



**Economy Profile:**  
**Guatemala**

# **DOING BUSINESS 2013**

**Smarter Regulations for  
Small and Medium-Size Enterprises**



COMPARING BUSINESS REGULATIONS FOR DOMESTIC FIRMS IN 185 ECONOMIES

10TH EDITION

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The World Bank  
1818 H Street NW, Washington, DC 20433  
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## CONTENTS

<b>Introduction</b> .....	<b>4</b>
<b>The business environment</b> .....	<b>5</b>
<b>Starting a business</b> .....	<b>14</b>
<b>Dealing with construction permits</b> .....	<b>24</b>
<b>Getting electricity</b> .....	<b>36</b>
<b>Registering property</b> .....	<b>43</b>
<b>Getting credit</b> .....	<b>53</b>
<b>Protecting investors</b> .....	<b>60</b>
<b>Paying taxes</b> .....	<b>69</b>
<b>Trading across borders</b> .....	<b>77</b>
<b>Enforcing contracts</b> .....	<b>86</b>
<b>Resolving insolvency</b> .....	<b>96</b>
<b>Employing workers</b> .....	<b>102</b>
<b>Data notes</b> .....	<b>109</b>
<b>Resources on the <i>Doing Business</i> website</b> .....	<b>114</b>

## INTRODUCTION

*Doing Business* sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and employing workers.

In a series of annual reports *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 185 economies, from Afghanistan to Zimbabwe, over time. The data set covers 46 economies in Sub-Saharan Africa, 33 in Latin America and the Caribbean, 24 in East Asia and the Pacific, 24 in Eastern Europe and Central Asia, 19 in the Middle East and North Africa and 8 in South Asia, as well as 31 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for Guatemala. To allow useful comparison, it also provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June 1, 2012 (except for

the paying taxes indicators, which cover the period January–December 2011).

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 and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. 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 policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2013* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2013*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

## THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 185 by the ease of doing business index. For each economy the index is calculated as the ranking on the simple average of its percentile rankings on each of the 10 topics included in the index in *Doing Business 2013*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. The ranking on each topic is the simple average of the percentile rankings on its component indicators (see the data notes for more details). The employing workers indicators are not included in this year's aggregate ease of doing business ranking, but the data are presented in this year's economy profile.

The aggregate ranking on the ease of doing business benchmarks each economy's performance on the indicators against that of all other economies in the *Doing Business* sample (figure 1.1). While this ranking tells much about the business environment in an economy, it does not tell the whole story. The ranking on the ease of doing business, and the underlying indicators, do not measure all aspects of the business environment that matter to firms and investors or that affect the competitiveness of the economy. Still, a high ranking does mean that the government has created a regulatory environment conducive to operating a business.

### ECONOMY OVERVIEW

**Region:** Latin America & Caribbean

**Income category:** Lower middle income

**Population:** 14,757,316

**GNI per capita (US\$):** 2,870

**DB2013 rank:** 93

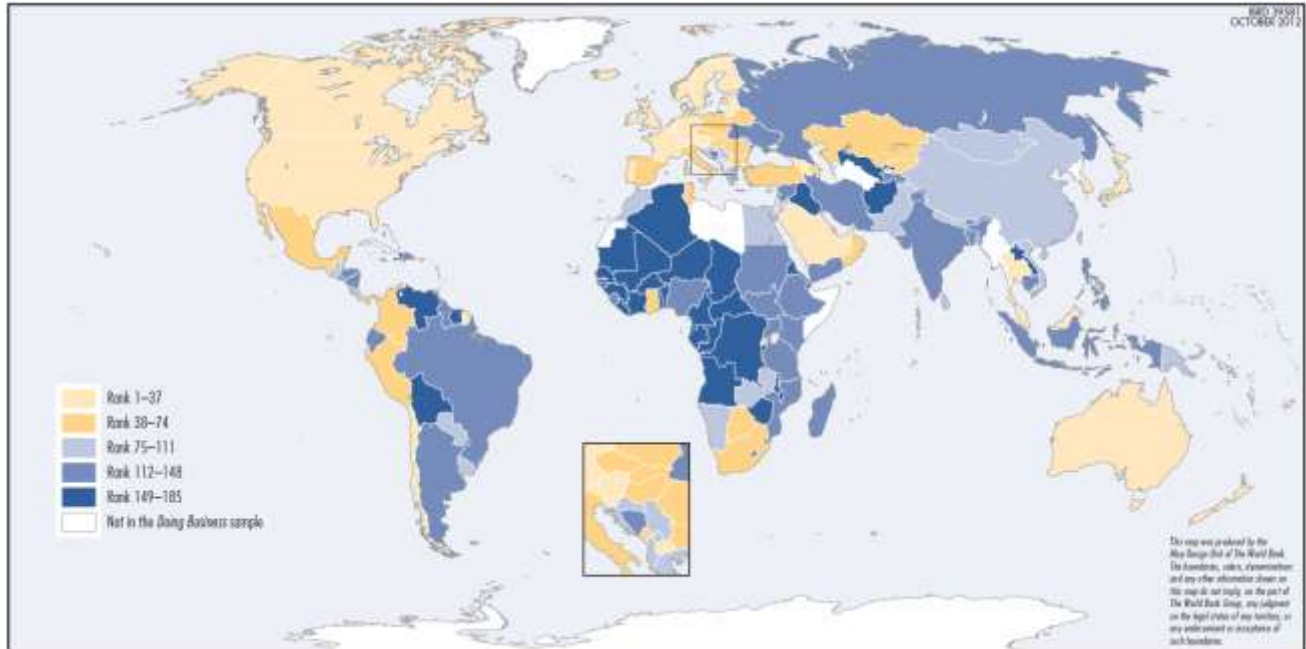
**DB2012 rank:** 98\*

**Change in rank:** 5

\* DB2012 ranking shown is not last year's published ranking but a comparable ranking for DB2012 that captures the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year. See the data notes for sources and definitions.

## THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business



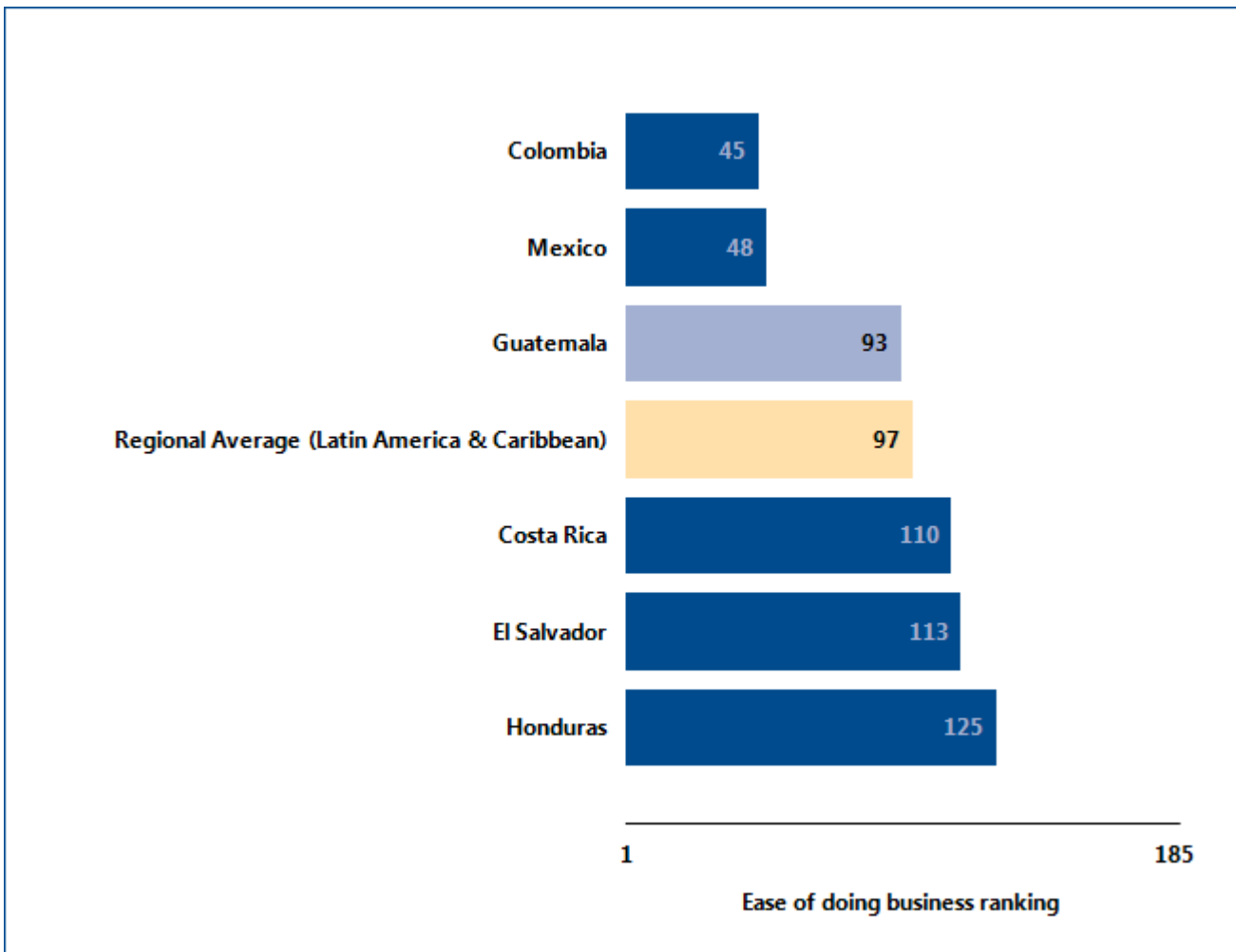
Source: Doing Business database.

## THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and

relative to the regional average (figure 1.2). The economy's rankings on the topics included in the ease of doing business index provide another perspective (figure 1.3).

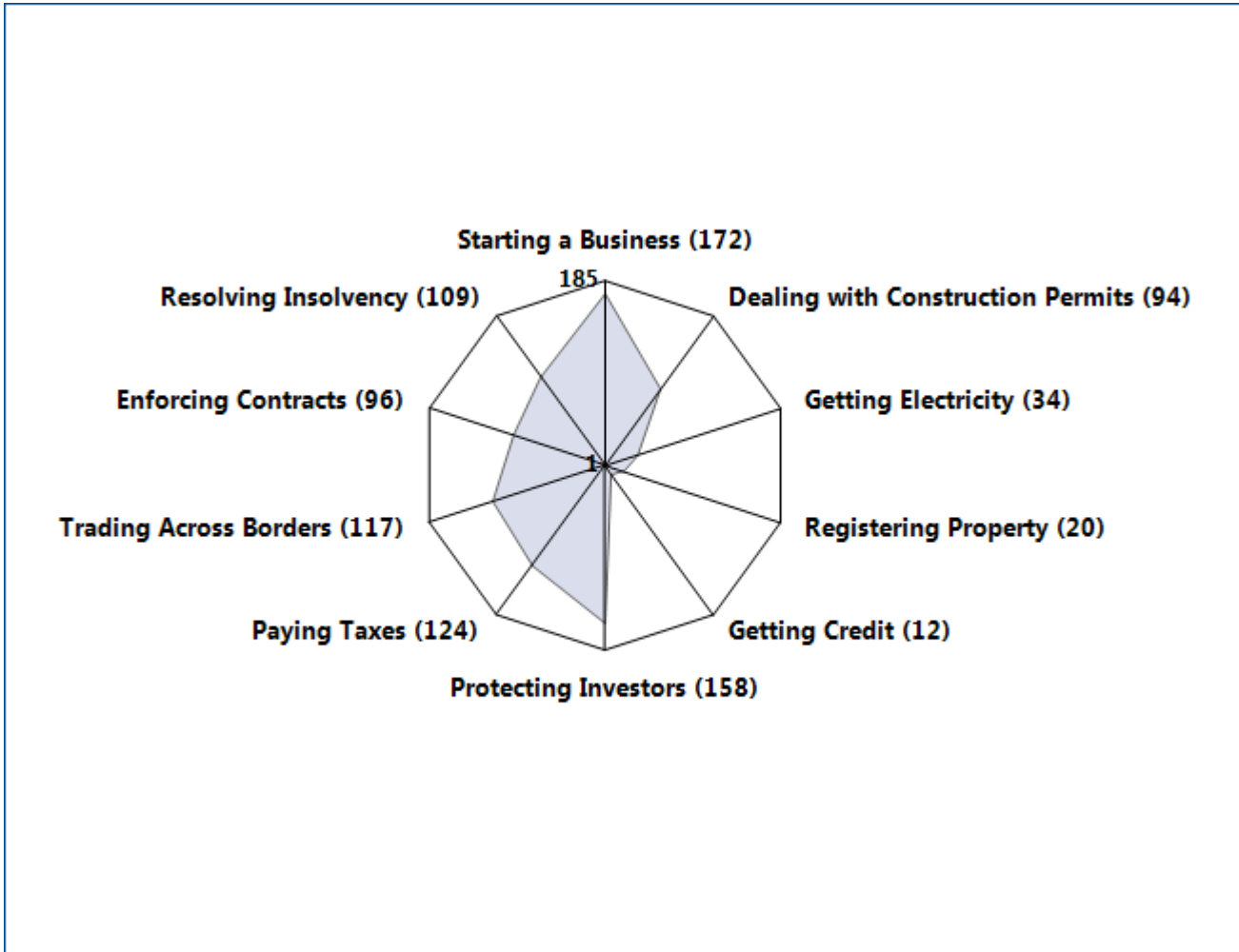
Figure 1.2 How Guatemala and comparator economies rank on the ease of doing business



Source: Doing Business database.

## THE BUSINESS ENVIRONMENT

Figure 1.3 How Guatemala ranks on *Doing Business* topics



Source: *Doing Business* database.



## THE BUSINESS ENVIRONMENT

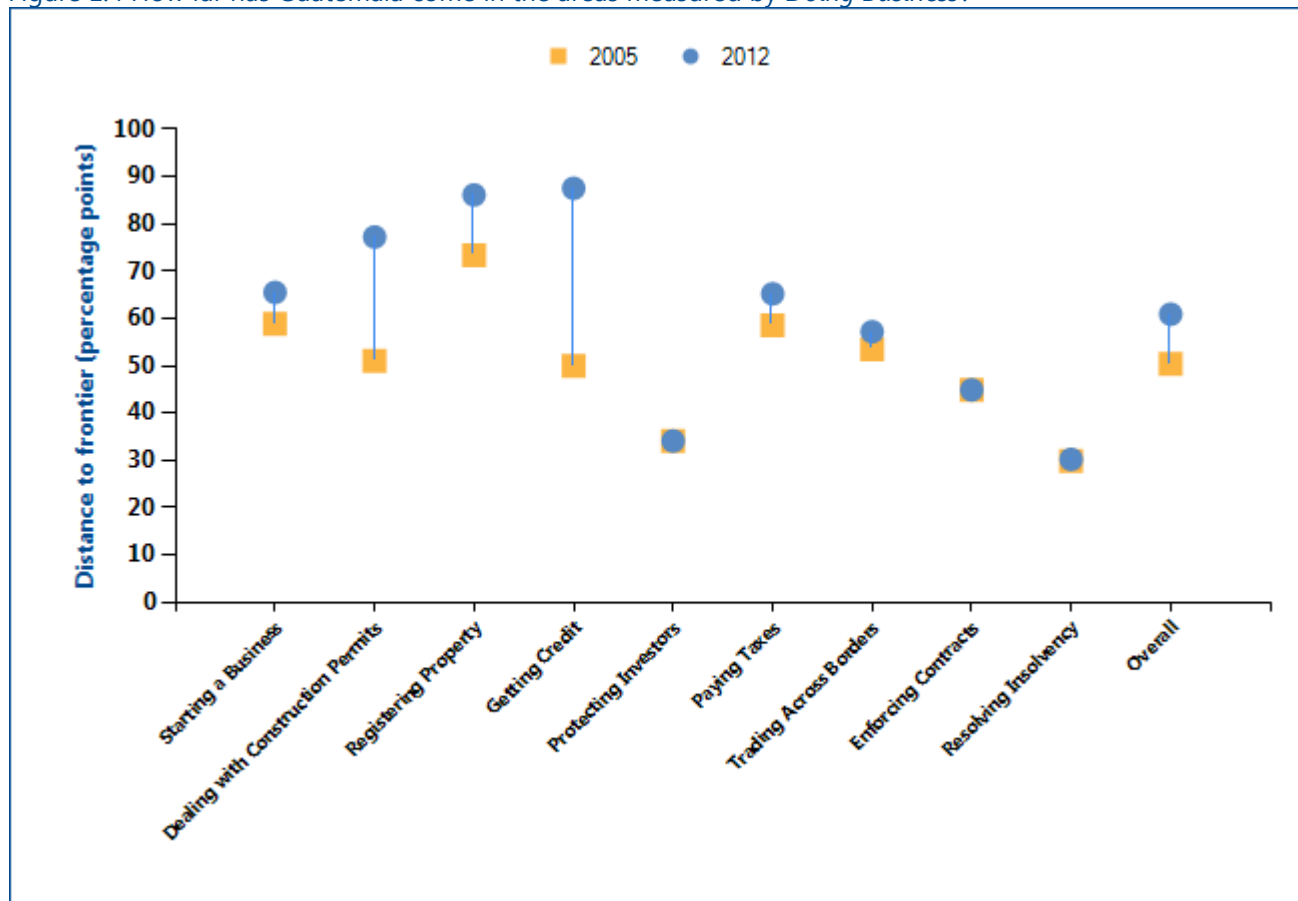
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy’s regulatory environment for firms, but they are always relative. An economy’s ranking might change because of developments in other economies. An economy that implemented business regulation reforms may fail to rise in the rankings (or may even drop) if it is passed by others whose business regulation reforms had a more significant impact as measured by *Doing Business*.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes, last

year *Doing Business* introduced the distance to frontier measure. This measure shows how far each economy is from the best performance achieved by any economy since 2005 on each indicator in 9 *Doing Business* indicator sets.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy’s regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.4). The results may show that the pace of change varies widely across the areas measured. They also may show that an economy is relatively close to the frontier in some areas and relatively far from it in others.

Figure 1.4 How far has Guatemala come in the areas measured by *Doing Business*?



Note: The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). The overall distance to frontier is the average of the distance to frontier in the 9 indicator sets shown in the figure. See the data notes for more details on the distance to frontier measure.

Source: *Doing Business* database.

## THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of

business regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for Guatemala

Indicator	Guatemala DB2013	Guatemala DB2012	Colombia DB2013	Costa Rica DB2013	El Salvador DB2013	Honduras DB2013	Mexico DB2013	Best performer globally DB2013
<b>Starting a Business (rank)</b>	172	168	61	128	139	155	36	New Zealand (1)
<b>Procedures (number)</b>	12	12	8	12	8	13	6	New Zealand (1)*
<b>Time (days)</b>	40	37	13	60	17	14	9	New Zealand (1)
<b>Cost (% of income per capita)</b>	48.1	52.5	7.3	11.4	46.7	45.9	10.1	Slovenia (0.0)
<b>Paid-in Min. Capital (% of income per capita)</b>	20.9	22.3	0.0	0.0	2.9	15.7	0.0	91 Economies (0.0)*
<b>Dealing with Construction Permits (rank)</b>	94	146	27	128	146	65	36	Hong Kong SAR, China (1)
<b>Procedures (number)</b>	11	18	8	18	33	13	10	Hong Kong SAR, China (6)*
<b>Time (days)</b>	158	165	46	160	157	94	69	Singapore (26)
<b>Cost (% of income per capita)</b>	500.4	541.7	312.0	154.7	162.5	274.3	322.7	Qatar (1.1)

Indicator	Guatemala DB2013	Guatemala DB2012	Colombia DB2013	Costa Rica DB2013	El Salvador DB2013	Honduras DB2013	Mexico DB2013	Best performer globally DB2013
Getting Electricity (rank)	34	33	134	45	131	117	130	Iceland (1)
Procedures (number)	4	4	5	5	7	8	7	Germany (3)*
Time (days)	39	39	165	62	78	33	95	Germany (17)
Cost (% of income per capita)	594.8	624.9	995.0	256.8	554.8	997.9	382.8	Japan (0.0)
Registering Property (rank)	20	22	52	46	56	92	141	Georgia (1)
Procedures (number)	4	4	7	5	5	7	7	Georgia (1)*
Time (days)	23	23	15	20	31	23	74	Portugal (1)
Cost (% of property value)	0.8	0.9	2.0	3.4	3.8	5.7	5.3	Belarus (0.0)*
Getting Credit (rank)	12	9	70	83	53	12	40	United Kingdom (1)*
Strength of legal rights index (0-10)	8	8	5	3	5	8	6	Malaysia (10)*
Depth of credit information index (0-6)	6	6	5	6	6	6	6	United Kingdom (6)*
Public registry coverage (% of adults)	18.0	17.3	0.0	28.3	26.5	20.7	0.0	Portugal (90.7)
Private bureau coverage (% of adults)	8.7	8.9	72.5	82.8	83.7	32.9	99.2	United Kingdom (100.0)*
Protecting Investors (rank)	158	155	6	169	169	169	49	New Zealand (1)
Extent of disclosure index (0-10)	3	3	8	2	3	0	8	Hong Kong SAR, China (10)*

Indicator	Guatemala DB2013	Guatemala DB2012	Colombia DB2013	Costa Rica DB2013	El Salvador DB2013	Honduras DB2013	Mexico DB2013	Best performer globally DB2013
Extent of director liability index (0-10)	2	2	8	5	0	5	5	Singapore (9)*
Ease of shareholder suits index (0-10)	5	5	9	2	6	4	5	New Zealand (10)*
Strength of investor protection index (0-10)	3.3	3.3	8.3	3.0	3.0	3.0	6.0	New Zealand (9.7)
Paying Taxes (rank)	124	121	99	125	153	139	107	United Arab Emirates (1)
Payments (number per year)	24	24	9	23	53	47	6	Hong Kong SAR, China (3)*
Time (hours per year)	332	344	203	226	320	224	337	United Arab Emirates (12)
Trading Across Borders (rank)	117	115	91	51	80	90	61	Singapore (1)
Documents to export (number)	9	9	5	6	8	6	5	France (2)
Time to export (days)	17	17	14	13	14	12	12	Singapore (5)*
Cost to export (US\$ per container)	1,307	1,127	2,255	1,030	980	1,342	1,450	Malaysia (435)
Documents to import (number)	8	8	6	6	8	8	4	France (2)
Time to import (days)	17	17	13	14	10	16	12	Singapore (4)
Cost to import (US\$ per container)	1,425	1,302	2,830	1,020	980	1,510	1,780	Malaysia (420)
Enforcing Contracts (rank)	96	98	154	128	71	179	76	Luxembourg (1)

Indicator	Guatemala DB2013	Guatemala DB2012	Colombia DB2013	Costa Rica DB2013	El Salvador DB2013	Honduras DB2013	Mexico DB2013	Best performer globally DB2013
<b>Time (days)</b>	1,459	1,459	1,346	852	786	920	415	Singapore (150)
<b>Cost (% of claim)</b>	26.5	26.5	47.9	24.3	19.2	35.2	31.0	Bhutan (0.1)
<b>Procedures (number)</b>	31	31	34	40	34	47	38	Ireland (21)*
<b>Resolving Insolvency (rank)</b>	109	107	21	128	89	133	26	Japan (1)
<b>Time (years)</b>	3.0	3.0	1.3	3.5	4.0	3.8	1.8	Ireland (0.4)
<b>Cost (% of estate)</b>	15	15	6	15	9	15	18	Singapore (1)*
<b>Outcome (0 as piecemeal sale and 1 as going concern)</b>	0		1	0	0	0	1	
<b>Recovery rate (cents on the dollar)</b>	27.8	27.9	76.2	22.5	32.2	19.4	67.3	Japan (92.8)

Note: DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year. The ranking methodology for the paying taxes indicators changed in *Doing Business 2013*; see the data notes for details. For more information on "no practice" marks, see the data notes. Data for the outcome of the resolving insolvency indicator are not available for DB2012.

\* Two or more economies share the top ranking on this indicator. A number shown in place of an economy's name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

Source: *Doing Business* database.

## STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

### What do the indicators cover?

*Doing Business* measures the ease of starting a business in an economy by recording all procedures officially required or commonly done in practice by an entrepreneur to start up and formally operate an industrial or commercial business—as well as the time and cost required to complete these procedures. It also records the paid-in minimum capital that companies must deposit before registration (or within 3 months). The ranking on the ease of starting a business is the simple average of the percentile rankings on the 4 component indicators: procedures, time, cost and paid-in minimum capital requirement.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the procedures. It assumes that all information is readily available to the entrepreneur and that there has been no prior contact with officials. It also assumes that the entrepreneur will pay no bribes. And it assumes that the business:

- Is a limited liability company, located in the largest business city.
- Has between 10 and 50 employees.
- Conducts general commercial or industrial activities.

### WHAT THE STARTING A BUSINESS INDICATORS MEASURE

#### Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration in the economy's largest business city
- Postregistration (for example, social security registration, company seal)

#### Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

#### Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary before registration (or within 3 months)
- Has a start-up capital of 10 times income per capita.
- Has a turnover of at least 100 times income per capita.
- Does not qualify for any special benefits.
- Does not own real estate.
- Is 100% domestically owned.

## STARTING A BUSINESS

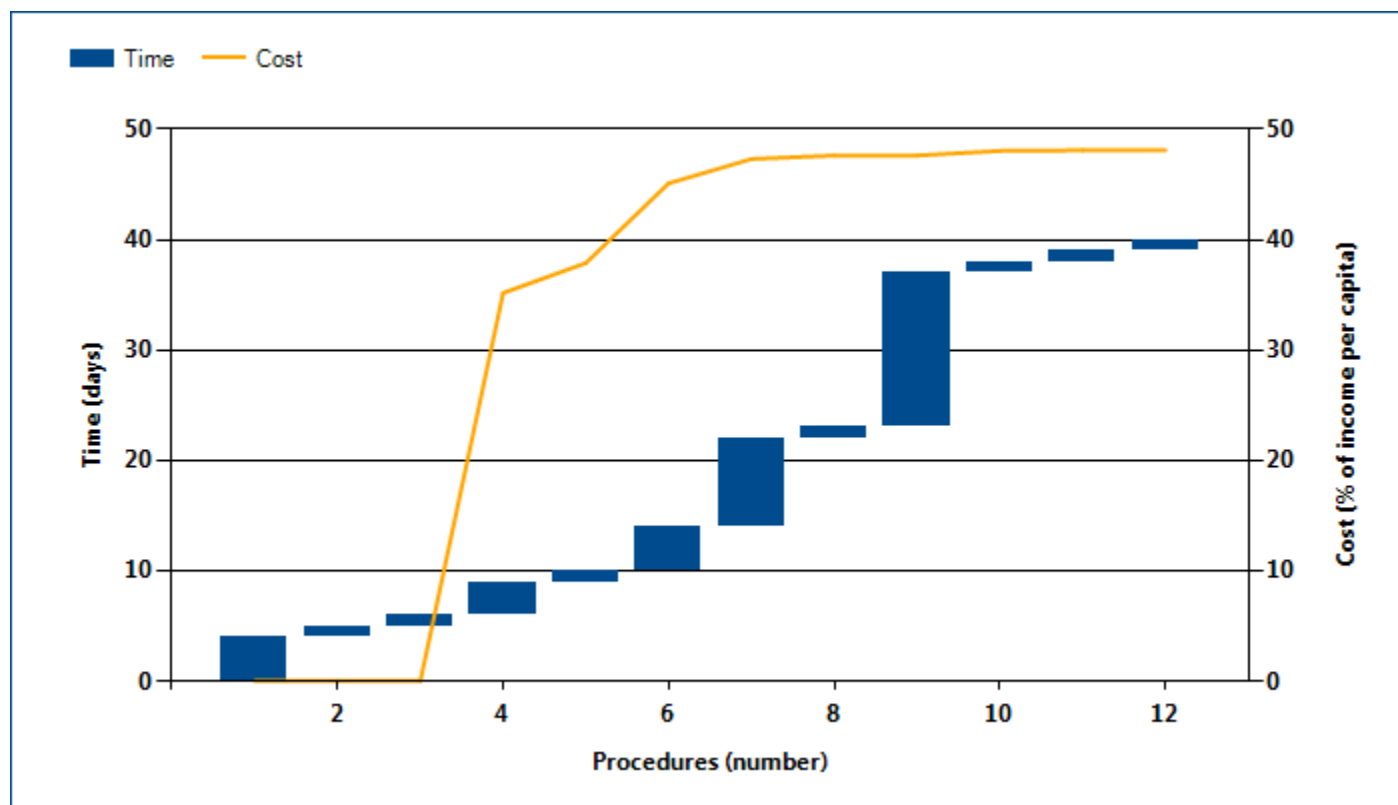
### Where does the economy stand today?

What does it take to start a business in Guatemala? According to data collected by *Doing Business*, starting a business there requires 12 procedures, takes 40 days,

costs 48.1% of income per capita and requires paid-in minimum capital of 20.9% of income per capita (figure 2.1).

