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Rural Industrialization: A Strategy for the development of rural areas
Central District of Astara in IRAN

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In the name of God

Preface

God thanks who gave me the interest to start research and I express my appreciation to the respected university staff to provide this opportunity and also to the writers whom theoretical studies and resources were useful for me, and before starting the research and during it provided a background in my mind to relate them with the theories in the research subject. I acknowledge my appreciation to all individuals, organizations and centers which were useful for the subject of research. The great professor Dr. R. Guliev helped me a great deal and had an important role to guide me. At the end I appreciate all the scientific groups and departments who had valuable role in my research.

I offer my thanks to the manager of university who helped the consistence efforts in university.

Abstract

I introduce subject programming and definition, understanding and limitations of the subject matter and I describe how can a traditional society with low productivity change to a productive modern society?

What extent activities of big cities can helps to development of rural areas or harms to it? And I describe development means in research area and divided rural development to seven points in continuing the research prospective is about limitation of subject matter in some points after that I consider to engineering the plan, world view about the subject too discuss in the last of this chapter I debate about the strategy.

Background of the subject and study of the literature one theory expressed for industrialization of rural areas is Lowis logic or theory of penetrate to the beneath. This logic explains how to remove the rural poverty; this research has been gathered in the framework of industrial strategies in the country and with regard to villages of Astarra has been formulated. Also I consider developing characteristic in four points and describe them.

Setting and gathering the report of the research, structure and elements of research report here the basis of decision is distributed resources, results of previous experiences, unit priorities, long term plans and policies of investment and finally document provided for that rural industry and the end of this chapter I analysis of rural industrial project collection and control of that.

I have considered research analyzing and finding by hypothesis and result to test the hypothesis, the cases are studied to make links between variables of research and give enough reasons responsibility of technical analysis also provide in this chapter in additional I have discuss cost of production and comparing between them market competition problem also I have seen too and then I have considered rural industrial development explanation economically in Astarra.

Includes a collection of summary and conclusion and evaluated of elements such as technical financial relation of plan with other activities, income, management, process of control standards time of measurement and strategic evaluation.

Introduction

Rural industrialization as one of the most necessary conditions for economic development of underdeveloped agrarian countries is justified.

Namely due to industrialization in agriculture and applying intensive technologies two important effects have been achieved in developed countries:

- productivity is essentially increased in agriculture;
- Huge resources have been de allocated and involved to other more profitable sectors of economy such as industry and services, including finance.

As result only 2-5% of employed in developed countries are occupied in agriculture, and this sector gives only 2-7% of GDP in such countries.

But as it is known in some underdeveloped countries amount employers engaged in agriculture reaches to more than 60% of labor force, and one of the causes of such situation is lack of other kind of enterprises. One of the ways out of the situation is industrialization rural area.

Thus, rural industrialization proposes two directions:

- applying agricultural machinery in agricultural production;
- creating industrial enterprises in rural area, e.g. plants for processing agricultural products or other kind of row materials produced in rural area.

As it was noted above, namely lack of the seconds in underdeveloped countries declines the incentives to the firsts because appearance of unemployment. Therefore to break this vicious industrialization of rural area is necessary.

On the base of conducted investigation the more suitable for Astara region of Iran forms of industrialization and measures are determined and suggested.

The role of rural industries in job making is effective when the rural partnership is on the first place and be on the basis of rural society's need creating small industries or handicrafts should be without the interfere of government.

Two important stages may be separated out in economic development of mankind.

- The first one is industrialization, which was started in XVIII century and resulted in mass production.
- The second is in formalization, which had its rise after II World War.

Industrialization is one of the main directions of economic development - the modern progress of mankind was started from industrialization in different sectors of economy.

To develop the underdeveloped world regions and countries and regions within countries should be industrialized, and it should be the care not only a government, but farmers themselves.

In many developing countries, after the decades industrial development planning, the concept of rural industries isn't still clear, and different indicators including employment, size of investment, size of production, kind of technology and export products are used to define rural industries – In many definitions, the size of investment or the number of employees or both of them are the main aspects of in definition and classification of small industries.

The trends in the recent decades in the country and its various cultural, social and economic consequences in the framework of traditional development theories as well as its economic – district based approach have caused problems and insufficiencies such as lack of suitable job opportunities, low income, acute poverty, low level of living and so on in the rural places and, in general, qualitative and quantitative inequalities between rural and urban districts. This has been the main cause for immigration of rural people to urban districts. Central district of Mianeh, the area where this research focuses on and has been affected from the trends in the recent decades as well as its ecologic limitations, suffers from problems and incapability, the consequences of which have led to non-development of the rural developments and cannot anymore support highly populated rural areas. Therefore, in order to decrease inequalities between rural and urban districts and facilitating economic activities in rural areas, the industry, as an item for employing extra human resources of the rural areas was brought about.

Industrial units related to rural industry section includes a variety of industrial activities consisting furniture productions, consuming productions industrial spare parts, small service units, big repairing and keeping industrial products. These industries in most developing countries employ work force and they tend to that kind of technology in which they use more workers and less investment.

Results from the experiences of three last decades in developing countries such as Iran show that the rural industries can have a vital role in development of rural areas because of the following reasons:

- 1- Facilitating and upgrading the activities of agricultural section and enforcing the national industry.
- 2- Increasing the production causes upgrading income of low-income families in rural areas.
- 3- By creating complementary opportunities along with the farm activities, creates jobs.
- 4- It causes lessening the risk and creating the balance in income of cycle of rural families and makes their income consistent.

5- With consideration in industries of central and city areas will help to decrease the destruction of environment.

6- Growth of rural industries can be as a tool to speed up the rural development and also avoiding rural immigration to the cities.

7- Small and average industries are the main sources of creating domestic investment by personal deposits for production activities.

So small industries help to national economy and rural areas in four aspects:

I. Job creating: small industries will help the spirit of job creation and charge the rural areas and national economy.

II. Innovations: Small rural industries have important role in technological processes.

III. Industrial dynamism: Small industries have important role in industrial development on national and regional level.

IV. Creating job opportunities: Rural industries in the recent years have had a considerable share in creating new jobs.

Among the different factors like self reliance upgrading technology and gathering investment, fair distribution of income decreasing the trend of immigration to protect rural industries, its share in creating job opportunities is very important.

Experiences show that because effectiveness of rural industries, a considerable work force is attracted. Since these industries are created in rural areas, they have a valuable share to remove the income gap between rural and city incomes. This characteristic, stops immigration to cities and it creates links between agriculture and industry. So one of the important discussions of industrialization and development of rural areas is to consider creating small industries. These industries don't face many problems of big cities so some countries like Iran believe the background of protection and attracting people in rural areas is to create and establishment of industrial activities. These industries with regard to the limited need of fundamental facilities, simple activities and no need to specialized expertise are one of the most important lovers to activate material and human potentials in rural areas in nation and regional level.

In rural economy we should use different activities especially industries because cooperation of industries in rural development is multidimensional, and its primary goal should be increasing the production and productivity in rural areas. Rural industries have important role in rural development by productions and increasing them and also by job creating.

Experienced patterns in industrializations in developing countries especial in Asia isn't coordinated Experience of china in industrialization of rural areas is in the frame work of economic units or Township Enterprises which emphasizes non-agricultural section to job creation and reducing poverty and it has great lessons for developing countries.

So, rural developments of industries are important part of protection the balance of development which is multidimensional in rural areas. Geographical area of industrialization of rural areas is beyond the rural houses and traditional home workshops and doesn't limit to a special area. Emphasis on the small industries in rural areas is one of the patterns for industrialization of rural areas in Iran and central part of Astara (a town in Iran).

So the final solution to poverty and immigration of unemployed people to cities is creating job opportunities and upgrading level of living in rural areas. This should be done on the basis of small industries.

Industrialization is a catalyst to job creating and the final solution to poverty. So industrialization is necessary for development of rural areas and should be protected by government and policy-makers.

Fixing place is with regard to natural characteristics, environmental pollution and the distance of place with the village.

In addition, the industrial region should access to the country roads. Reforming transportation network in the rural areas this is the first step of operation. With regard the fact that rural context had been created for ten years ago, transportation network is irregular. So they aren't proper for tractors and trucks. In addition to that charging the roads to streets and walking will increase the commercial value of the region and this will increase the income of that region. Firstly the region should be studied and after the classification, they should be charged.

The width of roads should be with regard to the future population and the size of transportation so that there is no need to charge them in the future noticing to engineering rules is important. Now we are going to describe the scope studies of research, the area of the study that name is Astara.

The **object** of our research is Astara district of Iran Islam Republic, the **subject** is regional industrialization.

The main **goal** of the research is developing scientifically substantiated suggestions to industrialize Astara district of Iran.

The research is divided into three part with total of six chapters before part one I provide introduction and then

In Chapter 1 I introduce subject programming and definition, understanding and limitations of the subject matter and I describe how can a traditional society with low productivity change to a productive modern society?

What extent activities of big cities can helps to development of rural areas or harms to it? And I describe development means in research area and divided rural development to seven points

in continuing the research prospective is about limitation of subject matter in some points after that I consider to engineering the plan, world view about the subject too discuss in the last of this chapter I debate about the strategy.

In Chapter 2 background of the subject and study of the literature one theory expressed for industrialization of rural areas is Lewis logic or theory of penetrate to the beneath. This logic explains how to remove the rural poverty; this research has been gathered in the framework of industrial strategies in the country and with regard to villages of Astara has been formulated. Also I consider developing characteristic in four points and describe them.

In Chapter 3 recognition and analysis of research subject, research method and hypothesis observation method with five steps and how to access information and gathering information in investment engineering plan financial source and research variables.

In Chapter 4 setting and gathering the report of the research, structure and elements of research report here the basis of decision is distributed resources, results of previous experiences, unit priorities, long term plans and policies of investment and finally document provided for that rural industry and the end of this chapter I analysis of rural industrial project collection and control of that.

In chapter 5 I have considered research analyzing and finding by hypothesis and result to test the hypothesis, the cases are studied to make links between variables of research and give enough reasons responsibility of technical analysis also provide in this chapter in addition I have discuss cost of production and comparing between them market competition problem also I have seen too and then I have considered rural industrial development explanation economically in Astara.

In Chapter 6 includes a collection of summary and conclusion and evaluated of elements such as technical financial relation of plan with other activities, income, management, process of control standards time of measurement and strategic evaluation.

CAPTER 1 . GENERAL OBSERVE TO THE SUBJECT

1-Definitions, Understanding and limitations of the subject

1-1 The role and importance of village:

Astara is a big village on western coast of Caspian Sea and on the northeast part of Gilan province and the last Point of Iran and Azerbaijan Republic- Astara is limited to the east by Caspian Sea, from northern part it ended to Astara of Azerbaijan Republic, from west to Ardabil city and from south to the Talesh region.

Astara River passes along side the paved road of Astara- Ardabil. Iran's Astara is separated from Astara of Azerbaijan Republic by this river.

In Astara people talk Azerbaijan Turkish and also Taleshian language, but because of immigrations its importance has been reduced.

Astara has become a part of Gilan province by the constitution of country divisions by the year of 1950- Its population at present is nearly 100/000 and its climate is humid and moderate.

Import and export, agriculture, industry and services are among the most important occupations in Astara. Foreign trade is mostly with Azerbaijan Republic. Its industries are constructions, shoe and leather making and packing and also dairy industries flour production, changing industries such as charging raw sugar to consumption sugar, packaging industries in agriculture and hospital facilities industries and power stations are another occupations are suggested to be developed.

If immigration of villagers to cities in the third world countries had a high rate, its main reason should be lack of development in rural areas. This factor in addition to fast growth of population is the result of poor development in rural areas.

How can a traditional society with low productivity change to a productive modern society?

What extent activities of big cities can help to development of rural areas or harm to it?

These questions and many other questions can clarify the importance of planning in rural development. It is especially important for Iran, as it is seen in table 1.1 declining productivity is observed in more significant for national economy sectors such as industry and service production.

Table 1.1. Average productivity of economic sectors of Iran

Sectors	1995	2000	2005
Agriculture	0.37	0.85	1.04
Industry	1.55	1.26	1.22
Services	1.08	0.95	0.83

Source: IRAN statistical center

If development is going to occur, it should start from rural areas and should start from industrial areas. Issues like poverty in cities or rural areas, inequalities, rapid growth of population and increasing unemployment all have their root in the rural areas.

This is because development economists believe that without industrial and rural development, industrial growth won't be successful and if it is successful, it will confront domestic imbalances in economy and will cause more poverty. However unfortunate experiences of recent decades and recognizing this fact that the future of most underdeveloped countries and developing countries depends to improving the situation of villages, appears the undoubted importance of rural planning to make social – economical development a reality.

Occurring to the new viewpoints, development of cities and industrialization of them are no more of such importance. But there is a more realistic point of view which shows the importance of planning of rural development. Attention to the rural planning in our country is a hopeful sign. In many third world countries, officials have understood that rural development is the real key of progress.

We should consider that strategies about rural development are different in different countries and even in different regions. There is no certain answer that shows which kinds of development are proper for different regions. So in this research we have tried to study the logical relations in the environment.

To achieve development we need a plan and to create a plan we need to a complete study and research. There are different kinds of development models and ways of planning which a developing can choose it.

But this selection shouldn't be in a hurry or they shouldn't imitate some successful countries. Here is clear the importance role of study and research. It should be clear what planning is more proper for determined goals.

Development is a complication phenomenon and multi-dimension. It needs essential changes in social structure, believes of people and national foundations, and also eradicating economic growth, reducing inequality and eliminating poverty. Development should represent social system according to different needs of society has changed to a desirable situation. Each kind of goal or strategy which won't help to eliminate poverty and inequality isn't a successful strategy for that society.

Therefore, a development plan is successful when economic growth is as much as eliminating poverty and inequality.

1-2 Development means:

Increasing social capacities to meet the needs of society, increasing the productivity and social abilities is toward the growth of the society. Growth rates of some significant macroeconomic indicators of Iran are decreased in analyzed period 1990-2005 (table 2.1), which may be considered as disturbing phenomena.

Table 1 . Economic significant growth index

Description	1990-1995	1995-2000	2000-2005
Growth national product(GNP)	2.03	4.20	1.04
Industry value added	7.04	5.83	0.81
Per capita domestic growth product	5.72	2.20	1.84
Total job segmentation of productivity	4.20	2.65	1.97
Job industry productivity	6.29	1.85	3.65
Jobs industries	0.80	4.87	2.00

This isn't possible except with a consistent intelligent management and planning development has different aspect, but it isn't possible to discuss it in detail here. We just consider to those parts which help us to recognize the conditions of rural areas. (3P75)

What is rural development?

The main principles of rural development are:

1-2-1 Most of the people should benefit of development

1-2-2 Development should ensure people to meet their minimum needs.

1-2-3 Development should be according to need of the people.

1-2-4 Development should encourage self-reliance

1-2-5 Development should bring long – term improvement

1-2-6 Development shouldn't destroy environment

Rural industries rely on the raw material market, access to customer market, organization expertise on the basis of statistics selection of the industry on the basis of geographical region, exports, infrastructures needed for industry. Research about productivity culture of rural areas is important if it is effective in development, raw material, facilities of local markets and foreign markets.

In this research, I'm seeking a plan which is not only logical technically and economically but also it should have short-term benefit for investment and economy of the society.

Selection of a plan should be on the basis of social economy and increase the customer.

The following aspects are also important:

- Study the imports
- Study domestic products
- Study the existing expertise
- Study the industrial conditions
- Using technology
- Analyzing domestic industries
- Evaluating economic development plans
- Study the experiences of other countries in regard to industrial development
- Using of industries inventories.

Along with these, we should consider to provide facilities like roads, railroads, transportation, irrigation tools, and public health facilities and ...

After that, it is important to analyze the usefulness of this plan commercially, and economically.

The points we should consider are as follow:

- a) Providing a report about maps, technical characteristics
- b) Reports about technical tools
- c) Detailed report about economic and technical facilities
- d) Providing figures about economic usefulness
- e) Analyzing usefulness of plan to increase economic level of the country

1-3 **Limitation of the subject matter** (2P59)

To recognize the subject, it is necessary to gather information regarding two important points including market for products and the ability of plan to compete with similar products and then the following information should be gathered.

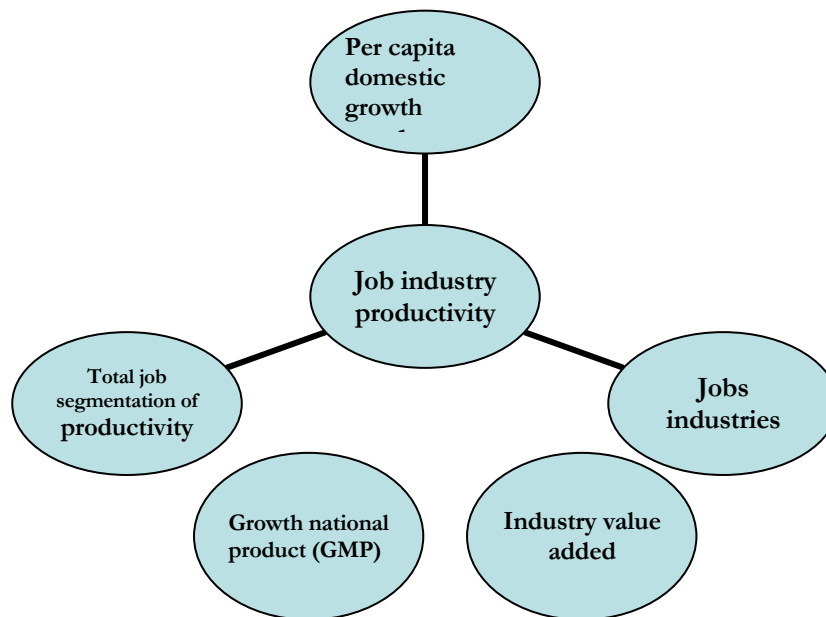
- 1-3-1 Amount of imports during recent ten years
- 1-3-2 Amount of domestic products during recent ten years
- 1-3-3 Amount of exports during recent ten years
- 1-3-4 Amount and value of domestic consumption during recent ten years
- 1-3-5 Price of products in market
- 1-3-6 Custom duties, taxes and transportation expenses during recent ten years
- 1-3-7 Similar prices of products without tax and duties during the recent ten years

If it is to export a great amount of products, the following points should be considered too:

- a. Quality of products and sale percentage in domestic and foreign markets
- b. Predicting export markets and transportation expenses to market

- c. Information about important export markets
- d. Determining similar customer duties and points of the importing countries given to imported products
- e. Evaluating activities of competitors and producers of similar products in foreign markets

Limitation of the subject matter:



After that, we should consider to engineering the plan. In this part we should consider to raw material, tools needed to repair and given service kind of fuel, electricity, water, transportation, labor force, housing and transportation for workers.(8P128)

Limits of the subject:

There are several qualities here:

- What kind of planning should be done?
- Should we rely on the factors of market to invest for economic development?
- What is the nature of direct government investment?
- What are the real facilities of industry development?
- Is industry development government task or not?
- What is the role of foreigners in industry development and management and technical help?

1-4 World view about the subject:

There is no clear definition for rural development. But there is a definition for it in World Bank (1975) under the title of strategy of rural development. It says: rural development is a way to

improve social and economic life of poor rustic people. Since the goal of rural development is eliminating poverty, so it has to cause increase in production and power of production.

R.P. Misra regards rural development as something more than increase of productivity. To him what is important is to develop organizations and foundations of the region to motive production of different kind, help to poor people, using existing resources, and providing maximum freedom for everyone to select her own way. He also believes that development isn't a new thing it was with us, if not, man couldn't reach to the present point but development as a conscious effort and on the basis of planning to improve society is the characteristic of 20th century beginning from 1917 in Russia and during 1920's and 1930's was mocked by market-based economy but during the world wars it was accepted as a principle. Misra continues that development is a human product and it is in itself an ideology. Since it is man-made, it has cultural characteristics.

Development is a process not a static situation and finally it leads to values. Its goal is to create a useful life.

The goal of this research is identification of the main directions industrial development in Astara.

The subtasks concern the researches of mechanisms which are able to supply:

1-4-1 Higher productivity and increase in production.

1-4-2 Fair distribution or equal share of development benefits.

1-4-3 Employment which is a tool and goal at the same time

1-4-4 People cooperation in social and political aspects which is tool and goal at the same time .

1-4-5 Self-confidence which is necessary for development

1-4-6 Maintenance ecological balance between human and nature

These goals have mutual relation and at the same time they are regarded as a whole.

1-5 Impact of place of rural areas with regard to development is as follow:

1-5-1 More developed areas

1-5-2 Developing areas

1-5-3 Marginal areas with ability to develop

1-5-4 Marginal areas with limited ability to develop

1-5-5 The goals of rural development planning

These goals are determined for the standards of the plan. But most of the planning's for goal are based on the developed countries principles and because of that, there is still a much of ambiguity about goals of rural development. The location of study is Astara which a developing

area and is on the border of Iran with friend country, Azerbaijan and this increases the value of research.

1-6 Application of location distribution approach in industrial development in rural areas:

* (Inov) Namely due to industrialization in agriculture and applying intensive technologies two important effects have been achieved in developed countries:

- productivity is essentially increased in agriculture;
- huge resources have been de allocated and involved to other more profitable sectors of economy such as industry and services, including finance.

As result only 2-5% of employed in developed countries are occupied in agriculture, and this sector gives only 2-7% of GDP in such countries.

But as it is known in some underdeveloped countries amount employers engaged in agriculture reaches to more than 60% of labor force, and one of the causes of such situation is lack of other kind of enterprises. One of the ways out of the situation is industrialization rural area.

Thus, rural industrialization proposes two directions:

- applying agricultural machinery in agricultural production;
- creating industrial enterprises in rural area, e.g. plants for processing agricultural products or other kind of row materials produced in rural area.

As it was noted above, namely lack of the seconds in underdeveloped countries declines the incentives to the firsts because appearance of unemployment. Therefore to break this vicious circle industrialization of rural area is necessary.

In location planning, we emphasize on the fairness of planning with regard to productivity. So that the poor areas can reach to improvement in way that:

1-6-1 Using allocated resources to each section will lead to the highest productivity.

1-6-2 All the poor and needful people of society can have access to the products

1-6-3 The difference of income in different level decreases

So the important points in location planning are as follow:

- Determining the distance of facilities with present concentrated areas
- Determining the minimum of population using the facilities
- Determining the hierarchy of services and facilities
- Determining the hierarchy of locations and areas

1-7 Strategies

1-7-1 Decreasing the intensity of immigration of rural areas to cities so that it creates a balanced relation with industrial service development.

1-7-2 Concentration of population in rural areas to create bigger rural centers to cover the villagers under one industrial network.

1-7-3 Animal husbandry in rural areas to use the related industries to dairy products.

1-7-4 Enforcement non-agricultural jobs in intended areas.

1-7-5 Development of industrial cooperatives in rural areas.

1-7-6 Training industrial cultures to use industries in the best way.

1-7-7 Creating backgrounds for creating industrial units.

1-7-8 Organizing the services existing in rural areas.

1-7-9 Improving anatomy of environment of rural areas.

1-7-10 Creating an environment for establishment of specialized forces in different production lines and services in rural areas.

1-7-11 Creating a healthy environment for human to upgrade the level of living and to prevent immigration to cities.

1-7-12 Access to services in city centers.

1-7-13 Creating proper organizations to enforce rural productions.

The main strategies in these goals can be summarized as follow:

- a. Improving the physical situation and rural environment to provide services for farmers and rural areas and reducing the inequality of city and rural areas.
- b. Creating facilities to develop production and commercial investment.
- c. Creating facilities to increase level of services in rural areas.
- d. Creating environment to establish specialized forces in producing goods and services in rural areas.

Executive methods of improvement plans:

When executing the improvement plans, the existing situation is firstly recognized and then with regard to the goals of plan, the problems and deficiencies are analyzed and after offering related solutions, the most desirable solution is selected and its executive condition is justified.

Regarding to central village the method is the same. At first stage physical designs are provided in this method it is reforming transportation networks and also providing backgrounds for different commercial, service and industrial activities.

Important points which should be regarded to develop a village are as the following:

- Maximum use of natural condition and regional topography.

- Maximum use of water resources.
- Facility of collecting surface water.
- Maximum use of roads
- Regarding to the dominant winds points which should be regarded when using rural

regions are as follow:

- Places which are referred mostly should be selected so that they are accessible.
- For number one rural areas, creating industrial region is necessary. In this region, industries will be developed which are related most to the rural industries. Like handicrafts, workshop (6P87).

CHAPTER 2. BACKGROUND OF THE SUBJECT AND STUDY OF THE LITERATURE

2-1 Theoretical Research studies:

Rural development studies after Second World War began with social development movement during 1950's until 1960 more than sixty countries in Asia, Africa and Latin America began social development plans, but until the mid 1960, social development wasn't considered by the organizations helping to development and national government.

Until the early 1970 social development didn't achieve success in a wide range.

Rural development is a part of development plan in every country to change social – economic structure of rural society. This is more important in developing countries which have crucial role to reconstruct social structure of society.

Fridman and Viewer are theorists of rural societies. Their theories are as follow:

- Cooperation and self-help voluntarily
 - Rural societies
 - Non-concentrated development approach
- The ways to achieve rural development are as

follow:

2-1-1 Increasing production by producing different kinds of goods

2-1-2 Developing local markets

2-1-3 Relying on the quality of life which include environment

2-1-4 Self – reliance principle and social education to group evaluating and informal ways of increasing knowledge.

Application of other literature as the strong points of theories (8P108)

One theory expressed for industrialization of rural areas is Lowis logic or theory of penetrate to the beneath. This logic explains how to remove the rural poverty, as a result of industrialization process in developing countries. In this model, an analytical explanation of growth process is presented and also describes the process by which we expect benefits of industrialization penetrates to the poor rural areas. It is estimated that industrial growth can be determined by offering work force from a rural area with low productivity with constant revenue. In family farms which are a common form of rural areas, added workers are employed by sharing in the job. If those workers worked in industrial section, minimum income of them was equal to average level of consumption in the form in addition to revenue for extra costs like living in city. Since benefit gotten from industrial section with higher productivity are invested by investor, so the demand for added work force in rural areas continues until the constant income of this job is no longer attractive. Because resigning from job can't be compensated with more work force of family

member of the immigrant to city. So we should pay more to the immigrant to city to compensate the decrease of average consumption of rural areas.

