

## IRELAND FALLS IN WORLD BANK'S EASE OF DOING BUSINESS RANKING

- Ireland is ranked 23<sup>rd</sup> out of 190 economies in terms of the ease of doing business, a fall of 6 places from 2018; amongst euro area countries, Ireland is ranked 5<sup>th</sup>, which also represents a fall of one place from 2018.
- Ireland performed well in terms of paying taxes (4<sup>th</sup>), starting a business (10<sup>th</sup>), and resolving insolvency (18<sup>th</sup>).
- Relative weaknesses are evident in relation to enforcing contracts (102<sup>nd</sup>), registering property (64<sup>th</sup>), and trading across borders (52<sup>nd</sup>).
- In one indicator - registering property - Ireland fell 24 places in the rankings to 64<sup>th</sup>, after an absolute decline in the score of 6.7 points.

### THE WORLD BANK'S DOING BUSINESS REPORT

The World Bank's Doing Business 2019 report compares the ease of doing business in 190 economies using quantitative indicators. The report assesses the impact of a variety of business regulations on SMEs. In the latest report, Ireland is ranked 23<sup>rd</sup> – which represents a decline of 6 places from last year.

### BACKGROUND

The World Bank's Doing Business report is founded on the principle that economic activity benefits from clear and coherent rules – rules that set out strong property rights, facilitate the resolution of disputes and provide contractual partners with protections against arbitrariness and abuse. The report captures several important dimensions of the regulatory environment affecting domestic firms – and provides quantitative indicators on regulation across the following 10 areas: starting a business; dealing with construction permits; getting electricity; registering property; getting credit; protection minority investors; paying taxes; trading across borders; enforcing contracts; and, resolving insolvency. This information is collected by using specific case studies with standardised assumptions.

Based on an economy's performance in each of the 10 measured areas<sup>1</sup>, the report provides two aggregate measures:

- the ease of doing business scores<sup>2</sup>; and,
- the ease of doing business rankings.

The ease of doing business score (measured out of 100)<sup>3</sup> captures the gap between an economy's current performance and a measure of best regulatory practice. This measure reflects the absolute level of regulatory performance and is more illustrative of performance than the overall ranking.

The ranking of the ease of doing business scores provide information about an economy's performance relative to the performance of other economies.

### HOW IRELAND PERFORMS

Overall, Ireland is ranked 23<sup>rd</sup> – a decline of 6 place. Within the euro area, Ireland is ranked 5<sup>th</sup>, a fall of one position. This puts Ireland behind Lithuania, Estonia, Finland and Latvia, but ahead of many comparator countries including Austria, the Netherlands and Belgium. Ireland is ranked 8<sup>th</sup> in the EU – also a fall of one position. The top 10 countries, their 'ease of doing business score', and the change in their scores since 2018 are summarised below.

**Table 1: The top ten countries, their scores (out of 100), and the change in their scores since last year**

| Rank | Economy        | Score        | Score change   |
|------|----------------|--------------|----------------|
| 1    | New Zealand    | 86.59        | (-)            |
| 2    | Singapore      | 85.24        | (+0.27)        |
| 3    | Denmark        | 84.64        | (+0.59)        |
| 4    | Hong Kong SAR  | 84.22        | (+0.04)        |
| 5    | Korea, Rep.    | 84.14        | (-0.01)        |
| 6    | Georgia        | 83.28        | (+0.48)        |
| 7    | Norway         | 82.95        | (+0.25)        |
| 8    | United States  | 82.75        | (-0.01)        |
| 9    | United Kingdom | 82.65        | (+0.33)        |
| 10   | Macedonia, FYR | 81.55        | (+0.32)        |
| 23   | <b>Ireland</b> | <b>78.91</b> | <b>(-0.51)</b> |

Source: World Bank

<sup>1</sup> Data is also collected on features of labour market regulation, which is not included in the calculation of the 'ease of doing business' score.

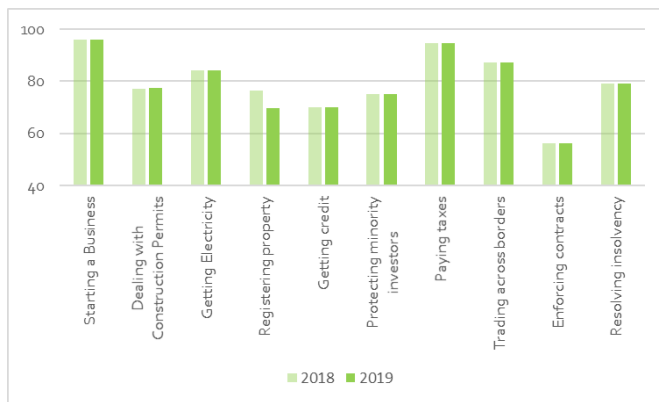
<sup>2</sup> In previous issues of the World Bank's Doing Business Report, this figure was known as the 'distance to frontier' score. This change was made to ensure that

the name of the score best reflected the idea behind the measure. The process for calculating the score remains the same.

