



# Urban Planning and Housing in Guatemala: Links with Migration and Local Development

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This paper is the product of the second "Housing Laboratory on Migration and Cities in Guatemala" held virtually on October 29, 2020.

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## List of Acronyms

ANAM – *Asociación Nacional de Municipalidades* - National Association of Municipalities

CONAVI – *Consejo Nacional de Vivienda* - National Housing Council

GNP – Gross National Product

LAC – Latin America and Caribbean

LAV – *Laboratorios de Vivienda* – Housing Laboratories

MANCUERNA – *Mancomunidad de Municipios de la Cuenca del Rio Naranjo* –  
*Association of Municipalities of the Naranjo River Basin*

UHPH – Urban Housing Practitioners Hub

## Participants

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## Executive Summary

The Housing Laboratory's objective was to explore the role of urban and land use planning both in the context of international migration and return migration. It further considered how these processes can be integrated into efforts underway to update Guatemala's National Housing Policy in order to reduce the housing deficit and guarantee access to decent housing among the poor.

Guatemala is amidst a rural-urban transition, with a high rate of internal migration. This generates an increasing demand for housing (housing deficit is increasing) and services as well as an urban governance and planning challenge. Remittances from more than 1.2 migrants in 2019 injected more than USD 10,500 million in the economy of Guatemala. The issue is how to channel these resources to housing finance.

Informality poses the main challenge— both in housing (where informality can be found in irregular land tenure, at-risk location of houses and lack of compliance to building standards), and with regard to remittances (which tend not to be channelled to the formal banking system) – vis-à-vis the growing housing (and service) deficit associated to internal and returning migration plus land price increase in certain areas. This perpetuates a vicious cycle: obstacles to housing finance arise because properties are not converted into formal assets that can be used as collateral while remittances also do not provide a basis for accessing credit, thereby hindering the creation of sufficient sources of funding to face the growing housing deficit.

Possible solutions to this vicious cycle must be multidimensional, and this effort needs to be adequately supported by capacity-building and institutional strengthening initiatives from the national government, international donors, and the private sector:

(i) , in the realm of urban development, a combination of improved land use planning, risk mapping, building standards compliance and land tenure regularisation is recommended to mitigate informality in housing; in turn, this requires, on the part of municipalities, a strengthened capacity to collect and store broad information and improved urban development management tools;

(ii) with regard to remittances, formalisation and innovation in financial products and technology are recommended, as discussed in the previous Guatemala Housing Laboratory held in August 2020; and

(iii) local economic development needs to be boosted, promoting qualified employment but also entrepreneurship, through an intersectoral dialogue where the municipality conveys stakeholders and adopts an integrated approach, in order to generate more income both for people and municipalities, so increasing both private and public investment capacity.

## 1. Introduction

This paper is the product of the second session of a Housing Laboratory on Migration and Cities in Guatemala. The session was themed, “Migration in Guatemala: Urban Planning and Housing – Linkages with Migration and Local Development.” The Laboratory took place virtually on the October 29, 2020 and was co-organized by the Cities Alliance -a member of the Executive Committee of the Urban Housing Practitioners Hub (UHPH)-; the Inter-American Dialogue; Propuesta Urbana; AVINA Foundation; CONAVI; Municipality of Amatitlán; the Association of Municipalities of the Naranjo River Basin (MANCUERNA, as per its acronym in Spanish); MICOOPE Cooperativa Salcajá, R.L. and the German Agency for International Cooperation (GIZ); within the framework of the [Global Programme on Cities and Migration](#), implemented by Cities Alliance and supported by the Swiss Agency for Development and Cooperation, in its Guatemala chapter. It was preceded by a concept note and involved expert presentations and group debate among twelve speaker and special guests including municipal representatives, civil society, financial institutions, and academia.

The Housing Laboratory’s objective was to explore the role of urban and land use planning both in the context of international migration and return migration. It further considered how these processes can be integrated into efforts underway to update Guatemala’s National Housing Policy in order to reduce the housing deficit and guarantee access to decent housing to the poor.

Specifically, the LAV aimed to generate action proposals along three dimensions:

- Promoting a balance between actual housing supply and demand by taking into account both the housing conditions and the specific characteristics of residents;
- Promoting access to economic resources for housing financing, as part of a broader process of local development, focusing on migrants’ remittances and savings generated by returnees during their stay abroad, as well as funds generated through local employment or local enterprises; and
- Creating multiple use spaces in cities to promote livelihoods as well as urban development as a tool to boost the local economy.

