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ALIANZA COOPERATIVA INTERNACIONAL **ica**

# DOING BUSINESS WITH THE CO-OPERATIVES OF GUATEMALA



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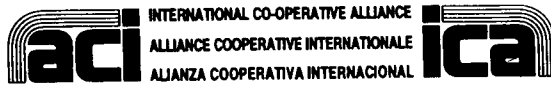


**UTAN GRÄNSER**  
SWEDISH COOPERATIVE CENTRE

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Address/Dir.  
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S-104 25 Stockholm

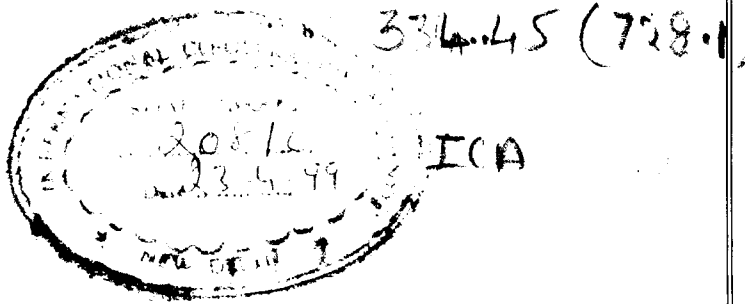
Tel +46 (0)8 657 47 00  
Fax +46 (0)8 657 85 15  
E-mail [swecoop@pns.apc.org](mailto:swecoop@pns.apc.org)



**Doing Business  
with the Co-operatives  
of Guatemala**

**A Practical Guide for:**

- Investors
- Businessmen
- Co-operatives



**STATUS OF CO-OPERATIVES IN GUATEMALA 1995**

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# I. Introduction

In recent years all segments of Guatemalan society, with the help of the international community, have made an effort to achieve peace agreements that orient the country towards sustained economic growth. This makes Guatemala an excellent option for foreign investment in Central America. It is critical to stop and analyze a sector that perhaps does not come to the investor's attention, like the co-operative sector. Its level of integration, its achievements in socio-economic development and its presence in a wide variety of sectors in the economy, make it worthy of consideration by any investor, contractor or co-operative from another country that is looking for business opportunities.

As in our other publications, the **Alianza Cooperativa Internacional** is pleased to present this guide for doing business with the co-operatives, a sector with a great potential for investment projects, strategic alliances and other forms of exchange or co-operation. Without a doubt the time is ripe: Guatemala has opened its doors to foreign investment and commercial exchange by means of fundamental reforms in legislative, tax, political and economic matters, including itself in the waves of globalization and modernization that are prevalent throughout the world.

To reach this goal, the present document analyzes in Chapter 2 the main advantages offered by the Guatemalan co-operatives to the investor paying attention to this country. In Chapter 3 we consider some general aspects of its economy, checking tendencies and revealing investment incentives available in the country. Chapter 4 consists of a look at some

important sectors of the Guatemalan economy, with an emphasis on those where there are greater opportunities for investment with co-operatives. Then in Chapter 5 we analyze the various ways by which one can invest or conduct business in the country, explaining not just the different legal structures to start a project, but also those activities in which a foreigner may be involved.

The following chapters are a synthesis of information about important aspects of doing business in the country. In Chapter 6 we present some general concepts, including geographical, climatic, population and socio-cultural data, with the objective of giving a general impression of the country and its people. Chapter 7 details aspects of the banking and financial system and the rôle that the co-operatives play in this sector. In Chapter 8 we explain the tax system and in Chapter 9, Guatemalan labor policies, to end, in Chapter 10 with the political-legal structure of the country. We present in Chapter 11 a list of key contacts for those who hope to enter the Guatemalan marketplace, including government agencies, banks, enterprises and key organizations within the cooperative sector.

In summary, our hope is that this guide serves to orient those who already have identified Guatemala as a possibility for investments, commercial alliances or operations, and also to motivate those considering the co-operative sector as a viable alternative for receiving investments or conducting business.

For those who have not considered Guatemala nor its co-operatives, we hope to awaken a serious and well-informed interest in this country that has man-



## *Doing Business with the Co-operatives of Guatemala*

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aged to overcome a series of adversities, creating an environment of stability and a promising field for business, opening its borders to initiatives from individuals, enterprises and cooperative organizations world-wide.

Finally, this preface cannot end without expressing our thanks to the sponsors who have made possible

the creation and publication of this document: the **Centro Cooperativo Sueco** and the **Desarrollo Internacional Desjardins**.

*Juan Diego Pacheco*  
*Regional Director*  
*Alianza Cooperativa Internacional*

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## II. Reasons to pursue business opportunities in the Guatemalan co-operative sector

Guatemala has one of the most solid economies of Central America. Historically it has stood out for its productive capacity, principally in the agricultural sector and in services, and in recent years, with a renewal of the industrial sector. Due to changes experienced recently, this country appears as a real base for establishing commercial ties, where the co-operative sector shines as a real alternative for the development of productive and safe activities.

As an entry point to this economy, the co-operative sector makes the ideal medium, since it has a series of advantages. It is vital that this be known by the investor interested in doing business in Guatemala. Through this sector arise possibilities for joint investment and alliances that may produce greater benefits, as well as the experience and infrastructure developed over many years by the Guatemalan co-operative sector. So we shall understand why it is strategically important to enter the economic life of Guatemala.

**Table II.1 Main advantages of the guatemalan co-operatives**

- Constitutional nature of co-operativism
- Easy access to resources through external technical and financial assistance.
- Fast and direct access to the most important market segments of the country.
- Low production and intermediation costs.
- Strategic Alliances and Co-investments
- Idle capacity.
- Highly positive and beneficial ideals and goals for economic democratization and wealth distribution.

### *The constitutional nature of co-operativism*

Facing the new world economic order, businesses must change their way of acting so as to be able to compete successfully. Guatemala, like the other Latin American countries, has embarked on this irreversible process of economic opening. This re-

quires being more efficient and competitive.

In this new order, the cooperative sector becomes an excellent choice to confront the new economic process. The Constitution of Guatemala establishes that the State must «stimulate and protect the creation and functioning of co-operatives and give them the necessary technical and financial help». Since





the action of the co-operatives includes implicitly their social character, they are seen as a higher priority for the State when it undertakes projects that are strategic for the country.

***Easy access to resources using external technical and financial help***

It is well known that the world-wide co-operative movement, from its birth in 1844 in England (1), has enjoyed constant success in all countries, where it has found a way to promote the productive sector by means that implicitly include methods of association and community integration with the aim of improving the quality of life of its citizens. International organizations and developed countries that channel resources towards less-developed countries recognize the success of co-operative organization, and are aware that it is one of the most effective ways to channel such resources. In the particular case of Guatemala, the benefits arising from international co-operation in the co-operative sector have been substantial. Currently Co-operatives are widely recognized, as shown by relations with entities like: Sociedad Canadiense para el Desarrollo (SOCODEVI), Alianza Cooperativa Internacional (ACI), the Confederación de Cooperativas de Centro América (CCC-CA), the Programa Regional de Fomento de las Cooperativas en el Istmo Centroamericano (PROCOOPA), the Centro Cooperativo Sueco (SCC), Fundaciones Alemanas Friedrich Nauman y Friedrich Ebert, Banco Interamericano de Desarrollo (BID) and the Banco Centroamericano de Integración Económica (BCIE), among others.

***Fast direct access to the most important market segments of the country***

The Guatemalan co-operative sector, after many years of work by its members, has managed to be located in the most remote corners and in the liveli-

est domestic sectors. The level of organization has improved over the years, to the point where coordination and communication are progressively more efficient. Taking advantage of this organization and infra-structure in the co-operative sector, the investor obtains a competitive advantage for the distribution of his products in the national market.

***Low production and middleman costs***

The co-operatives, because they are enterprises working in the national interest with constitutional support, are exempt from some taxes, making them more competitive. The new legislation passed within the framework of the Economic Adjustment Program, establishes that the co-operatives are exempt from the value-added tax (VAT) on machinery, tools and supplies used in production and for the exclusive use of the co-operative. In the current fiscal scheme, the profits of the co-operatives that are derived from transactions with its associates and with other co-operatives, federations and co-operative federations are exempt from income tax.

***Strategic Alliances and joint investments***

The challenges of a marketplace that is more competitive as time goes by may be faced by the co-operative sector in various ways. Nowadays the norm in business is the joint venture among enterprises, where each one offers what it knows best how to do. In common terms, comparative advantages are exploited. The co-operative sector appears to be the most appropriate way to establish this kind of alliance, due to the following factors:

- The spirit of cohesion that facilitates the organization of businesses and the formation of alliances.
- There exists a solid and efficient structure at the level of federations and confederations that enables the establishment of international ne-



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45 AV. SUR Y 6a. CALLE PONIENTE 2350, COLONIA FLOR BLANCA  
APARTADO POSTAL 1772, SAN SALVADOR, EL SALVADOR, C.A.

Teléfonos: (503) 279-1028 • 279-1514 • 279-0531 • 279-0532 / Fax: (503) 279-1025

### *Reasons to pursue business opportunities in the guatemalan co-operative sector*

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gotiations and alliances.

- Different sectors of production are involved, permitting the establishment of strategic negotiations among the members of the co-operatives themselves, whether the product of one supplies the other or vice versa.

#### *Idle capacity*

With the mindset of being ever more efficient in the use of resources, it is essential that the large capacity for processing and storage of the co-operatives be taken advantage of completely. This is why a short-term priority is the identification of new markets to increase production volumes. For investors this presents an attractive opportunity to do business in Guatemala with the co-operative sector.

#### *Highly positive and beneficial ideals and aims for economic democratization and distribution of wealth*

Since the government of Guatemala recognized, as a result of the 1976 earthquake, that the reconstruction of the country must be based in the organization of the people, it was at that time that the co-operative sector became strong to play an important rôle in the country's economy.

The co-operatives of Guatemala have managed to some extent to insert the less-favored part of the population in the national economy, where the participation of women and youth has been significant. Objective proposals by representative entities to solve national problems have been welcomed by the government.



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### III. An overview of the guatemalan economy

**G**uatemala has been characterized in Central America by the importance of the agricultural and service sector in the gross domestic product (GDP). Similarly, in the last few years the industrial sector has also become a strategic sector in the formation of the GDP. While the Central American Common Market (CACM) was in effect, Guatemala was one of the countries that obtained greater benefits, especially economically, as opposed to the other countries of the region.

#### Background

Economic activity in Guatemala decelerated notably in the period 1981-1986 because of the political instability that effected all the countries of Central America. The economic problems derived from this situation have had repercussions in commerce, particularly among the countries of the Central American Common Market (CACM) and in the decrease in private investment.

During the 80's, considered by many Latin American countries "the lost decade", a generalized crisis was undergone that hit Guatemalan society hard. Consumption levels declined, investment was discouraged and inflation raged. Also social inequalities were exacerbated, wealth concentration increased, spending power decreased, there was a devaluation, and unemployment and poverty increased.

In this context, during the first part of the 80's, GDP growth was minimal, and in some cases negative. In 1987, thanks to reforms that started to be applied in economic policy, Guatemala left behind the recession, reaching a growth of 3.5% in its GDP. This

change was influenced principally by three sectors that traditionally have been strategic in the Guatemalan economy, namely: agriculture, which showed an average annual growth during the period 1987-1990 of 3.6%; manufacturing, which during the same period grew 2.2% and construction, which during that period experienced an average annual growth of 7.5% (this average includes a decrease of 7.9% in 1990) (see Table III.1)

Despite the conflicts and social problems that the country has confronted during past decades, the government of Guatemala has been improving its economic and social indicators using correct policies. In this respect we cite the unemployment percentages, which have maintained a 7.5% average from 1990 to 1994 (2), despite the year-to-year increase in the number of people who look for work for the first time. The difference is due to the absolute increase in the economically active population, a reflection of a consistent productive sector that absorbs the new need for employment.

#### The state of the economy

The form in which Guatemala conducts its development policies towards more competitive levels is very notable. Starting in 1994, constitutional reforms were introduced based on consensus and revealing a change in the balance of power in the new Congress, which resulted from a better understanding among the various branches of the State. It is clear to Guatemalans, as well as to the international community, that this type of events has influenced positively the economic and social expansion of the country. Actions like this, along with the economic

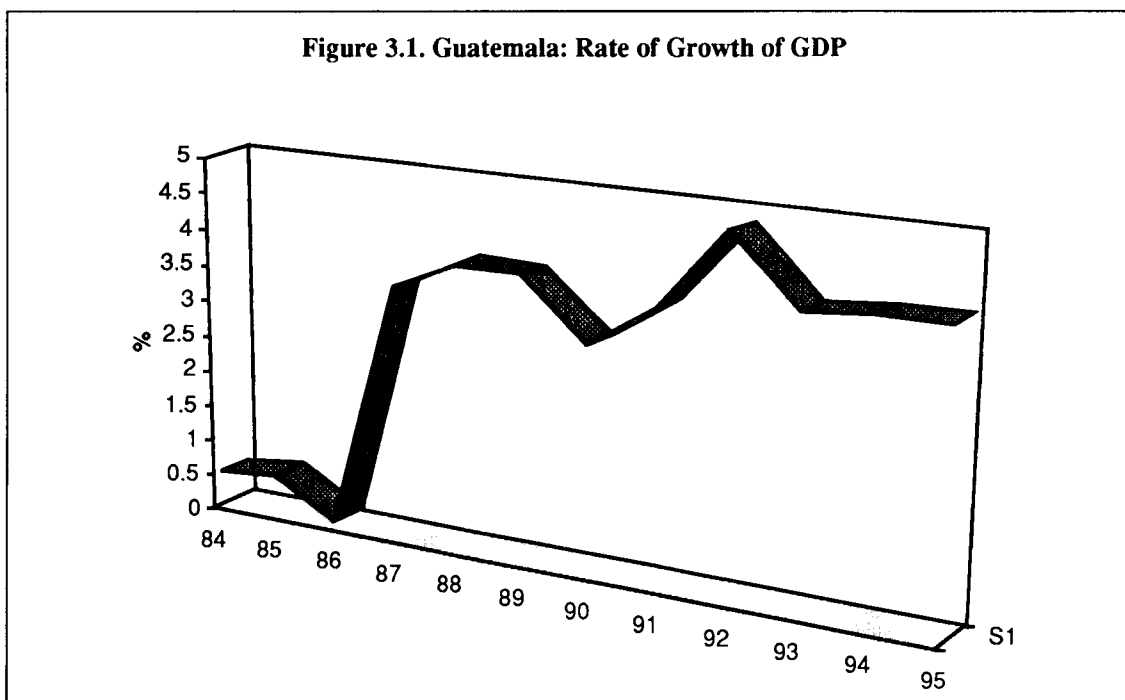


**Table III.1. Guatemala: Gross Domestic Product  
(Relative Growth)**

<b>GDP</b>	<b>84</b>	<b>85</b>	<b>86</b>	<b>87</b>	<b>88</b>	<b>89</b>	<b>90</b>	<b>91</b>	<b>92</b>	<b>93</b>	<b>94</b>	<b>95</b>
Total GDP	0.5	-0.6	0.1	3.5	3.9	3.9	3.1	3.7	4.8	3.9	4.0	4.0
Agriculture	1.6	0.4	-0.8	3.9	4.5	3.1	4.1	3.1	3.0	2.1	1.9	2.5
Mines and quarries	-18.9	-14.1	29.6	-0.1	2.6	3.5	-5.2	8.4	29.3	12.0	NA	NA
Manufact	0.5	-0.8	0.7	2.0	2.2	2.3	2.2	2.4	3.1	2.7	2.7	2.8
Construc.	-28.4	-8.4	3.1	14.5	15.7	7.8	-7.9	1.4	21.5	-1.9	-1.9	3.0

Source: IDB. Progreso Económico y Social en América Latina. Informe 1994.

