Terms of Reference

Study on Microfinance in Cape Verde: Characterizing the Microfinance Sector and Assessing its Impact on Welfare

Economic Context and Background

Throughout the last decades, Cape Verde has gone through a process of economic and social transition that culminated in its graduation from the status of LDC in 2008. Cape Verde´s economy grew on average at around six percent in real terms in the last decade ending in 2010 despite the sharp decline in domestic growth in 2008 and especially in 2009 as a result of the global economic and financial crisis of 2007 and 2008. Estimates based on recent IMF data also points to the remarkable improvement in growth volatility in the last decade; indeed, the 10-year period starting in 2000 saw a decline in growth volatility of around sixty percent of the levels observed in the 1990s. The latest government programme (2011) also emphasizes important gains toward poverty reduction in the last decade that resulted from the combination of a strong and less volatile economic growth and targeted policy interventions. Poverty rate in Cape Verde reached close to 27 percent in 2007 compared to 37 percent in 2001, which indicates that growth has helped lifting, at least, some groups of people out of poverty.

Despite the overall positive developments in Cape Verde in the last decade, there are a series of challenges that remain and that could risk the country´s ability to continue to expand at a sustainable pace and to further advance in reducing the number of people living in poverty. Even if we assume that Cape Verde will reach the goal one of the Millennium Development Goals by 2015, the poverty rate of 24.5 percent remains too high. In absolute terms, this means that more than 122,000 Cape Verdeans will be living below the poverty line by 2015. Considering that the number of people at working age employed in the country today is a little over 177,000, a poverty rate of 24.5 percent means that for each 10 people employed in the country, about seven people will be living below the poverty line. The rate of 7 poor for each 10 employed (and some, perhaps, also poor) people severely limits the economy's capacity to generate enough resources to raise many of the 122,000 Cape Verdeans out of poverty.

Among the main social challenges are the ability of the economy to generate new and decent jobs and the rise in disparities between specific groups, sectors, and geographic regions. The latest numbers from the Census 2010 indicate that unemployment rates for women in the age group of 15 to 24 reached 25.5 percent, which corresponded to around 2.4 times the overall national rate of unemployment of 10.7 percent. The total unemployment rate of the 15 to 24 age group, including men and women, reached 20.1 percent, which is close to twice the national rate in 2010. In fact, an analysis of the unemployed by age group indicates that high unemployment for men and women is concentrated at the age group

between 20 and 24, followed by the age group between 25 and 29. As shown in Figure 1, in 2010, about 30 percent of the total unemployed men were between 20 and 24 years old and about 19 percent were between 25 and 29 years old. This means that approximately half of the total number of unemployed men in 2010 was between the age of 20 and 29 and over 65 percent of unemployed men were younger than 30. Among women, the situation was similar in 2010: more than 50 percent of the total unemployed women were between the ages of 20 and 29.

