

Difficulties of Public Sector Structure as Main Obstacle for Economic Progress in Iran

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OIDA International Journal of Sustainable Development, Ontario International Development Agency, Canada

ISSN 1923-6654 (print) ISSN 1923-6662 (online) www.oidaijsd.com

Also available at <http://www.ssrn.com/link/OIDA-Intl-Journal-Sustainable-Dev.html>

Abstract: Iran is a big and rich country, and it is located in a strategic, geopolitical and sensitive region, that is Middle East. Due to some obvious reasons, Iran could be enumerated as a less developed country. A key dilemma in Iranian underdevelopment is the huge gap between its economic and social potentialities at one hand, and its actual performance at the other. The main factor behind the gap in question is, we think, is the current structure of Iranian public sector at one hand, and the bad governance of its public administration at the other. Iran obtains about 16% of worldly proven gas resources and 14% of world proven oil resources. The share of Iranian economy from global GDP is, however, less than 1%. Iran does have a remarkable share of human capital and its economy is capable to have 8% annual economic growth. Its average GDP and annual growth has, however, been less than 3% during 4 previous decades. Touristic attractiveness, high adjustability of its people with respect to changing circumstances, strategic geopolitical position, and so on, can be accounted as other Iranian opportunities for economic development. There is, however, a vast gap between the actual performance of Iranian economy and its potentialities. Very low productivity, vulnerability of about 37% of population, high Gini coefficient, reliance of public sector expenditures on oil revenue and thus suffering from a rentier state can be mentioned as some typical difficulties in this country. One can add to the above list, ineffective government in combating with corruption, less developed private sector, inefficient taxing system, and relatively closed economy. Elements in question can partly justify and explain the roots of some key causes of underdevelopment in Iran. Non-accountability of the main political powers, very low social capital, and some similar factors work behind current Iranian public sector as well. By relying on data of Iranian central bank, parliament research center, World Bank and OECD data sources for 1980-2017 period, and by maintaining on theories of public sector economics this research is investigating some kind of missing chain for economic progress in Iran. Moreover, it is comparing Iranian public sector with standard public sector structure at one hand and actual performance of public sector of some selected countries at the other. Key finding of this research is that deficiency of current structure of Iranian public sector and its actual performance are bottlenecks for economic development. According to results of this work, doing any influential effort to exit from such bottlenecks, requires improving public administration and operating some change regarding Iranian public sector structure. Reforming the constitutional law, benefiting from post “joint comprehensive plan of action, JCPA,” and obeying international rules of the games could be mentioned as typical spade works in this connection.

Keywords: Public Sector Structure, Iranian Economy, Residual factors for Economic Progress,

Introduction

The role of government and improving public administration has ever been among the agenda for economic development. This is not only the case in less developed and developing countries, but also in developed countries too. In one of official statement of OECD sessions the significance of institutional change was highlighted. It indicates that reforming public sector has been a global movement, at least from 1980s and beyond. Some studies argue that improving public administration and reforming public sector structure are preliminary

efforts to achieve sustainable economic growth and development. It also arguably rises standard of living in different countries. Thus public sector reform in developed countries covers almost all parts of economic systems. For, it includes budgeting, human resource management, integrity, corruption resistance, regularity quality and so on. Reform in question involves multiple goals as well (Pal 2012, 27,189). Both theories and experiences especially in continuation of 21st century, are consistent with reforming, resizing and restructuring the public sector administration to be a much more efficient device for wellbeing of the citizens. To reform the structure of public sector and to improve the performance of public administration, some studies maintain on size of government (Sunstein 2013), other on applying institutional approach (Thornton, et al 2012, Hertting and Kugelberg 2017), some on reconstituting political authority (Grande and Pauly 2005, Horn 2017) and so forth. In old time, successful public management, as if was coinciding on a forceful and intervening government, with strong army. In other word, in classical management, authority was synonym with full-blown government and big army. In modern time, however, the meaning of successful management was changed. In new standpoint of public management, especially during 1990s onwards, monitoring and supervising role of government replaced her intervening role. After seriousness of globalization and in continuing of 21st century, the role of public sector was much more modified. Public sector in modern era is and should be a peaceful partner for private sector, rather than a dominant power over it. Generally speaking, inefficient and big governments at one hand and less developed private sector at the other are signaling the demotion of national economies (Rosen 2005, Dadgar 2003, Montford and McCool 2016, Parkhurst 2016). In following sections we firstly point out to the trend of some managerial indices of Iranian competitors and other selected countries in a comparative framework. Our selected countries include some developed countries along with Iranian competitors. Then we evaluate the public sector structure of Iran and its performance in subsequent sections.

Characteristics of Iranian public sector: A comparative framework

Comparative illustration of some public sector features of Iran could vivid some hardships of Iranian public sector. Two group of countries are used as selected countries in this paper. First one includes the Iranian competitors among developing countries. Second one includes BRICS countries. Of course some OECD countries are used as comparative benchmark as well. Thus developing countries in this study include two subgroups; 24 south-west Asian countries at one hand and BRICS countries at the other. Meanwhile, 24 south-west Asian countries are competitors of an Iranian action plan, so called, "2025 Vision Documentation, 25VD". Indeed, 25 VD illustrates an ideal perspective for future, and determines the long run pace of economic progress in Iran. In other word it is an action plan for comprehensive development in Iran. According to the action plan in question, Iranian policy makers should remove a great part of developmental gap between current Iranian economy and that of developed countries by 2025. Some parts of this work might compare the quality of current public management in Iran with that required to achieve targets of 25 VD. According to some findings of this article, bad government has deviated Iranian economy from 25 VD goals. In following sections we firstly describe the current economic status of Iran and that of its 25 VD competitors. Then we compare the quality of public sector indices of Iran with that of those competitors. Secondly we operate similar comparison between Iran and BRICS countries. BRICS covers Brazil, Russia, India, China and South Africa. Potentially speaking Iranian economy does have some contestable characteristics with that of BRICS. The main point is that Iran could be construed as an emerging country like BRICS.

Macro variable status in Iran and that of 25 VD competitors

24 south-west Asian countries are Iranian competitors of 25 VD. These include Azerbaijan, Jordan, Armenia, Saudi Arabia, Qatar, Uzbekistan, Oman, Kuwait, Israel, Bahrain, Turkey, Pakistan, Georgia, Egypt, Afghanistan, Syria, Kyrgyzstan, Lebanon, Kazakhstan and Yemen. Inflation rate, unemployment, GDP growth, GDP per capita, and related population are key variables which can illustrate the macro aspects of any economy. Table 1 indicates, a huge gap between macro variable status of Iranian competitors with that of Iran. For instance, as inflation rate is concerned, Iranian rank is among the two highest inflation rate countries. Iran does have a bad situation in GDP growth rate as well. Iranian rank in this index, is 23rd amongst 25 countries.

Table 1: Macroeconomic Indicators in South West Asian Countries

Country	Population (Millions)	GDP Growth Rate (%)	5 Year GDP Growth Rate (%)	GDP per Capita (PPP)	Unemployment (%)	Inflation (%)
Afghanistan	31.3	1.5	6.8	1,937	9.1	4.6
Armenia	3.3	3.4	4.2	7,374	17.1	3.1
Azerbaijan	9.4	2.8	3.2	17,618	5.2	1.4
Bahrain	1.2	4.7	4.0	51,714	4.1	2.5
Egypt	86.7	2.2	2.7	10,877	13.2	10.1
Georgia	4.5	4.7	5.6	7,653	13.4	3.1
Iran	78.0	3.0	1.0	17,114	12.8	15.5
Iraq	35.9	-2.4	6.4	14,571	16.4	2.2
Israel	8.2	2.8	3.8	32,691	6.1	0.5
Jordan	6.7	3.1	2.7	11,927	11.1	2.9
Kazakhstan	17.4	4.3	6.0	24,020	4.1	6.7
Kuwait	4.0	1.3	3.3	71,020	3.0	2.9
Kyrgyz	5.7	3.6	3.7	3,361	8.1	7.5
Lebanon	4.5	2.0	3.2	17,986	6.4	1.9
Oman	4.1	2.9	4.5	39,681	7.2	1.0
Pakistan	186.3	4.1	3.6	4,736	5.2	8.6
Qatar	2.2	6.1	9.7	143,427	0.3	3.0
Saudi Arabia	30.8	3.6	5.3	52,183	5.6	2.7
Syria	18.1	0.4	N/A	4,020	N/A	29.2
Tajikistan	8.3	6.7	7.1	2,688	10.9	6.1
Turkey	76.9	2.9	5.4	19,610	9.2	8.9
Turkmenistan	5.8	10.3	11.1	14,165	10.5	6.0
Emirates	9.3	3.6	4.0	64,479	3.6	2.3
Uzbekistan	30.6	8.1	8.2	5,609	10.6	8.4
Yemen	27.5	-0.2	0.4	3,774	17.4	8.2

Source: Miller, and Riley 2017 World Bank, 2017.

Some proxies for evaluating quality of public management

In this section we introduce some proxies, firstly for testing the quality of public management and secondly, to figure out some optimum management indices. These could be divided into two categories; institutional indices and structural indices. Those indices play key roles in the area of macroeconomic stability and creation of a good doing business environment, both of which are pillars for progressing economy (Brautigam 1991, Boeninger 1992, Huizinga 2016). Applying good institutional and governance indices can harness inefficiency and corruption of public sector and help to achieve economic sustainability (World Bank 1992, Katsikides and Hanappi 2016). Indices developed in this paper also define the platform of administrative reforms of both public and private sectors (Rhodes 1997, World Bank 2017). Adopting these indices would create democratic government which arguably improve economic progress (Leftwich 1993, Smith 2007, Mandal 2016). Optimum governance is generally speaking

characterized by participatory, rule of law, transparency, responsiveness, equity, effectiveness and accountability. These elements are shown in Figure 1.

