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Date: 1394/6/11 [9/2/2015]

Islamic Republic of Iran  
President  
Council of Ministers Decree

**In the Name of God**

**Management and Planning Organization of I.R.Iran- National Iranian Productivity  
Organization<sup>1</sup>**

The Council of Ministers approved in a meeting on 1394/5/25 [8/16/2015] for the bill No. 58127 dated 1393/5/26 [8/17/2014] from The Management and Planning Organization referenced to the 138<sup>th</sup> principle of the Constitution of the Islamic Republic of Iran and the 79<sup>th</sup> article of the Fifth five-year National Development Plan – approved in 1389 [2010/11]:

All affiliated Agencies in the National Comprehensive Master Plan of Productivity as enclosed and approved by the Cabinet Office, are required to perform their delegated tasks.

**Signed by,**

**Eshaq Jahangiri,**

**First VicePresident**

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<sup>1</sup> The National Iranian Productivity Organization (NIPO) is currently active under the affiliation of the Administrative & Recruitment Organization

## **The National Comprehensive Master Plan of Productivity (Unofficial Translation)**

### **1- Introduction**

The main challenges of the Iranian economy such as high rate of inflation, high rate of unemployment especially among the youth and women, low efficiency of investment, low foreign investment, low export revenue especially non-oil revenue compared with the country's potentials and low ranking of the country in the competitiveness index are among the country's economic concerns, most of which can be solved through the promotion of productivity.

Based on the 79<sup>th</sup> article of the Fifth five-year National Development Plan, it is essential that one third of the eight percent economic growth<sup>2</sup> be provided through the promotion of productivity. Toward this end, the National Iranian Productivity Organization is vested with the duty of making provisions for the realization of this important matter by formulating the National Comprehensive Master Plan of Productivity.

In addition, the subject of productivity has been referred to, either directly or indirectly, in the General Policies of Economic Resilience of the Islamic Republic of Iran, which has accentuated the standing of productivity as one of the most important mechanisms toward the realization of the mentioned goals.

The National Comprehensive Master Plan of Productivity is a long-term document, which has been designed based on the combination of strategic and process attitudes. The basis for the formulation of this plan is some religious and Quranic learnings, country's upstream documents including the Constitution, General Policies of the Islamic Republic of Iran and developmental plans. This plan is the basis for the activities of the National Iranian Productivity Organization.

### **2- Definitions and Abbreviations**

In this plan, the below terms are used to address their corresponding detailed meanings:

**Organization:** the National Iranian Productivity Organization

**Productivity:** Ratio of output to input, or more precisely; the combination of efficiency and effectiveness.

**Productivity index:** Ratio of the output value to the input value, which is classified into three types of single-factor, multifactor and total-factor productivity indices. Single factor, multifactor, and total factor productivity audit and monitor a measure of output related to a

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<sup>2</sup> When the economic growth is less than the expected 8%, in the National Comprehensive Master Plan of Productivity, which considers the 10-year time horizon, and the jump of productivity, at least 3 unit percent of economic growth must be obtained through productivity growth.

single measure of input, a measure of output related to a bundle of inputs and a measure of output related to all the factors of production, respectively.

**Green Productivity:** A strategy, justified economically and environmentally, to reach progress, economic and social development.

**Economic Activity:** Actions that involve the production, distribution and consumption of goods and services at all levels within the society.

**Productivity Management Cycle:** An integrated assembly of activities of measurement, analysis, planning, implementation and improvement of productivity, which are implemented continuously in a long period.

**Specific Productivity Indices:** The ratio of output to input in a specific organization or executive agency. Specific indices are defined in direct relation with specific missions of each organization; they are not general and are specific to that organization or agency. Specific indices can be used to assess, audit, evaluate and compare the performance of an organization or executive agency in a specific field in different years or among similar units, organizations or executive agencies.

**Green Productivity Indices:** Indices which consider the productivity of activities, based on valid international approaches and in the form of simultaneous consideration of productivity and environmental performance toward socio-economic development. These indices provide the possibility of auditing, supervision and evaluation of productivity status, performance, tools and technologies suitable for environmental management, in order to reduce the negative environmental effects of activities, production and services of organizations and executive agencies.

**Gross Domestic Production:** The total value of final products produced by the units inside the country in a specific period at the aggregate level of the economy.

