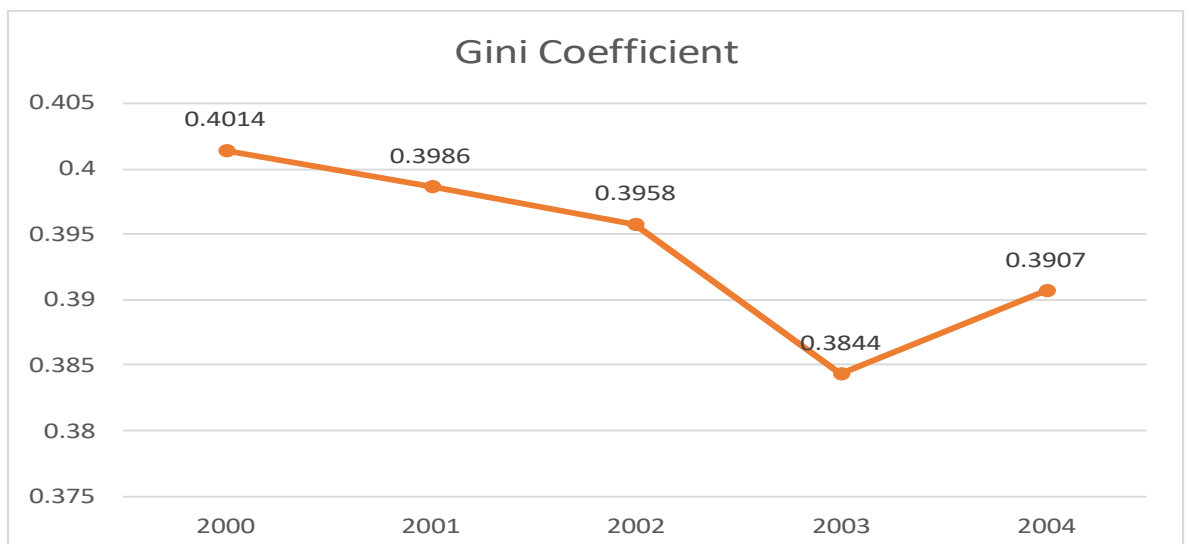
Figure 23: Decile Ratio, Iran, 2000-2004



Central Bank of the Islamic Republic of Iran

Babakhani (2012) estimated the Gini coefficient in the years of implementation of the Third Development Plan (2000-2004) as set out in Table 3-28.

Figure 24: Gini Coefficient, Iran, 2000-2004



Babakhani et al, 2012

The Gini coefficient in this report also confirms the evaluation of the rest of the study and indicates that Gini index had had a very little downward trend over program implementation period.

Therefore, it can be concluded that in the third development plan, the amount of inequality had been diminished. However, at the end of the program, inequality was still a major issue in Iran's economy and society.

General Assessment of Third Development Program

In the third development plan, projected growth rate was about 6.5%, it was achieved with average growth of 5.5%. The average annual oil revenues increased significantly over the second quarter and reached to \$ 26.1 billion. This made investment more possible than the previous period. Hence, the average annual investment in this period increased by eleven percent (4.4 times the previous period), followed by an average annual growth rate 4.5% and despite a slight modest increasing liquidity growth rate compared to the first one (28.29%). Annual average inflation rate decreased to 14.1% and improved income distribution compared to previous periods. So that income ratio of the rich decile to the poor decile in rural and urban areas was reduced to 18 and 14.2 times, respectively, and the best income distribution report remained for all years of the post-revolution (Madani, S. 2015).

Likewise, the issue of employment and labor productivity were of utmost importance in third plan. In main structural, institutional, and political lines of third plan, emphasis was placed on issues such as the development of private sector participation in economic activities, revision of labor market rules, increasing productivity of factors of production and expansion of social security system.

At the same time, subsidies were considered as the most important anticipated activity to reduce poverty in the third plan, which suggested that payment of subsidies in general, in addition to deviating from the route and main objective, also affected the loss of resources, in this sense, the first-class households, as the lowest income groups, benefited from subsidies less than higher-income groups. Also, subsidies are generally granted without regard to purposefulness. One of the most effective barriers to targeted and efficient subsidies was how to

identify target groups that were not possible due to the lack of effective information systems (Hoseininejad, S M. and Eghtesadin, M R., 2006).

In addition, according to the text of the Third Development Plan law, it seems that in many cases laws lacked clarity, and many of the material was ambiguous. This led to serious and fundamental differences in approach to the comprehensive system in the elaboration of a welfare and social security bill that could be the most comprehensive law to combat post-revolutionary poverty, and in fact, led to not reaching to compilation of a comprehensive plan scheme. Moreover, the lack of coherence and coordination in the context of the third program has added to the ineffectiveness and weakness of program in poverty reduction (Madani, S. 2015).

3.2.5. Fourth Development Program, (2005-2010)

Article 95 the fourth plan of development is the most important task on poverty reduction programs. The provisions of this article are as follows:

“The government is obligated to reduce social and economic inequalities, reduce the gap between income levels and fair distribution of income in the country, reduce poverty and deprivation, empower poor through efficient and targeted allocation of social security, provide and implement subsidies, comprehensive poverty alleviation programs and social justice programs, within six months of the adoption of this law, review the rules and also to prepare bills for the implementation of policies.”

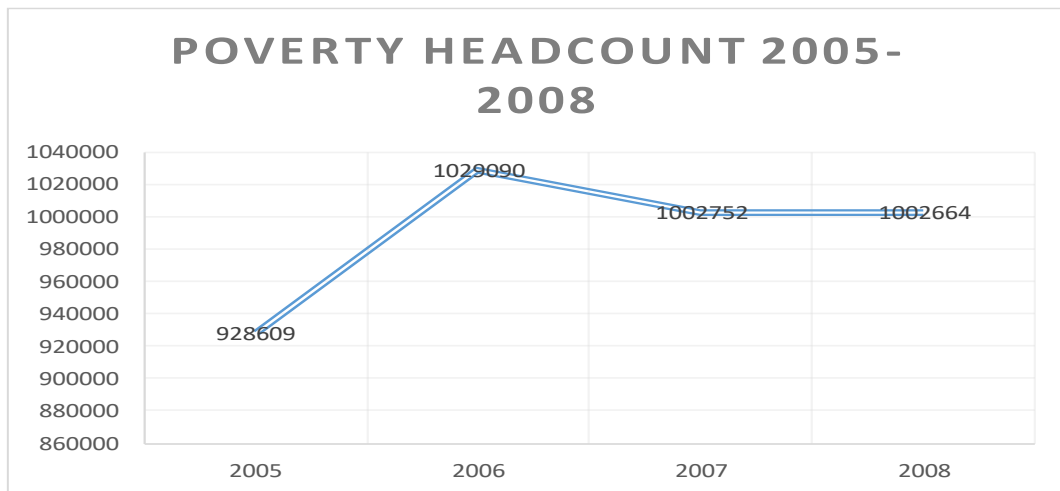
Empowerment was in the focus of poverty reduction programs in the fourth plan. In this program, "empowerment" of vulnerable and underprivileged classes was considered to be of particular importance, since the one-dimensional assistance and support did not have necessary sustainability, balance and dynamism, and system maintenance required a kind of stability. Article 95 also obliged government to put poor empowerment on its agenda as "designing special programs for employment, empowerment, attracting social partnerships, teaching job skills and life skills" and "adopting empowerment and local participation approach on the basis of pattern of basic development needs ... " following (Management and Planning Organization, 2005).