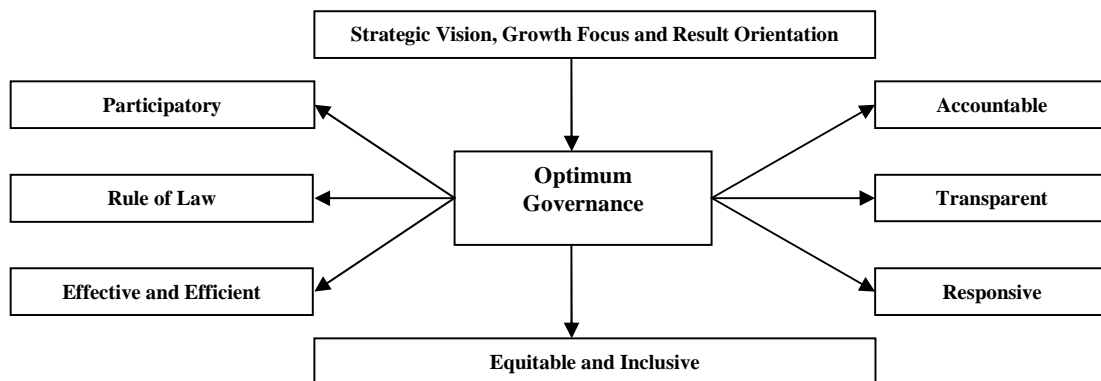


Figure 1: General characteristics of Good and optimum Governance

Source: Lakshminarayanan and Sharma (2006)

As UNDP (1997), and ADB (1998) indicate, applying above indices, gives priority to poor, sustains the environment, creates opportunities for employment and consequently, improves, wellbeing of the citizens. In this subsection we are organizing some indices corresponding to main aspects of governance in Iran. These include: economic freedom, optimum size of government along with accountability, political stability government effectiveness, rule of law and control of corruption. We use the above indices for achieving optimum public management, OM. By using optimum management indexes we are comparing the value of those indexes in Iran with that of its competitors. Table (2) and (3) indicate the result of comparison in question. As value of total index approaches +2.5 indicates a relatively more successful management. Similarly values approaching to -2.5 show weak management or mismanagement. As table indicates, Iran has gotten rank 18 of OM among 25 countries which is obviously low. Iranian rank is even lower than average rankings of the whole region.

Table 2. OM Index in South West Asian Countries

Rank	Country	Out of 2.5	Out of 100	Rank	Country	Out of 2.5	Out of 100
1	EMIRATES	0.69	71	14	LEBANON	-0.76	27.7
2	ISRAEL	0.67	69.7	15	KYRGYZ	-0.77	22.2
3	QATAR	0.61	69.4	16	EGYPT	-0.92	21.9
4	GEORGIA	0.39	63.7	17	TAJIKISTAN	-0.97	20.9
5	OMAN	0.24	60.2	18	IRAN	-0.99	18.9
6	BAHRAIN	-0.04	50.9	19	PAKISTAN	-1.03	16.5
7	JORDAN	-0.08	49.7	20	UZBEKISTAN	-1.12	15.5
8	TURKEY	-0.11	49.5	21	TURKMENISTAN	-1.27	14
9	KUWAIT	-0.17	48	22	IRAQ	-1.46	8.5
10	SAUDI ARABIA	-0.24	46.5	23	YEMEN	-1.47	8.5
11	ARMENIA	-0.25	43.1	24	AFGHANISTAN	-1.49	7.8
12	KAZAKHSTAN	-0.45	37	25	SYRIAN	-1.76	3.8
13	AZERBAIJAN	-0.68	28.6	Average		-0.54	34.94

Source: Kaufmann et al, 2015 (revising and completing by authors).

As table (3) indicates, accountability grade for Iran is 21 out of 25. So the QM index (based on accountability), is very low for this country.

Table 3: Accountability Index in South- West Asian Countries

Rank	Country	Out of 2.5	Out of 100	Rank	Country	Out of 2.5	Out of 100
1	ISRAEL	0.73	70.44	14	KAZAKHSTAN	-1.16	15.27
2	GEORGIA	0.23	55.67	15	EGYPT	-1.19	14.78
3	TURKEY	-0.32	37.93	16	IRAQ	-1.21	13.79
4	LEBANON	-0.42	33.99	17	BAHRAIN	-1.32	11.33
5	KYRGYZ	-0.53	31.03	18	YEMEN	-1.34	10.34
6	ARMENIA	-0.55	30.54	19	AZERBAIJAN	-1.44	7.88
7	KUWAIT	-0.65	29.06	20	TAJIKISTAN	-1.44	7.39
8	PAKISTAN	-0.74	27.09	21	IRAN	-1.57	4.93
9	JORDAN	-0.77	26.60	22	SAUDI ARABIA	-1.78	3.45
10	QATAR	-0.98	22.17	23	SYRIAN	-1.80	2.96
11	OMAN	-1.05	19.70	24	UZBEKISTAN	-1.89	2.46
12	EMIRATES	-1.06	19.21	25	TURKMENISTAN	-2.22	0.00
13	AFGHANISTAN	-1.16	15.76	Average		-1.03	20.55

According to table 4, Iran has gotten 15th ranking of political stability among 25 counties. Comparing this rank with the planned rank of 25 VD implies a massive gap.

Table 4: Political Stability Index in South West Asian Countries

Rank	Country	Out of 2.5	Out of 100	Rank	Country	Out of 2.5	Out of 100
1	QATAR	1.00	83.01	14	KYRGYZ	-0.78	19.90
2	EMIRATES	0.81	75.73	15	IRAN	-0.91	16.99
3	OMAN	0.66	67.96	16	BAHRAIN	-0.94	14.56
4	KUWAIT	0.14	52.43	17	ISRAEL	-0.99	13.11
5	TURKMENISTAN	0.08	48.54	18	TURKEY	-1.06	12.14
6	KAZAKHSTAN	0.05	47.57	19	EGYPT	-1.58	7.77
7	ARMENIA	-0.21	37.86	20	LEBANON	-1.72	7.28
8	UZBEKISTAN	-0.23	36.41	21	PAKISTAN	-2.44	3.40
9	GEORGIA	-0.23	35.92	22	AFGHANISTAN	-2.46	2.91
10	SAUDI ARABIA	-0.24	35.44	23	IRAQ	-2.47	2.43
11	AZERBAIJAN	-0.50	29.13	24	YEMEN	-2.53	1.46
12	JORDAN	-0.56	26.21	25	SYRIAN	-2.76	0.00
13	TAJIKISTAN	-0.68	23.30	Average		-0.82	28.06

Source: Kaufmann et al, 2015.

Government effectiveness is another proxy to test the qualification of public sector management in this study. As table 5 shows, the situation in Iran is not in a standardized trend. It has gotten rank 15 among 25 competitor countries.

Table 5: Government Effectiveness Index in South West Asian Countries

Rank	Country	Out of 2.5	Out of 100	Rank	Country	Out of 2.5	Out of 100
1	EMIRATES	1.48	90.38	14	LEBANON	-0.38	40.87
2	ISRAEL	1.16	85.58	15	IRAN	-0.41	37.98
3	QATAR	0.99	78.37	16	UZBEKISTAN	-0.63	27.40
4	BAHRAIN	0.59	72.60	17	TAJIKISTAN	-0.75	22.60
5	GEORGIA	0.48	71.63	18	PAKISTAN	-0.75	22.12
6	TURKEY	0.38	67.31	19	EGYPT	-0.82	20.19
7	OMAN	0.29	63.94	20	KYRGYZ	-0.84	18.75
8	SAUDI ARABIA	0.23	62.02	21	TURKMENISTAN	-0.86	17.79
9	JORDAN	0.13	59.62	22	IRAQ	-1.13	13.94
10	KAZAKHSTAN	-0.02	54.33	23	AFGHANISTAN	-1.34	8.17
11	KUWAIT	-0.15	47.60	24	YEMEN	-1.41	7.21
12	ARMENIA	-0.17	46.15	25	SYRIAN	-1.44	6.73
13	AZERBAIJAN	-0.34	42.31	Average		-0.23	43.42

Another proxy to testify the quality of public sector management is regulatory quality. By getting rank 22, for this index, there is giant gap between Iran and its competitors. Table (6) has compared the Iranian status in regulatory quality index with that of its 24 competitors.

Table 6: Regulatory Quality Index in South West Asian Countries

Rank	Country	Out of 2.5	Out of 100	Rank	Country	Out of 2.5	Out of 100
1	ISRAEL	1.21	87.50	14	AZERBAIJAN	-0.29	43.75
2	EMIRATES	0.98	80.29	15	KYRGYZ	-0.42	36.06
3	GEORGIA	0.93	79.33	16	PAKISTAN	-0.69	27.88
4	BAHRAIN	0.70	74.04	17	EGYPT	-0.75	25.00
5	OMAN	0.69	73.56	18	YEMEN	-0.84	21.63
6	QATAR	0.57	70.67	19	TAJIKISTAN	-1.01	15.87
7	TURKEY	0.41	66.35	20	AFGHANISTAN	-1.13	11.54
8	ARMENIA	0.22	60.10	21	IRAQ	-1.25	9.13
9	JORDAN	0.08	54.81	22	IRAN	-1.46	4.81
10	SAUDI ARABIA	-0.01	53.37	23	SYRIAN	-1.67	3.85
11	KUWAIT	-0.13	48.56	24	UZBEKISTAN	-1.74	3.37
12	LEBANON	-0.22	46.63	25	TURKMENISTAN	-2.09	1.92
13	KAZAKHSTAN	-0.27	44.71	Average		-0.33	41.79

Source: Kaufmann et al, 2015.

As table (7) indicates Iran has gotten rank 19th for rule of law which is nearly at bottom of list and shows a problematic status in this regard.

