The Development Credit Authority (DCA) uses partial credit guarantees to mobilize local financing in developing countries. Guarantee agreements encourage private lenders to extend financing to underserved borrowers in new sectors and regions. By opening up local channels of financing, USAID is empowering entrepreneurs in developing countries at a minimal cost to the U.S. taxpayer.

» **Risk-Sharing Partnerships:** Financial institutions with USAID guarantees make loans using their own capital. The cumulative default rate of all loans supported by USAID guarantees is only 1.75%. These same loans have cost-effectively mobilized more than $2 billion in private, local funds to finance development.

» **Additionality:** Guarantees allow lenders to take on additional risk, whether by creating a new loan product, offering improved loan terms, or lending to a new sector. USAID charges banks fees to avoid guaranteeing loans banks would have made without the guarantee.

» **Sustainability:** Experience shows that when USAID guarantees expire, banks continue lending to the same borrowers that they previously perceived as unqualified. The design of a partial credit guarantee ensures that banks perform their own due diligence to understand new sectors and are therefore more likely to continue lending on their own. In some cases, competitor banks have entered the same market after observing the success of USAID partner banks.

Since 1999, USAID’s Development Credit Authority has been designing and delivering investment alternatives that unlock private financing in support of U.S. development priorities.
USAID’S STANDARD GUARANTEE PRODUCTS

LG - Loan Guarantee
- Identified Lender: L
- Identified Borrower: B
- Guaranteed 50%

LPG - Loan Portfolio Guarantee
- Identified Lender: L
- All Borrowers in an Identified Sector
- Guaranteed 50%

PG - Portable Guarantee
- USAID Portable Commitment Letter
- Identified Borrower: B
- Guaranteed 50%

BG - Bond Guarantee
- Trustee
- Guaranteed 50%

COUNTRIES WITH USAID CREDIT GUARANTEES