



ASPEN NETWORK  
OF DEVELOPMENT  
ENTREPRENEURS

 aspen institute

Central America  
and Mexico Chapter

ENTREPRENEURIAL  
ECOSYSTEM SNAPSHOT

# Rural Guatemala



May 2021

# About Ande

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of organizations that propel entrepreneurship in developing economies. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs create jobs, stimulate long-term economic growth, and produce environmental and social benefits.

As the leading global voice of the SGB sector, ANDE believes that SGBs are a powerful, yet underleveraged tool in addressing social and environmental challenges. Since 2009, we have grown into a trusted network of nearly 300 collaborative members that operate in nearly every developing economy. ANDE grows the body of knowledge, mobilizes resources, and connects the institutions that support the small business entrepreneurs who build inclusive prosperity in the developing world. ANDE is part of the Aspen Institute, a global nonprofit organization committed to realizing a free, just, and equitable society.

ANDE's Central America and Mexico chapter, with offices in Mexico City and Guatemala City, launched in 2010 with the aim of creating a platform that supports all stakeholders in the local SGB ecosystem through training, knowledge sharing, facilitating introductions and fostering collaboration.

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### **About Philanthropy at Walmart**

Walmart Inc. provides affordable food and household products to hundreds of millions of people each week in over a dozen countries, employs more than 2.2 million associates and does business with thousands of suppliers who, in turn, employ millions of people. Walmart.org comprises the philanthropic efforts of Walmart Inc. and the Walmart Foundation. Our philanthropic strategies aim to accelerate progress on societal issues and contribute to lasting, systemic transformation in ways that complement and expand the societal impact of Walmart Inc. business initiatives.

Our priorities include advancing racial and gender equity; increasing economic opportunity for workers in retail and product supply chains; enhancing social and environmental sustainability of product supply chains; and strengthening the resilience of communities (including through hunger relief and disaster response). Our philanthropic efforts are organized into discrete portfolios such as Market Access for Smallholders and Entrepreneurs, Racial Equity, Retail Opportunity, Nature and Healthier Food for All, to name a few. Each portfolio has a strategy grounded in a theory of change and core learning questions developed with others including the people we seek to empower and support (e.g., smallholder farmers); grantees, who have deep experience, capabilities and insights to contribute; and other experts. We activate our theories of change through strategic grants, convening, advocacy, development of communities of practice, in-kind donations, evaluation and learning from grantees and others. We encourage collaboration among grantees as well as other public and private sector stakeholders; we continuously refresh our portfolio strategies based on their experiences and insights. To learn more, visit [www.walmart.org](http://www.walmart.org) or connect on Twitter [@Walmartorg](https://twitter.com/Walmartorg).



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# About this Report

ANDE's Entrepreneurial Ecosystem Snapshots are designed to collect basic information about the support available for small and growing businesses in a specific city or country. This information acts as a census of the local actors and represents a specific moment in time. Our methodology is practitioner-focused; research is primarily conducted by local teams who engage practitioners throughout the process.

For those who are interested in the rural Guatemala entrepreneurial ecosystem, here are some ways you might use this snapshot:

- 1/ Understand what gaps exist in the support available to entrepreneurs in the ecosystem (noting that this is not an exhaustive list of actors in the ecosystem).**
- 2/ Create connections with other actors in the ecosystem that have similar goals/missions.**
- 3/ Use it as a tool to have conversations and collaborate with other players in the ecosystem.**

Although we have added context to the data, readers may be able to extract other insights using the data available on the snapshot website. We hope that this will act as both a marker of the ecosystem at this particular time as well as a starting point for ecosystem actors, facilitated by a common knowledge base.



# About Rural Guatemala

Guatemala is an upper-middle-income country<sup>1</sup> in Central America, positioned between Mexico, Belize, El Salvador, and Honduras. The country's income classification shifted in 2018 from lower-middle to upper-middle thanks to a number of financial decisions by the government that resulted in economic stability and positive though moderate economic growth.<sup>2</sup> However, this economic stability has not yet led to significant improvements in terms of poverty reduction for the country, leaving many areas in rural and/or underdeveloped states.<sup>3</sup> The United Nations' Human Development Index rates the country at 0.663, just below the average for Latin America and the Caribbean; however, when adjusted for inequality it drops significantly, highlighting the magnitude of the disparities that exist within this small country.<sup>4</sup> This report focuses on these areas considered rural, and therefore our sample and surveys include only people and organizations which reside or serve in:

- 1/** Villages, hamlets, or farms.
- 2/** Settlements/towns in which 50% or less of households have lighting, electricity, and piped water in their home.
- 3/** Settlements/towns that lack land communication routes (roads) or regular air or maritime service, primary level schools (6 grades), and mail service.

This scope was established by ANDE by taking into account the definitions used by the governments of Guatemala, El Salvador, and Honduras, the Economic Commission of Latin America and the Caribbean (ECLAC in its acronym in English), and other international sources.

According to a recent Global Entrepreneurship Monitor report, among Latin American countries Guatemalans are particularly likely to view entrepreneurship as a good opportunity to generate income. This report also states that the adult population in Guatemala has the right mix of "knowledge, skills, and experience necessary to start a business" and that few express fear of failure<sup>5</sup> as an impediment to starting a business, relative to individuals in other countries in the region.

<sup>1</sup> [World Bank Country and Lending Groups](#). *The World Bank*. Accessed March 2021.

<sup>2</sup> [Guatemala: Overview](#). *The World Bank*. Accessed March 2021.

<sup>3</sup> *Ibid.*

<sup>4</sup> [Human Development Indicators: Guatemala](#). United Nations Development Programme Human Development Reports. Accessed March 2021.

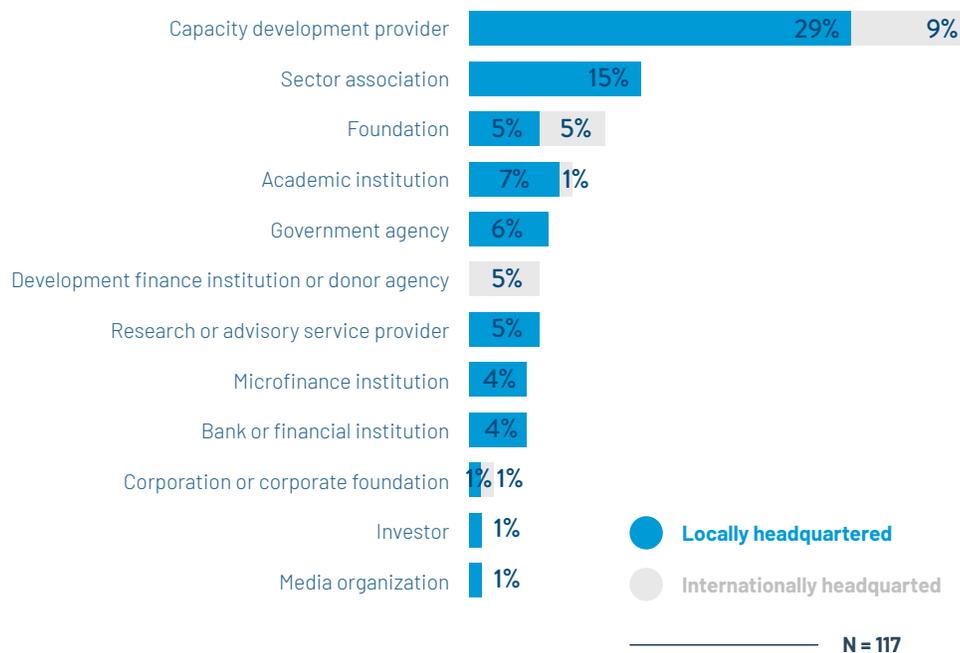
<sup>5</sup> [Guatemala: Reporte Nacional 2019/2020](#). *Global Entrepreneurship Monitor (GEM)*.

