CHAPTER VI

CRITICAL ASSESSMENT OF RURAL DEVELOPMENT PROGRAMMES
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The first major package of rural development programmes, as mentioned earlier, started in 1962 with the start of the Third Development Plan (1962-67) that emphasized on land reform as its key programme. In the following pages an attempt is made to critically assess the achievements of important programmes of rural development at the time of previous regime and the Islamic Government of Iran.

6-1) LAND REFORM PROGRAMME:

The Shah's agrarian reform policies were designed to accomplish two objectives; one was to accelerate the breakdown of traditional agriculture and the other was to facilitate, through active State intervention, the modernisation and commercialisation of agriculture. Theoretically consistent, in practice these two broad objectives created numerous economic dislocations, the crippling effects of which have yet to be remedied. Marginalization of the peasantry, rural unemployment and underemployment, the destruction of contextually efficient traditional methods of production, rural-urban migration, to name a few, were the disappointing policy outcomes of a regime obsessed with modernization. Even more disappointing was the inability to device the location specific development strategies that could go beyond simple technical improvements. The process of commercialisation was also severely hindered due to the
mismanagement, insufficient private investment and above all inadequate budgetary allocations. In short agricultural modernization only led to creation of a few isolated modern enclaves, highly efficient and export oriented, with little or no positive impact on the overall agricultural growth. The post revolutionary state of Islamic Republic thus inherited an Agricultural Sector which at best, could be characterised as a slow growth sector.

The land reform law drafted by the Amini Government began to be implemented in January 1962. It had envisaged the distribution of land among the Nasaq-holdings peasantry (having cultivation rights) in various stages of the reform. The state valued the land and paid the landlord and the peasants households reimbursed the state in 10 annual installments. There were a number of significant exemptions. Orchards and "mechanised" farms were excluded but the most important exemption clause was that which authorised the land owners to retain one whole (Six dang) village or its equivalent, scattered among a number of villages. In June 1962, Amini was dismissed and the law underwent a series of amendments in favour of the affected landowners. For example, the law had declared that for the purpose of provision a household is regarded as one person; this definition had been confirmed by the 36th session of the Land Reform Council, but the 43rd session of the Land Reform Council (7th June 1963) reversed this decision by declaring that woman landowners in the same way as men and irrespective of their position in the household (i.e. even if their husband is also a landowner), are entitled to the
upper legal limit of ownership; this was followed by a further
decree of the Land Reform Council (25th August 1963) which also
entitled the dependent children of the landowners to the upper
limit of ownership; thus, a land owning family with four
dependent children would be legally entitled to retain six whole
villages.¹

There were number of other such amendments which violated
the spirit of the original reform programme, but the most obvious
violation of it was later manifested in the Supplementary
Articles of the Law, known as the Second Stage. According to the
Supplementary Articles in the Second Stage which came into effect
in 1966, one of the following five possibilities were open to the
landlords. They could:

(a) lease their land to peasant cultivators;
(b) divide it with peasants according to the ownership of
   traditional five inputs (land, water, seeds, oxen and labour);
(c) sell it privately to the peasants;
(d) establish private corporations with peasants, the corporation
   share being distributed according to the ownership of five inputs
   (peasants usually had only one input i.e. labour); or
(e) buy the rights and employ the peasants as wage labourers.²

Therefore from the above law, we can easily make conclusions
that the motto of "land to the tiller" by Shah remained just as
a slogan. As we can see in Second Stage Government left the
peasants alone to deal with landlords and that all the
supplementary laws in this stage confirmed that landlords were
not going to lose anything by the end of programme.

In the Third Stage of land reform, which was designed to convert the tenancy arrangements of Stage 2 into ownership, land affected by sections one and four of Stage 2 i.e. tenanted and joint stock company land, was to be sold to the peasants. But after four years of rearrangement under which the land was redistributed, it seemed that only 736,119 out of 1.3 million eligible families had in fact acquired land. In other words by the end of Third Stage about 592,000 families had lost the position they had acquired under section one and four of stage 2.

