



Doing Business In Guatemala: The 2008 Country Commercial Guide for U.S. Companies

Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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The most secure means of payment is cash in advance or an irrevocable letter of credit. However, many Guatemalan imports are financed through short term (typically 60 day) lines of credit. Generally, these are extended directly by the U.S. exporter to the Guatemalan importer. This method of financing is usually only available to large importers and long-term clients. The larger Guatemalan importers frequently have their own source of capital abroad, which can be used to finance or to leverage financing for imports. U.S. exporters should exercise caution when extending credit. The pursuit of claims against Guatemalan firms for lack of payment can be time-consuming and costly.

How Does the Banking System Operate

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Capital markets in Guatemala are weak and inefficient, though some consolidation and restructuring have begun as a result of financial reforms approved in the past few years. The Guatemalan financial sector is currently comprised of 22 operational commercial banks, 17 non-bank financial institutions specializing in investment operations, two licensed exchange houses, 17 insurance companies, 11 financial guarantors, 8 credit card issuers, 15 bonded warehouses, and 10 offshore banks which, by law, are affiliated with domestic financial groups. The Superintendence of Banks is charged with regulating the financial services industry.

Previous banking regulations and practices allowed banks and other financial institutions freedom in valuing assets and evaluating the performance and quality of those assets. Financial regulations passed by the Guatemalan Congress in April 2002 have increased the scope of supervision and brought local practices more in line with international standards. The 2002 regulations included a new Banking and Financial Groups Law, a Financial Supervision Law and the Central Bank Law

The Guatemalan Congress also passed strong anti-money laundering legislation in December 2001. The Financial Action Task Force removed Guatemala from the list of non-cooperating countries in July 2004. Terrorism finance legislation was passed in August 2005. For more information on the banking system please read the subsection Efficient Capital Markets and Portfolio Investment of the Investment Climate Chapter.

Foreign-Exchange Controls

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Guatemala maintains an open and unrestricted exchange regime. The exchange rate moves in response to market conditions. The government sets one reference rate, which it applies only to its own transactions and which is based on the commercial rate. The Central Bank intervenes in the foreign exchange market only to prevent sharp movements. There are no legal constraints on remittances or any other capital flows, or delays in acquiring foreign exchange. Since May 2001, banks are permitted to offer accounts and conduct business in any foreign currency.

U.S. Banks and Local Correspondent Banks

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Project Financing

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A wide variety of sources of project financing are available in Guatemala, both from U.S. and international organizations. The U.S. Overseas Private Investment Corporation (OPIC), EXIMBANK, and the U.S. Trade and Development Agency (USTDA) are all involved in private sector projects in Guatemala and after CAFTA-DR implementation have shown interest in participating in more projects in the Region. The International Finance Corporation (IFC-World Bank Group), the Multi-Lateral Investment Guaranty Agency (MIGA), the World Bank and the Inter-American Development Bank are all active players in project finance in Guatemala, especially when projects coincide with these organizations' priorities related to the implementation of Guatemala's peace accords. The Central American Bank of Economic Integration (CABEI) continues to play an important role in many projects, especially those related to public services and infrastructure.

Web Resources

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- Export-Import Bank of the United States: www.exim.gov
- Country Limitation Schedule: www.exim.gov/tools/country/country_limits.html
- OPIC: www.opic.gov & Trade and Development Agency: www.tda.gov/
- SBA's Office of International Trade: www.sba.gov/oit/
- USDA Commodity Credit Corporation: www.fsa.usda.gov/cc/default.htm

- U.S. Agency for International Development: www.usaid.gov
- Guatemalan Central Bank: www.banguat.gob.gt
- Guatemalan Superintendence of Banks: www.sib.gob.gt

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at (800) USA-TRADE, or go to the following website: <http://www.export.gov>.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.