Table 7: Rule of Law Index in South West Asian Countries

Rank	Country	Out of 2.5	Out of 100	Rank	Country	Out of 2.5	Out of 100
1	ISRAEL	1.11	83.17	14	AZERBAIJAN	-0.61	30.77
2	QATAR	0.99	81.25	15	LEBANON	-0.76	24.04
3	EMIRATES	0.71	76.44	16	PAKISTAN	-0.78	23.56
4	OMAN	0.58	73.08	17	KYRGYZ	-0.94	15.87
5	JORDAN	0.48	69.71	18	TAJIKISTAN	-0.96	15.38
6	BAHRAIN	0.45	68.27	19	IRAN	-1.03	13.94
7	SAUDI ARABIA	0.27	65.38	20	UZBEKISTAN	-1.08	12.02
8	GEORGIA	0.20	64.42	21	YEMEN, REP.	-1.17	8.17
9	KUWAIT	0.05	60.10	22	TURKMENISTAN	-1.33	7.21
10	TURKEY	0.04	59.62	23	SYRIAN	-1.34	6.73
11	ARMENIA	-0.32	43.75	24	IRAQ	-1.36	5.77
12	KAZAKHSTAN	-0.55	34.13	25	AFGHANISTAN	-1.53	2.40
13	EGYPT	-0.60	31.25	Average		-0.38	39.06

Another key proxy for testing quality of public sector management is control of corruption which in turn it is signaling the healthiness of economy (Ackerman 1999, Bachelard 2016). As corruption control is concerned Iran has gotten 21 rank among 25 competitor countries. Mismanagement of public sector especially in 2005- 2012 administration is compatible with the empirical result corresponding to control of corruption in Iran. Consequently and by analyzing the performance of institutional indexes, the quality of public management of Iran is not satisfactory at all (table 8 indicates the results of above analyses).

Table 8: Control of Corruption Index in South West Asian Countries

Rank	Country	Out of 2.5	Out of 100	Rank	Country	Out of 2.5	Out of 100
1	EMIRATES	1.23	84.13	14	KAZAKHSTAN	-0.76	25.96
2	QATAR	1.09	82.69	15	PAKISTAN	-0.81	21.63
3	ISRAEL	0.82	76.44	16	AZERBAIJAN	-0.92	17.79
4	GEORGIA	0.74	75.48	17	TAJIKISTAN	-1.00	14.42
5	BAHRAIN	0.30	64.42	18	LEBANON	-1.06	13.46
6	OMAN	0.25	62.98	19	KYRGYZ	-1.11	11.54
7	JORDAN	0.15	61.54	20	UZBEKISTAN	-1.12	11.06
8	SAUDI ARABIA	0.10	59.62	21	Iran	-1.22	8.65
9	TURKEY	-0.12	53.85	22	AFGHANISTAN	-1.33	6.25
10	KUWAIT	-0.26	50.00	23	IRAQ	-1.34	5.77
11	ARMENIA	-0.44	40.38	24	SYRIAN	-1.55	2.40
12	Turkmenistan	-0.57	34.62	25	YEMEN	-1.55	1.92
13	EGYPT	-0.59	32.21	Average		-0.44	36.77

Source: Kaufmann et al, 2015

Nevertheless the institutional status in question does not show a homogenous framework in all public administration periods. The public performance for instance, is significantly different between 1980-2004, and 2013-2017 administration at one hand and that of 2005-2012 at the other. As the institutional framework is concerned public sector indices in former period indicate relatively more successful administration than latter period. The latter administration was much more ideological and political in principle.

Testing management qualification by structural indices

In previous section we analyzed the Iranian public management quality according to some institutional indices. In this section we try to complete the very analysis by applying some complementary indices. These could be called structural indices too. We concentrate on some structural indexes including economic freedom and government size. The quality of both of these indexes influences the public sector management particularly (Garner 2016, Capriati 2016, and Downing 2015). According to theories of economic freedom, economic agents do require sufficient freedom to produce, consume and invest in the most efficient manner. According to findings of Heritage foundation, the components of economic freedom include freedom in doing business, freedom in trade, tax burden, monetary freedom, freedom in investment, fiscal freedom, freedom from corruption, labor freedom, alongside with suitable size of government and transparency of property rights. The score of freedom for each country is created by simple average of values of all above indices. As table (9) shows, Iran has gotten 43.5 score which is equivalent to 171 ranking in the world and 20th in the region. Accordingly, one can conclude that the Iranian public sector is restricting economic freedom largely. Not surprisingly, Iranian public sector has been taking over the main parts of the economy (Dadgar and Nazari 2012, Dadgar 2003). In Iran public sector encompasses supreme leadership and its vast affiliations at one hand, and executive government at the other.

Table 9: Economic Freedom Index in South West Asian Countries

Country	Region Rank	World Rank	2016 Score	Country	Region Rank	World Rank	2017 Score
Bahrain	1	18	74.3	Kyrgyz	14	96	59.6
Georgia	2	23	72.6	Lebanon	15	98	59.5
Emirates	3	25	72.6	Egypt	16	125	56.0
Qatar	4	34	70.7	Pakistan	17	126	55.9
Israel	5	35	70.7	Tajikistan	18	149	51.3
Jordan	6	46	68.3	Uzbekistan	19	166	46.0
Oman	7	52	67.1	Iran	20	171	43.5
Armenia	8	54	67.0	Turkmenistan	21	174	41.9
Kazakhstan	9	68	63.6	Afghanistan	22	N/A	N/A
Kuwait	10	74	62.7	Iraq	23	N/A	N/A
Saudi Arabia	11	78	62.1	Syrian	24	N/A	N/A
Turkey	12	79	62.1	Yemen	25	N/A	N/A
Azerbaijan	13	91	60.2				

Source: Miller, et al, 2016.

Table (10) is completing table 9 by indicating the elements of public management indexes in detail. As it is showing the score of government size in Iran for first quarter of 2017, is 93.2 which indicates huge government intervention in economy and less economic freedom. Similarly, getting 81.2 scores in tax burden is implying imposing a high cost by public sector on Iranian economy. Vast reduction in international investment in Iran, is responsible for dropping the economic freedom index in this country as well. Also relying Iranian government on selling crude oil for financing its expenditure has declined the role of taxing in Iranian economy. Thus low economic freedom, huge public sector ,vast intervention of government, inefficient and non-transparent, property right are explaining dimensions of public sector structure and its performance in Iran.

Table 10: Sub-indices of Freedom Economic freedom in South West Asian Countries

Country	Property Rights	Freedom from Corruption	Fiscal Freedom	Gov't Spending	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
Bahrain	60.0	49.0	99.9	75.4	71.9	79.1	74.6	82.6	70	80
Georgia	40.0	52.0	87.6	75.3	86.5	75.7	80.5	88.6	80	60
Emirates	55.0	70.0	95.0	76.1	79.6	80.7	81.3	82.8	45	60
Qatar	65.0	69.0	99.7	70.4	71.4	70.7	74.1	81.8	45	60
Israel	75.0	60.0	60.6	48.8	70.6	64.6	84.2	88.2	85	70
Jordan	60.0	49.0	91.7	62.0	64.9	68.4	83.1	73.4	70	60
Oman	55.0	45.0	98.5	36.8	70.1	72.5	77.9	85	70	60
Armenia	20.0	37.0	83.8	80.7	77.5	62.2	72.8	85.6	80	70
Kazakhstan	30.0	29.0	93.0	87.7	72.3	82.7	74.0	77.4	40	50
Kuwait	45.0	44.0	97.7	57.7	63.4	62.7	74.2	77.2	55	50
Saudi Arabia	40.0	49.0	99.7	56.8	69.9	68.5	69.2	77.8	40	50
Turkey	40.0	45.0	75.2	55.6	65.4	48.6	71.5	84.4	75	60
Azerbaijan	20.0	29.0	88.0	56.7	70.3	75.2	77.0	75.8	60	50
Kyrgyz	20.0	27.0	93.7	56.3	65.3	80.4	68.4	75	60	50
Lebanon	20.0	27.0	91.3	75.7	59.1	57.3	79.0	75.8	60	50
Egypt	20.0	37.0	85.6	65.9	68.3	51.4	65.8	70.6	55	40
Pakistan	30.0	29.0	79.0	86.2	61.2	42.1	71.5	65	55	40
Tajikistan	20.0	23.0	91.6	76.9	61.1	47.3	69.8	68.6	25	30
Uzbekistan	15.0	18.0	90.4	66.6	67.1	61.9	65.6	65.6	0	10
Iran	10.0	27.0	81.2	93.2	59.3	49.0	50.6	54.6	0	10
Turkmenistan	5.0	17.0	95.3	92.2	30	20.0	69.4	80	0	10
Afghanistan	N/A	12.0	91.6	81.2	56.6	63.2	N/A	N/A	55	N/A
Iraq	N/A	16.0	N/A	29.7	63.2	68.5	75.0	N/A	N/A	N/A
Syrian	10.0	20.0	N/A	N/A	62.4	46.9	42.7	56.6	0	20
Yemen	30.0	19.0	N/A	N/A	51.9	54.4	71.0	N/A	N/A	30

Source: Miller, et al, 2016.

As another structural index we are using government size as the proxy of intervening role of government in economy. We used three sub- indices including tax burden of GDP, the ratio of government expenditure on GDP and public debt ratio on GDP. Table (11) is comparing Iranian government size with that of its competitors of 25VD. Based on tax indicator, Iranian ranking of government size is 17.

