

Economy Profile  
Honduras

# Doing Business 2020

Comparing Business  
Regulation in  
**190** Economies



WORLD BANK GROUP

## Economy Profile of Honduras

*Doing Business 2020 Indicators  
(in order of appearance in the document)*

<b>Starting a business</b>	Procedures, time, cost and paid-in minimum capital to start a limited liability company
<b>Dealing with construction permits</b>	Procedures, time and cost to complete all formalities to build a warehouse and the quality control and safety mechanisms in the construction permitting system
<b>Getting electricity</b>	Procedures, time and cost to get connected to the electrical grid, and the reliability of the electricity supply and the transparency of tariffs
<b>Registering property</b>	Procedures, time and cost to transfer a property and the quality of the land administration system
<b>Getting credit</b>	Movable collateral laws and credit information systems
<b>Protecting minority investors</b>	Minority shareholders' rights in related-party transactions and in corporate governance
<b>Paying taxes</b>	Payments, time, total tax and contribution rate for a firm to comply with all tax regulations as well as postfiling processes
<b>Trading across borders</b>	Time and cost to export the product of comparative advantage and import auto parts
<b>Enforcing contracts</b>	Time and cost to resolve a commercial dispute and the quality of judicial processes
<b>Resolving insolvency</b>	Time, cost, outcome and recovery rate for a commercial insolvency and the strength of the legal framework for insolvency
<b>Employing workers</b>	Flexibility in employment regulation and redundancy cost

## About Doing Business

The *Doing Business* project provides objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level.

The *Doing Business* project, launched in 2002, looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle.

*Doing Business* captures several important dimensions of the regulatory environment as it applies to local firms. It provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. *Doing Business* also measures features of employing workers. Although *Doing Business* does not present rankings of economies on the employing workers indicators or include the topic in the aggregate ease of doing business score or ranking on the ease of doing business, it does present the data for these indicators.

By gathering and analyzing comprehensive quantitative data to compare business regulation environments across economies and over time, *Doing Business* encourages economies to compete towards more efficient regulation; offers measurable benchmarks for reform; and serves as a resource for academics, journalists, private sector researchers and others interested in the business climate of each economy.

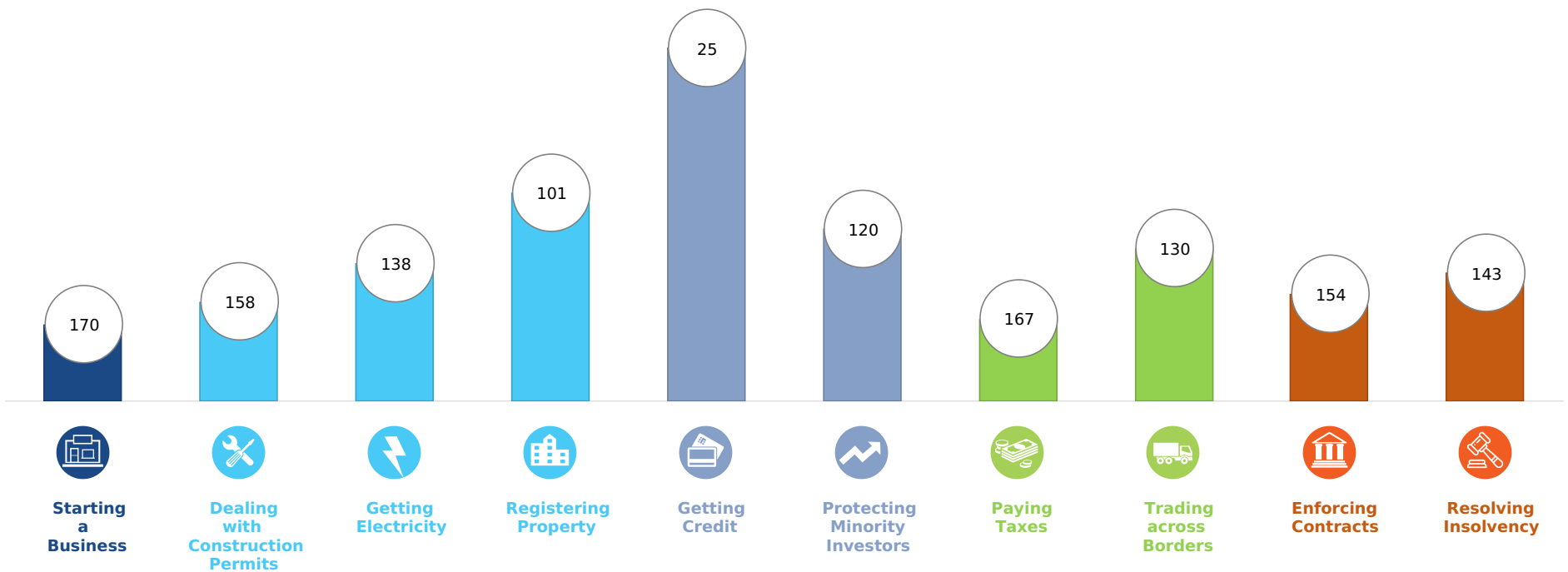
In addition, *Doing Business* offers detailed [subnational studies](#), which exhaustively cover business regulation and reform in different cities and regions within a nation. These studies provide data on the ease of doing business, rank each location, and recommend reforms to improve performance in each of the indicator areas. Selected cities can compare their business regulations with other cities in the economy or region and with the 190 economies that *Doing Business* has ranked.

The first *Doing Business* study, published in 2003, covered 5 indicator sets and 133 economies. This year's study covers 11 indicator sets and 190 economies. Most indicator sets refer to a case scenario in the largest business city of each economy, except for 11 economies that have a population of more than 100 million as of 2013 (Bangladesh, Brazil, China, India, Indonesia, Japan, Mexico, Nigeria, Pakistan, the Russian Federation and the United States) where *Doing Business* also collected data for the second largest business city. The data for these 11 economies are a population-weighted average for the 2 largest business cities. The project has benefited from feedback from governments, academics, practitioners and reviewers. The initial goal remains: to provide an objective basis for understanding and improving the regulatory environment for business around the world.

To learn more about *Doing Business* please visit [doingbusiness.org](http://doingbusiness.org)

Ease of Doing Business in <b>Honduras</b> 	<b>Region</b>	Latin America & Caribbean	<b>DB RANK</b>	<b>DB SCORE</b>
	<b>Income Category</b>	Lower middle income	133	56.3
	<b>Population</b>	9,587,522		
	<b>City Covered</b>	Tegucigalpa		

Rankings on Doing Business topics - Honduras



Topic Scores



<b>Starting a Business</b> (rank)	170
Score of starting a business (0-100)	71.4
Procedures (number)	11
Time (days)	42
Cost (number)	28.1
Paid-in min. capital (% of income per capita)	0.0
<b>Dealing with Construction Permits</b> (rank)	158
Score of dealing with construction permits (0-100)	56.2
Procedures (number)	17
Time (days)	132
Cost (% of warehouse value)	11.4
Building quality control index (0-15)	9.0
<b>Getting Electricity</b> (rank)	138
Score of getting electricity (0-100)	59.9
Procedures (number)	7
Time (days)	39
Cost (% of income per capita)	766.7
Reliability of supply and transparency of tariff index (0-8)	2
<b>Registering Property</b> (rank)	101
Score of registering property (0-100)	62.3
Procedures (number)	6
Time (days)	28.5
Cost (% of property value)	5.7
Quality of the land administration index (0-30)	12.5

<b>Getting Credit</b> (rank)	25
Score of getting credit (0-100)	80.0
Strength of legal rights index (0-12)	8
Depth of credit information index (0-8)	8
Credit registry coverage (% of adults)	17.3
Credit bureau coverage (% of adults)	48.9
<b>Protecting Minority Investors</b> (rank)	120
Score of protecting minority investors (0-100)	42.0
Extent of disclosure index (0-10)	3.0
Extent of director liability index (0-10)	8.0
Ease of shareholder suits index (0-10)	6.0
Extent of shareholder rights index (0-6)	3.0
Extent of ownership and control index (0-7)	1.0
Extent of corporate transparency index (0-7)	0.0
<b>Paying Taxes</b> (rank)	167
Score of paying taxes (0-100)	49.9
Payments (number per year)	59
Time (hours per year)	203
Total tax and contribution rate (% of profit)	39.1
Postfiling index (0-100)	35.1

<b>Trading across Borders</b> (rank)	130
Score of trading across borders (0-100)	64.3
<i>Time to export</i>	
Documentary compliance (hours)	48
Border compliance (hours)	108
<i>Cost to export</i>	
Documentary compliance (USD)	80
Border compliance (USD)	601
<i>Time to export</i>	
Documentary compliance (hours)	72
Border compliance (hours)	96
<i>Cost to export</i>	
Documentary compliance (USD)	70
Border compliance (USD)	483
<b>Enforcing Contracts</b> (rank)	154
Score of enforcing contracts (0-100)	44.2
Time (days)	920
Cost (% of claim value)	38.8
Quality of judicial processes index (0-18)	7.5
<b>Resolving Insolvency</b> (rank)	143
Score of resolving insolvency (0-100)	32.6
Recovery rate (cents on the dollar)	19.9
Time (years)	3.8
Cost (% of estate)	14.5
Outcome (0 as piecemeal sale and 1 as going concern)	0
Strength of insolvency framework index (0-16)	7.0

## Starting a Business

This topic measures the number of procedures, time, cost and paid-in minimum capital requirement for a small- to medium-sized limited liability company to start up and formally operate in each economy's largest business city.

To make the data comparable across 190 economies, *Doing Business* uses a standardized business that is 100% domestically owned, has start-up capital equivalent to 10 times the income per capita, engages in general industrial or commercial activities and employs between 10 and 50 people one month after the commencement of operations, all of whom are domestic nationals. Starting a Business considers two types of local limited liability companies that are identical in all aspects, except that one company is owned by 5 married women and the other by 5 married men. The ranking of economies on the ease of starting a business is determined by sorting their scores for starting a business. These scores are the simple average of the scores for each of the component indicators.

The most recent round of data collection for the project was completed in May 2019. [See the methodology for more information.](#)

What the indicators measure	Case study assumptions
<p><b>Procedures to legally start and formally operate a company (number)</b></p> <ul style="list-style-type: none"> <li>• Preregistration (for example, name verification or reservation, notarization)</li> <li>• Registration in the economy's largest business city</li> <li>• Postregistration (for example, social security registration, company seal)</li> <li>• Obtaining approval from spouse to start a business or to leave the home to register the company</li> <li>• Obtaining any gender specific document for company registration and operation or national identification card</li> </ul>	<p>To make the data comparable across economies, several assumptions about the business and the procedures are used. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes.</p>
<p><b>Time required to complete each procedure (calendar days)</b></p> <ul style="list-style-type: none"> <li>• Does not include time spent gathering information</li> <li>• Each procedure starts on a separate day (2 procedures cannot start on the same day)</li> <li>• Procedures fully completed online are recorded as ½ day</li> <li>• Procedure is considered completed once final document is received</li> <li>• No prior contact with officials</li> </ul>	<p><b>The business:</b></p> <ul style="list-style-type: none"> <li>-Is a limited liability company (or its legal equivalent). If there is more than one type of limited liability company in the economy, the limited liability form most common among domestic firms is chosen. Information on the most common form is obtained from incorporation lawyers or the statistical office.</li> <li>-Operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.</li> <li>-Performs general industrial or commercial activities such as the production or sale to the public of goods or services. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.</li> <li>-Does not qualify for investment incentives or any special benefits.</li> <li>-Is 100% domestically owned.</li> <li>-Has five business owners, none of whom is a legal entity. One business owner holds 30% of the company shares, two owners have 20% of shares each, and two owners have 15% of shares each.</li> <li>-Is managed by one local director.</li> <li>-Has between 10 and 50 employees one month after the commencement of operations, all of them domestic nationals.</li> <li>-Has start-up capital of 10 times income per capita.</li> <li>-Has an estimated turnover of at least 100 times income per capita.</li> <li>-Leases the commercial plant or offices and is not a proprietor of real estate.</li> <li>-Has an annual lease for the office space equivalent to one income per capita.</li> <li>-Is in an office space of approximately 929 square meters (10,000 square feet).</li> <li>-Has a company deed that is 10 pages long.</li> </ul>
<p><b>Cost required to complete each procedure (% of income per capita)</b></p> <ul style="list-style-type: none"> <li>• Official costs only, no bribes</li> <li>• No professional fees unless services required by law or commonly used in practice</li> </ul>	<p><b>The owners:</b></p> <ul style="list-style-type: none"> <li>-Have reached the legal age of majority and are capable of making decisions as an adult. If there is no legal age of majority, they are assumed to be 30 years old.</li> <li>-Are in good health and have no criminal record.</li> <li>-Are married, the marriage is monogamous and registered with the authorities.</li> <li>-Where the answer differs according to the legal system applicable to the woman or man in question (as may be the case in economies where there is legal plurality), the answer used will be the one that applies to the majority of the population.</li> </ul>
<p><b>Paid-in minimum capital (% of income per capita)</b></p> <ul style="list-style-type: none"> <li>• Funds deposited in a bank or with third party before registration or up to 3 months after incorporation</li> </ul>	

Starting a Business - Honduras

Standardized Company

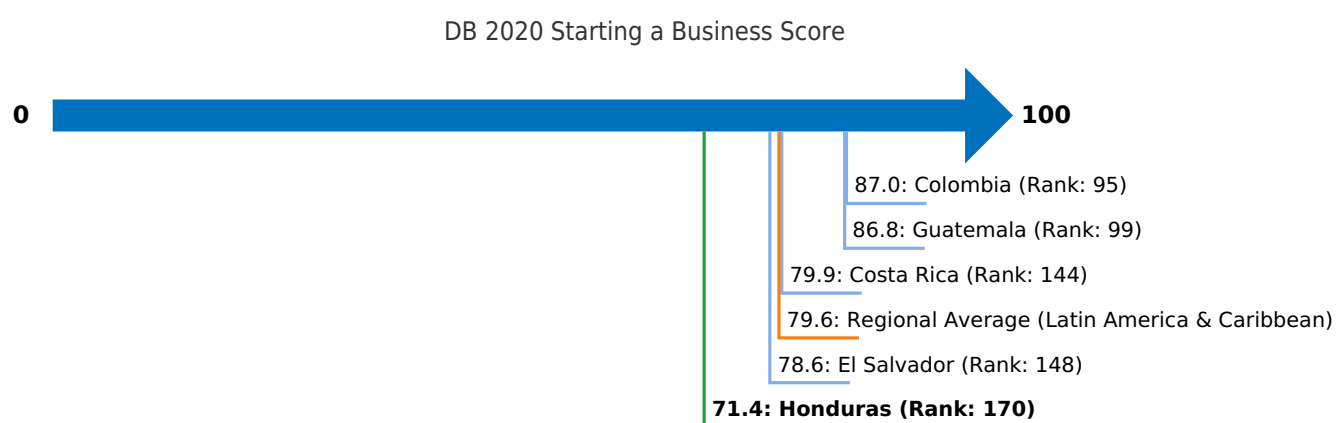
Legal form	Private Limited Company
Paid-in minimum capital requirement	No minimum
City Covered	Tegucigalpa

Indicator	Honduras	Latin America & Caribbean	OECD high income	Best Regulatory Performance
Procedure - Men (number)	11	8.1	4.9	1 (2 Economies)
Time - Men (days)	42	28.8	9.2	0.5 (New Zealand)
Cost - Men (% of income per capita)	28.1	31.4	3.0	0.0 (2 Economies)
Procedure - Women (number)	11	8.1	4.9	1 (2 Economies)
Time - Women (days)	42	28.8	9.2	0.5 (New Zealand)
Cost - Women (% of income per capita)	28.1	31.4	3.0	0.0 (2 Economies)
Paid-in min. capital (% of income per capita)	0.0	0.4	7.6	0.0 (120 Economies)

Figure - Starting a Business in Honduras - Score

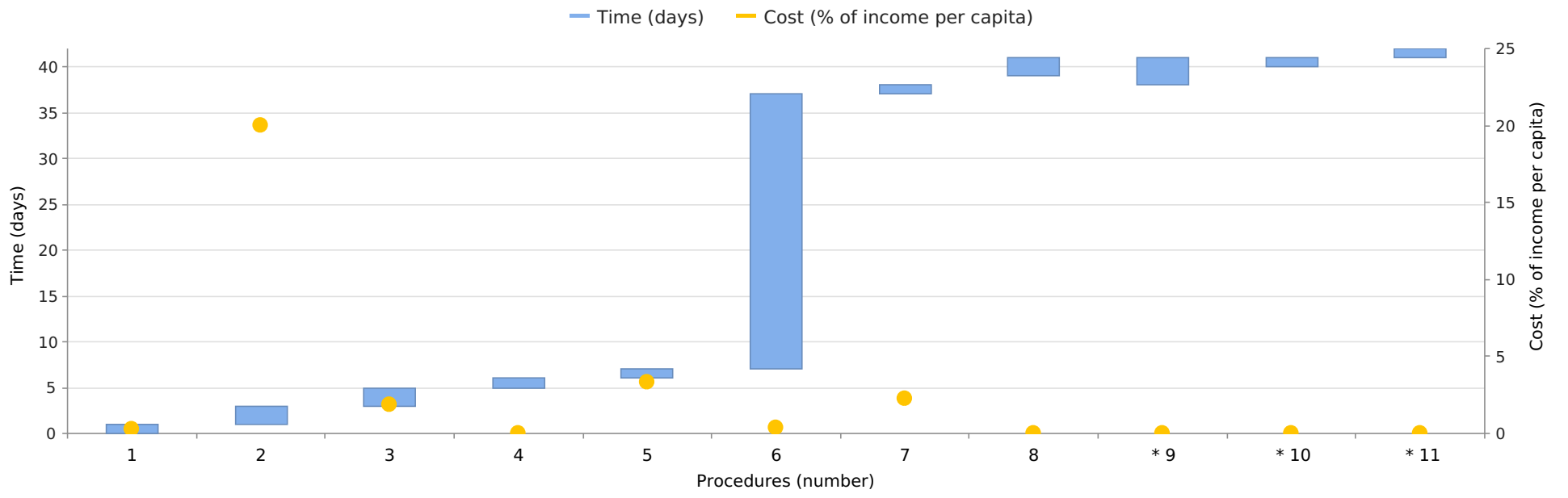


Figure - Starting a Business in Honduras and comparator economies - Ranking and Score



Note: The ranking of economies on the ease of starting a business is determined by sorting their scores for starting a business. These scores are the simple average of the scores for each of the component indicators.

Figure - Starting a Business in Honduras - Procedure, Time and Cost



\*This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the *Doing Business* website (<http://doingbusiness.org/en/methodology>). For details on the procedures reflected here, see the summary below.