Youth unemployment is a great threat to economic growth because it makes more difficult for the young and upcoming generation to learn the necessary skills to enter the productive sectors of the economy. This, in turn, decreases a country´s ability to face an increasingly more competitive global market. Youth unemployment also increases the young´s vulnerability to drug, diseases, crime, and the perpetuation of the cycle of poverty. Finally, the young generation also represents a threat to future fiscal sustainability because today´s unemployment rate means a shortfall of about one fifth in future income tax revenue. This challenge is particularly critical for the case of Cape Verde because of the relatively large number of young people.
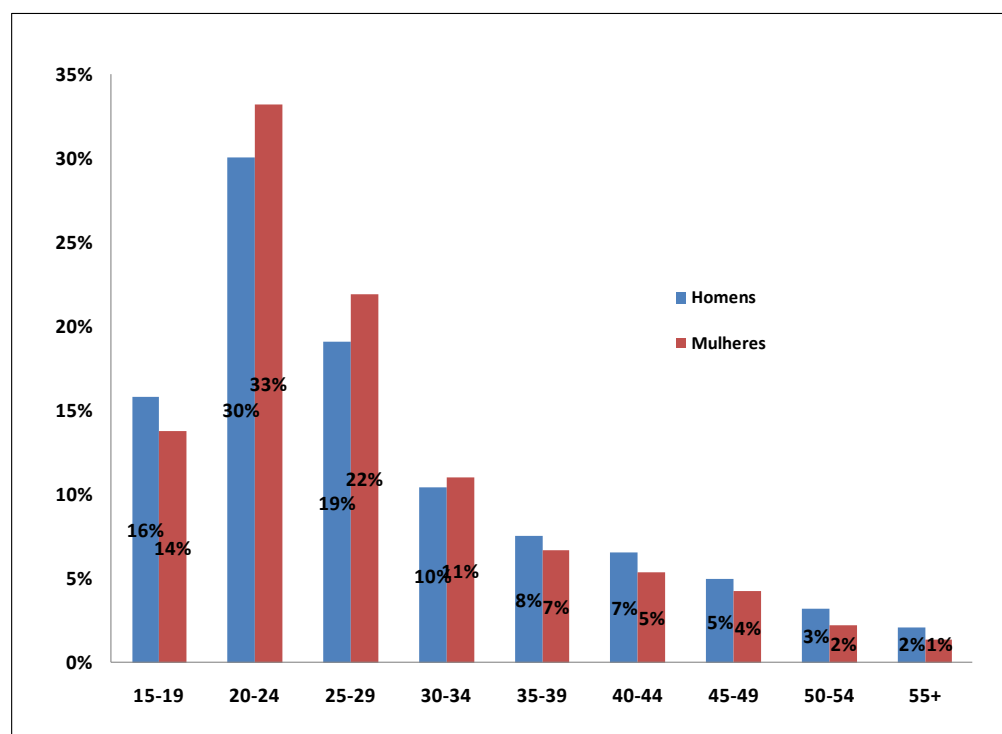

Figure 1. Distribution of Unemployment by Sex and Age
Source: Based on data from the 2010 Census.

The Cape Verdean government has explicitly highlighted the high level of unemployment, especially among the youth and women, and its impact on poverty as an increasing area of concern and priority. A number of structures and institutions have been working towards the promotion of job creation, and

important public investments have been made to support employment generation, including self employment and a stronger culture of entrepreneurship.
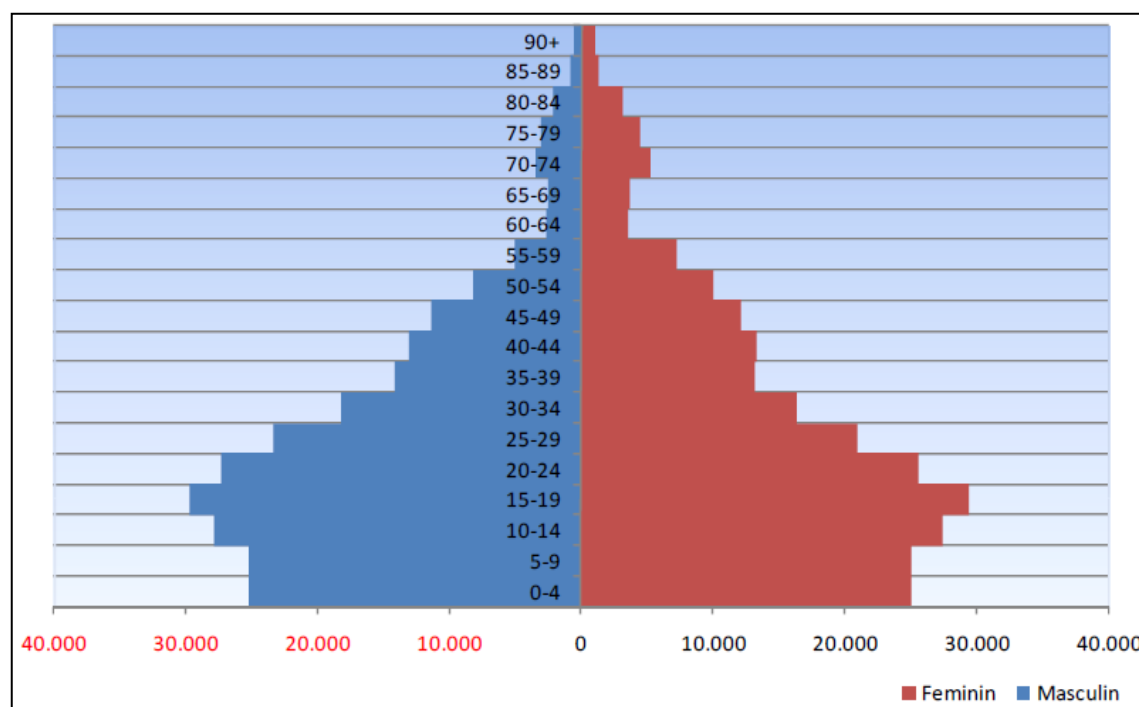

