

# Doing Business 2010

## Guatemala

COMPARING REGULATION IN 183 ECONOMIES



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1818 H Street NW  
Washington, D.C. 20433  
Telephone 202-473-1000  
Internet [www.worldbank.org](http://www.worldbank.org)  
E-mail [feedback@worldbank.org](mailto:feedback@worldbank.org)

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# Introduction

*Doing Business 2010: Reforming Through Difficult Times* is the seventh in a series of annual reports investigating regulations that enhance business activity and those that constrain it. Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 10 stages of a business's life are measured: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2010: Reforming Through Difficult Times* are current as of June 1, 2009\*. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The Doing Business methodology has limitations. Other areas important to business such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and The Caribbean, 27 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 19 in the Middle East and North Africa and 8 in South Asia, as well as 27 OECD high-income economies as benchmarks.

The following pages present the summary Doing Business indicators for Guatemala. The data used for this country profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator. The good-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2010: Reforming Through Difficult Times* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the Doing Business website ([www.doingbusiness.org](http://www.doingbusiness.org)).

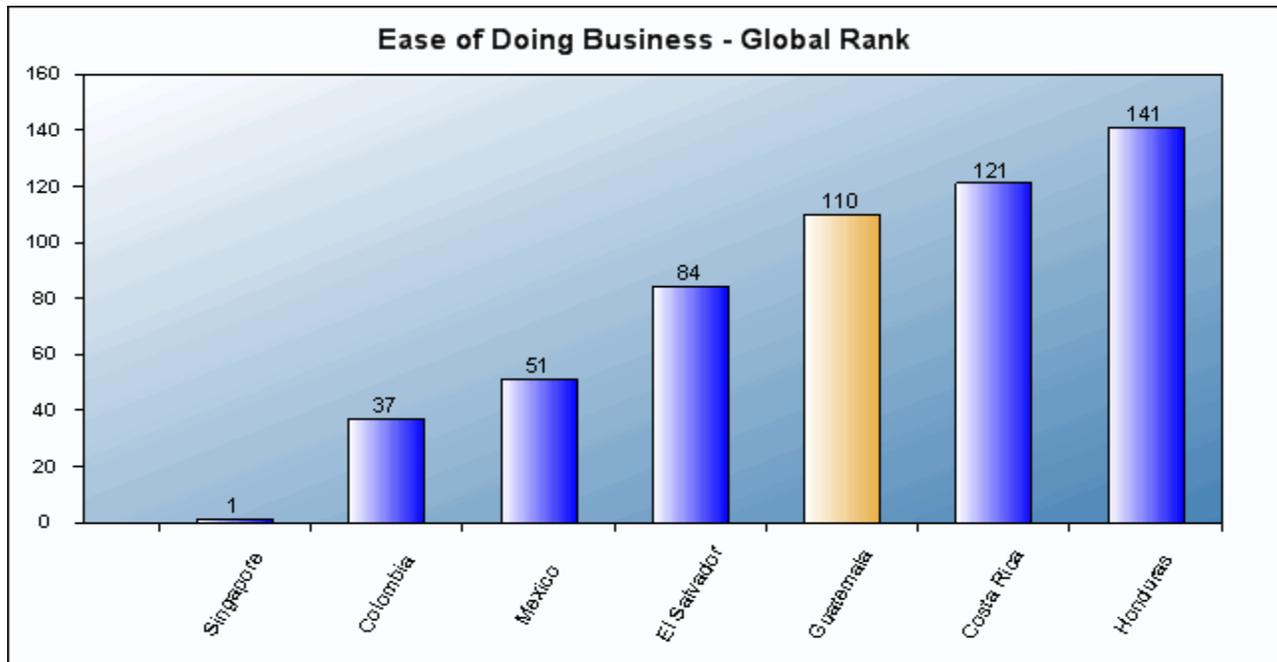
\* Except for the Paying Taxes indicator that refers to the period January to December of 2008.

*Note: Doing Business 2008 and Doing Business 2009 data and rankings have been recalculated to reflect changes to the methodology and the addition of new countries (in the case of the rankings).*

## Economy Rankings - Ease of Doing Business

Guatemala is ranked 110 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

### Guatemala - Compared to global good practice economy as well as selected economies:



### Guatemala's ranking in Doing Business 2010

Rank	Doing Business 2010
Ease of Doing Business	110
Starting a Business	156
Dealing with Construction Permits	150
Employing Workers	127
Registering Property	24
Getting Credit	4
Protecting Investors	132
Paying Taxes	109
Trading Across Borders	119
Enforcing Contracts	103
Closing a Business	93

## Summary of Indicators - Guatemala

<b>Starting a Business</b>	Procedures (number)	11
	Time (days)	29
	Cost (% of income per capita)	45.4
	Min. capital (% of income per capita)	23.5
<b>Dealing with Construction Permits</b>	Procedures (number)	22
	Time (days)	178
	Cost (% of income per capita)	1079.3
<b>Employing Workers</b>	Difficulty of hiring index (0-100)	44
	Rigidity of hours index (0-100)	40
	Difficulty of redundancy index (0-10)	0
	Rigidity of employment index (0-100)	28
	Redundancy costs (weeks of salary)	101
<b>Registering Property</b>	Procedures (number)	4
	Time (days)	27
	Cost (% of property value)	1.0
<b>Getting Credit</b>	Strength of legal rights index (0-10)	8
	Depth of credit information index (0-6)	6
	Public registry coverage (% of adults)	16.9
	Private bureau coverage (% of adults)	28.4
<b>Protecting Investors</b>	Extent of disclosure index (0-10)	3
	Extent of director liability index (0-10)	3
	Ease of shareholder suits index (0-10)	6
	Strength of investor protection index (0-10)	4.0
<b>Paying Taxes</b>	Payments (number per year)	24
	Time (hours per year)	344
	Profit tax (%)	25.9
	Labor tax and contributions (%)	14.3
	Other taxes (%)	0.7
	Total tax rate (% profit)	40.9

<b>Trading Across Borders</b>	Documents to export (number)	10
	Time to export (days)	17
	Cost to export (US\$ per container)	1182
	Documents to import (number)	10
	Time to import (days)	17
	Cost to import (US\$ per container)	1302
<b>Enforcing Contracts</b>	Procedures (number)	31
	Time (days)	1459
	Cost (% of claim)	26.5
<b>Closing a Business</b>	Recovery rate (cents on the dollar)	28.2
	Time (years)	3.0
	Cost (% of estate)	15

# Starting a Business

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed up the process or may decide to run their businesses informally.

Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices and fuel corruption.

## Methodology

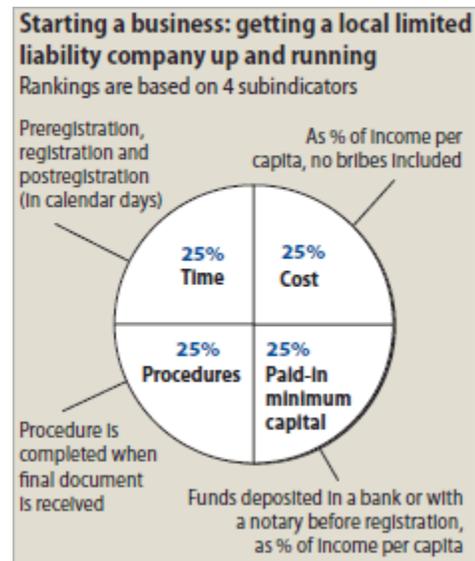
The data on starting a business is based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. This includes obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

## Survey Case Study

*The business:*

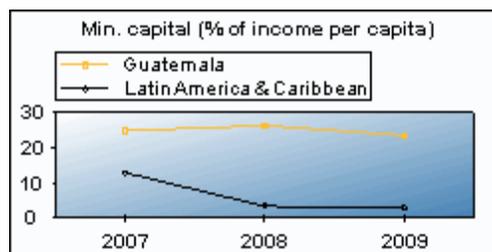
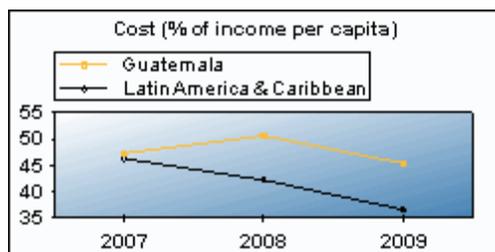
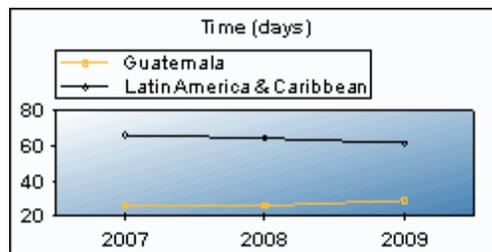
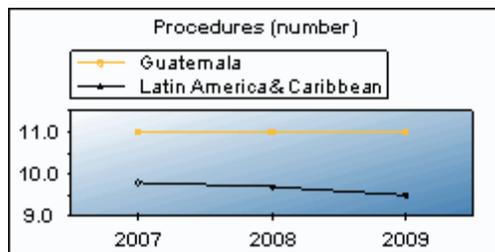
- is a limited liability company conducting general commercial activities
- is located in the largest business city
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has between 10 and 50 employees
- does not qualify for any special benefits
- does not own real estate



## 1. Historical data: Starting a Business in Guatemala

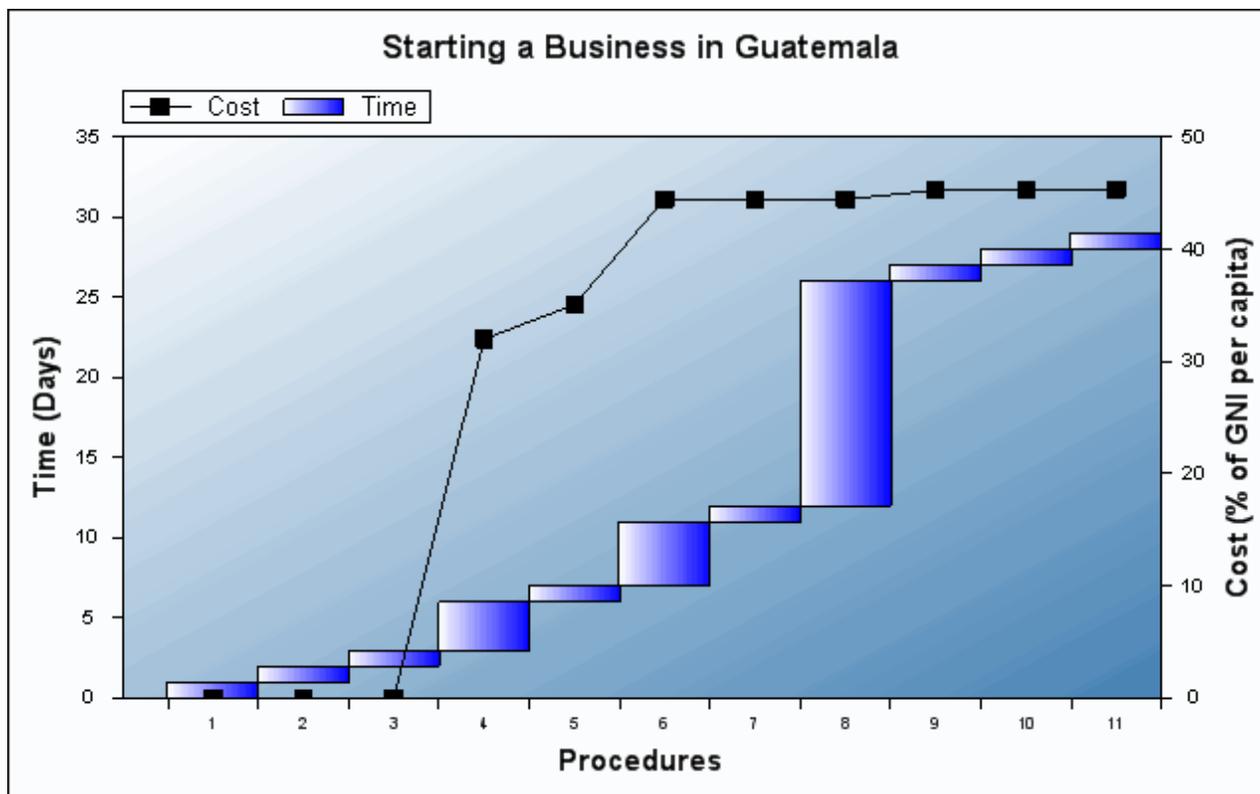
Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	147	156
Procedures (number)	11	11	11
Time (days)	26	26	29
Cost (% of income per capita)	47.3	50.6	45.4
Min. capital (% of income per capita)	24.9	26.3	23.5

2. The following graphs illustrates the Starting a Business indicators in Guatemala over the past 3 years:



### 3. Steps to Starting a Business in Guatemala

It requires 11 procedures, takes 29 days, and costs 45.36 % GNI per capita to start a business in Guatemala.



#### List of Procedures:

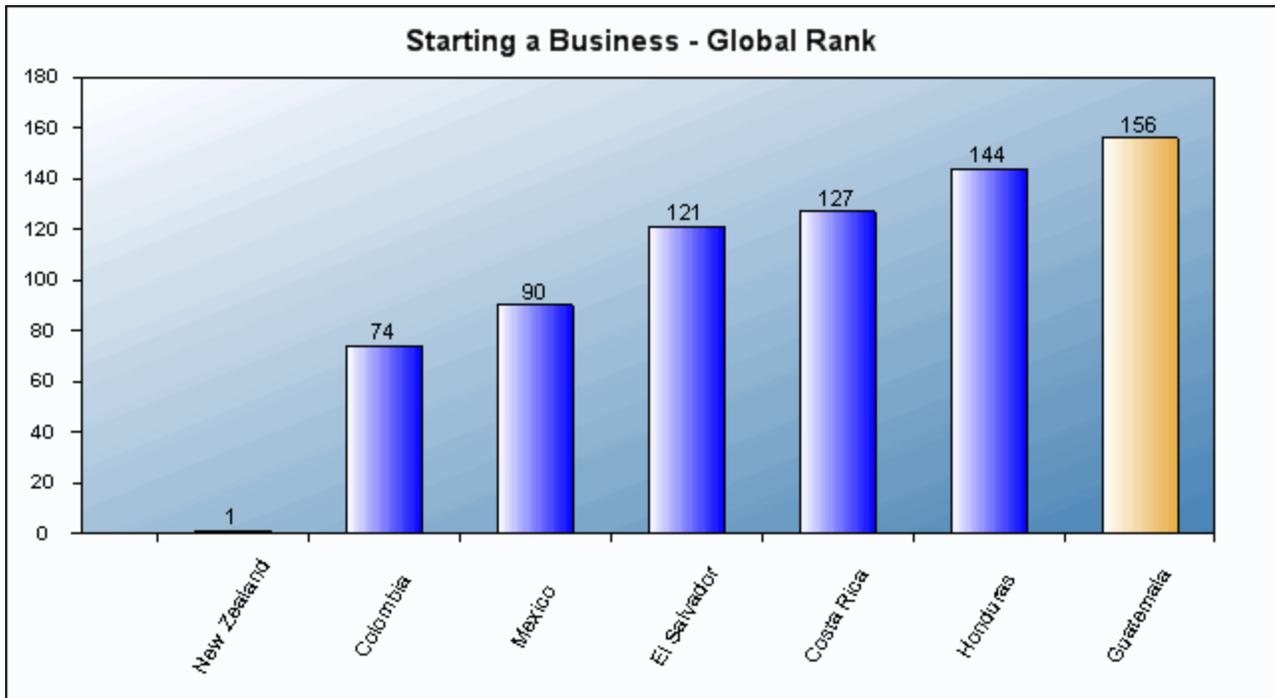
1. Check the proposed company name at the Mercantile Registry of Guatemala
2. Obtain letter from a Guatemalan notary public to open bank account
3. Deposit the subscribed capital in a bank and obtain a receipt
4. A notary public draws the deed of constitution
5. The notary buys the fiscal stamps and issues a certified copy of the deed of incorporation for filing with the commercial register
6. File notarized unique registration form and documents with the Commercial Register (Registro Mercantil)
7. Registration of the appointment of legal representative of the company
8. Obtain the definitive registration, tax and social security numbers, and authorization to print invoices
9. Application for trading license
10. Submit to the Commercial Registry for their authorisation, company accounting books and books of minutes of shareholder and board of directors meetings
11. Application for book of salaries authorisation from the Inspection of the Department of Labour

More detail is included in the appendix.

