Development Credit Authority

Putting local wealth to work

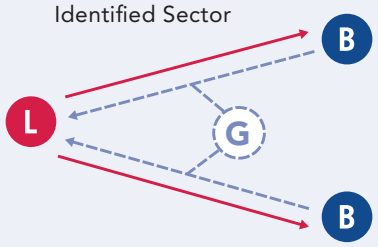
STANDARD DCA GUARANTEE PRODUCTS

LOAN GUARANTEE

- L Identified Lender
- B Identified Borrower

LOAN PORTFOLIO GUARANTEE

- L Identified Lender
- B Borrowers in an Identified Sector



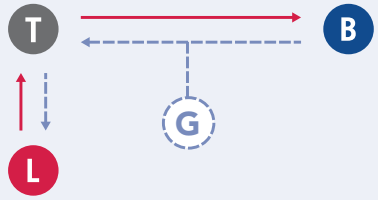
PORTABLE GUARANTEE

- L Unidentified Lender
- B Identified Borrower

Portable Guarantee Commitment Agreement

BOND GUARANTEE

- L Investors
- B Institution Issuing Bonds
- T Trustee



KEY

→ Loans/Funds ⇢ Repayment

(G) Guarantee

USAID OVERVIEW

The United States Agency for International Development (USAID) is the U.S. government agency that provides foreign assistance to support shared development objectives. USAID implements Development Credit Authority (DCA) guarantees.

DCA OVERVIEW

The DCA partial credit guarantee is designed to:

- Reduce risks to generate additional lending to underserved markets and sectors
- Demonstrate the long-term commercial viability of lending in developing markets

DCA PORTFOLIO 1999–2015

$4.3 BILLION in credit made available in **75 countries**

GENERAL FEATURES

- Guarantee **backed by the full faith and credit of the U.S. Treasury**
- Typically a 50% *pari passu* guarantee on loan principal (not fees or interest)
- Share recoveries *pro-rata* with USAID net of reasonable documented expenses actually incurred
- Guarantee of non-sovereign debt capital
- Guarantee on disbursements, typically used for term loans
- Flexibility to guarantee local and/or foreign currency
- Guarantee loan maturities of up to 20 years
- Loans registered online in a simple Internet-based Credit Management System
- Pre-approval not required for individual loans placed under loan portfolio guarantees
- Guarantees may be paired with USAID or other technical assistance projects that can:
  - Strengthen the borrower's ability to repay
  - Support the financial institution's lending capacity in a new sector

STANDARD TERMS

Guarantee of realized losses, requiring the following claim procedures:

- Wait 90 days after the final letter of demand is sent to the borrower
- Certify that reasonable collection efforts have been pursued
- Write off the loan or take a minimum 20% provision if a legal impediment exists to writing off the loan

Fees to achieve development impact:

- **Origination fee**
  A one-time, up-front fee based on the facility size
- **Utilization fee**
  A semi-annual fee based on the value of loans placed under the guarantee

www.USAID.gov/dca

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USAID FROM THE AMERICAN PEOPLE