

PROSPERITY AND PROGRESS IN INTERMEDIATE CITIES

Making Development Impacts
through Remittances

Manuel Orozco, Jaqueline Barrios, and Patrick Springer

JANUARY 2024



© 2024, Inter-American Dialogue
First Edition.
Inter-American Dialogue
1155 15th St. NW, Suite 800 Washington, DC 20005
Tel: + 1 202-822-9002 / Fax: 202-822-9553

Authors: Manuel Orozco, Jaqueline Barrios, and Patrick Springer

Cover Image: Sofía Pérez / Prosperity and Progress in Intermediate Cities Initiative

Layout: Patrick Springer

This report is a product of the Inter-American Dialogue. The views and recommendations contained herein are solely the opinions of the authors and do not necessarily reflect the consensus views of the board, staff and members of the Inter-American Dialogue or any of its partners, donors, and/or supporting institutions. The Inter-American Dialogue is a nonpartisan organization deeply committed to intellectual independence, transparency, and accountability. While donors are encouraged to participate in Dialogue activities, they do not influence our work in any way. Financial supporters have no control over the writing, methodology, analysis or findings of the Dialogue's research efforts.

TABLE OF CONTENTS

Introduction 4

Financial Education 4

Extracurricular Education 7

Environmental Management 8

Bringing Development with
Impactful and Evidence Driven Solutions 9

Municipal and Local Partners 11

Introduction

The Dialogue (IAD) has been implementing a development strategy since 2014 aimed at leveraging remittances through financial inclusion using financial advice to recipients as a means of formalizing savings and increasing access to credit. The IAD has shown evidence that financial inclusion as a tool to build assets among remittance recipients is [central to migration and development](#). The IAD’s development model has continuously provided positive results and has impacted local development. This memo provides a briefing on the impacts of the [Prosperity and Progress in Intermediate Cities](#) project.

The project has been implemented with the support of the Cities Alliance and the United Nations Office for Project Services (UNOPS) and is being carried out in the municipalities of San Marcos and Amatitlán in Guatemala. Promoting the economic development of communities in a fair and secure setting, the initiative’s approach is based on the understanding that *investments in human capacity by improving financial access, ensuring gender equality, and addressing climate adaptation have an impact on development* that creates wealth while mitigating the intention to migrate and increasing the quality of peoples’ lives.

This initiative rests on the knowledge that remittance inflows to Guatemala, once leveraged and financially activated in partnership with actors in the remittance transaction ecosystem, will serve women and other vulnerable groups

by strengthening their assets.

This component is part of a broader strategy seeks to improve the financial management of beneficiaries, promote the formalization of savings, facilitate access to sources of financing, develop the skills and abilities of young people of migratory age, strengthen environmental management, and build the collective construction of knowledge for the incorporation of migration into local development. Importantly, the IAD strategy includes partnering with local players to enhance development impact (see page 10).

This project’s four components: financial education, extracurricular education, environmental management, and an overarching component on migration, remittances, and development offer a path to prosperity and progress to populations vulnerable to economic weakness, calamity, neglect, and emigration.

Financial Education

The initiative’s financial inclusion approach focuses on empowering beneficiaries by offering tools to improve personal and household finances, as well as to consider methods to plan for their future rationally and realistically. Previous Dialogue work since 2014, shown below in Table 1, demonstrates that financial advising mitigates or lessens economic vulnerability by formalizing savings. The initiative has developed a one-on-one methodology that seeks to generate a change in habits, promote savings, and

TABLE 1: INTER-AMERICAN DIALOGUE FINANCIAL ADVISING EXPERIENCE, 2008-2023

Source: Author data

Country	Number of Educators	Financially Advised	Sessions: Advisor/Day	Savings Formalization Rate	Deposits (US\$)	Percent who Save	Year Start	Duration (months)
Moldova	-	7,000	8	5%	140,000	60%	2008	3
Georgia	30	21,000	5	13%	3,276,000	81%	2009	9
Guatemala	15	14,000	5	20%	1,120,000	66%	2010	9
Nicaragua	14	10,000	8.5	21%	460,000	42%	2011	4
Paraguay	9	12,000	10.5	27%	864,000	73%	2011	6
Tajikistan	20	42,000	11	21%	4,500,000	31%	2011	9
Kyrgyzstan	20	32,000	5	22%	1,750,000	38%	2011	9
Uzbekistan	15	5,000	4	19%	780,000	30%	2012	4
Armenia	20	12,800	4	42%	4,600,000	20%	2012	9
Moldova	20	26,900	7	16%	8,400,000	56%	2012	9
Mexico	10	9,300	7.5	24%	350,000	50%	2013	6
Jamaica	10	9,600	7.5	24%	1,100,000	78%	2013	6
El Salvador	15	12,000	4.5	15%	2,000,000	70%	2015	9
Guatemala	30	138,000	10	24%	6,000,000	76%	2016	36
Nicaragua	8	10,000	9	22%	900,000	50%	2017	8
Nicaragua	8	11,000	11	21%	1,000,000	55%	2020	6