Theory of link by Seidman and Darkoh

Those who like Seidman and Darkoh, believe establishing industries as a leading path which finally its benefits will reach to rural areas. To them new industries with expertise in one area will create a chain of links of domestic and foreign industrial offer – above mentioned industries will lead to the following results:

- For an agricultural section which is developing creates a market for raw agricultural material and food stuff.
- It will help to specialized internal areas and exchanges and decrease the dependency to developed countries.
- In some cases with creating prepare agricultural foundations will help to increase capacity of agricultural products.
- It will create new jobs for added work force and unemployed.
- It will activate agricultural productions and so creates more demand for industrial products and services

2-2 Reason of choosing the subject:

This research has been gathered in the framework of industrial strategies in the country and with regard to villages of Astara has been formulated. It has been tried to consider industrial development with strategic point of view. So the following cases are studied (10P232)

National development strategies:

In the first decade of 1981 National development strategy as a whole plan of country has been described as follow:

National development strategy is a collection of guidelines which is determined with regard to possibilities and limitations, the real road to ward the ideals from different alternatives. In fact it is the confrontation of ideals and realities that makes national development strategy.

In such a strategy, cultural believing is the basic of development. The main goals of development are independence improvement, social, justice and economic growth. So the agricultural section is on the first place.

After making the policy of national development, there was a need to have a plan to develop the country so plan called Amayesh was proposed as a theory from 1987 to 2001 so that: it provided economic – social development plans and with presenting a theoretical framework region development in the form of national development plan and resulting geographically, determined the share of each economic section with regard to development goals and facilities of the region.

So it was expected that development plan of country would be more logical and easier and provide the possibility of national independency.

International labor organization has defined rural industries as follow:

There are industries which are established in rural areas and use rural labor workforce. Their market link is limited geographically. In other word, these industries use local raw productions and offer these products to local markets, but sometime it is possible these industries to national and international markets. United Nation Center Regional Development has described rural industries as follow:

All the industries which can develop in rural and town regions should be considered rural industries on condition that it can be a tool for development of rural areas.

Rural industries can be divided in to small industries and handicrafts with the following characteristics:

- At least, it is useful for meeting the needs of agriculture and life stock and it is according to the geographical condition of the region.

- It is according to the needs of villagers and a tool for self-reliance.

- It should on a level technologically that in rural areas can be used.

- Its use and keeping is possible

- Providing raw material and spare parts is possible in the country

Statistic center of Iran has included industries located in rural areas as the rural industries, but it isn't acceptable, because many industries are located in such areas since there is a proper condition.

We can consider to industrialization of rural areas from two directions:

A- Establishing industry in rural areas

B- Industrialization of rural areas

a- This point of view leads to a planning approach and emphasizes on the production factor and market condition to establish industry in rural areas.

b- This point of view says that industrialization of rural areas is a secondary process and also is a tool to renew rural economy.

Most of the developing countries collected three kind programs to follow policies of establishing industry in rural areas.

- Establishing big factories which raw materials are those which are easily spoiled like fruits, sugar, can and ...

- Protection and leading handicrafts

- Encouraging small units which produce agricultural products

To industrialization rural areas, different goals are considered which the most important among them are as follow:

- a. Increasing job opportunities for rural young people
- b. Avoiding immigration
- c. Just distribution of income
- d. Effective use of resources in rural areas
- e. Thriving talents of villagers
- f. Decreasing periodic unemployment
- g. Enforcing economic basis in rural areas
- h. Providing local agricultural products
- i. Enforcing intra-regional situation
- j. Increasing the value of extra regional deliveries
- k. Providing basic foundations and goods for farmers and local people

In industrialization, there is always an emphasis on small and medium industries, because these industries can create social justice, grow culture and so on.

The most important characteristics of these industries are as follow:

- Job creating and guiding young forces of country
- Providing facilities needed for domestic and foreign industries
- Attracting limited and scattered investment and using them in productive and industrial activities
- Researches and creativity
- Removing deprivation
- Creating a good environment to train forces
- Attracting agricultural products

If the small industries have an important role in rural development, they should be able to protect their identity, by identity we mean, the ability to get interest, and self-reliance.

The ways to increase productivity in agriculture section can be summarized as follow:

- Following the production chain in agriculture section and rural areas.
- Presenting services before and during producing in agriculture section by establishing and developing industries in rural areas.
 - Establishing rural industries to transfer added value in agriculture section by protective industries
 - Establishing rural industries as a way of developing technological culture in rural areas of another benefit of rural industries with regard to agriculture, we can refer to decrease in the costs of

transferring, using wastes, dividing incomes among the farmers instead of dividing in between city and rural areas.(11P87)

From the point of income, non-agricultural activities in rural areas are of importance. For example, in Asia non-agricultural activities have incomes about 21 percent changes and in Philippine this difference is 90% so developing non-agricultural activities have important role in increasing rural income.

Industries related to social economic geographical and agricultural issues of rural areas, can create more jobs.

With (1996) explains the importance of employment in rural industries. To him in two situations rural jobs can exchange with non-agricultural jobs:

- 1- When the job isn't attractive and non-agricultural jobs are more attractive
- 2- When the non-agricultural job, in spite of bad situation has used opportunities

(*2nov)The role of rural industries in job making is effective when the rural partnership is on the first place and be on the basis of rural society's need creating small industries or handicrafts should be without the interfere of government.

The most important way to do this is to create cooperative unions. Two kinds of these unions can be effective:

- Distribution cooperative,

Its first goal is to provide raw material tools and offering loans and selling products. Each member can be a producer independently.

- Production cooperation

Its goal is to produce mass production with a little amount of investment and loan from bank as a cooperative unit.

In this kind of cooperative, there is no employment and everyone who works there is a member.

(*2n)The most important problems of rural industries are:

- i. Economic management and skills
- ii. Technology
- iii. Financial support
- iv. Infrastructure, including information supply
- v. Raw material and marketing
- vi. Information services
- vii. Price disparity

(*3)So the policies should be comprehensive. Some of these policies are:

- Selecting proper places in the proper rural areas

- Help provide facilities in rural areas
- Providing training facilities to train needed skilled forces
- Providing credit
- Offering technical services and guiding the interested people to industrial investment in rural areas.

- Coordination in policy making and planning in rural industries and city industries
- Applying the policy of research
- Cooperation with invertors to grow and provide needs of rural industries
- Coordination with executive organizations to produce tools and goods needed
- Information center
- Supporting rural industries to provide raw material and tools, marketing and exhibitions and domestic and foreign markets

- Providing facilities to improve workshops
- Supporting training plans and increase the quality of rural industries
- Providing facilities to develop mines
- Avoiding city industries enter to rural industries

The reasons to choose this subject are as follow:

- ✓ Considering to rural areas as an important factor
- ✓ Determining the position of local leader and supporting forces in the system
- ✓ Encouraging people according to their partnership
- ✓ Establishing local councils to ensure public partnership, decision making and evaluating

- ✓ Guiding native organizations and real support of public gatherings
- ✓ Emphasize on the public cooperation
- ✓ Determining the value of distributing members
- ✓ Priority of evaluation
- ✓ Determining rules and criteria to facilities evaluating processes
- ✓ Determining international and external networks
- ✓ Establishing and applied system to circulate information
- ✓ Recall the theories and suggestions
- ✓ Encouraging people to describe the tasks, responsibilities goals and ideals of organizations

- ✓ Emphasize on the employment of native employers
- ✓ Emphasize of staying each employee in the service center

- ✓ Emphasize on providing facilities and tools needed for life and work in rural areas
- ✓ Determining a clear system, continuing training of employees
- ✓ Emphasize on presenting the work plan and annual report

2-3 **what is new in this subject?** (13P129)

This research has the following characteristics:

2-3-1 Determines the important scientific backgrounds.

2-3-2 Goals and information of technicians are distributed instead of giving determined information to them.

2-3-3 Delegations aren't order. Manager should allow people to get success by their own creativity

2-3-4 Projects should be evaluated constantly research always gives new solutions. If the rival reaches to this new solution, that solution is of no interest.

2-3-5 Emphasize on the understanding the importance of products. Mostly the results of research are not known. Special skill of a strategic manager is technical application of the research.

2-3-6 Innovation has priority on the effectiveness economy isn't as important as getting a distinguished solution with market and interest making results.

2-4 **Developing characteristic**

Developing a project has the following characteristics:

- Characteristics of plan is completely determined goals are clear and application of plan can be examined.
- The project from the first step to examination and getting result is planning. Manager determines the goal, and supervises the operation.
- Management and project supervision
- Vulnerability caused by a change

The last scientific progress in this research has different meaning in development. The meaning of these progresses in this research is to discover the new facts and finding solutions for problems.

The last scientific progress is relied on the economic and social and political charges. Closeness of a technology to the latest scientific developments has a great effect on the behavior, and competencies of manager. These effects can be divided in three groups:

2-4-1 The rhyme of change

2-4-2 Unpredictability

2-4-3 Using the background

2-4-4 The rhyme of change can cause movement toward the scientific progress. First class managers should use a system of gathering information study the rivals should be encouraged. The managers should try to get information about last scientific development. For companies which are from these activities, encounter with innovations is impossible.

2-4-5 There is no possibility of predicting for companies which are on the forefront of science. Because their researcher works in a limited scientific area in which we can't predict the nature and its timetable. Instead in a far distance of forefront of science there is no possibility of innovation but we can predict things.

2-4-6 Using the background consists of whole managerial activity and is in-effective in the forefront of science. The experience of previous managers is guidance for future.

By which they can evaluate the correctness of activities of technologists. They can decide about how to use the investment, and recognize that business plan is long term or short term and all the activities are useful or not. Senior managers can't expect the medium managers won't make mistakes because such expects causes disturbance the atmosphere of creativity. So the companies which work on the recent innovations should accept the risks of creativity and consider to the adventurous behaviors and ignore the incidental failures. In such companies, those who avoid risks, shouldn't he pay reward?

Change rhythm, predictability and background have a great effect on the realm of planning and controlling. In scientific areas, the companies should pay more attention to estimation and not to details and their planning should be based on this same fact. In such a company, mental judgment is vital and there are no details – ignoring to these points can be harmful.

In a company with variety of products, it was decided the electronic section which produce complicated parts of microwave, make a plan. When the manager of that part protested about this decision, they changed him with an accountant. After 15 months half of the technicians left their jobs and all the excitement in that section vanished.

Rapid change in the science area means uselessness of facilities and investment in a constant amount of money. Since it is possible that the most detailed analysis not to be correct, it is vital to change investment and selection of facilities.

Another meaning of rapid change is uselessness of science and skills of managers. Ignoring the recent technological progress which is often ignored, wastes knowledge and ability of management.

Flexibility with regard to technological changes is not only necessary for technicians and research and development units, but also it is important for marketing, production and distribution. All the company should be like a learning center for example employees of marketing section should be trained new technologies.(14P205)

In this research, the effects of technology on the strategy of industrial area are described as follow:

- Effect of technology is on the basis of change of technology in the environment.
- In changing environment, research and development is a vital fact but it isn't considering the only vital factor. Control of marketing, production and financial affairs are all important.
- In such cases, the central management should have key role in leading and merging forces to complete the general goals of company.
- In atmospheres with heavy technology, central management shouldn't give up the value of technology on the one hand and on the other hand he shouldn't have opportunities the technology gives us.
- What it is the time for replacement of technology, general management should take over the important responsibility of predicting technological changes.
- When the environment is changing, the process of designing commercial strategy should include a number of technological variables.
- Success of a company in a changing environment is relied on:
 - a. Coordination of company strategy with changing environment
 - b. Raising that kind of ability which help the selected strategy

The most important point about reaction toward the changes is the ability of general management which is seriously needed in a successful reaction.

The characteristics of this ability can distinguish before designing the strategy on the basis of analysis of environment (17P45).

CHAPTER 3 . RECOGNITION AND ANALYSIS OF RESEARCH SUBJECT

Research Method and Hypothesis

The method of this research is case and field study research. In this research, we study the action and reaction creating the change or growth or development in depth and sometime the researchers in this phase of research will study constantly to show the rate of changes or growth or development in a special period. Case and field study research, is a deep research study of a unit which the result is presenting a complete and organized image of that unit. Research method in Astara area is on the basis of how to determine opportunities for industrial formulation which are as follows (16P95)

1- Import studies: comparing imports and domestic productions of the country which are presenting market and chart of opportunities to increase the amount of domestic productions.

2- Study the domestic goods and productions: it may be useful know the quality and price of raw materials or productions to recognize production or the possibility of competition for new product for export or provide the needs of domestic market in time.

Study the human force and skills for artificial products or handicrafts or machines to produce other products. Development or diversity of industries which are produced beforehand and a complete guidance to recognize proper opportunities to perform new plans. Using scientific and industrial experiences and re-examining raw material of domestic goods are determining opportunities for industrial development. Growth of one industry is always an opportunity to establish another industry and determining such potentials is possible by analysis of needed material to compare these industries with each other. Economic development plant for industrial products which weren't offered in the market of that area provide facilities to recognize the effect such plans in changing market. When the market condition and related industrial changes, performing the plans with high costs or low demands can be possible. With improving economic circumstances, good opportunities will be presented to develop economic growth. Becoming familiar with industrial development in other countries or in areas with similar condition often provides the possibility to set plans successfully. The classification of United Nations of different industries can be useful as a list and exact chart of alternative industries. These lists can be useful to become sure of the possibility of performing a plan which is ignored so we can provide a detailed list of products which are useful for country. These studies should be continued with the help of experts of economy and engineers to solve the problems such as lack of market and high cost of production. (25P111)

3-1 **Observation method:**

3-1-1 **Description**

a- Since I participated in the social environment which is intended, the amount of information gathered are plenty while by other methods we can't get such amount of information

b- Since I myself have gathered information so they are trustful

c- I couldn't gather information by questionnaire and other approaches. But in observation method, whether the researcher tends to manifest information or hide them, the information can be gathered more easily.

d- Since some parts of research have been done by non-experts and they can't explain their information who have gathered, so observation is the best method for them

e- In many cases people didn't like to cooperate with me because of lack of time. In these cases also observation was the easiest way.

f- I have been able to distinguish between right and wrong information. In questionnaire this distinction is difficult.

3-1-2 **First method for gathering information.**

Necessary points in observation method:

To use observation method more usefully, we should consider to the following points:

- We should record the observations
- Reading the notes as soon as possible
- To remove weak points of studies
- To correct mistakes of subjects and explain them
- We should try to distinguish between comments and personal judgment and separate them.

• We should use new methods of collecting information like film and recording, its benefit is to collect exact information. In cases in which there are doubts about information gathered or we need time sequence of reports, we can use these tools.

• Records of final research should be given to non-expert one to inform the deficiencies. Because sometimes, observer doesn't pay attention some deficiencies, since he has been faced the events during the research.

3-1-3 **Second method for gathering information.**

Introductory study to correct and complete questionnaire (31P203).

Before using the results of main questionnaire, we have tried to provide a questionnaire with regard to the points of research. This allows the researcher to find weak points of research and after

removing them, we can multiply the questionnaire. The following subjects are the results gotten by using this method which is called Introductory Study of Questionnaire:

- I. We should omit yes/no questions
- II. Questionnaires are provided so that there is no need to added explanation

3-1-4 **Third method for gathering information has been done by interview.**

What is important in this method is how interviewers face with interviewee. It has been used to complete previous methods.

Secret subjects can't be asked by questionnaire, but in interview, we can assure the interviewee that his or her remarks are secret.

If in questionnaire there is a little confusion, the answer is of no value, but in interview we can direct the interviewee to the right answer. There are so many things that even educated people can bring on the paper but a professional interviewer can get right answer.

In questionnaire, the criteria are what have been gathered on the paper but in interview we can study all those who have participate in study.

In questionnaire, these questions without answer can't be used but a professional (interviewer can get all the answer effectively)

3-1-5 **Fourth method of gathering information is library**

One of the most important steps of gathering information for every kind of scientific research is library, while researching any type of subjects we must study books and resources so that we can remove mistakes. One, who studies with empty mind, will end it with empty hand. We should use all the information. The benefits of research are as follow:

- a- Getting information about original subject
- b- Deciding about where, who and what books should be studied and what records at hand??
- c- Getting experience of previous studies and avoiding repetition
- d- Using facts, statistics, books and existing records

Librarian can help us a much, so we should refer to her first. Library studies research thesis.

3-1-6 **Fifth method of gathering information is statistics:**

We have tried to describe statistic data so that we can get results out of them to show the general situation of statistical society.

3-2 **Hypothesis Formulation:**

It is my goal and expectations from results so; I've tried to consider the cause and effects. Hypothesis of this research are as follows:

3-2-1 It is possible to perform business and industry development plans.

3-2-2 It is industrial development useful economically.

- 3-2-3 It is industrial development useful commercially.
- 3-2-4 It is industrial development effective with regard to national economy.
- 3-2-5 Budget will need provided for industrial development
- 3-2-6 It is possible to attract investment by performing the business plan in the area
- 3-2-7 It is evaluation of rural development plan predictable.
- 3-2-8 Strategic management point is view of this research.
- 3-2-9 It is possible to export goods from Astara by developing rural industries.

3-3 **How to access to information and gathering information**

In rural industrial development, the needed information can be listed as follow, these information have been gathered with regard to Astara area:

- Market study
 - ✓ Plan engineering
 - ✓ Capacity and location of performing the plan
 - ✓ Investment needed for plan
 - ✓ Estimating the annual budget, income and costs of plan in development period
 - ✓ Financial support toward structure of plan
 - ✓ Evaluation the interest – making aspect of business plan
 - ✓ Points about analysis, costs and social benefit of plan.
 - ✓ Evaluation of national benefit – making of plan
 - ✓ Added indicators and complementary considerations in evaluation of national benefit making of plan
 - ✓ Calculation of national parameter
 - ✓ Evaluation of business and national benefit making plan of investment in doubtful conditions for the cases provided. We will consider to these case briefly here.

- Market study
 - 1- Presenting general issues of market in relation to plan
 - 2- Collecting information
 - a. Usages and production brands and services
 - b. Statistic series of production, import, export, consumption, national income and population
 - c. Kinds of consumers and their thinking
 - d. Geographical distribution of market, market competition, marketing methods (prices, costs, present resources of offering goods distribution mechanisms, goods and rival services)

e. Economic policy and its effect on the goods and services (customers, financial support & government, price control and so on)

f. Essential changes and changes of population as a result of economic development.

3- Determination of real demand and existing demand

4- Concluding and predicting marketing and services (issues related to organizing sale and distribution methods, transportation, delivering methods, technical services needed for consumers and needed services, announcement and so on)

5- Concluding and predicting the effect of economic policy on the market goods and needed services (determined suggestions about resolving issues like consistent prices, rationing distribution or transportation monopoly, custom changes, financial support and so on)

6- Predicting and estimation of demands and needed services

3-3-1 Capacity and location of performing the plan:

Explaining the suggested capacity with regard to the following:

- a. Market, location, distribution
- b. Methods and costs of production in distribution areas
- c. Financial support and establishing capacity in several stages

2- Explaining location of plan:

a. With the least cost of transportation and explaining whether the location is near the resources of raw material or not and places with the least costs

b. Ability to access to needed resources and costs especially raw material, work force, electric fuel, water and ...

c. Other considerations related to choosing the location of plan like policy of non-concentration official facilities, housing, hygiene, training and so on, and condition of living.

d. Relation between capacity, location and the least cost of delivery of products to the consumer.

e. Illustrative charts and maps

3-4 Plan engineering

- Primary researches and examinations, licenses
- Selection of technical affairs, explanations of producing methods, charts of production process.
- General explanation of machines of construction and productions
- Buildings and locating them for the plan and illustrative charts
- Factory plans, illustrative charts

- Complementary engineering plans (water needed, including drinking and industrial water, housing, hygienic facilities and varieties of services)
- Output of needed resources (estimation of technical methods of production and human workforce needed)
- Flexibility of production capacity (possibility of production of different products, possibility of development of production, effect of the amount of production and link to the market.)
- Time table of job, final studies, final stage of transportation, establishing, running and development.
- Appendixes in the main context, charts and maps which and maps are in the simply. Charts and maps are in the appendix. Other information like reports, exams, details of license, lists of human resources needed, technical details regarding to characteristics of raw materials, fuels and the like and information about explanation of material selection method, degree of mechanizations, kinds of building, constructions are in the report appendixes.

- Investment. Combination and amount of constant investment including:

- a. Costs of primary studies, examinations and related studies.
- b. Cost of license and the like
- c. Cost of land and natural resource
- d. Cost of machines and installation
- e. Cost of buildings and complementary installations
- f. Cost of organization
- g. Cost of engineering of plan during carrying out
- h. Installation cost
- i. Cost of primary installation
- j. Various potential costs

2- Estimation of investment needed in circulation

3- Investment combination in terms of exchange rate and current money of the country

4- Investment plan (according to time table of plan)

5- Appendixes: It is like mentioned before

Cost budgets and income of plan and setting of information for evaluation of plan (33P165).

1- Annual cost and income in terms of market prices, benefit determining and the price in a normal year.

2- Determining point as follows:

- a. Percent in proportion of using capacity
- b. Cost of agents and important raw materials

c. Price of selling products

3- Classification and setting information needed for providing budget, cost and income as follow:

a- Budget of workforce needed on the basis of estimation of engineering plan and in terms of cost of workforce unit

b- Budget of various cases needed for development and preservation and repairing (offering resources and their prices)

c- Budget of fuel, electricity and other things needed for development and preservation and repair

d- Explanations and details related to calculation of costs of destruction

e- Explanation of calculation method of distribution costs

f- Other information needed in terms of the kind of plan and local condition

4- Other information needed to determine national plan benefits as follows:

a- Direct effect of plan on the exchange balance of the country.

b- Needed information for balancing prices of market effective on the plan like financial supports and taxes

c- Needed information for price making with regard to lost opportunities including = condition of employment, natural resources, using the resources and prices of benefits

d- Links between plan and other plans and institutions (data tables, plans related to predicting resources and how to use it and other relations)

e- Explanation of benefit and interests of plan which is hard to explain quantity.

5- Appendixes – In this part, like other parts details and calculations and secondary studies are placed in the appendixes.

Evaluation as mentioned before in this book to evaluate a plan in private section, what is important is benefit making and in public section, what is important other than benefit making national interest. So the following aspects should be considered:

1. Commercial benefit – making

a- Simple output rate of investing

b- Period of investment return

c- Present net value

d- Internal output rate

2. National benefit making

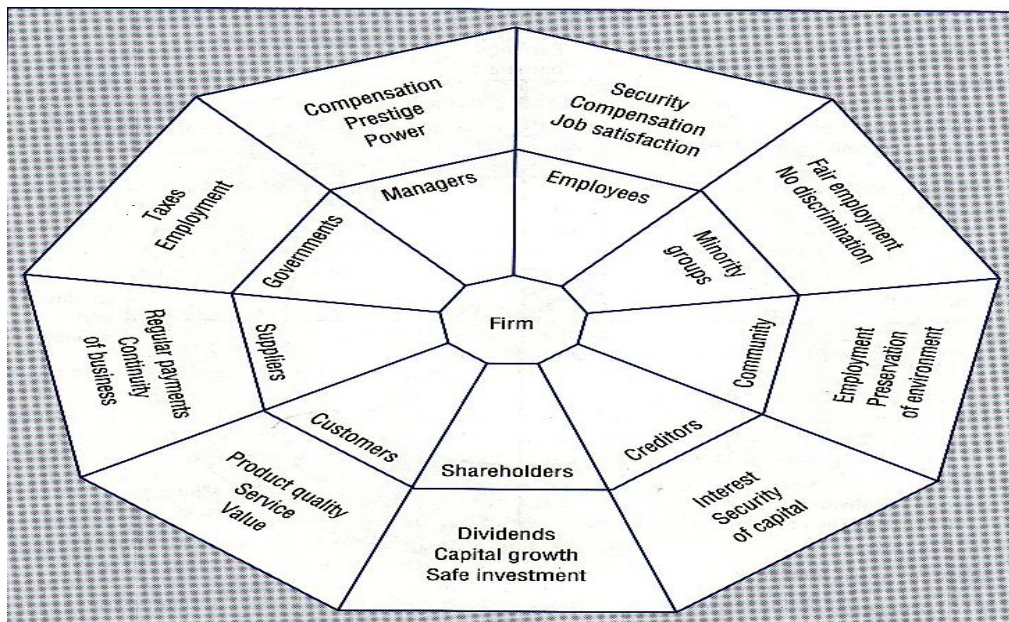
a- Absolute desirability of plan from added value perspective

b- Proportionally desirability of plan with regard to:

- Scarcity of investment

- Scarcity of exchange rate
 - Scarcity of skilled workforce
 - c- Effects of plan on creation job opportunities
 - d- Effects of plan on income distribution
 - e- Effects of plan on exchange balance
 - f- Power of competition of international plan
 - g- Effects of plan fundamentally
 - h- Effects of plan from developing technical knowledge perspective
 - i- Effects of plan on environment
3. Analysis of commercial benefit – making sensitivity and national interest making plan
 4. Appendixes, details related to calculations and special studies to determine the effect are added into appendix

Stakeholders and their expectations



3-4-1 providing financial resources and organizing plan (29P96)

Providing financial resources:

- Time of payment of investment in terms of time table of investing.
- Providing financial resources including investment of founders of institute (consistent investment, and investment in circulation) and loans (loan giving institute, conditions and the kind of loan, way of returning the loan, interest rate, and guarantee and ...).
- Separating investment in terms of exchange rate and current money of the country.

- Table of resources and cash money (general figures related to the price of investment, resource of financial support, budget of cost and income, returning the loans and policy of giving benefit of stock, comparison of cash money annually, and commitment of returning the loan).

- Calculation of proportions representing financial health of institute in the coming years.

Organizing the plan:

a- Kind of institute which should be established legally and its reasons and its general formation.

b- Legal issues and organization related to performing the plan, licenses and the like.

c- Rules and official orders observing plans of investment in public section.

d- Decisions related to performing the plan by contractor or based on trusteeship.

e- Predicting added studies including completing primary studies and presenting final studies, needed tenders and conditions of contracts about machines and facilities and analysis of tenders.

f- Needed prediction of transition period between study stage and performing the plan.

g- Predicting related measures of plan which should be performed by other institutes, public or private.

h- Predicting facilities and training technical and official human forces for performing period and development.

i- Other prediction necessary for organizing running and development of plan.

The first method of collecting information is by absolutely and it has been done in a formulated and systematic way. In other word, the goal is to become familiarly with that kind of observation which its system has been provided before observing. All the details were recorded and the following point has been regarded.

1- Superstition and tendencies of researcher have no effect on the research study.

2- Characteristics of researcher including precise primary studies have caused a high quality of the research study.

3- The environmental factors which can affect on the researcher are avoided and the effective factors of environment have been considered.

4- Knowledge of researcher because of his abundant interest to the subject has been used by the research resources and these observations have increased the value of this research subject.

3-4-2 Observation is of two kinds as follow:

1- Uncontrolled observation. Observing superficially and primarily this kind of observation is completely free and uncontrolled and in itself is divided into two parts:

- Participant observation
- Without the participation of researcher about the social situation

2- Systematic and controlled observation.