In order to anchor the discussion and action proposals into urban planning processes already underway, the Laboratory addressed three city cases, each of which differs in scale and migration dynamics: (i) an intermediate city in a metropolitan area: Amatitlán; (ii) an association of municipalities (*mancomunidad*): MANCUERNA; and (iii) a small city: Salcajá.

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Section 2 of this paper focuses on the nexus between migration, remittances, housing, and land use planning in Guatemala. Section 3 outlines the main issues from the Laboratory’s expert presentations and debate, focusing on the housing policy of the national government and three city case studies. Section 4 discusses the key findings that emerged from Housing Laboratory, which address the relationship between remittances and housing within the framework of urban development, as well as issues of land use planning, land tenure, and credit risk for housing finance. The final remarks in section 5 synthesise challenges and recommendations extracted from the previous discussion.

## 2. Context and Key Questions<sup>1</sup>

Guatemala is amidst a rural-urban transition, with a high rate of internal migration. This generates a rising demand for housing and services, an increasing housing deficit, as well as an urban governance and planning challenge. Among the three cities selected as case studies for this Housing Laboratory, the housing deficit is at 30.3 percent in Amatitlán, at 39.7 percent in Salcajá, whilst in the MANCUERNA region it sits at 17.3 percent in San Marcos, 18.3 percent in San Pedro (an urban municipality), and close to 50 percent in rural areas of the intermunicipal association.

Parallel to these challenges, urbanization also stimulates economic growth: a one percent increase in the urbanisation rates produces 0.7 percent growth in GNP and a USD 400 rise in per capita GNP. In parallel, remittances from more than 1.2 migrants in 2019 injected more than USD 10,500 million in the economy of Guatemala<sup>2</sup>. The issue is how to channel these resources in ways that finance housing.

Households' investment in housing using income derived from remittances is higher than investment from civil construction, but there is space for further growth. CONAVI wants to connect the housing market -including financing and construction sectors- with households that receive remittances, formalising their investment (concentrating in at-risk areas), and making it easier to access to credit using remittances as proof of income. CONAVI's proposal thus focuses on facilitating access to formal banking and capital among poor families with a housing deficit. Their strategy ties together records of the remittances that families receive with a focus on formalizing the construction/improvement/expansion of houses. They also propose leveraging resources from remittances to reduce households' vulnerability.

The conclusions from the previous Laboratory on Remittances and Housing provided the basis for the discussion at hand. The issue of leveraging remittances for housing finance needs to be addressed as part of a broader urban development agenda where urban planning and land use management are critical issues, and municipalities' capacity to execute them need to be strengthened.

Land use planning is the main tool linking migration, local economic development, and housing. Two tools for land use planning are key for housing policy, namely those that allow for financing social housing as well as urban infrastructure and equipment. Municipalities define the portion and location of land to be allocated to social housing based on indicators of population growth, migration, etc.; however, land use planning tools are limited in Guatemala due to lack of legal framework and capacity at the local level.

Land use planning efforts are underway, though, in Amatitlán, Salcajá, and San Pedro, which is a municipality in the MANCUERA region. Salcajá has already developed a land use plan, and this has created a political space for social housing policy to be linked to remittances for financing. In Salcajá, strong relations between local entities and well-organised diaspora groups have led to collaboration with the municipal government; 18 percent of households in Salcajá receive remittances. A land use plan is being prepared

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<sup>1</sup> This section is based on the Housing Laboratory's Concept Note and the corresponding PowerPoint presentation prepared by Propuesta Urbana.

<sup>2</sup> Source: Data from Propuesta Urbana based on Guatemala's 2018 Population and Housing Census.

for Amatitlán that links social housing financing, local economic development, and urban expansion zone planning.

Based on this characterization of migration, housing, and urban planning in Guatemala, the following key questions were prepared to guide the Laboratory:

- Within the framework of the construction of municipal land use plan, how can land management tools and remittances from migrants originating in the municipality be leveraged towards financing for housing and urban facilities?
- How can municipal capacities for housing planning and implementing land management tools be strengthened?
- To advance municipal housing projects, what strategies can be used to connect neighbours, migrant organisations, and the broader population with urban planning and land use planning?