As a result, the fourth program had provided appropriate legal basis for executive agencies and, in general, organizations that sponsored programs and policies to empower the poor and the vulnerable. In fact, with the obligation of the state to establish a comprehensive social security system (Article 96 of fourth program), targeting supportive activities and empowerment of persons covered by institutions and supportive institutions (Article "d", Article 96), special design of employment and capable (Article 95), the country's macro policies and policies, as well as the functioning of the relevant supporting institutions, should be guided direction of the general activities to improve vulnerability, exclusion and deprivation by empowerment approach.

3.2.5.1. Extreme Poverty

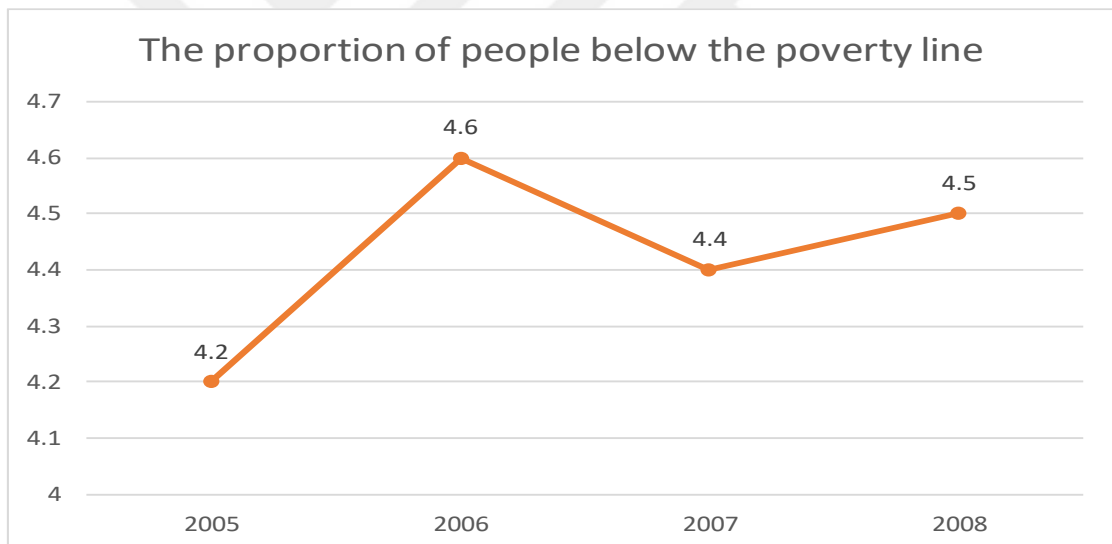
According to some estimates made during the implementation of the third development plan (2000-2005), the population below the poverty line has been decreasing in this program (Qasemian, 2005). However, the conservative estimates also show that in the first year Implementation of the Fourth Development Plan (2005) number of households under the poverty line is 3.5 million, a population equal to 11.5 million people which is 16.68 percent of the country's population (Qasemian, 2005). But Khodadad Kashi et al.'s (2012) examinations show that based on food poverty line requirement of 2000 kcal per day, during the first four years of the fourth program, proportion of population below extreme poverty line increased from 4.2% in 2005 to 4.5% in 2008. Thus, number of population affected by extreme poverty increased from 928,609 to 1,002,644 in the fourth year of program. According to this study, the average growth costs rates per person between 2005 and 2009 was 17.5% and the average annual poverty line per person was equal to 18.2%, which indicates a higher rate of sufficient income level growth to provide food table for poor Households (Graph 3-29 & 3-30) (Khodadad Kashi, 2012).

Figure 25: , The proportion of people below the poverty line, 2005-2008



Khodadad Kashi, 2012

Figure 26: The proportion of people below the poverty line, 2005-2008



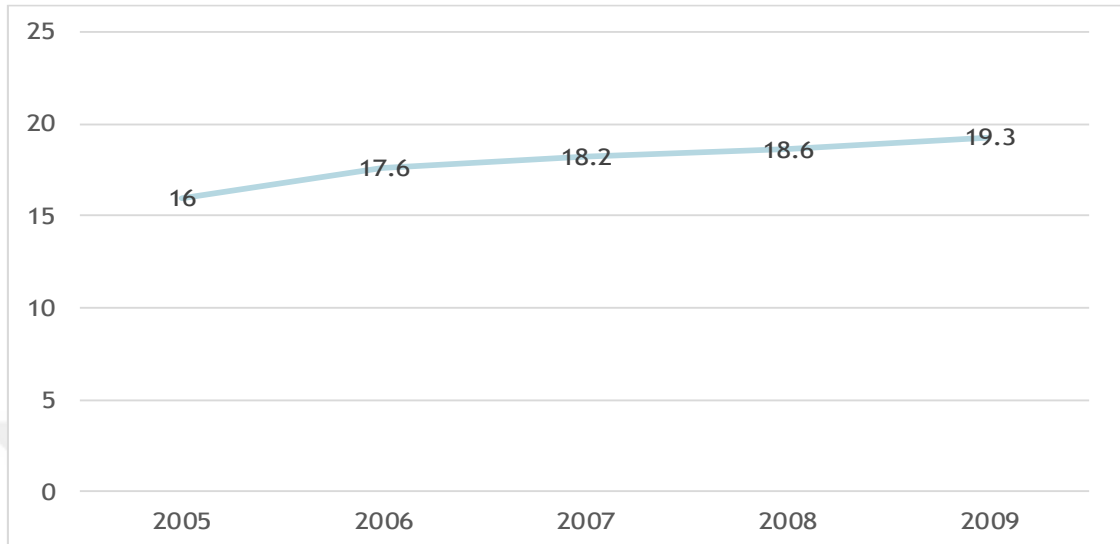
Khodadad Kashi, 2012

3.2.5.2. Absolute Poverty

Goodarzi Farahani et al. (2012) have examined poverty line based on microeconomic system of linear expenditures system based on Stone-Geary utility function, and minimum subsistence earned from this system in the form of food, clothing, housing, health, transportation, Furniture, recreation and entertainment has calculated for fourth development plan (2005-2009), and has been estimated proportion of households below poverty line and showed that

during 2005-2009 proportion of the population below the poverty line has increased (Gudarzi Farahani, Y. and Abdoli, G., 2012). (Graph. 3-31)