**Employee:** Based on the definition of labour, all persons aged 10 or over, who, during a specified reference week, worked for at least one hour, or have temporarily left their job for any specific reason, are known as employees. Employees are mainly categorized into two groups of paid employees and self-employed persons. Temporarily leaving the job with formal attachment to their job in the reference week for paid employees, and continuation of business for self-employed persons, are considered as employment.

**Total Output Value:** The total value of goods or services produced at the aggregate level of the economy, whether consumed or given to others.

**Employment Man-hours:** The hours of work performed by all workers at the aggregate level of the economy.

**Value of Fixed Capital Stock:** The value of all capital goods of one country at the aggregate level of the economy in a specific period, except the goods that are used as intermediate consumption.

**Value of Capital Services:** The flow of productive services provided by capital goods or the total capital stock at the aggregate level of the economy.

**Employee Compensation:** All cash and non-cash rewards paid to employees by the firm in exchange for the services they provide in a specific accounting period, whether the rewards are paid before, during or after doing the job. Employee compensation does not include voluntary work without any payment.

**Value of Intermediate Consumption:** The value of the goods and services, excluding the consumption of fixed assets, whose consumption is recorded as consumption of fixed capital, and are either transformed or used up by the production process as input.

**Energy Consumption:** The total amount of energy consumed in the production process of goods and services based on weighted factors of energy carriers.

**Water Consumption:** The total amount of water consumed in the production process of goods and services.

**Sustainable Development:** Refers to the development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. Sustainable development guarantees the consumption of resources and environment at the present time, in a way that it causes no harm to the outlook of the future generation's consumption, and is obtained through public cooperation at all economic, social and cultural levels.

### 3- Standard indices of Productivity

Standard measures of productivity refer to the indices, which evaluate the productivity of economic activities based on valid international approaches. These indices have been standardized considering the mentioned concepts and applying the approach used by the member countries of Organization of Economic Cooperation & Development (OECD) and the Asian Productivity Organization (APO) and include the ratio of output value to the input value, which is classified into three types of single-factor, multifactor and total factor productivity. Single factor, multifactor, and total factor productivity audit and monitor a measure of output related to a single measure of input, a measure of output related to a bundle of inputs and a

measure of output related to all the factors of production, respectively, and can be calculated at two levels of macroeconomics and microeconomics.

**A: Labour productivity index based on Gross Domestic Product and the number of workers at the aggregate level of the economy.**

$$\text{Labour Productivity} = \frac{\text{Gross Domestic Product}}{\text{Number of workers of the total economy}}$$

**B: Labour productivity index based on output value and the number of workers at the aggregate level of the economy.**

$$\text{Labour Productivity} = \frac{\text{Output value of the whole economy}}{\text{Number of workers of the total economy}}$$

**C: Labour productivity index based on Gross Domestic Product and the number of hours worked at the aggregate level of the economy.**

$$\text{Labour Productivity} = \frac{\text{Gross Domestic Product}}{\text{Number of hours worked of the total economy}}$$

**D: Labour productivity index based on output value and the number of hours worked at the aggregate level of the economy.**

$$\text{Labour Productivity} = \frac{\text{Output value}}{\text{Number of hours worked of the total economy}}$$

**E: Capital productivity index based on Gross Domestic Product and the value of Value of Fixed Capital Stock at the aggregate level of the economy.**

$$\text{Capital Productivity} = \frac{\text{Gross Domestic Product}}{\text{Value of Fixed Capital Stock of the total economy}}$$

**F: Capital productivity index based on output value and the value of Fixed Capital Stock at the aggregate level of the economy.**

$$\text{Capital Productivity} = \frac{\text{Output Value}}{\text{Value of Fixed Capital Stock of the total economy}}$$

**G: Capital productivity index based on Gross Domestic Product and the value of Capital Services at the aggregate level of the economy.**

$$\text{Capital Productivity} = \frac{\text{Gross Domestic Product}}{\text{Value of Capital Services of the total economy}}$$

**H: Capital productivity index based on output value and the value of Capital Services at the aggregate level of the economy.**

$$\text{Capital Productivity} = \frac{\text{Output value}}{\text{Value of Capital Services of the total economy}}$$

