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Calculating the Ease of Doing Business Index for Anzali Free Zone in Comparison with Iran's position

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ABSTRACT

The purpose of this study is to calculate the ease of doing business in Anzali Free Zone by using the World Bank method and compare it with the situation in Iran in 2019. The ease of doing business is calculated based on 10 indicators, demonstrating that the Anzali Free Zone is ranked 93rd in 2019, better than the country (128). Anzali Free Zone outdoes Iran in 5 out of 10 indicators of doing business index, including starting a business, dealing with construction permits, getting electricity, paying taxes and trading across borders. Anzali Free Zone and Iran, however, have similar situations in five other indicators including registering property, getting credit, protecting minority investors, enforcing contracts and resolving insolvency. The best situation of Anzali Free Zone is registered for the indicators of dealing with construction permits and starting a business with the ranks of 14 and 21, respectively. One of the reasons for the better ranking of these two indicators is the concentration of the concerned processes at one point in Anzali Free Zone. In order to improve the ease of doing business index in Iran and the Anzali free zone, the relevant rules should be reviewed in order to achieve the goal of creating free zones.

1. Introduction

Ease of doing business index is determined to capture the appropriateness of a country for engaging in economic and business activities. The improvement of a business environment is recognized as a crucial measure

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for further developing the level of investment, production and employment within a country as well as contributing to the national economic growth by laying the ground for a competitive environment and the effective involvement of the private sector (The Center of Monitoring and Improving the Business Environment, 2015). Since 2004, The World Bank has employed this index to evaluate the economic performance of countries. Investigating the ease of doing business report released by The World Bank reveals that Iran, despite a total increase in its score, experienced a decline in its ranking among all countries in 2019 as other countries reported a highly significant promotion in their business regulations. This demotion has occurred despite the fact that Iran, according to the sixth development plan, is anticipated to attain a rank below 70 at the end of the plan. According to clause 1 of article 22, this plan requires the Iranian government to amend the given laws, regulations and procedures to not only guarantee a safe, easy and transparent business environment by the end of the fourth year since the commencement of the plan, but also promote Iran to the third rank among 25 countries in the Middle East with respect to two indices of international competitiveness and international indices of ownership rights. To this end, 25 percent of the plan is predicted to be achieved annually, so that Iran is able to document a ten-level promotion in the business index, ranking lower than seventieth before the end of the plan. Every year, in September and March, the Ministry of Economic Affairs and Finance is required to present the Iranian parliament with a documented report on the extent to which the approved plan is implemented. In November 2013, the Iranian government informally launched an office entitled “The Center of Monitoring and Improving the Business Environment” to deliver appropriate information to international organizations and take modification measures to improve the business environment. Afterwards, in May 2014, this office was formally registered as the fifth office in the Ministry of Economic Affairs and Finance. After being departed from the monetary and banking section, the office of article 44 of the Iranian Constitution was added to the deputy of economic affairs, and then was renamed as “The Center of Monitoring and

Improving the Business Environment and the supreme council office of implementing the general policies of article 44". This office managed to document an optimum performance from 2014 to 2016 by rectifying the mistakes made in the documents in the previous years, and promote Iran's position given the mentioned index. Since 2016, however, thanks to the lack of significant reforms in its business environment, Iran witnessed a new jump in its rank and reached the 128th level in 2019. In the report released in 2020, Iran ranked 127 among 190 countries. Taking the perspective document into account, Iran experienced a decline in its rank compared to the previous year and followed Pakistan in the list. It is noteworthy that experiencing a leap of 30 units in the ranking (from 62 to 92) rendered Saudi Arabia famous as the pioneer country in making reforms in the 2020 report published by The World Bank (The Center of Monitoring and Improving the Business Environment, 2019).

