DEVELOPMENT CREDIT AUTHORITY

FINAL REPORT OF EVALUATIONS 2008-2013

August 2013

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ACRONYMS

ADAR	Agribusiness Development Assistance in Rwanda
ATDT	Agricultural Technology Development and Transfer Project
BK	Bank of Kigali
BOA	Bank of Abyssinia
CEP	Credit Enhancement Project
CIB	Center-Invest Bank
DCA	Development Credit Authority
EGAT/DC	Economic Growth, Agriculture and Trade/Development Credit
E3/DC	Bureau for Economic Growth, Education and Environment/Development Credit
FIRM	Financial Inclusion for Rural Microenterprise
FY	Fiscal Year
GBTI II	Global Business, Trade and Investment II
HIFIVE	Haiti Integrated Financing for Value Chains and Enterprises
IC	Investment Capital
IQC	Indefinite Quantity Contract
KARF	Kenya Access to Rural Finance
KCB	Kenya Commercial Bank
KEMCAP	Kenya Microfinance Capacity Building Program
LGU	Local Government Unit
LGUGC	Local Government Unit Guarantee Corporation
LPG	Loan Portfolio Guarantee
MarCHe	Market Chain Enhancement Project
MSED	Micro and Small Enterprise Development Program
MSME	Micro, Small, and Medium Enterprises
OMB	Office of Management and Budget
PEARL	Partnership for Enhancing Agriculture through Linkages in Rwanda
RED	Rural Economic Diversification
SME	Small and Medium Enterprises
TA	Technical Assistance
TO	Task Order
WC	Working Capital
WD	Water District

LIST OF EVALUATIONS

Ghana: evaluation of the 2003 and 2005 DCA guarantees with EcoBank in support of lending to small and medium enterprises (SMEs) and microfinance institutions, principally in manufacturing and agribusiness.

Honduras: evaluation of the 2003 and 2005 guarantees DCA signed with the Covelo Foundation to encourage the bank to move up-market to make loans of larger sizes and long terms, focusing on agribusinesses.

Indonesia: evaluation of the 2005 DCA guarantee with Bank Danamon made to mobilize lending to micro and small enterprises with an emphasis on the tsunami affected areas. Agriculture was one of the designated target sectors for the guarantee.

Russia: evaluation of the 2004 DCA Loan Portfolio Guarantee for Center-Invest Bank (CIB) made to assist CIB in providing loans to SMEs in two neighboring regions – Krasnodar and Volgograd. Loan recipients included several agribusiness enterprises.

Philippines: evaluation of the 1999 DCA guarantee with LGUGC. The coverage was initially on re-guaranteed loans to local infrastructure projects of Local Government Units and later focused on water supply and sanitation projects.

Rwanda: evaluation of the 2004 guarantee with Banque de Kigali (BK) in support of loans to strategic export-oriented agricultural enterprises, including coffee.

Ethiopia: evaluation of the1999 and 2003 MSED guarantees and the 2004 DCA Loan Portfolio Guarantee with the Bank of Abyssinia targeting the agricultural sector.

Africa/Latin America: evaluation of the 2003 and 2005 DCA regional guarantees with Root Capital to support 1) small and medium agribusinesses and eco-tourism operations in Mexico, Guatemala, Panama, Nicaragua, and Peru, and 2) coffee grower/producer associations in Rwanda, Tanzania, Uganda, Kenya, and Ethiopia.

Moldova: evaluation of the 2005 guarantee with FinComBank in support of loans to micro, small and medium enterprises (MSMEs) in the agriculture, agribusiness, and related sectors such as transport and services.

Kenya: evaluation of the 2006 and 2010 DCA guarantees with Kenya Commercial Bank (KCB) to improve access to credit for SMEs operating in the agricultural production and processing, tourism, clean energy, commerce, construction, and manufacturing sectors.

Haiti: evaluation of the 2007 DCA guarantees with Capital Bank and SOGEBANK in support of loans to SMEs in productive sectors such as such as agriculture, handicraft, tourism, textile industries, waste removal, construction, and fisheries.

For additional information please see individual Evaluation Reports and Impact Briefs at www.usaid.gov/dca/dca-evaluations

EXECUTIVE SUMMARY

USAID's Development Credit Authority (DCA) mobilizes local private capital by establishing real risk-sharing relationships with private financial institutions. Established in 1999, DCA has been providing partial guarantee coverage (typically 50%) for loans to entrepreneurs in underserved sectors worldwide. Since its inception through FY 2013, loan guarantee programs have unlocked up to $3.2 billion of private capital to expand local businesses and sustainably catalyze markets in over 70 countries throughout the developing world, reaching over 140,000 borrowers with a combined default rate of just 1.8%. Four credit guarantee products are offered by DCA: the loan portfolio guarantee, the portable guarantee, the loan guarantee, and the bond guarantee. The loan portfolio guarantee (LPG) is the most popular, representing 80% of the portfolio. The goals of the LPG are to increase access to finance for targeted sectors and also give the lender the experience necessary to continue lending even after the guarantee program expires.

The Development Credit Authority is committed to being a data-driven, results-oriented agent of sustainable change. Through continued evaluation of both internal processes and external results, DCA can ensure that the lessons learned from past programming will ensure increasing yield from future investments. To this end, SEGURA Partners LLC executed extensive performance evaluations from 2008 through 2013 of both the use and impact of DCA loan portfolio guarantee facilities. The goals outlined by the DCA and USAID's Office of Development Credit (E3/DC) were to test a series of development hypotheses to ascertain when and how development impact is achieved. A total of 11 evaluations were completed, examining 12 financial institution partners[1] that represent a total Maximum Cumulative Disbursement (MCD) of $100.3 million covering 14,621 borrowers. The default rate for these selected guarantee facilities is 4.3%.

Two evaluation frameworks were used: an original framework created in 2008 and an expanded framework update released in 2012. These outlined DCA's intent to analyze multiple levels of measurable deliverables extending through the loan guarantee program life-cycle. Over the course of the evaluation process, SEGURA Partners LLC performed in-depth evaluations of eleven unique guarantee facilities, each utilizing a customized framework to analyze the additionality of loan disbursement (output), lender behavioral change (outcome), and market demonstration effects (impact). The updated 2012 framework added the evaluation of program design and development (input) while introducing a stronger emphasis on borrower impact.

Results can be summarized as follows:

Output: The vast majority of DCA cases allowed the partner institution to enter new sectors or increase lending to previously underserved sectors. Additionality was achieved, as evaluations confirmed these loans were unlikely without the help of a guarantee facility. Highlights included:

[1] The evaluation in Haiti was for the multibank guarantee with SOGEBANK and Capital Bank and compared how each lender implemented the guarantee.

- Nine of eleven cases showed partner lending initiate or increase to target sectors that USAID missions aimed to support;[2]
- Root Capital expanded East Africa operations and nearly tripled their portfolio to $2.9 million through guarantee activity;[3]
- Only three partners failed to fully achieve designated goals.