# Ecosystem Data

## Characterization of Support Organizations

Between August and October 2020, ANDE collected data from 117 organizations supporting entrepreneurs in rural Guatemala. Of these support organizations, 79% are headquartered in Guatemala, 12% are based in the United States, and the remaining 9% are based in other countries. Capacity development providers represent the largest portion of the sample (38%). Sector associations and foundations are the next most common organization types in the sample (15% and 10% respectively), while only 1% are investors and 4% are banks and microfinance institutions.

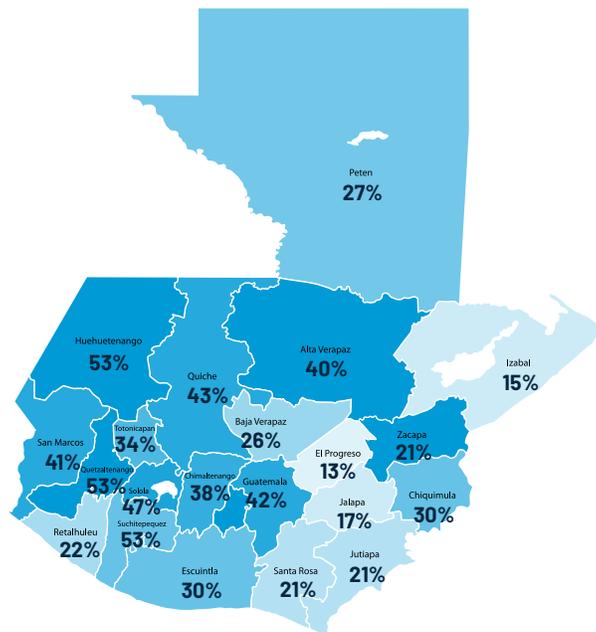
**Figure 1: Organization type by headquarters location**



One aspect of the rural Guatemalan ecosystem that stands out is the large percentage of organizations that are small, community-based, and do not have a strong or clear digital footprint. These types of organizations are over-represented in this snapshot relative to other ecosystems that ANDE has examined, suggesting they are likely more prevalent in rural ecosystems. Based on our sample, these support organizations date back to at least the 1960s and 1970s. Nearly half of these organizations began their support work in the last decade, between 2010 and 2019. As far as regional coverage, at least 14 organizations are working in all 22 departments, and 53% of organizations work in the departments of Huehuetenango and Quetzaltenango. Even though all the organizations in this snapshot work in rural areas, 42% also work in the department of Guatemala (which contains Guatemala city).

# Ecosystem Data

Figure 2: Regions where services are offered



N = 105

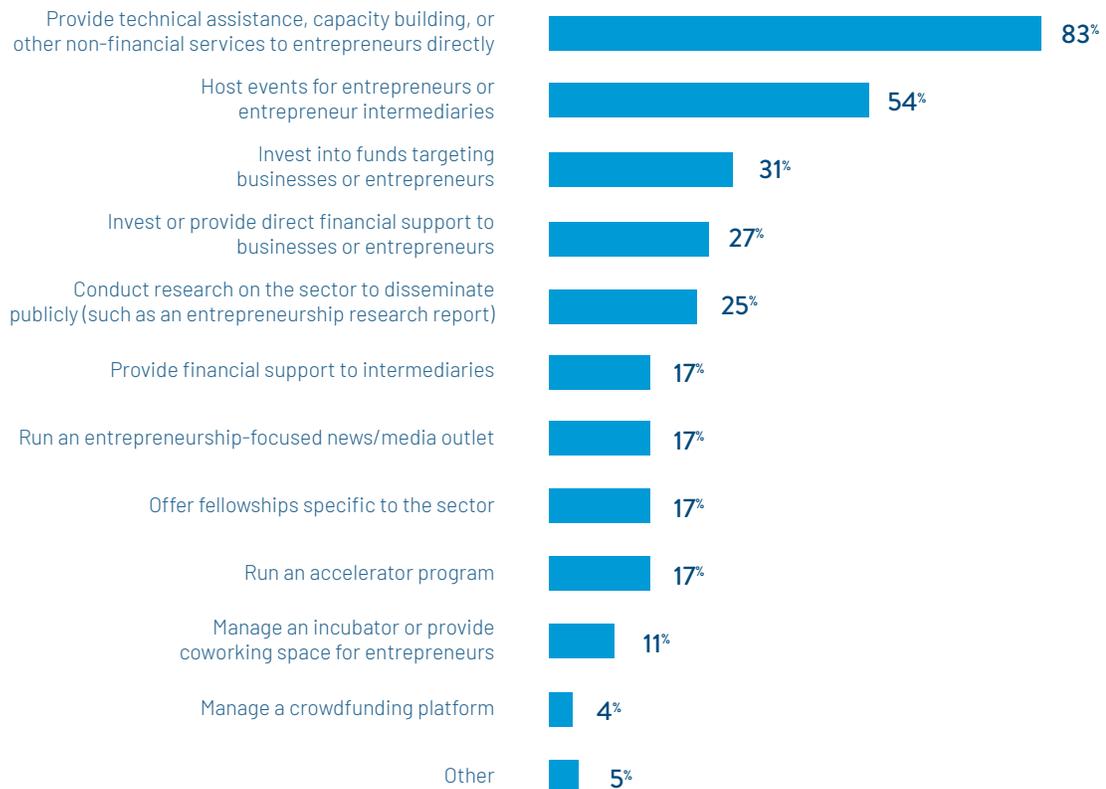
It is not surprising that with the rural focus of this study, the most common sectors of focus among support organizations include the food and agriculture sector (61%) and the artisanal sector (46%). Thirty percent of organizations support companies working in environmental issues, and between 16% and 26% focus on the tourism and hospitality, education, housing and community development, and financial services sectors. Ten percent or less of surveyed organizations support entrepreneurs working in health, ICT, energy, logistics, infrastructure, or transportation sectors.

