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Investing in rural people

President's report on a proposed grant under  
the country-specific grants windows to ABC  
Microfinance to support Malian diaspora  
financing for rural youth

Note to Executive Board representatives

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For: Approval

## Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant as contained in paragraph 19.

### President's report on a proposed grant under the country-specific grants window to ABC Microfinance to support Malian diaspora financing for rural youth

#### I. Background and compliance with IFAD Policy on Grant Financing

1. The objective of this grant is fully aligned with the grants section of the IFAD Medium-term Plan: it will contribute to inclusion and the transformation of rural areas by promoting access for rural youth to sustainable gainful employment. It is also aligned with 2016 priorities inasmuch as it will facilitate sustainable access to financial services for rural young people.
2. This proposal, which is closely in line with the objectives of the Financing Facility for Remittances (FFR), comprises a collective remittance to promote development activities, unlike individual remittances, which are not normally productive. This innovative approach will allow migrants to support the development of their region of origin, especially to the benefit of young people.
3. The project will strengthen the impact and improve sustainability of the IFAD country programme in Mali, linking young people supported by the Rural Youth Vocational Training, Employment and Entrepreneurship Support Project (FIER) and by the Rural Microfinance Programme (PMR) with Malian migrants and their organizations through a crowd-funding platform and local microfinance institutions (MFIs).
4. The grant-financed initiative, although fully integrated into the Mali programme, requires additional funding to test this innovative approach. Specifically, the FIER-supported project of young people will be presented on a crowd-funding platform through which migrants and other investors can contribute to projects, and the funds will be channelled to the young people through local PMR-supported MFIs.
5. This will allow for further resources to be raised and leveraged to finance projects launched by young people in rural areas. But, beyond testing a new way of financing the economic activities of young rural Malians, this initiative seeks to provide an alternative to traditional but unsustainable lending and thereby to support young people in the long term.

#### II. The proposed project

6. The overall goal of the project is to consolidate and sustain the FIER Project in Mali, which contributes to the economic integration of young Malians in rural areas and provides an alternative to migration. Its objectives are: (i) to finance young entrepreneurs' FIER-supported projects in Mali by members of the Malian diaspora via a crowd-funding platform (Babyloan) and local MFIs, in an initial pilot zone limited to the region of Paris, France, and the FIER launch areas of Sikasso and Koulikoro; the expansion of FIER activities to northern Mali will be considered subject to an in-depth evaluation of the political and security situation in these regions; and (ii) to apply lessons learned by defining the terms for sustaining and expanding this financing approach to other regions of Mali and other countries in Europe, and for integrating it into other IFAD projects.
7. The target group will comprise: (i) direct beneficiaries of the FIER Project (young men and women in rural Mali): the goal is to finance 200 rural microenterprises of

young Malians within three years through donations and loans from the diaspora, with benefits estimated to reach an additional 800 young people two years on from project completion; and (ii) indirect beneficiaries, in the form of the various stakeholders forming the chain of trust facilitating access for young people to migrants' resources, including: (a) Malian migrants who can provide a secured loan so as to be able to withdraw their money or reinvest it in a new project; (b) non-migrant contributors through Babyloan who will have an additional opportunity to invest in social-impact projects in Mali; (c) the Babyloan crowd-funding platform itself, which will broaden its client base among the Malian diaspora through project support, thereby enhancing its future accomplishment of its mission of solidarity-based development, given its status as a social enterprise that reinvests profits in development activities; and (d) partner Malian MFIs to which the platform will provide lines of financing at a lower cost than that charged by local banks.

8. The project will be implemented over a period of three years through the achievement of the following objectives: (i) ABC will have a working knowledge of the structure of the Malian diaspora in France and its expectations in terms of social investment; (ii) a dedicated platform, Babyloan Mali, will be developed on the model of the Babyloan platform; (iii) ABC will finance Malian MFIs involved in funding FIER-supported projects of young people; (iv) ABC will develop an effective commercial approach to engage the Malian diaspora in France and Europe sustainably and broadly; and (v) benefits are drawn from an intervention methodology and business that allow the Babylon Mali platform to be replicated in other regions in Mali and for other diasporas in Europe.