#### 4. Benchmarking Starting a Business Regulations:

Guatemala is ranked 156 overall for Starting a Business.

Ranking of Guatemala in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Guatemala compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>	<b>Min. capital (% of income per capita)</b>
<b>Denmark*</b>			0.0	
<b>New Zealand*</b>	1	1		0.0

<i>Selected Economy</i>				
<b>Guatemala</b>	11	29	45.4	23.5

<i>Comparator Economies</i>				
<b>Colombia</b>	9	20	12.8	0.0
<b>Costa Rica</b>	12	60	20.0	0.0
<b>El Salvador</b>	8	17	38.7	2.9
<b>Honduras</b>	13	14	47.3	17.3
<b>Mexico</b>	8	13	11.7	8.9

\* The following economies are also good practice economies for :

**Procedures (number):** **Canada**

**Cost (% of income per capita):** **Slovenia**

# Dealing with Construction Permits

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure from government to comply with inspections, with licensing and safety regulations, from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation; the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many economies, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally, leading to hazardous construction. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

## Methodology

The indicators on dealing with construction permits record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

## Survey Case Study

### The business:

- is a small to medium-size limited liability company
- is located in the largest business city
- is domestically owned and operated, in the construction business
- has 20 qualified employees

### The warehouse to be built:

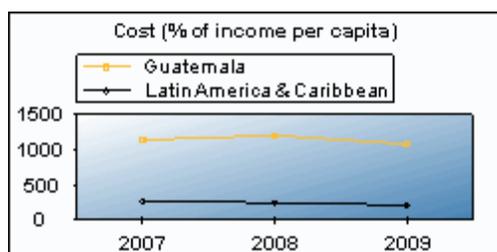
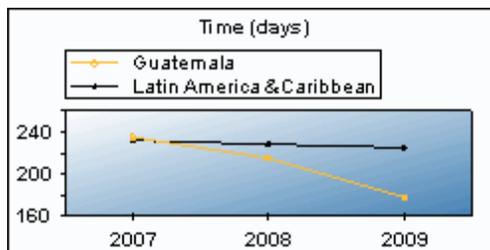
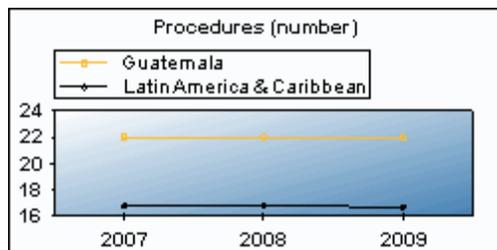
- is a new construction (there was no previous construction on the land)
- has complete architectural and technical plans prepared by a licensed architect
- will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).



## 1. Historical data: Dealing with Construction Permits in Guatemala

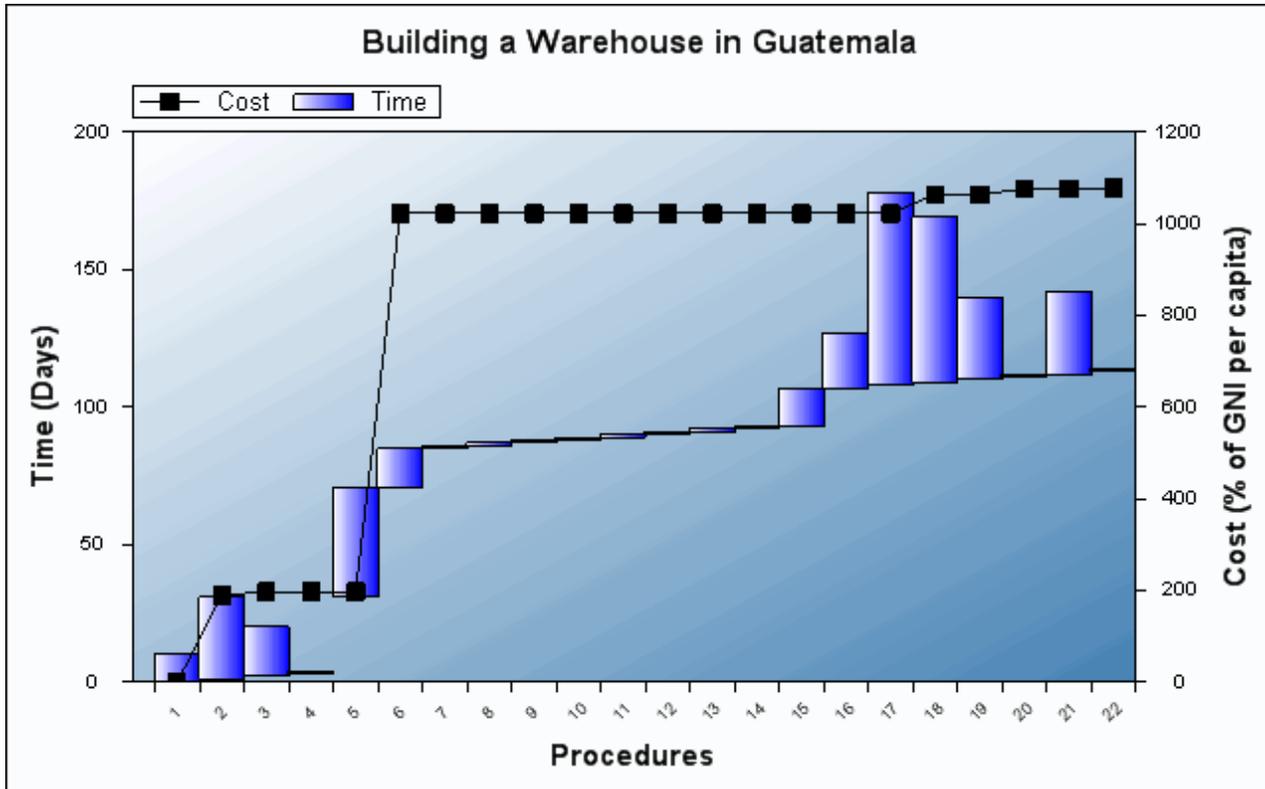
Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	162	150
Procedures (number)	22	22	22
Time (days)	235	215	178
Cost (% of income per capita)	1142.2	1204.1	1079.3

2. The following graphs illustrates the Dealing with Construction Permits indicators in Guatemala over the past 3 years:



### 3. Steps to Building a Warehouse in Guatemala

It requires 22 procedures, takes 178 days, and costs 1,079.27 % GNI per capita to build a warehouse in Guatemala.



#### List of Procedures:

- |   |   |
|---|---|
| 1. Request and obtain certificate of land ownership for the property where the warehouse is to be built   | 8. Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - II   |
| 2. Hire an Environmental Specialist and prepare an Environmental Impact Assessment  | 9. Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - III  |
| 3. Request and obtain a favorable resolution by the Infrastructure Department (Dirección de General de Caminos) based on a Road System Impact Assessment                                      | 10. Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - IV  |
| 4. Submit a Brief or Simple Industrial Report   | 11. Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - V   |
| 5. Request and obtain a favorable decision by the Ministry of the Environment and Natural Resources (Ministerio de Ambiente y Recursos Naturales) based on an Environmental Impact Assessment | 12. Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - VI  |
| 6. Request and obtain a Construction License  | 13. Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - VII |
| 7. Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - I  |   |

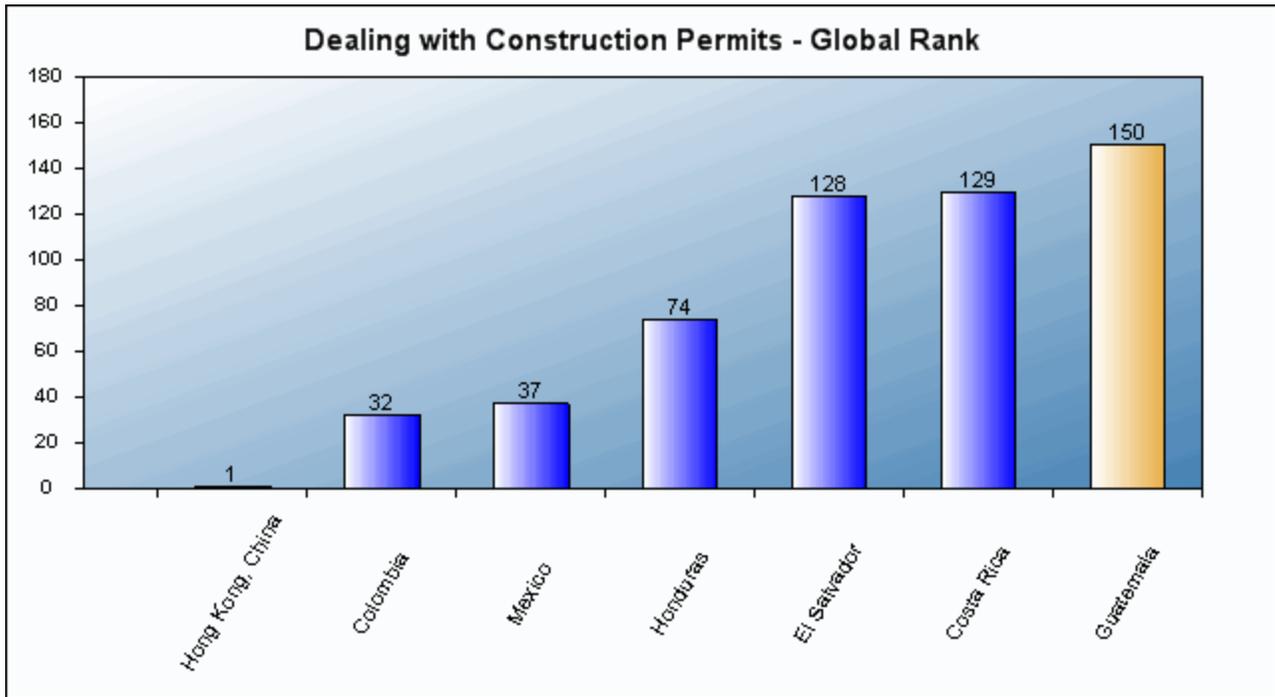
14. Notify the Construction Licensing Department on construction completion and return the license
15. Receive final inspection and obtain occupation permit
16. Request sewage connection and receive requirements from EMPAGUA
17. Request and obtain feasibility study by EMPAGUA
18. Receive connection to water
19. Request and receive installation of the transformer
20. Request electricity connection
21. Receive inspection and connection by the electric power company (Empresa Eléctrica de Guatemala)
22. Obtain a telephone line

More detail is included in the appendix.

#### 4. Benchmarking Dealing with Construction Permits Regulations:

Guatemala is ranked 150 overall for Dealing with Construction Permits.

Ranking of Guatemala in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Guatemala compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of income per capita)</b>
<b>Denmark</b>	6		
<b>Qatar</b>			0.6
<b>Singapore</b>		25	

<i>Selected Economy</i>			
<b>Guatemala</b>	22	178	1079.3

<i>Comparator Economies</i>			
<b>Colombia</b>	11	51	402.8
<b>Costa Rica</b>	23	191	183.6
<b>El Salvador</b>	34	155	166.2
<b>Honduras</b>	17	106	465.1
<b>Mexico</b>	12	138	113.1

# Employing Workers

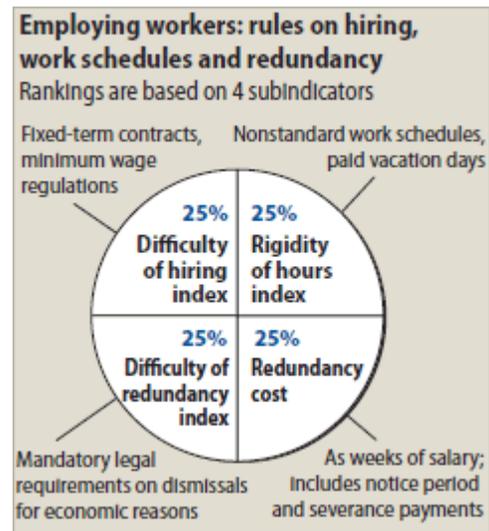
Economies worldwide have established a system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system generally encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws.

Employment regulations are needed to allow efficient contracting between employers and workers and to protect workers from discriminatory or unfair treatment by employers. Doing Business measures flexibility in the regulation of hiring, working hours and dismissal in a manner consistent with the conventions of the International Labour Organization (ILO). An economy can have the most flexible labor regulations as measured by Doing Business while ratifying and complying with all conventions directly relevant to the factors measured by Doing Business and with the ILO core labor standards. No economy can achieve a better score by failing to comply with these conventions.

Governments all over the world face the challenge of finding the right balance between worker protection and labor market flexibility. But in developing countries especially, regulators often err to one extreme, pushing employers and workers into the informal sector. Analysis across economies shows that while employment regulation generally increases the tenure and wages of incumbent workers, overly rigid regulations may have undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills, all of which may reduce productivity growth.

## Methodology

Two measures are presented: a rigidity of employment index and a redundancy cost measure. The rigidity of employment index is the average of three sub-indices: difficulty of hiring, rigidity of hours and difficulty of redundancy. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek taking into account legal provisions that refer specifically to small to medium-size companies in the manufacturing industry in which continuous operation is economically necessary, as well as mandated days of annual leave with pay. The difficulty of redundancy index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective): notification and approval requirements, retraining or reassignment obligations and priority rules for dismissals and reemployment.



The Redundancy cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

## Survey Case Study

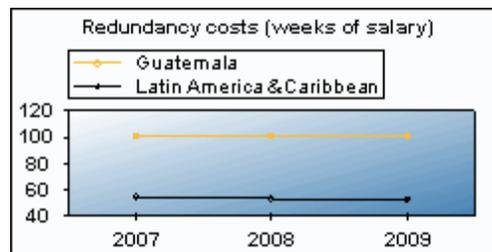
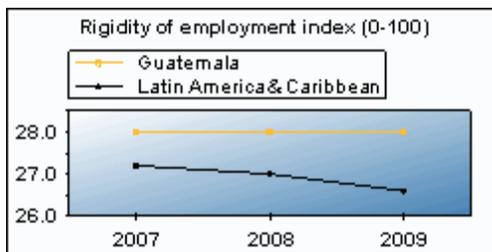
*The business:*

- is a limited liability company operating in the manufacturing sector
- is located in the largest business city
- is 100% domestically owned
- has 60 employees
- The company is also assumed to be subject to collective bargaining agreements in economies where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

## 1. Historical data: Employing Workers in Guatemala

Employing Workers data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	126	127
Redundancy costs (weeks of salary)	101	101	101
Rigidity of employment index (0-100)	28	28	28

2. The following graphs illustrates the Employing Workers indicators in Guatemala over the past 3 years:



### 3. Benchmarking Employing Workers Regulations:

Guatemala is ranked 127 overall for Employing Workers.

Ranking of Guatemala in Employing Workers - Compared to good practice and selected economies:



The following table shows Employing Workers data for Guatemala compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Rigidity of employment index (0-100)</b>	<b>Redundancy costs (weeks of salary)</b>
<b>Hong Kong, China*</b>	0	
<b>New Zealand*</b>		0

<i>Selected Economy</i>		
<b>Guatemala</b>	28	101

<i>Comparator Economies</i>		
<b>Colombia</b>	10	59
<b>Costa Rica</b>	39	29
<b>El Salvador</b>	24	86
<b>Honduras</b>	57	95
<b>Mexico</b>	41	52

\* The following economies are also good practice economies for :

**Rigidity of employment index (0-100):** Australia, Brunei Darussalam, Kuwait, Marshall Islands, Singapore, St. Lucia, Uganda, United States

**Redundancy costs (weeks of salary):** Denmark, Iraq, Marshall Islands, Micronesia, Fed. Sts., Palau, Puerto Rico, Tonga, United States

# Registering Property

Formal property titles help promote the transfer of land, encourage investment and give entrepreneurs access to formal credit markets. But a large share of property in developing economies is not formally registered. Informal titles cannot be used as security in obtaining loans, which limits financing opportunities for businesses. Many governments have recognized this and started extensive property titling programs. But bringing assets into the formal sector is only part of the story. The more difficult and costly it is to formally transfer property, the greater the chances that formalized titles will quickly become informal again. Eliminating unnecessary obstacles to registering and transferring property is therefore important for economic development.