Ease of doing business index involves 10 indicators including: 1. Starting a Business, 2. Dealing with Construction Permits, 3. Getting Electricity, 4. Registering Property, 5. Getting Credit, 6. Protecting Minority Investors, 7. Paying Taxes, 8. Trading across Borders, 9. Enforcing Contracts, 10. Resolving Insolvency. Each indicator is quantified on a scale of 0-100 so that the sample countries fall within the continuum with respect to their performance in the given indicator. According to the 2019 report, Iran demonstrated significant improvements in its score from 56.22 in 2017 to 56.64 and 56.98 in 2018 and 2019, respectively. Despite documenting remarkable growth in its score, however, Iran experienced slow-paced implementation of modifications relative to other countries, such that it was demoted 4 ranks from 124 in 2018 to 128 in 2019. The rank of Iran among 190 countries is tabulated for each indicator as follows:

Table 1. Iran's ranking in the ease of doing business indicators

| Title | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Rank | 132 | 119 | 117 | 120 | 124 | 128 | 127 |
| Starting a Business | 70 | 82 | 97 | 102 | 97 | 173 | 178 |
| Dealing with Construction Permits | 161 | 98 | 27 | 27 | 25 | 86 | 73 |
| Getting Electricity | 119 | 94 | 90 | 94 | 99 | 108 | 113 |
| Registering Property | 159 | 89 | 85 | 86 | 87 | 90 | 70 |
| Getting Credit | 86 | 90 | 97 | 101 | 90 | 99 | 104 |
| Protecting Minority Investors | 143 | 149 | 166 | 165 | 170 | 173 | 128 |
| Paying Taxes | 118 | 122 | 99 | 100 | 150 | 149 | 144 |
| Trading across Borders | 135 | 166 | 171 | 170 | 166 | 121 | 123 |
| Enforcing Contracts | 67 | 62 | 69 | 70 | 80 | 89 | 90 |
| Resolving Insolvency | 137 | 137 | 155 | 156 | 160 | 131 | 133 |

One of the economic policies which has come to the attention of decision makers and policy makers with the aim of increasing national economy competitiveness, joining global economy, fostering regional development, eradicating deprivation, attracting external and internal investment, creating new job openings, achieving sophisticated technology and increasing the export volume is establishment of Trade-Industrial Free Zones. Nevertheless, it is worth noting that the realization of economic policies would not be possible unless performance appraisal and necessary reforms are undertaken. To put it differently, the appropriate selection of goals, the optimal designing of procedures and the adoption of suitable policies and strategies would not result in a clear vision if proper performance is not observed and significant feedbacks are not obtained.

Iran consists of seven Trade-Industrial Free Zones including Anzali, Qeshm, Kish, Chabahar, Aras, Arvand, and Mako. Anzali Trade-Industrial Free Zone is not the only free zone located in the southern Caspian Sea, but also, due to its location on the north-south transport corridor (NOSTRAC), an appropriate place where goods are warehoused and transited. This corridor connects Helsinki harbor in the northern Europe to the harbors

situated in the northern and southern shores of Caspian Sea, those around Persian Gulf and the countries in south-eastern Asia via Russia. Accordingly, connection to the harbors in northern and southern Europe through Volga River, proximity to Astrakhan and Logan harbors in Russia, Krasnovodsk harbor in Turkmenistan, Aktau harbor in Kazakhstan, and Baku in Azerbaijan as well as the existence of appropriate roads to the internal regions of Russia, Middle East and Caucasus are amongst the most important advantages of Anzali Trade-Industrial Free Zone. Is the ease of doing business in the Anzali Free Zone appropriate for these capacities to become a reality? Is it expected that the conditions will be created for the realization of the capacities of the free zones?

One of the questions raised on the nature of free zones is to what extent the legal points dedicated to such zones result in the improvement of ease of doing business in comparison with the original area? Could the creation of Anzali free zone be effective in improving the ease of doing business? Which of the indicators of ease of doing business in Anzali Free Zone is different from the mainland? The present study is concerned with measuring the ease of doing business index and its indicators in Anzali Trade-Industrial Free Zone and comparing it with the national condition in 2019. Employing a field and an interview methodology, the ongoing research collects the required data through interviewing the experts working in Anzali free zone and customs, and various economic activists in the domain of export and import. The zone is scored and ranked using the method employed by The World Bank in the 2019 report.