**Figure 3.1. Guatemala: Rate of Growth of GDP**



Source: "Progreso Económico y Social en América Latina". IDB, 1994.

indicators presented, are unequivocal messages of an excellent place to do business.

In 1993 the GDP of Guatemala grew at a 4% rate, economic growth based on the expansion of internal spending, where private consumption and, particularly, investment are important. Consumption was favored by a growth in real wages arising from a moderate rate of inflation, from increases in minimum salaries in 1992 and from raises granted to public employees during 1993. Real private investment grew by 13.5%, favored by greater foreign private investment (3).

### The important role of co-operatives

In Guatemala there exists just one apex organiza-

**Table III.2 Guatemala:  
Real Relative GDP growth**

Year	Relative Growth (%)
1988	3.9
1989	3.9
1990	3.1
1991	3.7
1992	4.8
1993	3.9
1994	4.0(1)
1995	4.0(2)

Source: BID, 1994 and CEFSA., 1995

(1) Preliminary figures.

(2) COPADES forecast, March 1995.

**Table III.3 Guatemala: Economic Indicators  
1991-1995**

Indicator	1991	1992	1993	1994	1995
Nominal GDP (US\$ Millions)	47,302	53,985	63,734	74,491	85,990
Population (Thousands)	9,466	9,742	5,542	10,320	10,621
Per capita GDP (US\$)	4,997	5,542	6,356	7,218	8,096
Real GDP growth (%)	3.7	4.8	3.9	4.0	4.0
Consumer price index (%)	10	14.2	11.6	11.6	11.0
Rate of open unemployment (%)	7.5	7.9	7.6	7.8	7.9
Bank rate of exchange	5.07	5.3	5.86	5.67	5.8
Fiscal deficit (% of GDP)	0	0	1.5	1.7	1.5
Commercial balance (US\$ Millions)	(621)	(1,248)	(1,236)	(11.5)	(1,066)
Exports (US\$ Millions)	1,230	1,284	1,363	1,436	1,800
Imports (US\$ Millions)	1,851	2,532	2,599	2,591	2,866
Total private debt (US\$ Millions)	2,403	2,252	2,086	2,150	2,140
Net international monetary reserves (RMIN)	556	531	737	796	846

Source: CEFSA. "Situación de la economía en Centroamérica", 1994 and forecasts for 1995.



tion, the «Confederación Guatemalteca de Federaciones de Cooperativas, R.L.» (CONFECOOP), founded May 19, 1977. There are ten federations affiliated with CONFECOOP: one for savings and loans, one for housing and services, one for fisheries, one for consumers, one for artisanry, one for marketing and services and four for farming.

To emphasize the important role that the co-operatives have played in Guatemala, we must mention their direct contributions to the solution of social

problems, especially in the distribution of wealth generated by the productive apparatus of the country. The total of associates in the co-operative sector represents 8.9% of the economically active population (PEA) of Guatemala (4).

Among the agro-industrial products produced by the co-operative sector, parchment coffee is important. Co-operatives produce 43% of its total sales. Co-operatives in the agricultural sector make up 48.7% of the total in Guatemala, and are dispersed through

**Table III.4 Guatemala: Federations affiliated with CONFECOOP**

Full name	Acronym	Field of activity
1. Federación Nacional de Cooperativas de Ahorro y Crédito y Servicios Varios de Guatemala, R.L.	FENACOAC, R.L.	Savings and loans
2. Federación Nacional de Cooperativas de Vivienda y Servicios Varios, R.L. (FENACOV, R.L.)	FENACOV, R.L.	Housing
3. Federación de Cooperativas Pesqueras del Pacífico, R.L.	FEDEPESCA, R.L.	Fisheries
4. Federación de Cooperativas de Consumo R.L.	FEDECCON, R.L.	Consumption
5. Federación de Cooperativas de Producción Artesanal R.L.	ARTEXCO, R.L.	Industry and Artisanry
6. Federación de Cooperativas para el Mercadeo y Servicios Varios, R.L.	FECOMERQ, R.L.	Marketing and services
7. Federación de Cooperativas Agrícolas Regionales, R.L.	FECOAR, R.L.	Agriculture
8. Federación de Cooperativas Agrícolas de Guatemala, R.L.	FEDECOAG, R.L.	Agriculture
9. Federación de Cooperativas de las Verapaces, R.L.	FEDECOVERA, R.L.	Agriculture
10. Federación de Cooperativas Agrícolas de Productores de Café de Guatemala, R.L.	FEDECOCAGUA, R.L.	Agriculture

Source: Confecoop, April 1995.

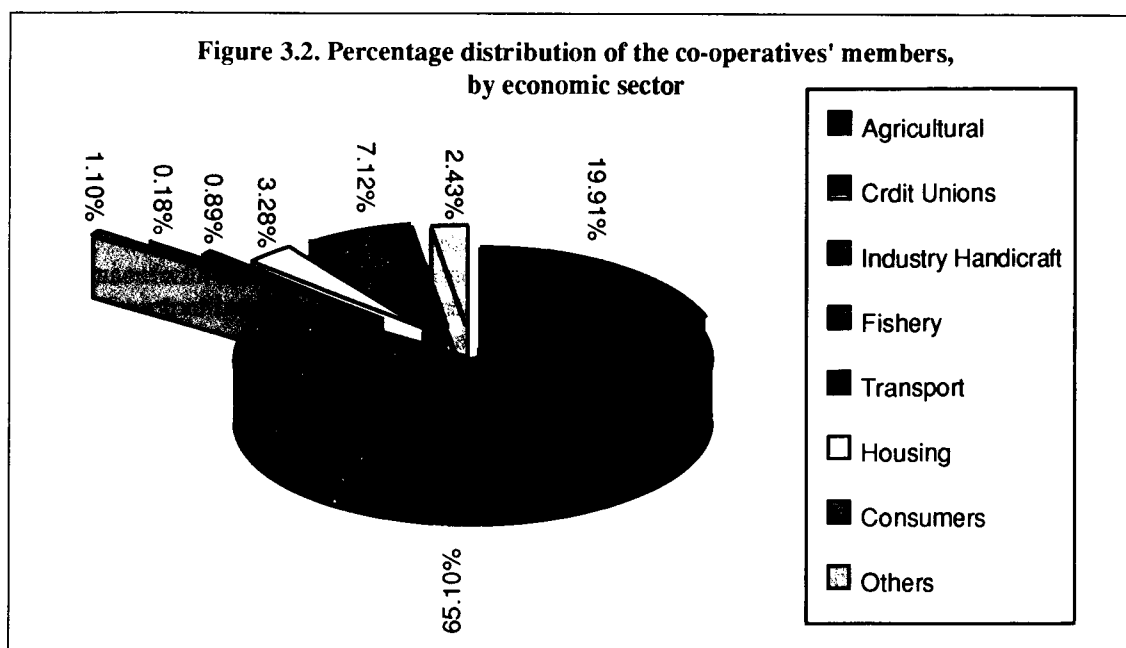


**Table III.5. Distribution of Associates and Co-operatives by sector: 1992**

Sectors	Associates	%	Co-operatives	%
Agricultural	39,659	19.91	340	48.71
Savings and Loans	129,702	65.10	146	20.92
Artisanry	2,185	1.10	30	4.30
Fisheries	349	0.18	12	1.72
Transport	1,767	0.89	23	3.30
Housing	6,530	3.28	41	5.87
Consumption	14,185	7.12	89	12.75
Other	4,846	2.43	17	2.44
<b>Total</b>	<b>199,223</b>	<b>100.00</b>	<b>698</b>	<b>100.00</b>

Source: CCC-CA. Cooperativismo de Guatemala en cifras. Censo Cooperativo Guatemala, 1992.

**Figure 3.2. Percentage distribution of the co-operatives' members, by economic sector**



Source: Cooperativismo de Guatemala en cifras, 1992. CCC-CA.



all the Departments of the country. They account for 19.9% of the total of associates. Nevertheless, it is interesting to see the case of the Credit Unions which make up 21% of the total, but 65.10% of the total of associates (5) (see Figure III.5: Distribution of associates and co-operatives by sector).

It is very interesting to refer to the importance of the Credit Unions, since one of the principal limitations on the region's productive sector has been for a long time the poor access to credit, especially for small and medium-sized producers. The structure behind this type of co-operative in Guatemala helps alleviate one of the most critical problems of the members of the co-operatives. Moreover, we must add that growth of the Credit Unions has been strategic, given that they are located throughout the country, making access to credit even easier.

The co-operative sector has proven itself to be strong in the face of the adjustment measures that have been applied in recent years in Guatemala. The agricultural sector has been benefited by the freeing of prices increasing their incomes. Other sectors, despite not enjoying the success of the agricultural co-operatives, are conscious of future challenges, for which they must decide their goals in the intensification of levels of integration, since by joining up with other units, be they co-operatives or not, their bargaining power will be stronger and they will be able to gain benefits from their scale.

## **Investment and export incentives**

Since 1982, with the exhaustion of the import substitution model, Guatemala centered its attention on increasing its exports to alleviate a large negative balance of payments and an increase in the external debt that threatened the economic health of the coun-

try. So it introduced an incentive system to stimulate exports and established mechanisms to attract foreign investment. Next we explain the different incentives that investors must take into account when evaluating the possibility of doing business in Guatemala.

### ***Special opportunities for residents***

Decree 58-73 of the Congress offers the opportunity for retirees and pensioners or other foreigners who possess another source of income to establish themselves in the country. They can enjoy a series of benefits like exemption from customs duties for more than US\$47,000.00 in domestic goods and for the entry of a vehicle. These persons must have a monthly income of US\$4,250.00 or more originating outside Guatemala and may work only as advisors in those activities considered useful for the country, following the rules of the Economics Ministry. Anyone interested in making use of this law must send his request to a Guatemalan Consulate. Those people who already live in the country may obtain the application forms in the offices of the Guatemalan Tourist Commission. Hundreds of foreigners use this law to live in Guatemala.

### ***Free trade zones***

This incentive was put forward by Law 65-89. Its objective is to stimulate and regulate the establishment of free trade zones in Guatemala. In general terms this law establishes that free trade zones may be public or private. These constitute an area of land subject to a special customs code where activities related to export or re-export (production or commercialization or associated services) may take place. Those activities related to traditional export products are excluded.

Before operating in a free trade zone, one must com-

plete a qualifying procedure in the Economy Ministry. Operation in a free trade zone allows a series of fiscal incentives and benefits, like an income tax exemption for 15 years, depending on the type of enterprise.

Among the obligations of an enterprise operating in a free trade zone are the payment of ten U.S. cents monthly per square meter to the Finance Ministry, obeying the laws of Guatemala and putting up a deposit to guarantee the fulfilment of its obligations.

#### ***Zona libre de industria y comercio -ZOLIC-***

This free trade zone is located in an area outside customs on the Atlantic coast. Its objective is to promote industrial and commercial development in the country. Enterprises that operate in this zone are exempt from the payment of taxes, duties, contributions, tariffs and fiscal or municipal rates, current or future. They are also 100% exempt from the payment of income tax for the first twelve years. Foreign individuals or corporations may not take advantage of this benefit when they are subject to the same taxes in their native country and the laws of that country allow them to deduct taxes paid in Guatemala from their taxes payable there.

Goods manufactured in the free trade zone may be destined for import, export or supplying other zones and free ports within the country and legally established bonded warehouses.

All merchandise or other items of commerce, raw materials, materials, semi-processed products, intermediate products, tools, spare parts, accessories and other goods for use in the operations that enter the free trade zone are also exempt from the payment of taxes, duties, contributions, tariffs and fiscal or municipal rates, current or future, not only on

entry, but also during their stay there. Storage, caretaking, stowage, cartage or any other type of service which the entity performs must be paid by the user.

## **Other incentives**

### ***External import incentives***

Commercial trade has advanced the signing of various bilateral and multilateral treaties by the Government of the Republic so that exporters may enjoy a series of tax preferences that essentially consist of a significant reduction in import taxes payable on the entry of the products into the relevant country. These treaties are the following:

### ***General System of Preferences (GSP)***

This has as its fundamental aim to exonerate the duties payable on imports to the industrialized countries of products originating in developing countries, without requiring any reciprocity on the part of the latter.

This treaty is applied in Europe, the U.S.A. and Australia. To enjoy its benefits, the exporter must present a form designed for this purpose, typewritten in English or French, to the DIGECOMEX Delegation at the «Ventanilla Unica» (the special wicket where all the paperwork is handled) for exports. This form must be accompanied by a copy or photocopy of the commercial invoice and bill of lading, or otherwise, a sworn declaration to subsequently provide DIGECOMEX the bill of lading.

Textiles, industrial and agricultural products are among those eligible under the General System of Preferences. This should be checked out with the DIGECOMEX Delegation.



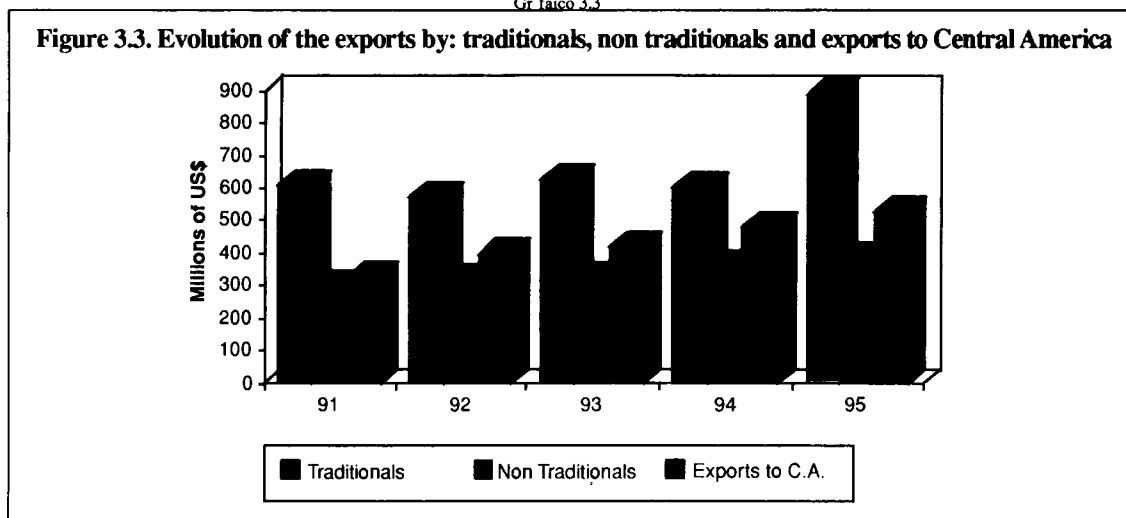
<b>PRODUCTS</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>
<b>I. Traditional</b>	<b>606.2</b>	<b>566.9</b>	<b>623.3</b>	<b>599.1</b>	<b>887.2</b>
Coffee	280.8	252.9	276.4	317.6	546.0
Sugar	141.1	136.5	158.4	159.2	206.3
Banana	80.1	110.9	102.7	9.6	49.4
Cardamom	37.8	32.8	39.4	42.2	43.5
Petroleum	19.1	20.0	27.2	22.2	31.5
Meat	25.8	13.3	15.3	8.2	10.5
Cotton	21.5	0.5	3.9	—	—
<b>II. Non Traditional</b>	<b>299.8</b>	<b>321.3</b>	<b>322.1</b>	<b>362.1</b>	<b>387.5</b>
<b>III. Exports to Central America</b>	<b>324.0</b>	<b>395.4</b>	<b>417.8</b>	<b>475.8</b>	<b>525.0</b>
<b>TOTAL</b>	<b>1,230</b>	<b>1,283.6</b>	<b>1,363.2</b>	<b>1,436.1</b>	<b>1,799.7</b>

(1) Preliminary figures, subject to modification by the Banco de Guatemala

(2) COPADES forecast, March, 1995.

