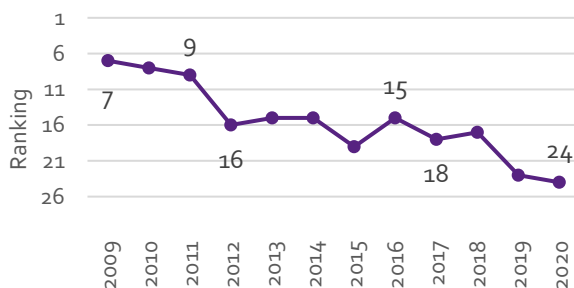


- Ireland is ranked 24th out of 190 economies in the Ease of Doing Business Rankings, a fall of one place from 2019; amongst euro area countries, Ireland is ranked 6th, which also represents a fall of one place from 2019.
- Ireland performed well in relation to aspects of business regulation on paying taxes (4th), protecting minority investors (13th), and resolving insolvency (19th).
- Areas for improvement are evident in relation to regulations on enforcing contracts (91st), registering property (60th), and trading across borders (52nd).
- Enhancing Ireland's competitiveness in these areas is crucial if we are to strengthen our resilience to shocks, particularly in the context of Brexit.

THE WORLD BANK'S DOING BUSINESS REPORT

The World Bank's *Doing Business* 2020 report compares the ease of doing business in 190 economies using quantitative indicators. The report measures aspects of business regulation that impact small domestic firms. In the latest report, Ireland is ranked 24th – which represents a decline of one place from last year. Ireland's ranking over the 12-year period since 2009 has ranged from 7th (2009) to 24th (2020).

Figure 1: Ireland's Ranking (2009-2020)



BACKGROUND

The World Bank's *Doing Business* report analyses regulation that encourages efficiency and supports freedom to do business.

The report captures important dimensions of the regulatory environment affecting domestic firms, providing quantitative indicators on regulation across the following 10 areas: starting a business; dealing with construction permits; getting electricity; registering property; getting credit; protecting 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 indicators¹, the report provides two aggregate measures:

- the ease of doing business scores²; and,
- the ease of doing business rankings.

The '*Ease of Doing Business*' score (measured out of 100)³ assesses countries' absolute level of regulatory performance. It captures the gap between an economy's current performance and a measure of best regulatory practice. The '*Ease of Doing Business*' ranking complements the '*Ease of Doing Business*' score by providing information about an economy's performance relative to the performance of other economies.

HOW IRELAND PERFORMS

Overall, Ireland is ranked 24th – a decline of one place from 2019. Within the euro area, Ireland is ranked 6th, also a fall of one position. This places Ireland behind Lithuania, Estonia, Latvia, Finland and Germany, but ahead of many comparator countries including Austria, Switzerland, the Netherlands and Belgium. Ireland is ranked 9th in the EU – a fall of one position.

Ireland's overall '*Ease of Doing Business*' score has improved since last year. This is a positive reflection of the business environment.

¹ Data are also collected on features of labour market regulation, which are not included in the calculation of the '*Ease of Doing Business*' score.

² 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.

³ The best score is 100 and the worst score is 0.

The top 10 countries, their 'Ease of Doing Business' scores, and the change in their scores since last year are summarised in Table 1.

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

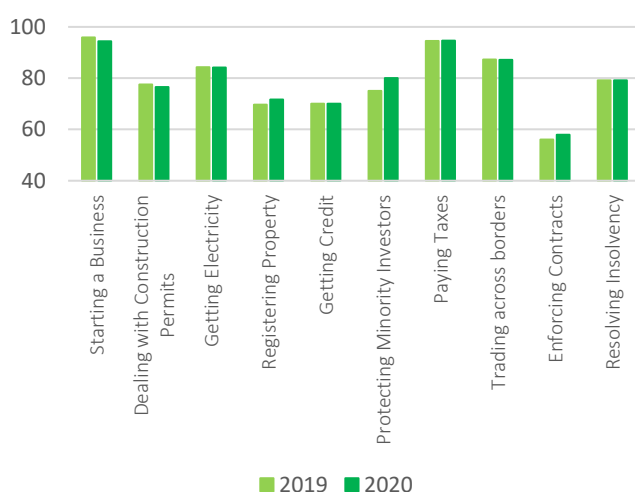
Rank	Economy	Score	Score change
1	New Zealand	86.8	(+0.21)
2	Singapore	86.2	(+0.96)
3	Hong Kong SAR	85.3	(+1.08)
4	Denmark	85.3	(+0.66)
5	Korea, Rep.	84.0	(-0.14)
6	United States	84.0	(+1.25)
7	Georgia	83.7	(+0.42)
8	United Kingdom	83.5	(+0.85)
9	Norway	82.6	(-0.35)
10	Sweden	82.0	(+0.73)
24	Ireland	79.6	(+0.69)

Source: World Bank

Ireland's Scores

A number of indicators have improved. For example, Ireland's scores for protecting minority investors, registering property, and enforcing contracts have increased since last year.

