

INFORMATION TECHNOLOGY OUTSOURCING -ITO-



Ministerio de
Economía

PRONACOM
PROGRAMA NACIONAL DE COMPETITIVIDAD DE GUATEMALA



Sector Information Technology Outsourcing **-ITO-**

Provides services and develops information-technology products, including programming, application development and technical support.



Importance **of the Sector in Guatemala:**

Guatemala's ITO sector has achieved a 6.6% compounded average growth rate from 2015 to 2020, and its aggregate exports for that period reached USD\$1.0 billion USD\$. The specific computer-services sector constituted 63.2%, the telecommunications sector amounted to 36.6%, and the information sector represented 0.2% of them.

Evolution of the ITO Sector from 2015 to 2020

Million USD\$

	Exports	Telecommunication Services	Computer Services	Information Services
2015	143.46	66.13	76.83	0.50
2016	170.86	66.84	103.74	0.28
2017	186.46	73.12	112.96	0.38
2018	187.99	68.55	118.92	0.52
2019	179.80	56.10	123.23	0.48
2020	198.05	59.70	138.07	0.28
Compounded Average Growth Rate (2015-2020)	6.7%	-2.0%	12.4%	-11.1%

Source: Guatemala Exporters Association - Agexport -

The computer-service sector was the one with the greatest growth in the period, with a 12.4% average rate from 2015 to 2020. During the past year, the sector grew 10.1% and it was the best year for the telecommunications sector, with a 12.0% growth, reaching USD\$138.0 million.

In the aggregate, as of April 2021, the main export destination is the United States (over 95%) followed by Panama, El Salvador, and Ireland.

According to Banco de Guatemala¹, the employment generated by sectors related to computer programming; computer consultancy services and related activities; information-service activities, and computer-program edition in 2019 amounted to 15,841, out of which 7,527 were salaried jobs and 7,768 were freelance. This represented a total of Q. 1,476.9 million (USD\$194.4 million) paid in salaries. When compared to 2018, an additional 911 jobs were generated.



Operating costs:



Electricity

Guatemala has the most competitive electricity rates in the Central American region. The cost per kWh is between USD\$ 0.10 for industrial users and USD\$ 0.16 for commercial users. Users with electricity demands above 100 kW may register as large users and negotiate their electric-power contracts.



Average Monthly Salary

- Computer programming, computer consultancy services and related activities; information-service activities, and computer-program editing: USD\$ 1,032.45
- The personnel turnover rate ranges from 5 to 10%²

Hiring modes:

- Service contracts
- Individual work contracts (included in payroll)

1. Nomenclature Code of Industries or Economic Activities for Guatemala - NAEG - AE070.

2. According to the Sectoral Local Businesspeople's survey, May 2021.



Connectivity (internet)

Types of Connectivity

Residential or BIA-Broadband Internet Access: They are shared bands that provide slower speeds, since the bandwidth they provide is the maximum speed that can be accessed. It is low-cost and there are several types of connections that can be obtained: wireless, satellite, cable, optic fiber; and DSL (Digital Subscriber Line). Asymmetric link: 60 MB – USD208; 100 MB –USD260.

2. Business or DIA-Dedicated Internet Access: This bandwidth is specifically reserved for a delimited connection. It does not share the broadband, but instead, it has a separate connection with increased capacity. Upload and download speeds are constant (symmetric connections). Optic-fiber link (100 Mbps): USD1,125³. The prices and terms of the contract vary according to the private company providing the service; the time to install new services ranges from 4 to 6 weeks. According to Cable Co., the average price of IGB of mobile data in Guatemala is USD1.94⁴.

Some Connectivity options

Residential:

- Tigo
- Claro
- Cablenet
- Cablecolor
- IBW Guatemala

Business:

- Tigo
- Claro
- Cablecolor
- C&W Business
- IBW Guatemala



Additional Workers' Benefits Granted in the Industry⁵

Percentages indicate that companies grant additional benefits to their employees, such as a flexible schedule (77%), a performance bonus (50%), support for studies (45%), parking (45%), cell phone (41%), day off for birthday (36%), health insurance (14%), meals (9%), universal severance pay (5%), seniority bonus (5%), birthday bonus (5%).

40% of businesspeople state that these costs constitute between 6% and 10%, while 33% state that the cost ranges from 1% to 5%.

