October 24, 2011

Fact Sheet: Explanation of DCA Goals and Agency-wide Target

Background

USAID has embarked on an ambitious reform effort, USAID Forward, to change the way the Agency does business—with new partnerships, an emphasis on innovation and leverage and a focus on results.

The Development Credit Authority (DCA), USAID's primary instrument for leveraging private sector financing, has leveraged more than $2.2 billion of private capital debt financing in more than 68 countries since 1999. The guarantee facility's successful history of leveraging local private sector lending facilities in support of USAID development objectives makes it a unique tool for delivering on the promise of USAID Forward.

As part of USAID Forward and the Agency's new approach to Economic Growth, a new Agency-wide target to triple the annual volume of commercial financing using the Development Credit Authority (DCA) was established, with the ultimate goal of:

- Unlocking $2.5 billion in additional private-sector financing in support of USAID's global development objectives by the end of 2016
- Providing guarantee-backed loans to 64,000 more borrowers across all USAID development sectors by 2016
- Positively impacting the lives of 1.5 million more people through these credit facilities
- Partnering with 200 privately held credit institutions who have undergone stringent USAID risk-review processes

These aggressive but achievable goals will help deepen the sustainability of USAID programming, extract more value from the Agency's development dollars, and leverage private sources of capital to support Agency priorities.

USAID Forward DCA Target and Indicator

Innovation Target - DCA: By the end of FY 2016, the Agency will triple the total annual private commercial capital leveraged through the Development Credit Authority. As an Agency, the total amount of private-sector financing leveraged in 2016 will be the equivalent of 5% of USAID program funding.

Indicator: % of program funds dedicated to leveraging commercial private capital through the Development Credit Authority across all development sectors and regions.

Understanding the Target: Methodology and Assumptions[1]

DCA Projections Details

Line	USAID Forward Area	Baseline FY2011	Target End of 2012	Target End of 2013	Target End of 2014	Target End of 2015	Target End of 2016	Total
1	Total Program Funds Allowed To USAID Missions For Fiscal Year 2011	$ 13,887,679,843.15	$ 13,887,679,843.15	$ 13,887,679,843.15	$ 13,887,679,843.15	$ 13,887,679,843.15	$ 13,887,679,843.15	$ 83,326,079,058.90
2	Total DCA Subsidy Obligations	$ 13,577,993.48	$ 22,220,287.75	$ 27,775,359.69	$ 34,719,199.61	$ 41,663,039.53	$ 55,550,719.37	$ 195,506,599.43
3	Total Private Sector DCA Leverage (Including Big Idea)	$ 221,753,639.00	$ 269,336,821.20	$ 336,671,026.50	$ 420,838,783.13	$ 505,006,539.75	$ 673,342,053.00	$ 2,426,948,862.58
4	Total DCA Credit Leverage as % of Agency Program Funds	2%	2%	2%	3%	4%	5%	CAGR 20.3%
5	% of program obligations dedicated to leveraging DCA partial credit guarantees across all development sectors	0.10%	0.16%	0.20%	0.25%	0.30%	0.40%	CAGR 26.5%

Figure 1

The targets were established using DCA's FY 2011 guarantee partnership obligations as the benchmark.

- Total Program Funds Allowed to USAID Missions reflects actual program funds allowed to USAID Missions in FY 2011. This figure was flat-lined through 2016 for the purposes of the projections exercise (*Line 1 in Fig. 1*)
- The "subsidy cost" to USAID for doing DCA agreements represents the budgetary impact to USAID operating units for engaging in DCA agreements (*Line #2 in Fig. 1*)
- The total volume of private commercial capital leveraged through the DCA *(Line 3 in Fig. 1)* represents the total amount of financing that DCA partners are authorized to make in DCA-guaranteed loans. Note that this figure is projected to triple from $221m in FY 2011 to $673m in FY 2016.
- Total DCA commercial capital leverage as a percentage of overall USAID agency-wide program funds *(Line 4 in Fig. 1)* is projected to increase from the 2% in FY 2011 to 5% in FY 2016
- The Agency-wide performance indicator for DCA that will be tracked on an annual basis is DCA subsidy obligations as a percentage of overall agency-wide program funds obligated *(Line 5 in Fig. 1)*. Note that the actual DCA subsidy obligations in FY 2011 represented 0.10% of overall obligated USAID program funds. It is projected that by 2016, this figure will increase to 0.40% of obligated USAID program funds.