Figure 2.1 What it takes to start a business in Guatemala

Paid-in minimum capital (% of income per capita): 20.9



Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

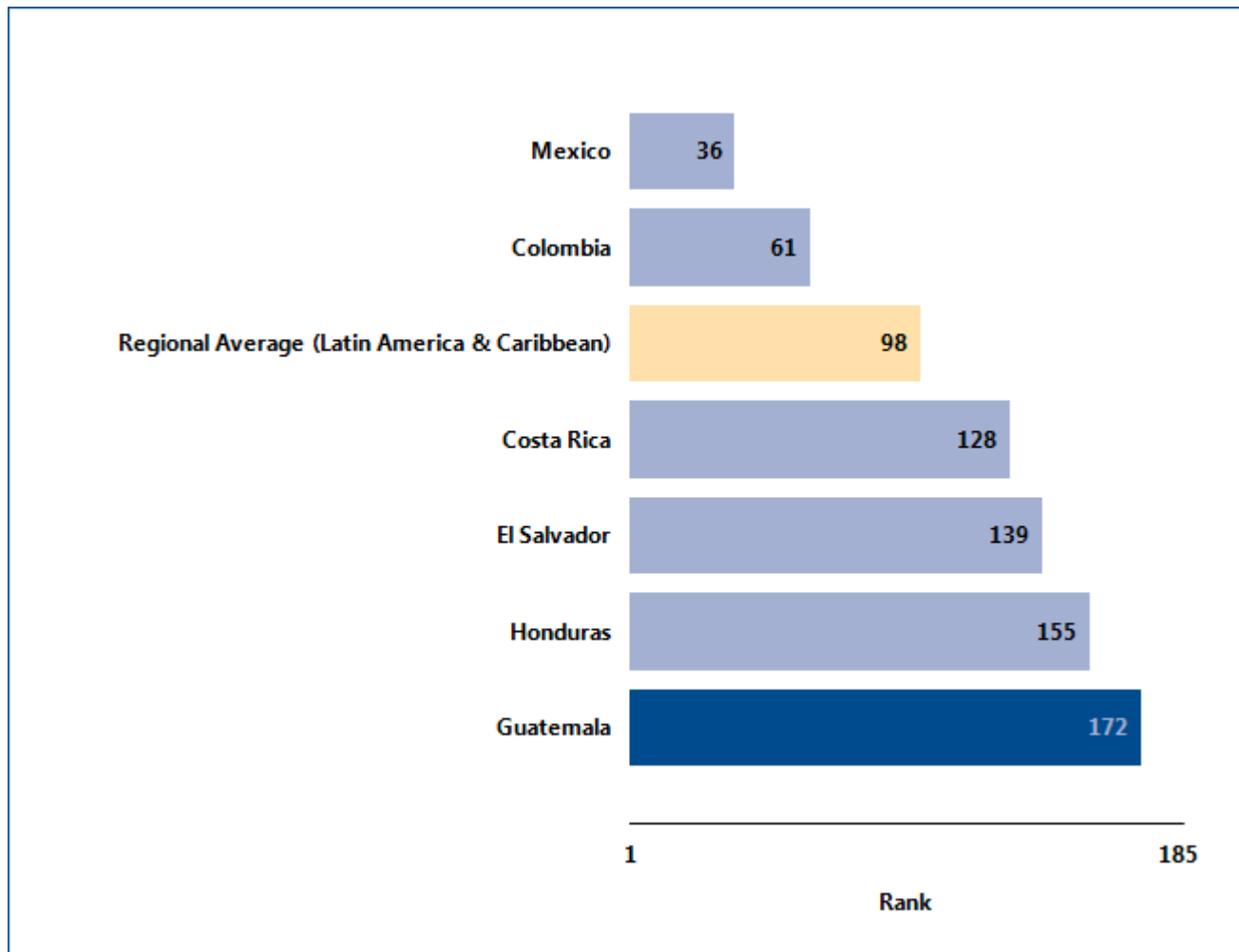
Source: *Doing Business* database.

## STARTING A BUSINESS

Globally, Guatemala stands at 172 in the ranking of 185 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies

and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Guatemala to start a business.

Figure 2.2 How Guatemala and comparator economies rank on the ease of starting a business



Source: *Doing Business* database.



## STARTING A BUSINESS

### What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to start a business in Guatemala today, data over time show which aspects of the process have changed—and which have not (table 2.1). That can help identify where the potential for improvement is greatest.

Table 2.1 The ease of starting a business in Guatemala over time  
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	..	..	168	172
Procedures (number)	15	15	15	13	12	12	12	12	12	12
Time (days)	39	39	39	30	34	34	37	37	37	40
Cost (% of income per capita)	65.6	62.8	58.4	52.1	49.9	53.4	47.8	49.1	52.5	48.1
Paid-in Min. Capital (% of income per capita)	33.4	31.8	29.3	26.4	24.9	26.3	23.5	24.2	22.3	20.9

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year.

Source: *Doing Business* database.

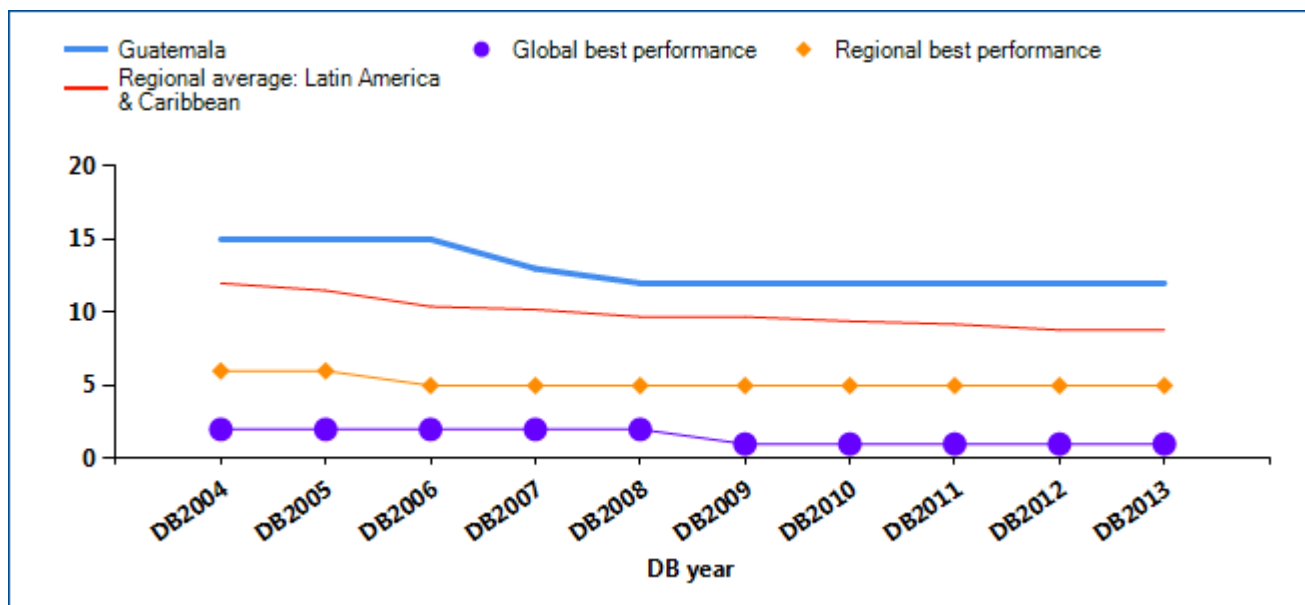
## STARTING A BUSINESS

Equally helpful may be the benchmarks provided by the economies that over time have had the best performance regionally or globally on the procedures, time, cost or paid-in minimum capital required to start a business (figure 2.3). These benchmarks help show

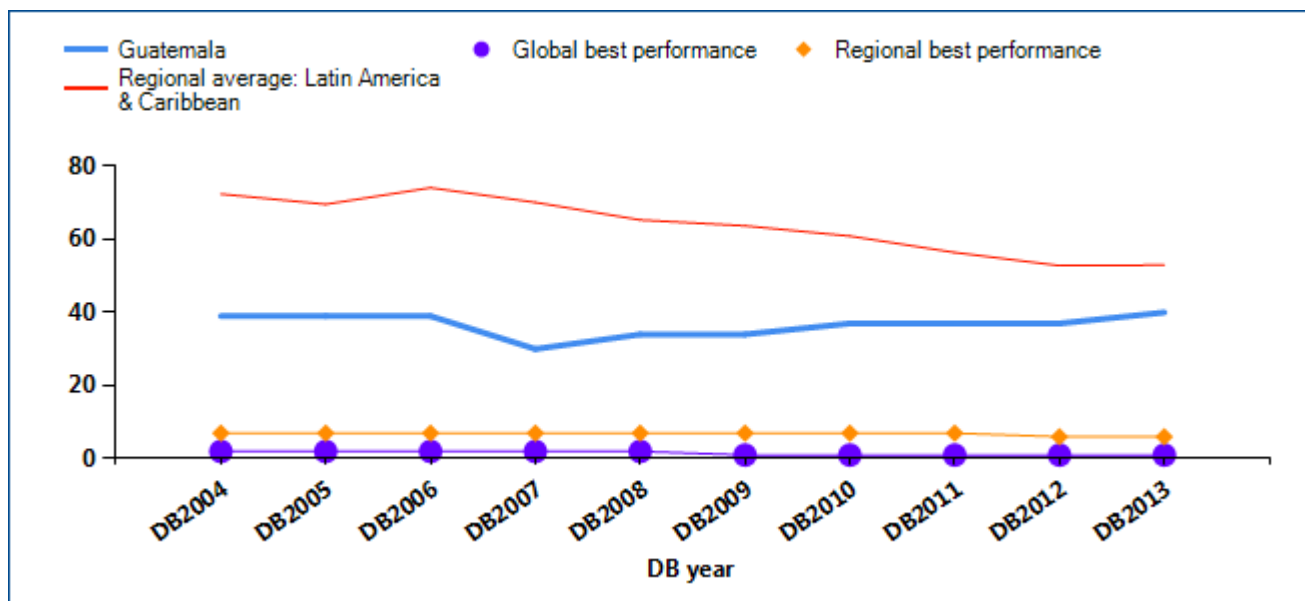
what is possible in making it easier to start a business. And changes in regional averages can show where Guatemala is keeping up—and where it is falling behind.

Figure 2.3 Has starting a business become easier over time?

### Procedures (number)

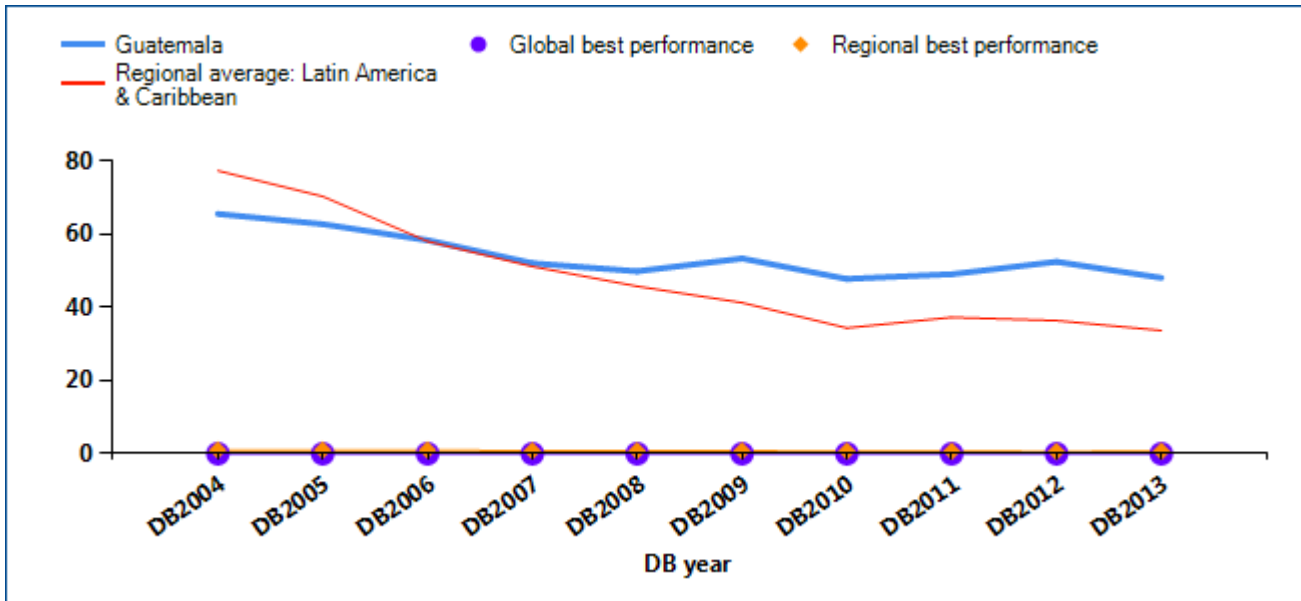


### Time (days)

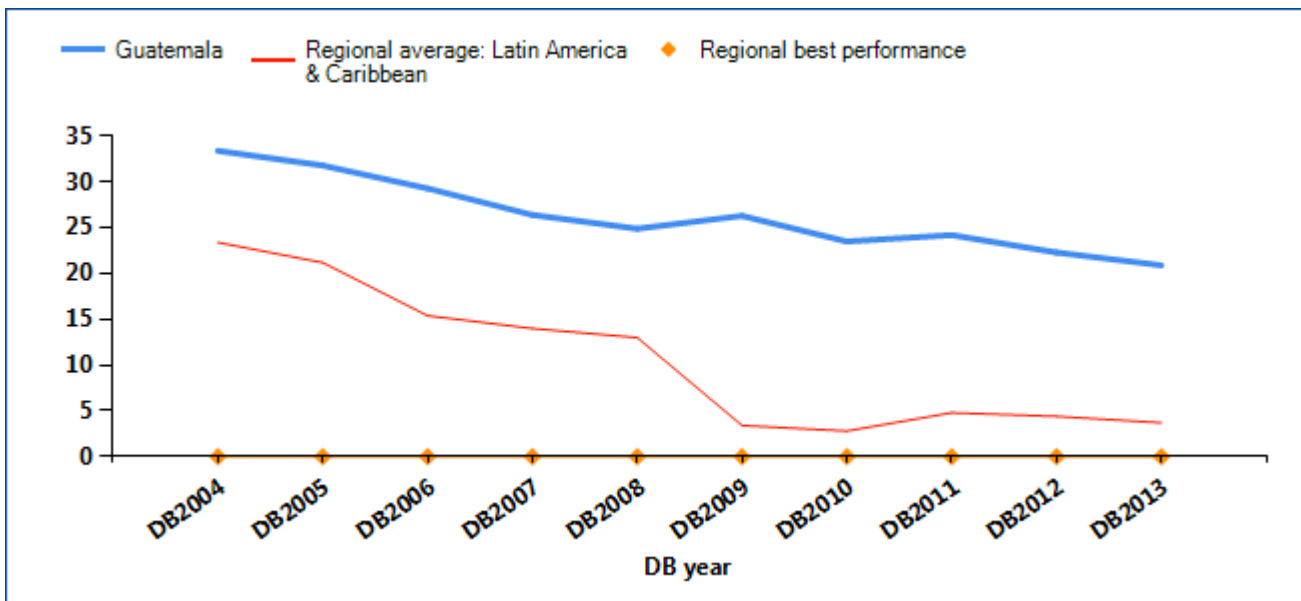


## STARTING A BUSINESS

### Cost (% of income per capita)



### Paid-in minimum capital (% of income per capita)



Note: Ninety-one economies globally have no paid-in minimum capital requirement.

Source: Doing Business database.

## STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and they often are part of a larger regulatory reform program. Among the benefits have been

greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Guatemala (table 2.2)?

Table 2.2 How has Guatemala made starting a business easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	With the full implementation of the one stop shop, procedures and time for new company registration were reduced.
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## STARTING A BUSINESS

### What are the details?

Underlying the indicators shown in this chapter for Guatemala is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

#### STANDARDIZED COMPANY

**City:** Guatemala City

**Legal Form:** Sociedad Anónima (SA) - Corporation

**Paid in Minimum Capital Requirement:** GTQ 5,000

**Start-up Capital:** 10 times GNI per capita

#### Summary of procedures for starting a business in Guatemala—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Check the proposed company name at the Mercantile Registry of Guatemala</b></p> <p>Before initiating the incorporation process, the parties may conduct a company name availability search in order to avoid submitting a preexisting name. The commercial registry now issues a name availability certificate.</p>	4 days	no charge
2	<p><b>Obtain letter from a Guatemalan notary public to open bank account</b></p> <p>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.</p>	1 day	no charge
3	<p><b>Deposit the subscribed capital in a bank and obtain a receipt</b></p> <p>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.</p>	1 day	no charge
4	<p><b>A notary public draws the deed of constitution</b></p> <p>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</p>	3 days	GTQ 8,400 average notarial fees + tax

No.	Procedure	Time to complete	Cost to complete
	substituted for the provisional stock certificates.		
5	<p><b>The notary buys the fiscal stamps and issues a certified copy of the deed of incorporation for filing with the commercial register</b></p> <p>Only a notary public can buy the fiscal stamps at the Superintendency of Tax Administration.</p>	1 day	<p>Q250 stamp tax (company deed), Q300 (corporation license), 1 stamp at Q100 (Appointment of legal representative, Certified notarial copy of the deed of incorporation)</p>
6	<p><b>File notarized unique registration form and documents with the Commercial Register (Registro Mercantil)</b></p> <p>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).</p> <p>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.</p> <p>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 numbe. Once the provisional registration number is assigned by the Commercial Registry, it allows to register the appointment of the legal representative. The Registry then coordinates the publication of the edict, as well as tax registration, the authorization to print invoices, and social security registration.</p> <p>A single fee payment is necessary and includes:</p> <ul style="list-style-type: none"> <li>• Registration fee: GTQ 275 plus GTQ 6 for every GTQ 1,000 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)</li> <li>• Edict publication fee: GTQ 525.62 for publication in the Diario de Centro America</li> </ul>	4 days	<p>GTQ 275 flat fee + Q6 per every Q1000 of startup capital + Q15 edict</p>

No.	Procedure	Time to complete	Cost to complete
7	<p><b>Publication of notice in Diario de Centro América</b></p> <p>Once the Commercial Register issues the Provisional Registration Notice for Publication, then the applicant must go to the Official Gazette and pay the publication cost. After publication, the applicant must go back to the Official Gazette to pick up a copy of the publication which he needs to submit to the Commercial Register. The law establishes an opposition term of 8 working days, upon the day after the publication, in case any third party disagrees with the registration of the corporation.</p>	8 days	GTQ 525.62
8	<p><b>Registration of the appointment of legal representative of the company</b></p> <p>Once the provisional registration number has been assigned, the Commercial Registry calls the applicant or his/her representative (i.e., notary public), in order to record the appointment of the company's legal representative.</p>	1 day	included in previous procedure
9	<p><b>Obtain the definitive registration, tax and social security numbers, and authorization to print invoices</b></p> <p>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.</p>	14 days	included in previous procedure
10	<p><b>Application for trading license</b></p>	1 day	GTQ 100
11	<p><b>* Submit company accounting books and books of minutes of shareholder and board of directors meetings to the Commercial Registry for their authorisation</b></p>	1 day	GTQ 0.15/page, assuming 100 pages
12	<p><b>* Application for book of salaries authorisation from the Inspection of the Department of Labour</b></p> <p>This requirement to obtain authorization of the book of salaries applies to entities employing more than 10 workers.</p>	1 day	no charge

\* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

### What do the indicators cover?

*Doing Business* records the procedures, time and cost for a business to obtain all the necessary approvals to build a simple commercial warehouse in the economy's largest business city, connect it to basic utilities and register the property so that it can be used as collateral or transferred to another entity.

The ranking on the ease of dealing with construction permits is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the warehouse, including the utility connections.

The business:

- Is a limited liability company operating in the construction business and located in the largest business city.
- Is domestically owned and operated.
- Has 60 builders and other employees.

The warehouse:

- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.

### WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

#### Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Completing all required notifications and receiving all necessary inspections

Obtaining utility connections for water, sewerage and a fixed telephone line

Registering the warehouse after its completion (if required for use as collateral or for transfer of the warehouse)

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day

Procedure completed once final document is received

No prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

- Will be connected to water, sewerage (sewage system, septic tank or their equivalent) and a fixed telephone line. The connection to each utility network will be 10 meters (32 feet, 10 inches) long.
- Will be used for general storage, such as of books or stationery (not for goods requiring special conditions).
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).



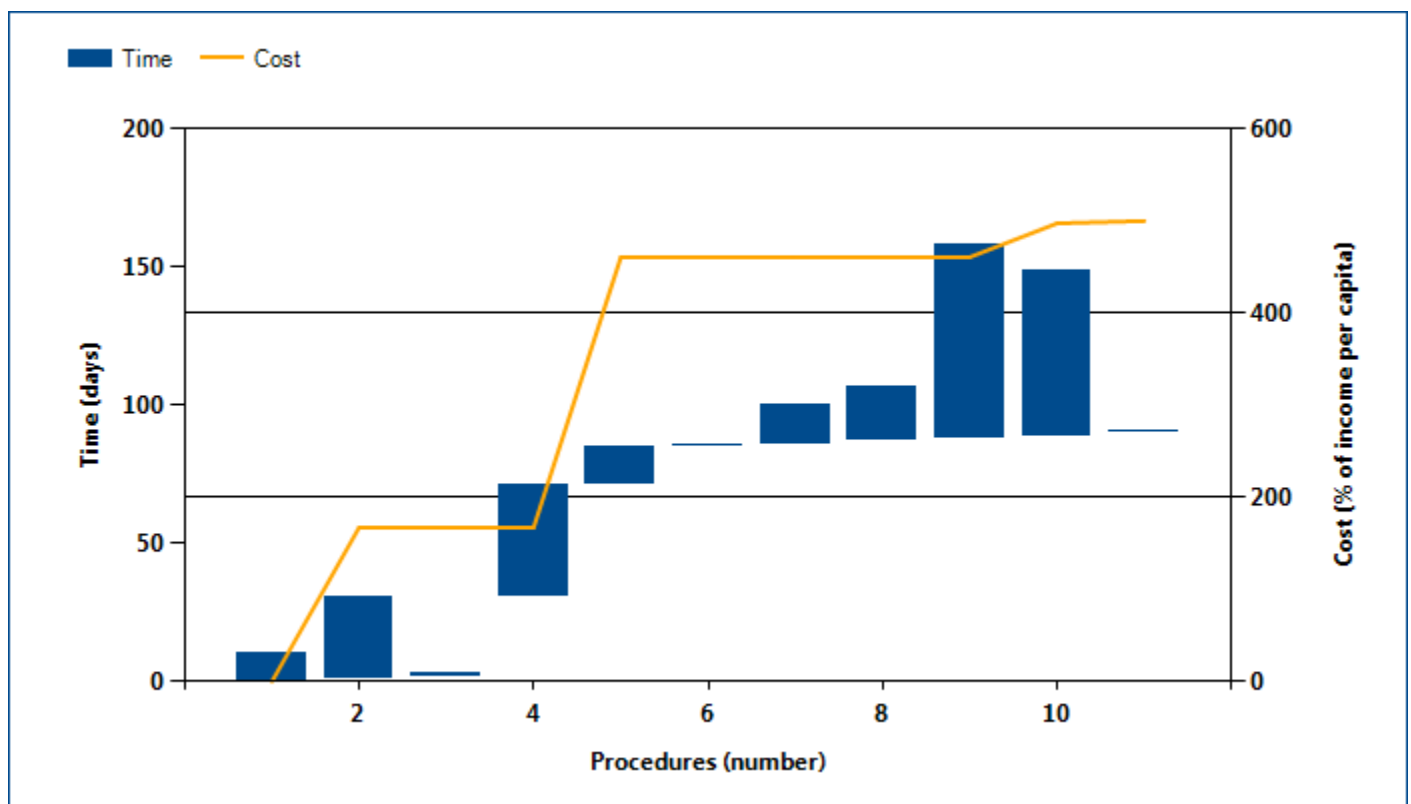
## DEALING WITH CONSTRUCTION PERMITS

### Where does the economy stand today?

What does it take to comply with the formalities to build a warehouse in Guatemala? According to data collected by *Doing Business*, dealing with construction

permits there requires 11 procedures, takes 158 days and costs 500.4% of income per capita (figure 3.1).

Figure 3.1 What it takes to comply with formalities to build a warehouse in Guatemala



Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

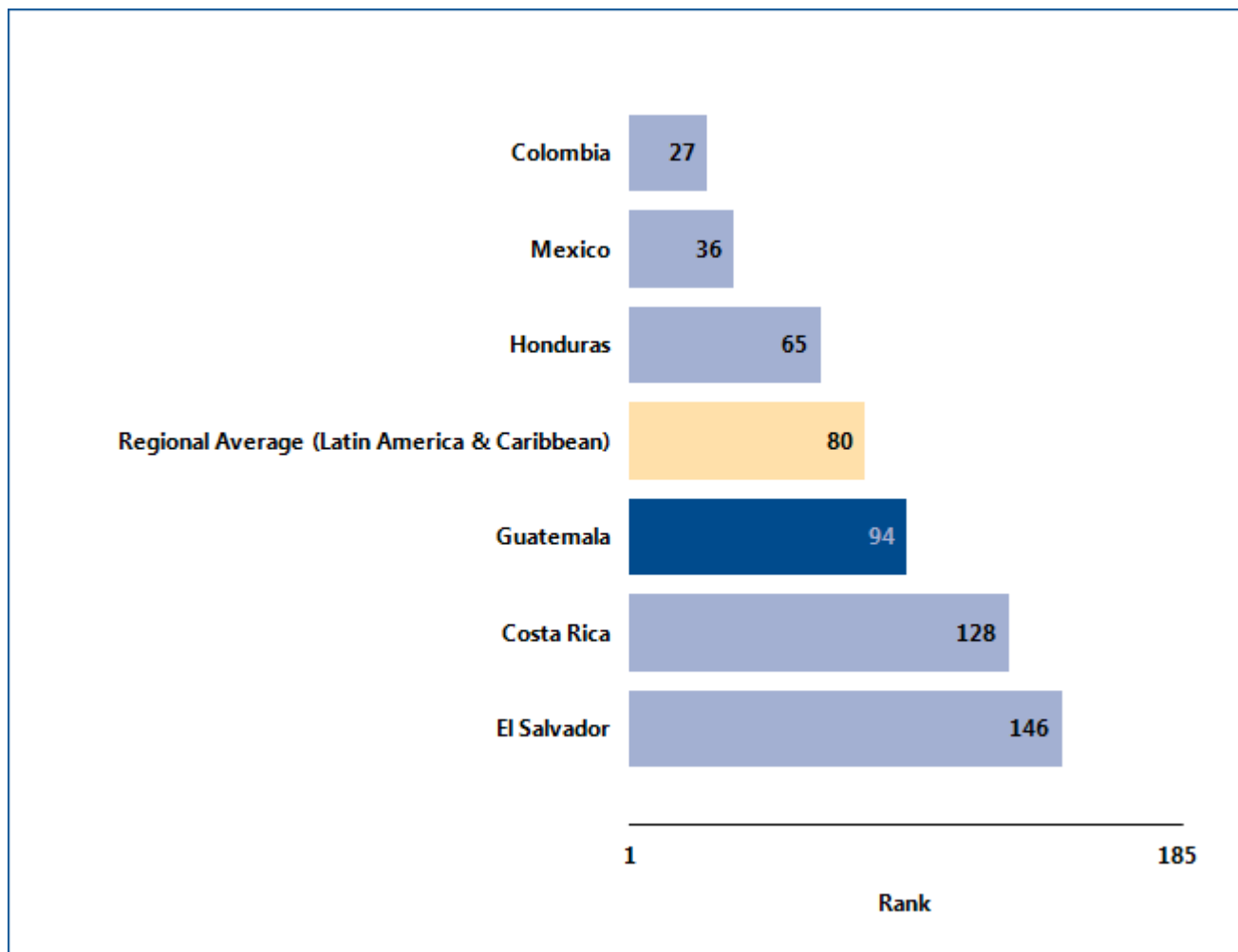
Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

Globally, Guatemala stands at 94 in the ranking of 185 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator economies and the regional average ranking provide

other useful information for assessing how easy it is for an entrepreneur in Guatemala to legally build a warehouse.

Figure 3.2 How Guatemala and comparator economies rank on the ease of dealing with construction permits



Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

### What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to deal with construction permits in Guatemala today, data over time show which aspects of the process have changed—and which have not (table 3.1). That can help identify where the potential for improvement is greatest.

Table 3.1 The ease of dealing with construction permits in Guatemala over time  
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	146	94
Procedures (number)	19	19	19	19	18	18	18	11
Time (days)	333	273	222	202	165	165	165	158
Cost (% of income per capita)	653.3	589.2	604.8	637.7	571.5	587.3	541.7	500.4

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year. For more information on "no practice" marks, see the data notes.

Source: *Doing Business* database.