Summarising the position it can be said that 690,000 families in the First Stage, 210,000 families in the Second Stage and 738,000 families in the Third Stage could get plots of land under the distribution and redistribution schemes, or as shown in Table No. 4-5 of Chapter IV out of 350,000 rural families only 1,638,000 families (46.8 percent) received a plot of land or were affected by land reform programme* and the remaining 1,862,000 rural families remained unaffected by the reform or in other words remained landless. So it can clearly be said that land was not distributed equally to all peasants; the estimated 47.5 percent of the rural population who were most deprived before the reform have not benefited from the distribution. this is because land was distributed according to the pre-existing

* It should be pointed out that about one-third of the land had already been owned by Nasaq-holders (cultivation right holders) before the reform.
system of village labour i.e. to those who were more than casual labourers. The beneficiaries were the oxen-owners and the Nasaqi-holders. As one exponent of the reform has said:

"The center of attention was upon him, who in the text of the law, does not own the land but cultivates it with the help of his family and is in possession of oxen, and who in exchange for the use of the land and landlords services renders to the landlord part of the harvest in kind or its equivalent in cash."

The specific character of the Iranian land reform is brought into focus here: firstly, the reform was first of all one which was deliberately designed to distribute land unequally to the richer farmers and to exclude at least half of the rural population from its scope, and secondly, it was one which used the existing pre-capitalist structure of the village as the basis for this policy. While a degree of capitalist differentiation existed prior to the reform, a rural bourgeoisie and a rural proletariat were being deliberately and more rapidly created by it through using and transforming the old village system.

As reform proceeded, there was a continuous reduction of a number of families possessing land and an increasing number were pushed into the ranks of the rural labourers. First of all, the mechanisation provision of First and Second Stages led some
landlords to displace oxen owners and Nasaq-holders (cultivation right holders) from their land and hence to deprive them of the possibility of getting some of the redistributed plots. Then, under Stage 2, a small number of families, 57,000 of them, sold their lands to the landlords under the provision of that stage; over half of these were in an area controlled by the powerful Alam family (himself a big landlord and member of parliament). Then, in the transition between Stages 2 and 3 another 592,000 families seem to have failed to convert their tenancies into ownership most of whom were forced into the proletariat.

Reform has consequently created a new rural bourgeoisie and a new proletariat. The bourgeoisie members include some of the old land owning families who had, in one way or the other, retained land in addition to those members of the previously better-off peasantry who had become owners too. Next to them is another section of the village which has greatly expanded since the reform—the shopkeepers and money-lenders who were benefited from the development of commodity relations and the expansion of demand and debt—the latter group often overlaps with the former insofar as a farmer may open a shop or a shopkeeper may buy land. On the other side is rural proletariat which is made up of the labourers of pre-reform times; to it have been added those families, who might have acquired land but were prevented from doing so, or who acquired it and then lost it through the erosion of the distribution policy and Nasaq-holders who did not get land. In general one can say that the Iranian countryside turned into a capitalist one. Pre-capitalist features certainly
survived. Old cultivation methods, old attitudes and old unrefomed ownership patterns did not disappear at once. The predominant relationships were commodity ones and the social structure of the villages became capitalist. This was the first main achievement of the reform. The other main result of the reform was that the state had intervened in the village and was in three ways the dominant power there; first of all, like all states, it had guaranteed, and where necessary created private property in land (in the tribal areas especially, the state had created private property which did not previously exist in a developed form); secondly, because of the retarded character of the countryside, the state had redistributed land through the reforms (most of this distribution took place peacefully, but at some places like Fars Province, in late 1963, the landlord put up resistance, the Gendarmerie and the army intervened to enforce the Government's will); then in the middle of and late 1960's it became obvious that mere distribution of land to richer peasants and creation of credit co-operatives was not enough and the State, therefore, intervened at a third level, at the point of production itself, first through the co-operatives and then via farm corporations and the agri-business enterprises.