Outcome: In most cases, the partner modified lending behavior and continued lending to target sectors post-expiration of the guarantee facility. Issues with attribution must be considered, however, as changes in behavior can sometimes be initiated by other factors, such as a shift in bank strategy. Highlights included:

- Six partner institutions demonstrated sustained lending to target sectors outside of the guarantee facility;
- In Moldova, nearly 50% of borrowers remained active clients of the partner after expiration of the guarantee facility;
- In Honduras, the partner became increasingly confident in lending to the target agricultural sector, previously deemed "risky," even after expiration of the guarantee program;
- Five partners continued to show reliance on donor or government guarantees to continue lending in target sectors.

Impact: Market demonstration effect is difficult to isolate due to the large number of potential influencing factors. Still, the evaluations point to both correlation and occasional direct causation between guarantee availability and improved access to credit for target beneficiaries. Highlights included:

- In Indonesia, the Philippines, and Moldova, causality was shown between improved credit access and guarantee facilities;
- In the Philippines, the DCA program served as a model, and the partner has since expanded guarantee activities to new sectors and manages three guarantee funds for other institutions;[4]
- The DCA partner in the Philippines also helped create the new Philippine Water Revolving Fund (PWRF), a joint U.S./Japan initiative;
- Seven cases showed improved access to credit through a combination of the DCA guarantee program and other exogenous factors;
- The Russia program did not improve access to finance overall, due in part to government regulations and effects of the 2008 financial crisis.

Lessons Learned: Analysis led to the identification of specific "factors for success" in program design. They include:

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[2] Additionality was achieved 100% of the time as the guarantees enabled lending to new borrowers or riskier borrowers, but in only 9 out of 11 cases were the guarantees successful in reaching the specific borrowers the Missions intended to target.

[3] Root Capital is a non-profit social investment fund which lends in several countries.

[4] The partner in Philippines is a local guarantor and the DCA guarantee was a re-guarantee of their loans to local infrastructure projects including water supply and sanitation projects.

1. Technical Assistance – This consists of assistance to borrowers that helps make them credit-worthy and assistance to partner financial institutions, which helps them develop loan products and improve risk management policies.
2. Incentivizing Competition – The use of multiple guarantees with multiple banks is more likely to have a sustainable market catalyzing impact than a single guarantee facility in an otherwise large market.
3. Targeted Scope – Impact measurements are more effective in cases with a small number of players in a niche sector.
4. Revolving Guarantees – Evaluations indicated a potential need for the introduction of revolving lines of credit, though these are currently not permitted under USG credit policy.

OVERVIEW OF DCA EVALUATION PROJECT

EVALUATION FRAMEWORK

DCA's four main objectives in carrying out evaluations encompass both accountability and learning purposes:

1. Communicate to DCA stakeholders (OMB, Congress, USAID Missions, etc.) and external partners the development contributions of DCA loan guarantees.
2. Contribute to the dialogue about how to engage financial sector institutions as partners in development efforts.
3. Learn from the intervention's development efforts and try to examine impact by assessing:
   a. the quality of the effort in its objective of financial deepening;
   b. the cost-effectiveness of the effort;
   c. the effort's significance in affecting the financial sector;
   d. the significance of the effort in assisting the partner country achieve its development objectives; and
   e. the impact on borrowers' main goals of increasing investment opportunities and raising incomes.
4. Strengthen USAID's future application of DCA guarantees as a tool for achieving development results.

ABOUT DCA

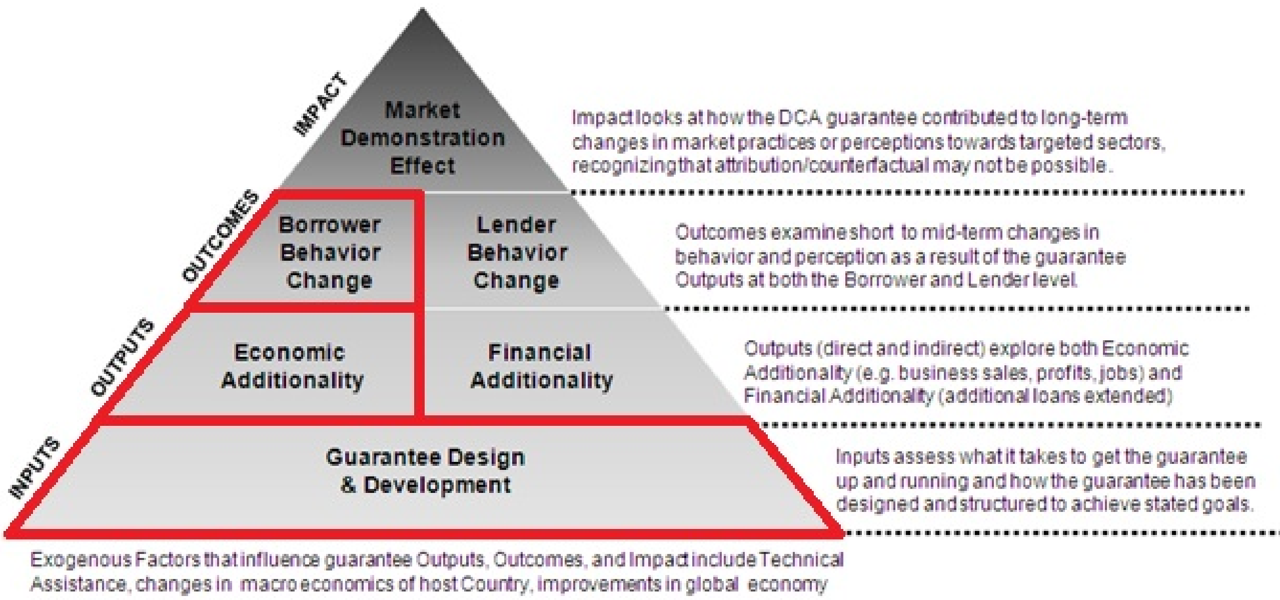
USAID's Development Credit Authority (DCA) was created in 1999 to mobilize local private capital through the establishment of real risk sharing relationships with private financial institutions in USAID countries. The tool is available to all USAID overseas missions and can be used as a vehicle for providing much-needed credit to an array of enterprises and underserved sectors.

The original framework used in this evaluation incorporated three levels, but a 2012 update (see figure below) added a fourth level as well as a greater emphasis on borrower impact.[5] Of the 11 evaluations, only the final two, Kenya and Haiti, utilized the updated framework.

The **input level** evaluation looked at the design of guarantee facilities and in what ways program structure helped partners achieve positive results. At the **output level**, the evaluators were to examine the additionality of the guaranteed loans in the partner's (lender's) behavior; that is, what differentiates

[5] Sections added to the framework in 2012 are highlighted in red. The complete evaluation framework is available on request.

these loans and the way they are administered from business-as-usual at the bank or other partner institutions. The new framework added an examination of economic additionality for borrowers, such as increases in revenue and job creation. **Outcome-level** questions focused on determining the extent to which use of the guarantee has produced changes in both the partner's non-guaranteed lending and borrower behavior. **Impact-level** assessment sought to determine whether changes in the lending partner's behavior had encouraged other, non-partner banks to increase lending to the target sector.