Source: CEFSA. Consejeros Económicos y Financieros, S.A.

Gráfico 3.3



Source: CEFSA, Consejeros Económicos y Financieros S.A.

## **International commerce and free trade agreements**

### ***Partial treaties with Mexico, Venezuela and Colombia***

These agreements provide for Guatemalan products to enter Mexico, Venezuela and Colombia duty-free or with reduced import duties.

As a prerequisite for enjoying these benefits, the exporter must present the Certificate of Origin issued by the DIGECOMEX Delegation, typewritten in Spanish and accompanied by a copy or photocopy of the invoice.

### ***Special regulations for access to the border strip of the South of Mexico***

This special agreement permits the entry of most Guatemalan products into the border strip, with substantial reductions in import duties. This strip extends 20 km north of the international border into Mexico.

To enjoy its benefits, the exporter must present the Certificate of Origin from the Guatemalan Chamber of Commerce, which he can buy from the representative of this Chamber at the «Ventanilla Unica», and then subsequently present a photocopy of this Certificate of Origin to the DIGECOMEX representative with a copy of the invoice to be authorized.

### ***Triangular Seal***

This agreement is valid for traditional manufactured products to be exported to the United States of America. To enjoy its benefits, the exporter must present the original invoice to the DIGECOMEX branch, so that the Head of this branch may stamp the triangular seal on the back with his/her signature.

### ***Certificate of handicraft textiles for Australia***

This agreement with Australia applies only to manufactured handicrafts. The certificate of artisan production is presented on the appropriate form.



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## IV. Key sectors, opportunities with co-operatives

**G**uatemala is well-known for its exotic and varied attractions. It features the foundations and the ruins of one of the most incredible cultures of history, the Mayan civilization. Every year thousands of people arrive in this country to know and study the lifestyle of a culture that will never be forgotten, and how a people maintain their customs and defend their Mayan cultural heritage with pride.

But besides their impressive cultural contribution, Guatemala is famous for the hospitality of its people. This characteristic, along with a highly productive economy with many products to offer, has helped increase tourism.

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### Tourism

Even though there are no co-operatives clearly identified with this sector, those that work in the textile and artisan sector have a strong relation with this

activity, as well as the agricultural co-operatives which could start some tourist projects, given that they own large plots of land with much tourist potential. For this reason we are including a summary of this activity.

During 1988 a total of 405,200 tourists entered the country, leaving a total of US\$ 62,100,000. In 1990, the flow of tourists increased 25%, reaching 508,000 tourists, and their spending nearly doubled, reaching US\$ 117,900.00, an 89% increase (6) For Guatemala tourism represents an important source of foreign exchange, so the government is inclined to support projects of this type. Nevertheless, on checking the country's hotel capacity, one sees that in 1990 this reached 6408 rooms (7), not enough to take care of the growing demand of tourists arriving in the country. We must add that this total number of rooms includes all types of hotels. This panorama reveals an ideal and easily-accessible market for investors, because the country's policies are to support this type of action. The rate of increase in the number of visitors has been steady. Guatemala is currently undergoing a series of reforms that seek to send the country along the road to international competitiveness. A very interesting aspect for the businesspeople who would like to work in this sector is the increase in spending from 1988 to 1990 which is nearly four times greater than the increase in tourist numbers.

### Agricultural sector

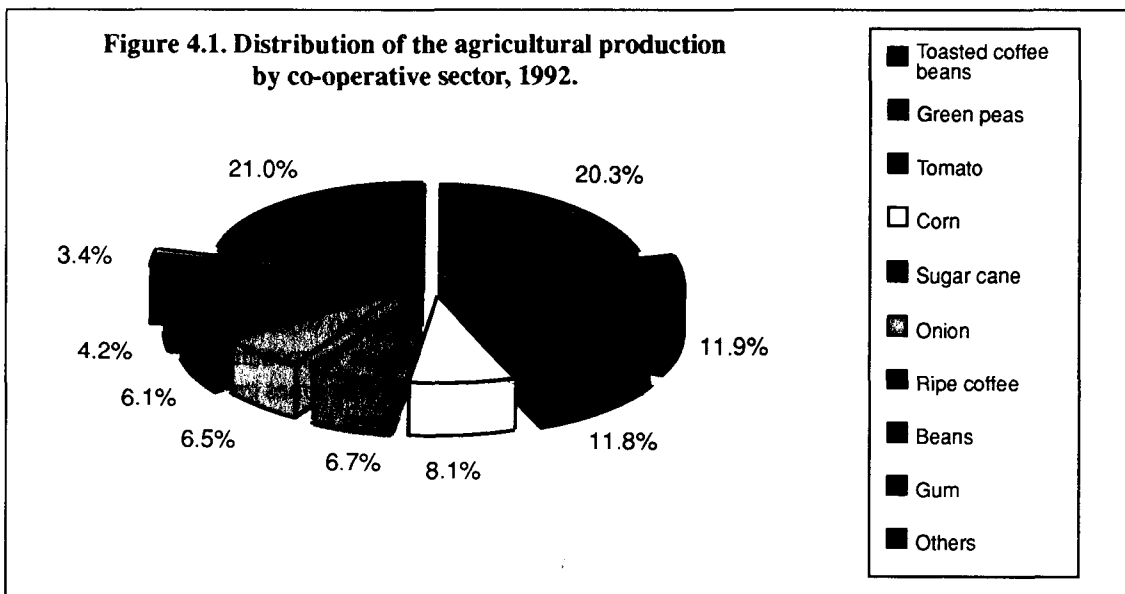
On the subject of the search for investment alternatives for foreign businesspeople who wish to deal



**Table IV.1. Distribution of agricultural production in the co-operative sector  
(sales figures in thousands of Quetzals and of US\$)**

Product	%	Value (thousands Q)	Value (thousands US\$)
Toasted coffee beans	20.3	32,913	6,210.3
Green peas	11.9	19,146	3,612.5
Tomato	11.8	19,100	3,603.8
Corn	8.1	13,132	2,477.7
Sugar cane	6.7	10,813	2,040.2
Onion	6.5	10,464	1,974.3
Ripe coffee	6.1	9,818	1,852.5
Beans	4.2	6,817	1,286.2
Gum	3.4	5,553	1,047.7
Others (1)	21.0	33,710	6,360.4
<b>Total</b>	<b>100.0</b>	<b>161,466</b>	<b>30,465.3</b>

(1) Includes all those products whose individual annual sales amounted to less than Q10 thousand.  
Source: Census of co-operatives, Guatemala, 1992.



Source: Censo Cooperativo, 1992.



with co-operatives, the agricultural sector cannot be ignored. Agriculture is a mainstay of the country's economy: its share of the GDP in 1990 was 25.8% (8), generating 75% of the exchange earnings and employing about 50% of the work force. Due to its geographical location and mountainous topography, Guatemala has a variety of climates, allowing it to produce virtually any crop one wants. The temperature varies between 15° and 25° Celsius. There are just two seasons: rainy (from May to November) and dry (from December to April).

The co-operative agricultural sector has taken advantage of this to diversify successfully, strongly supporting national production and proving attractive to the investor who wishes to do business in this sector (see Table IV.1).

One may note that the principal sales product is toasted coffee beans, amounting to a fifth of the sales of agricultural products. Concerning exports carried out by the co-operative movement, out of the total of US\$38.9 millions exported, 98% (9) corresponds to agricultural exports. Another interesting aspect for the investor is the image designed for Guatemalan agricultural products in Central America, where they are considered highly competitive (see Table IV.2).

**«Cuatro Pinos» Agricultural Co-operative: good business potential**

In Guatemala the «Cuatro Pinos» Co-operative, located in a region with great agricultural potential about 35 minutes from the capital, is prominent in this sector. It is noted for its success as a business exporting non-traditional agricultural products to the North American and European markets.

With a large proportion of small-scale farmers, traditionally producers of basic grains and some vegetables for the domestic market, the co-operative has become a source of employment and marketing for new non-traditional crops (green peas, sweet peas, green beans, zucchini) whose popularity is growing in the United States and Europe.

Its main activity is to serve as a bridge in the commercialization of the production of the local small-scale farmers to the export markets, for which it performs the services of partial processing and packing of the product, guaranteeing quality and volume sufficient to maintain its profitability.

Like many agricultural commodities, the prices of exported goods are highly volatile and continuously varying due to saturation or shortage in the market. The Co-operative can support the producers in times

**Table IV.2. Guatemala:  
Advantages offered to the investor wishing to do business with agricultural co-operatives**

- Geographical position and climate
- Highly diversified production
- Competitiveness within Central America
- Receptivity to free-trade measures, leading to greater export competitiveness
- Increase strength in the financial sector

Source: Information compiled from «El estado de las cooperativas en Guatemala 1993» and interviews.



of low prices and capitalize in times of high prices, achieving in this way that the member receive adequate prices to maintain his supply year-round.

The product's characteristics allow its harvest through most of the year, so the enterprise can maintain a constant income, achieving stability, both for the Co-operative and for its members in terms of cash-flow.

In Central America, where there have been strikes and failures in many small and new enterprises dedicated to non-traditional crops, the «Cuatro Pinos» Co-operative has developed the capacity to sell new products, in a semi-processed state, permitting a guarantee of quality control and fulfilling the strict sanitary requirements of the North American market.

With the initial help of Cooperación Internacional Suiza, the «Cuatro Pinos» co-operative was born as an alternative to the region's agricultural development, and as a reply to the economic and social deterioration of the city of Santiago de Sacatepequez after the destruction of the principal settlements in the 1976 earthquake.

With nearly 200 workers, counting packers, administrative employees and 2,000 associates, the Co-operative currently exports a monthly average of 520 thousand pounds of its principal products. The market for its final product is essentially export. Its production is sent 85% to the north American market, 10% to Europe and 5% to satisfy domestic demand, which is satisfied with items rejected for export.

The main comparative advantage of the region is a very fertile land and suitable climate for its main crops as well as the existence of family labor of a proportionately lower cost compared to other countries. The principal competitors in these product varieties are Mexico and some regions of Califor-

nia, which nevertheless cannot maintain a constant production year-round because of the climate.

The newest area, with great future prospects in relation to the co-operative's planning, is the Production Department. Its work is directed by a group of agronomists who fix the criteria for sowing, determine the rules and volumes and recommend the credit distribution among the products. This planning takes place according to the purchase contracts and demand estimates that the enterprise carries out.

The address and telephone numbers of this co-operative are:

**Cooperativa Agrícola Cuatro Pinos**  
**Santiago de Sacatepequez, Guatemala**  
Tel. (502)-9 30 3259 - 30 3817  
Fax (502)-9 30 3818  
Contacto: Sr. Miguel Angel Socop,  
Gerente General

## **Agroindustry**

Agroindustry is an area of huge potential in Guatemala, above all when we see how much the co-operatives have developed in the agricultural sector (nearly half the total of co-operatives belong to this sector). They may rapidly and efficiently join up with the industrial side. An example of this is the Xelac co-operative, described in the following account.

### ***Xelac. Export-quality dairy products***

The name XELAC is made up of XE from Xelajú, a municipality in Quetzaltenango county, and LAC from «lácteos» (dairy products). This co-operative was formed in 1974 by 20 farmers living in the communities of Quetzaltenango and Totonicapán. It

received technical assistance from the Swiss Association of Technical Assistance.

This supervisory international body was in charge of fund-raising with which it managed: land purchases; design and construction of the dairy plant; purchase and installation of the plant equipment; personnel training in dairy products; personnel training in veterinarian medicine; subsidizing of operating, service and management.

In 1982 the Swiss technicians withdrew, but agreed to leave behind the goods in use for the co-operative and leave the management to the board. The co-operative had to struggle many years to survive. Not till 1987 did the co-operative start to show a profit. Right now it is preparing a long-term plan (5 years) whose objective is that the co-operative achieve the economic and social viability to become self-sufficient.

Strategic planning helped to overcome difficulties and to organize the work necessary in four specific areas: production, industry, sales and management.

To correct the situation diagnosed, the co-operative had to start to resolve each and every one of the irregularities noticed, a very beneficial and positive experience. A large industrial reconversion plan was implemented with much success. Here are some examples of what was achieved in each area:

**Production:** educational meetings; organization of the members in local groups; recruitment of new members; start of basic infra-structure for warehouses; definition of which services whose cost will be paid by the co-operative; conservation of services and the creation of new services that are profitable and used by 80% of the members; training in milk production; exchanges inside and outside the co-operative; creation of a savings plan calculated by milk sales and by use of credit; a competitive price

for the member and incentives for better quality; economic incentives for members who reach their goals; payment of a year-end bonus; payment of profits at the Regular General Meeting; a prize for the best producer, male and female; establishment of commercial relations with individuals.

**Industry:** Manufacture for sale of profitable products of the best quality; updating of sanitary records; wrapping and packaging; development of new products; improvements in the maintenance and efficiency of equipment; renewal and expansion of the equipment and the refrigeration system; change and maintenance of the electrical systems; retraining, promotion, job security and wage increases for the personnel.

**Sales:** market research; plans for the national and regional market; goals for salesmen; sale of profitable products; adequate transportation for distribution and sales; sufficient salesmen; updating of routes; an adequate refrigeration system; market growth; personnel training; promotion and publicity; improvements in salaries or commissions, promotions and job security.

**Management:** The Annual General Meeting is called to evaluate the previous year's results, approve the operating plan of the current year, elect officials and decide on profit-sharing. The Board of Directors works as a group according to its authority, work plan and its own budget. The Oversight Committee works according to the statutes. The manager's office works as an executive within its jurisdiction to determine long and short-term plans; efficient financial management to determine costs, supplies, depreciations and reserves; relationship with the State and its institutions; knowledge and updating of information available internationally and nationally in the field of dairy products.