Guatemala (CEO)	20	34,781	10	22%	4,536,703	68%	2021	18
Guatemala (UNOPS)	10	31,813	10	22%	3,629,293	70%	2021	20
Guatemala (UNOPS)	13	15,000	10	22%	1,938,168	65%	2023	7

Note: this number does not include people who already have an account and increased their deposits as a result of the intervention. Typically, our numbers indicate at least another 13% with a similar average deposited.

Note: Credit mobilized: US\$1.7 million (OPMC); \$750,000 (CEO), US\$1 million (UNOPS, 2021) and US\$7,929,600 million 2023 (UNOPS 2023).

the responsible use of financial products.

The strategy also seeks to inform, educate, and transform remittance receivers, encourage them to adopt mobile payments technology, and showcase the benefits of digital financial instruments.

Since the component’s start in April 2023, more than 15,810 people – 63% of whom are women – have received financial advice from 17 locations. Of the beneficiaries, over 52% receive remittances which average around US\$520 per month. Among financial advice recipients, only 67% hold savings of whom only half save at financial institutions. When asked the reason why they do not hold savings accounts, beneficiaries said they did not need one, that they lacked knowledge or understanding of savings

accounts, that they save at home, or did not have enough money to start an account.

Following financial advice, 22% of beneficiaries formalized their savings at the participating partner financial institution which added US\$3,496,176 in deposits. Women have formalized over US\$1,962,847 and represent 56% of the total savings formalized. The main determinant of savings formalization was the beneficiary’s decision to change their savings habits. Other strong determinants include already having savings, thinking that the process for saving formally is complicated, and being a homemaker. To a much lesser extent, savings formalization also appears to be affected by whether the beneficiary receives remittances, maintains a budget, and keeps money in their home.

TABLE 2: STATISTICAL DETERMINANTS THE LEAD PEOPLE TO ADOPT A FINANCIAL PRODUCT

Source: Prospering in San Marcos dataset, 2021

Variable	Exp(B)
Adopted savings habits	11.023***
Homemaker	0.329***
Agricultural worker	0.172***
Uses a budget	2.454***
Young	0.976**
Saves	1.723**
Receives remittances	0.494
Constant	0.316*
Informal businessperson or shopkeeper	0.76
Feels gratitude	1.043
Woman	1.166
Maya	1.387

Sig: *** p<0.001, ** p<0.05, * p<0.10

All determinants correlate positively with the decision to acquire a financial product.

The project also measured economic vulnerability by looking at those whose income was below average (under 48,000 quetzales), did not own a bank account, and had savings below the median (under 4,000 quetzales). Those who formalized did so evenly regardless of their vulnerability and the project successfully supported these vulnerable groups, even though the conversion formalization was low-

er than the average (22%). Formalization conversion rates were also positive among groups who face higher economic and financial scarcity such as homemakers, members of Mayan indigenous communities, and students.

In addition to widening access to savings accounts and facilitating the savings process, the initiative also

TABLE 3: INTENTION TO MIGRATE, FINANCIAL ADVICE, AND PRODUCT ACQUISITION

Source: Prosperity and Progress in Intermediate Cities dataset, 2023

Are you considering migrating in the next 12 months?	Received advice once		Returned for advice	
	Has not thought of emigrating	Has thought of emigrating	Has not thought of emigrating	Has thought of emigrating
Person did not acquire a product	73.20%	79.00%	45.50%	83.60%
Person acquired a product	26.80% 20,000Q	21.00%	54.50% 20,000Q	16.40% 10,000Q

expands access to credit for the acquisition of assets, tangible or intangible goods, and capital goods. In turn, 799 financial advising participants received credit totaling US\$8,128,942 – 49% of which was acquired by women totaling US\$4,010,331.

One important additionality in the relationship to migration and development is that savings formalization correlates

negatively to the intention to migrate. Therefore, the higher the number of people's savings formalized the lower the interest in migrating.