### III. Expected outcomes/outputs

9. The programme is expected to have the following outcomes/outputs: at project close, almost 2,000 migrants in the Malian diaspora will have lent more than EUR 350,000 to young Malian microentrepreneurs from the Koulikoro and Sikasso regions via the Babyloan Mali crowd-funding platform. In addition, associations and organizations of the Malian diaspora will have raised EUR 40,000 in donations to support these projects.
10. MFIs partnering in the project will have access to low-cost, long-term refinancing lines, allowing them to increase their credit portfolio by EUR 275,000. These credit lines will enable them to diversify their funding sources.

### IV. Implementation arrangements

11. The grant recipient ABC Microfinance – a limited-profit-making simplified joint stock company – is a social enterprise whose purpose is to solve social problems, not pay dividends. The selection of ABC as the grant recipient was reinforced by its status as a private company with a social purpose, seeking to develop a structure that is both economically viable and socially oriented, and reinvesting profits in its activities.
12. A designated account will be opened for the financial management of the IFAD grant. The planned financing will be administered in compliance with management and transparency standards. The project will also hold separate accounts for all expenses incurred.
13. The Director of ABC and the project manager of the Babyloan Mali platform within ABC will be responsible for the overall coordination of the implementation of grant-financed activities and the financial management of the grant.
14. Disbursement modalities will be as follows: the first tranche (up to 50 per cent of the approved annual workplan and budget (AWP/B)) will be paid to the beneficiary upon the satisfactory submission of: (i) the countersigned grant agreement; (ii) the AWP/B approved by IFAD; (iii) the disbursement request; and (iv) the project bank account certification form.

15. Additional tranches (up to 50 per cent of the AWP/B) will be paid upon submission of statements of expenditure accounting for at least 75 per cent of the preceding advance (and 100 per cent of earlier tranches).
16. The final tranche will be disbursed to the recipient upon the satisfactory submission at the closing date of the grant of a final report acceptable to IFAD, including: (i) the project completion report; (ii) statements of expenditure covering all grant-financed expenses during the project implementation period; and (iii) an audit opinion letter on the statements of expenditure.
17. There are no deviations from the standard procedures for financial reporting and audits.

## V. Indicative programme costs and financing

18. The total project cost is estimated at US\$529,850. IFAD will provide a grant of US\$425,000; ABC Microfinance will provide US\$84,850 financial and in-kind confinancing; and the remaining US\$20,000 will be provided through the IFAD FFR.

Table 1  
**Costs by component and financier**  
(United States dollars)

<i>Components</i>	<i>IFAD</i>	<i>ABC in kind</i>	<i>ABC in cash</i>	<i>Total ABC</i>	<i>FFR</i>	<i>Total</i>
I. Mapping of migrants' organizations	22 750					22 750
II. Babyloan Mali platform development	56 000	26 000	10 000	36 000		92 000
III. Creation of partnerships with MFIs in Mali	52 240	16 800	2 500	19 300		71 540
IV. Diaspora awareness-raising on Babyloan	128 120	1 500	17 500	19 000		147 120
V. Monitoring and evaluation and knowledge management	108 010	10 550		10 550	20 000	138 560
VI. Management costs	57 880					57 880
<b>Total</b>	<b>425 000</b>	<b>54 850</b>	<b>30 000</b>	<b>84 850</b>	<b>20 000</b>	<b>529 850</b>

Table 2  
**Costs by expenditure category and financier**  
(United States dollars)