Efficient property registration reduces transaction costs and helps to formalize property titles. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

## Methodology

Doing Business records the full sequence of procedures necessary for a business (buyer) to purchase a property from another business (seller) and to transfer the property title to the buyer's name. The property of land and building will be transferred in its entirety. The transaction is considered complete when the buyer can use the property as collateral for a bank loan.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most economies the data are based on responses from both. Based on the responses, three indicators are constructed:

- number of procedures to register property
- time to register property (in calendar days)
- official costs to register property (as a percentage of the property value)

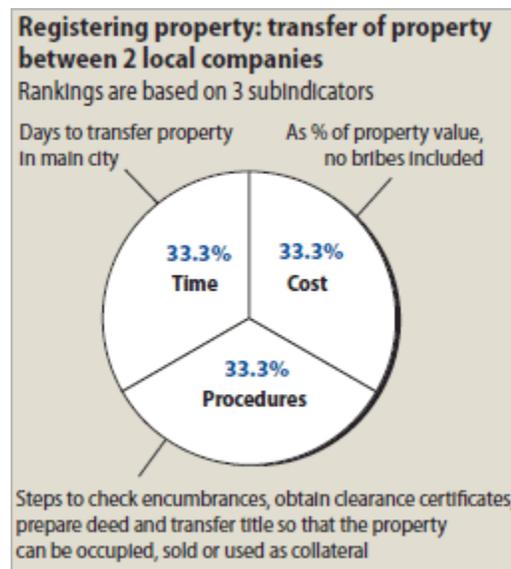
## Survey Case Study

*The buyer and seller:*

- are limited liability companies
- are private nationals (no foreign ownership)
- are located in periurban area of the largest business city
- conduct general commercial activities

*The property:*

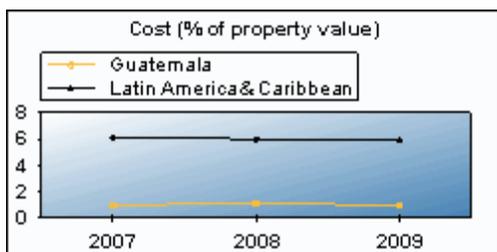
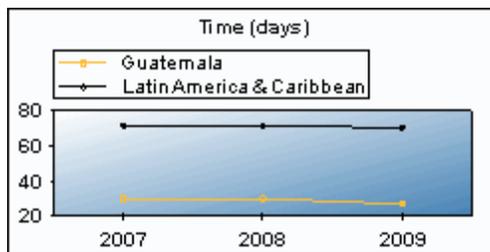
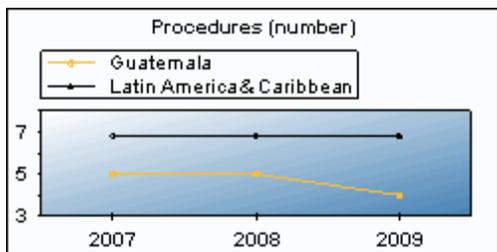
- consists of land and a 2-story building (warehouse)
- is located in the periurban commercial zone of the largest business city
- The land area is 557.4 m<sup>2</sup> (6,000 square feet).
- The warehouse has a total area of 929 m<sup>2</sup> (10,000 square feet).
- has a value equal to 50 times income per capita
- The seller company owned the property for the last 10 years.
- is registered in the land registry and/or cadastre and is free of all disputes.



### 1. Historical data: Registering Property in Guatemala

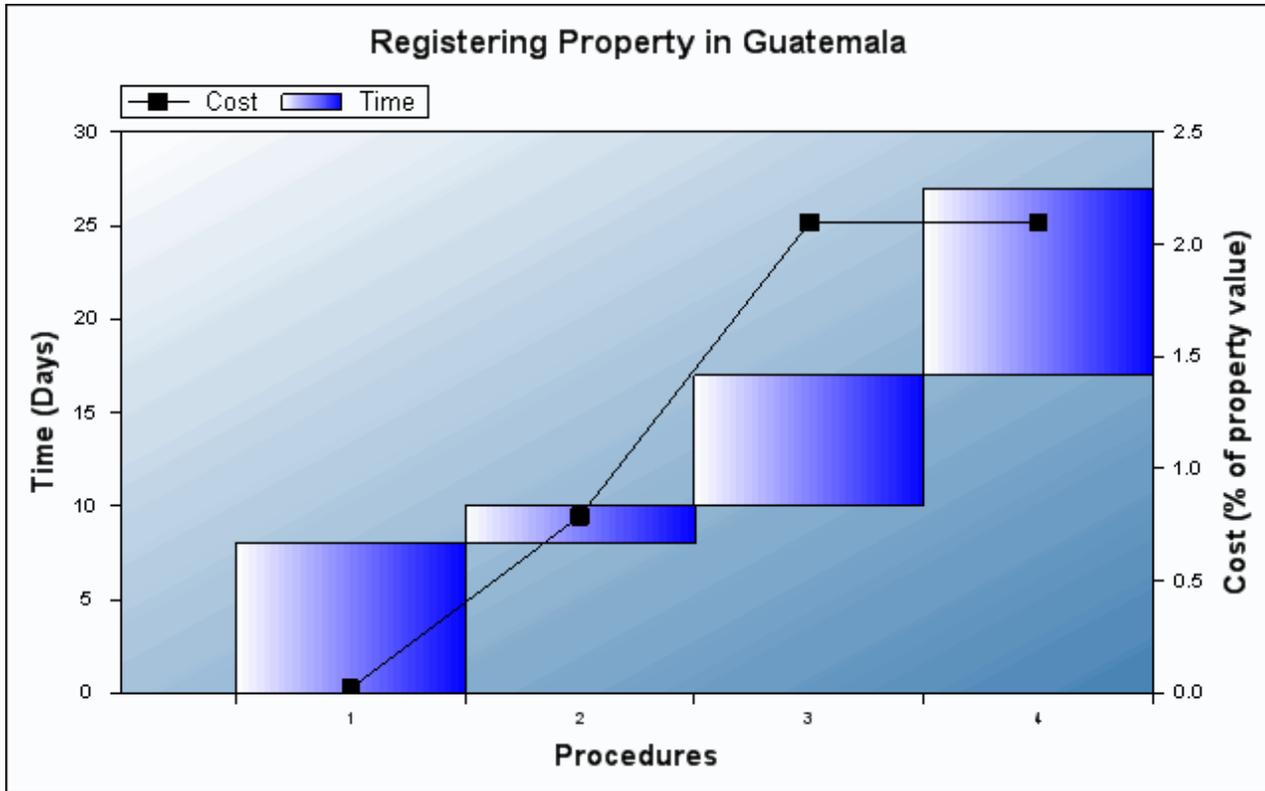
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	25	24
Procedures (number)	5	5	4
Time (days)	30	30	27
Cost (% of property value)	1.0	1.1	1.0

2. The following graphs illustrates the Registering Property indicators in Guatemala over the past 3 years:



### 3. Steps to Registering Property in Guatemala

It requires 4 procedures, takes 27 days, and costs 0.95 % of property value to register the property in Guatemala.



#### List of Procedures:

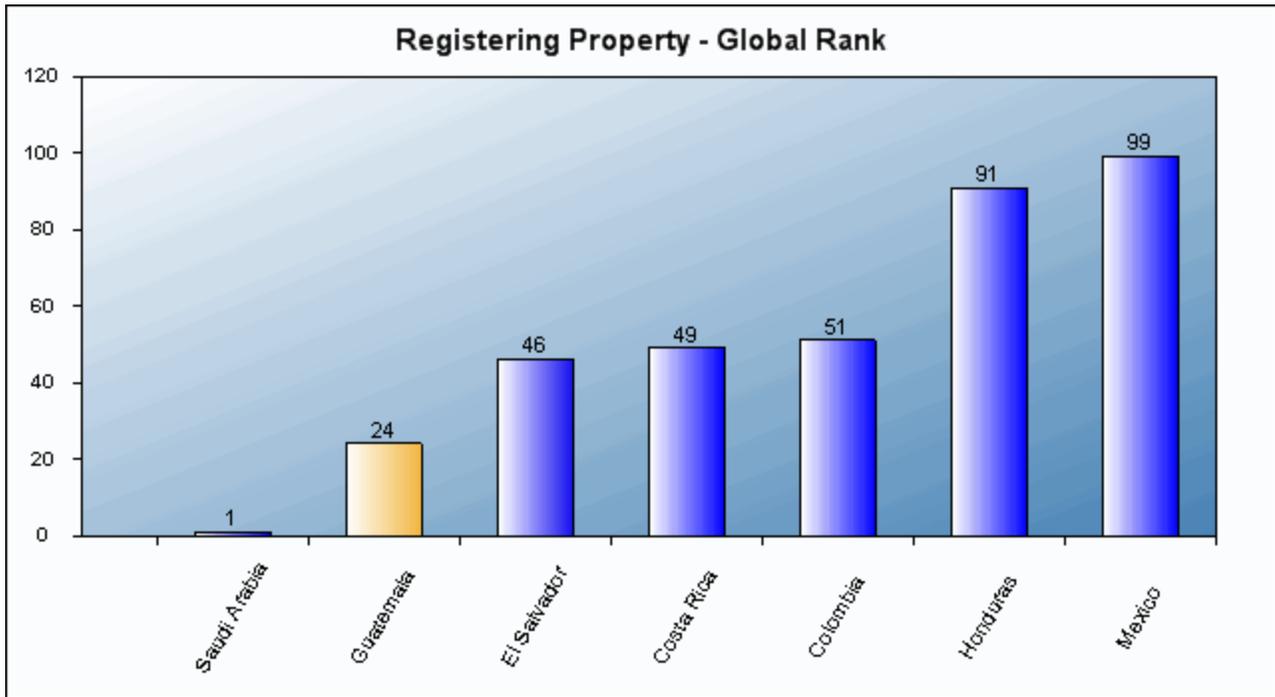
1. Obtain an property certificate ("Certificacion del historial de la finca") and the cadastral value certificate ("Valor de matricula")
2. Lawyer/notary prepares the sale agreement and notarizes it, along with the public deed
3. Public deed is delivered to the Property Registry for its recording
4. Notify the Municipality and/or DICABI of the transaction

More detail is included in the appendix.

#### 4. Benchmarking Registering Property Regulations:

Guatemala is ranked 24 overall for Registering Property.

Ranking of Guatemala in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Guatemala compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of property value)</b>
<b>New Zealand*</b>		2	
<b>Norway*</b>	1		
<b>Saudi Arabia</b>			0.0

<i>Selected Economy</i>			
<b>Guatemala</b>	4	27	1.0

<i>Comparator Economies</i>			
<b>Colombia</b>	7	20	2.0
<b>Costa Rica</b>	6	21	3.4
<b>El Salvador</b>	5	31	3.8
<b>Honduras</b>	7	23	5.5
<b>Mexico</b>	5	74	5.2

\* The following economies are also good practice economies for :

**Procedures (number): United Arab Emirates**

**Time (days): Saudi Arabia, Thailand, United Arab Emirates**

# Getting Credit

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function: one on credit registries and the other on legal rights of borrowers and lenders. Credit registries, institutions that collect and distribute credit information on borrowers, can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. They also free entrepreneurs from having to rely on personal connections alone when trying to obtain credit.

## Methodology

Credit information: three indicators are constructed

- depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information
- public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population
- private bureau coverage, which reports the number of individuals and firms, covered by a private credit bureau as a percentage of the adult population

Legal Rights: the strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders. Ten points are analyzed:

- Can a business use movable assets as collateral while keeping possession of the assets, and can any financial institution accept such assets as collateral?
- Does the law allow a business to grant a non-possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets?
- Does the law allow a business to grant a non-possessory security right in substantially all of its assets, without requiring a specific description of the secured assets?
- Can a security right extend to future or after-acquired assets and extend automatically to the products, proceeds or replacements of the original assets?
- Is general description of debts and obligations permitted in collateral agreements and in registration documents, so that all types of obligations and debts can be secured by stating a maximum rather than a specific amount between the parties?
- Is a collateral registry in operation that is unified geographically and by asset type as well as being indexed by the name of the grantor of a security right?
- Are secured creditors paid first when a debtor defaults outside an insolvency procedure or when a business is liquidated?
- Are secured creditors subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure?
- Are parties allowed to agree in a collateral agreement that the lender may enforce its security right out of court?

## Legal Rights Survey Case Study

*The Debtor:*

- is a Private Limited Liability Company
- has its headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both debtor and creditor are 100% domestically owned.

## Getting credit: collateral rules and credit information

Rankings are based on 2 subindicators

Regulations on nonpossessory security interests in movable property

62.5%  
Strength of legal rights index  
(0-10)

37.5%  
Depth of credit information index  
(0-6)

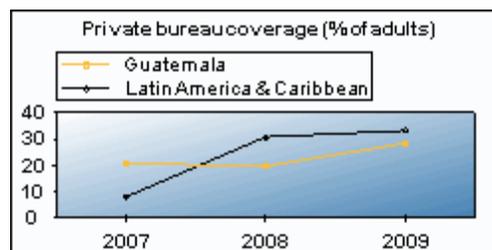
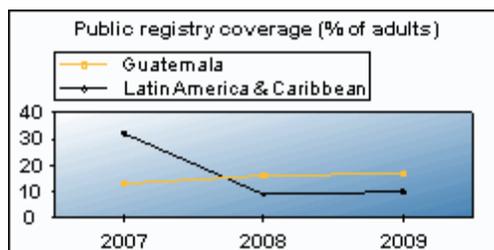
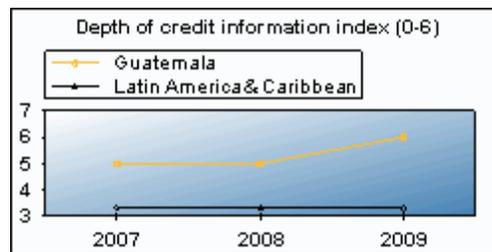
Scope, quality and accessibility of credit information through public and private credit registries

Note: Private bureau coverage and public registry coverage are measured but do not count for the rankings.