Simple observation is mostly for superficial observation and gathering hypothesis. In systematic Control and gathering hypothesis . In systematic observation both the observed and observer are under control and tools of observation have been provided beforehand. At the scientific tools for observation are exact:

3-4-3 **Determining research variables.**

Research variables are divided into internal and external variables. Internal variable are divided into dependent and independent variables.

(*4n)Some of the external variables which are important are listed and we will consider them in the subject of research are as follow:

- I. Inequalities in international economic relations
- II. Inadequacy of economic facilities of underdeveloped countries
- III. Difficulties of getting access to new ones
- IV. Multinational companies, multi mentioned companies and their role in world economy
- V. Political system ruling the world and arm race and its commercial side which have destroyed human values
- VI. Fast growth of technology in developed countries and slow growth of technology in underdeveloped countries. This difference is so that, which their distance has become too much.
- VII. Destroyed morality in the world and in the atom, space and computer age

With regard to internal variables and independent variables, following points are considered (27P44).

- Role of energy and lack of energy.
- Management power with regard to executing industrial plans.
- Changing situation of market demand in relation to products and their competition with foreign similar products.
- Regarding to the complete capacity at hand and perspective of not enough offer of raw material, inadequacy of demand or inefficiency of technical affairs or a combination of these factors will result rarely.
- Facilities of imports and exports.
- Rules and their effects on industrial activities like salary and custom changes.
- Economic situations like inflation, depression and its effect on the products.
- Vertical economic social indicators like population annual income, rough domestic product growth, existing level of product capacity which can show changes in demand.
- Government policies in economic development.

- Social – economic structure and its role in explaining sale costs.

3-5 Dependant variables including (24P184).

- New industries income
- New industries costs like wasting, personnel wasting, over head costs and sale costs
- Benefit of production
- Investment needed for intended industries
- Costs of lost opportunities
- Using technology and selection of its kind
- Training costs and studying the existing expertise
- Changes of exchange rate
- Determining the added value and taxes
- Tax rates of industrial productions
- Production and industrial balance (input & output)

CHAPTER 4. SETTING AND GATHERING THE REPORT OF THE RESEARCH

4-1 Structure and elements of research report:

Industrial development activities can be divided into two groups. First, flowing investment funds for industrial projects which are most of all beneficial and this makes feasibility study possible. This is so much extended that is agreed publicly second, establishing proper organizations for performing projects and executing forces for achievement of the industrial achievement. Structure of industrial project is a systematic process and consists of predictable activities, which can be divided into distinguished groups.

Even though process here is like sequential process and there are always feedbacks from one activity to the previous activities (35P197).

At first each structure is created because of a need. So the original idea of a structure depends on the necessity of project. This industrial project way belongs to the government. So it may be expressed in a general form and full of promises to the public. Therefore, in most cases, the responsible institute of industrial project in the past, feels responsible itself to transform some confused ideas into formulated projects which are defined and its budget and time table is clear.

Starting a new rural industry follows a series of introductory activities. In this stage the responsible force decided if this industrial project is worth or not. We should see the rural industry is according to social – economic – technical rules of the society or not and the costs of projects are worth?

Here the basis of decision is distributed resources, results of previous experiences, unit priorities, long term plans and policies of investment and finally document provided for that rural industry.

These industrial projects which pass first step of evaluation will transfer to second stage. In this stage, they are changed to formulated proposals and investment. If this stage is evaluated as the next stage of evaluation, it will help more to the industrial project. Because industrial projects mostly are evaluated on the basis of economic, financial, technical and management criteria. It makes the job easier. Documents are included explanations about goals of investment and time tables of plans to get the results. If the industrial project is for a few years, its documents consist of all executive activities. In addition, suggestion an industrial project consists of resources, using them, estimation of costs and interests and analysis of commercial benefit – making. These features are relied on some other documents like preformed income statements and liquidity tables. All the technical needs of industrial project are like machines, tools, technology knowledge construction tools and so on. There are plans to provide them since there are different solutions on

the basis of technology for industrial project, selection of proper technology is a great task which should be considered during designing project (32P87).

Framework of an industrial project has three basic elements. The first element is the quality of relations between organizations involved to execute the industrial project. Here the capacities of investing organizations and also related organization should be considered. If there are necessary facilities for coordinated operations, development of the industrial projects will be exactly determined. If there are no coordinated operations, their creating methods to achieve objectives, will be described briefly. Here the documents should consist of documents of project representing the commitments of two parties.

Second is organizational readiness to invest. When designing a perfect industrial project, we should determine main features of human force of organization. In addition, time table of the industrial project should be considered and the place of investor should be determined to be effective in intra-organizational relations.

If the internal resources of human force aren't enough, external designers will determine skilled human force, plans and time table of employment along with budget exist in the documents. What are important here are services done by the management counseling organization out of investor organization? If these services should be useful, method of selecting counselors and making agreements will be provided by the formulating project organization. The point, we should consider is that the agreements for using counseling services should end in a point of industrial project. So the designers should determine what may fill the hole. So the main decisions of developing management and plans and training designs to provide management talents are made in this stage.

Economic sides of industrial project include investment adaptation with general economic priorities and objectives determined by the government and access to growth objectives of organizations. In this stage, the industrial project is compared to the current national standards. For example, if foreign exchange is one of the national economy priorities, so the effect of net foreign exchange should be calculated and presented that it is more that its effect of the acceptable national criteria.(22P176)

The last point is which can't be ignored and that is situation and social backgrounds.

This point causes some limitations for the industrial project and also determines standards of it. It is expected these projects presents some solutions for social problems resulted from some solutions for social problems resulted from some unfriendly situations. Environmental problems such as hygienic principles and removing pollution should be considered.

Evaluation and acceptability of industrial project explains the structure and main objective of evaluation methods is to determine the industrial project is worth to allocate the resources to it or not.

Economic evaluation of industrial project is to answer the following questions:

- ✓ Is this industrial project part of an economy which helps effectively to economic development? (that is a part which on priority)
- ✓ Will this industrial project help effectively to that part?
- ✓ Is this industrial project so effective that can explain using rare resources as domestic and foreign investment, management talents, skilled worked and other resources?

Benefit – making analysis has two sides:

First is to analyze benefit – making investment and second is financial analysis.

Benefit making analysis is evaluation benefit of allocated resources to an industrial project and financial analysis should consider the projects to ensure budget to perform project technical evaluation especially in industrial projects considers to engineering side of project. This evaluation studies five points (33P152).

- a) Are all the technical points considered?
- b) Are the methods on the basis of technology proper for that project?
- c) Have different aspects such as costs, benefits and needs compared together with proper methods?
- d) Are technical solutions realistic and national and infrastructures are considered?
- e) Are suggested technical solutions according to the existing national policies and priorities?

4-2 Analyzes of rural industrial project collection (34P86).

Starting the projects is with gathering the project group. Size and order of this group and official affairs and its management to perform successful the project have great importance performing stage usually consists of activities which lead to measures, operative plans and activities charts measures are divided into their own parts and tables are formed to determine activities groups using management control techniques. These techniques are too wide and they are included simple charts of Gantt and effective control methods to supervise industrial projects. If these control methods are used in information management for the industrial project, the benefit will increase.

Operation of an industrial project needs to new physical capacities in the form of constructions and providing tools. Project group will do this itself or it will make an agreement to do it. Any way designing the needs and facilities features are the task of project group. When these

facilities were provided and human forces needed are employed, industrial project is ready. The project will be tested to determine if it is effective or not. If there is unexpected incidents, corrections should be done immediately and then the industrial project will be developed.

4-3 Control of rural industrial projects.

Industrial projects are supervised in each level. Control of project and its corrections, just before delivering the industrial project to management should be done rapidly project control has two objectives. Firstly, we should discover deviations from activities and plans without costly delays. Secondly, the objective of control is to determine the direction of corrections of project and returning it to the right direction.

Project control is done internally and externally. Internal correction is divided into two parts. First is control by project manager. This is to determine whether operative plans will achieve project objective in time with determined budget or not. Operative plans are divided among the activities groups so that they can present result of their activities separately. If there are dependencies among these groups, it will be determined and they are reflected in planning project. Second kind of internal control is doing by executers of investing company. All the activities of project are controlled. Steady current of activities of project depends on the cooperation of other units of organization and services needed. Management will supervise such relations closely to make sure these relations won't risk the success of project. Another task of management is to determine whether the allocated resources are used properly or not.

External control is the task of creditors who support the project financially. Since the managers of these institutes should be sure that their credits are used to determined cases, they have the right to control the activities of industrial project.

Their methods of control are different and the most usual is inspecting tours along with written reports about the progress of job (37P208).

4-4 The current research statues and the related views.

4-4-1 Astara region. This research has been done in Astara area and around it. This area is on the border of Iran and Azerbaijan. (*5n) In this area, the active industries are as follows:

- Construction industries like block stone, wall block, block for ceiling, concrete railing, cement pipe, P.V.C window, and plastic construction products.

- Wood industries like kitchen cabinet, wooden box, table an chair

- Plastic industries like nylon, nylex

- Leather industries like shoe and bag

- Clothing industry like dresses and different kinds of clothes

- Electric industries like trans

Most of these products are consumed into the country and there is no idea for export to the neighborhood. (*6n) Since the research notices to industrialization of rural areas, the following points are regarded:

- Creating non-agricultural job for rustic people who are unemployed
- Avoiding immigration to cities
- Enforcing economic basis of rural centers
- Complete use of skills existed in the area
- Producing local agricultural products
- Providing basic foundations and consuming products for formers and other local people.

Anyway, any kind of correction in the area should be done on the basis of careful analysis of costs and benefits. We should prepare a list for every part of rural areas.

4-4-2 The list can be as follow:

List of places:

- Raw material and unfinished products

- Kinds of raw materials
- Quality and quantity of product
- Distribution of providers in the region
- Production period
- Potential facilities of production

- **Markets:**

- Demands for finished products
- Population, its general order, age and family size
- Income, income distribution, its growth, income elasticity of demand for particular products
- Consumer characteristics effective on the demand
- Producers' and products' competition
- Industrial structure, kinds of industries, links, existing demands and future demand for unfinished products
- Existing and future demands for eternal products and possibility of export

- **Labor force:**

- Capacity of labor force
- Combination of labor force in terms of age and sex
- Process of growth of labor force
- Quality of labor force, skilled and productivity

- e- Amount of salary
- f- Facilities for professional training
- g- Labor rules and employment principles
- **Transportation rules and employment principles:**
 - a- Kinds of transportation networks, roads, rail road, water transportation
 - b- Organizing private and governmental transportation facilities
 - c- Transportation cost on the basis of kind of vehicle and distance unit
- **Services infrastructure**
 - a- Storage facilities
 - b- Repairing and keeping facilities
 - c- Offering facilities and official tools
 - d- Credit and banking facilities
 - e- Organizing for getting license, tax facilities
- **Energy**
 - a- Energy resources, coal, gas, oil and water electricity
 - b- Existing capacity and planned capacity of energy
 - c- Relying on the energy resources
 - d- Costs for different objectives
 - e- Connection costs
 - f- Organizational structure
- **Irrigation and consuming**
 - a- Resources to provide water, surface and deep waters
 - b- Quality and quantity
 - c- Relying on the water resources and its diversity
 - d- Watering costs
 - e- Rules of using wastes
 - f- Costs of using sewage wastes
- **Connection networks**
 - a- Post facilities, telephone, telegraph
 - b- Capacity of these facilities
- **Social infrastructure**
 - a- Residential facilities and the kinds of costs
 - b- Facilities and costs of water branching and house electricity
 - c- Other facilities

d- Training facilities, hygienic, recreational, police and fire fighting facilities

The next stage is to distinguish small industries in rural areas. These kinds of industries have some characteristics as follows:

- Produces raw materials and agriculture products are applied
- Produces agricultural foundations for local markets
- Produces products with low rate of consumption
- Have fundamental nature
- Produces products with increasing demands are possibly independent that is they aren't

under the influence of place

When industrial activities are determined for growth rural areas, we should start an active effort to attract such industries.

Some attractive activities are like removing taxes, special credit facilities, and infrastructure facilities. In big cities, government can use other tools like limiting to issue license, high taxes and increasing the price of land.

Need to provide favorite facilities means that in normal situation, we can consider the centers of local areas as the only good places for industrial projects. In addition, in small industries, saving is an important point, but it doesn't mean that we can't have industrial activities in lower rural areas and also it is needed for products which may be spoiled the product will be near the processing center (36P232).

4-5 General development planning.

General and local models:

Now we can consider to the planning in underdeveloped economics. These models in most developing countries establish an analytic framework in which development plan will get its own special quantitative values. Their importance in development planning is that creating such economic models adapted with emerging economic conditions has two benefits. Firstly, the planning model gives us an exact method to face development issues and determines financial objectives of economy. Secondly, a detailed development plan can help to overcome contradictory points. Some essential theoretical models in developing economies and in terms of different objectives will be studied.

Two distinguished features of these models are including. Firstly, simplicity of structure and mathematical calculations and secondly conformity of them with statistical information existing in the area. The main problem of these models is in their unlimited economic generalizations, failure in analysis of economic structure and failure to determine whether a plan will lead to productivity or not.

Selection of a special plan surely relates to the economic maturity of the country. If in an economy in a small size, there is a limited finance and lack of relation among industries, so there is a little possibility of detailed planning. It is better, individual investment plans to be considered which objective is to provide a start for change. In early stages, what is important is a general picture of possible growth rate, but in later stages, possible development path will be clear and in includes more detailed planning (38P76).

4-6 Fundamental structure.

Another important subject is economic structure of private and governmental sectors in development process. When private sector is not useful, it is expected governmental sector compensate it. So most attention will be paid to financial resources of government and if private sector is active, most resources are concentrated to it (39P164).

4-7 Access possibility and quality of statistical data.

Access to statistical data to start to formulate development plans is the third effective element in a special model. If this information is weak exact analysis needed for mathematical planning have limited activities. In case of lack of complete information we appeal to estimations or experimental information with similar conditions.

4-7-1 Practical limitations:

Characteristics of development planning are that most of the time this development is under the influence of special economic limitations. The most important limitations are directly related to development stage. In general inadequacy of investment and foreign exchange rate are the main limiting factors of fast economic development. If the main problem is investment, we should take step to solve it. After that encouraging export or controlling the import can be part of plan. Different problems appeared may be limited offering of labor force of high level, limitation of transport facilities and financial problems.

4-7-2 Priorities and objectives:

We should ignore distinct objectives which under developed countries consider as the most important factor to get long term economic objectives. These objectives are:

- a) Rapid increased annual income
- b) High level of employment
- c) Constant level of prices
- d) Reduction of inequality of incomes
- e) Ideal situation of payment balances
- f) Independent and various economy

Even if each of the above objectives could be ideally, it may be some contradictory situations occur. If are considered equally, so there should be some priorities among these objectives and some should be secondary. So we can understand how a developing country can follow to set an economic plan with regard to its own situations. In this respect, there is three important methods which aren't mutually exclusive and three of them represents a logical and systematic method to organize and coordinate activity of different economic elements.

First step to set a development plan consists of evaluation of maximum rate of general growth which is expected an economy can get it with regard to existing economic forces. Since growth rate and economic growth is expressed on the basis of huge quantities like domestic net product, consumption, investment, saving, population and employment, general rate of growth can be analyzed easily by studying the relations between these variables.

Next task of planners is to determine the fact whether natural rate is effective for determined priorities for the planning period or not. Since most of the time maximum natural rate is too far less than ideal rate, primary objectives of plan represent concentrated efforts to increase the pace of general rate of growth by designing policies to influence dependent relations which are apparent by technical parameters.

Natural rate of economic growth in most cases is under the influence of one or two important strategic elements. In developing countries, we can consider to financial problem. Selected model uses different types of relations which are represented in Harrod-Domar model. This model is too simple because it only variables are saving, investment and incomes with this supposition that limited offering of human effective force, fluctuation of exchange rate and so on are less important. The primary goal of using this model is to estimate maximum rate of growth of national income with regard to "s" parameter that is saving and "k" parameter. That is general relation of investment to production Harrod-Domar theory says that increase in domestic net production from (t) to (t+1) by an investment in (t) and its productivity which is measured by reversed relation of investment to production (23P183).

4-8 Growth model of Harrod-Domar:

$$S = sy,$$

y – income, S – saving, s -average tendency to saving

$$K = ky,$$

K - kapital

$$\Delta K = I_n = k \Delta y \text{ is net investment}$$

In the other hand

$$S = I_n = \Delta K$$

By this equation, we can get the following result:

$$S = sy = k \Delta y = \Delta K \text{ or } sy = k \Delta y$$

and finally:

$$\frac{\Delta y}{y} = \frac{s}{k} = \frac{S}{K}$$

If (s) and (k) are constant amounts, this equation shows that maximum growth rate of domestic net production can be achieved by $\frac{S}{K}$.

For example, if 6y of national income is saved, and relation of investment to productions is 4, so this equation shows that in case of constant parameters there will be no change in economic condition.

Now if we introduce a new variable representing population growth as $\frac{\Delta P}{P}$, we can get to the possible road of estimation about annual income and it is more definite standard of welfare.

If current estimations about current development of national rate don't show a considerable improvement in the live of people, so such a natural rate can't be infrastructure to build development plan which is acceptable. So we should do something to increase the natural rate. If maximum natural rate is less than determined natural rate, government can do something to increase or decrease of (K) or use of effect of both of them so that S/K increases.

Another application of Harrod-Domar model is determining huge objectives especial investment objectives, is to grow with a proper natural rate. For example, if growth rate is 2% annually, and planners tend to change it to 3%, so the natural should increase 5%.

Three main resources of domestic saving (s) are individual savings, commercial savings and government savings. If individual and commercial savings don't reach to ideal rate, government should increase taxes to limit consumption.

Another case is that if private savings in addition to government surplus isn't enough for providing determined rate of investment. So the government will face to two solutions. One is getting loan from foreign countries or simpler that that is to avoid ambitions activities.

In most developing economics, in which foreign has an important share in all economic activities, two part model consisting export and domestic market production can be more beneficial so that export part of model can sell some of its products in domestic market, but this division isn't completely correct but in order to analysis, dividing economy into separate part is important because one part of economy is concentrated on export and the other is focused on domestic products and the only connection between two parts is buying new investment products by export part of economy (24P165).

4-8-1 From domestic market:

The important difference between these two is that in this model, growth of product of one part (export part) depends so much to external element of international economic development, while demand for domestic products is determined by local level of consumption and can be under the influence of domestic economic policies. So economic development planning in countries in which export is important, due to final dependency of economy to the world changes of price and demand for raw export materials, is more complicated. Best point to start planning according to this model is to estimate several possible rates for export development. If we assume that prices will remain constant, this hypothesis can be on the basis of estimation of future incomes of developed countries and income elasticity of demand for our export. If various prices and elasticity of demand are considered as effective elements, it will be possible to reach more correct predictions. For example, it is possible future demand for export is calculated on the basis of this assumption. That according to last experience raw material prices will reduce one percent annually. In fact, we should consider that several other factors like custom policies, increasing competition and international commercial agreements can easily cancel our economic predictions, since we can't predict many of these elements, so planners usually in income predictions about future incomes of export considers to the necessary changes if occurred. In this model, it is estimated that export part doesn't sell anything to domestic part, so the increase rate of export part depends on the increase rate of demand. In fact, these two rates must be equal, so export in "t" period should be equal to demand for export goods in "t" period. That is: $X_2 = E_{(t)}$ so demand for export is calculated as follow:

$$E_{(t)} = E_0(ltr)^t$$

E_0 is equal to the exports of export in first year (x_0). If we know the relation of investment to export part, the relation on investment to export part, the demand (K_2) for products of domestic part is equal to $K_2 \Delta X_2$.

Domestic market should produce investment products for its own need and also consumption products to satisfy domestic demand. So whole demand for domestic market is equal to $b(X_1+X_2)$, demand for domestic investment is $K_1 \Delta X_1$ and demand for export investment is $K_2 \Delta X_2$.

Since a part of domestic demand is provided by imported products and investment products, just the rest of this demand is offered by local production. So:

$$X_1 = b(X_1+X_2) + K_1 \Delta X_1 + K_2 \Delta X_2 - M$$

In this model, it is estimated that demand for important (M) has a linear relation so:

$$M = m(X_1+X_2)$$

On the basis of last research in country economy the following parameters has achieved:

Average desire = b

Relation of investment to domestic market production = K_1

Relation of investment to export product = K_2

Find desire = m

If it is estimated that demand for mineral water export is the rate \otimes of 5% annually and in the first year it is 1000, so:

$$\text{Growth rate} = \frac{\Delta X_1 + \Delta X_2}{X_1 + X_2} = \frac{S}{K}$$

Even though constant rate of 5% is the same for two parts, but we should consider the growth of rate in export is determined by the growth rate demand for export. Growth of domestic market is under the influence of export growth because it has more capacity to produce investment product. When the growth of rate of domestic market is equal to export rate, it is the result of equal quantities of b, K_1 and K_2 parameters. For example, if in the second period, the export part has 6 unit of growth with this assumption that all the domestic parameters are constant, domestic market investment can reach to 164 and this capacity in second period will reach to $\frac{164}{3.5} = 46.9$. So the domestic market will grow faster than export part

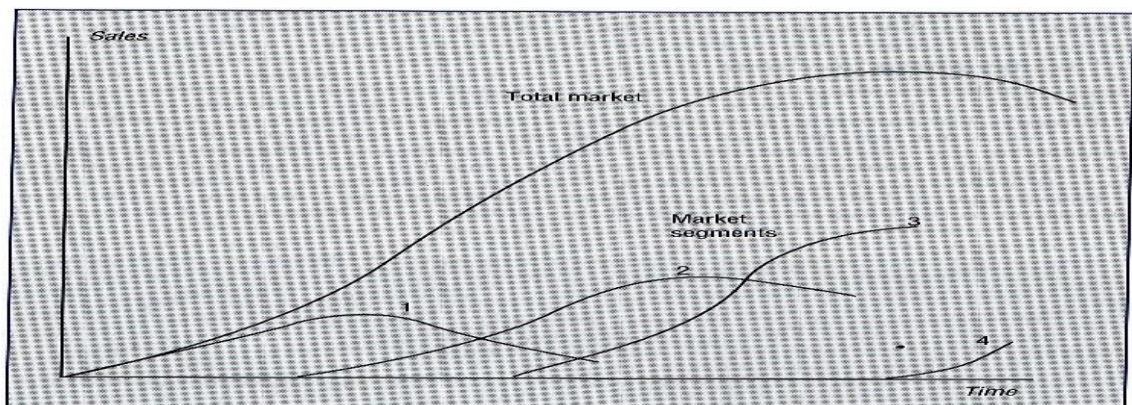
4-8-2 Complete development planning

Dynamic input – output model and activity analysis

A model which shows the mutual dependency of two or more main parts of economy, can give a great help to development plan and we need to integrate objectives and each part of model should be divided into smaller parts and analysis in input – output model.

Even though the models based on the mutual relations between industries in economies with a certain degree of industrial development and a great deal of dealings are applicable, but the simple input – output table can have an important role in countries in which industries haven't developed.

Market growth through adding new market segments



Analysis of labor and human force:

When talking about main model of input – output model, we get an equation that we can use it for explaining the relation between whole production and level of employment that is $L_i = l_i X_i$

$$\text{and } L_T = \sum_{i=1}^n l_i X_i$$

$i = 1, 2, \dots, n$ and X_i which production objectives can determine the individual employment level. Since L_i represents relations of labor to production in each economic part, so reverse of them ($\frac{1}{L_i}$) can be used as the relation of production to labor force.

One of the important features of underdeveloped economy is the low level of labor force productivity. Task of development plan is to improve productivity of labor force that is lowering L_i , but in this cassette?? Level of employment needed for planning objectives is more than what is estimated. We can expect that during development plan, productivity of labor force increases with increase in production. Planner has created concepts called progress functions. These functions connect labor force productivity to the different levels of productions and are estimated by cross-section for developing economies and they exist for economic planners in different countries. (24P172)

4-8-3 Input – Output dynamic analysis:

One of the problems of static analysis of input-output model with regard to development planning is that this model won't consider to one of important aspect of economic development that is investment can't act like an independent demand like consumption, government costs and export. But investment is dependent to the level of consumption, government costs and value of exports. In this model, it is estimated that inputs and outputs are important. In this model, we support that investment is one of the elements of final demands which is determined for products of a special industry and its amount in every determined year won't depend on the level of economy of that industry.

Since it is clear that level of investment in each part of economy which is developing depends on the amount of productivity of existing capacity and products of an investment should allocated effectively between industries so development planners can easily change the static input – output model into a dynamic one with increasing sub sector capital coefficients which related constantly variable objectives in present and future to the needs of investment.

Each industry should purchase current inputs (represented by $\sum_{i=1}^n X_{ij}$) and also necessary capital to develop product capacity. Dynamic input-output model is on the basis of this assumption that in each industry there is a technical link between each change on the level of product and

necessary change in the amount of existing investment needed for production. This link is determined by incremental capital coefficient.

4-9 Planning process in rural industrial development.

Objective of this part is to determine situation of regional planning in the planning process in a country and formulating an analytic framework which help us to meet needs for regional planning. So it is necessary to act systematically, especially when national system and subcategories in regions are systems with economic-social and political – administrative systems. Here we will present how this subcategory can be directed and what is the role of administrative forces in this regard

Coordinating mechanism can increase effects of regional planning by:

- Determining the objectives
- Selection tools to achieve objectives
- Using these tools

These three stages provide planning process, though are close to each other, but they won't operate by one organization. Mutual relations between these stages are based on the training processes effecting on the efficient process of organizing.

Determining objectives includes determining features of a desirable situation against the feature of a determined situation. Ideal situation is always related to some thing in the future. So the element of time is also important. Especially in planning constant social events in which charges occur in determined time zones. The more time of ideal situation, the more is problem.

Determining the existing situation is on the basis of analysis and evaluation. Evaluation is important because it is explained with regard to features of ideal situation. Intended changes may occur with passing time by forces which are existed into the system.

In this case, there is no need to have access to special tools to create intended changes. Such a situation can be controlled by comparing perspective of existing situation with the features of ideal situation with the assumption that no change occurs in applying tools.

Selection of tools is related to tools which are at hand for agents responsible for creating changes. It is possible that there are other tools to get an objective, but suggesting using tools which are not at hand for agent is useless. Another limitation is the amount of using one tool. If for a certain objective in a time like t , the x amount of tool should be used and we can use it from zero to t as a time period, suggesting x amount is meaningless.

Now we have reached to the difference between ideal situation and possible situation which is ended with selection of what occurred in a period of time that is occurrence of an objective.

The process to get this decision is called establishing objective. Here objective is defined as the quantitative recognition of an ideal when objectives are determined and tools are selected, agent using these tools can start working. Ideals and objective regarding to the application of tools may change and it may to choose new tools or other tools are removed, so in some stages accessibility to tools may lead establishment of objectives which are higher or avoiding other tools. The most important current of information which runs against the current is that which goes back from stage two to stage one and is called operation evaluation.