## Details - Starting a Business in Honduras - Procedure, Time and Cost

No.	Procedures	Time to Complete	Associated Costs
1	<p><b>Pay the initial capital and obtain the certificate of the deposit at a local bank</b>  <i>Agency</i> : Bank</p> <p>The article 5 of the Decree No. 284-2013 removes the minimum capital required to constitute a company. However, the majority of notaries and the Mercantile Registry typically require at least 5,000 lempiras of startup capital in practice. The entrepreneurs need to pay the initial capital in a local bank and obtain the certificate of the deposit.</p>	1 day	L. 150
2	<p><b>Establish the company before a notary public, who will draw up the articles of incorporation</b>  <i>Agency</i> : Notary</p> <p>A company may be set up by public subscription or simultaneous foundation. The procedures described here are for simultaneous foundation (fundación simultánea).</p> <p>The constitution instrument should be written on stamped paper (papel sellado). The notary uses this paper for the protocol (the original signed document in the notary's custody) and for the first copy (testimonio) of the instrument of organization.</p> <p>The cost to register depends on the company's share capital:</p> <p>The new fees schedule is the following according to the value of share capital:</p> <ul style="list-style-type: none"> <li>i) until L. 100,000, it will apply the 5% of the share capital;</li> <li>ii) from L. 100,001 to L. 500,000, it will apply the 3%;</li> <li>iii) from L. 500,001 to L. 5,000,000, it will apply the 2%;</li> <li>iv) more than L. 5,000,001, it will apply the 1%.</li> </ul> <p>Since 2014, the Decree 284-2013 introduces the possibility to constitute the company without the participation of the notary. Through the online system 'Mi empresa en linea', the company can be constituted by a private corporate contract (contrato societario). This form can be file directly at the Chamber of Commerce with a reduced cost of L.525. Nevertheless, the majority of entrepreneurs still visit the notary office to constitute the company.</p>	2 days	notary fees of 2% for companies with share capital from L. 500,000 to L. 1,000,000
3	<p><b>File the articles of incorporation with the Mercantile Registry at the Chamber of Commerce</b>  <i>Agency</i> : Mercantil Registry at the Chamber of Commerce</p> <p>It is necessary to register the Public Deed with the Mercantile Registry at the Chamber of Commerce.</p>	2 days	L. 200 for the first L.1,000 of capital + L.1.5 per L.1,000 of capital or fraction thereof.
4	<p><b>Apply for the tax identification code (Registro Tributario Nacional, RTN)</b>  <i>Agency</i> : Revenues Administration Service (Servicio de Administración de Rentas, SAR)</p> <p>All natural or legal persons must apply for a tax identification code (Registro Tributario Nacional, RTN) at the at the Ministry of Finance's Revenues Administration Service (Servicio de Administración de Rentas, SAR).</p> <p>To obtain the RTN of a company, the entrepreneur needs to present the IDs of the partners and a copy of each, the personal RTN of each of the partners plus the copy and a copy of the public deed. In addition, the RTN is requested by the 410B form.</p>	1 day	no charge
5	<p><b>Register with local and national Chambers of Commerce</b>  <i>Agency</i> : Chamber of Commerce</p> <p>The company needs to register with the local and national chambers of commerce.</p> <p>The cost to register depends on the company's share capital:</p> <ul style="list-style-type: none"> <li>- Share capital from L. 1 to L. 200,000: L. 590</li> <li>- Share capital from L. 200,001 to L. 400,000: L. 850</li> <li>- Share capital from L. 400,001 to L. 700,000: L. 1,850</li> <li>- Share capital L. 700,001 and above: L. 3,000</li> </ul>	1 day	L. 1,850
6	<p><b>Apply for a zoning certificate (constancia de compatibilidad) at the Municipal Authority</b>  <i>Agency</i> : Municipality - Gerencia de control de la construccion</p> <p>The zoning certificate (constancia de compatibilidad) is a requirement for apply to the operational permit. This certificate verifies the place where the new company will be located. It has to be in an allowed area to create a company. The entrepreneur needs to apply at the Municipality (Citizen services counter) and they will transfer the documents to the counter of construction management. The required documents are the following:</p> <ul style="list-style-type: none"> <li>i) identification of the economic activity of the company;</li> <li>ii) ID copy of the legal representative;</li> <li>iii) copy of the RTN of the company and the legal representative;</li> <li>iv) power of attorney;</li> <li>v) sketch of the property;</li> <li>vi) and proof of the municipal solvency (impuesto de bienes inmuebles).</li> </ul> <p>Once submitted all the documents, an inspection board will visit the business premises in order to verify the area where the company is established.</p>	30 days	L. 200



7	<p><b>Apply for an operational permit (Permiso de Operación) at the Municipality</b>  <i>Agency</i> : Municipality - Gerencia atención al ciudadano</p> <p>To obtain the operational permit, some or all of the following documents must be filed, depending on the type of industrial or commercial activity:</p> <ul style="list-style-type: none"> <li>- Personal identity card and municipality tax solvency of the general manager (copies);</li> <li>- Zoning certificate (previous procedure);</li> <li>- Tax identification code (RTN) (copy);</li> <li>- Cadastral code (clave cadastral) corresponding to the corporation's place of business;</li> <li>- Constitution instrument (escritura de constitución de la compañía) (copy);</li> <li>- Zoning constancy;</li> <li>- Tenancy agreement and constancy of income tax solvency corresponding to the owner of the premises in which the company will do business;</li> <li>- Environmental impact statement;</li> <li>- Cadastral inspection of the premises in which the corporation will do business.</li> </ul> <p>Once obtained the operating license, the company is required to pay annually (every January) the following taxes to the Municipality, which vary based on the company's expected income: nomenclature tax, zoning tax, inspection tax, code tax, environmental tax, and taxes for firefighting and waste management services (paid annually to the municipality).</p> <p>For these taxes, the entrepreneur needs to file at the Municipality a forecast of the expected sales and income that the company will obtain during the upcoming year.</p>	1 day	L. 150 for the certificate + L. 1,100 according to sales expectations
8	<p><b>Register for Sales tax</b>  <i>Agency</i> : Revenues Administration Service (Servicio de Administración de Rentas, SAR)</p> <p>According to the Tax Code (Código Tributario), the company is obliged to record the constitution instrument and the operation permit before the Minister of Finance's Revenues Administration Service (Servicio de Administración de Rentas, SAR), in order to pay sales tax on the sale of goods or services.</p>	2 days	no charge
⇒ 9	<p><b>Register at Social Security Institute (Instituto Hondureño de Seguridad Social, IHSS)</b>  <i>Agency</i> : Social Security Institute</p> <p>The Social Security Institute (Instituto Hondureño de Seguridad Social, IHSS) is the national social security hospital and outpatient care institution for workers and their dependents. The company is obliged to contribute 5% of each employee's salary for illness and maternity (enfermedad y maternidad, EM), plus 2% for disability, old age, and death (invalidez, vejez y muerte, IVM)—a total of 7% up to a maximum of L.7,000.</p>	3 days (simultaneous with previous procedure)	no charge
⇒ 10	<p><b>Register at the Professional Training Institute (Instituto Nacional de Formación Profesional, INFOP)</b>  <i>Agency</i> : Hand Labor Training Institute</p> <p>Employers are obliged to contribute 1% of the company's total payroll to the Professional Training Institute (Instituto Nacional de Formación Profesional, INFOP).</p>	1 day (simultaneous with previous procedure)	no charge
⇒ 11	<p><b>Register at Social Housing Fund (Régimen de Aportación, RAP, del Fondo Social de la Vivienda, FOSovi)</b>  <i>Agency</i> : Social Housing Fund (FOSovi)</p> <p>If the company has more than 10 employees, it is obliged to contribute 1.5% of each employee's salary to the Social Fund for Housing (Régimen de Aportación, RAP, and Fondo Social de la Vivienda, FOSovi).</p>	1 day (simultaneous with previous procedure)	no charge

⇒ Takes place simultaneously with previous procedure.

## Dealing with Construction Permits

This topic tracks the procedures, time and cost to build a warehouse—including obtaining necessary the licenses and permits, submitting all required notifications, requesting and receiving all necessary inspections and obtaining utility connections. In addition, the Dealing with Construction Permits indicator measures the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements. The most recent round of data collection was completed in May 2019. [See the methodology for more information](#)

### What the indicators measure

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

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Submitting all required notifications and receiving all necessary inspections
- Obtaining utility connections for water and sewerage
- Registering and selling the warehouse after its completion

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

- Does not include time spent gathering information
- Each procedure starts on a separate day—though procedures that can be fully completed online are an exception to this rule
- Procedure is considered completed once final document is received
- No prior contact with officials

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

- Official costs only, no bribes

#### Building quality control index (0-15)

- Quality of building regulations (0-2)
- Quality control before construction (0-1)
- Quality control during construction (0-3)
- Quality control after construction (0-3)
- Liability and insurance regimes (0-2)
- Professional certifications (0-4)

### Case study assumptions

To make the data comparable across economies, several assumptions about the construction company, the warehouse project and the utility connections are used.

#### The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent) and operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically and privately owned; has five owners, none of whom is a legal entity. Has a licensed architect and a licensed engineer, both registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.

#### The warehouse:

- Will be used for general storage activities, such as storage of books or stationery.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high and will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo, and the warehouse is valued at 50 times income per capita.
- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

#### The water and sewerage connections:

- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the economy, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year; will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

Dealing with Construction Permits - Honduras

Standardized Warehouse

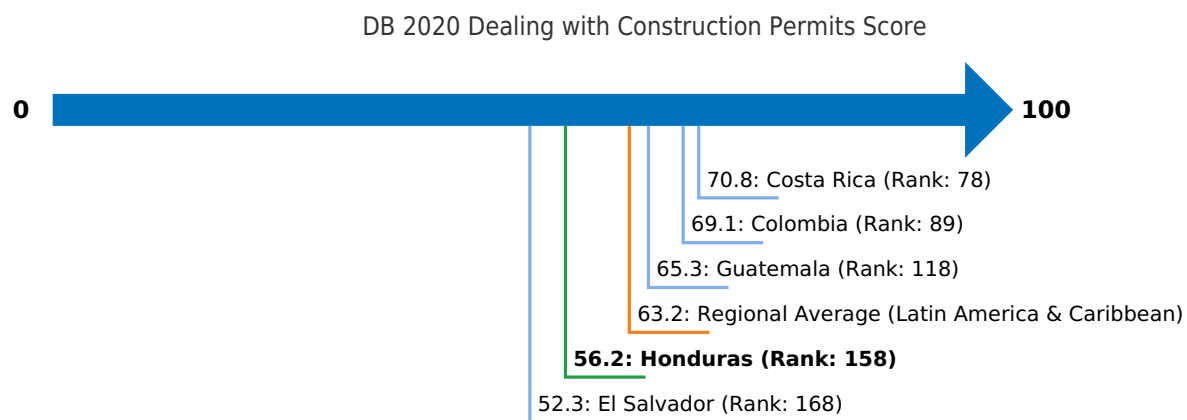
Estimated value of warehouse	HNL 2,783,046.50
City Covered	Tegucigalpa

Indicator	Honduras	Latin America & Caribbean	OECD high income	Best Regulatory Performance
Procedures (number)	17	15.5	12.7	None in 2018/19
Time (days)	132	191.2	152.3	None in 2018/19
Cost (% of warehouse value)	11.4	3.6	1.5	None in 2018/19
Building quality control index (0-15)	9.0	9.0	11.6	15.0 (6 Economies)

Figure - Dealing with Construction Permits in Honduras - Score

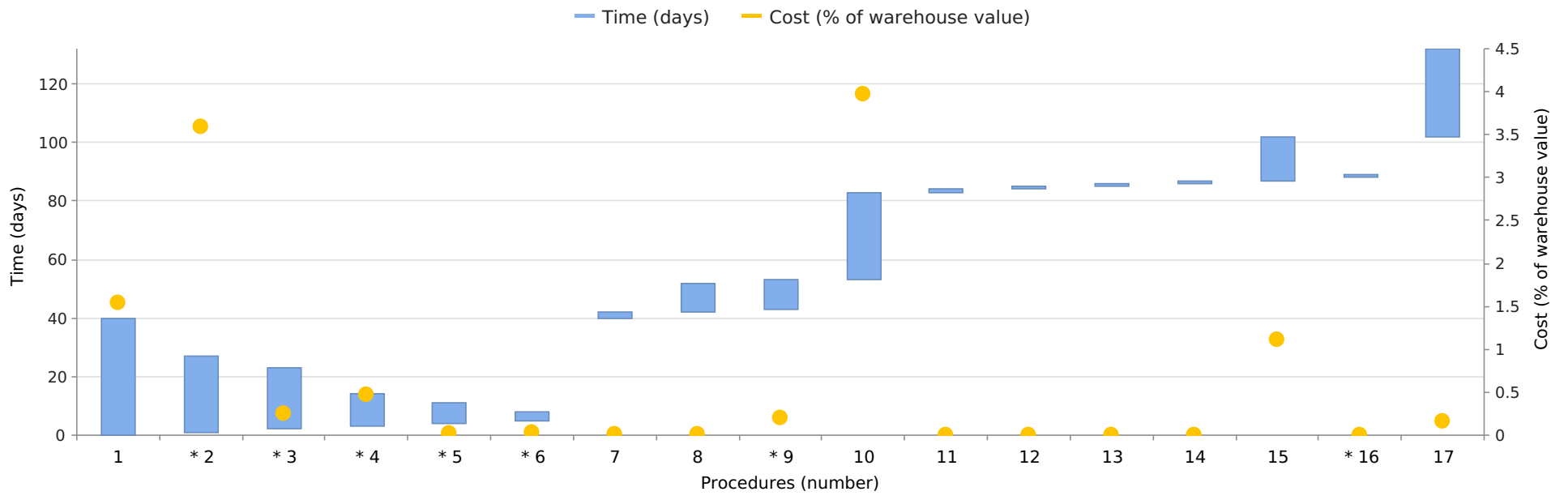


Figure - Dealing with Construction Permits in Honduras and comparator economies - Ranking and Score



Note: The ranking of economies on the ease of dealing with construction permits is determined by sorting their scores for dealing with construction permits. These scores are the simple average of the scores for each of the component indicators.

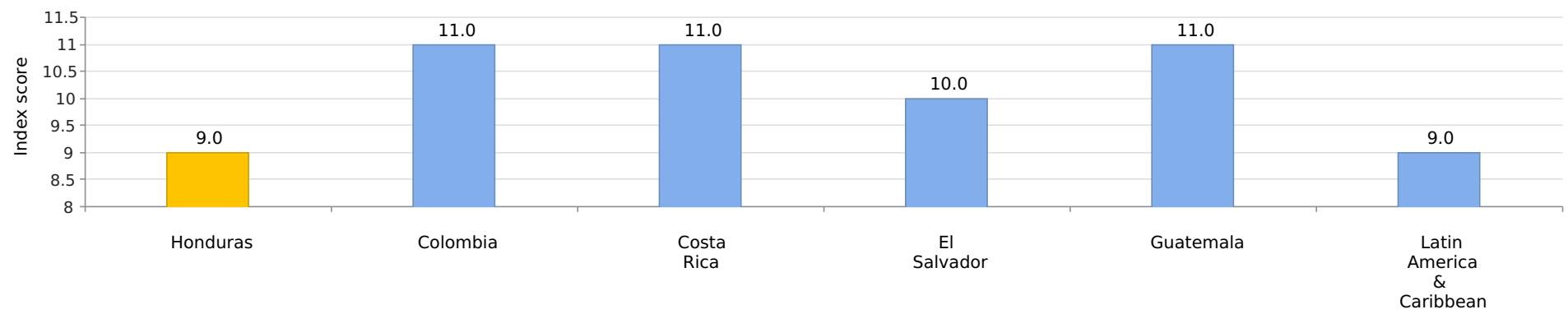
Figure - Dealing with Construction Permits in Honduras - Procedure, Time and Cost



\*This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the *Doing Business* website (<http://doingbusiness.org/en/methodology>). For details on the procedures reflected here, see the summary below.

Figure - Dealing with Construction Permits in Honduras and comparator economies - Measure of Quality



Details - Dealing with Construction Permits in Honduras - Procedure, Time and Cost

No.	Procedures	Time to Complete	Associated Costs
1	<p><b>Request and obtain approval for connection to water and sewage and rainwater drainage feasibility from SANAA</b>                      Agency: SANAA                      The committee responsible for approving conditions of water and sewerage connections (utility company) meets once a week.</p>	40 days	HNL 42,735
⇒ 2	<p><b>Obtain results of geotechnical study / soil test</b>                      Agency: Private licensed company                      BuildCo will request a soil test for the structural calculations for the foundation. Contractors ask for a soil test to ensure that the foundation of the building is solid. The engineer must understand the suitability of the soil for the proposed construction work. It allows to build a solid foundation and avoid structures to be damaged or collapsed or leaned. Although a soil test is not required by law, it is consistently conducted in practice.</p>	26 days	HNL 100,000
⇒ 3	<p><b>Request and obtain environmental approval from Office of Municipal Environmental Development and Management (GMDAM)</b>                      Agency: Office of Municipal Environmental Development and Management of Municipality of Tegucigalpa (UMA)                      First, BuildCo's case would be considered by the Office of Municipal Environmental Development and Management. Under a major government initiative, the National Competitiveness Program (Programa Nacional de Competitividad) and the municipality (GMDAM) entered into an agreement with SERNA in 2007.                       As of September 4, 2008, the Law on Environment was approved, as well as other implementing regulations. Article 78 of the law introduced criteria for different categories of environmental approvals depending on project risks. Commercial warehouses that fit into Category 1 (Article 5) are only subject to environmental control rather than a full scale study at the local level by the Office of Municipal Environmental Development and Management ('UGA' or 'UMA').                       The cost according to Article 70 of Plan de Arbitrios is 1% of the construction cost of the value up to HNL 200,000 + 0.50% of the construction cost of the value between HNL 200,001 - 1,000,000 + 0.05% of the construction cost of the value that exceeds HNL 1,000,000.</p>	21 days	HNL 6,892
⇒ 4	<p><b>Obtain results of topographical study</b>                      Agency: Private licensed company                      A topographical study is conducted prior to construction to measure the levels on the specific terrain. It is a general technical requirement when building a structure of this class.</p>	11 days	HNL 13,000
⇒ 5	<p><b>Request and obtain approval (constancia) from Public Works Secretary (SOPTRAVI)</b>                      Agency: Public Works Secretary (SOPTRAVI)                      As part of the Building Permit requisites, BuildCo. also needs to process the public works authorization. In parallel with the water and sewage request, BuildCo. can ask for the approval from the Public Works Secretary (SOPTRAVI). A fee of HNL 300.00 is charged for the approval and a fee of HNL 200.00 for the inspection.</p>	7 days	HNL 500
⇒ 6	<p><b>Request and obtain design guidelines and approval of drawings and designs from Urban Planning Office</b>                      Agency: Urban Planning Office                      While asking for the public works authorization, BuildCo. must request design guidelines from the Urban Planning Office near the future construction site.</p>	3 days	HNL 900

7	<p><b>Request and obtain location clearances (uso de suelo y factibilidad vial) from the Municipal Authority</b></p> <p><i>Agency:</i> Municipal Authority (Alcaldía Municipal)</p> <p>The following documents must be presented to obtain a certificate of occupancy (Uso de Suelo y Factibilidad Vial) from the Municipality:</p> <ul style="list-style-type: none"> <li>• Application</li> <li>• Proof of property registration</li> <li>• Designs and drawings</li> <li>• Approvals from the SANAA and the ENEE, and others</li> <li>• Environmental license</li> </ul> <p>The new city zoning plan that was introduced in early 2008 is currently being operationalized. One of the main features of the plan is the change of zoning from residential to commercial and its further digitization based on maps from Cadastre and Management Engineering (Ingeniería Gerencial). Furthermore, the land use regulations were amended in April 2008, introducing categories based on risk factors. This led to an improvement in the process of obtaining the location clearance, including a time reduction. The application is checked in the back office to verify whether the new land use is compatible with land use regulations.</p>	2 days	HNL 150
8	<p><b>Request and obtain the Risk Assessment Report from the Risk Evaluation Office</b></p> <p><i>Agency:</i> Risk Evaluation Office (Gerencia de la evaluación de Riesgo)</p> <p>BuildCo must request and obtain a Risk Assessment Report from the Risk Evaluation Office the Municipality.</p> <p>The following documentation is required:</p> <p>Filled Application form</p> <p>Copy of the identity document of the applicant</p> <p>Copy of the current Municipal Solvency of the applicant,</p> <p>Photocopy of the Public Deed duly registered in the Property Institute</p> <p>State of real estate account solvent,</p> <p>Location sketch,</p> <p>The original version and 4 copies of receipt of report payment.</p> <p>Plans: Polygon of the terrain,</p> <p>Topographic map before making the design.</p>	10 days	HNL 400
⇒ 9	<p><b>Request and obtain approval of Fire Safety and Evacuation Plan from Fire Department.</b></p> <p><i>Agency:</i> Fire Department</p> <p>BuildCo must request and obtain approval of fire Safety and Evacuation Plan from Fire Department. The project of the warehouse must comply with the security standards prescribed by the law. Once the Fire Department approves the Plan, BuildCo can apply for building permit.</p>	10 days	HNL 5,566
10	<p><b>Request and obtain building permit</b></p> <p><i>Agency:</i> Municipal Authority (Alcaldía Municipal)</p> <p>The permit application documents are reviewed by the Legal Department, the Technical Department, the Professional College, the Environmental Section, and the Chief of Construction Permits. After submitting the permit application and all other required documents, BuildCo pays the application fee at TASA Municipal. Prior to starting construction, BuildCo must notify the authority.</p>	30 days	HNL 110,551
11	<p><b>Receive footings and foundations inspection (“inspección de zapatas y fundaciones”)</b></p> <p><i>Agency:</i> Municipal Authority (Alcaldía Municipal)</p> <p>According to the 2010 Building Code of Honduras "Código de Construcción de Honduras" under Section 109, BuildCo is obliged to receive footing and foundations inspection. This inspection should be made after excavations for footings are complete and all reinforcing steel are in place. "Las inspecciones de zapatas y fundaciones deben realizarse luego de que las excavaciones para zapatas estén completas y todos los aceros de refuerzo estén colocados."</p>	1 day	no charge
12	<p><b>Receive inspection upon pouring of concrete slabs (“inspección de losas y contrapisos de concreto”)</b></p> <p><i>Agency:</i> Municipal Authority (Alcaldía Municipal)</p> <p>According to the 2010 Building Code of Honduras "Código de Construcción de Honduras" under Section 109, BuildCo is obliged to receive inspection upon pouring of concrete slabs. This inspection must be performed after the steel reinforcement of the slab or subfloor and building service equipment, conduit, piping accessories and other ancillary equipment items are in place, but before any concrete is placed or the stage floor is installed, including the primary flooring.</p> <p>"Las inspecciones de losas y contrapisos de concreto deben realizarse despues de que el acero de refuerzo de las losa o contrapiso y los equipos de servicio del edificio, conductos, accesorios de tuberías y otros elementos de equipos auxiliares esten en su lugar, pero antes de que cualquier concreto sea colocado o se instale el tablado del piso, incluyendo el entarimado primario."</p>	1 day	no charge