## 1. Historical data: Getting Credit in Guatemala

Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	27	4
Strength of legal rights index (0-10)	3	7	8
Depth of credit information index (0-6)	5	5	6
Private bureau coverage (% of adults)	20.7	19.7	28.4
Public registry coverage (% of adults)	13.1	16.1	16.9

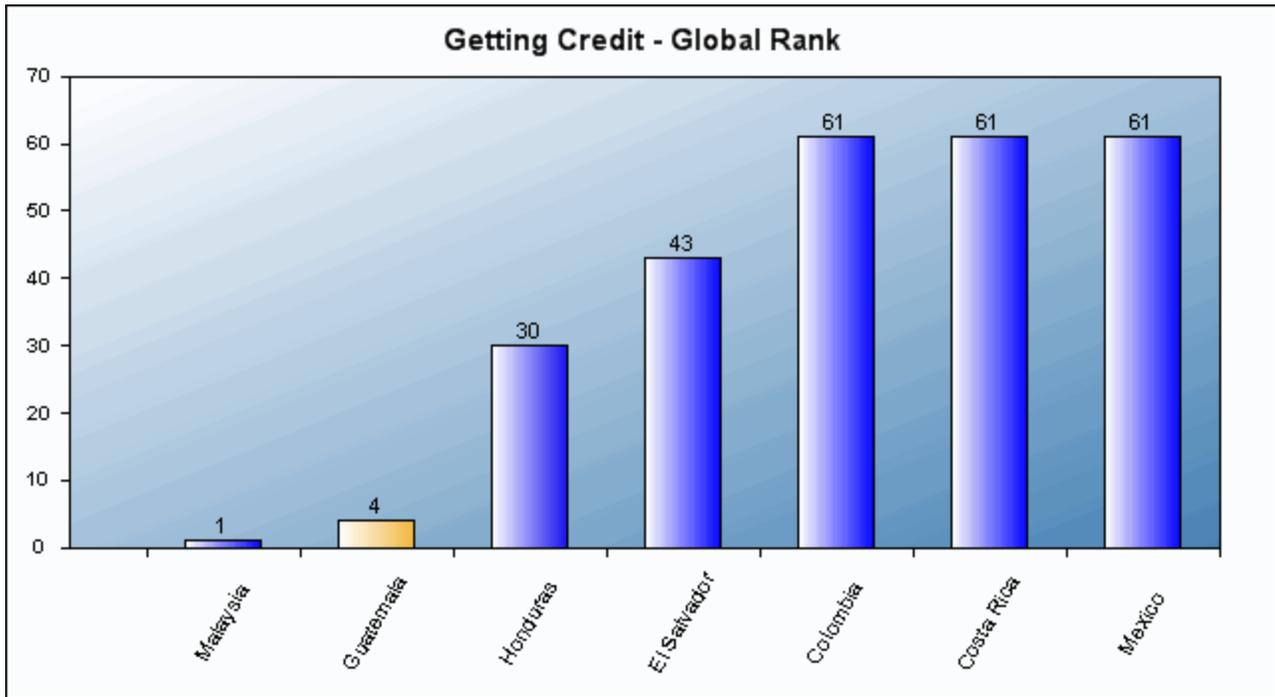
## 2. The following graphs illustrates the Getting Credit indicators in Guatemala over the past 3 years:



### 3. Benchmarking Getting Credit Regulations:

Guatemala is ranked 4 overall for Getting Credit.

Ranking of Guatemala in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Guatemala compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of legal rights index (0-10)</b>	<b>Depth of credit information index (0-6)</b>	<b>Public registry coverage (% of adults)</b>	<b>Private bureau coverage (% of adults)</b>
<b>New Zealand*</b>				100.0
<b>Portugal</b>			81.3	
<b>Singapore*</b>	10			
<b>United Kingdom</b>		6		

<i>Selected Economy</i>				
<b>Guatemala</b>	8	6	16.9	28.4

<i>Comparator Economies</i>				
<b>Colombia</b>	5	5	0.0	60.5
<b>Costa Rica</b>	5	5	24.3	56.0
<b>El Salvador</b>	5	6	21.0	94.6
<b>Honduras</b>	6	6	21.7	58.7
<b>Mexico</b>	4	6	0.0	77.5

\* The following economies are also good practice economies for :

**Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia**

**Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States**

**27 countries have the highest credit information index.**

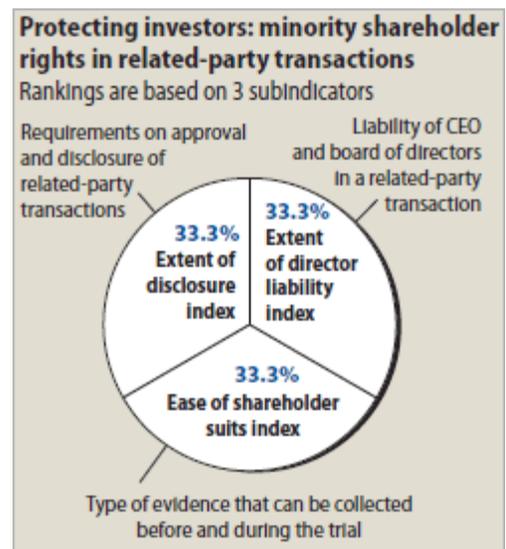
# Protecting Investors

Companies grow by raising capital, either through a bank loan or by attracting equity investors. Selling shares allows companies to expand without the need to provide collateral and repay bank loans. However, investors worry about their money, and look for laws that protect them. A study finds that the presence of legal and regulatory protections for investors explains up to 73% of the decision to invest. In contrast, company characteristics explain only between 4% and 22%\*. Good protections for minority shareholders are associated with larger and more active stock markets. Thus both governments and businesses have an interest in reforms strengthening investor protections.

## Methodology

To document some of the protections investors have, Doing Business measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gain. Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure. The three indices are:

- The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.
- The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.
- The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.



These three indices are averaged to create the strength of investor protection index.

## Survey case study

Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise:

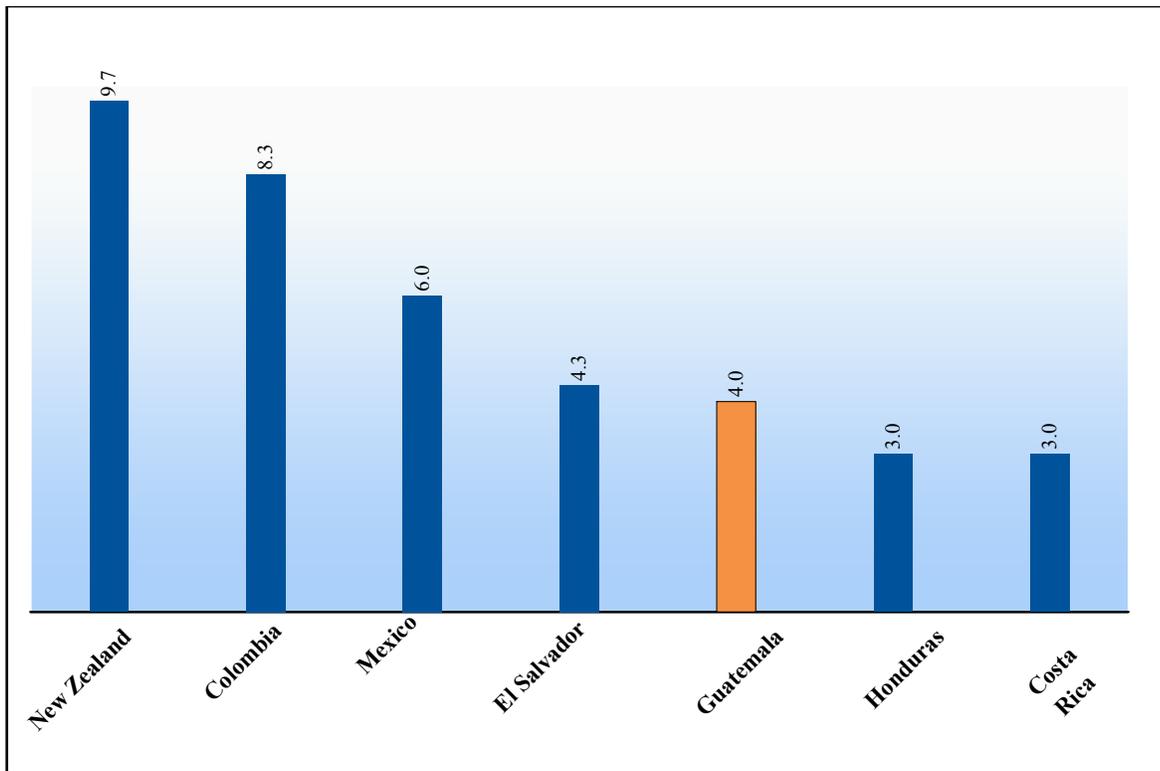
- Who approves the transaction?
- What information must be disclosed?
- What company documents can investors access?
- What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James?

\*Doidge, Kardy and Stulz (2007)

**1. Historical data: Protecting Investors in Guatemala**

Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	127	132
Strength of investor protection index (0-10)	4.0	4.0	4.0

**2. The following graph illustrates the Protecting Investors index in Guatemala compared to best practice and selected Economies:**

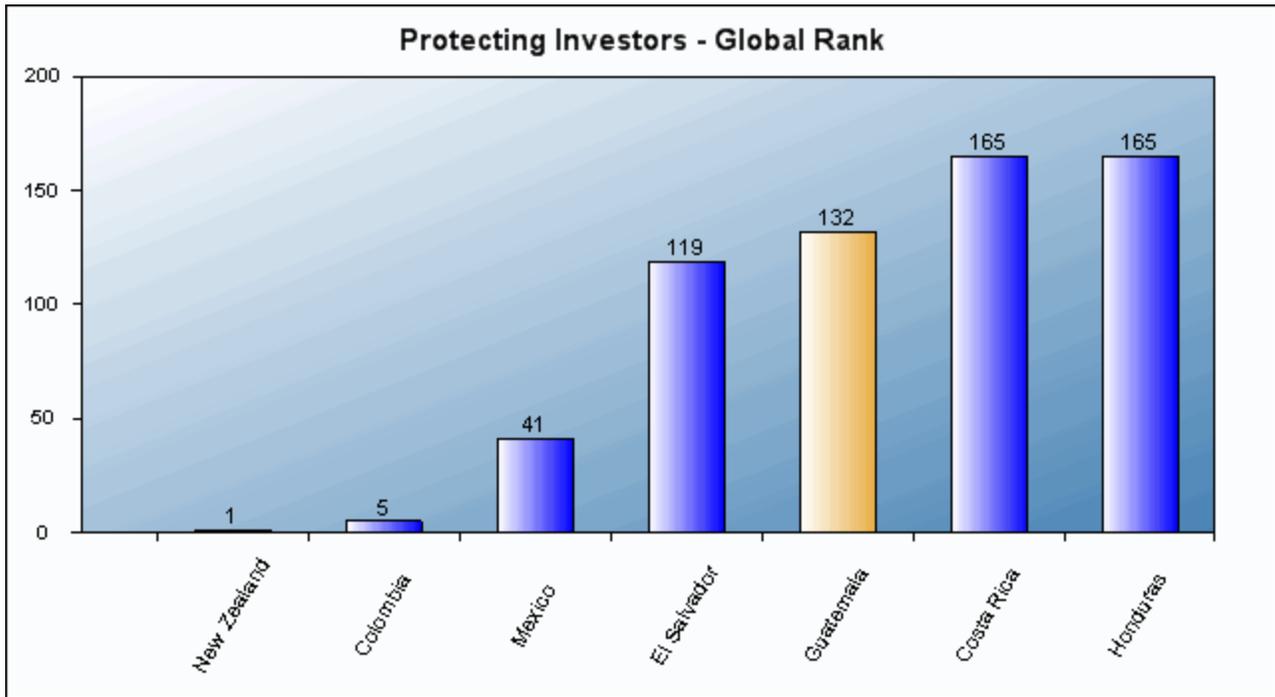


Note: The higher the score, the greater the investor protection.

### 3. Benchmarking Protecting Investors Regulations:

Guatemala is ranked 132 overall for Protecting Investors.

Ranking of Guatemala in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Guatemala compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Strength of investor protection index (0-10)</b>
<b>New Zealand</b>	9.7

<i>Selected Economy</i>	
<b>Guatemala</b>	4.0

<i>Comparator Economies</i>	
<b>Colombia</b>	8.3
<b>Costa Rica</b>	3.0
<b>El Salvador</b>	4.3
<b>Honduras</b>	3.0
<b>Mexico</b>	6.0

# Paying Taxes

Taxes are essential. Without them there would be no money to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. But particularly for small and medium size companies, they may opt out and choose to operate in the informal sector. One way to enhance tax compliance is to ease and simplify the process of paying taxes for such businesses.

## Methodology

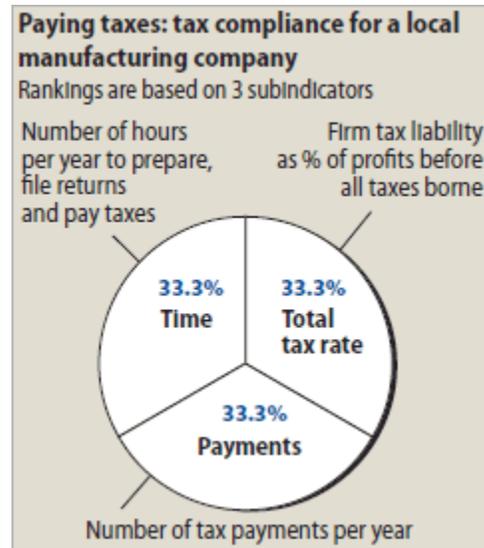
The Doing Business tax survey records the effective tax that a small and medium company must pay and the administrative costs of doing so.

Three indicators are constructed:

- number of tax payments, which takes in to account the method of payment, the frequency of payments and the number of agencies involved in our standardized case study.
- time, which measures the number of hours per year necessary to prepare and file tax returns and to pay the corporate income tax, value added tax, sales tax or goods and service tax and labor taxes and mandatory contributions.
- total tax rate, which measures the amount of taxes and mandatory contributions payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

## Survey case study

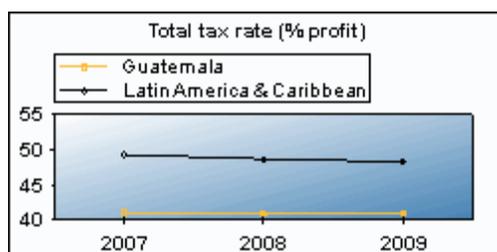
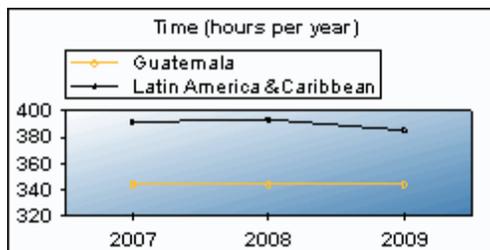
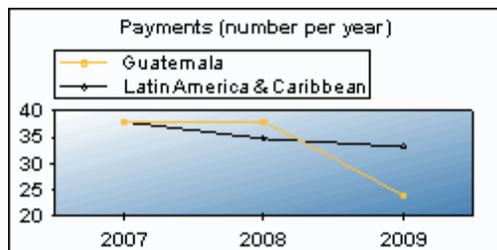
- TaxpayerCo is a medium-size business that started operations last year. Doing Business asks tax practitioners in 183 economies to review TaxpayerCo's financial statements and a standard list of transactions that the company completed during the year. Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor taxes and contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax, sales tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.



## 1. Historical data: Paying Taxes in Guatemala

Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	133	109
Total tax rate (% profit)	41.1	40.9	40.9
Payments (number per year)	38	38	24
Time (hours per year)	344	344	344

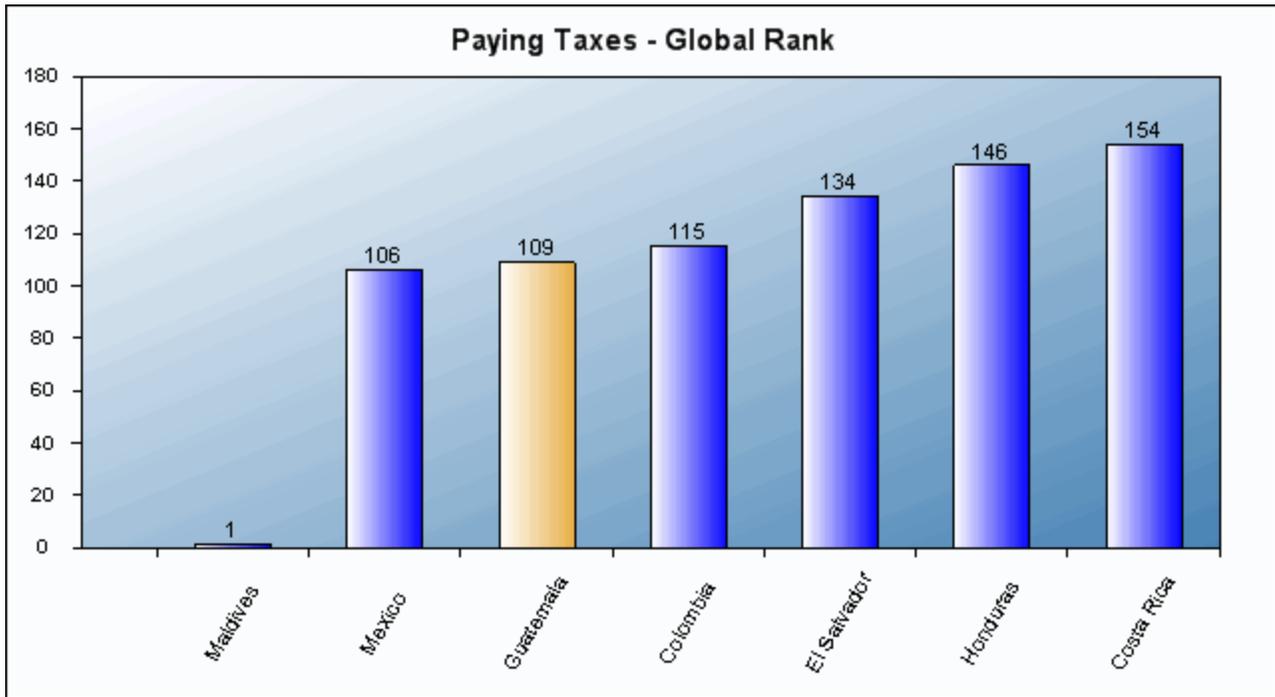
2. The following graphs illustrates the Paying Taxes indicators in Guatemala over the past 3 years:



### 3. Benchmarking Paying Taxes Regulations:

Guatemala is ranked 109 overall for Paying Taxes.