The evaluation team also analyzed the effects of exogenous factors (e.g., macroeconomic changes, government regulations) on changes observed at every level.

Evaluation Methodology

E3/DC, in coordination with the missions, selected the guarantees to be evaluated according to criteria such as expiring (or nearly expiring) activities, high utilization, geographical distribution, and the representation of different sectors.

These evaluations used a mixed methods approach, including statistical analysis of loan data, key informant and group interviews, and document review. The also team designed a customized framework for each case to account for unique partner guarantee objectives, context, and developed indicators.

The evaluation used one to two week field assessments[6] to conduct semi-structured interviews with the partner staff, the USAID Mission, and other financial sector experts, including other lenders. The evaluation team also collected additional documents from interviewees, as well as lending data from the partner institution. When addressed, the borrowers were approached either through focus groups, questionnaires, or one-on-one interviews.

The evaluation team then used a combination of comparative analysis, statistical analysis, and content pattern analysis to draw findings from all of the collected data, from which conclusions were drawn.

[6] The evaluation of regional guarantees to Root Capital was a desktop review conducted without a trip to the field.

EVALUATION FINDINGS

In **Ghana**, the bank used the guarantees to gain experience with new borrowers and industries and, in compliance with USAID/Ghana objectives, to provide larger and longer-term loans associated with financing capital expenditures. Guaranteed loans were much larger, and consequently far fewer in number, than initially anticipated by USAID/Ghana but still fell within the size and tenor parameters established in the guarantee agreements. EcoBank has substantially increased lending to SMEs since it began utilizing the DCA guarantees. However, the growth largely reflects the bank's ongoing strategy to increase retail lending (including SME lending) rather than being attributable to the guarantees. Experience with the guarantees prompted EcoBank to increase lending to some new industries and to extend some long-term loans for capital expenditures outside of the guarantee coverage. Although there has been an increase in lending to the sector, the question of attribution remains: lending to SMEs has been increasing substantially in Ghana since 2002 (pre-guarantee). Anecdotal evidence suggests that loan guarantees may be responsible for some of this increase. However, given the small number of industries/sectors represented by EcoBank's guaranteed loans, the effect of the DCA guarantees is likely modest.

Honduras: Children Playing with Water Photo Credit: USAID

In **Honduras**, guaranteed loans have permitted the Covelo Foundation to lend to farmers who had less collateral than traditional borrowers and in the micro-credit sector, it enabled them to lend to entrepreneurs for comparatively larger microloans on longer and more favorable terms than the Covelo Foundation's nonguaranteed loans. Loans helped at least some of the borrowers to increase their incomes. The Covelo Foundation managed to leverage guarantee resources obligated by the U.S. Government at a ratio of more than 20 to 1. The DCA helped both the Covelo Foundation and Bancovelo[7] jumpstart their lending to the agricultural sector. They have expanded access to credit by increasing the number of loans available, the average size and tenor of those loans, while keeping interest rates low. The Covelo Foundation became increasingly confident in risking its own capital in the sector without a guarantee. Rapid increases in lending have helped them become a significant player in the agricultural microcredit sector. Lending by MFIs to the agricultural sector has increased substantially during the period. The Covelo Foundation's DCA-supported lending to the agricultural sector helped facilitate the entrance of another microfinance organization into the agricultural sector.

In **Indonesia**, the guarantee achieved USAID's primary objective—quick resumption and expansion of lending to MSEs in Aceh following a devastating Tsunami. Bank Danamon exceeded the requirement that at least 40 percent of all guaranteed loans be provided in Aceh, North Sumatra, and Yogyakarta. Bank Danamon significantly increased nationwide access to credit among MSEs *outside* the guarantee, but much of this overall increase is likely more attributable to the bank's aggressive growth strategy and profitability than to the guarantee. Also important to highlight, Bank Danamon used the guarantee to give underperforming lending units the opportunity to improve performance and continue lending to SMEs. Bank Danamon's approach to MSE lending has served as a model for some competitor banks, both in Aceh and elsewhere, significantly increasing nationwide access to credit among MSEs *outside* the guarantee. The Bank's phenomenal nationwide growth and profitability have expanded the market and stirred competition. To the extent that the guarantee has helped Bank Danamon expand the use of its successful model in Aceh and possibly elsewhere, the guarantee has played a role in the demonstration effect.

In **Russia**, due to Center-Invest's risk aversion and the challenging SME environments in Krasnodar and Volgograd, the bank used most of the guarantee funds to loan to collateral-poor SMEs in the Rostov region. Center-Invest's lending portfolio has performed well since the DCA guarantee began. The DCA guarantee has contributed to increased credit access for Center-Invest's borrowers and may have influenced the bank to participate in other guarantee funds. While Center-Invest expanded its SME portfolio and number of clients in Krasnodar and Volgograd, this was due to the bank's own efforts, rather than to its experience with the DCA guarantee. Other banks have increased lending to SMEs since 2004, especially in the Southern Federal District(SFD), because of a combination of favorable economic and infrastructure conditions. However, SMEs' access to credit has not significantly improved. Center-Invest seems to be unique in its concerted efforts to make financing accessible to small businesses in the SFD, and it has significantly improved the environment for SME lending.

[7] Banco Popular Covelo (Bancovelo) is a commercial bank licensed in January 2008 to which Covelo Foundation sold most of its loan portfolio to. - - The DCA guaranteed loans were still owned by the Covelo Foundation, but were managed by Bancovelo. Because these organizations are closely related, for evaluation purposes they were treated as one entity.

In the **Philippines**, the DCA guarantee was used by LGUGC to improve access to private sources of credit for local governments and water districts where little or none had previously existed, although the volume of lending was less than anticipated due to adverse external influences. The DCA guarantee assured rigorous oversight and was critical in establishing the credibility of LGUGC among private financial institutions and other stakeholders. The DCA guarantee led LGUGC to guarantee loans to the target sectors without the DCA re-guarantee. Since private financing effectively played no role in the target sectors before the LGUGC, its loan guarantees made outside the DCA guarantee increased access to credit for target sector borrowers. LGUGC has also begun to cautiously expand its guarantee activities outside of the target sectors and has broadened its services by becoming program manager of three other guarantee funds for other organizations. The DCA guarantee was a key factor, in combination with a number of elements, in initiating private lending to the target sectors. The process of introducing private investment in the target sectors continues with the creation of the new Philippines Water Revolving Fund (PWRF), a joint U.S./Japan initiative. Furthermore, the World Bank is planning a program to complement the PWRF. In the long term, the impact of the DCA guarantee as a demonstration model could be significant.

