

**CAF – development bank of Latin America AND Global Development Network**

**CALL FOR PROPOSALS**  
for  
**REGIONAL RESEARCH GRANT COMPETITION**  
on  
**FINANCIAL INCLUSION AND MICROFINANCE in LATIN AMERICAN AND CARIBBEAN NATIONS**

**GLOBAL DEVELOPMENT NETWORK (GDN)**

An international public organization headquartered in New Delhi, GDN is the only institution with a specific and global mandate to build research capacity in economics and social sciences for development. GDN has accumulated more than 13 years' experience in empowering researchers from low- and middle-income countries by strengthening research skills and contributing to higher quality research output, creating networks to connect researchers globally and mobilizing academic knowledge to inform public policy. GDN's instruments and activities include competitive research grants, mentoring, technical and skill building workshops and peer learning opportunities. Partnership is a defining modality of GDN's interventions. As a network of networks, GDN works closely with 11 regional networks partners across the world, including the *Latin American and Caribbean Economic Association (LACEA)*.

(For more information visit: [www.gdn.int](http://www.gdn.int))

**CAF –development bank of Latin America**

CAF, development bank of Latin America, has the mission to promote sustainable development and regional integration by financing projects in the public and private sectors, and provide technical cooperation and other specialized services. Established in 1970 currently with 18 member countries -16 in Latin America and the Caribbean with Spain and Portugal - and 14 private banks, CAF is one of the main sources of multilateral financing and an important creator of knowledge for the region.

(More information at [www.caf.com](http://www.caf.com))

## OVERVIEW

The **Global Development Network** Regional Research Grant Competition for Latin American and Caribbean region is a competitive research grant targeted towards a better understanding of financial inclusion and micro credit issues in Latin American and the Caribbean region. It is administered by GDN and generously supported by **CAF**.

This research grant seeks to support systematic research that looks within Latin American and the Caribbean countries to address fundamental issues of financial inclusion and role of micro credit instruments in overall development of economy and welfare state, as well as provide opportunities for young researchers from this region to engage in meaningful dialogue with other researchers and policy makers to better deal with the issues at hand.

The grant aims at supporting **THREE** research studies under the overarching theme of **Financial Inclusion and Microfinance: Impact on welfare and development**. Each grant will be of the maximum amount of **US\$ 10000** for the proposed research and will be awarded to the organization/researcher(s) whose proposal to conduct research in this theme holds the greatest promise for improving our understanding on issues pertaining to the above mentioned theme in Latin American and the Caribbean countries.

The [redacted] last date for submission of the full research proposal in the application template, #† [redacted] applicants (research team members) and other supporting documents is **December, 2013 (8U u'11: 59 PM)**.

## DESCRIPTION OF THE PROJECT

Low penetration of financial services among the very poor continues to be a cause of concern in Latin America. According to the CAF report titled “Financial services for development: promoting access in Latin America” on average 51 per cent of the families from a sample of 17 cities in the Latin American region have an account open in some type of financial institution and only 12.3 per cent of the families have sought and taken out a loan from a financial entity.

The problem of access to credit tends to be larger in poorer households. Yet, entry into the financial markets can be a mechanism through which people can move out of the poverty trap. Access to liquidity would create opportunities to increase accumulation of human and physical capital and thereby improve household welfare and business productivity. Households often require savings and credit to enable a smooth inter-temporal consumption, and businesses, both in cities and in rural areas, require adequate working capital and physical capital to step up the scale of production. Further, other financial services such as insurance services to hedge risks and transaction services to facilitate payments and to make transfers and receive resources from across the world can potentially add to the welfare of a society.

In the recent past, the micro finance institutions have proved to be a revolutionary way of bringing the lower income groups into the ambit of credit markets. These institutions have devised a new mechanism to overcome issues of limited or no credit history or mortgage-able property among the poor. Moreover some of these initiatives have also improved social capital among community

members or have been important as a first step in the formalization of small businesses. However, there are still several communities in Latin America that do not have access to credit. While a lot of research has explored the reasons for lack of penetration of financial markets to different sections of the societies in the developing countries, there are still several gaps in our understanding of this issue.

Broadly speaking, financial markets face three categories of problems: demand side issues, supply side issues and institutional issues. Demand for financial services could be low due to low incomes of households, low capacity to generate savings and financial illiteracy. There could also be a lack of trust on the financial system stemming out of poor performance of the global financial industry. As pointed out in the CAF report, the firms tend to avoid the financial system as they expect unfavorable conditions, complex application rules, high interest rates, and high collateral requirements. Approaching the formal financial system might lead to high transactions costs for small and medium enterprises. Supply side issues stem from informational asymmetries faced by the financial institutions while evaluating the financial viability and profitability of projects. This includes problems of adverse selection and moral hazard. They also possibly face several other externalities and coordination problems. Such concerns could lead to higher service costs. The financial markets also face several regulatory hurdles and institutional inefficiencies. Another set of institutional difficulties emerge from historical instability and global financial crises.

