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COUNTRY ASSESSMENT: GUATEMALA*

PROYECTO CAPITAL**

GUATEMALA'S CCT PROGRAM

In 2008, Guatemala launched its first conditional cash transfer (CCT) program, “My Family Progresses” (“*Mi Familia Progresa*,” MIFAPRO). In January 2012, the program gained an institutional framework with the creation of the Ministry of Social Development (*Ministerio de Desarrollo Social*, MIDES) as the entity responsible for all operational processes of the CCT program, and its name was changed to “My Secure Voucher” (“*Mi Bono Seguro*”). This program provides economic support to families living in poverty, on the

condition that children under age 15 and pregnant and nursing women in those families attend classes and health checkups. Table 1 shows the amounts and the beneficiary population, by subsidy type.

Table 1: Amounts and beneficiary population, by subsidy type, 2012

SUBSIDY TYPE	BENEFICIARY POPULATION	MONTHLY AMOUNT
Health Subsidy	Families with children under age 6 or pregnant or nursing women.	GTQ 150
Education Subsidy	Families with children between ages 6 and 15 and enrolled in school.	GTQ 150

Source: Compiled by author, based on MIDES (2012: 36).

* The full text is available on the Proyecto Capital web page: <www.proyectocapital.org>.

** In this paper, A Company Consultora reports on the consultancy, Preparation of Assessment Report – Preparation Phase of Opportunities to Link a Financial Inclusion Program with Conditional Cash Transfer Programs in Guatemala. The consultancy was contracted by the Fundación Capital, which since 2008, with the Institute of Peruvian Studies (*Instituto de Estudios Peruanos*) has been implementing Proyecto Capital, a regional initiative for Latin America and the Caribbean sponsored by the Ford Foundation, with the goal of financial inclusion for beneficiaries of Conditional Cash Transfer (CCT) programs.

FINANCIAL SYSTEM IN GUATEMALA

The supply of financial services in Guatemala consists of various stakeholders, including both entities supervised by the Office of the Superintendent of



Banks (*Superintendencia de Bancos*, SIB) and non-supervised entities.

The regulated financial sector, which is mainly governed by the Banks and Financial Groups Law and the Financial Supervision Law, consists of 112 entities and includes banks, financial societies, bonded warehouses, insurance companies, money exchange houses, off-shore entities, stockbrokers, credit card issuers and/or managers, leasing and factoring companies, etc. The entities subject to regulation have total assets of nearly 215.13 billion quetzals; the most important stakeholders are banks, which account for 81.3 percent of the asset structure (SIB, 2011 c). According to the last SIB bulletin (February 2012), the aggregate liabilities of banks, financial societies and offshore entities as of February 2012 totaled 157.94 billion quetzals.

The financial sector not supervised by the SIB consists of 487 entities: 25 savings and loan cooperatives associated with FENACOAC, 242 non-associated savings and loan cooperatives, and 220 microfinance institutions (including NGOs, community associations, integral development associations, local development organizations, pawn shops and some savings and loan institutions).

There are also informal entities that capture savings among their associates and which are worth mentioning because of their focus on the poorest population; they include communal banks; savings and loan groups promoted by Oxfam America, FAO and CRS; integral development associations; and some rural savings and loans.

RELATIONSHIP BETWEEN THE CCT PROGRAM AND THE FINANCIAL SYSTEM

Guatemala shows significant progress in the delivery of conditional cash transfers with the participation of banks and mobile payments. Subsidy funds are currently delivered in cycles through the *Banco de*

Desarrollo Rural S. A. (BANRURAL), mainly in district capitals. As an alternative, however, there is the possibility of depositing payments in users' accounts.

The mobile telephony company Claro has also signed an agreement with Banrural and the Guatemalan government as part of the "Zero Hunger Pact" ("*Pacto Hambre Cero*") program, of which the CCT program is part. A technological platform is still being developed, but areas of action will include: (i) On-line records of conditionalities in schools and health centers, using digital fingerprints, and (ii) payment of conditional transfers to beneficiaries through direct credit to the mothers' electronic billfolds; the billfold will be tied to a Banrural bank account (since in the previous CCT program, *Mi Familia Progresa*, 96 percent of the users had a savings account open in Banrural). Once the deposit is made, users can make withdrawals at Banrural points of service or transfer all or part of the amount to another mobile phone or anywhere in the country at no cost.