**I: Total factor productivity index based on Gross Domestic Product and the weighted average of number of workers and the value of Fixed Capital Stock at the aggregate level of the economy.**

$$TFP = \frac{GDP}{L^\alpha \cdot K^\beta}$$

$$\alpha = \frac{\text{Compensation of employees of the total economy}}{\text{Gross Domestic Product}}$$

$$\beta = 1 - \alpha$$

TFP: Total Factor Productivity

GDP: Gross Domestic Product

L: Number of workers *in the total economy*

K: Value of Fixed Capital Stock *in the total economy*

$\alpha$ : Share of labour in total economy production

$\beta$ : Share of capital in total economy production

**J: Total factor productivity index based on output value and the weighted average of number of workers, the value of Fixed Capital Stock and Intermediate Consumption at the aggregate level of the economy.**

$$TFP = \frac{O}{L^\alpha \cdot K^\beta \cdot IC^\delta}$$

$$\alpha = \frac{\text{Compensation of employees of the total economy}}{\text{Output value of the total economy}}$$

$$\delta = \frac{\text{Value of Intermediate Consumption of the total economy}}{\text{Output value of the total economy}}$$

$$\beta = 1 - (\alpha + \delta)$$

TFP: Total factor productivity

GDP: Gross Domestic Product

L: Number of workers *of the total economy*

K: Value of Fixed Capital Stock *of the total economy*

IC: Intermediate Consumption *of the total economy*

$\alpha$ : Share of labour in total economy production

$\beta$ : Share of capital in total economy production

$\delta$ : Share of Intermediate Consumption in total economy production

**K: Energy productivity index based on output value and the amount of energy consumption at the aggregate level of the economy.**

$$\text{Energy Productivity} = \frac{\text{Output value}}{\text{amount of energy consumption of the total economy}}$$

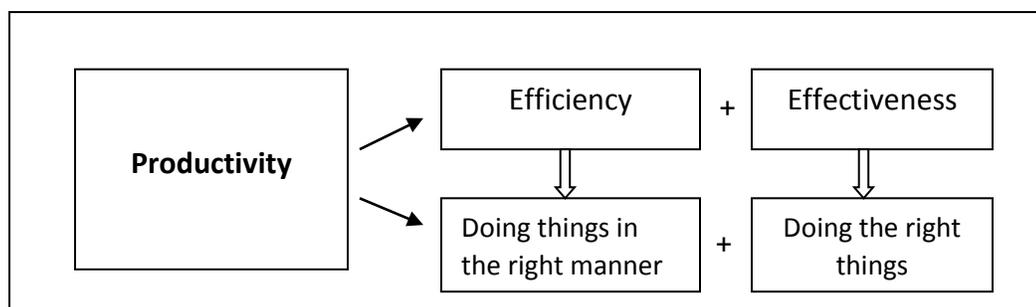
**L: Water productivity index based on output value and the amount of water consumption at the aggregate level of the economy.**

$$\text{Water Productivity} = \frac{\text{Output value}}{\text{amount of water consumption of the total economy}}$$

#### 4- Identity Principles & Values of the Country Productivity Management System

Productivity defined, in simple words, as the ratio of a volume measure of output to a volume measure of input. Also, In a more precise definition, productivity is the combination of efficiency and effectiveness, which is in fact a combination of “doing things in the right manner” and “doing the right things”, which is accepted by many international organizations including the Asian Productivity Organization.

The factors comprising productivity



Principles and values speak of the obligations governing the productivity management system of the country. Each of these necessities are basis for formulation of strategies and policies toward promotion of productivity. The following are the principles and values governing the productivity management system of the country:

A: Sustainable Development

B: Establishment of Justice

C: Development of Entrepreneurship

D: Economic Growth

E: Social Development

F: Research centeredness

G: Innovation

H: Competitiveness

I: Dynamic and Sustainable Private Sector

J: Stabilization (Consistency in maintaining) of the Consumer Purchasing Power in the Society

#### **5- Statement of the mission of the productivity management system of the country**

Referring to the principles and values of the productivity management system of the country, the statement of the mission of the system is:

Realization of the principles and values of the productivity management system of the country and reaching the optimal share of productivity in economic growth and sustainable development.

#### **6- Statement of the ideal vision of the productivity management system of the country**

With regard to the defined mission, the ideal vision of the productivity management system of the country is:

Evolution of a dynamic and sustainable system of productivity management at all levels of economic activities and persons to reach the highest effect of productivity on the economic growth of the country.

#### **7- Goals of the productivity management system of the country**

Relying upon the statements of the mission and ideal vision of the productivity management system of the country, the main goal of the plan is:

Dynamic and sustainable promotion of productivity in the national economy.

