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# DEVELOPMENT CREDIT AUTHORITY (DCA)

SEPTEMBER 2012 – SEPTEMBER 2025

\$6 MILLION

## OVERVIEW

Through its Development Credit Authority (DCA) initiative, USAID provides partial credit guarantees to mobilize local financing in developing countries. Guarantee agreements encourage private lenders to extend financing to small- and medium-scale borrowers, who lack access to credit facilities.

USAID/Afghanistan has four DCA activities: a \$14 million portable guarantee for one microfinance institutions (MFIs), FINCA Afghanistan; \$10 million loan portfolio guarantee with Afghanistan International Bank (AIB), \$6 million revolving loan portfolio guarantee with First MicroFinance Bank to support lending to returning Afghans and internally displaced persons, and \$15 million loan portfolio guarantee with Ghazanfar Bank to strengthen and increase lending to small-and medium- sized enterprises (SMEs) across various sectors, including agriculture and education export-oriented businesses and cooperatives.

## ACTIVITIES

- The \$14 million portable guarantee was signed in September 2014 and ends in September 2020. This guarantee helps FINCA to secure loans from larger lenders. The proceeds from the loans are used for onward lending by the MFI to micro and small businesses in Afghanistan.
- The \$10 million loan portfolio guarantee was signed in September 2012 and ends in September 2020. It helps mitigate risk for AIB and facilitates bank lending to small and medium-sized enterprises (SMEs). The guarantee also helps AIB to offer longer-term loans.
- The \$6 million loan portfolio guarantee was signed in September 2017 and ends in 2023. This guarantee helps to provide loans to micro, small and medium-sized enterprises (MSMEs) and individuals with little access to collateral but with viable business plans in communities most affected by returning Afghans and internally displaced individuals.
- The \$15 million loan portfolio guarantee was signed in August 2018 and ends in 2025. The guarantee is intended to help SMEs in dire need of access to finance.

## ACCOMPLISHMENTS

- Mobilized more than \$45 million in private capital through the four DCAs, which includes \$14 million in local currency credit to MFIs operating in Afghanistan through the portable guarantee, \$10 million in loans to SMEs through the loan portfolio guarantee, \$6 million revolving loan portfolio, and \$15 million loan Portfolio Guarantee with Ghazanfar Bank
- Facilitated commercial banks to sustain offers of non-guaranteed loans to MFIs after the portable guarantee ends
- Successfully encouraged commercial banks to lend to more MFIs and encouraged MFIs to seek additional commercial loans from banks
- Demonstrated to local banks the potential of SME lending
- Enhanced financial inclusion through increased lending to micro, small and medium-sized enterprises (MSMEs)
- Engaged with potential lenders to access wholesale financing under the portable guarantee
- Extended AIB loans to seven small and medium-sized businesses operating in the agriculture, construction, trade, and manufacturing sectors. The AIB loan amounts range from \$150,000 to \$1 million and are primarily used for working capital purposes, including investing in new machineries.

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