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Development
Credit Authority
Putting local wealth to work

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2015 Impact Brief



About The Development Credit Authority (DCA)

The lack of access to credit is one of the primary constraints to economic growth throughout the developing world. Despite holding large sums of local capital, local banks and other formal financial institutions are often reluctant to lend this capital to small- and medium-sized enterprises, primary drivers of broad-based job creation and growth.

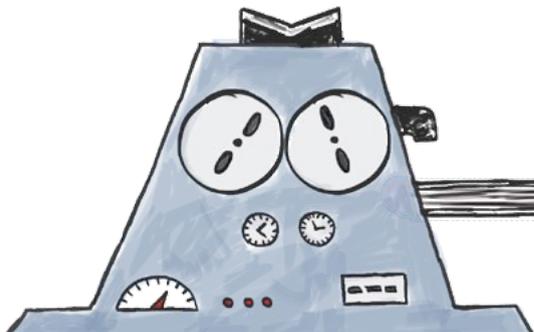
Through the use of DCA loan guarantees, USAID incentivizes these institutions to begin lending in new sectors and to new borrowers; lending that will both increase their bottom lines while promoting prosperity and security. This “crowding-in” of private capital through the use of guarantees is accomplished at a fraction of the cost of conventional donor support and seeks to permanently replace short-term donor funding with long-term and sustainable, locally-generated, private capital.

Since 1999, DCA guarantees have made possible \$4.2 billion in lending across 74 countries with 343 partner institutions. In most cases, lending to targeted sectors and borrowers has continued long after guarantee coverage expired, as borrowers demonstrate their creditworthiness to lending institutions, and those institutions come to understand their new customers better.

In 2015, USAID issued 47 guarantees across 23 countries, mobilizing \$695 million for USAID priorities. Guarantees this year have unlocked financing for apparel factory upgrades in Bangladesh, irrigation in India, asset leasing in the West Bank and Gaza, health equipment in Cameroon and Madagascar, “beyond the grid” renewable energy generation across Africa, and much more across the globe.

None of this work is possible without strong partnerships. This 2015 DCA Impact Brief highlights DCA’s many partnerships since its inception in 1999, with particular attention to its first-ever co-guarantee in Bosnia and Herzegovina with the Swedish International Development Cooperation Agency.

Read on to learn more about how DCA works with business owners!



Materials at a furniture manufacturing plant that received a loan guaranteed by DCA.

METRICS DASHBOARD

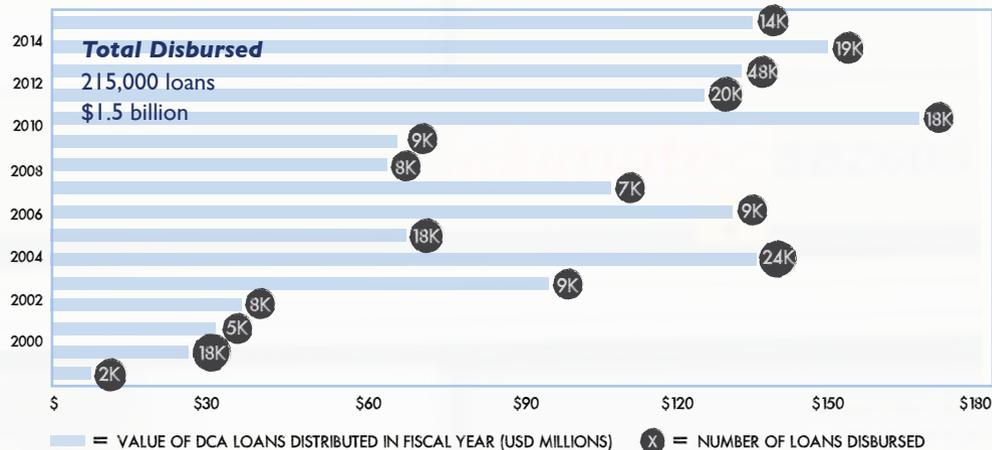
Portfolio Key Results (1999-2015)

