



PRESS RELEASE
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European Investment Bank to support pioneering rural microfinance fund: leading development financial institutions launch EUR 100m Rural Impulse Fund II

The ability of poor rural communities around the world to access finance received a significant boost earlier today with the creation of Rural Impulse II, a new specialist microfinance fund backed by leading public and private financial institutions and investors. The European Investment Bank, IFC – part of the World Bank Group, KfW Entwicklungsbank (The German Development Bank), the Belgian Investment Company for Developing Countries (BIO) and Netherlands Development Finance Company (FMO) formally agreed to participate in the fund. A range of private banks and investors will also participate. The fund managed to mobilize private resources and specialist expertise from additional investors: Italian Fund of Funds “Microfinanza 1”, Belgian trade union ACV-CSC Metea and VDK spaarbank, Germany’s Bank fuer Kirche und Caritas, Norwegian Microfinance Initiative (NMI), and others. The Fund is an initiative of Incofin Investment Management, which will act as fund advisor.

“The European Investment Bank is supporting the development of improved access to finance by poor rural communities around the world. We look forward to working with our partner to increase the presence of microfinance institutions in more remote areas through the pioneering Rural Impulse Fund II” said Plutarchos Sakellaris, European Investment Bank Vice President responsible for Africa, Caribbean and Pacific operations.

“A majority of the world’s poorest live in rural areas and are not served by MFIs. Providing financial services to the rural poor has been one of the challenging areas of development finance. IFC is happy to support Rural Impulse Fund II to address this shortfall”, said Jyrki Koskelo, International Finance Corporation Vice President for Global Industries.

“The Rural Impulse Fund II combines funding from public development finance institutions with sources from private investors. This increases the potential impact of the fund. At the same time the long-standing expertise of KfW and the other public investors in microfinance meets the objective of private investors to invest their capital in both a profitable and a socially beneficial way,” said Helmut von Glasenapp, Vice President and Head of KfW Brussels office.

Laurent Ledoux, Head of Public Banking for BNP Paribas Fortis said: “Investing into Incofin IM’s Rural Impulse Fund II represents for BNP Fortis an important first step into microfinance. Through this social and responsible investment in a Belgian company with an international scope, we contribute to the development of financial services in developing countries. It complements similar microfinance actions we are initiating in Belgium and those initiated long ago by BNP Paribas in France and abroad. As a bank, we have the responsibility to help people who have limited access to financial services”.

Vincenzo Volpe, Head of Investment Management of Polaris SGR said: “Following a comprehensive analysis of a universe of 90 funds, deemed the best in the microfinance sector, and a thorough due diligence process, “Microfinanza 1” has shortlisted 5 specialized investment managers and 9 funds. Incofin’s Rural Impulse Fund II, and its courageous and challenging focus on remote and rural areas, shall play an important role in extending microfinance outreach to individuals that otherwise would totally lack access to credit and a chance to step out of poverty.”

“We do not consider this as charity but as a solid investment in what we hope will be a better world tomorrow. The returns of such solid and ethical investment will automatically flow back to our organization, in

the form of training and support for our activists. We hope other trade union organizations will follow and take up their responsibilities “, said Mr. Marc De Wilde, president of the trade union ACV-CSC Metea.

The Rural Impulse Fund II follows the ground breaking achievements of the Rural Impulse Fund I, the world's first microfinance facility to specialise in commercially viable rural microfinance institutions. Rural Impulse Fund I achieved its planned deal flow in half the expected time, reflecting the strong demand for rural microfinance and has now made investments with 24 institutions across 18 countries with a customer base of 1.5 million clients.

Eligible microfinance institutions must be in developing countries and with at least a 30% presence in rural areas. The fund will invest in a range of microfinance intermediaries, including NGOs, credit unions, microfinance banks and institutions targeting small businesses.

Rural Impulse Fund II aims to become the worldwide reference for rural microfinance and will invest in institutions in Africa, Latin America, Central Asia, the Caribbean, Central and Eastern Europe, India and South East Asia. Partner institutions have already been identified in Zambia, Brazil and India. The fund will adopt a similar business model to the predecessor fund and include both private and public investors.

Rural microfinance activities are challenged by seasonality, high administration costs of small loans and limited resources. Rural Impulse Fund II will mitigate these factors by a careful selection of experienced and successful institutions active in both rural and urban areas and directly encourage activity outside economically active and densely populated urban districts.

Press contact:

Richard Willis, tel: +352 621 555758, email: willis@eib.org, website www.eib.org

Fund manager contact:

Incofin IM: Loïc De Cannière, tel: +32 474 29 15 62, email: loic.de.canniere@incofin.be, website: www.incofin.be

Notes for Editors:

European Investment Bank:

The European Investment Bank, the long-term lending institution of the European Union, whose shareholders are the 27 European Union member states, has been active across Africa for over 40 years. EIB activities follow policies and objectives set down by European Union member states and whose Finance Ministers are the EIB's Governors.

The European Investment Bank is a leading provider of microfinance to Africa. The total commitment for microfinance in Africa, Caribbean and the Pacific exceeded EUR 150 million in both debt and equity in Microfinance Investment Vehicles and microfinance institutions. In Africa the bank's portfolio exceeds EUR 122 million in 12 microfinance operations.