Ranking of Guatemala in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Guatemala compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Payments (number per year)</b>	<b>Time (hours per year)</b>	<b>Total tax rate (% profit)</b>
<b>Maldives*</b>	1	0	
<b>Timor-Leste</b>			0.2

<i>Selected Economy</i>			
<b>Guatemala</b>	24	344	40.9

<i>Comparator Economies</i>			
<b>Colombia</b>	20	208	78.7
<b>Costa Rica</b>	42	282	54.8
<b>El Salvador</b>	53	320	35.0
<b>Honduras</b>	47	224	48.3
<b>Mexico</b>	6	517	51.0

\* The following economies are also good practice economies for :

**Payments (number per year): Qatar**

# Trading Across Borders

The benefits of trade are well documented; as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with bigger ships and faster planes, the world is shrinking. Global and regional trade agreements have reduced trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. Many entrepreneurs face numerous hurdles to exporting or importing goods, including delays at the border. They often give up. Others never try. In fact, the potential gains from trade facilitation may be greater than those arising from only tariff reductions.

## Methodology

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every procedure and the associated documents, time and cost, for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the importer's warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit. Payment is by letter of credit and the time and cost for issuing or securing a letter of credit is taken into account.

Documents recorded include port filing documents, customs declaration and clearance documents, as well as official documents exchanged between the parties to the transaction. Time is recorded in calendar days, from the beginning to the end of each procedure. Cost includes the fees levied on a 20-foot container in U.S. dollars.

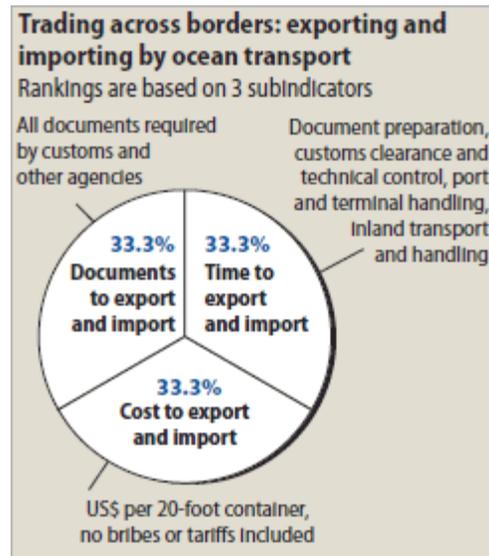
All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or duties.

Economies that have efficient customs, good transport networks and fewer document requirements, making compliance with export and import procedures faster and cheaper, are more competitive globally. That can lead to more exports; and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders may avoid customs altogether. Instead, they smuggle goods across the border. This defeats the very purpose in having border control of trade to levy taxes and ensure high quality of goods.

## Survey case study

To make the data comparable across countries, several assumptions about the business and the traded goods are used:

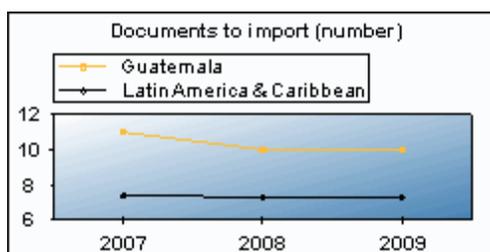
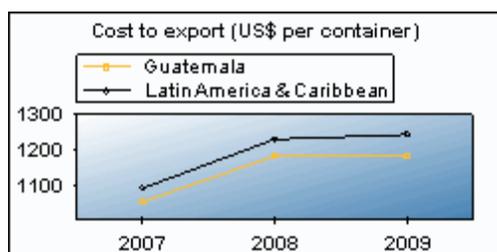
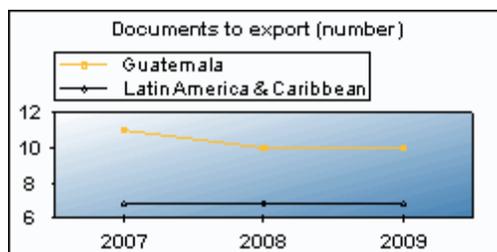
- The business is of medium size.
- The business employs 60 people.
- The business is located in the peri-urban area of the economy's largest business city.
- The business is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.
- The traded goods are ordinary, legally manufactured products transported in a dry-cargo, 20-foot FCL (full container load) container.

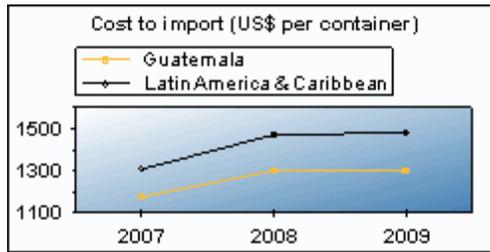
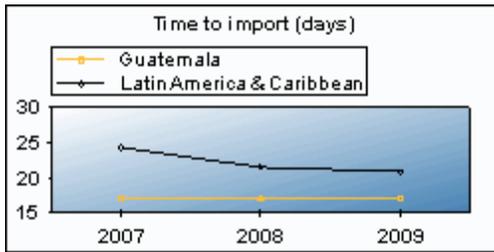


## 1. Historical data: Trading Across Borders in Guatemala

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	119	119
Cost to export (US\$ per container)	1052	1182	1182
Cost to import (US\$ per container)	1177	1302	1302
Documents to export (number)	11	10	10
Documents to import (number)	11	10	10
Time to export (days)	17	17	17
Time to import (days)	17	17	17

2. The following graphs illustrates the Trading Across Borders indicators in Guatemala over the past 3 years:

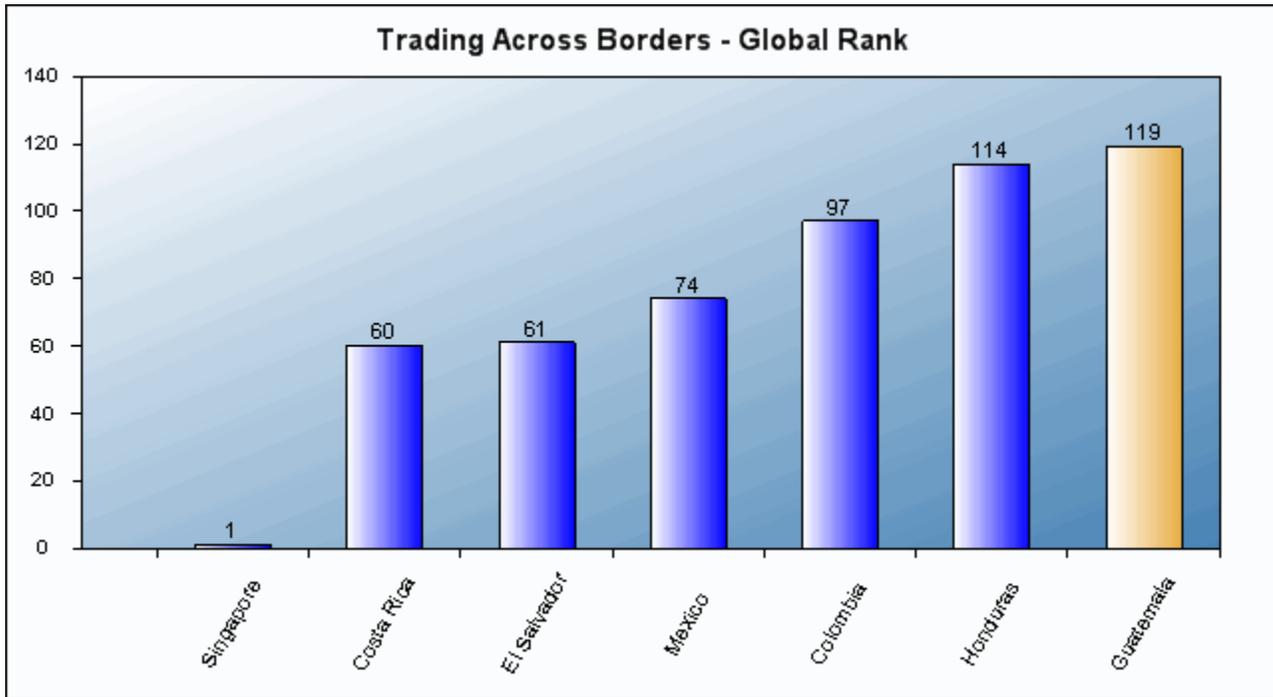




### 3. Benchmarking Trading Across Borders Regulations:

Guatemala is ranked 119 overall for Trading Across Borders.

Ranking of Guatemala in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Guatemala compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Documents to export (number)</b>	<b>Time to export (days)</b>	<b>Cost to export (US\$ per container)</b>	<b>Documents to import (number)</b>	<b>Time to import (days)</b>	<b>Cost to import (US\$ per container)</b>
<b>Denmark*</b>		5				
<b>France</b>	2			2		
<b>Malaysia</b>			450			
<b>Singapore</b>					3	439

<i>Selected Economy</i>						
<b>Guatemala</b>	10	17	1182	10	17	1302

<i>Comparator Economies</i>						
<b>Colombia</b>	6	14	1770	8	14	1750
<b>Costa Rica</b>	6	13	1190	7	15	1190
<b>El Salvador</b>	8	14	880	8	10	820
<b>Honduras</b>	7	20	1163	10	23	1190
<b>Mexico</b>	5	14	1472	5	17	2050

\* The following economies are also good practice economies for :

**Time to export (days): Estonia**

# Enforcing Contracts

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. The data is collected through study of the codes of civil procedure and other court regulations as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Justice delayed is often justice denied. And in many economies only the rich can afford to go to court. For the rest, justice is out of reach. In the absence of efficient courts, firms undertake fewer investments or business transactions. And they prefer to involve only a small group of people who know each other from previous dealings.

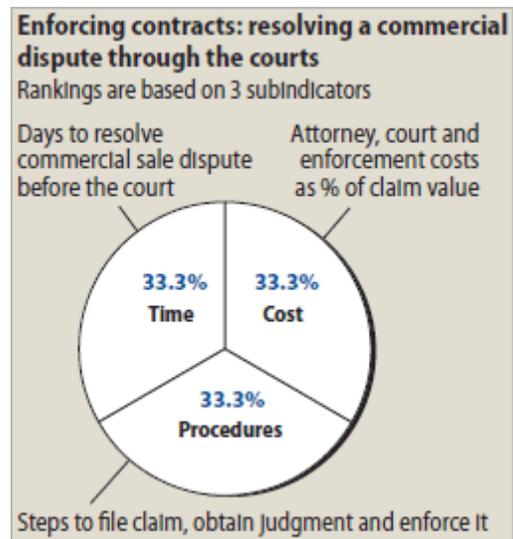
## Methodology

Rankings on enforcing contracts are based on 3 sub-indicators:

- number of procedures, which are defined as any interaction between the parties or between them and the judge or court officer. This includes steps to file the case, steps for trial and judgment and steps necessary to enforce the judgment.
- time, which counts the number of calendar days from the moment the Seller files the lawsuit in court until payment is received. This includes both the days on which actions take place and the waiting periods in between.
- cost, which is recorded as a percentage of the claim (assumed to be equivalent to 200% of income per capita). Three types of costs are recorded: court costs (including expert fees), enforcement costs (including costs for a public sale of Buyer's assets) and attorney fees.

## Survey case Study

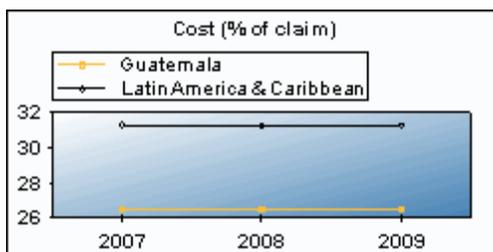
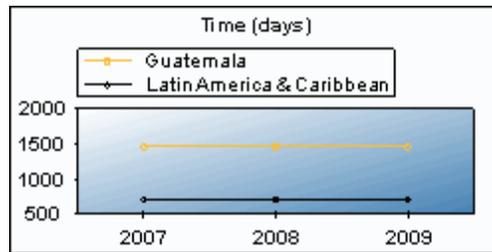
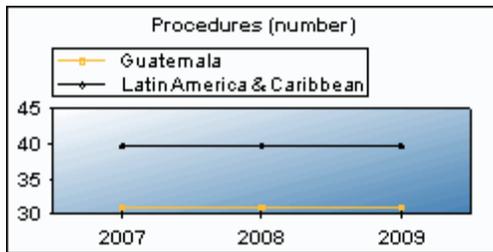
- The dispute concerns a contract for the sale of goods between two businesses (the Seller and the Buyer).
- Both are located in the economy's largest business city.
- The Seller sells and delivers goods, worth 200% of the economy's income per capita, to the Buyer. The Buyer refuses to pay on the grounds that they were not of adequate quality.
- The Seller sues the Buyer to recover the amount under the sales agreement (200% of the economy's income per capita).
- The claim is filed before a court in the economy's largest business city with jurisdiction over commercial cases worth 200% of the income per capita and is disputed on the merits.
- Judgment is 100% in favor of the Seller and is not appealed.
- The Seller enforces the judgment and the money is successfully collected through a public sale of Buyer's assets.