<i>Expenditure category</i>	<i>IFAD</i>	<i>ABC in-kind</i>	<i>ABC in cash</i>	<i>Total ABC</i>	<i>FFR</i>	<i>Total</i>
I. Salaries and allowances	37 600	34 850		34 850		72 450
II. Consultancies	225 500		20 000	20 000	20 000	265 500
III. Goods, services and inputs	116 120	20 000	10 000	30 000		146 120
IV. Travel	14 300					14 300
V. Overhead costs	31 480					31 480
<b>Total</b>	<b>425 000</b>	<b>54 850</b>	<b>30 000</b>	<b>84 850</b>	<b>20 000</b>	<b>529 850</b>

## VI. Recommendation

19. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Malian diaspora financing for rural youth, shall provide a grant of four hundred and twenty-five thousand United States dollars (US\$425,000) to ABC Microfinance for a period of three years upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Kanayo F. Nwanze  
President

## Cadre logique axé sur les résultats

	Logique d'intervention	Indicateurs objectivement vérifiables et quantifiés si possible	Sources et moyens de vérification
Objectif global	Consolider et pérenniser le programme FIER au Mali, qui contribue à l'insertion des jeunes maliens en zones rurales via le développement économique et leur fournit une alternative à la migration.		
Objectif spécifique	Objectif 1. Financer des projets de jeunes entrepreneurs dans les zones d'intervention du projet FIER au Mali par des membres de la diaspora malienne via une plateforme de financement participatif (Babyloan Mali) et des institutions de microfinance (IMF) locales partenaires. Cet objectif sera atteint grâce aux résultats 2 et 3.	2000 membres de la diaspora malienne en France investissent solidairement 350 000 euros à travers la plateforme Babyloan permettant de financer 200 jeunes maliens ruraux appuyés par le projet FIER	SIG de Babyloan, rapport généré tous les mois; rapports du projet FIER
	Objectif 2. Capitaliser les leçons apprises pour définir les conditions de durabilité et d'extension de cette approche de financement à d'autres régions du Mali, d'autres pays d'Europe et de son ancrage dans d'autres projets du FIDA. Cet objectif sera atteint grâce aux résultats 1, 4 et 5	Rapport de capitalisation public réalisé en fin de projet	Rapport de capitalisation
Résultats attendus	R1: ABC dispose d'une connaissance opérationnelle de la structuration de la diaspora malienne en France et de leurs attentes en investissement solidaire	1.1 : Nombre de fiches détaillées réalisées sur les associations de la diaspora 1.2 : Nombre de fiches réalisées sur les profils/types de la diaspora et leur mode d'engagement	Rapports du Grdr
	R2: Une plateforme Babyloan Mali dédiée est développée sur le modèle de la plateforme Babyloan	2.1 : nombre de projets de financement de jeunes maliens ruraux mis en ligne sur Babyloan Mali 2.2: Nombre de produits d'investissement solidaires disponibles en ligne pour la diaspora malienne	Rapport du programme FIER, plateforme Babyloan Mali
	R3: ABC finance des IMF maliennes impliquées dans le financement des projets des jeunes appuyés par FIER	3.1: Nombre d'accords de partenariat signés entre ABC et des IMF maliennes 3.2: Encours de portefeuille des IMF dédié aux jeunes refinancé par ABC 3.3 : Coût de la ressource ABC (plateforme et fonds d'investissement) pour les IMF partenaires du projet	Accords de partenariat ABC/IMF, Rapport trimestriel des IMF partenaires, rapports ABC, rapport PMR

