



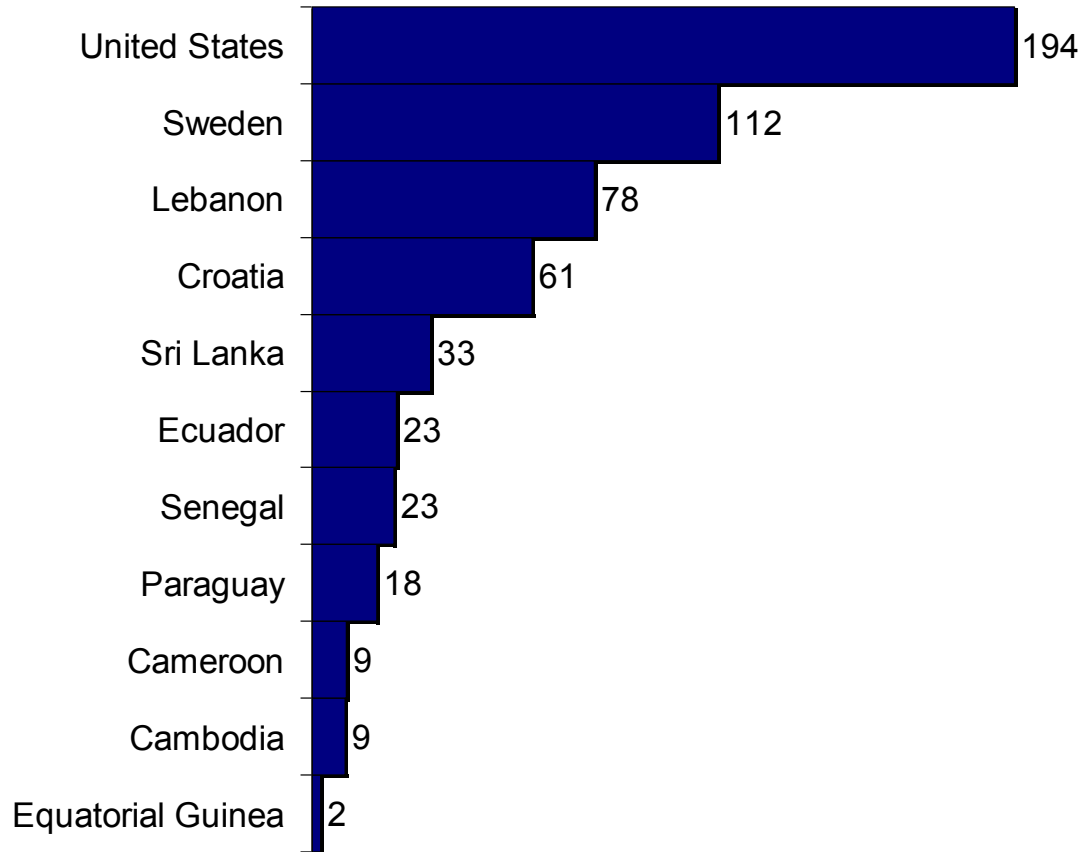
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# **USAID's Development Credit Authority (DCA)**



# Domestic Credit Provided to Private Sector

(as % of GDP)





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## Why Credit Guarantees?

- **Private sector resources mobilized**
- **Market demonstration effect; catalyst for growth of local credit markets**
- **Complement to technical assistance and policy reform**



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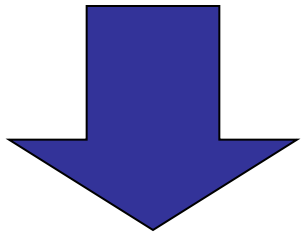
# What is the Development Credit Authority (DCA)?