13	<p><b>Receive structure inspection (“inspección de estructuras”)</b>  <i>Agency</i> : Municipal Authority (Alcaldía Municipal)          According to the 2010 Building Code of Honduras " Código de Construcción de Honduras" under Section 109, BuildCo is obliged to receive structure inspection. This inspection must be made after the roof deck or sheathing, all structure, fire fighting locked and braces are in place and pipes, chimneys and vents that need to be concealed are complete and the rough work of the cables , plumbing and electrical, hydraulic and sanitary and heating ducts are approved.</p> <p>"Las inspecciones de estructuras deben realizarse después que la cubierta o entablado del techo, toda la estructura, los bloqueados antifuegos y los arriostramientos estén en su lugar y las tuberías, chimeneas y ventilaciones que deban ser ocultados estén completos y la obra gruesa de los cables, tuberías y conductos eléctricos, hidráulicos y sanitarios y de calefacción estén aprobados."</p>	1 day	no charge
14	<p><b>Receive on-site inspection from Fire Department after construction</b>  <i>Agency</i> : Fire Department          According to the 2010 Building Code of Honduras " Código de Construcción de Honduras" under Section 109, BuildCo is obliged to receive Fire Department inspection.</p>	1 day	no charge
15	<p><b>Receive connection to water and sewage from SANAA</b>  <i>Agency</i> : SANAA          After all the required inspection have been conducted, BuildCo. can receive the utilities connections.</p>	15 days	HNL 30,888
⇒ 16	<p><b>Receive final inspection</b>  <i>Agency</i> : Municipal Authority (Alcaldía Municipal)          According to the 2010 Building Code of Honduras " Código de Construcción de Honduras" under Section 109, BuildCo is obliged to receive a final inspection. The final inspection must be made after all work required by the building permit is finished.</p>	1 day	no charge
17	<p><b>Register building at Real Estate Registry</b>  <i>Agency</i> : Real Estate Registry (Registro de Bienes Raíces)          The last step that BuildCo. has to do is the registration of the warehouse. Reforms and optimization of electronic processing have significantly decreased the time to register property. However, in 2009 due to an administrative backlog and delays with the registration process, the procedure for registration of a building is now taking on average 30 days.</p>	30 days	HNL 4,478

⇒Takes place simultaneously with previous procedure.



## Details - Dealing with Construction Permits in Honduras - Measure of Quality

	Answer	Score
<b>Building quality control index (0-15)</b>		<b>9.0</b>
<b>Quality of building regulations index (0-2)</b>		<b>1.0</b>
How accessible are building laws and regulations in your economy? (0-1)	They must be purchased; Not easily accessible.	0.0
Which requirements for obtaining a building permit are clearly specified in the building regulations or on any accessible website, brochure or pamphlet? (0-1)	List of required documents; Fees to be paid; Required preapprovals.	1.0
<b>Quality control before construction index (0-1)</b>		<b>1.0</b>
Which third-party entities are required by law to verify that the building plans are in compliance with existing building regulations? (0-1)	Licensed architect; Licensed engineer.	1.0
<b>Quality control during construction index (0-3)</b>		<b>1.0</b>
What types of inspections (if any) are required by law to be carried out during construction? (0-2)	Inspections by in-house engineer; Inspections at various phases.	1.0
Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are not always done in practice during construction.	0.0
<b>Quality control after construction index (0-3)</b>		<b>3.0</b>
Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Yes, final inspection is done by government agency; Yes, in-house engineer submits report for final inspection.	2.0
Do legally mandated final inspections occur in practice? (0-1)	Final inspection always occurs in practice.	1.0
<b>Liability and insurance regimes index (0-2)</b>		<b>1.0</b>
Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use (Latent Defect Liability or Decennial Liability)? (0-1)	Architect or engineer; Professional in charge of the supervision; Construction company; Owner or investor.	1.0
Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use (Latent Defect Liability Insurance or Decennial Insurance)? (0-1)	No party is required by law to obtain insurance .	0.0
<b>Professional certifications index (0-4)</b>		<b>2.0</b>
What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	University degree in architecture or engineering; Being a registered architect or engineer.	1.0
What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	University degree in engineering, construction or construction management; Being a registered architect or engineer.	1.0

## ⚡ Getting Electricity

This topic measures the procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse. Additionally, the reliability of supply and transparency of tariffs index measures reliability of supply, transparency of tariffs and the price of electricity. The most recent round of data collection for the project was completed in May 2019. [See the methodology for more information.](#)

### What the indicators measure

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

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

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

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

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

- Official costs only, no bribes
- Value added tax excluded

#### The reliability of supply and transparency of tariffs index (0-8)

- Duration and frequency of power outages (0-3)
- Tools to monitor power outages (0-1)
- Tools to restore power supply (0-1)
- Regulatory monitoring of utilities' performance (0-1)
- Financial deterrents limiting outages (0-1)
- Transparency and accessibility of tariffs (0-1)

#### Price of electricity (cents per kilowatt-hour)\*

- Price based on monthly bill for commercial warehouse in case study

\*Note: *Doing Business* measures the price of electricity, but it is not included in the ease of doing business score nor in the ranking on the ease of getting electricity.

### Case study assumptions

To make the data comparable across economies, several assumptions about the warehouse, the electricity connection and the monthly consumption are used.

#### The warehouse:

- Is owned by a local entrepreneur and is used for storage of goods.
- Is located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is located in an area where similar warehouses are typically located and is in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.
- Has two stories with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).

#### The electricity connection:

- Is a permanent one with a three-phase, four-wire Y connection with a subscribed capacity of 140-kilo-volt-ampere (kVA) with a power factor of 1, when 1 kVA = 1 kilowatt (kW).
- Has a length of 150 meters. The connection is to either the low- or medium-voltage distribution network and is either overhead or underground, whichever is more common in the area where the warehouse is located and requires works that involve the crossing of a 10-meter road (such as by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Does not require work to install the internal wiring of the warehouse. This has already been completed up to and including the customer's service panel or switchboard and the meter base.

#### The monthly consumption:

- It is assumed that the warehouse operates 30 days a month from 9:00 a.m. to 5:00 p.m. (8 hours a day), with equipment utilized at 80% of capacity on average and that there are no electricity cuts (assumed for simplicity reasons) and the monthly energy consumption is 26,880 kilowatt-hours (kWh); hourly consumption is 112 kWh.
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in January of the current year are used for calculation of the price of electricity for the warehouse. Although January has 31 days, for calculation purposes only 30 days are used.

Getting Electricity - Honduras

Standardized Connection

Name of utility	Empresa de Energía de Honduras (EEH)
Price of electricity (US cents per kWh)	20.8
City Covered	Tegucigalpa

Indicator	Honduras	Latin America & Caribbean	OECD high income	Best Regulatory Performance
Procedures (number)	7	5.5	4.4	3 (28 Economies)
Time (days)	39	66.8	74.8	18 (3 Economies)
Cost (% of income per capita)	766.7	407.2	61.0	0.0 (3 Economies)
Reliability of supply and transparency of tariff index (0-8)	2	4.4	7.4	8 (26 Economies)

Figure - Getting Electricity in Honduras - Score

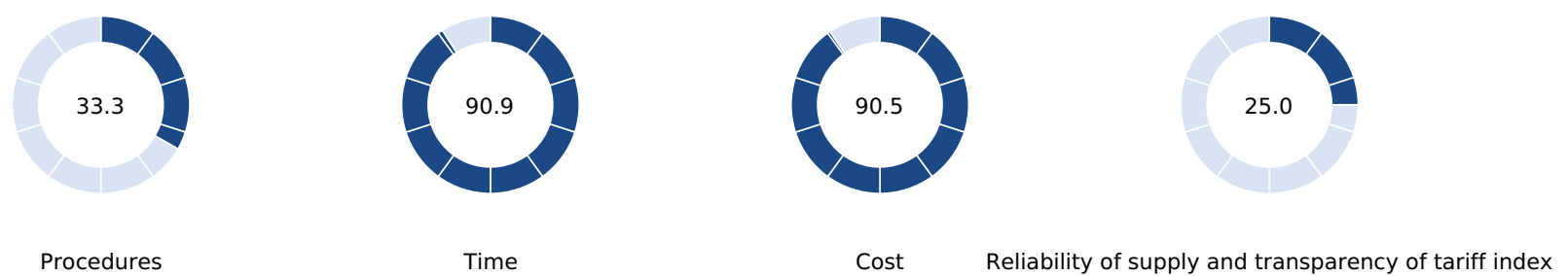
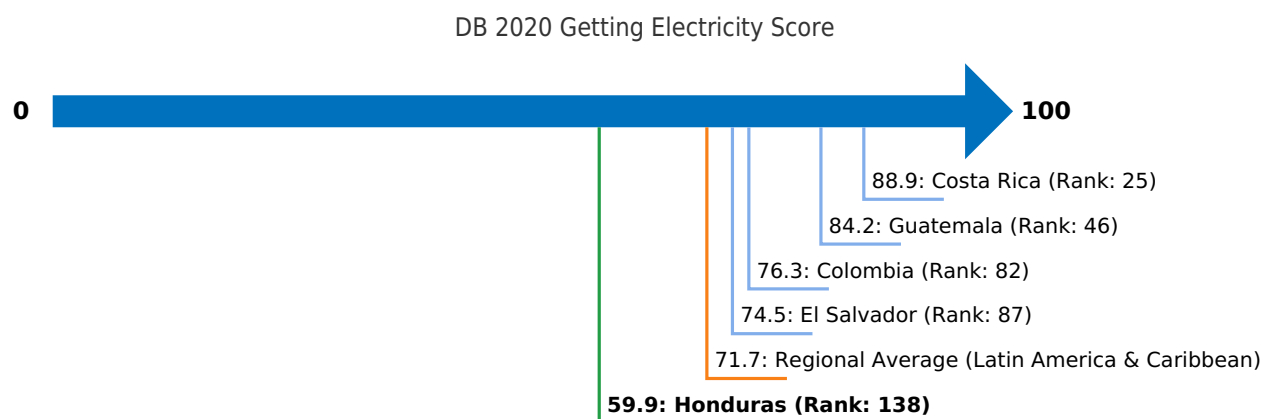
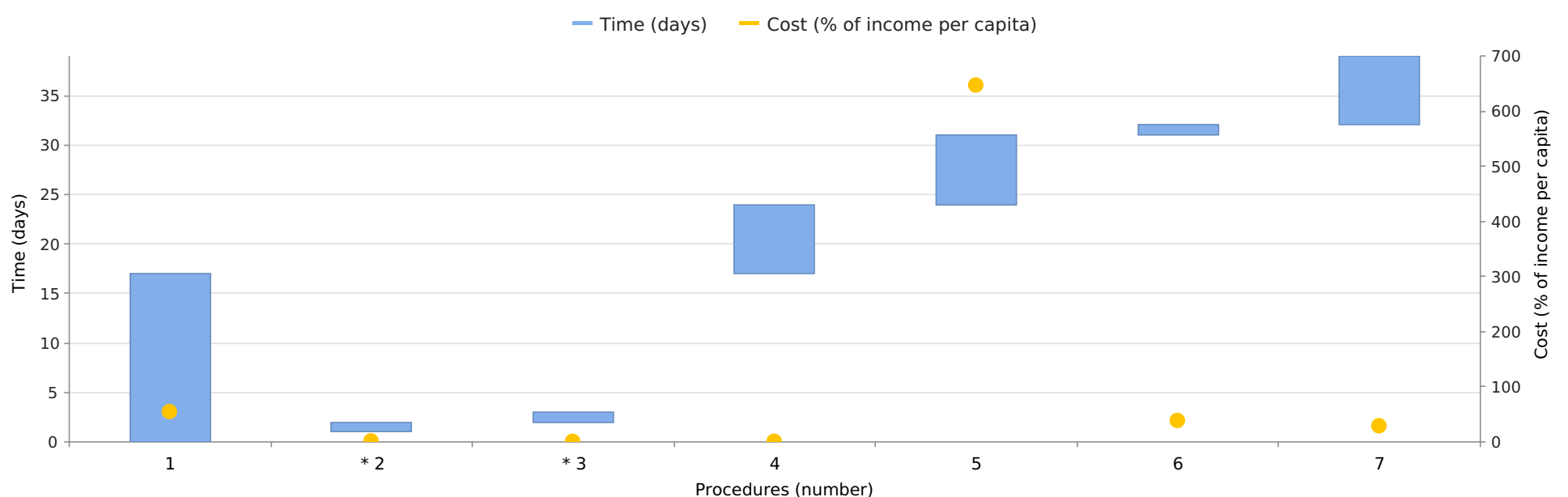


Figure - Getting Electricity in Honduras and comparator economies - Ranking and Score



Note: The ranking of economies on the ease of getting electricity is determined by sorting their scores for getting electricity. These scores are the simple average of the scores for all the component indicators except the price of electricity.

Figure - Getting Electricity in Honduras - Procedure, Time and Cost

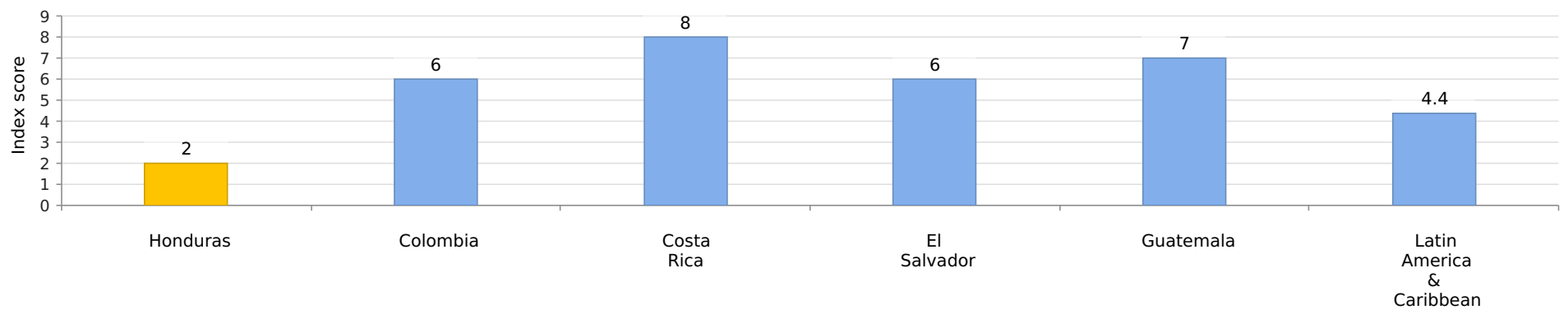


\*This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the *Doing Business* website (<http://doingbusiness.org/en/methodology>). For details on the procedures

reflected here, see the summary below.

**Figure - Getting Electricity in Honduras and comparator economies - Measure of Quality**



## Details - Getting Electricity in Honduras - Procedure, Time and Cost

No.	Procedures	Time to Complete	Associated Costs
1	<p><b>Hire certified electrical engineer to design external connection and submit design for approval</b></p> <p><i>Agency:</i> Electrical Engineer member of the Colegio de Ingenieros Mecánicos, Electricistas y Químicos de Honduras (CIMEQH)</p> <p>An electrical engineer employed by CIMEQH estimates the power needed for the project and designs the external connection. For loads greater than 1,000 kVA, the engineer should go first to Empresa Nacional de Energia Electrica (ENEE) to request a feasibility study. In a case where the load is 140kVA, this procedure is not necessary.</p> <p>The design and the process of obtaining ENEE's review can only be made by an electrical engineer authorized by the CIMEQH. The electrical engineer must obtain a certificate by the College for each design that he files with ENEE. The certificate states that the engineer is a member of the College and has paid his contributions.</p> <p>It is recommended that the internal wiring installation be also done by a CIMEQH's electrical engineer. Although the internal installation plans are reviewed by the Municipality and the Firefighters, in the context of the process to obtain a building permit, the final internal installation is not reviewed. One way to ensure the quality of the internal installation is to hire an engineer authorized by CIMEQH for the installation. In the case of a fire due to a malfunctioning installation, it is easier to obtain legal satisfaction if it was performed by a member of CIMEQH.</p> <p>After having prepared the design, the engineer has to file the certificate with the Empresa Nacional de Energia Electrica (ENEE). ENEE reviews the certificate issued by the College to determine whether it meets ENEE's standards. ENEE also inspects the site. Finally, ENEE approves the design.</p>	17 calendar days	HNL 30,000
⇒ 2	<p><b>Request certificate of good standing for electrical engineer</b></p> <p><i>Agency:</i> Colegio de Ingenieros Mecánicos, Electricistas y Químicos de Honduras (CIMEQH)</p> <p>The electrical engineer must obtain a certificate by the College for each design that he presents to the Empresa Nacional de Energia Electrica (ENEE). The certificate states that the engineer is a member of the College and has paid his contributions.</p>	1 calendar day	HNL 360
⇒ 3	<p><b>Receive site inspection by utility</b></p> <p><i>Agency:</i> Empresa Nacional de Energia Electrica (ENEE)</p> <p>To prepare the design a site visit is conducted.</p>	1 calendar day	HNL 0
4	<p><b>Obtain permit from municipality to cross cables in public property</b></p> <p><i>Agency:</i> Municipality of Tegucigalpa</p> <p>Before to request this permit, the customer has to have the approval of the plans by the utility (ENEE). The costs are calculated assuming that the wires are crossed over public roads. If the connection is underground, a permit to break tracks is needed and the cost will depend on the material used (asphalt, cement, sand, etc.)</p>	7 calendar days	HNL 15
5	<p><b>Await completion of external works by electrical engineer</b></p> <p><i>Agency:</i> Electrical Engineer member of the Colegio de Ingenieros Mecánicos, Electricistas y Químicos de Honduras (CIMEQH)</p> <p>Three transformers 50kVA or one transformer of 150kVA must be installed.</p> <p>Empresa Nacional de Energia Electrica conducts an inspection of the external connection to ensure that the implementation is according to the approved design. If the reviewer disagrees with the implementation, the responsible electrician has to make the corrections.</p>	7 calendar days	HNL 359,625
6	<p><b>Submit application for final connection and pay security deposit</b></p> <p><i>Agency:</i> Empresa Nacional de Energia Electrica (ENEE)</p> <p>The following documents are required with the application (no notarization of the documents is needed):</p> <ul style="list-style-type: none"> <li>• A copy of the company's by-laws;</li> <li>• photocopy of the ID of the person authorized by the by-laws;</li> <li>• Sketch / map of where is the warehouse (address).</li> </ul> <p>It is necessary to pay a deposit of guarantee or consumption (Article 32 of the Act that rules the electrical sector): Lps.845.96 per KVA. It may be in cash or bank guarantee. Reason: to ensure the payment of consumption ENEE charges after providing the service).</p> <p>The deposit is made via a certified check payable to ENEE and / or bank guarantee in the name of ENEE and it is paid in ENEE's commercial division. The division issues a memorandum to the customer care unit for them to fill in the client's appropriate data to install the meter. At this time if the person authorized to submit the application has to submit the following additional information</p> <ul style="list-style-type: none"> <li>• To whose name the bills will be sent</li> <li>• The firm's company registration number</li> <li>• Copy of the property title or the lease agreement certified by the Municipality.</li> <li>• Copy of the ID of the person that will sign the documents.</li> <li>• Document specifying that the person who will sign the documents is duly authorized by the board of directors.</li> <li>• The security deposit</li> </ul>	1 calendar day	HNL 21,066.68

7	<b>Receive final inspection and meter installation by Empresa Energia Honduras (EEH)</b> <i>Agency</i> : Empresa de Energia de Honduras (EEH) Once the application goes to the "Department of High Consumption", the Department sends an engineer to the site to install the meter. Once the meter is installed, the energy flows.	7 calendar days	HNL 15,700
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→Takes place simultaneously with previous procedure.