Subsidiary goals consist of the following:

A: Promotion of productivity in the country throughout the process of production to consumption in all economically active units and persons with emphasis on a share of one third<sup>3</sup> for productivity in the economic growth of the country.

B: Enhancing the national knowledge, culture and confidence in the importance of productivity, in order to maintain continuity in productivity growth.

C: Identification of productivity components at all levels in order to reach the productivity management pattern.

D: Public access to all statistics and information of productivity extensively and at all levels of economic activities and persons.

E: Assurance of keeping productivity in the optimum path.

F: Making productivity knowledge-based and localizing the knowledge of productivity growth at all levels and fields in order to expand the presence of productivity in life and society and increase the share of knowledge-based productivity in productivity growth.

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<sup>3</sup> When the economic growth is less than the expected 8%, in the National Comprehensive Master Plan of Productivity, which considers the 10-year time horizon, and the jump of productivity, at least 3 unit percent of economic growth must be obtained through productivity growth.

G: Clarification of productivity status at all levels of economic activities and persons through recognition of status and domestic and international comparison and evaluation, in order to enhance the culture of productivity and familiarize the society with its importance.

Based on the goals of country's upstream documents regarding the productivity, the quantitative goals of productivity growth in the country are explained as follows:

	<b>Plan Title</b>	<b>Quantitative Goal (%)<sup>*</sup></b>
1	Growth of Total Factor Productivity Index <sup>†</sup>	2.7
2	Share of productivity index growth in the economic growth	33.3

\* It is noteworthy that the quantitative goals mentioned in the table above do not only address the remaining years of the Fifth Five-year National Development Plan, but also target the long-term 10-year horizon.

## 8- Strategic Orientation of the Productivity Management System of the Country

With regard to the standing of the General Policies of Economic Resilience, in which productivity and knowledge centeredness are alongside each other and the cooperation of all people in economic activities is considered, and also considering the General Policies of the 44<sup>th</sup> Principle of the Constitution which assumes the constructive presence of the private and cooperative sector in the national economy as a factor of economic growth, the strategic orientations of the plan are the following:

A: Development of productivity based on sustainable development

B: Promotion of knowledge-based productivity

C: Promotion of productivity in the public sector

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<sup>4</sup> When the economic growth is less than the expected 8%, in the National Comprehensive Master Plan of Productivity, which considers the 10-year time horizon, and the jump of productivity, at least 3 unit percent of economic growth must be obtained through productivity growth.

D: Promotion of productivity in the non-governmental sectors (private and cooperative)

E: Strengthening the standing of the organization

#### 9- **Strategies for Promotion of National Productivity**

Based on the abovementioned strategic orientations, a series of strategies have been proposed as follows:

A: Strategies for dissemination of productivity based on sustainable development:

- 1- Prioritizing the productivity based on competitiveness in economic activities.
- 2- Extensive growth of the green productivity
- 3- Strengthening the science and innovation pillars within the framework of sustainable development
- 4- Development of the activities with the highest levels of productivity
- 5- Increasing the share of Decent Work within the framework of sustainable development

B: Strategies for promotion of knowledge-based productivity:

- 1- Identifying the knowledge resources in all economic activities; especially in the activities with low levels of technical knowledge
- 2- Strengthening the bond among knowledge resources in various activities with the aim of forming an inter-connected web of knowledge as the foundation of development.
- 3- Forming an infrastructural inter-connected knowledge-based system required for various economic activities.
- 4- Promotion of the share of knowledge-based productivity in all economic activities and active units.
- 5- Formulation of pattern and mechanism of transfer and localization of knowledge from active to activity in the field of productivity.

C: Strategies associated with the promotion of productivity in the public sector:

- 1- Prioritizing the productivity in the activities of public sector
- 2- Organizing the activities of the public sector toward promotion of productivity in the results of activities and improvement of performance efficiency

- 3- Forming a system of productivity improvement continuity in the activities of the public sector based on the relevant indices
- 4- Improving the productivity and consumption standards in the public sector