Figure 27: proportion of household below the poverty line, 2005-2009

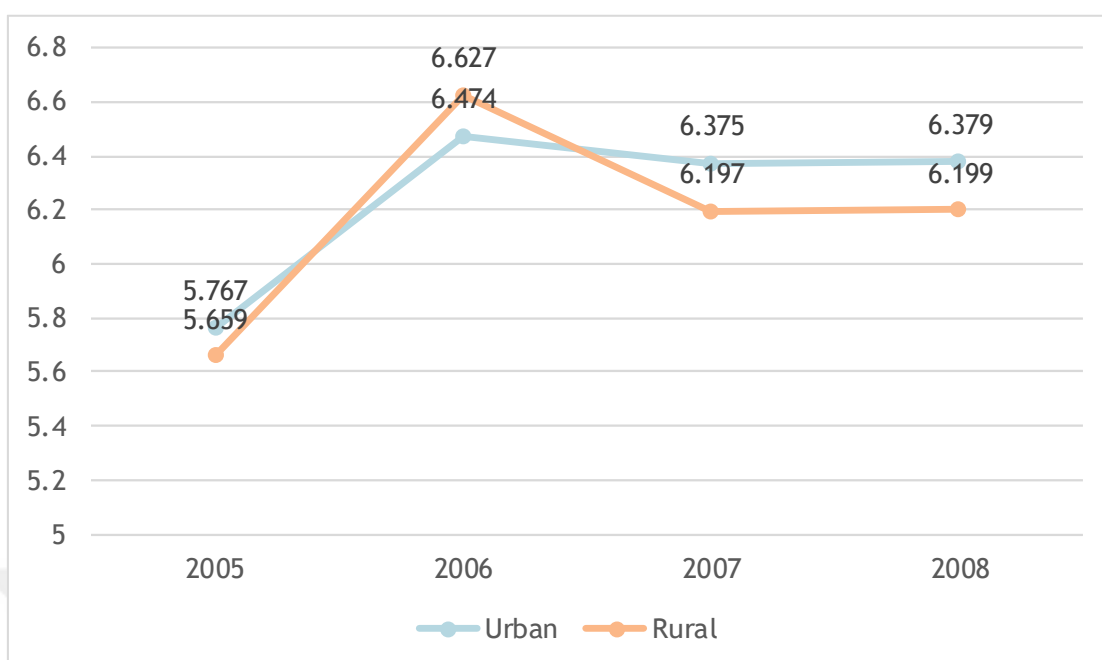


Goodarzi Farahani, 2012

The authors also concluded that inflationary policies had an adverse effect on poverty indicators. This means that poverty has increased in Iran over the years.

Khodadad Kashi et al have also calculated the poverty line in the two papers (2009 and 2012) for implementing the fourth development plan, and in both studies, they have shown that under the absolute poverty line and other absolute poverty indicators have had an unfavorable trend (Khodadad Kashi, F. and Heydari, Kh., 2009). (Graph. 3-32)

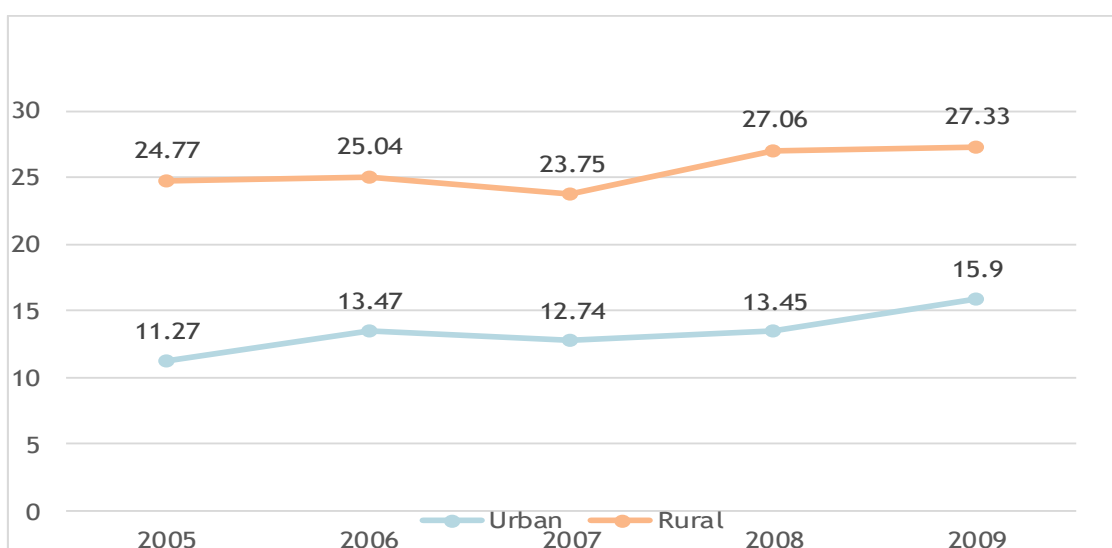
Figure 28: proportion of the population below the poverty line, 2005-2008



Khodadad Kashi and et al. 2012

Ali Arshadi & Ali Karimi (2012) in another research, examined the patterns of change of absolute poverty in urban and rural areas. According this study, during 2005-09 poverty has increased as demonstrated in in Graph. 3- 33 (Arshadi, A. and Karimi, A., 2013).

Figure 29: Absolute poverty in urban and rural areas



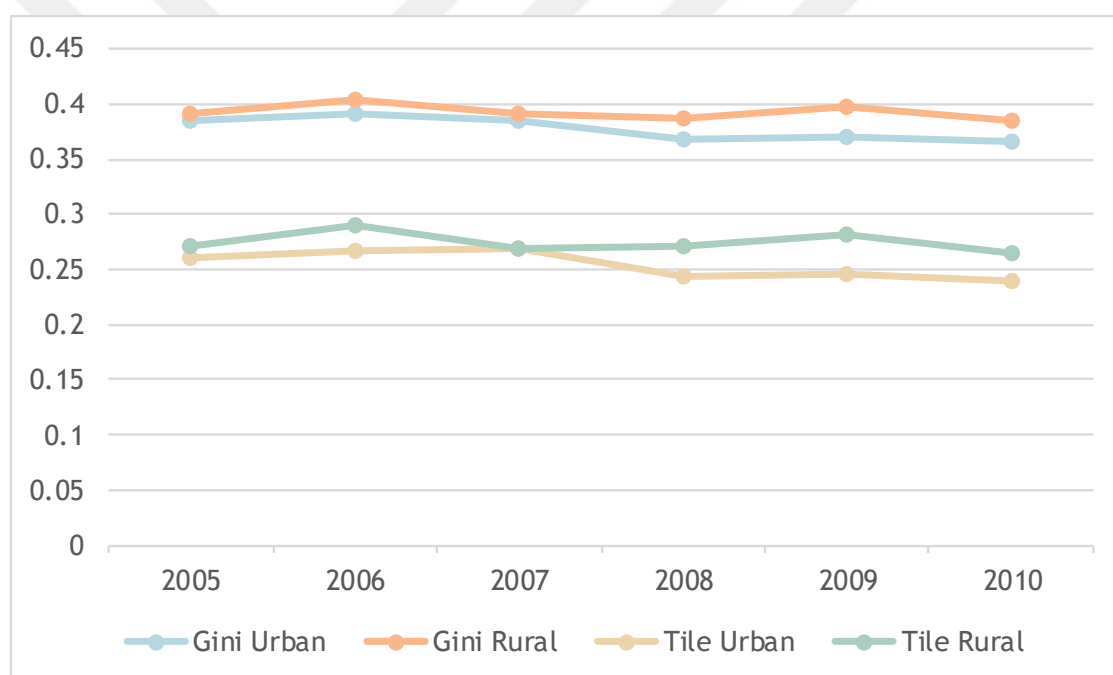
Ali Arshadi & Ali Karimi, 2012

Many scholars have argued that this unfavorable process was due to government actions which diverted from outlined assignments that were foreseen in fourth development plan.