One thing which showed clearly the land reform feature was the pattern of distribution by the size of holdings. On the basis of Table No. 6-1 the proportion of small holding units with less than two hectares rose from about 40 percent in 1960 to about 45 percent in 1972, while their total areas remained unchanged at merely 5 percent. On the other hand, while the proportion of
### Table No. 6-1: Percentage Of Units And Of Holdings By The Size Of Holdings For 1960 And 1972

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>1960 UNITS</th>
<th>1960 AREAS</th>
<th>1972 UNITS</th>
<th>1972 AREAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Than 2 Hectares</td>
<td>40.0</td>
<td>5.0</td>
<td>45.2</td>
<td>5.0</td>
</tr>
<tr>
<td>2-10 Hectares</td>
<td>43.4</td>
<td>35.0</td>
<td>38.6</td>
<td>33.0</td>
</tr>
<tr>
<td>10-100 Hectares</td>
<td>16.4</td>
<td>51.3</td>
<td>16.0</td>
<td>50.0</td>
</tr>
<tr>
<td>100 Hectares &amp; Over</td>
<td>0.2</td>
<td>8.7</td>
<td>0.2</td>
<td>12.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

**Source:**
1. Statistical Year Book Of Iran, 1960, Statistical Center Of Iran, 1962, p. 33.
2. Statistical Year Book Of Iran, 1974, Statistical Center Of Iran, 1974, p. 3
large holding units with over 100 hectares remained at 0.2 percent, their total area rose from 8.7 percent in 1960 to 12 percent in 1972. Furthermore, it should be noted that the large holdings usually covered the most fertile lands and were located in the areas most suitable for mechanised farming. Therefore we can see unfavourable terms of land distribution for poor peasants and favourable terms of land distribution for rich landlords because there is more concentration of land under the control of big landlords.

The outcome of the land reform was an uneven stratified structure of private land-holding in villages. As per Table No. 6-2, in 1974, after the reform only one percent of all landholders had more than 50 hectares but they owned more than 21.5 percent of the country's best arable land. On the other hand, 33 percent of the rural households which had less than one hectare, owned only 4.5 percent of the total distributed land and a great majority of the rural people (64.8 percent) which held less than 5 hectares owned only 15 percent of the total land distributed. This was clearly an inequitable distribution of land among the actual cultivators.

A major effect of the redistribution of lands was the breakdown of traditional units of agricultural production units (Buneh) in some regions. While in the past the Buneh had given socio-economic security to its members, after their disintegration the lower members could not cope with the socio-economic pressures. The destruction of the Buneh caused a rapid
Table No. 6-2: Post Land Reform (1962) Ownership of Agricultural Land Based On The 1974 Agricultural Census.

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>NUMBER OF HOUSEHOODS</th>
<th>PERCENT</th>
<th>AREA IN HA.</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peasants Owning less than 1 ha.</td>
<td>734,274</td>
<td>29.61</td>
<td>256,087</td>
<td>1.65</td>
</tr>
<tr>
<td>1 to 2 ha.</td>
<td>332,193</td>
<td>13.39</td>
<td>442,975</td>
<td>2.71</td>
</tr>
<tr>
<td>2 to less than 5 ha.</td>
<td>541,059</td>
<td>21.84</td>
<td>1,732,868</td>
<td>10.55</td>
</tr>
<tr>
<td>5 to less than 10 ha.</td>
<td>427,934</td>
<td>17.26</td>
<td>2,953,447</td>
<td>17.99</td>
</tr>
<tr>
<td>10 to less than 50 ha.</td>
<td>438,074</td>
<td>17.66</td>
<td>7,500,741</td>
<td>45.69</td>
</tr>
<tr>
<td>50 to less than 100 ha.</td>
<td>16,269</td>
<td>0.66</td>
<td>1,073,697</td>
<td>6.54</td>
</tr>
<tr>
<td>Households owning 100 ha. and more.</td>
<td>9,553</td>
<td>0.38</td>
<td>2,452,906</td>
<td>14.94</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,499,889</strong></td>
<td><strong>100.80</strong></td>
<td><strong>16,416,221</strong></td>
<td><strong>100.27</strong></td>
</tr>
</tbody>
</table>

process of social and economic polarization and stratification within the village population.