## Details - Getting Electricity in Honduras - Measure of Quality

	Answer
<b>Reliability of supply and transparency of tariff index (0-8)</b>	2
<b>Total duration and frequency of outages per customer a year (0-3)</b>	0
System average interruption duration index (SAIDI)	32.5
System average interruption frequency index (SAIFI)	23.4
What is the minimum outage time (in minutes) that the utility considers for the calculation of SAIDI/SAIFI	3.0
<b>Mechanisms for monitoring outages (0-1)</b>	1
Does the distribution utility use automated tools to monitor outages?	Yes
<b>Mechanisms for restoring service (0-1)</b>	0
Does the distribution utility use automated tools to restore service?	No
<b>Regulatory monitoring (0-1)</b>	0
Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply?	No
<b>Financial deterrents aimed at limiting outages (0-1)</b>	0
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	No
<b>Communication of tariffs and tariff changes (0-1)</b>	1
Are effective tariffs available online?	Yes
Link to the website, if available online	<a href="https://www.eeh.hn/es/tarifasvigentes">https://www.eeh.hn/es/tarifasvigentes</a>
Are customers notified of a change in tariff ahead of the billing cycle?	Yes

**Note:**

If the duration and frequency of outages is 100 or less, the economy is eligible to score on the Reliability of supply and transparency of tariff index.

If the duration and frequency of outages is not available, or is over 100, the economy is not eligible to score on the index.

If the minimum outage time considered for SAIDI/SAIFI is over 5 minutes, the economy is not eligible to score on the index.



## Registering Property

This topic examines the steps, time and cost involved in registering property, assuming a standardized case of an entrepreneur who wants to purchase land and a building that is already registered and free of title dispute. In addition, the topic also measures the quality of the land administration system in each economy. The quality of land administration index has five dimensions: reliability of infrastructure, transparency of information, geographic coverage, land dispute resolution, and equal access to property rights. The most recent round of data collection for the project was completed in May 2019. [See the methodology for more information.](#)

### What the indicators measure

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

- Preregistration procedures (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration procedures in the economy's largest business city.
- Postregistration procedures (for example, filling title with municipality)

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

- Does not include time spent gathering information
- Each procedure starts on a separate day - though procedures that can be fully completed online are an exception to this rule
- Procedure is considered completed once final document is received
- No prior contact with officials

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

- Official costs only (such as administrative fees, duties and taxes).
- Value Added Tax, Capital Gains Tax and illicit payments are excluded

#### Quality of land administration index (0-30)

- Reliability of infrastructure index (0-8)
- Transparency of information index (0-6)
- Geographic coverage index (0-8)
- Land dispute resolution index (0-8)
- Equal access to property rights index (-2-0)

### Case study assumptions

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

#### The parties (buyer and seller):

- Are limited liability companies (or the legal equivalent).
- Are located in the periurban (that is, on the outskirts of the city but still within its official limits) area of the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Are 100% domestically and privately owned.
- Perform general commercial activities.

#### The property (fully owned by the seller):

- Has a value of 50 times income per capita, which equals the sale price.
- Is fully owned by the seller.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone (that is, on the outskirts of the city but still within its official limits), and no rezoning is required.
- Consists of land and a building. The land area is 557.4 square meters (6,000 square feet). A two-story warehouse of 929 square meters (10,000 square feet) is located on the land. The warehouse is 10 years old, is in good condition, has no heating system and complies with all safety standards, building codes and legal requirements. The property, consisting of land and building, will be transferred in its entirety.
- Will not be subject to renovations or additional construction following the purchase.
- Has no trees, natural water sources, natural reserves or historical monuments of any kind.
- Will not be used for special purposes, and no special permits, such as for residential use, industrial plants, waste storage or certain types of agricultural activities, are required.
- Has no occupants, and no other party holds a legal interest in it.

Registering Property - Honduras

Indicator	Honduras	Latin America & Caribbean	OECD high income	Best Regulatory Performance
Procedures (number)	6	7.4	4.7	1 (5 Economies)
Time (days)	28.5	63.7	23.6	1 (2 Economies)
Cost (% of property value)	5.7	5.9	4.2	0.0 (Saudi Arabia)
Quality of the land administration index (0-30)	12.5	12.0	23.2	None in 2018/19

Figure - Registering Property in Honduras - Score

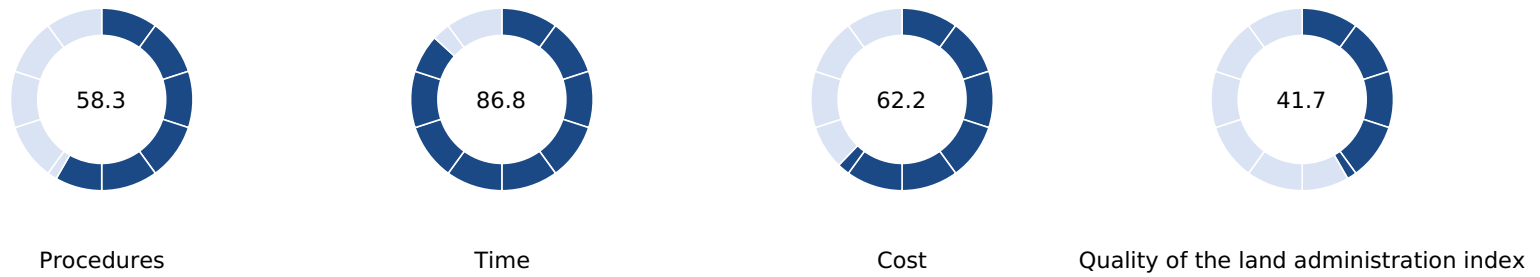
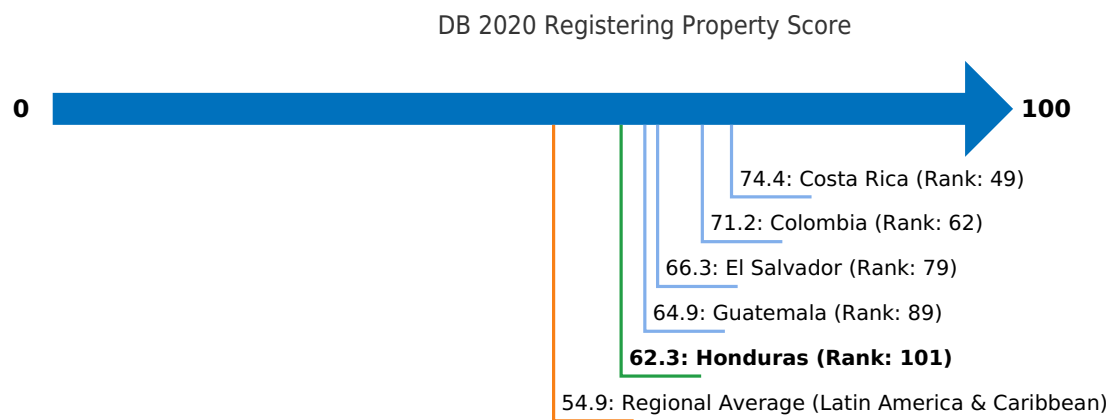
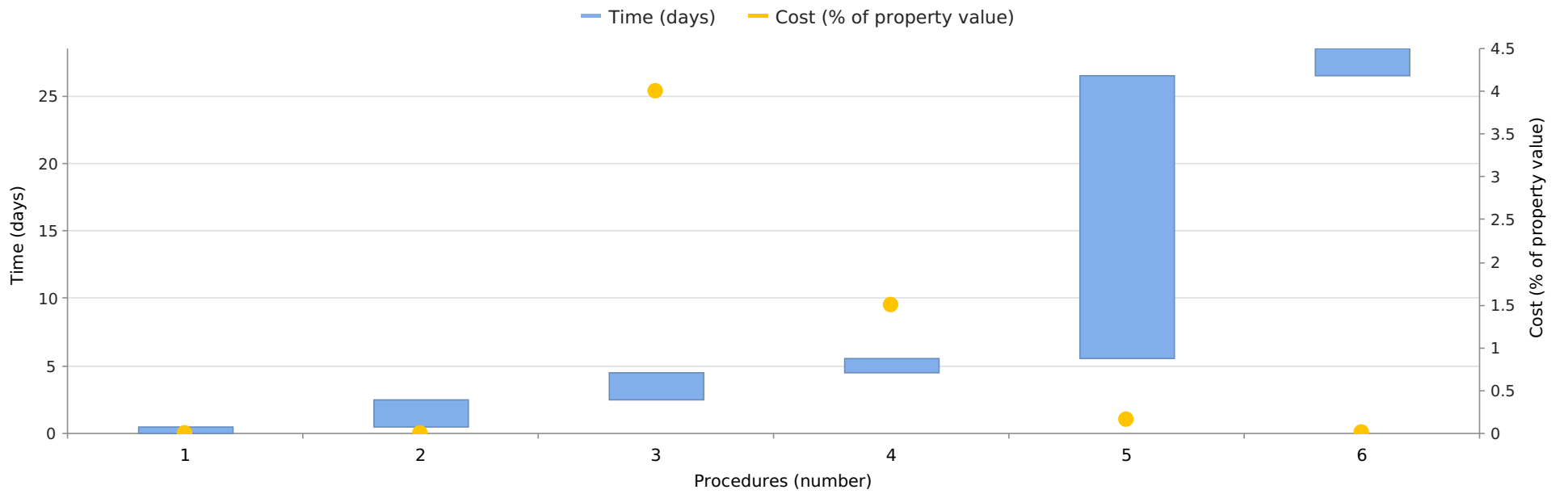


Figure - Registering Property in Honduras and comparator economies - Ranking and Score



Note: The ranking of economies on the ease of registering property is determined by sorting their scores for registering property. These scores are the simple average of the scores for each of the component indicators.

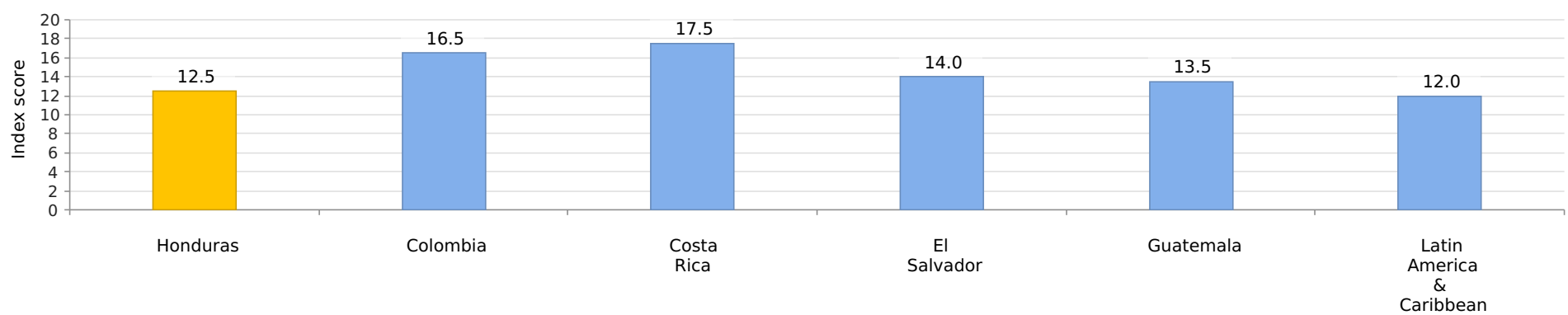
Figure - Registering Property in Honduras - Procedure, Time and Cost



\*This symbol is shown beside procedure numbers that take place simultaneously with the previous procedure.

Note: Online procedures account for 0.5 days in the total time calculation. For economies that have a different procedure list for men and women, the graph shows the time for women. For more information on methodology, see the *Doing Business* website (<http://doingbusiness.org/en/methodology>). For details on the procedures reflected here, see the summary below.

Figure - Registering Property in Honduras and comparator economies - Measure of Quality



## Details - Registering Property in Honduras - Procedure, Time and Cost

No.	Procedures	Time to Complete	Associated Costs
1	<p><b>Verify the property background at the Property Registry</b>  <i>Agency:</i> Property Registry (Instituto de la Propiedad)            The buyer can verify the property background on the SURE online site (Unified Registry System) <a href="http://sure.sinap.hn/compartido/">http://sure.sinap.hn/compartido/</a> at no cost. SURE provides all information required before drafting the public deed, including the legal provisions of the property as well as the current and previous owners. Users also have the option of obtaining a paper copy of the property background at the Instituto de la Propiedad in 24 hours. The integral certification (certificacion integral) and the non-encumbrances certificate (certificado de libertad de gravámenes) cost HNL 300 and HNL 200 respectively.</p>	Less than one day, online	no charge
2	<p><b>Obtain a taxes clearance from the Municipal Cadaster</b>  <i>Agency:</i> Municipal Cadaster (Dirección General de Catastro y Geografía - Alcaldía Municipal)            Even if it's not required by law, it's a common practice to verify at the Municipal Cadaster if the seller is the registered owner and if all municipal taxes have been paid. The parties would need to provide the municipal tax number of the property for performing this verification at no cost. It's also possible to request a cadastral location certificate (constancia catastral de ubicación) for HNL 200 (which is optional).</p>	2 days	no charge
3	<p><b>The notary drafts the public deed</b>  <i>Agency:</i> Notary            After obtaining all the due diligence documents, the notary drafts the deed ("escritura matriz"). Notary's fees are established by mutual negotiation between the parties and are calculated according to the market value of the property. Regulation No. 001-2018 sets the minimum tariffs for general notarial services in HNL 3,000, and art. 15 of the same regulation establishes that for agreements with a value between HNL 500,000 and HNL 5,000,000, the rate cannot be below 2% of the property value. In practice, notaries charge between 3% and 5% of the property value.</p>	2 days	HNL 111,321.86; (between 3% and 5% of property value (Notary's fees))
4	<p><b>Pay the transfer tax at the Commercial Bank</b>  <i>Agency:</i> Commercial Bank            The transfer tax (1.5% of the property value, for an urban property with improvements) must be paid at a bank. The taxes are calculated based on either the official value of the property (determined by the Cadastre for tax purposes) or the market value, whichever is higher. With the introduction of the Property Law in 2004, the transfer tax was cut from 3% to 1.5%, the registration rights and the stamps were eliminated.</p>	1 day	HNL 41,745.7; (1.5% of property value (Transfer Tax))
5	<p><b>Register the public deed at the Property Registry</b>  <i>Agency:</i> Property registry (Instituto de la Propiedad)            The new deed must be registered in the Property Registry (Instituto de la Propiedad) by the notary. However, the notary might waive this right and leave to the responsibility of the applicants. Registration fees are HNL 200 for the first HNL 1,000 of the property value, and HNL 1.50 for each additional HNL 1,000 according to Art. 1 of Diario la Gaceta published in October 2010.            The following documents should be presented at the moment of registration:            -Public deed            - Proof of payment of the registration fees            - Proof of payment of the transfer tax            - Proof of payment of the capital gain tax</p>	21 days	HNL 4,374.5; (HNL 200 for the first HNL 1,000 of the property value, and HNL 1.50 for each additional HNL 1,000)
6	<p><b>Notify the change of ownership at the Municipal Cadaster</b>  <i>Agency:</i> Municipal Cadaster (Dirección General de Catastro y Geografía - Alcaldía Municipal)            The change of ownership must be registered at the Municipal Cadaster (Dirección General de Catastro y Geografía) by the notary or the buyer presenting the deed duly recorded in Procedure 5. This procedure is commonly done in practice since the cadaster at the property registry, and the cadaster at the municipality are not linked, and the municipality requires the update of ownership for taxes purposes.</p>	2 days	HNL 250

⇒ Takes place simultaneously with previous procedure.

## Details - Registering Property in Honduras - Measure of Quality

	Answer	Score
<b>Quality of the land administration index (0-30)</b>		<b>12.5</b>
<b>Reliability of infrastructure index (0-8)</b>		<b>4.0</b>
Type of land registration system in the economy:	Deed Registration System	
What is the institution in charge of immovable property registration?	Immovable Property Registry ("Registro de la Propiedad Inmueble")	
In what format are past and newly issued land records kept at the immovable property registry of the largest business city of the economy—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Scanned	1.0
Is there a comprehensive and functional electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)?	Yes	1.0
Institution in charge of the plans showing legal boundaries in the largest business city:	Cadastré ("Dirección General de Catastro y Geografía en el Instituto de la Propiedad")	
In what format are past and newly issued cadastral plans kept at the mapping agency of the largest business city of the economy—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Scanned	1.0
Is there an electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system)?	No	0.0
Is the information recorded by the immovable property registration agency and the cadastral or mapping agency kept in a single database, in different but linked databases or in separate databases?	Different databases but linked	1.0
Do the immovable property registration agency and cadastral or mapping agency use the same identification number for properties?	No	0.0
<b>Transparency of information index (0-6)</b>		<b>2.5</b>
Who is able to obtain information on land ownership at the agency in charge of immovable property registration in the largest business city?	Freely accessible by anyone	1.0
Is the list of documents that are required to complete any type of property transaction made publicly available—and if so, how?	Yes, online	0.5
Link for online access:	<a href="http://www.ip.gob.hn/content/tramites-registro-inmueble">http://www.ip.gob.hn/content/tramites-registro-inmueble</a>	
Is the applicable fee schedule for any type of property transaction at the agency in charge of immovable property registration in the largest business city made publicly available—and if so, how?	Yes, online	0.5
Link for online access:	<a href="http://www.ip.gob.hn/tasas_pago">http://www.ip.gob.hn/tasas_pago</a>	
Does the agency in charge of immovable property registration agency formally commit to deliver a legally binding document that proves property ownership within a specific timeframe –and if so, how does it communicate the service standard?	No	0.0
Link for online access:		
Is there a specific and independent mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration?	No	0.0
Contact information:		
Are there publicly available official statistics tracking the number of transactions at the immovable property registration agency?	No	0.0
Number of property transfers in the largest business city in 2018:		
Who is able to consult maps of land plots in the largest business city?	Anyone who pays the official fee	0.5
Is the applicable fee schedule for accessing maps of land plots made publicly available—and if so, how?	Yes, in person	0.0

Link for online access:		
Does the cadastral/mapping agency formally specifies the timeframe to deliver an updated cadastral plan—and if so, how does it communicate the service standard?	No	0.0
Link for online access:		
Is there a specific and independent mechanism for filing complaints about a problem that occurred at the cadastral or mapping agency?	No	0.0
Contact information:		
<b>Geographic coverage index (0-8)</b>		<b>0.0</b>
Are all privately held land plots in the largest business city formally registered at the immovable property registry?	No	0.0
Are all privately held land plots in the economy formally registered at the immovable property registry?	No	0.0
Are all privately held land plots in the largest business city mapped?	No	0.0
Are all privately held land plots in the economy mapped?	No	0.0
<b>Land dispute resolution index (0-8)</b>		<b>6.0</b>
Does the law require that all property sale transactions be registered at the immovable property registry to make them opposable to third parties?	Yes	1.5
Legal basis:	Ley de propiedad 2004, Art. 26 (El registro es público y obligatorio para todos los actos o contratos que mande la ley y rogatorio para los actos o contratos en que conforme al interés de las partes se solicite su inscripción) and Art. 27 (Toda constitución, cancelación, gravamen, transmisión o transferencia de dominio de bienes inmuebles y demás derechos reales constituidos sobre los mismos deberá inscribirse. Mientras ésta no se verifica el acto o contrato únicamente produce obligaciones y derechos entre las partes, excepto en el caso de la hipoteca que siempre deberá registrarse para que surta efectos para asegurar y publicitar sus derechos frente a terceros).	
Is the system of immovable property registration subject to a state or private guarantee?	Yes	0.5
Type of guarantee:	State guarantee	

Legal basis:	Ley de Propiedad 2004, Art. 25 (El registro tiene por objeto y finalidad garantizar a los usuarios y terceros que las inscripciones y servicios registrales se efectúen bajo los principios de organización, eficacia registral, legalidad, prioridad, rogación, obligatoriedad, publicidad, trato sucesivo, especialidad, celeridad, universalidad y fe pública registral	
Is there a specific, out-of-court compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous information certified by the immovable property registry?	No	0.0
Legal basis:		
Does the legal system require a control of legality of the documents necessary for a property transaction (e.g., checking the compliance of contracts with requirements of the law)?	Yes	0.5
If yes, who is responsible for checking the legality of the documents?	Registrar; Notary;	
Does the legal system require verification of the identity of the parties to a property transaction?	Yes	0.5
If yes, who is responsible for verifying the identity of the parties?	Notary;	
Is there a national database to verify the accuracy of government issued identity documents?	Yes	1.0
What is the Court of first instance in charge of a case involving a standard land dispute between two local businesses over tenure rights for a property worth 50 times gross national income (GNI) per capita and located in the largest business city?	El juzgado de Letras de lo Civil	
How long does it take on average to obtain a decision from the first-instance court for such a case (without appeal)?	Between 1 and 2 years	2.0
Are there publicly available statistics on the number of land disputes at the economy level in the first instance court?	No	0.0
Number of land disputes in the economy in 2018:		
<b>Equal access to property rights index (-2-0)</b>		<b>0.0</b>
Do unmarried men and unmarried women have equal ownership rights to property?	Yes	
Do married men and married women have equal ownership rights to property?	Yes	0.0



## Getting Credit

This topic explores two sets of issues—the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending. The most recent round of data collection for the project was completed in May 2019. [See the methodology for more information.](#)

### What the indicators measure

#### Strength of legal rights index (0-12)

- Rights of borrowers and lenders through collateral laws (0-10)
- Protection of secured creditors' rights through bankruptcy laws (0-2)

#### Depth of credit information index (0-8)

- Scope and accessibility of credit information distributed by credit bureaus and credit registries (0-8)

#### Credit bureau coverage (% of adults)

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

#### Credit registry coverage (% of adults)

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

### Case study assumptions

*Doing Business* assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. For each economy it is first determined whether a unitary secured transactions system exists. Then two case scenarios, case A and case B, are used to determine how a nonpossessory security interest is created, publicized and enforced according to the law. Special emphasis is given to how the collateral registry operates (if registration of security interests is possible). The case scenarios involve a secured borrower, company ABC, and a secured lender, BizBank.