3. Further information can be accessed in the following webpage: <https://www.cable.co.uk/mobiles/worldwide-data-pricing/>

4. According to the Sectoral Local Businesspeople's survey, May 2021.

5. These additional benefits are granted by companies to their workers as an indirect financial compensation used to hire and retain their best talent and to create a motivated workforce. They vary by company. Based on information on the Salary Scale and Benefits in the IT Sector Industry Study (Agexport-Universidad Galileo/MINECO 2016) and the Sectoral Local Businesspeople's Survey, May 2021.



Rentals

- Warehouse, rent per m²: a range of USD3.50 – USD6.00 monthly cost in the Municipality of Guatemala and surroundings (Villa Nueva, Amatitlán and Mixco).
- Industrial park rent per m²: USD3.50 – USD6.00 monthly cost in the Municipality of Guatemala and surroundings (Villa Nueva, Amatitlán and Mixco).
- Special Public Economic Development Zones rent per m²: a monthly cost of USD 6.50 in the departments of Escuintla and San Marcos.
- Office space in Guatemala City, depending on its location and characteristics, ranges from USD10 to USD16 per mt².



Operating Infrastructure:

Guatemala has the infrastructure required by your company's operations.



Telecommunications:

- 2.2 million landlines
- 20.3 million mobile cellular lines
- 7 registered international telecom operators

Fuente: SIT Statistical Bulletin 2020



Electric Power:

Installed capacity: 3,406.9 MW
Maximum demand: 1,787.2 MW
Energy matrix: 75% renewable; 25% non-renewable
Average Spot Price (2020) 41.14 USD/MW

Source: Statistical Reports 2020, Administrador del Mercado Mayorista (Wholesale Market Administrator)



Security:

The country strives to guarantee security. Proof of this is the downward trend in the homicide rate, which was 15.3 in 2020, below the Latin American average (18.4).

The Ministry of the Interior, with support from the National Civil Police, has qualified personnel covering the whole country and undertakes constant patrols and operations that guarantee the safety of the population and the normal course of economic activities.



Transportation and Urban Facilities in Guatemala City:

- At present there is a varied transportation system: TransMetro (9 lines-135 km), TransUrbano (47 lines-1164 km), and urban and extra-urban buses (52 lines-1304 km) with access to transfer nodes
- Projects have been planned and programmed to improve the road infrastructure and transportation in the city, which are to be developed in the next 2 years: Express Routes, Aerial Metro, North Arch, Bicycle Lanes, Metrorail System, Alternate Route and G60, and 12 new overpasses, among others.
- Guatemala City offers a series of services and facilities: over 10 financial groups, with more than 1,000 bank branches; 49 shopping malls and over 100 medium-sized stores, and 1 wholesale distribution center.
- Academic institutions include 26 private and 1 public universities in the metropolitan area, with more than 249 private and 40 public secondary schools.
- A medical service network with 85 private and 10 public hospitals.
- The city houses the La Aurora International Airport, which handles an average of 277 weekly flights.



Competitive **Advantages:**



A consolidated software and digital-content industry with over 20 years' presence in Guatemala, specializing in custom development, digital strategy, cybersecurity, management tools, and automatization, among others.



A strategic geographic location with a standard time zone to provide support and services to North America, Latin America, and Europe.



Human talent certified in PMI, PHP, SAP and Microsoft, Google tools, among others. Highly committed and client- and quality-oriented.



The greatest offer of skilled labor in the Central American region and specific technical-education programs to train young people. There are over 18,000 people currently being trained for sector-related professions, and over 3,800 professionals with engineering and licentiate degrees related to the industry⁶.

⁶. According to data from Guatemala's Professional Engineering Association (2020).



A cluster of over 50 software and digital-content companies exporting more than US\$170 million a year to America and Europe.



Development of professional technical careers at one State University, five private universities, and other specialized academic institutions.



Competitive telecommunication costs for agile and quick connectivity by means of various networks and optic fiber. Over 300 active commercial-network operators approved by competent authorities.



Competitive average salaries for internationally-recognized creative, technified, and professional staff.



Low-cost academic information-technology training and instruction programs aimed at increasing and strengthening human-talent availability.

Incentives to open new service companies.