3.2.5.3. Relative Poverty

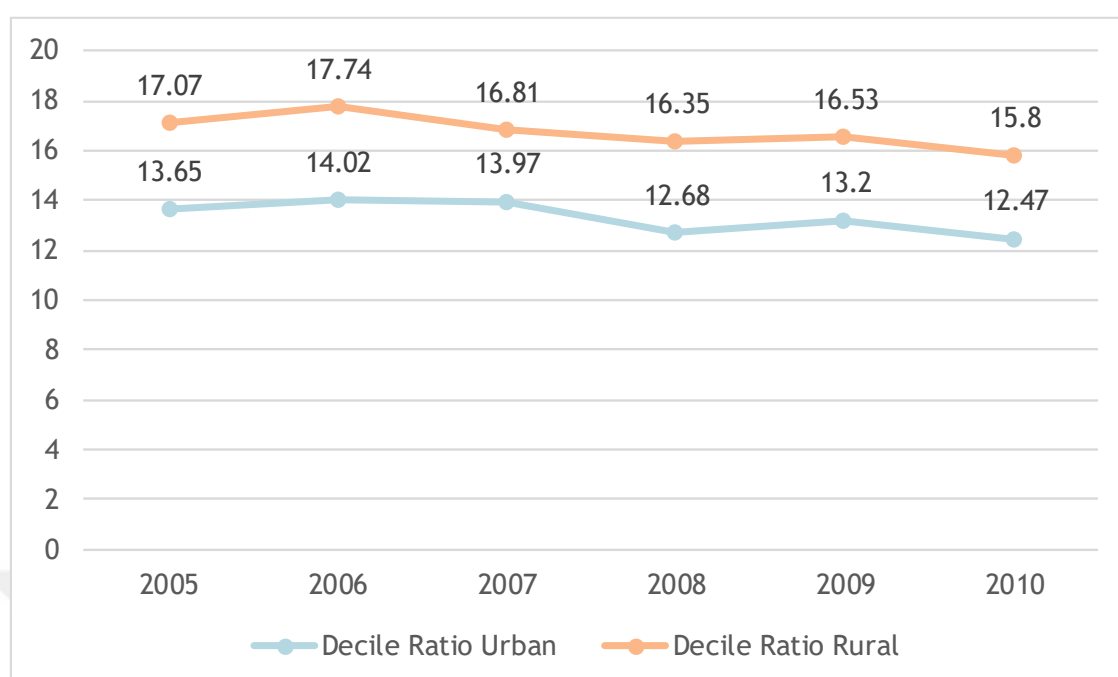
limited studies have been published about Inequality in the fourth development plan. Hosseini et al. (2012) estimated some indicators of inequality in fourth year of implementation, the results of which are presented in Chart. 3-34 & 3-35.

Figure 30: Gini Coefficient & Tile Index



Hosseini et al. 2012

Figure 31: Decile Ratio Upper to Lower



Hosseini et al. 2012

As can be seen in these graphs, all three calculated indicators show optimal trend in reducing urban and rural inequality in the fourth plan.

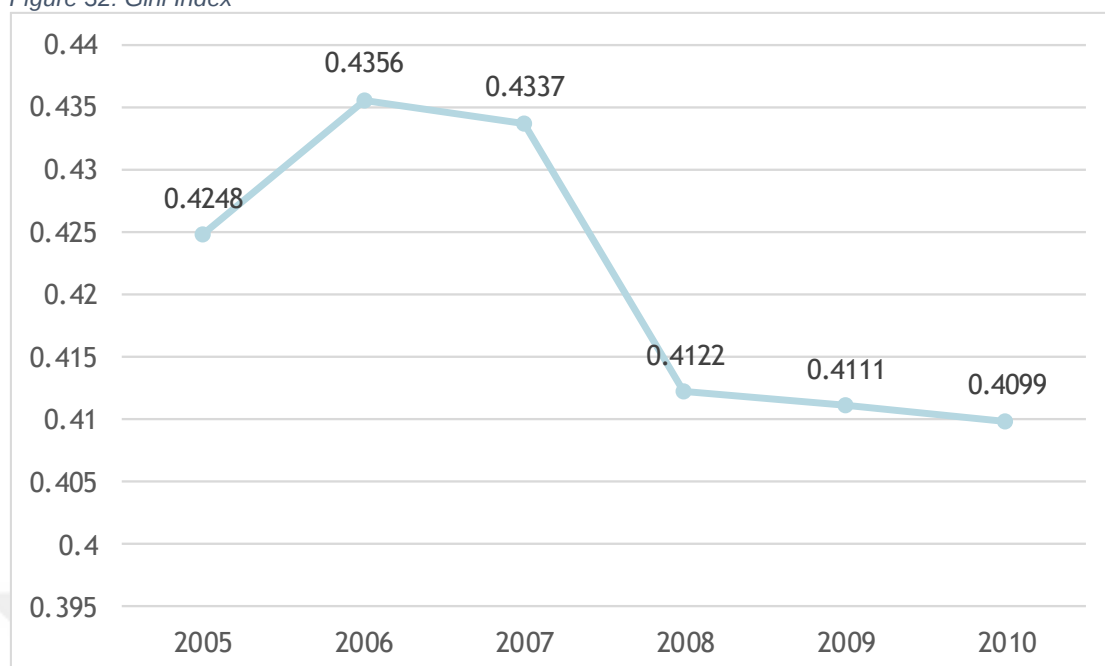
Babakhani and et al. (2012), estimated Gini coefficient index for years 2005 and 2006 respectively 0.3858 and 0.4001, this seems to be consistent with the results of Hosseini et al. In the first two years of the fourth development plan.

Unlike the two aforementioned studies, Mohammadzadeh and et al. (2010) reported that based on their calculations between 2006 and 2008, during second and fourth year of fourth development plan, the Gini coefficient of poor households increased from 0.180 to 0.185 Which suggests a small increase in inequality among poorer classes (Mohamadzadeh, P. and Fallahi, F. and Hekmati Farid, S., 2011).

According to Statistical Center of Iran²⁵, during 2005-2010, overall Gini coefficient which is represented by Graph. 3-36, from 2005 to 2006 inequality increased but from 2006 to 2010 it was reduced.

²⁵ <https://www.amar.org.ir/Portals/0/Files/fulltext/1389/zarib%20jini-89-94.pdf>

Figure 32: Gini Index



Statistical Center of Iran

In the first year of the Fourth Development Plan (2005), real growth rates are negative in urban, rural, and whole country areas. On average, a one-percent decline in economic growth rates in urban, rural and country-wide regions has increased poverty by 1.97 percent, 2.53 percent, and 2.3 percent respectively. Poverty analysis shows that increasing inequality has led to an increase in poverty caused by the recession, so that the reduction of the share of low-income households is more than the reduction of the share of high-income households. The results of last year of fourth development plan (2009) indicate the pattern of overflow growth in urban, rural and countrywide. With the breakdown of poverty change, it became clear that inequality has reduced the impact of economic growth on poverty. On average, 1 percent increase in the rate of economic growth in urban, rural and countrywide has led to decline in poverty of 1.03%, 89.8%, and 56.0%, if inequality assume fixed, 1 percentage of growth in urban, rural and countrywide has led to reduction in poverty 1.33 percent, 1.63 percent and 1.44 percent respectively, but the real decline in poverty shows that in all regions increase in inequality has led to a reduction in poverty rates (Raghfar, H. and Babapour. M. and Yazdanpanah M., 2014).