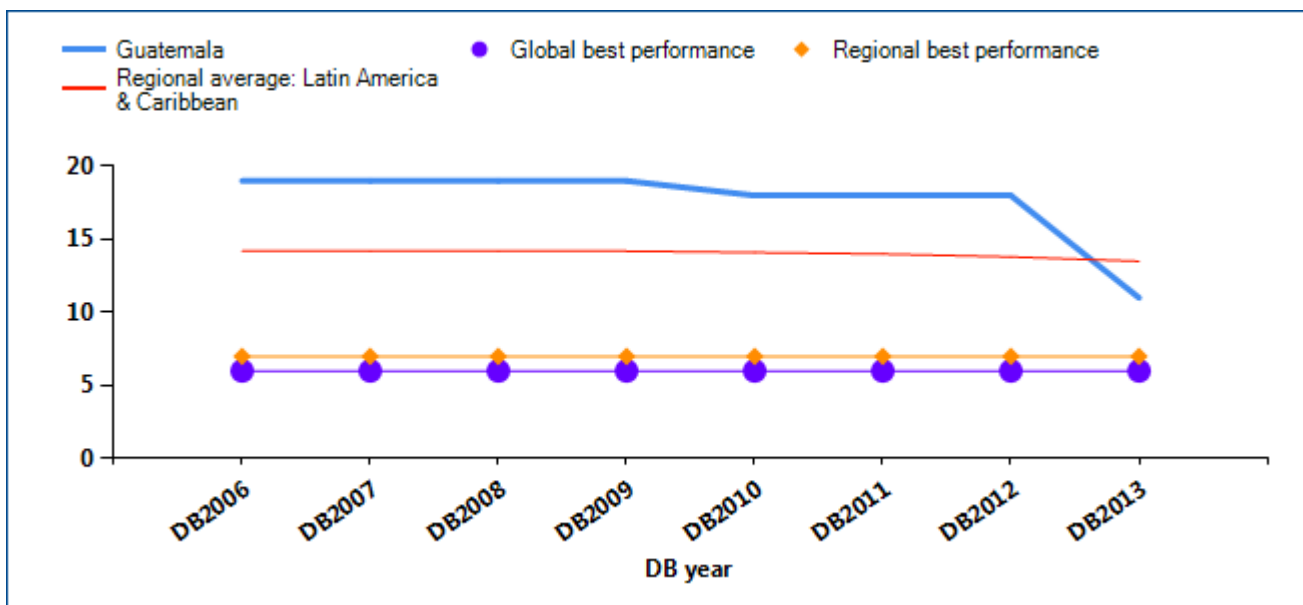
## DEALING WITH CONSTRUCTION PERMITS

Equally helpful may be the benchmarks provided by the economies that over time have had the best performance regionally or globally on the procedures, time or cost required to deal with construction permits (figure 3.3). These benchmarks help show what is

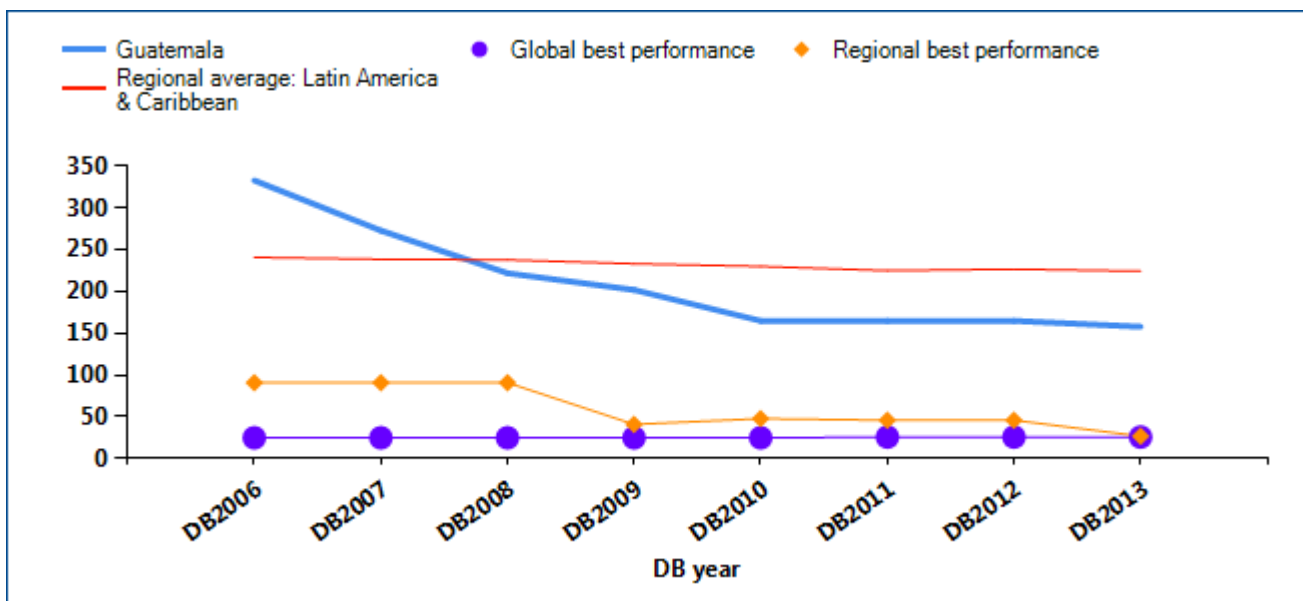
possible in making it easier to deal with construction permits. And changes in regional averages can show where Guatemala is keeping up—and where it is falling behind.

Figure 3.3 Has dealing with construction permits become easier over time?

### Procedures (number)

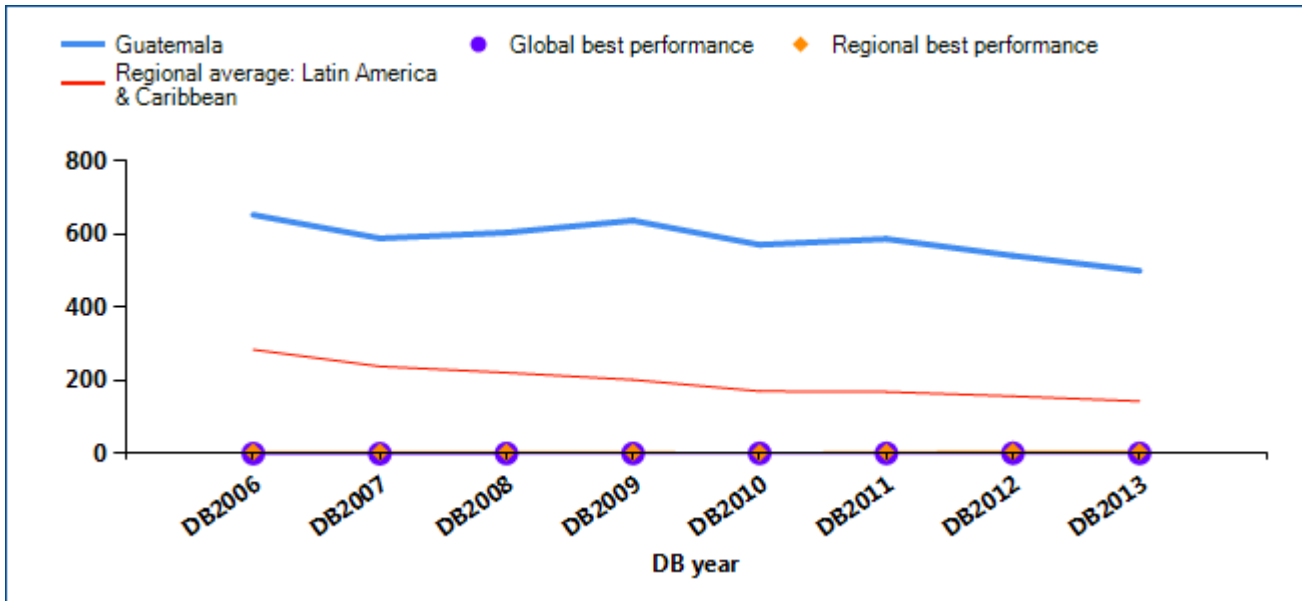


### Time (days)



## DEALING WITH CONSTRUCTION PERMITS

Cost (% of income per capita)



Source: Doing Business database.

## DEALING WITH CONSTRUCTION PERMITS

Smart regulation ensures that standards are met while making compliance easy and accessible to all. Coherent and transparent rules, efficient processes and adequate allocation of resources are especially important in sectors where safety is at stake. Construction is one of them. In an effort to ensure

building safety while keeping compliance costs reasonable, governments around the world have worked on consolidating permitting requirements. What construction permitting reforms has *Doing Business* recorded in Guatemala (table 3.2)?

Table 3.2 How has Guatemala made dealing with construction permits easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	Guatemala made obtaining construction permits less time consuming by accelerating the issuance of the favorable decision.
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	Guatemala eased the process of dealing with construction permits with a new land management plan that simplified the process of approval based on a risk assessment scheme, and mixed zoning regimes made the process of approval much faster.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	Guatemala made dealing with construction permits easier by introducing a risk-based approval system

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## DEALING WITH CONSTRUCTION PERMITS

### What are the details?

The indicators reported here for Guatemala are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

#### BUILDING A WAREHOUSE

**City :** Guatemala City

**Estimated Warehouse Value :** GTQ 1,560,720

The procedures, along with the associated time and cost, are summarized below.

#### Summary of procedures for dealing with construction permits in Guatemala —and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<b>Request and obtain certificate of land ownership for the property where the warehouse is to be built</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 GTQ 35.00 to GTQ 50.00.	10 days	GTQ 50
2	<b>* Hire an Environmental Specialist and prepare an Environmental Impact Assessment</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 40,000.00. Projects exceeding 1,000 sq. m. require an Environmental Impact Assessment.	30 days	GTQ 40,000
3	<b>* Submit a Brief or Simple Industrial Report</b> This report contains an affidavit regarding storage use and any industrial process to be carried out in the warehouse.	1 day	no charge
4	<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> 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	40 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>MARN but paid for by Municipality of Guatemala City.</p> <p>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.</p> <p>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.</p>		
5	<p><b>Request and obtain a Construction License</b></p> <p>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.</p> <p>BuildCo's case would fall into the 'Simplified Procedure' scheme and does not require subsequent procedure with Land Management Council and neighbors. 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 February 28, 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.</p> <p>BuildCo must submit the corresponding form with all the requested</p>	14 days	GTQ 70,232



No.	Procedure	Time to complete	Cost to complete
	<p>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.</p> <p>The cost of the license is the estimated based on warehouse value at 4.5%.</p> <p>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.</p> <p>According to law, required deposits are as follows:</p> <ul style="list-style-type: none"> <li>• Article 183: The recipient of a construction license must make a guarantee deposit of GTQ 5.00 (for buildings up to a cost of GTQ 5,000.00) or 0.01% of the cost of the building (if the cost exceeds GTQ 5,000.00). For our case it would be GTQ 380.20. 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.</li> <li>• 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.</li> </ul>		
6	<p><b>Notify the Construction Licensing Department on construction completion and return the license</b></p> <p>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.</p>	1 day	no charge
7	<p><b>Receive final inspection and obtain occupation permit</b></p> <p>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</p>	14 days	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>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.</p> <p>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.</p>		
8	<p><b>* Request sewage connection and receive requirements from EMPAGUA</b></p> <p>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.</p> <p>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 are given simultaneously. However, has not had any practical impact.</p>	20 days	no charge
9	<p><b>* Request and obtain a feasibility study by EMPAGUA</b></p> <p>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.</p> <p>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.</p>	70 days	no charge
10	<p><b>* Receive connection to water</b></p>	60 days	GTQ 8,800
11	<p><b>* Obtain a telephone line</b></p>	1 day	GTQ 625

No.	Procedure	Time to complete	Cost to complete

\* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

## GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

### What do the indicators cover?

*Doing Business* records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. The ranking on the ease of getting electricity is the simple average of the percentile rankings on its component indicators: procedures, time and cost. To make the data comparable across economies, several assumptions are used.

The warehouse:

- Is located in the economy's largest business city, in an area where other warehouses are located.
- Is not in a special economic zone where the connection would be eligible for subsidization or faster service.
- Has road access. The connection works involve the crossing of a road or roads but are carried out on public land.
- Is a new construction being connected to electricity for the first time.
- Has 2 stories, both above ground, with a total surface of about 1,300.6 square meters (14,000 square feet), and is built on a plot of 929 square meters (10,000 square feet).

The electricity connection:

- Is a 3-phase, 4-wire Y, 140-kilovolt-ampere (kVA) (subscribed capacity) connection.

### WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

#### Procedures to obtain an electricity connection (number)

Submitting all relevant documents and obtaining all necessary clearances and permits

Completing all required notifications and receiving all necessary inspections

Obtaining external installation works and possibly purchasing material for these works

Concluding any necessary supply contract and obtaining final supply

#### Time required to complete each procedure (calendar days)

Is at least 1 calendar day

Each procedure starts on a separate day

Does not include time spent gathering information

Reflects the time spent in practice, with little follow-up and no prior contact with officials

#### Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

Excludes value added tax

- Is 150 meters long.
- Is to either the low-voltage or the medium-voltage distribution network and either overhead or underground, whichever is more common in the economy and in the area where the warehouse is located. The length of any connection in the customer's private domain is negligible.
- Involves installing one electricity meter. The monthly electricity consumption will be 0.07 gigawatt-hour (GWh). The internal electrical wiring has been completed.

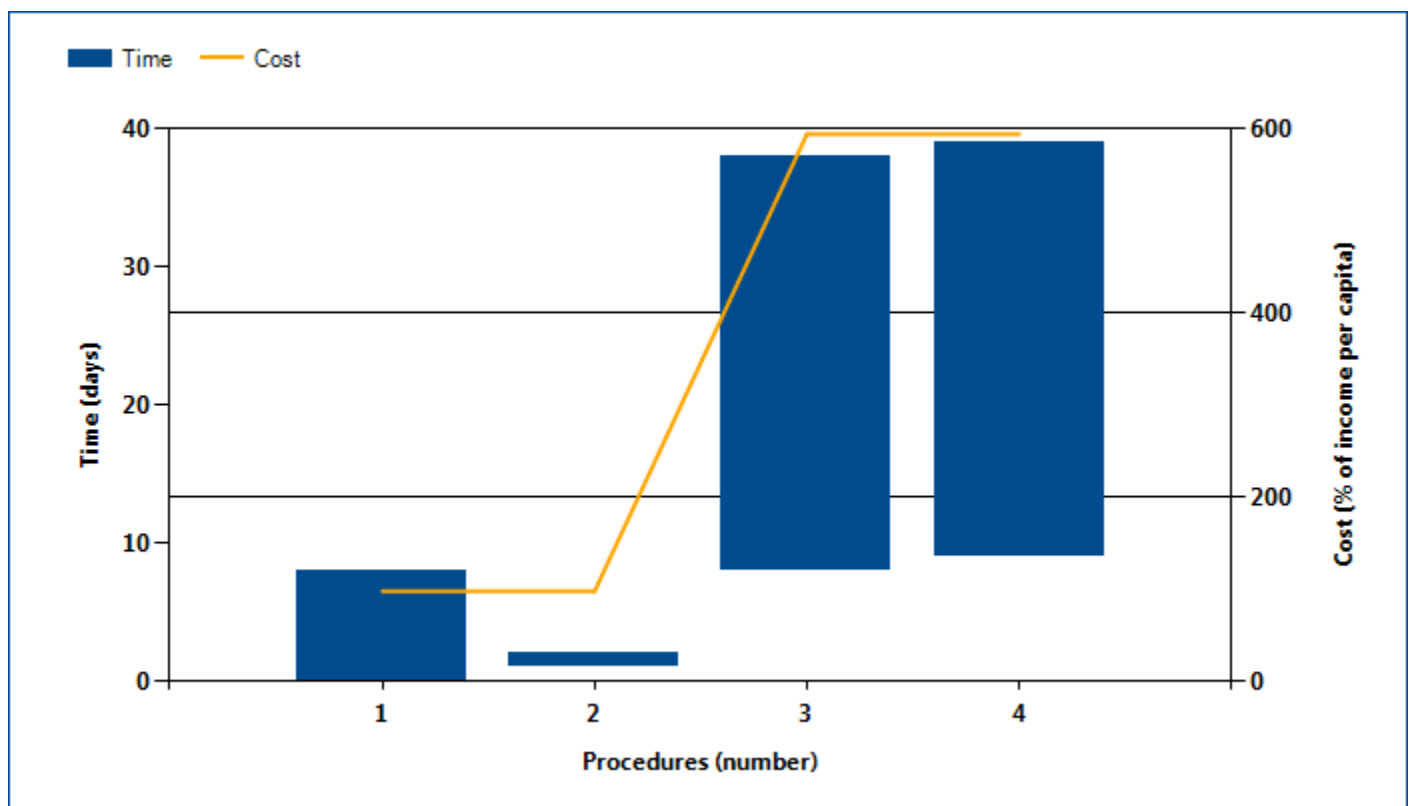
## GETTING ELECTRICITY

### Where does the economy stand today?

What does it take to obtain a new electricity connection in Guatemala? According to data collected by *Doing Business*, getting electricity there requires 4

procedures, takes 39 days and costs 594.8% of income per capita (figure 4.1).

Figure 4.1 What it takes to obtain an electricity connection in Guatemala



Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

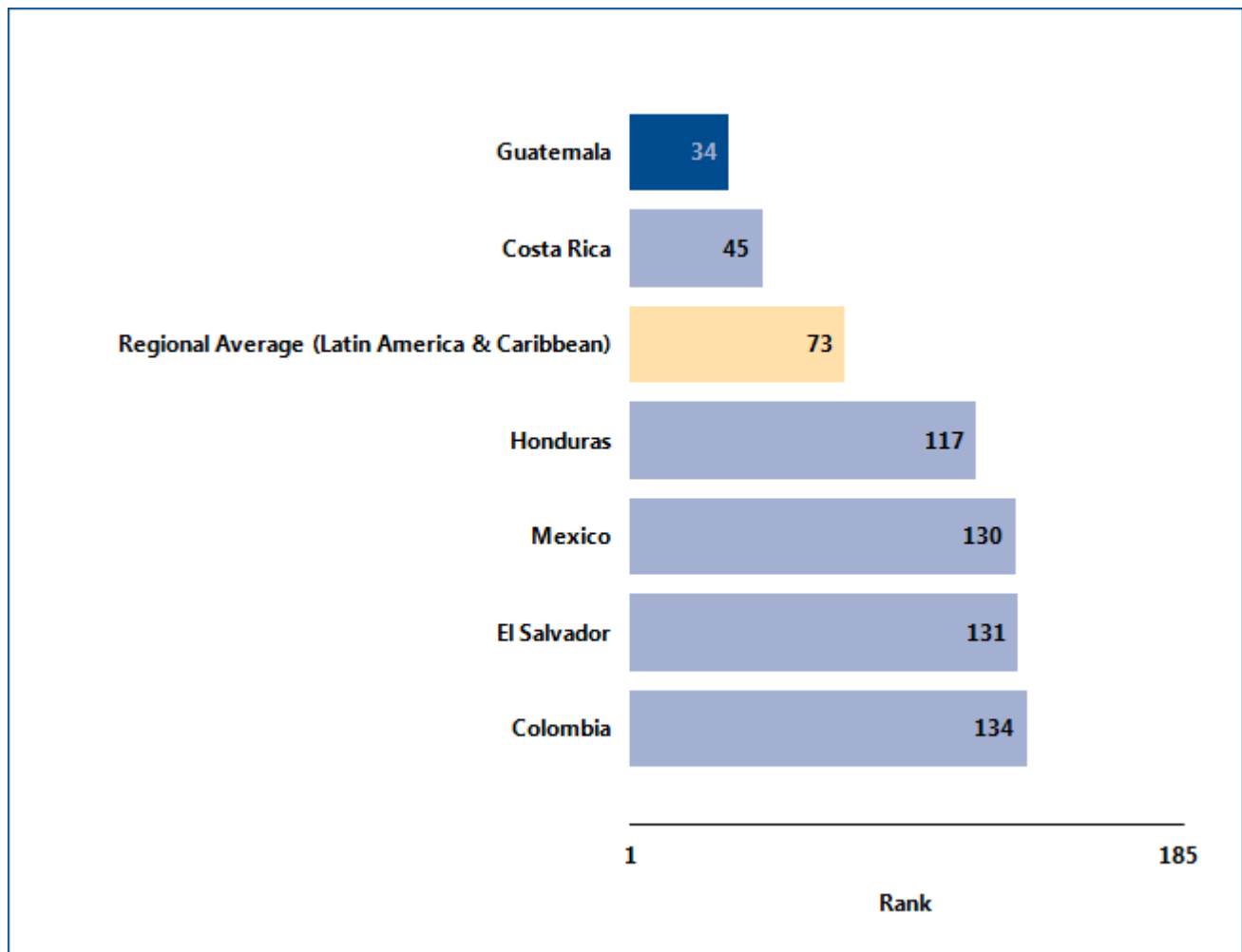
Source: *Doing Business* database.

### GETTING ELECTRICITY

Globally, Guatemala stands at 34 in the ranking of 185 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the

regional average ranking provide another perspective in assessing how easy it is for an entrepreneur in Guatemala to connect a warehouse to electricity.

Figure 4.2 How Guatemala and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

## GETTING ELECTRICITY

Even more helpful than rankings on the ease of getting electricity may be the indicators underlying those rankings (table 4.1). And regional and global best performers on these indicators may provide useful benchmarks.

Table 4.1 The ease of getting electricity in Guatemala

Indicator	Guatemala DB2013	Guatemala DB2012	Best performer in Latin America & Caribbean DB2013	Best performer globally DB2013
<b>Rank</b>	34	33	Trinidad and Tobago (11)	Iceland (1)
<b>Procedures (number)</b>	4	4	St. Vincent and the Grenadines (3)	Germany (3)*
<b>Time (days)</b>	39	39	St. Kitts and Nevis (18)	Germany (17)
<b>Cost (% of income per capita)</b>	594.8	624.9	Trinidad and Tobago (6.6)	Japan (0.0)

Note: DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year.

\* Two or more economies share the top ranking on this indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

Source: *Doing Business* database.

## GETTING ELECTRICITY

Obtaining an electricity connection is essential to enable a business to conduct its most basic operations. In many economies the connection process is complicated by the multiple laws and regulations involved—covering service quality, general safety, technical standards, procurement practices and internal wiring installations. In an effort to ensure

safety in the connection process while keeping connection costs reasonable, governments around the world have worked to consolidate requirements for obtaining an electricity connection. What reforms in getting electricity has *Doing Business* recorded in Guatemala (table 4.2)?

Table 4.2 How has Guatemala made getting electricity easier—or not?

By *Doing Business* report year

DB year	Reform
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.

Source: *Doing Business* database.



## GETTING ELECTRICITY

### What are the details?

The indicators reported here for Guatemala are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

#### OBTAINING AN ELECTRICITY CONNECTION

<b>City:</b>	<b>Guatemala City</b>
<b>Name of Utility:</b>	<b>Empresa Electrica de Guatemala, S.A</b>

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

#### Summary of procedures for getting electricity in Guatemala—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p><b>The customer submits in person a request for electrical services with Empresa Eléctrica de Guatemala (EEGSA) and signs the supply contract the same day</b></p> <p>Since it is a company that requests the service, it is required to present a copy of a legal representation document, local identity card (ID) of the legal representative, proof of ownership of the property or lease contract, list of technical data of the load required and the guarantee deposit which is refunded when the customer no longer requires the service of power supply (according to the General Electricity Law). Legal Representation documents and the lease contracts require notarization. Only a day passes from presenting the application to the signing the contract (it can be done the same day if all the required documentation is presented). There is no cost for the customer, he should not expect to prepare pay a fee. When it is a connection at less than 200m from EEGSA existing distribution lines no study and therefore extra cost is needed. There is no cost for the customer, therefore there is no need to submit a budget or pay a fee again.</p> <p>With the application for electricity the customer must send a guarantee deposit that is refunded when the customer no longer requires the service of power supply (according to the General Electricity Law). For loads above 100 kW, the deposit is not paid in cash but is covered by a bond issued by a guarantee agency in Guatemala.</p>	8 calendar days	GTQ 23,500.0
2	<p><b>* Empresa Eléctrica de Guatemala (EEGSA) carries out an external inspection</b></p> <p>EEGSA performs an external inspection. It is recommended that the</p>	1 calendar day	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>electrician in charge of the internal installations is present to clarify technical details. The visit consist on reviewing EEGSA's installation and their interactions with the new user, there is no review of the user's internal wiring installation. EEGSA is responsible for the service until the metering equipment; from there it's the customer's responsibility. The internal wiring installation can be done by any electrician hired by the customer.</p>		
<p><b>3</b></p>	<p><b>The client hires a private company to lay out the underground cables and other work needed for the external connection</b></p> <p>For EEGSA to make the connection, it is needed that the civil works are completed. EEGSA is responsible until the measuring equipment and therefore does not supervise the construction of the laying of the cables, so the customer should contract the services of an independent engineer for this part of the works.</p> <p>The boundary of the external connection work is the pole-mounted transformer which is provided by EEGSA. From there, the customer installs the pipe onto the post, the meter box, the underground wiring to the main board.</p>	<p>30 calendar days</p>	<p>USD 14,250.0</p>
<p><b>4</b></p>	<p><b>* Empresa Eléctrica de Guatemala (EEGSA) finalizes the external connection and installs the meter</b></p> <p>When the civil works are completed, the internal wiring are ready and the contract is signed, EEGSA installs the meter, transformers and connects the internal wiring to the transformers. The physical installation is performed by the Distributor (EEGSA) although subcontractors do the job. The electricity distribution company has a sufficient stock of materials. The customer does not buy any materials for the external connection. The meter installation is simultaneous with the connection and the electricity begins to flow from the moment the connection is made. It is necessary to mount the transformer station, which involves installing a post and installing the metering equipment, all of this is paid by EEGSA.</p>	<p>30 calendar days</p>	<p>no charge</p>

\* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

## REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

### What do the indicators cover?

*Doing Business* records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. The ranking on the ease of registering property is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.

### WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

#### Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city

Postregistration (for example, filing title with the municipality)

#### Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day

Procedure completed once final document is received

No prior contact with officials

#### Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

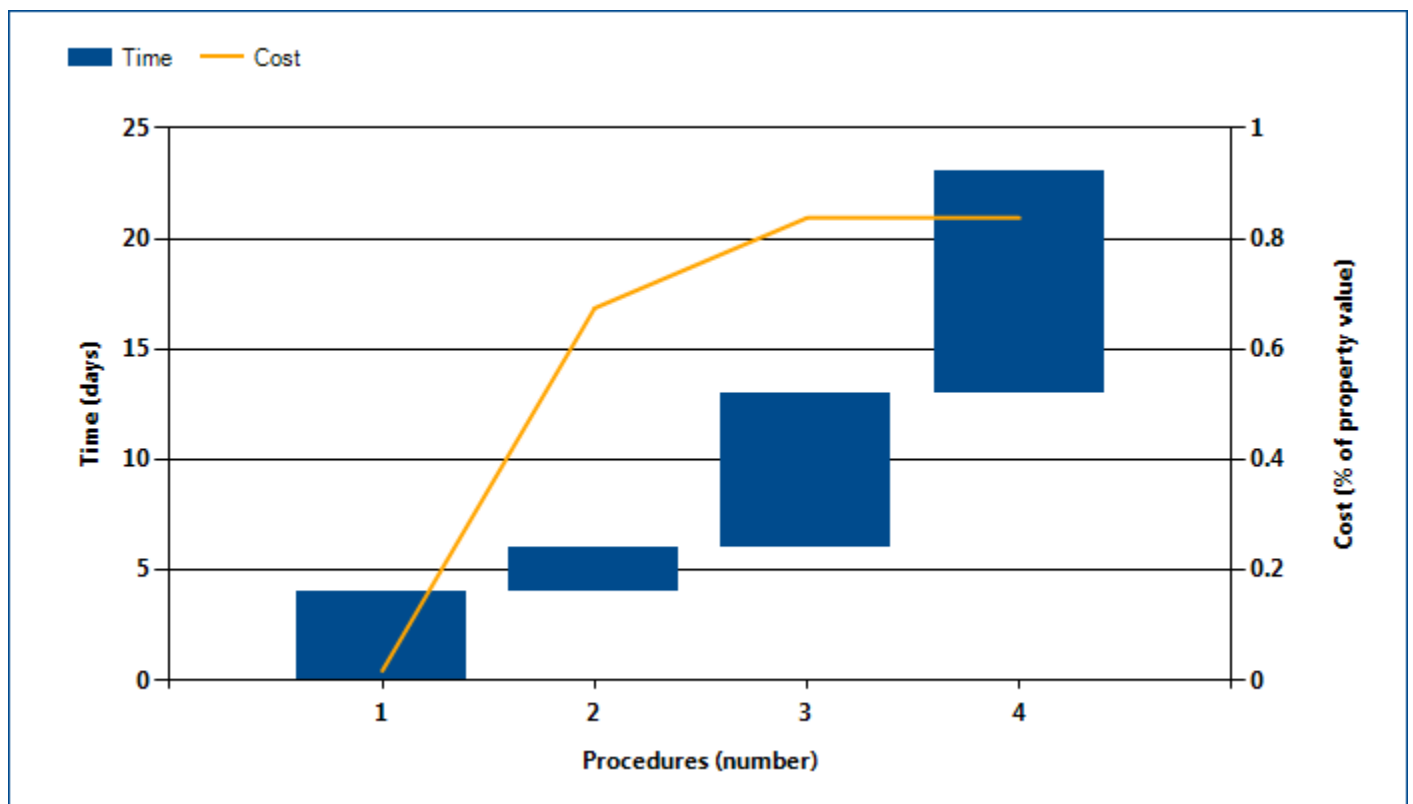
## REGISTERING PROPERTY

### Where does the economy stand today?

What does it take to complete a property transfer in Guatemala? According to data collected by *Doing Business*, registering property there requires 4

procedures, takes 23 days and costs 0.8% of the property value (figure 5.1).