- 480 Guarantees
- \$4.2 Billion Mobilized
- 343 Financial Partners
- 74 Countries
- 215K Loans Disbursed
- 2.4% Default Rate

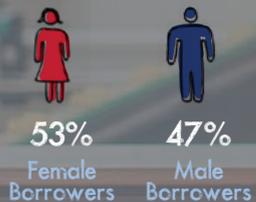
2015 Key Results

- 47 Guarantees
- \$695 Million Mobilized
- 46 Financial Partners
- 23 Countries

Loans Disbursed under DCA Guarantees by Year

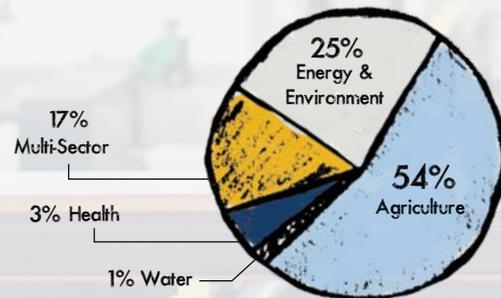


Since 2008



27% First-Time Borrowers

2015 Portfolio by Sector



Growth Capital: Helping SMEs Get to the Next Level in Bosnia and Herzegovina

Local small- and medium-sized enterprises (SMEs) in Bosnia and Herzegovina (BiH) are often unable to obtain suitable bank financing because of high collateral demands, high interest rates, and a lack of loan products tailored for SME needs. Banks have little to no experience lending to SMEs and therefore perceive their risk of default to be very high. Without this capital, SMEs cannot grow.

This is where USAID's Development Credit Authority (DCA) comes in. To bridge this gap and push growth financing into the SME sector, USAID provides DCA loan guarantees to local banks, promising to cover half of any losses that the banks realize on new lending in this sector for a set period of time. As more and more SMEs begin to access formal, commercial capital through the guarantee, they are able to grow their businesses, develop new products, reach new markets, and hire more workers.

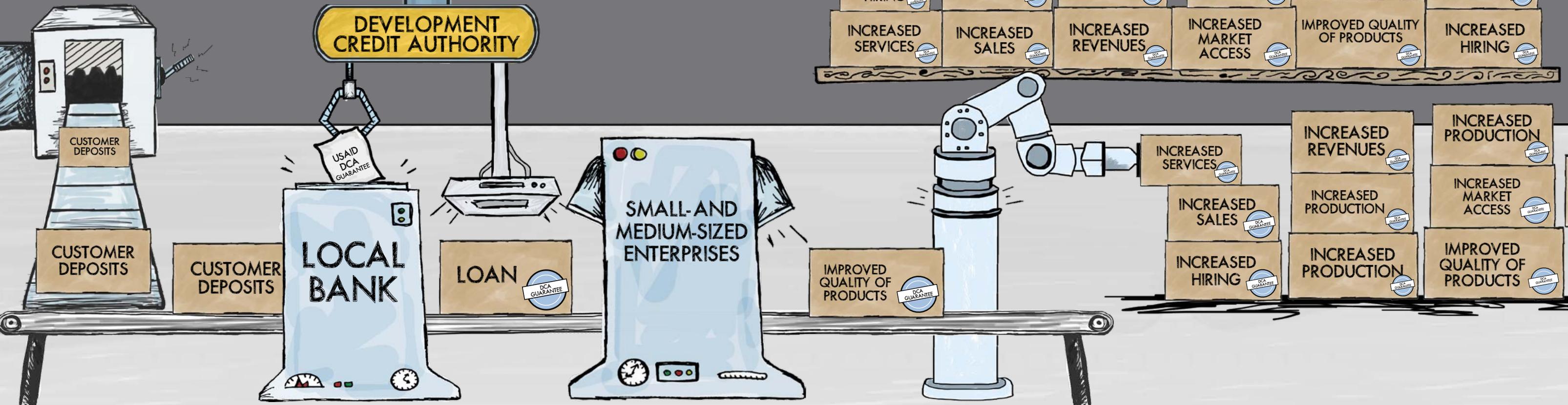
In addition, as more loans are made, banks become more comfortable lending in this new sector and begin doing so without a guarantee or any other donor support.