A report on the plan's progress was written and in



four years the co-operative became economically and socially viable and had been able to achieve autonomy, as shown by the following indicators:

- A substantial increase in the volume of business, reaching approximately Q3 million (some US\$520 thousand) annually.
- A profit of more than Q1.7 million (some US\$300 thousand) in the five years of rebuilding 1988-1992.
- An increase in the co-operative's assets to more than Q4 million (some US\$695 thousand).
- An increase in the members' capital.
- A wage increase for the workers.
- A real distribution of profits to the members.
- A decrease in external financial support, reaching zero in 1993.

Future projects for XELAC are:

- To establish a partnership with the Ministry of Agriculture and Livestock (MAGA) to acquire the PROLAC plant which has a capacity of about 25,000 liters of milk a day. It has equipment to dehydrate milk, though it needs a further investment to install the equipment necessary to dehydrate milk instantly. For this project they are looking for partners.
- With the objective of guaranteeing the supply of raw materials for the above project, they organized a co-operative (Cooperativa UJIAPA) in the Asunción Mita region with 50 producers and a production capacity of 9,000 liters daily.
- With government help they plan to install a pro-

cessing plant in Petén. Xelac will participate in one of two ways: as a co-owner or by charging the government for the plant installation services. An investment of Q 3 million (US\$531,000) is required for this project. Here again a partnership with a co-operative or interested private investor is possible .

- A partnership with the private-sector enterprise FORMOS is taking shape to install an ultra pasteurization plant with UHT technology to distribute this type of product throughout the country. With the capacity to be installed they will help out other food producers who can use this type of container for items like fruit juices, drinks, tomato sauce or whatever other product that may be packed with this technology. The investment required for this project is Q 9.04 million (US\$1.6 million) and they are also interested in possible partnerships.
- Export of fancy cheeses to external markets. For this they make excellent cheeses, using the "know how" acquired from the Swiss aid in the production of the following types of cheeses:

- Sbrinz (Parmesan)
- Gruyere
- Tilsit
- Emmental

Even though they also produce cheeses like Mozzarella (Italian) and Camembert (French), the largest production capacity corresponds to the Sbrinz and Gruyère types. For export they are ready to hear offers from representatives in other countries or receive information requests concerning export prices and quantities. Also they make other products: yogurt, sour cream and whipping cream.

The address and telephone numbers of this co-operative are the following:

**XELAC R.L.**  
**Km 189.5 San Cristóbal Totonicapán,**  
**Quetzaltenango**  
Tel (502) 9-63 9503  
Fax (502) 9-63 9681  
Apdo 144, Quetzaltenango  
Contact: José Alberto de Paz, General  
Manager  
Gabriel Gramajo, Executive President

## **Industrial and Artisan Sector**

The Guatemalan industrial co-operative sector is made up principally of artisan production co-operatives. Most of the members working in this sector, 50% or more, are in Quetzaltenango department. Next in order are the departments of Guatemala City and Huehuetenango with 16.3% and 15.8% respectively. The three departments have a great tourist potential, so it is hardly surprising that most members are located there, given that they represent excellent markets for the retailing of artisanry.

The principal article traded by this sector is typical fabric, making up 30% of total sales. Typical clothes and other typical products like artisanry made with clay and wood are also important. All this work is done, fundamentally, by native women, and hence the high rate of female participation in this activity.

Nearly half the sales of the industrial co-operatives are native handicrafts, many of which have invaded diverse markets in Central America, the United States and some European countries, with modern and creative designs.

### ***Federación de Cooperativas de Producción Artesanal R.L. (ARTEXCO)***

This Federation has considerable experience sell-

ing overseas and has established several stores within the country. Artexco started operations in 1972. Its headquarters is in Quetzaltenango Department. It was founded at the initiative of the representatives of four artisan co-operatives, with the goal of marketing their products. Even though at the beginning they were supported by international aid, currently they try to implement programs based on their own financing possibilities.

From 1972 to 1978 ARTEXCO increased its membership to 30 co-operatives, when the total number of artisan co-operatives in the country was 42. In those years ARTEXCO managed to promote its artisanry in international markets with really strong salesmanship. This yielded significant economic growth for this Federation and its affiliated co-operatives.

From 1979 to 1982 ARTEXCO suffered a period of instability caused by the social and political crisis that swept the country. From 1983 the political crisis started to decline and a period of relative calm began, allowing ARTEXCO to start its recovery with a reorganization process of its co-operatives. They started a period of direct assistance for those co-operatives considered the most suitable to compete in external markets, a period which was extended for the rest of the 80's and then till the present day. Currently ARTEXCO is made up of 14 active co-operatives and 6 potential co-operative groups located in the Departments of Quetzaltenango, Sololá, San Marcos, Huehuetenango, Totonicapán, Chimaltenango and Quiché. Of the people associated with the co-operatives belonging to ARTEXCO, 55% are women and 45% men. Regional native groups make up 98% of these people.

Production at ARTEXCO supplies not just a source of permanent employment to more than 2,800 people, but also guarantees a decent income for them, avoiding their emigration to the capital, other cities or to the sugar cane, coffee and cotton planta-



tions of the southern coast. Moreover it takes care of the members' needs by way of its programs of:

- a) Retailing: to sell its products;
- b) Loans of materials: distribution of raw materials as a loan;
- c) Training: for co-operative development and human development at educational events and in scholarships for training in textiles and tailoring;
- d) Technical assistance: in techniques for textiles, marble, embroidery, shoe-making, quality control; and
- e) Social support: medical days; social, sport and cultural activities.

Right now ARTEXCO is working on the following projects:

- Industrial dying. Based on market research, it was found necessary to improve the quality of the textile dyes used by the artisans in the manufacture of clothing. Due to this, Q 2 million (US\$354 thousand) was invested in the purchase of an industrial dyeing establishment that could guarantee the quality required. In addition, the purchase of a boiler to operate there was required. Once in operation it will offer services to 10 of the 14 affiliated co-operatives.
- Tailoring. The «Monja Blanca» co-operative is dedicated to tailoring. For them a technical training project is underway that allows them to fulfill export market requirements. In this way export requests arriving at ARTEXCO that need high-quality items would be channeled to this co-operative.
- Quality improvement. Based on a program of quality management and steady improvement, the product quality of all the affiliated co-operatives should be increased. For this a counseling program in this aspect should be established. The

member should be made aware of the vital rôle that he plays in the provision of quality products which must meet export standards.

The address and telephone numbers of this Federation are the following:

**ARTEXCO**  
**Federación de cooperativas de**  
**producción artesanal**  
P.O. Box 139. 7a. Av. 15-97, Zona 5  
Quetzaltenango, Guatemala, Central  
America  
Tel (502) 9-614380  
Fax (502) 9-630080  
**Contact: Luis A. Samayoa, General**  
**Manager**

## **Retailing and consumer products**

In order to furnish the infra-structure necessary for those co-operatives that have developed primarily in agriculture, the federations are developing projects to furnish the necessary link in the commercial chain. So it happens that both Confecoop and Fedecon have managed to advance in this sense, as will be explained in the following.

Co-operative Integral Development Project for exports: COOPEX

This is an initiative developed by CONFECOOP (Confederation of Co-operative Federations) and supported technically and financially by PROCOOPCA, by means of which a commercial infra-structure should be created to be used by small co-operative agricultural producers so they can compete in this way more successfully than now.

In the first phase of the project, professional technical

assistance in the areas of co-operative organization, agricultural production and commercialization has been provided, the latter oriented to export markets.

Following 10 months of technical assistance, export of green beans has been started to Miami, New York and Los Angeles.

In parallel, commercial production of celery, lettuce and garlic has been started; while at the same time an evaluation continues of other products with export potential.

The project involves more than 280 families of co-operative members, anticipating that other co-operative organizations located in the area of influence join up.

Current export level: 11,000 pounds per week of green beans

Short-term forecast: 36,000 pounds per week

Installed capacity: 2.5 million pounds per year

The pilot organization is the «Justo Rufino Barrios» Co-operative, where operations have been centralized.

The main interest of the organizations participating in the project is to distribute their products by means of trustworthy enterprises in Europe and North America, ideally using joint partnerships.

The address and telephone numbers of this co-operative are:

**Cooperativa Justo Rufino Barrios**  
Tejutla, San Marcos, Guatemala  
Tel y Fax: (502) 9-60 0158  
**Sr. Catalino Barrios, General Manager**

### **Consumers' Union "Alianza, S.A."**

With the aim of consolidating the consumers' sector within the Guatemalan co-operative movement, at the end of 1994 the project "Consortio de Consumo Alianza" was designed, under the guise of a limited company belonging to the co-operatives and federations.

This project originated in FEDECCON (Federación de Cooperativas de Consumo de Guatemala) and has enjoyed the support of the SCC (Centro Cooperativo Sueco) in coordination with CONFECOOP. The participating organizations in the project are the Credit Unions HUNAHPU R.L., PARROQUIAL GUADALUPANA R.L., UNION PROGRESISTA AMATITLANECA R.L., NUEVO MUNDO R.L., the consumers' co-operative EEGSSA R.L. and the federations FEDECCON and FEDECOAG.

A supermarket chain will be established under the name "SURTIMERCADOS". A large variety of staple items will be offered, using a purchase and distribution policy that allows for discount prices. A strategy will be introduced based on carrying out wholesale operations, initially in a concentrated manner, to spread the medium-term benefits into the country's interior. Co-operatives and federations from other fields, who will be the owners of the chain, will participate.

During its first year of operations, starting in June 1995, it will open its first supermarket. An agreement was reached with FEDECCON for its Guatemala City supermarket to become the chain's first. It hopes to establish four supermarkets in that first year, with sales of Q 5 million (US\$885 thousand), concentrating at the start on the metropolitan Guatemala City area, while over time the country's interior will be covered and further services will be offered.



Their goal is to add, during the second and third year, 4 supermarkets to the chain in addition to those of the first year, reaching sales of Q 18.5 million (US\$ 3.3 million). At the end of the fifth year they hope to be running 8 supermarkets with sales of Q 28 million (about US\$5 million) and generating a profit of 50% of the investment.

The SURTIMERCADOS represent a new challenge for the co-operative movement, where the business point of view plays a fundamental rôle. The profit aspect will also play an important rôle, while not prejudicing the social aspect. Specialization in the services and technology applicable in this field will be the basis for competing properly in the market.

The establishment of a supermarket chain like this will allow the Guatemalan co-operative movement to develop a favorable position with their suppliers, improving their bargaining position, obtaining better prices, advertising support, direct deliveries to the supermarkets and financing of inventories, all of which will benefit the prices and service offered the consumer.

This project will help consolidate the Guatemalan consumers' co-operative movement, showing off better the participation of the co-operatives in the national economy.

The telephone numbers and address of this excellent project are included in the following

**Proyecto Alianza de Consumo S.A.,  
"SURTIMERCADOS"**  
25 Calle 0-07, Zona 1, Guatemala  
Tel (502) 51 7096  
Fax (502) 51 9645  
**Contact: Rolando Baquiax Gómez,  
Fedeccon**

## Savings and loans

The first credit unions were formed with the encouragement of the Catholic church. Hence the majority of the co-operatives in this sector take their names from saints like San Cristóbal, Santa María Asunción, etc.

FENACOAC (Federación Nacional de Cooperativas de Ahorro y Crédito y Servicios Varios de Guatemala, R.L.) was founded in 1963, with the joining of five co-operatives, two urban and three from the western plateau. Its history is generally divided into four stages:

1. Promotional stage (1963-1970). It received much international support. The emphasis was on the founding of co-operatives and the training of these in co-operative principles.
2. Consolidation stage (1970-1975). It received a donation from AID for institutional support.
3. Project stage (1975-1988). This was the stage where there was a strong emphasis on the management of projects like fertilizers, transportation, bookstores, commerce and others. During this stage it was thought that the Federation had to pursue projects in various economic activities. Nevertheless around 1982 it was decided to specialize in just savings and loans.
4. System modernization stage (1988 on). This stage arose to support the efforts made by the Programa de Fomento Cooperativo (PFC), endorsed by AID. The Federation adopted a strategy of blacklisting with the aim of making its finances healthier, along with those of the affiliated co-operatives. The procedures for the analysis of overdue loans became stricter. Hence, any co-operative overdue 12 months or more is wound up. This means its expulsion as



a co-operative member (for the associate) or the latter with respect to FENACOAC.

It now boasts 30 years of uninterrupted success on the Guatemalan financial market. It is a secure, solid, solvent and trustworthy organization with much experience in the Guatemalan financial market.

FENACOAC has the most prestigious Credit Unions of the country as members. Among the services offered are the following:

- Administration of reserves. Part of the savings deposits of the affiliated co-operatives are handled so as to guarantee the members' withdrawals.
- Advance payments. They grant cash advances to the affiliated co-operatives that need them, using the backing of their reserve deposits.
- Special advances. They offer cash advances to the affiliated co-operatives of up to 50% beyond the reserves on deposit to guarantee the liquidity necessary for the withdrawals of members' savings.
- Savings accounts. They offer passbook savings accounts with attractive interest rates.
- Time deposits. They offer fixed-term savings certificates with a good yield for up to 90 days.
- Investment certificates. They have more profitable fixed-term instruments, with higher yields, for terms over 90 days.
- Short and medium-term loans. They grant loans to member co-operatives to help them give credits to members for agriculture, commerce, housing and small and medium enterprises.

Among the more advanced services, we note the

following:

- Contingency fund for savings. This protects the members' deposits against all risks.
- Compañía de Seguros Columna S.A. A business that offers insurance for various needs (see the following item in this chapter).
- System-wide credit card. This is a financial instrument that agilizes the transactions of those who use the service.
- Services between the systems FENACOAC and Co-operatives. This is an agile and efficient mechanism for financial operations.

Two cases that illustrate the work of co-operatives in this sector are those of the *Cooperativa UPA* (Unión Progresista Amatitlaneca, R.L.) and the *Cooperativa Parroquial Guadalupana, R.L.*

*Cooperativa Unión Progresista Amatitlaneca, R.L.*

This Co-operative is located in the city of Amatitlán, some 45 minutes from Guatemala City by an excellent highway. It has more than thirty years' experience delivering financial, consumer and other services.

At the end of their 1994 fiscal year, its most important economic indicators are shown in table IV.3 (including goals for 1995).

With respect to its services, the co-operative is proud of its motto: "satisfy the member, know his needs with plans of service that please them with simplicity, respect and attention".

They work in four basic areas:

**Marketing / Education:** its main function is the planning and execution of the marketing and advertising strategies of the Co-operative; educational and training programs that help strengthen co-operative and technical knowledge in various areas directed



to youth, to women and to men, motivating them to strengthen and create the habit of saving; give educational talks in the UPA School and different elementary and high schools; help the General Business Plan to strengthen the image of the institution.