## Services Offered

More than 80% of respondents offer technical assistance/capacity development services, and over half host events for the sector. Just under a third of respondents invest in funds targeting businesses or entrepreneurs, the significant majority of these being capacity development providers. Given the lack of self-identified investors in the sample, this suggests that many capacity development providers are filling investment gaps themselves alongside their capacity-focused work. Despite the focus on capacity building, only a very small portion of respondents run an accelerator or incubator program that targets rural entrepreneurs. Since acceleration and incubation tend to focus on scaling or iterating on businesses, it is possible that these models of support are not a good fit for rural businesses and are a better fit for technology-enabled businesses. In this sample, only 11% of support organizations work partially or exclusively with technology-enabled businesses.

# Ecosystem Data

Figure 3: Percent of organizations that offer service



N = 117

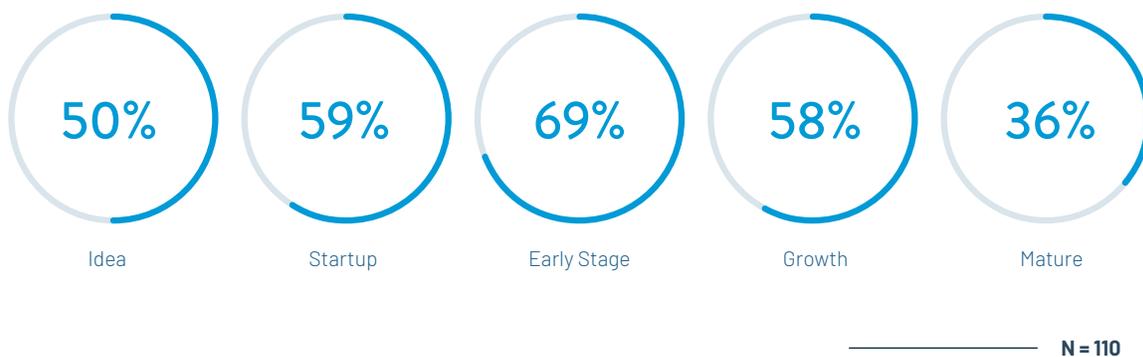
The majority of organizations offering services in rural Guatemala do so through recurrent and ongoing projects (81%), while only 12% provide time-bound or one-time services. About half of the organizations use a combination of digital and in-person services, 39% provide services mainly in-person, and only 10% provide services fully virtually. This information represents what organizations had been doing before the COVID-19 pandemic; 58 organizations that provided services both on-line and in person have now changed their method of delivery or are planning on doing so.

# Ecosystem Data

## Stages of Focus

Most support organizations target ventures between the startup and growth stages, while half offer support to idea-stage ventures. At least half of organizations support each stage aside from mature. Based on these findings, it appears that most respondents are essentially stage agnostic.

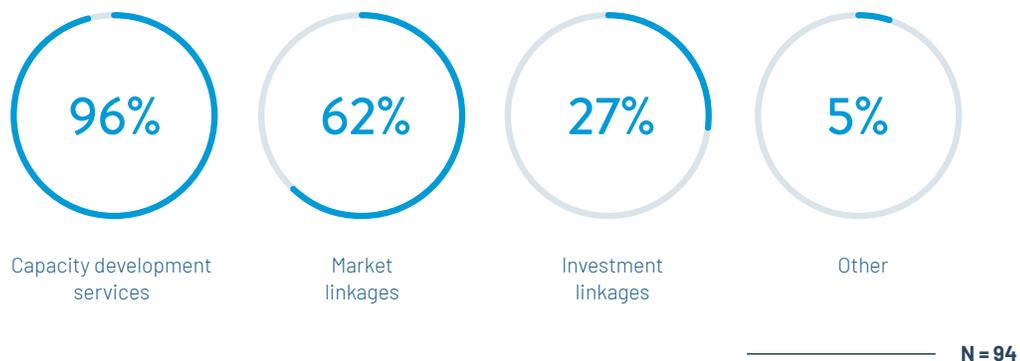
Figure 4: Percent of organizations by target stage



## Nonfinancial Support Services

Of the 94 respondents that provide nonfinancial services, 96% provide capacity development, 62% facilitate access to markets, and 27% focus on linkages to investment opportunities.

Figure 5: Percent of organizations by nonfinancial support service type



# Ecosystem Data

## Capacity Development Services

Most of the capacity development services that organizations provide are focused on the more technical side of business development, such as strategy, planning, supply chain development, and governance structure. Only 38% of those that provide capacity development services offer support with leadership and talent development. Organizations shared that there is a general lack of focus on soft skills and managerial competencies in these programs and that entrepreneurs often fall short in this area.

Figure 6: Percent of organizations by capacity development services offered



N = 89

## Market Linkage Services

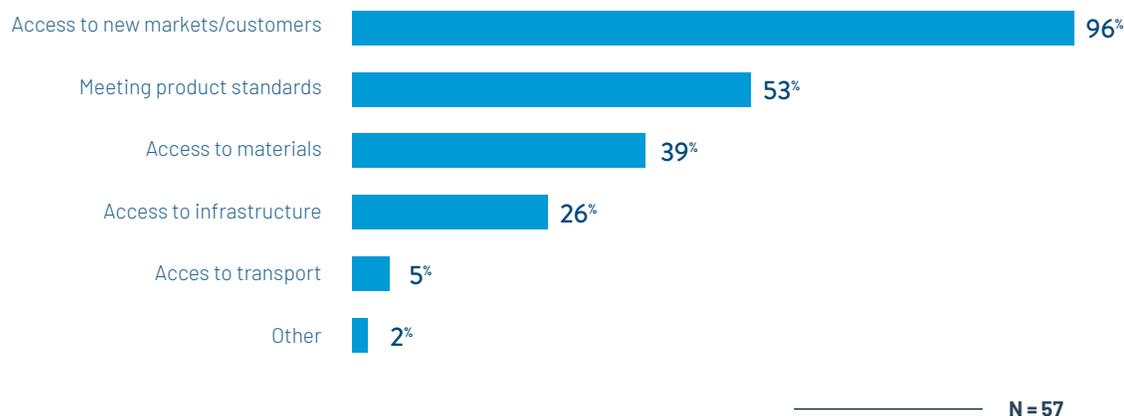
With rural entrepreneurs being geographically isolated from the national or regional business hubs, market linkages are particularly important for business growth. Among the support organizations providing market linkage services, most focus on facilitating access to new markets and customers and meeting product standards.

# Ecosystem Data

It is difficult for rural entrepreneurs to access markets in Guatemala, and intermediaries perceive this challenge as being mainly due to a lack of available market information – from information on how to access value chains and markets, market pricing, or even how to contact those potential markets. Additionally, certifications are difficult to obtain due to a lack of know-how and the cost of going through a certification process, in terms of compliance and audit payment, for most ventures in rural areas.

Very few organizations focus on creating physical access for rural entrepreneurs through infrastructure or transportation despite the fact that the International Monetary Fund (IMF) reported in 2017 that Guatemala's investment in public infrastructure was the lowest for the region.<sup>6</sup> This could be due to the fact that half of the organizations in this sample do not have a physical presence in rural areas and so do not experience the day-to-day challenges of operating in a rural part of Guatemala.