Hear more from USAID's Mission Director in Bosnia and Herzegovina!

How DCA Supports Small- and Medium-Sized Enterprises (SMEs)

Through DCA guarantees, local banks are encouraged to lend to SMEs and spur economic growth.



DCA continues to work through partnerships to achieve its goals

DCA partners with several different types of entities, including (1) co-guarantors who partner to share risk, and (2) resource partners who contribute to funding the cost of a DCA guarantee.

Eastern Europe & Eurasia Partnerships

- » Government of Kosovo
- » Swedish International Development Cooperation Agency

\$80m

\$48m

\$334m

Asia/Middle East & North Africa Partnerships

- » Alliance for Bangladesh Worker Safety
- » Netafim Agriculture Financing Company

\$200m

- » Swedish International Development Cooperation Agency

Latin America & The Caribbean Partnerships

\$123m

- » Grameen Foundation USA
- » Green Mountain Coffee
- » US Department of State

Africa Partnerships

- » African Development Bank
- » Alliance for Green Revolution in Africa
- » Catholic Relief Services
- » UN Food & Agricultural Organization
- » GuarantCo
- » Gatsby Charitable Trust
- » General Electric
- » Government of Senegal
- » Swedish International Development Cooperation Agency
- » UK Department for International Development

Global Partnerships

Partnership Feature:

The Swedish International Development Cooperation Agency (Sida)

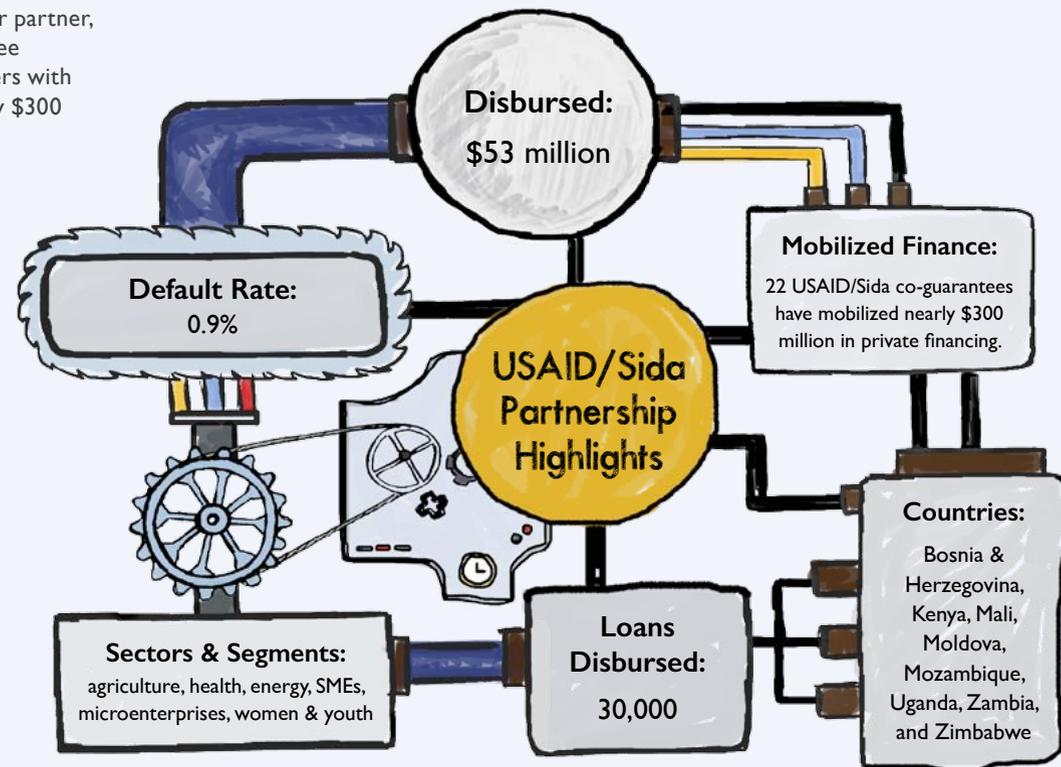
Sida is USAID's largest co-guarantor partner, and has entered into 22 co-guarantee agreements with 22 financial partners with USAID since 2010, mobilizing nearly \$300 million for development objectives.