The San Marcos project shows that those who formalized savings and returned for a second time to receive advice, exhibit a much lower intention to migrate and there is a negative correlation between the intention to migrate and

TABLE 4: INTENTION TO MIGRATE AMONG GUATEMALAN FINANCIAL ADVISEES

Source: Prosperity and Progress in Intermediate Cities dataset, 2023

Variable	Exp(B) *
Manage a budget (-)	0.026 ***
Feeling grateful (-)	0.034 ***
Being older (-)	0.94 ***
Adapted a financial product (-)	0.249 ***
Save (-)	0.476 *
Works as a professional (+)	5.695 ***
Work in the informal economy or trade (+)	8.539 ***
Receives remittances (+)	4.721 *
Woman (+)	2.096 *
Agriculture (+)	2.643 *
Ladino	1.856
Home maker	1.223
Constant	0.145

Sig: *** p<0.001, ** p<0.05, * p<0.10

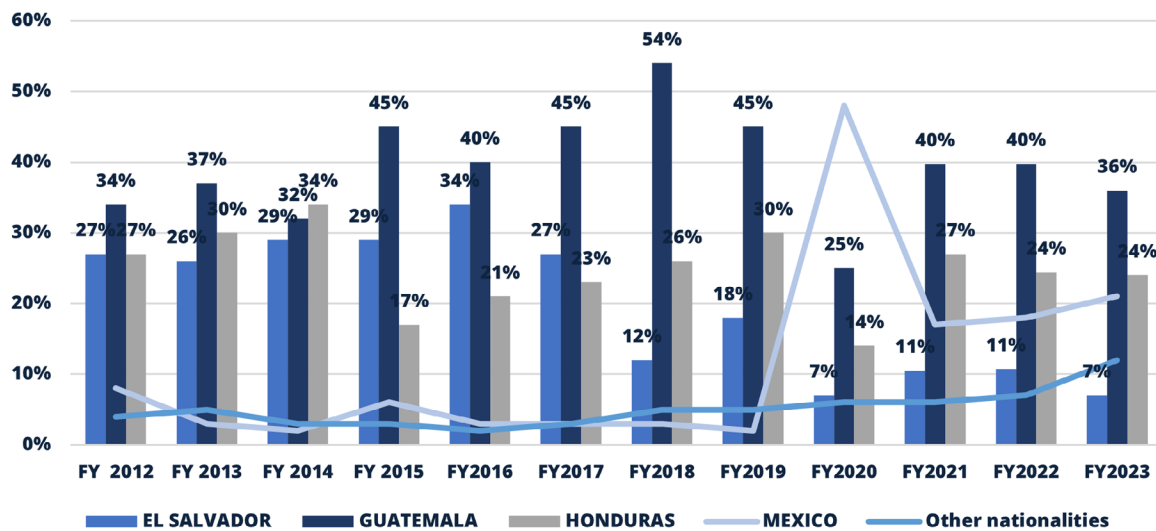
continued savings formalization. Those who formalize savings are a fourth less likely to migrate than those who do not formalize. Additionally, budget making skills imparted during financial advising sessions and the adoption of financial products both have negative correlations with the beneficiary’s intention to migrate.

Extracurricular Education

In addition to building assets, investing in human capital

GRAPH 1: UNACCOMPANIED ALIEN CHILDREN (UAC) FROM CENTRAL AMERICA, 2012-2022

Source: DHS, Nationwide Encounters



is a critically important strategy, particularly for Guatemala. Guatemala faces a serious migration problem that includes youth of school age. The number of Guatemalan unaccompanied minors is one of the largest nationalities and constitutes 40% of all unaccompanied minors arriving at the Mexico-US border. That’s 220,000 between 2019 and 2023

The Dialogue has identified that providing afterschool education to students in the unaccompanied minor migration age range (11-16) will contribute to mitigate the intention to do so, but also, more importantly, to strengthen their academic performance and make them more competitive in the workforce. Notably, students who have a member of their nuclear family abroad uniquely benefit from these programs. Data from the Dialogue’s previous initiatives in Guatemala show that these children more than doubled their average grade from their baseline performance.

Starting activities in April 2023, the extracurricular education component of the current initiative has provided 24 effective hours of classes encompassing a total of 12 topics of interest to over 802 students in Guatemala.

Junior-high students are between the ages of 13 and 15 when decisions about their future involve calculations between entering the community’s labor force, figuring out their next steps, and potentially migrating. Among

students, 56% said that they or a family member wants to migrate within the year while only 36% said they had no intention (2023).