<sup>3</sup> Higher scores show absolute better ease of doing business (the best score is set at 100), while lower scores show absolute poorer ease of doing business (the worst performance is set at 0).

Ireland's continued high ranking is a positive reflection of the business environment. This is reflected in the fact that Ireland improved, or maintained, its 'ease of doing business' score in nine of the ten indicators.

**Figure 1: Ease of Doing Business Score 2018/ 2019, Ireland, by indicator**



Source: World Bank

However, Ireland's absolute score experienced one of the largest declines (-0.51) – driven by the fall in the indicator for registering property - which contributed to Ireland's overall ranking falling 6 places.

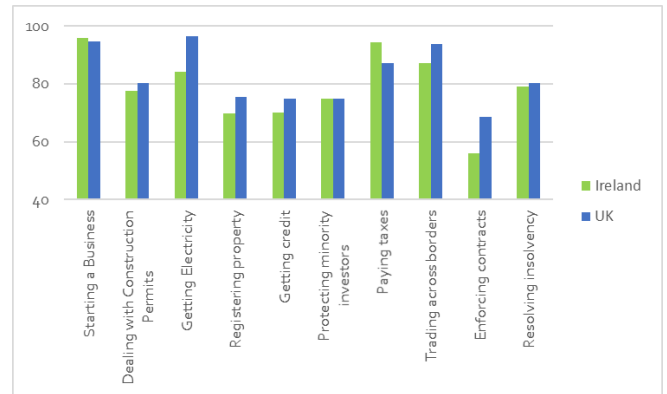
The report notes that Ireland had made property registration costlier by increasing the stamp duty on a non-residential property transfer. The figures suggest that registering property now costs 6.5% of the value of the property, which is up from 2.5% in the 2018 report.

Ireland's fall in the rankings is also driven by other economies improving their positions relative to Ireland (such as Latvia, +0.33). Economies at the upper end of the rankings, can find it harder to get high impact from their reforms as they are already near the frontier.

The report highlights a number of areas where there is continued room for improvement. Ireland continues to lag behind the top performing economies in enforcing contracts (102<sup>nd</sup>), getting electricity (43<sup>rd</sup>), and trading across borders (52<sup>nd</sup>). On the other hand, Ireland is a top 30 performer in paying taxes (4<sup>th</sup>), starting a business (10<sup>th</sup>), protecting minority investors (15<sup>th</sup>), resolving insolvency (18<sup>th</sup>), and dealing with construction permits (28<sup>th</sup>).

In terms of Ireland's lowest ranking, the enforcing contracts data focuses primarily on the efficiency of the commercial court system, measuring the time and cost of resolving a commercial dispute between two firms and the quality of the judicial process. Ireland's measure (56.03) emphasises just how far behind the leading performers Ireland is, and this partially reflects the extremely long length of time it takes to resolve a dispute here (650).

**Figure 2: Ireland vs UK Doing Business Ranking**



Source: World Bank

The report acknowledges some efforts that the Ireland has made in this area, and notes that Ireland made enforcing contracts easier by introducing a consolidated law on voluntary mediation.

While Ireland ranked 44<sup>th</sup> in the 'getting credit' indicator, the report also positively commented on the new credit registry that improves access to credit information.

## POLICY CONTEXT

The National Competitiveness Council has repeatedly highlighted the role that cost competitiveness plays in making Ireland a more attractive location in which domestic, and foreign, investors can base and develop their operations. Ireland's reputation as being 'business friendly' is a particularly important contributor.

The National Competitiveness Council noted in its Challenge Report 2017 the importance of cost-effective legal services as an input in all sectors of the economy, and the negative impact that costly legal services could have on Ireland's overall competitiveness. The Competitiveness Challenge noted the importance of the use of Alternative Dispute Resolution mechanisms - like mediation - indicating that these can help make Irish businesses more efficient and competitive, which was echoed in the World Bank's Doing Business report.

The Council has also pointed out that the availability and affordability of commercial property solutions is a key requirement for the operation and expansion of enterprises in Ireland, and called for new data on commercial property to help inform further policy work, and efficient markets.

The Council will shortly set out recommendations to further enhance competitiveness in *Ireland's Competitiveness Challenge 2018*.

**Further Reading:** The NCC reports to the Taoiseach and the Government, through the Minister for Business, Enterprise and Innovation, on key competitiveness and productivity issues facing the Irish economy.

This Bulletin has been issued by the Chair and Secretariat.