Table 11: Government size indices in South West Asian Countries

Country	Tax Burden % of GDP	Government Expenditure % of GDP	Public Debt (% of GDP)
Afghanistan	6.6	25.0	6.7
Armenia	23.4	25.4	44.2
Azerbaijan	13.3	38.0	16.4
Bahrain	3.1	28.6	43.8
Egypt	13.9	33.7	90.5
Georgia	24.8	28.7	35.1

Iran	5.8	15.0	12.2
Iraq	N/A	48.4	37.0
Israel	30.5	41.3	68.8
Jordan	15.3	35.6	89.3
Kazakhstan	14.0	20.2	15.1
Kuwait	0.7	37.5	7.1
Kyrgyz	20.8	38.1	53.0
Lebanon	15.5	28.5	134.4
Oman	2.6	45.9	5.1
Pakistan	10.5	21.4	64.2
Qatar	5.2	31.4	31.5
Saudi Arabia	4.3	38.0	1.6
Tajikistan	21.0	27.7	28.2
Turkey	29.3	38.5	33.5
Turkmenistan	17.4	16.1	16.8
Emirates	22.4	28.2	12.1
Uzbekistan	19.9	33.4	8.5
Yemen	N/A	30.8	48.9

Source: Miller, et al, 2016.

In addition to the mentioned difficulties, there are some other deficiencies in Iranian public sector. One is lake of efficient taxing system and relying public expenditure on oil revenue. Thus this country is faced with a rentier state. Another difficulty in Iranian economy is lack of well-developed private sector. Obviously public management as such does have negative and significant impact on key economic variables including economic growth (Dadgar et al 2003, IBH 2017, CBI 2017, Sergele 2012). Thus, the share of tax to GDP is very low (less than 7%). These and other similar factors have led to create an inefficient public sector in Iran.

Performance of public sector: Iran, BRICS, OECD

As we mentioned in first section, potentially speaking, Iran could be considered as an emerging country with new regional and global markets. Plenty of natural resources, young population, sufficient human capital, excess capacity for economic growth, touristic attractions, vast geographical environment, strategic geopolitical position and so on are mentioned as typical possibility for takeoff in development. Consequently one can point out to Iran as a new emerging country along with BRICS countries. While comparing the performance of public sector in BRICS with that of Iran, however, we face with a significant gap. Thus in this subsection we compare the status of economic variables including public sector variables in BRICS and Iran. As before, the benchmark for final comparison in this paper is the trend of public sector indices of OECD countries. Our starting point in this assessment is illustrating the macro variable status for selected counties. Macro variables here include, populations, GDP growth rate, GDP per capita, unemployment rate, inflation rate, FDI inflow and public debt (see table 12).

Table 12: Macro-economic variables of BRICS

Country	Population (Millions)	GDP (Billions, PPP)	GDP Growth Rate (%)	5 Year GDP Growth Rate (%)	GDP per Capita (PPP)	Unemployment (%)	Inflation (%)	FDI Inflow (Millions)	Public Debt (% of GDP)
Brazil	204.5	3,192.4	-3.8	1.0	15,614.5	7.2	9.0	64,647.9	73.7
China	1375.0	19,392.4	6.9	7.8	14,107.4	4.6	1.4	\$135,610	43.9
India	1276.3	7,965.2	7.3	6.7	6,161.6	3.5	4.9	\$44,208	67.2
Russia	143.7	3,717.6	-3.7	1.2	25,410.9	5.8	15.5	9,824.9	17.7
South Africa	54.9	723.5	1.3	2.1	13,165.2	25.1	4.6	1,772.4	50.1
Average	610.9	6998.2	1.6	3.8	14891.9	9.2	7.1	51212.6	50.5

Also table (13) indicates the main public sector indices of BRICS.

Table 13: Public sector Indies in BRICS, Q₁, 2017

Country	Tariff Rate (%)	Income Tax Rate (%)	Corporate Tax Rate (%)	Tax Burden % of GDP	Gov't Expenditure % of GDP
Brazil	7.8	27.5	34.0	32.8	41.9
China	3.2	45.0	25.0	18.7	31.9
India	6.2	30.9	32.4	16.6	27.9
Russia	4.9	13.0	20.0	35.3	36.4
South Africa	3.9	41.0	28.0	22.6	33.7
Average	5.2	31.5	27.9	20.7	34.4

Table (14), indicates the value of macro variables and some public sector variables of OECD as well.

Table 14: Value of macro variables in OECD

Country	Population (Millions)	GDP (Billions, PPP)	GDP Growth Rate (%)	5 Year GDP Growth Rate (%)	GDP per Capita (PPP)	Unemployment (%)	Inflation (%)	FDI Inflow (Millions)	Public Debt (% of GDP)
Australia	23.9	1,138.1	2.5	2.7	47,389.1	6.3	1.5	22,264.5	36.8
Austria	8.6	404.3	0.9	1.0	47,249.9	5.7	0.8	3,837.4	86.2
Belgium	11.2	494.1	1.4	0.9	43,585.0	8.7	0.6	31,029.5	106.3
Canada	35.9	1,631.9	1.2	2.2	45,552.6	6.9	1.1	48,642.8	91.5
Chile	18.0	422.4	2.1	3.9	23,459.6	6.4	4.3	20,176.2	17.1
Czech Republic	10.5	332.5	4.2	1.3	31,549.5	5.2	0.3	1,223.1	40.9
Denmark	5.6	258.7	1.2	0.7	45,709.4	6.3	0.5	3,641.5	45.6
Finland	5.5	225.0	0.4	0.0	41,120.0	9.6	-0.2	8,289.6	62.4

France	64.2	2,646.9	1.1	0.8	41,180.7	10.6	0.1	42,882.6	96.8
Germany	81.4	3,840.6	1.5	1.6	46,893.2	4.6	0.1	31,719.3	71.0
Hungary	9.9	258.4	2.9	1.7	26,222.0	7.0	-0.1	1,269.9	75.5
Iceland	0.3	15.2	4.0	2.7	46,097.0	4.4	1.6	-76.2	67.6
Ireland	4.6	257.4	7.8	3.4	55,532.9	9.5	0.0	100,542.4	78.7
Israel	8.4	281.9	2.6	3.3	33,656.1	5.0	-0.6	11,566.0	64.6
Italy	60.2	2,170.9	0.8	-0.7	35,708.3	12.1	0.1	20,278.7	132.6
Japan	126.7	4,830.1	0.5	0.6	38,054.2	3.3	0.8	-2,250.0	248.1
Luxembourg	0.6	55.7	4.5	2.9	98,987.2	5.9	0.1	24,595.8	21.8
Netherlands	16.9	832.6	1.9	0.6	49,165.8	6.1	0.2	72,648.8	67.6
New Zealand	4.6	168.2	3.4	2.5	36,171.6	5.9	0.3	-985.8	30.4
Norway	5.2	356.2	1.6	1.7	68,430.2	4.2	2.2	-4,238.6	27.9
Poland	38.0	1,005.4	3.6	3.0	26,455.3	7.4	-0.9	7,489.4	51.3
Portugal	10.4	289.8	1.5	-0.9	27,834.8	12.1	0.5	6,030.6	128.8
Slovak Republic	5.4	161.0	3.6	2.4	29,720.1	11.3	-0.3	802.5	52.6
Slovenia	2.1	64.0	2.9	0.6	31,007.4	9.3	-0.5	993.3	83.3
Spain	46.4	1,615.1	3.2	-0.1	34,819.5	21.9	-0.5	9,243.0	99.0
Sweden	9.8	473.4	4.1	2.0	47,922.2	7.4	0.7	12,579.4	44.1
Switzerland	8.2	482.3	0.9	1.5	58,551.5	4.3	-1.1	68,838.0	45.6
United Kingdom	64.9	2,679.3	2.2	2.1	41,158.9	5.5	0.1	39,532.8	89.3
United States	321.2	17,947.0	2.4	2.0	55,805.2	5.3	0.1	379,894.0	105.8
Average	35.2	1523.1	2.4	1.8	43406.2	7.5	0.7	31589.1	71.4

Figure (2) and figure (3) compares the unemployment rate and inflation rate of OECD, BRICS and Iran respectively.

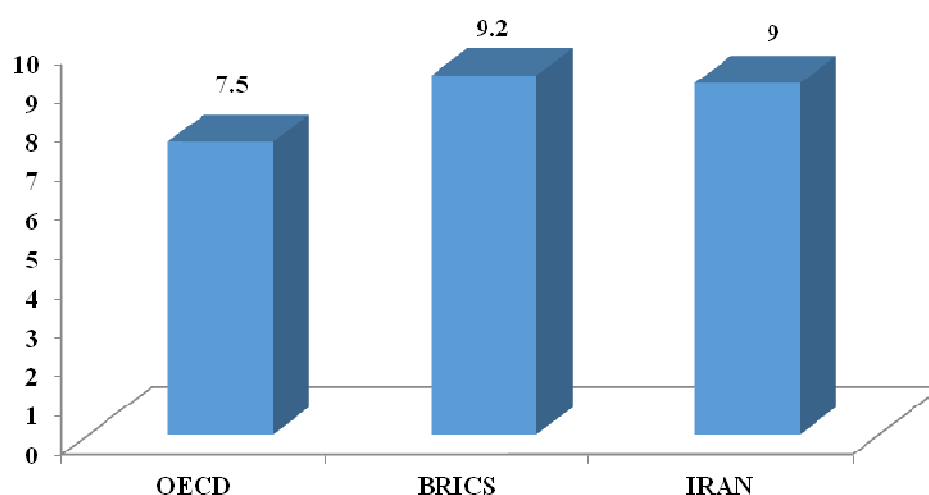


Figure 2: Unemployment rate in Iran, BRICS and OECD

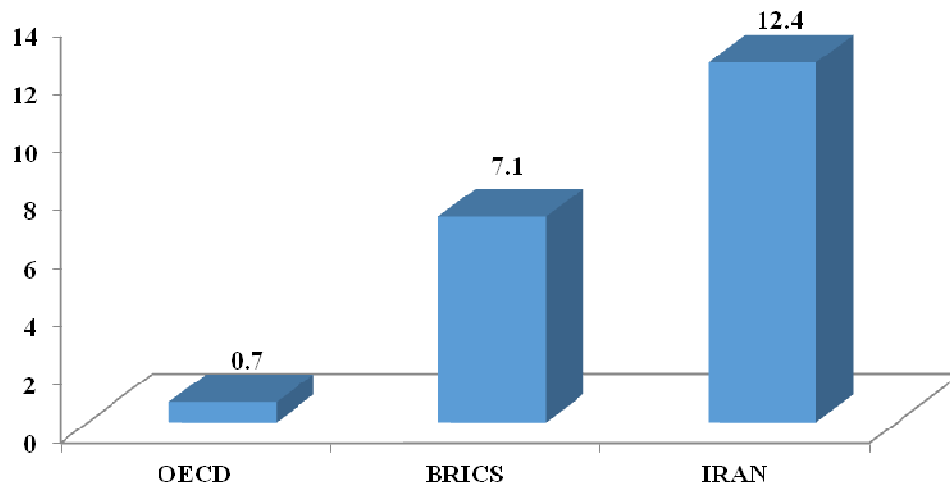


Figure 3: Average inflation rate: Iran BRICS, OECD

As figure (3) shows Iran suffers from the highest inflation rate (as compared with OECD and BRICS). Table (15) indicates the value of public sector indices of OECD countries.