General Assessment of Fourth Development Program

Regarding the set of rules and sometimes repetition of some various strategies for combating poverty in many years, including emphasis on the generalization and expansion of the social security system, it seems that, both in the constitution and in development laws, (especially in the fourth plan, In the area of legislation), attention was paid to poverty issues. However, these laws and regulations became less enforceable. In fact, the legislators did not have much restriction on social policies, income distribution and social support, but its repetition in various laws did not indicate the absence of an appropriate implementation mechanism or a lack of resolve to implement these policies (Madani, S. 2015).

Most attention was paid to social policy in the fourth plan. In addition to emphasis on expanding social security system and reforming tax policies to support the poor, in addition to the emphasis on the development of social security policies in the executive branch, government was obliged to calculate poverty indicators annually. The program emphasized issue of job creation for poor and legal protections to economic support (Madani, S. 2015).

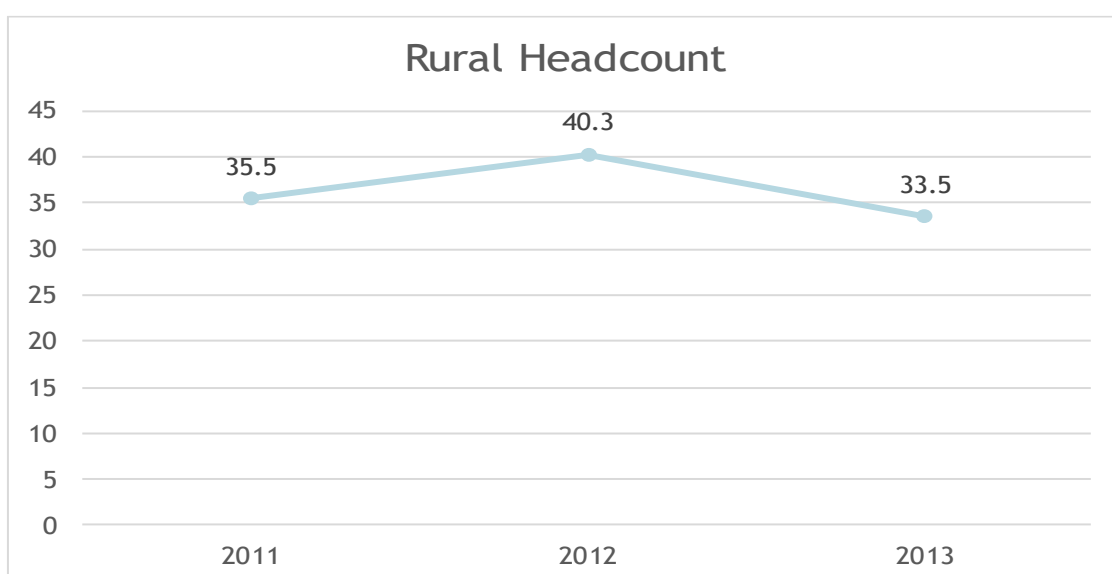
Implementation of the fourth program coincided with the serious changes in the political atmosphere of the country. Conservatives which approved the fourth plan, attacked basis of the planning and planning institution with coming of the government together. Alimenting parliament and government on the one hand, and the accelerating oil prices on the other hand, led the fourth program to be removed from the agenda of the government. Management and Planning Organization of Iran was also introduced as a barrier to development, dissolved after about 60 years of activity. This led to passage period without any codified program from 2005 to 2010. Dissolution of Management and Planning Organization during the implementation of the fourth program has led the ministries and sectoral organizations to play a pivotal role in the development of fifth program. Due to the weakening of central planning body role in drafting the program, text of the bill in various areas was accompanied by inconsistencies (Omidi, Analyzing Iran's Development Plans from the Viewpoint of Social Planning Factors, 2013).

3.2.6. Fifth Development Program (2011-2016)

The fifth development plan has been much less studied than other programs, and given the fact that the Center for Statistics announced in 2014 that will not reflect poverty information, this section will cover a few limited internal studies and World Bank reports.

Mohammad Mowlaei and Zohreh Rahimi Rad (2015) studied poverty in fifth development plans in rural region. In this study, the poverty line of Iran's rural households is estimated by the theory of relative habit of formation of linear expenditure system (RHLES) and by using data of household's expenditure for 8 commodity groups over the periods of 2010-2013. Then, the position of poverty in rural regions is calculated by the indicators of headcount ratio, poverty gap and Foster, Greer and Thornback (FGT). The results of the study show that although the poverty line (minimum subsistence quantity) in Iran's rural households has had an average growth of about 21.3 percent, the value of poverty indices are reduced during the five economic development plans. Thus, we may conclude that the government policies for the reduction of relative poverty in rural regions have been successful (Graph. 3-37) (Mowlaei, M., Rahimi Rad, Z., 2015).

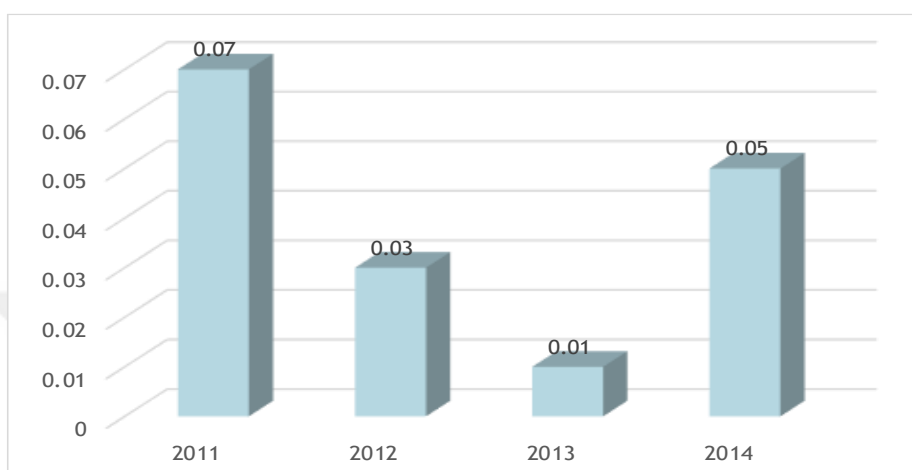
Figure 33: Iran rural headcount poverty, 2011-2013



Mowlaei, 2015

According to Statistical Center of Iran²⁶ (Statistical Center of Iran, 2016), the proportion of the population with less than \$ 1 per day in the framework of Millennium Developments Goals under first goal which is eradicate extreme poverty and hunger shown as Figure 3-38.