At the beginning of the course, students first received a baseline knowledge test. After completing several hours in the subject matter, they received the same test in order to identify academic achievement in six subjects. Students performed, on average, 13.25% higher than their baseline results with varying improvements depending on the course material. Knowledge of what to include in a curriculum vitae was the most improved. While at the beginning, only 1% of students knew what to what to include in a CV, this number increased to 48% following instruction.

Strong improvements were also observed for the subjects

TABLE 5: TEST RESPONSES ON SOFT SKILLS SUBJECTS

Source: Prosperity and Progress in Intermediate Cities dataset, 2023

Skills	Baseline	Test after Two Months
Agreement that reading comprehension is part of reading skills	89.80%	94.80%
Student knows about what to include in a curriculum vitae	0.90%	48.00%
Student has knowledge of reading techniques	77.80%	89.20%
Agreement that content in social media not always is positive	86.00%	92.40%
Student correctly defines what is 'discourse'	9.70%	23.70%
Percent of students who read a book during a week time	23.30%	27.00%

such as identifying the concept of 'discourse' (14%), reading techniques (11%), and the pitfalls of social media (6%). Smaller but still significant growth was seen in the number of students who agree that reading comprehension is part of reading skills (4%) along with the number of students who read during the week (4%). After two months, average comprehension of the six soft skills improved from 48% to 63% and overall academic performance increased by 20%.

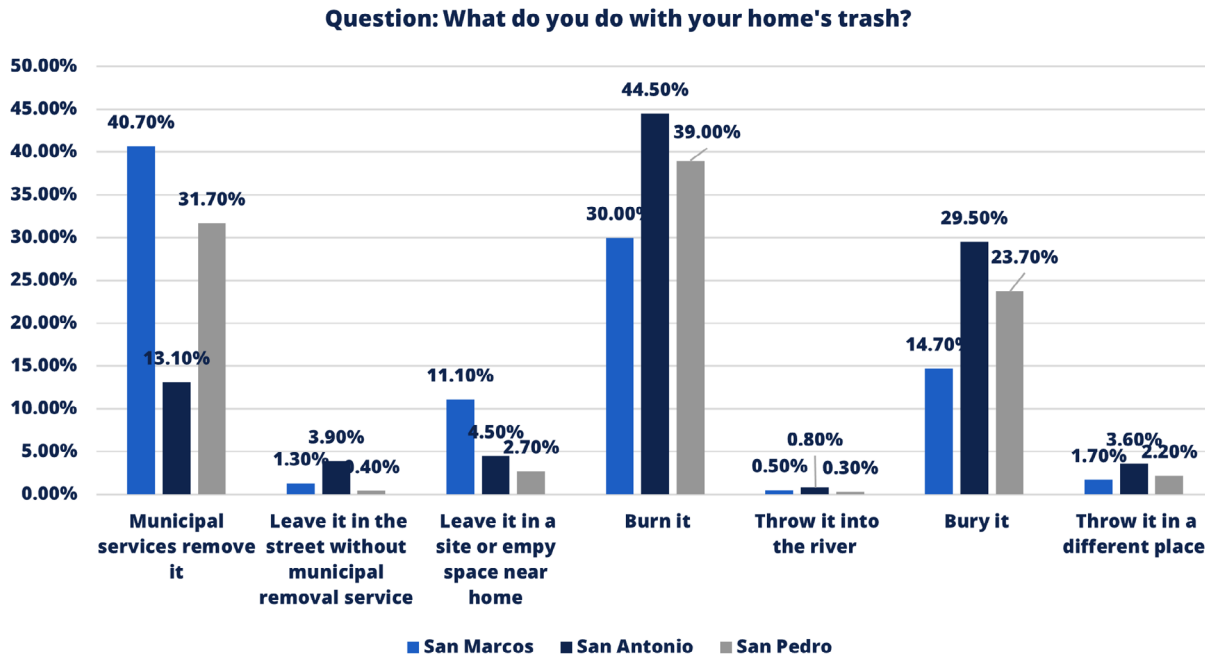
Moreover, observations and conversations with students about the experience from afterschool programs were very positive. They stressed their wish for these types of programs to continue and identified coursework in accounting as a way the curriculum could be improved.

Environmental Management

At the local level, the initiative has also bridged a partnership with local governments to support waste management efforts, particularly on how to separate waste content. We conducted a survey to over 3,000 residents, from over 3,000 households, or more than 20% of households, in three municipalities in the departments of San Marcos, Guatemala: San Marcos; San Antonio Sacatepéquez; and San Pedro Sacatepéquez. These municipalities, like the rest of Guatemala, have seen waste levels increase alongside detrimental health effects. In general, residents have limited access to an organized system for managing

GRAPH 2: MUNICIPAL TRASH DISPOSAL BEHAVIOR

Source: Prosperity and Progress in Intermediate Cities dataset, 2023



waste at home. In some municipalities, less than half have garbage collection services. Those without access often burn waste or dispose of it in hidden depositories.