Learn more from the Swedish Ambassador to Bosnia and Herzegovina.



Hear one of Sida's Program Officers discuss the importance of the USAID/Sida partnership.

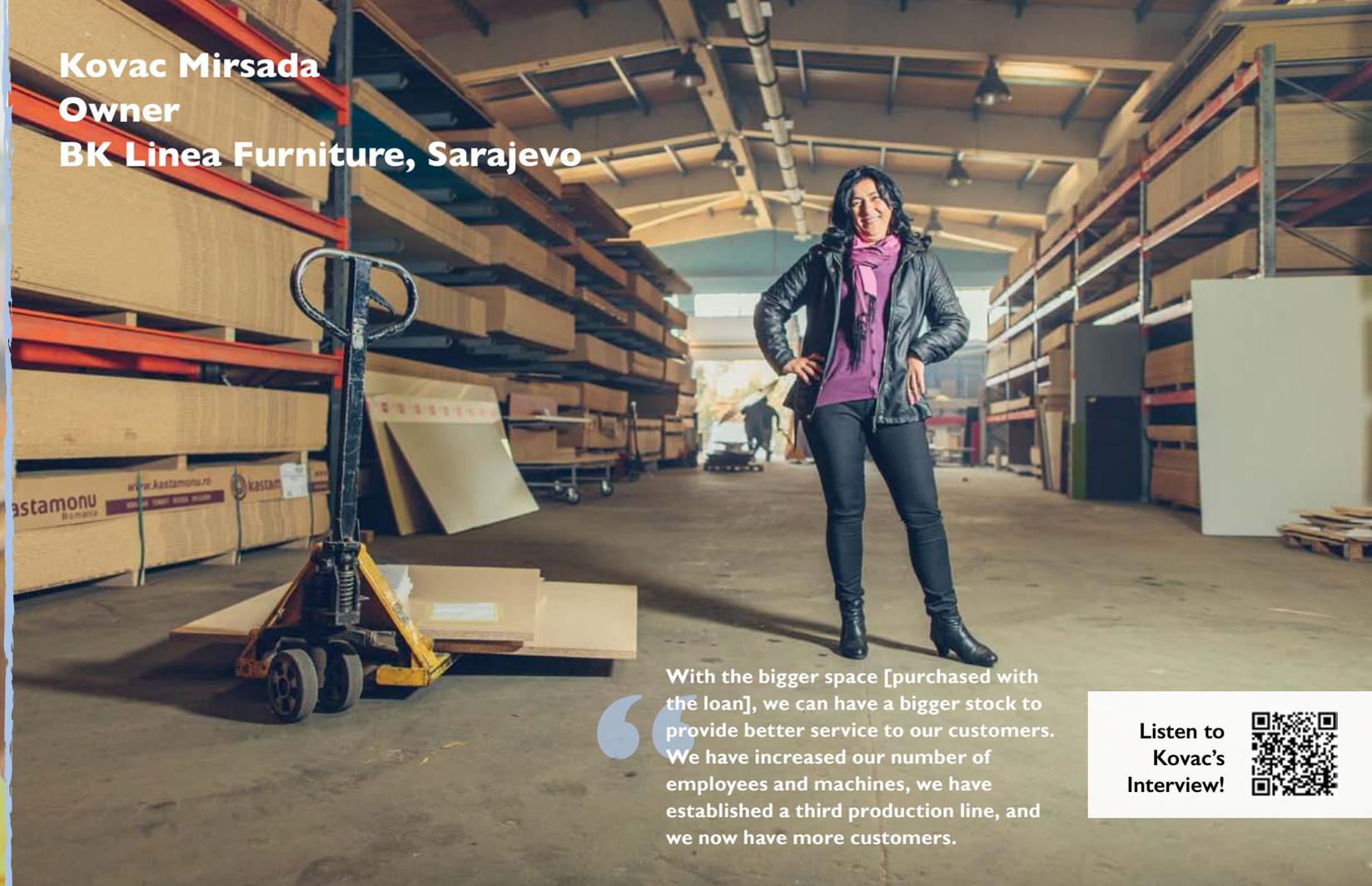


For more than five years we have had very successful cooperation with USAID and Sida, through which we have supported a number of private companies from production sectors such as agriculture, wood processing, metal manufacturing, and other production sectors. Together, with USAID and Sida as partners, we have supported the development of the local community. We are pleased to have an opportunity to support the growth of the BiH economy. We hope we will continue our successful cooperation in the future, as well.

— Raiffeisen Bank Loan Officer
Bosnia & Herzegovina



Kovac Mirsada Owner BK Linea Furniture, Sarajevo



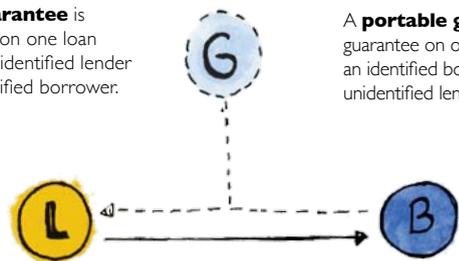
With the bigger space [purchased with the loan], we can have a bigger stock to provide better service to our customers. We have increased our number of employees and machines, we have established a third production line, and we now have more customers.

Listen to
Kovac's
Interview!



A Sample of DCA Guarantee Products

