



Cities Alliance
Cities Without Slums

Hosted by  **UNOPS**



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development
and Cooperation SDC

SAN MARCOS

Thriving in San Marcos (Prosperandos En San Marcos)

Implementing Partner: The Inter-American Dialogue in close cooperation with banks and credit cooperatives

Location: San Marcos, Guatemala

Duration: November 2019 – November 2021

SUMMARY

The Thriving in San Marcos (Prosperandos en San Marcos) project introduced an innovative two-year strategy to leverage remittances for local economic and human development in San Marcos, Guatemala. The strategy involved building new partnerships with banks and credit cooperatives to provide formal financial services for remittance-receiving households so that formal savings can be generated and transformed into credits for local businesses – creating attractive jobs and increasing tax revenues for the municipality.



THE CITIES ALLIANCE GLOBAL PROGRAMME ON CITIES AND MIGRATION

The Thriving in San Marcos (Prosperandos en San Marcos) project is part of the Cities Alliance Global Programme on Cities and Migration, which focuses on migration management in secondary cities in low-income countries and is supported by the Swiss Agency for Development and Cooperation (SDC).

The project in San Marcos is one of a global portfolio of nine cities that includes Amatitlán, Guatemala; Jendouba and Kairouan, Tunisia; Arua and Jinja, Uganda; Adama and Jigjiga, Ethiopia; and Kakuma-Kalobeyei in Kenya.

CONTEXT

Guatemala's economic development has been affected by high rates of inequality and a poorly performing economic model that is based on agricultural exports. Many Guatemalans, particularly in the San Marcos region, seek alternative forms of employment, including through internal and international labour migration. At least one in three Guatemalans has a relative abroad.

Internal migrants leave agricultural jobs to seek a better life in larger towns such as San Marcos, but they are often disillusioned by the inability to access jobs and services. If left unmanaged, these influxes of migrants can intensify existing municipal-level problems such as social tensions, the creation of slums, and insecurity. If managed, however, migration can contribute to economic development and dynamic, growing cities.

The Thriving in San Marcos project targeted three main challenges that are shared by cities across Guatemala, giving the project strong potential for replicability:

- 1. Harnessing remittances for investment.** Guatemalans received \$9.3 billion in remittances in 2018, representing 12% of Guatemala's GDP. In 2019, internal migrants transferred an estimated \$500 million in remittances. Receiving households, which are typically headed by women, generally have more disposable income and potential for saving than the national average. However, savings are usually informal, which limits a household's capacity to build assets for local investments. In the San Marcos region, only 42% of residents have access to formal financial products.

- 2. Tapping into the knowledge economy.** Innovative investment options remain untapped, especially the knowledge economy. Built around innovation, technology, education and skilled labour, the knowledge economy offers an important source of wealth in Guatemala, which has historically relied on low wealth-generating activities such as agriculture or maquilas. This is especially true for mid-size cities, which are well positioned to benefit from the knowledge economy. By capitalising on such investment opportunities, cities can foster local economic development and increase tax revenues to improve services for residents and businesses.
- 3. Keeping youth in school.** Guatemala experiences low and highly unequal educational attainment. For example, 52.3% of sixth-grade students in Guatemala City, the capital, reached national standards in reading, compared to only 21% in San Marcos. These educational realities are closely linked to migration and development. Families that do not see opportunities for their children may decide that their children are better off if they seek work elsewhere. Children who are not thriving in school are more likely to drop out and face unstructured time, less supervision, and exposure to risks on the streets. Guatemala has recognised the importance of extracurricular education in the national context with a dedicated General Directorate in the Public Education Ministry.

RESULTS

This city initiative supported San Marcos in introducing a tested two-year strategy to leverage remittances for local economic and human development, based on the proven approach that asset-building and financial inclusion, together with economic development, strengthen the labour force and create better jobs in the long term. Remittances are integrated into development strategies through savings formalisation and investment into a knowledge economy, which creates attractive jobs and tax revenues for a dynamic city environment.

Result 1: Financial Education: Building Assets through Savings Formalisation

The project mobilised 25,000 short financial advisory sessions for 6,000 remittance recipients, who formalised \$2,370,000 in savings (target was \$2 million). Cooperating banks transformed \$450,000 into loans for local entrepreneurship, exceeding the target of \$300,000.

While many households in San Marcos receive remittances, most are excluded from the formal financial system, which limits their ability – and that of the city – to transform remittance savings into assets for local investment. The project used financial education, inclusion, and savings mobilisation to help transform these transactional, unbanked remittance households into formal bank account holders. It formed partnerships with local financial partners, banks and credit cooperatives, which are essential to providing saving and credit services tailored to remittance-receiving households, including two credit unions belonging to Guatemala's largest system of credit unions, the MICOOPE federation.

The project also trained financial educators to advise remittance-receiving households. They engaged people waiting in line at banks or money transfer operators for their remittance payments and offered them a free, personalised, 30-minute financial advising session. This one-on-one approach provided accurate, detailed information on savings and credits to empower diligent financial decision making, with a focus on the needs and circumstances of women-headed households.

Result 2: Credit for the Knowledge Economy

The project identified and coached local entrepreneurs in San Marcos, building their capacity to manage loans and grow their business sustainably. It demonstrated that remittance-receiving households and knowledge entrepreneurs represent a relevant business case for banks and credit cooperatives, which is key to the project's sustainability and potential for upscaling.

To develop the knowledge economy, a central challenge for cities of emigration such as San Marcos is strengthening the human capital base of its youth and workforce. Supporting knowledge entrepreneurship in the San Marcos region provides good alternatives to the agro-export employment sector. Typical knowledge enterprises in San Marcos include data management services, internet cafes, education and tutoring services, and foreign language classes.

The project reached its goal of building the capacity of microentrepreneurs (one-third of them were women) through a personalised analysis of their business models, virtual training sessions, and video tutorials on new credit options available in the market, marketing, branding sessions, and business competitiveness.

Result 3: After School Programmes for Youth in High-Emigration Areas

The project included 936 youth of middle and high school age in educational programmes in one academic year and facilitated a city dialogue on migration and development focusing on the role of extracurricular education.

The project partnered with educational institutions and schools to expand access to high-quality after-school programmes with the aim of strengthening performance and employability. Initially intended to reach 600 youth of school age in educational programmes, it ended up reaching 936 youth, 453 of them girls (49%).

Because of Covid-19 restrictions, the after-school programme was adapted and implemented virtually. This allowed the project to expand its reach to high school students, who were about to enter the job market. The programme offered thematic courses in three areas: mathematics (693 participants), communications (459 participants), and entrepreneurship (384 participants).

The project achieved additional co-financing from partners including Tigo Guatemala, which made it possible to lend students mobile phones and internet packages so they could access online sessions. Partners also provided additional in-kind support through technicians, who helped students with app downloads and basic mobile phone usage instructions.