- **Legal Authority for USAID to issue Credit Guarantees**
- **Guarantees backed by US Treasury**
- **Reduces the risk associated with lending to new sectors and new clients**

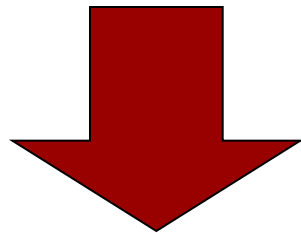


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## Impact of Credit Guarantees



**Risk Perception**



**Collateral Requirements**



**Longer-term Financing**



# Four Types of Guarantees

- **Loan Portfolio Guarantee (LPG)**

Provides up to 50% coverage on a series of loans from a lender(s) to a pool of borrowers

- **Loan Guarantee (LG)**

Both Lender(s) and Borrower(s) are identified up-front

- **Portable Guarantee (PG)**

Allows target institution (borrower) to “shop” around for best loan package

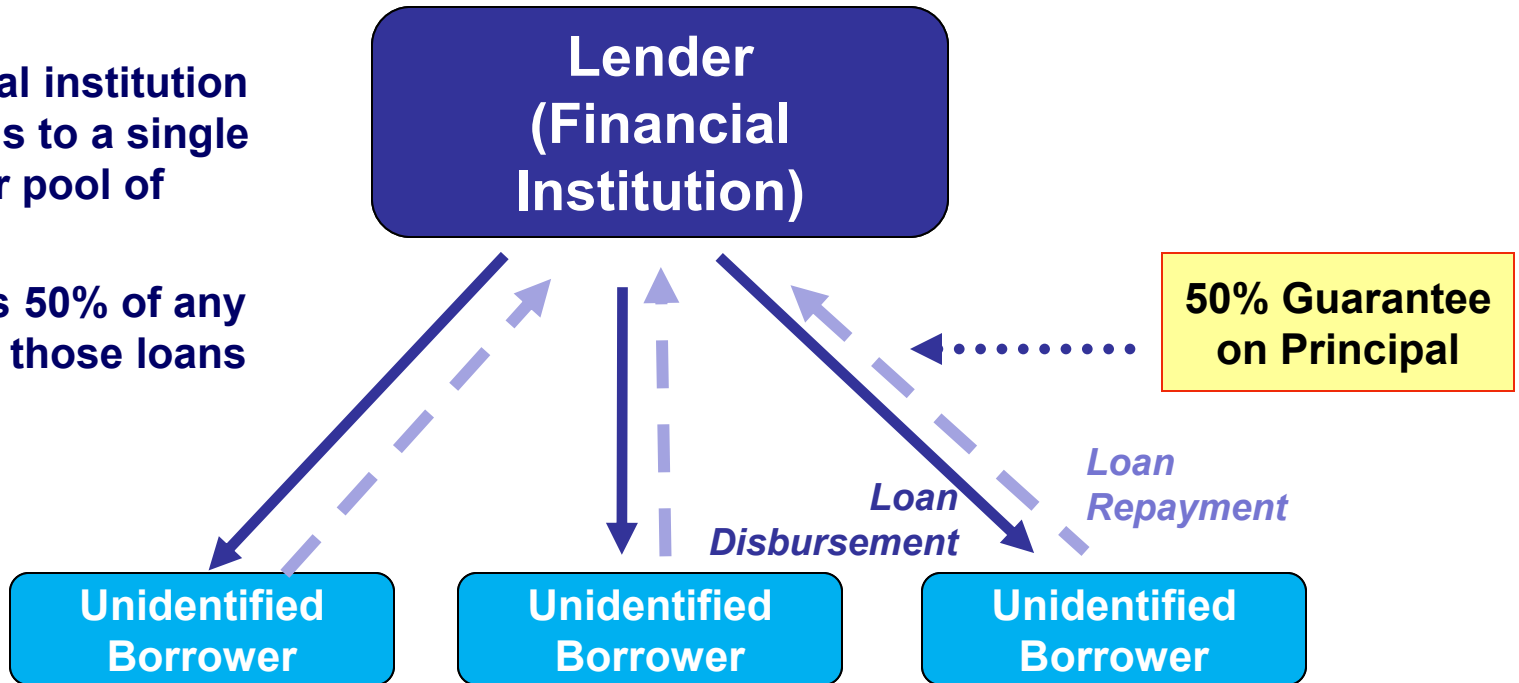
- **Bond Guarantee (BG)**

Provides up to 50% principal coverage to bond investors



# What exactly are we talking about?

- USAID signs an agreement with a financial institution
- The financial institution makes loans to a single borrower or pool of borrowers
- USAID pays 50% of any defaults on those loans





