

IN THE NAME OF GOD

Country Report

***On status of Social Enterprises
In the Agriculture Sector of Iran***

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Forward

Social enterprises are known effective institutions in the development of local communities across the globe. They essentially bear some wide aspects of socio-economic objectives and functions. Although Iran is aware of these aspects, however, the main focus is on aspects of their entrepreneurship in the shape of SMEs as well as their support roles for people. I will focus on rural social enterprises (in agriculture sector) in this report.

There are many reasons by which, supporting of social enterprises is imperative in Iran. Protection laws and regulations as well as 5 Year National Economic, Social and Cultural Plan (ES&C Plan) have foreseen certain tasks and duties to assist social enterprises in the areas such as employment, poverty alleviation, vulnerable groups, production and investment. I name these laws and regulations as national policies and strategies .In addition, socio-economic realities proved eminent roles played by social enterprises in increasing employment and income generation. The report discusses the national approaches favoring rural social enterprises (RSEs) as well as legal advocates related to their status, and their challenges.

Social Enterprises & Rural Social Enterprises (RSEs)

A social enterprise is an organization that applies commercial strategies to maximize improvements in human and environmental well-being. A Social enterprise can be structured as a for-profit or non-profit, and may take the form (depending in which country the entity exists and the legal forms available) of a co-operative, mutual organization, a disregarded entity (<http://www.Biztaxlaw.about.com>) ,a social business, a benefit corporation, a community interest company or a charity organization.

This definition can be matched with a wide range of rural social enterprises, some of which belong to certain members of the families (e.g. women's micro credit funds). Many of social enterprises serve to secure the interests of some poor and powerless groups (e.g. small scale cooperatives) but, some of them may involve larger groups of rural clients to generate more revenue for them and their families (e.g. medium scale

agricultural cooperatives). In the other hand some can function as trading companies to supply consumer goods or production inputs (e.g. consumer cooperatives in villages). All such entities as well as other kinds of rural institutes shall be assumed as social enterprises in Iran.

Simply, rural social enterprises are attributed as institutions which act to advance public prosperity and rural livelihoods in rural areas by using local human resources.

Rural Social Enterprises (RSEs); Social Needs vis-a-vis Legal Approaches

Statistics show that total rural population was 21 million persons. Ratio (%) of rural population to urban population was estimated 27.1% in 2014(<http://www.tradingeconomics.com>).

Any increase in the active population leads directly to the need for more jobs. In 2015, the economic participation rate (activity rate) was 40% in rural areas which shows 0.9% growth compared to 2014(Statistical Center of Iran a). In the summer of 2016 this indicator increased to 42.2. Along with the increase in activity rates in these areas, the unemployment rate increases to the rate of 7.9 % (Statistical Center of Iran b).

Rapid changes in the economy and structural bottlenecks in agricultural production are the main factors in increasing unemployment in rural areas. In recent years, experts, planners and policy makers have become aware of the speed and impact of these changes. For this reason, fueling to the development of entrepreneurship is inevitable.

The constitution of the I. R. Iran (Article 43, paragraph 2) declares that the national economy is based on the providing the circumstances and opportunities for employment for everyone with the prospect of achieving full employment; making means of labor available to everyone who can work but does not have the means, this can be done through cooperatives, interest -free loans, or any other legitimate method that would not lead to the concentration and circulation of wealth in the hands of specific individuals or groups, or turn the government into a large and absolute employer(<http://www.wipo.int/edocs/lexdocs/laws/en/i>)

Also the Act of Cooperative Sector In I.R.Iran, (Article 1 ,paragraph I and II) pinpoints on provision of the conditions and opportunities of employment for all and facilitating working means to those who are able to work, but do not have its means as an objective of the cooperative sector(<http://www.mcls.gov.ir/fa>).

The Article 80 of the 5th Economic, Social and Cultural Plan (ES&C Plan) of I.R.Iran permits the government to do actions in order to remove problems and barriers favoring growth and development of SMEs. In another part of this article legal and regulatory financial support and incentive policies are confirmed in order to change unorganized economic activities of households to organized units. Particularly regarding agricultural sector, the Article 146 emphasizes on legal and financial support for establishment of organizations, with priority given to the agriculture production cooperatives and, by incentive policies for land consolidation.

The government is obliged under Article 194 of the plan"...expansion of agricultural and rural industry with the priority of small and medium-sized clusters and chains". Another paragraph of the Article stipulates "regulation and establishment of small and medium entrepreneurship for wider employment in production and service sectors of rural areas through the provision of financial incentives and funds"(<http://www.wipo.int/edocs/lexdocs/laws/fa>).

Many governmental agencies work in favor of rural social enterprises whose origins, types and support functions are shown in the diagram 1.

According to Iran's statutory system, the main types of governmental supports are specified by the parliamentary acts as well as governmental regulations. Each of these two sets of supports is to be passed by Parliament and Cabinet separately. Thus there are four types of governmental supports for rural social enterprises as laid down in the diagram.

Typology and Diversity of Rural Social Enterprises

Rural social enterprises in Iran are diversified in terms of types and tasks. In Table 1, the number of active RSEs is shown at the national level (Central Organization for Rural Cooperatives, 2016).