Figure 5.1 What it takes to register property in Guatemala



Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

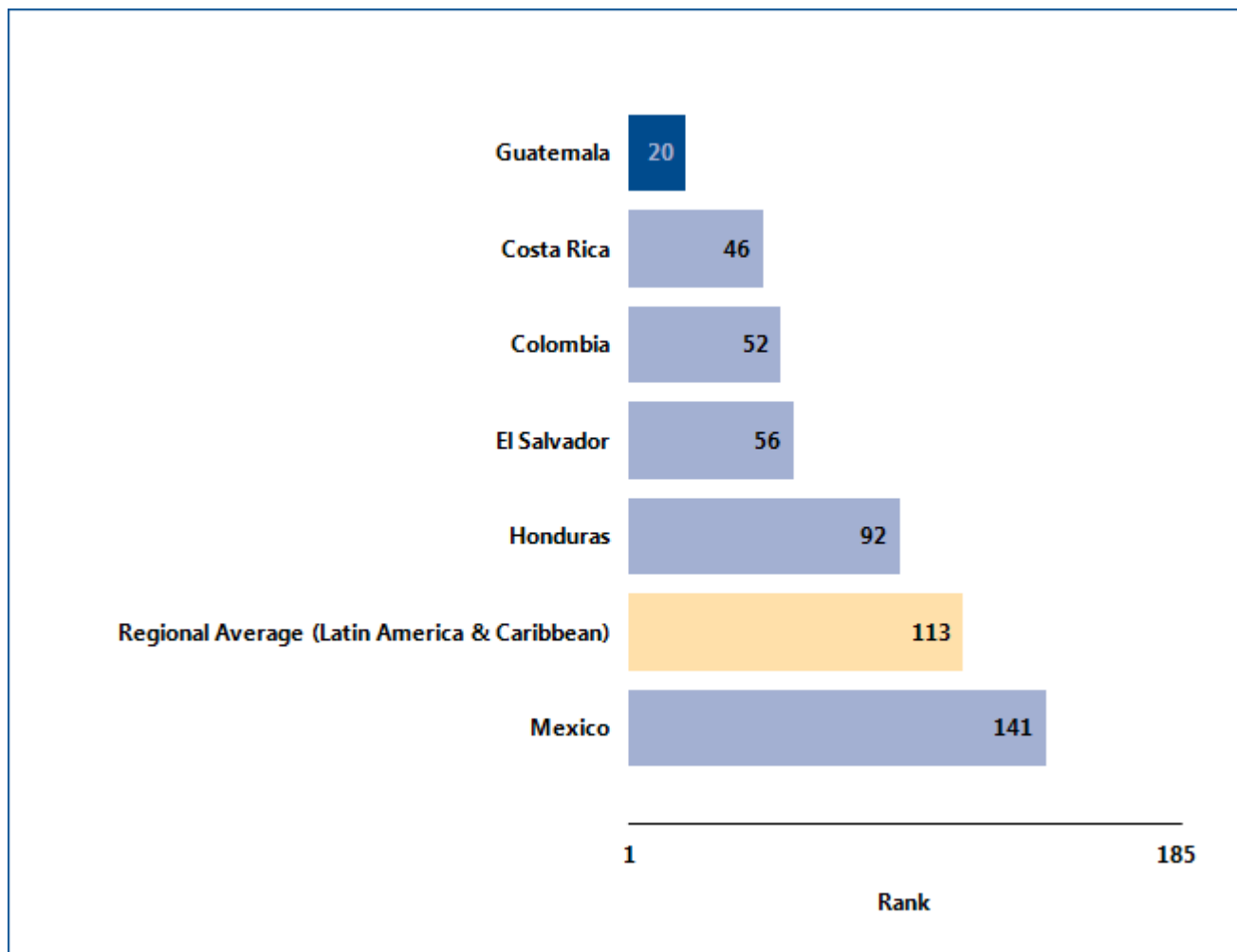
Source: *Doing Business* database.

## REGISTERING PROPERTY

Globally, Guatemala stands at 20 in the ranking of 185 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Guatemala to transfer property.

Figure 5.2 How Guatemala and comparator economies rank on the ease of registering property



Source: *Doing Business* database.

## REGISTERING PROPERTY

### What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to register property in Guatemala today, data over time show which aspects of the process have changed—and which have not (table 5.1). That can help identify where the potential for improvement is greatest.

Table 5.1 The ease of registering property in Guatemala over time  
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	..	22	20
Procedures (number)	5	5	5	5	5	4	4	4	4
Time (days)	69	69	37	30	30	27	23	23	23
Cost (% of property value)	3.3	3.3	1.1	1.0	1.1	1.0	1.0	0.9	0.8

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year. For more information on "no practice" marks, see the data notes.

Source: *Doing Business* database.

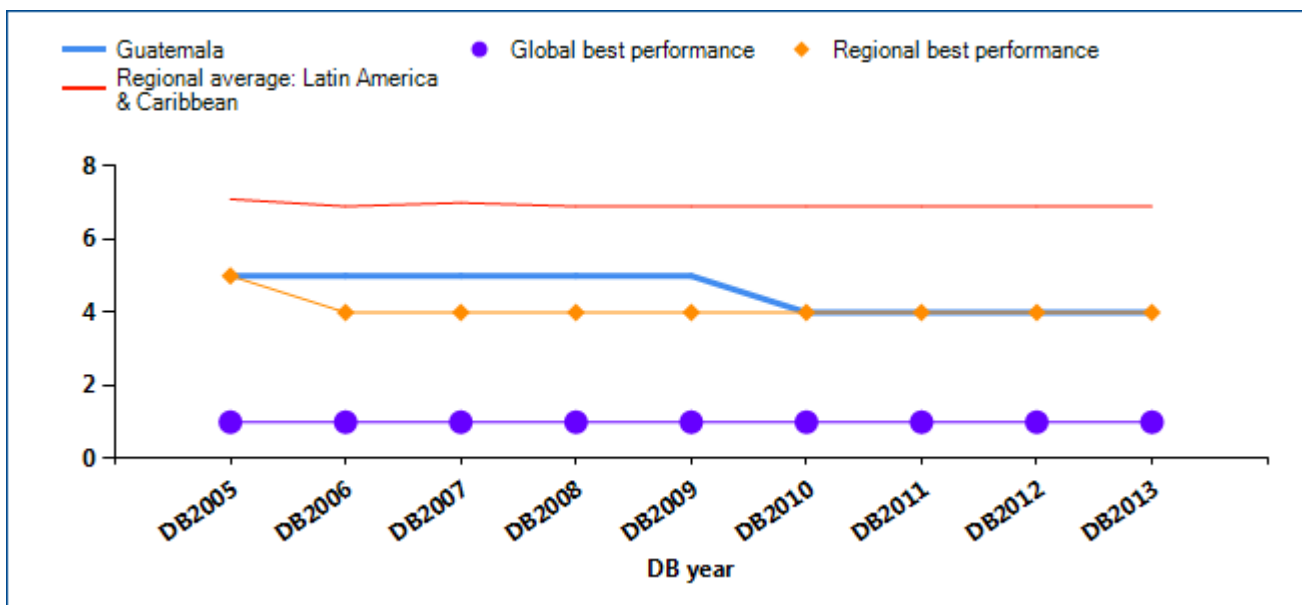
## REGISTERING PROPERTY

Equally helpful may be the benchmarks provided by the economies that over time have had the best performance regionally or globally on the procedures, time or cost required to complete a property transfer (figure 5.3). These benchmarks help show what is

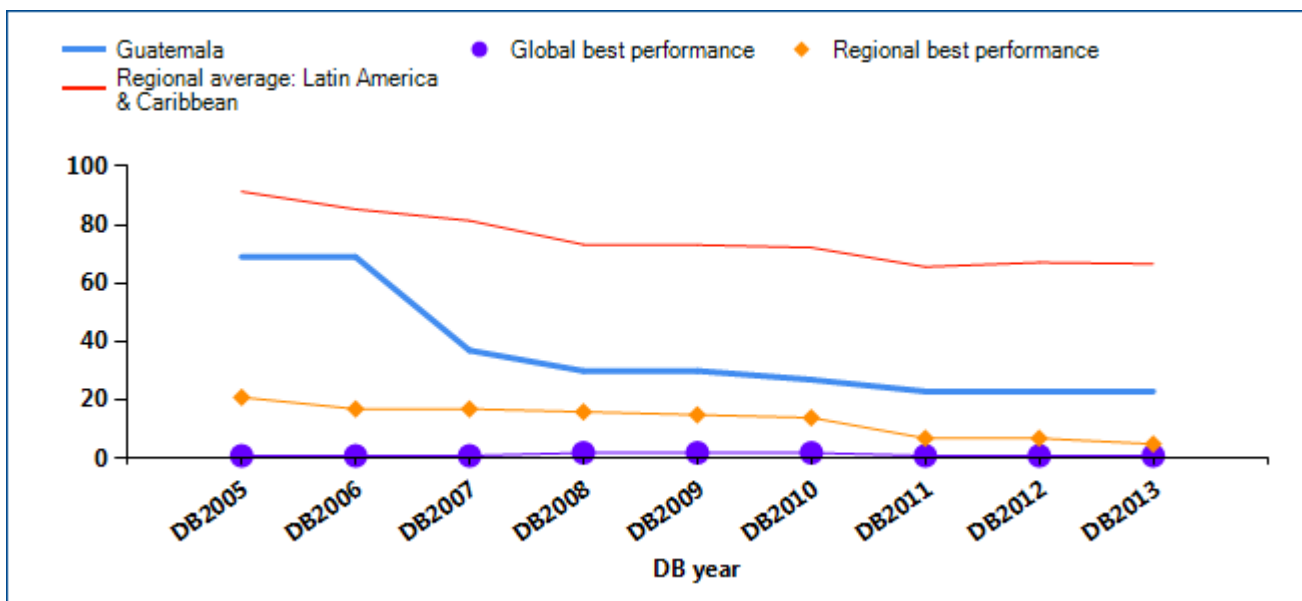
possible in making it easier to register property. And changes in regional averages can show where Guatemala is keeping up—and where it is falling behind.

Figure 5.3 Has registering property become easier over time?

### Procedures (number)

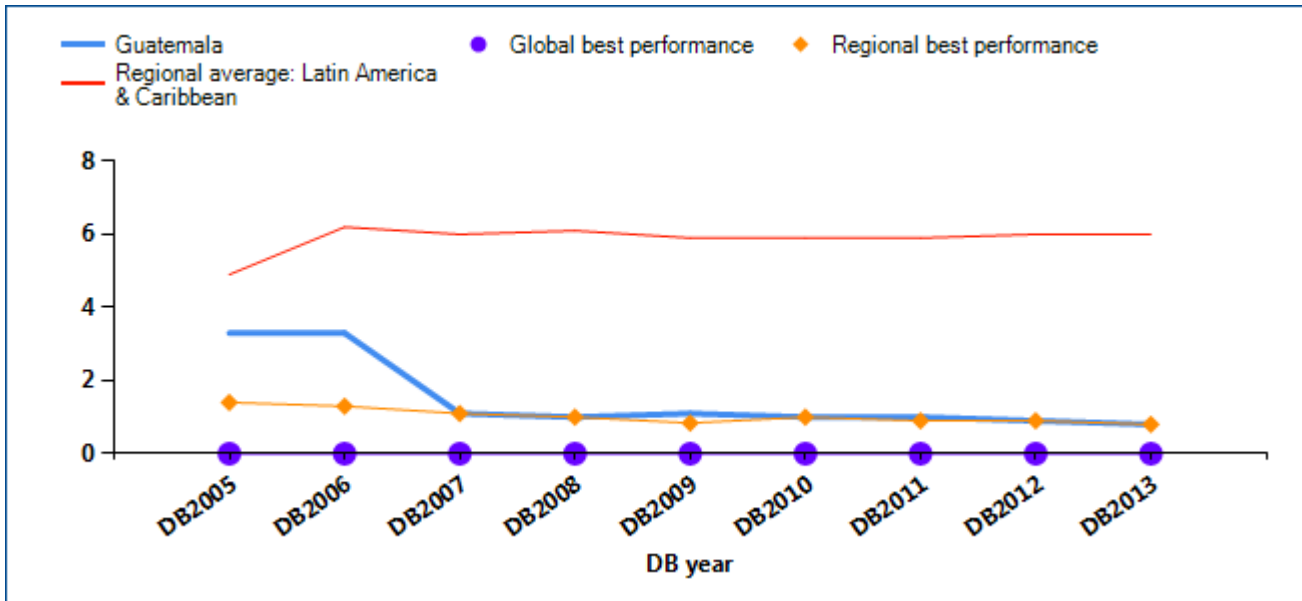


### Time (days)



## REGISTERING PROPERTY

### Cost (% of property value)



Source: Doing Business database.



## REGISTERING PROPERTY

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many

have cut the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Guatemala (table 5.2)?

Table 5.2 How has Guatemala made registering property easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	Guatemala reduced the time to register property by allowing registrars to submit electronic signatures.
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	Guatemala has eased the process of registering property by centralizing more procedures at the cadastral, reorganizing operations, and making greater use of electronic services.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.

*Note:* For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## REGISTERING PROPERTY

### What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer’s name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

#### STANDARD PROPERTY TRANSFER

**City:** Guatemala City  
**Property Value:** GTQ 1,196,027

The procedures, along with the associated time and cost, are summarized below.

#### Summary of procedures for registering property in Guatemala—and the time and cost

No.	Procedure	Time to complete	Cost to complete
1	<p><b>Obtain a property certificate ("Certificacion del historial de la finca") and the cadastral value certificate ("Valor de matricula")</b></p> <p>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.</p> <p>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. Pursuant to amendments in Tax Law (Article 171 Decree 10-2012), authorized valuation of property and declaration of value of the real estate are mandatory. This information is obtained at DICABI. DICABI cadastral display can also be obtained at <a href="http://dicabilinea.minfin.gob.gt/dicabi_enlinea/">http://dicabilinea.minfin.gob.gt/dicabi_enlinea/</a>.</p> <p>Both certificates can be requested at the Land registry. Notaries can request them by email and then pick them up.</p>	<p>3-5 days                      (depending on length of the real estate file or if it is digitalized)                      (simultaneous with Procedure 2)</p>	<p>QTG 50 (for first 10 pages, each additional page + QTG 5) + QTG 164 (legal fees)</p>
2	<p><b>Lawyer/notary prepares the sale agreement and notarizes it, along with the public deed</b></p> <p>If the seller is a registered VAT Taxpayer, the tax must be paid with an invoice, in which the tax is charged.</p> <p>The lawyer/notary (In Guatemala, the lawyer is also the notary public) prepares the sale agreement and notarizes it by preparing the public</p>	<p>2 days</p>	<p>between QTG 6500 - QTG 8200 (notary fees) + QTG 500 (tax stamps, copies, and others)</p>

No.	Procedure	Time to complete	Cost to complete
	<p>deed.</p> <p>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.</p> <p>The documentation shall include:</p> <ul style="list-style-type: none"> <li>(i) Property Title issued by the Real Estate Office (advisable)</li> <li>(ii) Actualized Certificate of the property issued by the Property Registry (Obtained in step 1)</li> <li>(iii) 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</li> <li>(iv) 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</li> <li>(v) Cadastral value obtained in DICABI (obtained in step 1)</li> </ul>		
<p><b>3</b></p>	<p><b>Public deed is delivered to the Property Registry for its recording</b></p> <p>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.</p> <p>The internal Procedures conducted by the Property Registry are as follows:</p> <ul style="list-style-type: none"> <li>(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).</li> <li>(2) The official registers the property electronically; and issues the case file (expediente)</li> <li>(3) Departamento de Revision (legal assessors) reviews and approves the transaction</li> <li>(4) Accounting department verifies the payment of fees</li> <li>(5) Departamento de Firma Electronica: Registrar or auxiliary registrars (24 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.</li> <li>(6) Departamento de Archivo –updates the information in the system</li> <li>(7) Certificate is signed</li> </ul>	<p>7 days</p>	<p>QTG 160 + 0.15% of transaction value (registration fees)</p>
<p><b>4</b></p>	<p><b>Notify the Municipality and DICABI of the transaction</b></p>	<p>10 days</p>	<p>no cost</p>

No.	Procedure	Time to complete	Cost to complete
	<p>Notify the Municipality and the DICABI of the transaction. Sometimes this information is not updated, so in order to register the transaction it is mandatory to update prior information.</p> <p>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 proces with the DICABI in the future.</p> <p>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.</p>		

\* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

## GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and the legal rights of borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders to view a potential borrower's financial history (positive or negative)—valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

### What do the indicators cover?

*Doing Business* assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a public credit registry or a private credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses case scenarios to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral. These scenarios assume that the borrower:

- Is a private, limited liability company.
- Has its headquarters and only base of operations in the largest business city.

### WHAT THE GETTING CREDIT INDICATORS MEASURE

#### Strength of legal rights index (0–10)

Protection of rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

#### Depth of credit information index (0–6)

Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

#### Public credit registry coverage (% of adults)

Number of individuals and firms listed in public credit registry as percentage of adult population

#### Private credit bureau coverage (% of adults)

Number of individuals and firms listed in largest private credit bureau as percentage of adult population

- Has 100 employees.
- Is 100% domestically owned, as is the lender.

The ranking on the ease of getting credit is based on the percentile rankings on the sum of its component indicators: the depth of credit information index and the strength of legal rights index.

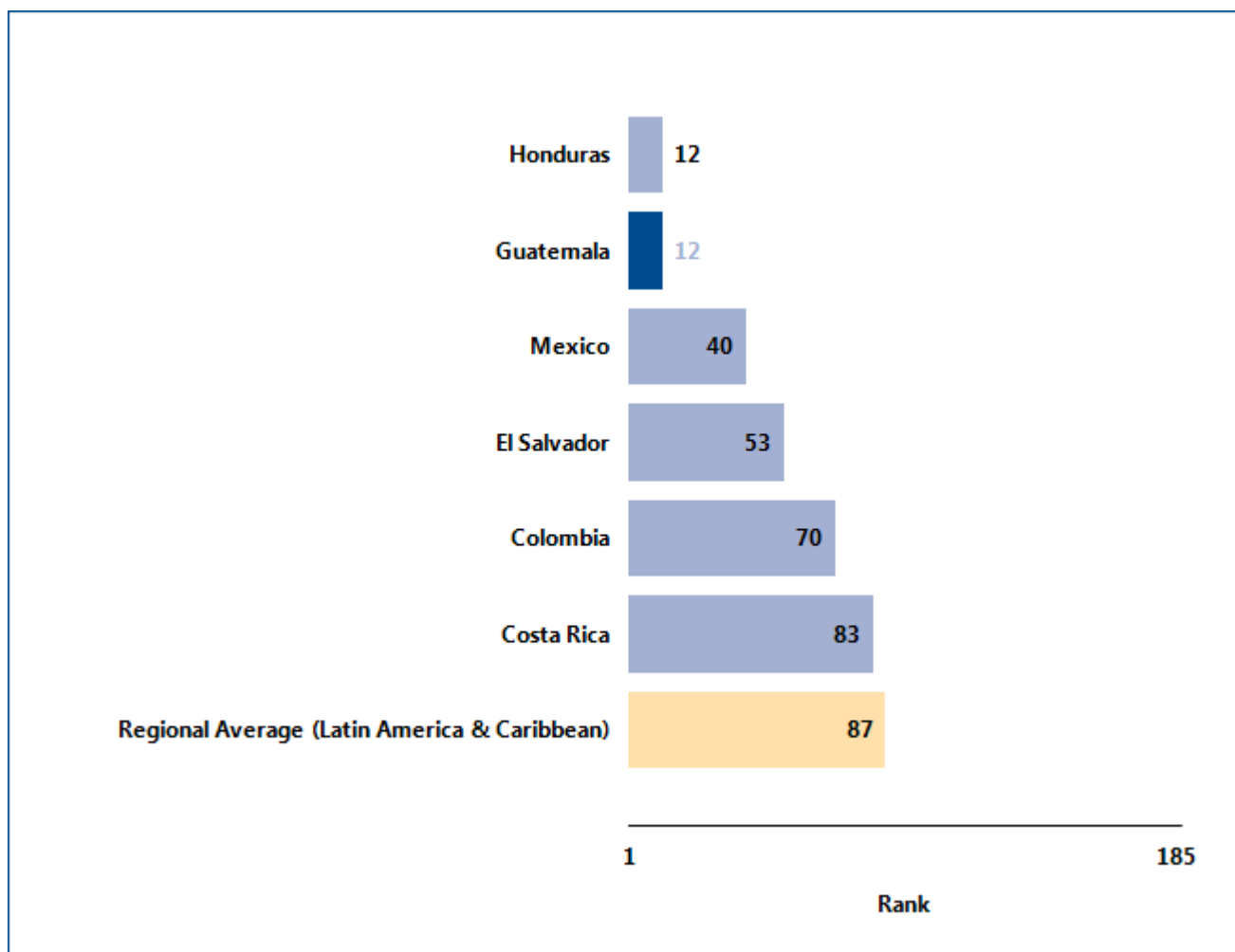
## GETTING CREDIT

### Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Guatemala facilitate access to credit? The economy has a score of 6 on the depth of credit information index and a score of 8 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Guatemala stands at 12 in the ranking of 185 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how well regulations and institutions in Guatemala support lending and borrowing.

Figure 6.1 How Guatemala and comparator economies rank on the ease of getting credit



Source: Doing Business database.

## GETTING CREDIT

### What are the changes over time?

While the most recent *Doing Business* data reflect how well the credit information system and collateral and bankruptcy laws in Guatemala support lending and borrowing today, data over time can help show where

institutions and regulations have been strengthened—and where they have not (table 6.1). That can help identify where the potential for improvement is greatest.

Table 6.1 The ease of getting credit in Guatemala over time  
By *Doing Business* report year

Indicator	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	..	9	12
Strength of legal rights index (0-10)	3	3	3	3	7	8	8	8	8
Depth of credit information index (0-6)	5	5	5	5	5	6	6	6	6
Public registry coverage (% of adults)	0.0	0.0	16.1	20.7	16.1	16.9	16.4	17.3	18.0
Private bureau coverage (% of adults)	12.4	9.9	9.2	13.1	19.7	28.4	8.8	8.9	8.7

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year.

Source: *Doing Business* database.

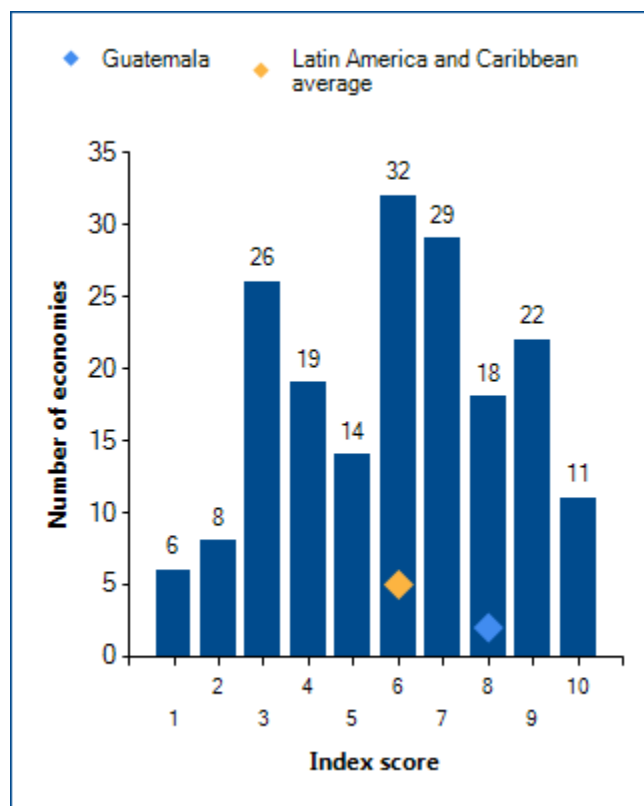
## GETTING CREDIT

One way to put an economy's score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal rights index for Guatemala in 2012

and shows the number of economies with this score in 2012 as well as the regional average score. Figure 6.3 shows the same thing for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

Number of economies with each score on strength of legal rights index (0–10), 2012

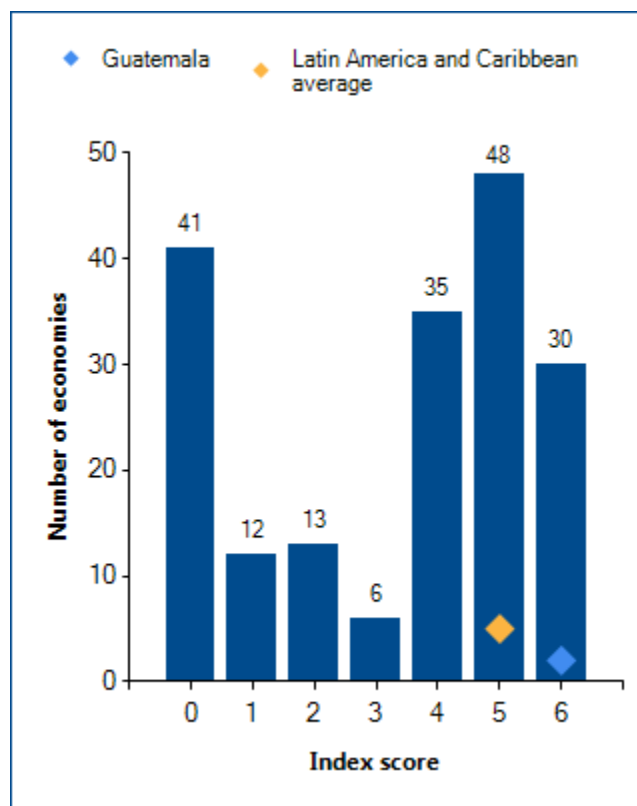


Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.

Source: Doing Business database.

Figure 6.3 How much credit information is shared—and how widely?

Number of economies with each score on depth of credit information index (0–6), 2012



Note: Higher scores indicate the availability of more credit information, from either a public credit registry or a private credit bureau, to facilitate lending decisions. Regional averages for the depth of credit information index exclude economies with no public registry or private bureau.

Source: Doing Business database.



## GETTING CREDIT

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Guatemala (table 6.2)?

Table 6.2 How has Guatemala made getting credit easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	No reform as measured by Doing Business.
<b>DB2009</b>	Guatemala enacted a new secured transactions law, creating a new form of pledge over movable assets and a registry for these pledges. Under the new law, accounts receivable and inventory can be described in general terms when they are used as collateral and parties may agree to out-of court-enforcement of the security right when the security agreement is signed.
<b>DB2010</b>	Guatemala strengthened access to credit and the regime for secured transactions with a new movable asset registry that applied to all movable assets and all types of creditors and debtors, and is also searchable by debtor name. Guatemala also strengthened its credit information system with a new decree on Access to Public Information which guarantees the rights of borrowers to inspect their own data in any public institution.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## GETTING CREDIT

### What are the details?

The getting credit indicators reported here for Guatemala are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a public credit registry or private credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 6 features of the public credit registry or private credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 8 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

#### Summary of scoring for the getting credit indicators in Guatemala

Indicator	Guatemala	Latin America & Caribbean average	OECD high income average
<b>Strength of legal rights index (0-10)</b>	8	6	7
<b>Depth of credit information index (0-6)</b>	6	5	5
<b>Public registry coverage (% of adults)</b>	18.0	26.1	31.5
<b>Private bureau coverage (% of adults)</b>	8.7	55.7	74.6

Note: In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once. Regional averages for the depth of credit information index exclude economies with no public registry or private bureau. Regional averages for the public registry coverage exclude economies with no public registry. Regional averages for the private bureau coverage exclude economies with no private bureau.

<b>Strength of legal rights index (0-10)</b>	<b>Index score: 8</b>
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 movable assets, without requiring a specific description of collateral?	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 collateral?	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; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	Yes
Is a collateral registry in operation, that is unified geographically and by asset type, with an electronic database indexed by debtor's names?	Yes

<b>Strength of legal rights index (0–10)</b>	<b>Index score: 8</b>
Are secured creditors paid first (i.e. before general tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	Yes
Are secured creditors paid first (i.e. before general tax claims and employee claims) when a business is liquidated?	No
Are secured creditors either not subject to an automatic stay or moratorium on enforcement procedures when a debtor enters a court-supervised reorganization procedure, or the law provides secured creditors with grounds for relief from an automatic stay or	No
Does the law allow parties to agree in a collateral agreement that the lender may enforce its security right out of court, at the time a security interest is created?	Yes

<b>Depth of credit information index (0–6)</b>	<b>Private credit bureau</b>	<b>Public credit registry</b>	<b>Index score: 6</b>
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

Note: An economy receives a score of 1 if there is a "yes" to either private bureau or public registry.

<b>Coverage</b>	<b>Private credit bureau</b>	<b>Public credit registry</b>
<b>Number of firms</b>	19,000	9,810
<b>Number of individuals</b>	680,000	1,441,308

Source: Doing Business database.

## PROTECTING INVESTORS

Investor protections matter for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. If the laws do not provide such protections, investors may be reluctant to invest unless they become the controlling shareholders. Strong regulations clearly define related-party transactions, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set clear standards of accountability for company insiders.

### What do the indicators cover?

*Doing Business* measures the strength of minority shareholder protections against directors' use of corporate assets for personal gain—or self-dealing. The indicators distinguish 3 dimensions of investor protections: transparency of related-party transactions (extent of disclosure index), liability for self-dealing (extent of director liability index) and shareholders' ability to sue officers and directors for misconduct (ease of shareholder suits index). The ranking on the strength of investor protection index is the simple average of the percentile rankings on these 3 indices. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders).
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

The transaction involves the following details:

- Mr. James, a director and the majority shareholder of the company, proposes that

### WHAT THE PROTECTING INVESTORS INDICATORS MEASURE

#### Extent of disclosure index (0–10)

Who can approve related-party transactions  
Disclosure requirements in case of related-party transactions

#### Extent of director liability index (0–10)

Ability of shareholders to hold interested parties and members of the approving body liable in case of related-party transactions

Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)

Ability of shareholders to sue directly or derivatively

#### Ease of shareholder suits index (0–10)

Access to internal corporate documents (directly or through a government inspector)

Documents and information available during trial

#### Strength of investor protection index (0–10)

Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

the company purchase used trucks from another company he owns.

- The price is higher than the going price for used trucks, but the transaction goes forward.
- All required approvals are obtained, and all required disclosures made, though the transaction is prejudicial to Buyer.
- Shareholders sue the interested parties and the members of the board of directors.