The study consists of various sections. Having presented a brief introduction to the major points at issue, it continues to make a review of the related literature in section two. The Section three deals with the research methodology. In section four, the indicators of ease of doing business in Anzali free zone are computed and compared with the national conditions. Section five is dedicated to the conclusion.

2. Literature Review

A free trade zone (FTZ) refers to an area where goods may be landed, handled, manufactured, or reconfigured, and then re-exported without the intervention of customs authorities. In the zones, multiple institutional incentives such as free movement of goods and people and preferential taxation are provided. Since the 1980s, countries such as the United States and Brazil have established FTZs, which are conducive to attract foreign direct investment (FDI), and greatly promote trade development. The Chinese government has always been committed to deepening reform and opening wider to the outside world (Ma et al. 2021). Free trade zones have a freer business environment, lower taxes and tariffs. This situation encourages investment and it increases the ease of doing business. Foreign investors enter free trade zones based on a safer and better investment environment. They then promote the technology and quality of domestic enterprises, which can lead to more exports. Special economic zones can put other parts of the country on a higher development path (Moberg, 2015).

A historical review of the economic revolutions taking place after the Second World War reveals that foreign business can contribute to the development of economy. With the advent of technology, this issue is place a particular importance in today's economic world. As no country is indeed capable of manufacturing all ranges of products for all people, global trade is believed to be the inevitable component of development. Taking it for granted, free zone is one of the major ways to expand foreign business (Rahbar et al, 2014). Export development strategy, which is a major milestone of free zones, aims at allocating resources to develop quality and efficiency (Karimi Kia and Moghaddam, 2012). Exogenous and export-oriented growth, on the other hand, leads to a further growth in "Total Factor Productivity". Miraskari and Masumi (2015) seek to analyze the secrets of success and prosperity in Chinese free zones to promote the efficiency and role of Trade-Industrial Free Zones in the development of the national economy. Iranian free zones in general, and Anzali Trade-Industrial Free

Zone in particular, enjoy appropriate conditions thanks to their natural, demographic and geographic conditions. A closer look at the data gleaned from China indicates that proper regulatory performance like tax and custom regulations, the development of facilities and infrastructures, the expansion of industrial clusters and the application of economic policy lay the ground for the success of free zones in generating opportunities for decent employment and economic development.

In terms of institutional economics, special economic zones are a top-down experience at the national level, but they are based on regional action. Free trade zones are a tool for achieving policy goals within a national and institutional framework and are the result of the transition of global politics and domestic institutional reforms (Hartwell, 2019). Free trade zones in China have been a successful experience, but not so successful in India. Local and regional policies in the form of free trade zones will lead to an increase in exports and developmental spillovers if the necessary practical conditions are provided (Alkon, 2018). Wu et al. (2020) find that Export Processing Zones (EPZs) improve the performance of surrounding firms near the zone, with the impact being larger for firms in the pillar industries that the EPZs particularly favor. They also find that the magnitude of spillovers depends on the distance between a firm and the nearest EPZ: pillar-industry firms can receive higher premium by locating close to an EPZ, and this impact is the opposite for non-pillar industry firms. They examine the potential heterogeneous effects and find that the spillover effects are bigger for larger EPZs and EPZs designed to promote high-tech industries. They also find that domestic firms benefit more from the EPZ policy compared to their foreign counterparts.