Most of the world's poor lack access to basic financial services. An estimated 900 million people, earning less than USD 1 a day, live in rural areas of developing countries. Successful microfinance institutions can operate in rural areas and reach large numbers of poor men and women.

Rural microfinance refers to the provision of financial services (including credit, savings, payment transfers and insurance) and target both farm and non-farm populations.

IFC and Microfinance

IFC:

IFC, a member of the World Bank Group, creates opportunity for people to escape poverty and improve their lives. We foster sustainable economic growth in developing countries by supporting private sector development, mobilizing private capital, and providing advisory and risk mitigation services to businesses and governments. Our new investments totaled \$14.5 billion in fiscal 2009, helping channel capital into developing countries during the financial crisis. For more information, visit www.ifc.org.

IFC is the number one multilateral investor in terms of outreach to microfinance institutions, working with more than 130 microfinance institutions in over 60 countries, including 21 Sub-Saharan African countries. IFC is a leading global investor in terms of volume. As of fiscal year end 2009, IFC has committed a total of US\$1.3 billion to microfinance, with US\$373 million in fiscal year 2009. IFC's microfinance clients disbursed 12 million loans worldwide in 2008, totalling US\$16 billion. Approximately 65% of all final microfinance borrowers were women.

IFC is active in several fragile and conflict-affected countries including Afghanistan, Kosovo, Democratic Republic of Congo, Sierra Leone and Liberia.

IFC has committed more than US\$50 million in advisory services for about 55% of its microfinance investment clients.

Press contact: Mrs. Julie Ziegler, email: JZiegler1@ifc.org, website: www.ifc.org

Polaris Investment SGR:

Established in August 2007, Polaris Investment SGR is the largest Italian Multimanager Platform, fully owned by non profit institutions, with offices in Milan and Luxembourg, 35 professionals focused on customized investment solutions, and assets under management amounting to 6.7 billion euros (as of April 2010).

The Polaris project has originated from a widespread need, expressed by various Foundations and philanthropic institutions, of an Independent Fiduciary Manager.

Inspired by its clients needs, Polaris has conceived "Microfinanza 1", the first Italian closed-end fund of funds investing in microfinance on a global scale i.e. Asia, Latin America and Africa.

Launched on 20th March 2010, "Microfinanza 1" aims to bring together the prime qualified Italian and foreign investors to support sustainable economic and social development of the disadvantaged world populations.

Besides combining a sustainable financial return with a measurable social impact, "Microfinanza 1" aims at establishing a bridge between the International Cooperation activities supported by grants of Foundations and other non profit institutions, and return-seeking activities carried out by development banks and the best investment managers specialized in microfinance.

"Microfinanza 1" allocates around 70% of its total assets to debt funds and 30% to private equity, and may co-invest up to 20% of the fund.

Key distinctive features are investment diversification (by investing in premier specialized asset managers) and active participation (in Investment Committees and Supervisory Boards, for each investment partner that has been selected).

In order to implement the project in the most efficient manner, Polaris SGR – promoter of the fund – and Fondamenta SGR – the fund's manager – have joined forces, and with the support of MainStreet Partners they have analysed a universe of over 90 microfinance funds, so as to create an effective portfolio of funds and coinvestments.

Following such process, 5 managers and 9 funds have been shortlisted, among which Incofin and Rural Impulse Fund II.

KfW Bankengruppe:

KfW Bankengruppe gives impetus to economic, social and ecological development worldwide. As a promotional bank under the ownership of the Federal Republic and the Länder (federal states), it offers support to encourage sustainable improvement in economic, social, ecological living and business conditions, among others in the areas of small and medium-sized enterprise, entrepreneurship, environmental protection, housing, infrastructure, education finance, project and export finance, and development cooperation.

KfW Entwicklungsbank is one of the leading microfinance financiers. Today, KfW Entwicklungsbank collaborates with a broad spectrum of local financial institutions in around 60 countries, including microbanks, commercial banks, refinancing institutions (known as apex institutions), village savings banks, non-governmental organisations and regional and supra-regional microfinance funds. KfW Entwicklungsbank

has a portfolio of some EUR 2.15 billion, around three fourths of which is made up of its own funds, especially for equity holdings and activities in Latin America and Eastern Europe/Central Asia.

Press contact KfW Bankengruppe: Dr. Charis Pöthig Tel.: +49 (0)69 7431-4683, Email: charis.poethig@kfw.de, website: www.kfw.de

Incofin IM:

Incofin Investment Management (Incofin IM) develops and manages funds investing in microfinance institutions (MFIs) in emerging countries. The microfinance investment funds make debt and equity investment in MFIs. By doing so, they provide growth capital to entrepreneurial low-income people. The investments of Incofin IM target both financial and social return. The assets under management by Incofin IM amount to 180 million EUR, spread over 5 funds/facilities. The portfolio under management includes investments in 70 MFIs in more than 30 countries on 4 continents. These 70 MFIs reach more than 4 million micro-entrepreneurs.

By launching RIF II the total Asset under Management of Incofin IM will progressively increase to 300 million EUR.

Incofin IM has its head office in Antwerp, Belgium. New offices have been opened recently in Colombia (Bogota) and India (Chennai). Incofin IM is a specialist investor in rural microfinance.

Press contact Incofin Investment Management : Mr. Loïc De Cannière Tel.: +32 (0)3 829 25 62, Email: loic.de.canniere@incofin.be, website: www.incofin.be