Measuring Impact

To determine the total number of beneficiaries under the projected guarantee partnerships, USAID determined the average loan sizes, number of beneficiaries under DCA's traditional funding models, and an estimate of expected beneficiaries from global/multi-country deals generated by DCA's Strategic Transactions Group. The following table shows the methodology for how final expected outcomes were derived.

a. Traditional funding	2012	2013	2014	2015	2016	Total
MCD, USD millions	221	269	336	420	505	1,751
Number of deals	27	30	47	58	61	223
Weighted Avg. loan size, USD	19,065	19,065	19,065	19,065	19,065	
Number of borrowers	8,114	9,877	12,337	15,421	18,542	64,291
Number of beneficiaries	94,667	115,229	143,929	179,911	216,321	750,057

b. Strategic Transactions	2012	2013	2014	2015	2016	Total
STG MCD, USD millions	50	100	-	100	-	250
Number of deals	1	1	-	1	-	3
Borrowers	1	1	-	1	-	3
Beneficiaries	250,000	250,000	-	250,000	-	750,000

c. Total (a + b)	2012	2013	2014	2015	2016	Total
Total financing, USD millions	269	337	421	675	709	**2,411**
Total borrowers	8,115	9,878	12,337	15,422	18,542	**64,294**
Total beneficiaries	344,667	365,229	143,929	429,911	216,321	**1,500,057**
Total number of deals	28	31	47	59	61	**226**

[1] The projections assume a straight-lined level of program funding allotted to USAID Missions, using FY2011 as benchmark

CAGR- Compound annual growth rate: an average growth rate over a period of several years.

FAQs:

- How is "Private Commercial Capital Leverage" defined under this indicator?
  - The Maximum Cumulative Disbursements authorized under a DCA guarantee agreement.
- Will other non-DCA obligations that leverage private commercial financing – such as financing initiatives under the Africa Private Capital Group – count towards this target?
  - Yes. For example, other non-DCA obligations to support debt or equity investments in SME funds can be counted towards this target (e.g. if $40m of USAID funds go into an Enterprise Fund in Tanzania, that will count towards this target)
- How will year-on-year progress on the targets be measured?
  - The annual projected benchmarks outlined in Fig.1 will serve as a year-on-year guide to how the Agency is performing under this indicator, relative to total program funding *(Line 5 in Fig. 1)*. We will be monitoring on an annual basis relative to these projections. However, Missions will have the flexibility to adjust program allocations as needed – doing more in one year, balanced by less activity the following year. *DCA Investment Officers will be working with Mission and Regional Bureaus to come up with appropriate goals for each Mission.* The goal is to ensure that the agency as a whole is on track to hit .40% of program expenditure through DCA and related initiatives by 2016.
- What was the actual regional breakdown of program funds in FY2011, relative to DCA?

Region	Total Program Funds Allotted to Missions, FY11	Total FY11 DCA Subsidy Obligations	% of Total
AFR	$ 4,479,012,697.06	$ 6,474,500.00	0.14%
ASIA	$ 4,484,187,101.09	$ 1,355,155.00	0.03%
E&E	$ 544,166,304.71	$ 3,059,009.48	0.56%
LAC	$ 1,653,569,605.45	$ 1,133,680.00	0.07%
MENA	$ 2,726,744,134.84	$ 1,555,649.00	0.06%
Grand Total	**$ 13,887,679,843.15**	**$ 13,577,993.48**	0.10%