Figure 34: proportion of population below \$1 (PPP) per day, percent



(Statistical Center of Iran, 2016)

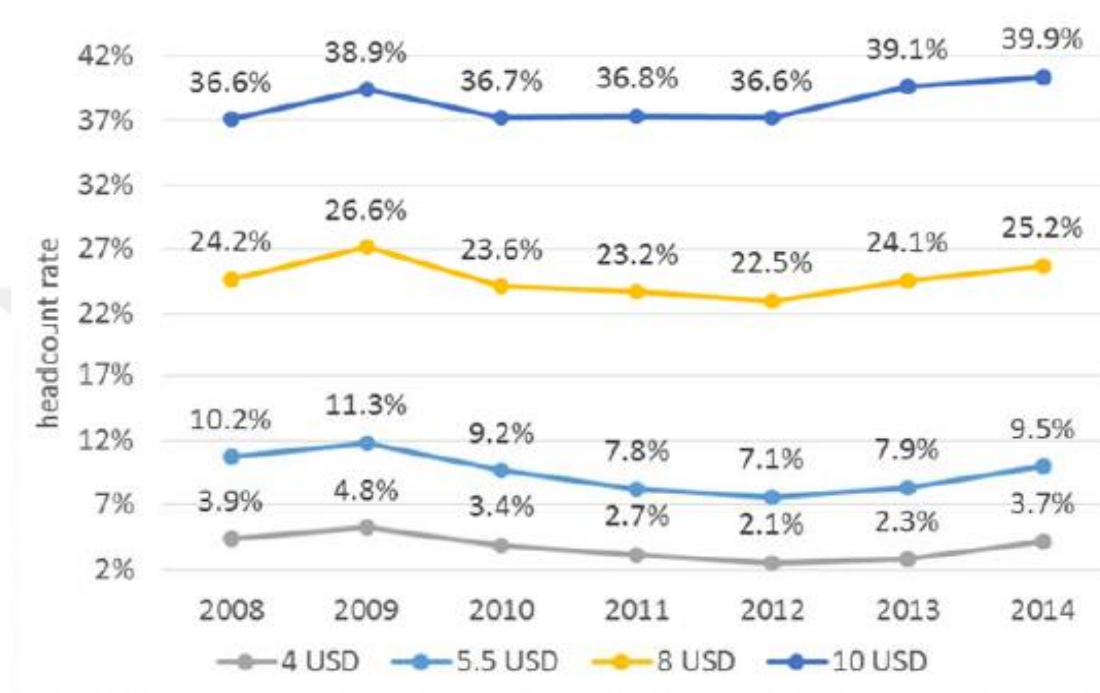
Given the use of international poverty lines, there is flexibility in choosing a particular line to measure poverty. Figure 3-39 shows poverty rates for the four daily poverty line: 4, 5.5, 8 and 10 USD in 2011 PPP. There are three distinct trends, independent of the value of poverty lines. Poverty increased between 2008 and 2009, then fell in 2009-2012, and finally increased in 2012-2014. There is a statistically significant difference in poverty rates between 2009, 2012 and 2014, based on interval estimates and the creation of U-shaped trends, as shown in Graph. 3-40 (Atamanov, A., Mostafavi M., Salehi-Isfahani D., Wishwanath, T., 2016).

The headcount poverty rates for different poverty lines can also be expressed by creating cumulative distribution functions (CDF). For any selected spending level per capita, the CDF keeps per capita spending below this level. Clearly, compared to 2008 and 2009, compared to the years of 2009 and 2012, there is a statistically higher level of expenditure relative to the first spending per capita. In other words, the precise choice of the poverty line is insignificant and does not

²⁶ <https://www.amar.org.ir/english/MDG-2014/MDG-Goal-1/MDG-Goal-1-P1>

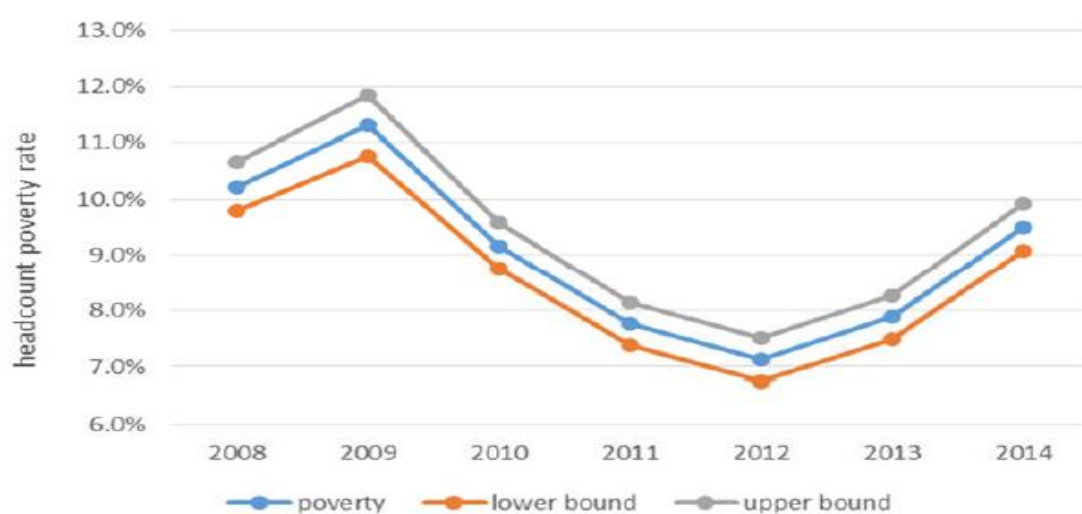
affect the trend in this part of the distribution, which covers about 60 per cent of the population in the Islamic Republic of Iran. This is why poverty trends are not affected by the choice of poverty line (Atamanov, A., Mostafavi M., Salehi-Isfahani D., Wishwanath, T., 2016).

Figure 35: Poverty rates at different poverty lines in 2011 PPPs, %



World Bank Group, 2016

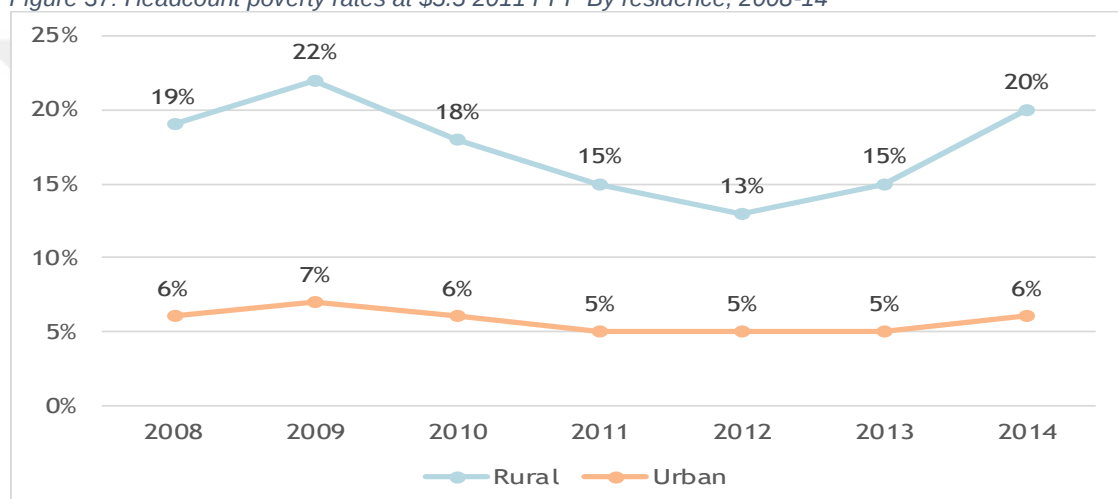
Figure 36: Interval estimates of poverty rates at 5.5\$ 2011 PPP



World Bank Group, 2016

National level numbers hide stark urban/rural differences in poverty levels, with much larger rural poverty headcount rates. Figure 3-41 shows poverty rates in urban and rural areas of Iran. On average, poverty in rural areas is three times higher than poverty in urban areas. Over time, this gap slightly narrowed between 2009 and 2012, but increased again in 2014. In spite of such a large disparity in poverty rates, the distribution of the poor population between rural and urban areas is more equal due to the much larger population residing in urban areas (World Bank Group, 2016).