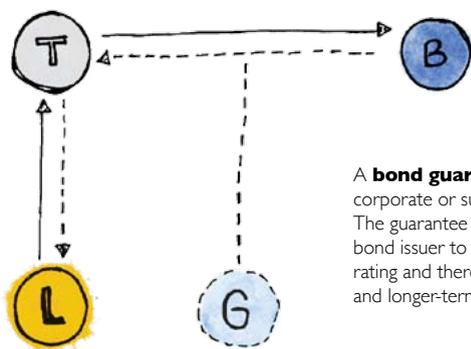
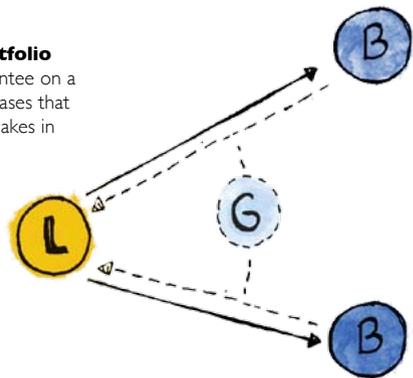
A **loan guarantee** is a guarantee on one loan between an identified lender and an identified borrower.



A **portable guarantee** is a guarantee on one loan between an identified borrower and an unidentified lender.

Partnership Opportunity: Private companies, donors, governments, and other organizations can fund DCA guarantees aligned with their interests. DCA has experience working with each of these types of partners across all regions.

A **loan or lease portfolio guarantee** is a guarantee on a portfolio of loans or leases that a financial institution makes in an identified sector.



A **bond guarantee** is a guarantee on a corporate or sub-sovereign bond issuance. The guarantee frequently enables the bond issuer to obtain a higher credit rating and therefore access less expensive and longer-term credit.

KEY



Borrower



Lender



Trustee



Guarantee



Loans/Funds



Repayment

Thanks to the DCA guarantee we are able to require less collateral from our borrowers, which allows us to lend to borrowers who typically do not have enough collateral to qualify for loans.