## 1. Historical data: Enforcing Contracts in Guatemala

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	106	103
Procedures (number)	31	31	31
Time (days)	1459	1459	1459
Cost (% of claim)	26.5	26.5	26.5

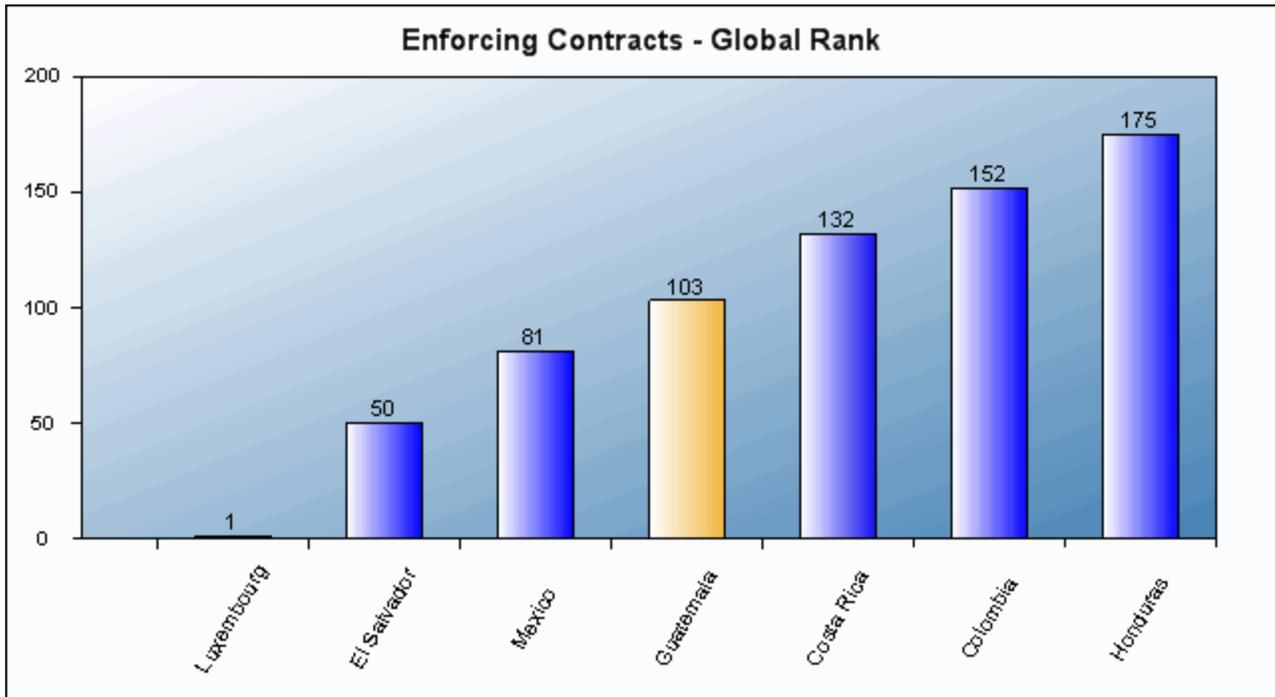
2. The following graphs illustrates the Enforcing Contracts indicators in Guatemala over the past 3 years:



### 3. Benchmarking Enforcing Contracts Regulations:

Guatemala is ranked 103 overall for Enforcing Contracts.

Ranking of Guatemala in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Guatemala compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Procedures (number)</b>	<b>Time (days)</b>	<b>Cost (% of claim)</b>
<b>Bhutan</b>			0.1
<b>Ireland</b>	20		
<b>Singapore</b>		150	

<i>Selected Economy</i>			
<b>Guatemala</b>	31	1459	26.5

<i>Comparator Economies</i>			
<b>Colombia</b>	34	1346	52.6
<b>Costa Rica</b>	40	852	24.3
<b>El Salvador</b>	30	786	19.2
<b>Honduras</b>	45	900	35.2
<b>Mexico</b>	38	415	32.0

# Closing a Business

The economic crises of the 1990s in emerging markets, from East Asia to Latin America, from Russia to Mexico, raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy laws are inefficient, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

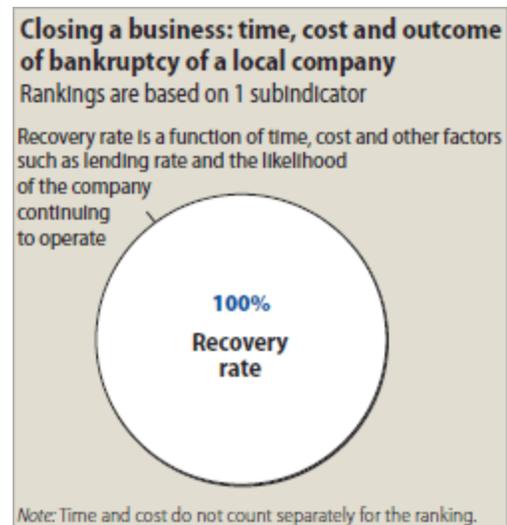
## Methodology

Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate, how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

## Survey case study

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that:

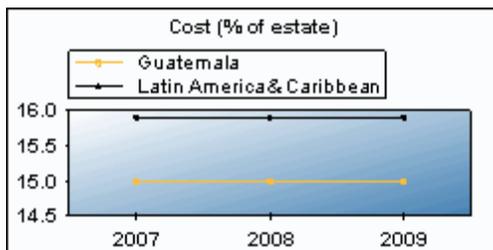
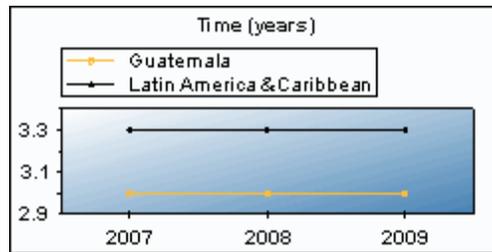
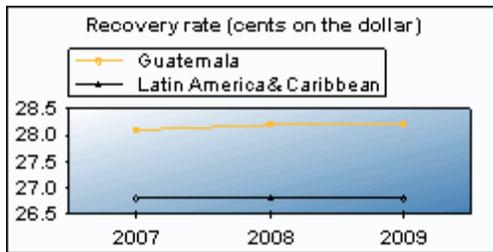
- the company is a domestically owned
- the company is a limited liability corporation operating a hotel in the country's largest business city
- the company has 201 employees, 1 main secured creditor and 50 unsecured creditors
- Assumptions are also made about the future cash flows.
- The case is designed so that the company has a higher value as a going concern, that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.
- The data are derived from questionnaires answered by attorneys at private law firms.



**1. Historical data: Closing Business in Guatemala**

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank	..	93	93
Time (years)	3.0	3.0	3.0
Cost (% of estate)	15	15	15
Recovery rate (cents on the dollar)	28.1	28.2	28.2

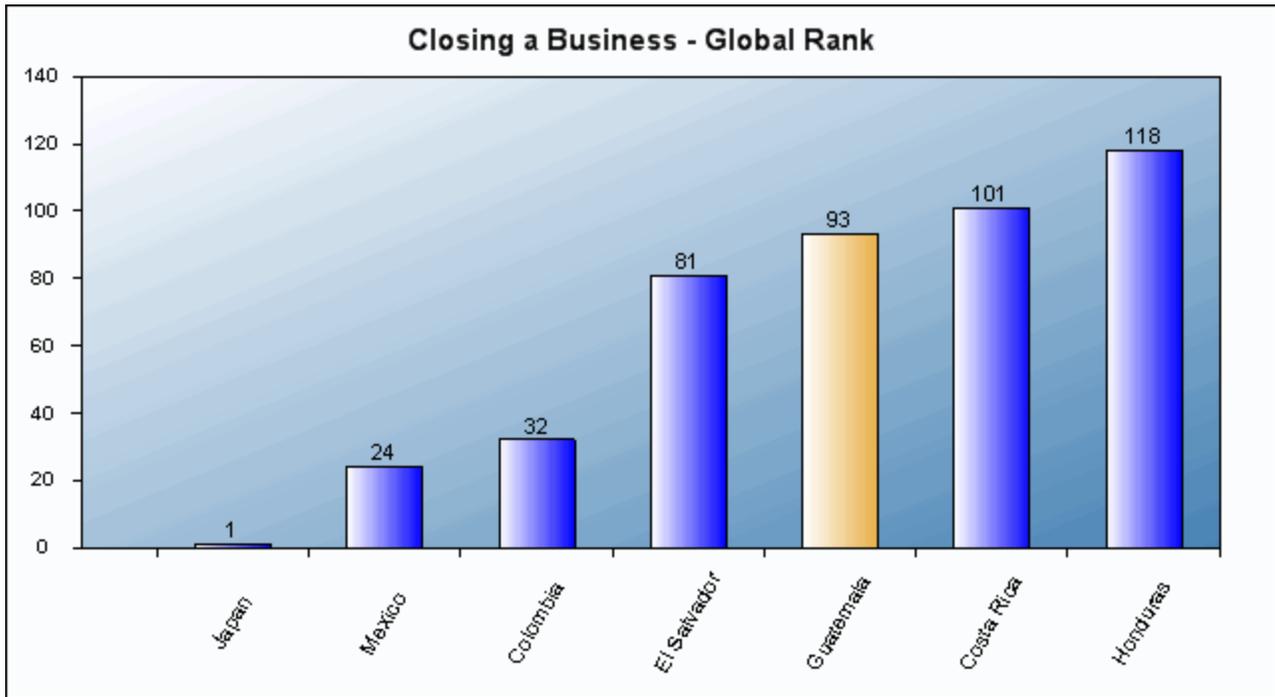
**2. The following graphs illustrates the Closing Business indicators in Guatemala over the past 3 years:**



### 3. Benchmarking Closing Business Regulations:

Guatemala is ranked 93 overall for Closing a Business.

Ranking of Guatemala in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Guatemala compared to good practice and comparator economies:

<b>Good Practice Economies</b>	<b>Recovery rate (cents on the dollar)</b>	<b>Time (years)</b>	<b>Cost (% of estate)</b>
<b>Ireland</b>		0.4	
<b>Japan</b>	92.5		
<b>Singapore*</b>			1

<i>Selected Economy</i>			
<b>Guatemala</b>	28.2	3.0	15

<i>Comparator Economies</i>			
<b>Colombia</b>	52.8	3.0	1
<b>Costa Rica</b>	25.4	3.5	15
<b>El Salvador</b>	30.8	4.0	9
<b>Honduras</b>	20.8	3.8	15
<b>Mexico</b>	64.2	1.8	18

\* The following economies are also good practice economies for :

**Cost (% of estate): Colombia, Kuwait, Norway**

# Doing Business 2010 Reforms

## Number of reforms in Doing Business 2010

Rank	Economy	Reforms									Total number of reforms
		Starting a Business	Dealing with Construction Permits	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	
1	Rwanda	✓		✓	✓	✓	✓		✓	✓	7
2	Kyrgyz Republic	✓	✓	✓	✓	✓		✓	✓		7
3	Macedonia, FYR	✓	✓	✓	✓	✓	✓	✓			7
4	Belarus	✓	✓	✓	✓			✓	✓		6
5	United Arab Emirates	✓	✓						✓		3
6	Moldova	✓			✓			✓			3
7	Colombia	✓	✓		✓	✓	✓	✓	✓	✓	8
8	Tajikistan	✓	✓		✗	✓	✓			✓	5
9	Egypt, Arab Rep.	✓	✓			✓			✓		4
10	Liberia	✓	✓					✓			3
	Guatemala		✓		✓	✓		✓			4
	El Salvador										
	Costa Rica								✓		1
	Mexico	✓						✓			2
	Honduras	✓	✓	✗		✓					3

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

<b>Belarus</b>	Belarus eased the process for getting construction permits by simplifying approval processes. Restrictions relating to redundancy dismissals were eased by raising the threshold for prior notification requirements. Tax payments were made more convenient through increased use of electronic systems—reducing tax compliance times—while lower ecological and turnover tax rates and a reduction in the number of payments for property tax reduced the tax burden on businesses. Property registration continues to improve, with faster processing and elimination of the requirement for notarization. Business start-up was eased by simplifying registration formalities, abolishing the minimum capital requirement, limiting the role of notaries, and removing the need for a company seal approval. Implementation of a risk-based management system and improvement of border crossing operations reduced transit times for trade.
<b>Colombia</b>	Colombia passed several decrees continuing its efforts to regulate the profession of insolvency administrators. The government eased the construction permit process with a new construction decree that categorizes building projects based on risk and allows electronic verification for certain documents. Access to credit improved thanks to a new credit information law that guarantees the right of borrowers to inspect their own data and new rules that make it mandatory for credit providers to consult and share information with credit bureaus. The tax burden on businesses was eased with the introduction of electronic tax filing and payment, and some payments were reduced. An amendment to the Company Law strengthened investor protections by making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was made easier by making it possible to obtain required certificates online and by making standard preliminary sale agreements available free of charge. Business start-up was made easier by creating a public-private health provider that enables faster affiliation of employees and through a tool that allows online pre-enrollment with the social security office. Implementation of an electronic declaration system has expedited customs clearance.
<b>Costa Rica</b>	Costa Rica improved contract enforcement. It authorized new modes for service of process and simplified auction procedures by allowing publication of a single auction notice.
<b>Egypt, Arab Rep.</b>	The Arab Republic of Egypt, a former global leading reformer and a regional leading reformer in 2008/09, continued to make it easier to deal with construction permits by issuing executive articles for the 2008 construction law and eliminating most preapprovals for construction permits. Contract enforcement was expedited with the creation of commercial courts. Access to credit information has expanded with the addition of retailers to the database of the private credit bureau. Finally, company start-up was eased by the removal of the minimum capital requirement.
<b>El Salvador</b>	In El Salvador no major reform was recorded.
<b>Guatemala</b>	Guatemala eased the construction permit process with a new land management plan that simplified approvals based on risk assessments, while mixed zoning regimes made the approval process much faster. The credit information system was strengthened with the adoption of a decree on access to public information that guarantees the right of borrowers to inspect their own data in any public institution. Access to credit and the regime for secured transactions were strengthened with a new collateral registry for movable assets that applies to all such assets and all types of creditors and debtors, and is searchable by debtor name. The government eased payment of and filing for value added and corporate income taxes by increasing electronic compliance thresholds and extending the electronic system to most banks. Property registration was eased by centralizing more procedures at the cadastre, reorganizing operations, and making greater use of electronic services.
<b>Honduras</b>	Honduras eased the construction permit process through various administrative reforms that shortened the process by 19 days. The government increased severance pay, making dismissals more costly. It also passed a resolution that enhances the operations of the public credit bureau; it classifies debtors into several groups and is designed to help banks manage risk. Business start-up was eased by creating a one-stop shop to make registration more efficient, improving the process of registering for taxes, and eliminating the need for lawyer services to obtain a municipal license.

<b>Kyrgyz Republic</b>	The Kyrgyz Republic eased the process for getting construction permits by streamlining the fee structure, introducing a risk-based system of approval and building control, allowing low-risk projects to conduct an internal building control process, and simplifying the process for obtaining utility connections. Requirements relating to redundancy dismissals and worker reassignment were eased. Access to credit was enhanced by making secured lending more flexible and allowing general descriptions of encumbered assets and of debts and obligations. In addition, amendments to the Civil Code provide for automatic extension of security rights to proceeds of the original assets. The tax burden on businesses was eased by reducing the rates for several taxes and the number of payments for several. Surveying and notarization requirements were made optional for property registration, and business start-up was eased by eliminating the minimum capital requirement, reducing the registration time, and abolishing various post-registration fees and the need to open a bank account before registration. The elimination of six previously required documents and the simplification of inspection procedures has sped up trading across borders.
<b>Liberia</b>	Liberia eased the process for getting construction permits by lowering the permit fee and cost of obtaining a power generator, abolishing the requirement to obtain a tax waiver certificate before submitting documents to obtain a building permit, and making fixed telephone connections more readily available for public use with the reopening of the national phone company. Business start-up was eased by removing the need to obtain an environmental impact assessment when forming a general trading company. The trade process was expedited by creating a one-stop shop bringing together various ministries and agencies, and streamlining the inspection regime.
<b>Macedonia, FYR</b>	The Former Yugoslav Republic of Macedonia has been reforming the construction permit process, shortening waiting times but raising fees. Worker hiring was made more flexible by allowing greater use of fixed-term contracts, easing restrictions on working hours, and making redundancy dismissals more flexible. The public credit bureau increased its coverage by introducing a better database that includes more information and by lowering the minimum loan threshold. Social security payments were classified in five groups, and social security contribution rates reduced. Investor protections were increased by regulating the approval of transactions between interested parties, increasing disclosure requirements in annual reports, and making it easier to sue directors in cases of prejudicial transactions between interested parties. Property registration was eased with the introduction of new time limits at the real estate cadastre—reducing the average time to register a title deed by eight days—and a non-encumbrance certificate can now be obtained from the real estate registry instead of through the court. Business start-up was simplified by integrating procedures at a one-stop shop.
<b>Mexico</b>	Mexico eased taxpaying by introducing electronic payment systems for payroll, property, and social security taxes. Business start-up was eased by establishing an electronic platform for company registration, substantially reducing the number of days for registration, and eliminating the requirement to register with the statistical office.
<b>Moldova</b>	Moldova lowered the rates for social security contributions paid by employers. Property registration was simplified by eliminating the requirement for a cadastral sketch, reducing procedures from six to five and days from 48 to 5. Business start-up was eased by implementing an expedited company registration service.
<b>Rwanda</b>	Rwanda improved the process for dealing with distressed companies with a new law aimed at streamlining reorganization. Employing workers was made easier by abolishing the maximum duration for fixed-term contracts and allowing unlimited renewals of such contracts, as well as by allowing redundancy procedures to be more flexible, with consultation and notification of third parties no longer required. Getting credit was made easier with a new secured transactions act and insolvency act to make secured lending more flexible, allowing a wider range of assets to be used as collateral and a general description of debts and obligations. In addition, out of court enforcement of collateral has become available to secured creditors, who also now have top priority within bankruptcy. A new company law has strengthened investor protections by requiring greater corporate disclosure, director liability, and shareholder access to information. Property registration was simplified by decreasing the number of days required to transfer a property. Business start-up was eased by eliminating a notarization requirement; introducing standardized memorandums of association; enabling online publication; consolidating name checking, registration fee payment, tax registration, and company registration procedures; and shortening the time required to process completed applications. By implementing administrative changes—such as increased operating hours and enhanced cooperation at the border, along with the removal of some documentation requirements for importers and exporters—Rwanda has improved trading times.