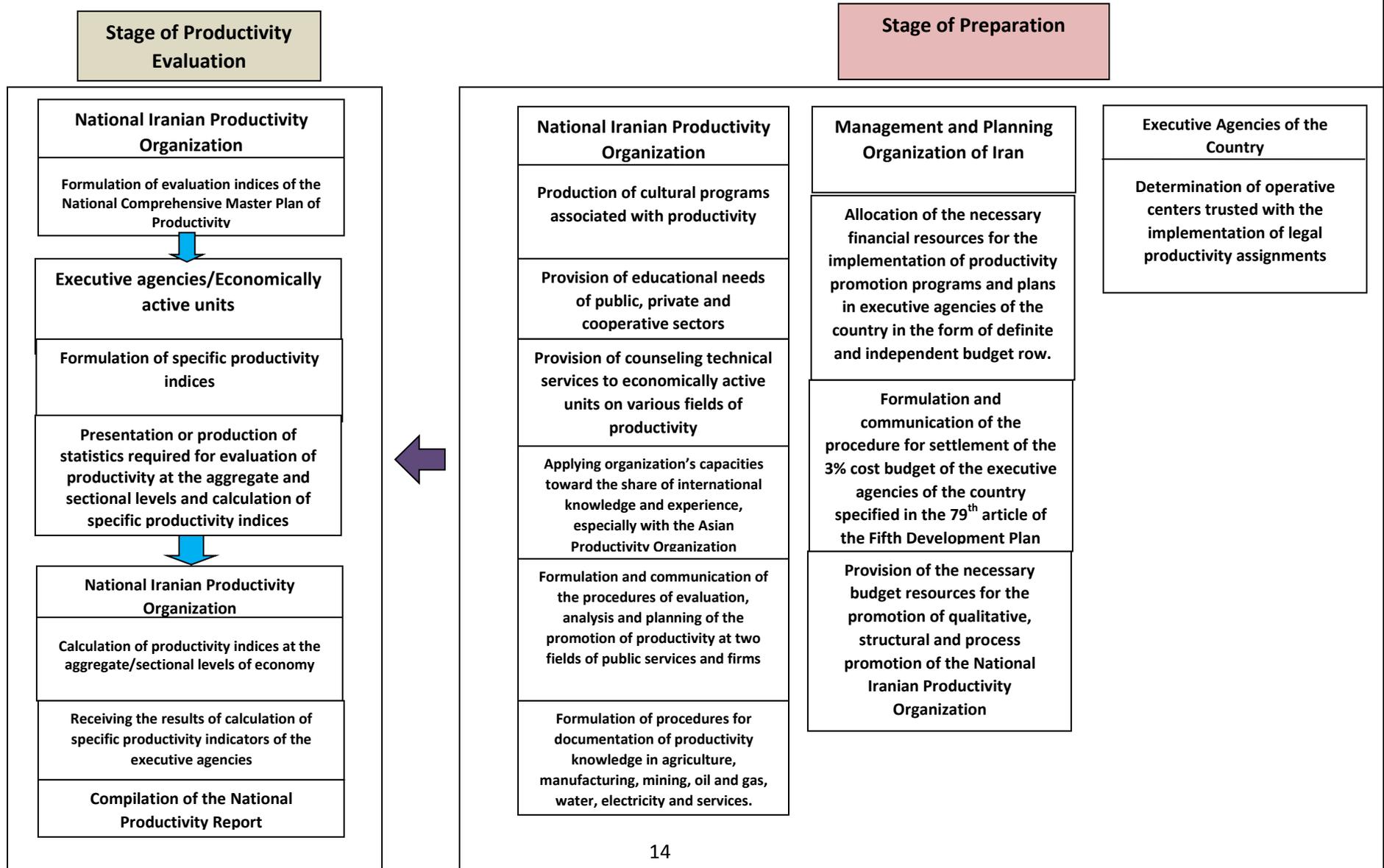
D: Strategies associated with the promotion of productivity in the non-governmental sectors (private and cooperative):