### 3. Main Issues of the Presentations and Debate

#### *Support from the Ministry of Communication, Infrastructure and Housing*

Local level capacity for land use planning, development planning, and housing standards control (especially for self-construction) must be reinforced. The Ministry of Communication, Infrastructure and Housing (CONAVI) has established this as a priority issue. In fact, the “Strategic Management of Territorial Housing Development” is a key component of the updates being drafted for the National Policy on Housing and Human Settlements. This addition aims to strengthen municipal faculties for planning how land will be used and developed. To do so, it outlines different programs focused on integrated neighbourhood upgrading (targeting at-risk housing and construction standards), strengthening housing management at the municipal level (capacity-building and regulation), and land use planning in strategic municipalities as well as metropolitan management in secondary cities, including the revision of legal frameworks. To this end, the Ministry is implementing a new Executive Housing Unit and proposes extending the coverage of housing programs, budgeting further funding for housing subsidies, and developing new, regionalised and sustainable housing programs based on innovative housing models.

#### *Cases at the municipal and mancomunidad level*

In 2012, the municipality of Salcajá started to build up a professional team for land use planning. As a result, Salcajá has prepared and is implementing its land use plan and is turning into a model in the country. Their experience indicates that a successful land use plan includes several key elements: (i) knowledge and management of the territory by the mayor, leading to (ii) urban planning which will translate into a variety of interventions, which in turn generate better quality of life in general, not just in housing; and (iii) increased economic activity, which produces income for both households and the municipality.

Two demands in Salcajá that are still pending a solution: housing insurance for damage from disasters needs to be adapted for migrants with properties in Salcajá, and financial products for housing finance needs to be adapted to women.

MANCUERNA is experiencing an increase in land prices and a booming construction sector from the liquidity injected in the economy due to remittances (and possibly illicit activities) combined with the growing demand for land from migrants returning from abroad as well as rural migrants moving to urban areas in search of better income. Returning migrants often do not want to live in rural areas, even if that is their place of origin; they tend to rent rather than buying houses at least initially. The housing quantitative deficit is estimated 25 percent.

Employment in construction and commerce is partially fuelled by remittances, so, in theory, this employment should provide a basis for housing financing. However, housing finance faces several challenges: there are no financing products available for most of the population, including migrants, remittances are unstable, and solvency is requested for getting a loan, but most workers earn less than one minimum salary.

Habitat for Humanity Guatemala presents an interesting experience in which loans, are made available for purchasing home improvement inputs and as well as mixed use housing (residential use and commercial use – the latter to rent). Additionally, remittance income could contribute to building small malls and shopping centers, as their rent is more profitable than residential rent and it may also be easier to access to credit for such constructions.

A final issue of great relevance for MANCUERNA is land tenure as many plots of land in the region are without tenure regularisation. The lack of tenure regularisation increases the uncertainty surrounding migrants' informal land transactions, which is compounded by migrants' lack of knowledge of local norms. This situation underscores the urgent need to provide legal counselling for migrants on land ownership. Furthermore, land tenure regularisation is under the responsibility of municipal authorities and is key to generating assets that can be used as collateral for credit.

The *mancomunidad* of Gran Ciudad del Sur, which includes the municipality of Amatitlán, also presents an interesting case. It is (i) generating fees from improving the licensing process and, in doing so, increasing investment in services and housing; (ii) designing demand-based vocational training for local economic development according to firms' needs; (iii) investigating how and where to prioritise housing subsidies; and (iv) testing a small number of vertical housing prototypes.

Amatitlán is under pressure because land costs are expelling residents from Guatemala City. As a result, Amatitlán is being transformed, and, additionally, many industries are also relocating there because it sits in a corridor between two ocean coasts. A municipal land use plan is being developed, so now is the time to include new approaches and innovations such as the following.

First, possible areas of expansion have been identified, but they are located in in-risk areas. The municipality is joining with the private sector to improve these areas and make them liveable for residential purposes. Some local economic development plans are also starting to generate income, focusing on micro-enterprises and access to credit, which is relevant now most people work in the informal sector). In Amatitlán, a small number credit cooperative members also payout remittances, and a selection of financial products for housing are also available; however, these products primarily address the qualitative housing deficit. Financial products are still being designed for the quantitative deficit.