**Tajikistan**

Tajikistan amended its insolvency law, aiming to reduce statutory time limits and the costs of proceedings. Changes were introduced that simplified the construction permit process, reducing procedures and time. A new law on credit histories improves access to credit information by creating a private credit bureau. Investor protections were strengthened with amendments to the joint stock company law, increasing disclosure requirements for transactions involving conflicts of interest, allowing for greater director liability, and giving shareholders the chance to request that harmful related-party transactions be rescinded. The state duty for property transfer has quadrupled, raising the cost of registering property by 2.8 percent of a property's value. Business start-up was eased by reducing the minimum capital requirement and shortening the time to obtain a tax identification number.

**United Arab Emirates**

The United Arab Emirates shortened the time for delivering building permits by improving its online system for processing applications. Business start-up was eased by simplifying the documents needed for registration, abolishing the minimum capital requirement, and removing the requirement that proof of deposit of capital be shown for registration. Greater capacity at the container terminal, elimination of the terminal handling receipt as a required document, and an increase in trade finance products, have improved trade processes.

## APPENDICES

### Starting a Business in Guatemala

This table summarizes the procedures and costs associated with setting up a business in Guatemala.

#### STANDARDIZED COMPANY

Legal Form: Sociedad Anónima (SA) - Corporation

Minimum Capital Requirement:

City: Guatemala City

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Check the proposed company name at the Mercantile Registry of Guatemala	1	0
2	Obtain letter from a Guatemalan notary public to open bank account	1	0
3	Deposit the subscribed capital in a bank and obtain a receipt	1	0
4	A notary public draws the deed of constitution	3	6800
5	The notary buys the fiscal stamps and issues a certified copy of the deed of incorporation for filing with the commercial register	1	650
6	File notarized unique registration form and documents with the Commercial Register (Registro Mercantil)	4	1999.97
7	Registration of the appointment of legal representative of the company	1	0
8	Obtain the definitive registration, tax and social security numbers, and authorization to print invoices	14	0
9	Application for trading license	1	165
10 *	Submit to the Commercial Registry for their authorisation, company accounting books and books of minutes of shareholder and board of directors meetings	1	15
11 *	Application for book of salaries authorisation from the Inspection of the Department of Labour	1	5

\* Takes place simultaneously with another procedure.

**Procedure 1 Check the proposed company name at the Mercantile Registry of Guatemala**

**Time to complete:** 1

**Cost to complete:** 0

**Comment:** Before initiating the incorporation process, the parties may conduct a company name availability search in order to avoid submitting a preexisting name. Since June 2006, the Commercial Registry provides the option of carrying out the search via the Internet at no cost. The manual search system at the Registry is still available.

**Procedure 2 Obtain letter from a Guatemalan notary public to open bank account**

**Time to complete:** 1

**Cost to complete:** 0

**Comment:** The minimum paid capital requirement of GTQ 5,000 must be deposited in a local bank before the articles of incorporation are signed. For this purpose, a notary public must issue a letter confirming that he or she has been requested to draw up and register the company's deed of constitution. This letter allows for the opening of a temporary bank account while registration is completed. If the company capital is composed of an asset instead of cash, this procedure is not required.

**Procedure 3 Deposit the subscribed capital in a bank and obtain a receipt**

**Time to complete:** 1

**Cost to complete:** 0

**Comment:** The Registry does not require filing of the deposit slip or the bank statement. The notary public transcribes the deposit of paid in capital in the articles of incorporation.

**Procedure 4 A notary public draws the deed of constitution**

**Time to complete:** 3

**Cost to complete:** 6800

**Comment:** The deed is executed by the founding shareholders and attested by the notary public, and provisional stock certificates are issued. Once the company is duly registered, definitive stock certificates are issued and substituted for the provisional stock certificates.

The notary public generally charges a package fee (up to USD 2,000) for the entire process of setting up a company, including the preparation of the provisional stock certificates, the value depends on the authorized capital of the corporation. They will be issued and signed by the company's president and the secretary of the initial board of directors, which is appointed in the deed of incorporation.

**Procedure 5 The notary buys the fiscal stamps and issues a certified copy of the deed of incorporation for filing with the commercial register**

**Time to complete:** 1

**Cost to complete:** 650

**Comment:** Only a notary public can buy the fiscal stamps at the Superintendency of Tax Administration.

**Procedure 6 File notarized unique registration form and documents with the Commercial Register (Registro Mercantil)**

**Time to complete:** 4

**Cost to complete:** 1999.97

**Comment:** A new fast-track system was introduced in May 2006 and fully implemented in September, requiring only a single registration form (which must be legalized either by a lawyer or notary public) for several applications which used to be filed separately: notice of issuance of stock certificates, notice of appointment of legal representative, commercial registration, application for business license (patente), and tax and social security registration (which can be processed, together with the other formalities, through a single registration form).

The fast-track system did not work efficiently and it is not in use any more. The Registro Mercantil now takes approximately 5 business days to analyze the legal documents and providing a provisional registration number.

The same documents as the fast-track system are still required : (1) form of the commercial registry (sold for GTQ 2); and (2) the deed of constitution (original and simple photocopy of the certified notarized copy).The Registry analyzes the documents presented, and if they fulfill legal requirements, it issues the public notice of authorization or edict (edicto) and assigns a provisional registration number, which allows for the nomination of the legal representative (Procedure 7). The Registry then coordinates the publication of the edict, as well as tax registration, the authorization to print invoices, and social security registration.

A single fee payment is necessary and includes:

- Registration fee: GTQ 275 plus 0.6% of the authorized capital (up to a maximum cost of GTQ 25,000) and plus GTQ 15 (for issuance of the public notice, or edicto).

- Edict publication fee: GTQ 525.62 for publication in the Diario de Centro America.

- Authorization to print invoices: GTQ 0.5/page (assuming 100 pages).

**Procedure 7 Registration of the appointment of legal representative of the company**

**Time to complete:** 1

**Cost to complete:** 0

**Comment:** Once the provisional registration number has been assigned, the Commercial Registry calls the applicant or his/her representative (e.g., notary public), in order to nominate the company's legal representative.

**Procedure 8 Obtain the definitive registration, tax and social security numbers, and authorization to print invoices**

**Time to complete:** 14

**Cost to complete:** 0

**Comment:** Provisional registration at the Commercial Registry with the tax and social security authorities can be completed in 2–3 days. Following the publication of the edict, a protest period of 8 days applies before the Commercial Registry can finalize the registration. Once registration is completed, tax and social security identification numbers can be obtained.

**Procedure 9 Application for trading license**

**Time to complete:** 1

**Cost to complete:** 165

**Comment:**

**Procedure 10** Submit to the Commercial Registry for their authorisation, company accounting books and books of minutes of shareholder and board of directors meetings

**Time to complete:** 1

**Cost to complete:** 15

**Comment:**

**Procedure 11** Application for book of salaries authorisation from the Inspection of the Department of Labour

**Time to complete:** 1

**Cost to complete:** 5

**Comment:** This requirement to obtain authorization of the book of salaries applies to entities employing more than 10 workers.

## Dealing with Construction Permits in Guatemala

The table below summarizes the procedures, time, and costs to build a warehouse in Guatemala.

### BUILDING A WAREHOUSE

Date as of: January 2009

Estimated Warehouse Value:

City: Guatemala City

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain certificate of land ownership for the property where the warehouse is to be built	10 days	GTQ 50
2 *	Hire an Environmental Specialist and prepare an Environmental Impact Assessment	30 days	GTQ 40,000
3 *	Request and obtain a favorable resolution by the Infrastructure Department (Dirección de General de Caminos) based on a Road System Impact Assessment	18 days	GTQ 1,700
4 *	Submit a Brief or Simple Industrial Report	1 day	no charge
5	Request and obtain a favorable decision by the Ministry of the Environment and Natural Resources (Ministerio de Ambiente y Recursos Naturales) based on an Environmental Impact Assessment	40 days	no charge
6	Request and obtain a Construction License	14 days	GTQ 175,581
7	Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - I	1 day	no charge
8	Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - II	1 day	no charge
9	Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - III	1 day	no charge
10	Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - IV	1 day	no charge
11	Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - V	1 day	no charge
12	Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - VI	1 day	no charge

13	Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - VII	1 day	no charge
14	Notify the Construction Licensing Department on construction completion and return the license	1 day	no charge
15	Receive final inspection and obtain occupation permit	14 days	no charge
16 *	Request sewage connection and receive requirements from EMPAGUA	20 days	no charge
17 *	Request and obtain feasibility study by EMPAGUA	70 days	no charge
18 *	Receive connection to water	60 days	GTQ 8,800
19 *	Request and receive installation of the transformer	30 days	no charge
20 *	Request electricity connection	1 day	GTQ 2,500
21 *	Receive inspection and connection by the electric power company (Empresa Eléctrica de Guatemala)	30 days	no charge
22 *	Obtain a telephone line	1 day	GTQ 625

\* Takes place simultaneously with another procedure.

<b>Procedure</b>	<b>1</b>	<b>Request and obtain certificate of land ownership for the property where the warehouse is to be built</b>
<b>Time to complete:</b>		10 days
<b>Cost to complete:</b>		GTQ 50
<b>Comment:</b>		The certificate is valid for 3 months. Since August 2007 the fee related to obtaining the certificate of land ownership has been increased from 35 GTQ to GTQ 50.
<b>Procedure</b>	<b>2</b>	<b>Hire an Environmental Specialist and prepare an Environmental Impact Assessment</b>
<b>Time to complete:</b>		30 days
<b>Cost to complete:</b>		GTQ 40,000
<b>Comment:</b>		The environmental impact assessment must be prepared by a professional (engineer/architect) authorized to do so. The company owning the project must hire the professional, and the cost will vary depending on the type of assessment to be completed, based on project characteristics. In many cases technical opinions or analyses by several professionals are required. The minimum cost is GTQ 40,000. Projects exceeding 1,000 sqm require an Environmental Impact Assessment.
<b>Procedure</b>	<b>3</b>	<b>Request and obtain a favorable resolution by the Infrastructure Department (Dirección de General de Caminos) based on a Road System Impact Assessment</b>
<b>Time to complete:</b>		18 days
<b>Cost to complete:</b>		GTQ 1,700
<b>Comment:</b>		The road system impact assessment has to be completed by the Planning and Design Unit (Dirección de Planificación y Diseño). Professional personnel in this unit perform the assessment and issue a resolution regarding the aspects that must be emphasized during project execution. The resolution may be issued as “not authorized” until the necessary corrections are submitted, after which the resolution can be changed to “authorized.” According to the applicable regulation, the cost may be up to GTQ 1,700 depending on the project’s complexity.
<b>Procedure</b>	<b>4</b>	<b>Submit a Brief or Simple Industrial Report</b>
<b>Time to complete:</b>		1 day
<b>Cost to complete:</b>		no charge
<b>Comment:</b>		This report contains an affidavit regarding storage use and any industrial process to be carried out in the warehouse.
<b>Procedure</b>	<b>5</b>	<b>Request and obtain a favorable decision by the Ministry of the Environment and Natural Resources (Ministerio de Ambiente y Recursos Naturales) based on an Environmental Impact Assessment</b>
<b>Time to complete:</b>		40 days
<b>Cost to complete:</b>		no charge
<b>Comment:</b>		The environmental impact assessment along with application is submitted to the Ministry of the Environment and Natural Resources (Ministerio de Ambiente y Recursos Naturales, MARN) personnel. Then the documents are forwarded to Guatemala

Municipality Delegate at the MARN who reviews the proposal. This professional is hired by MARN but paid for by Municipality of Guatemala City. As soon as the documents are submitted to delegate BuildCo would have to publish the information about upcoming project in the local newspaper. After 20 working days of wait, which are given for public to respond upon the project, the delegate proceeds with approval of the impact assessment. The favorable decision, provided everything is correct will be issued 7 working days after that. If the judgment is unfavorable, the company owning the project must make the necessary corrections for the project to be approved. Previous to reform this procedure would take 60 days and now can be completed in 40 days. There is no fee associated with obtaining the approval.

## Procedure 6 Request and obtain a Construction License

**Time to complete:** 14 days

**Cost to complete:** GTQ 175,581

**Comment:** The Municipality of Guatemala City introduced as of January 7, 2009 a new Land Management Plan (Plan de Ordenamiento Territorial- "POT"), and new building control regulations that also regulate the construction permit issuance. According to the new POT of Guatemala City the land use classifications were changed based on the principles of sustainability, certainty, and better quality of life. In the old system the land was divided into industrial, residential, and commercial zones, whereas, the new zoning regimes are established according to general use of land which among others introduced mixed use of zoning regimes. This tool was developed in consultation with both private and public sector and widely publicized. It also introduces a more sophisticated risk based system of approval of construction permit. Before the application had only one process of approval, whereby the application would be classified as complete, and compliant with all requirements. This led to issuance of construction permit. However, if incomplete it would need to be corrected. Under the new implementing regulations of POT this mechanisms is based on three stages: Simplified Procedure (Precedimiento Directo); Approval of Land Management Council (Junta de Ordenamiento Territorial); Approval of Land Management Council and Neighbours' Consent. Each phase is triggered if previous phase is not complied with.

BuildCo's case would fall into the 'Simplified Procedure' scheme and does not require subsequent procedure with Land Management Council and neighbours. Under this scheme if all requirements established in the regulations are satisfactory and complied with, the application would be approved in 10 working days. As of 28 February, 2009 out of 580 applications for a new construction permit to the Central Territorial Directorate under the Municipality of Guatemala City (Direccion Central Territorial) 40% of cases went under simplified procedure and approved within this time-limit. This procedure is administered under a newly operationalized single window principle. Additionally, the application forms have been substantially simplified and reduced in volume from 27 pages to mere 3 pages.

BuildCo must submit the corresponding form with all the requested specifics together with all the requirements in the previous procedures, photocopies of the identification cards of its legal agent and the professional responsible for the construction, and a photocopy of the latest Single Real Estate Tax (Impuesto Unico sobre Inmueble) receipt and any other required receipts. An architect or engineer must be responsible for the construction work, signing the submitted form and the plans.

The cost of the license is the estimated based on warehouse value at 4.5%.

There is no time limit. This procedure depends on the time taken by the company applying for the license to complete all the requirements. If any requirements are still pending and there is no action on the record after 60 days, the process is deemed canceled and is sent to the general files, after which the company must start another application. If

BuildCo starts the procedures for the license application with all requirements in order and duly authorized (approved decisions and resolutions), the license may be delivered after a minimum of 4 working days.

According to law, required deposits are as follows:

- Article 183: The recipient of a construction license must make a guarantee deposit of GTQ 5 (for buildings up to a cost of GTQ 5,000) or 0.01% of the cost of the building (if the cost exceeds GTQ 5,000). For our case it would be GTQ 380.2. This amount shall be refunded when the building has been completed and the license has been returned after the approval of the Construction Licensing Department. Provided there were no violations upon which the authority would retain the deposit.