## Guiding Principles

- **Mission-Driven**
  - Missions primarily responsible for design and implementation
  - DCA is a tool to support Mission's development objectives
  
- **True Private Sector Risk-Sharing**  
(generally USAID covers no more than 50% of lender's risk of loss)
  - Reduces "Moral Hazard"
  - Sustainability
  - Additionality



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## Guiding Principles

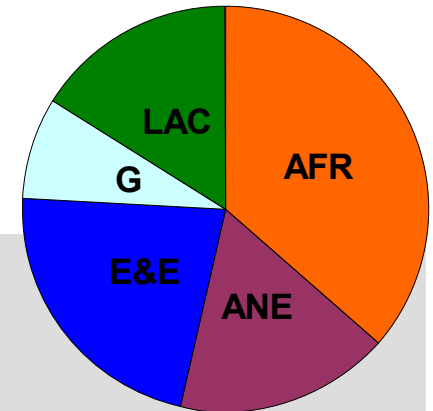
- **Fees to encourage Utilization**
- **Currency Flexibility**
- **No sovereign borrowers, but can cover sub-sovereign: states, municipalities, cities**
- **DCA most effective when linked to Technical Assistance or Policy Reform**



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# DCA Guarantees Worldwide

The DCA portfolio of 267 guarantees spans 64 countries.



## Latin America & Caribbean

Colombia  
Costa Rica  
Dominican Republic  
Ecuador  
El Salvador  
Grenada  
Guatemala  
Guyana  
Haiti  
Honduras  
Jamaica  
Mexico  
Nicaragua  
Panama  
Paraguay  
Peru

## Africa

Angola  
Burundi  
DRC  
Ethiopia  
Ghana  
Kenya  
Liberia  
Malawi  
Mali  
Mozambique  
Nigeria  
Rwanda  
Senegal  
S. Africa  
Swaziland  
Tanzania  
Uganda  
Zambia  
Zimbabwe

## Europe & Eurasia

Albania  
Armenia  
Azerbaijan  
Bosnia  
Bulgaria  
Croatia  
Georgia  
Kazakhstan  
Kosovo  
Kyrgyzstan  
Macedonia  
Moldova  
Romania  
Russia  
Serbia  
Tajikistan  
Ukraine