In some economies the legal framework for secured transactions will allow only case A or case B (not both) to apply. Both cases examine the same set of legal provisions relating to the use of movable collateral.

#### Several assumptions about the secured borrower (ABC) and lender (BizBank) are used:

- ABC is a domestic limited liability company (or its legal equivalent).
- ABC has up to 50 employees.
- ABC has its headquarters and only base of operations in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Both ABC and BizBank are 100% domestically owned.

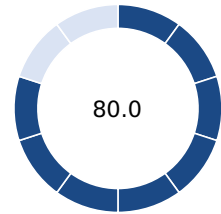
The case scenarios also involve assumptions. In case A, as collateral for the loan, ABC grants BizBank a nonpossessory security interest in one category of movable assets, for example, its machinery or its inventory. ABC wants to keep both possession and ownership of the collateral. In economies where the law does not allow nonpossessory security interests in movable property, ABC and BizBank use a fiduciary transfer-of-title arrangement (or a similar substitute for nonpossessory security interests).

In case B, ABC grants BizBank a business charge, enterprise charge, floating charge or any charge that gives BizBank a security interest over ABC's combined movable assets (or as much of ABC's movable assets as possible). ABC keeps ownership and possession of the assets.

Getting Credit - Honduras

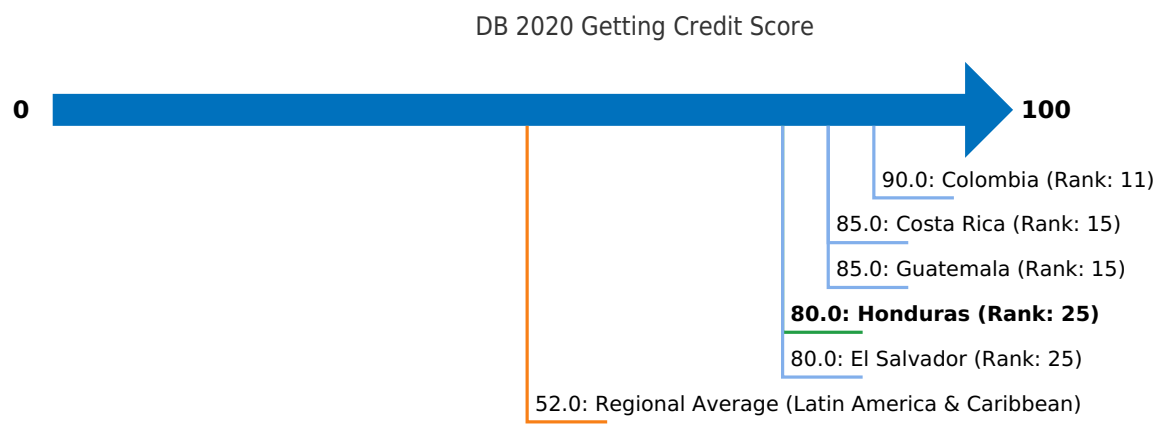
Indicator	Honduras	Latin America & Caribbean	OECD high income	Best Regulatory Performance
Strength of legal rights index (0-12)	8	5.3	6.1	12 (5 Economies)
Depth of credit information index (0-8)	8	5.1	6.8	8 (53 Economies)
Credit registry coverage (% of adults)	17.3	14.6	24.4	100.0 (2 Economies)
Credit bureau coverage (% of adults)	48.9	47.6	66.7	100.0 (14 Economies)

Figure - Getting Credit in Honduras - Score



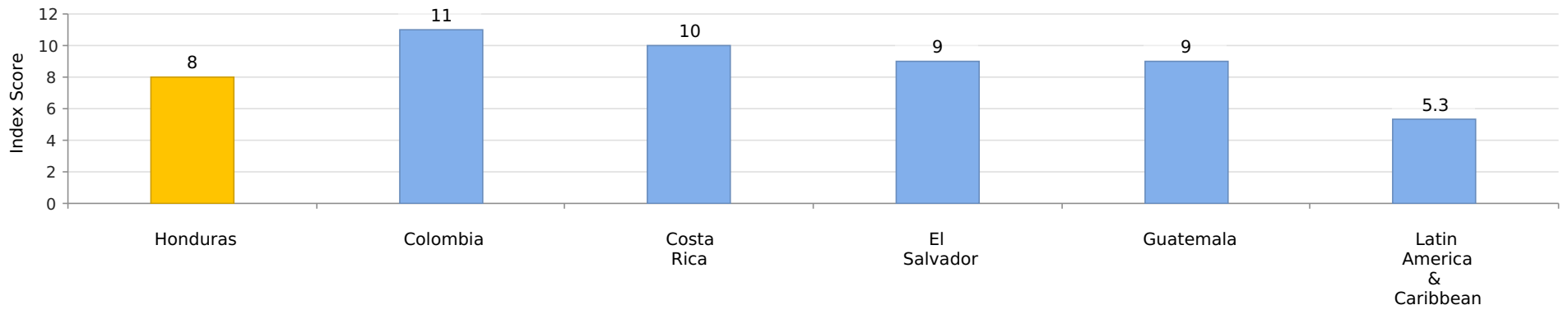
Score - Getting Credit

Figure - Getting Credit in Honduras and comparator economies - Ranking and Score



Note: The ranking of economies on the ease of getting credit is determined by sorting their scores for getting credit. These scores are the sum of the scores for the strength of legal rights index and the depth of credit information index.

Figure - Legal Rights in Honduras and comparator economies



Details - Legal Rights in Honduras

Strength of legal rights index (0-12)

8

Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy? Yes

Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral? Yes

Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral? Yes

May a security right extend to future or after-acquired assets, and does it extend automatically to the products, proceeds and replacements of the original assets? Yes

Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered? Yes

Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name? Yes

Does a notice-based collateral registry exist in which all functional equivalents can be registered? Yes

Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party? No

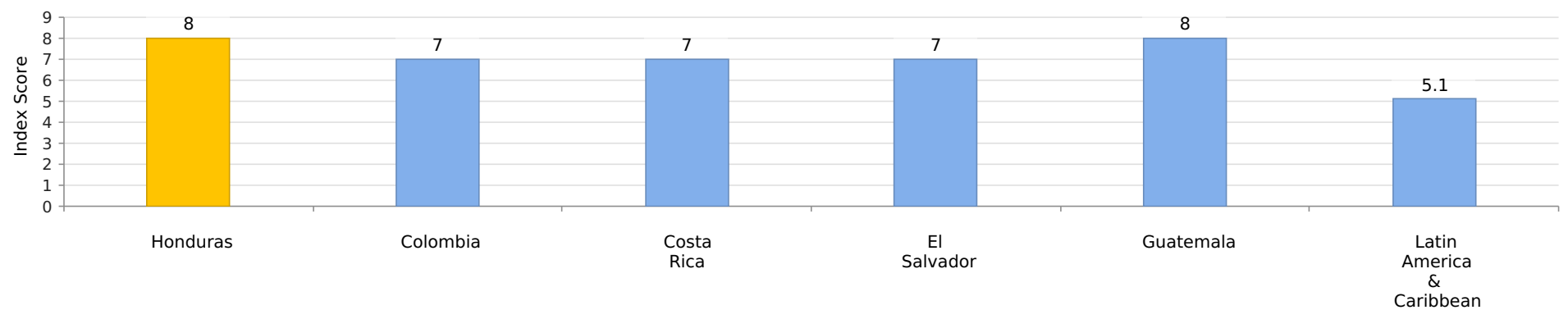
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure? No

Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated? No

Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and sets a time limit for it? No

Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction or private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt? Yes

Figure - Credit Information in Honduras and comparator economies



## Details - Credit Information in Honduras

Depth of credit information index (0-8)	Credit bureau	Credit registry	Score
Are data on both firms and individuals distributed?	Yes	Yes	1
Are both positive and negative credit data distributed?	Yes	Yes	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	Yes	No	1
Are at least 2 years of historical data distributed? (Credit bureaus and registries that distribute more than 10 years of negative data or erase data on defaults as soon as they are repaid obtain a score of 0 for this component.)	Yes	Yes	1
Are data on loan amounts below 1% of income per capita distributed?	Yes	Yes	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	Yes	Yes	1
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	Yes	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	Yes	No	1

Note: An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau	Credit registry
Number of individuals	2,981,776	1,049,006
Number of firms	26,419	14,586
Total	3,008,195	1,063,592
<b>Percentage of adult population</b>	<b>48.9</b>	<b>17.3</b>

## Protecting Minority Investors

This topic measures the strength of minority shareholder protections against misuse of corporate assets by directors for their personal gain as well as shareholder rights, governance safeguards and corporate transparency requirements that reduce the risk of abuse. The most recent round of data collection for the project was completed in May 2019. [See the methodology for more information.](#)

### What the indicators measure

- **Extent of disclosure index (0-10):** Disclosure, review, and approval requirements for related-party transactions
- **Extent of director liability index (0-10):** Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, disqualification from managerial position(s) for one year or more, rescission of the transaction)
- **Ease of shareholder suits index (0-10):** Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses
- **Extent of conflict of interest regulation index (0-30):** Sum of the extent of disclosure, extent of director liability and ease of shareholder suits indices
- **Extent of shareholder rights index (0-6):** Shareholders' rights and role in major corporate decisions
- **Extent of ownership and control index (0-7):** Governance safeguards protecting shareholders from undue board control and entrenchment
- **Extent of corporate transparency index (0-7):** Corporate transparency on ownership stakes, compensation, audits and financial prospects
- **Extent of shareholder governance index (0-20):** Sum of the extent of shareholders rights, extent of ownership and control and extent of corporate transparency indices
- **Strength of minority investor protection index (0-50):** Sum of the extent of conflict of interest regulation and extent of shareholder governance indices

### Case study assumptions

To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

#### The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange.
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.
- Has a supervisory board in economies with a two-tier board system on which Mr. James appointed 60% of the shareholder-elected members.
- Has not adopted bylaws or articles of association that go beyond the minimum requirements. Does not follow codes, principles, recommendations or guidelines that are not mandatory.
- Is a manufacturing company with its own distribution network.

#### The transaction involves the following details:

- Mr. James owns 60% of Buyer, sits on Buyer's board of directors and elected two directors to Buyer's five-member board.
- Mr. James also owns 90% of Seller, a company that operates a chain of retail hardware stores. Seller recently closed a large number of its stores.
- Mr. James proposes that Buyer purchase Seller's unused fleet of trucks to expand Buyer's distribution of its food products, a proposal to which Buyer agrees. The price is equal to 10% of Buyer's assets and is higher than the market value.
- The proposed transaction is part of the company's principal activity and is not outside the authority of the company.
- Buyer enters into the transaction. All required approvals are obtained, and all required disclosures made—that is, the transaction was not entered into fraudulently.
- The transaction causes damages to Buyer. Shareholders sue Mr. James and the executives and directors that approved the transaction.

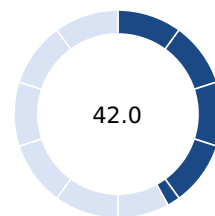
Protecting Minority Investors - Honduras

Stock exchange information

Stock exchange	Bolsa Centroamericana de Valores
Stock exchange URL	http://www.bcv.hn
Listed firms with equity securities	12
City Covered	Tegucigalpa

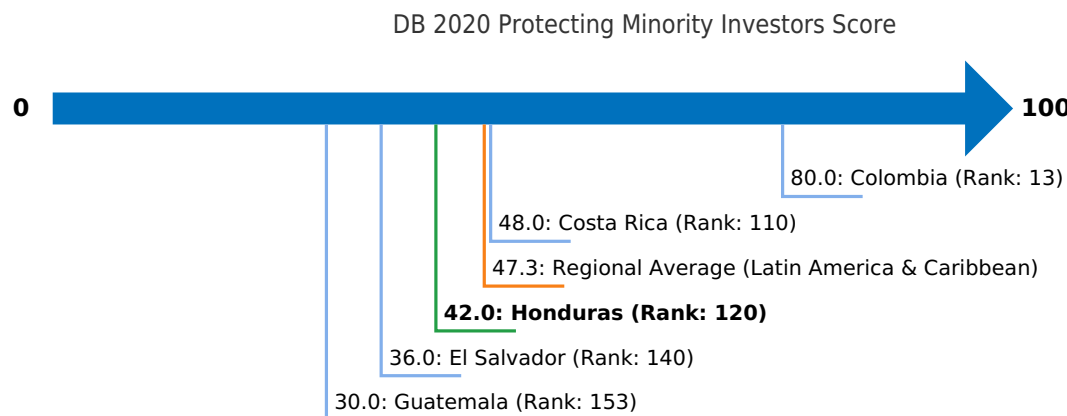
Indicator	Honduras	Latin America & Caribbean	OECD high income	Best Regulatory Performance
Extent of disclosure index (0-10)	3.0	4.1	6.5	10 (13 Economies)
Extent of director liability index (0-10)	8.0	5.2	5.3	10 (3 Economies)
Ease of shareholder suits index (0-10)	6.0	6.7	7.3	10 (Djibouti)
Extent of shareholder rights index (0-6)	3.0	3.0	4.7	6 (19 Economies)
Extent of ownership and control index (0-7)	1.0	2.3	4.5	7 (9 Economies)
Extent of corporate transparency index (0-7)	0.0	2.3	5.7	7 (13 Economies)

Figure - Protecting Minority in Honduras - Score



Score - Protecting Minority Investors

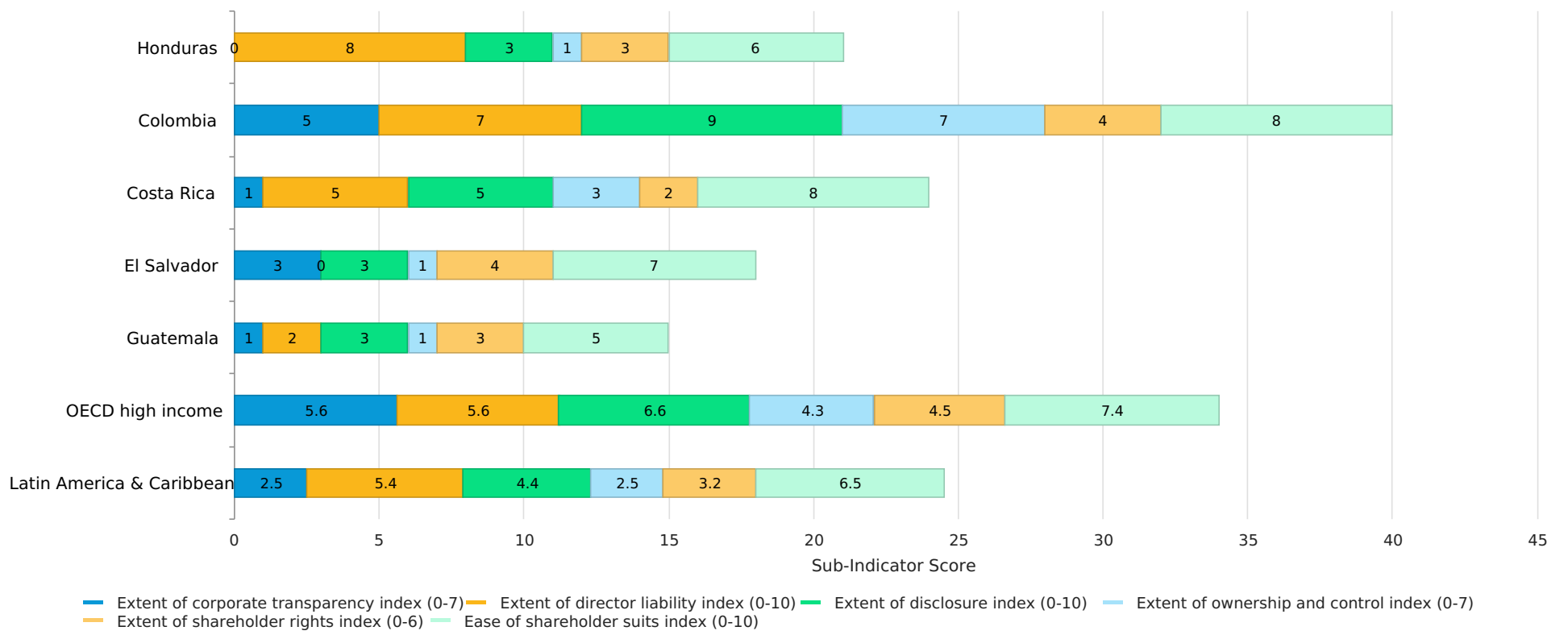
Figure - Protecting Minority Investors in Honduras and comparator economies - Ranking and Score



Note: The ranking of economies on the strength of minority investor protections is determined by sorting their scores for protecting minority investors. These scores are the simple average of the scores for the extent of conflict of interest regulation index and the extent of shareholder governance index.