—Edin Hrnjica,
ProCredit Bank CEO
Bosnia & Herzegovina

Listen to
Zdravko's
Interview!



I used the loan from Raiffeisen Bank to finance the purchase of a banding machine [which] helped us to increase production capacity, introduce a second shift of employees, and export more products.

—Zdravko Vojvodic
Owner
Lignum Furniture Inc.

Zdravko Vojvodic
Owner
Lignum Furniture Inc.

AFRICA

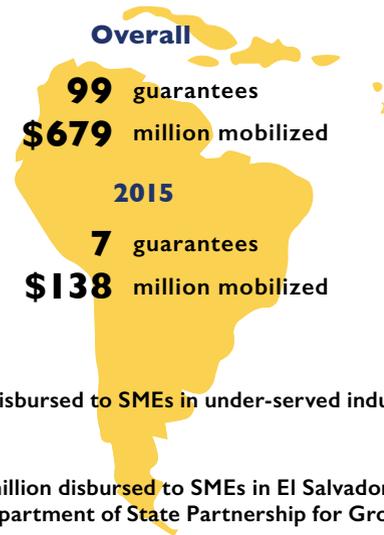


 Newly created lending units and products in Ghana, Kenya, Mozambique, Nigeria, Senegal, Tanzania, and Uganda.

 More than 60,000 loans disbursed, with 55% to women.

 Since 2008, more than 75,000 borrowers have obtained health insurance under DCA-guaranteed financing in Kenya.

LATIN AMERICA & THE CARIBBEAN

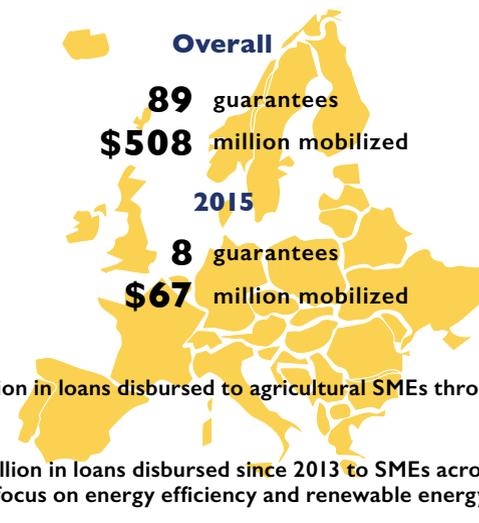


 7,500 loans disbursed to SMEs in under-served industries across Jamaica.

 Nearly \$10 million disbursed to SMEs in El Salvador since 2011 as part of the US Department of State Partnership for Growth initiative.

 More than 330 loans issued to SMEs across Haiti in support of rebuilding efforts following the 2010 earthquake.

EASTERN EUROPE & EURASIA

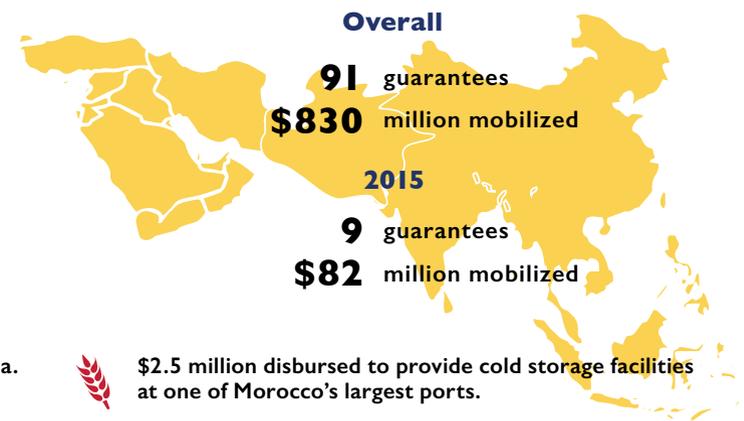


 \$5 million in loans disbursed to agricultural SMEs throughout Georgia.