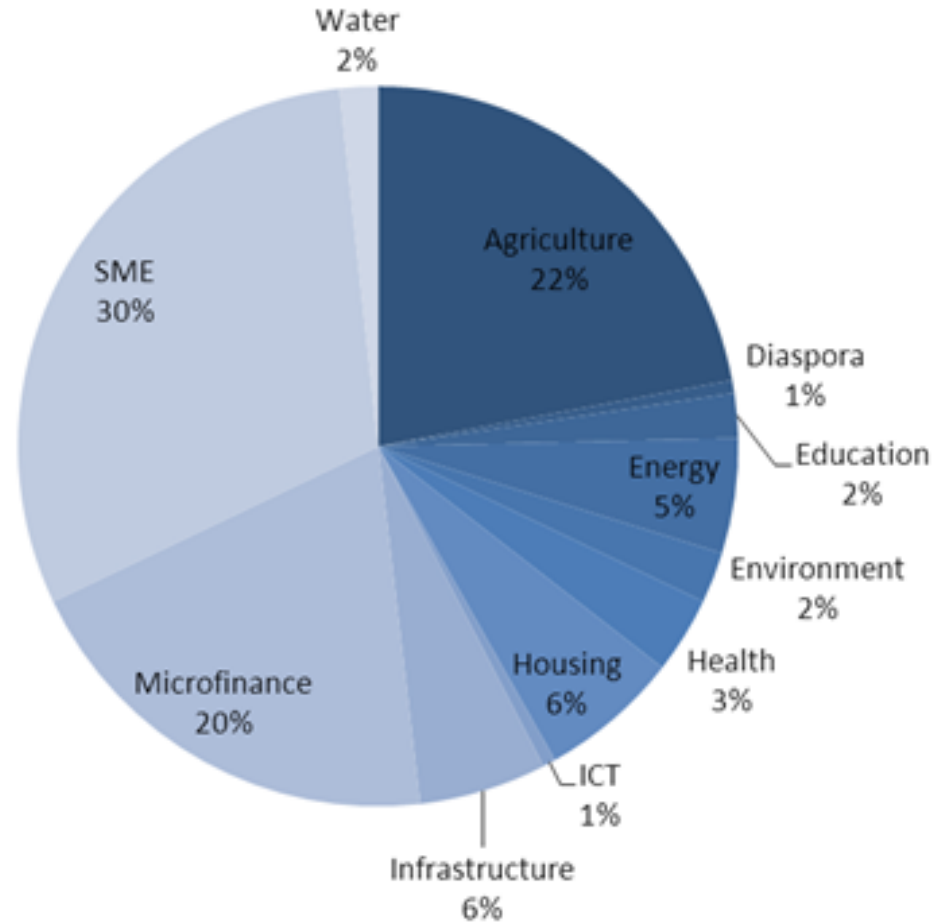
## Asia & Near East

Afghanistan  
Bangladesh  
Egypt  
India  
Indonesia  
Jordan  
Mongolia  
Morocco  
Philippines  
Sri Lanka  
Vietnam  
West Bank/Gaza



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# Credit