

# FINDEV CANADA TRANSACTION SUMMARY

## Locfund Next, L. P.

*This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental and social (E&S) risk assessment performed, potential risks identified, and related mitigation measures to be implemented.*

# LocfundNext

## Transaction Description

Locfund Next Fund, launched in 2020, focuses on supporting microfinance institutions in Latin America and the Caribbean. The development impact value proposition of this follow-on investment in LFN is to support the fund and its client MFIs in deploying green loans to microfinance end-borrowers in LAC, fostering an inclusive and climate-smart growth.

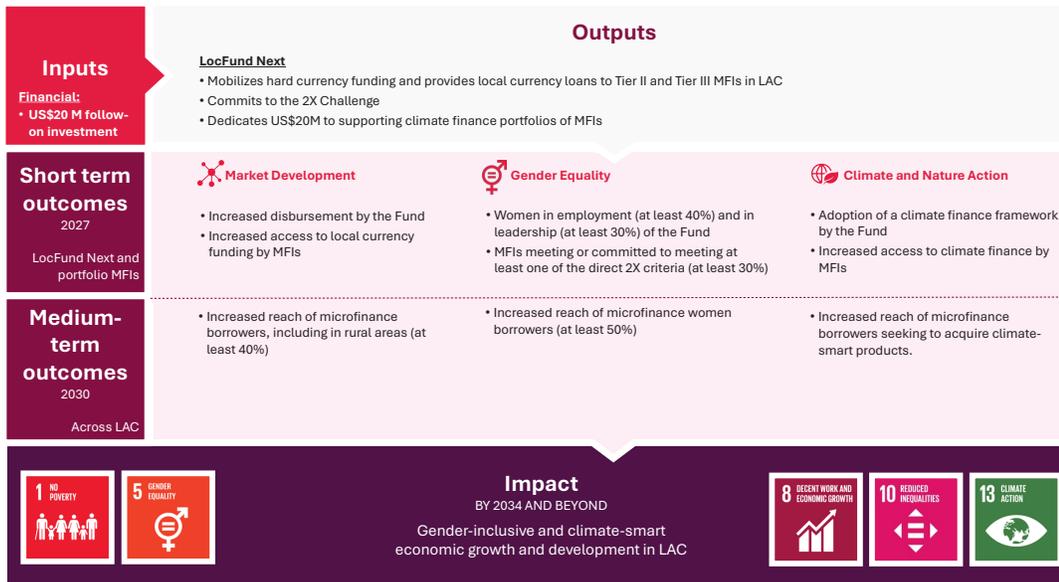
## Transaction Details

<b>COUNTERPARTY</b>	The "Borrower", "Locfund Next, L. P."
<b>DOMICILE</b>	Ontario, Canada
<b>COUNTRY(IES) OF OPERATION</b>	Latin America and the Caribbean
<b>TERM OF FINANCING</b>	The transaction is an additional \$20M follow-on debt commitment into LFN to be channeled to a pipeline of MFI clients that provide green loans. LFN was initially supported in 2022 with a financial package of \$15M to strengthen its lending capacity to MFIs in LAC all the while applying a gender lens across its operations.
<b>SECTOR</b>	Financial Services
<b>E&amp;S CATEGORY</b>	Category FI-3
<b>FINANCING PRODUCT</b>	Debt
<b>FINDEV CANADA TRANSACTION AMOUNT</b>	USD 20 million
<b>DATE OF TRANSACTION DISCLOSURE</b>	02 April 2025
<b>DATE OF TRANSACTION SIGNING</b>	14 October 2025
<b>DATE OF TRANSACTION SUMMARY PUBLICATION</b>	6 February 2026
<b>2X ALIGNMENT</b>	Yes, under the Employment and Leadership criteria, and a Portfolio commitment.

## Summary of Anticipated Development Impacts

The development impact value proposition of this investment in LFN is to contribute to gender-inclusive and climate-smart economic growth and development in Latin America and the Caribbean (LAC) by supporting microfinance institutions (MFIs) in deploying green loans to microfinance borrowers.

The impact theory of change below summarizes how LocFund Next will contribute to FinDev Canada's long-term development impact goals and the Sustainable Development Goals (SDGs).



### MARKET DEVELOPMENT

- **Expand access to local currency financing for MFIs to reach microfinance borrowers, including those in rural areas:** The Fund provides local currency financing to Tier II and Tier III MFIs in LAC, helping mitigate foreign exchange risks and enabling MFIs to allocate more resources to microfinance operations. The Fund has provided the equivalent of US \$315 million in local currency financing to 57 MFIs across 14 countries. To date, the Fund has reached 265,000 end-borrowers, with 56% from rural areas.



### GENDER EQUALITY

- **Promote women's access to finance:** Women in LAC face a 7% gap in account ownership compared to men, which limits their access to formal financial services.<sup>1</sup> As a 2X Flagship Fund, LFN applies a gender-lens approach in lending to MFIs, where 96% of clients are currently 2X-aligned and women represent 67% of end-borrowers.

<sup>1</sup>Global Findex Database, 2021. [Financial Inclusion in Latin America and the Caribbean | FinDev Gateway](#)



- **Introduce climate-lens financing for MFIs:** LFN is integrating climate considerations into its operations for the first time, aiming to promote climate finance among MFIs and their borrowers. The transaction's proceeds will be used exclusively to finance climate-related loans to MFIs, including those for solar energy, energy efficiency, clean cooking, and climate-smart agriculture, in line with MDBs/IDFC Common Principles for Climate Finance.

### Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

The E&S risks associated with this transaction lie with the individual MFIs that Locfund Next supports with FinDev Canada's funds. The on-lending can have some potential adverse environmental and social risks due to the exposure to sectors such as agriculture and micro/small renewable energy including in rural areas, and target investments in countries with contextual risks, including elevated human rights risks, gender-based violence and harassment and workers' rights. In addition, the target beneficiaries of microfinance loans include vulnerable population, such as women and rural communities, with exposure to client protection risks, including potential issues related to over indebtedness. Furthermore, there are risks related to the Fund Manager's management of labour and working conditions related to their employees.

Overall, transaction-related E&S risks are expected to be low to moderate and mitigated by LocFund Next's environmental and social management system (ESMS) and Human Resources Policy, which are aligned with the IFC Performance Standards as well as national laws. Given the focus of the transaction on climate finance, additional recommendations have been included in an Environmental and Social Action Plan (ESAP) to inform the development and implementation of a climate or green finance framework, and to update the ESMS for the identification and management of climate -related risks.

This review was completed in accordance with FinDev Canada's Environmental and Social Policy.

The following International Finance Corporation (IFC) Performance Standards were applied in FinDev Canada's assessment in addition to host country requirements and the IFC Interpretation Note on Financial Intermediaries.

- IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts.
- IFC Performance Standard 2: Labour and Working Condition.