Figure 37: Headcount poverty rates at \$5.5 2011 PPP By residence, 2008-14

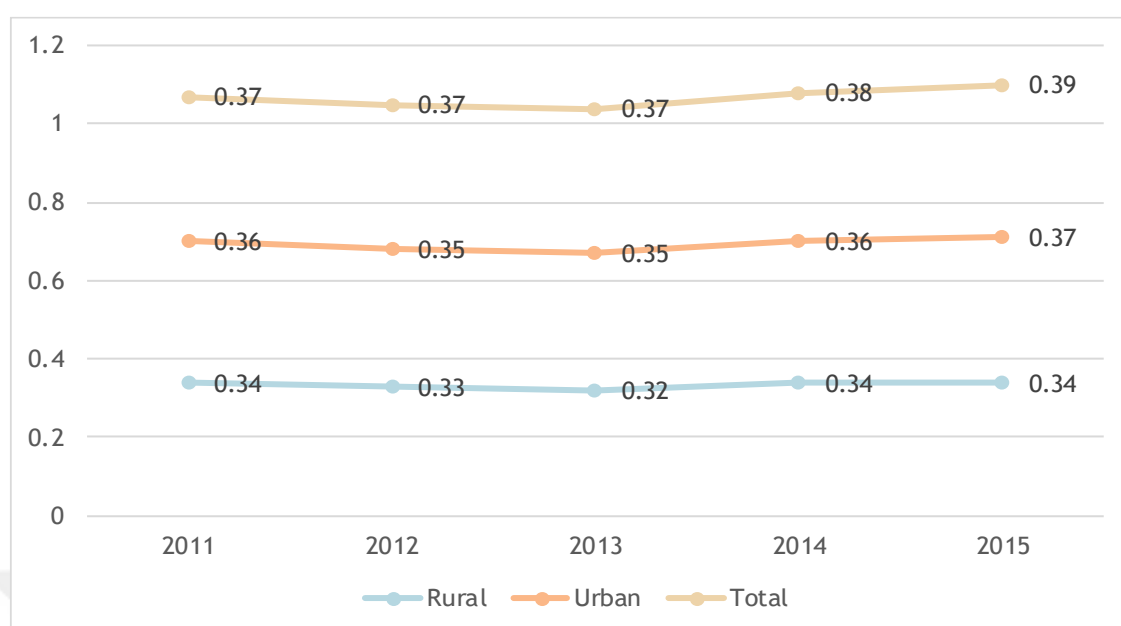


(World Bank Group, 2016)

According to Statistical Center of Iran, during 2011-2015, Gini coefficient in rural, urban and throughout country which is represented by Graph. 3-42, from 2011 to 2012 inequality decreased and during 2012-2013 remained stable but from 2013 to 2015 it was decreased (Statistical Center of Iran, 2016).

However, poverty increased in 2014, which may have been associated with a declining social assistance in real terms (world bank, 2017).

Figure 38: Gini coefficient, 2011-2015



(Statistical Center of Iran, 2016)

General Assessment of Fifth Development Program

The fifth development plan began in the framework of the 20-year vision document and with the approach to progress and justice in 2011. Realizing 2 percent economic growth during the program, improving income distribution and reducing the Gini coefficient to 39 percent at the end of the program, targeting subsidies, curbing inflation, and reducing unemployment at 9 percent at the end of the program, among the most important issues of the fifth law in the economy sector. In the first year of the fifth development program, the real growth rate in urban, rural and total country is negative. On average, one-percent decline in the economic growth rate in urban, rural and country-wide areas has led to an increase in poverty of 1.73 percent, 4.77 percent, and 3.82 percent, respectively. The experience of poverty shows that increasing in inequality has led to an increase in poverty caused by the recession. Given the lack of data for 2015, conclusion about this program requires time lapse. But the results of 2013 show that an average of one percent increase in economic growth rates in urban areas has reduced poverty by 1,42%. If inequality assumed fixed, every one percent growth has led to 1.74 percent reducing poverty. But the real decline in poverty shows that increasing inequality has reduced poverty to indicated level. In rural

areas and the country as a whole, an average one percent decline in economic growth has led to increase in poverty of 1.83 percent in urban areas and 1.81 percent in the country as a whole, indicating an increase in poverty and inequality (Raghfar, H. and Babapour. M. and Yazdanpanah M., 2014).

Due to delay submitting Sixth Development Plan by the Government and time limit for Ninth Parliament, in order to review and approve program, parliament approved Fifth Development Plan extension which resulted in the extension of the fifth Economic Development Plan to 2016 (Road Maintaince and Transportaion Organization, n.d.).

3.2.7. Sixth Development Program (2017-2021)

As the key development strategy and planning instrument of the government, the Sixth Five-Year Development Plan 2016-2021 of the Islamic Republic of Iran is underpinned by three core pillars: Developing a Resistance Economy; Progress in Science and Technology, and; Promoting Cultural Excellence. The plan is in line with the 20-year Vision 2025 document adopted in 2005, which turns Iran into the number one economy in the region and offers a recipe for one of the world's top 12 economies by 2025. This vision document likewise foresees an investment of US\$ 3.7 trillion by 2025 and presents various important goals in areas such as culture, politics, economy, defense, education and environment. The general policies of the Sixth Five-Year Development Plan include 80 clauses on the following key topics: Economy, Information and Communication Technology, Social Affairs, Defense and Security, Foreign Policy, Law and Justice, Culture and Science, Technology and Innovation (UNESCO, 2017).

UNESCO's programming for 2017-2021 in the Islamic Republic of Iran will specifically contribute to three main UNDAF focus areas: Environment, Health, Resilient Economy.

Under the Resilient Economy pillar, UNESCO's interventions will concentrate on the following²⁷ (UNESCO, 2017):

²⁷ <http://www.unesco.org/new/en/tehran/about-this-office/publications/>

- Promoting inclusive growth;
- Addressing poverty eradication;
- Supporting social welfare, including on quality education, child poverty, child welfare, and lifelong learning;
- Food security;
- Sustainable agriculture;
- Rural subsistence;

According to UNESCO programming and also sixth socioeconomic program of Iran, it seems Iran's poverty reduction policies is in frame of UN sustainable development goals in spite of pushing government to withdraw from 2030 document. It took place because of ideological behavior of Iran administrative in order to prevent neoliberalism policies and replace by native Islamic policies.

Due to lack of data subject to poverty reduction till now in level international and national level cannot examine kind of poverties in this program.

CONCLUSION

It is safe to say that there is no comprehensive and approved Poverty Reduction Program that takes into account all aspects of poverty in Iran. Poverty alleviation measures in the first to the third program, except a few commands in various fields, such as food, housing, employment, etc., do not specify that these policies focus on which perilous aspects of poverty. In the first plan, one goal determined to improve subsistence facilities distribution, and the other goal, to maintain relative purchasing power of farmers and elsewhere to expand the general education of deprived areas.

In the second program, within poverty and deprivation which are called social justice, cannot be seen any logical and organic link to the fulfillment of transcendental ideal even in the name of social justice. Forasmuch as social justice has not defined clearly and transparently so far, policies such as improving living conditions has been taken along with the reform of the tax system because of lacked determination of social justice dimensions. In the second program, with a general overview over main policies, it can be seen that these policies are separate islands that cover a specific objective in a particular case, and there is basically no systematic approach to solving the problem of poverty.