**Retail Store:** every day this department has been promoting the importance of supplying necessary staple products to its affiliated consumers under favorable terms of price, quality and quantity. In 1993 its sales reached Q 8.4 million (US\$1.5 million) and in 1994, Q 12.5 million (US\$2.2 million), meaning an increase in sales of 48.8%

**Financial area:** the movement of savings deposits and contributions has become the main force behind the co-operative's growth, serving as a primary source of funds to be loaned to members.

**Accounting area:** This helps with the administrative duties of the three other areas already mentioned.

There are other complementary activities in the field of education which the UPA Co-operative performs for its members. So there exist technical training courses in areas like: orientation and courses in co-operative theory; beauty; confectionery; electricity;

cooking; handicrafts and others.

Its address and telephone numbers are the following:

**Cooperativa Unión Progresista  
Amatitlaneca, UPA**  
2a. Av. 3-71, Amatitlán, Guatemala  
Tel (502) 0330 473 - 0331 303  
**Contact: Lic. Felipe Godoy Diaz, General  
Manager**

**Cooperativa de Ahorro y Crédito Integral  
PARROQUIAL GUADALUPANA, R.L.**

This is located in the capital, Guatemala City. This organization was founded in January 1965, motivated by the economic needs that would require a new vision of development, taking as a base mutual support by way of savings so as to anticipate the future.

So it is that through 30 years of service, Guatemalans have found in this co-operative an option for new and efficient services oriented to satisfy their needs in the field of savings and loans.

Description	Projected	Actual 1994	% achieved	Forecast 1995	% over 1994
Members	12,701	11,860	93%	13,200	3.9
Savings (in Q)	8,037,449	10,218,802	127%	15,500,000	52.0
Contributions (in Q)	10,487,800	11,464,231	109%	13,600,000	18.3
Net loans (in Q)	16,324,492	18,638,46	114%	23,500,000	26.3
Total assets (in Q)	24,226,494	29,309,504	121%	36,100,00	23.2

Source: Memoria de la Cooperativa, 1994.

The co-operative offers the following services:

**Ordinary savings deposits.** They offer savings accounts paying interest rates considered to be the highest available in the country with options of monthly, quarterly or semi-annual compounding.

**Children's savings.** With the aim of creating the habit of saving from an early age, this option is offered. Children over age 12 may operate their own account without adult supervision.

**Life and other insurance.** The co-operative has made inroads into this field, offering the possibility of underwriting life insurance as well as insurance for businesses and real estate.

**Loans.** The co-operative offers its members the option of receiving loans for purposes like mortgages, commerce and unexpected expenses.

The loans approved in 1994 are detailed in the following:

<b>Table IV.4 Loans approved Cooperativa Parroquial Guadalupeana, 1994</b>		
<b>Approved applications</b>	<b>Line of credit</b>	<b>Amount (Quetzals)</b>
271	Housing	2,391,395
201	Commerce	1,470,544
417	Personal Expenses	1,320,088
5	Agriculture	27,199
894	<b>Total</b>	<b>5,209,226</b>

Some of its future objectives are:

1. Greater penetration into the demographic market to win new members

2. Achieve greater training in savings
3. Achieve greater efficiency in credit allocation.
4. Strengthen the institutional capital of the co-operative, by means of capital reserves
5. Establish rates following the financial market for savings
6. Improve the services offered by the Co-operative in various zones of the capital
7. Actively participate in activities developed by FENACOAC
8. Achieve greater efficiency in debt recovery

The address and telephone numbers of this co-operative follow:

**Cooperativa de Ahorro y Crédito Integral  
PARROQUIAL GUADALUPANA, R.L.**  
14 Av. 1-65, Zona 14  
Guatemala, C.A.  
Tel and Fax (502) 68 1800 - 63 6662 - 63 6672  
**Contact: Regino Adrián Hernández P.,  
General Manager**

## **Insurance**

As a consequence of the expansion of the Credit Unions that has taken place in Guatemala, the existing federation in this sector, FENACOAC, sponsored the creation of an enterprise specializing in the insurance field.

### ***Columna Compañía de Seguros S.A.***

This is an enterprise set up under the laws in force for insurance companies (following the contents and regulations of Decree 473).

In this decree it is mandated that profit-making in-



insurance companies must be set up as limited companies, so that Columna is governed by the Commercial Code of the Republic.

Despite the above, its backers are the Credit Unions grouped under FENACOAC. So it is undeniable that Columna is an enterprise established within the Credit Union movement.

The co-operatives involved are:

- FENACOAC, R.L. of Guatemala
- EL PORVENIR, R.L., of Puerto Barrios Izabal
- GUAYACAN, R.L., of Guastatoya, El Progreso
- EMPLEADOS DE BANDEGUA, R.L., of Morales, Izabal
- SANTIAGO DE COATEPEQUE, R.L., of Coatepeque, Quetzaltenango
- COBAN, R.L. of Cobán, Alta Verapaz
- UNION POPULAR, R.L., of Tiquisate, Escuintla
- SAN MIGUEL GUALAN, R.L., of Gualán, Zacapa
- SANTA MARIA ASUNCION, R.L. of Tactic, Alta Verapaz
- TECULUTAN, R.L., of Teculután, Zacapa

The enterprise was founded with an authorized capital of Q 8 million (US\$1.4 million), which allows it to operate in the future in all insurance fields. In Guatemala the law requires for insurance companies the backing of complementary capital, equivalent to 25% of its minimum capital. So in practice, to operate in all fields, Q 10 million (US\$1.8 million) are necessary. On the other hand the insurance laws allow enterprises to start operations in just one insurance field with a paid up capital of Q 3 million, plus 25% more as complementary capital. Columna has decided to start operations in the life insurance field, so its capital initially subscribed is Q 3 million along with Q 750 thousand of complementary capital (US\$ 500 thousand and US\$ 132

thousand respectively).

In their application to set up the enterprise, the backers declared the following:

“Our co-operatives are interested in establishing an insurance company basically to give the coverage needed by the co-operatives and their members, and even third parties, for the development of their activities, sharing with them the co-operative spirit and philosophy. It should be noted that the co-operatives, especially those located in areas far from the capital, do not always have access to get the necessary coverage. This is why we wish to establish an insurance company, to facilitate insurance services for the co-operatives, for their members and even for third parties, going to wherever they may be”.

Based on the foregoing, the fundamental objective of the enterprise is to provide insurance services principally to the co-operative movement, though if it helps society's goals, it could also provide services to the market in general.

From the business point of view, Columna had its origin in the insurance operations carried out by FENACOAC over the last few years, which made up its starting point. These operations have been principally in the branch of life insurance, and within this, group plans. For this reason and due to limits concerning minimum capital required to operate in all insurance fields, the following development strategies have been defined:

1. **Initial Operations.** During the first year of operations, Columna will dedicate itself to attracting all the portfolio of group and individual insurance policies that FENACOAC maintains with co-operatives and their members. In addition they will enter more strongly the market of similar organizations, especially non-governmental organizations which channel resources

to small business.

2. Columna inherits an important market from FENACOAC, namely that of the Credit Unions and their members. Nevertheless, as a legally set up insurance company, not only can it work more efficiently in this market, but also expand its market within other non-profit organizations and other similar enterprises like associations, trade unions and other groups.

Its address and telephone numbers are included in the following:

**Columna Compañía de Seguros S.A.**  
4 a. Calle 4-55, Zona 9, Guatemala C.A.  
Tel and Fax (502) 60 7306  
**Contact: Lic. Carlos Roberto Quevedo Meléndez, General Manager**



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## V. Types of investment and business with guatemalan co-operatives

For every businessperson who wishes to increase his/her sales volume of his/her competitiveness within the market, it must be clear in the first place that his/her quality levels must at least be consonant with those internationally. Guatemala, like its neighbors, is in the midst of a process of tax reductions leading to worldwide economic integration. This must give pause to any businessperson, given that the better use of scarce resources will produce an advantage over his/her competitors.

Due to the foregoing, various ways and alternatives are presented which are used nowadays to negotiate, in particular, with co-operatives.

In Guatemala there are an infinity of ways to do business and invest correctly. Among them, there is one we wish to emphasize: the co-operatives. Let us see which ways, in general, can be used to do business in Guatemala:

**Table 5.1. Guatemala: basic methods of investment and business**

- Incorporation
- Import or export of goods or services
- Joint ventures
- Passive investment ( stock market)
- Consortia
- Co-operation between co-operatives of different countries

### *Incorporation*

Among the advantages of establishing an enterprise there is the fact that foreign investors may own any business in whole or in part, and enjoy complete freedom to run their business. Their employees and managers may or may not be residents of Guatemala. There are no minimum requirements of business ownership by Guatemalan citizens.

The government offers guarantees for all enterprises with foreign capital. The law grants equal treatment to national and foreign enterprises; the latter may be set up as a

- a. limited company,
- b. stock company,
- c. joint company,
- d. a simple limited partnership, or
- e. a limited partnership with shares.

### *Import/ Export of goods or services*

As is customary, the relationship between both parties does not require a permanent structure in the form of an association and legal incorporation. What is important is that it be governed by contracts or another mechanism that international law specifies. It is well-known by all that the majority of countries are now looking for bargaining mechanisms and standard rules, and Guatemala is heading in this direction. The Center for International Commerce (CIC) collaborates with developing countries to establish effective national programs to promote com-



merce and export development with the aim of expanding exports and improving import operations. For further information, contact:

**Center for International Commerce  
UNCTAD/GATT**  
Palais des Nations  
1211 Geneva 10, Switzerland  
Telephone: ( 41-22 ) 730 01 11  
Fax: ( 41-22 ) 733 44 39

In the case of Guatemala, there are very well defined customs norms, like tariffs and legal procedures that must be obeyed each time an importation of foreign goods is carried out. It is important to note that countries are progressively coming to agreements to uniformize these mechanisms of international trade(17) , so it is hoped that in the future these activities will be easier.

In general, in most countries contracts are agreed upon based on commissions for sales carried out, in addition to other elements like product distribution, etc.. Moreover the form of distributor, concessionaire, agents or representatives may be used, depending on the investor's interest. If the relationship is long-term, some of the previously mentioned devices are recommended.

#### ***Joint ventures***

This method is one of the most accepted worldwide and of great use by successful businessmen, and by those who realize that «together we stand». Let us understand throughout that a joint partnership means « what is produced when businesses or individuals from two countries agree to sell a product or service, each one using its competitive advantages but without modifying its capital structures...»(18). We

conclude that this instrument does not require an association that commits one or the other organization to a binding legal contract. In fact this type of relationship allows entry into new markets , access to new technologies and the receipt of information in a relatively easy and economical way(19). Since the co-operative sector enjoys certain advantages over other types of business, due to its level of organization, distribution through the country and a certain degree of diversification in its production, investors who wish to do business in Guatemala have a great opportunity in this method.

#### ***Passive investments (Stock market)***

Guatemala has two stock exchanges; it is the country with the largest number of brokers in the region: 72 in total. In Central America there is a recognition of the urgency of accelerating the integration of the exchanges, with the aim of increasing the volume of business and attracting the resources of foreign investors. (See table 5.2)

It is interesting to note the predominant rôle of the Guatemalan Stock Exchange in exchange activity, especially in future contracts, principally on the exchange rate.

#### ***The Consortium***

Besides the methods already presented, there exist other instruments of association that allow access to markets that are not possible alone. The consortium may be a very useful instrument when one wants to do business between private sectors and co-operatives. Nowadays, given the conditions required by markets to satisfy demand, the efforts that unite co-operatives among themselves will be primordial. The co-operative consortium is governed by the same norms and regulations as the other co-operatives.



**Table 5.2. Guatemala: aspects in which Central American integration of Stock Exchanges has progressed**

- Amalgamation and alliances between exchanges
- Standardization of technological resources
- Relationships with higher-level foreign exchanges
- Operations using custodial systems
- Formulation and reforms of laws that promote development and regional integration of exchange activities
- Advising of foreign exchange commissions
- Entry into foreign investments
- Recent development of investment funds
- Greater availability of information at the regional level

Source: taken from the weekly Central American magazine «Panorama» of May 15 to 22, 1995.

***Co-operation between co-operatives of different countries***

We have mentioned the different ways to do business with the co-operatives in Guatemala, including joint partnerships, the consortium, among others, but it is interesting to emphasize the advantageous position of the co-operative sector. This sector has an enviable trajectory of having developed an organizational structure at the international level allowing it to be able to establish agile relationships of co-operation among co-operatives. Simultaneously they have to identify market segments, learn new technologies and take other strategic actions that mark the difference in the context of an ever more competitive marketplace. Some organizations that fulfil to perfection this integrating rôle at the

international level are: the International Co-operative Alliance, and the regional and sectorial co-operative confederations.

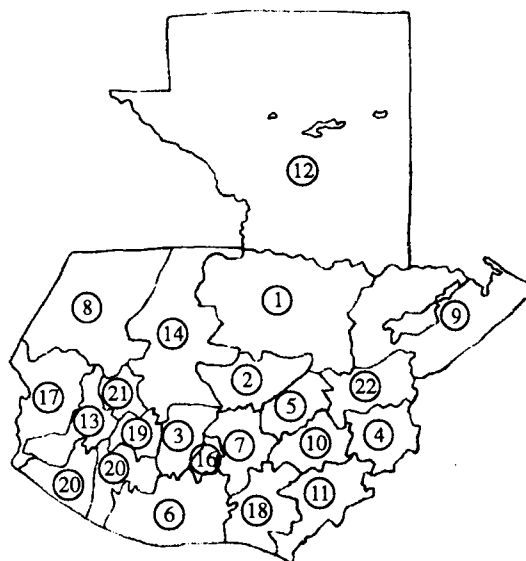
On the other hand, the natural unity that exists in the so-called "northern triangle", made up of Guatemala, Honduras and El Salvador, offers an opportunity to create an adequate climate for the creation of co-operatives among the different countries. There already exists the case of COCAHSA, Cooperativa Centroamericana Honduro-Salvadorenña (see the booklet "Doing business with the co-operatives of El Salvador", p. 27), which was formed to use the competitive advantages of the two co-operative unions located in this geographical region.