## PROTECTING INVESTORS

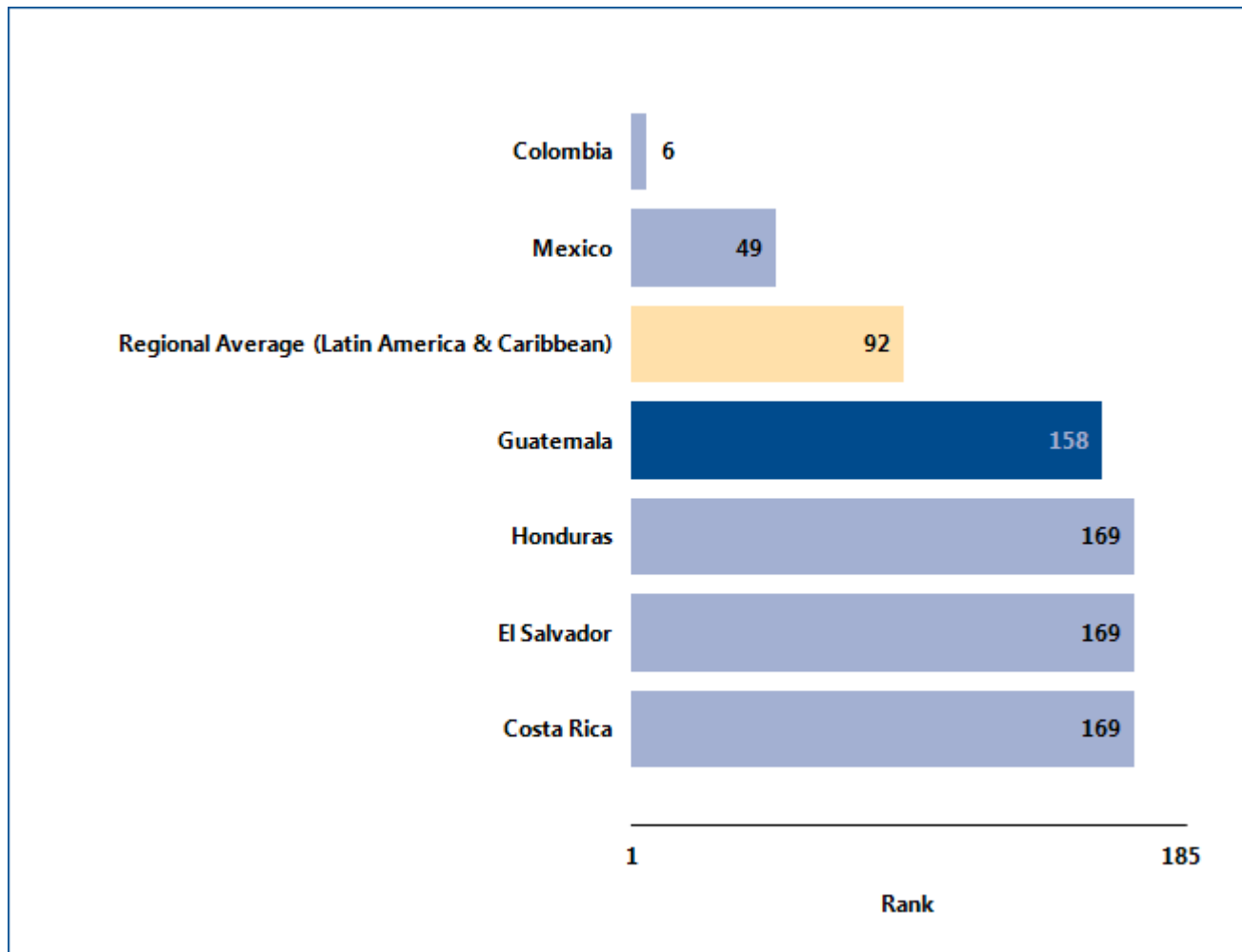
### Where does the economy stand today?

How strong are investor protections in Guatemala? The economy has a score of 3.3 on the strength of investor protection index, with a higher score indicating stronger protections (see the summary of scoring at the end of this chapter for details).

Globally, Guatemala stands at 158 in the ranking of 185 economies on the strength of investor protection

index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger investor protections against self-dealing in the areas measured.

Figure 7.1 How Guatemala and comparator economies rank on the strength of investor protection index



Source: Doing Business database.

## PROTECTING INVESTORS

### What are the changes over time?

While the most recent *Doing Business* data reflect how well regulations in Guatemala protect minority investors today, data over time show whether the protections have been strengthened (table 7.1). And

the global ranking on the strength of investor protection index over time shows whether the economy is slipping behind other economies in investor protections—or surpassing them.

Table 7.1 The strength of investor protections in Guatemala over time  
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	155	158
Extent of disclosure index (0-10)	3	3	3	3	3	3	3	3
Extent of director liability index (0-10)	2	2	2	2	2	2	2	2
Ease of shareholder suits index (0-10)	5	5	5	5	5	5	5	5
Strength of investor protection index (0-10)	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year.

Source: *Doing Business* database.

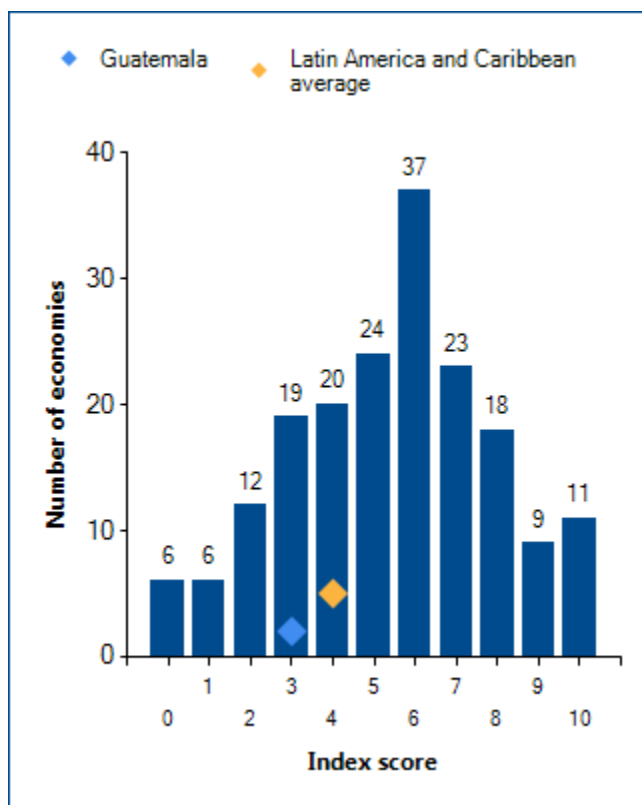
## PROTECTING INVESTORS

One way to put an economy's scores on the protecting investors indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 7.2 highlights the score on the extent of disclosure index for Guatemala in 2012 and

shows the number of economies with this score in 2012 as well as the regional average score. Figure 7.3 shows the same thing for the extent of director liability index, and figure 7.4 for the ease of shareholder suits index.

Figure 7.2 How strong are disclosure requirements?

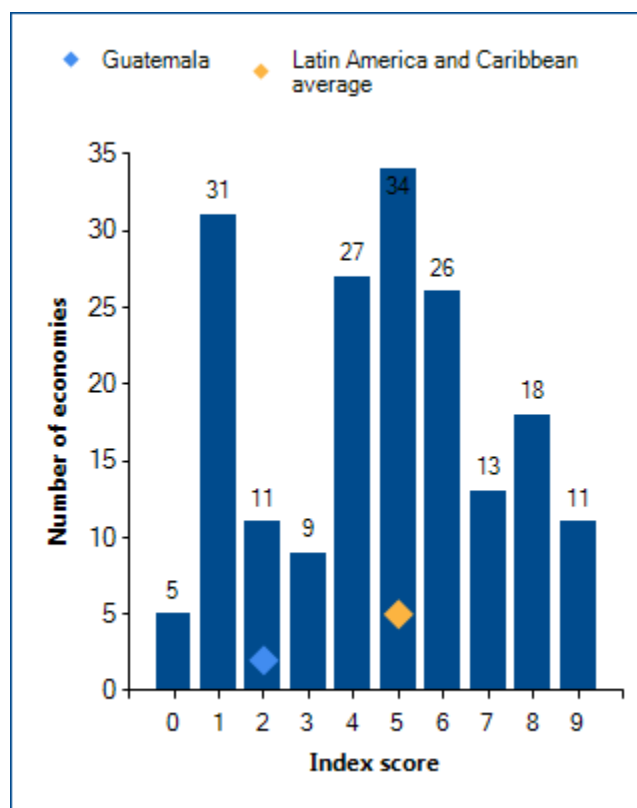
Number of economies with each score on extent of disclosure index (0–10), 2012



Note: Higher scores indicate greater disclosure.  
Source: Doing Business database.

Figure 7.3 How strong is the liability regime for directors?

Number of economies with each score on extent of director liability index (0–10), 2012

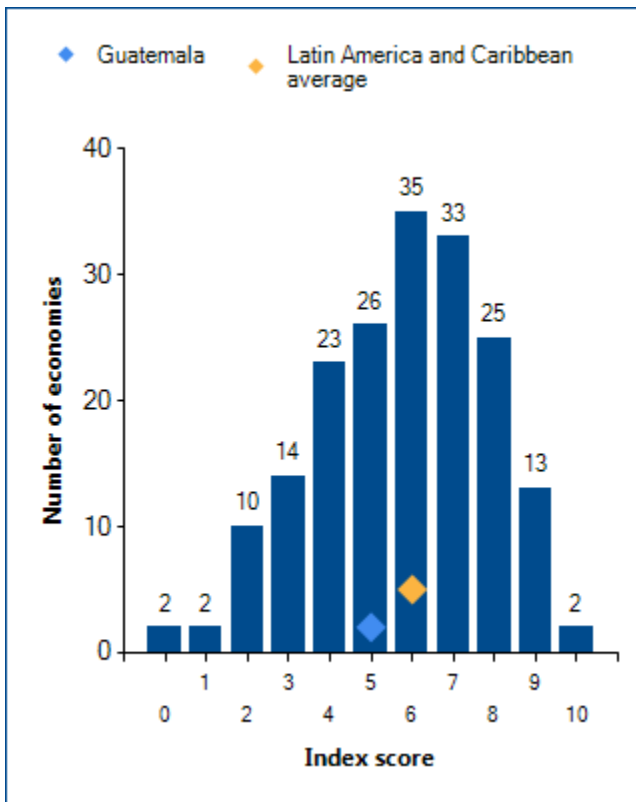


Note: Higher scores indicate greater liability of directors. No economy receives a score of 10 on the extent of director liability index.  
Source: Doing Business database.

## PROTECTING INVESTORS

Figure 7.4 How easy is access to internal corporate documents?

Number of economies with each score on ease of shareholder suits index (0–10), 2012



Note: Higher scores indicate greater powers of shareholders to challenge the transaction.

Source: *Doing Business* database.



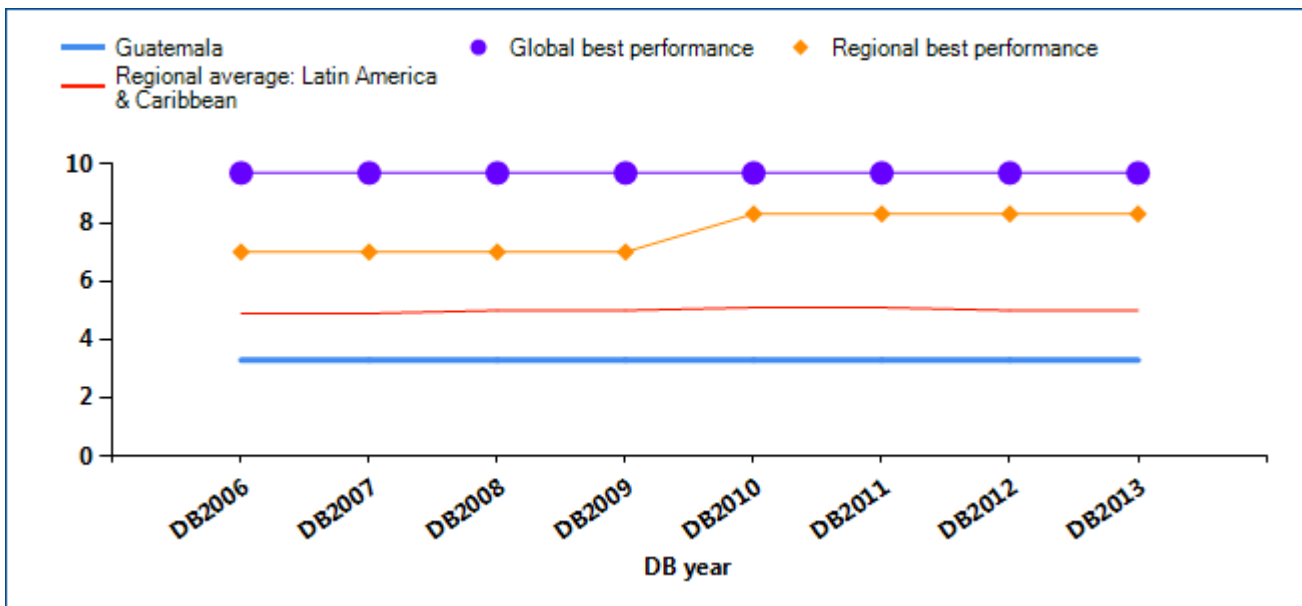
## PROTECTING INVESTORS

The scores recorded over time for Guatemala on the strength of investor protection index may also be revealing (figure 7.5). Equally interesting may be the

changes over time in the regional average score on this index.

Figure 7.5 Have investor protections become stronger over time?

### Strength of investor protection index (0–10)



Note: The higher the score, the stronger the investor protections.

Source: Doing Business database.

## PROTECTING INVESTORS

Economies with the strongest protections of minority investors from self-dealing require more disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority investors the means to prove their case and obtain a judgment within a reasonable

time. So reforms to strengthen investor protections may move ahead on different fronts—such as through new or amended company laws or civil procedure rules. What investor protection reforms has *Doing Business* recorded in Guatemala (table 7.2)?

Table 7.2 How has Guatemala strengthened investor protections—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	No reform as measured by Doing Business.
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## PROTECTING INVESTORS

### What are the details?

The protecting investors indicators reported here for Guatemala are based on detailed information collected through a survey of corporate and securities lawyers as well as on securities regulations, company laws and court rules of evidence. To construct the extent of disclosure, extent of director liability and ease of

shareholder suits indices, a score is assigned for each of a range of conditions relating to disclosure, director liability and shareholder suits in a standard case study transaction (see the notes at the end of this chapter). The summary below shows the details underlying the scores for Guatemala.

#### Summary of scoring for the protecting investors indicators in Guatemala

Indicator	Guatemala	Latin America & Caribbean average	OECD high income average
<b>Extent of disclosure index (0-10)</b>	3	4	6
<b>Extent of director liability index (0-10)</b>	2	5	5
<b>Ease of shareholder suits index (0-10)</b>	5	6	7
<b>Strength of investor protection index (0-10)</b>	3.3	5.0	6.1

*Note:* In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

	Score	Score description
Extent of disclosure index (0-10)	3	
What corporate body provides legally sufficient approval for the transaction?	2	Board of directors and Mr. James is not allowed to vote
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	1	Existence of a conflict without any specifics
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	0	No disclosure obligation
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	0	No disclosure obligation
Whether an external body must review the terms of the transaction before it takes place?	0	No
Extent of director liability index (0-10)	2	
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1	Yes

	Score	Score description
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	0	Not liable
Whether shareholders can hold members of the approving body liable for the damage that the Buyer-Seller transaction causes to the company?	1	Liable for negligence
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0	Not possible or only in case of Seller's fraud or bad faith
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	0	No
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0	No
Whether fines and imprisonment can be applied against Mr. James?	0	No
Ease of shareholder suits index (0-10)	5	
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0	No
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	0	No
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	4	Any information that may lead to the discovery of relevant information
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	0	No
Whether the plaintiff can directly question the defendant and witnesses during trial?	1	Yes
Whether the level of proof required for civil suits is lower than that of criminal cases?	0	No
Strength of investor protection index (0-10)	3.3	

Source: *Doing Business* database.

## PAYING TAXES

Taxes are essential. They fund the public amenities, infrastructure and services that are crucial for a properly functioning economy. But the level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. According to *Doing Business* data, in economies where it is more difficult and costly to pay taxes, larger shares of economic activity end up in the informal sector—where businesses pay no taxes at all.

### What do the indicators cover?

Using a case scenario, *Doing Business* measures the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments as well as time taken to comply with tax laws. The ranking on the ease of paying taxes is the simple average of the percentile rankings on its component indicators: number of annual payments, time and total tax rate, with a threshold being applied to the total tax rate.<sup>1</sup> To make the data comparable across economies, several assumptions about the business and the taxes and contributions are used.

- TaxpayerCo is a medium-size business that started operations on January 1, 2010.
- 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.

### WHAT THE PAYING TAXES INDICATORS MEASURE

#### Tax payments for a manufacturing company in 2011 (number per year adjusted for electronic or joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

#### Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

#### Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

- Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

<sup>1</sup> The threshold is defined as the highest total tax rate among the top 15% of economies in the ranking on the total tax rate. It is calculated and adjusted on a yearly basis. The threshold is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). This year's threshold is 25.7%.

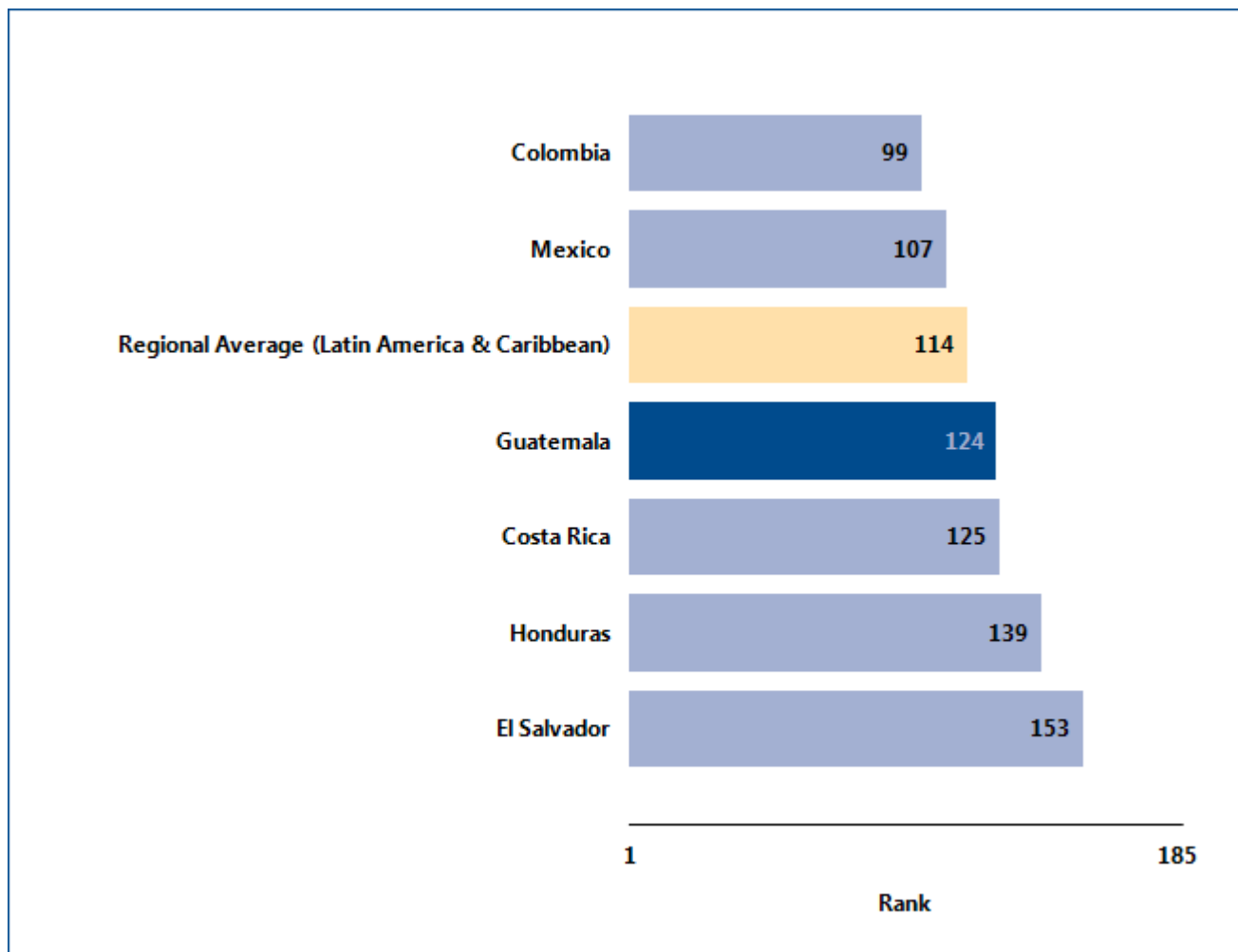
## PAYING TAXES

### Where does the economy stand today?

What is the administrative burden of complying with taxes in Guatemala—and how much do firms pay in taxes? On average, firms make 24 tax payments a year, spend 332 hours a year filing, preparing and paying taxes and pay total taxes amounting to 40.9% of profit (see the summary at the end of this chapter for details).

Globally, Guatemala stands at 124 in the ranking of 185 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in Guatemala.

Figure 8.1 How Guatemala and comparator economies rank on the ease of paying taxes



Note: DB2013 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 25.7% applied in DB2013, the total tax rate is set at 25.7% for the purpose of calculating the ranking on the ease of paying taxes.

Source: *Doing Business* database.

## PAYING TAXES

### What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to comply with tax rules in Guatemala today, data over time show which aspects of the process have changed — and which have not (table 8.1). That can help identify where the potential for easing tax compliance is greatest.

Table 8.1 The ease of paying taxes in Guatemala over time  
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	121	124
Payments (number per year)	38	38	38	38	24	24	24	24
Time (hours per year)	344	344	344	344	344	344	344	332
Total tax rate (% profit)	38.7	38.7	36.5	40.9	40.9	40.9	40.9	40.9

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year. DB2013 rankings reflect changes to the methodology. For all economies with a total tax rate below the threshold of 25.7% applied in DB2013, the total tax rate is set at 25.7% for the purpose of calculating the ranking on the ease of paying taxes.

Source: *Doing Business* database.

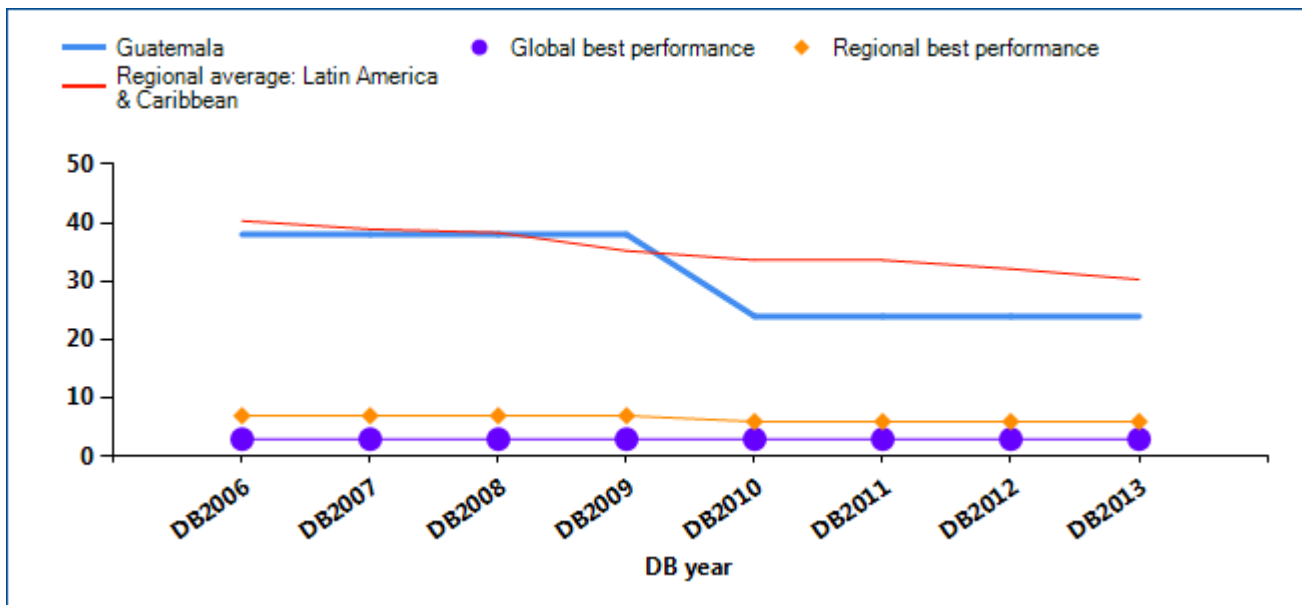
## PAYING TAXES

Equally helpful may be the benchmarks provided by the economies that over time have had the best performance regionally or globally on the number of payments or the time required to prepare and file taxes (figure 8.2). These benchmarks help show what is

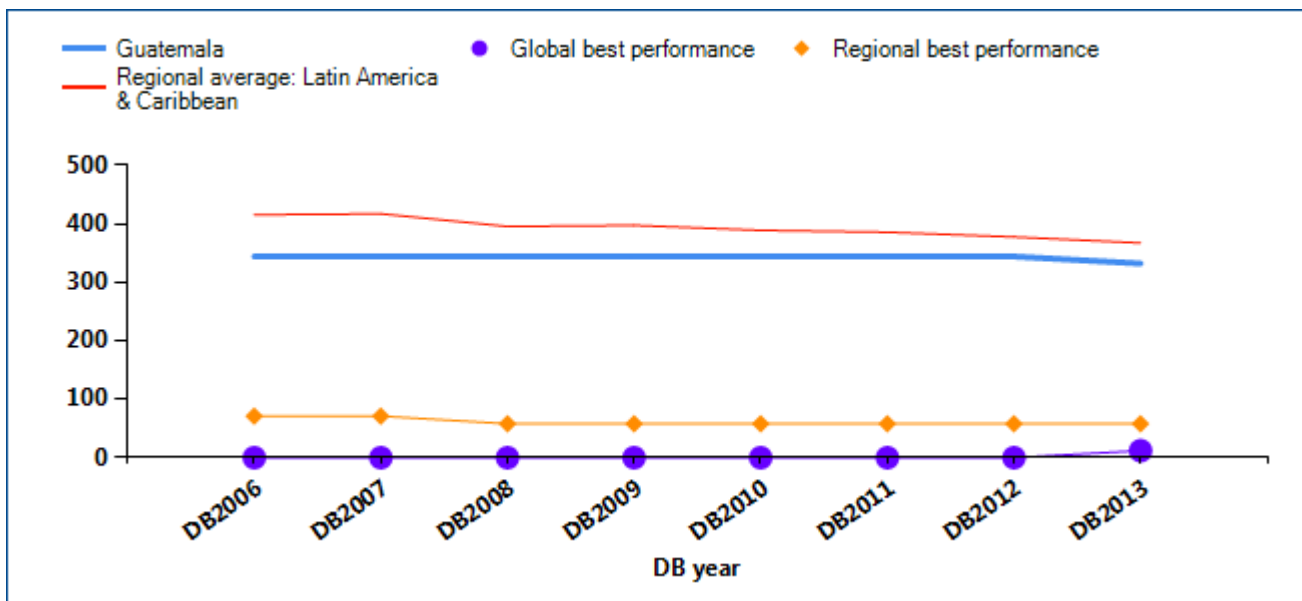
possible in easing the administrative burden of tax compliance. And changes in regional averages can show where Guatemala is keeping up—and where it is falling behind.

Figure 8.2 Has paying taxes become easier over time?

### Payments (number per year)



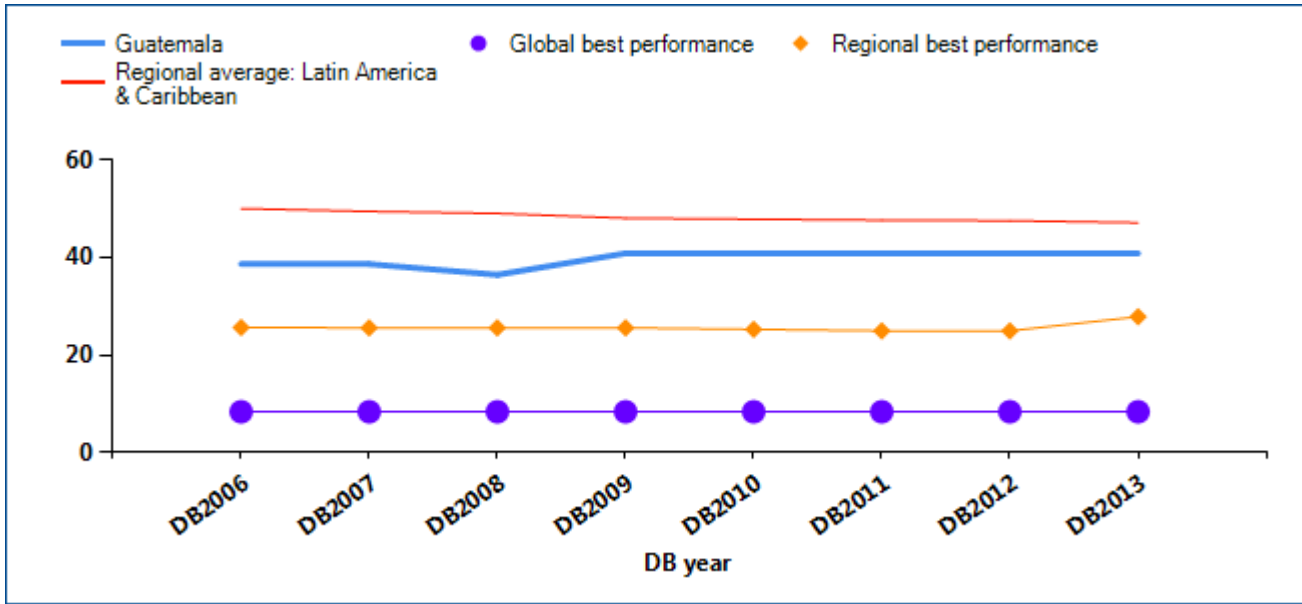
### Time (hours per year)





PAYING TAXES

Total tax rate (% of profit)



Source: Doing Business database.

## PAYING TAXES

Economies around the world have made paying taxes faster and easier for businesses—such as by consolidating filings, reducing the frequency of payments or offering electronic filing and payment. Many have lowered tax rates. Changes have brought

concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Guatemala (table 8.2)?

Table 8.2 How has Guatemala made paying taxes easier—or not?  
By *Doing Business* report year

DB year	Reform
DB2008	No reform as measured by Doing Business.
DB2009	No reform as measured by Doing Business.
DB2010	Guatemala has eased payment of and filing for VAT and corporate income tax by increasing electronic compliance thresholds and extending the electronic system to most banks.
DB2011	No reform as measured by Doing Business.
DB2012	No reform as measured by Doing Business.
DB2013	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## PAYING TAXES

### What are the details?

The indicators reported here for Guatemala are based on a standard set of taxes and contributions that would be paid by the case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review standard financial statements as well as 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.