As we mentioned above, there should be a link between the value of a tool and we can call it system variable and value of objective which is another variable of system.

In other word, for planning we need hypothesis which their objective is to explain values and quantitative amounts by determining relations between variables which are used for planning. A good hypothesis means that which has logical adaptability and gives hypotheses according to the number of independent links. This word is true when the links are naturally linear. In general such a hypothesis describes a series of theories and uses other events and experiences which are in relation to the amounts of issues representing the pattern of analytical situation. Tinbergen, famous Dutch economic calls such a hypotheses input and experiences as output variables and the whole amount is called input variables.

Data are those amounts which have constant value for planning because their changing isn't proper for planner. Kind of these depends on the time in which the model in which is measured output variables are those which link with each other and other important variables and they determine the value of input variables.

It is possible in many cases, quantitative amount aren't possible, but it shouldn't cause planning agent to avoid creating a hypothesis which lads to a planning event. In social service planning, determining quantitative amount and model making is possible to a large extent.

If all the variables and data of output variables are determined, what is the value of out input values? The model can be used to show the behavior of system during the time especially when the model is dynamic. This allows to the planner to judge about changing some of the elements of system.

Anyway, if the question is "what is the value of output variables with a clear data values and all the input values?" the answer is not clear.

In addition, it should be noted that using the model is planning needs the relations to be mutual. The amounts which should be determined and instead of being determined by output variables, they determine output variables. Mutual relations in economy have been proved.

The way of getting objectives of planning is determined in an extent by hypothesis of it. The hypothesis should be able to create changes in the existing situation by deciding to get determined

objectives deciding to use certain tools and rules which make possible to use these tools. In other word, hypothesis should be able to consider the future and include relations to determine some measures never occurred before.(18P45)

4-9-1 Planning as a process:

In the previous part, we referred to planning without determining the system in which it is planned. In this part, we will consider planning in a region so we should talk about it clearer. These activities, at first seem no to be like in order and arranging it, is some how difficult, but in order to get a solution, we must make them in order. If we consider planning as a process of deciding which has the objective of doing a series of improved measures by which system ideals and its limitations are determined and use of tools to run the policies become coordinated. There is a definition by Tinbergen and Waardenburg Dutch economists which are close to our definition in which five class of products are determined like very vast place, vast place, important place or region small place or city and very little place.

For strategic planning industrial products are necessary which are as follow:

- Determining demand for industrial product from economy and public.
- Determining needs, necessities for production and export
- Coordination of resources and their usage and special economic measures which makes possible coordination.

4-9-2 Determining demand for capital products:

In planning of production of a five year period, it is important to consider to the predictions of technology progress in long term and results of researches related to developing the technology and its use in production process. It should be cleared what kinds of machines, tools and products be designed and produced.

4-9-3 Determining demand for consumption products:

Determining demand for consumption products of five year period has special features. Objective of a long term project includes providing needs of public to products and services on the basis of scientific standards.

Volume of production of public use is planned on the basis of consumption standards and family budgets which have scientific credit. This is done by research institute and planning organizations to calculate demand for consumption product in five year planning and annual planning, we need the following primary information:

- Volume of purchase power of individuals
- Real structure of consumption products, commercial structure, storage of products and amount of demands for different groups of products.

- Predicted changes in the personal demand structure resulted from upgrading income level and selling certain products.

Structure of demand with regard to increasing public needs, high level of culture is changing.

If calculations show that demands of a certain group of products is higher than demand of the current products, so some measures are taken to reduce the prices, r another kind of products enter the market or other measures will be taken to increase demand.

Even when in some conditions, incomes increase or prices reduce, demand for many products are consistent or even reduce while demand for some products increase faster than the increase in income. Plans are designed to reduce some productions or omit some productions.

A standard consumption budget is formulated which is related to the level of income of different social group at the end of the five year period. Doing this, changes of demand are considered annually when the planning for consumption productions, we can achieve more exact estimations about personal demands and according to that, we can determine the amount and kinds of productions. If changes occur during the year because of change of demand, we should change the plan.

Structure and kinds of productions are under the influence of consumption production to a great extent. Constant increase of public income and increase of welfare create changes in demands, so they tend to more expensive products.(11P98)

4-9-4 Validating of rural Industrial Production plans

Production measure with regard to determined demand depends on the followings:

- a- Primary measures of production of institute and industries with regard to most logical method to gain expertise
- b- Level of developing production capacities and existing facilities to improve development
- c- Measure of applying new capacities and modernization, necessary time for start and level of development.
- d- Measures to upgrade quality of products
- e- Increasing resources with regard to change of quality and amount of development
- f- Providing necessary human force and improving it, labor organization and increase of productivity
- g- Providing enough financial resources
- h- Providing transportation tools

4-9-5 Production Volume and Production capacity

To determine the volume of production what is calculated is the maximum development of technologic facilities which are basic for productive areas and also upgrading improved production technology level and organizing labor and facilities for high quality products.

Production capacity at the beginning of the year is called input capacity and at the end of the year is called output capacity.

Production plan on the basis of average capacity of one institute and it will be removed with collective production capacity at the beginning of the year. Basic elements determining the capacity of production in an institute are as follows:

- Number of machines, mechanical tools special units installed in an institute.
- Production area of institutes and workshops.
- Process of production of an institute like shifts, hours or days of work in each month or year.
- Economic–technical standards dominated on the machine operations, mechanical tools, facilities of workshops and technical services sections.

Volume of capacity production can be increased by organized and technical measures during the year and reconstruction facilities and existing units and like measures.

4-9-6 Estimation Necessary Employment of New Capacity

To ensure the production of some part of producing process which isn't possible with existing capacities, we should determine new capacity needed.

Volume of production, existing production with existing capacities and the annual amount of new capacities is primary information to determine necessary amount of new capacities.

Method of calculating new capacities in strategic planning is as follow:

a- There is n estimation for that part of products which can't be produced with existing capacities so we should apply for new capacities.

b- The following formula provides an estimation about average amount of new annual capacities

$$\bar{V}_m = \frac{X_1 - X_0}{U_0} \times 100$$

\bar{V}_m is equal to average annual amount of new capacities.

X_1 is equal to annual production which isn't possible with existing capacities.

X_0 is amount of productions with existing capacities during the five year planning.

U_0 is the coefficient of new capacities entered to the production process with regard to each kind of product according to norms of time of installation and application

c- Whole volume applied is on the basis of this hypothesis which says average amount of new capacities applied is equal to 35% of predicted applied capacity during the year.

d- Coefficient of developing new capacities in each year is calculated in relation to average annual capacity applied.

4-9-7 Providing Necessary Material for Production Plan

Production plan should be provided by raw material and other things, fuel, force, unfinished products and tools.

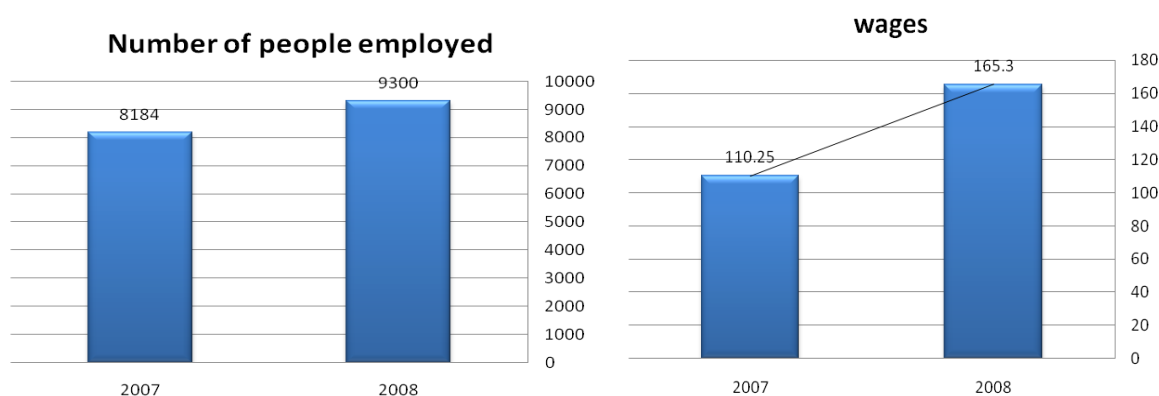
Estimation of industry demands for material is at the same time of estimation for facilities to increase their production by domestic productions, motivate reserves and if necessary providing them by export.

During the formulation of plan, needs and existing resources, kinds of products are put in arrangement by input-output tables which represent production and consumption of different products. We will get general estimations. In later stages, we will consider to real input-output tables products which are in input-output. Calculations should be on the basis of resource.

4-10 Main socio-economic indicators.

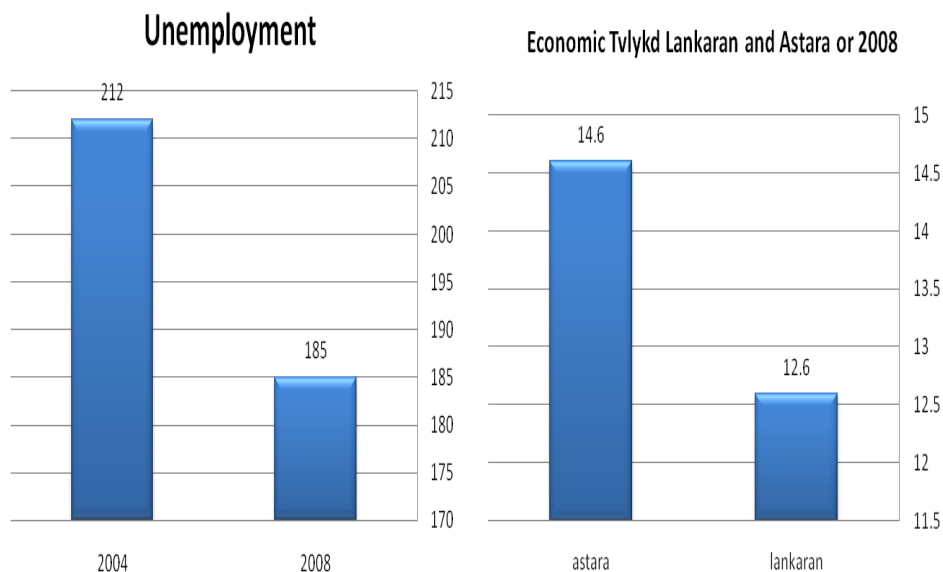
4-10-1 Brief review to the main indicators in the Astara region in 2008 (50)

According to the statistics of the date 01.01.2009, with 95.9 thousand population, there were 406 juridical, and 2043 physical persons operating in the region. The number of the people working for hire in the economic sphere was 9300, (compared with previous year this number 3.3 % increased, but compared with 2004th year it has 12% increased), average annual wage contained 165.3 Manats (33.5 % compared with previous year). In 2008, the number of the unemployed who has received a status has fallen year after year from 212 persons in 2004 to 185 persons in 2008.



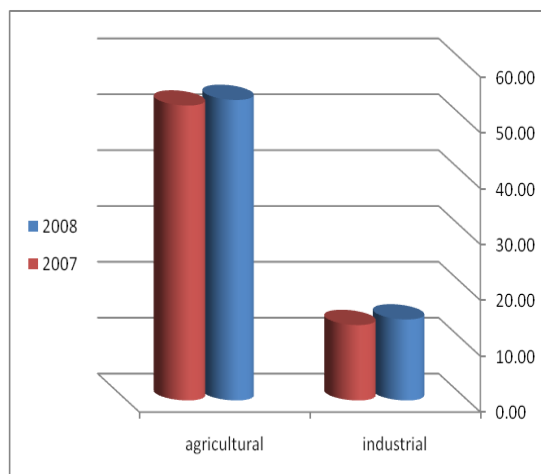
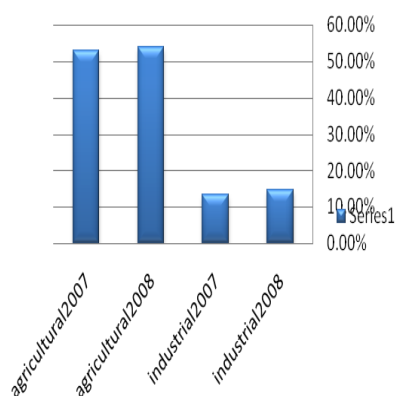
14.8% or 111.1 million Manats of total output production of Lankaran economical region (749 million Manats) falls to Astara region's share. In 2008, while general output of Lankaran economical region increased 12.6%, this number was 14.6% in Astara region. When taken separately, the capacity of the industrial product was 14.5 million Manats, but the capacity of agricultural product equaled 53.8 million Manats (compared with previous year, it's increased 1 %). Product costing 41.5 million Manats was produced by the section of plant-growing, and product costing 12.2 million Manats was produced by cattle-breeding sphere in the structure of the

agricultural product. Though, serious growth in the sphere of plant-growing is not observed in comparison with 2007, in the sphere of cattle-breeding 4% rise has been recorded.



In 2008 the capacity of retail commodity circulation contained 63.1 million Manats (compared with the previous year, it has increased up to 7.8%). Investment directed to basic capital contained 27.1 million Manats in 01.01.2009. The most serious growth has been observed namely in the investments volume. The growth in the economical region contained 67.6%, the amount of invested money increased 2.2 times in the Astara region.

industrial and agricultural or 2008-2007

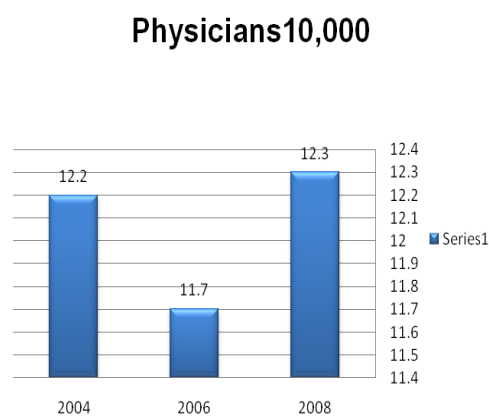
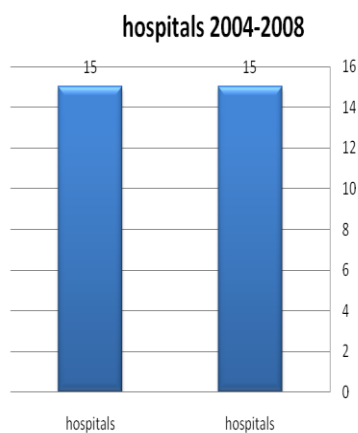


4-10-2 Social

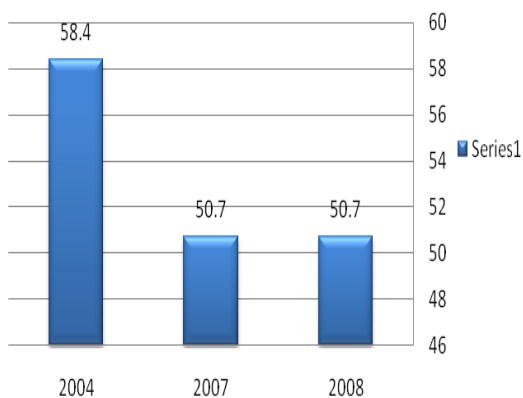
A. Healthcare

The Statistics of medical indicators of Astara region shows that there were 15 hospitals, 487 medical personnel, 118 doctors, and 715 hospital beds in 2008. No changes were observed in the number of either hospital beds, or hospitals in comparison with 2004. The same condition is

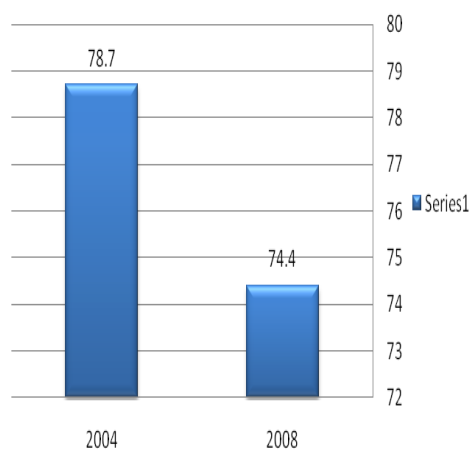
observed in the number of medical treatment institutions which gives ambulatory- polyclinic help. The ability of ambulatory-polyclinic institutions shows that, in 2008 there have been no changes in comparison with 2004.



Personnel doktor or 1000

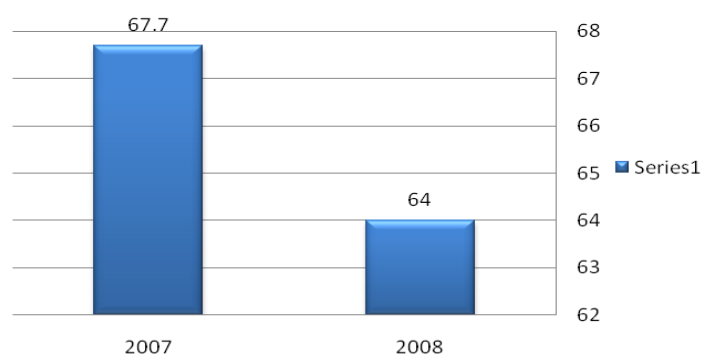


bed hospital 2004_2008



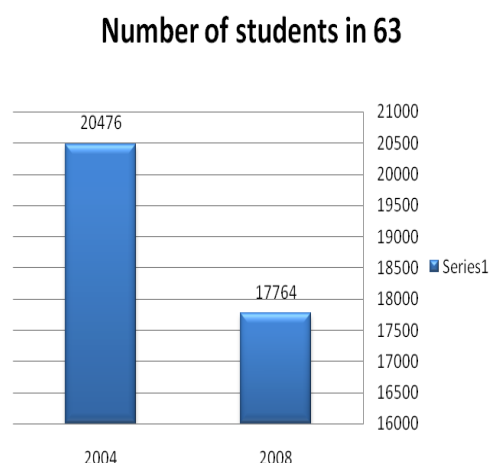
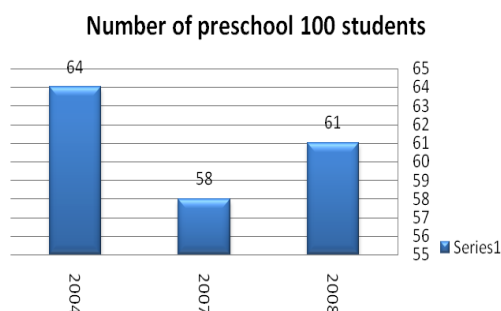
Dynamics in the number of the doctors per 10000 persons of total population which is considered to be the main indicators of health sector has not changed. This indicator was 12.2 in 2004, and decreased to 11.7 in 2006, but in 2008 raised up to 12.3. In 2004, the average number of medical personnel per every 10000 persons was 58.4, but in 2007-2008 this number was 50.7. Hospital beds per every 10000 were 78.7 in 2004; in 2008 this number decreased and amounted to 74.4. The power of ambulatory-polyclinic institutions per every 10000 persons decreased from 67.7 in 2004, to 64 in 2008. The principal reason of decreasing of the indicators per 10000 persons is firstly connected with the growth of population in number during these years.

Emergency Services



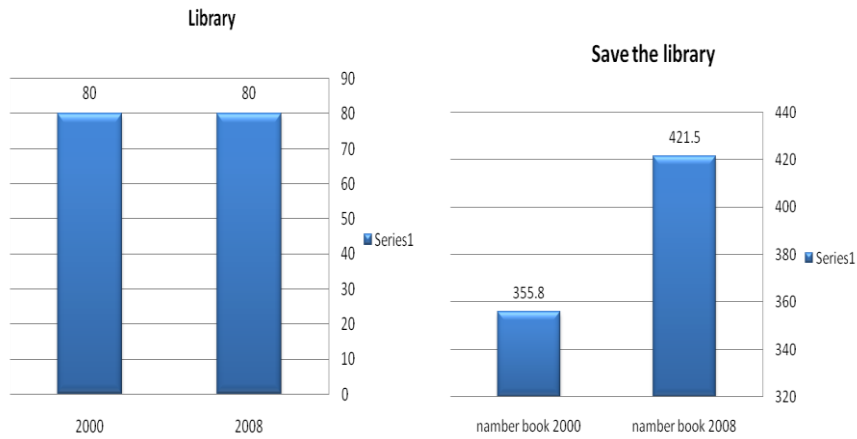
4-10-3 Education

There were no serious changes in the number of pre-school institutions in 2004-2008 and they were 17 in 2008. Providing with the number of child per 100 places in pre-school institutions was equal to 64 in 2004, decreased to 58 in 2007, increased to 61 in 2008. The number of schools providing general education was 63, but the number of pupils studying in these schools decreased to 17764 in 2008, while it was 20476 in 2004.



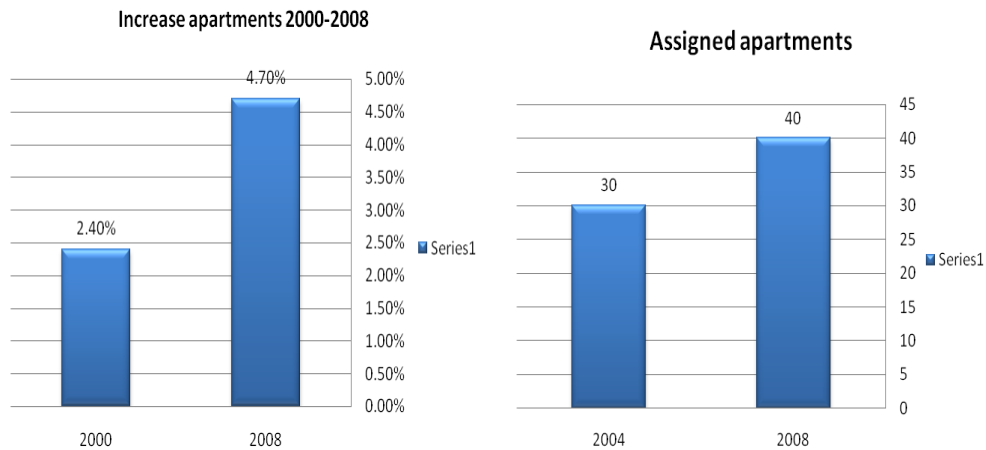
4-10-4 Culture

Despite the number of public libraries remained unchanged (80), book fund of these libraries contained 355.8 thousand copies in 2000, this number increased to 421.5 copies in 2008. In 2008, one was added to the total number of all museums compared with previous years. But in 2008, as in other regions, the number of museum visitors considerably decreased in Astara, compared with 2004.

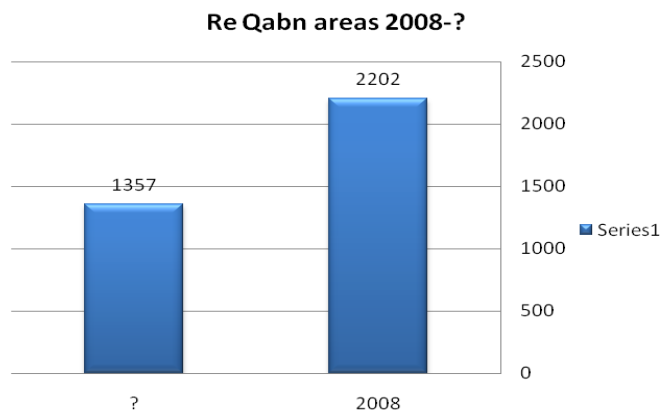


4-10-5 Apartment-Communal

Apartment fund of the region has increased 4.7 % in 2008, while it amounted to 2.4 % in 2000. As the birth rate outnumbers the growth rate of apartment fund, average residential area per resident decreased a little bit, and amounted to 6.1 m² in 2008.

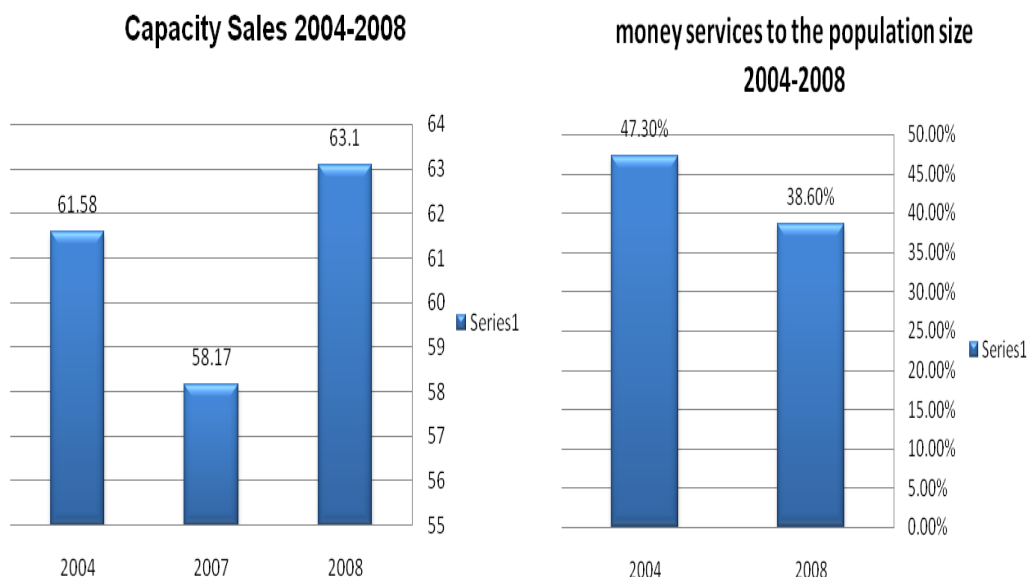


The number of the privatized apartments increased to 40 in 2008, while it amounted to 30 in 2004, and total residential area reached to 2202 m² in 2008, while it was 1357 m². Increase of the birth rate has conditioned the increase of the capacity of the water usage (in million cubic meters), as well. It is mainly related with the increase of the capacity of water that is used for agriculture and irrigation.