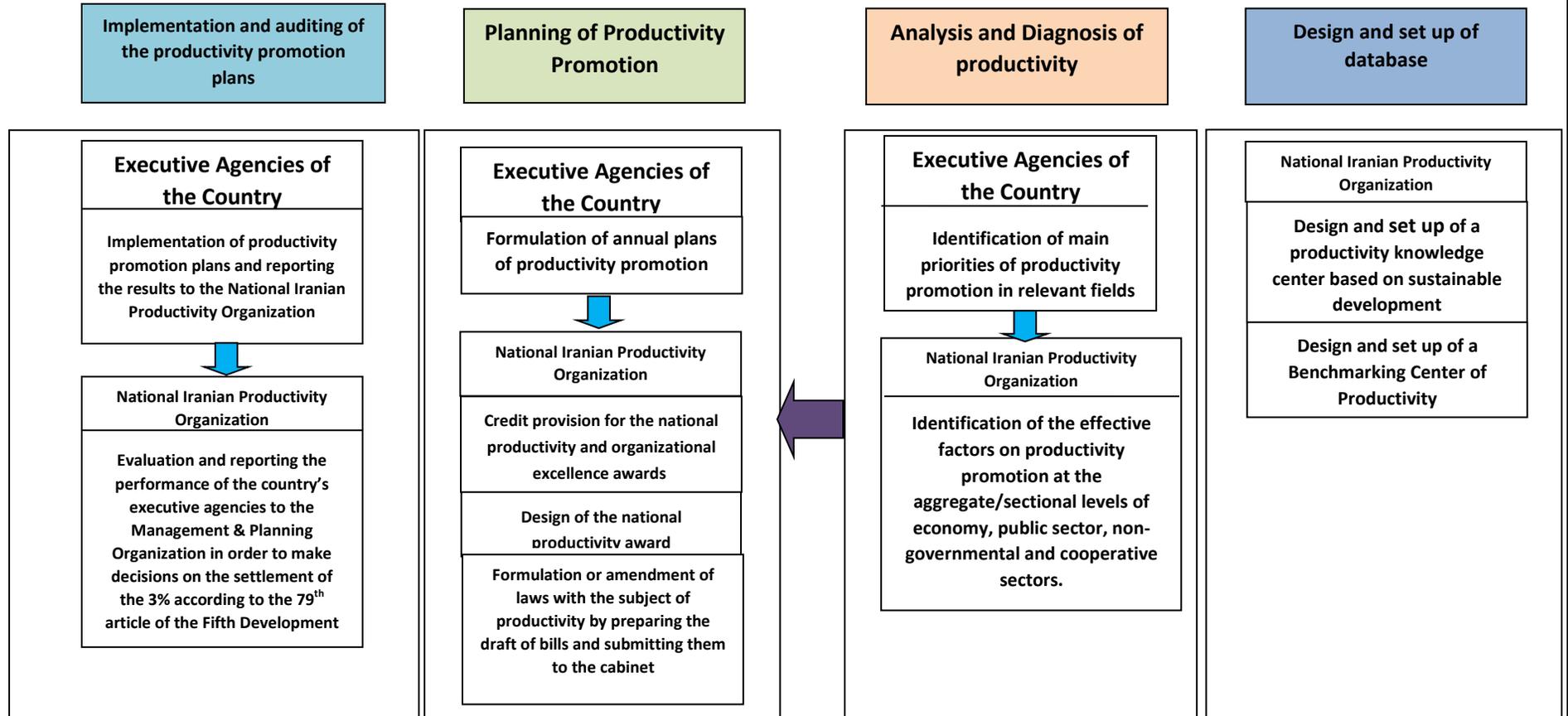
- 1- Improving consumption standards and promotion of consumption productivity in private and cooperative sectors.
- 2- Emphasizing on the activities encouraging the enhancement of capacity and capabilities of the private and cooperative sectors with the attitude of value chain.

E: Strategies for strengthening the standing of the organization:

- 1- Enhancing the operational efficiency and the effectiveness of the organization in the implementation of the National Comprehensive Master Plan of Productivity.
- 2- Extending cooperation with economically active units, including agencies, organizations, branches and firms at all levels of activity in the country.
- 3- Strengthening the fundamentals of the knowledge of productivity in the national economy.
- 4- Cooperation with similar organizations at international and regional levels in order to promote the level of productivity in the national economy.
- 5- Contribution to the continuous enhancement of productivity in economic activities and active units by using the productivity selected patterns through local mechanisms.
- 6- Management of motivational tools to improve productivity in economic activities and active units of the country.

10- Process Organization of the National Comprehensive Master Plan of Productivity





## 11- Executive actions

Based on the strategic orientations, formulated strategies and the main challenges of the country's productivity organization, the executive action list is the following:

A: In the implementation of the 5<sup>th</sup> article of the Executive Bylaw of 79<sup>th</sup> article of the Fifth five-year National Development Plan – formulated in 1389 -, as of the communication date of this plan, executive agencies are required to implement the Manual for the Trustees of Productivity of Executive Agencies, formulated by the National Iranian Productivity Organization, after determination of operational fields trusted with the implementation of the legal assignments of productivity.

B: The organization must take necessary measures in cooperation with The Islamic Republic of Iran Broadcasting and other executive agencies to promote the productivity culture.