Guarantees Can Support Basically Any Sector...



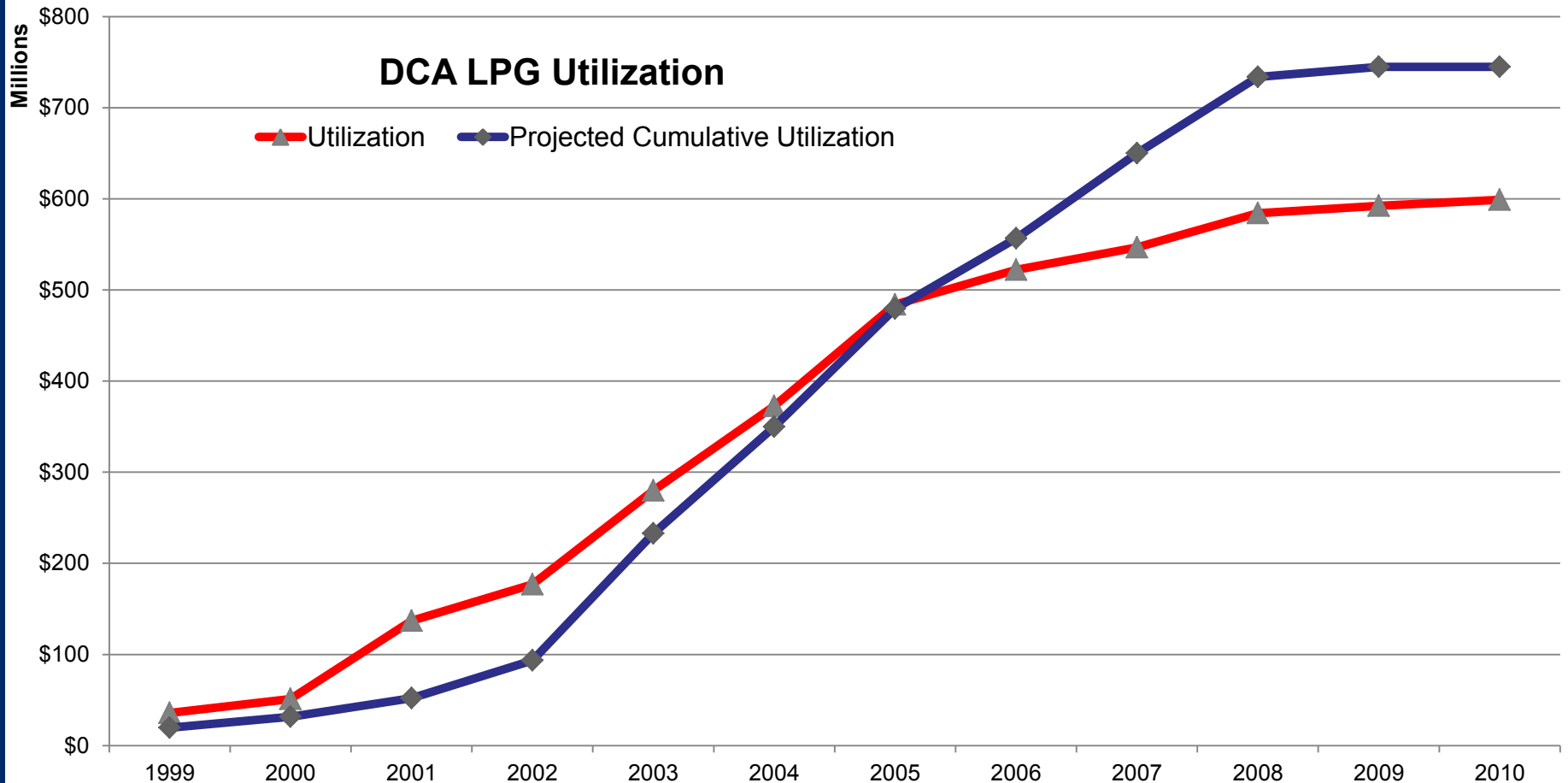
*\$2.3 billion in private-sector credit has been mobilized since DCA's inception in FY99 at a cost of \$82 million to USAID.*