Table 1: Active Rural Social Enterprises in Terms of Type and Target Group (2016)

<i>Type of RSE</i>	<i>Number</i>	<i>Percent</i>	<i>Target Group</i>
<i>Rural Cooperative</i>	<i>2525</i>	<i>31</i>	<i>Farmers and Their Families</i>
<i>Production Cooperative</i>	<i>1359</i>	<i>16.7</i>	<i>Farmers</i>
<i>Agricultural Cooperative</i>	<i>1294</i>	<i>15.9</i>	<i>Farmers</i>
<i>Agro Corporation</i>	<i>30</i>	<i>0.4</i>	
<i>Women Cooperative</i>	<i>230</i>	<i>2.7</i>	<i>Rural Women</i>
<i>Women's Microcredit Funds</i>	<i>850</i>	<i>10.4</i>	<i>Rural Women</i>
<i>Farmers Association</i>	<i>726</i>	<i>8.9</i>	<i>Farmers</i>
<i>Community Based Organizations</i>	<i>672</i>	<i>8.2</i>	<i>Rural people</i>
<i>Farmers Unions</i>	<i>469</i>	<i>5.8</i>	<i>Farmers Organizations</i>
<i>Total</i>	<i>8155</i>	<i>100</i>	

Iranian rural social enterprises are usually distinguished according to their performance and entrepreneurship. By means of identifying prosperous social enterprises, I.R Iran tries to promote entrepreneurship patterns at national level. In recent years several databases on experiences of such social enterprises are gradually taking shape.

Below are few examples of sample practitioners and their impressive performance in the field of capacity- building and entrepreneurship development:

A) Ms Mina is an entrepreneur from Aradan in the southern slopes of the Alborz mountain range in the vicinity of the central desert of Iran. In 1999 Mina and her group of fifty rural women established a rural enterprise. The team was able to take advantage of the natural features of the region by producing high quality organic honey and earn a good income. Initially, each of them began her activities by contributing \$ 58. Then, they planted pasture plants in an area of 2,000 hectares and expanded their work via establishing a Women's Microcredit Fund. Honey produced by them was recognized as the best natural honey over two successive years in Iran.

B) Thirty years ago, Massoud was a young man who lived in a rural agricultural area in Shahryar Township, at a distance of 40 km from Tehran. He was appointed as managing director of a rural cooperative named "Shabahang". He could compensate losses of \$ 94000 in a short time after recovering outstanding dues and installments .Then he expanded further investments and focused on production and

services. The rural cooperative changed from trading loss status to a profitable cooperative with huge assets in the country.

Shabahang premise now owns 20 credit units, 21 shops in the villages, a sports stadium with 12000 seats, two hotels in the east and north of the country, a water park, agricultural land, a shopping center office building run by 300 employees. Since 1986 dividends are distributed among shareholders regularly.

C) Ms Kobra was an eminent entrepreneur and founder of a microcredit fund, in Tabarteh, a village in the central township of Farahan since 2014. She encouraged rural women to save money in the village's microcredit fund. The microcredit fund in the first year of its activity could distribute nearly \$ 14,000 loans to initiate some jobs in the fields e.g. herbal medicines, saffron, mushroom planting, indigenous poultry farming and weaving businesses.

Challenges Facing Rural Social Enterprises

There are many challenges on the way to success of rural social enterprises. Many studies so far conducted in this area, but there is little room to discuss them. Table 2 summarizes the Constraining factors and challenges in the development of rural social enterprises.

Table 2: Constraining Factors & Challenges of Rural Social Enterprises

Factors	Challenges
Economic- Financial	<ul style="list-style-type: none"> - <i>Economic Recession.</i> - <i>Low selling price of rural products in consumer markets.</i> - <i>Insufficient access to finance for the start-up business.</i> - <i>Difficult access to sales channels (national and international marketing problems).</i> - <i>Low technology or weakness in access to equipment and technology.</i> - <i>Low use of information technology.</i> - <i>Inadequacy and instability in financial and credit support.</i> - <i>Bureaucratic problems in achieving support policies.</i> - <i>Difficulty in providing collateral to get bank loans for productive activities.</i>
Socio-Cultural	<ul style="list-style-type: none"> - <i>Local social resistance to innovation.</i> - <i>Low performance of local communities in public participation and network activities..</i> - <i>Existing gender inequalities and stereotypical beliefs, expectations and roles that restricting women's activities.</i>
Personal	<ul style="list-style-type: none"> - <i>Personality and psychological problems such as dependency, pessimism toward others, weakness in leadership talent, weakness in accountability, weakness in risk-taking and poor achievement motive.</i> - <i>Weakness in professional knowledge and skills.</i>

Sources:

1. *Central Organization for Rural Cooperatives of Iran" Statistical Yearbook (2015-2016)". Tehran: 2016.*
2. *Statistical Center of Iran a "The results of the labor force survey in 2015 ". Tehran: 2016.*
3. *Statistical Center of Iran b "A Selection of Labor Force Survey Results Summer 1395(21 June-21 September 2016)".*
4. *(<http://www.Biztaxlaw.about.com>" Rural population in Iran".*
5. *<http://www.mcls.gov.ir/fa>" Act of Cooperative Sector In I.R.Iran"(Farsi Edition).*
6. *((<http://www.tradingeconomics.com>) (<http://www.wipo.int/edocs/lexdocs/laws/en/i>)" Constitution of the Islamic Republic of Iran "*
7. *<http://www.wipo.int/edocs/lexdocs/laws/fa> "The fifth five-year development program of the Islamic Republic of Iran""(Farsi Edition).*

Diagram 1 Government Support for Rural

Social Enterprises