- Article 184: If, after a year from the date of license expiration, the interested party does not claim the deposit, it will automatically be incorporated into the municipal treasury

**Procedure 7 Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - I**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** The Construction Licensing Department has technical/professional personnel in charge of inspecting how the building is being constructed. Inspections are monthly. There is no average duration for an inspection; each depends on what is considered in the inspection.

Inspections of buildings under construction are unannounced. They focus mainly on verifying that the authorized areas are constructed in accordance with submitted plans, as well as other aspects deemed important pursuant to licensing conditions.

**Procedure 8 Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - II**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

**Procedure 9 Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - III**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

**Procedure 10 Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - IV**

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

**Procedure 11** Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - V

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

**Procedure 12** Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - VI

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

**Procedure 13** Receive inspection by the Construction Licensing Department (Departamento de Licencias de Construcción) - VII

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:**

**Procedure 14** Notify the Construction Licensing Department on construction completion and return the license

**Time to complete:** 1 day

**Cost to complete:** no charge

**Comment:** The license must be returned to the Construction Licensing Department, which performs the last inspection. If the construction work conforms to approved specifications, the occupancy permit is issued. When the license is returned, the municipality notifies the cadastre office about the construction and its cost. Within 7–14 days, the municipality visits the site to verify that the building complies with approved specifications.

**Procedure 15** Receive final inspection and obtain occupation permit

**Time to complete:** 14 days

**Cost to complete:** no charge

**Comment:** According to Article 78, on completion of the construction work, the interested parties shall request final inspection from the Construction Licensing Department. This inspection shall be performed by the supervisor in charge, who shall record the result on an inspection card. If the building does not comply with approved specifications, the card must state the reasons and the appropriate remedies. If all aspects are in order and the card expressly states so, after the return of the respective license, the interested parties may request the building occupancy permit from the head of the office by completing the form stated in Annex 1 of the Regulation.

If no objections are raised during the inspection (meaning that every part of the construction is authorized as complying with the plans submitted to the Construction Licensing Department, the professional in charge of the inspection may immediately go back to the office and issue the occupancy permit to be delivered to the company. After that BuildCo will be given back its deposit of 0,01% of warehouse value that was paid at the stage of building permit approval.

**Procedure 16 Request sewage connection and receive requirements from EMPAGUA**

**Time to complete:** 20 days

**Cost to complete:** no charge

**Comment:** BuildCo must fill out the application and receive the requirements at office of the Water and Sewerage Authority (Empresa Municipal de Agua, EMPAGUA). There they will be notified of the fee to be paid as a deposit to cover the completion of the procedure and a service feasibility study that must be carried out by EMPAGUA. EMPAGUA will start the feasibility study within about 15 days.

In 2007 the Municipality of Guatemala unified the application forms and relevant requirements for EMPAGUA, Department of Urban Construction Control (Departamento de Control de Construcción Urbana) and Infrastructure Directorate (Dirección de Infraestructura). Other change is that approvals from all these entities is given simultaneously. However, has not had any practical impact.

**Procedure 17 Request and obtain feasibility study by EMPAGUA**

**Time to complete:** 70 days

**Cost to complete:** no charge

**Comment:** According to regulatory changes this procedure should be done in 27 working days. The EMPAGUA must issue a resolution regarding feasibility or nonfeasibility and the steps to be taken by BuildCo for EMPAGUA to make the necessary hook-up connections. On completion of the feasibility study, EMPAGUA notifies the applicant of the amount to be paid to the municipality for the feasibility study and the connections to be made. The cost may vary depending on the work to be done and the estimated required potable water supply and sewage volume to be drained from the project. The inspections performed by EMPAGUA experts may vary depending on the number of inspections needed to determine service feasibility. The human resources of EMPAGUA are overstretched which creates a backlog of projects and approval still takes on average 60-70 days.

**Procedure 18 Receive connection to water**

**Time to complete:** 60 days

**Cost to complete:** GTQ 8,800

**Comment:**

**Procedure 19 Request and receive installation of the transformer**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Comment:** The transformer has to be installed by certified companies. In Guatemala, there are only about 10.

**Procedure 20 Request electricity connection**

**Time to complete:** 1 day

**Cost to complete:** GTQ 2,500

**Comment:** An application must be submitted to the Electric Power Company of Guatemala (Empresa Eléctrica de Guatemala).

**Procedure 21 Receive inspection and connection by the electric power company (Empresa Eléctrica de Guatemala)**

**Time to complete:** 30 days

**Cost to complete:** no charge

**Comment:** The Empresa Eléctrica de Guatemala visits the site before approving the electrical power hook-up.

**Procedure 22 Obtain a telephone line**

**Time to complete:** 1 day

**Cost to complete:** GTQ 625

**Comment:**

## Employing Workers in Guatemala

Employing workers indices are based on responses to survey questions. The table below shows these responses in Guatemala.

Employing Workers Indicators (2009)	Answer	Score
<b>Difficulty of hiring index (0-100)</b>		<b>44.4</b>
Are fixed-term contracts prohibited for permanent tasks?	Yes	1
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	No limit	0.0
What is the ratio of mandated minimum wage to the average value added per worker?	0.37	0.33
<b>Difficulty of redundancy index (0-10)</b>		<b>0.0</b>
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	No	0
Does the employer need the approval of a third party to terminate one redundant worker?	No	0
Must the employer notify a third party before terminating a group of 9 redundant workers?	No	0
Does the employer need the approval of a third party to terminate a group of 9 redundant workers?	No	0
Is there a retraining or reassignment obligation before an employer can make a worker redundant?	No	0
Are there priority rules applying to redundancies?	No	0
Are there priority rules applying to re-employment?	No	0
<b>Redundancy costs (weeks of salary)</b>		<b>101.1</b>
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		0.0
What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)		101.1
What is the legally mandated penalty for redundancy dismissal? (weeks of salary)		0.0
<b>Rigidity of employment index (0-100)</b>		<b>28.1</b>
<b>Rigidity of hours index (0-100)</b>		<b>40.0</b>
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0

What is the maximum number of working days per week?	6	0
Are there restrictions on night work and do these apply when continuous operations are economically necessary?	Yes	1.00
Are there restrictions on "weekly holiday" work and do these apply when continuous operations are economically necessary?	Yes	1.00
What is the paid annual vacation (in working days) for an employee with 20 years of service?	15	0

Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

## Registering Property in Guatemala

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This topic examines the steps, time, and cost involved in registering property in Guatemala.

### STANDARDIZED PROPERTY

Property Value: 1,062,091.86

City: Guatemala City

#### Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain an property certificate ("Certificacion del historial de la finca") and the cadastral value certificate ("Valor de matricula")	7-8 days (depending on length of the real estate file or if it is digitalized) (simultaneous with procedure 2)	\$7 (expenses, depending length of the real estate fi + \$ 20 (legal fees)
2	Lawyer/notary prepares the sale agreement and notarizes it, along with the public deed	2 days	\$62.50 + (\$800 - \$1000 (notary fees) + \$65 (tax stamps, copies, and othe
3	Public deed is delivered to the Property Registry for its recording	7 days	Q.160 + 0.15% of transaction value (registration fees)
4	Notify the Municipality and/or DICABI of the transaction	10 days	no cost

**Procedure 1 Obtain an property certificate ("Certificacion del historial de la finca") and the cadastral value certificate ("Valor de matricula")**

**Time to complete:** 7-8 days (depending on length of the real estate file or if it is digitalized) (simultaneous with procedure 2)

**Cost to complete:** \$7 (expenses, depending on length of the real estate file) + \$ 20 (legal fees)

**Comment:** The seller obtains a certificate at the Property Registry in which the buyer can verify that the property is free from mortgages and encumbrances, and to verify that the property is owned by the seller. In order to obtain the certificate the buyer needs to know the registry numbers where the property is registered. Usually this information is provided by the seller. It is usually the lawyer who verifies the books at the registry and obtains this information. This updated certificate of the property will be used later by the lawyer/notary to prepare the public deed.

The seller must obtain the cadastral value of the property from DICABI (Dirección de Catastro y Avalúo de Bienes Inmuebles). DICABI is a national institution containing information based on a “personal registry type” on all the regional registries in the country. In any case, it is very important also to obtain property’s value information at DICABI as the price in the contract for VAT purposes must be set at least equal to the value registered at DICABI.

Both certificates can be requested at the Land registry. Notaries can request them by email and then pick them up.

**Procedure 2 Lawyer/notary prepares the sale agreement and notarizes it, along with the public deed**

**Time to complete:** 2 days

**Cost to complete:** \$62.50 + (\$800 - \$1000) (notary fees) + \$65 (tax stamps, copies, and others)

**Comment:** If the seller is a registered VAT Taxpayer, the tax must be paid with an invoice, in which the tax is charged.

The lawyer/notary (In Guatemala, the lawyer is also the notary public) prepares the sale agreement and notarizes it by preparing the public deed.

There is a scale in the Notary Bill that regulates the fees, but nowadays since the market has driven prices for notary services down, one will likely pay between \$800 and \$1000 for such a transaction. The notary will be in charge of buying the state stamps for VAT payment if necessary (12% of transaction value), and adhere the stamps to the Public Deed; it is safer to the buyer to process VAT payment directly in cash. Payments of registration fees (Q.160.00 plus Q 1.5 for each Q 1,000 of transaction value) are made to the notary, who will then pay the property registry.

The documentation shall include:

- Property Title issued by the Real Estate Office (advisable)
- Actualized Certificate of the property issued by the Property Registry (Obtained in step 1)
- Photocopy of the ID of seller and buyer (passport or local ID). In case the seller/buyer is a Company, photocopy of the appointment in which the Company gives sufficient faculties to proceed with the transfer of property. In some cases, a Board of Director resolution may be required
- Invoice issued by the seller or Form in which the Tax Authorities certified that the consumption tax (VAT that is 12% of the value of the transaction) is paid; Nevertheless, the sale agreement must be formalized with the public deed
- Cadastral value (Obtained in step 2)

**Procedure 3 Public deed is delivered to the Property Registry for its recording**

**Time to complete:** 7 days

**Cost to complete:** Q.160 + 0.15% of transaction value (registration fees)

**Comment:** The public deed is delivered to the Property Registry for its recording under the name of the buyer. It is also advisable to obtain a certificate at the Property Registry to verify that the change of ownership is properly recorded.

The internal procedures conducted by the Property Registry are as follows:

1. Departamento de Reparto –all incoming cases are assigned to the officials (operadores), whose salaries are based on a percentage of the fees. Since 2005, an electronic system is fully implemented to assign cases based on current workload (1 business day).
2. The official registers the property electronically; and issues the case file (expediente)
3. Departamento de Revision (legal assessors) reviews and approves the transaction
4. Accounting department verifies the payment of fees
5. Departamento de Firma Electronica: Registrar or auxiliary registrars (14 full-time and 5 part-time) sign the registration certificate. As of Decree 42-2006, electronic signatures from auxiliary registrars are legally valid. Each one is assigned a unique number by which they can electronically sign, facilitating the registration process.
6. Departamento de Archivo –updates the information in the system
7. Certificate is signed.

**Procedure 4 Notify the Municipality and/or DICABI of the transaction**

**Time to complete:** 10 days

**Cost to complete:** no cost

**Comment:** Notification to the Municipality and/or DICABI of the transaction. Sometimes this information is not updated, so in order to register the transaction it is mandatory to update prior information.

This step is important to update the cadastral value of the property for the purpose of tax collection. There is a small fine if this procedure is not fulfilled, but it has no effect on the validity of the title obtained in the previous step. In 2009, the land registry has started informing electronically the municipalities of the transaction, and plans to implement a similar process with the DICABI in the future.

In the future it will also be necessary to obtain cadastral certificates of the property in order to comply with the recently approved Decreto No. 41-2005 (Ley de Registro de Información Catastral). The cadastral certificate is a document issued by the Registrar of the Cadastral Information which contains the cadastral information of a determined piece of land.

## Getting Credit in Guatemala

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Guatemala.

Getting Credit Indicators (2009)			Indicator
			score
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	6
Are data on both firms and individuals distributed?	Yes	Yes	1
Are both positive and negative data distributed?	Yes	Yes	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	Yes	Yes	1
Is data on all loans below 1% of income per capita distributed?	Yes	Yes	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	No	Yes	1
<b>Coverage</b>		28.4	16.9
Number of individuals	701,215		1,315,470
Number of firms	19,128		9,616

Strength of legal rights index (0-10)		8
Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ?		Yes
Does the law allow businesses to grant a non possessory security right in a single category of revolving movable assets, without requiring a specific description of the secured assets ?		Yes
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of the secured assets ?		Yes
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ?		Yes
Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ?		Yes
Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ?		Yes
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?		Yes
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?		No

During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?

No

Does the law authorize parties to agree on out of court enforcement?

Yes

## Protecting Investors in Guatemala

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Guatemala.

Protecting Investors Data (2009)	Indicator
<b>Extent of disclosure index (0-10)</b>	<b>3</b>
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	0
Immediate disclosure to the public and/or shareholders (0-2; see notes)	0
Disclosures in published periodic filings (0-2; see notes)	1
Disclosures by Mr. James to board of directors (0-2; see notes)	2
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	0
<b>Extent of director liability index (0-10)</b>	<b>3</b>
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	1
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company. (0-2; see notes)	0
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	1
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	0
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	1
<b>Ease of shareholder suits index (0-10)</b>	<b>6</b>
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	4
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	1
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	0

Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes)	0
Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes)	1

<b>Strength of investor protection index (0-10)</b>	<b>4.0</b>
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**Notes:**

**Extent of Disclosure Index**

*What corporate body provides legally sufficient approval for the transaction?*

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

*Immediate disclosure to the public and/or shareholders*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures in published periodic filings*

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

*Disclosures by Mr. James to board of directors*

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

**Director Liability Index**

*Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company*

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

*Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company*

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

*Whether a court can void the transaction upon a successful claim by a shareholder plaintiff*

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

*Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company*

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

**Shareholder Suits Index**

*Documents available to the plaintiff from the defendant and witnesses during trial*

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

*Ability of plaintiffs to directly question the defendant and witnesses during trial*

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

## Paying Taxes in Guatemala

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Guatemala, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Value added tax (VAT)	1		156	12%	value added and land sale		
Advertising tax	1			1%	advertising expenses	0.01	
Tax on interest	1			10%	interest income	0.26	
Property tax	4			1%	property value	0.45	
Social security contributions	12		144	13%	gross salaries	14.29	
Extraordinary and temporary tax -IETAAP	4			1%	turnover	17.68	
Corporate income tax	1		44	31% or 5%	taxable profits or gross income	25.93	
<b>Totals</b>	<b>24</b>		<b>344</b>			<b>40.9</b>	

### Notes:

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filling available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

## Trading Across Borders in Guatemala

These tables list the procedures necessary to import and exports a standardized cargo of goods in Guatemala. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	10	267
Customs clearance and technical control	2	175
Ports and terminal handling	2	240
Inland transportation and handling	3	500
Totals	17	1182

Nature of Import Procedures (2009)	Duration (days)	US\$ Cost
Documents preparation	10	317
Customs clearance and technical control	2	175
Ports and terminal handling	3	260
Inland transportation and handling	2	550
Totals	17	1302

### Export

Bill of lading

Certificate of origin

Commercial invoice

Customs export declaration

Export license

Foreign exchange authorization

Inspection report

Packing list

Technical standard/health certificate

Terminal handling receipts

### Import

Bill of lading

Certificate of origin
Commercial invoice
Customs import declaration
Foreign exchange authorization
Import license
Inspection report
Packing list
Technical standard/health certificate
Terminal handling receipts

## Enforcing Contracts in Guatemala

This topic looks at the efficiency of contract enforcement in Guatemala.

Nature of Procedure (2009)	Indicator
Procedures (number)	31
Time (days)	1459
Filing and service	66.0
Trial and judgment	796.0
Enforcement of judgment	597.0
Cost (% of claim)*	26.50
Attorney cost (% of claim)	15.0
Court cost (% of claim)	6.5
Enforcement Cost (% of claim)	5.0

**Court information:** Guatemala City Justice of the Peace ("Juzgado de Paz")

\* Claim assumed to be equivalent to 200% of income per capita.





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