These practices are especially common among rural and suburban communities, especially those who do not have access to trash collection services.

In terms of waste disposal behavior, an average of 37.8% of respondents reported that they burn trash while 22.6% bury it – practices particularly harmful to public health.

Despite 80% of respondents demonstrating knowledge of waste disposal categories, trash separation remains a challenge, especially with regards to plastic waste. This

TABLE 6: STATISTICAL DETERMINANTS OF THE PRACTICE OF WASTE SEPARATION

Source: Prosperity and Progress in Intermediate Cities dataset, 2023

Variable	Exp(B)
Age	1.015***
Believes that “If trash isn’t adequately disposed it will contaminate the environment.”	1.254***
Knows waste separation categories	0.464***
Constant	0.41
Household income	1.141
Knows where their trash is brought	1.36
Receives municipal services	1.314
Housemaker	0.859
Urban resident	0.85
Woman	0.994

latter point is of particular concern seeing that these municipalities, on average, dispose of non-organic waste at a higher rate than in the rest of Guatemala. As seen in Table 6 above, there is a statistically significant relationship between respondents who believe in environmental protection, those who are older, those who know separation categories, and those who separate waste. To a lesser extent, those who have a larger income, know where their trash is taken, or receive municipal services are also more likely to separate waste.

In response to survey results, municipal partners the initiative identified the need for environmental and waste separation awareness campaigns and to identify ways to reduce the burning and clandestine disposal of waste.

Bringing Development with Impactful and Evidence Driven Solutions

The Dialogue’s development strategy is aimed at creating wealth, increasing equality, mitigating migration, and improving conditions in the natural environment. The strategy targets human capital through financial inclusion, gender equality, and environmental management tools to give agency to the community to increase wealth in a fair and safer environment. This approach is based on the experience and knowledge that investments in human capabilities by way of enhancing financial access, securing gender equality, and addressing climate adaptation will have a development impact that mitigates the intention to migrate and increases quality of life so people can do and be.¹

Over the course of nine months, Prosperity and Progress in Intermediate Cities initiative has had positive development impacts in municipalities of San Marcos and Amatitlán in Guatemala. Through its unique approach to financial inclusion, the initiative is formalizing savings, expanding credit access, imparting essential financial skills, and decreasing economic vulnerability among marginalized populations – leveraging family remittances in the process. Its extracurricular education programs are opening opportunities for students, developing their soft skills at an age during which they are contemplating their future and are prone to migrate. The initiative’s environmental management component is producing local insights into the behavior and challenges that intermediate cities confront in the realm of waste management. Lastly, the initiative’s local investments in human capacity have improved beneficiaries’ quality of life while simultaneously mitigating their need to mi-

1. Our work rests on solid theories of investing economic complexity and human capabilities (Martha C. Nussbaum. *Creating Capabilities*, 2011.), as well as tested approaches on human capital implemented by the Inter-American Dialogue since 2006, one of which includes *Prosperando en San Marcos*.

grate. By integrating migration into local development strategies, this initiative recognizes that people will not risk migrating so long as they can see opportunities in their communities.

MUNICIPAL AND LOCAL PARTNERSHIPS

The initiative's partners for the financial education component of the initiative, Banco Industrial and the savings and credit cooperatives Salcaja R. L. and ACREDICOM R. L. believe in financial education to promote financial inclusion and improve the quality of life of the advisees.

Within the environmental management component of the initiative, our municipal partners, the municipalities of San Antonio Sacatepéquez, San Marcos, and San Pedro Sacatepéquez, seek to implement a campaign that improves the population's habits regarding solid waste management.

Lastly, the initiative's six institutional partners for the extracurricular education component, INEB Caxaque, IBC San Sebastián, INEB San Antonio Sacateéquez, INEB San Cristóbal Cucho, IBC Vista Hermosa, and Instituto Nocturno San Marcos utilize the afterschool curriculum to provide their students with the opportunity to improve their skills and knowledge and facilitate their adaptation to the world of work and entrepreneurship.





thedialogue.org

**Inter-American Dialogue
1155 15th Street NW, Suite 800
Washington, DC 20005
Tel: +1 202-822-9002**

thedialogue.org/programs/programs/remittances