Development Credit Authority

An Overview of USAID's Credit Guarantees

DCA Portfolio: 1999 - 2011

- **1.75% default rate across 67 countries**
- **Fees received: $10 million**
- **Claims paid: $8.3 million**
- **$2.3 billion in credit made available:**

SME	**Infrastructure**
Agriculture	**Energy**
Microfinance	**Education**
Housing	**Health**
Water	**Environment**

Empowering People

Changing Lives

Credit: Morgana Wingard

A USAID loan guarantee enabled an entrepreneur in Uganda to receive a loan large enough to expand his business. As a result, his profits increased from 15 million to 50 million Ugandan shillings, and employment increased from 10 to 50. The borrower repaid in full and since received another loan, double in size, without the guarantee.

Putting Local Wealth to Work

There is a large reserve of untapped capital in financial institutions within developing countries, where many banks prefer to keep their money in ultra-secure investments rather than lend to businesses and sectors that need credit to grow. The Development Credit Authority (DCA) allows USAID to mobilize this wealth by using partial credit guarantees to share risk with local banks. As a result, DCA guarantees support U.S. foreign assistance objectives at a minimal cost to the U.S. taxpayer by encouraging local financial institutions to lend their own money to new sectors and regions. In countries where USAID uses DCA to mobilize financial resources, technical assistance providers offer training to develop the skills of borrowers and bankers.

DCA guarantees are based on the following principles:

- **Risk-Sharing Partnerships** USAID credit guarantees are backed by the full faith and credit of the U.S. Treasury. A financial institution that has a guarantee agreement with USAID makes loans using their own capital. Generally, USAID will pay up to 50 percent of a claim in the event of a realized loss. Sharing risk with financial partners encourages them to perform due diligence before making a loan.

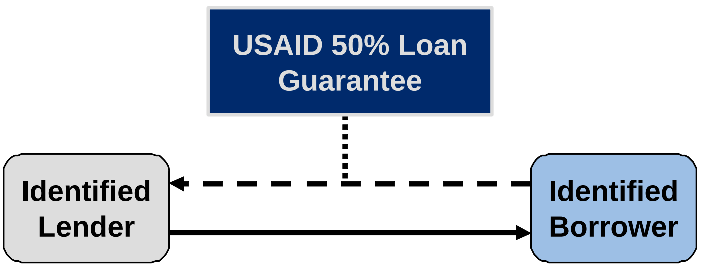
- **Additionality** Financial insitutions use the Development Credit Authority to make loans that they would not otherwise extend on their own. The guarantee allows lenders to take on additional risk, whether that is by creating a new loan product, offering different loan terms, or lending to a new sector.

- **Sustainability** Experience shows that when a USAID guarantee expires, banks often continue lending to the same borrowers that they had previously perceived as unqualified. Competitor banks frequently enter the same market after observing the success of a DCA partner bank, increasing competition and improving terms for borrowers.

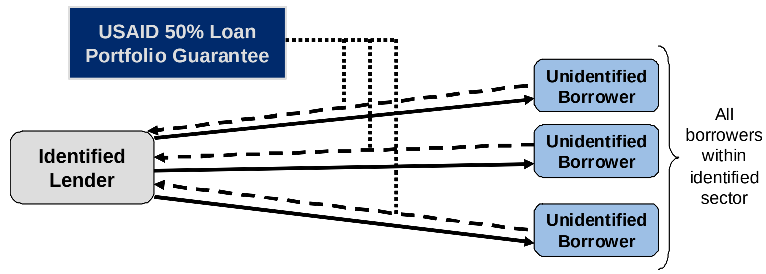
U.S. Agency for International Development
www.usaid.gov

USAID's Standard Guarantee Products

Loan Guarantee (LG)

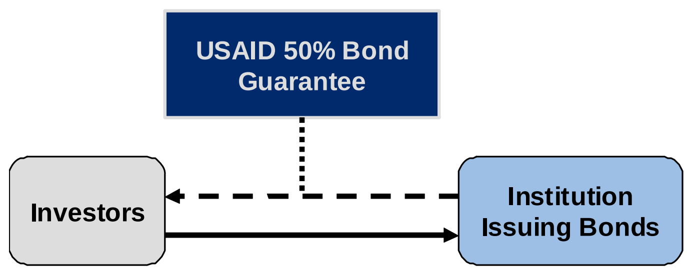


Loan Portfolio Guarantee (LPG)



Portable Guarantee (PG)

Bond Guarantee (BG)



Countries with USAID Credit Guarantees