Figure - Protecting Minority Investors in Honduras and comparator economies - Measure of Quality



## Details - Protecting Minority Investors in Honduras - Measure of Quality

	Answer	Score
<b>Extent of conflict of interest regulation index (0-30)</b>		
<b>Extent of disclosure index (0-10)</b>		<b>3.0</b>
Whose decision is sufficient to approve the Buyer-Seller transaction? (0-3)	Shareholders excluding interested parties	3.0
Must an external body review the terms of the transaction before it takes place? (0-1)	No	0.0
Must Mr. James disclose his conflict of interest to the board of directors? (0-2)	No disclosure obligation	0.0
Must Buyer disclose the transaction in periodic filings (e.g. annual reports)? (0-2)	No disclosure obligation	0.0
Must Buyer immediately disclose the transaction to the public? (0-2)	No disclosure obligation	0.0
<b>Extent of director liability index (0-10)</b>		<b>8.0</b>
Can shareholders representing 10% of Buyer's share capital sue for the damage the transaction caused to Buyer? (0-1)	Yes	1.0
Can shareholders hold Mr. James liable for the damage the transaction caused to Buyer? (0-2)	Liable if negligent	1.0
Can shareholders hold the other directors liable for the damage the transaction caused to Buyer? (0-2)	Liable if negligent	1.0
Must Mr. James pay damages for the harm caused to Buyer upon a successful claim by shareholders? (0-1)	Yes	1.0
Must Mr. James repay profits made from the transaction upon a successful claim by shareholders? (0-1)	Yes	1.0
Is Mr. James disqualified upon a successful claim by shareholders? (0-1)	Yes	1.0
Can a court void the transaction upon a successful claim by shareholders? (0-2)	Voidable if unfair or prejudicial	2.0
<b>Ease of shareholder suits index (0-10)</b>		<b>6.0</b>
Before suing, can shareholders representing 10% of Buyer's share capital inspect the transaction documents? (0-1)	Yes	1.0
Can the plaintiff obtain any documents from the defendant and witnesses at trial? (0-3)	Any relevant document	3.0
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0.0
Can the plaintiff directly question the defendant and witnesses at trial? (0-2)	Preapproved questions only	1.0
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	No	0.0
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	Yes if successful	1.0
<b>Extent of shareholder governance index (0-20)</b>		
<b>Extent of shareholder rights index (0-6)</b>		<b>3.0</b>
Does the sale of 51% of Buyer's assets require shareholder approval?	No	0.0
Can shareholders representing 10% of Buyer's share capital call for a meeting of shareholders?	No	0.0
Must Buyer obtain its shareholders' approval every time it issues new shares?	Yes	1.0
Do shareholders automatically receive preemption rights every time Buyer issues new shares?	Yes	1.0
Do shareholders elect and dismiss the external auditor?	No	0.0
Are changes to the rights of a class of shares only possible if the holders of the affected shares approve?	Yes	1.0
<b>Extent of ownership and control index (0-7)</b>		<b>1.0</b>
Is it forbidden to appoint the same individual as CEO and chairperson of the board of directors?	No	0.0

Must the board of directors include independent and nonexecutive board members?	No	0.0
Can shareholders remove members of the board of directors without cause before the end of their term?	Yes	1.0
Must the board of directors include a separate audit committee exclusively comprising board members?	No	0.0
Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	No	0.0
Must Buyer pay declared dividends within a maximum period set by law?	No	0.0
Is a subsidiary prohibited from acquiring shares issued by its parent company?	No	0.0
<b>Extent of corporate transparency index (0-7)</b>		<b>0.0</b>
Must Buyer disclose direct and indirect beneficial ownership stakes representing 5%?	No	0.0
Must Buyer disclose information about board members' primary employment and directorships in other companies?	No	0.0
Must Buyer disclose the compensation of individual managers?	No	0.0
Must a detailed notice of general meeting be sent 21 days before the meeting?	No	0.0
Can shareholders representing 5% of Buyer's share capital put items on the general meeting agenda?	No	0.0
Must Buyer's annual financial statements be audited by an external auditor?	No	0.0
Must Buyer disclose its audit reports to the public?	No	0.0

## Paying Taxes

This topic records the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year, as well as the administrative burden of paying taxes and contributions and complying with postfiling procedures (VAT refund and tax audit). The most recent round of data collection for the project was completed in May 2019 covering for the Paying Taxes indicator calendar year 2018 (January 1, 2018 - December 31, 2018). [See the methodology for more information.](#)

### What the indicators measure

#### Tax payments for a manufacturing company in 2018 (number per year adjusted for electronic and joint filing and payment)

- Total number of taxes and contributions paid or withheld, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

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

- Collecting information, computing tax payable
- Preparing separate tax accounting books, if required
- Completing tax return, filing with agencies
- Arranging payment or withholding

#### Total tax and contribution rate (% of commercial profits)

- Profit or corporate income tax
- Social contributions, labor taxes paid by employer
- Property and property transfer taxes
- Dividend, capital gains, financial transactions taxes
- Waste collection, vehicle, road and other taxes

#### Postfiling Index

- Time to comply with VAT refund (hours)
- Time to obtain VAT refund (weeks)
- Time to comply with a corporate income tax correction (hours)
- Time to complete a corporate income tax correction (weeks)

### Case study assumptions

Using a case scenario, *Doing Business* records taxes and mandatory contributions a medium size company must pay in a year, and measures the administrative burden of paying taxes, contributions and dealing with postfiling processes. Information is also compiled on frequency of filing and payments, time taken to comply with tax laws, time taken to comply with the requirements of postfiling processes and time waiting.

To make data comparable across economies, several assumptions are used:

- TaxpayerCo is a medium-size business that started operations on January 1, 2017. It produces ceramic flowerpots and sells them at retail. All taxes and contributions recorded are paid in the second year of operation (calendar year 2018). Taxes and mandatory contributions are measured at all levels of government.

#### The VAT refund process:

- In June 2018, TaxpayerCo. makes a large capital purchase: the value of the machine is 65 times income per capita of the economy. Sales are equally spread per month (1,050 times income per capita divided by 12) and cost of goods sold are equally expensed per month (875 times income per capita divided by 12). The machinery seller is registered for VAT and excess input VAT incurred in June will be fully recovered after four consecutive months if the VAT rate is the same for inputs, sales and the machine and the tax reporting period is every month. Input VAT will exceed Output VAT in June 2018.

#### The corporate income tax audit process:

- An error in calculation of income tax liability (for example, use of incorrect tax depreciation rates, or incorrectly treating an expense as tax deductible) leads to an incorrect income tax return and a corporate income tax underpayment. TaxpayerCo. discovered the error and voluntarily notified the tax authority. The value of the underpaid income tax liability is 5% of the corporate income tax liability due. TaxpayerCo. submits corrected information after the deadline for submitting the annual tax return, but within the tax assessment period.

Paying Taxes - Honduras

Indicator	Honduras	Latin America & Caribbean	OECD high income	Best Regulatory Performance
Payments (number per year)	59	28.2	10.3	3 (2 Economies)
Time (hours per year)	203	317.1	158.8	49 (3 Economies)
Total tax and contribution rate (% of profit)	39.1	47.0	39.9	26.1 (33 Economies)
Postfiling index (0-100)	35.1	47.5	86.7	None in 2018/19

Figure - Paying Taxes in Honduras - Score

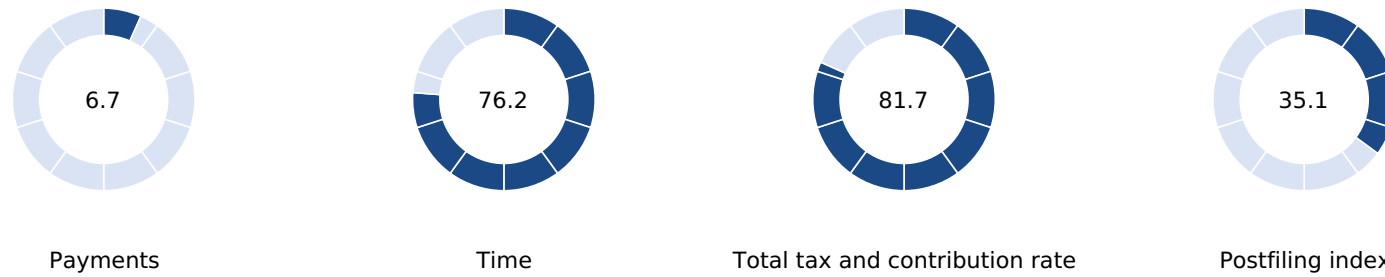
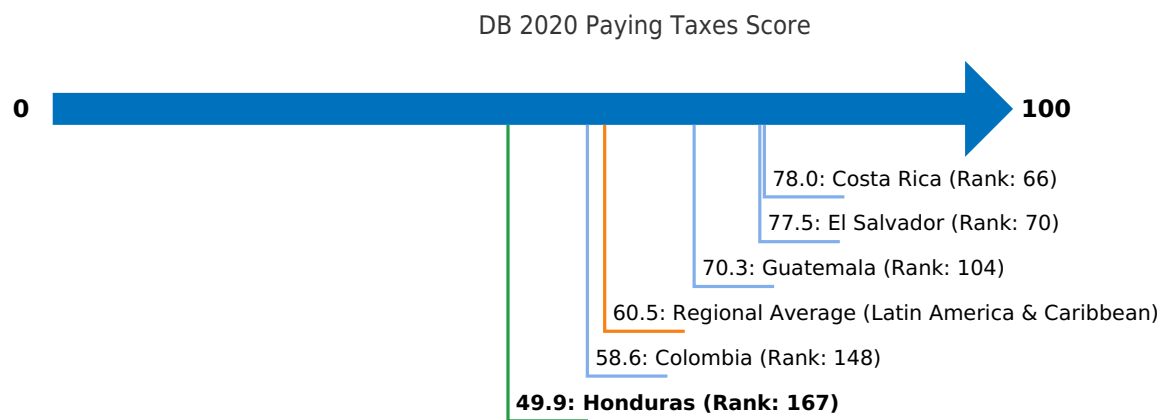
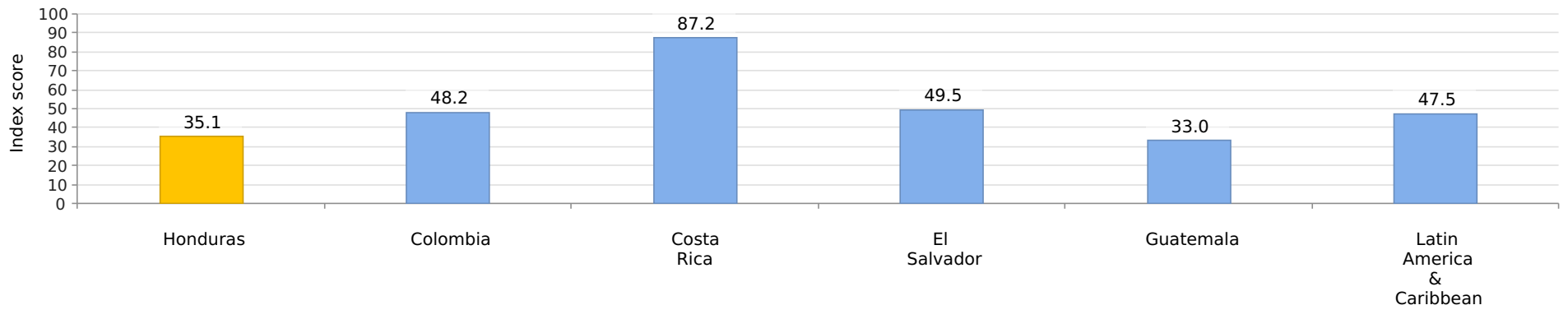


Figure - Paying Taxes in Honduras and comparator economies - Ranking and Score



Note: The ranking of economies on the ease of paying taxes is determined by sorting their scores for paying taxes. These scores are the simple average of the scores for each of the component indicators, with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax and contribution rate. The threshold is defined as the total tax and contribution rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including Doing Business 2015, which is 26.1%. All economies with a total tax and contribution rate below this threshold receive the same score as the economy at the threshold.

Figure - Paying Taxes in Honduras and comparator economies - Measure of Quality



## Details - Paying Taxes in Honduras

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax and contribution rate (% of profit)	Notes on TTCR
Corporate income tax	4.0		35.0	25% or 1.5% of total income if more than 300 mil or 1% of net asset	taxable profit	24.47	
Employer paid - Social security contributions	12.0		72.0	8.7%	gross salaries	7.29	
Solidarity tax	0.0	paid jointly		5%	taxable profit over Lps 1,000,000	4.21	
Employer paid - Professional training tax - INFOP	12.0			1%	gross salaries	1.13	
Municipal property tax	1.0			Lps 3.5 per 1,000	property value	0.53	
Capital gains tax	1.0			10%	capital gains	0.51	
Employer paid - Pension contribution - RAP	12.0			1.5%	excess of 8882.30	0.38	
Municipal tax on industry and commerce	1.0			progressive rate	sales	0.33	
Tax on interest	1.0			10% if above 50,000	interest	0.19	
Vehicle tax	1.0			Lps 2,200	fixed fee	0.03	
Value added tax (VAT)	12.0		96.0	15%	value added	0.00	not included
Stamp duty	1.0			Lps 200 for contracts with a value less than 1,000 and Lps 1.5 per 1,000 of value of transaction	transaction value	0.00	small amount
Fuel tax	1.0			\$0.6106 per gallon	fuel consumption	0.00	
Employee paid - Social security contributions	0.0	paid jointly		5%	gross salaries	0.00	withheld
Totals	59		203			39.1	

## Details - Paying Taxes in Honduras - Tax by Type

Taxes by type	Answer
Profit tax (% of profit)	29.2
Labor tax and contributions (% of profit)	8.8
Other taxes (% of profit)	1.1



## Details - Paying Taxes in Honduras - Measure of Quality

	Answer	Score
<b>Postfiling index (0-100)</b>		<b>35.1</b>
<b>VAT refunds</b>		
Does VAT exist?	Yes	
Does a VAT refund process exist per the case study?	Yes	
Restrictions on VAT refund process	none	
Percentage of cases exposed to a VAT audit (%)	50% - 74%	
Is there a mandatory carry forward period?	No	
Time to comply with VAT refund (hours)	33.0	34.0
Time to obtain VAT refund (weeks)	54.0	1.1
<b>Corporate income tax audits</b>		
Does corporate income tax exist?	Yes	
Percentage of cases exposed to a corporate income tax audit (%)	25% - 49%	
Time to comply with a corporate income tax correction (hours)	17.0	71.6
Time to complete a corporate income tax correction (weeks)	21.1	33.9

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

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

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

The postfiling index is the average of the scores on time to comply with VAT refund, time to obtain a VAT refund, time to comply with a corporate income tax correction and time to complete a corporate income tax correction.

N/A = Not applicable.

## Trading across Borders

*Doing Business* records the time and cost associated with the logistical process of exporting and importing goods. *Doing Business* measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. The most recent round of data collection for the project was completed in May 2019. [See the methodology for more information.](#)

### What the indicators measure

#### Documentary compliance

- Obtaining, preparing and submitting documents during transport, clearance, inspections and port or border handling in origin economy
- Obtaining, preparing and submitting documents required by destination economy and any transit economies
- Covers all documents required by law and in practice, including electronic submissions of information

#### Border compliance

- Customs clearance and inspections
- Inspections by other agencies (if applied to more than 20% of shipments)
- Handling and inspections that take place at the economy's port or border

#### Domestic transport

- Loading or unloading of the shipment at the warehouse or port/border
- Transport between warehouse and port/border
- Traffic delays and road police checks while shipment is en route

### Case study assumptions

To make the data comparable across economies, a few assumptions are made about the traded goods and the transactions:

**Time:** Time is measured in hours, and 1 day is 24 hours (for example, 22 days are recorded as  $22 \times 24 = 528$  hours). If customs clearance takes 7.5 hours, the data are recorded as is. Alternatively, suppose documents are submitted to a customs agency at 8:00a.m., are processed overnight and can be picked up at 8:00a.m. the next day. The time for customs clearance would be recorded as 24 hours because the actual procedure took 24 hours.

**Cost:** Insurance cost and informal payments for which no receipt is issued are excluded from the costs recorded. Costs are reported in U.S. dollars. Contributors are asked to convert local currency into U.S. dollars based on the exchange rate prevailing on the day they answer the questionnaire. Contributors are private sector experts in international trade logistics and are informed about exchange rates.

#### Assumptions of the case study:

- For all 190 economies covered by *Doing Business*, it is assumed a shipment is in a warehouse in the largest business city of the exporting economy and travels to a warehouse in the largest business city of the importing economy.
- It is assumed each economy imports 15 metric tons of containerized auto parts (HS 8708) from its natural import partner—the economy from which it imports the largest value (price times quantity) of auto parts. It is assumed each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product. Shipment value is assumed to be \$50,000.
- The mode of transport is the one most widely used for the chosen export or import product and the trading partner, as is the seaport or land border crossing.
- All electronic information submissions requested by any government agency in connection with the shipment are considered to be documents obtained, prepared and submitted during the export or import process.
- A port or border is a place (seaport or land border crossing) where merchandise can enter or leave an economy.
- Relevant government agencies include customs, port authorities, road police, border guards, standardization agencies, ministries or departments of agriculture or industry, national security agencies and any other government authorities.

Trading across Borders - Honduras

Indicator	Honduras	Latin America & Caribbean	OECD high income	Best Regulatory Performance
Time to export: Border compliance (hours)	108	55.3	12.7	1 (19 Economies)
Cost to export: Border compliance (USD)	601	516.3	136.8	0 (19 Economies)
Time to export: Documentary compliance (hours)	48	35.7	2.3	1 (26 Economies)
Cost to export: Documentary compliance (USD)	80	100.3	33.4	0 (20 Economies)
Time to import: Border compliance (hours)	96	55.6	8.5	1 (25 Economies)
Cost to import: Border compliance (USD)	483	628.4	98.1	0 (28 Economies)
Time to import: Documentary compliance (hours)	72	43.2	3.4	1 (30 Economies)
Cost to import: Documentary compliance (USD)	70	107.3	23.5	0 (30 Economies)

Figure - Trading across Borders in Honduras - Score

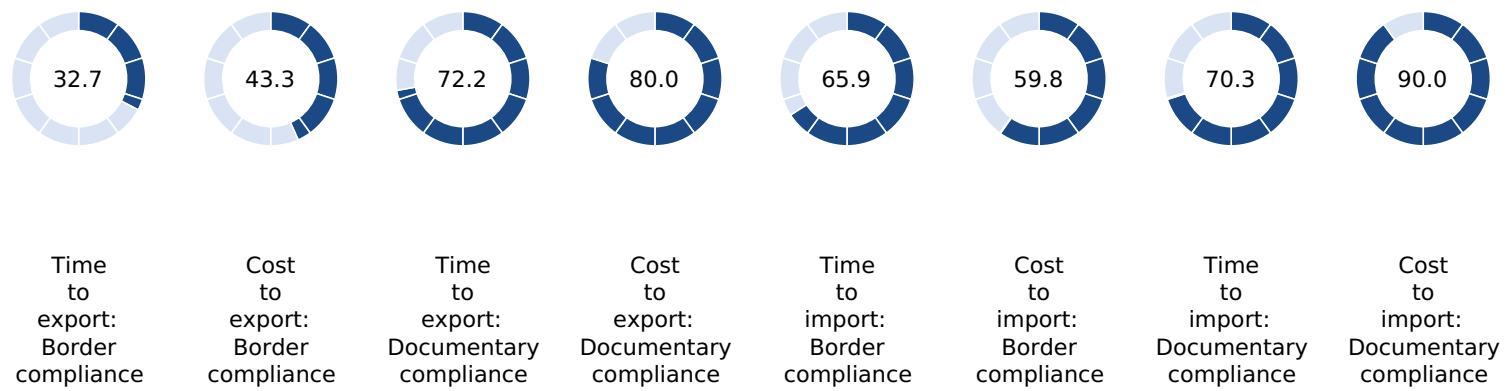
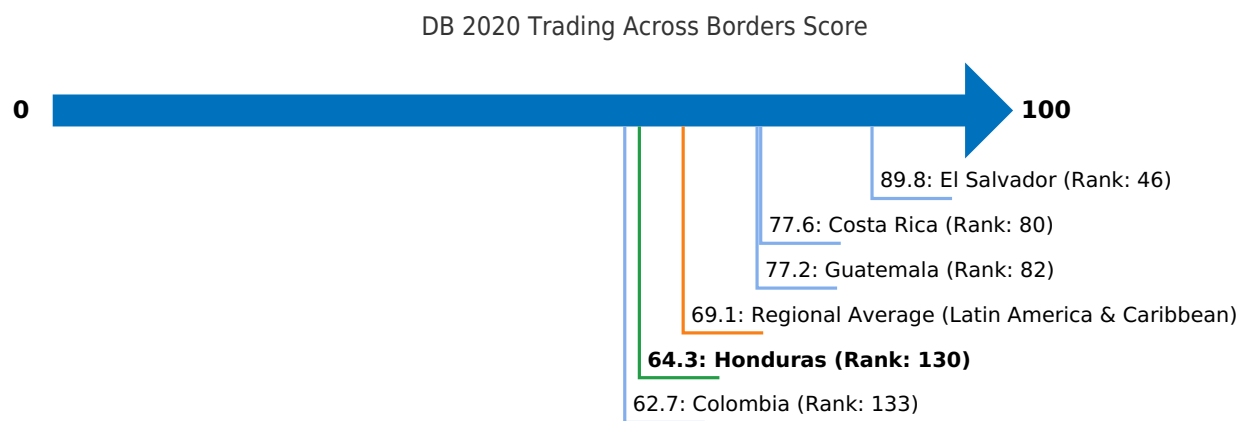
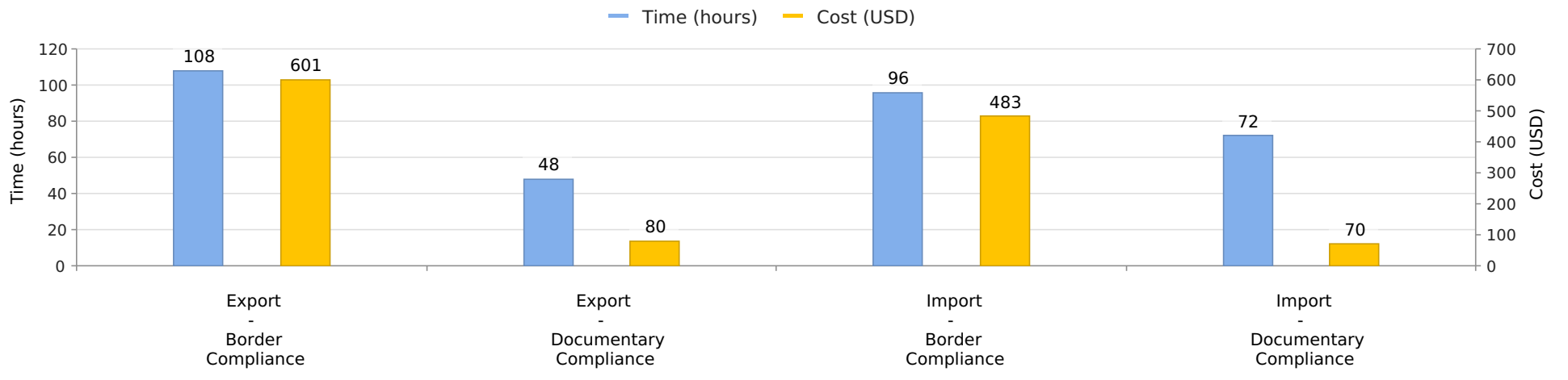


Figure - Trading across Borders in Honduras and comparator economies - Ranking and Score



Note: The ranking of economies on the ease of trading across borders is determined by sorting their scores for trading across borders. These scores are the simple average of the scores for the time and cost for documentary compliance and border compliance to export and import.