 \$1.2 million in loans disbursed since 2013 to SMEs across Ukraine with a focus on energy efficiency and renewable energy investments.

 \$8 million in loans disbursed since 2010 to municipalities and the private sector throughout Bulgaria in support of energy efficiency investments.

ASIA/MIDDLE EAST & NORTH AFRICA



 \$2.5 million disbursed to provide cold storage facilities at one of Morocco's largest ports.

 1,400 loans disbursed since 2012 to small farmers across Cambodia in support of USAID's Feed the Future Initiative.

 \$35 million in loans disbursed to SMEs in the Philippines since 2012

GLOBAL



Overall
24 guarantees
\$528 million mobilized

More than \$10 million in loans have been disbursed by our global guarantee partners since 2014 in support of climate change and clean energy initiatives.

2015
1 guarantee
\$25 million mobilized

\$25 million was mobilized in early-stage debt financing for social entrepreneurs.

The loan improved many things in our company. We can now hire more employees and produce higher quality products and in great quantity.



Listen to Zaim's Interview!

Zaim Gusinac
Co-Owner
ALG Windows & Doors, Sarajevo



DCA Activity In 2015

Location	Sector	Funds Mobilized	Location	Sector	Funds Mobilized
Africa Regional	Agriculture & Energy	\$40,000,000	Kosovo	Multi-Sector	\$1,723,482
Africa Regional	Energy	\$75,000,000	Kyrgyzstan	Agriculture	\$4,258,944
Africa Regional	Agriculture	\$50,000,000	Liberia	Agriculture & Multi-Sector	\$3,174,603
Armenia	Agriculture	\$5,000,000	Macedonia	Agriculture	\$6,316,683
Bangladesh	Industrial	\$18,000,000	Madagascar	Health	\$2,500,000
Bangladesh	Industrial	\$3,994,000	Madagascar	Agriculture	\$1,000,000
Bosnia & Herzegovina	Multi-Sector	\$10,000,000	Nigeria	Agriculture	\$12,000,000
Bosnia & Herzegovina	Multi-Sector	\$15,000,000	Nigeria	Agriculture	\$5,000,000
Bosnia & Herzegovina	Multi-Sector	\$5,000,000	Tanzania	Agriculture	\$4,726,500
Colombia	Agriculture	\$120,000,000	Ukraine	Agriculture & Energy	\$9,285,000
Georgia	Agriculture	\$14,490,410	West Africa	Health	\$3,700,000
Ghana	Agriculture	\$11,375,000	West Bank/Gaza	Multi-Sector	\$2,680,000
Haiti	Agriculture	\$5,353,156	Worldwide	Multi-Sector	\$25,000,000
India	Multi-Sector	\$45,000,000	Zambia	Agriculture & Energy	\$8,000,000
India	Agriculture	\$8,200,000	Zambia	Agriculture	\$35,000,000
Jamaica	Energy	\$4,488,950	Zambia	Energy	\$60,000,000
Jamaica	Multi-Sector	\$8,510,638	Zimbabwe	Agriculture	\$40,000,000
Kenya	Water	\$5,000,000	Zimbabwe	Agriculture	\$18,635,000
Kenya	Agriculture & Energy	\$7,500,000			

TOTAL FUNDS MOBILIZED: \$694,912,366



Kemal & Emira Hasanovic
Owners
Osmo Bakery, Sarajevo

“**Loan funds helped us to strengthen and increase the quality of our products and the production itself and to be more competitive in the market.**”



Listen to Kemal's Interview.