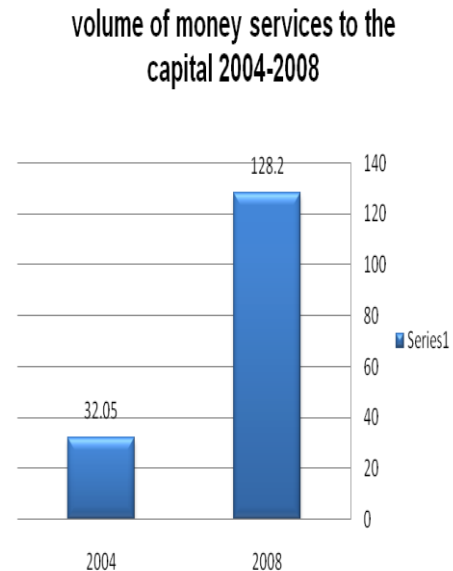
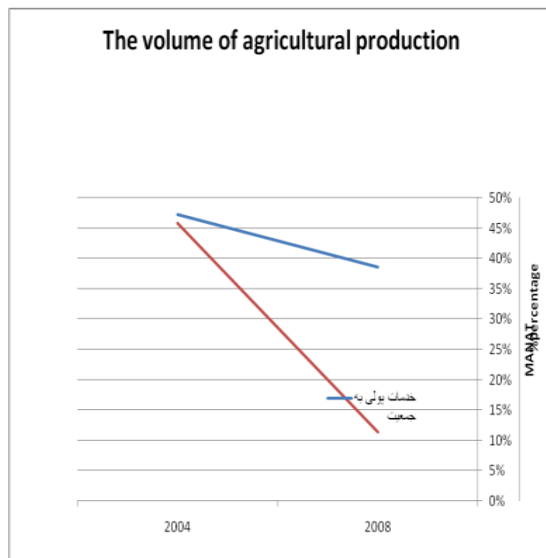


4-10-4 Trade

Strengthening of macroeconomic stability, improvement of living standards, profound meeting of consumers' demands, enhancement of assortments and quality of commodities led to development of trade and paid services to a considerable extent in the country. Increase of retail commodity circulation, i.e. one of the key indicators of living standards of the population and paid services to the population was enhanced over the district of Astara.



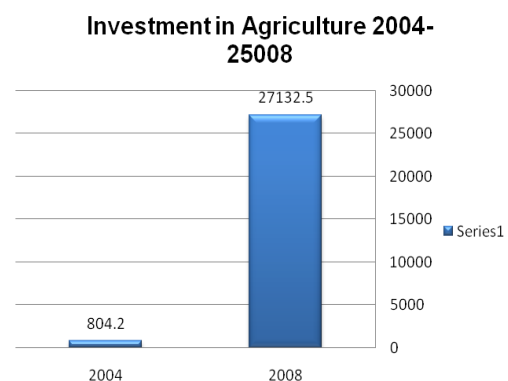
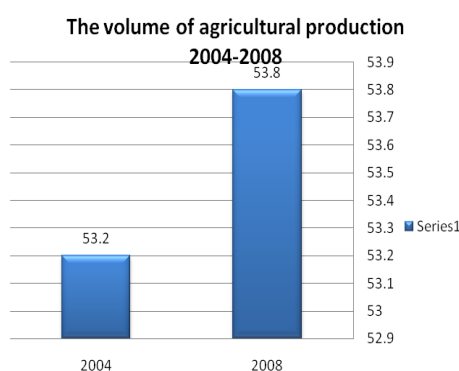
The capacity of retail commodity was 63.1 mln Manats in 2008. **7.8%** increase was observed in the capacity of the retail commodity circulation compared with the previous year, and 2.4 times increase was observed compared with 2004. Nominal volume of the paid service to the population was **38.6%** compared with the past year, and increased **4.3** times in 2004. In 2008 paid services per capita to the population reached 128.2 Manats by the accomplishment of more than 4 times increase compared with the year 2004. Totally, 2.7 times increase was noted in welfare services over the compared period. Extension and prosperity of service fields at regional level, remarkable improvement of service modes towards the population and quality indicators were improved.



4-10-5 Agriculture

Volume of agricultural products increased 1% in comparison with the year 2007 by reaching 53.8 mln. Manats. The share of output in the structure of agricultural products is as follows: 41.5 mln Manats – crop production; 12.2 mln. Manats – cattle-breeding. The increase equal to 4% was observed in terms of cattle-breeding though no substantial rise in the field of crop production.

This increment of agricultural products had derived from increase of output of vegetables, water-melon, fruits and berries. In 2004 the output on all economic categories increased in capacity. Output rises on separate products was as follows:

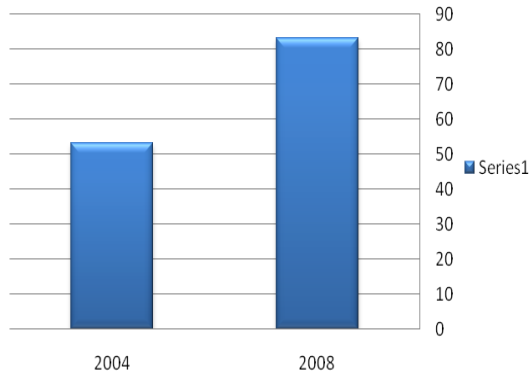


- From 91 to 95 centner/ ha output over potato in 2004 and 2008 accordingly;
- From 177 to 188 centner/ ha over vegetable;
- From 171 to 177 centner/ ha over water-melon; and
- From 177.3 to 195.6 over fruit and berry.

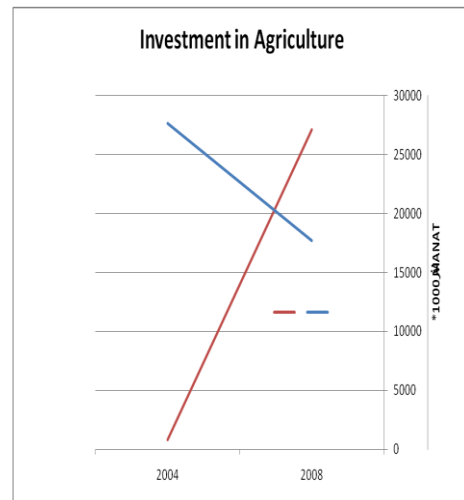
Astara is among the regions of tea and vegetable-growing of Azerbaijan Republic. Most of the citrus fruits in [Azerbaijan](#) are produced by this region. The population is mainly involved in

agriculture. Growing of orange, mandarin, lemon, rice and other products herein proves that the region enjoys of significant potential in agricultural sector.

Agriculture workers 2004-2008



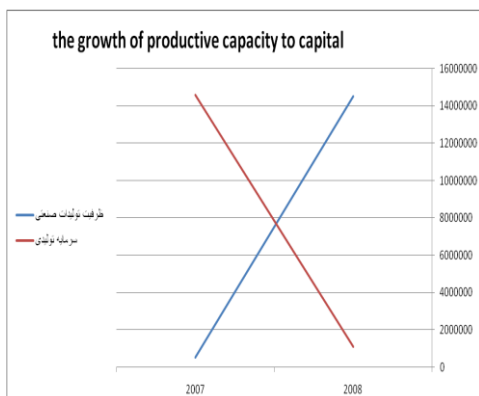
Investment in Agriculture



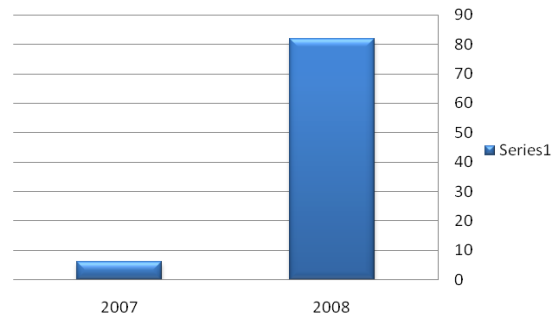
4-10-6 Construction

Construction sector is regarded quite prospective field with reference to enhancement of economic growth and discovery of in-hand potential of Astara. In 2008 the volume of fundamental funds increased from 623.4 to 23738.1 thousand Manats as compared to the year of 2004.

the growth of productive capacity to capital



Capital production achieved 2007-2008



In 2008 the amount of investments directed towards the main asset reached from 804.2 to 27132.5 thousand compared with 2004 (including 766.6 and 223874.4 thousand Manats accordingly). Rise in the volume of construction and installation works has resulted from 3 and 2 times (including increase in the number of employees from 58 to 83) increase in the number of organizations performing these works in 2004 and 2008 respectively.

4-10-7 Industry

In 2008 the capacity of industrial products increased **27.9** times reaching by 14.5 mln. Manats with respect to the compared period. Formation of industrial products has mainly been realized by state entities. Average number of employees and their average monthly salary increased **2.2** and **3.4** times accordingly. Availability of manufacturing funds (with balance prices by the end of year) was 81.9 mln. Manats in 2008. And this figure is **13.4** times more than the base

year. Availability of brick-tile factory, fish-processing plant, tea plant and forestry in the region are the fields of prospective for prosperity of the agri-industrial sphere.

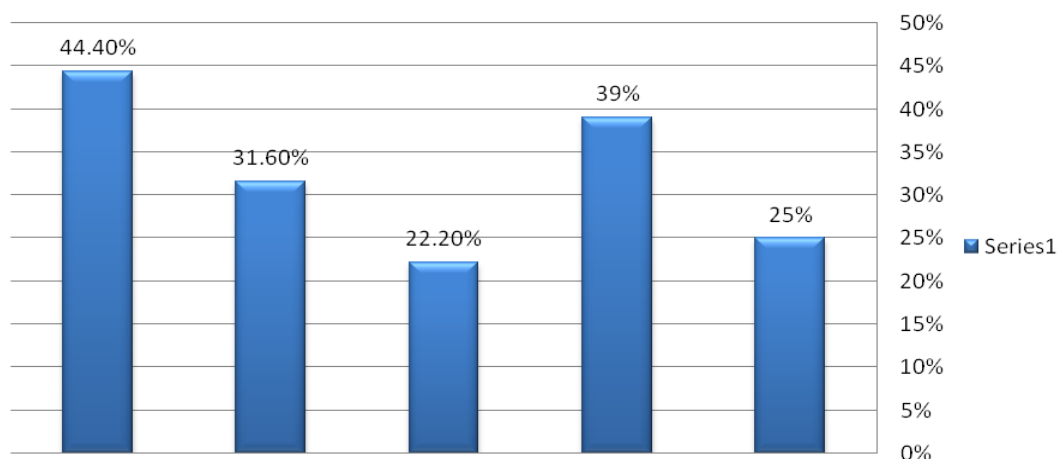
4-10-8 Transport and Communication

a. Transport

Remarkable rise on indicators of transport sector manifested itself as a result of formation of proper infrastructure in the Southern region thanks to implementation of State Program on Socioeconomic Development of Regions in the Republic of Azerbaijan.

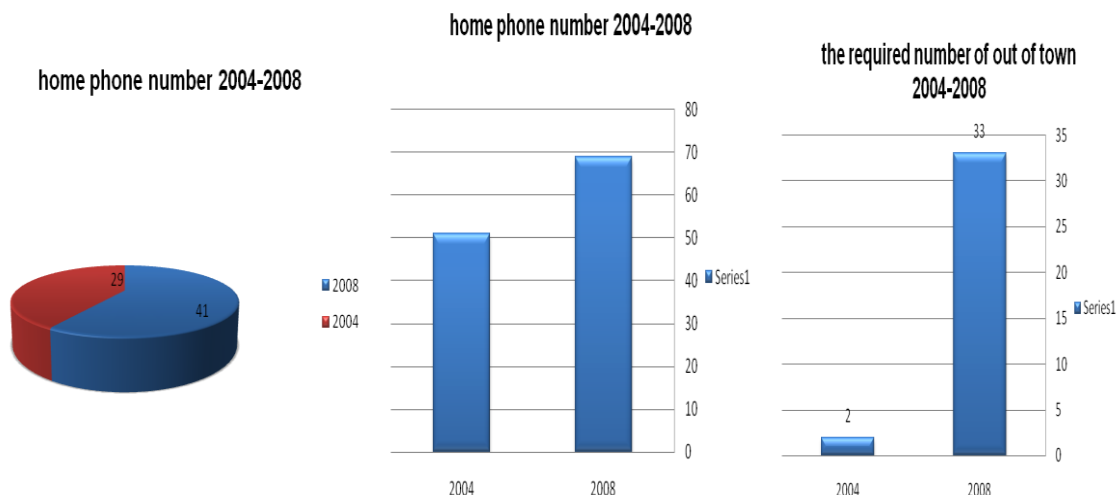
Load carrying capacity by motor transport increased 25%, freight turnover 39%, passenger transportation by motor transport 22.2%, passenger turnover 31.6% in 2008 as compared with 2004. In 2008 the number of private motorcars increased 44.4% as compared to 2004.

transport systems Vaql 2004-2007



b. Communication

Number of telephone set per 100 families rose from 29 to 41 between the years 2004-2008 (including, from 51 to 69 in the city and from 2 to 33 in countries).



4-11 The definition of economical potential of Iran's Astara, and development perspectives.

4-11-1 The definition of economical potential.

As Astara region is situated geographically near to Iran's Astara, the climatic condition and economical potential are alike. Due to this fact, it was necessary to analyze the socio-economical indicators of Azerbaijan's Astara before analyzing and estimating the economical potential of Iran's Astara. Analyze of the socio-economical indicators of Azerbaijan's Astara informs of serious agrarian-industrial and tourism potential in the region. Therefore, it is possible for Iran's Astara having the same opportunities. Let us look through the economical condition of the Iran's Astara to determine this idea more exactly. As we know, geographical position of the territory has a specific role in the development and formation of tourism. There are many historical and cultural places in Iran's Astara; it shows the potential of tourism sector in Astara region. Also, the territory has great opportunities from the point of view of modern tourism complexes, cultural centers, and natural view.

Existing potential allows the forming of all kinds of tourism used for involving local and foreign tourists in the world at present. Due to this fact, the selection of tourism sector as cluster is considered more advisable from the point of view of economical development of the region.

Cluster approach means the development of the sectors having more superiority compared with others of the country. The number of the found areas can be one or more. The other superiority of this approach is that the economy doesn't depend on the product that is in danger to be exhausted, especially on the export of natural resources.

4-11-2 Development perspectives of Tourism .

It is recommended to take into account the following offers connected with the development of tourism:

- If we take into account that the population of Iran's Astara is more than 60 thousand, but employment problems has not been resolved completely, then namely the development of tourism in the region would be the solution and the intellectual potential of people would be raised.

- Today agrotourism has become very popular in many countries. Tourists prefer to spend their holiday in the farm areas. Agrotourism comes from the need for ecologically clean products, gazing at picturesque places, and at the same time it keeps away from noisy city life.

- Extension of state and social control over this sphere in order to put an end to indifference towards natural, historical and cultural heritage. With this purpose it is important to carry out actions between Tourism department and Non-Governmental Organization (if operates), and especially organizing enlightenment campaigns.

The necessary government measures:

- It is necessary to prepare information bulletins like maps, booklets, brochures, etc. about tourism potential of the region. It must be noted that, though definite works is done in this direction, being small in number and uninvolving the information completely creates additional problems for travelers. In fact, serious information about this potential is not given.

- Increasing the number of road signs which show directions and traffic rules, and giving them in one of the international languages would be better. It helps a foreigner to be comprehensively informed about the region they are going to visit.

- The regional infrastructure has to meet the requirements of the international standards. In order to accelerate the operations in this direction roads, telecommunication lines, electric, natural gas, and heating systems must be restored, and rest station services must be improved according to touristic route in Astara region, and in villages.

- Also, it is necessary to implement complex and systematic activities, and to take into account that tourism sector strongly influences on the other spheres of economy.

4-11-3 Growth perspective of agro industrial sphere .

According to the table “Average productivity of economic segmentation in year” as provided by the Chapter Second, the district is regarded quite promising with regard to development of agro-industrial sphere. As such, in the year of 2005 the average productivity of economic segmentation was higher both in agriculture and industry. Hence, to improve economic growth potential of the region will be available in terms of development of the agrarian sector and/or establishment of agro industrial complex.

Table 3. Productivity level on the fields of economy for 2005

	2005
Agriculture	1.04
Industry	1.22
Service areas	0.83

Agro-industrial complex is a sum of fields of national agriculture in respect to agricultural growth, output of products and its delivery to a consumer. To provide the population with food products is the key objective.

Agro-industrial complex covers 3 directions.

1. The first direction procures the **agro-industrial complex** with manufacturing feasibilities.
2. The second direction is called **agro-industrial integration**. Considerable increase of productive capacity and labor productivity, as well as reduction of cost price will be available through agro-industrial integration. Agro-industrial integration will contribute to get organic

synthesis for reaching both development of social development sphere of the industry and agriculture, including socioeconomic growth.

3. **Agro-industrial formation** is derived from agro-industrial integration.

Fiscal (budget-tax) A) tax leverage and B) budget expenses, one of the key means of state regulation of the economy, will be applied with the aim of facilitating establishment process of agro-industrial complex.

A. Application of **Tax** leverage would serve development of entrepreneurship activity and establishment of efficient investment atmosphere by decreasing taxpayers' load herewith. For this purpose, the below listed application forms of discharge and concessions should be used by the government:

- To apply tax concessions on separate tax kinds (profits, income, sale or taxes deducted from turnover etc.);
- To apply differential degrees on single or separate tax kinds;
- To apply internationally proved special tax regimes;

These regimes are applied to taxpayers determined by special procedures of tax calculation and tax payment within certain period of time. The institutions of specialized tax regime have some forms:

- a) Facilitated tax for small entrepreneurship subjects
- b) Tax deduction system in free economic zones;
- c) Tax deduction system for Production Sharing Agreements and Commercial Contracts;
- d) Tax deduction system in private administrative territorial units.

- To expand turnover attached in facilitated tax (***over the very tax if optional tax form is applied to the region***) that applied as one of the forms of tax regimes, to precisely specify tax rate and ensure extra concessions for these taxpayers, to simplify service (activity) fields involved in the simplified tax, as well as to improve tax deduction base;

- To apply the experience of exemption from tax by considering economic potential of the territory and making it free economic zone;

- To apply the experience of defining fixed-date (five, ten or more term) tax concessions for producers of agricultural products with the aim of establishment and growth of agro-industrial complex.

B. Implementation of the below mentioned measures by the budget expenses is regarded expedient:

- To adopt special-purpose state program to be financed by the state budget with the aim of forming agro-industrial complex (***see appendix 1***);

- To establish “**Agroleasing**” Open Stock Joint Company which has been in the practice of Azerbaijan Republic in the expectation of providing producers with required agricultural techniques, growing products of high quality and bringing in a harvest without loss (*see appendix 2*);

- With the aim of reimbursing 50% average value of fuel and engine oil at the expense of state budget to be applied to output of agricultural products which has been met in the practice of Azerbaijan Republic, to assist the producers with funds amounting to “X” (irrespective of output sort to be produced) per hectare of sowing area and cultivation of perennial arable on account of funds to be allocated by the state budget;

- Granting large and small-capacitance credits for enterprises and organizations which will function on account of budget;

- To realize proper financing in accordance with related Article of the state budget on development of industry and agriculture.

Improvement of services in agrarian sector, including output of competitive agricultural products, stimulation of export activity, support to provision of processing and food industry with primary products and meeting demand of the population for food products with the local sources will be available upon the above listed measures are taken.

Furthermore, application of fiscal tools will arrange enhancement of interregional production in average time period, assurance of rapid and intensive progress, establishment of competitive economy, infrastructure, efficient investment atmosphere and increase of share of country’s internal resources in the investment to be made in economy, as well as extension of taxpayers’ circle according to international practice, prediction of costs with reference to on-purpose programs about agrarian (or agro-industrial) field which covers mid and long-term periods.

4-12 Expertise Planning, Cooperation and Production Arrangement

Expertise and cooperation among institutes and sectors causes the whole capacity of a certain kind of product increases. This is possible by focusing on production of similar products in institutes with special products and producing separate production line and distinguishing different stages of technologic process. We can estimate the amount of products resulting from expanding expertise by the following elements:

- Maximum of production in expert institutes and releasing from those products which are not similar to production profile.

- Stopping frequent production of a certain kind of product in several institutes which are non-expert.

- Organizing the focused production of unfinished products spare parts and goods which can be used publicly on the level of today technology.

4-13 **Cooperation rural industrial Planning**

Increasing expertise with cooperation in planning is inseparable. Cooperation of several institutes to produce a certain kind of product makes it possible to use the capacities of these institutes effectively.

Illogical links of production will be removed among the companies and section which produce similar products will be omitted and the most economic parts will replace them. In this case, there is the need to create direct and long term standing links this measure will be the cause of expanding independency of companies in planning and enforcing economic creativity of productive forces.

4-14 **Production Arrangement**

In planning, volume, variety of industrial products and the effect of the product arrangement on production increase and upgrading economic activities are considered completely. This is done by combining different production process in one production complex so that there is the possibility to development of frequent productions and using raw material and secondary products.

This arrangement causes using of the production capacity will be improved, technologic process will be combined together and the process of production will be shorter and raw material will be used.

Economically, different kinds of products will be produced and human resources will be used effectively so the productivity will increase and production process will be cheaper, output will be high, and saving will occur in transportation and finally the number of employees will be reduced.

4-15 (*8n)**Rural Industrial Development Strategies in Iran (51).**

Important objectives of first economic industrial development in the country (1980-1993)

In spite of planning rules of Islamic Republic of Iran, and public economic planning of the country, the discussion about planning was attributed to interference with God's will. But planning was necessary for society and for establishing constitutions we should take steps to plan and finally we have Imam Khomeini who says planning is of most important and without it we can't run the country.

So in 1981 a planning was designed and a planning system was created consisted of some subcategories like leadership, Islamic parliament and different councils using Iranian experts a public activity in parliament.

This was the first planning experience for them and so it had many difficulties. This problem on one side and Iraq war on the other side was an obstacle to accept the rules and making constitutions, so it was abandoned and after war, the first planning was accepted in the parliament.

4-16 The first rural planning experience of Iran was since 1989 to 1993. Summary of the objectives of this planning was as follow:

- a) Reconstruction and reinforcing capacities of national defense and reconstruction of production centers and ruined areas during the war.
- b) Economic growth with emphasis on the strategic products of agricultural activities and controlling the inflation.
- c) Providing minimum needs of public and efforts to create social Islamic justice.
- d) Determining and correcting consumption pattern.
- e) Organization correction and executive management and judicial power of the country.
- f) Space organization and geographical distribution of population and activities.

4-17 Important objectives of second rural industrial economic planning of the country (1993-1995):

Main qualitative objectives of second development planning are as follow:

- ✓ Efforts to create social justice, cultural growth
- ✓ Increasing productivity
- ✓ Raising needed human force
- ✓ Economic growth with consider to agriculture
- ✓ Developing non-oil export
- ✓ Environment preservation and effective use of natural resources of the country
- ✓ Reinforcing defense forces of the country
- ✓ Efforts to create rules and enforcing population participation
- ✓ Balancing economic, private and governmental sectors.

4-18 Third economic rural industrial development the country (1990-2004):

Third planning started at the beginning of 1990 and it was different from the last plans because in this period, quality was of most important and there is just two tables in the planning and another is the prediction of income resulted from oil sale. Third plan which has been known as the changing structure consists of three parts:

Part one: including 12 sections:

- i. Administrative and management correction
- ii. Organizing governmental companies

- iii. Shareholding and management of government companies
- iv. Formulating monopolies and making competitive economic activities
- v. Social security system
- vi. Employment policies
- vii. Tax and budget system
- viii. Income and cost of state system
- ix. Money and exchange policies
- x. Financial markets organization
- xi. Development of science and technology
- xii. Environmental policies

Second part includes water, agriculture, industry, mining and commercials, energy, post, telecommunications, transportation, rural and city development, housing, training culture, art, exercises, defensive and security affairs, public affairs, indicial affairs and hygiene. Third part is just for executing the rules in fact it focuses on three subjects such as administrative structure correction, reducing government dominance and making competitive economy and creating job.

In administrative structure correction what are considered are as follow:

Correction of executive structures except the ministries by merging and omitting the organizations and transferring them to out of center, revising the internal structure of ministries, organizations and governmental companies. And also to reinforce government, the government is obliged to gather energy, agriculture, life stock and rural development and industries and mine into three ministries to make competition, the following is predicted:

- Offering post services by non-governmental sector
- Employment in cooperative and private sector in transportation and railroad
- Canceling smoke monopoly
- Finishing refinery activities, distribution and transportation of oil products
- Canceling government monopolies

4-19 The following activities have been done with regard to employment:

- Transferring foreign people without labor license to their countries
- Reduction in insurance share of employer
- Sending labor force to foreign country
- Attention to small businesses

4-20 Comparing of operation of plans with accepted objectives:

First plan operation (1989-1993) except for water, electricity, gas and services have been less than accepted objectives.

Second plan operation (1993-1989) except for industries, mine and services have been less than accepted objectives.

4-21 Prospects of strategic planning in rural industries:

In strategic planning, it isn't expected future be better than the past, nor to transfer the historical experience to the future. So the first step is to analyze prospects which are before the institute to recognize tendencies, dangers, opportunities and events which have changed the history process.

Prospect analysis is a term used by Robert Stewart in 1960's, the member of research institute of Stanford which can fill the gap between traditional estimation of institute and possible operation of it caused by following traditional strategies.

Second step is competition analysis a concept which determines improvement of company operation and it is achieved by improvement of competition strategy in industrial section. This analysis makes it clear that if a company follows its ideal strategies in industrial section, it will access success and sometimes they will face a bad future. So the third step is that which is called complete strategic analysis by which facilities of institute in different industrial spaces will accommodate with each other, priorities will be determined and strategic resources will be allocated to them. In this case, competitive gap will be fulfilled.

In many cases, the curve of potential power isn't acceptable, because:

- Complete strategy may be vulnerable
- Curve of existing power may be involved imbalance between short term and long term talents
- Ambitions of management may be higher than real prospect

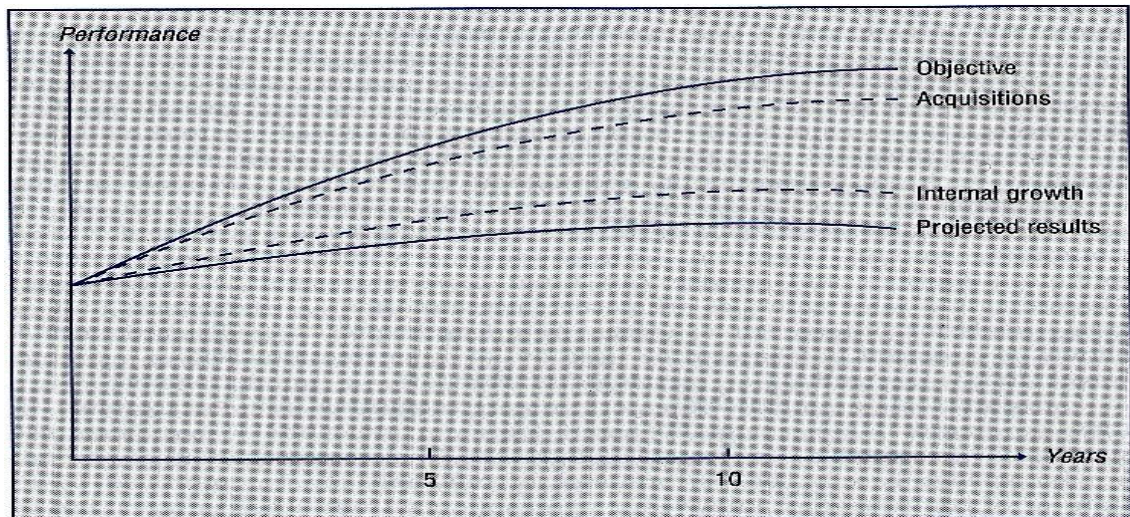
So the next step is variety analysis to study the deficiencies of institute and the possibility of development and variety of goods in new environment. When futuristic objectives and operations were added to power curve, the line of general objectives will be achieved. Basis of this conclusion is two things: ambitions and motivation.

