

## ANNEX 2: Methodology and data of the *Starting a Foreign Investment* indicators

### Methodology

The *Starting a Foreign Investment* indicators quantify several aspects of business establishment regimes important to foreign companies when establishing a subsidiary in a foreign economy. The indicators focus both on the economies' commercial legal framework as well as its implementation in practice in the areas measured.

**Case study:** The data used in the development of the indicators was collected through a standard questionnaire distributed to law and accounting firms, chambers of commerce as well as investment promotion agencies. In order to gather comparable data across economies, the *Starting a Foreign Investment* questionnaire is based on a case study of a hypothetical foreign company planning a capital investment of US\$10 million in order to establish a wholly foreign-owned subsidiary in the form of an LLC in the host country. The company will be established in the country's most populous city, will operate in the manufacturing of basic consumer products sector and will be involved in international trade. The firm will not benefit from any special incentives granted through multilateral treaties between economies. In addition, the host country does not enjoy any special economic, trade or investment relationship with the parent company's home country. Finally, the investment does not take place in any zone covered by a special FDI regime.

The indicators measure the time and procedures required to establish a wholly foreign-owned subsidiary in an economy. In addition, the indicators also evaluate the characteristics of the regulatory and administrative regimes for business start-up.

The number of procedural steps involved in establishing a wholly foreign-owned subsidiary includes both pre- and post-incorporation procedures that are officially required for a foreign investor to formally operate a business are recorded. A procedure is defined as any interaction of the parent company or its legal representatives with external parties (for example, government agencies or notaries). Interactions between company founders or company officers and employees are not counted as procedures. Procedures that must be completed in the same building, but in different offices, are counted as separate procedures. If the same office has to be visited several times for different sequential procedures, each is counted separately.

The indicators partially builds on the Doing Business *Starting a Business* data which measures the process of establishing a locally owned SME and highlights areas that are of specific interest to foreign investors. The survey respondents are asked to identify whether each of the procedures required of domestic companies also apply to foreign-owned ones, and if so, whether the time needed in

practice to complete the procedures is the same for both types of companies. In addition, typical common procedures for a foreign company engaged in international trade are identified and respondents are asked to note whether said procedures are required in their country as well as recognize any additional procedures.

Below are the areas measured by the legal indicators:

- Requirements forcing the use of a local third party (counsel, notary, investment promotion agency) during the establishment process;
- Ratification of the 1961 Hague Apostille Convention;
- Possibility of expediting establishment procedures through an official channel (availability of fast-track procedures);
- Requirement of an investment approval (nature of investment approval requirement, possibility of appeal, minimum required amount of investment, period of validity);
- Business registration process;
- Minimum capital requirements (for LLCs but also other legal forms such as corporations, limited partnerships etc.);
- Availability of electronic services (online laws, regulations, documents, and registration).

### Limitations

The *Starting a Foreign Business* indicators' limitations:

- The *Starting a Foreign Investment* indicators assume that the establishment process occurs in the country's most populous city and do not explore possible variations in other parts of the country (no subnational comparison either);
- The indicators do not measure the number of procedures required to establish different types of a business (such as corporation or partnership) or other types of foreign investment projects (such as joint ventures, licensing agreements, or establishment of branch offices);
- The case study also stipulates that the foreign subsidiary will engage in international trade, thus the indicators consider obtaining a trade license a required procedure for the start-up process;
- The indicators do not cover specific types of licenses such as sector-specific licenses, permits for health, food safety, and product regulations;
- The indicators do not cover government reviews of foreign acquisitions.

**TABLE 8: Country-level indicators reflecting the additional procedures required exclusively of foreign companies in 102 economies**

Economies	Total number of additional procedures	Additional days required to establish for foreign-owned companies		Total days required to establish for foreign-owned companies	Authentication of parent documentation overseas	Foreign investment approval			International trade license	Authorization of imported foreign capital
		required to establish for foreign-owned companies	to establish for foreign-owned companies			Actual approval	Mere declaration	Required only for incentives		
Albania	1	1	5	X						
Algeria	3	122	147	X	X					X
Angola	4	128	196	X	X				X	X
Argentina	3	24	48	X	X				X	X
Armenia	1	1	9	X						
Australia	0	0	2							
Austria	2	2	27	X						X
Azerbaijan	1	1	9	X						
Bangladesh	3	26	45	X	X				X	X
Belarus	1	1	6	X						
Bolivia	2	11	61	X					X	
Bosnia and Herzegovina	2	13	50	X	X				X	
Brazil	3	33	152	X	X				X	X
Brunei Darussalam			101	X						
Bulgaria	1	1	19	X						
Burkina Faso	1	1	14			X				
Burundi	1	1	9	X						
Cambodia	1	1	86	X						
Cameroon	4	10	39	X					X	X
Canada	1	1	6						X	
Chad	2	2	64	X						X
Chile	2	2	10	X						X
Colombia	3	5	18	X					X	X