In the third plan, basically, there is no place for poverty alleviation. In general, poverty eradication policies in the first to third programs are separate loops of a chain, with no logical and organic link between them. In fact, the dispersion of policies is one of the features of the first to third programs.

In the fourth development plan, for the first time, contrary to the previous plans, can be found a proper and logical internal mechanism for solving the problem of poverty in Iran. Looking at the main strategies, such as promoting food security and nutrition, job security, fair distribution of incomes, basic needs of people including housing, education, and health, have been taken as a very important step towards poverty alleviation. This program considered NGOs in poverty alleviation programs for the first time. For example, in the poverty reduction strategy, empowerment programs focused on three lower decile income groups

by encouraging non-governmental organizations to reduce poverty by applying different methods of providing services to them.

It seems these programs faced many problems to reduce poverty due to the same pests, namely, inability to reach a single deduction for poverty and also lacked systematic and logical framework of poverty reduction (in the fourth plan has considered the types of absolute poverty, relative, extreme, capabilities). Therefore, one of the major causes in failure of poverty resolution in Iran is turbulence and the absence of a rational and targeted system in macro policies and programs of Iran.

There is another important problem in the pathology of poverty reduction programs in Iran. There is no commitment to implement approved programs of system. As an example, although the first plan's main goals were to improve level of household's welfare and deprivation, in practice, due to implement structural adjustment, people live conditions, especially people of deprived area, have been facing crisis. Structural adjustment programs will have a profound impact on the lives and subsistence of the poor, through demand-driven approaches and increasing overall level of prices.

In general, the pathological roots of poverty reduction programs in Iran can be summed up in the following areas:

- Inability in identifying poverty among the scientific and executive elites:
Some researches show that problem of poverty in Iran is faced serious challenges both in terms of theory and application (qualitatively and quantitatively). In other words, most studies have examined just extreme poverty line. The more important is that it is possible to provide a long list of food poverty lines (calories) researches calculated in different ways that does not match the results of any of the two reports. Thus, there is still no consensus and agreement between the two groups. For this reason, based on the various definitions, the number of estimated poor people are various.
- Disturbance and dispersion of policies and programs for poverty reduction in Iran:

During the first to third program of development, a specific strategy for poverty reduction was not designed and implemented, hence, the sustainable path of poverty reduction was only seen in rural areas, and other areas fluctuated in terms of poverty reduction. Macro performance of development programs also does not anticipate any other outcome. Empirical analysis of country statistics shows that poverty reduction policies lacked a strategic plan and sustainable approach. Therefore, existing surveys show that sustained poverty has not occurred in any urban or rural community in considered periods. Thus, there is no a comprehensive program for poverty reduction in place, and general policies for development programs is also diverse, dispersion and non-purposeful.

- The plurality of poverty reduction institutions and lacked national responsibility and reference in poverty area: absence of an organization or official committee which be responsible for all taken actions or for the future to take on poverty. For example, with important institutions such as Relief Committee, Welfare Organization, Ministry of Welfare and Social Security, etc., which plays a very important role in decision making and policy, despite the successful experiences of poverty reduction, we are faced to parallel structures and lack of coherence and coordinated politics. Also, by referring to the official announcement of institutions such as the Organization for Management and Planning, Statistical center of Iran, Ministry of Labor and Social Affairs, there are various statistics from these official institutions. In other words, the existence of various institutions and the lack of collaboration between those institutions is one of the disadvantages of poverty reduction policies in Iran.
- A pessimistic approach to imported ideas and doctrines of poverty: While the constitution explicitly refers to the poverty elimination, Iran has not yet crossed the boundaries of absolute poverty and relative poverty. Not only in the field of poverty, but also in many aspects of development, viewpoint at different socio-economic issues is not "problem oriented". For example, despite the fact that poverty has widespread dimensions and there are

many theoretical foundations in the world, most of the researches in Iran, with no regard to the specific conditions of governing the country, only highlights different lines of poverty and socio-economic analyzes which raised from these theories. If poverty field experts along with socioeconomic challenges of poverty, engage ideological challenges raised from the Islamic system viewpoint, the problem will be much more complicated and difficult to solve. A system that considers poverty at its lowest level (extreme poverty) cannot solve the problem of poverty through "knowledge and religious value". the perception of poverty, which is built on a traditional structure and religious values, stay away from the perception of poverty reduction in the modern and scientific mind. This is the one of the main problem of poverty reduction policies in Iran.

Regarding to discussed challenges, the following fundamental issues seem to be effective for designing and implementing poverty reduction programs:

- In order to have a comparable and logical image among the countries of the region and the world and also to reduce all disagreements, it is necessary to use international definitions, classifications and standards²⁸. If the country engages and cooperates with other international institutions to reduce poverty and to adopt right policies for poverty reduction directed at these frameworks, will most likely be success and promote country status among other countries. In the national report on the Millennium Development Goals, it is easy to make a targeted plan for achieving the goals for the future years for the Islamic Republic of Iran, because of the fact that poverty indicators and standards meet international standards. Assume that poverty reduction in Iran will be defined and implemented in four general economic, social, cultural and political fields, and then if we accept that in the process of poverty eradication, providing basic human needs (food, cloths, housing, education and health) has priority, it is safe to say that the MDGs and SDGs are universal documents which contain all

²⁸ It is important to note that the system be aware that should not be turn to pure consumer and importer of others idea production. In other word, should use actively and at the same time should be careful to use appropriate alternatives for Iran.

the objectives of poverty reduction, and more important is being align these goals with which considered in Iran.

- Poverty is a social and relative concept, and for different times and places as well as among different classes, has not the same quality. In order to reach sustainable path for poverty reduction policies, it is necessary to pay more attention to:
 - different regions such as margins of cities, underdeveloped areas, rural,
 - different social groups and class such as child, women and ethnic groups.
- Given that a global consensus on economic poverty reduction has been reached, the most important national action in this area is being align all poverty reduction activities in Iran with Sustainable Development Goals, thus, the National Poverty Reduction Committee (which had been established by the Islamic Republic of Iran to operate and monitor Millennium Development Goals) should be reestablish in Iran in order to solve all the challenges and problems and prevent all disadvantages raised from plural institutions. In this regard, it is necessary to give up the traditional structure and become more scientific and more realistic.
- Above-mentioned committee should take into account international organizations, NGOs, local organization, universities and private sectors in order to provide and design sustainable poverty reduction policies. The main tasks of the committee can be:
 - reaching a consensus and national agreement on the concept, definition and the nature of poverty in Iran,
 - providing policy advice to authorities and institutions involved in poverty alleviation,
 - providing official statistics on the poverty line,
 - completing a coherence data collection for poverty,
 - coordinating various public organization and institutions,
- All committee's approvals should be binding on all organizations, private sector and NGOs. Representatives of the government, private sector and NGOs should be present in this committee.

Ultimately, all these requires government's enthusiasm to modify mentioned structural problems, consequently, this requires practical developmental mentality which is a fundamental problem for our societies.



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Date 04/07/2018

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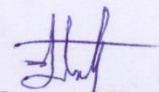
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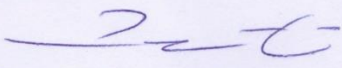
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