Figure - Trading across Borders in Honduras - Time and Cost



## Details - Trading across Borders in Honduras

Characteristics	Export	Import
Product	HS 09 : Coffee, tea, mati and spices	HS 8708: Parts and accessories of motor vehicles
Trade partner	Germany	United States
Border	Puerto Cortés port	Puerto Cortés port
Distance (km)	172	172
Domestic transport time (hours)	6	6
Domestic transport cost (USD)	1250	1250

## Details - Trading across Borders in Honduras - Components of Border Compliance

	Time to Complete (hours)	Associated Costs (USD)
Export: Clearance and inspections required by customs authorities	15.0	190.0
Export: Clearance and inspections required by agencies other than customs	72.0	265.0
Export: Port or border handling	36.0	146.3
Import: Clearance and inspections required by customs authorities	96.0	215.0
Import: Clearance and inspections required by agencies other than customs	0.0	0.0
Import: Port or border handling	96.0	267.8

## Details - Trading across Borders in Honduras - Trade Documents

## Export

Customs Export Declaration

Phytosanitary Certificate

IHCAFE (Honduras Coffee Institute) CO

IHCAFE Export Certificate

OIC (Organizacion Internacional del Cafe/Coffee International Ass.) Export Certificate

Foreign Exchange Authorization

Commercial Invoice

Packing List

Bill of Lading

SOLAS certificate

## Import

Customs Import Declaration

Commercial Invoice

Packing List

Cargo Release Order

Terminal Handling Receipts

Certificate of Origin

Bill of Lading

SOLAS certificate

## Enforcing Contracts

The enforcing contracts indicator measures the time and cost for resolving a commercial dispute through a local first-instance court, and the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. The most recent round of data collection was completed in May 2019. [See the methodology for more information.](#)

### What the indicators measure

#### Time required to enforce a contract through the courts (calendar days)

- Time to file and serve the case
- Time for trial and to obtain the judgment
- Time to enforce the judgment

#### Cost required to enforce a contract through the courts (% of claim value)

- Average attorney fees
- Court costs
- Enforcement costs

#### Quality of judicial processes index (0-18)

- Court structure and proceedings (-1-5)
- Case management (0-6)
- Court automation (0-4)
- Alternative dispute resolution (0-3)

### Case study assumptions

The dispute in the case study involves the breach of a sales contract between two domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement.

To make the data on the time and comparable across economies, several assumptions about the case are used:

- The dispute concerns a lawful transaction between two businesses (Seller and Buyer), both located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- The Buyer orders custom-made furniture, then fails to pay alleging that the goods are not of adequate quality.
- The value of the dispute is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.
- The Seller sues the Buyer before the court with jurisdiction over commercial cases worth 200% of income per capita or \$5,000 whichever is greater.
- The Seller requests the pretrial attachment of the defendant's movable assets to secure the claim.
- The claim is disputed on the merits because of Buyer's allegation that the quality of the goods was not adequate.
- The judge decides in favor of the seller; there is no appeal.
- The Seller enforces the judgment through a public sale of the Buyer's movable assets.

Enforcing Contracts - Honduras

Standardized Case

Claim value	HNL 120,173
Court name	Unified Civil District Court of Francisco Morazán
City Covered	Tegucigalpa

Indicator	Honduras	Latin America & Caribbean	OECD high income	Best Regulatory Performance
Time (days)	920	774.2	589.6	120 (Singapore)
Cost (% of claim value)	38.8	32.0	21.5	0.1 (Bhutan)
Quality of judicial processes index (0-18)	7.5	8.8	11.7	None in 2018/19

Figure - Enforcing Contracts in Honduras - Score

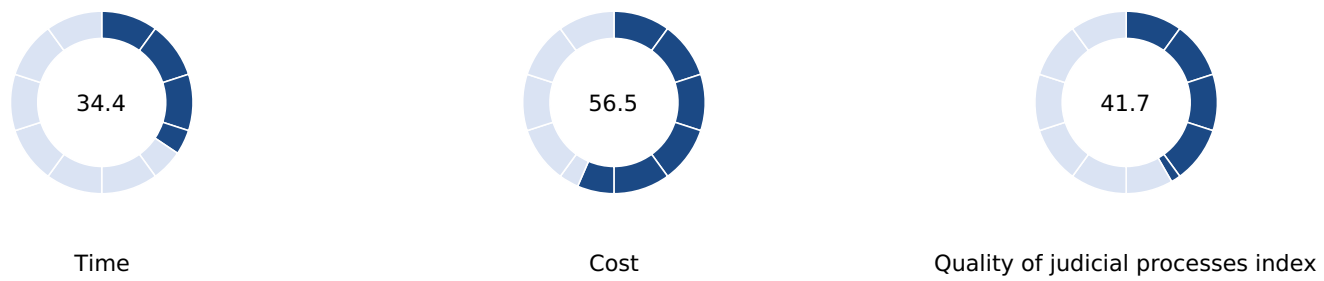


Figure - Enforcing Contracts in Honduras and comparator economies - Ranking and Score



Note: The ranking of economies on the ease of enforcing contracts is determined by sorting their scores for enforcing contracts. These scores are the simple average of the scores for each of the component indicators.



Figure - Enforcing Contracts in Honduras - Time and Cost

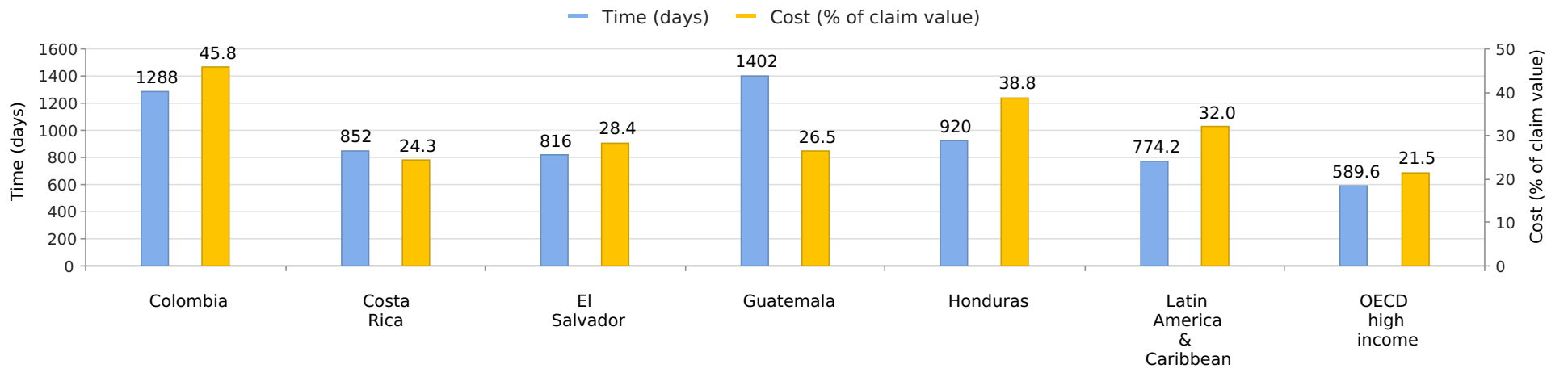
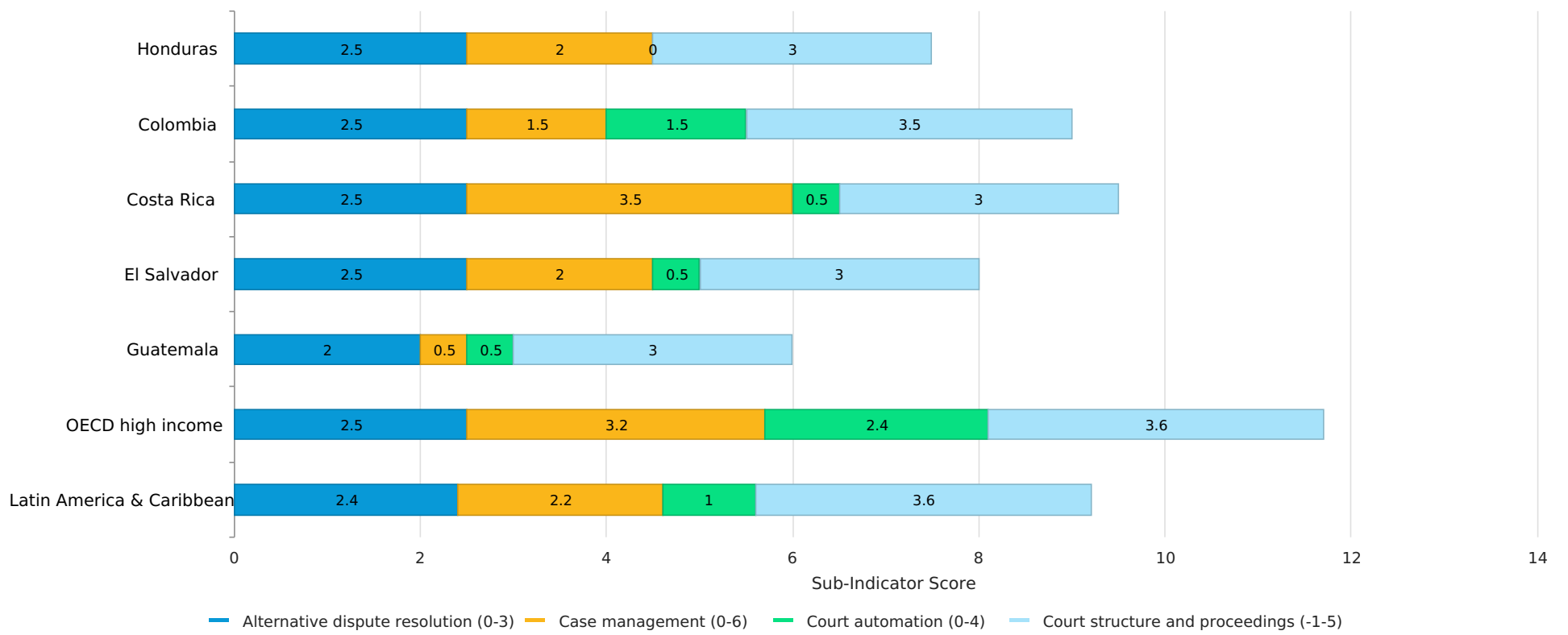


Figure - Enforcing Contracts in Honduras and comparator economies - Measure of Quality



Details - Enforcing Contracts in Honduras

	Indicator
<b>Time (days)</b>	<b>920</b>
Filing and service	60
Trial and judgment	680
Enforcement of judgment	180
<b>Cost (% of claim value)</b>	<b>38.8</b>
Attorney fees	25
Court fees	5.7
Enforcement fees	8.1
<b>Quality of judicial processes index (0-18)</b>	<b>7.5</b>
Court structure and proceedings (-1-5)	3.0
Case management (0-6)	2.0
Court automation (0-4)	0.0
Alternative dispute resolution (0-3)	2.5

## Details - Enforcing Contracts in Honduras - Measure of Quality

	Answer	Score
<b>Quality of judicial processes index (0-18)</b>		<b>7.5</b>
<b>Court structure and proceedings (-1-5)</b>		<b>3.0</b>
1. Is there a court or division of a court dedicated solely to hearing commercial cases?	No	0.0
2. Small claims court		1.5
2.a. Is there a small claims court or a fast-track procedure for small claims?	Yes	
2.b. If yes, is self-representation allowed?	Yes	
3. Is pretrial attachment available?	Yes	1.0
4. Are new cases assigned randomly to judges?	Yes, but manual	0.5
5. Does a woman's testimony carry the same evidentiary weight in court as a man's?	Yes	0.0
<b>Case management (0-6)</b>		<b>2.0</b>
1. Time standards		1.0
1.a. Are there laws setting overall time standards for key court events in a civil case?	Yes	
1.b. If yes, are the time standards set for at least three court events?	Yes	
1.c. Are these time standards respected in more than 50% of cases?	Yes	
2. Adjournments		0.0
2.a. Does the law regulate the maximum number of adjournments that can be granted?	No	
2.b. Are adjournments limited to unforeseen and exceptional circumstances?	No	
2.c. If rules on adjournments exist, are they respected in more than 50% of cases?	n.a.	
3. Can two of the following four reports be generated about the competent court: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report?	No	0.0
4. Is a pretrial conference among the case management techniques used before the competent court?	Yes	1.0
5. Are there any electronic case management tools in place within the competent court for use by judges?	No	0.0
6. Are there any electronic case management tools in place within the competent court for use by lawyers?	No	0.0
<b>Court automation (0-4)</b>		<b>0.0</b>
1. Can the initial complaint be filed electronically through a dedicated platform within the competent court?	No	0.0
2. Is it possible to carry out service of process electronically for claims filed before the competent court?	No	0.0
3. Can court fees be paid electronically within the competent court?	No	0.0
4. Publication of judgments		0.0
4.a. Are judgments rendered in commercial cases at all levels made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	No	
4.b. Are judgments rendered in commercial cases at the appellate and supreme court level made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	No	
<b>Alternative dispute resolution (0-3)</b>		<b>2.5</b>
1. Arbitration		1.5
1.a. Is domestic commercial arbitration governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects?	Yes	
1.b. Are there any commercial disputes—aside from those that deal with public order or public policy—that cannot be submitted to arbitration?	No	
1.c. Are valid arbitration clauses or agreements usually enforced by the courts?	Yes	

2. Mediation/Conciliation	1.0
2.a. Is voluntary mediation or conciliation available?	Yes
2.b. Are mediation, conciliation or both governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all their aspects (for example, definition, aim and scope of application, design)?	Yes
2.c. Are there financial incentives for parties to attempt mediation or conciliation (i.e., if mediation or conciliation is successful, a refund of court filing fees, income tax credits or the like)?	No

---

## Resolving Insolvency

*Doing Business* studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recovered by secured creditors through reorganization, liquidation or debt enforcement (foreclosure or receivership) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit. The most recent round of data collection was completed in May 2019. [See the methodology for more information.](#)

### What the indicators measure

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

- Measured in calendar years
- Appeals and requests for extension are included

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

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- Other related fees

#### Outcome

- Whether business continues operating as a going concern or business assets are sold piecemeal

#### Recovery rate for creditors

- Measures the cents on the dollar recovered by secured creditors
- Outcome for the business (survival or not) determines the maximum value that can be recovered
- Official costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Present value of debt recovered

#### Strength of insolvency framework index (0- 16)

- Sum of the scores of four component indices:
- Commencement of proceedings index (0-3)
- Management of debtor's assets index (0-6)
- Reorganization proceedings index (0-3)
- Creditor participation index (0-4)

### Case study assumptions

To make the data on the time, cost and outcome comparable across economies, several assumptions about the business and the case are used:

- A hotel located in the largest city (or cities) has 201 employees and 50 suppliers. The hotel experiences financial difficulties.
- The value of the hotel is 100% of the income per capita or the equivalent in local currency of USD 200,000, whichever is greater.
- The hotel has a loan from a domestic bank, secured by a mortgage over the hotel's real estate. The hotel cannot pay back the loan, but makes enough money to operate otherwise.

In addition, *Doing Business* evaluates the quality of legal framework applicable to judicial liquidation and reorganization proceedings and the extent to which best insolvency practices have been implemented in each economy covered.

Resolving Insolvency - Honduras

Indicator	Honduras	Latin America & Caribbean	OECD high income	Best Regulatory Performance
Recovery rate (cents on the dollar)	19.9	31.2	70.2	92.9 (Norway)
Time (years)	3.8	2.9	1.7	0.4 (Ireland)
Cost (% of estate)	14.5	16.8	9.3	1.0 (Norway)
Outcome (0 as piecemeal sale and 1 as going concern)	0	..	..	..
Strength of insolvency framework index (0-16)	7.0	7.2	11.9	None in 2018/19

Figure - Resolving Insolvency in Honduras - Score

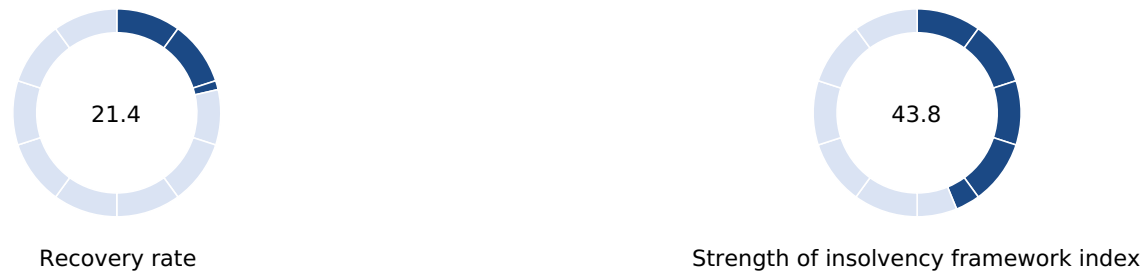
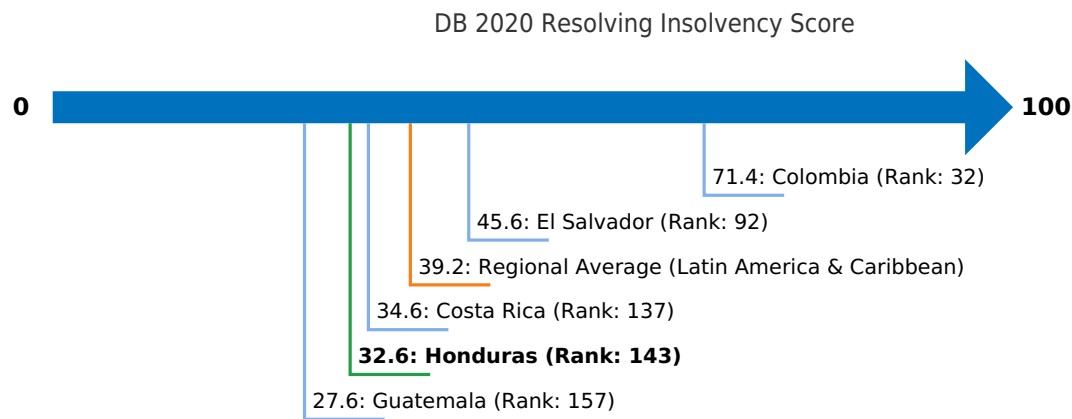


Figure - Resolving Insolvency in Honduras and comparator economies - Ranking and Score



Note: The ranking of economies on the ease of resolving insolvency is determined by sorting their scores for resolving insolvency. These scores are the simple average of the scores for the recovery rate and the strength of insolvency framework index.