First rank managers of company and strategic resources provided for such a development. In long term planning for main units of institute, objectives are determined into the operative plans and budgets and benefit – making and the same units are responsible for it. In strategic planning, strategic planning will replace traditional approach by balancing between existing facilities and company objectives. Next step is to create two series of objectives: one is short term operative

objectives and the other is strategic objectives operative budget planning directs operative units of company toward benefit making and operative strategic planning creates future benefit-making power. The second one can hardly operate because strategic planning needs its own executive management.

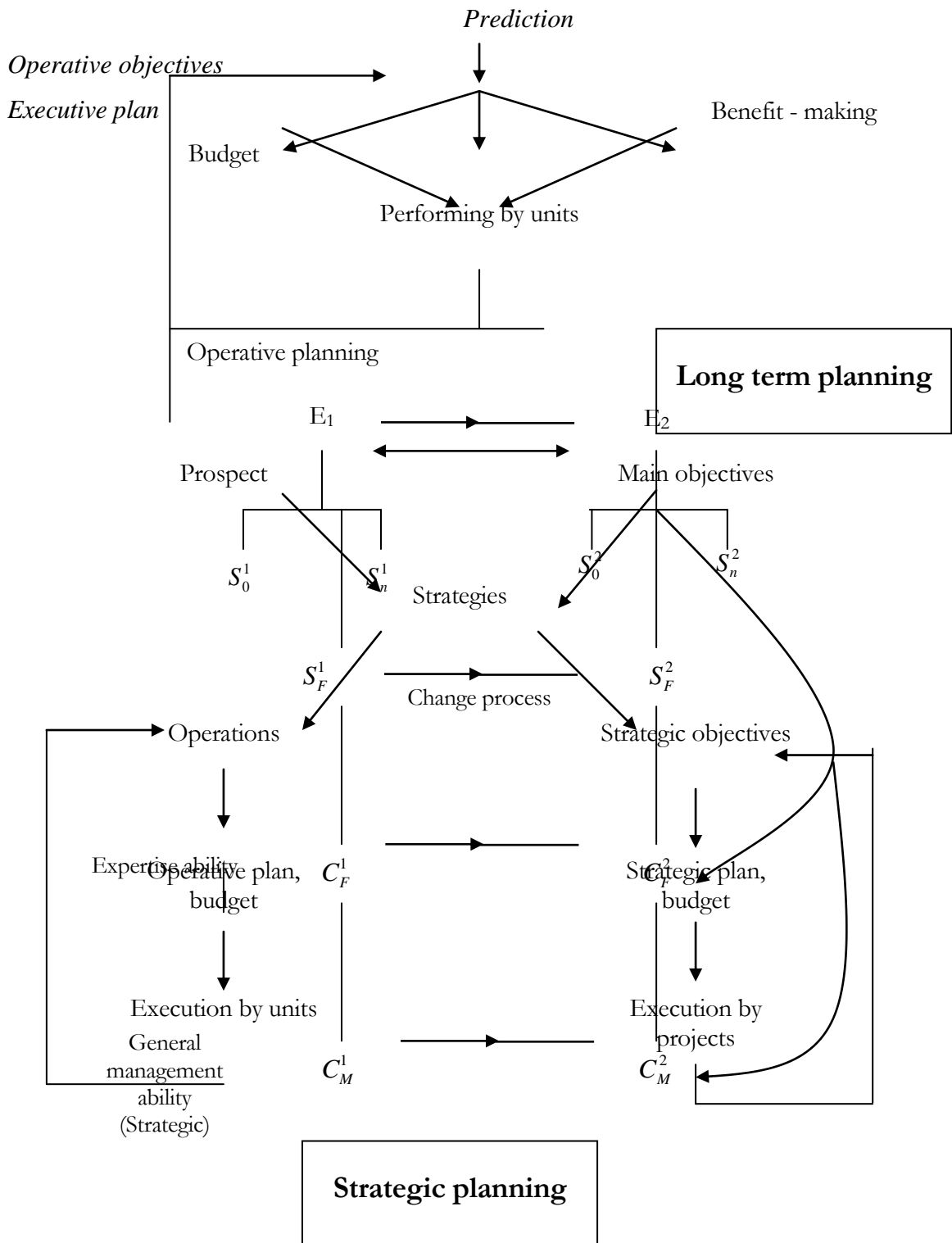
At the beginning of strategic planning, it was clear that the ability of institute to enter to new industrial environment depends on its power to have a successful operation in such environment. so one of the main standards of strategy selection for company was the last abilities of companies and its adaptability to competitive strategies in new environment. So the first step is to analyze weak points and strength of company. But it was cleared that emphasis on the last abilities of company will limit its activities in new environment. For example, Henry Ford, when transferring from mass production toward marketing, achieved his historical success.

The strategic planning gap



So Ford lost his superiority in auto industry. His method was mass production of one kind in a multi-product market and it turned to be as a weak point.

While emphasis on the last abilities was known as a dangerous element, the concept of strategic faced some changes as follow:



In above of chart on the E level, there are some successful strategies before us. It is cleared with S_0^1 and S_n^1 . A strategy (S_F^1) is selected which can be responsive to the company objectives, but external success of strategy depends on the internal success of company. In this chart, we see two kinds of supplementary abilities: one is expertise like research, development, marketing and production and second is management. So until we are at the E level, company can achieve success.

But when the level decreases and falls to the level S_0^2 to S_n^2 , not only the strategies changes to S_F^2 but also abilities of company should also reach to C_F^2 and C_M^2 .

So in strategic management, ability planning is added to strategic planning for two reasons:

- Strategy and ability are complementary
- Ability planning is known today but general management ability planning is new that we should pay attention to it.

General management ability is determined by five elements:

- ❖ Competencies and thought of key managers
- ❖ Social and cultural environment of company
- ❖ Power structure of company
- ❖ Systems and organization structure

❖ Capacity of general management of company

So the first difference between strategic planning and strategic management is the increase of ability of strategic planning. Expertise has shown that when there is a change in the ability of management, executive plans face with resistance. If we don't find ways to remove the resistance so the planning will be ineffective. Second difference is increase in systematic management resistance against executing the strategic plans and the ability plans (45p123).

Chapter 5. Research analyzing and finding

5-1 Hypothesis testing and result.

To test the hypothesis, the cases are studied to make links between variables of research and give enough reasons.

5-1-1 Technical research subjects:

Testing the technical research hypothesis should be regarded before getting logic.

One of the important elements which are helpful and effective technically and economically is to determine right capacity for factory. In small countries when determining right capacity for factory many problems occur that is if capacity of factory should provide the needs of a small market or it should be some how we can reduce the costs of productions using different resources and be ready for compete with other producers. In many countries these problems won't resolve easily, but most of the time the capacity of factory is average so that establishing factory would be economically effective. Even though sometimes the capacity of factory is more than the market sale or this capacity has been less when the price has reduced. When determining capacity as the average we should research carefully about technical facilities and costs and potential markets to make clear how much the price should be increased when the capacity of factory increases. Increasing the cost of production in factories shows capacities are less than maximum; it may be because of low output of small factories, but most of the time it is because of high costs of production.

When we study the suggested capacity of a factory, we should calculate estimated figures related to costs of production in case of changing the elements of different capacities for factories.

We can divide all the costs to three groups when calculating the capacity of factory and compare the figures:

- i. Costs which are constant rather than changing of capacity for factory.
- ii. Extra costs which are constant while using different percentages of factory using and the change is so little that occurs while running factory, accounting, selling with the charge of factory.
- iii. Costs of factory in cases like wasting which changes according to capital but in case of percentage usage of factory, there will occur some change.

5-1-2 Avoiding using old and out of date methods:

One important element of effectiveness of a design is proper technical methods. In most projects, modern technical approaches are used, but in any case, success occurs when these methods have been useful. Of course, many industries and companies have conceived the benefit from them. But an underdeveloped country can't be in forefront to use the new machines and determining their benefits, because using a new machine or method in industry is risky and most of

the time it is necessary to make some changes in it and this costs a much amount of money. Sometimes there aren't any positive results. Frequently, we have seen testing a new machine or method had been useful, but when we want to use it commercially, the result has been negative. So tests should be done by those who are experienced. Using new machines and methods in under developed countries always faces problems, which should be resolved. For example, it is said in one underdeveloped country for the first time a new factory was established to produce paper which wasn't successful. You can see the country which used the project failed but the country which sold the facilities of this factory was successful. Briefly we can say in underdeveloped countries we should use new machines which have been used in other countries at least one year. An also such underdeveloped countries shouldn't used to old machines. These machines should be defect less. Using old machines by underdeveloped countries causes many problems because they should be equal with the new machine with respect to production costs, otherwise won't be useful. Using the old methods is more costly and new machines are built so that the costs are reduced. Old machines can't compete with them so they will be abandoned. If the production costs are high, the product won't be able to compete with the products of other facilities.

One important point in industrial design is to determine when a method is called old fashion and when a method has passed testing stage and can be used. This is the task of experienced engineers in intended industries. And their decisions must be considered on time. An underdeveloped country can't use a new technical method before others no can to use new methods at the final stage. In first case, there is the possibility of less and in later case; it is the possibility that method be out of date soon. So in such cases, the underdeveloped country should wait the method be tested and give results.

5-1-3 Responsibility of technical analysis:

Most part of technical analysis should be done by the domestic experts, because we can get information about price of foreign and domestic products and how to find the products needed in different parts of the country. Even though this information is exact, but it should be done by an expert or experienced engineer. After comparing different places, one place which is better and has fewer costs is selected and the factory is built there. This expert or engineer doesn't need to be expert in intended industrial course, because all the details of design have been explained. What is done in this stage is to compare existing facilities with necessary tools which are determined by the engineer and also determining investment and costs in cases in which factory is built with regard to different capacities of the country. This stage of analysis contains a great deal of field operation and most of it should be done in a country in which the factory is built. The cost of it should exceed more than one to two percent of the whole expenses of the design, and the costs should be paid by the currency of the country. The result of analysis should be formulated as the report of

technical usefulness of design. In this report, different places are determined for the factory building. Access to materials and cost of production, with regard to the capacity of different factories should be calculated. To select these who should do the analysis, they should be informed that their analysis should be neutral. If this isn't enough, we can use more technical studies about facilities used in an intended place.

5-1-4 **How is the explanation of industrial development commercially?**

After analyzing usefulness of a technical design, we can study it. While commercially studying a technical design, we should analyze the market in which the products will be sold. It is clear that to be successful, we should have a market to sell the products. There are many cases in which a product is produced but there is not enough demand in the market.

Of course, in some cases market isn't important because all the products are sold. That is another factory which purchase products of such factories and these factories are need mediums. Most factories in underdeveloped countries are of this kind. For example, a factory produces bay for rice or a factory produces paper for a printing company. Market for these kinds of factories is easily founded so that the purchaser factory should do it somehow the cost of its production won't increase and at the same time the producing factory can get benefit. When the market is supported by the government, the distribution company should be sure that it can provide the costs. Most projects face with the problem of finding market. After resolving important technical problems and improving quality and quantity of products the next issue is to sell the products. That is a great number of products have been produced and without market they won't return the investment so there is the need to more investment. In such cases the factory needs an active organization to sell the products. Sometimes there is no market for a kind of product. For example, in one country, there is demand for shoe but with a special design and the producer should limit the production to sell the products and if so there would be no demand and the factory failed. So market analysis is important and we should answer to some questions: what size is the market? To what extend can the market extend? How much demand can be satisfied by the products of factory?

In the case of first question, we must consider to the imports. So we can get the correct figure of production. If the figure of important is so big and various, we may make mistake about demand. If there is any export we should subtract it from import. We should notice these figures should be with respect to productions which are our target.

These figures must be gathered annually during the cast ten years. If the product is new, we should study the product in other countries especially those countries which are more advanced. If the similar products compete with intended product we should study the demand of the market for similar products to see how is demand in other countries.

Import statistics in many countries are defective. Therefore, if the import is limited by controlling exchange rate, we can't compare the market with statistics and the figure achieved is always less than real figure of import in open situation. In such cases, we should consider a figure for import so that we can guess the real figure, if there wasn't any limitation for import. This figure is representing demand. We should consider hoarding also.

Increasing the price shows that offer is less than demand and this can be a measure to determine real demand.

In respect to plans which are medium that is used for factories, demand of the market should be studied for present and future situation. For example if a factory produces line for clothe making and sell it to a weaving factory. This depends on the demand for using clothe in the country.

When analyzing the market we should be sure that real market is studied. Products like fertilizers can have markets in the country and also out of it. Demand changes by the time, because production methods change, so the cost of production and as result price decreases or there occur changes in transportation that reduces the cost of transportation. So for such a plan, the extent of market is different from demand of other competitors. There should be comparisons and calculations for the market for competitors who produce the same product. After analyzing the market and determining the size of market, there should be some studies about future of market and amount of demand. It may be possible that the market changes during our analysis. So the estimated figures should be determined separately for 10 to 15 years. These figures should represent estimated figures of domestic markets.

Estimated figures should be studied carefully and be close to real figures, because it is a way of measuring growth of market. Analysis of domestic market and its growth should be alone exactly. We can compare the markets of similar markets of other countries. Size of market and demand can be related to the rate of population growth or personal income or production methods. For example increase of demand for fertilizers depends on the irrigation plans and agriculture of country. It is possible to determine that in the future with the decrease costs of productions we can increase demand. It is acceptable a condition that the price will be decreased. If the price is decreased, amount of sale will increase.

For predicting market, we should consider the increase of demand carefully while the price is decreased. If one product is used for another one, we should notice what is its impact on the size of demand? Also we can increase the size of demand with introducing and presenting new use of product. To what extent can the product have demand in the market? To answer this question, we should study other producers at present or future which produces the same product. At first we should provide a list of competitors and capacity of factory, size of production, background of factory, method of production, kinds of tools and facilities, usefulness of factory, plans to develop

factory, administration, sale, brand marks, financial power and any other elements which are important in their power and then we should study these information. If rival factories are in another areas we should provide a map to determine their location and places in which delivering the products have the same cost and make clear where their power of competition is less. It is clear the more the distance between factory and market, the more the costs. In a developing country domestic market is good when products are imported to compete with main products. After that economic situation of the country depends on the competition of costs another ideal situation is when the demand for a kind of product increases rapidly, so that domestic factories can't provide this fast trend. And also when demand and after are equal is ideal situation. Most part of demand can be provided by running new factories which have costs less and their products are better.

A new plan which is unknown for market, may not find a market. It is possible that the new product is better than the old one, but the customer should know it. It is necessary for the customer to know it. We try to explain that creating a market for new products is difficult and needs many costs and time. Since it is risky with regard to investment, so there should be considered calculations. Because it is possible with spending a lot of money and time, the plan fails. If the new product has been successful in similar markets of underdeveloped countries then risk the investment will be logical. So the investors in underdeveloped countries should wait to make clear the results of the operation of a new plan.

Factories with products which are sold in a temporary market in which prices are a little higher than normal will face risky economic situation, so they should avoid it. Factories which try to find market in war time are not successful. And also factories which sell their products just when the similar products are rare in the market aren't successful. Such kinds of factories are successful for a short time but they will have a bad situation in the future. If the products of a factory are presented in a market suffered from depression, it will not be successful. It is better for a factory to have a better future rather than it is successful at first but later it becomes a failure. There is another condition in which there may be a good market for a product at first because of customer desire but it is possible after a while the market will become depressed (47p354).

5-2 Foreign market situation:

It is rarely occur that the value and importance of domestic and foreign market is equal products of a factory is usually attracted to domestic or foreign market. Domestic and foreign markets are different from one another and should be studied separately. In respect to foreign countries detailed information should be gathered including establishing factories in different parts of the world and providing markets. An underdeveloped can't compete with developed countries successfully with the exception that costs of a kind of product is very low with regard to raw

natural material, fuel and power. In some cases, there is exception in which raw materials are imported from other countries and the cost is low, another exception is that in an underdeveloped country there would be a great deal of facilities are used to enter products to market.

We can study foreign markets like we did about domestic markets. This may include many difficulties but we shouldn't stop gathering information and we shouldn't be sure that market will be certainly at hand. To study a factory and its ability to sell its products in the market, we should consider if the factor was established in foreign country which factors were effective on it. And we should also consider to transportation costs and exchange rates control and other limitations. In addition in a foreign market there is always intense competition from other producers but into the country with the support of government of industries, this competition will be removed. This doesn't mean that foreign countries don't have commercial values, but many of the industries of underdeveloped countries at first were in the form of export. Anyway success of these industries depends on the facilities which can be measured with respect to their value.

5-3 Costs of production and comparing between them:

There is a hypothesis in economic who say: "to increase national income in each country, it is necessary to focus on economic activities in industries which have maximum natural facilities. If there is no such possibility to use natural resources, so the economic activities should focus on industries with fewer obstacles."

This hypothesis has a simple meaning that is in many countries economic activities have facilities comparing them we can find that some of them are equal and some have partial differences. This hypothesis not only applies to industry but also it is true about the economy of a country. In many underdeveloped countries, the greatest economic opportunity is to produce agricultural, mineral or forest products. Because these countries are rich in natural resources and can produce their products with few costs.

So their power for competition is more and also it may be possible that the salary of worker would be low. We can say their success is due to their geographical situation and natural resources. Since each country has its own conditions, so the costs should be calculated separately. One of the important elements of industrial plans is the cost of product unit. If this cost is low, we can hope that the product will be sold in a domestic or foreign market. We shouldn't fear of other competitors. Such a plan doesn't need to governmental support and can keep itself secure. But a project with high cost is risky and every time is the danger of failure. Such a plan needs to government support.

In an underdeveloped and in any country, we should consider to this fact that if this product is useful inside the country or it is better to import it. In case of small countries, with small markets

it is better to import, because producing these products in the country is costly. Domestic production can have two features: firstly, it is possible that the cost of production in the country would be more than producing outside the country. Secondly, production in the country is less costly than outside the country. To determine which product to be produced outside the country and which one into the country, we should consider that many factors and the most important factor is comparing the costs of productions.

When economic evaluation of a project is done, we should consider to the facilities and obstacles of production into the country and outside of it and compare it to the facilities and obstacles of other countries. It is possible that we can't provide information about costs of production in rival factories. But we can resolve this problem that is we can divide production costs into several important items and each item includes main part of the cost. These items are raw material, facilities, fuel, electricity, spare parts for repairing, worker, administration of the country, benefits and taxes and wastes.

If we assume that other factories use new technical methods and facilities at present or for future, the cost of their operation depends on the value of unit of raw material, fuel, electricity, and worker salary, interest rates of loans, taxes, and costs of delivering and whole capital of factory. The value of each of these units can be estimated about rival factories for this we should prepare a list, a column for costs and a column for annual costs and then the suggested cost and costs of foreign factories which may be the rival.

Another useful method to measure costs is to compare cost of production unit including extra costs to cost of product in addition to insurance and transportation fare. The benefit of this approach is that the costs of transportation are included domestic factory lacks this cost, so the product is cheaper for customer. This method is used for products when imported or produced into the country. This comparison is correct when this rate represent real value of currency of the country. If the currency rate is less than the rate determined by the government, there should be some changes to achieve a correct rate. When calculation we shouldn't the cost of production unit as an absolute figure, but it should be considered as a range of figures, because it is clear that production cost in relation to size of factory and its development. Estimated figures of the market show us the amount of products which can be sold with different prices and according to which we can calculate the costs of production unit.

5-4 Market competition problems:

If there is apparently a market for the product and the production cost is low, we should evaluate future risks of competition. This risk may be from a domestic factory which produces the same product with less cost or foreign markets dominate by presenting their products. Starting

production just with a low cost isn't enough and we can't be sure about future benefits. For a factory to keep its benefits in the future, it should advance with technical methods. It is possible that the project develop because of natural facilities in relation to similar factories. Anyway the factory shouldn't face obstacles in respect of natural situation. Also it should have rich training courses and progress along with other rivals. The factory should be large enough so that the rival factories can't compete about the largeness and price of product. Enough financial support is also necessary for the factory.

If the capacity of factory increases excessively whether inside or outside the country, then the factory will face an intense competition, it isn't necessary this competition be based on the comparing the prices. It is possible for a factory with similar products to find it useful to present its product in the market with less than the price for the foreign market. It may occur in the country also, that is a product sold with different brand into the country. This kind of offering product for foreign market is harmful for domestic industry. Because it is short time and the product is presented to the marked occasionally. If the time of offering the product is long term, it is also harmful for the factory producing the same product. So a new factory should be supported by the government against these foreign products which are presented occasionally.

5-5 Rural Industrial development explanation economically Astara:

To determine the usefulness of an economic plan we shouldn't be extremist. Usefulness of a plan means measuring its effectiveness and the objective of this study is to create condition for a plan to be effective. Effectiveness shows us how people use the product and what the factory will do in competition with other factory.

Loans for running factory are paid by the revenue of the factory. These are true for governmental and national plans. Studying the financial situation of a plan means to determine if the factory with present situation can compete with other competitors or it can do it by changing the plan.

5-6 Overview estimated figures of capital:

There are few plans which can perform with the same cost equal to estimated figures. So that can be developed. The reason in recent years has been increasing prices but the main reason is lack of correct estimation about real costs.

Even though we can't estimate costs exactly but there are ways which we can estimate nearly correct. One way is to revise the estimated figures and research about their correctness. If the figures are estimated more than real there will be a risk for plan and it has many reasons. One is that it is possible the costs are so high that the plan remains unfinished or even if it is finished,

there would be no investment for factory because all the capital has been spent. And also it causes the production cost will be too much more than estimated figures. Sometimes it is so high that makes the factory broke or lessons the profit.

Exact evaluation is when we know the whole costs of plan are how much. The more underdeveloped country, the less is the estimated figures in relation to real figures.

The reason isn't the distance between these countries and the countries of producing machines. Because the cost of transportation is so much clear that there isn't possible that is forgotten.

The reason is that all the operation of installing factory, providing the place and water, transportation of materials, installing machines, constructing and training workers in non-industrial countries and these operations needs much more time and money. Most the estimation about plans is made by the industrial countries. At far as these countries don't know the problems of underdeveloped countries, they will make estimations with regard those countries which familiar for them.

So their estimation should be revised. Estimation of domestic engineers should also be revised because they aren't familiar with industrial countries.

Estimated figures of investment should be divided on the basis of table 4. Even though it is not necessary, but this kind of division is in order and studying them is easy. In addition such figures can be a basis for comparison later on. The costs should be mentioned according to the currency of the country and also exchange rate to make easy to determine the profits. Figures related to foreign exchange should be changed in to country currency in to the notes (34p65).

**Table 4. Estimated figures of investment of the plan of Iran`s
Astara (sum to thousand dollars)**

Cost	Foreign exchange	Country currency (Equal to Dollars)	Total sum
Costs before establishing the plan for the land	500	500	1000
Costs before establishing the plan for changes	100	100	200
Constructions	2000	1000	3000
Facilities	500	500	1000
Machines	1000	1000	2000
Spare parts	500	500	1000
Custom and taxes	200	200	400
Salary of counselors	10	10	20
Different costs	2000	2000	4000
Primary costs	100	100	200
Unpredicted costs	200	200	400
Interest of loan during construction	200	200	400
Total cost	7310	7310	14620

Total cost should be both on the basis of currency of the country and foreign exchange the first item includes all the costs before establishing the factory like costs of researches, delegations, market, technical and economical situation and studies for the effectiveness of the plan, engineering hypothesis, primary plans, financial costs and ...

Second item should include cost of land, legal costs and taxes, costs of factory license, making roads. It should be cleared what kinds of costs have been paid.

Costs of construction should include costs of foundations, establishment, wells, strategies, main water sources, roads and walk roads, posts and ...

The greatest cost is cost of buying machines. Estimated figures of purchasing machines are determined on the basis of factors given by the factories. Considering to the following list will show hidden costs:

If these items include taxes, these figures should be mentioned separately and added to the estimated figures. Insurance costs, custom, transportation of machines to factory and storage should be added. Even though spare parts are mentioned along with the list of machines, but they are mentioned separately. The aim of mentioning spare parts is to address to their importance to establish the factory in an underdeveloped country. One of the risks of a new factory is lack of spare parts and inexperienced workers and supervisors, weather and similar factors which cause to break parts of machines. Delay in delivering spare parts will cause damages, so one of the important points to establish a factory is access to spare parts. The need to spare parts depends to the kind of factory. All the custom and taxes received by the government from the factory should be written in a separate place. The figure of wasting material should be added to the total costs, We should know the custom rate and tax for each item. Even though these are representing costs for owner of private industries, but economically these aren't costs. So to evaluate the effectiveness of a project for the economy of a country we should consider to other factors.

Estimation of costs of counselor services in underdeveloped country should. Because of technical support from experts, supervision, technical operation, staff training and running the factor is supported by this item. If it isn't mentioned separately, it is possible that their costs be considered and deficiency in budget may cause the owners to decide without such services.

After building the factory and at the same time, there will occur problems which are at the end of the table, but they are known as the primary costs. In this case, we should consider that related figures written in the list of predicted list. These costs after several years will be wasted, but at first they should be a part of factory investment. These costs can be costs of establishing factory, increasing the capital of factory, giving credit to factory, providing the market, accounting unit of the factory and similar items. Most of the time, these costs aren't calculated or they are estimated

less than the real cost. But we should consider that these are among the necessary costs of the factory and the success of plan depends on them especially in an underdeveloped country.

One of the costs is training costs. This is in addition to employment and selecting qualified persons, travel costs, salaries and cost of living. Except for the trained staff, there are occasions in which there is the need to train the staff. If those aren't trained well, so the new machines can't be developed. No plan is enough until there would be enough training.

None of the costs have been equal to the estimated figures, because most of the time there are items which are added to the figures. In addition there might be occasion in which the plan is changed. So we should consider some amount for unpredicted costs, to compensate the mistakes in estimation. Unexpected costs are depended on the time which takes to construct building, next results of increasing the price of product and careful estimation. In general, the predicted costs of a plan are considered 10% of all the costs of the plan. This may be various in other occasions and it may reach to 5%, but usually 10% to 20% of the total costs are estimated.

Estimation near to real cost for unpredicted costs is very important. In emergency situations which may occur for factories, this money can help the plan to avoid failure.

Another important cost is the interest of loans before running the factory. This cost should be included in the capital costs of factory because during the construction of the factory. There is no revenue to compensation the costs.