Table 15: Value of public sector indices in OECD countries

Country	Tariff Rate (%)	Income Tax Rate (%)	Corporate Tax Rate (%)	Tax Burden % of GDP	Gov't Expenditure % of GDP
Australia	1.9	45.0	30.0	27.5	37.2
Austria	1.5	50.0	25.0	43.0	51.9
Belgium	1.5	50.0	33.0	44.7	53.9
Canada	15.8	33.0	15.0	30.8	40.3
Chili	1.8	35.0	25.0	19.8	25.8
Czech Republic	1.5	15.0	19.0	33.5	42.9
Denmark	1.5	56.0	23.5	50.9	55.7
Finland	1.5	31.8	20.0	43.9	58.5
France	1.5	45.0	34.3	45.2	56.9
Germany	1.5	47.5	15.8	36.1	44.0
Hungary	1.5	15.0	19.0	38.5	50.2
Iceland	1.0	31.8	20.0	38.7	43.6
Ireland	1.5	41.0	12.5	29.9	35.2
Israel	1.0	48.0	25.0	31.1	40.3
Italy	1.5	43.0	27.5	43.6	50.4
Japan	1.2	40.8	23.9	30.3	39.3
Kuwait	3.2	0.0	15.0	0.9	53.6
Luxembourg	1.5	42.0	19.0	37.8	41.5
Netherlands	1.5	52.0	25.0	36.7	44.9

New Zealand	1.3	33.0	28.0	32.4	41.9
Norway	1.2	47.8	25.0	39.1	47.7
Poland	1.5	32.0	19.0	31.9	41.6
Portugal	1.5	48.0	23.0	34.4	48.2
Slovak Republic	1.5	25.0	21.0	31.0	43.2
Slovenia	1.5	50.0	17.0	36.6	44.1
Spain	1.5	45.0	25.0	33.2	43.0
Sweden	1.5	57.0	22.0	42.7	49.3
Switzerland	0.0	40.0	24.0	27.1	33.0
United Kingdom	1.5	45.0	20.0	32.6	43.2
United States	1.4	39.6	35.0	26.0	37.8
Average	2.0	39.3	22.8	34.1	44.4

Figure (4) compares graphically the value of different public sector indices for Iran, BRICS and OECD

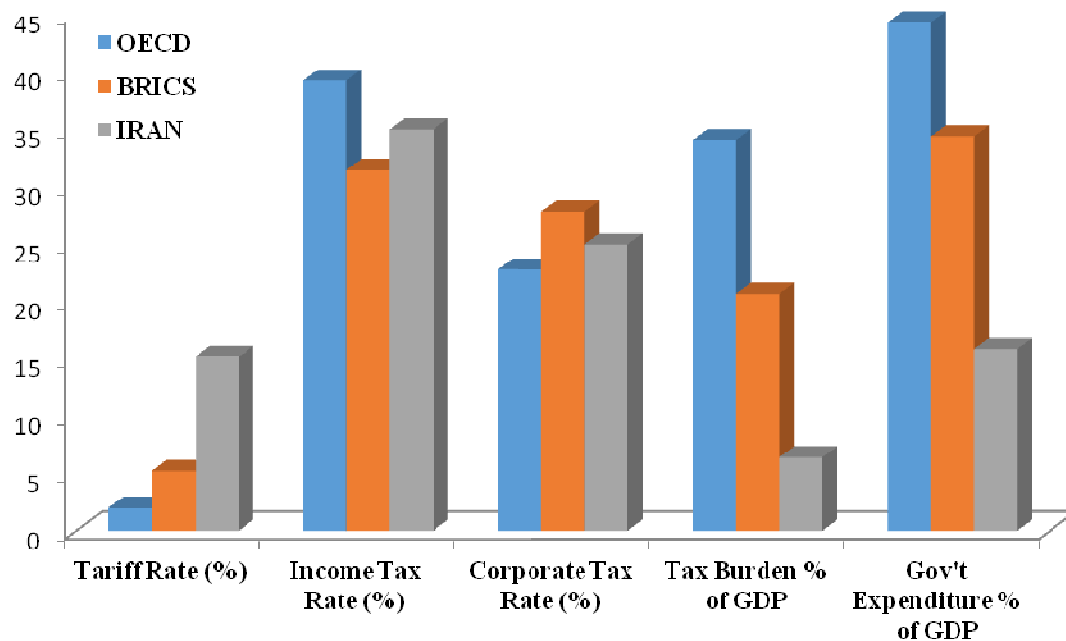


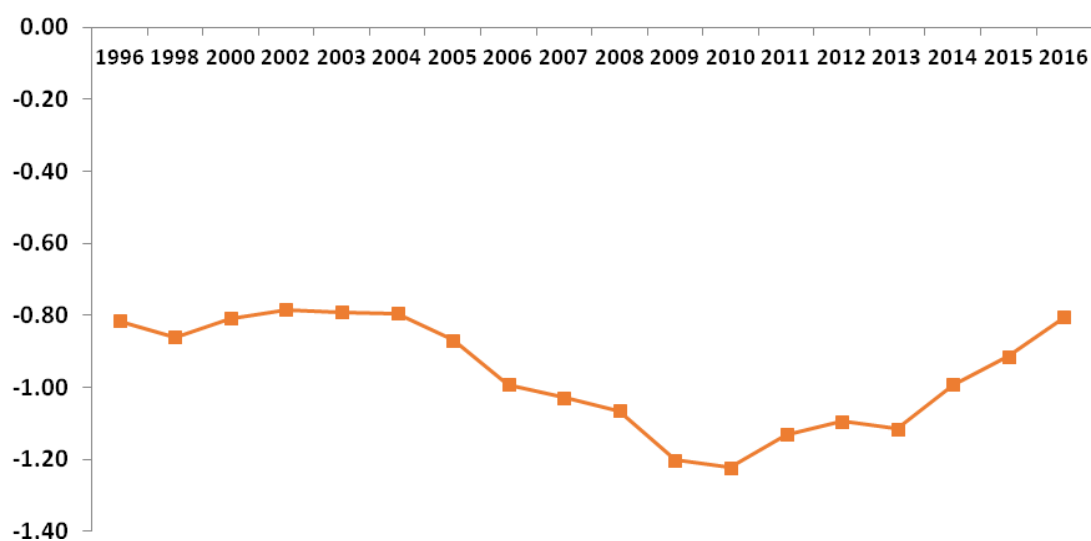
Figure 4: Public sector indices: Iran, BRICS, OECD

As figure (4) indicates ratio of tax on GDP in Iran is the least among all selected countries. Share of tax to GDP in Iran is less than 7% that of BRICS is over 20% and for OECD is above 40%. Table (16) indicates the status of public sector indices of Iran.

Table 16: Public sector index In Iran (1996-2017)

Year	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption	Good Governance index
1996	-0.87	-0.37	-0.56	-1.60	-0.85	-0.65	-0.82
1998	-0.85	-0.74	-0.46	-1.73	-0.61	-0.77	-0.86
2000	-0.92	-0.76	-0.45	-1.71	-0.42	-0.57	-0.81
2002	-1.11	-0.82	-0.52	-1.32	-0.72	-0.22	-0.78
2003	-1.32	-0.83	-0.46	-1.23	-0.61	-0.30	-0.79
2004	-1.23	-0.78	-0.45	-1.26	-0.63	-0.42	-0.79
2005	-1.30	-0.81	-0.62	-1.28	-0.77	-0.44	-0.87
2006	-1.47	-1.08	-0.56	-1.48	-0.90	-0.45	-0.99
2007	-1.53	-0.99	-0.61	-1.62	-0.93	-0.50	-1.03
2008	-1.54	-0.98	-0.63	-1.63	-0.87	-0.74	-1.06
2009	-1.55	-1.55	-0.57	-1.73	-0.94	-0.86	-1.20
2010	-1.57	-1.62	-0.48	-1.70	-0.98	-0.99	-1.22
2011	-1.55	-1.42	-0.44	-1.51	-0.94	-0.92	-1.13
2012	-1.58	-1.33	-0.53	-1.41	-0.89	-0.82	-1.10
2013	-1.60	-1.26	-0.69	-1.49	-0.98	-0.68	-1.12
2014	-1.57	-0.91	-0.41	-1.46	-1.03	-0.57	-0.99
2015	-1.54	-0.91	-0.20	-1.28	-0.95	-0.61	-0.91
2016	-1.52	-0.9	0.31	-1.16	-0.88	-0.68	-0.80
Average (1996-2016)	-1.17	-0.86	-0.4	-1.27	-0.71	-0.53	-0.82

Figure (5), through 8 compare the trend of public sector indices in Iran with that of BRICS and OECD

**Figure 5: Trend of public sector indices in Iran (1996-2016)**

As figure (5) and (6) indicate, as indices of performance of public sector are concerned, Iran suffers from bad governance. OECD countries are at the top and BRICS is between above two level.