If one attempts to sum up the specificities of the Iranian land reform, and beyond that, the general fact that a capitalist transformation had taken place, there are three characteristics of the changes that had occurred. First, the previous landowning class was not eliminated but was either incorporated into the urban bourgeoisie, with which it probably had ties anyway, or was incorporated into the new rural bourgeoisie, to which it was forced to lose its land, and then was compensated and integrated with the urban bourgeoisie. Secondly, the distribution policy was selective and the pre-capitalist social structure of the village acted as the base for creating a new capitalist class system. Thirdly, the State became the most powerful economic, as well as political, force in the Iranian countryside.

Thus we can say there were certain anomalies in the reform which are as follows:

(a) There was a noticeable divergence between Stage 1 (emphasising on ownership) and Stage 2 (Which created tenancies). Stages 2 and 3 were more contradictory. Legal provisions of Stage 3 tried to convert the tenancies of Second Stage into ownership and in effect, since it was rushed through, more than 40 percent of those qualified to get the land lost their chances. While Third Stage encouraged individual ownership, farm corporations and agri-businesses replaced individual control by the power of the State or private consortiums.6
(b) The previous land-holding class was eliminated, but was incorporated into the urban bourgeoisie, with which it probably had ties, or was incorporated into new rural bourgeoisie. In case landowner had to lose land, he was compensated for and integrated with the urban bourgeoisie. The landlords who had received compensation could continue to be the members of the Iranian ruling class and had to surrender executive power to the ever increasing State, which was becoming the most powerful economic and political force in Iranian countryside; but as a section of Iranian society, they had not been forced to surrender their position of relative economic privileges. The distribution of land in villages had always been heavily slanted in favour of "Kadkhoda" (the village head or landlord representative), his family, and other friends of the landlords. The landlords were also able to retain their entitlement to the best land with the best infrastructure (access to roads, electricity etc.).

(c) Land was not distributed equally among all peasants. The estimated 47.5 percent of the rural population that lived in deprivations could not be benefited by the land distribution scheme. This was due to the fact that the land was distributed according to the pre-existing system of the village labour, i.e. to those who were more than casual labourers. The beneficiaries were the oxen-owners.

(d) Land reform diverted attention away from the central issue of increased productivity. By chopping a large portion of the economy's potentially best arable land into inefficient small holdings, productivity of the rural families and the sector as a whole suffered. Table No. 6-2 demonstrates a breakdown of farm
size.

(e) The land reform created a small new class of landed peasant proprietors, whose economic means were significantly greater than those of most villagers; it did not take into account the peasants whose land had been too small or fragmented. In addition, land reform created a landless rural proletariat of over 2 million people⁹, and thus stratified what was once a homogenous community into 2 classes, the landed and the landless (khoshnishin).

The landless villagers had to work either as agricultural labourers on landlord property or look for job at some other places. Their salaries were much lower as compared to those of the relative insecurity of job attitudes and were unable to obtain loans from the Agricultural Bank or life insurance policies from the Government due to the lack of necessary collateral land. The economic stratification in villages had created a great deal of bitterness on the part of the landless peasants towards both the landed peasants and the central Government¹⁰. The land reform ignored the problem of the poorest members of the community, the landless labourers.

6-2) RURAL CO-OPERATIVE SOCIETY PROGRAMME:

The rural co-operative societies were created as a part of the land reform programme. The societies rapidly expanded after 1962 since a share cropper was required to belong to a rural co-operative if he was to obtain land. It was believed by land reform officials that the co-operatives could take over the
duties of landlords and Bunehs. Theoretically the functions of co-operative societies were as follows:

(a) Operations concerned with the production, exchange, storage, transport and sale of the produce of members.

(b) Provisions of agricultural implements and machinery, fertilisers and pesticides.

(c) Provisions of consumption goods.

(d) Extension of loans to members to tide them over the period until they sell their crops, to provide what they need for the cultivation of their crops, and wherever necessary, provide money for improving the means of production.