	R4: ABC développe une approche commerciale efficace pour pénétrer durablement et largement la diaspora malienne en France et Europe	4.1 : Nombre d'événements organisés / sponsorisés par ABC et nombre de personnes y participant 4.2 : Nombre d'associations sensibilisées à Babyloan Mali 4.3 : Nombre d'associations mobilisant des fonds via Babyloan Mali, montants collectés (prêts, dons) 4.4 : Nombre d'individus mobilisant leur épargne sur Babyloan Mali, montants collectés (prêts, dons)	SIG et factsheet Babyloan Mali
	R5: Une méthodologie d'intervention et un modèle économique sont capitalisées et permettent le développement de la plateforme Babyloan Mali à d'autres régions au Mali et communautés de diasporas en Europe	5.1 : Rapport de capitalisation public réalisé en fin de projet 5.2 : Ateliers de restitution France et Mali	Rapport de capitalisation Présentations ateliers site FIDA et remittancesgateway.org
2	Activités	Moyens mobiliser	Sources et moyens de vérification
	1 : Cartographie des organisations de migrants	Equipes de GRDR	Base de données des organisations de migrants
	2.1 : Définition des nouvelles fonctionnalités à développer sur la plateforme et des sources/fournisseurs de données à mobiliser 2.2 : Développement des fonctionnalités et de la plateforme web	ABC, Prestataire externe pour le développement de la plateforme web	Plateforme Babyloan Mali
	3.1 : Mission d'identification des IMF partenaires sur la plateforme 3.2 : Formalisation de la collaboration des partenaires IMF 3.3 : Reporting et suivi de la collaboration	Voyages terrain : Due diligence et missions de suivi au Mali	Contrats de partenariats, SIG de Babyloan
	4.1 : Mobilisation des réseaux liés à la diaspora malienne 4.2 : Recrutement d'un responsable de projet Babyloan Mali 4.3 : Développement d'outils marketing 4.4 : Organisation/sponsoring d'événements de la diaspora	Chargé de mission GRDR, comité consultatif Responsable projet Babyloan Mali Société de communication GRDR, organisations promotrices des événements	Rapports d'exécution ABC Fiche de poste, contrat de travail Supports de communication Rapports d'exécution ABC, synthèse du forum dédié organisé en fin d'année 1
	5.1 : Mise en place d'un tableau de bord de suivi 5.2 : Evaluation du projet à mi-parcours 5.3 : Etude prospective pour l'extension en Europe 5.4 : Evaluation finale 5.5 : Réalisation d'une note de synthèse de capitalisation 5.6 : Ateliers de restitution en France et au Mali	ABC Cabinet spécialisé ABC, GRDR Cabinet spécialisé GRDR, FFR ABC, FIER, FFR	Fichier de suivi trimestriel (factsheet) Rapport de l'évaluation à mi-parcours Rapport de mission de prospection Rapport de l'évaluation finale Rapport de capitalisation Présentations des ateliers

## ABC Microfinance: Profile

1. The grant recipient Microfinance ABC is a simplified joint-stock company registered in France which mobilizes resources through a Paris-based crowdfunding platform named Babyloan. Launched in 2008, Babyloan is the main platform linking small businesses in developing countries with individual investors in France.
2. In selecting the grant recipient, a competition-based process was initially considered. However, although many such platforms are emerging, the majority of them lack the experience to be able to undertake the grant-funded activities straightaway. So far only two platforms are operating in Africa, working with local microfinance institutions to mitigate risk: Kiva in the United States, and ABC in Paris. A large number of Malian immigrants have been living in France since the 1960s. They are located mainly in the Paris region and account for 50 per cent of remittances destined for Mali.
3. Experience has shown that both knowledge and proximity of lenders are crucial for building confidence in migrant-related innovative financing. For this reason, a beneficiary based in France was preferable, and ABC was selected as the grant recipient.
4. Since June 2011, ABC has been a registered "solidarity-based enterprise" with the Hauts-de-Seine prefecture. This certification applies to entities whose shares cannot be traded on regulated markets and that meet certain recruitment and remuneration standards. The platform is going through a process of consolidation and shows steady growth in turnover and a shrinking operating deficit. Its shareholders are socially engaged and include cooperative banks, professional philanthropic investors and private stakeholders who have been funding the company since its establishment and support the economic model.
5. To promote the initiative, ABC will work with the Rural Development Research Group (GRDR), a French NGO with 40 years of experience working with migrants in France and Europe and a strong track record in partnering with IFAD in Mali, Senegal and Mauritania. The GRDR will be the catalyst in the partnership between the Malian community and ABC, establishing links with the relevant remittance organizations. The fact that GRDR operates in both France and Mali gives it a clear advantage over other NGOs offering support to migrants in France.