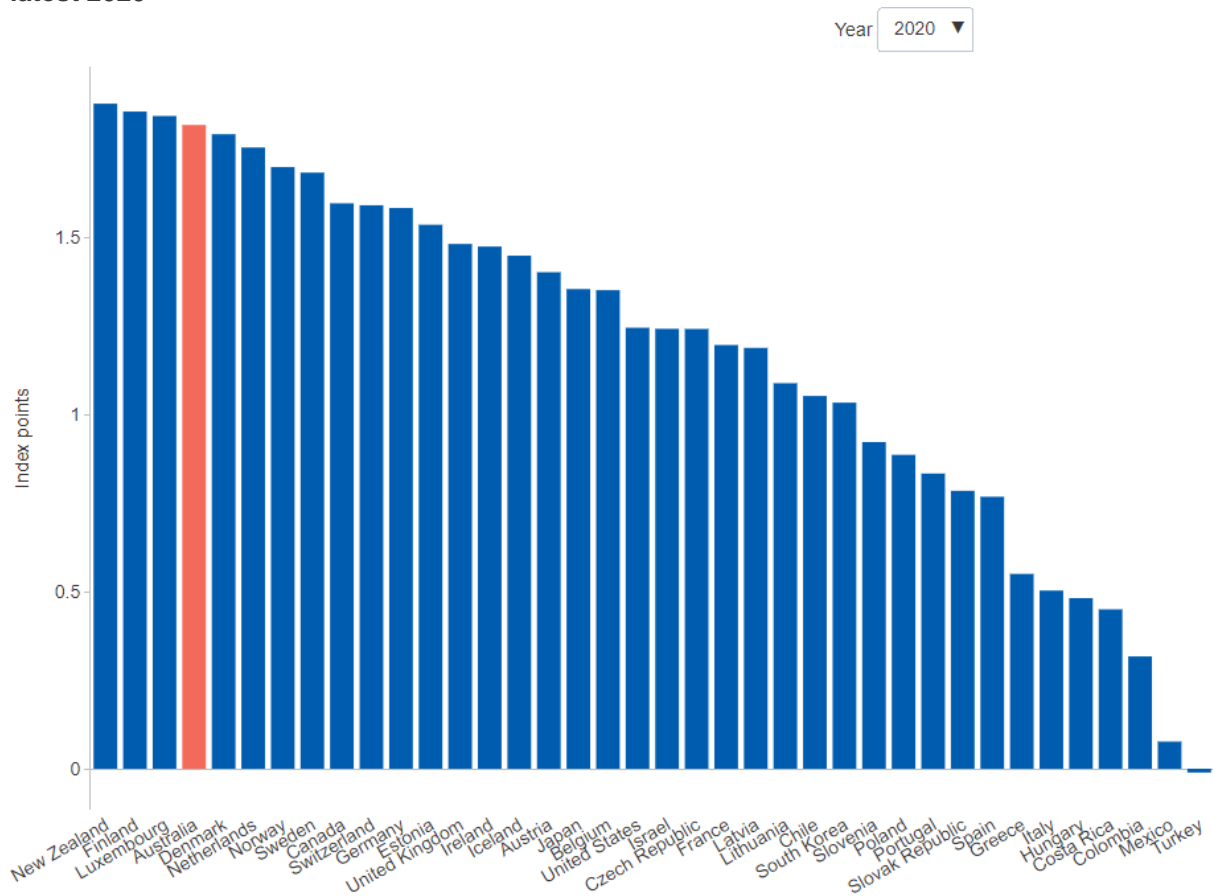


### 5.4.6 Regulatory quality

An important factor contributing to a government’s capacity to formulate and implement sound policies is the quality of its regulatory environment. The World Bank publishes an indicator that captures perceptions of the ability of governments to formulate and implement sound policies and regulations that promote private sector development. This indicator allows comparison of regulatory quality between countries.<sup>1</sup> World Bank data suggests that *Australia* rates well on regulatory quality, 4th among OECD countries. *Australia’s* regulatory quality has been rising since 2005. This suggests that regulatory quality is unlikely to be a major barrier to business innovation in Australia.<sup>2</sup> This conclusion is consistent with the ABS data showing that government regulations or compliance concerns represent only the fifth most significant barrier to innovation.<sup>3</sup>

**Figure: Worldwide governance indicators, regulatory quality, OECD countries, index points, latest 2020**



<sup>1</sup> World Bank (2010) *The Worldwide Governance Indicators Methodology and Analytical Issues*, World Bank Policy Research Working Paper No. 5430 ([https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1682130](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1682130))

<sup>2</sup> World Bank, *Worldwide Governance Indicators* (<https://info.worldbank.org/governance/wgi/>)

<sup>3</sup> ABS, *Characteristics of Australian Business*, Cat. No. 8129.0, Cat. No. 8158.0, Cat. No. 8166.0, Cat. No. 8167.0 and ABS.Stat (<https://www.abs.gov.au/>)