

Environmental and Social Review Summary (“ESRS”) Locfund Next / Project 13764-01 – Regional

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- 1. Scope of Environmental and Social (E&S) Review.** The proposed project seeks to support Locfund Next in its financing operations to MFIs across Latin America and the Caribbean. IDB Invest reviewed details of their ESMS, a recent consultant’s report on the same, and had several client calls. Locfund’s E&S management and related policies and procedures are considered consistent with the requirements of the IDB Invest’s Sustainability Policy. Locfund is an existing client of IDB Invest.
- 2. Environmental and Social Categorization and Rationale.** This operation is classified as a Category FI-3 given that the subprojects (MFIs) in Locfund’s current and future portfolio are low risk. Currently, the portfolio segmentation of their operations consists exclusively of MFIs. The average loan size to each MFI is expected to be US\$1.6 million and microfinance loans provided by MFIs are expected to be less than \$1,500 on average.
- 3. Environmental and Social Risks and Impacts.** The main E&S risks of this project are associated with Locfund’s capacity to identify and manage the E&S risks associated with its lending activities. Locfund’s capacity in this respect is considered satisfactory and no action plan is required to enhance environmental and social management has been defined. The Environmental Social Health and Safety (ESHS) impacts and risks associated with loans to its portfolio borrowers are likely to be minimal in nature. A review of Locfund’s HR policies demonstrates compliance with Performance Standard 2.
- 4. Mitigation Measures.** Locfund implemented an updated ESMS in 2021. The ESMS provides a detailed policy and set of procedures that specify the level of E&S due diligence Locfund undertakes on borrowing MFIs. Any borrowing MFI is expected to have a basic E&S screening process in place, and where gaps are identified, agree to implement such procedures as a contractual requirement. Locfund’s assessment evaluates E&S issues, fair lending practices, as well as alignment to certain SDG goals. MFI’s report annually to Locfund. Under IDB Invest’s loan to Locfund, the borrower will be expected to comply with local legislation, IDB Invest’s List of Excluded Activities and take the IDB Invest on-line training course for low risk FIs. No action plan is required.
- 5. Environmental and Social Action Plan:** N/A.

6. Contact Information For project inquiries, including environmental and social questions related to an IDB Invest transaction please contact the client (see **Investment Summary** tab), or IDB Invest using the email requestinformation@idbinvest.org. As a last resort, affected communities have access to the IDB Invest Independent Consultation and Investigation Mechanism by writing to mecanismo@iadb.org or MIICI@iadb.org, or calling +1(202) 623-3952.