Using the teleworking mode poses several advantages, such as flexibility, productivity increase, and cost reduction. Even though it is not expressly regulated in Guatemala, due to the COVID-19 pandemic, a considerable amount of workers in this sector are working from home. According to the survey performed, 71% of the companies answered that 100% of their staff is working from home; 7% stated that 90% of their staff is teleworking, and 21% mentioned that 80% of their staff is telecommuting. Teleworking has allowed de-centralizing jobs. Employment is now being generated in departments such as Quetzaltenango, Sacatepéquez, Chimaltenango, Izabal, Petén y Chiquimula⁷.

Part-time employment was recently regulated in the country. It is considered as the contractual bond by means of which a person commits to providing his/her personal services during a regular schedule that is shorter than the one established for full-time workers.



What is part-time employment?

It is the contractual bond by means of which a person commits to providing his/her personal services during a regular schedule that is shorter than the one established for full-time workers in a similar situation.



Daytime - 06:00 - 18:00
8 hours of work per day
44 hours of work per week
(maximum)



Nocturna - 18:00 - 06:00
6 hours of work per day
36 hours of work per week
(maximum)



Combined - 18:00 - 06:00
7 hours of work per day
42 hours of work per week
(maximum)

The work schedule may not exceed a total of 12 hours per day. Each hour of overtime in addition to the agreed hours must be paid at 1.5 times the normal hourly rate.

Salaries are established based on the work schedule, according to the minimum hourly salary in force.

Non-agricultural activities
Q11.61 per hour

Agricultural activities
Q11.27 per hour

Export and Outsourcing Activities
Q10.61 per hour



Doing **business:**



Opening a business

Guatemala placed first among Latin American and Caribbean countries as far as improving its competitiveness to open a business, with an average 6 steps required to open a business in an estimated 15 days.



Accessing Electric Power

Second place among the countries of the region with regard to its rating for energy supply reliability and the transparency of its rates.



Securing Credit

Regarding the strength of legal rights, Guatemala ranked second among the countries of the Central American region, and it is above the indicators for Latin America and the Caribbean



Paying taxes

The country has the lowest rate of taxes and contributions levied as a percentage of earnings in the Central American region.



Cross-Border Trade

The country ranks second among Central America countries for having the lowest export and import costs (border and documentary compliance).



Construction Permit Management

Less number of procedures and competitive costs.



ITO and Software **Development** **Regulatory Framework**

1 **Code of Commerce, Decree 2-70** [DOWNLOAD](#)

It is the body of laws regulating the norms that apply to mercantile companies operating in Guatemala and the commercial instruments, commercial auxiliaries, and commercial contracts. It establishes the requirements that each of them must fulfill to engage in a licit trade activity.

2 **Law on Value Added Tax, Decree 27-92** [DOWNLOAD](#)

It is the body of norms regulating the management of the Value Added Tax levied on acts, contracts and service provision.

3 **Law on Solidarity Tax, Decree 73-2008** [DOWNLOAD](#)

It is the body of norms regulating the quarterly payment of a Solidarity Tax (ISO in Spanish) by individuals, entities or asset funds dealing in commercial or agricultural/livestock activities in the national territory.

4 **Labor Code, Decree 1441, and its Amendments** [DOWNLOAD](#)

The Labor Code (Decree 1441) is the main regulatory framework pertaining to worker-employer relations. It creates the institutions that ensure compliance and dispute mediation. Other legislation related to labor matters includes: The Political Constitution of the Republic of Guatemala; ILO's Convention 175; the Labor Code, Decree 19-2018, Government Agreement 320-2019.

5 **Law on the Annual Bonus for Private- and Public-Sector Workers, Decree 42-92** [DOWNLOAD](#)

Body of norms regulating the annual, compulsory bonus that must be paid to workers. The bonus must be equal to one hundred percent (100%) of the ordinary wages or salary paid to the worker, which is equivalent to a month's work.

6**Law Regulating the Christmas Bonus for Private-Sector Workers 76-78****DOWNLOAD**

Body of norms regulating the employers' obligation to pay their workers as a Christmas bonus, which is equivalent to one hundred percent of the ordinary monthly wages or salary earned during one year of continuous service or the corresponding proportionate part.

7**Set of Health and Occupational Safety Regulations, Governmental Agreement 229-2014, and Its Amendments****DOWNLOAD**

The body of norms regulating the general health and occupational-safety conditions that employers must fulfill with the aim of protecting the life, health, and integrity of the people performing their duties within their work space.