**Figure 7: Percent of organizations by market linkage services offered**



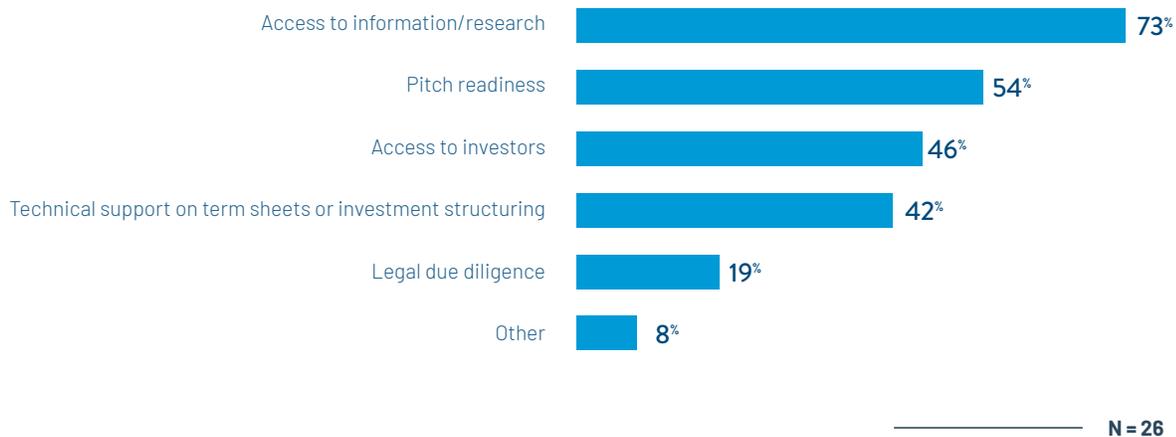
## Investment Linkage Services

Only a small portion of organizations in the sample provide investment linkage services, which makes it difficult to comment on the specific focus areas of these services at an ecosystem level. However, we can discern that the fact that there are only a few organizations in this sample focused on creating access to investors or preparing entrepreneurs to meet with investors is a signal that more attention needs to be paid to this area of the ecosystem.

<sup>6</sup> Flamini, V. and Teodoru, I. [More and Better Infrastructure in Guatemala](#). *International Monetary Fund*. 2017.

# Ecosystem Data

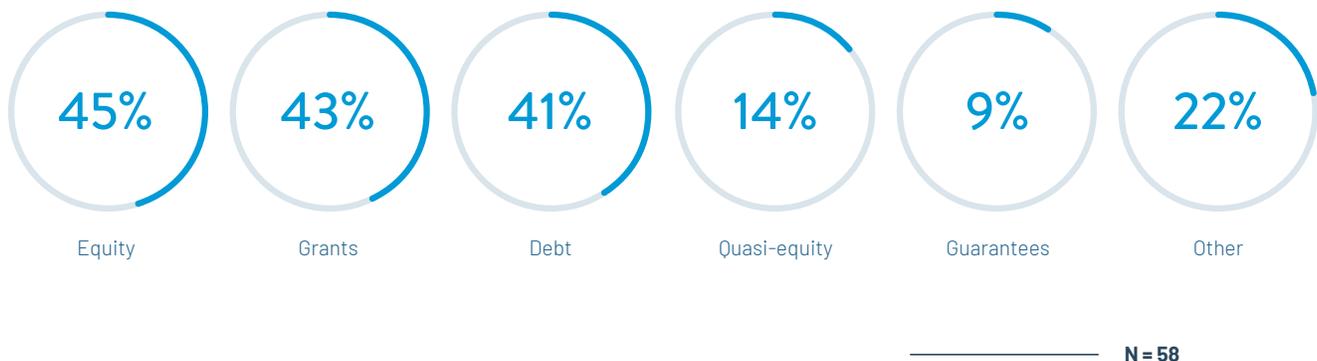
Figure 8: Percent of organizations by investment linkage services offered



## Financial Services

ANDE identified few traditional investors or finance providers focused exclusively on businesses in rural areas; instead, most of the financial offerings in this snapshot come from capacity development providers (and even these cross-functional organizations represent a relatively small portion of the sample). Of those who do provide financial support, the most common financial instruments are equity, grants, and debt. Quasi-equity, which tends to represent more flexible financing, was only offered by 14% of those who provide financial services.

Figure 9: Percent of organizations by financing instruments used



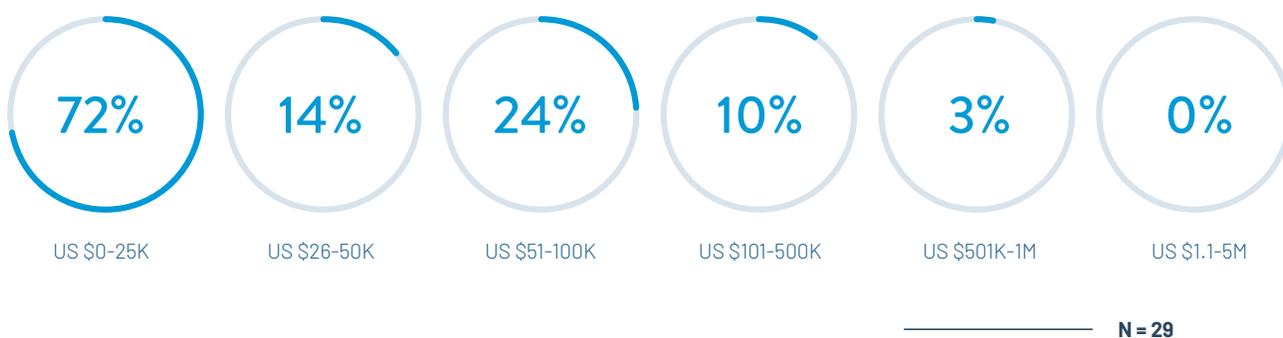
# Ecosystem Data

The traditional banking sector that exists in Guatemala has not been particularly entrepreneur-friendly, as it is historically risk-averse and not innovative in designing products or services that are suitable for the SME sector.<sup>7</sup> In the last two decades, the growing source of financing that entrepreneurs seem to access is microfinancing,<sup>8,9</sup> which has allowed those with poor or no credit (common for those living in poverty or rural areas) to obtain microloans. Microfinance is a common tool used by development organizations, NGOs, and banks to channel financing to those who cannot otherwise afford traditional financing. Based on a 2009 study of the impacts of microfinance on Guatemalan clients, access to this type of financing generated improvements in housing, health, and client empowerment.<sup>10</sup> It also allowed many Guatemalan microenterprises to grow such that they now require larger loans from regular banks and are more suited to access them at this stage,<sup>11</sup> which suggests that microfinancing can play a critical role in allowing these businesses to “graduate” from micro to small businesses.