The report on Ease of Doing Business 2019 highlights the fact that an economy fails to grow without a healthy private sector. The prosperity of local business is enough to catalyze the rate of employment and income, which can be spent for investment purposes. Any rational government would place a substantial emphasis on the economic welfare and development, and

thereby paying a particular attention to the rules and regulations influencing SMEs. Business-influencing regulations pave the way for SMEs to foster their growth, improve their innovations and, if necessary, move from informal section to the formal section of economy. According to Ruiz et al (2018), making investment decisions may require the choice of an appropriate geographical setting where major investment is determined to be made. Examples of the factors influencing the decision-making process include business atmosphere, human capital, political stability and macroeconomic variables. Doshi et al (2016) claim that the improvement of Global Performance Index (GPI), especially in case of ranking countries against each other, tend to form governments', investors', Bureaucrats' and voters' decisions. The World Bank's attempt to measure and declare the ease of doing business index exerts a significant effect on global monitoring policies. They explain how the World Bank's ranking system influences policies via bureaucratic, national and international channels. Having employed experimental data, they propound the view that countries exhibit a reaction to the general ranking by making strategic reforms to improve their rank. The results of a poll conducted with a sample of Indian investors reveal that the ease of doing business index affects the investors' perception of investment opportunities. The qualitative evidence obtained from India's attempt to improve the business environment confirms how these mechanisms constitute the second emerging market in the world.

Hamplovia and Provaznkova (2013) investigate the business environment in Czechia and compare it with that of other countries in the European Union. The main question raised here is why the Czechian business environment fails to obtain a proper position among European countries. The required data is gathered from the report released by The World Bank on the ease of doing business and then descriptively analyzed. The results indicate that Czechia fails to provide business activists with quality services including getting electricity permits, starting a business, and paying tax. Alves and Oliveira (2012) provide ample support for the assertion that the

importance of an ease of doing business report rests on its theoretical logic and widespread applicability. Independent Evaluation Group (2008) undertakes a confirmatory project on the underpinnings, transparency and information resources of the ease of doing business index. In a list of studies, Djankov et al (2002, 2003, and 2008) and Djankov (2009) prove the compliance of business environment indices with the theoretical basics of foreign investment.

Nystrom (2010) carries out a scrutiny on the mutual effects of business rules and regulations and entrepreneurship activities on each other. After studying the panel data of 23 countries affiliated with Organization for Economic Co-operation and Development, he asserts that increased entrepreneurship and running start-ups are significantly correlated with the efficiency of business regulations.

The Iranian studies conducted on the ease of doing business index can be classified into two groups regarding the type of indicators they take into account. Miraskari et al. (2019) address the effect of macroeconomic variables on the insolvency risk of Iranian banks. They reveal that rise of GDP and inflation exerts a direct and significant impact on the distress risk of Iranian banks. Fixed assets and confiscated collateral, liquidity, oil export revenue, and tax income have an inversed effect on the distress risk of Iranian banks.

In a study entitled “The comparative evaluation of the business environment in Markazi province and that of other provinces in Iran”, Khaki et al (2018) conduct 21 periods of national survey on the business environment of Markazi province and other Iranian provinces during the years 2011-2016 and document that the majority of the provinces does not provide an appropriate business environment where government can distribute adequate financial support among economic entities across the provinces. Despite its spot among the provinces with substantially improved business environment, Markazi province suffers from impeding factors influencing business in the final seasons of the period. Nakhaei et al (2015)

study the effect of professional regulations, credit and business on the economic growth of some developing and developed countries over the period 2000-2012. Having employed panel data within an endogenic growth model, they illustrate that, with particular emphasis on the role of labor market regulations, improved professional regulations, credit and business positively and significantly influence the economic growth of all sample countries, especially the developed ones.

Ghafarpour et al. (2014) aim at examining the business environment in Markazi province according to the World Bank's business model. In the pursuit of this goal, they use a questionnaire as well as experts' and activists' views, and eventually report an inappropriate condition of the World Bank's indices in Markazi province. This province, nevertheless, exhibits more optimum conditions than the national average in such indices as the time to obtain construction permits and ease of paying tax. Bakhtiari and Shayesteh (2012) scrutinize how an improved business environment influences the economic growth of certain countries including Iran from 2005 to 2011. Their findings underscore the significantly positive effect of an improved business environment on the economic growth of the studied countries.