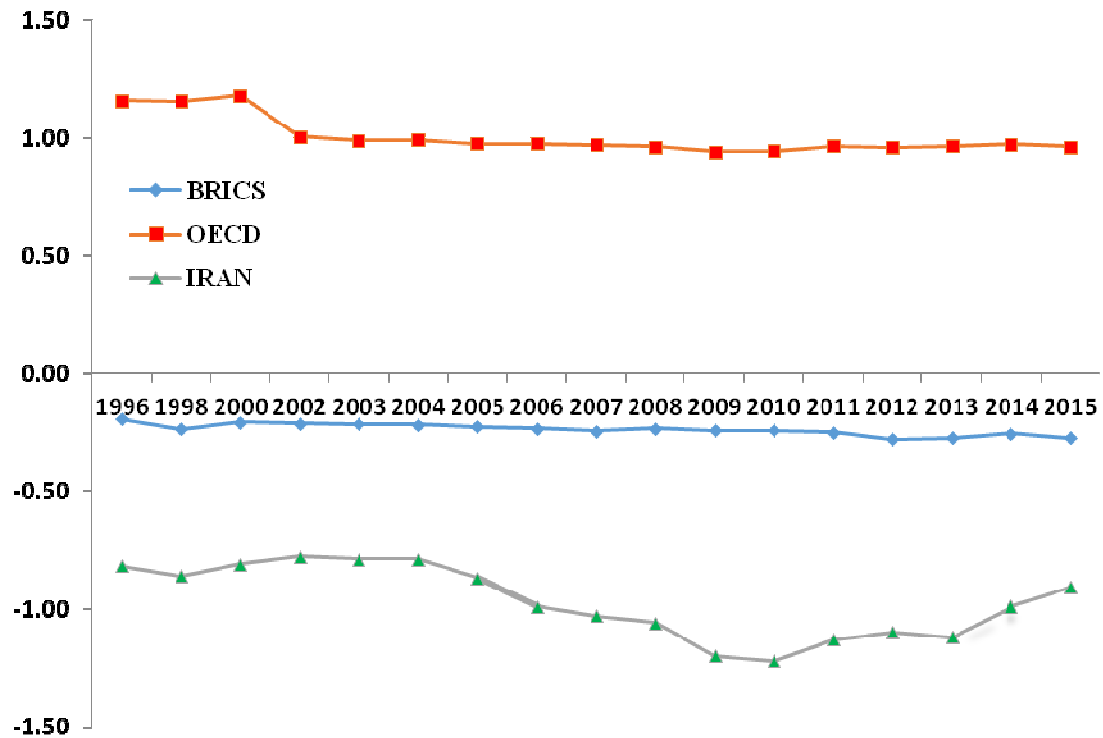


Figure 6: Public sector index Iran, BRICS and OECD

Moreover, Iranian governance shows the most fluctuation. Not surprisingly, the worst public sector performance belongs to 2005-2012 administration. Figure (7) and (8) indicate Iranian government effectiveness and control of corruption respectively. Trend of both indices show the lowest quality when it is compared with that of BRICS and OECD.

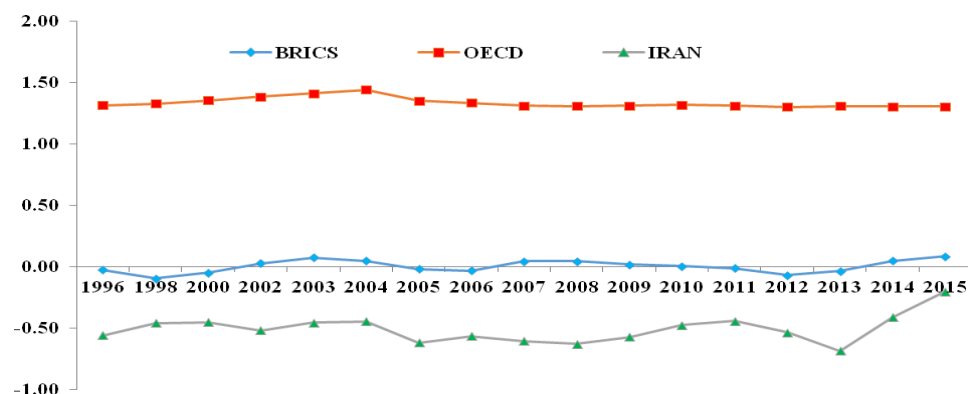


Figure 7: Government Effectiveness: Iran, BRICS and OECD

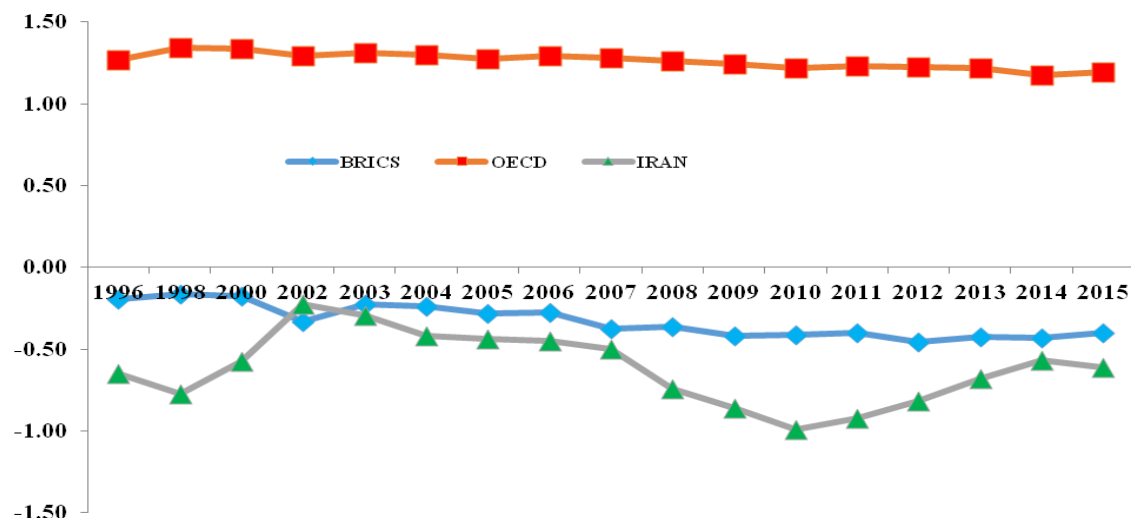


Figure 8: Control of Corruption Iran, BRICS and OECD

As figure (8) indicates there is a significant relationship between the quality of public administration at one hand and the degree of corruption control. That is, moderate administrations of both 1980-2004 and 2013-2017 periods indicates much more efficient control of corruption than that of extremist and populist one (2005-2012 period).

Table (17) and figure (9) indicate the status of economic freedom in Iran as well.

Table 17: Economic Freedom in Iran (1996-2017)

year	overall score	property rights	government integrity	judicial effectiveness	tax burden	government spending	fiscal health	business freedom	labor freedom	monetary freedom	trade freedom	investment freedom	financial freedom
1996	36.1	10	10	N/A	41.5	92.1	N/A	55	N/A	51.3	45	10	10
1997	34.5	10	10	N/A	41.5	85.1	N/A	55	N/A	43.7	45	10	10
1998	36	10	10	N/A	41.5	84.8	N/A	55	N/A	48	55	10	10
1999	36.8	10	10	N/A	41.4	84	N/A	55	N/A	54.6	56	10	10
2000	36.1	10	10	N/A	41.3	79.7	N/A	55	N/A	57.6	51.4	10	10
2001	35.9	10	10	N/A	41.3	82.7	N/A	40	N/A	57.2	62	10	10
2002	36.4	10	10	N/A	40.9	79.7	N/A	40	N/A	59.5	47.2	30	10
2003	43.2	10	10	N/A	64.2	89.6	N/A	40	N/A	62.3	72.8	30	10
2004	42.8	10	10	N/A	64.2	80.2	N/A	40	N/A	61.7	78.8	30	10
2005	50.5	10	30	N/A	81.2	88	N/A	40	76.4	60.1	78.8	30	10

2006	45	10	29	N/A	81.2	85.1	N/A	56.1	53	60.1	55.4	10	10
2007	45	10	29	N/A	81.2	84.5	N/A	55.4	52.5	62	55.4	10	10
2008	45	10	27	N/A	81.1	84.5	N/A	55.8	53.1	61.3	57.4	10	10
2009	44.6	10	25	N/A	81	79.7	N/A	60.6	52.4	60.1	57.4	10	10
2010	43.4	10	23	N/A	81.1	79.6	N/A	69.9	55.1	54.7	50.2	0	10
2011	42.1	10	18	N/A	81.1	76	N/A	69.4	50.7	60.7	44.8	0	10
2012	42.3	10	22	N/A	80.6	76.9	N/A	64.8	51.5	62	45.7	0	10
2013	43.2	10	27	N/A	80.8	80.5	N/A	65.3	55	58	45.7	0	10
2014	40.3	10	23.4	N/A	80.6	85.9	N/A	62.3	41.7	47.3	41.4	0	10
2015	41.8	10	25	N/A	81.2	93	N/A	57	51.3	48.7	41.4	0	10
2016	43.5	10	27	N/A	81.2	93.2	N/A	59.3	49	50.6	54.6	0	10
2017	50.5	32.4	29.6	36	81.1	92.7	94.9	64.8	54.5	55.5	54.5	0	10