## Ticket Size

The most common ticket size for these financial transactions is on the very low end of the spectrum, with 72% of respondents providing ticket sizes in the US \$0–25,000 range. According to an ANDE study of the overall Latin American impact investing sector published in 2020, impact investing deals in Guatemala averaged on the higher end of the ticket range, around \$750,000 with many of these deals going towards the agriculture sector. However, it is unclear which part of Guatemala these investees were based in, and it is unlikely their funds were explicitly targeting rural areas. This could explain why in this sample the ticket sizes skew much smaller and why very few offer ticket sizes over US \$100,000.

Figure 10: Percent of organizations by investment ticket size



7 Enabling Outcomes Ltd. *Enabling Small Enterprise Development: Identifying Service Providers Guatemala*. The Argidius Foundation. 2015.  
8 Brau, J. et al. *Evaluating impacts of microfinance institutions using Guatemalan data*. *Managerial Finance*. 2009.  
9 *Microfinance Growing Credit Access in Guatemala*. The Borgen Project. Accessed March 2021.  
10 Brau, J. et al. *Evaluating impacts of microfinance institutions using Guatemalan data*. *Managerial Finance*. 2009.  
11 *Ibid.*

# Ecosystem Data

## Impact

More than 75% of respondents align their work with the United Nations' Sustainable Development Goals (SDGs), and respondents indicated that the goals that best represent or align with their organization's mission are SDG 8: Decent Work and Economic Growth, SDG 1: No Poverty, and SDG 5: Gender Equality. This finding aligns with broader ANDE research that finds that most ANDE members supporting small and growing businesses in developing countries align with these SDGs. Notably, no respondents indicate alignment with SDG 14: Life Below Water, and the least common selected were SDG 16: Peace, Justice, and Strong Institutions, SDG 15: Life on Land, SDG 7: Affordable and Clean Energy, and SDG 6: Clean Water and Sanitation. These are primarily climate and environment-related goals. Their lack of frequency in these responses suggests prioritization of more direct economic development goals over outcomes related to the environment, climate, and other issue areas. Of the 77% of organizations that align with the SDGs, 80% measure their progress towards the goals.

Figure 11: Percent of organizations that align with the UN Sustainable Goals<sup>12</sup>



N = 90

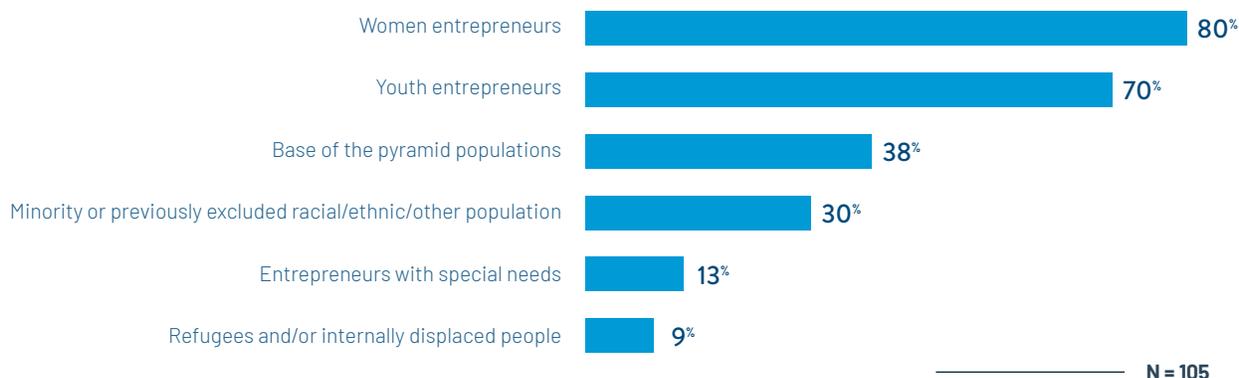
<sup>12</sup> Respondents were asked to select up to three goals that best represent their organization's work in rural areas.

# Ecosystem Data

## Target Population

Among organizations supporting rural entrepreneurs in Guatemala, the most common target population within these rural settings are women entrepreneurs (73%), followed by youth entrepreneurs (54%). In 2020, the International Labour Organization (ILO) estimated that nearly half (49.71%) of working women in the country were self-employed, a number that has steadily increased over the last decade.<sup>13</sup> Women entrepreneurs face unique challenges, creating a high potential for impact from capacity development services. In this case, women entrepreneurs have the added challenge of working in a rural ecosystem and market as well. Women account for 73% of the working Guatemalan population that are informally employed, a number that grows to 88% when looking specifically at rural areas.<sup>14</sup> Additionally, due to disparity in the distribution of assets, women in Guatemala are significantly less likely to be granted credit by banks.<sup>15</sup>

**Figure 12: Percent of organizations that support underrepresented or marginalized populations**



Financial support is one of the greatest needs for entrepreneurs to survive this crisis, and from the responses, it appears support organizations are working to provide that by increasing the flexibility of existing financing that was already being provided while some are going further and providing additional funding where possible to help entrepreneurs cope. Also, 85% have or will adjust the delivery method for their programs, and 87% have or will adjust the content for it to be more relevant to the current situation. Only 3% of respondents indicated needing to delay the provision of financing due to COVID-19, but about half do anticipate reducing or downsizing operations.

While entrepreneurship rates among women in Guatemala have been rising, the share of women as managers has been decreasing over the last decade. In 2011, the ILO found that women made up over half of the senior and middle management employees.<sup>16</sup> In 2017, that percentage had fallen to 34.5%. These divergent trends between women as entrepreneurs and women as managers in Guatemala may reflect the prevalence of women entrepreneurs starting informal businesses, as well as discrimination in established businesses pressuring women into self-employment.

<sup>13</sup> [Guatemala - Self-employed; Female \(% Of Females Employed\)](#). *Trading Economics*. Accessed March 2021.

<sup>14</sup> Hall, D. and Heredia-Ortiz, E. [In Guatemala, New Research on Gender Equality Shapes Government and USAID Investments in Taxation](#). DAI. March 2020.

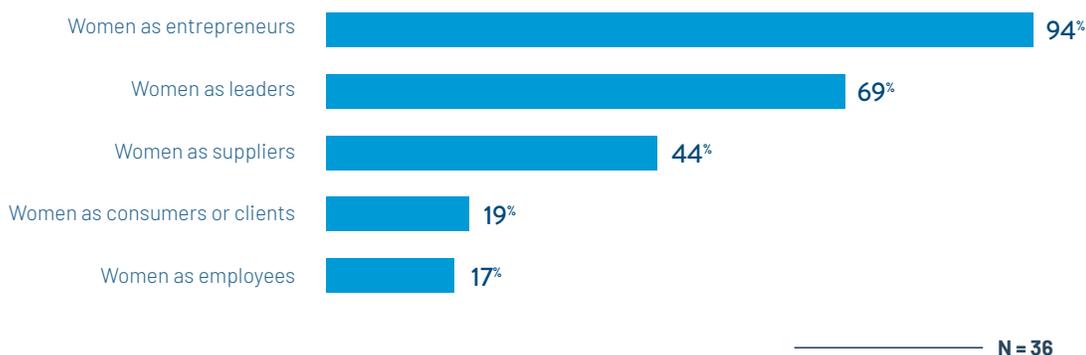
<sup>15</sup> *Ibid.*

<sup>16</sup> [Female share of employment in senior and middle management \(%\) - Guatemala](#). *The World Bank*. Accessed March 2021.

