

# AN OVERVIEW OF USAID'S CREDIT GUARANTEES

## DCA PORTFOLIO 1999 - 2013

**\$3.1 BILLION** in credit made available

Agriculture • Health • Environment • Small Business • Microfinance  
Housing • Water • Energy • Infrastructure • Education

**\$12.7 MILLION** bank fees received

**\$10.9 MILLION** claims paid

**1.85%** default rate across 71 countries



## EMPOWERING PEOPLE, CHANGING LIVES

In Uganda, a USAID guarantee enabled an entrepreneur to receive a loan large enough to expand his business. As a result, his profits increased from \$6,500 to \$22,000 annually and he was able to hire an additional 40 workers, including the chef in this photo. The borrower repaid his loan in full and has since received another loan, double in size, without a guarantee.

## PUTTING LOCAL WEALTH TO WORK

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.

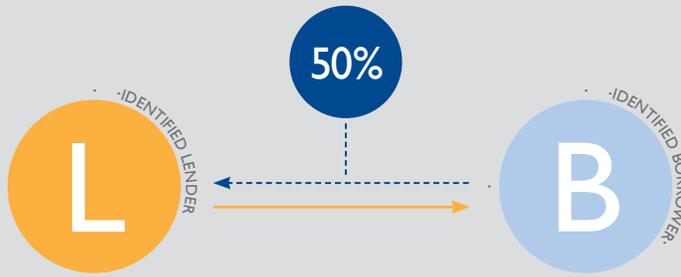
- » **Risk-Sharing Partnerships:** Financial institutions with USAID guarantees make loans using their own capital. The cumulative default rate of all loans supported by USAID guarantees is only 1.85%. These same loans have cost-effectively mobilized up to \$3.1 billion in private, local funds to finance 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 for entrepreneurs in the developing world.

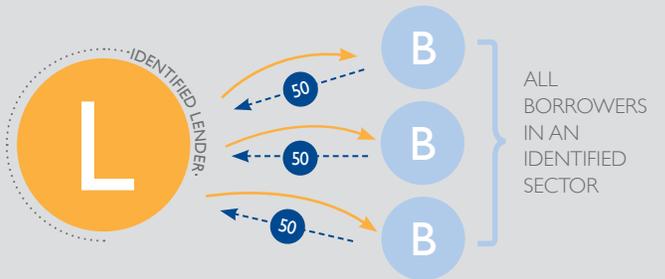


# USAID'S STANDARD GUARANTEE PRODUCTS

## LG LOAN GUARANTEE



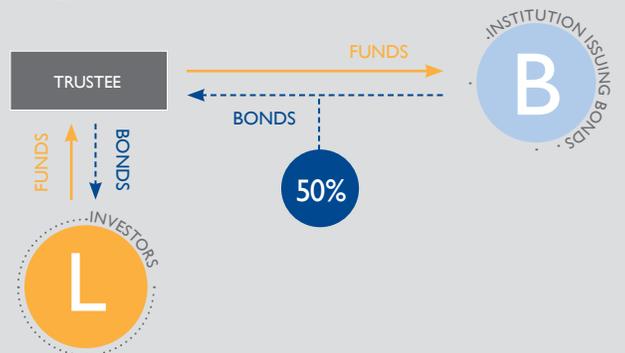
## LPG LOAN PORTFOLIO GUARANTEE



## PG PORTABLE GUARANTEE



## BG BOND GUARANTEE



COUNTRIES WITH USAID CREDIT GUARANTEES

