

# USAID's Development Credit Authority in Asia

USAID's Development Credit Authority (DCA) utilizes partial credit guarantees to support development in Asia by driving private sector funds to target sectors. Guarantees allow USAID to share risk with investors, banks, microfinance institutions, leasing companies and other financial intermediaries to enable access to credit or credit on better terms, leading to increased investment, job creation, and economic growth on the continent.

Increasingly DCA has strived to drive change by creating and scaling capital markets alternatives to typical development approaches. Highlighted on the reverse side are examples of a traditional approach to a financing gap, with a more strategic approach highlighted underneath.

## DCA Portfolio in Asia: 1999-2015



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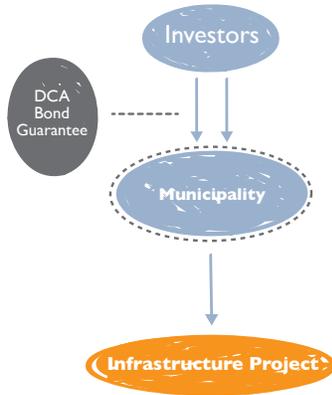
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DCA CAN IMPLEMENT INNOVATIVE APPROACHES TO MOBILIZE FINANCING IN ASIA, INCLUDING THROUGH THE FOUR MODELS DESCRIBED HERE

## URBAN RESILIENT INFRASTRUCTURE

**Building better urban infrastructure to decrease risks from urbanization and climate change.**

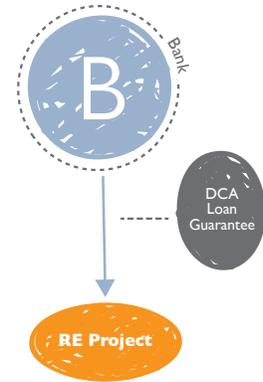
A Bond Guarantee supports municipalities raising funds for constructing infrastructure such as energy supply and distribution, water management and drainage, and roads and transport. As the infrastructure generates returns or savings, investors are repaid. DCA guarantees 50% of the principal to investors.



## CLIMATE CHANGE MITIGATION

**Mobilizing private capital to mitigate the impacts of climate change.**

A Loan Guarantee provided to a local bank for a renewable energy (RE) project (e.g., wind, solar, biomass generation) allows the project developer to attract debt capital on favorable terms and provides the lender comfort in extending a project finance loan.



Strategic Approach

Leverage pooled financing for municipalities by “pooling” municipalities’ borrowers’ needs. This way more capital can be raised and weaker municipalities benefit from a better credit rating. Economies of scale in the underwriting process allow transaction cost savings.

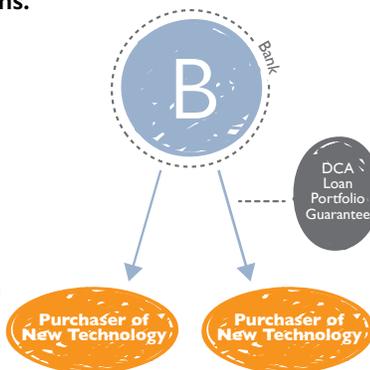
Strategic Approach

Attract a new class of investors through a Green Bond and enhance the issuer’s credit rating to raise capital for projects that mitigate the adverse effects of climate change, promote climate change resiliency, or have environmental benefits.

## NEW TECHNOLOGY DISSEMINATION

**Bridging financing gaps to scale innovative development solutions.**

A Loan Portfolio Guarantee with a financial partner enables businesses, farmers, etc., to purchase a new technology (e.g., equipment that will help produce more food with less water).



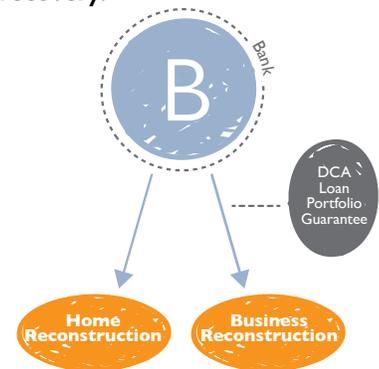
Strategic Approach

Provide a global Loan Portfolio Guarantee to a non-traditional financial partner such as the technology supplier making sales on credit to technology adopters.

## DISASTER RECOVERY

**Swiftly deploying tailored guarantees to support disaster response and recovery.**

A Loan Portfolio Guarantee targets businesses and families in affected sectors. Loans are structured to support essential needs of those in the disaster area, such as home and business reconstruction.



Strategic Approach

Guarantee 50% of principal to investors buying a catastrophe bond. If no disaster occurs, bondholders are repaid in full. In the case of a natural disaster, bond proceeds are deployed according to an established disaster recovery plan and a DCA claim payment is made.