# Ecosystem Data

Among the organizations that target women through their programming, most are focused directly on supporting women entrepreneurs and leaders, with a much smaller percentage focused on women as suppliers, consumers, or employees.

**Figure 13: Percent of organizations by target focus for women**



## Challenges faced by rural entrepreneurs in Guatemala

While the proportion of Guatemala's population that is considered rural has been steadily declining over the past decade, in 2019 it still accounted for 49% of the country's population.<sup>17</sup> This decline is mostly due to migration to urban areas where greater economic opportunities lie; however, this has led to extreme inequality. According to the world bank, over 70% of the rural population lives in poverty<sup>18,19</sup> and much of the country still deals with chronic malnutrition despite having one of the largest economies (based on gross domestic product) in the region.<sup>20</sup> This makes entrepreneurship activity in rural areas a critical part of the development equation for Guatemala.

More than 90% of respondents agree that ventures based in rural areas of Guatemala grow at a slower rate compared to their urban counterparts. However, while there is a resounding consensus on the fact that rural ventures grow more slowly, respondents hold differing views as to why. When asked what they believed could be driving the lower growth rate of rural entrepreneurs, no one common explanation appeared. Approximately a quarter of the sample point to access to financing and growth capital as the main challenge, while other respondents emphasize the lack of skills and education as well as access to markets. This diversity of viewpoints reflects the complexity of the problem, as it is unlikely that the growth challenges for rural entrepreneurs are monocausal and are instead likely the result of multiple, interacting factors.

17 [Guatemala - Rural Population](#). *Trading Economics*. Accessed March 2021.

18 [Tackling rural poverty through entrepreneurship](#). *La Chozza Chula*. Accessed March 2021.

19 [Poverty in Guatemala](#). *The Borgen Project*. Accessed April 2021.

20 *Ibid*.

# Ecosystem Data

Figure 14: Top challenges faced by entrepreneurs in rural Guatemala



Lack of access to financing is a challenge that is not unique to rural entrepreneurs; it is one of the most common challenges for entrepreneurial ecosystems that have been analyzed through ANDE's snapshots. However, the lack of investors focused specifically on rural entrepreneurs in Guatemala appears particularly acute. With growth financing largely available through very small ticket size investments being offered by organizations whose primary function is not financing, there is a clear need for greater engagement with the investment community. This is in addition to the inherently limited access to markets that comes from operating from a rural location.

Various organizations have worked extensively to address this issue directly; TechnoServe, an ANDE member, has implemented a project to integrate Guatemalan farmers into market systems more inclusively and equitably.<sup>21</sup> Donors have also engaged in this; the International Fund for Agricultural Development has been working with the government of Guatemala to promote the development of rural businesses by connecting them with private-sector value chains, investing in social and human capital through access to infrastructure, and continuing the dialogue around the issue of poverty in rural areas.<sup>22</sup>

Half of the organizations supporting rural entrepreneurs do not have a physical presence in the rural areas they serve, though most of these organizations do offer in-person services. However, there are challenges related to accomplishing this. While physical and digital infrastructure was not listed by respondents as the top challenges for the ecosystem, they still create barriers and added difficulties for both entrepreneurs and intermediaries. With only 45% of roads paved in Guatemala,<sup>23</sup> those organizations that deliver in-person services (38%) bear additional challenges to get to the communities they serve. Few organizations offer their services solely online (10%), which undoubtedly reflects the low levels of connectivity in rural areas. According to a study on rural connectivity in Latin America and the Caribbean, Guatemala falls in the "low connectivity" range based on their scoring in the rural significant connectivity index and the broadband development index.<sup>24</sup> This means the rural population does not have access to connectivity that meets certain minimum requirements, further exacerbating the inequality between rural and urban areas.<sup>25</sup>

21 [Improving Market Access for Smallholder Farmers in Central America](#). TechnoServe. Accessed March 2021.

22 [Guatemala](#). International Fund for Agricultural Development (IFAD). Accessed March 2021.

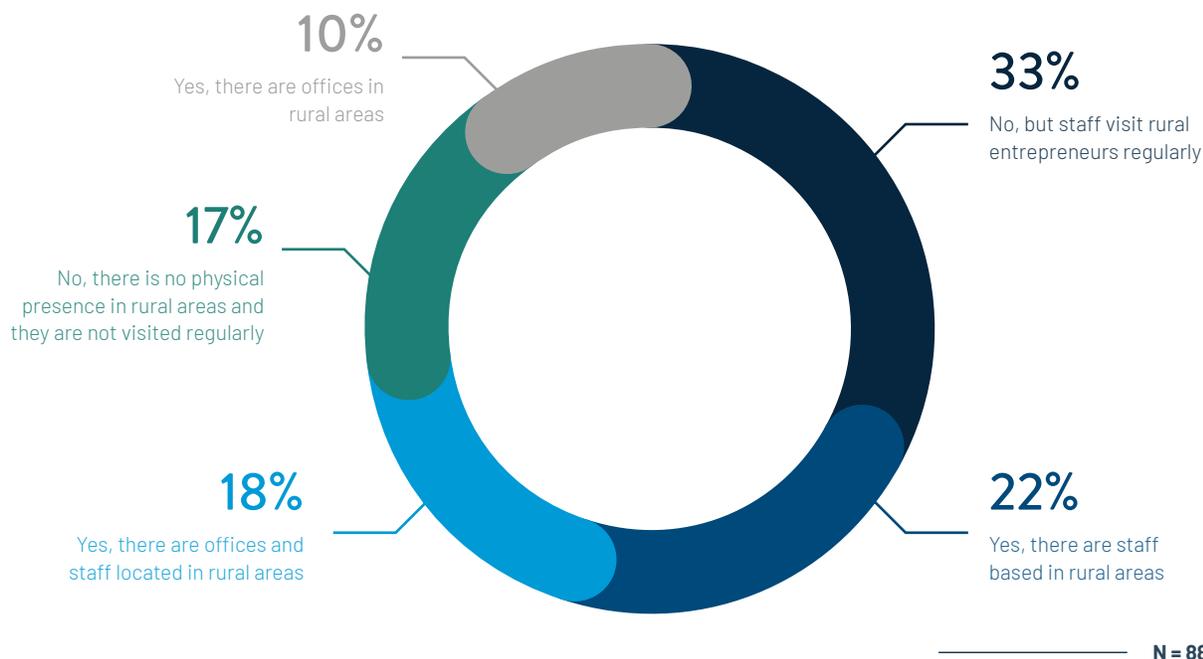
23 [Tay, K. Grain and Feed Annual: Guatemala](#). United States Department of Agriculture Foreign Agriculture Service. June 2020.