Against this background, this regional research competition will help take a fresh look at the developing stronger financial instruments to foster all-round economic development and welfare. This is essential in order to delve *inter alia* deeper into gender-related issues, the role of small households and how they may shape the financial interventions and market functioning, the role of local culture and global financial architecture, and the overall nexus between financial soundness and poverty reduction. Furthermore, the relevance of micro finance institutions in revolutionizing the lower income groups in the ambit of credit markets. The competition will pay particular attention to collecting data to understand the quantity and quality of current access to finance, including credit, saving deposit facilities, remittances, insurance and other transactions that would be a potential path for reduction of poverty in Latin American and Caribbean countries. The proposal related to the above component of the regional research competition will carry out three studies on issues of financial inclusion in Latin American and Caribbean countries. These case studies will aim at deriving useful policy lessons, providing specific recommendations and strategic guidance for governments and development agencies in order to build stronger, flexible and inclusive financial environment. Comparative analysis that improves the understanding of the similarities and differences of financial inclusion issues within the Latin American and Caribbean countries are also welcome.

**The topics to be covered include (but are not limited to):**

- Innovative market solutions to maximize financial inclusion
- Formal access to credit and financial services
- Informal market access of financial services

- Middle income class savings and economic growth
- The impact of finance in the welfare of families and productivity of firms
- Inequality and determinants of Inclusivity for growth
- Externalities of formal financial systems
- Remittances, savings and Insurance as instruments of firm's productivity, growth and family welfare
- Micro-credit measures and pervasive poverty
- Measuring instruments for quality and quantity of financial access

### **RULES AND GUIDELINES FOR THE COMPETITION**

*Please review carefully. Any application that does not follow the guidelines will **NOT** be considered. In case of any questions or concerns please contact **Ms. Shelly Dahiya** at the following email address: [sdahiya@gdn.int](mailto:sdahiya@gdn.int)*

### **ELIGIBILITY CRITERIA**

1. The research competition grant is open only to researchers in Latin America and the Caribbean countries<sup>1</sup> with the requirement that the applicants (researchers) need to be citizens and permanent residents of any one of these countries. They could either submit the research proposal individually, or, jointly as a team.
2. An individual applicant cannot submit more than one proposal or be a member of more than one research team.
3. A research team should not have more than 3 members.
4. Applicants if pursuing PhD outside the Latin American and Caribbean region are not eligible for a grant. An exception on this rule can be made if the applicant commits to spend at least 6 months during the grant period to work in the specified region. A cover letter requesting such exception needs to be submitted at the time of application and send it to [sdahiya@gdn.int](mailto:sdahiya@gdn.int)
5. The proposals can be submitted by researchers from all relevant disciplines of social sciences.
6. In case of a research team, the Research Team Leader and at least half of the research team must currently be residing in one of the Latin American and the Caribbean countries, and should be affiliated to an organization headquartered in one of these countries.
7. In case of an individual application, the applicant must be affiliated to an institute and if the proposal is funded, the institution will be responsible for the administration of the grant.
8. Citizens of Latin American and the Caribbean countries temporarily residing in any other country are also eligible to apply as part of rest of the team.
9. The upper age limit for applicants is 40 years as of January 31, 2014.
10. Staff members of multilateral and bilateral organizations (AFD, AfDB, AusAID, CAF, DFID, IMF, World Bank, UN agencies etc.), LACEA, and current/ previous employees of the GDN are NOT eligible to apply.

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<sup>1</sup> List of Eligible Latin American and the Caribbean countries in Annex 1.

11. Current and Previous GDN Grant winners from Awards and Medals Competition (AMC), Inter-regional Research Project (IRP), Global Research Competition (GRC) and Global Research projects (GRP) are NOT eligible to apply.
12. The proposal should not be receiving or scheduled to receive funds from other sources, unless it is clearly explained how the additional funds provided by the grant would reinforce the existing funds for successful completion of the research.
13. We welcome applications that have multidisciplinary research teams and/or are joint applications from researchers with affiliation to institutions based in Latin America and the Caribbean countries.
14. We strongly encourage applications from female researchers and researchers from low-and middle-income countries from Latin America and Caribbean region.

## HOW TO APPLY

- The Research Team Leader/Individual applicant must send the research proposal in the provided application template **only**.
- Research Proposals must be submitted in English language **only**.
- Completed applications and other supporting documents (as listed below) must be submitted as electronic attachment to the following link: (<http://www.gdn.int/rrc-lac>)
- Incomplete applications will **NOT** be considered.
- Please note that all forms of academic dishonesty are unacceptable to GDN, plagiarism being one of them. Plagiarism is unauthorized use of other people's work, ideas and/or writings (in part or in full) and presenting or giving notion of these work(s), ideas and/or writings being one's own work, idea(s) and/or writing(s). GDN takes plagiarism very seriously and will take immediate and appropriate action including and not limited to withdrawal of funding for any such grantees found guilty of plagiarism.