Although many functions were mentioned for the rural co-operatives, very soon the explicit function of the societies became distribution of credit and consumer goods. In short, the stress was put on co-operative buying, rather than co-operative farming. While the land reform has effectively destroyed the Buneh as a co-operative unit of production, the expansion of the co-operative societies was by no means a substitute for the Buneh units.

Capital investment of 68 percent of these co-operative societies, each of which covering 22 villages, was not more than 2.5 million Rials. This was one of the reasons which forced at least 57 percent of the peasants to borrow from money-lenders or middle-men with a higher interest rates. The co-operative societies, their unions and Central Organization of Rural Co-operation failed in achieving the goals expected from them.
One of the most important duties of co-operative societies was to help in development and modernization of agriculture and rural areas - which of course they could not achieve - the reasons being:

(a) The loans given to the peasants by rural co-operatives was maximum 10,000 Rials which itself is a negligible amount. Usually the loans were in the form of short term credit. As those loans were not enough for cultivation purpose, they were used for consumption purpose.

(b) Each co-operative society was recognised as another bureaucracy branch of Government. They were not self-dependent organizations. They were established mainly to safeguard the political and socio-economic benefits of Government. Therefore we cannot call them peasantry organizations.

(c) The Khoshnishins (casual labourers) were excluded of receiving any loan or credit from co-operative societies. Therefore automatically 40 percent of the rural people did not use the co-operative facilities.

(d) The loan was not distributed equally among the peasants. According to the co-operatives rule, every member could take or received loan equal to 10 times of his share in co-operative society, and as the poor peasants share in co-operatives were very little, they were not able to take a big amount of loan and it was vice-versa for rich peasants.

(e) The majority of the members of rural co-operative management committees were from the rich peasant class.
Rural co-operative societies were unable to compete financially with the merchants and money-lenders in rural areas.

6-3) LARGE SCALE FARM PROGRAMMES:

After the co-operative societies, the farm corporations, production co-operatives and agri-businesses are the most important offshoots of Shah's 'White Revolution' as the Second and Third Stages of rural capitalization and modernization. The main aim was to prevent fragmentation of agriculture by concentrating manpower, land and capital, mechanisation of agriculture, familiarization of peasants with industrialised agriculture etc. But the psychology behind this idea was that a large traditional agriculture was a "shameful" evidence of backwardness and the economics were that the State was no longer dependent on the agricultural surplus as a source of food exports, because the oil revenues could take care of that. The facts regarding the establishment of large scale farms were:

(a) The state had no real interest in the development of the country's large Agricultural Sector or a growing prosperity for its vast rural population; and

(b) it had every interest in creating a small "modern" agriculture and turning the majority of the peasant population into urban wage labourers.

It was the Shah himself who, early in 1973 even before the oil revenue explosion, boasted that by 1980, there would be no more than 2 million people (that is 300,000 families) on the land. At that time the rural population was about 16 million and
the countrywide average annual rate of population growth was 2.9 percent.

In accordance with this vision, a new programme to develop farm corporations was launched. The farm corporations were apparently intended to prevent fragmentation of peasant holding into very small units, increase the scale of agricultural production and encourage the use of modern technical inputs. The risk of fragmentation presumably arose as a consequence of the original land distribution programme. A revitalisation of communal cultivation would have ensured a reasonably large scale of production in spite of the small size of individual holdings and the applications of relevantly modern inputs and equipment would have made it possible, through the introduction of an appropriate co-operative network as well as the extension of financial and technical services, without the direct interventions of State officials in the daily life and labour of the villagers and rural society. Such an outlook, however, was wholly inconceivable to the protagonists of the farm corporations project. Indeed, the project quickly put its emphasis on the establishment of farm corporations beyond a single village—the age old Iranian unit of agricultural production—and tried to set up larger corporations to encompass a number of villages taken together. If there could be any justification for the formation of single village corporations, there could be no justification at all for "breaking the boundaries of the Iranian village". There were obvious economic, sociological, technological, transportational and other costs involved in the
project but its benefits were far from clear.

In the areas where farm corporations were established, the ownership of shares was theoretically determined by the relative size of peasant holdings. This converted the ownership of land into the ownership of paper shares and it
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