C: The Management and Planning Organization of Iran must formulate and include the necessary budget resources for the implementation of plans and programs of productivity promotion in executive agencies, in the form of a pre-defined and independent budget row in annual budgets.

D: The organization must formulate the procedures for evaluation, analysis and planning of productivity promotion in two areas of public services and firms through cooperating with executive agencies within 3 months of the communication of this plan.

E: Executive agencies must formulate their specific productivity indices within 6 months after receiving the procedures from the National Iranian Productivity Organization. The organization, after compilation, evaluate and auditing the results of productivity calculation from agencies, will formulate them in the Annual Report of National Productivity to be presented to the National Management and Planning Organization.

F: The organization must calculate the indices of national economy and its four sections in the form of labour, capital, energy, water and total factor productivity and formulate them in the annual productivity report as of 1394, consistently and through continuous cooperation with the Statistical Center of Iran as well as other statistical agencies of the country.

G: As of the communication date of this plan, the organization must identify the productivity-related educational needs of public, private and cooperative sectors, make provisions through legal educational, and research governmental and non-governmental institutions with the help of executive agencies. The management and Planning Organization is required to cooperate with the organization to include the necessary educational courses on productivity for the government employees in the educational system of government employees.

H: As of the communication date of this plan, the organization must provide the economically active units, especially in public services and firms, with technical and counseling services in various fields of productivity.

I: Statistical Center of Iran, Central Bank of Iran and other executive agencies are required to present or produce the necessary statistical information for the evaluation of productivity to the organization based on its needs.

J: Executive agencies must identify the major priorities of productivity promotion in their fields and prepare and present to the organization their annual plans for productivity promotion with the cooperation and based on the procedures of the organization. Executive agencies are required to report the results of the plans to the organization on annual basis.

K: Based on the 79<sup>th</sup> article of the Fifth five-year National Development Plan, as of the communication date of this plan, the Management and Planning organization of Iran is required to cooperate with the organization to formulate and communicate the procedure for settlement of the 3% cost budget to the agencies specified in the Fifth five-year National Development Plan for their productivity promotion activities.

L: The organization must take the necessary measures toward the promotion of productivity management system at provincial level and make provisions for its implementation through continuous cooperation with provincial management & planning organizations.

M: As of the communication date of this plan, in order to increase the awareness and knowledge in executive agencies and economically active units, the organization must use its

full capacity to share knowledge and experience internationally, especially with the Asian Productivity Organization.

N: The organization must formulate the plans for the promotion of productivity in the form of the following table, through cooperation with relevant agencies within a year of the communication of this plan, and seek approval of the council of ministers.

	<b>Plan Title</b>	<b>Cooperative Agency</b>
1	Promotion of Green Productivity	Department of the Environment, Ministries of Oil, Energy, Industry, Mine and Trade, Agriculture Jihad and other relevant executive agencies
2	Promotion of Productivity in the Administrative System of the Country	Management & Planning Organization of Iran
3	Promotion of Energy Productivity	Ministry of Oil, Energy, Industry, Mine and Trade, Defense and Armed Forces Logistics, Department of the Environment and other relevant executive agencies.
4	Promotion of Productivity based on competitiveness and innovation within the framework of sustainable development	Ministry of Science, Research & Technology, Agriculture Jihad, Economic Affairs and Finance, Labor and social welfare, Presidential Deputy of Science & Technology, Department of the environment, and other relevant executive agencies.
5	Promotion of Water Productivity	Ministry of Energy, Agriculture Jihad, Industry, Mine and Trade, Department of the environment other relevant executive agencies.
6	Promotion of Productivity in country's educational organization and its role in Productivity Promotion of production factors.	Ministry of Science, Research & Technology, Education, Sanitation and Health, Labor and social welfare and other relevant executive agencies.
7	Promotion of Productivity in the country's planning and budgeting system	Management & Planning Organization, Ministry of Economic Affairs and Finance, Presidential Deputy of Parliament Affairs, and other relevant executive agencies.

O: In order to facilitate the process of productivity promotion and removal of legal barriers, the organization is required to assess the rules and regulations associated with the goals of this plan, and through cooperation with relevant executive agencies, formulate an amendment proposal, and present to the relevant references for approval.

P: The Management and Planning Organization must present the report of implementation of the National Comprehensive Master Plan of productivity to the council of ministers annually.

Q: Implementation of this plan in armed forces is subject to considerations of the Supreme Leadership.