Figure 2. Population Pyramid for Cape Verde
Source: Institute of National Statistics (INE), Census 2010

Microfinance programs have also been part of the efforts towards employment generation. Considering the low level of national savings and the limited ability of entrepreneurs to access credit, microfinance constitutes one of the many interventions aiming at boosting local economies, creating opportunities for new employment and income generation activities.

The multi-level effect that microfinance can have on a community or an economy in tandem with the effect of other socio-economic variables pose a challenge to the elaboration of impact assessments of microfinance programs. For instance, microfinance can increase household income and consumption, which, in turn, has the potential of generating new demand for goods and services and new jobs. This secondary effect is hard to measure and to establish causality because income and consumption patterns can respond to other variables, some observed and some unobserved. Impact assessments of microfinance programmes are often forced to deal with missing information due to clients that exited the programmes and are not part of the sample being analyzed (survival bias).

Recognizing the challenges associated with a precise impact assessment of microfinance, the aim of this study is to provide an overall picture of the microfinance sector in Cape Verde and its most immediate impact on welfare. The results of this study will inform donors and the Cape Verdean government and contribute to strengthen the ongoing programmes on microfinance, while reassessing their priorities.

Objective

The study aims at characterizing microfinance in Cape Verde and assessing its actual and potential immediate impact on welfare; in particular, on its immediate effect on job creation and its impact on inequality. The goal of the study can be summarized in two main points as follows:

1. With a view to draw a picture of the microfinance sector in Cape Verde, the study aims at presenting a descriptive mapping of existing structures of microfinance in Cape Verde, including of existing products and services (e.g. microcredit, micro savings, etc), their economic size and importance, and intended beneficiaries. The study should also include an assessment of the importance of microfinance in the financial sector of the national economy, how it compares to others sources of financing, and how it channels sources of financing, including remittances. Furthermore, the study should present a brief analysis of the extent to which microfinance services reach the Cape Verdean population; for instance, by analyzing the profile of intended beneficiaries and comparing that to the country´s demographic profile based on data from the most recent Census.

2. Depending on data availability and drawing on specific case studies and the microfinance literature, the second part of the study involves an economic impact assessment of microfinance and should include policy recommendations. The main objective of this assessment is to evaluate whether microfinance seems to contribute to improving access to capital among poorer households and whether it seems to be effective in creating job opportunities, improving the welfare of its intended beneficiaries, and contributing to the breakdown of poverty traps. For instance, the study might want to evaluate whether micro and small entrepreneurs benefit from microcredit and whether the size of microcredit is enough to correspond to their financial needs to expand. This part of the study should also consider whether microfinance in Cape Verde risks having a polarizing effect by exacerbating wealth and/or income inequality (Copestake 2002).[1]

Methodology

The methodology should include four main components: (1) interviews with government officials; (2) data analysis; (2) if needed, small scale surveys (e.g. the use of household diaries) that complement the quantitative analysis on the beneficiaries; and (3) drawing on relevant findings in comparable settings from secondary literature.