5-7 Measuring needed circulating investment of the country

Main investment of factory is one part of total costs and investment in circulation is a big figure of costs. What does it mean? Circulating investment is an amount of capital which is needed when developing the factory. This investment is needed for buying raw material and providing salaries of workers and other costs. This investment is charged to products and when the product is sold, the capital is changed into money again.

Factories usually get part of this circulating investment from bank loans. This loan is one year or less. This loan is necessary to buy raw material. In accounting, existing investment of factory, received funds, check list of tools and other costs are called current investment of the factory, if it changes into money during one year.

Debt for circulating investment and short time loans received from banks and using short time banking credits are called current debt, if they deposited during one year. The difference between current investment and current debt is called circulating investment.

It is rarely seen that a company pays all its current costs from getting loan or credits. Banks try to avoid the risks of reducing prices, and so they never give loans equal to the price of a factory. Those who give short term loans will avoid giving loan if the existing investment and debt of the

company are equal, so every company should provide some of its costs from resources which belong to the company. This amount is different in different countries and it depends on the usual dealing methods. The usual methods in dealing depend on the existing long term investment.

Second measure to estimate the total cost of a company is to determine the total current investment.

If the total cost of a plan is less than the estimated figure, there will be financial problems, so is when a current investment of a company is less than the real cost and there will be the same problems. So what should we do? At first, we should determine current investment and then decide how much of it belongs to the debts of company to provide financial supports. This figure depends on the amount of production, estimated cost of production and the time needed for raw material change to products of the factory and after selling them their prices will return to the factory.

5-7-1 Estimation revenue of purchase

After determining the total cost we can consider to determine the future of a plan and its usefulness. Revenues of plan depend on the difference between the revenue figures and costs. Income of the plan also depends on the amount of sales and the price of products.

Before the calculation of the money, it is necessary to consider to annual production and the production during several days. Here we should consider some factors which are effective on the amount of the productions. Factors such as capacity of the factory, quality of the production, capacity of market competition and finally the price determined for the products.

The amount of production depends on the apparent capacity of the factory, but in many cases, the maximum capacity of production is just a little more than the average amount determined by the producer. The average capacity of the factory is not always the standard. For example, for some factories working hour is 8 hours while we can have three services of 8 hours of working. In this case, we should multiply the capacity of the factory in three. In the figures, representing the capacity of the factory, we can present the days of vacation or need to repair the parts of factory or other factors. Frequently, it has been seen to solve the problems and improving the level of production we need to five years or more. If the factory has been built newly the employees are not experienced so there will be many technical difficulties.

In a new factory of an underdeveloped country if the production of the first year reaches to 50%, it is excellent. If the production is estimated more than this, it will be exaggeration. It is in exceptional situations in which such a production is possible. Another factors which are important are like market, difficulties selling products because of low quality of products, not enough advertising, lack of an effective organization to sell the products.

Mostly it takes several years which a product can attract the customers. Solving technical problems of a factory and training the staff take a long time. These difficulties will occur for a new factory.

We should mention these difficulties to determine the low amount of production in a new factory in the first years of producing has a low level of sale, but it is also possible. This amount will be less than the minimum amount determined for the factory. When determining the annual revenue of the factory, we should consider that how many productions will be sold and all the problems should be determined. Without determining the price of product, we can't determine the amount of productions sold. Because it depends on the increase and decrease of demand in the market and so the price of products will change in the market. It is called demand sensitivity. When the amount of product is increased in the market, its price will be decreased. The more changing this situation is the more sensitive the market will be. To review and estimation the amount of the revenue of a factory, the price should be less than the current price. If we are sure that the factory can sell the product with the current price, there is no need to decrease the price. But for competition products, we should determine a price which helps to sell the product in a competitive market. The price of a product depends on the market because of its sensitivity and final price. The objective is to achieve the benefits of the factory.

With regard to different factors effective on the increasing of productions or limiting the price of products, it is necessary to determine the amount of production and fair prices in the market. It should be done for normal year also. It is better the prices to be calculated on the basis of country currency.

5-7-2 Cost estimation of the factory operation:

Annual cost of a factory should be estimated like the annual revenue and also the estimated figures should be according to the costs. Most of the time, the estimation is less than real costs. And the investor and founder of the factory see the costs less than what they really are. But later on it will be clear that there isn't so. Such calculations in underdeveloped countries often are wrong. The reason is that the experience of foreign counselors about the costs of industrial countries isn't the same as what is in underdeveloped countries. They aren't familiar with the financial difficulties of the underdeveloped countries. To estimate the costs, we should consider each Cost with regard to the result achieved in the action separately and the estimated fissures should be on the basis of annual sale which have been determined already.

The most important costs of most factories are the cost of raw material, Estimator of needed raw material to produce a determined amount of products, isn't difficult, be cause for each operation of production there is an output Estimation of the price of raw material is difficult

because the current price isn't enough, but we should determine the cost of raw material with regard to annual production and changes of the price.

Determining the cost of operation of factory is very difficult. Because we can not estimate the number of workers to run a factory in Europe or America this is the same as a factory in other countries. In developing countries there are few experts, and so a factory needs more professional workers.

Some times the number of workers in a factory of a developing country is twice or more than that in comparison of a developed country sometimes, since the workers are not used to industrial life, they don't have enough speed. So there is a need to more workers.

After determining the number of workers, determining their salary during the year and rewards and costs of illnesses and social insurances and taxes are difficult.

It is better to determine these costs a little more that amounts. Because after determining the costs, the salaries and rewards and other costs will increase. To determine the salary of workers we should multiply the number of needed workers to related salary. One of the costs which are estimated less than real one is the salary of workers whose job is repair and keeping the tools and machines. In developed countries, high costs are estimated for such case to avoid damage of machines.

In under developed countries, repair and keeping the tools and machines are more important and their costs are higher, because provides spare parts needs more time and cost and non-professional workers damage the tools.

But we can't provide repairing and keeping machines constantly. With regard to the million dollars costs of building a factory, parts and machines should be kept carefully. They cost should be minimum cost. We should consider that if a great amount of money is spent for spare parts this amount shouldn't be considered the main cost. Cost of management and control of factory should be estimated separately. Salary of employee including managers and supervisors should be in the list except for daily payment workers. If the workers are not professional, more technical workers should be employed. Costs of management and supervising should be determined on the basis of a chart which shows production and method of controlling. In an organization chart the numbers of superiors in each level of employees are determined. Knowledge of the number of employees and their determined salaries can help to observers to determine the early years of production, there is the need to some foreign supervisors and their salary should be predicted in the related budget.

Another cost is the cost of electricity by determining the amount consumed by the machines and working hours of factory these costs can be calculated other costs which should be considered are costs of tools oils, partial parts. One point which should be mentioned is wasting which is a real

cost. One problem is estimation of exact duration period of machines. In this regard two cases should be considered including machines becoming old and another is wasting them.

If a machine is able to work fifty years, that doesn't mean we can use it fifty years. Because it is possible that this machine will be out of date after 15 years, so it can't compete with other factories.

All the costs should be calculated annually these are real costs and they shouldn't be considered less than real amount when estimating the costs of factory operation.

One important point is allocating financial resource for it. In early stages of beginning a project in which we should consider technical and economic aspects, we must act carefully, but in this stage the final situation of project financially and loans are not considered seriously. After affirming the correctness of a project, it should be evaluated and provided with facilities. We should consider the interests of loans and determine how much loan is needed a new factory in an under developed country in the early years of establishing Needs some foreign managers and counselors whose salary is usually high. And they should be employed individually or in group.

This cost should also be mentioned. The list of administration cost estimations should be according to the list of suggested employees and we should be sure that the estimation of annual salaries is real. And necessary costs are regarded. Administrative and selling product costs should be determined so that there will be enough budgets for them, and an equipped organization should be arranged to create a market. Mostly these costs are estimated less than real costs. The last case that should be estimated is tax. Usually this is a simple task, because with regard to the determined standards and predicting benefit, we can calculate the tax. If we consider to all of these points there will be no risk and loss.

Mostly the estimated costs are not real and there are some differences that are the estimated figure is less than real figure. The reason is that there is always some difficulties in action or sometimes the necessary items are not considered and the prices have increased. In this case to predict the unpredicted costs it is better to estimate a proper figure on the average the 10% cost of all costs is a proper figure and if we'd like to use a lesser figure or more of it, we should have reasonable reason.

5-8 Incomes estimation method.

One operation to estimate the income figures is to calculate possible incomes of sale and costs of operation. These calculations show if the business plan is useful or not these figures shows how much of loans can be used , how much we can extend the development project and what amount of interests can be paid to the stock holder. This estimation is important for the loan giver, because it shows the project can provide the budget or not. And if the investment is private, the

tendency of investors depends to this estimation. This is important for the government too. Because of usefulness of business of private investors, the government can use the benefit of private investment and their income will increase indirectly. After estimation of the income of a project with regard to the volume of sale of product in different years and complete costs of operations, we should compare these two figures. To get the net interest of project annually this net interest is called proportion of returned investment

. **5-8-1** Estimated figures of income in an industrial project in Astara:

In the table 5, the amount of sale has been estimated 50% in the first year, 75% in the second year and 90% in the third year.

Table 5. Sum to thousand dollars

Incomes	First year	Second year	Third year
Rough sale	10200	12400	13600
is subtracted because of reduction	500	1200	1400
Net sale	9700	11200	12200
Cost of worker	4000	4500	5000
Management & Supervising	800	900	1000
Raw material	40000	45000	50000
Tools	2000	3000	4000
Electricity & fuel	3000	4000	5000
Repair & Keeping	1000	1500	2000
Rent	500	700	1000
Insurance	100	200	300
Agency	400	500	600
Advertisement & sale	1000	1500	2000
Taxes	800	1000	1200
Other costs	300	500	700
Wasting	300	500	700
Interest of loan	400	500	600
Total costs	54600	64300	74100
Net interest	44900	53100	61900

The proportion of returned investment in industrial projects which are new established is different and depends on the time and location but also there are other factors including economic situation of the country, existing opportunities are also important in the interest rate of proportion of returned investment Because of possible risks in industrial projects, the investor expects that the amount of returned investment in an un industrial project is more than other projects. It is clear that the possibility of risk of investment in an unindustrialized project is less than an industrial one. Investor usually expects the return of investment is more than the early investment. Considering to the potential risks and the fact that most of the benefit should be used again for investment, we can say an industrial plan can attract investment, which has 20 to 30% return of the investment.(50)

5-8-2 Forecasting the income situation of plan when recording:

Estimated figures explained before should be on the basis of estimations which are according to the reality.

When estimating, it is supposed that every thing is ideal. And the desired benefit can be achieved. But it isn't in reality. And the founder shouldn't be so optimistic and to provide supports for potential risks, so that there is always a place to think about exceptions and possible losses. The designer of a plan should know how to decide. If products of a factory are less than what expected, the factory is in the crisis. That is the factory can produce products less than its ability. But it can pay constant costs and benefit of loans. To calculate such capacity, annual costs and constant costs should be estimated then to calculate the costs needed to produce each product. Then we should subtract variable costs of production of each unit from the possible price of sale to determine how much is needed to provide constant costs. Constant annual cost is divided on this figure to determine the number of products which should be produced and by doing this, the constant cost of product is determined. A factory in crisis can continue to work and pay the constant costs, but there is no benefit. This benefit is different for different factories, but it shouldn't exceed more than 70%. To determine constant cost, we should divide constant annual cost on the units of production. Then to get total cost of each unit, the cost of production of each unit is added to added cost of unit then by subtracting this figure that is total cost from price of the product, it will be cleared how much we can decrease the price of product. The allowed amount of price reduction can be determined by this figure.

5-8-3 Estimation of cash needed:

When a factory works with usual capacity getting information about costs and income aren't enough. Between the periods of building a factory until developing that, there is the time of crisis.

So we should know the amount of current costs and available cash to be sure in the time of crisis can support the factory. In the beginning of the operation, we need to cash to support factory operations.

Cash needed for the factory should be calculated separately each year and month. While building a factory, resources of income are selling stocks and receiving loans.

After developing the factory, there should some estimation for paying installments. Cash needed for the factory can be received by getting short – term loans, and credits.

Although we can determine the list of costs and benefits and so determine the exact figure of benefit or loss, but there is a simpler way as follows. To measure the effectiveness of a plan with high level of national economy, we should create some changes in the estimated figures related to effectiveness of a business plan.

When using this method we may consider different factors of costs and income ineffective.

5-8-4 Using effective business estimated figures as the basics:

The first step to measure the effectiveness of a plan nationally and economically is to calculate the related estimated figures of effective business. It is clear that these figures should be exact. If there is a mistake, it will appear in the estimated figures of effective business. To achieve the goal we should create some changes as follow:

- Changes related to the estimated items of operation cost
- Changes related to estimated income
- Changes related to estimated items of pure income which the indicator of measurable benefits and is related to country economy.

1-Charger related to the estimated items of operation cost:

when the real cost of a plan is less than its business costs, we should decrease those costs this makes the plan more beneficial for the economy for example if it is needed to provide the raw material from a foreign country custom charges are a kind of cost but it is not a cost for the country, so we should delete custom charges from the list of costs. And also taxes are not cost for the country economy. Resources which haven't used or they are used partially, if they are used for a new plan, we should pay for them with current rate. Using the resources depend on the kind of resource and the fact that which one can be replaced with the other. For example there may be such question: Is the intended resource, workforce or electricity which is invested previously? Or the resource is natural like land, forest and minerals. Anyway the cost should be calculated. For example the electricity is produced more than we need by the power plant, the cost of electricity is real cost to produce such a force or the cost of any other resource which can be replaced. When the real cost is more than main cost of the plan, we can act in the opposite direction, that is we should increase the items. The result is more beneficial for the owner rather than the government.

The reasons of such moderation are government and determining rate of exchange less than its real value. Government aid can be in different ways. But result of all of them is that some part of government aid is free or less than real cost. In this case we should add a sum as the aid for the plan. If the determined price is close to its real value, the result is that there is a correct relation between foreign currency and domestic one. But if the exchange rate remains for a longtime the same, it is necessary that estimated figures be determined according to the real value of exchange rate. For example if the exchange rate is twice the determined rate of exchange by the government, all the costs of the plan should increase the same way to determining the costs of plan for the country economy.

5-8-5 Charges related to estimated income:

There should be charges for estimated figures of income. Incomes are achieved by selling the products but if the product is exported, so the income will be as the exchange rate,. If the value of

exchange rate of plan is less than in the price of exchange rate, to determine the real value of plan for the economy of the country.

This is the case for a new factory which starts to produce a product which had been imported to the country. If this product is sold with a higher price by the government aid, so we should consider the estimated figures without custom charges, to determine if the same product is provided by a foreign country, how much will be the price.

5-8-6 Other modifications:

When analyzing economic situation of a plan sometimes it is necessary modifications which are separated from business factors. Such modifications are necessary when the plan owns substantial economic benefits or it has some negative effects in the economy of the country.

For example in Italy a plan was performed to establish a place for repairing ships. Foreign ship which passed this place, were repaired and serviced here. The value of this plan was that by repairing these ships, some exchange rate was achieved and added to the domestic exchange. Because most of the income was in the form of exchange rate, so it was necessary to calculate the value of activities related to the plan in addition to the difference of the sum which is the domestic income the opposite of this case is rarely occurred an example case is when machines and facilities are overused and shouldn't be used, because they can't compete with the new technology, in this case we should consider the benefit gained by the new machines and also the loss of not using the old machines.

After evaluating the economic value of a plan, we should subtract the income of old machines from total income to determine the value of new machine for the economy of the country.

5-8-7 Business is economic effectiveness. Changes of business effectiveness have been made and the results are as follow:

- a- Income of exchange rate has increased 40%
- b- Cost of worker has been reduced 25% to determine the real estimated cost.
- c- Taxes have been reduced because taxes aren't cost indeed.

This example shows how we can make charges in estimated fissures to make clear the real cost this plan is more important for the economy of the country than for the owner of the plan because the rate of government is less than the real value (50).

5-8-8 Using the estimated items related to economic effectiveness. Investors and loaners usually plan on the basis of the recanted to economic effectiveness. These method presents measure for the government that means, by these plans government makes clear how much these plans are important and effective for the economy of the country. If the effectiveness is low, so the government should do some measures to attract the investors. And if it is a negative plan, the

government should act somehow that avoids the investors to invest in such fields. While the estimation is done we should consider the following points:

Since the effectiveness of economy is determined by the business effectiveness so there is always the possibility of mistakes.

There are some kinds of benefits that can't be accounted but at the same time in order to the plan be effective, such method can't be measured these benefits may have external effects that is, it can produce suitable condition of side actions or it may have educational effects. It means that people learn some skills and then they are employed for professional jobs.

After exact evaluation of the plan and making clear its effectiveness, one of the important points is to provide the budget. In many cases many good plans have been ineffective because of deficiency in budget. If a plan is effective its budget should be provided and it can be done in any case the resources are different like domestic investment, do nest loans, and foreign investment and loans from world banks.

5-9 Providing the budget by selling domestic stocks.

If we can provide the budget by domestic stocks it is useful for the plan and country firstly it is more confidential and secondly when a problem occurs, there is much more help. Domestic banks try to provide the budget. If the rate achieved by selling stocks is more than other ways it means the country has progressed industrially.

If the numbers of stocks are much more than other resources, investors will have more efforts to got success of the plan.

In the past there was not much industrial plan investing – one reason was that people.

Thought if they bought land or house, they will have more benefit, and because they don't have industrial knowledge they don't knew the benefits of industrial investment. They don't believe in industrial investors. They don't feel safe. To attract private investments, the owners of private investments should be encouraged they should feel safe about their investment it an industrial plan is carefully studied , there is no reason for then which have equal or less benefit in comparison which others. There shouldn't be limitation to buy foreign stocks and it should be open to all people.

Managers should be selected properly. Since the goal is to create an effective plan the managers should be qualified. If a plan is evaluated carefully and a popular bank approves it, so we can hope the investors are encouraged to invest it is possible when that popular Bank give the loan on condition that some part of investment is provided by investors. If an international or export bank evaluated the plan and approved it, there will be more chance to attract the investors. Confirmation of a plan by a foreign institutes which are loaner, will also encourage the investors.

5-9-1 Another way is to oblige the investors to invest.

All the details of plan should be gathered in a collection and it should be confirmed by an independent accounting institute. The list of financial affair of the plan should be announced constantly. In America it is a long time that such a plan has been performed we can use this collection as a model resources of providing investment in underdeveloped countries is more than it is supposed

The investors should be encouraged somehow, that they agree with the price of the stock and when a problem occurs, them help willingly. Sometimes selling stock into the country is simple this is because of the fact that plan is to produce precut, which is necessary for investors and if it isn't produced in the country they should buy it from foreign countries. So then are willing in to investment providers of raw material are also willing to buy the stock.

Banks are allowed to provide financial aid for industrial institute. But sometimes these banks don't understand the importance of real value of participating into the plan by buying stock in the period of inflation; banks can use a good investing plan and keep their investment by selling stocks.

5-9-2 Getting loan from domestic resources:

Opportunities to buy domestic stocks are like opportunities for selling stock. So there are similar measures, including evaluation the plan independently, Bank or company participating in giving loan, distributing the explanation of financial affairs.

In many countries, banks and insurance companies and retirement funds can purchase loan documents but they aren't allowed to buy stock.

Such institutes are good resources for investing in industrial plans. Government can also purchase loan documents.

If the return of investment is confirmed by a governmental institute or bank, there is greater possibility to sell loan documents. Sometimes the guarantee giving company request reward for its activities because it faces some possible risks.

5-9-3 This method is increasing in America

Stock or loan document has all the characteristics of a regular loan document. With the difference that its owner can change it into a regular loan document whenever he wants.

This way he can get some benefit by investing and also receives the benefit of the stock. Loan document can be used widely to develop the economy of a country. If a plan is confirmed, investors are more willing to invest. And their investment will be safe.

5-10 Benefits of using foreign investment in rural industrial activities of a country.

Participating foreign investment in the form of loan or stock is important for the country economy and it should be considered in countries in which industry development is important except for Japan and Russia most countries have been dependent on foreign countries for their industrial development. Developing countries have problems with regard to exchange rate, because most of their exchange storage is used for importing and some of it is for importing consuming goods. So such countries suffer from inflation participating foreign investment is important because, investment is in the form of foreign exchange rate so there will avoid of lack of exchange and also it decreases inflation since it allow the exchange rate is used for consuming goods and importing then By this method the level of investment will be too high that is not possible in another way.

If the foreign investment is in the form of loan its benefit rate will be lesser than usual and if it is investment, its output will be lesser than the usual output into the country. May be the best benefit of participations foreign investment in industrial activities of a country is that we can use foreign expert for the plan.

Foreign investors participate in the investment on condition that the experts are foreigners, other than it may be possible they loose their investment foreign investment by purchasing stock. Foreign investment in an under developed country may have several forms one may is that the foreign institute establishes a company of its own or a company which is the property of that institute or at least supervises that company. Another way is that the investor purchases a number of stocks from an under development country of course there are other ways too for example the foreign institute uses its own investment and also its own technical skills. Another way is when that institute has a factory out of country but it established some branches in the country and for finding market, it uses the intend country. It can send its own experts to that country and this is the most necessary part to provide methods of production and formulas and technical orders.

The investment used is different. In most underdeveloped countries it id preferred to use foreign investment foreign stocks differs from 10%to 40% another form is when providing machines or the structure of the factory is on the shoulder of the foreign agent.

5-10-1 Foreign private loans

Foreign private loans are also useful for running industrial plans in underdeveloped countries.

Of course those kinds of investment aren't dependent. In this case it is better investment will be in the form of buying stocks to run the machines and to use the benefits.

It is possible that the company is willing to buy some stocks as the loan to use the benefits. If an institute is willing to invest by giving loan or buying stock, it may offer commercial brand, production methods or formulas which are allocated to that industrial course for a long time.

Providers of machines are among the biggest investors and can be used to develop the industry of the country, they offer long term credits. Credits are given usually by the government to be used in export and they are short term (one or two years) and have no big effect on the operation. Such short term loans are harmful for the plan.

Because when the time of gives back id arrival in a short time and before the time of using the benefits of plan. It is hard for the owner of the factory to pay it back so there will appear financial problems. So these kinds of loans should be transformed in to long term loans. The loans should be valuable until five years after completing the plan the loan should be as long as the factory can give benefits.

5-10-2 Viewpoints of commercial loaners and investors.

Since providing the investment is in the form of stock or loan, so it is better to know the view points of loaners and investors and then compare to each other to determine which one will help if needed. Loaners are these who expect benefit lesser than the benefit of stock. They are satisfied with less benefit and they won't face any risk. So what is important for loaners is to provide and guarantee from government with installment and benefit they are often interested in a stable plan without risk. The future of a plan isn't too important for them but there shouldn't be any risk and if there is any possibility to risk, they can get back their investment. But these investors who buy stocks have different views. These investors don't fear of risks and if there is inflation because their investment is in the form of stock it is to their benefit. But if their investment is in the form of loan with inflation their investment value will be decreased. Except the cases in which they had bought stock of foreign institutes just for participating

These who search for financial support will encounter two questions:

Considering the situation which kind of financial aid is better?

How to design the plan which can provide financial aid more correctly?

The answer to the first question is that if we can increase the benefit of stock, getting loan is easier. The benefit of this operation is too much. There shouldn't be paid anything to stock holders and also it is possible that the investor's help to the project something other than financial aid. They are in fact the partners of the plan so they have role in developing the plan.

5-10-3 The least conditions for attracting the investment.

Loaners and investors (buyers of stock) consider to two main principles.

First, the plan is carefully studied and prepared and has a firm financial and economic basis if there occurs some failure, it will come the investor cuts his own support. The plan should be

justified not being a failure and it should be clear that there is no risk and the investor can get back his own investment. It is as a guarantee and a common method for international banks and foreign loaners. To make them sure their investment will be secure.

Loaners expect the planner provides at least 50% of plan investment to be eligible to get loan it is important for all banners for institutes like international bank whose goal is to increase economic level of partner countries it is a crucial factor.

Investment whether in the form of loan or stock, should be securing the fact that it will provide benefit.

An investment is valuable when can be used efficiently using private investment provides benefits and this should be done by management principles using the investment has its own risks there is always a possible risk of failure.

As long as the investor isn't sure of the qualifications of the plan owner, he will not be willing to invest. All the information should be at hand for the investors, even if these are negative information's.

5-10-4 Necessary environment to attract investment.

To attract investment (foreign or domestic) there should be the least conditions to attract investment including judicial security in the country, a stable government, and lack of military attacks the country should have Currency valuable for the investor other than the country cant attract the investment. If there is no possibility to exchange money because of lowest value of the money of that country, there is least possibility of attracting investment. There should be an environment for progress and it depends on the initiative of work force.

Some countries are so and some aren't. Without such conditions there is no possibility of success. It doesn't mean the country should be in the hands of investors and loose its resources. It should be the possibility to provide an environment for success.

Domestic loaners like banks or other financial institutes or private investors evaluate the plan to determine these plans are qualified for getting loan or not. Governments also evaluate them to decide whether they are qualified for financial aids without taxes. This evolution of government is to determine whether to provide a loan directly for the plan or participate in the investment.

The objective of evaluation differs for different institutes but the principles are the same the goal of industrial evaluation is to study if a plan is on the right basis economically and financial or not and if the estimation will be correct also the qualifications of the owner of plan is studied.

Each institute evaluating the plan has a special standard which depends to that institute and its goal is to determine the qualification of the plan.

If a plan has some ole deficiencies, correcting then is useful for the owner of plan and for the evaluating institutes.

A plan is evaluated when the foreign experts have studied it and determined deficiencies and what changes can be created.

Such evaluation by neutral and qualified ones who are interested in the plan is important for the owner of the plan.

This evaluation is done for the purpose of gaining benefit for stockholders.

CHAPTER 6. RESEARCH FINAL APPROACH

6-1 Evaluation of technical aspects of a plan.

Objective of evaluation of a plan is to determine the qualifications of the plan from engineering production process, to facilities, size of production internal balance and location of plan.

Those who do the evaluation don't need to be qualified but they should use the instructions of industrial experts. They should be certain that this project will be performed by those who are qualified and all the technical, economic points are considered.

Only a few industrial plans are simple so that non-expert people can perform them. So the engineering industrial plans should be done by those who are other than investors.

The following question can clear the qualifications of consulting engineers.

Do the intended engineers evaluate such plans in recent years were the owners of factory satisfied and how much was the success?

Does the institute have experience with regard to intended industrial activity?

Does the institute have access to the latest technologies of that industrial section?

If the consulting engineer doesn't have qualifications needed so this evaluation should be done by others. Just like a surgeon which consults with other surgeon about an operation.

Their method should also be studied because each evaluating institute has its own method and evaluation should be done according to that.