In **Rwanda**, the guarantee provided the bank an opportunity to increase its agricultural portfolio at reduced risk. The guarantee was entirely responsible for the bank's substantial increase in capital investment and working capital financing to coffee washing station investors. The close coordination between the guarantee and USAID-supported technical assistance projects targeted to the coffee sector contributed to the bank's extraordinarily rapid and appropriate utilization of the guarantee. The guarantee had a limited impact on the Bank of Kigali's lending to the coffee sector outside of the protection of the guarantee. The bank has provided a few working capital loans and no investment loans outside the guarantee. Some DCA borrowers were able to accumulate assets for use as collateral during the time that they made use of DCA loans which then gave them greater access to credit. Rwanda's banking sector has substantially increased its short- and medium-term lending to small-scale coffee investors since 2004. However, banks placed most, if not all, of the loans under one of three available guarantee facilities or used donor-supported credit lines. Banks still seem unwilling to lend to this segment of the coffee sector outside of the protection of a guarantee or credit line.

In **Ethiopia**, Bank of Abyssinia (BOA) used the guarantees to subsidize collateral requirements for guaranteed borrowers. Between 2000 and 2008, the USAID guarantees were responsible for increasing BOA's lending to the agriculture sector from 0 to an average of 2.3% of its total value of loans disbursed during the period. The USAID guarantees encouraged BOA to enter the agriculture finance sector, and the bank will likely continue to lend to this sector, but only to exporters for the near future. BOA continued to lend to 20% of the formerly USAID-guaranteed borrowers because they were profitable businesses. Loan terms have changed somewhat as some former USAID-guaranteed borrowers received preferential loan terms. All Ethiopian banks have increased their lending to the agriculture sector since 2000 mainly because of the efforts of the government banks, which provide collateral-free loans to agricultural exporters as a result of government policy. The USAID guarantees clearly influenced BOA to increase lending to the agriculture sector. However, the agriculture finance sector appears to be still largely underserved, and the bank still relies on credit enhancements like guarantees.

In **Africa/Latin America & the Caribbean**, with the Root Capital guarantees, the first guarantee allowed Root Capital to extend lending to needier clients in Latin America, while the second guarantee helped Root Capital expand its operations to East Africa. In both cases, Green Mountain Coffee Roasters' (GMCR's) partnership with USAID was instrumental in both Root Capital's expansion and its link to the DCA guarantees. The Latin America guarantee helped triple Root Capital's nonguaranteed Latin American portfolio from $3.3 million pre-guarantee to $10.9 million. The second guarantee contributed to nearly tripling Root Capital's African portfolio to $2.9 million. Root Capital intends to sustain lending to small and medium Fair Trade and/or Organic Certified producers and processors in Latin America and Africa, thereby sustaining the DCA guarantees' outcomes. As organizations gain lending experience and additional lenders enter the market, borrowers have increased the amounts they borrow, although not necessarily their loan tenors. More government programs, international donors, NGOs, and social investors lend to this sector, and collateral requirements have become less stringent for some producer groups. Root Capital is making a positive difference in its clients' businesses, and the DCA guarantees supported that assistance.

In **Moldova**, FinComBank aggressively used the DCA guarantee to make loans to the agricultural sector, reaching the maximum guarantee authority in less than two years of the five-year guarantee. The DCA guarantee allowed the bank to implement and test its strategy to expand its presence in less-served rural markets. The guarantee helped FinComBank make loans to borrowers who would have been denied loans due to insufficient collateral and/or lack of credit history. More than half of FinComBank's DCA-guaranteed loans were extended to previous bank clients. Despite this, FinComBank significantly increased its agricultural loan portfolio during the guarantee period. At the end of 2009, FinComBank loans to the agricultural sector were just under 25% of its total loan portfolio versus about 15% for the banking system as a whole. Almost half of the DCA borrowers remain clients and still receive loans from FinComBank without any guarantees. While the $4 million FinComBank guarantee was too small to have a broader market impact, the overall $27 million Credit Enhancement Program[8] probably did have a marked impact on lending to the agricultural sector. As a result, there is growing competition among Moldovan banks to lend to rural borrowers, and there has been a shift in lending from larger agricultural enterprises to smaller agricultural producers.

In **Kenya**, the guarantee achieved Financial Additionality: the DCA guarantees enabled KCB to lend to the SME sector without the fear of incurring heavy losses, to establish a new SME unit, and to develop a clear strategy for its involvement in the sector. The guarantee also enabled KCB's marginal clients to raise their borrowings levels with the bank due to improved collateral margins. The improved terms under the guarantees acted as a major marketing tool for KCBs funds. The guarantee also achieved Economic Additionality: DCA borrowers were able to expand their business and improve profitability. On average the enterprises surveyed improved their sales and profitability levels.

KCB has been exploring alternative ways of securing loans, including cash-flow based loans, stocks, log books, and chattels, all of which were traditionally unacceptable forms of collateral. However, KCB is very slow to change and still thinks in terms of high collateral, whereas the competition has moved to providing collateral-free loans. The loans issued under the DCA guarantees enabled borrowers to grow their businesses and achieve some impressive positive social impacts (employment creation, new business creation, better education for children etc.). The DCA guarantees had a big demonstration effect on first time borrowers by giving them confidence to seek additional loans from KCB or outside banks. The guarantee ultimately demonstrated to KCB, and other banks in Kenya, that funding SMEs can

[8] USAID's Credit Enhancement Program included 7 individual loan portfolio guarantees with separate financial institutions.

be profitable business. Due to high market demand, Kenya Commercial Bank continues to rely on USAID guarantees for their lending.

In **Haiti**, on Financial Additionality, SOGEBANK used the DCA to reach out to more productive sectors, although it mitigated the potential risk involved by limiting the number of loans given to new borrowers. Capital Bank did not use the DCA to extend its market, but rather as a reserve to cover a set of clients who had problems paying back their loans. In terms of Economic Additionality, borrowers from SOGEBANK and from Capital Bank became more willing to seek credit after they had received their first loan. The fact that borrowers obtained additional loans suggests they likely increased their business sales.

SOGEBANK used the guarantee as a catalyst to lend to more borrowers in a greater variety of productive sectors. The DCA allowed SOGEBANK to gain a better knowledge of sectors by taking the risk to explore them. Doing so made SOGEBANK feel more at ease to move into other sectors. Capital Bank used the guarantee as a reserve for the lender. It granted guaranteed loans to borrowers whose businesses were in trouble in an attempt to restructure the loans. Therefore, the DCA guarantee was not responsible for the growth in Capital Bank's portfolio outside the guarantee. Present field data pre- and post-earthquake have clearly demonstrated capital deepening, whereby the banking system has ventured into business sectors that are new territory. With further incentive—namely, a guarantee mechanism from a major donor such as USAID—banks are more likely to push the barrier of lending. But it does not appear that the guarantees to SOGEBANK and Capital Bank influenced the behavior of other lenders.