#### LOCATION OF STANDARDIZED COMPANY

**City: Guatemala City**

The taxes and contributions paid are listed in the summary below, along with the associated number of payments, time and tax rate.

#### Summary of tax rates and administrative burden in Guatemala

Indicator	Guatemala	Latin America & Caribbean average	OECD high income average
Payments (number per year)	24	30	12
Time (hours per year)	332	367	176
Profit tax (%)	25.9	21.5	15.2
Labor tax and contributions (%)	14.3	14.4	23.8
Other taxes (%)	0.7	11.3	3.7
<b>Total tax rate (% profit)</b>	<b>40.9</b>	<b>47.2</b>	<b>42.7</b>

Note: In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Corporate income tax	1	online filing	44	31% or 5%	taxable profit	25.9	
Solidarity tax (ISO)	4		0	1%	net asset or gross income	17.7	included in other taxes
Employer paid - Social security contributions	12		132	13%	gross salaries	14.3	

Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Property tax	4		0	1%	property value	0.5	
Tax on interest	1		0	10%	interest income	0.3	
Value added tax (VAT)	1	online filing	156	12%	value added	0	not included
Advertising tax	1		0	1%	advertising expenses	0	
<b>Totals</b>	<b>24</b>		<b>332</b>			<b>40.9</b>	

Source: Doing Business database.

## TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Research shows that exporters in developing countries gain more from a 10% drop in their trading costs than from a similar reduction in the tariffs applied to their products in global markets.

### What do the indicators cover?

*Doing Business* measures the time and cost (excluding tariffs and the time and cost for sea transport) associated with exporting and importing a standard shipment of goods by sea transport, and the number of documents necessary to complete the transaction. The indicators cover procedural requirements such as documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover trade logistics, including the time and cost of inland transport to the largest business city. The ranking on the ease of trading across borders is the simple average of the percentile rankings on its component indicators: documents, time and cost to export and import.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the traded goods.

The business:

- Is of medium size and employs 60 people.
- Is located in the periurban area of the economy's largest business city.
- Is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the economy.

The traded goods:

- Are not hazardous nor do they include military items.

### WHAT THE TRADING ACROSS BORDERS INDICATORS MEASURE

#### Documents required to export and import (number)

- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

#### Time required to export and import (days)

- Obtaining, filling out and submitting all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include sea transport time

#### Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes

- Do not require refrigeration or any other special environment.
- Do not require any special phytosanitary or environmental safety standards other than accepted international standards.
- Are one of the economy's leading export or import products.
- Are transported in a dry-cargo, 20-foot full container load.

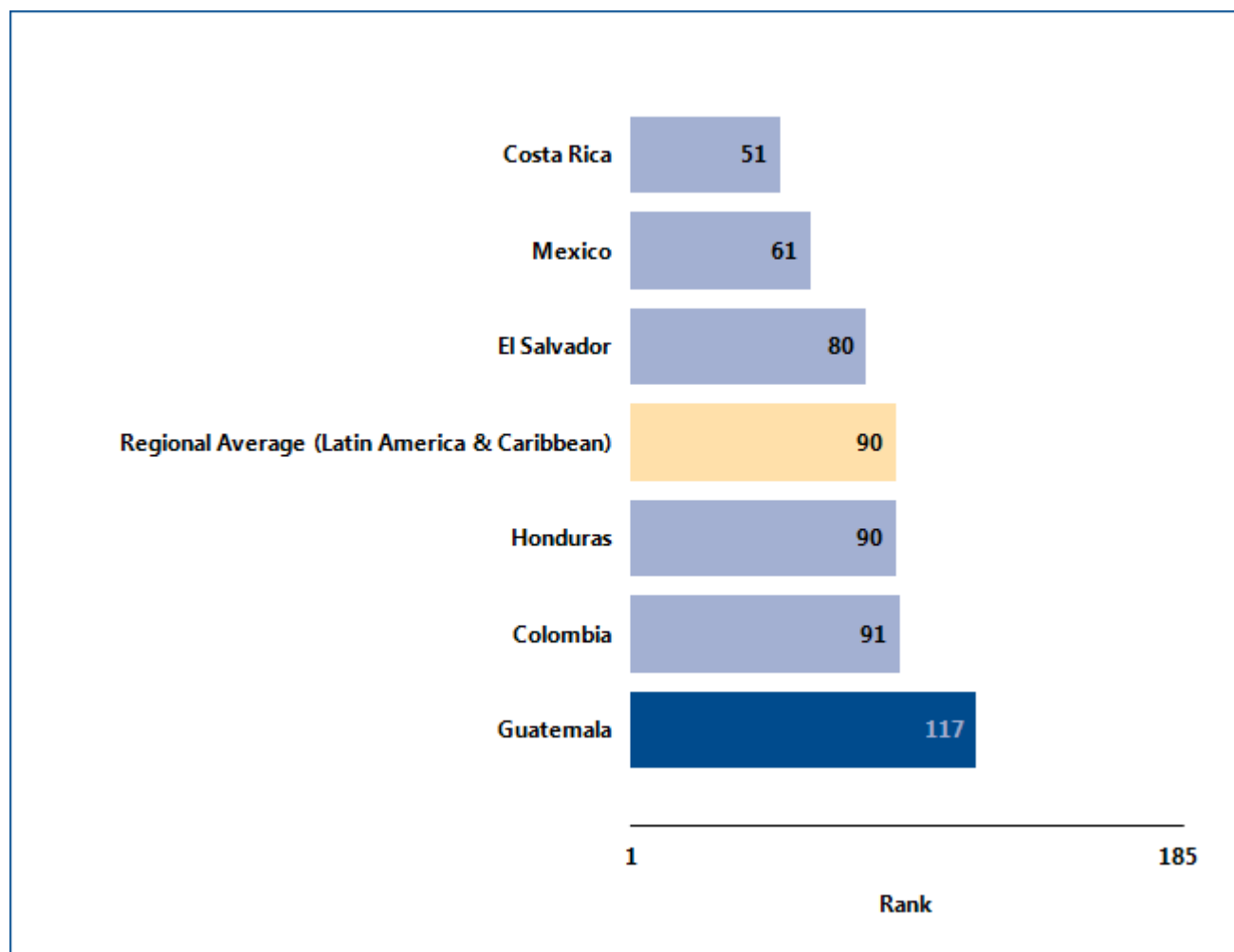
## TRADING ACROSS BORDERS

### Where does the economy stand today?

What does it take to export or import in Guatemala? According to data collected by *Doing Business*, exporting a standard container of goods requires 9 documents, takes 17 days and costs \$1307. Importing the same container of goods requires 8 documents, takes 17 days and costs \$1425 (see the summary of procedures and documents at the end of this chapter for details).

Globally, Guatemala stands at 117 in the ranking of 185 economies on the ease of trading across borders (figure 9.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing how easy it is for a business in Guatemala to export and import goods.

Figure 9.1 How Guatemala and comparator economies rank on the ease of trading across borders



Source: *Doing Business* database.

## TRADING ACROSS BORDERS

### What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to export or import in Guatemala today, data over time show which aspects of the

process have changed—and which have not (table 9.1). That can help identify where the potential for improvement is greatest.

Table 9.1 The ease of trading across borders in Guatemala over time  
By *Doing Business* report year

Indicator	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	115	117
Documents to export (number)	8	8	10	9	9	9	9	9
Time to export (days)	18	18	17	17	17	17	17	17
Cost to export (US\$ per container)	1,783	1,783	1,052	1,182	1,182	1,182	1,127	1,307
Documents to import (number)	5	5	9	8	8	8	8	8
Time to import (days)	35	32	17	17	17	17	17	17
Cost to import (US\$ per container)	1,985	1,985	1,177	1,302	1,302	1,302	1,302	1,425

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year.

Source: *Doing Business* database.

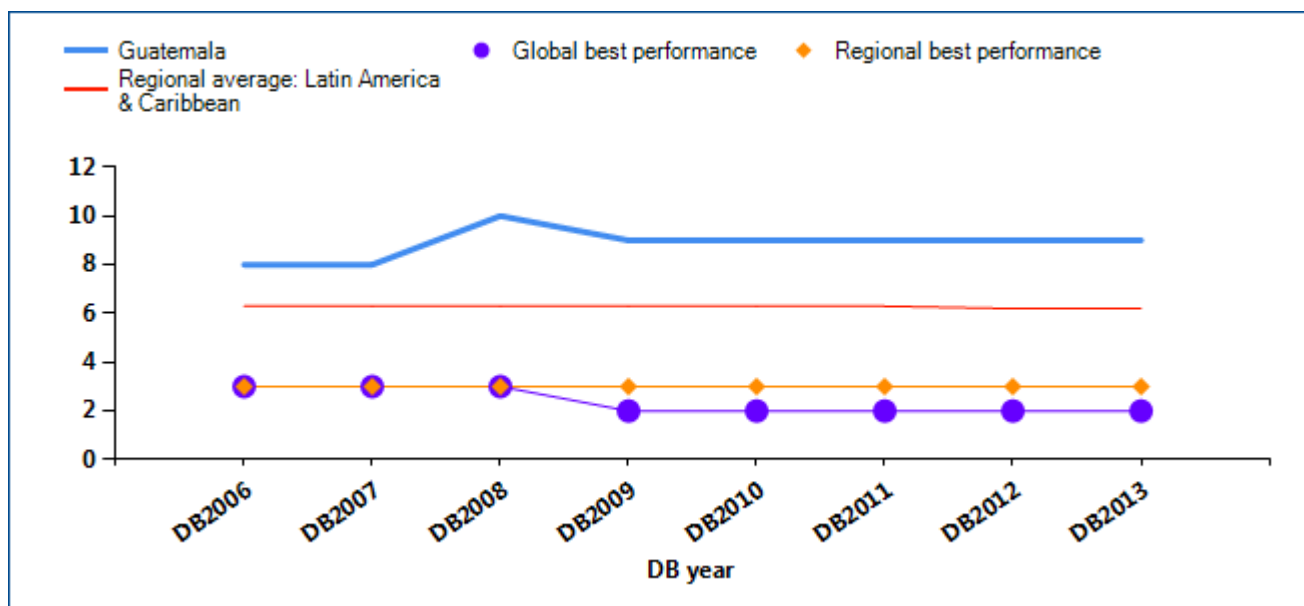
## TRADING ACROSS BORDERS

Equally helpful may be the benchmarks provided by the economies that over time have had the best performance regionally or globally on the documents, time or cost required to export or import (figure 9.2).

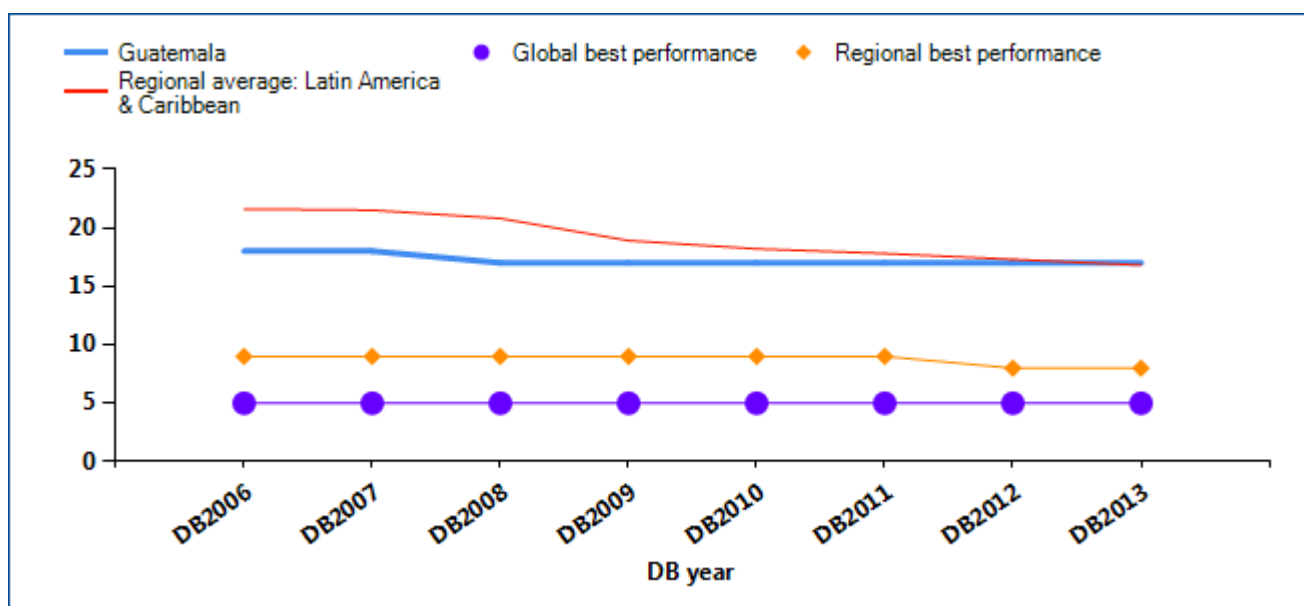
These benchmarks help show what is possible in making it easier to trade across borders. And changes in regional averages can show where Guatemala is keeping up—and where it is falling behind.

Figure 9.2 Has trading across borders become easier over time?

### Documents to export (number)



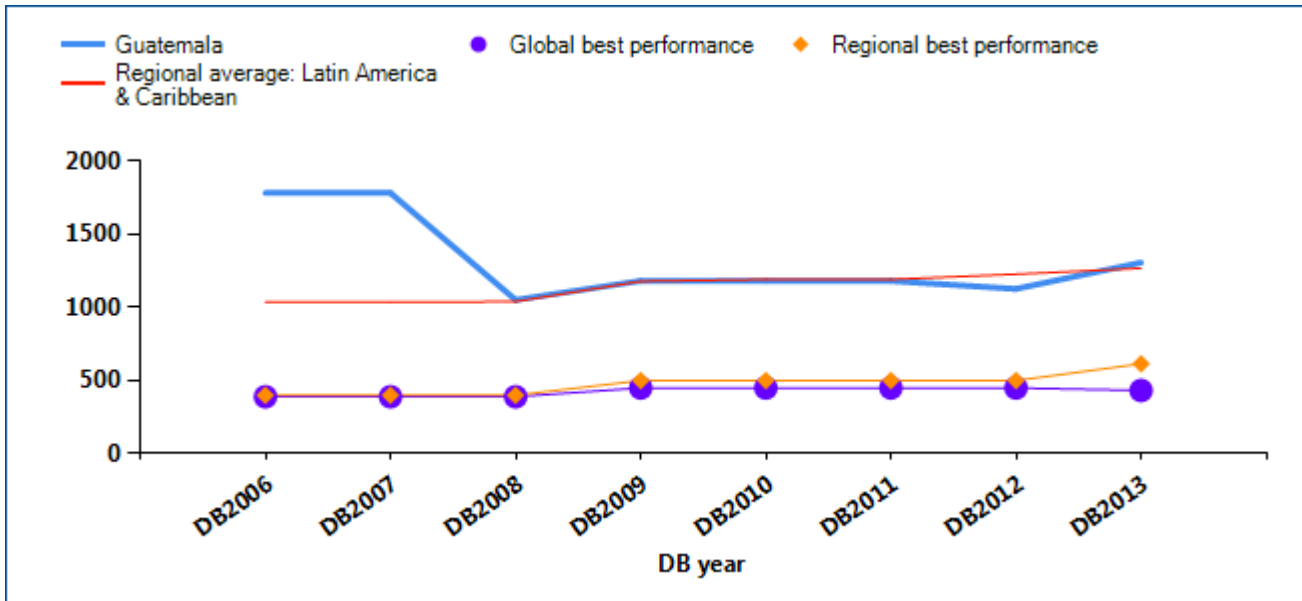
### Time to export (days)



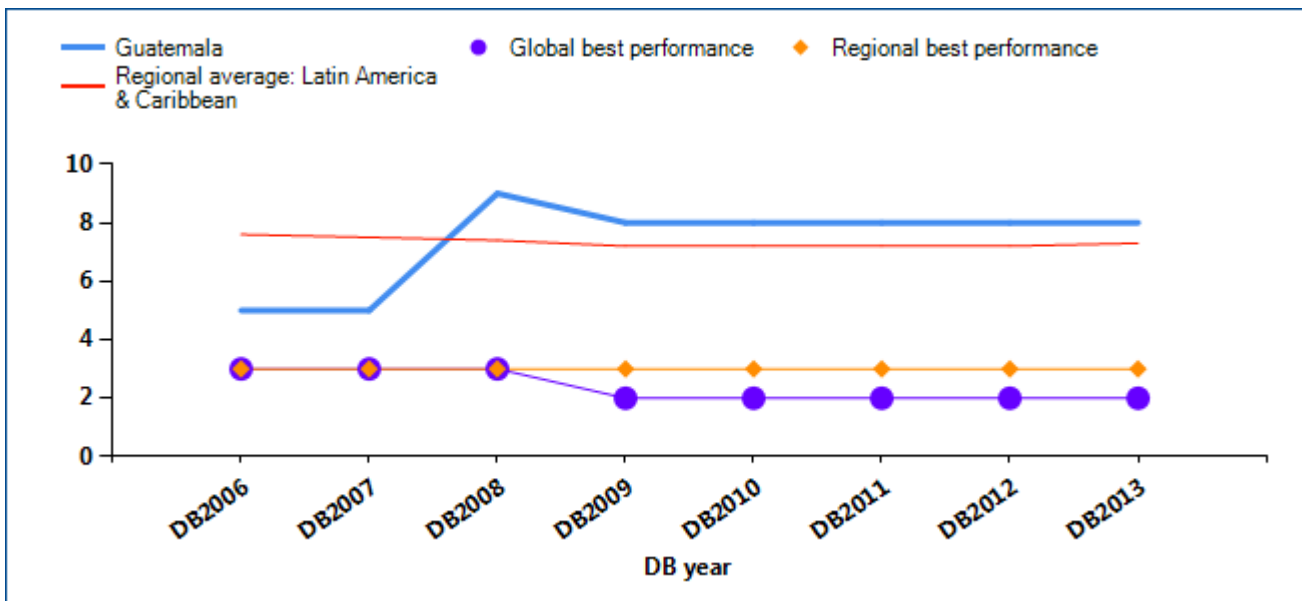


## TRADING ACROSS BORDERS

### Cost to export (US\$ per container)

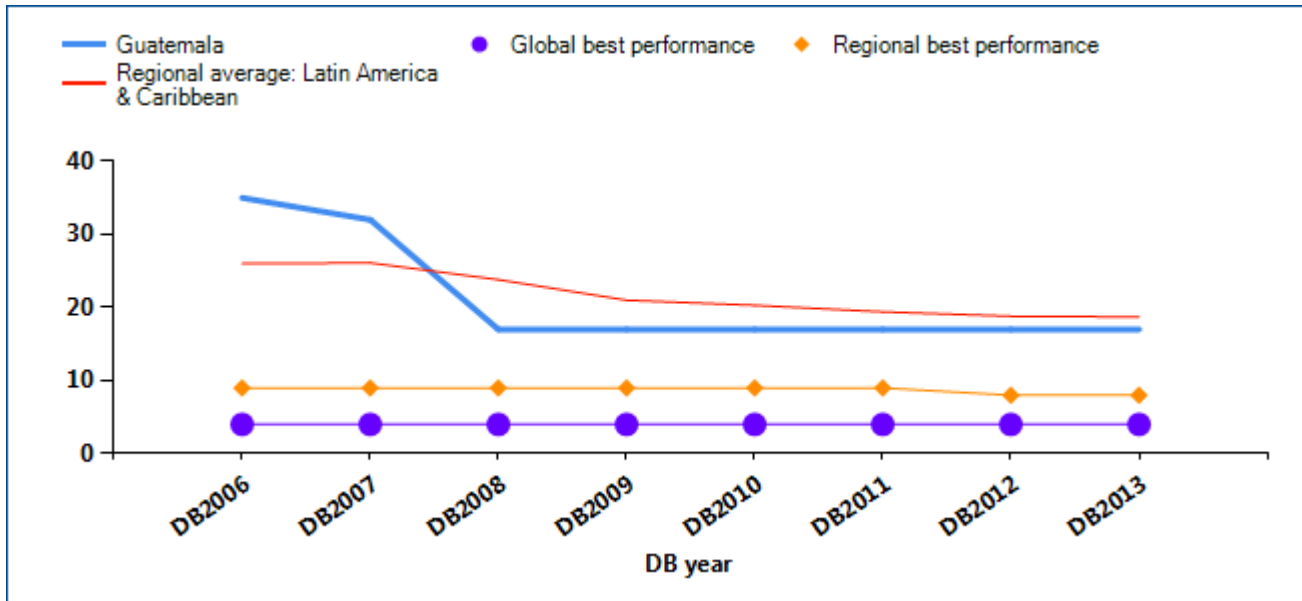


### Documents to import (number)

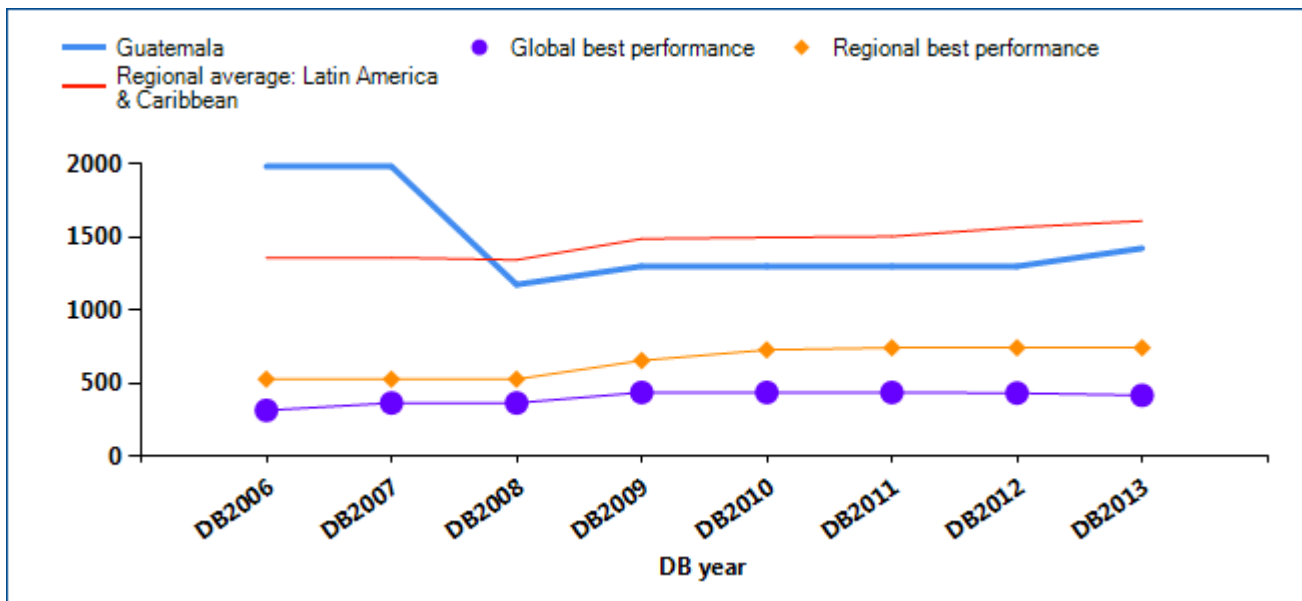


## TRADING ACROSS BORDERS

### Time to import (days)



### Cost to import (US\$ per container)



Source: Doing Business database.

## TRADING ACROSS BORDERS

In economies around the world, trading across borders as measured by *Doing Business* has become faster and easier over the years. Governments have introduced tools to facilitate trade—including single windows, risk-based inspections and electronic data interchange

systems. These changes help improve the trading environment and boost firms' international competitiveness. What trade reforms has *Doing Business* recorded in Guatemala (table 9.2)?

Table 9.2 How has Guatemala made trading across borders easier—or not?  
By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	Guatemala eased trading across borders by implementing a new EDI system, training of customs staff, and improvements to the risk-based system for inspections.
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.

*Note:* For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

*Source:* *Doing Business* database.

## TRADING ACROSS BORDERS

### What are the details?

The indicators reported here for Guatemala are based on a set of specific procedural requirements for trading a standard shipment of goods by ocean transport (see the section in this chapter on what the indicators cover). Information on the procedures as well as the required documents and the time and cost to complete each procedure is collected from local freight forwarders, shipping lines, customs brokers, port officials and banks.

#### LOCATION OF STANDARDIZED COMPANY

**City: Guatemala City**

The procedural requirements, and the associated time and cost, for exporting and importing a standard shipment of goods are listed in the summary below, along with the required documents.

#### Summary of procedures and documents for trading across borders in Guatemala

Indicator	Guatemala	Latin America & Caribbean average	OECD high income average
Documents to export (number)	9	6	4
Time to export (days)	17	17	10
Cost to export (US\$ per container)	1,307	1,268	1,028
Documents to import (number)	8	7	5
Time to import (days)	17	19	10
Cost to import (US\$ per container)	1,425	1,612	1,080

*Note:* In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

Procedures to export	Time (days)	Cost (US\$)
Documents preparation	10	267
Customs clearance and technical control	2	150
Ports and terminal handling	2	240
Inland transportation and handling	3	650
Totals	17	1,307

Procedures to import	Time (days)	Cost (US\$)
Documents preparation	10	290

Procedures to import	Time (days)	Cost (US\$)
Customs clearance and technical control	2	175
Ports and terminal handling	3	260
Inland transportation and handling	2	700
Totals	17	1,425

Documents to export
Bill of lading
Certificate of origin
Commercial invoice
Customs export declaration
Export license
Inspection report
Packing list
Technical standard/health certificate
Terminal handling receipts (carta de porte)

Documents to import
Bill of lading
Certificate of origin
Commercial invoice
Customs import declaration
Inspection report
Packing list
Technical standard/health certificate
Terminal handling receipts

Source: Doing Business database.

## ENFORCING CONTRACTS

Well-functioning courts help businesses expand their network and markets. Without effective contract enforcement, people might well do business only with family, friends and others with whom they have established relationships. Where contract enforcement is efficient, firms are more likely to engage with new borrowers or customers, and they have greater access to credit.

### What do the indicators cover?

*Doing Business* measures the efficiency of the judicial system in resolving a commercial dispute before local courts. Following the step-by-step evolution of a standardized case study, it collects data relating to the time, cost and procedural complexity of resolving a commercial lawsuit. The ranking on the ease of enforcing contracts is the simple average of the percentile rankings on its component indicators: procedures, time and cost.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The seller and buyer are located in the economy's largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The seller sues the buyer before a competent court.
- The value of the claim is 200% of income per capita.
- The seller requests a pretrial attachment to secure the claim.

### WHAT THE ENFORCING CONTRACTS INDICATORS MEASURE

#### Procedures to enforce a contract through the courts (number)

Any interaction between the parties in a commercial dispute, or between them and the judge or court officer

Steps to file and serve the case

Steps for trial and judgment

Steps to enforce the judgment

#### Time required to complete procedures (calendar days)

Time to file and serve the case

Time for trial and obtaining judgment

Time to enforce the judgment

#### Cost required to complete procedures (% of claim)

No bribes

Average attorney fees

Court costs

Enforcement costs

- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

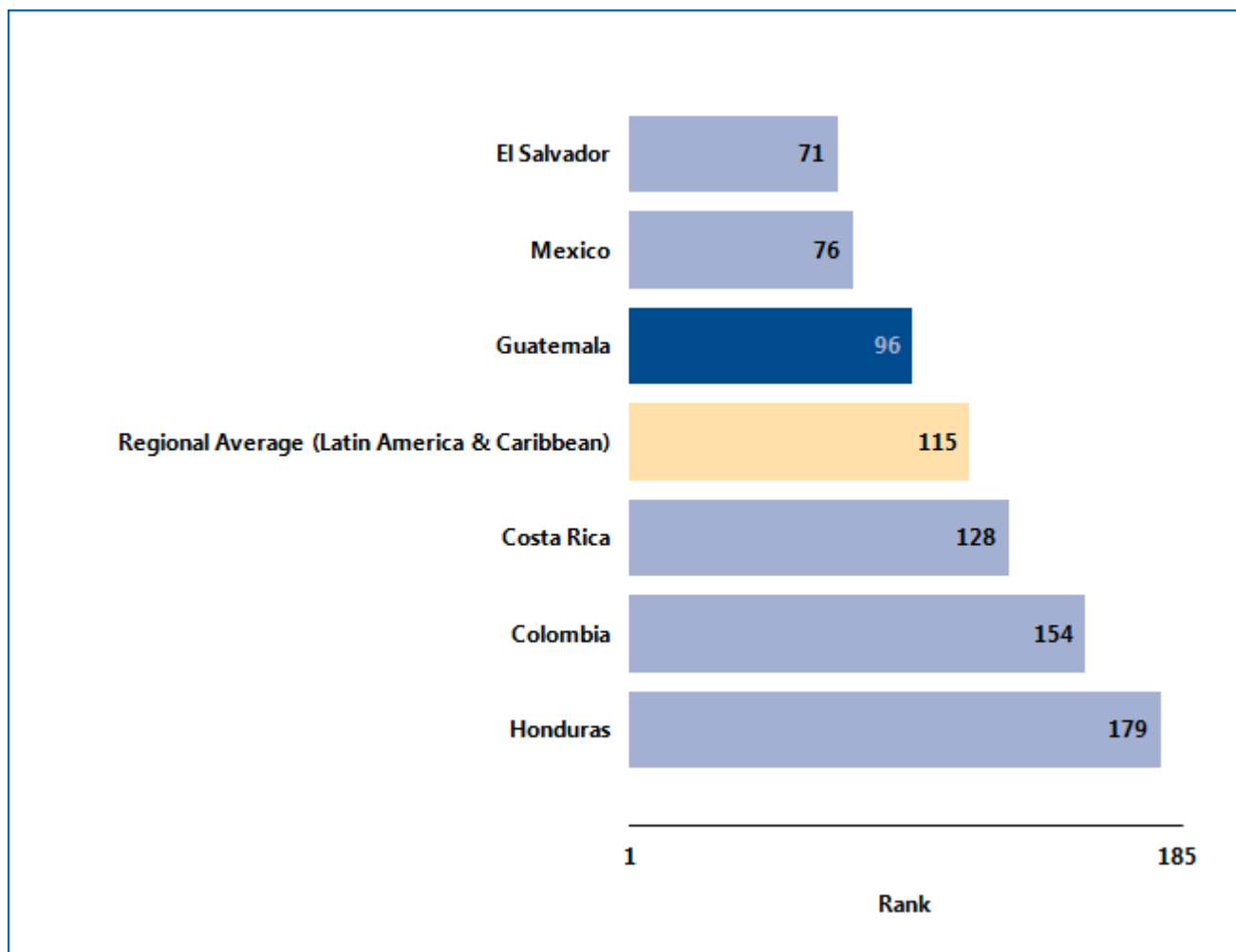
## ENFORCING CONTRACTS

### Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Guatemala? According to data collected by *Doing Business*, enforcing a contract takes 1459 days, costs 26.5% of the value of the claim and requires 31 procedures (see the summary at the end of this chapter for details).