Considering the limitation on data availability, the author(s) of the study may choose to focus on specific case studies for which quality data exists. Variables to measure the impact of microfinance are to be defined with precision and must be measurable. When quality data does not exist or cannot be accessed, the study may choose to draw on relevant findings in the literature.

---

[1] Coperstake, James. 2002. "Inequality and the Polarizing Impact of the Microcredit: Evidence from Zambia´s Copperbelt," Journal of International Development, 14, 743-755.

The researcher will be in close contact with the head of a technical commission that will coordinate the study throughout the process. The researcher, with the help of the United Nations in Cape Verde, may chose to involve students at the local university to help with data collection.

Key Tasks

Task 1 includes a preliminary analysis of the available information, including studies done at local level, and data that can be accessed. Based on this information, task 1 involves the elaboration of a more detailed outline of the study and the definition of the research methodology. It should also include information regarding possible complementary survey(s) that the study envisions is needed. This preliminary assessment will be shared with the technical commission for an assessment.

Task 2 includes the first round of collection of data for the construction of a baseline scenario, the conduction of relevant interviews, and the conduction of possible complementary survey(s).

Task 3 includes the compilation of draft 1 of the study with relevant information regarding the objective 1 of the study and preliminary and descriptive information regarding objective 2 of the study (include data collected); as described in the objective section of these terms of reference. Draft 1 will be shared with the technical commission.

Task 4 includes the second round of collection of data, conduction of relevant interviews, conduction of possible complementary survey(s), and presentation of preliminary results.

Task 5 involves the compilation of the first complete draft of the study, draft 2, to be shared and discussed with the coordinator of the study and national partners. Data collected should be presented. Comments and suggestions will be collected by the technical commission that will share them with the authors of the study.

Task 6 and final task includes the revision of the study in response to comments and suggestions and the delivery of the final version of the study.

Length of the Consultancy

The study should include a maximum of 30 pages, an executive summary, appendices with charts, tables, and a thorough description of the data. The data collected must be shared with the technical commission that will coordinate the study.

The consultancy includes 60 business days during a period of 14 month and should include up to three visits to the field (Cape Verde). A detailed outline must be presented by September 20, 2012. Draft 1 of the report is expected to be completed by December 15, 2012. Draft 2 is expected by October 01, 2013. After receiving comments and suggestions, the authors will present a final version of the study by November 01, 2013.

Products and Payment of Fees

Deliverables: Detailed outline of the study and the definition of the research methodology; data collected; survey design, conducted, and results presented (when applicable); two drafts and a final version of the study.

Product	Proposed Deadline	Payment of Fees
Detailed Outline	20 September 2012	10%
Draft 1 (include data collected)	15 December 2012	20%
Draft 2 (include data collected)	01 October 2013	20%
Final Draft of the Study	01 November 2013	35%

15% of the fee will be paid upon the signing of the contract.

Qualifications

Preference will be given to candidates who have a:

- A Master or, preferably, a PhD in economics or a related discipline, and experience with impact assessment on microfinance;
- At least two (2) years of post-degree work on research design and analysis;
- Proven track record of high quality published outputs including book chapters, reports and papers.
- Excellent capacity for economic analysis and data organization, with proven previous experience in quantitative and qualitative analysis.
- The candidate must have excellent working knowledge of Portuguese and the ability to read and analyze documents in English. Knowledge of Portuguese Creole is an asset.
- Excellent interpersonal, oral and written communication skills including the ability to give clear and concise presentations of complex material to a non-academic audience.

Guidelines for Submission of a Proposal

Electronic applications must be submitted by August 30th to procurement.cv@jo.un.org and should include:

1. A cover letter (in English or Portuguese) explaining the candidate (or lead author) interests and skills;
2. A copy of the resume;
3. A proposed outline of the study (in English or Portuguese) of a maximum of 4 pages, which should include a calendar of activities and a budget proposal;
4. Sample of previous analytical work (in English, Portuguese, or French).

Please write "Application for Consultancy: Microfinance in Cape Verde" in the subject line of the email.

Proposals must include all four set of requested documents above. Proposals not meeting this requirement will not be considered.