LESSONS LEARNED

The analysis of all the evaluations conducted under this programs leads to identifying "factors for success" in the design of the guarantees, i.e. trends that seem to have great influence on the output, outcome, and impact of each guarantee. They are:

Technical Assistance

Guarantees have greater results when they are made in coordination with technical assistance programs of the mission. Those include assistance to borrowers to make them more credit-worthy and assistance to the financial institution to develop a new loan product or revise their risk management policies when lending to a target group. This is particularly true at the output level and can be illustrated by counter-examples: banks that failed to utilize the entire guarantee (Russia) or used it somewhat differently than was envisioned by the mission (Ghana) did not benefit from an accompanying technical assistance program.

Incentivizing Competition with the Guarantee

Depending on the sizes of the sector and guarantee, results at the impact level are difficult to attribute to the guarantee because of the multiplicity of external factors and the absence of counterfactuals. This was spelled out more clearly in the second evaluation framework. Overall, it is unrealistic to expect a single guarantee with one bank to have an impact on access to credit for SMEs, for instance. The use of multiple guarantees with multiple banks is more likely to have an impact on the lending practices in a relatively small country, as in the case of Moldova for instance.

Targeted Scope of the Guarantee

Conversely, it is also easier to pinpoint impact when the guarantee targets a niche sector with a small number of players. This was demonstrated in the case of local government units and water districts lending in the Philippines.

Revolving Guarantees

Among the recommendations presented in the last two evaluations, one was to design the guarantee to allow for revolving lines of credit. Revolving lines of credit are not permitted under current USG credit policy.

ANNEXES

I. TABLE OF DCA GUARANTEES CHARACTERISTICS

The following table summarizes the structure and specific terms of each DCA agreement.

Country	Partner	Dates	Ceiling	Guarantee Percentage	Maximum Loan Amount	Tenor	Sector / Geographical Target
Ghana	EcoBank	2003-2008	$3 Mill	50%	$600,000	18 Months to 5 Years	Agriculture (excluding cocoa), agricultural processing, salt mining/production, fisheries, tourism, value added processing of wood products (excluding unprocessed timber), and textiles and garments.
Ghana	EcoBank	2005-2012	$7 Mill	50%	$1.4 Mill	<36 Months	Manufacturing, agro-processing, tourism, textile, garment, and other potential growth industry sectors.
Honduras	Covelo Foundation	2003-2009	$1 Mill	50%	$100,000	NA	MSMEs in non-traditional agriculture or agro-industry, wood products, specialty coffee, and light manufacturing.
Honduras	Covelo Foundation	2005-2012	$2 Mill	50%	$100,000	NA	
Indonesia	Bank Danamon	2005-2012	$16.4 Mill (8.2 revolving)	50%	$500,000	<5 Years	MSEs 40 % of loans had to be in Aceh, North Sumatra, and Yogyakarta (tsunami-affected areas).
Russia	Center-invest	2004-2009	$6 Mill	50%	$10,000 for Micro, $200,000 for small-business	NA	SMEs in the regions of Krasnodar and Volgograd.
Philippines	LGUGC	1999-2014	$24.4 Mill	30%	$5.7 Mill	<10 Years	Revenue generating water infrastructure projects of local government units and water districts.
Rwanda	Bank of Kigali	2004-2012	$800,000	40%	$200,000 (Minimum: $75,000)	WC<1 year CI< 5 years	Agribusiness enterprises producing, processing and marketing strategic export commodities, including but not limited to specialty coffee, passion fruit, chili pepper, cassava flour, essential oils, and fortified food.
Ethiopia (MSED guarantee)	Bank of Abyssinia (BOA)	1999-2004	$1.3 Mill	50%	$325,000	<1 Year	Agricultural cooperatives

Country	Partner	Dates	Ceiling	Guarantee Percentage	Maximum Loan Amount	Tenor	Sector / Geographical Target
Ethiopia (MSED guarantee)	BOA	2003-2004	$500,000	50%	$100,000 to individual $200,000 to Co-op	<1 Year	Agricultural cooperatives or coffee cooperatives.
Ethiopia	BOA	2004-2014	$9 Mill (4.5 revolving)	50%		Short Term: <1 Year Medium Term: <5 Years	Sectors: coffee, food, horticulture, livestock and livestock products. Regions: Amhara, Oromia, Tigray, Southern Nations. Nationalities and Peoples; Somali (livestock only). Loans to any one sector < 40% of ceiling.
Latin America	Root Capital	2003-2008	$4 Mill	50%	$800,000	NA	Rural agriculture-producing cooperatives, businesses, or other located in Mexico, Guatemala, Nicaragua, Panama, or Peru, in coffee, timber, ecotourism, fisheries, cocoa, and spices sectors.
Africa	Root Capital	2005-2008	$2 Mill	50%	$10,000	NA	Non-sovereign Rwandan, Tanzanian, Ugandan, Kenyan, and Ethiopian coffee cooperatives in sectors with potential for competitiveness in East Africa and international markets.
Moldova	FinComBank	2005-2010	$4 Mill	50%	$500,000	36 Months	SMEs in agriculture, agri-business, or related sectors such as transport or service.
Kenya	Kenya Commercial Bank (KCB)	2006-2011	$7.9 Mill	50%	$50,000 for SMEs $300,000 for MFIs	NA	SMEs in agriculture production and processing, manufacturing, tourism, merchandise/ trade, and second-tier MFIs.
Kenya	KCB	2010-2017	$5.75 Mill	50%	$250,000	NA	Agriculture production/values addition, clean energy, commerce, constituency Development Fund Projects, construction, and manufacturing. At least 20% to clean energy sector areas of solar, wind, biogas, and small hydroelectric power generation.
Haiti	SOGEBANK	2007-2013	$3 Mill	50%	20% of Max. Cumulative Disbursements Sub-Amounts (SMEs)	NA	SMEs including but not limited to agriculture, handicrafts, tourism, textile industries, waste removal, construction/ infrastructure, and/or fisheries. Post-earthquake microenterprises; trade and commerce as a sector were permitted,
Haiti	Capital Bank	2007-2013	$1 Mill	50%		NA	

2. TABLE OF LOAN CHARACTERISTICS

The following table describes the outputs of each DCA agreement: how many loans were made under the guarantee, the total amount disbursed thanks to the guarantee, how much of the guarantee ceiling was utilized, average loan size and average tenor, and whether there was any technical assistance provided by USAID to the lenders or potential borrowers.