24 [Ziegler, S. et al. Rural Connectivity in Latin America and the Caribbean – a Bridge to Sustainable Development During a Pandemic](#). IICA. 2020.

25 *Ibid.*

# Ecosystem Data

Figure 15: Percent of organizations by physical presence in rural areas



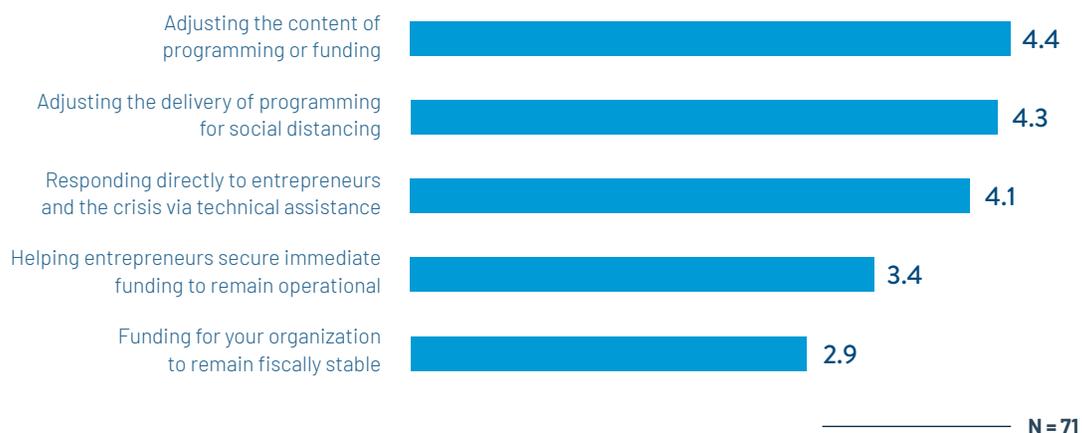
## Impacts of COVID-19

Every economy was challenged by the COVID-19 pandemic in 2020, and the shocks are still being felt as many countries continue to struggle to contain and control the virus. It is expected that the Guatemalan economy will have shrunk by 3% in 2020 as a result of the pandemic.<sup>26</sup> For support organizations working with entrepreneurs in Guatemala, the most urgent need in the fall of 2020 was adjusting the content of their programming or funding to remain relevant during the crisis and adjusting the delivery to accommodate social distancing needs, followed closely by directly responding to entrepreneurs dealing with the crisis through technical assistance. In general, organizations seem more focused on supporting their entrepreneurs than on their own funding, with fewer organizations reporting high urgency around finding additional funding for their own organization to stay afloat. However, nearly a third (31%) have had to reduce or downsize their operations, and an additional 21% anticipate doing so.

26 [Guatemala: Overview](#). The World Bank. Accessed March 2021.

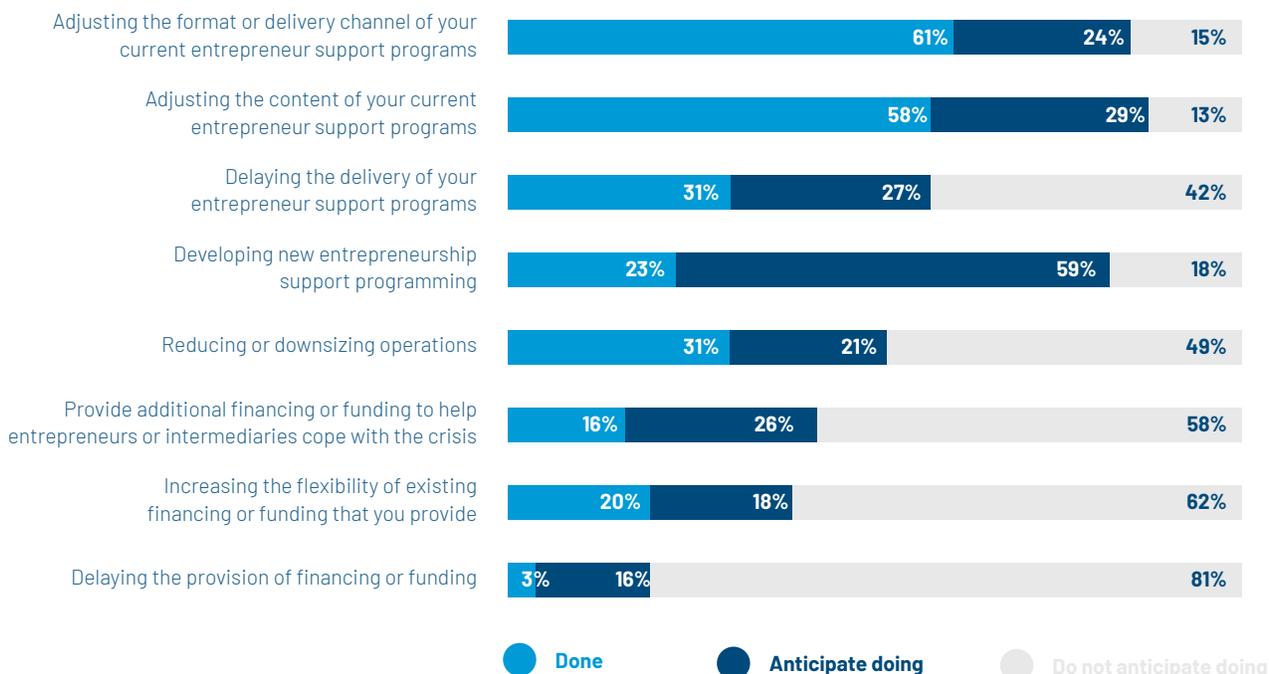
# Ecosystem Data

**Figure 16: Urgent needs of support organizations in response to COVID-19** (Level of urgency out of 5, 5 being the most urgent)



Financial support is one of the greatest needs for entrepreneurs to survive this crisis. Support organizations are addressing this need by increasing the flexibility of their existing financing options and/or by providing additional funding where possible to help entrepreneurs cope. In addition, 85% have or will adjust the delivery method for their programs, and 87% have or will adjust the content for it to be more relevant to the current situation. Only 3% of respondents indicated needing to delay the provision of financing due to COVID-19, but about half do anticipate reducing or downsizing operations.

**Figure 17: Actions taken by support organizations in response to COVID-19**



# Insights and Implications

## Challenges

**Lack of early-stage investment funding:** 65% of respondents listed this as one of the top challenges for the ecosystem. The small percentage of financial providers in the sample indicates that this is a significant gap in the ecosystem, with few organizations offering investment to rural entrepreneurs. Ticket sizes were also reported to be on the smaller end of the spectrum; further research is needed to understand what investment demand is like for rural ventures as it is unclear whether the small ticket sizes reflect the actual demand for capital. The traditional financial products available are not necessarily suitable to rural entrepreneurs' needs, due to demands related to credit and risk aversion from banks, and access to them is limited. Generally, funding and seed capital do not come from government organizations or financial institutions but rather from capacity development providers or non-government organizations (NGOs).