Globally, Guatemala stands at 96 in the ranking of 185 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Guatemala.

Figure 10.1 How Guatemala and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

## ENFORCING CONTRACTS

### What are the changes over time?

While the most recent *Doing Business* data reflect how easy (or difficult) it is to enforce a contract in Guatemala today, data on the underlying indicators over time help identify which areas have changed and where the potential for improvement is greatest (table 10.1).

Table 10.1 The ease of enforcing contracts in Guatemala over time

By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
<b>Rank</b>	..	..	..	..	..	..	..	..	98	96
<b>Time (days)</b>	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459	1,459
<b>Cost (% of claim)</b>	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5
<b>Procedures (number)</b>	31	31	31	31	31	31	31	31	31	31

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year.

Source: *Doing Business* database.



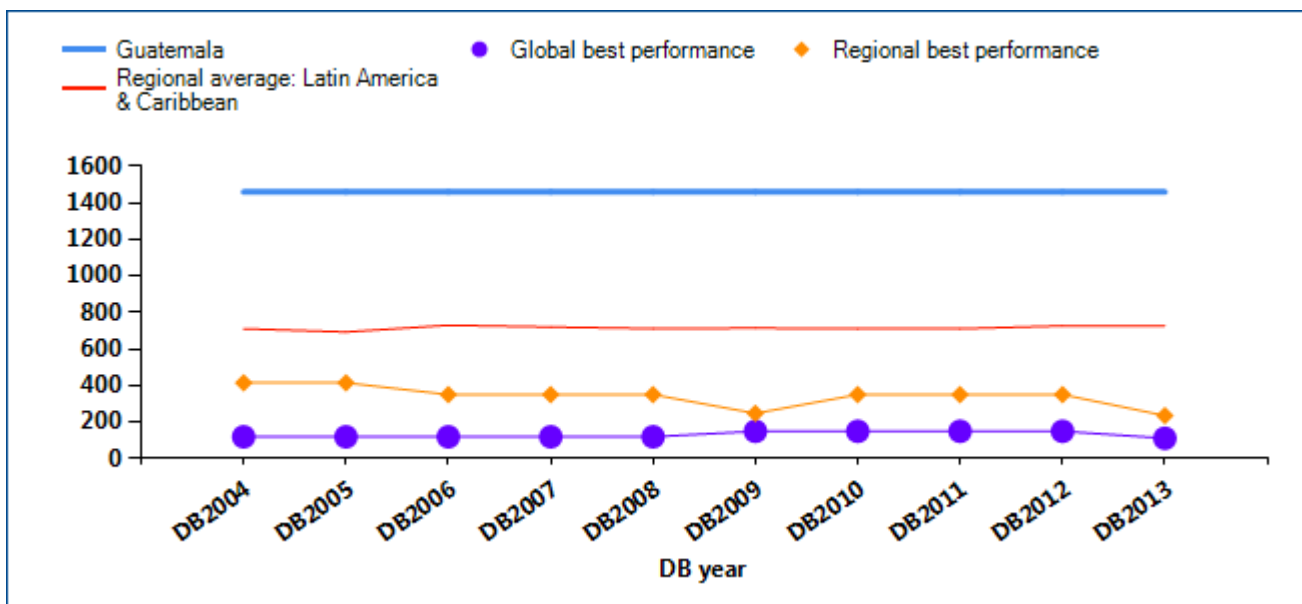
## ENFORCING CONTRACTS

Equally helpful may be the benchmarks provided by the economies that over time have had the best performance regionally or globally on the number of steps, time or cost required to enforce a contract through the courts (figure 10.2). These benchmarks

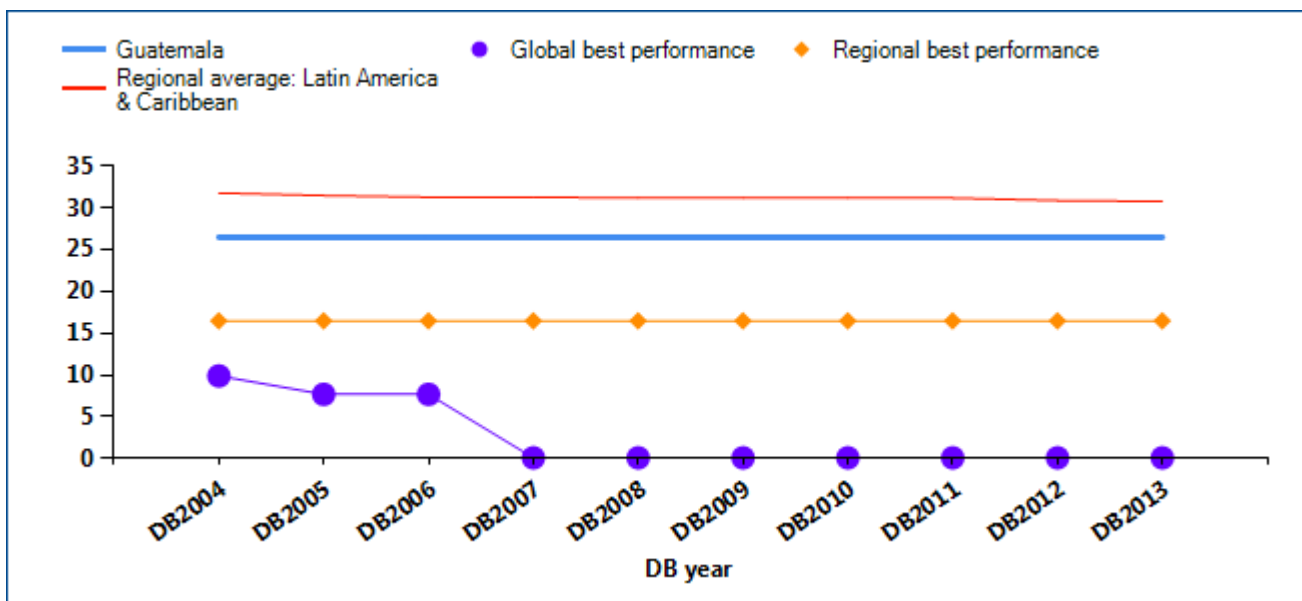
help show what is possible in improving the efficiency of contract enforcement. And changes in regional averages can show where Guatemala is keeping up—and where it is falling behind.

Figure 10.2 Has enforcing contracts become easier over time?

### Time (days)

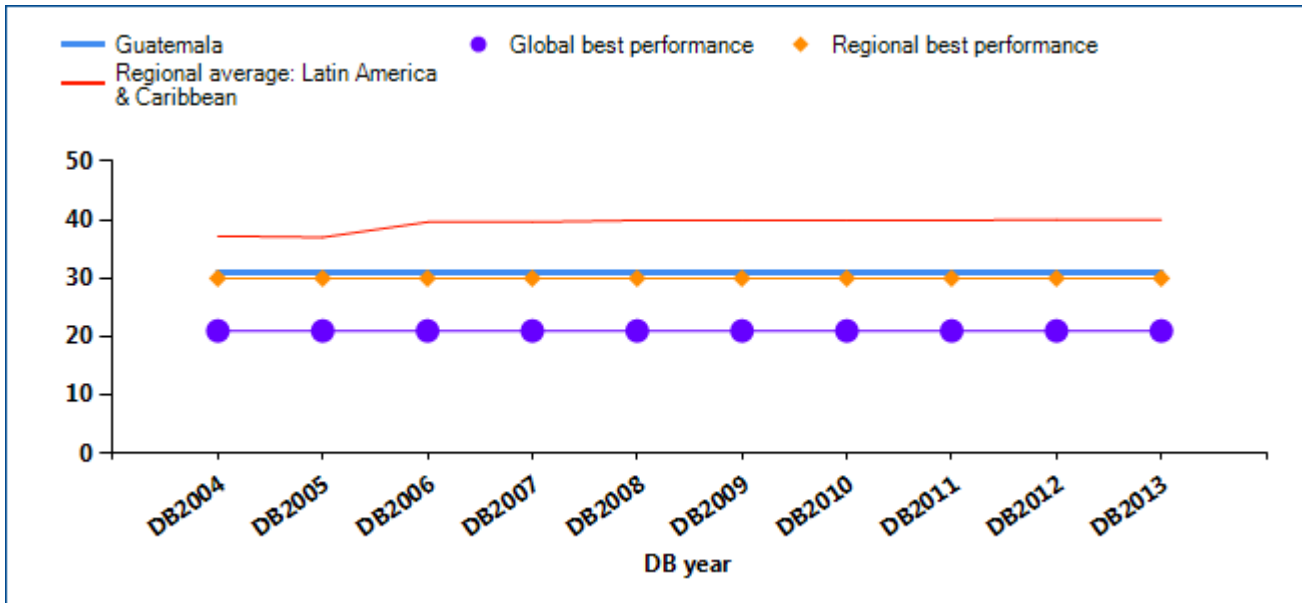


### Cost (% of claim)



## ENFORCING CONTRACTS

### Procedures (number)



Source: Doing Business database.

## ENFORCING CONTRACTS

Economies in all regions have improved contract enforcement in recent years. A judiciary can be improved in different ways. Higher-income economies tend to look for ways to enhance efficiency by introducing new technology. Lower-income economies

often work on reducing backlogs by introducing periodic reviews to clear inactive cases from the docket and by making procedures faster. What reforms making it easier (or more difficult) to enforce contracts has *Doing Business* recorded in Guatemala (table 10.2)?

Table 10.2 How has Guatemala made enforcing contracts easier—or not?

By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	Guatemala updated its claim thresholds.
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## ENFORCING CONTRACTS

### What are the details?

The indicators reported here for Guatemala are based on a set of specific procedural steps required to resolve a standardized commercial dispute through the courts (see the section in this chapter on what the indicators cover). These procedures, and the time and cost of completing them, are identified 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 economies covered by *Doing Business*, by judges as well).

#### COMPETENT COURT

**City:** **Guatemala City**

The procedures for resolving a commercial lawsuit, and the associated time and cost, are listed in the summary below.

#### Summary of procedures for enforcing a contract in Guatemala—and the time and cost

Indicator	Guatemala	Latin America & Caribbean average	OECD high income average
<b>Time (days)</b>	1,459	727	510
<b>Filing and service</b>	66		
<b>Trial and judgment</b>	796		
<b>Enforcement of judgment</b>	597		
<b>Cost (% of claim)</b>	26.5	30.8	20.1
<b>Attorney cost (% of claim)</b>	15.0		
<b>Court cost (% of claim)</b>	6.5		
<b>Enforcement Cost (% of claim)</b>	5.0		
<b>Procedures (number)</b>	31	40	31

*Note:* In cases where an economy's regional classification is "OECD high income," regional averages above are only displayed once.

## ENFORCING CONTRACTS

No.	Procedure
	<b>Filing and service:</b>
1	<b>A third person formally notifies Defendant:</b> A person other than the Plaintiff or his lawyer, such as a notary public, formally notifies Defendant of Plaintiff's request for payment.
2	<b>Plaintiff's hiring of lawyer:</b> Plaintiff hires a lawyer to represent him before the court.
*	<b>Plaintiff's filing of summons and complaint:</b> Plaintiff files his summons and complaint with the court, orally or in writing.
3	<b>Registration of court case:</b> The court administration registers the lawsuit or court case. This includes assigning a reference number to the lawsuit or court case.
*	<b>Assignment of court case to a judge:</b> The court case is assigned to a specific judge through a random procedure, automated system, ruling of an administrative judge, court officer, etc.
4	<b>Court scrutiny of summons and complaint:</b> A judge examines Plaintiff's summons and complaint for formal requirements.
*	<b>Judge admits summons and complaint:</b> After verifying the formal requirements, the judge decides to admit Plaintiff's summons and complaint.
5	<b>Delivery of summons and complaint to person authorized to perform service of process on Defendant:</b> The judge or a court officer delivers the summons to a summoning office, officer, or authorized person (including Plaintiff), for service of process on Defendant.
6	<b>First attempt at physical delivery:</b> A first attempt to physically deliver summons and complaint to Defendant is successful in the majority of cases.
*	<b>Application for pre-judgment attachment:</b> Plaintiff submits an application in writing for the attachment of Defendant's property prior to judgment. (see assumption 5)
*	<b>Decision on pre-judgment attachment:</b> The judge decides whether to grant Plaintiff's request for pre-judgment attachment of Defendant's property and notifies Plaintiff and Defendant of the decision. This step may include requesting that Plaintiff submit guarantees or bonds to secure Defendant
7	<b>Pre-judgment attachment.:</b> Defendant's property is attached prior to judgment. Attachment is either physical or achieved by registering, marking, debiting or separating assets. (see assumption 5)
8	<b>Custody of assets attached prior to judgment:</b> Defendant's attached assets are put under enforcement officer's or (private) bailiff's care. (see assumption 5)
	<b>Trial and judgment:</b>
*	<b>Defendant's filing of preliminary exemptions:</b> Defendant presents preliminary exemptions to the court. Preliminary exemptions differ from answers on the merits of the claim. Examples of preliminary exemptions are statute of limitations, jurisdictions, etc.
*	<b>Plaintiff's answer to preliminary exemptions:</b> Plaintiff responds to the preliminary exemptions raised by Defendant.

No.	Procedure
9	<b>Judge's resolution on preliminary exemptions:</b> Judge decides on preliminary exemptions separately from the merits of the case.
10	<b>Defendant's filing of defense or answer to Plaintiff's claim:</b> Defendant files a written pleading which includes his defense or answer on the merits of the case. Defendant's written answer may or may not include witness statements, expert statements, the documents Defendant relies on as evidence and the legal authority.
11	<b>Plaintiff's written response to Defendant's defense or answer:</b> Plaintiff responds to Defendant's defense or answer with a written pleading. Plaintiff's answer may or may not include a witness statements or expert (witness) statements.
*	<b>Court appointment of independent expert:</b> Judge appoints, either at the parties' request or at his own initiative, an independent expert to decide whether the quality of the goods Plaintiff delivered to Defendant is adequate. (see assumption 6-b of this case)
12	<b>Notification of court-appointment of independent expert:</b> The court notifies both parties that the court is appointing an independent expert. (see assumption 6-b of this case)
*	<b>Delivery of expert report by court-appointed expert:</b> The independent expert appointed by the court delivers his or her expert report to the court. (see assumption 6-b of this case)
*	<b>List of (expert) witnesses:</b> The parties file a list of (expert) witnesses with the court. (see assumption 6-a)
13	<b>Summoning of (expert) witnesses:</b> The court summons (expert) witnesses to appear in court for the oral hearing or trial. (see assumption 6-a)
14	<b>Oral hearing (prevalent in civil law):</b> The parties argue the merits of the case at an oral hearing before the judge. Witnesses and a court-appointed independent expert may be heard and questioned at the oral hearing.
15	<b>Notification of judgment in court:</b> The parties are notified of the judgment at a court hearing.
16	<b>Writing of judgment:</b> The judge produces a written copy of the judgment.
17	<b>Registration of judgment:</b> The court office registers the judgment after receiving a written copy of the judgment.
18	<b>Plaintiff's receipt of a copy of written judgment:</b> Plaintiff receives a copy of the written judgment.
19	<b>Notification of Defendant of judgment:</b> Plaintiff or court formally notifies the Defendant of the judgment. The appeal period starts to run the day the Defendant is formally notified of the judgment.
20	<b>Appeal period:</b> By law, Defendant has the opportunity to appeal the judgment during a period specified in the law. Defendant decides not to appeal. Judgment becomes final the day the appeal period ends.
21	<b>Reimbursement by Defendant of Plaintiff's court fees:</b> The judgment obliges Defendant to reimburse Plaintiff for the court fees Plaintiff has advanced, because Defendant has lost the case.
<b>Enforcement of judgment:</b>	
*	<b>Plaintiff's hiring of lawyer:</b> Plaintiff hires a lawyer to enforce the judgment or continues to be represented by a lawyer during the enforcement of judgment phase.
*	<b>Plaintiff's request for enforcement order:</b> Plaintiff applies to the court to obtain the enforcement order ('seal' on judgment).
22	<b>Plaintiff's advancement of enforcement fees:</b> Plaintiff pays the fees related to the enforcement of the judgment.

No.	Procedure
*	<b>Delivery of enforcement order:</b> The court's enforcement order is delivered to a court enforcement officer or a (private) bailiff.
*	<b>Plaintiff's request for physical enforcement:</b> As Plaintiff fears that Defendant might physically resist the attachment of its movable goods, Plaintiff addresses a request to the judge or to the police authorities to obtain police assistance during the attachment of Defendant's movable goods.
23	<b>Judge's order for physical enforcement:</b> The judge orders the police to assist with the physical enforcement of the attachment of Defendant's movable goods.
24	<b>Request to Defendant to comply voluntarily with judgment:</b> Plaintiff, a court enforcement officer or a (private) bailiff requests Defendant to voluntarily comply with the judgment, giving Defendant a last chance to comply voluntarily with the judgment.
25	<b>Plaintiff's identification of Defendant's assets for attachment:</b> Plaintiff identifies Defendant's assets for attachment.
26	<b>Attachment:</b> Defendant's movable goods are attached (physically or by registering, marking or separating assets).
27	<b>Valuation or appraisal of attached movable goods:</b> The court or court appointed valuation expert evaluates the attached goods.
28	<b>Call for public auction:</b> The judge calls a public auction by, for example, advertising or publication in the newspapers.
29	<b>Sale through public auction:</b> The Defendant's movable property is sold at public auction.
30	<b>Distribution of proceeds:</b> The proceeds of the public auction are distributed to various creditors (including Plaintiff), according to the rules of priority.
31	<b>Payment:</b> Court orders that the proceeds of the public auction or the direct sale be delivered to Plaintiff.

\* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

## RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and thereby improve growth and sustainability in the economy overall.

### What do the indicators cover?

*Doing Business* studies the time, cost and outcome of insolvency proceedings involving domestic entities. It does not measure insolvency proceedings of individuals and financial institutions. The data are derived from survey responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

The ranking on the ease of resolving insolvency is based on the recovery rate, which is recorded as cents on the dollar recouped by creditors through reorganization, liquidation or debt enforcement (foreclosure) proceedings. The recovery rate is a function of time, cost and other factors, such as lending rate and the likelihood of the company continuing to operate.

To make the data comparable across economies, *Doing Business* uses several assumptions about the business and the case. It assumes that the company:

- Is a domestically owned, limited liability company operating a hotel.
- Operates in the economy's largest business city.

### WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

#### Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

#### Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

#### Recovery rate for creditors (cents on the dollar)

Measures the cents on the dollar recovered by creditors

Present value of debt recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Outcome for the business (survival or not) affects the maximum value that can be recovered

- Has 201 employees, 1 main secured creditor and 50 unsecured creditors.
- Has a higher value as a going concern—and the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation.



## RESOLVING INSOLVENCY

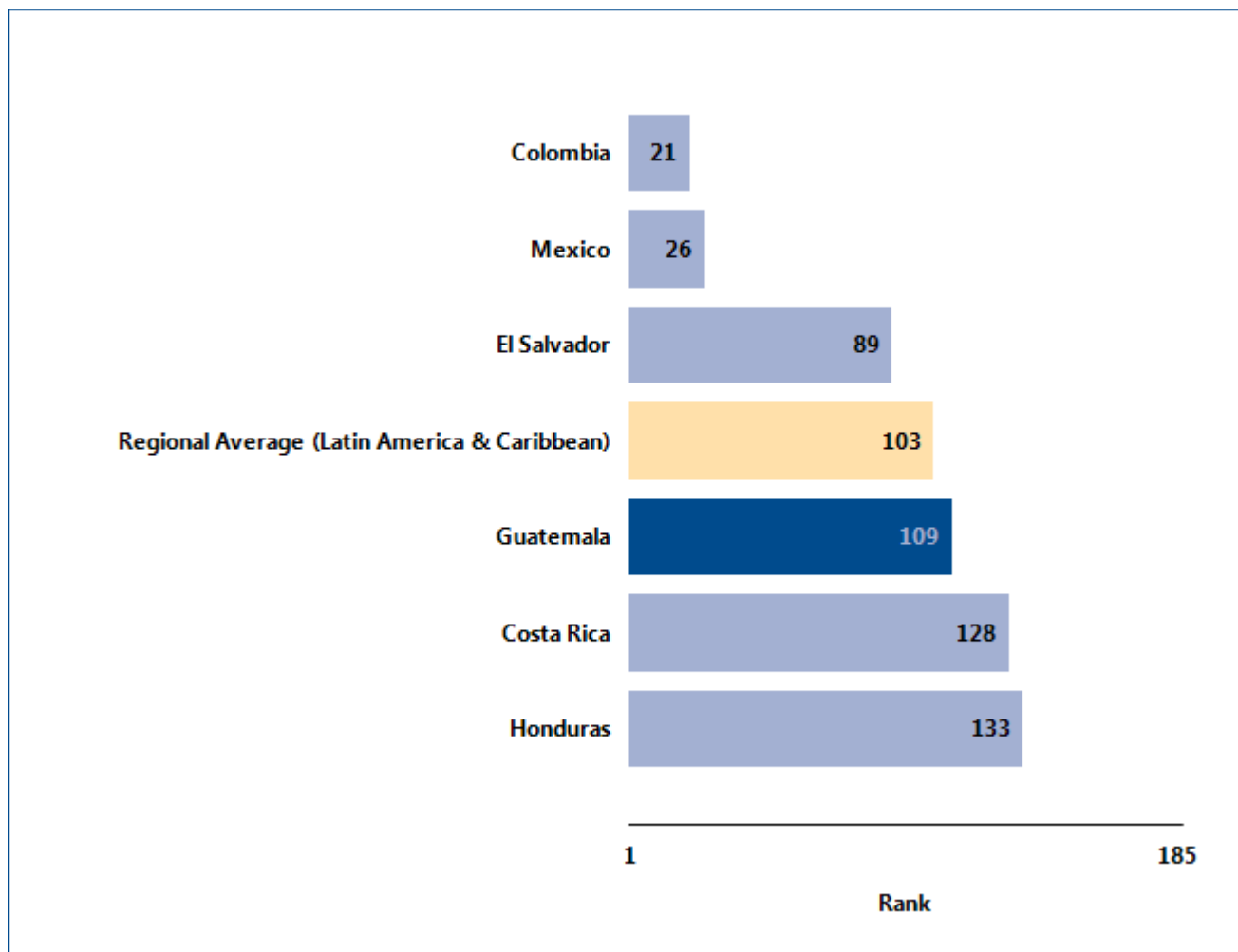
### Where does the economy stand today?

Speed, low costs and continuation of viable businesses characterize the top-performing economies. How efficient are insolvency proceedings in Guatemala? According to data collected by *Doing Business*, resolving insolvency takes 3.0 years on average and costs 15% of the debtor’s estate, with the most likely outcome being that the company will be sold as

piecemeal sale. The average recovery rate is 27.8 cents on the dollar.

Globally, Guatemala stands at 109 in the ranking of 185 economies on the ease of resolving insolvency (figure 11.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of insolvency proceedings in Guatemala.

Figure 11.1 How Guatemala and comparator economies rank on the ease of resolving insolvency



Source: *Doing Business* database.

## RESOLVING INSOLVENCY

## What are the changes over time?

While the most recent *Doing Business* data reflect the efficiency of insolvency proceedings in Guatemala today, data over time show where the efficiency has changed—and where it has not (table 11.1). That can help identify where the potential for improvement is greatest.

Table 11.1 The ease of resolving insolvency in Guatemala over time  
By *Doing Business* report year

Indicator	DB2004	DB2005	DB2006	DB2007	DB2008	DB2009	DB2010	DB2011	DB2012	DB2013
Rank	..	..	..	..	..	..	..	..	107	109
Time (years)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Cost (% of estate)	15	15	15	15	15	15	15	15	15	15
Recovery rate (cents on the dollar)	25.9	26.6	27.5	28.3	28.1	28.2	28.2	27.5	27.9	27.8

Note: n.a. = not applicable (the economy was not included in *Doing Business* for that year). DB2012 rankings shown are not last year's published rankings but comparable rankings for DB2012 that capture the effects of such factors as data corrections and the addition of 2 economies (Barbados and Malta) to the sample this year. "No practice" indicates that in each of the previous 5 years the economy had no cases involving a judicial reorganization, judicial liquidation or debt enforcement procedure (foreclosure). This means that creditors are unlikely to recover their money through a formal legal process (in or out of court). The recovery rate for "no practice" economies is 0.

Source: *Doing Business* database.

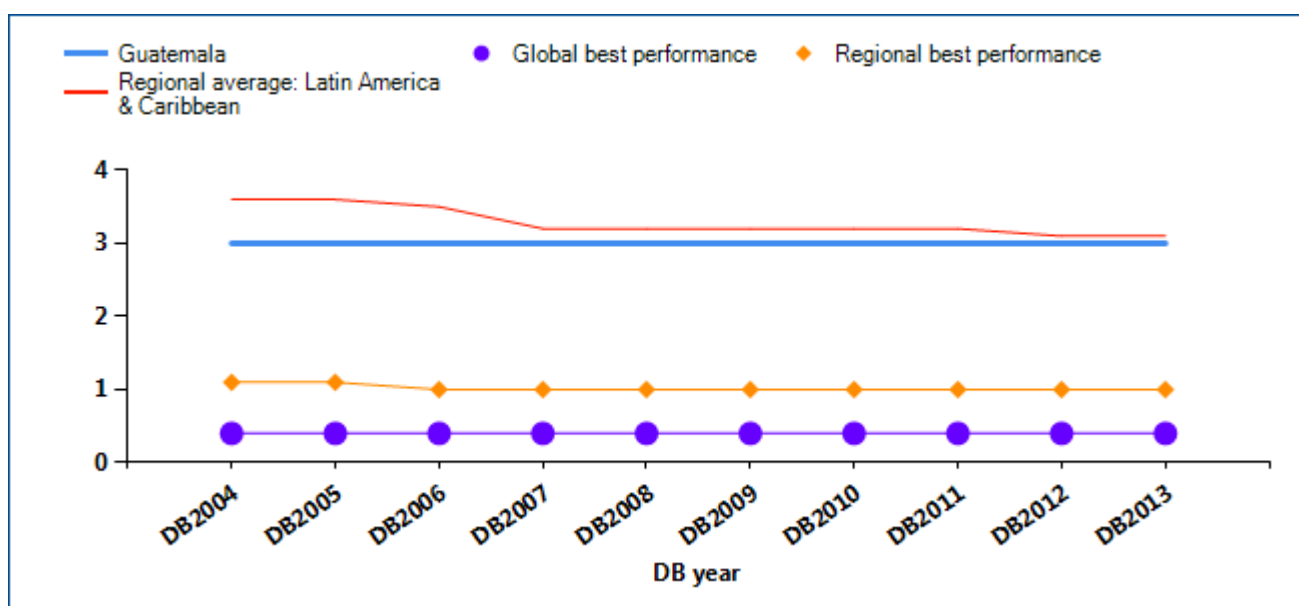
## RESOLVING INSOLVENCY

Equally helpful may be the benchmarks provided by the economies that over time have had the best performance regionally or globally on the time or cost of insolvency proceedings or on the recovery rate (figure 11.2). These benchmarks help show what is

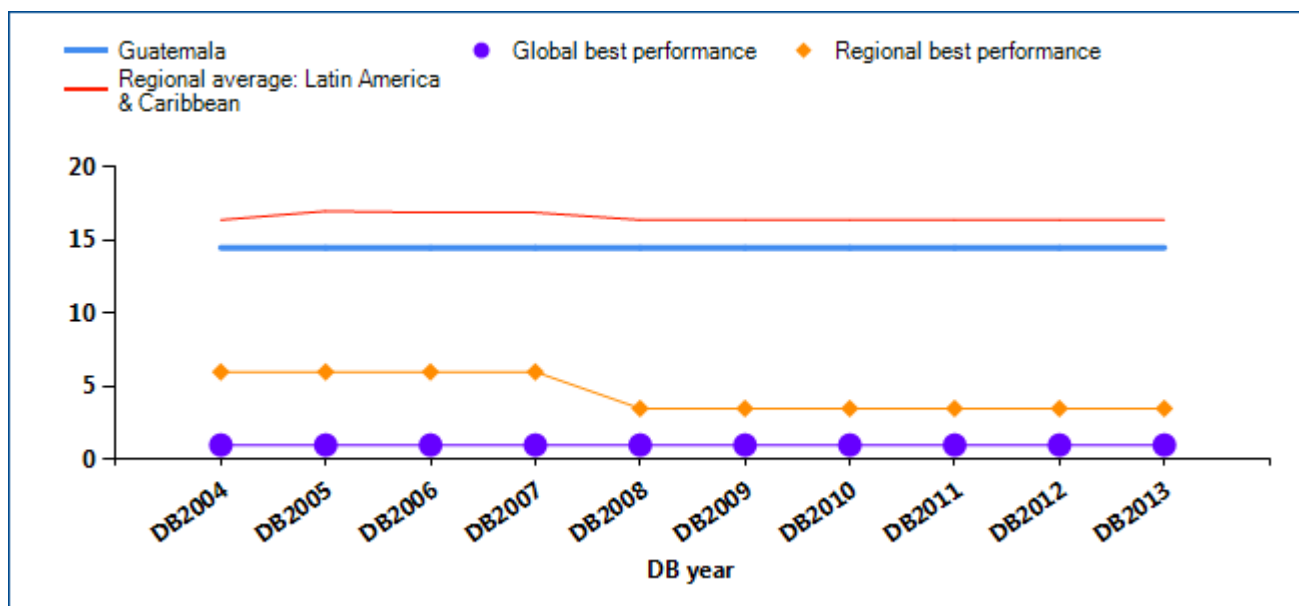
possible in improving the efficiency of insolvency proceedings. And changes in regional averages can show where Guatemala is keeping up—and where it is falling behind.