Country	Partner Institution	Evaluation Report Date	Number of Loans	Cumulative Utilization	Utilization Rate	Average Loan Size	Average Loan Tenor (months)	Median Loan Size	Technical Assistance
Ghana (2003)	EcoBank	Mar 2009	6	$2,208,830	73.63%	-	40	$359,395	None
Ghana (2005)	EcoBank		4	$4,446,664	63.52%	-	27	$1,203,503	None
Honduras (2003)	Covelo Foundation	Sep 2009	279	$999,926	99.99%	$3,584	-	-	USAID *Rural Economic Diversification* (RED) project helped participating farmers to access credit and increase competitiveness.
Honduras (2005)	Covelo Foundation		565	$1,824,669	91.23%	$3,230	-	-	
Indonesia	Bank Danamon	Sep 2009	9,348	$16,288,539	99.3%				Guarantee complemented many post-tsunami programs, including competitiveness program, an agricultural capacity-building program, and a renewable energy and rural electrification project; the Aceh Technical Assistance Recovery Project; a project to support the smallholder- cocoa farmers; grants for infrastructure reconstruction.
Russia	Center-Invest	Aug 2009	137	$4,570,886	76.18%	$33,364	9	$17,809	None
Philippines	LGUGC	Nov 2009	11	$28,521,273	86.3%	$2,592,843	97	-	TA and training to LGUGC to strengthen its technical capacity.
Rwanda	Bank of Kigali	Mar 2010	Working Capital (WC): 7 Capital Invest-ment (CI): 11	$1,729,448	86.0%	WC: $101,490 CI: $92,638	-	WC: 10 CI:68	Several TA projects to support the National Coffee Strategy: the *Partnership for Enhancing Agriculture through Linkages in Rwanda* (PEARL), *Agribusiness Development Assistance in Rwanda* (ADAR), Food Security Project, and *Agricultural Technology Development.*

Country	Partner Institution	Evaluation Report Date	Number of Loans	Cumulative Utilization	Utilization Rate	Average Loan Size	Average Loan Tenor (months)	Median Loan Size	Technical Assistance
Ethiopia (1999)	Bank of Abyssinia (BOA)	Jul 2010	27	$2,705,538	100%	-	4.71	$69,606	None
Ethiopia (2003)	BOA		6	$383,546	76.71%	-	1.37	$66,125	None
Ethiopia (2004)	BOA		39	$8,178,511	90.87%	-	15.35	$172,414	None
Latin America	Root Capital	Sep 2010	22	$3,982,250	$99.56%	$181,011	14	-	NA
Africa	Root Capital		15	$1,602,000	80.1%	$106,800	5.4	-	NA
Moldova	FinCom Bank	Jun 2011	75	$3,904,493	97.6%	$52,000	18	-	TA to DCA and MSED partner banks through BizPro.
Kenya (2006)	Kenya Commercial Bank (KCB)	Jul 2012	1068	$7,821,130	99.03%	$7,323	3-48	-	USAID/Kenya's *Kenya Microfinance Capacity Building Program (KEMCAP)*
Kenya (2010)	KCB		847	$5,716,230	99.41%	$6,749	12-45	-	*Kenya Access to Rural Finance program (KARF)* and *Financial Inclusion for Rural Microenterprise project (FIRM)*, a USAID and Government of Kenya partnership designed to expand and deliver innovative financial services to SMEs.
Haiti	SOGEBANK	Aug 2012	1,724	$2,947,890	98.26%	$1,710	7		USAID/Haiti provided TA to train loan officers. *Market Chain Enhancement Project (MarCHe)* and the *Haiti Integrated Financing for Value Chains and Enterprises* (HIFIVE) programs.
Haiti	Capital Bank		130	$985,373	98.54%	$7,580	10		

3. TABLE OF DCA EVALUATIONS KEY RESULTS

The following table presents the summary conclusions for inputs, outputs, outcomes, impacts, as well as recommendations for each evaluation[9].

COUNTRY	PARTNER	OUTPUTS	OUTCOMES	IMPACTS
Ghana	EcoBank	**The bank used the guarantees to gain experience with new borrowers and industries** and, in compliance with USAID/Ghana objectives, to provide larger and longer-term loans associated with financing capital expenditures. Guaranteed loans were much larger, and consequently far fewer in number, than initially anticipated by USAID/Ghana but still fell within the size and tenor parameters established in the guarantee agreements.	**EcoBank has substantially increased lending to SMEs** since it began utilizing the DCA guarantees. However, the growth largely reflects the bank's ongoing strategy to increase retail lending rather than being attributable to the guarantees. Experience with the guarantees prompted EcoBank to increase lending to some new industries and to extend some long-term loans for capital expenditures outside of the guarantee coverage.	**Increased lending to the sector but question of attribution:** Lending to SMEs has increased substantially in Ghana since 2002 (pre-guarantee). Anecdotal evidence suggests that loan guarantees may be responsible for some of this increase. However, given the small number of industries/sectors represented by EcoBank's guaranteed loans, the effect of the DCA guarantees is likely modest.
Honduras	Covelo Foundation	Guaranteed loans have permitted the Covelo Foundation to **lend to farmers who had less collateral than traditional borrowers** and in the micro-credit sector to entrepreneurs for comparatively larger microloans on longer and more favorable terms than the Covelo Foundation's nonguaranteed loans. Loans helped at least some of the borrowers to increase their incomes. The Covelo Foundation managed to leverage guarantee resources obligated by the U.S. Government at a ratio of 20.1 to 1.	**The DCA helped both the Covelo Foundation and Bancovelo jumpstart their lending to the agricultural sector.** They have expanded access to credit by increasing the number of loans available, the average size and tenor of those loans, while keeping interest rates low. The Covelo Foundation became increasingly confident in risking its own capital in the sector without a guarantee. Rapid increases in lending have helped them become a significant actor in the agricultural microcredit sector.	Lending by MFIs to the agricultural sector has increased substantially during the period. The Covelo Foundation's DCA-supported agricultural sector lending helped **facilitate the entrance of another microfinance organization into the agricultural sector.**

[9] Inputs and Recommendations were only included in the last two evaluations in Kenya and Haiti, per the revised evaluation framework.