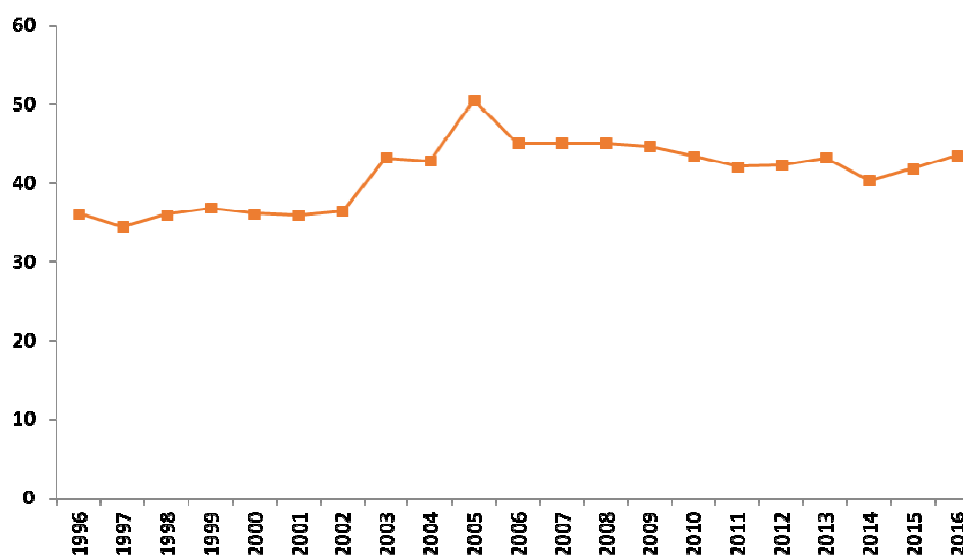


Figure 9: Economic Freedom in Iran 1996-2016

As the figure (9) shows there is a significant relationship between the types of public administration and economic freedom indices. As we mentioned, before 2005, 2005-2012 and 2013- 2017 are some types of public administration

periods in Iran. The worst status of economic freedom is belonging to 2005-2012 administration period. As figure (10) indicates the lowest economic growth in Iran is also related to the public administration of 2005-2012.

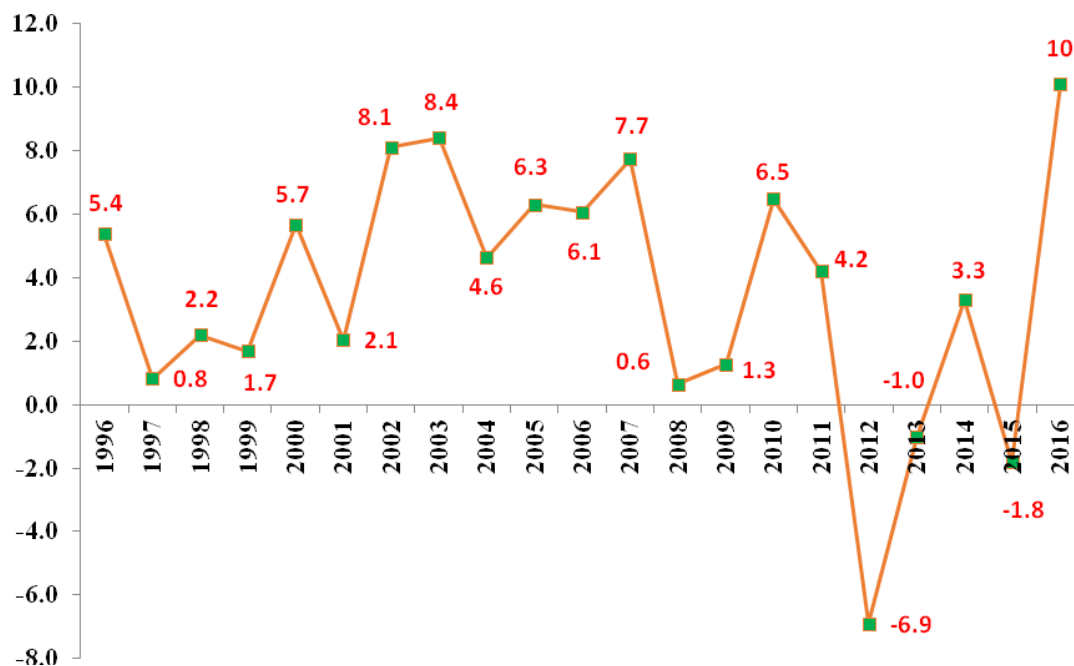


Figure 10: Tread of Economic Growth in Iran (1996 – 2016)

Deficiencies in public sector and bad governance led to raise economic corruption as well. A basic obstacle in Iran, right now is massive corruption in public sector. Due to non-standardized public sector in Iran, corruption rank is 131. Figure (11) indicates both the trend and the rank.

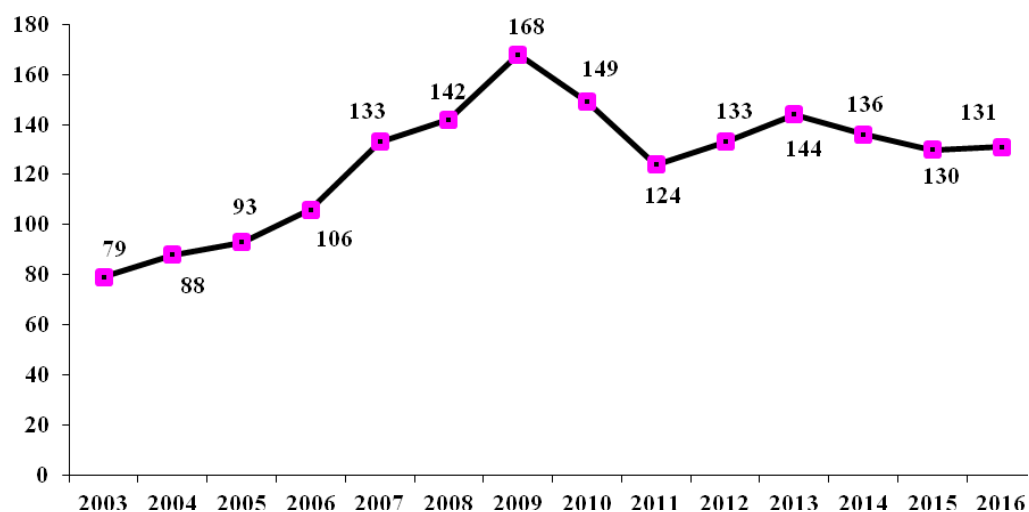


Figure 11: Rank Iran of the World Corruption index (2003-2016)

After dominance of the worst administration (2005-2013) the corruption trend in Iran has raised rapidly. The rank in question has increased from 103 in previous period to 168 in 2009. The above structure has led to a systematic corruption in Iran. Lack of democratic institutions, unique governmental mass media, huge under economy and nonstandard constitutional law could be construed as some factors behind systematic corruption in question. The problematic structure as such caused demotion of productivity too. Figure (12) indicates the negative impact of government a size (a proxy for structure and performance of public sector) on productivity in Iran.

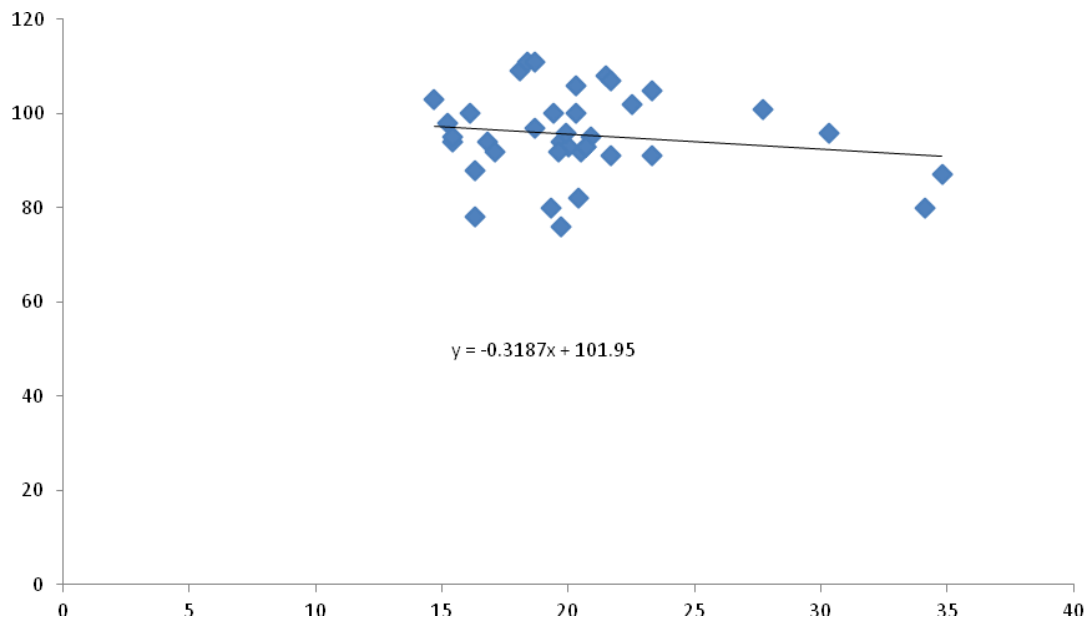


Figure 12: Impact of government size on productivity in Iran 1980-2016

Also figure (13) indicates the negative impact of bad governance on economic growth.