## LIST OF DOCUMENTS TO BE SUBMITTED ONLINE AS A PART OF THE APPLICATION

1. **Filled-in Application Template:** The application is to be submitted in the prescribed template only
2. **Budget and Work plan:** The budget and work plan of the proposed study is to be submitted in the excel sheet format provided online.
3. **CVs of all of the research team members**, along with any other supporting document.
4. **Organizational profile:** A brief profile of the organization of affiliation of the Research Team Leader.
5. **Affiliation letter:** Organizational/Institutional affiliation letter to be signed by the Head of the Institute, to be submitted by the Research Team Leader.

**N.B:** Please note that all personal information provided in the application (along with the CV) should be correct; else the application will be liable for disqualification. The information as provided shall remain confidential with GDN.

## **EVALUATION CRITERIA**

The research proposals will be evaluated on clarity in questions and objectives, methodological appropriateness and its policy relevance potential. More specifically, the following criteria will be used:

- Originality of the proposal
- Clarity in Research questions and sound objectives
- Feasibility of its completion
- Use of appropriate and sound research methodology (i.e. new data sets, clearly specified identification strategy, and causal analysis etc.)
- Realistic and comprehensive work and budget plan
- Contribution to development knowledge and relevance to policy-solutions
- Overall expertise of the individual/team in the field

## **FUNDING TERMS**

- Grants will be awarded for a period of **12 months** only.
- The grant will be awarded in **US Dollars**.
- Grants cannot be used for buying personal computers, hardware and other acquisitions of capital nature.
- Fund disbursement pattern is as follows: first installment will be paid on signing of the Grant Agreement; the following two installments will be paid upon submission and approval of interim and final reports along with the submission of fund utilization statement.

## ***Annex 1***

***List of Eligible Latin American and the Caribbean countries (in alphabetical order) for this competition<sup>2</sup>:***

Argentina	Guyana
Antigua and Barbuda	Haiti
Bahamas	Honduras
Barbados	Jamaica
Belize	Nicaragua
Bolivia	Mexico
Brazil	Paraguay
Chile, including Rapa Nui	Panama
Colombia	Peru
Costa Rica	St Kitts and Nevis
Cuba	St Lucia
Dominica	St Vincent and the Grenadines
Dominican Republic	Suriname
Ecuador	Trinidad & Tobago
El Salvador	Uruguay
Grenada	Venezuela
Guatemala	

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<sup>2</sup> Based on AusAid List (<http://www.ausaid.gov.au/australia-awards/Pages/alafellow-eligible-countries.aspx>), Organisation of American states list (<http://www.oas.org/rowe/eligiblecountries.asp>), New Zealand Aid list (<http://www.aid.govt.nz/funding-and-contracts/scholarships/eligible-countries>) and world bank country classification (<http://data.worldbank.org/about/country-classifications/country-and-lending-groups#LAC>)

## Typical errors

Following are some of the typical errors that should be avoided:

### **1. Research goals:**

- Overly ambitious (e.g. restructure Brazil's natural resource industries)
- No academic content (e.g. design a regional development strategy, production technology, etc.)
- Business-oriented (e.g. develop methodology to evaluate investment projects)
- Purely descriptive (e.g. construct a typology of ...). No attempt to explain behavior or dynamics
- Very abstract, no link to economic realities and policymaking

### **2. Hypotheses**

- Statement of a general topic of research instead of a specific problem ("analysis of the informal financial market", "poverty reduction")
- Not testable in principle, or because data is not available
- Trivial (e.g. "to grow faster Haiti needs more investment")

### **3. Literature review**

- Just a list of titles and names doesn't provide a critical assessment
- Focused on general literature (e.g. macroeconomics) rather than literature that is specific to the project
- Focused on textbooks (e.g. MacConnell-Brue) rather than research literature
- Focused on classical literature (Marx, Adam Smith) rather than modern research texts
- Focused on national sources only (as "foreigners don't have a good grasp of Bolivia's national problems")

### **4. Research methodology**

- Description of methodology is purely declarative (e.g. "factor and cluster analysis"). The actual research methods are not described in any detail
- Methodology is inadequate (e.g. exclusive use of charts and visual comparisons)
- Theory is not linked to the empirical part (e.g. when a theoretical model is borrowed from a foreign source to strengthen an empirical proposal)
- Theory is not adapted to the specific Latin American and Caribbean regional circumstances (e.g. standard text-book theory)
- The theoretical model is not tractable (e.g. a system of 300 dynamic equations)
- A theoretical or econometric model is promised in the proposal but its basic structure is not presented
- The econometric model is not linked to data. Not clear how key model parameters will be calculated
- Data is not adequately described. No discussion of ways to fill in the existing data gaps. Questionnaire is not attached to the proposal.