Figure 2: Ease of Doing Business Score 2019/ 2020, Ireland, by indicator



Source: World Bank

Ireland's scores for the following five indicators declined since last year: starting a business, dealing with construction permits, getting electricity, getting credit, and resolving insolvency. These declines were most significant in the starting a business and dealing with construction permits indicators – driven mainly by increased timelines to complete the procedures.

Ireland's Rankings

In terms of rankings, Ireland remains a top performer for paying taxes (4th), protecting minority investors (13th), and resolving insolvency (19th). Ireland's rankings have improved for the protecting minority investors and enforcing contracts indicators, while Ireland's rankings have remained the same for paying taxes (4th) and trading across borders (52nd).

In five of the ten 'Ease of Doing Business' indicators, Ireland's ranking has fallen. This is largely due to marginal gains made by other countries rather than a decline in Ireland's performance.

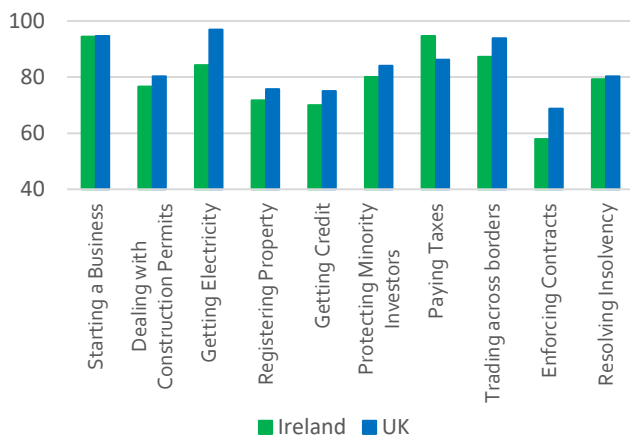
The report highlights a number of other areas where Ireland continues to lag behind the top performing economies: enforcing contracts (91st), registering property (60th), trading across borders (52nd), getting credit (48th), and getting electricity (47th).

In relation to Ireland's poor performance for enforcing contracts, the data used focus 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 ranking (91st) emphasises how far it is behind the leading performers; this partially reflects the extremely long length of time it takes to resolve a dispute (650 days). The report acknowledges continued efforts that Ireland has made in this area, and notes that Ireland made contract enforcement easier by introducing a law on mediation.

Improvement is also required in relation to starting a business - the report notes that the numbers of days to start a business in Ireland has increased from 5 days to 11 days. Similarly, in the case of dealing with construction permits, it now takes 14.5 days longer compared to 2019. As these numbers are based on the World Bank's reading of legislation and inputs from experts, it is not possible to examine this indicator in any further detail.

While Ireland ranked 48th in the 'getting credit' indicator, the report acknowledges the significant improvement in the indicator score for credit registry coverage.

Figure 3: Ireland vs UK Doing Business Score 2020



Source: World Bank

Ireland outperforms the UK for starting a business (by 1.13) and paying taxes (by 8.26). The UK outperforms Ireland for the remaining 8 indicators.

OVERALL CONTEXT

Ireland's fall in the rankings despite an increase in its overall score indicates that the change in Ireland's ranking position is due to other economies (such as Thailand and Germany) improving their positions relative to Ireland.

In *Ireland's Competitiveness Challenge Report 2018*, the National Competitiveness Council emphasised the importance of minimising regulatory burdens in order to make Ireland a more attractive location in which domestic and foreign investors can commence and develop their operations. Improving Ireland's business environment and enhancing our reputation as being 'business friendly' are important in this regard.

The *Challenge Report* also 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.

In addition, the Council pointed out the need for cost-competitive legal services and how costly legal services could inflate other business services costs and negatively impact on Ireland's overall competitiveness.

Competitiveness rankings reflect the interaction of a range of factors that, combined, determine the ability of

firms to compete successfully in domestic and international markets. Enhancing Ireland's competitiveness by improving on areas identified by organisations such as the World Bank is crucial to bolster our resilience to shocks, especially in the context of Brexit.

The Council will shortly set out recommendations to further enhance competitiveness in *Ireland's Competitiveness Challenge 2019*.

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.