Shahnazi and Dehghan shabani (2011) investigate the effect of the World Bank's business environment indices on the economic growth of 68 countries based on an endogenic growth model during the years 2003-2006. The results of analyzing the panel data uncover the fact that seven subcategories including closing a business, registering property, paying taxes, foreign business index, enforcing contracts, labor recruitment or dismissal and launching a new business impose a negative effect on the economic growth of the countries. Moreover, the computed ratios of three indicators like the regulations of getting permits, getting credit and protecting investors show a kind of incompliance with the theoretical expectations. In a study entitled "the business environment index and its effect on the private investment in Iran", Arab mazar and Ahmadian (2010) are involved in examining the global indices of business environment with

the aim of identifying a proper index for the Iranian business environment with respect to the major economic factors. The results of estimating the function of private investment regarding the aforementioned index indicate that improving business environment tends to result in an increase in the volume of private investment in Iran.

3. Computing major indicators of ease of doing business index

The ongoing research sets out to measure the ease of doing business index in Anzali Trade-Industrial Free Zone and then compare the obtained results on the national scale in 2019. In doing so, the necessary data is collected through interviewing the experts working in Anzali free zone and customs, and various export and import activists. The zone is scored and ranked using the method employed by The World Bank in the 2019 report, which contains information relating to the ease of doing business index of the capitals of the sample countries. The World Bank resorts to the information collected from Tehran city to evaluate the ease of doing business index in Iran. In this study, however, the information gathered from Anzali free zone is incorporated to calculate the ease of doing business index and its related indicators in the city, resulting in the ranking of the free zone and the original territory (Iran). The ease of doing business indicators encompass certain legal processes, the implementation of which demands considerable time and money. The figures concerning the number of processes, their time and cost and other indicator-specific procedures are combined to compute the score of each indicator. As a result, the combination of the scores would yield the distance to frontier score. The score of each indicator as well as the distance to frontier score fall within the range of 0-100. The rank of countries or region is determined based on their distance to frontier score. Indeed, computing the ease of doing business score of each economy involves two phases. In the first phase, each of the 41 components is normalized to a common unit using the following linear transformation.

$$IndexedY = \frac{|WorstY - Y|}{|WorstY - BestY|} \quad (1)$$

Where, *WorstY* points to the worst performance, whereas *BestY* indicates the best performance for an indicator. *IndexedY* takes a value between 0 (the worst performance) and 1 (the best performance). The highest score suggests the best regulatory performance for an indicator. In the second phase, the scores obtained for indicators for individual countries are aggregated into one score through simple averaging. The simple averaging method thus gives equal weight to the indicators and their contained components. According to Table 2 which is based on the report released by The World Bank in 2019, Iran ranks 173rd among 190 countries given the indicator of starting a business. Although the mentioned calculation is run in a national scale and based on Tehran city, the capital, Anzali free zone ranks 21st in the same indicator. The number of processes and the time to start a business in Anzali free zone are considerably low. One of the reasons why the resulting ranks are different arises from the concentration of the processes in a six-story building in Anzali free zone.

Table 2. The components included in the indicator of *starting a business* in Iran and Anzali Free Zone in 2019

| Components | Iran | Anzali Free Zone |
|--------------------------------------------------------------------------|-------|------------------|
| Rank | 173 | 21 |
| distance to frontier score (0-100) | 67.79 | 94.4 |
| the number of legal Procedures to start a business | 10.5 | 4 |
| time to start a business (number of days) | 72.5 | 4 |
| the average cost of starting a business (% of per capita income) | 1.2 | 1.6 |
| Minimum Capital required to start a business (% of per capita income) | 0.0 | 1.7 |

As tabulated in table 3, Iran ranks 86th among 190 countries regarding the indicator of dealing with construction permits, while the rank of Anzali free zone is reported at 14 as it exhibits a better performance in three indicators of legal procedures, time to get permits and the average cost of getting permits relative to Iran.