## 4. Emerging Key Messages

During the debate, the following key messages emerged:

- a) It is imperative to address the relationship between migration, remittances, and housing within the framework of urban development. Informality –in this case, in housing construction– jeopardises the possibility of generating a virtuous cycle whereby savings built upon remittances flow into housing finance. Houses built through irregular construction practices, especially those located in hazard-prone areas, cannot represent an asset worth formal investment.
- b) Urban planning, land use planning, and land use control are key with respect to informal construction. The appropriate planning tools must be used to promote construction in adequate locations. Additionally, both infrastructure and services must be provided in accordance with established and geographically identifiable social, economic, and environmental priorities. Municipalities play a key role in this process. In order to lead this process effectively, municipalities must strengthen their institutional capacity and stimulate cooperation among different stakeholders, including actors at the inter-municipal level. A clear, national legal framework that guides municipalities is also missing. Gran Ciudad del Sur offers an example in this respect, as local governments are uncertain about how to proceed on issues like land tenure regularisation, land use planning, housing, and compliance to urbanistic and architectural rules and standards.
- c) Municipalities must also help fill-in information gaps related to uncertainties about land, for example, who the real owner is. Land tenure should be key to land use planning. It is crucial to strengthen the land registry (the World Bank is supporting that) as well as the registry of recorded construction projects and their compliance with construction standards. This must be combined with risk mapping to identify where building is prohibited. Risk mapping, as carried out by some municipalities in Brazil, is key in this respect and certifies that the house is not in an at-risk area. Building norms and standards must be clear in relation to land use planning, urban development, and real estate market dynamics: what are the tools, for instance for a migrant with resources to invest in housing and where?
- d) In informal settlements, land tenure regularisation processes must be made simple and speedy. The City Statute in Brazil indicates pathways for doing so, and such processes are crucial for land tenure regularisation in informal settlements. A norm based on the concept of social function of property states that people who have been residing on a piece of land smaller than 250 m<sup>2</sup> for at least five years with no complaints about this land's property, acquire the right to this land and to titling it. In Guatemala City, supplementary titling (*titulación supletoria*) might perform a similar function, but it is jeopardised by the delay in actual titling from the municipality (up to fifteen years) and by the need and cost of a lawyer by those who request supplementary titling. One possible solution is for financial institutions to mobilise their legal team/department, which all of them have, to collaborate with municipalities (that have no skills/staff for that) in land tenure regularisation.
- e) Credit cooperatives cannot use remittances as the only proof of income for acquiring a loan. They can also request that credit-seekers show proof of a job. Cooperatives

are very careful about the latter because jobs depend on local economic development and, specifically for internal and return migrants, they depend on productive inclusion in the labour market, either as employees or as micro-entrepreneurs, both of which are also essential elements of a strategy for the local integration of migrants. Demand-driven vocational training, channelling resources from remittances into promising business sectors, public-private partnerships, labour market intermediation platforms, among others, are relevant actions in this realm.

- f) Overall, effectively mitigating credit risk is key for opening up access to credit for internal migrants, returned migrants, and families that receive remittances. Stability is needed to mitigate this risk, but remittances are not always stable. Risk reduction can be achieved through strategies such as financial education programs, insurance schemes coupled with credit, loans for supervised housing (supervision of where and how the house will be built, in order to avoid at-risk locations and guarantee construction standards, so that the building can be used as credit guarantee), and allowing evidence of accumulated and stable remittances income to be used as a wage history.

## 5. Final Remarks and Proposed Solutions

The following challenges and recommendations can be extracted from the key findings above.

The main challenge refers to informality – both in housing and remittances - vis-à-vis the growing housing and service deficit associated with internal and return migration plus rising land prices in certain areas. In terms of housing, informality can be found in irregular land tenure, houses built on at-risk locations, and the lack of compliance with building standards. Regarding remittances, which tend not to be channelled to the formal banking system, – This generates a vicious cycle: obstacles to housing finance are created because, on one hand, properties do not become formal assets that can be used as collateral and, on the other, remittances do not provide a basis for accessing credit), thereby hindering the creation of sufficient sources of funding to face the growing housing deficit.

Possible solutions to this vicious cycle must be multidimensional:

- (i) first, in the realm of urban development, a combination of improved land use planning, risk mapping, building standards compliance, and land tenure regularisation is recommended as a means of mitigating informality in housing. In turn, this requires municipalities to strengthen their capacity to collect and store broad sets of information and improve urban development management tools;
- (ii) regarding remittances, formalisation and innovation in financial products and technology are recommended, as discussed in the previous Laboratory session; and
- (iii) local economic development must be fostered in ways that promote qualified employment as well as entrepreneurship. An intersectoral dialogue in which municipal authorities convey this goal to stakeholders and, together, they adopt an integrated approach will likely generate more income both for residents and municipalities, thereby increasing both private and public investment capacity.

Furthermore, this multidimensional effort needs to be adequately supported by capacity-building and institutional strengthening initiatives from the national government, international donors, and the private sector.

## References

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