CONCLUSIONS

Financial inclusion must be analyzed from various standpoints, including access, use of services, quality of products and services, and efficiency in terms of lower transaction costs. There have been advances in access in Guatemala, especially in the supply of credit and in points of service, but there is still little progress in the areas of use, quality and efficiency of financial system products. There are significant gaps in term investment and savings products adapted to the needs of the poor population.

The main advances in financial inclusion in Guatemala include mobile financial services (FS) platforms and large numbers of points of service, the leadership of a financial stakeholder, and interest in the diversification of services on the part of various financial system stakeholders, which is conducive to inclusion.



Among the obstacles: the model of banking agents, branches and banking in general is not very efficient; FS sales channels are weak; people are accustomed to cash transactions; lack of financial education; regulatory framework does not allow a large number of financial institutions to capture savings; relatively unconsolidated expansion of FS and services in general to the rural population; lack of savings products; complicated red tape for the target population.

The consequences of the lack of gender equity in the country also limit the social and economic development of its inhabitants, not just women, but in general. The challenges for closing the existing inequality gaps are great and should be considered a priority, to foster gender equality from infancy. The CCT program offers a good opportunity to begin a paradigm shift for future generations, building on a community foundation, integrating the issue not only into training sessions and the promotion of the financial inclusion of the program's users, but also in training for men and as part of the school curriculum. This requires a strong commitment from the government, as regulatory, legal and cultural barriers are high.

Some significant advances in financial inclusion in Guatemala, which offer interesting opportunities for the development of *Proyecto Capital* (PC), include linking the financial sector and CCT program with savings accounts; financial inclusion strategies promoted by the Office of the Superintendent of Banks of Guatemala; multilingual ATM network; banking agent network; partnership involving the government, Banrural and Claro; interest from other financial system stakeholders in financial inclusion processes; draft legislation for regulating microfinance entities; partnership between the IDB and Tigo Money; potential savings products.

RECOMMENDATIONS

According to the assessment, *Proyecto Capital*'s strategy in Guatemala should focus on the following areas:

- Development and implementation of financial products targeting recipients of conditional transfers.
- Design, development and implementation of financial education programs aimed at the target population.
- Strengthening the program's institutional framework, which the Guatemalan government began with the creation of MIDES.
- Strengthening the microenterprise sector with a gender perspective.
- Promoting diversification of the supply of financial services for inclusion.

Potential key stakeholders for development of *Proyecto Capital* in Guatemala are listed in Table 2, with a brief summary of their current roles and possible intervention as part of the project.

Table 2. Key stakeholders for a program of financial inclusion, current intervention and intervention proposed for Proyecto Capital

