

# The Development Credit Authority (DCA)

## An Overview of USAID's Credit Guarantees for Financial Partners

### DCA Portfolio: 1999 - 2009

- \$1.8 Billion in Credit Available
- \$752 Million Mobilized
- 1.3% Claim Rate
- A Variety of Sectors:

<b>SME</b>	<b>Infrastructure</b>
<b>Agriculture</b>	<b>Energy</b>
<b>Microfinance</b>	<b>Education</b>
<b>Housing</b>	<b>Health</b>
<b>Water</b>	<b>Environment</b>

### From Start-Up to Multi-Million Dollar Client



Photo: Kofi Owusu-Boakye

*One of the six forklifts purchased by Safebond with money borrowed from a private Ghanaian bank. The \$600,000 loan was guaranteed by USAID, mitigating the risk to the bank and enabling it to extend a loan to a young business. The bank has since made repeated loans to Safebond and helped to grow their employment base from 36 to 800 in five years all while generating healthy returns.*

### A Public-Private Partnership with the US Government

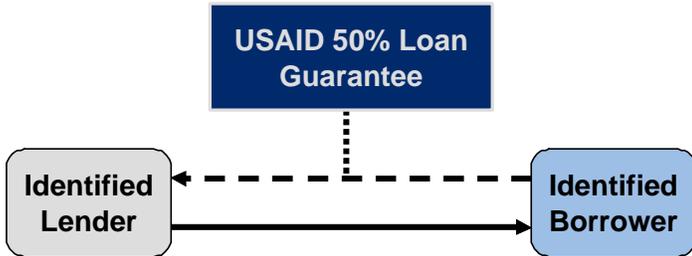
Around the world, USAID uses the DCA to mitigate risks of financial institutions through the issuance of partial credit guarantees backed by the full faith of the U.S. Treasury. Through the DCA, financial institutions can reduce collateral requirements, lengthen loan tenors, and explore new markets with the safety of a credit guarantee. The guarantees cover debt transactions including term-loans, financial leases, wholesale loans, and a variety of other debt instruments.

DCA guarantees are a flexible tool and generally meet the following principles:

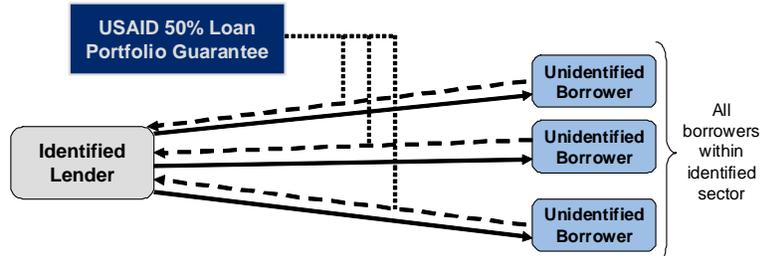
- A 50% pari passu guarantee on principal of the loan(s)
- A guarantee of realized loss, requiring the following claim procedures:
  - Wait 90 days after the final letter of demand is sent to the client
  - Write-off of the loan or a minimum 20% provision if a legal impediment exists to writing-off the loan
- Cover loans from \$50 to \$100,000,000
- Guarantee loans ranging from 6 months to 20 years
- Ability to guarantee local and foreign currency
- Fees to incent partners rather than generate income for USAID
  - Origination Fee: A one-time, up-front fee on the total guaranteed amount
  - Utilization Fee: An annual fee on the average outstanding guaranteed loan amount paid twice a year
- Simple internet-based semi-annual reporting with no loan-by-loan approval
- Synergies with multi-million dollar USAID programs
- Share recoveries pro-rata with USAID net of legal fees and 6-months accrued interest

# USAID's Standard Guarantee Products

## Loan Guarantee (LG)



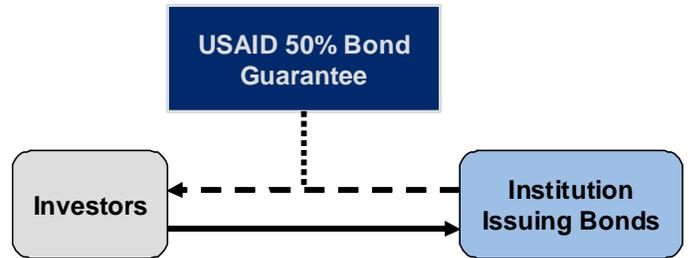
## Loan Portfolio Guarantee (LPG)



## Portable Guarantee (PG)



## Bond Guarantee (BG)



## Countries with USAID Credit Guarantees: 1999 - 2008