**Fiscal Incentives:****Decree 16-2003 – Law on Value Added Tax:**

It is the body of norms regulating matters pertaining to tax exemptions for generic medication, alternative natural medications, and antiretroviral medications.

Law on Foreign Investment (Decree 9-98):

It ensures equal treatment of foreign and local investors. The law does not allow the State to expropriate, directly or indirectly, any investment that has been made.

Law Promoting and Developing Export and Maquila (Outsourcing) Activities (Decree 29-89) – Amended by the Emerging Law for Job Preservation (Decree 19-2016):

It promotes, encourages, and develops production of export or re-export goods, without requiring that a company operate within a free zone.

- A company may claim the benefits generated by this law through its classification as an exporting or outsourcing firm under the temporary-admission regimen.
- Temporary cessation of payment of customs duties and import taxes
- Temporary cessation of import duties (DAI in Spanish) and VAT on raw materials, samples, components, and accessories needed for the productive process.
- Total exoneration of Income Tax (ISR in Spanish) for a period of 10 years

[1] Source: Guatemalan Social Security Institute (2017), Labor Code, Decree 1441, Ministry of Public Finances, Government Decree 320-2019.

*The amount of the salaries may vary, depending on the reference exchange rate. The reference exchange rate for the sums included in this document is: US\$1 = Q7.67

Set of Regulations to Authorize and Implement the Special Public Economic Development Zones (Decree No. 30-2018):

A geographically-defined non-customs area within the national territory to produce goods and services or undertake commercial activities, with special tariffs, and a temporary customs regimen.

- Income Tax exemption for 10 years.
- Temporary cessation of VAT, customs duties, and other charges on imports of raw materials, inputs, materials, machinery, equipment, accessories, etc.
- Exemption of fiscal stamps on documents containing acts or contracts on goods and business executed in the Special Public Economic Development Zones.

Law on Free Zones (Decree 65-89):

Delimited physical areas under a special customs regimen. They may be public or private and they may be established in any region of the country.

- Exemption of taxes, customs duties, and charges applicable to importing goods that are used to produce goods and provide services.
- Total Income-Tax exemption during a 10-year period
- VAT exemption when transferring goods within and among free zones.
- Exemption from Fiscal-Stamp Tax and Special Protocol Paper Tax on real-state purchases, exchanges, or transfers.
- VAT exemption on the purchase of locally-produced inputs to be incorporated into final products and services.



Casos de ÉXITO⁸:

ALLIED GLOBAL

About the company: Allied Global started operating in Guatemala City in 2005, providing services for local telecommunications companies. In 2008, it entered into the United States market offering bilingual services.

Location: 16 Calle 0-55 Zona 10, Torre Internacional, Nivel 13.

Main products: Intelligent robotization, optical character recognition, quality control tests, DevOps consulting, project-management consulting, artificial intelligence, digital platforms, cell-phone applications, e-Commerce.

EDESIGNS COMPANY

About the company: This is a company that has been working in Guatemala over 10 years, offering web and digital development services for businesses. Its main focus is to innovate by creating agile and high-quality tools for its customers.

Location: Campus TEC 3, Oficina 303. Zona 4 Guatemala. 01004.

Main products: It offers specialized mini websites, Mailtrust, 502 (Magic QR), Google Cloud, Wordpress support, and social-network management.

GISYSTEMS

About the company: Gisystems is a consulting firm specializing in management, planning, administration, and control of civil-engineering and architectural projects. It develops software solutions for information generation and processing, time control, quality assurance, cost administration, and project management approach for its customers.

Location: Calzd. Atanasio Tzul 22-00, Zona 12, Cortijo II, Of. 213.

Main products: Project management, systems development, drones, 360°, and timelapse.

Sistemas Aplicativos (SISAP)

About the company: SISAP is a Central American company established in 1985. It has several customers in the United States, Mexico, Central America, Colombia, Ecuador, Peru, Chile, Brazil, and other countries. Since it was established, it has ventured into many Information Technology areas, leading the market through innovation, quality, and client service.

Location: 3a Calle "A" 6-50 Zona 10.

Main products: Endpoint protection, perimeter protection, IPS/IDS solutions, browsing control, data protection, SIEM, Access Authentication Authorization (AAA), change control, bandwidth optimization, Antispam, database protection, web application firewalls, among others.



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