2015 DCA Innovative Deal of the Year

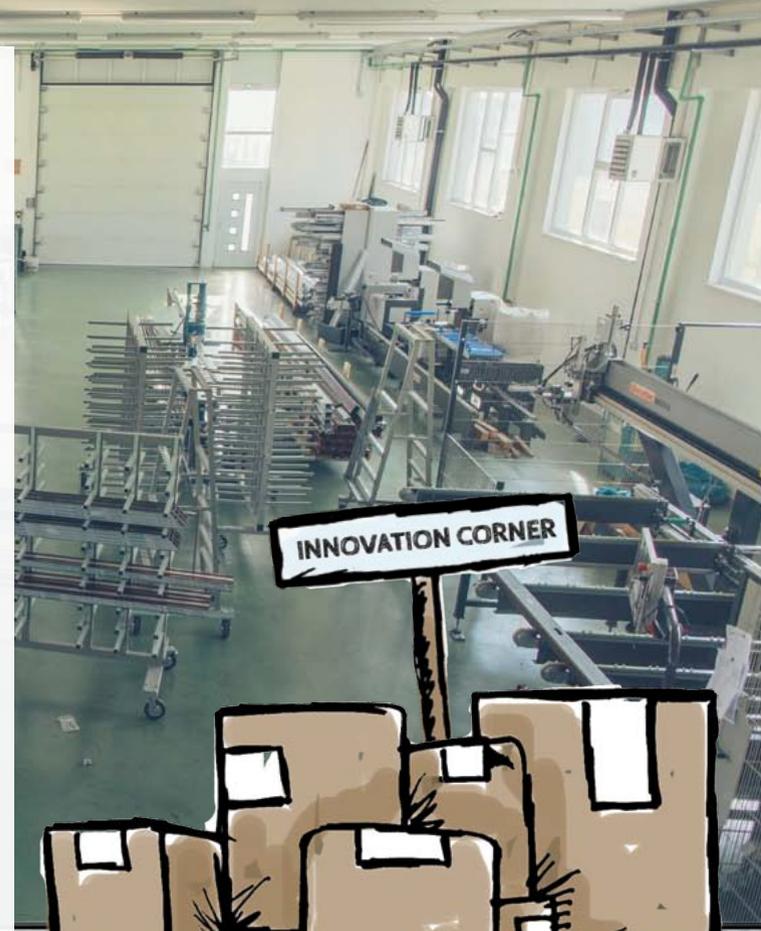
This year's DCA Financial Innovation Award was awarded to USAID/Armenia for launching Armenia's first-ever securitization bond. The \$2.0 million corporate bond issuance will be backed by nearly six hundred loans from five microfinance institutions across the country. The securitization creates a new asset class for capital markets investors looking to diversify their portfolios while allowing the five participating institutions to scale their lending to small-scale entrepreneurs. USAID intends to build upon this pilot initiative by replicating it in similar markets throughout the world.

2015 Innovation Award Nominees

DCA supported **USAID/Zambia** in mobilizing \$60 million in commercial finance for a parastatal electric utility. This guarantee supports Power Africa's goals through financing more than 250,000 grid connections and improving the ability of Lusaka's electric grid to accept additional renewable energy.

DCA worked with **Power Africa** to mobilize \$75 million across Africa to support power producers, manufacturers, distributors, and end-users of off-grid and small-scale systems. In addition to providing longer-term working capital to reduce supply chain constraints and supporting longer-term sectoral growth, this guarantee will support regional expansion of the sector beyond East Africa to 33 countries in sub-Saharan Africa.

USAID/Bangladesh partnered with DCA and the Alliance for Bangladesh Worker Safety, an industry association, to improve safety upgrades to ready-made garment factories. This \$18 million guarantee was provided to two local banks to support new lending to factories for safety remediation. The Alliance co-financed the guarantee with USAID, allowing the association to scale the size of the project while reducing its risk.



Development Credit Authority

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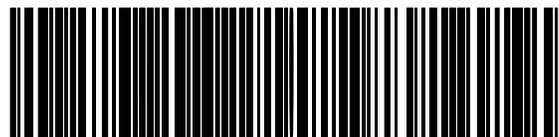
Banking Partners
To Encourage Lending
Around the World

USAID MAIL

SHIP DATE: 09/30/2015

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Development Credit Authority
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