Table 3. The components included in the indicator of *dealing with construction permits* in Iran and Anzali Free Zone in 2019

| Components | Iran | Anzali Free Zone |
|----------------------------------------------------------------------------|-------|------------------|
| Rank | 86 | 14 |
| distance to frontier score (0-100) | 69.11 | 83.13 |
| the number of legal Procedures to get construction permits | 16 | 12 |
| time to get construction permits (number of days) | 160 | 70.5 |
| the average cost to getting construction permits (% of warehouse value) | 6.6 | 2 |
| Building quality control index (0-15) | 12.5 | 12.5 |

As indicated in table 4, Iran ranks 108th among 190 countries considering the indicator of getting electricity. Given the information elicited from experts working in Anzali free zone, the number of procedures and the time to get electricity permit within Anzali free zone lasts as long as that of Iran, though its cost in Anzali is 18 percent of the cost required to be paid in Tehran, making Anzali rank 99th in 2019.

Table 4. The components included in the indicator of *getting electricity* in Iran and Anzali Free Zone in 2019

| Components | Iran | Anzali Free Zone |
|---------------------------------------------------------------------|-------|------------------|
| Rank | 108 | 99 |
| Distance to frontier score (0-100) | 68.86 | 71.12 |
| The number of legal Procedures to get electricity | 6 | 6 |
| Time to get electricity (number of days) | 77 | 77 |
| The average cost of getting electricity (% of per capita income) | 923.1 | 191.7 |
| Reliability of supply and transparency of tariffs index (0–8) | 5 | 5 |

Table 5 reveals that Iran documents a rank of 90 out of 190 countries considering the indicator of registering property. Thanks to the data gleaned from experts working in Anzali free zone, the number of procedures and the time and cost to register property within Anzali free zone are defined the same as those of Iran. Real Estate Registration Organization of Iran, Iranian National Tax Administration, Social Security Organization, Iranian Cartographic Center, and Judicial System of Iran not only have legitimate authority to register property, but also play a more determining role in improving the ranking in the given indicator than Anzali free zone.

Table 5. The components included in the indicator of *registering property* in Iran and Anzali Free Zone in 2019

| Components | Iran | Anzali Free Zone |
|----------------------------------------------------------------------|-------------|-------------------------|
| Rank | 90 | 90 |
| Distance to frontier score (0-100) | 63.98 | 63.98 |
| The number of legal Procedures to register property | 6 | 6 |
| Time to register property (number of days) | 31 | 31 |
| The average cost of registering property (% of Per capita income) | 5.7 | 5.7 |
| Quality of land administration index (0–30) | 15 | 15 |

According to table 6, Iran ranks 99th among 190 countries considering the indicator of getting credits. No difference is observed between Anzali free zone and Iran with respect to getting credits, which is majorly governed by the Iranian Central bank.

Table 6. The components included in the indicator of *getting credits* in Iran and Anzali Free Zone in 2019

| Components | Iran | Anzali Free Zone |
|-----------------------------------------|------|------------------|
| Rank | 99 | 99 |
| Distance to frontier score (0-100) | 50 | 50 |
| Strength of legal rights index (0-12) | 2 | 2 |
| Depth of credit information index (0-8) | 8 | 8 |
| Credit bureau coverage (% of adults) | 58.3 | 58.3 |
| Credit registry coverage (% of adults) | 57.5 | 57.5 |

The indicator of protecting minority investors examines eight topics including information disclosure level, managerial responsibility level, shareholders' lawsuit, shareholders' rights, control and ownership level, corporate transparency level, regulations of conflict of interests and shareholders' governance level. As it is evident in table 7, Iran experiences a rank of 173 among 190 countries given the indicator of protecting minority investors. The analysis of the data gathered from the experts in Anzali free zone suggests that there is no significance difference in the performance of the given indicator between Anzali free zone and Iran. The Iranian Stock Exchange is majorly responsible for protecting minority investors. Parliament, moreover, plays a prominent role in the improvement of the indicator as major reforms require its approval.