KEY STAKEHOLDER	LEVEL OF INTERVENTION	INTERVENTION, PROYECTO CAPITAL (PC)
GENERAL SECRETARIAT OF THE PRESIDENT' PRESIDENT'S OFFICE	Administration, coordination and Implementation of all matters related to executive government management of the state, according to instructions from the president of the country. ¹	Approval and backing of PC.
MIDES	Coordination, implementation and administration of CCT program; oversight of public social policies meant to improve welfare of vulnerable persons and social groups.	Coordination, implementation and administration of PC. Has a structure for channeling transfers that can be used to conduct financial education processes.
SIB	Leader in financial inclusion strategies nationwide, especially matters related to regulatory framework. Responsible for ensuring confidence in the supervised financial system. Offers interesting financial education program and has been developing regulatory framework for mobile FS.	Seek to insert PC in SIB's current strategies. Guidance in financial education; can train facilitators.
SEPREM	Government agency that advises, coordinates and supports the president's office on programs and projects for adoption of public policies that promote women's integral development and encourage equitable conditions between men and women, addressing the country's social and cultural diversity.	Ensure gender mainstreaming in design and implementation of project. Support for professional formation on gender for public employees involved in PC.
BANRURAL	Key national stakeholder on financial inclusion issues because of its strategic approach to financial deepening, as well as its extensive points of service network, including CCT program zones; its partnership with Claro and Tigo; its experience in channeling CCT payments; and for having signed an agreement with MIDES.	Reinforce issue of development of products and strategy for channeling CCTs with emphasis on financial inclusion. Could be strategic partner for implementation of an Opportunities Bank (" <i>Banca de las Oportunidades</i> ") in Guatemala.
BANCO G&T CONTINENTAL	Leadership in strategy of expansion through banking agent model. Has partnership with financial services operators (MFIs) close to target population.	Advice on issues of financial inclusion and on development of financial products and strategies for reaching target population.
BANCO INDUSTRIAL	Key stakeholder because of leadership in FS nationwide and public confidence. Has partnership with Movistar for mobile wallet.	Guidance on financial inclusion issues and on development of financial products and strategies for reaching target population.
MI COOPE	Important stakeholder in inclusion process because of closeness to target population, network of points of service, degree of market penetration in terms of capturing savings, and other services, such as life insurance and funeral expenses.	Guidance on financial inclusion issues and on development of financial products and strategies for reaching target population.
CAC NOT AFFILIATED WITH MI COOPE	Nationwide presence in rural area, close to target population.	Development of financial products and strategies for serving target population.
MFI IN GENERAL	Supply of financial products for target population, such as community banks. One constraint is that they cannot capture savings.	Development of financial products and strategies for serving target population in partnership with entities that can capture savings.
ADIG	Experience in implementing financial education programs targeting youth.	Achieve complementarity, capitalize experience in development of training processes.
Habitat Financial Education Program	Financial education program aimed at adults, with appropriate methodologies and targeting poor population.	Achieve complementarity, capitalize experience in development of training processes with financial education methodologies for adults, technical advice and training of financial education trainers.

¹/ Based on <www.sgp.gob.gt/funciones.htm>.

(Cont. Table 2)

KEY STAKEHOLDER	LEVEL OF INTERVENTION	INTERVENTION, PROYECTO CAPITAL (PC)
IGER	Has experience in radio education and literacy programs aimed at target population.	Has a radio communication infrastructure that can facilitate implementation of the PC financial education component.
MINEDUC	Oversees education programs nationwide. Has a platform of schools, teachers and technical staff. Implemented and managed former CCT program MIFAPRO, as coordinator of Social Cohesion Council.	Its platform can facilitate preparation of didactic materials appropriate for the target population and for implementation of the financial education component, through train-the-trainers, among other things. Offers the potential to include financial education and gender in school curricula to educate the population from childhood.
TELEPHONE COMPANIES: CLARO, TIGO & MOVISTAR	Have partnered with banks to encourage mobile banking, in some cases tied to social protection programs, including CCT program.. Tigo Money has service for sending money via mobile phone.	Key stakeholders for providing infrastructure and technical support if decision is made to include payments by mobile phone in PC.

Source: Compiled by author based on fieldwork and review of entities' web pages.

ABBREVIATIONS

ADIG *Asociación para el Desarrollo Integral Guatemalteco* (Association for Guatemalan Integral Development)

BANRURAL *Banco de Desarrollo Rural S.A.* (Rural Development Bank)

CAC *Cooperativas de Ahorro y Crédito* (Savings and Loan Cooperatives)

CCTP Conditional Cash Transfer Program

CRS Catholic Relief Services

FAO Food and Agriculture Organization (United Nations)

FENACOAC *Federación Nacional de Cooperativas de Ahorro y Crédito* (National Federation of Savings and Loan Cooperatives)

FS Financial Services

GTQ (or Q) Guatemalan quetzal (national currency)

IDB Inter-American Development Bank

IGER *Instituto Guatemalteco de Educación Radiofónica* (Guatemalan Radio Education Institute)

MFI Microfinance Institution

MIFAPRO *Mi Familia Progresa* (My Family Progresses)

MIDES Ministry of Social Development

MINEDUC Ministry of Education

NGO Non-Governmental Organization

PC *Proyecto Capital*

SEPREM *Secretaría Presidencial de la Mujer* (Presidential Secretariat for Women)

SIB *Superintendencia de Bancos de Guatemala* (Office of Superintendent of Banks of Guatemala)

USD United States Dollar

Proyecto Capital

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