Figure 11.2 Has resolving insolvency become easier over time?

**Time (years)**

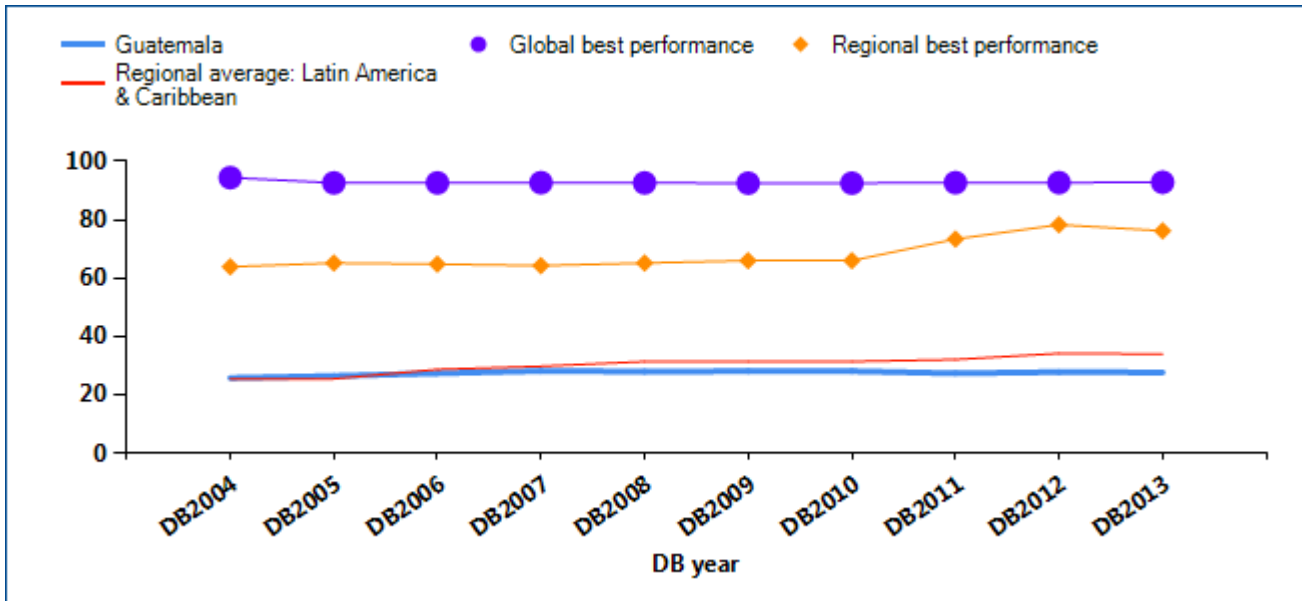


**Cost (% of estate)**



## RESOLVING INSOLVENCY

### Recovery rate (cents on the dollar)



Note: Regional averages on time and cost exclude economies with a “no practice” mark.

Source: Doing Business database.

## RESOLVING INSOLVENCY

A well-balanced bankruptcy system distinguishes companies that are financially distressed but economically viable from inefficient companies that should be liquidated. But in some insolvency systems even viable businesses are liquidated. This is starting to

change. Many recent reforms of bankruptcy laws have been aimed at helping more of the viable businesses survive. What insolvency reforms has *Doing Business* recorded in Guatemala (table 11.2)?

Table 11.2 How has Guatemala made resolving insolvency easier—or not?

By *Doing Business* report year

DB year	Reform
<b>DB2008</b>	No reform as measured by Doing Business.
<b>DB2009</b>	No reform as measured by Doing Business.
<b>DB2010</b>	No reform as measured by Doing Business.
<b>DB2011</b>	No reform as measured by Doing Business.
<b>DB2012</b>	No reform as measured by Doing Business.
<b>DB2013</b>	No reform as measured by Doing Business.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

Source: *Doing Business* database.

## EMPLOYING WORKERS

*Doing Business* measures flexibility in the regulation of employment, specifically as it affects the hiring and redundancy of workers and the rigidity of working hours. From 2007 to 2011 improvements were made to align the methodology for the employing workers indicators with the letter and spirit of the International Labour Organization (ILO) conventions. Only 4 of the 188 ILO conventions cover areas measured by *Doing Business*: employee termination, weekend work, holiday with pay and night work. The *Doing Business* methodology is fully consistent with these 4 conventions. The ILO conventions covering areas related to the employing workers indicators do not include the ILO core labor standards—8 conventions covering the right to collective bargaining, the elimination of forced labor, the abolition of child labor and equitable treatment in employment practices.

Between 2009 and 2011 the World Bank Group worked with a consultative group—including labor lawyers, employer and employee representatives, and experts from the ILO, the Organisation for Economic Co-operation and Development, civil society and the private sector—to review the employing workers methodology and explore future areas of research.

A full report with the conclusions of the consultative group is available at <http://www.doingbusiness.org/methodology/employing-workers>.

*Doing Business 2013* does not present rankings of economies on the employing workers indicators or include the topic in the aggregate ranking on the ease of doing business. The report does present the data on the employing workers indicators in an annex. Detailed data collected on labor regulations are available on the *Doing Business* website (<http://www.doingbusiness.org>).

Particular data for Guatemala are presented here without scoring.

To make the data on employing workers comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Earns a salary plus benefits equal to the economy's average wage during the entire period of his employment.
- Has a pay period that is the most common for workers in the economy.
- Is a lawful citizen who belongs to the same race and religion as the majority of the economy's population.
- Resides in the economy's largest business city.
- Is not a member of a labor union, unless membership is mandatory.

The business:

- Is a limited liability company.
- Operates in the economy's largest business city.
- Is 100% domestically owned.
- Operates in the manufacturing sector.
- Has 60 employees.
- Is 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.
- Abides by every law and regulation but does not grant workers more benefits than mandated by law, regulation or (if applicable) collective bargaining agreement.

## EMPLOYING WORKERS

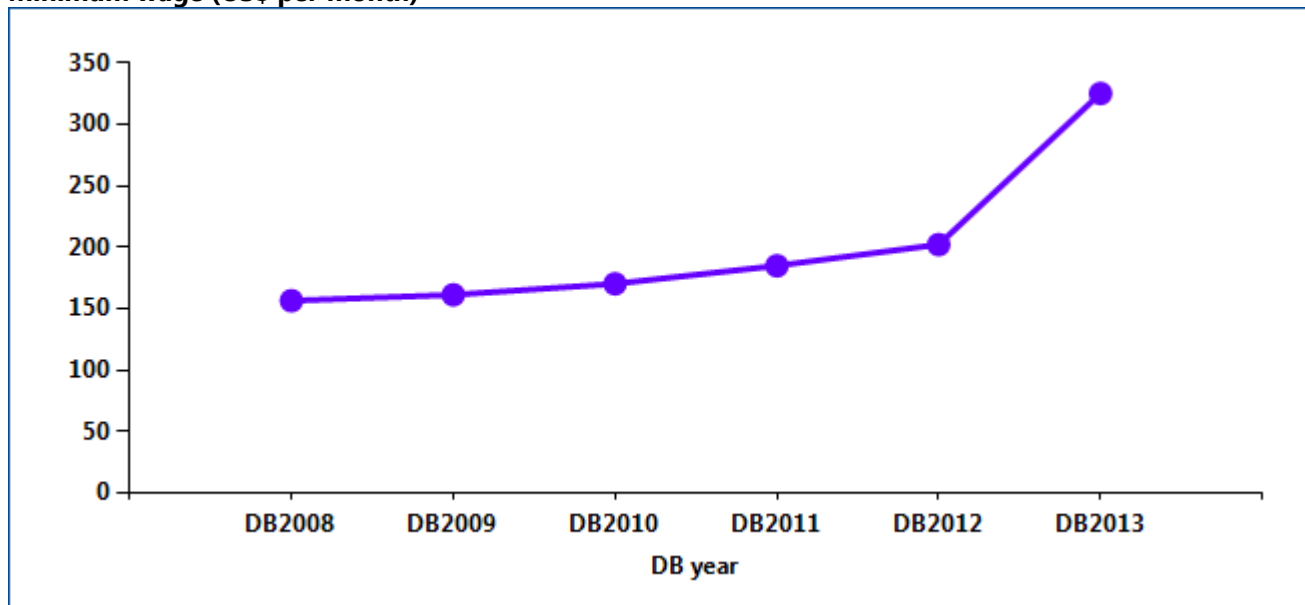
### What do some of the data show?

One of the employing workers indicators is the difficulty of hiring index. This measure assesses, among other things, the minimum wage for a 19-year-old

worker in his or her first job. *Doing Business* data show the trend in the minimum wage applied by Guatemala (figure 12.1).

Figure 12.1 Has the minimum wage for a 19-year-old worker or an apprentice increased over time?

#### Minimum wage (US\$ per month)



Note: A horizontal line along the x-axis of the figure indicates that the economy has no minimum wage.

Source: *Doing Business* database.

## EMPLOYING WORKERS

Employment laws are needed to protect workers from arbitrary or unfair treatment and to ensure efficient contracting between employers and workers. Many economies that changed their labor regulations in the

past 4 years did so in ways that increased labor market flexibility. What changes did Guatemala adopt that affected the *Doing Business* indicators on employing workers (table 12.1)?

Table 12.1 What changes did Guatemala make in employing workers in 2012?

Reform
No reform as measured by Doing Business.

Source: *Doing Business* database.



## EMPLOYING WORKERS

### What are the details?

The data on employing workers reported here for Guatemala are based on a detailed survey of employment regulations that is completed by local

lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

### Rigidity of employment index

The rigidity of employment index measures 3 areas of labor regulation: difficulty of hiring, rigidity of hours and difficulty of redundancy.

#### Difficulty of hiring index

The difficulty of hiring index measures whether fixed-term contracts are prohibited for permanent tasks; the maximum cumulative duration of fixed-term contracts; and the ratio of the minimum wage for a trainee or first-time employee to the average value added per

worker. (The average value added per worker is the ratio of an economy's gross national income per capita to the working-age population as a percentage of the total population.)

Difficulty of hiring index	Data
Fixed-term contracts prohibited for permanent tasks?	Yes
Maximum length of a single fixed-term contract (months)	No limit; time limit depends only on the duration of the temporary task, on the expiration date or on the occurrence of any event or circumstance (Art.25)
Maximum length of fixed-term contracts, including renewals (months)	No limit
Minimum wage for a 19-year old worker or an apprentice (US\$/month)	325.3
Ratio of minimum wage to value added per worker	0.74

Source: *Doing Business* database.

## EMPLOYING WORKERS

### Rigidity of hours index

The rigidity of hours index has 5 components: whether there are restrictions on night work; whether there are restrictions on weekly holiday work; whether the workweek can consist of 5.5 days or is more than 6 days; whether the workweek can extend to 50 hours or more (including overtime) for 2 months a year to

respond to a seasonal increase in production; and whether the average paid annual leave for a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is more than 26 working days or fewer than 15 working days.

Rigidity of hours index	Data
Standard workday in manufacturing (hours)	8 hours (day); 7 hours (mixed); 6 hours (night)
50-hour workweek allowed for 2 months a year in case of a seasonal increase in production?	Yes
Maximum working days per week	6.0
Premium for night work (% of hourly pay) in case of continuous operations	0%
Premium for work on weekly rest day (% of hourly pay) in case of continuous operations	50%
Major restrictions on night work in case of continuous operations?	Yes
Major restrictions on weekly holiday in case of continuous operations?	Yes
Paid annual leave for a worker with 1 year of tenure (in working days)	15.0
Paid annual leave for a worker with 5 years of tenure (in working days)	15.0
Paid annual leave for a worker with 10 years of tenure (in working days)	15.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	15.0

Source: *Doing Business* database.

## EMPLOYING WORKERS

### Difficulty of redundancy index

The difficulty of redundancy index has 8 components: whether redundancy is disallowed as a basis for terminating workers; whether the employer needs to notify a third party (such as a government agency) to terminate 1 redundant worker; whether the employer needs to notify a third party to terminate a group of 9 redundant workers; whether the employer needs approval from a third party to terminate 1 redundant

worker; whether the employer needs approval from a third party to terminate a group of 9 redundant workers; whether the law requires the employer to reassign or retrain a worker before making the worker redundant; whether priority rules apply for redundancies; and whether priority rules apply for reemployment.

Difficulty of redundancy index	Data
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if 1 worker is dismissed?	No
Third-party approval if 1 worker is dismissed?	No
Third-party notification if 9 workers are dismissed?	No
Third-party approval if 9 workers are dismissed?	No
Retraining or reassignment obligation before redundancy?	No
Priority rules for redundancies?	No
Priority rules for reemployment?	No

Source: *Doing Business* database.

## EMPLOYING WORKERS

### Redundancy cost

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. The average value of

notice requirements and severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is used to assign the score.

Redundancy cost indicator	Data
Notice period for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	0.0
Notice period for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	0.0
Notice period for redundancy dismissal (for a worker with 10 years of tenure, in salary weeks)	0.0
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks)	0.0
Severance pay for redundancy dismissal (for a worker with 1 year of tenure, in salary weeks)	5.1
Severance pay for redundancy dismissal (for a worker with 5 years of tenure, in salary weeks)	25.3
Severance pay for redundancy dismissal (for a worker with 10 years of tenure, in salary weeks)	50.6
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in salary weeks)	27.0

Source: *Doing Business* database.

## DATA NOTES

The indicators presented and analyzed in *Doing Business* measure business regulation and the protection of property rights—and their effect on businesses, especially small and medium-size domestic firms. First, the indicators document the complexity of regulation, such as the number of procedures to start a business or to register and transfer commercial property. Second, they gauge the time and cost of achieving a regulatory goal or complying with regulation, such as the time and cost to enforce a contract, go through bankruptcy or trade across borders. Third, they measure the extent of legal protections of property, for example, the protections of investors against looting by company directors or the range of assets that can be used as collateral according to secured transactions laws. Fourth, a set of indicators documents the tax burden on businesses. Finally, a set of data covers different aspects of employment regulation.

The data for all sets of indicators in *Doing Business 2013* are for June 2012.<sup>2</sup>

### Methodology

The *Doing Business* data are collected in a standardized way. To start, the *Doing Business* team, with academic advisers, designs a questionnaire. The questionnaire uses a simple business case to ensure comparability across economies and over time—with assumptions about the legal form of the business, its size, its location and the nature of its operations. Questionnaires are administered through more than 9,600 local experts, including lawyers, business consultants, accountants, freight forwarders, government officials and other professionals routinely administering or advising on legal and regulatory requirements. These experts have several rounds of interaction with the *Doing Business* team, involving conference calls, written correspondence and visits by the team. For *Doing Business 2013* team members visited 24 economies to verify data and recruit respondents. The data from questionnaires are subjected to numerous rounds of verification, leading to revisions or expansions of the information collected.

<sup>2</sup> The data for paying taxes refer to January – December 2011.

## ECONOMY CHARACTERISTICS

### Gross national income per capita

*Doing Business 2013* reports 2011 income per capita as published in the World Bank's *World Development Indicators 2012*. Income is calculated using the Atlas method (current US\$). For cost indicators expressed as a percentage of income per capita, 2011 gross national income (GNI) in U.S. dollars is used as the denominator. GNI data were not available from the World Bank for Afghanistan; Australia; The Bahamas; Bahrain; Barbados; Brunei Darussalam; Cyprus; Djibouti; Guyana; the Islamic Republic of Iran; Kuwait; Malta; New Zealand; Oman; Puerto Rico (territory of the United States); Sudan; Suriname; the Syrian Arab Republic; Timor-Leste; West Bank and Gaza; and the Republic of Yemen. In these cases GDP or GNP per capita data and growth rates from the International Monetary Fund's World Economic Outlook database and the Economist Intelligence Unit were used.

### Region and income group

*Doing Business* uses the World Bank regional and income group classifications, available at <http://data.worldbank.org/about/country-classifications>. The World Bank does not assign regional classifications to high-income economies. For the purpose of the *Doing Business* report, high-income OECD economies are assigned the "regional" classification *OECD high income*. Figures and tables presenting regional averages include economies from all income groups (low, lower middle, upper middle and high income).

### Population

*Doing Business 2013* reports midyear 2011 population statistics as published in *World Development Indicators 2012*.

The *Doing Business* methodology offers several advantages. It is transparent, using factual information about what laws and regulations say and allowing multiple interactions with local respondents to clarify potential misinterpretations of questions. Having

representative samples of respondents is not an issue; *Doing Business* is not a statistical survey, and the texts of the relevant laws and regulations are collected and answers checked for accuracy. The methodology is inexpensive and easily replicable, so data can be collected in a large sample of economies. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. Finally, the data not only highlight the extent of specific regulatory obstacles to business but also identify their source and point to what might be reformed.

Information on the methodology for each *Doing Business* topic can be found on the *Doing Business* website at <http://www.doingbusiness.org/methodology/>.

## Limits to what is measured

The *Doing Business* methodology has 5 limitations that should be considered when interpreting the data. First, the collected data refer to businesses in the economy's largest business city (which in some economies differs from the capital) and may not be representative of regulation in other parts of the economy. To address this limitation, subnational *Doing Business* indicators were created (see the section on subnational *Doing Business* indicators). Second, the data often focus on a specific business form—generally a limited liability company (or its legal equivalent) of a specified size—and may not be representative of the regulation on other businesses, for example, sole proprietorships. Third, transactions described in a standardized case scenario refer to a specific set of issues and may not represent the full set of issues a business encounters. Fourth, the measures of time involve an element of judgment by the expert respondents. When sources indicate different estimates, the time indicators reported in *Doing Business* represent the median values of several responses given under the assumptions of the standardized case.

Finally, the methodology assumes that a business has full information on what is required and does not waste time when completing procedures. In practice, completing a procedure may take longer if the business lacks information or is unable to follow up promptly. Alternatively, the business may choose to disregard some burdensome procedures. For both reasons the time delays reported in *Doing Business*

2013 would differ from the recollection of entrepreneurs reported in the World Bank Enterprise Surveys or other perception surveys.

## Subnational *Doing Business* indicators

This year *Doing Business* completed subnational studies for Indonesia, Kenya, Mexico, the Russian Federation and the United Arab Emirates. Each of these countries had already asked to have subnational data in the past, and this year *Doing Business* updated the indicators, measured improvements over time and expanded geographic coverage to additional cities or added additional indicators. *Doing Business* also published regional studies for the Arab world, the East African Community and member states of the Organization for the Harmonization of Business Law in Africa (OHADA).

The subnational studies point to differences in business regulation and its implementation—as well as in the pace of regulatory reform—across cities in the same economy. For several economies subnational studies are now periodically updated to measure change over time or to expand geographic coverage to additional cities. This year that is the case for all the subnational studies published.

## Changes in what is measured

The ranking methodology for paying taxes was updated this year. The threshold for the total tax rate introduced last year for the purpose of calculating the ranking on the ease of paying taxes was updated. All economies with a total tax rate below the threshold (which is calculated and adjusted on a yearly basis) receive the same ranking on the total tax rate indicator. The threshold is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in the tax system of an economy overall. Instead, it is mainly empirical in nature, set at the lower end of the distribution of tax rates levied on medium-size enterprises in the manufacturing sector as observed through the paying taxes indicators. This reduces the bias in the indicators toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through

taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). Giving the same ranking to all economies whose total tax rate is below the threshold avoids awarding economies in the scoring for having an unusually low total tax rate, often for reasons unrelated to government policies toward enterprises. For example, economies that are very small or that are rich in natural resources do not need to levy broad-based taxes.

## Data challenges and revisions

Most laws and regulations underlying the *Doing Business* data are available on the *Doing Business* website at <http://www.doingbusiness.org>. All the sample questionnaires and the details underlying the indicators are also published on the website. Questions on the methodology and challenges to data can be submitted through the website's "Ask a Question" function at <http://www.doingbusiness.org>.

## Ease of doing business and distance to frontier

*Doing Business 2013* presents results for 2 aggregate measures: the aggregate ranking on the ease of doing business and the distance to frontier measure. The ease of doing business ranking compares economies with one another, while the distance to frontier measure benchmarks economies to the frontier in regulatory practice, measuring the absolute distance to the best performance on each indicator. Both measures can be used for comparisons over time. When compared across years, the distance to frontier measure shows how much the regulatory environment for local entrepreneurs in each economy has changed over time in absolute terms, while the ease of doing business ranking can show only relative change.

### Ease of doing business

The ease of doing business index ranks economies from 1 to 185. For each economy the ranking is calculated as the simple average of the percentile rankings on each of the 10 topics included in the index in *Doing Business 2013*: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting

investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. The employing workers indicators are not included in this year's aggregate ease of doing business ranking. In addition to this year's ranking, *Doing Business* presents a comparable ranking for the previous year, adjusted for any changes in methodology as well as additions of economies or topics.<sup>3</sup>

### Construction of the ease of doing business index

Here is one example of how the ease of doing business index is constructed. In Finland it takes 3 procedures, 14 days and 4% of annual income per capita in fees to register a property. On these 3 indicators Finland ranks in the 6th, 16th and 39th percentiles. So on average Finland ranks in the 20th percentile on the ease of registering property. It ranks in the 30th percentile on starting a business, 28<sup>th</sup> percentile on getting credit, 24th percentile on paying taxes, 13th percentile on enforcing contracts, 5th percentile on trading across borders and so on. Higher rankings indicate simpler regulation and stronger protection of property rights. The simple average of Finland's percentile rankings on all topics is 21st. When all economies are ordered by their average percentile rankings, Finland stands at 11 in the aggregate ranking on the ease of doing business.

More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly identical to the simple average used by *Doing Business*.<sup>4</sup> Thus, *Doing Business* uses the simplest method: weighting all topics equally and,

<sup>3</sup> In case of revisions to the methodology or corrections to the underlying data, the data are back-calculated to provide a comparable time series since the year the relevant economy or topic was first included in the data set. The time series is available on the *Doing Business* website (<http://www.doingbusiness.org>). Six topics and more than 50 economies have been added since the inception of the project. Earlier rankings on the ease of doing business are therefore not comparable.

<sup>4</sup> See Simeon Djankov, Darshini Manraj, Caralee McLiesh and Rita Ramalho, "Doing Business Indicators: Why Aggregate, and How to Do It" (World Bank, Washington, DC, 2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

within each topic, giving equal weight to each of the topic components.<sup>5</sup>

If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” or “not possible” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator.

The ease of doing business index is limited in scope. It does not account for an economy’s proximity to large markets, the quality of its infrastructure services (other than services related to trading across borders and getting electricity), the strength of its financial system, the security of property from theft and looting, macroeconomic conditions or the strength of underlying institutions.

#### Variability of economies’ rankings across topics

Each indicator set measures a different aspect of the business regulatory environment. The rankings of an economy can vary, sometimes significantly, across indicator sets. The average correlation coefficient between the 10 indicator sets included in the aggregate ranking is 0.37, and the coefficients between any 2 sets of indicators range from 0.19 (between dealing with construction permits and getting credit) to 0.60 (between starting a business and protecting investors). These correlations suggest that economies rarely score universally well or universally badly on the indicators.

Consider the example of Canada. It stands at 17 in the aggregate ranking on the ease of doing business. Its ranking is 3 on starting a business, and 4 on both resolving insolvency and protecting investors. But its ranking is only 62 on enforcing contracts, 69 on dealing with construction permits and 152 on getting electricity.

Variation in performance across the indicator sets is not at all unusual. It reflects differences in the degree of priority that government authorities give to particular areas of business regulation reform and the

ability of different government agencies to deliver tangible results in their area of responsibility.

#### Economies that improved the most across 3 or more Doing Business topics in 2011/12

*Doing Business 2013* uses a simple method to calculate which economies improved the most in the ease of doing business. First, it selects the economies that in 2011/12 implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year’s ease of doing business ranking.<sup>6</sup> Twenty-three economies meet this criterion: Benin, Burundi, Costa Rica, the Czech Republic, Georgia, Greece, Guinea, Kazakhstan, Korea, the Lao People’s Democratic Republic, Liberia, Mongolia, the Netherlands, Panama, Poland, Portugal, Serbia, the Slovak Republic, Slovenia, Sri Lanka, Ukraine, the United Arab Emirates and Uzbekistan. Second, *Doing Business* ranks these economies on the increase in their ranking on the ease of doing business from the previous year using comparable rankings.

Selecting the economies that implemented regulatory reforms in at least 3 topics and improved the most in the aggregate ranking is intended to highlight economies with ongoing, broad-based reform programs.

#### Distance to frontier measure

A drawback of the ease of doing business ranking is that it can measure the regulatory performance of economies only relative to the performance of others. It does not provide information on how the absolute quality of the regulatory environment is improving over time. Nor does it provide information on how large the gaps are between economies at a single point in time.

The distance to frontier measure is designed to address both shortcomings, complementing the ease of doing business ranking. This measure illustrates the distance of an economy to the “frontier,” and the change in the measure over time shows the extent to which the economy has closed this gap. The frontier is a score derived from the most efficient practice or highest score achieved on each of the component indicators in 9 *Doing Business* indicator sets (excluding

<sup>5</sup> A technical note on the different aggregation and weighting methods is available on the *Doing Business* website (<http://www.doingbusiness.org>).

<sup>6</sup> *Doing Business* reforms making it more difficult to do business are subtracted from the total number of those making it easier to do business.



the employing workers and getting electricity indicators) by any economy since 2005. In starting a business, for example, New Zealand has achieved the highest performance on the time (1 day), Canada and New Zealand on the number of procedures required (1), Slovenia on the cost (0% of income per capita) and Australia and 90 other economies on the paid-in minimum capital requirement (0% of income per capita). Calculating the distance to frontier for each economy involves 2 main steps. First, individual indicator scores are normalized to a common unit: except for the total tax rate. To do so, each of the 28 component indicators  $y$  is rescaled to  $(\max - y)/(\max - \min)$ , with the minimum value (min) representing the frontier—the highest performance on that indicator across all economies since 2005. For the total tax rate, consistent with the calculation of the rankings, the frontier is defined as the total tax rate corresponding to the 15<sup>th</sup> percentile based on the overall distribution of total tax rates for all years. Second, for each economy the scores obtained for individual indicators are aggregated through simple averaging into one distance to frontier score. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier.

The difference between an economy's distance to frontier score in 2005 and its score in 2012 illustrates the extent to which the economy has closed the gap to the frontier over time. And in any given year the score measures how far an economy is from the highest performance at that time.

The maximum (max) and minimum (min) observed values are computed for the 174 economies included in the *Doing Business* sample since 2005 and for all years (from 2005 to 2012). The year 2005 was chosen as the baseline for the economy sample because it was the first year in which data were available for the majority of economies (a total of 174) and for all 9 indicator sets included in the measure. To mitigate the effects of extreme outliers in the distributions of the rescaled data (very few economies need 694 days to complete the procedures to start a business, but many need 9 days), the maximum (max) is defined as the 95<sup>th</sup> percentile of the pooled data for all economies and all years for each indicator. The exceptions are the getting credit, protecting investors and resolving insolvency indicators, whose construction precludes outliers.

Take Ghana, which has a score of 67 on the distance to frontier measure for 2012. This score indicates that the economy is 33 percentage points away from the frontier constructed from the best performances across all economies and all years. Ghana was further from the frontier in 2005, with a score of 54. The difference between the scores shows an improvement over time.

The distance to frontier measure can also be used for comparisons across economies in the same year, complementing the ease of doing business ranking. For example, Ghana stands at 64 this year in the ease of doing business ranking, while Peru, which is 29 percentage points from the frontier, stands at 43.

## RESOURCES ON THE *DOING BUSINESS* WEBSITE

### **Current features**

News on the *Doing Business* project  
<http://www.doingbusiness.org>

### **Rankings**

How economies rank—from 1 to 185  
<http://www.doingbusiness.org/rankings/>

### **Data**

All the data for 185 economies—topic rankings, indicator values, lists of regulatory procedures and details underlying indicators  
<http://www.doingbusiness.org/data/>

### **Reports**

Access to *Doing Business* reports as well as subnational and regional reports, reform case studies and customized economy and regional profiles  
<http://www.doingbusiness.org/reports/>

### **Methodology**

The methodologies and research papers underlying *Doing Business*  
<http://www.doingbusiness.org/methodology/>

### **Research**

Abstracts of papers on *Doing Business* topics and related policy issues  
<http://www.doingbusiness.org/research/>

### ***Doing Business* reforms**

Short summaries of DB2013 business regulation reforms, lists of reforms since DB2008 and a ranking simulation tool  
<http://www.doingbusiness.org/reforms/>

### **Historical data**

Customized data sets since DB2004  
<http://www.doingbusiness.org/custom-query/>

### **Law library**

Online collection of business laws and regulations relating to business and gender issues  
<http://www.doingbusiness.org/law-library/>  
<http://wbl.worldbank.org/>

### **Contributors**

More than 9,600 specialists in 185 economies who participate in *Doing Business*  
<http://www.doingbusiness.org/contributors/doing-business/>

### **NEW! Entrepreneurship data**

Data on business density for 130 economies  
<http://www.doingbusiness.org/data/exploretopics/entrepreneurship>

### **More to come**

Coming soon—information on good practices and data on transparency and on the distance to frontier



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