## VI. The republic of Guatemala: General information

**Table VI.1 General Data**

Population	10 million
Urban Population	36.9%
Rural Population	63.1%
Native Indian	41.9%
White	59.1%
Birth rate	39.3 per thousand



### Geography and Climate

The Republic of Guatemala is situated in the northern part of Central America between 13° 44' and 18° 30' latitude north, and 87° 13' and 92° 13' longitude west. Its area is 108,889 km<sup>2</sup> with a population estimated at 10,029,414 in 1993 (10)

The Republic of Guatemala is made up of three principal hydrographic regions: that of the Pacific, of the Caribbean and of the Gulf of Mexico. The Pacific slope is made up of 18 principal valleys with a total area of 23,990 km<sup>2</sup> of surface draining an average of 729 m<sup>3</sup> per second. The Caribbean slope is made up of seven valleys occupying an area of 34,096 km<sup>2</sup> and draining a flow of 508.9 m<sup>3</sup> per second. The Gulf of Mexico slope has the longest valleys in the country (10 in total) with the longest rivers with the largest flow. It covers a total area of 50,803 km<sup>2</sup> draining an average of 2,721 m<sup>3</sup> per second (11) The predominant winds are the trade winds from north/northeast to south/southeast, with a different direction in some zones of the Republic due

- |                  |                    |                   |
|------------------|--------------------|-------------------|
| 1. Alta Verapaz  | 9. Izabal          | 16. Sacatepéquez  |
| 2. Baja Verapaz  | 10. Jalapa         | 17. San Marcos    |
| 3. Chimaltenango | 11. Jutiapa        | 18. Santa Rosa    |
| 4. Chiquimula    | 12. Petén          | 19. Sololá        |
| 5. El Progreso   | 13. Quetzaltenango | 20. Suchitepéquez |
| 6. Escuintla     | 14. Quiché         | 21. Totonicapán   |
| 7. Guatemala     | 15. Retalhuleu     | 22. Zacapa        |
| 8. Huehuetenango |                    |                   |

**Table VI.2. Average temperatures in Guatemala**

Place	Maximum	Minimum
Guatemala City	25	15
Quetzaltenango	22	05
Puerto Quetzal	31	22
Zacapa	36	22
Huehuetenango	25	09
Flores, Petén	31	21



to their topographical configuration or other special conditions. The maximum wind speed normally does not exceed 80 km per hour (12)

The coasts of both oceans, as well as the interior lowlands in the north and northeast of the country, are intensely hot.

The central plain, with an altitude between 950 and 1,829 m above sea level, offers a very agreeable climate, that only drops to 18° C at year-end. The rainy season starts in May and ends in October in most of the country.

## **Infra-structure**

A most interesting feature of Guatemala is its highway network and means of communication. Since its productive apparatus has been dispersed, it has been able to develop so that nowadays business and industry have easy access to transportation for their products, as well as being able to choose among the most suitable alternatives (surface, air). The investor who decides to do business in the country will be able to count on the following:

### ***Transport***

- a. **Highways:** The network of paved roads directly joins the Pacific and Atlantic Oceans, Mexico and Central America.
- b. **Rail:** There are 723.1 miles of narrow-gauge railway in the country. It extends from Puerto Barrios in the northeast to Guatemala City and continues to the southern ports of San José and Champerico and to the Mexican border.

- c. **Air transport:** Air transport has enjoyed an increase of between 20% and 25% in recent years. The «La Aurora» international airport handled about eight hundred thousand (800,000) passengers in 1989, (445,000 foreigners); the cargo processed in the same year was 22,000 metric tons, of which 13,500 were for export. It is located 10 minutes from the capital city.

- d. **CEDEXCA:** The «Centro de Exportación de Carga Aérea Internacional» is the installation for the management, dispatch and customs supervision of export air cargo. It has an area of 4,104 m<sup>2</sup> under roof, and boasts mechanical and electronic scales, along with 4 gates in the unloading dock, office installations for airlines and freight agencies, administrative infra-structure including the specialized personnel necessary in the areas of the gate, ramp, pallets, scales and dispatch, along with a guard service to take care of the freight.

- e. **Other facilities:** Guatemala has airports and landing strips throughout its territory, allowing fast and safe alternatives for reaching market.

For investors who wish to introduce or send products to distant markets in the world, Guatemala enjoys a strategic location on choosing the most suitable route, given its coasts on the Pacific and Atlantic, with an infra-structure allowing easy handling of any type of freight.

On the Pacific: Puerto Quetzal, Puerto Champerico, Puerto de San José, Puerto de Iztapa. On the Atlantic: Puerto Barrios and Puerto de Santo Tomás de Castilla.

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## VII. Banking and finance system

### The Central Bank

**T**he Bank of Guatemala was founded in 1945. Its functions are to be the State bank, issuer of currency, fiscal agent, adviser to the government and administrator of the international monetary reserves. The higher organs of the Bank of Guatemala are:

The Monetary Board is made up of its President and Vice-President, and those of the Bank of Guatemala, chosen by the President of the Republic. Ex-officio members are the Ministers of Finance, Economics and Agriculture. Other representative are from the University of San Carlos; private banks whose capital is principally Guatemalan; commercial associations and chambers; of the industrial, agricultural and livestock sectors with one regular and one supplementary member.

The Presidency studies and prepares bases and norms for the monetary, exchange and credit policies of the institution and proposes the Monetary Board.

The Manager directs the operations and internal administration of the Bank of Guatemala.

The Superintendent of Banks exercises vigilance and permanent control of the Bank of Guatemala, the system's banks and the other institutions that the law may place under its control. It depends directly on the President of the Republic.

The Bank of Guatemala Securities Regulation Fund

is administered by a Securities Commission made up of the Ministers of Finance and of Economics and the President and the Bank Manager. It is formed with contributions from the State, idle funds coming from surpluses or balances unused by the national treasury and net profits of the institution. It stabilizes the price of securities issued or guaranteed by the State or public entities.

### Monetary and exchange policy

The Guatemalan economy has passed through a series of financial reforms in order to stabilize the currency (the quetzal). Starting in 1984 its traditional parity with respect to the United States dollar was abandoned and in November, 1989 the exchange rate was liberalized.

Like all the Latin-American countries, Guatemala has been experiencing a series of problems in its financial system, obliging it to take urgent and precise corrective measures. Next we present some aspects of interest concerning the current form of operation of the Guatemalan financial system, which every citizen must know and which the investor should surely take into account:

Since the freeing of the bank market for currencies, the volume of transactions using it has increased notably, due to the incorporation of the majority of those who previously used the unofficial market. At the same time the exchange rate margin was reduced to less than 1% (14)



<b>Points of interest</b>	<b>How it works</b>
Nominal exchange rate	The rate to be applied for the purchase and for the sale of currency is dictated by the market.
Interest rates	In the national currency they are free; in foreign currency they are not free.
Currency exchange	All purchases of currency generated by any activity and by the sale of goods and services produced in the country are taken care of in the exchange market.
Exchange controls	For export to the rest of the world a license must be requested in reasonable time. Also an export permit is needed for edible oils and fats, cotton and its seeds, sugar, cocoa, coffee, shrimp, eggs, leather and skin, cardamom, scrap iron, basic grains, peanuts, sunflowers and tobacco.
Reserve rate (13)	Since November 15, 1994 the reserve rate is 14% and the obligatory investment rate is 19.5%. Like all Latin-American countries, the financial reforms introduced in Guatemala aim to improve the economic situation of the country, to give better incentives for investment, so that businesspeople may compete in a market free of distortions and with reasonable and stable interest rates

## **Stock market**

The Stock Exchange of Guatemala (BNV) started operations in 1987. Its real boom started in 1991 with securities transactions in that year of 1,200 million dollars. From 1991 to 1994 it grew 4.33 times, reaching 5,200 million dollars.

Among the exchanges operating in Guatemala, one of the most successful is the Corporación

Bursátil formed by the amalgamation of the old Bolsa Agrícola and the Bolsa Global. It enjoys the technological support of the Albert Stock Exchange. It has become one of the most modern exchanges in the Central American area. It is important to underline that this exchange transacted 1,378 million dollars during 1994, signifying more than a quarter of the stock market business in Guatemala.

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## VIII. Tax system

A central feature of any economy is its tax policy, because tax collection generates the revenues that will take care of the normal expenses of government. Over the years countries have realized that tax reforms are required to make tax collection more efficient and the tax system more just. Following this path, Guatemala carried out a series of reforms to lay out a new scheme for its tax work.

### *General provisions*

Like in other countries, in Guatemala operating enterprises pay taxes only on those profits generated within the country. Enterprises or any independent business must pay the corresponding percentage for social security. The employer must pay 10%, plus further contributions totaling 2% (1% for the «Instituto de Capacitación» and 1% for the «Instituto de Recreación»).

### *Businesses*

Businesses with a capital between Q 2,000 and Q 5,000 may do their accounting by themselves or by other persons. But if their capital exceeds Q 5,000 it must be done by an accountant registered with the «Dirección General de Rentas Internas». The calculation of taxable income, application of the tariffs and settlement of income tax are performed annually.

### *Income tax for corporations*

All businesses, except those covered by special regulations, must pay a rate of 30% plus 10% definitive

withholding taxes on income resulting from interests.

Individuals with business or professional activities will pay a rate of 30% on their taxable income, like corporations.

### *Income tax for individuals*

The tax rate has three ranges: 15%, 20% and 25%. Incomes below Q 24,000 are exempt for people who are exclusively employees.

### *Sales tax*

This tax is generally 7% on the net price paid by the consumer. Like in most countries, this must be calculated monthly on the previous month's sales, less the amount paid as tax in the same month to suppliers.

### *Official paper and fiscal stamps*

This tax is paid on opening to the public a business, an establishment, an office, a practice, a clinic, etc. among those specified by the law. The system of payment may be:

- 1) in cash or by check in January, April, July and September, for income from the previous quarter or
- 2) by paying the fiscal stamps on every receipt issued.

Immigrants or foreigners may obtain permission to carry out business activities, and enjoy the same



rights as Guatemalan citizens with respect to land purchases, except less than 16 km from the border if the land is not in an urban center. Also they enjoy the same rights to exploit agricultural enterprises, industries, water permits, mines, petroleum and other underground grants.

### ***Non tariff regulations***

Non-tariff regulations current in 1991 include prohibitions and authorizations on imports and exports. The most protected items are:

1. Fresh and manufactured foods. The restrictions on the export of animal foods protects the production of certain fresh foods (milk, meat, etc.), while the restrictions on the export of cereals and other fresh foods protect the production of processed foods.
2. Textiles and cotton.
3. Manufacturing from wood and wicker basketry.
4. Manufacturing from leather and skins.
5. Manufacturing from metal.
6. Paper

### ***Tariffs***

The customs tariff has approximately 1,990 items

and its structure is:

- Part I: Everything not in parts II and III (altogether 90% of the total tariff)
- Part II: Textiles and clothing
- Part III: Automobiles, petroleum and its derivatives and spirits

Since March 9, 1990, Guatemala has started reducing the protection established by the customs tariff. Before March, 1990 it covered a range from 0% to 100% plus a 3% surcharge. Since then more than 1,000 tariff items have been modified, which in 1988 represented about 33% of total imports. In part III, nearly half of these items correspond to petroleum and its derivatives, which now stay under a 0% tariff, while the rest are between 5% and 37%. The tariffs for automobiles is between 15% and 40%. After the change no item stayed with a tariff over 40% and the latter corresponds to certain automobiles. In Parts I and II no item stayed with a tariff of more than 2%.

A legally constituted foreign company aiming to do business in Guatemala or to found a branch must:

- a. Be inscribed in the «Registro Mercantil»;
- b. Be inscribed in the «Dirección General de Rentas Internas».



## IX. Labor policy in Guatemala

**G**uatemala has been characterized by its competitive manual labor, which has become specialized over time into highly productive sectors for the country, especially in the agricultural and industrial sectors. Right now the cost of manual labor in the textile industry is US\$1.2715, a very competitive cost in the isthmus' market, considering the workers' quality.

### *Working hours and minimum wage*

The maximum workday may not exceed eight hours nor forty-eight hours weekly. Night shifts may not exceed six hours. A mixed shift may not exceed seven hours, it being understood that the night portion not be longer than three hours.

Concerning the minimum wage for Guatemalans, this is based on the cost of living for the population, which is calculated on the basis of the minimum staples needed to live.

The salary must only be paid in legal currency. Agricultural and livestock workers may receive up to 30% of their salary in food or articles for their immediate personal consumption, at cost price. The average industrial salary for a worker is 348 quetzals (US\$ 60.8) monthly. The country has the advantage of having acceptable costs for manual laborers with excellent levels of efficiency.

### *Holidays*

Like the other countries of the isthmus, in Guatemala the employer is obliged to pay and respect the holidays decreed by law (see Table IX.1).

Holiday pay must be calculated according to the daily average of salaries, both regular and overtime, earned by the worker during the week immediately preceding the respective holiday.

**Table IX.1. Obligatory Holidays**

• January 1	New Year's Day
• Maundy Thursday and Good Friday	Easter Week
• May 1	May Day
• June 30	Revolution Day
• August 15	Assumption Day
• September 15	Independence Day
• October 20	Commemoration of the 1944 Revolution
• November 1	All Souls' Day
• December 24 and 25	Christmas
• December 31	New Year's Eve



**Social security system**

Concerning the social security system for workers, Guatemala has the «Instituto Guatemalteco de Seguridad Social», which protects everyone regis-

tered who is exposed to risks or contingencies at the workplace or away from it.

The employers contribute 10% of wages and payments (except for the Christmas bonus) and the em-

**Table IX.2. Aspects of greater interest concerning labor legislation**

<b>Concept</b>	<b>How it is Applied</b>
1. Workday	Day Shift: No more than 8 hours Night Shift: No more than 6 hours Mixed Shift: No more than 7 hours with at most 3 hours at night.
2. Minimum Wage	Average Minimum Industrial Wage Q 348 monthly (Rate of Exchange: US\$5.75)
3. Unemployment Insurance	This is paid to the worker while he remains unemployed
4. Redundancy Notice	To let the worker know the end of employment ahead of time.
5. Social Costs	For unjustified firing, the employer must pay the employee as compensation one month's salary for each year of continuous service  Before six months of continuous service: One week's notice From six months to one year: ten days From six months to one year: ten days From one to five years: two weeks Over five years: one month  10% employer deduction for social security plus 2% for the institutes of recreation and training, totaling 12%.
6. Strikes	The right to strike is recognized. It must be supported by 2/3 of the respective enterprise.
7. Employment of foreigners	The employers are prohibited from employing fewer than 90% Guatemalan workers and paying these less than 85% of the salary total in the enterprise.

ployees pay 4.5% of their salary. The program includes disability insurance, when the insured individual is declared disabled; old age insurance, valid after at least 180 monthly contributions or reaching 60 years of age and survivor benefits, that is, the payment to the family of the deceased individual 16.

*Social expenses and other reserves*

As mentioned in the previous paragraph, both the employer and the employee must make monthly payments to the «Instituto Guatemalteco de

Seguridad Social». In total the employer must pay 10% as his share of social security while the employees must pay 1%. In addition, the employer must pay 1% to the «Instituto de Capacitación» and for the Christmas bonus, annual bonus and worker's compensation: 8.33% each.

In table IX.2 we present a summary with aspects of interest already mentioned about labor legislation and others of interest to investors who wish to do business with the co-operative sector and in general in the country.



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## X. Political and legal structure

**W**hen an investor wishes to do business in a certain country, it is of the highest importance that he be familiar with its political system. Guatemala in this respect is a free, independent and sovereign state, organized to guarantee its inhabitants the enjoyment of their rights and freedoms.

### Political system

Its governmental system is republican, democratic and representative. Sovereignty resides in the people, who delegate it in practice to the Legislative, Executive and Judicial branches.

The Legislative power rests in the Congress of the Republic, made up of deputies directly elected by the people by universal suffrage, using a system of national lists, and it is responsible for promulgating the laws of the country. The law establishes the number of deputies corresponding to each district in proportion to its population.