To get in information about the correctness of consulting engineers, activities we should consider to the following points:

6-1-1 Do the engineers confirm the plan?

6-1-2 Have they determined raw material, fuel workforce, transportation and other thing?

6-1-3 Have they confirmed the location of factory?

6-1-4 If the engineers aren't qualified, the evaluation should be done correctly.

6-2- Evaluation of economical and commercial factors.

To evaluate economic factors of industrial plan and their usefulness commercially we should consider to some facts:

Markets, comparing the cost of production competition and other economic factors which may have harmful effects these factors should be studied carefully.

When evaluating the market, it should be cleared that if there is enough demand for the product or not and first we should estimate the cost of production.

Location of factory is very important the main points in this respects are as follow:

- a) Raw material and facilities
- b) Transportation of raw material and facilities to the factory
- c) Fuel
- d) Transportation of fuel to the factory
- e) Electricity
- f) Worker (with regard to housing and transportation)
- g) Transportation of product to the market

In under developed countries when a problem occurs there is no way except for using short term loans but it has some risks the loan should be loan term to decrease the risk.

6-3 Financial limitations.

While observing financial situation, we should always consider to the plan and its need to loan or selling stock or other financial limitations.

The aim of such limitations is that an economic unit bases on a correct foundation and stay stable. It is for limiting the use of long term loans which will be more than the ability of institute to pay back.

6-4 Evaluation of the plan on the basis of its value for economy of the country.

This is one of the important parts of evaluation. But it isn't known enough or it is used insufficiently. When evaluating a plan we should consider to its usefulness for the future of national economy.

Evaluation of a plan for national economy is done by these who are responsible for the evaluation of plan and it should be on the basis of observing immeasurable factors while economic evaluation of a plan is to determine the commercial value of the plan in comparison with its value for national economy. If two plans are proposed and one of them is more beneficial than the other so one that is less beneficial should be deleted.

6-5 The relation of a plan with other activities.

Many industrial plans aren't new or independent plans, but they are related some how to the previous or existing plans. It is possible that this plan will be for the development of previous plan or there may be common plans involving activities of other companies.

In this case this plan will be under the effect of others interest.

Evaluation of a plan by studying the activities of a running plan is simpler than that the plan itself because the background of a plan is based on the reality and not on the estimation or hope or dream so different points can be considered like the way of managing the plan, financial power, market, and so on.

In respect to companies which are under evaluation, we should gather information as follow. The sign of a company with good management is desirable financial condition, enough facilities and having qualified and famous products accepted by public.

6-6 Analysis of financial condition of plan.

The Best point to analyze a plan is financial aspects of five to ten years of recent operation.

The balance – sheet is enough to evaluate. In some countries secret balance – sheets are not presented and it isn't used to evaluate.

In this case financial analysis will be away from reality (50).

In the table 6 the effective elements need for calculating of new planning in new opportunity occupations in Astara rural by researcher estimate is presented.

Table 6. The effective elements need for calculating of new planning in new opportunity occupations in Astara rural by researcher estimate

Description	Number of New Job			Capital needs, thousand \$
	Simple worker	Skill worker	total	
Flour Factory	390	1967	2357	38200
Resource need	34	-	34	55
Raw material need	11	-	11	50
Service need	23	-	23	5
Wheat machine factory	97	15	112	202
Total(1+2+3)	521	1982	2503	38457

6-7 Evaluation of the income of institute.

Another important financial report is the calculation of benefit and loss as it was common for the balance–sheet. Firstly we should be certain that cost and incomes are real. To this goal, it is necessary to gather information of one year cost and income and if it is possible this calculation should be done for ten years.

The most important information is to determine the method of special benefit of institute by doing this we can understand how much is the benefit of sale and in what circumstances the amount of net benefit has increased.

If the method of estimation is not real, the benefit of company will seem increased.

Anyway, allocating some part of benefit for paying the loan is an important point, this action shows conations financial policy of the company and it cusses the financial growth of company.

6-8 Evaluation of future of an economic unit.

Analyzing the balance–sheet of an economic unit to determine the stability of its financial situation is to recognize benefit–making of the company.

If the board of managers is qualified and experienced, the future of the company depends on the market and cost of product in relation to the price of the product.

If the product of an economic unit is in an industry which has an increasing market and if that economic unit has proved which can allocate a great part of market to its shares and if the benefit of this unit remains at a stable level, it is estimated that their prices can compete in the market with the rivals. To get information about financial power in comparison with other rivals, we should gather as much information as we can and determine their power of competition.

The power of capturing the market can be estimated by previous activities of the factory and also by analyzing market and determined rate for goods.

Naturally these methods present estimations and on the basis of theories which may not be according to the reality.

6-9 Evaluating of management.

By analyzing financial situation of a plan we can gather information about the quality of management. It is clear when a company is successful in financial affairs, benefit – making, marketing and extending the sale, so it is successful in management Evaluation of management of a company with undesirable experience has greater importance for a plan to have value, it is necessary that the board of managers to be qualified .

If the management isn't desirable, it is suggested to change the management some times it is necessary to have a foreign experienced manager.

6-10 Strategic Evolution.

We suppose that (35p320):

- i. Fundamental structures of organization have been established.
- ii. Executive plans are determined for the selected strategy.
- iii. Enough resources are determined to do tasks and responsibilities.
- iv. Leadership has been shaped so that it is according to the plan and strategy.

The above elements are necessary for assuring the correct operation of other elements.

These elements are related to each other and they are called (evaluation factors)

Evaluation and control helps to strategies to supervise the progress of plans. They are seeking the following questions:

- a) Are the decisions made according to strategies?

- b) Are there enough resources for doing task?
- c) Have the environmental events occurred according to forecasting?
- d) Is there access to short term or long term goals?
- e) Is there access to the desired results?

6-11 The process of control and evaluation.

The structure of organization is based on a mechanism which can control its activities process of evaluation related to activities and is connected to four activities

- 6-11-1 Establishing goals and operation standards.
- 6-11-2 Measurement of practical situation to get the goals in a determined period.
- 6-11-3 Analyzing diversion from limitations.
- 6-11-4 Doing modifications.

According to Rowe and Carlson control aspects which are needed are as follow:

- v. Management control
- vi. Control of real time
- vii. Executive management
- viii. Adaptive control
- ix. Strategic control
- x. Primary evaluation at the end of period.
- xi. Evaluation in determined intervals.

We can use two kind of measurement which is qualitative and quantitative.

Quantitative measurement are visual judgments and includes: net benefit , stock price, rate of stock benefit, income each stock, return of investment, return of property, market stock, sole growth, financial price of products, efficiency and costs of production.

Firstly we should determine the important factors of quantitative factors and then determine the elements of success

Qualitative standards are shaped by the following questions:

- Is strategy clear theoretically and practically?
- Does the strategy use the internal environment?
- Do the strategy a date with resources of company?
- Are the plans of the company dependent on each other?
- Is the risk clear?
- Is strategy according to personnel values?
- Are the strategies according to public standards?
- Is the strategy as a motive to company's activities?

- Are primary requests of strategies for markets considered?

6-12 Determining the time of measurement.

Supposing the qualitative evaluations have been done, the important point is that when this information should be evaluated for long term strategies, the time of measurement is too important. For these kinds of strategies we should divide them to time stages

Key managers can delegate the unimportant issue to lower level management and those selves pay attention to most important issues.

6-13 Evaluation and correction of activities.

If the evaluation shows any diversion from the strategy, correction of activities is necessary.

At the first stage managers should change the standards and then create some charges in their goals.

The final stage of strategic management is its evaluation in which high rank management should be sure of the correct selection of strategy they should have enough motive to do this evaluation this motive can be the possibility of failure and getting reward with regard to the operation of strategy.

To evaluate, there is the need for management information system and reliable reports.

If needed, there should be charges in standards, end operation and finally in objectives these are the correctives measures.

Development process and methods achieve it in Astara city Now that many subjects have been discussed; it is easy to talk about the process of development and the methods to achieve it. Some say the reason of underdevelopment is little investment, and they prescribe investment to achieve development. Some other believe that population and its characteristics are the reasons of underdevelopment and the solution is changing these characteristics and finally some believe in government planning little investment and economic development:

Before starting the discussion, it is necessary to notice a point: some believe what is important more than anything is considering to the effects of investment on the process of investment. If we call investment in the beginning of the operation as independent investment, the following are development investments which are under the influence of independent investment and the coefficient of national income has an effective role. But this relationship in developed countries and underdeveloped countries is different. These differences are because of economic integrity or disintegrate of it.

Anyway investment is an important factor for development strategy, so there should be an investment to develop the strategy the question is what kind of investment?

This theory which says the reason of poverty in poor countries is little investment had been accepted long. So the rich countries send investment in poor countries. But what is transferred to these countries is financial investment not production tools, and if this investment changes to productive investment or not depends the method of using it. The poor countries don't face little investment, but what causes them to suffer is wrong use of it.

So if a poor country faces little investment, what can we do?

Some suggests financial deficiency to achieve development. Using this solution creates some problems for developing countries.

Firstly, since the developing countries should use their own plans, before these plans yet result, the incomes have been distributed and the result is inflation- second this process if continued will cause some difficulties for government to get loan and third in the foreign policy there will be some disorders. Some prescribe foreign loans. Although some believe that this is a proper method.

But to some other it can be done under some conditions Mrs. Robinson says: In two cases getting loan is necessary for country development. First when the developing country needs tools. Which can't be provided in any other way, second when domestic workforce can help to desirable investment technically? In this case we can use foreign aid to import needed investment.

International publication in 1998 declared that total debt of developing countries has been increased from 632 billiard \$ in 2001 to 950 billiard \$ in 2004. In early 2006 World Bank declared that debt of developing countries will increase to 1025 billiard dollars. At the same time, Brazil declared has 90billiard dollars (55p231).

So, not only foreign aids didn't help to the underdeveloped countries, but also has increased it. Paying back debts isn't easy because these debts won't disappear by themselves and avoiding this is a political act, and also financial foundations won't avoid giving loan.

So we have seen that foreign loan haven't helped to the underdeveloped countries to free from the financial deficiency on the other hand increasing debts has made underdeveloped and developed countries to face a deadened. Firstly, developed countries can't get back the loans unless under simple conditions on the other hand underdeveloped countries don't know how to get ride of the heavy burden of loans.

In this situation multinational companies transfer investment to poor countries but it isn't transferring financial resources to these countries.

Population and economic development:

These who believe the reason of poverty in underdeveloped countries is population and its characteristics, consider the fact that if there occur some changes in the living condition of people

size of population, and its distribution and level of employment, there is a way toward development.

But some don't believe that there is a relation between overpopulation and poverty and underdevelopment. But there is some relationship between these two even if we can't see it in all countries, at least it can be clear in most cases.

Ronald Mick has got the following conclusions:

Apparently there is no relationship between underdevelopment and overpopulation so we need to other facts to study underdevelopment.

Not only in the underdeveloped countries but also in developed countries there is no link between overpopulation and living condition.

Industrialization has relationship with condition living.

There is a direct relationship between.

Industrialization and reducing poverty and between overpopulation and poverty industrialization, technology and economic development.

To Mick, there is a direct relationship with industrialization and living condition and some believe the only way toward economic development is industrialization.

Professor Gerschenkron has got conclusions as follows:

- The more underdeveloped, the speed of industrialization by a great jump with high growth rate is greater.
- The more underdeveloped, the more pressure is to industrialization by creating factories.
- The more underdeveloped, the more pressure on the investment goods in comparison with consuming goods.
- The more underdeveloped, the more pressure on the consumption level of society.
- The more underdeveloped, the more important is the role of fundamental factors to increase investment for new born industries and leading them.
- The more underdeveloped, the less possibility for the agricultural section to have an effective role in industrialization.

If we believe that industrialization is an effective way to achieve development.

So, how can we get access to modern technology? It is believed that the developed countries should aid the underdeveloped countries by their technology. But it seems to be simple-mindedness because reality is totally different.

Avoiding to exporting modern technologies, exporting old technologies, lack of facilities are some reasons of this fact.

Even if international technology has been extended but there is still political view points, and also nationalism in precious colonies and newly independent countries is still forceful.

So we conclude that relying on nationalism is a big obstacle to export modern technology whether in under developed countries or developed countries? Professor Galbrit say: If imitation of technical methods of developed countries is wisely done, it is good. It is neither the pride for developed countries, nor the humility of underdeveloped ones.

It is necessary, even though the developed countries are reluctant to it. In previous country, English people humiliated Germans because of this. As soon as a new method was used in Sheffield, technical experts of Solingen imitated it and so imitated the England productions. In recent years Japanese and Russians also acted the same way and got great results. But the underdeveloped countries should not be disappointed. They should use the technology of developed countries with awareness not on the basis of imitation. Since Abaeban said: New countries aren't bilged to pass the difficult path of industrial countries they can use their experiences.

It is a good prescription for underdeveloped countries. It may not be pleasant for these who believe industrialization separated from development. So the question is that which industry should be imitated? At first sight it seems to be better to imitate the technology of developed countries. This imitation depends on the time and place condition of under developed countries. That is what professor Redy considered to it. He studies Indian economy and says in order to save India from underdevelopment and with regard to time and place condition of this country he has suggested cases for using technology in this country including:

- Preferences of technologies which need less investment and are more applied.
- Preference of rural industries and small industries to big ones.
- Preference of consuming goods to luxury goods.
- Preference of technologies which need less skill.
- Preference of technologies which use local technologies not imported ones.
- Preferences technologies which need less energy.
- Preference local energy supply like sun, wind and gas resulted from animal fertilizers.
- Preference of ways production technologies in tool making in consumption goods.
- Preference of manual technologies to machineries.
- Preference of technologies which relates city and rural industries.

In the whole we can say if we want to start economy development with industrialization we have just three ways:

- Starting from zero with innovations, discovery.

- Using the process of technology export from developed countries to underdeveloped countries by international cooperation.

- Imitation of developed technologies of industrial countries.

Government, planning and economic development:

Edward Mayson, Professor of Harvard University on 1990's said: economic development in the future isn't similar to classical industrial revolutions. Technologies, economic and ideology will provide conditions for government to lead the main role. This way of thinking is similar among many economists so the number of those who support the role of government and planning is increasing.

MorisHerbert Dob supports planning and its role in planning and its effect to achieve economic development. He says: today we recognize that in underdeveloped countries achieving industrial development and economic growth rate without economic planning isn't possible. Underdeveloped countries to avoid depression should choose traditional method of investment that is dependence to foreign investment or choose concentrated planning just the government can take over the task of planning in the society. Professor Mayson in this regard says: in most underdeveloped countries, ideological tendencies regards to a kind of local socialism which has no definite definition. They intend to encourage and explain the innovation of government to help the economic growth and supports planning as a technique.

Mrs. Jon Robinson criticizes the role of market and emphasizes on the government planning and says: when national officials lead the economic growth, the investment should be controlled by a deliberate planning.

But what is the foundation for planning?

Professor Galbraith suggests the best analysis and says: planning is suggested more than anything else but unfortunately this expression isn't clear and this misunderstanding colonel Blimb says economic planning has no results other than chaos but it has one goodness and that is to make clear the value of economic freedom.

To Galbraith, personal and political point of view effect on the economic planning some believes planning is the necessary element for economic development and growth and others believe it is the source of all economic difficulties and many support this idea.

A short while after world war two a group of experts of America and Europe gathered in a mountainous place in Switzerland to establish an intentional society to fight against economic planners. But this society had to success.

Galbraith added in spite of these different ideas explaining the planning principle is easy. In modern economy it is necessary to choose between production factors to achieve the best economic results and what is called market in economics.

Performs this by its own mechanisms but there is another solution and that is determining the general objectives of economic activities on the basis of measured standards and adjusting the activities and productions to do this, the government should have enough power. Galbraith says we should consider that firstly there is no absolute free or government economy secondly.

There is no direct relation between government economy and planning.

Galbraith added we should consider that planning principles and performing methods should be basically on the basis of conditions of each country and the stage of economic growth. In first stage of economic growth what is important isn't absolute economic but it is creating a healthy system of administration and executive, public training and removing social obstructions.

In the first stage we shouldn't stress on the increase of industrial and agricultural production but we should consider to create a healthy organization and removing obstacles. And then consider to other aspects (25p321).

A defined planning of economic development is a set of measured of coordinated investment and it should be supported by of a created source. The objective for investment is to achieve a determined economic growth rate which is logical.

In this method there should be coordination among different investment and also it is necessary to determine the sources of investment. But in a real economic development we should consider to other aspects which are far from the mind of planners.

Galbraith explains the main factors in the planning of economic development:

- A real economic growth should be based on the measured economic policy to plan logical investment. Correct policy planning is based on the starting and vital factors. But this planning method which is based on the really important and effective factors in economic growth faces much opposition. But if the basis of planning policy is based on these factors, the plan will be as a set of different plans and it will satisfy different economic and social and local groups and such a plan will not reach to the maximum of economic growth.

- In a complete economic plan, we shouldn't notice only to the apparent aspects. In an industrial development, in isn't enough to provide raw material it should be so that the productivity and benefit making to be correct and independent. Achieving these objectives is more important than just running a factory especially in recent time in which competition is very severe.

The suggestions are developed based on our investigations and researches, represented in scientific literature .

6-14 Suggestion 1.

In a complete economic plan we shouldn't just consider to the production, but we should consider also to consumption and consumers problems. In an underdeveloped country we can't

measure consumption standards of industrial countries. In such countries there is a great difference in society. There are differences between rich and poor and decision-making is difficult, the greatest mistake is that the developed countries seem as a model and also imitation is a mistake. To Galbraith determining real and basic elements of economic development is a whole consideration of industrial production and formulating a correct policy which unfortunately are not considered.

What Mrs. Jon Robinson has said like Galbraith and others? She also says developing country should decide to which extent has tendency to develop. Deciding needs the economic planning and Mrs. Robinson stresses on it. To her there is another problems and that is selection of proper technique in a case in which there are different methods to achieve a determined production in this case there are two problems, one is imitation of newest technical facilities and another is dependence to rural handicrafts she proposes two solutions, one that none of the facilities shouldn't be removed unless their resources can be used in another case. So if the best techniques are used in new investments but the new technology can't replace the old ones but it is besides it and no techniques shouldn't be selected just because of the fact that is job creating.

Since the goal isn't to achieve the highest statistical figure of employment but it is the increase of production along the employment.

6-15 Suggestion 2

To achieve development, planning is necessary. And also we mentioned rural development plan as a set of experiences in different methods of organizing of production, welfare and exchange of rural activities has a long history and doesn't confined to a special country. But it has been extended vastly during the recent years and in spite of that it hasn't been successful and growth strategies in 1950's and 1960's have been imitated by developing countries.

We should add that planning nationally or locally is explaining the national growth and emphasizing to concepts such as rough national products and quality and quantity in planning of rural development should be considered.

The combination of rural population, hygiene and treatment, housing and environment, education and training and culture, employment, social insurance social welfare, income, consumption and wealth are included.

6-16 Suggestion 3

Rural industrialization is a main subject in globalization. People-centered development mode was advised for local people's sustainable livelihood improvement, the mechanism for moving from traditional mode toward industrialization mode is depend on people – decision making process. And it gives people more power based on the communities and create more

incentives for their rights and responsibilities related to sustainability, which purposes to meet their own needs above all. people's participation make them empower. Currently, the most important strategy for industrialization is helping rural areas to develop industries and faming.

The higher the average income of a country, is based on people and their environment for obtaining to industrialization governments and people need to have a closer relationship and cooperative. this improve industrial ability.

6-17 Future Research

My research is broad and depth investigations based on Astara industries. It is worthy to carry out further in-depth research for industrialization study in the future. It might be interesting to take further tracking survey or studies in policy-making, because all governments need to expand from traditional mode toward industrialization mode. Transferring from an old position to new position needs to make positive decisions and good policy-making. And these change people's life hood and their income.

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APPENDIXES

APPENDIX 1

The project of state program to be prepared with the purpose to develop agrarian sector in Iran's Astara

Structure of the program:

Purpose of the program

Main directions of the program

Main functions of the program

Main financial sources of the program

Expected results of the program

Purpose of the program: To develop the agrarian sector, to increase land fertility which is the basic means of production, to provide producing the competitive product, and to stimulate export activities of producers, to provide to compensate the demand of processing industry for basic materials, demand of food industry for feedstock, and demand of population for food products at the expense of local sources.

The main directions of the program are the followings:

- To support the creation of necessary structures in the agrarian sector. In this direction- to prepare and to implement the suggestions on the sphere of development of functions and structure of local and central administrative organs in agrarian sector, to support the forming of social unions of owners and local self-administration organs, consisting of representatives of different spheres of agrarian sector.
- To provide the efficient usage of water and land reserves. In this direction- to carry out the state control on usage and protection of land reserves, geodesy and cartography activities, to define and organize campaigns for restoration and to raise land fertility.
- To restore irrigation and land-reclamation warranty. In this direction – to prepare irrigation regime taking into account the features of agricultural plants, and regions, and carry it out.
- To strengthen material-technical base of agrarian sector. In this direction – to stimulate leasing mechanism on the agrarian sector.
- To develop connectedly the spheres of producing basic materials and processing. In this direction, to carry out structural policy in the sphere of specialization of agriculture by regions according to needs and reserves.

- To stimulate raising of the producing competitive product. In this direction – to define the campaigns for stimulating export activities of enterprises.

- To improve financial condition of agrarian sector. In this direction – to determine and realize credit granting rules on condition of leaving future production as a deposit, to give micro credits to owners, to stimulate creating of mutual credit unions, and to provide activity condition

- To restore and protect of the environment. In this direction – to carry out complex ecological campaigns.

- To improve legal normative base of the agrarian sector. In this direction- to prepare normative documents that will be applied in production and procession, and to certificate products.

- To improve scientific-methodical ensuring of agrarian system, and personnel training system. In this direction – to set up a quick information-advisory system for stimulating the usage of new technologies, to provide the producers with high-quality seed, sowing materials, pedigree cattle, ewe bird, to provide with modern technology, to study and apply the achievements of agrarian sector

Main functions of the program:

- To determine Priority production spheres of agrarian sector, preparing and realizing the development strategy of those spheres connectedly with others.

- To form legal standard base to develop ownership in the region.

- To set up quick non-centralized organizational structures which meets requirements of existing market, and provides participating of interested groups (farmers), and based on territorial and areal principles

- To form the relations based on mutual economical interests among the spheres concerning different rounds of technological process of obtaining the end product.

- To regulate sectoral structure depending on elasticity level of demand and technological features of products.

- Together with different forms widely used in world experience in the sphere of export and preserving domestic market, to create its modern infrastructure (transport, insurance, information system), and export-stimulating mechanism.

- To hold promotional campaigns (including tax concessions) in order to improve producing and processing agricultural productions.

- To achieve maximum result for every resource unit that has been included to the turnover.

- To implement appropriate activities in the direction of diminishing of prime cost and to intensify production processes.

- To prognosticate the optimum volume of domestic production opportunities including providing positive influence on balance of payment, to carry them out, and to set up intensive acquisition mechanism of primary product with minimum losses.

- To study foreign market, and to organize services about export product.

- To provide equal condition for economic subjects.

- To stimulate the usage of new technologies.

- To set up wide information bank on existing environmental condition and it's growth trends

- To determine financial sources to prevent soil degradation.

- To prepare and carry out comprehensive measures against water and wind erosion

- To register quality and quantity of soil, land evaluation, and economic evaluation, to regulate land-law relations.

- To prepare landform project in order to use lands efficiently and to improve it's protection.

- To compile complex and intra economic landform projects, and landform schemes with the purpose to improve soil fertility taking into account town-building, economical and other features of the territories.

- To restore and improve land fertility.

- To organize soil market and stimulate it's improvement.

- To certificate summer and winter pastures, to divide them among administrative-territorial units and to attach them separating in nature.

- To organize and carry out state control over usage of lands, their protection, geodetic, and cartographical activity.

- To restore and expand pastures.

- To continue reformations in the sphere of land-improvement and water economy.

- To preserve the biological species diversity according to natural condition.

- To form the technical services market and material-technical resources. In this direction- to create condition for the development of entrepreneurship (especially, small and average in agrarian sector)

- To create co-operations on activity areas like sale, joint procurement, etc, on the basis of voluntary joining of producer's resources.

- To carry out purposeful activities to provide food safety of the country according to existing legislation.

- To create different material-technical and agroservice enterprises, marketing services, trade exchange, fairs, organizing auctions, preserving, and packing goods, treatment enterprises, and other structures in villages.

- To meet the needs of agrarian sector on credit resources, and joining financial interests of producers with the purpose of providing the efficient usage of those resources, to create credit unions. To expand the activity of societies, profession-oriented unities, and community governorship.

- To strengthen insurance and concession system in export-oriented spheres of agrarian sector.

Financial guarantee of program. The main sources of financing the program are the followings:

- Allocations by state budgeting loans.
- Financial and technical support by international and foreign countries' organizations.
- Attracted credits by state guarantee.
- Foreign investments.
- Allocations of producers.

Expected results of the program:

- ✓ Developing agriculture sector.
- ✓ Improving land fertility, which is the basic production facility.
- ✓ Providing competitive yield production
- ✓ Stimulating the export activities of the producers.
- ✓ Meeting the demands of population for food, and demand of processing, and food-industry for basic material at the expense of local resources.

**To create Open Stock Joint Company “Agroleasing” for Iran’s Astara
basing on Azerbaijan’s experience**

The main features of creation of Open Stock Joint Company “Agroleasing” are the followings:

- The main function of Open Stock Joint Company “Agroleasing” is to strengthen financial-technical base of producers of agricultural production and to render agro-technical services;
- Society provides the producers of agricultural production with agricultural techniques, technological equipment, spare parts, agrochemical materials, and preparations to struggle against pest;
- Society fulfils more than 20 various works such as sowing, planting, cultivating, harvesting, etc. with profitable tariffs on the basis of the orders of owners operating in agrarian sector, helps them to produce their product by modern technology;
- To create Regional Agroservice and Supply Bases of Open Stock Joint Company “Agroleasing”;
- Different models of means of transport and machine mechanisms is bought in order to strengthen financial-technical sources of the bases;
- Accepting agrochemical materials and agricultural techniques, leasing or selling to legal and physical persons are carried out by those bases according to definite rules;
- It is possible to tillage, to sow thousand hectares area by means of equipments of regional Agroservice branches of Open Stock Joint Company “Agroleasing”, and consequently probability of finishing harvest earlier raises in comparison with previous years.

Producers intending to get mineral fertilizer appeal to local areal committee. They present their application with documents affirming the sown area of one’s property, rent, or usage to the local organizations of OSJC “Agroleasing”. Mineral fertilizer is sold with 50% discount to the consumer when all the documents are in order. The amount of mineral fertilizer is 300 kilograms per hectare of sowing area or its maximum limit was determined up to 50 Manats.