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# DCA LPG Utilization 1999 - 2010

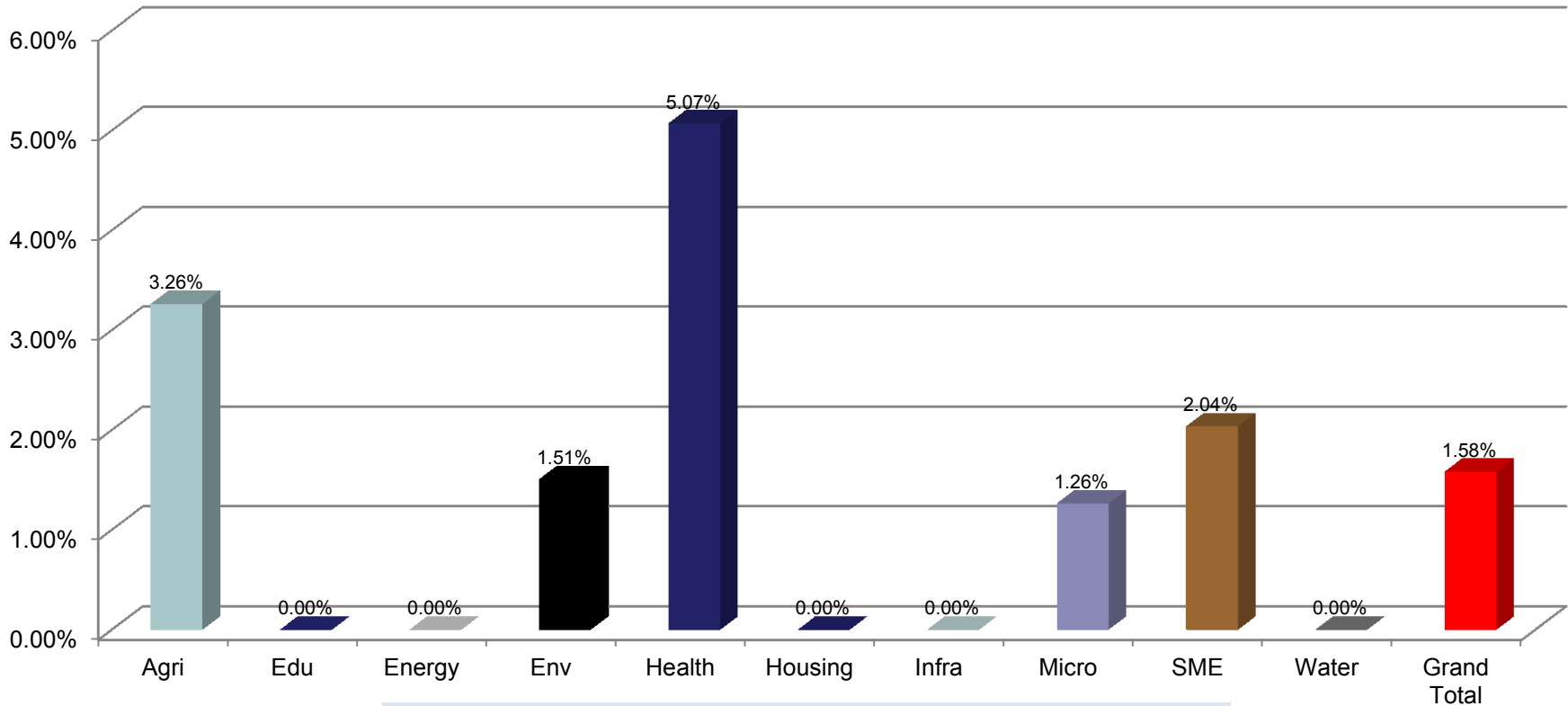
- The utilization rate for the 91 guarantees that have expired is 79%
- LPG utilization has been stagnant in the past two years, partly on account the global credit crisis (see graphic below).





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# DCA Default Rates, By Sector: 1999 - 2010



Primary Target Sector Code	Sum of Cumulative Utilization	Sum of Claims
Agri	\$ 121,991,130.00	\$ 1,989,581.00
Edu	\$ 966,043.00	\$ -
Energy	\$ 25,560,939.00	\$ -
Env	\$ 5,532,468.00	\$ 41,650.00
Health	\$ 4,106,348.00	\$ 104,116.00
Housing	\$ 40,119,646.00	\$ -
Infra	\$ 75,103,832.00	\$ -
Micro	\$ 221,104,137.00	\$ 1,396,922.00
SME	\$ 287,741,073.00	\$ 2,929,353.00
Water	\$ 34,254,347.00	\$ -
<b>Grand Total</b>	<b>\$ 816,479,963.00</b>	<b>\$ 6,461,622.00</b>



## DCA opens up local sources of private capital to underserved sectors.

<b>DCA Statistics</b>	<b>Amount (USD)</b>
Total Credit Mobilized	\$2.3 billion
Cumulative Utilization	\$816 million
Aggregate Claims Paid	\$6.4 million
Fees Received	\$8.5 million
Total Cost to USAID	\$82 million



## **DCA is a very cost effective tool to leverage private capital.**

- Total Cost to USAID as a percentage of Total Credit Mobilized: 3.6%
- Yields a leverage factor of: 28 to 1

## **Despite the impact of the global financial crisis, default rates remain low.**

- Aggregate Claims Paid as a percentage of Cumulative Utilization based upon USAID's 50% contingent liability: 1.56%



## Lessons Learned

- **Selecting Right Partner**
- **Technical Assistance for PFIs and Borrowers**
- **Actively Monitoring Guarantee Performance**