**Weak digital and physical infrastructure:** The lack of digital and physical infrastructure in rural areas makes delivering services to rural entrepreneurs inherently more expensive. The added costs of transportation (both time and financial costs) and the added effort of making resources available with limited internet access are challenges that support organizations serving urban entrepreneurs do not necessarily face. These challenges also create barriers for the entrepreneurs themselves which adds a layer of complexity for support organizations trying to relieve barriers for rural businesses.

**Lack of human capital:** The rural population has been declining for years as new generations seek greater opportunities in urban areas or even other countries, limiting and even diminishing the supply of human capital. Additionally, 38% of respondents believe the education system in these areas is weak in preparing students for entrepreneurship.

**Non-formalized businesses:** Access to financing is already limited for rural businesses, and those that are not formalized (registered with the government) struggle even more. However, there are very few incentives for businesses to formalize; in fact, the tax burden that comes with registering a business can make this unattractive for entrepreneurs.

## Opportunities

**Government investment in infrastructure:** The current administration has pledged to focus on maintaining and improving the physical infrastructure in the country, primarily through building new roads and finishing incomplete projects.<sup>27</sup>

**Expansion of technical assistance to focus on soft skills:** Much of the existing technical assistance being offered appears to focus on technical skills, such as strategic planning and operations-focused aspects of business ownership. However, ecosystem players expressed a need to shift the focus to more soft skills and managerial/leadership skills to further develop businesses in rural areas.

**A growing entrepreneurial culture:** Half of the support organizations that participated in this study believe the culture around entrepreneurship is one of the most significantly improved areas of the ecosystem in the last three years. With this in mind, creating programming focused on further fostering this and exposing potential entrepreneurs to the opportunities that exist in the sector could be a great way to grow the field in rural areas.

27 [How Giammattei plans to improve Guatemala's infrastructure](#). *Bnamericas*. August 2019.

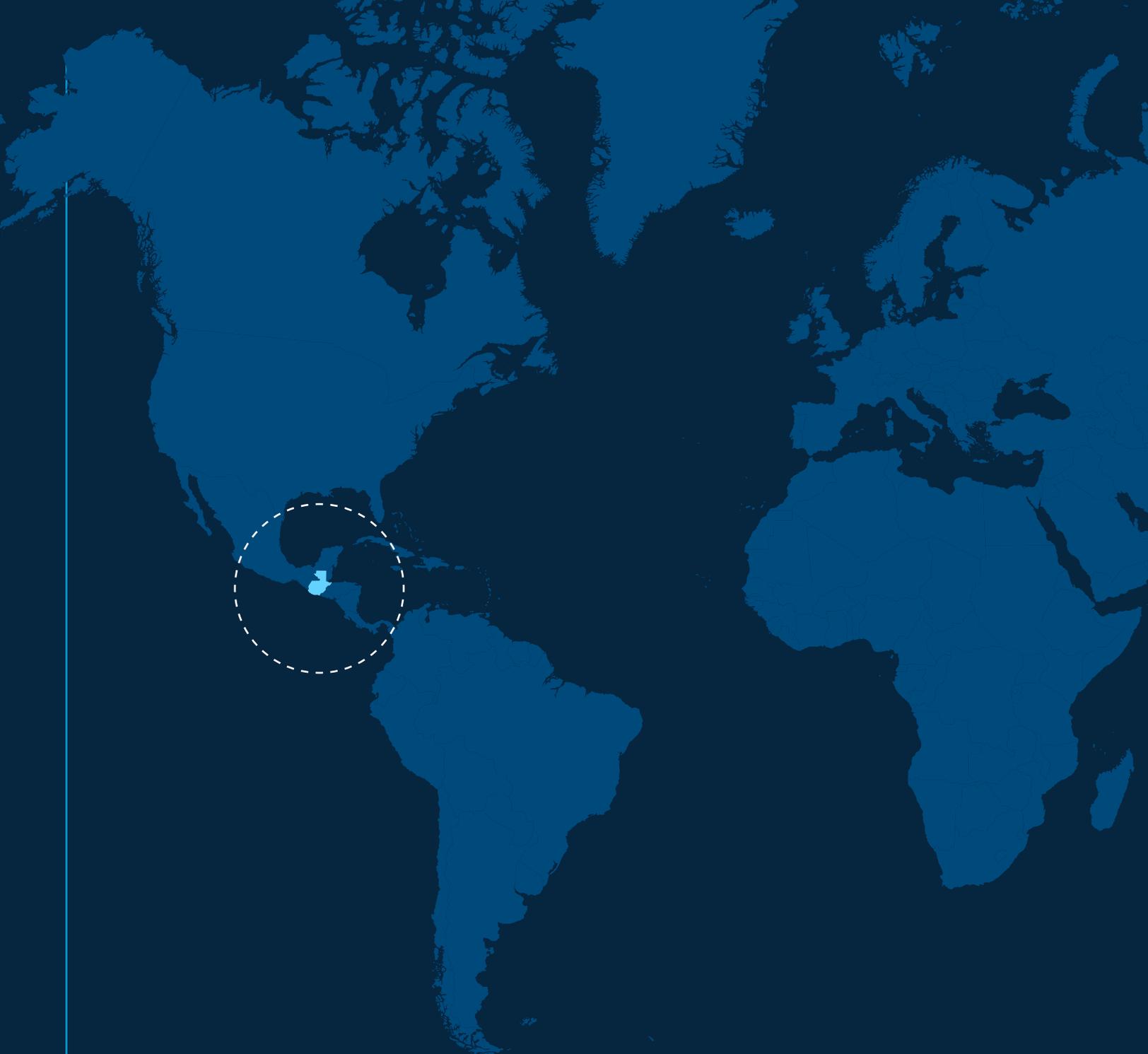


# Recommendations

**Conduct further research on entrepreneur needs:** While this study aims to understand the landscape of support available in rural areas of Guatemala, a knowledge gap still exists in terms of what entrepreneurs specifically need, particularly when it comes to financing and legitimizing their businesses through registration. Understanding why ticket sizes are on the smaller end of the spectrum, whether this comes from the demand side or is imposed by the suppliers of capital, can help future financial providers build better products for rural businesses.

**Private-public partnerships for infrastructure projects:** One of the strategies the current presidential administration plans to use to improve the physical infrastructure in Guatemala is to engage in private-public partnerships. Employing this strategy more broadly given the significant presence of small government agencies embedded in the rural parts of the country could be an effective strategy of bridging the gap between understanding exactly what rural entrepreneurs face and what is demanded of them from the market.

**Facilitate formalization of rural businesses:** Formalization is an important step for rural entrepreneurs to take toward joining broader national and international markets. However, this is currently both difficult and not seen as advantageous to rural entrepreneurs. Helping entrepreneurs understand the process and conveying the value (despite the added tax burden) of formalizing their business should be a priority for the sector. Additionally, policymakers should take into account the burden that the current process imposes on these businesses and consider reforming the process to encourage further growth in rural areas.



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