(continued)

**TABLE 8: Country-level indicators reflecting the additional procedures required exclusively of foreign companies in 102 economies** (continued)

Economies	Total number of additional procedures	Additional days		Total days required to establish for foreign-owned companies	Authentication of parent documentation overseas	Foreign investment approval			International trade license	Authorization of imported foreign capital
		required to establish for foreign-owned companies	required to establish for foreign-owned companies			Actual approval	Mere declaration	Required only for incentives		
Congo, Dem. Rep.	3	33	91			X		X	X	X
Costa Rica	2	3	63		X				X	
Côte d'Ivoire	2	4	36						X	X
Croatia	2	2	11		X					X
Cyprus	0	0	8							
Czech Republic	2	2	22		X		X			
Ecuador	3	4	60		X				X	X
Egypt, Arab Rep.	2	4	11		X				X	
Ethiopia	4	17	32		X		X		X	X
France	3	4	11				X			X
Georgia	1	1	3		X					
Germany	2	2	17		X					X
Ghana	3	33	45				X		X	X
Greece	3	3	14		X				X	
Guatemala	2	9	49		X					
Haiti (DB 2013; FDI Regs 2010)	2	15	120		X					
Honduras	2	4	18		X				X	
Hong Kong SAR, China	0	0	3							
India	3	8	35		X		X		X	
Indonesia	3	11	56		X		X		X	
Iraq	0	0	74							
Ireland	0	0	10							
Italy	1	1	7		X					
Japan	2	2	25		X					X
Jordan	2	2	14		X				X	
Kazakhstan	2	11	30		X					X
Kenya	1	1	33		X					
Korea, Rep.	3	3	10		X		X			X
Kosovo	2	2	54		X				X	

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		1	2			Actual approval	Mere declaration	Required only for incentives		
Kyrgyz Republic	1	1	8	X						
Liberia (DB 2013; FDI Regs 2010)	3	5	11	X			X		X	
Macedonia, FYR	2	4	6	X			X			
Madagascar	0	0	8							
Malaysia	2	3	9	X						
Mali	1	15	23	X						
Mauritius	2	4	10	X			X	X		
Mexico	3	9	18	X			X		X	
Moldova	1	1	10	X						
Montenegro	2	3	12	X					X	
Morocco	2	2	14	X			X			
Mozambique	3	38	51	X					X	X
Nepal	3	55	84	X			X			X
New Zealand	1	2	3							
Nicaragua	2	6	45	X					X	
Nigeria	3	15	49				X		X	X
Pakistan	3	15	36	X					X	X
Papua New Guinea	3	61	112	X			X			X
Peru	2	2	28	X			X			
Philippines	3	29	64	X					X	X
Poland	1	1	33	X						
Romania	1	1	11	X						
Russian Federation	1	1	19	X						
Rwanda	2	2	5	X			X			
Saudi Arabia	2	21	42	X			X			
Senegal	2	2	7	X			X		X	

**TABLE 8: Country-level indicators reflecting the additional procedures required exclusively of foreign companies in 102 economies** (continued)

Economies	Total number of additional procedures	Additional days required to establish for foreign-owned companies		Total days required to establish for foreign-owned companies	Authentication of parent documentation overseas	Foreign investment approval			International trade license	Authorization of imported foreign capital
		required to establish for foreign-owned companies	required to establish for foreign-owned companies			Actual approval	Mere declaration	Required only for incentives		
Serbia	1	1	13	X						
Sierra Leone	2	31	43	X				X		
Singapore	1	1	4					X		
Slovak Republic	2	2	18	X						X
South Africa	3	38	57	X				X		X
Spain	4	13	42	X			X			
Sri Lanka	3	18	47	X			X			X
Sudan (DB 2013; FDI Regs 2010)	3	19	55	X			X			
Taiwan, China	4	11	21	X			X		X	X
Tanzania	2	9	35	X					X	
Thailand	2	2	31	X					X	
The Dominican Republic	2	7	29	X					X	
The Netherlands	0	0	5							
Yemen, Rep.	2	16	56	X			X			
Tunisia	4	7	19	X			X		X	X
Turkey	2	2	8	X						X
Uganda	2	5	38	X			X		X	
Ukraine	1	1	23	X						
United Kingdom	1	1	14							
United States	2	2	8							
Venezuela, RB	2	180	325	X						X
Vietnam	2	76	110	X			X			
Zambia	1	15	18	X						