COUNTRY	PARTNER	OUTPUTS	OUTCOMES	IMPACTS
Indonesia	Bank Danamon	The guarantee achieved USAID's primary objective—**quick resumption and expansion of lending to MSEs in Aceh.** Bank Danamon exceeded the requirement that at least 40 percent of all guaranteed loans be provided in Aceh, North Sumatra, and Yogyakarta.	**Bank Danamon significantly increased nationwide access to credit among MSEs** *outside* the guarantee, but much of this overall increase is likely more attributable to the bank's aggressive growth strategy and profitability than to the guarantee. However, since the guarantee helped the bank expand lending in Aceh, it stands to reason that the guarantee had a positive impact on increased lending outside the guarantee.	**Bank Danamon's approach to MSE lending has served as a model for some competitor banks, both in Aceh and elsewhere.** Its phenomenal nationwide growth and profitability have expanded the market and stirred competition. To the extent that the guarantee has helped Bank Danamon expand the use of its successful model in Aceh and possibly elsewhere, the guarantee has played a role in the demonstration effect.
Russia	Center-Invest	Due to Center-Invest's risk aversion and the challenging SME environments in Krasnodar and Volgograd, **the bank used most of the guarantee funds to loan to collateral-poor SMEs in the Rostov region**. Center-Invest's lending portfolio has performed well since the DCA guarantee began.	The DCA guarantee has contributed to **increased credit access for Center-Invest's borrowers and may have influenced the bank to participate in other guarantee funds.** While Center-Invest expanded its SME portfolio and number of clients in Krasnodar and Volgograd, this was due to the bank's own efforts, rather than to its experience with the DCA guarantee.	Other banks have increased lending to SMEs since 2004, especially in the SFD because of a combination of favorable economic and infrastructure conditions. **However, SMEs' access to credit has not significantly improved**. Center-Invest seems to be unique in its concerted efforts to make financing accessible to small businesses in the SFD, and it has significantly improved the environment for SME lending.
Philippines	LGUGC	**The DCA guarantee was used by LGUGC to improve access to private sources of credit for local governments and water districts where little or none had previously existed**, although the volume of lending was less than anticipated due to adverse external influences. The DCA guarantee assured rigorous oversight and was critical in establishing the credibility of LGUGC among private financial institutions and other stakeholders.	**The DCA guarantee led LGUGC to guarantee loans to the target sectors without the DCA re-guarantee**. Since private financing effectively played no role in the target sectors before the LGUGC, its loan guarantees made outside the DCA guarantee increased access to credit for target sector borrowers. LGUGC has also begun to cautiously expand its guarantee activities outside of the target sectors and has broadened its services by becoming program manager of three other guarantee funds for other organizations.	**The DCA guarantee was a key factor, in combination with a number of elements, in initiating private lending to the target sectors.** The process of introducing private investment in the target sectors continues with the creation of the new Philippines Water Revolving Fund (PWRF), a joint U.S./Japan initiative. Furthermore, the World Bank is planning a program to complement the PWRF. In the long term, the impact of the DCA guarantee as a demonstration model could be significant.

COUNTRY	PARTNER	OUTPUTS	OUTCOMES	IMPACTS
Rwanda	Bank of Kigali	**The guarantee provided the bank an opportunity to increase its agricultural portfolio** and increase deposits at reduced risk. The guarantee was entirely responsible for the bank's substantial increase in capital investment and working capital financing to coffee washing station investors. The close coordination between the guarantee and USAID-supported technical assistance projects targeted to the coffee sector contributed to the bank's extraordinarily rapid and appropriate utilization of the guarantee.	**The guarantee had a limited impact on the Bank of Kigali's lending to the coffee sector outside of the protection of the guarantee.** The bank has provided a few working capital loans and no investment loans outside the guarantee. Some DCA borrowers were able to accumulate assets for use as collateral during the time that they made use of DCA loans which then gave them greater access to credit.	**Rwanda's banking sector has substantially increased its short- and medium-term lending to small-scale coffee investors since 2004**. However, banks placed most, if not all, of the loans under one of three available guarantee facilities or used donor-supported credit lines. **Banks still seem unwilling to lend to this segment of the coffee sector outside of the protection of a guarantee or credit line.**
Ethiopia	Bank of Abyssinia (BOA)	BOA used the guarantees to subsidize collateral requirements for guaranteed borrowers. Between 2000 and 2008, **the USAID guarantees were responsible for increasing BOA's lending to the agriculture sector** from 0 to an average of 2.3% of its total value of loans disbursed during the period.	**The USAID guarantees encouraged BOA to enter the agriculture finance sector and the bank will likely continue to lend to this sector, but only to exporters for the near future**. BOA continued to lend to 20% of the formerly USAID-guaranteed borrowers because they were profitable businesses. Loan terms have changed somewhat, as some former USAID-guaranteed borrowers received preferential loan terms.	**All Ethiopian banks have increased their lending to the agriculture sector since 2000, mainly because of the efforts of the government banks**, which provide collateral-free loans to agricultural exporters, as a result of government policy. The USAID guarantees clearly influenced BOA to increase lending to the agriculture sector. However, the agriculture finance sector appears to be still largely underserved.
Africa/ Latin America	Root Capital	**The first guarantee allowed Root Capital to extend lending to needier clients in Latin America, while the second guarantee helped Root Capital expand its operations to East Africa.** In both cases, Green Mountain Coffee Roasters' (GMCR's) partnership with USAID was instrumental in both Root Capital's expansion and its link to the DCA guarantees.	The Latin America guarantee helped triple Root Capital's nonguaranteed Latin American portfolio from $3.3 million pre-guarantee to $10.9 million. The second guarantee contributed to nearly tripling Root Capital's African portfolio to $2.9 million. **Root Capital intends to sustain lending to small and medium Fair Trade and/or Organic Certified producers and processors in Latin America and Africa,** thereby sustaining the DCA guarantees' outcomes.	As organizations gain lending experience and additional lenders enter the market, borrowers have increased the amounts they borrow, although not necessarily their loan tenors. **More government programs, international donors, NGOs, and social investors lend to this sector, and collateral requirements have become less stringent for some producer groups**. Root Capital is making a positive difference in its clients' businesses and the DCA guarantees supported that assistance.

COUNTRY	PARTNER	OUTPUTS	OUTCOMES	IMPACTS
Moldova	FinCom-Bank	**FinComBank aggressively used the DCA guarantee to make loans to the agricultural sector**, reaching the maximum guarantee authority in less than two years of the five-year guarantee. DCA guarantee allowed the bank to implement and test its strategy to expand its presence in less-served rural markets. The guarantee helped FinComBank make loans to borrowers who would have been denied loans due to insufficient collateral and/or lack of credit history. But more than half of FinComBank's DCA-guaranteed loans were extended to previous bank clients.	**FinComBank significantly increased its agricultural loan portfolio during the guarantee period**. At the end of 2009, FinComBank loans to the agricultural sector were just under 25% of its total loan portfolio versus about 15% for the banking system as a whole. Almost half of the DCA borrowers remain clients and still receive loans from FinComBank without any guarantees.	While the $4 million FinComBank guarantee was too small to have a broader market impact, **the overall $27 million Credit Enhancement Program probably did have a marked impact on lending to the agricultural sector**. As a result, there is growing competition among Moldovan banks to lend to rural borrowers and there has been a shift in lending from larger agricultural enterprises to smaller agricultural producers.
Kenya	Kenya Commercial Bank (KCB)	Financial Additionality: **The DCA guarantees enabled KCB to loan to the SME sector without the fear of incurring heavy losses**, to establish a new SME unit, and to develop a clear strategy for its involvement in the sector. The guarantee also enabled KCB's marginal clients to raise their borrowings levels with the bank due to improved collateral margins. The improved terms under the guarantees acted as a major marketing tool for KCB's funds. Economic Additionality: **DCA borrowers were able to expand their business** and improve profitability with the DCA guaranteed loans. On average, the enterprises surveyed improved their sales and profitability levels.	KCB has been exploring alternative ways of securing loans, including cash-flow based loans, stocks, log books, and chattels, all of which were traditionally unacceptable forms of collateral. **KCB is, however, very slow to change and still thinks in terms of high collateral, whereas the competition has moved to providing collateral-free loans**.	The loans issued under the DCA guarantees enabled borrowers to grow their businesses and achieve some **impressive positive social impacts** (employment creation, new business creation, better education for children etc.). The DCA guarantees had a big demonstration effect on first time borrowers by giving them confidence to seek additional loans from KCB or outside banks. **The guarantee ultimately demonstrated to KCB, and other banks in Kenya, that funding SMEs can be profitable business**.