***DCA is a tool to test the market but it is not the long term solution. DCA facilitates PFIs to get to this point.***



## Findings from DCA Evaluations

- DCA guarantees enable partner banks to lend to new sectors and new markets
- Allows partner banks to reduce collateral requirements for their clients
- DCA experience has influenced other financial institutions to enter the market
- Impact includes creation of private guarantee corporation in Moldova and a water revolving fund in the Philippines



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# Moldova





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# Bosnia

## Projekt USAID-a i Sida **Za MSP 40 MILIONA DOLARA**

**Program će osigurati 40 miliona dolara potrebnih kreditnih sredstava, čime će se stimulirati ekonomski razvoj i otvaranje novih radnih mjesta**

Sporazum o garanciji kreditnog portfolija vrijednog 40 miliona dolara potpisan je jučer u Sarajevu između Američke agencije za međunarodni razvoj, Švedske međunarodne organizacije za razvojnu pomoć, Raiffeisen Bank BiH i Volksbank BH. Zajednički program kreditnih garancija USAID-a i Sida unaprijedit će mogućnost bh. banaka da finansiraju kredite namijenjene malim i srednjim preduzećima u BiH.

Program će osigurati 40 miliona dolara potrebnih kreditnih sredstava, čime će se stimulirati ekonomski razvoj i otvaranje novih radnih mjesta. Ovaj program je prvi koji se realizira u BiH u okviru globalnog memoranduma o razumijevanju koji su USAID i Sida potpisali u Washingtonu u martu.

Američki ambasador u BiH Patrick Moon kazao je da je ova podrška BiH jedinstvena, budući da je ovo prvi put da je garancija kreditnog portfolija putem USAID-a urađena u direktnoj saradnji s drugim međunarodnim donatorom.

- Ovo je veliki korak naprijed ka ekonomskom razvoju BiH i pokazuje da BiH i međunarodna zajednica mogu pronaći jaka rješenja u postizanju neophodnih reformi, dodao je on.

Ambasador Švedske u BiH Bosse Hedberg je naglasio da će sporazum otvoriti put za kredite koji su namijenjeni razvoju malih i srednjih preduzeća i osigurati otvaranje novih radnih mjesta u priva-



Potpisnici sporazuma o garanciji kreditnog portfolija Foto: DZ. KRJIŠTORAC

### **PO 20 MILIONA DOLARA**

**Program će osigurati po 20 miliona dolara namijenjenih finansiranju malih i srednjih preduzeća u svakoj od ovih banaka**

tnom sektoru da bi se osigurao održivi razvoj tržišta, što je i najvažniji cilj.

Predsjednik Uprave i direktor Volksbanke BiH Reinhold Kolland govorio je o pozitivnim ishodima ovakvih projekata, budući da ova banka ima pozitivne primjere. On je naveo primjer firme koja se bavi drvnom industrijom koja je udvostručila svoj promet.

- Kada smo počeli pregovore s ovom firmom, ona je imala godišnji promet od oko četiri miliona KM. Pomogli smo im da otvore novi odjel za proizvodnju i putem ove kreditne linije učestvovali s oko 750.000 KM, a njihov promet je porastao na 10 miliona KM, pojasnio je Kolland, dodajući da je firma zaposlila još 35 novih radnika, a oko 90 posto njihovog asortimana izvozi se u Evropsku uniju.

Zamjenik direktora Raiffeisen Bank BiH Dino Osmanbegović također je naglasio da različiti projekti ovih agencija doprinose ekonomskom razvoju BiH.

Očekuje se da će zajednički resursi USAID-a i Sida za program kreditnih garancija utjecati na značajno dodatno finansiranje kredita namijenjenih produktivnim preduzećima u BiH. Program će osigurati po 20 miliona dolara namijenjenih finansiranju malih i srednjih preduzeća u svakoj od ovih banaka.

Do danas je vlada SAD-a, putem USAID-a, osigurala više od milijardu i po dolara namijenjenih podršci ekonomskom, demokratskom i socijalnom napretku BiH. Od 1998. do 2010. godine Sida je osigurala više od 450 miliona dolara namijenjenih podršci BiH.