Early Warning System

DFC-2020-LOCFUNDNEXTL

Locfund Next L.P.

Quick Facts

Financial Institutions	US International Development Finance Corporation (DFC)
Status	Active
Bank Risk Rating	C
Borrower	Locfund Next L.P.
Sectors	Finance
Investment Type(s)	Guarantee, Loan
Investment Amount (USD)	$ 20.00 million
Project Cost (USD)	$ 97.00 million

Project Description

Project Description

The Fund will use the proceeds of the DFC loan to makes loans, primarily in local currency, to microfinance institutions (“MFIs”) across Latin America (the “Project”). The Fund will lend to Tier II and Tier III MFIs, which are relatively smaller and operate in underserved markets.

Developmental Objectives

This Project is in response to the economic fallout resulting from the COVID-19 Pandemic. The Project is expected to have a highly developmental impact on the Latin American and Caribbean region through the provision of banking services to low-income individuals, many of which are women, and a technical assistance facility to microfinance institutions, which will facilitate their ability to better serve last-mile clients via mobile phone banking services. Latin America and the Caribbean region are marked by high levels of income inequality which exacerbates poverty in the region. The COVID-19 Pandemic is expected to push an additional 18 to 23 million individuals into poverty. Women in Latin America and the Caribbean are more likely to experience poverty compared to men as there are 113 women for every 100 men living in poverty. The Fund will provide technical assistance to 42 micro-finance institutions. The technical assistance objective is twofold to provide aid to MFIs to reach last-mile downstream borrowers through mobile phone-based banking services and to improve the client MFI’s technological, financial and admirative tools, risk management in an effort to prepare them to seek financing in traditional capital markets. The Project will inject $97 million dollars of liquidity to MFIs providing loans averaging $1,500 to 200,000 downstream borrowers who comprise the region’s most economically vulnerable populations.

Investment Description

- US International Development Finance Corporation (DFC)

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- Locfund Next L.P. (Financial Intermediary)

Contact Information

ACCESS TO INFORMATION

Unlike many other development finance institutions, DFC does not currently have an access to information policy.

Under the United States Freedom of Information Act (FOIA), DFC is obliged to respond to reasonably formulated requests for Agency records. However, DFC may apply exemptions from release to certain types of information and may charge fees in responding to requests. DFC has a designated FOIA officer who is trained in how to respond to requests and implement the law. You can learn more about filing a FOIA request at: https://www.dfc.gov/foia

ACCOUNTABILITY MECHANISM OF THE UNITED STATES INTERNATIONAL DEVELOPMENT FINANCE CORPORATION (DFC)

The Office of Accountability is an independent office that addresses complaints about environmental or social issues related to DFC-supported projects. The office provides communities an opportunity to have concerns independently reviewed and addressed. If you submit a complaint to the Office of Accountability, it may assist you by either seeking to address your problems by facilitating a problem solving dialogue between you and those implementing the project and/or investigating whether the DFC complied with its policies to prevent environmental, social, human rights, and labor harms.

You can find more information about the Office of Accountability at: https://www.dfc.gov/who-we-are/office-accountability

Bank Documents

- Project Disclosure [Original Source]