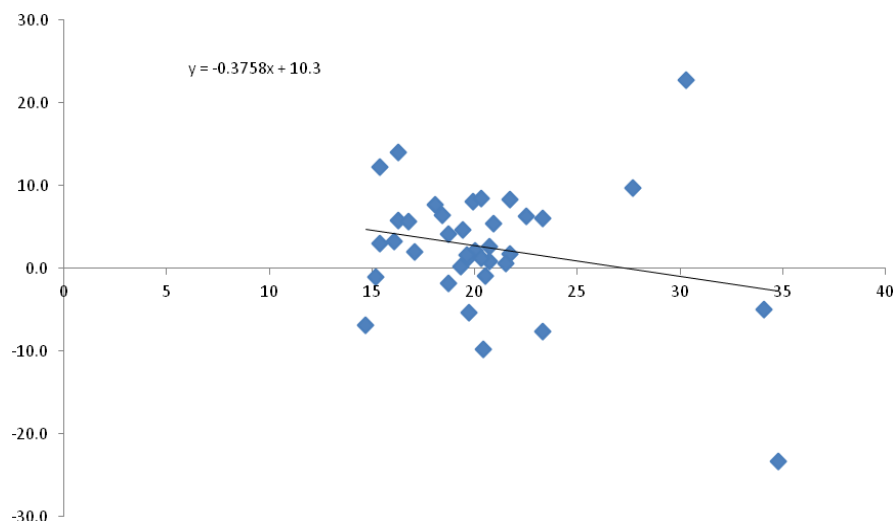


Figure 13: Impact of government size on economic growth in Iran

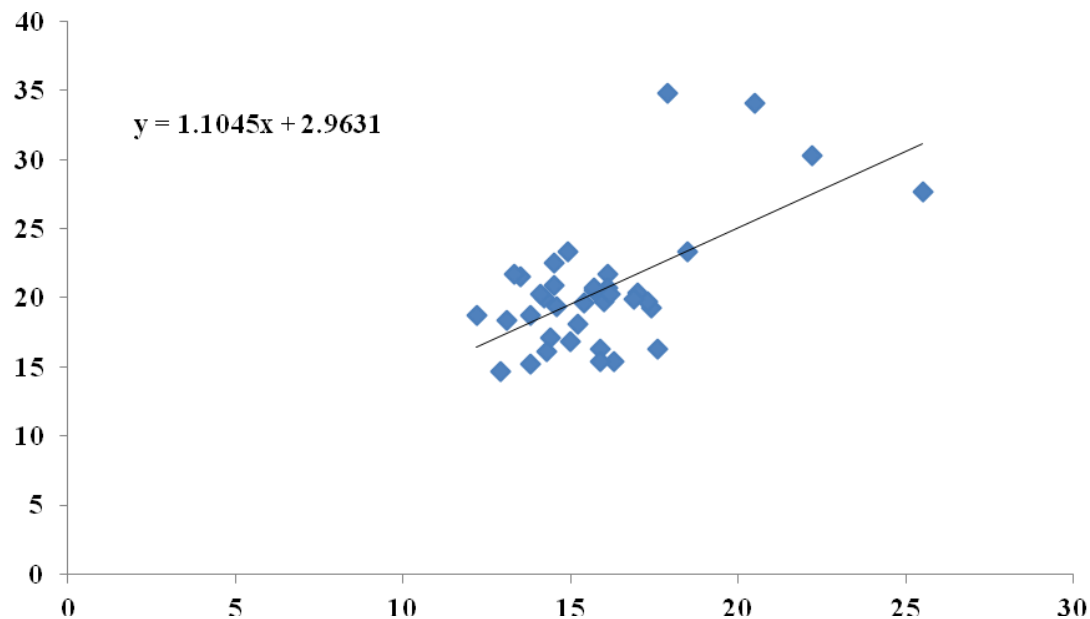


Figure 14: shows the impact performance of public sector on inequality

Result analysis and concluding remarks

By precise looking at the materials developed in pervious sections, in this final one we try to recap the Iranian public sector status in a multidimensional framework.

Main debates

We suppose that the main factors behind economic progress could be capsulated into two categories; direct and traditional factors and indirect and complementary or residual ones. Necessary inputs and equipment, consistent theory, suitable strategy and efficient managerial and monitoring system could be construed as main traditional factors for economic development. Inputs might include natural resources, machinery, technology, management and adequate human capital. Some developed countries (including japan, and Germany typically), however, have succeeded in economic progress without owning adequate of above requirements. Reversely, some other countries witness to own plenty of resources (Iran as a typical example), have not achieved economic development. By deep investigating, one may conclude that there is a missing chain here which we call it “residual factors or complementary factors of development” (UNDP 2015, emphasis added).

Residual factors or complementary factors of development are indirect factors and mainly non-economic factors, which at the same time are very influential factors for economic progress. Standard structure of constitutional law, efficient property right and legal system, optimum government size, well developed private sector, efficient taxing system, peaceful relationship with other countries, commitment to produce social capital, taking into consideration the modern authority, rational culture, integrative social system and obeying the rules of the game, domestically, regionally and globally are amongst the main complementary or residual factors of development. Separation of power and lack of above law are main characteristics for standardized constitutional law. Reforming constitutional law is urgent for any economic development in countries like Iran (IBH 2017, PRC 2017).

By considering key developmental elements in political economy along with Iranian circumstances, one can realize several warning symptoms of underdevelopment disease in this country. Rentier state, less developed private sector, inefficient taxing system, massive number of unemployed people, big government and inefficient bureaucratic system, relatively closed economy (with weak international relationship), non-transparent property rights, and unaccountable public sector, can be pointed out typically. No efficient coordination between main political powers at one hand and economic policy makers at the other, very weak regulatory system, inefficient rule of law, low quality of law, ineffective governance in combat with corruption, low political stability, and very high government corruption are among other hardships in Iran. Elements in question can partly justify and explain the roots of some

key causes of underdevelopment in Iran. Lack of private mass media, monopoly of government on radio, TV, satellite, internet, etc., intervention of military forces in economic and political activities, dominance of a specific ideology on influential parts of public sector leadership, non-separation of power in constitutional law and very low social capital, are similar factors work behind current Iranian public sector.

Key finding of this research and pivot factor behind the current under development of Iran is the current structure of its public sector and its bad governance. Current structure of constitutional law is a big obstacle for opening up any meritocratic and democratic election. To do any influential effort to exit from such bottlenecks, reforming the public sector in Iran is urgent step. Thus, the main causes of under development of Iranian economy are non- economic ones. The share of political, cultural and other residual factors¹ are much more responsible for current situation than pure economic ones. Benefiting from peaceful and great people and benefiting from post “joint comprehensive plan of action, JCPA,” self-correcting the public sector, reforming the constitutional law and obeying international rules, are some primary efforts for Iranian government to exit from current situation.

Concluding remarks

According to findings of this paper, Iranian public sector management suffers strictly from some shortcomings including lack of good governance standards. This has led Iranian public sector to a kind of rentier government, Dutch disease, and the like. Rentier state would link to the resource curse, inefficient taxing system and weak private sector too. Centrality role of the efficient taxing system is too obvious to be discussed (Winer 2016). This is connected meaningfully to rentier state as well.

As indices of quality of public managements are concerned, public sector in Iran does have a weak or inefficient structure and bad governance. The gap between 25VD targets and actual Iranian status is very high. It lags behind almost all its competitors of action plan in questions. In case of good governance, democratic institutions, including various private mass media, independent and free press, social controls and so on, are checking managers of public sector and can disclose the corruption in public sector (Busch 2011, Mahoney and Thalen 2010, Klein 2014). Lack of those instruments led to a massive corruption in Iranian public sector generally, and in 2005-2012 administration particularly. It is famous that 40% of Iranian economy is out of accountability and does have tax evasion as well (PRC 2017).

A key factor of good performance of many countries during last decade of 20 century and continuing 21 century, is changing the role of management and ownership (Campbel 2004, Sassen 2015, Ward 2017, Barnett and Finnemore 2004). Reduction in government intervention in economy, encouraging private sector and promoting competition are some targets and guidelines for improving quality of public sector management. Prudential privatization and improving the business doing environment, are two steps for indicating good governance in developed and developing countries (Gil- Mclur 2017, Capriati 2016, Ostrom 2005, Stiglitz 1999). Institutional progress in Iranian case with respect to the above guideline is very negligible (Kuran 2010, Maloney 2015, Katouzian 2014, Cammett et al 2015, Amouzegar 1997).

This paper compared the quality of public sector management of Iran with some selected counties. Iranian competitors in 25VD and BRICS countries are two categories of the selected counties. In addition, OECD characteristics of public sector has used as a benchmark and semi standard for public management. First group of selected countries are 24 Asian countries which are Iranian competitors in a national plan, so called, 25VD. According to the plan in question Iranian economy must obtain rank 1 among 25 south west Asian countries. It is naturally expected that Iranian economy has a considerable progress to move from current hardships to planned and optimum situation, targeted in 2025. It actually, however, has not achieved minimum targets of plan in question (Vahabzade 2017, OECD 2005).

By applying two packages of institutional and structural indices quality of Iranian public sector management was compared with that of its competitors in the region. According to study in question and as macro variables are concerned, one can realize a huge gap between current situation and targets of 25VD. Double digit inflation (around 15%) and unemployment rate (above 13%), very low economic growth (less than 3% in average), less developed private sector, inefficient taxing system and rentier government, are mentioned as typical difficulties. 6-By improving the suitable legal grounds and applying other necessary institutional changes, Iran can provide adequate security for national and international investments. Reducing the size of public sector to its standard level

¹ - Residual factor of economic developments are non- economic, but very close to economic factors behind the developmental process. They are political, social, legal and institutional issues in principle.

is another urgent step that Iranian policy makers should operate. In order to achieve any economic progress, Iranian government has to benefit mainly from real contribution of private sector. Rational privatization of state owned firms could be construed as a complementary step for sharing economy, with private sector. Iranian public sector should reinforce its monitoring and supervising role at one hand, and reduce its intervening role at the other.

Iranian economy does have sufficient capability and developmental capacity to achieve standard level of progress including 25VD goals, and the like (McKinsey 2016). It only requires a managerial will to reform its public structure, obeying theories of optimum management, applying its related rules of the game, and following experiences of developed countries in this regard.

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