Table 7. The components included in the indicator of *protecting minority investors* in Iran and Anzali Free Zone in 2019

| Components | Iran | Anzali Free Zone |
|-----------------------------------------------|-------|------------------|
| Rank | 173 | 173 |
| Distance to frontier score (0-100) | 33.33 | 33.33 |
| Extent of disclosure index (0-10) | 7 | 7 |
| Extent of director liability index (0-10) | 4 | 4 |
| Ease of shareholder suits index (0-10) | 1 | 1 |
| Extent of shareholder rights index (0-10) | 3 | 3 |
| Extent of ownership and control index (0-10) | 3 | 3 |
| Extent of corporate transparency index (0-10) | 2 | 2 |

As tabulated in table 8, Iran ranks 149th among 190 countries considering the ease of paying tax. In this regard, Anzali free zone outdoes Iran, ranking 112th, which arises from fewer frequency of tax payment, less time spent on payment and lower total tax rate in the zone.

Table 8. The components included in the indicator of *paying tax* in Iran and Anzali Free Zone in 2019

| Components | Iran | Anzali Free Zone |
|-----------------------------------------------|-------|------------------|
| Rank | 149 | 112 |
| Distance to frontier score (0-100) | 56.78 | 68.47 |
| Payments (number per year) | 20 | 14 |
| Time spent on payment (hour per year) | 216 | 151 |
| Total tax and contribution rate (% of profit) | 44.7 | 25.9 |
| Postfiling index (0–100) | 7.96 | 7.96 |

The indicator of trading across borders accounts for four different components including time to export, cost to export, time to import, and cost to import. Time to export and import consists of two parts, namely time for documentary compliance and time for border compliance. According to table 9, Iran's ranking in the indicator of trading across borders is recorded 121 out of 190 countries. Facilitating the export and import activities through promoting the international business department of Customs by The World Bank upgraded its rank from 166 in 2018 to 121 in 2019. Given this indicator, however, Anzali free zone ranked 87th. Time to export and import, and cost to import are less in Anzali than that of Iran.

Table 9. The components included in the indicator of *trading across borders* in Iran and Anzali Free Zone in 2019

| Components | Iran | Anzali Free Zone |
|------------------------------------|------|------------------|
| Rank | 121 | 87 |
| Distance to frontier score (0-100) | 66.2 | 75.51 |
| Time to export (hours) | 134 | 93 |

| Components | Iran | Anzali Free Zone |
|--------------------------------|------|------------------|
| Documentary compliance (hours) | 33 | 33 |
| Border compliance (hours) | 101 | 60 |
| Cost to export (US \$) | 475 | 475 |
| Documentary compliance (US \$) | 60 | 60 |
| Border compliance (US \$) | 415 | 415 |
| Time to import (hours) | 181 | 122.3 |
| Documentary compliance (hours) | 40 | 27 |
| Border compliance (hours) | 141 | 95.3 |
| Cost to import (US \$) | 750 | 193.6 |
| Documentary compliance (US \$) | 90 | 44.5 |
| Border compliance (US \$) | 660 | 149.1 |

Considering table 10, Iran ranks 89th among 190 countries given the indicator of enforcing contracts in 2019. The experts working in Anzali free zone are inclined to contend that Iran and Anzali free zone show identical behavior with respect to the mentioned indicator. The Judicial system of Iran and Ministry of Justice as well as the Iranian Parliament hold the responsibility to enforce contracts.

Table 10. The components included in the indicator of *enforcing contracts* in Iran and Anzali Free Zone in 2019

| Components | Iran | Anzali Free Zone |
|--------------------------------------------|-------|------------------|
| Rank | 89 | 89 |
| Distance to frontier score (0-100) | 58.21 | 58.21 |
| Time to spend (days) | 505 | 505 |
| Cost (% of claim value) | 19.3 | 19.3 |
| Quality of judicial processes index (0–18) | 5 | 5 |

According to table 11, the rank of Iran in the indicator of resolving insolvency is registered 131 out of 190 countries in 2019, illustrating a similar condition to that of Anzali free zone. The Judicial system of Iran and

Ministry of Justice as well as the Iranian Parliament assume the responsibility for resolving insolvency.