The Executive branch is made up of: 1) The President of the Republic who is the Head of State and represents both national unity and the interests of the people of Guatemala. 2) The Vice-President of the Republic, Ministers and Vice-Ministers of the state and civil servants. The President and Vice-President of the Republic are elected by the people by universal suffrage and for a period of five years.

The Judicial Branch is in charge of justice, in conformity with the Constitution and the laws of the Republic. The courts have the power to judge and

execute their decisions. The Magistrates and judges are independent in the exercise of their functions and are only subject to the Constitution of the Republic and its laws. The jurisdictional function is exercised with absolute exclusivity on the part of the Supreme Court of Justice and by the other tribunals that the law may establish. The Magistrates, whatever their category, and the lower-court judges have a five-year term, and the former may be re-elected and the latter may be re-appointed. The Magistrates of the Supreme Court of Justice are elected by the Congress of the Republic for a period of six years.

### Legal system

#### A. *The Political Constitution*

The constitution of the Republic of Guatemala establishes that the State be organized to: protect the person and the family; guarantee its citizens private property as an inherent right of human beings; to participate in political activities; free expression; freedom of thought by any means of broadcasting, without censorship nor prior restraint; freedom of movement, understood as the freedom to enter, stay in, cross and leave the country. All these aspects mentioned previously are rights both for Guatemalans as for residents in Guatemala.

#### B. *Special legal codes*

In Guatemala, after the Constitution, there are a series of laws regulating the life of its inhabitants. There are special codes by subject that guarantee



freedom, independence and national sovereignty, namely: the Civil Code, a Civil and Mercantile Legal Code, the Law of Family Courts, the Law of the Judicial Branch, the Code of Commerce, the Penal Code, the Labor Code, among others.

### *C. Some legislation of interest*

#### *PUBLICS DOCUMENTS AND NOTARY LAW*

In Guatemala, the Notary has the legal authority to authenticate and authorize acts and contracts to fulfil the law or at the request of an interested party. To exercise as a Notary, one must be a native-born adult Guatemalan and have obtained the appropriate degree in the Republic of Guatemala or incorporation according to the law, have registered the degree or incorporation at the Supreme Court of Justice and be clearly honest.

In order for the document in question to be valid, it must be inscribed in a protocol, which is an ordered collection of original documents, of acts of protocolization and legal certifications of signatures and documents registered by the Notary, following this law (Code of Notaries). Public documents must contain: Order number, place, day, month and year of issuing; names and surnames, age, civil status, nationality, etc. and identity certificate of the people involved.

#### *CONTRACT*

In Guatemala commercial contracts are not subject to special formalities in order to be valid. Whatever their form or the language in which they are written, the parties remain obliged in the way and with the terms that appear to be what they wanted. Contracts signed within Guatemala for purposes within the country will be written in Spanish.

Contracts requiring special treatment according to

the law may receive an exemption from this clause

In commercial contracts the arbitration clause and the pact of submission and impartial arbitration will be valid even when not included in the public deed.

#### *CONSTITUTION OF MERCANTILE COMPANIES*

Beyond the legal aspects that have been mentioned as important for the investor who wishes to do business in Guatemala, it is of much interest to know how to form companies, since the person or persons that legally appear as founders must do this by themselves or in place of another, where in this case they need to be accredited in a public deed. This must be presented to the Public Mercantile registry within a month of the deed's date.

A foreign enterprise to be inscribed in the Mercantile Registry must complete the following requirements:

- Show that the enterprise is legally constituted following the laws of the country in which it was founded;
- Copy the certificate of its deed of constitution;
- Show that the directors of the enterprise are duly authorized to operate in Guatemala and have the legal procedure authorized to obtain the permit.
- Register a representative agent, with wide powers to carry out all acts and judicial affairs of his business and to legally represent the company, in or out of court, with all the special powers according to the law.
- Constitute a capital assigned to its operations and be expressly obliged to respond not only with the goods that it owns in the Republic, but also with those overseas, to back all acts and businesses conducted in the country
- A declaration where the enterprise submits to the courts and laws of Guatemala in relation to

its acts and operations in the country and that neither the company nor its representatives or employees will invoke rights as foreigners.

A declaration that the enterprise, before withdrawing from Guatemala, will fulfil all legal requirements.

To be registered before the «Dirección General de Rentas Internas» the following requirements must be satisfied:

The documentation for inscription before the «Dirección de Rentas Internas», as a requirement due to the income tax law, is the same as required for inscription before the Mercantile Registry.





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## XI. List of key contacts

### Co-operatives and co-operative organizations

#### INACOOOP

##### Instituto Nacional de Cooperativas

Address: 4 Av Calle 4-37, Z8, Guatemala

Phone (502)-2 32 5402 - 32 1156

Fax (502)-2 32 5402

#### CONFECOOP R.L.

##### Confederación Guatemalteca de Federaciones Cooperativas

Address: 12C 1-73, Z9 Of 201, 01009, Guatemala

Phone (502)-2 31 4556 - 31 4557

Fax (502)-2 2 31 4556

#### FEDECCON R.L.

##### Federación de Cooperativas de Consumo

Address: 25C 0-07, Z1 Edificio Fedecon, Guatemala

Phone (502)-2 51 7096

Fax (502)-2 51 645

#### FEDECOCAGUA R.L.

##### Federación de Cooperativas Agrícolas de Productores de Café de Guatemala

Address: 29 Av 31-59, Z5, Guatemala

Phone (502)-2 35 6539 - 35 5740

Fax (502)-2 35 6094

#### FEDECOAG R.L.

##### Federación de Cooperativas Agrícolas de Guatemala

Address: Manz F-1, Lote 14 A y B, Z4, Mixco, Col Valle del Sol

Phone (502)-9 92 0967

#### FENACOAC, R.L.

##### Federación Nacional de Cooperativas de Ahorro y Crédito y Servicios Varios de Guatemala

Address: 5a. Calle 0-55, Zona 9, Guatemala

Phone: (502)-2 60 2546 - 61 4707 - 61 4717 - 61 4897

Fax: (502)-2 32 6484

#### FENACОВI, R.L.

##### Federación Nacional de Cooperativas de Vivienda y Servicios Varios

Address: 7a. 8-34 Z1, Edif. Morales, 2do. Nivel, Of. 205, Guatemala

Phone (502)-2 51 3645 - 26 140

Fax (502)-2 26140

#### FEDEPESCA, R.L.

##### Federación de Cooperativas Pesqueras del Pacífico

Address: Aldea Buena Vista, Puesto Iztapa, Escuintla

#### ARTEXCO, R.L.

##### Federación de Cooperativas de Producción Artesanal

Address: 7a. Av 15-97, Z5, Quetzaltenango

Phone (502)-9 61 4380

Fax (502)-9 63 0080

#### FECOMERQ, R.L.

##### Federación de Cooperativas para el Mercadeo y Servicios Varios

Address: 2a. Calle 1-73, Zpma 2, Chimaltenango

Phone (502)-9 39 1176 - 39 1486

Fax (502)-9 93 1176

#### FECOAR, R.L.

##### Federación de Cooperativas Agrícolas Regionales

Address: Calzada Roosevelt, 43-53, Zona 11, Guatemala

Phone (502)-2 95 4128 - 95 4370

Fax (502)-2 95 4370

#### FEDECOVERA, R.L.

##### Federación de Cooperativas de las Verapaces

Address: Finca Chimax, Cobán, Alta Verapaz



Phone (502)-9 51 1035  
Fax (502)-9 51 1035

**XELAC R.L.**

**Lácteos de Xelajú**

Address: Km 189.5 San Cristóbal Totonicapán,  
Quetzaltenango  
Phone (502)-9 63 9503  
Fax (502)-9 63 9681

**Cooperativa Unión Progresista Amatitlaneca, R.L.**

Address: 2a. Av 3-71, Amatitlán  
Phone (502)-9 33 0473 - 33 1303

**Parroquial Guadalupana R.L.**

**Cooperativa de Ahorro y Crédito Integral**

Address: 14 Av 1-65, Zona 14, Guatemala  
Phone y Fax (502)-2 68 1800 - 63 6662 - 63 6672

**Columna Compañía de Seguros, S.A.**

Address: 4a. Calle 4-55, Zona 9, Guatemala  
Phone y Fax (502)-2 60 7306 to 09

**Cooperativa Agrícola Cuatro Pinos, R.L.**

Address: Santiago de Sacatepequez, Guatemala  
Phone (502)-9 30 3250 - 30 3817  
Fax (502)-9 30 3818

## Government Agencies

**Biblioteca Nacional**

Address: 5 Av 7-26, Zona 1, Guatemala  
Phone (502)-2 53 9071

**Centro de Capacitación Ocupacional**

Address: 13 Av 29-29, Zona 5, Guatemala  
Phone (502)-2 31 0609

**Dirección General de Aduanas**

Address: 10 Calle 13-92, Zona 1, Guatemala  
Phone (502)-2 80 651 to 53

**Dirección General de Comercio Exterior**

Address: Ministerio de Economía, 8 Av 10-43, Zona 1,  
Nivel 3, Guatemala  
Phone y Fax (502)-2 53 3895

**Dirección General de Migración**

Address: 41 Calle 17-36, Zona 8, Guatemala  
Phone (502)-2 71 4670 - 71 4660 - 71 4682 - 71 4684

**Dirección General de Servicios Agrícolas**

**DIGESA**

Address: 12 Av 19-01, Zona 1  
Phone (502)-2 238 01 to 04

**Empresa Eléctrica de Guatemala**

Phone (502)-2 51 8777 to 86 - 53 6191 - 53 6197

**Ferrocarriles de Guatemala**

Address: 9 Av 18-03, Zona 1, Guatemala  
Phone (502)-2 830 30 to 39  
Fax (502)-2 51 2006

**Empresa Guatemalteca de Telecomunicaciones**

**Asesoría Jurídica**

Address: 8 Av 13-18, Zona 1, Guatemala  
Phone (502)-2 51 5398 - 51 4498 - 53 8498

**Gerencia**

Address: 7 Av 12-39, Zona 1, Guatemala  
Phone (502)-2 83 380 - 84 781

**Relaciones Públicas**

Address: 7 Av 12-39, Zona 1, Guatemala  
Phone (502)-2 51 2998 - 26 598

**Instituto de Ciencia y Tecnología Agrícola**

**ICTA**

Address: Carretera a Amatitlán, Km 21.5, Bárcenas  
Phone (502)-2 31 2008 - 31 2009

**Instituto Guatemalteco de Seguridad Social**

Phone (502)-2 26 001 to 26 009 - 80 575 - 51 4376 - 81 048

**Instituto Guatemalteco de Turismo**

Address: 7 Av 1-17, Zona 4, Centro Cívico, Guatemala  
Phone (502)-2 31 1333 to 47

Fax (502)-2 31 2127

**Mercado de Artesanía**

Phone (502)-2 72 0208

**División de mercadeo**

Phone (502)-2 32 2731

Fax (502)-2 31 4416

**Instituto Nacional de Comercialización Agrícola  
INDECA**

Address: 5 Av 12-31, Zona 9, Guatemala  
Phone (502)-2 32 0124 - 73 0007

**Instituto Nacional de Electrificación  
INDE**

Address: 7 Av 2-29, Zona 9, Guatemala  
Phone (502)-2 34 5706 - 34 5711

**Instituto Nacional de Transformación Agropecuaria  
INTA**

Phone (502)-2 80 881 to 80 885 - 80 975 to 80 979  
Fax (502)-2 51 6359

**Instituto Técnico de Capacitación y Productividad  
INTECAP**

Address: Calle del Estadio Mateo Flores, 7-51, Zona 5,  
Guatemala  
Phone (502)-2 31 0117 - 31 0613 - 31 0677 - 31 3342  
Fax (502)-2 31 6672 - 32 5994 - 34 7202

**Ministerio de Agricultura, Ganadería y  
Alimentación**

Address: Palacio Nacional, 6 Calle 6 y 7 Av, Zona 1,  
Guatemala  
Phone (502)-2 39 3280 - 39 3320

**Ministerio de Comunicaciones, Transporte y Obras  
Públicas**

Address: Palacio Nacional, Nivel 3, Guatemala  
Phone (502)-2 21296 - 72 0440 - 72 1414

**Ministerio de Cultura y Deportes**

Address: 6 Av 3-11, Zona 4, Guatemala  
Phone (502)-2 31 433 - 31 4336

**Ministerio de Economía**

Address: Palacio Nacional  
Phone (502)-2 83 331 - 83 339 - 21 212 ext 410, 407

**Ministerio de Educación**

Address: Palacio Nacional  
Phone (502)-2 21 212, ext 353, 355, 365

**Ministerio de Relaciones Exteriores**

Phone (502)-2 39 333 ext 475 - 51 3944 - 82 827 - 26 748  
Fax (502)-2 51 6745

**Ministerio de Trabajo y Previsión Social**

Address: 14 Calle 5-49, Zona 1, Edificio Nasa,  
Guatemala  
Phone (502)-2 51 5644 to 49  
Fax (502)-2 30 1366

## Registry Offices

**Registro de Ciudadanos**

Address: 1 Calle 1-53, Zona 2, Guatemala  
Phone (502)-2 50 0034 - 50 0036 - 50 0038

**Registro de la Propiedad Industrial  
Ministerio de Economía**

Address: 6 Av 11-43, Zona 1, Edificio Pan Am, Nivel 3,  
Guatemala  
Phone (502)-2 23 541 - 23 618 - 25 514 - 51 4329  
Fax (502)-2 23 139

**Registro General de la Propiedad**

Address: 9 Av y 14 Calle "A", Zona 1, Guatemala  
Phone (502)-2 51 1655 - 53 0611 - 53 8511 - 53 9170  
Fax (502)-2 26 739

**Registro Mercantil de la Propiedad**

Address: 9 Calle 3-49, Zona 1, Guatemala  
Phone (502)-2 20 481 - 20 719 - 20 151

## Banks

**BANAMEX**

**Banco Nacional de México S.A.**

Address: Centro Empresarial Torre 1, Nivel 11, Of  
1101-2  
5 Av 14-45, Zona 10, Guatemala  
Phone (502)-2 33 7094 - 37 7095

**BANCASOL**

**Banco Privado para el Desarrollo S.A.**

Address: 7 Av 8-46, Zona 9, Guatemala  
Phone (502)-2 34 3345  
Fax (502)-2 31 6347



**BAM**

**Banco Agrícola Mercantil**

Address: 7 Av 9-11, Zona 1, Guatemala  
Phone (502)-2 21 601 - 51 9506 - 51 1116  
Fax (502)-2 25 406

**Banco Continental**

Address: Plaza Continental, 6 Av 9-08, Zona 9,  
Guatemala  
Phone (502)-2 39 2001  
Fax (502)-2 39 2091

**Banco Corporativo S.A.**

Address: 6 Av 4-38, Zona 9, Guatemala  
Phone (502)-2 34 3468  
Fax (502)-2 31 9108

**Banco del Comercio**

Address: 6 Av 8-00, Zona 9, Guatemala  
Phone (502)-2 39 0504 to 08  
Fax (502)-2 39 0552 - 39 0555