Figure - Resolving Insolvency in Honduras - Time and Cost

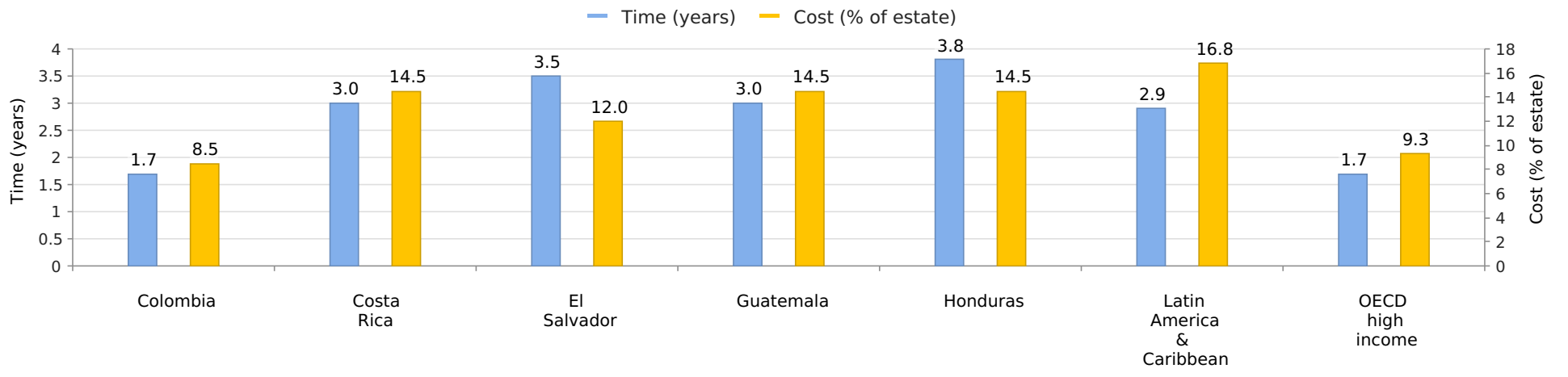
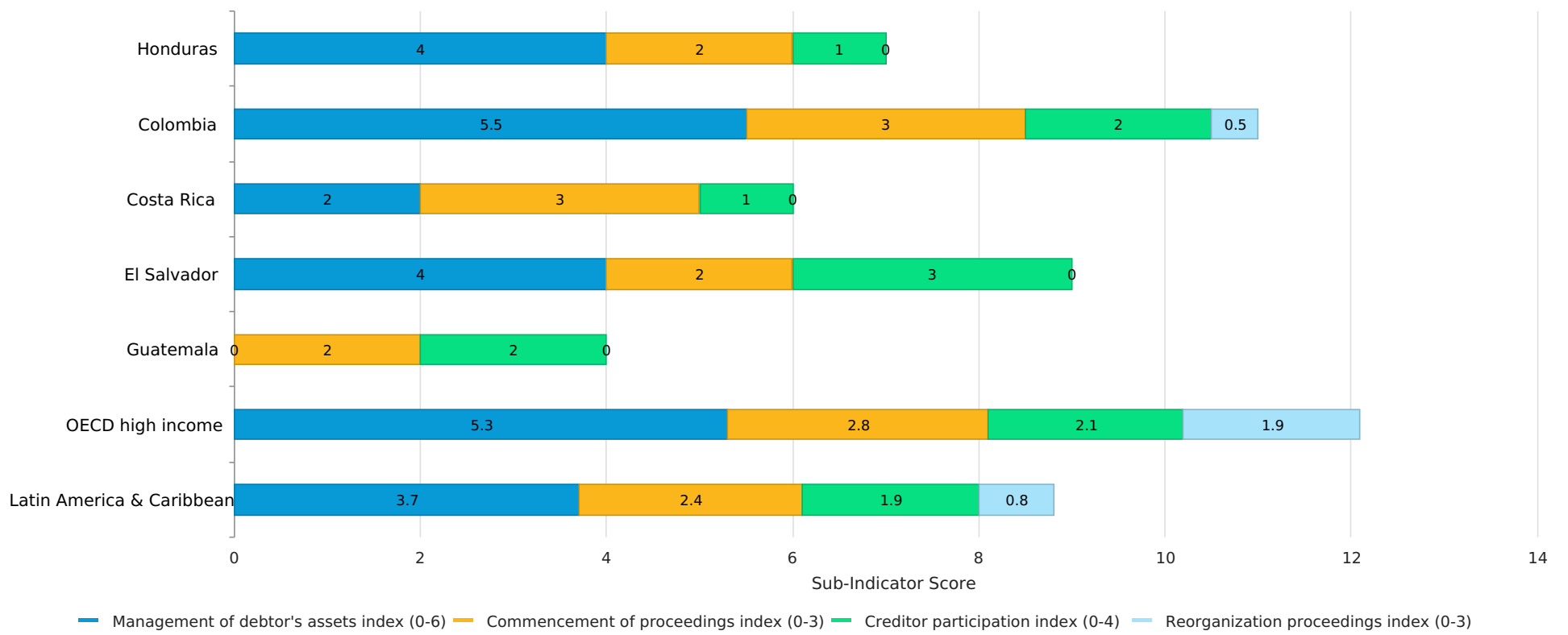
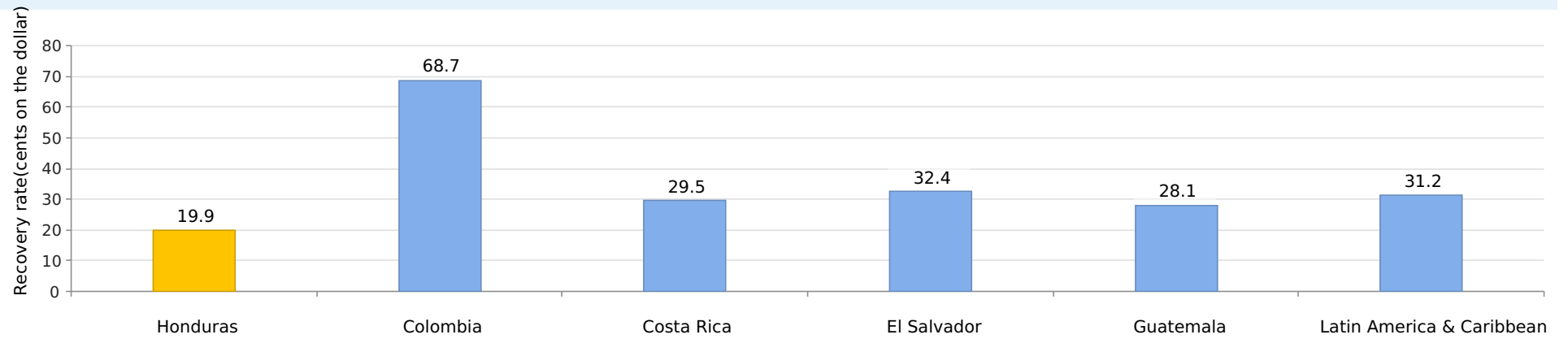


Figure - Resolving Insolvency in Honduras and comparator economies - Measure of Quality



Note: Even if the economy's legal framework includes provisions related to insolvency proceedings (liquidation or reorganization), the economy receives 0 points for the strength of insolvency framework index, if time, cost and outcome indicators are recorded as "no practice."

Figure - Resolving Insolvency in Honduras and comparator economies - Recovery Rate





## Details - Resolving Insolvency in Honduras

Indicator	Answer	Score
Proceeding	foreclosure	BizBank will commence a foreclosure proceeding requesting the sale of the estate used as a collateral in satisfaction of the debt. Mirage won't be able to request any type of suspension of the enforcement actions to avoid foreclosure because the acquiescence of all creditors is required. Debt rescheduling as part of a reorganization plan is not possible because there is no judicial reorganization procedure in Honduras.
Outcome	piecemeal sale	It is not possible in Honduras for an insolvent company to start reorganization procedures so that the business may continue operating. If the secured creditor requires the sale of the assets used as collateral in satisfaction of the secure lending by means of a foreclosure, there is no legal instrument that will allow the business to continue operating. Therefore, its assets will be sold piecemeal.
Time (in years)	3.8	The foreclosure proceeding will take approximately 3.75 years in Honduras from the moment of Mirage's default until the debt is repaid to the secured creditor. It will take 1 year until the approval to initiate foreclosure is handed down by the Court including all required notifications and the debtor's counter-claim. Henceforward, it will take 2 years for the auction to take place (including the necessary time to appoint an auctioneer, the scheduling of the auction and the sale of the real estate). It will take additional 9 months for the judge to approve the sale and have it registered.
Cost (% of estate)	14.5	The cost for a foreclosure proceeding as described above would amount to approximately 14.5% of the value of Mirage's estate. The main component of this expenditure would be the attorney's fees, which would amount 10% of the value of Mirage's estate. The rest of the cost would be judicial and notification expenses and expenses related to the auction (2%). The Auctioneer's fees will amount 3% of the value of the debtor's estate.
Recovery rate (cents on the dollar)		19.9

## Details - Resolving Insolvency in Honduras - Measure of Quality

	Answer	Score
<b>Strength of insolvency framework index (0-16)</b>		<b>7.0</b>
<b>Commencement of proceedings index (0-3)</b>		<b>2.0</b>
What procedures are available to a DEBTOR when commencing insolvency proceedings?	(b) Debtor may file for liquidation only	0.5
Does the insolvency framework allow a CREDITOR to file for insolvency of the debtor?	(b) Yes, but a creditor may file for liquidation only	0.5
What basis for commencement of the insolvency proceedings is allowed under the insolvency framework? (a) Debtor is generally unable to pay its debts as they mature (b) The value of debtor's liabilities exceeds the value of its assets	(a) Debtor is generally unable to pay its debts as they mature	1.0
<b>Management of debtor's assets index (0-6)</b>		<b>4.0</b>
Does the insolvency framework allow the continuation of contracts supplying essential goods and services to the debtor?	Yes	1.0
Does the insolvency framework allow the rejection by the debtor of overly burdensome contracts?	Yes	1.0
Does the insolvency framework allow avoidance of preferential transactions?	Yes	1.0
Does the insolvency framework allow avoidance of undervalued transactions?	Yes	1.0
Does the insolvency framework provide for the possibility of the debtor obtaining credit after commencement of insolvency proceedings?	No	0.0
Does the insolvency framework assign priority to post-commencement credit?	(c) No priority is assigned to post-commencement creditors	0.0
<b>Reorganization proceedings index (0-3)</b>		<b>0.0</b>
Which creditors vote on the proposed reorganization plan?	N/A	0.0
Does the insolvency framework require that dissenting creditors in reorganization receive at least as much as what they would obtain in a liquidation?	No	0.0
Are the creditors divided into classes for the purposes of voting on the reorganization plan, does each class vote separately and are creditors in the same class treated equally?	No	0.0
<b>Creditor participation index (0-4)</b>		<b>1.0</b>
Does the insolvency framework require approval by the creditors for selection or appointment of the insolvency representative?	No	0.0
Does the insolvency framework require approval by the creditors for sale of substantial assets of the debtor?	No	0.0
Does the insolvency framework provide that a creditor has the right to request information from the insolvency representative?	No	0.0
Does the insolvency framework provide that a creditor has the right to object to decisions accepting or rejecting creditors' claims?	Yes	1.0

**Note:** Even if the economy's legal framework includes provisions related to insolvency proceedings (liquidation or reorganization), the economy receives 0 points for the strength of insolvency framework index, if time, cost and outcome indicators are recorded as "no practice."

## Employing Workers

*Doing Business* presents detailed data for the employing workers indicators on the *Doing Business* website (<http://www.doingbusiness.org>). The study does not present rankings of economies on these indicators or include the topic in the aggregate ease of doing business score or ranking on the ease of doing business.

The most recent round of data collection was completed in May 2019. [See the methodology for more information.](#)

### What the indicators measure

#### Hiring

(i) whether fixed-term contracts are prohibited for permanent tasks; (ii) maximum cumulative duration of fixed-term contracts; (iii) length of the maximum probationary period; (iv) minimum wage; (v) ratio of minimum wage to the average value added per worker.

#### Working hours

(i) maximum number of working days allowed per week; (ii) premiums for work: at night, on a weekly rest day and overtime; (iii) whether there are restrictions on work at night, work on a weekly rest day and for overtime work; (iv) length of paid annual leave.

#### Redundancy rules

(i) whether redundancy can be basis for terminating workers; (ii) whether employer needs to notify and/or get approval from third party to terminate 1 redundant worker and a group of 9 redundant workers; (iii) whether the law requires employer to reassign or retrain a worker before making worker redundant; (iv) whether priority rules apply for redundancies and reemployment.

#### Redundancy cost

(i) notice period for redundancy dismissal; (ii) severance payments, and (iii) penalties due when terminating a redundant worker. Data on the availability of unemployment protection for a worker with one year of employment is also collected.

### Case study assumptions

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

#### The worker:

- Is a cashier in a supermarket or grocery store, age 19, with one year of work experience.
- Is a full-time employee.
- Is not a member of the labor union, unless membership is mandatory.

#### The business:

- Is a limited liability company (or the equivalent in the economy).
- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Has 60 employees.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

## Employing Workers - Honduras

## Details - Employing Workers in Honduras

	Answer
<b>Hiring</b>	
Fixed-term contracts prohibited for permanent tasks?	Yes
Maximum length of a single fixed-term contract (months)	12.0
Maximum length of fixed-term contracts, including renewals (months)	24.0
Minimum wage applicable to the worker assumed in the case study (US\$/month)	505.7
Ratio of minimum wage to value added per worker	1.7
Maximum length of probationary period (months)	2.0
<b>Working hours</b>	
Standard workday	8.0
Maximum number of working days per week	6.0
Premium for night work (% of hourly pay)	25.0
Premium for work on weekly rest day (% of hourly pay)	100.0
Premium for overtime work (% of hourly pay)	37.5
Restrictions on night work?	Yes
Restrictions on weekly holiday?	No
Restrictions on overtime work?	No
Paid annual leave for a worker with 1 year of tenure (working days)	10.0
Paid annual leave for a worker with 5 years of tenure (working days)	20.0
Paid annual leave for a worker with 10 years of tenure (working days)	20.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	16.7
<b>Redundancy rules</b>	
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if one worker is dismissed?	Yes
Third-party approval if one worker is dismissed?	Yes
Third-party notification if nine workers are dismissed?	Yes
Third-party approval if nine workers are dismissed?	Yes
Retraining or reassignment obligation before redundancy?	No
Priority rules for redundancies?	Yes
Priority rules for reemployment?	No
<b>Redundancy cost</b>	
Notice period for redundancy dismissal for a worker with 1 year of tenure (weeks of salary)	4.3
Notice period for redundancy dismissal for a worker with 5 years of tenure (weeks of salary)	8.7
Notice period for redundancy dismissal for a worker with 10 years of tenure (weeks of salary)	8.7
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in weeks of salary)	7.2
Severance pay for redundancy dismissal for a worker with 1 year of tenure (weeks of salary)	4.3
Severance pay for redundancy dismissal for a worker with 5 years of tenure (weeks of salary)	21.7

Severance pay for redundancy dismissal for a worker with 10 years of tenure (weeks of salary)	43.3
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure, in weeks of salary)	23.1
Unemployment protection after one year of employment?	No

## Business Reforms in Honduras

From May 2, 2018 to May 1, 2019, 115 economies implemented 294 business regulatory reforms across the 10 areas measured by Doing Business. Reforms inspired by *Doing Business* have been implemented by economies in all regions. The following are reforms implemented since *Doing Business* 2008.

✓ = *Doing Business* reform making it easier to do business. ✗ = Change making it more difficult to do business.

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DB2020

✓ **Starting a Business:** Honduras made starting a business less expensive by reducing the notary fees for the preparation of the articles of incorporation.

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DB2018

✓ **Getting Electricity:** Honduras increased the reliability of power supply by rolling out a Supervisory Control and Data Acquisition (SCADA) system for monitoring and restoring power outages in Tegucigalpa.

✗ **Registering Property:** Honduras made registration of property more difficult by reducing the number of employees at the land registry.

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DB2017

✗ **Trading across Borders:** Honduras made trading across borders more difficult by increasing the number of intrusive inspections for importing, which increased the border compliance time.

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DB2016

✓ **Protecting Minority Investors:** Honduras strengthened minority investor protections by introducing provisions requiring greater disclosure of related-party transactions, prohibiting interested parties from voting on a related-party transaction, allowing shareholders representing at least 5% of a company's share capital to bring a direct action for damages against its directors and giving any shareholder the right to inspect company documents.

✗ **Paying Taxes:** Honduras made paying taxes more costly for companies by introducing an alternative minimum income tax.

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DB2015

✓ **Starting a Business:** Honduras made starting a business easier by eliminating the paid-in minimum capital requirement.

✗ **Dealing with Construction Permits:** Honduras made dealing with construction permits more costly by increasing the building permit fees.

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DB2012

✓ **Getting Credit:** Honduras strengthened its secured transactions system through a new decree establishing a centralized collateral registry and providing for out-of-court enforcement of collateral upon default.

✗ **Paying Taxes:** Honduras made paying taxes costlier for firms by raising the solidarity tax rate.

✓ **Trading across Borders:** Honduras made trading across borders faster by implementing a web-based electronic data interchange system and X-ray machines at the port of Puerto Cortes.

✗ **Enforcing Contracts:** Honduras adopted a new civil procedure code that modified litigation procedures for enforcing a contract.

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DB2010

✓ **Starting a Business:** Honduras simplified business start-up by improving the efficiency of business registration at the one-stop shop, improving the tax registration process and eliminating the need for a lawyer's services to obtain a municipal license.

✓ **Dealing with Construction Permits:** Honduras reduced the time required for dealing with construction permits by streamlining administrative processes in the Construction Control Department.

✓ **Getting Credit:** Honduras improved its credit information system through a resolution that enhances the operations of the public credit bureau and introduces several categories for classifying debtors on the basis of their credit history.

**Employing Workers:** Honduras increased the severance payments applicable in redundancy dismissals.

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DB2009

✓ **Paying Taxes:** Honduras made paying taxes easier for companies by encouraging electronic filing and payment.

✓ **Trading across Borders:** Honduras made importing easier by eliminating the requirement for consular legalization of trade documents.

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DB2008

- ✓ **Starting a Business:** Honduras reduced the time required to start a business by simplifying municipal licensing procedures.
- ✓ **Dealing with Construction Permits:** Honduras made dealing with construction permits easier through administrative changes reducing the time required to obtain an environmental license from the Ministry of Natural Resources and to obtain approval for a telephone line.
- ✓ **Registering Property:** Honduras made registering property easier by setting time limits for the completion of certain procedures.
- ✓ **Getting Credit:** Honduras improved access to credit information by guaranteeing borrowers' right to inspect their own data. In addition, the country strengthened its secured transactions system by allowing parties to a security agreement to agree to out-of-court enforcement of the security interest through the use of a notary.

*Doing Business 2020* is the 17th in a series of annual studies investigating the regulations that enhance business activity and those that constrain it. It provides quantitative indicators covering 12 areas of the business environment in 190 economies. The goal of the *Doing Business* series is to provide objective data for use by governments in designing sound business regulatory policies and to encourage research on the important dimensions of the regulatory environment for firms.

[www.doingbusiness.org](http://www.doingbusiness.org)



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