Table 11. The components included in the indicator of *resolving insolvency* in Iran and Anzali Free Zone in 2019

| Components | Iran | Anzali Free Zone |
|-----------------------------------------------|-------|------------------|
| Rank | 131 | 131 |
| Distance to frontier score (0-100) | 35.57 | 35.57 |
| Time to spend (years) | 1.5 | 1.5 |
| Cost (% of estate) | 15 | 15 |
| Recovery rate (cents on the dollar) | 37.1 | 37.1 |
| strength of insolvency framework index (0-16) | 5 | 5 |

Table 12 illustrates that Iran is promoted to the rank of 128 among 190 countries in 2019. The calculation of the ease of doing business in Anzali free zone reveals that it ranked 93rd given the index in the studied period.

Table 12. The ease of doing business index in Iran and Anzali Free Zone in 2019

| Components | Iran | Anzali Free Zone |
|------------------------------------|-------|------------------|
| Rank | 128 | 93 |
| Distance to frontier score (0-100) | 56.98 | 63.37 |

4. Conclusion

Computing the ease of doing business index suggests that Anzali free zone ranks 93rd with respect to the given index in 2019. Following the information collected from the experts working in the zone and Customs as well as those economic activists in the domain of export and import, Anzali free zone documents a more optimum situation in five indicators including starting a business, getting construction permits, getting electricity, ease of paying tax and trading across borders than Iran. The best rank of Anzali (=14) is reported for the indicator of getting construction permits. In addition, the most significant difference between Anzali's rank and that of Iran is

documented for the indicator of starting a business, such that the former ranked 21st, while the latter ranked 173rd. The primary cause of the difference in the ranks is attributable to the concentration of the processes taking place in a six-story building in Anzali.

Table 13. Comparing the ranks of Anzali Free Zone and Iran in the ease of doing business indicators in 2019

| Indicators | Iran | Anzali free zone | The situation of Anzali Free Zone in relation to Iran |
|-----------------------------------|------|------------------|-------------------------------------------------------|
| Total rank | 128 | 93 | Better |
| Starting a Business | 173 | 21 | Better |
| Dealing with Construction Permits | 86 | 14 | Better |
| Getting Electricity | 108 | 99 | Better |
| Registering Property | 90 | 90 | indifference |
| Getting Credit | 99 | 99 | indifference |
| Protecting Minority Investors | 173 | 173 | indifference |
| Paying Taxes | 149 | 112 | Better |
| Trading across Borders | 121 | 87 | Better |
| Enforcing Contracts | 89 | 89 | indifference |
| Resolving Insolvency | 131 | 131 | indifference |

An elaborate analysis of the ease of doing business index implies a significant drop in the rank of Iran across countries in 2019. This aggravation in the rank has happened in contrast with what the sixth development plan has required. Accordingly, Iran is determined to rank 70th in the world and 25th in the region by the end of the predicted plan by country. The Center of Monitoring and Improving the Business Environment located in the deputy of economic affairs in the Ministry of Economic Affairs and Finance exhibits an appropriate performance from 2014 to 2016 so that it managed to promote Iran's rank by modifying the mistakes reported to The World Bank in the previous years. Since 2016, thanks to the immaterial reforms in the Iranian business environment, Iran once more experiences an increase in its rank, reaching the rank of 128 in 2019. In the

2020 report, Iran ranked 127th among 190 countries, yet it was demoted one rank among 25 countries of the perspective document, and ranked 20th. It is worth mentioning that Saudi Arabia exhibits a 30-rank promotion from 92 to 62, deserving a special mention as the pioneer in making rectification in the world.

In order to improve the ease of doing business index in Iran and the free zone, the relevant rules should be reviewed in order to achieve the goal of creating free zones. The major solution recommended by the business group of The World Bank and employed by certain leading countries like Georgia is the establishment of an electronic window during the process of doing business. This window circumscribes the waste of time and cost by eliminating the frequent visitation of entrepreneurs to the governmental agencies.

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