**Banco de la República**

Quetzaltenango  
Address: 2 Calle 14-36, Zona 3  
Phone (502)-2 061 4335 - 061 4546  
Guatemala  
Address: 3 Av 10-06, Zona 1  
Phone (502)-2 29 971 - 81 676 - 51 4317

**Banco del Ejército**

Address: 5 Av 6-06, Zona 1, Guatemala  
Phone (502)-2 30 0856 - 53 2146

**BT**

**Banco de los Trabajadores**

Address: 8 Av 10-67, Zona 1, Guatemala  
Phone (502)-2 24 651 to 08 - 24 341 to 46

**CITIBANK**

Address: Av Reforma 15-45, Zona 10, Guatemala  
Phone (502)-2 33 6574  
Fax (502)-2 33 6860

**Deutsch-Sudamerikanische Bank**

Address: 5 Av 15-45, Zona 10, Guatemala  
Phone (502)-2 33 7205  
Fax (502)-2 33 7208

**Banco del Agro**

Address: 9 Calle 5-39, Zona 1, Guatemala  
Phone (502)-2 29 485 - 80 697  
Fax (502)-2 30 0322

**BI**

**Banco Industrial S.A.**

Address: Centro Financiero 7 Av 5-10, Zona 4,  
Guatemala  
Phone (502)-2 34 5111

**Banco Inmobiliario**

Address: 8 Av 10-57, Zona 1, Guatemala  
Phone (502)-2 51 9222 to 24 - 51 9028 - 51 9031  
Fax (502)-2 84 842

**Banco del Café**

Address: Av La Reforma, 9-00, Zona 9, Guatemala  
Phone (502)-2 31 1311  
Fax (502)-2 31 1418

**BANORO**

**Banco del Nor-Oriente S.A.**

Address: 5 Av 12-60, Zona 1, Guatemala  
Phone (502)-2 51 8311  
Fax (502)-2 51 1640

**Banco Empresarial S.A.**

Address: 7 Av 8-92, Zona 9, Guatemala  
Phone (502)-2 39 0484 to 93  
Fax (502)-2 31 4766

**BQ**

**Banco del Quetzal**

Address: 7 Av 6-26, Zona 9  
Phone (502)-2 31 8333  
Fax (502)-2 34 0612 to 13

**Banco de Crédito Hipotecario Nacional de Guatemala**

Address: 7 Av 22-77, Zona 1, Guatemala  
Phone (502)-2 50 0112 - 50 0132

**Banco G&T**

Address: 7 Av 1-86, Zona 4, Guatemala  
Phone (502)-2 31 2333  
Fax (502)-2 34 7913 - 32 5376 - 32 6864

**BI**

**Banco Internacional**

Address: 7 Av 11-20, Zona 1, Guatemala

Phone (502)-2 51 2021 to 24

Fax (502)-2 51 2260 to 63

**Banco Metropolitano**

Address: 5 Av 8-24, Zona 1, Guatemala

Phone (502)-2 25 361 to 68

Fax (502)-2 84 073

**PROMOBANCO**

**Banco Promotor S.A.**

Address: 10 Calle, 6-47, Zona 1, Guatemala

Phone (502)-2 51 2928

Fax (502)-2 51 3387

**BANEX**

**Banco de Exportación S.A.**

Address: Av de la Reforma, 11-49, Zona 10, Guatemala

Phone (502)-2 31 9861 - 34 6919

Fax (502)-2 32 2879

**BANCOR**

**Banco Reformador**

Address: Av Reforma y 8 Calle, Zona 9, Guatemala

Phone (502)-2 34 1270

Fax (502)-2 32 2431

**Organismos Internacionales**

**AID**

**Agencia para el Desarrollo Internacional**

Phone (502)-2 32 0202 - 32 0322

Fax (502)-2 31 1151

**BCIE**

**Banco Centroamericano de Integración Económica**

Phone (502)-2 34 1744 - 31 6821 - 32 2722

Fax (502)-2 31 1457

**BID**

**Banco Interamericano de Desarrollo**

Phone (502)-2 35 3319

Fax (502)-2 31 8167

**INCAE**

**Instituto Centroamericano de Administración de Empresas**

Phone (502)-2 31 1053 - 31 7454 - 34 0451

Fax (502)-2 34 0451

**ICAITI**

**Instituto Centroamericano de Investigación y Tecnología Industrial**

Phone (502)-2 34 0208 to 12

Fax (502)-2 31 7470

**INCAP**

**Instituto de Nutrición de Centroamérica y Panamá**

Phone (502)-2 72 3762 to 67 - 71 5655 to 59

Fax (502)-2 73 6529

**IICA**

**Instituto Interamericano de Cooperación para la Agricultura**

Phone (502)-2 31 6304 - 34 6903 - 32 6306

Fax (502)-2 32 6796

**OEA**

**Oficina de la Organización de los Estados Americanos en Guatemala**

Phone (502)-2 32 4743 - 34 1037 - 31 8124

Fax (502)-2 32 4454

**ONU**

**Organización de Naciones Unidas**

Phone (502)-2 37 0611 to 16 - 37 3316 - 33 5416

**PARLACEN**

**Parlamento Centroamericano**

Phone (502)-2 31 2154 - 31 2179 - 31 2184

Fax (502)-2 31 2286 - 34 6670

**PNUD**

**Programa de las Naciones Unidas para el Desarrollo**

Phone (502)-2 37 0611 to 16 - 37 3316

**SIECA**

**Secretaría Permanente del Tratado General de Integración Económica de Centroamérica**

Phone (502)-2 68 2151

Fax (502)-2 68 1072 - 37 3750



**UNICEF**

**Fondo de las Naciones Unidas para la Infancia**

Phone (502)-2 33 6773 - 33 6380

Fax (502)-2 33 6717

**Chambers of Commerce**

**Cámara de Comercio de Guatemala**

Address: 10 Calle 3-80, Zona 1, Guatemala

Phone (502)-2 51 0551 - 82 681 - 53 1439

**Cámara de Comercio Guatemalteco-Alemana**

Address: 6 Av 20-25, Zona 10, Guatemala

Phone (502)-2 68 2971 - 33 6036 to 38

**Cámara de Comercio Guatemalteco-Americana**

Address: 12 Calle 1-25, Zona 10, Torre No. 1203, Guatemala

Phone (502)-2 35 3355 - 35 3372

Medellín. Phone. (57) 4-4414141 / Fax (57) 4-2570576

Santafé de Bogotá. Phone. (57) 1-3440166

Fax (57) 1-2694225

**Cámara de Exportación de Guatemala**

Address: 11 Calle 5-66, Zona 9, Guatemala

Phone (502)-2 31 2213

**Cámara de Industrias de Guatemala**

Address: 3 Calle 6-11, Zona 4, Guatemala

Phone (502)-2 31 5404 - 31 3768 - 31 3806 - 31 8554

**Cámara de Turismo de Guatemala**

Address: 7 Av 1-17, Zona 4, Guatemala

Phone (502)-2 31 7872

**Cámara del Agro de Guatemala**

Address: 15 Calle Av 7-65, Zona 9, Guatemala

Phone (502)-2 31 7824

**Cámara Guatemalteca de la Construcción**

Address: Rt 4 3-56, Zona 4, Guatemala

Phone (502)-2 31 8052 - 34 8107 - 31 8138

**Cámara Oficial Española de Comercio de Guatemala**

Address: 12 Calle 1-25, Zona 10, Guatemala

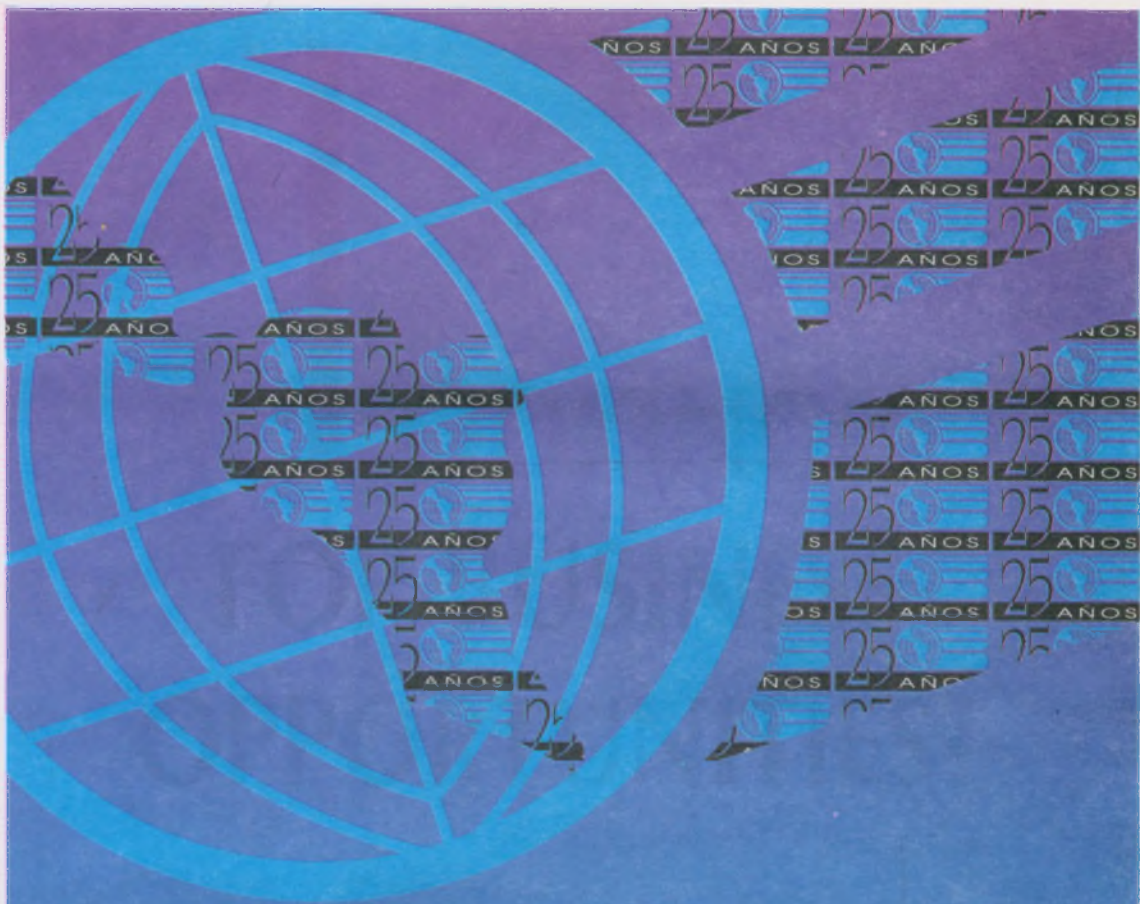
Phone (502)-2 35 2829

Fax (502)-2 35 3380 - 35 273

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## Notes

1. CEFA. La cooperación agrícola en Europa. 1985.
2. CEFSA. Centroamérica: Situación de la economía durante 1994 y perspectivas para 1995. 1995.
3. Interamerican Development Bank. Progreso económico y social en América Latina. Informe 1994.
4. Statistics taken from: Orlando San Martín. "Cooperativismo en cifras", published by Confederación de Cooperativas del Caribe y Centroamérica. 1992.
5. Ibid.
6. Instituto Guatemalteco de Turismo. 1993.
7. Ibid.
8. The share of GDP corresponding to the agricultural sector increased 3-7% with respect to 1989. Banco de Guatemala. Estudio económico y memoria de labores del Banco de Guatemala. 1990.
9. Source: Censo Cooperativo de Guatemala 1992.
10. Guatemala. Plan de Acción Forestal. Documento base y perfiles de proyectos. Guatemala 1991. p.vii.
11. Garavito Q.F. Recursos hidrográficos de la República de Guatemala. En: Curso de Introducción al manejo, control y desarrollo de los recursos naturales renovables de Guatemala. Guatemala, DIGEBOS/PAUSAC/Proyecto GDEG/AID 520-0274. Tomo I, p.irr. 1990.
12. Universidad Rafael Landívar. Perfil ambiental de la República de Guatemala. (Guatemala: Instituto de Ciencias Ambientales y Tecnología Agrícola, URL-ICATAD/AID/ROCAP. 1987). p.3
13. The legal reserve is a percentage of their obligations which the banks must keep as a reserve in the Central Bank. It is also known as the reserve requirement.
14. CEFSA. Centroamérica: situación de la economía durante 1994 y perspectivas para 1995.
15. Source: Information compiled in "Federación de Empresas Privadas de Centroamérica y Panamá" FEDEPRICAP.
16. The insured person must have contributed for at least 36 months in the six preceding years to obtain benefits in case of permanent handicap or death.
17. Economic integration in Central America is increasingly successful. Right now much hark work is being done to uniformize tariffs and customs norms.
18. Definition taken from: "Modalidades de hacer negocios entre México y Costa Rica", ACI, 1992.
19. Estrategia para la Reconversión productiva de las Empresas Cooperativas. Memoria Conferencia 1992, ACI, p.75.



**DEPOSITS**

**INVESTMENTS**

**TRUST FUNDS**

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**TECHNICAL ADVICE**

All these services and more are available when you contact us. Backed by 25 years of experience, the word that best describes us is:

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**COLAC**

Confederación Latinoamericana  
de Cooperativas de Ahorro y Crédito

Cooperación Financiera de los Latinoamericanos

Panamá, República de Panamá, Tel. (507) 27-3322 Fax. (507) 27-3768





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ICA Regional Office  
Costa Rica

Tel: (506) 231-4362, (506) 231-5069

Fax: (506) 231 5842

Internet: Alianza @ Sol. racsu.co.cr

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3. What topics not included in this issue would you like to read in future publications?

- Directory about information and co-operative commercial activities.
- "Who is who" in co-operative sector of each country.
- Other financial and production data about co-operatives.
- More "Case studies" about success co-operatives.
- Another topics (explain) \_\_\_\_\_

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Regional Office ROAM  
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San José, Costa Rica

## DOING BUSINESS WITH THE CO-OPERATIVES OF GUATEMALA

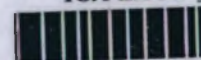


The document that you have in your hands is intended to be a practical guide for investors, businessmen and co-operatives interested in learning more about investment options in Guatemala, especially the numerous opportunities found in the co-operative sector of this country.

Among the topics and information included in this manual of opportunities:

- \* The most important advantages of beginning relations with Guatemalan co-operatives.
- \* An overview of the economy, incentives and benefits oriented towards the promotion of investment and exportation, as well as the most relevant commercial accords.
- Profiles of the most dynamic sectors and the opportunities with related co-operatives.
- How to do business with co-operatives: an explanation of potential modalities.
- A sample of the most successful co-operatives in Guatemala.
- General Information About Guatemala:
  - History
  - Geography and Climate
  - Population and Standard of Living
  - Infrastructure
- A summary of the financial/banking system, and the opportunities with related co-operatives.
- A summary of the tax system, including the fiscal advantages of co-operatives.
- A summary of Guatemalan labor law.
- A summary of the political and legal systems of Guatemala.
- A list of key contacts for doing business with the co-operatives in Guatemala.

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