COUNTRY	PARTNER	OUTPUTS	OUTCOMES	IMPACTS
Haiti	SOGEBANK/ Capital Bank	Financial Additionality: **SOGEBANK used the DCA to reach out to other markets in the productive sectors**, although it mitigated the potential risk involved by limiting the number of loans given to new borrowers. **Capital Bank did not use the DCA to extend its market, but rather as a reserve** to cover a set of clients who had problems paying back their loans. Economic Additionality: Borrowers from SOGEBANK and from Capital Bank became more willing to seek credit after they had received their first loan. The fact that borrowers obtained additional loans suggests they likely increased their business sales.	**SOGEBANK used the guarantee as a catalyst to lend to more borrowers in a greater variety of productive sectors. The DCA allowed SOGEBANK to gain a better knowledge of sectors by taking the risk to explore them**. Doing so, made SOGEBANK feel more at ease to move into other sectors. Capital Bank used the guarantee as a reserve for the lender. It granted guaranteed loans to borrowers whose businesses were in trouble in an attempt to restructure the loans. Therefore, **the DCA guarantee was not responsible for the growth in Capital Bank's portfolio outside the guarantee.**	Present field data pre- and post-earthquake have clearly demonstrated capital deepening, whereby **the banking system has ventured into business sectors that are new territory**. With further incentive—namely, a guarantee mechanism from a major donor such as USAID—banks are more likely to push the barrier of lending. But **it does not appear that the guarantees to SOGEBANK and Capital Bank influenced the behavior of other lenders**.

COUNTRY	PARTNER	INPUTS	RECOMMENDATIONS[10]
Kenya	Kenya Commercial Bank	**KCB, interested in pursuing the growing SME market, approached USAID/ Kenya to partner with them, which resulted in the 2006 and 2010 DCA guarantees.** The USAID Technical Support enabled the bank to establish an SME unit in 2008 to manage the guarantees, promote its venture into the SME sector, and develop innovative lending tools.	• The evaluator recommends setting up these guarantees as **revolving funds** to help the bank generate more than one cycle of loans. • To avoid a situation where guarantee borrowers are unable to secure follow-up loans, it is recommended that KCB and USAID/DCA agree on a **time frame for developing and testing new products** in order to avoid a situation where the bank is overly dependent on DCA guarantees. • Implement a cost-sharing mechanism with borrowers whereby local financial consulting organizations/business service providers can support SMEs in improving their operations and preparing the required statements. • To encourage DCA partners to support long-term capital investment, the evaluator recommends **specifying the proportion of the guarantee that would support different loans (working capital vs. capital investment).** • For women-owned businesses, USAID/DCA should consider working with institutions that are more experienced in developing loan products that address the specific needs of women-owned businesses.

[10] Inputs and Recommendations were only included in the last two evaluations in Kenya and Haiti, per the revised evaluation framework.

COUNTRY	PARTNER	INPUTS	RECOMMENDATIONS[10]
Haiti	SOGEBANK / Capital Bank	**Both lenders wanted to move down market to diversify their clientele.** Beginning in 2004, SOGEBANK recognized a niche opportunity to attract an underserved market: SMEs. Along with technical assistance by USAID/Haiti, the guarantee helped the lender to make this move.	• USAID should make it clear to lenders that the guarantee is to be used to mitigate the risk of increasing the supply of credit to target sectors and/or new sectors or to pilot a new loan product, rather than as a reserve against losses from existing borrowers whose businesses are in trouble. • USAID missions should ensure that **training in proper financial recordkeeping and other good business practices** and the DCA guarantees are closely coordinated. • USAID should also encourage lenders to target needier and more diverse business owners with the guarantees by understanding better how these businesses function and what their needs are. Again, such **technical assistance** could be coordinated with other USAID programs or other donor training programs, for example, training for loan officers. • E3/DC and its partner lenders should consider designing a structure whereby the repayments of the borrowers put under the guarantee turn the guarantee into a **revolving guarantee**. In addition, rather than guaranteeing the individual borrower, it would be preferable to guarantee the loan portfolio, as it would reduce the administrative costs tithe lenders.

4. Summary of Development Results

Output: The vast majority of DCA guarantees allowed the partner to enter a new sector, or increase their lending to a previously underserved sector. Additionality was clearly achieved, as the evaluations confirmed those loans would not have happened without the guarantee.

In 9 out of 11cases, (Honduras, Indonesia, the Philippines, Rwanda, Ethiopia, Latin America/Africa with Root Capital, Moldova, Kenya, and Haiti SOGEBANK[11]), the partner used the guarantee to start or increase lending to the targeted sector, region, or type of borrower. For example, Root Capital[12] was able to expand its operations to East Africa and nearly triple their portfolio to $2.9 million with the DCA guarantee. Only three partners failed to fully achieve the goals set out in the design of the guarantee (Ghana, Russia, and Haiti Capital Bank). For example, Capital Bank in Haiti used the guarantee for the Trade & Commerce sector only and not for any productive sectors, and used the guarantee primarily for re-structured loans post-earthquake.

Additionally, the revised evaluation framework was implemented in Kenya and Haiti and examined borrower impacts. For Kenya, economic additionality was achieved as the borrowers were able to grow their businesses due to the guarantee. In Haiti, borrowers were able to access further credit after receiving their first loan from DCA partners.

The partner used the guarantee to start or increase lending to a target sector/region/type of borrowers	The partner's use of the guarantee did not fully achieve the goals set out in the design of the guarantee	The partner institution did not use the guarantee to achieve the goals set out in the design
• Honduras Covelo Foundation • Indonesia Bank Danamon • Philippines LGUGC • Rwanda Bank of Kigali • Ethiopia BOA • Latin America/Africa Root Capital • Moldova FinComBank • Kenya KCB • Haiti SOGEBANK	• Ghana EcoBank • Russia Center-Invest • Haiti Capital Bank	

Outcome: In most cases, the partner modified its lending behavior and continued lending to the target sectors/borrowers following the guarantee. The question of attribution remains, as this change sometimes reflected the bank's overall strategy, rather than a consequence of the DCA guarantee.

In six of the evaluated guarantees (Honduras, Philippines, Ethiopia, Latin America/Africa, Moldova, Haiti SOGEBANK), the partner sustained its lending to the target sector, region, or type of borrower outside of the guarantee. In Honduras, the partner became increasingly confident in risking its own capital in the agricultural sector without a guarantee, and in Moldova, almost half of the DCA borrowers remain clients of the partner and still receive loans without any guarantees. In five of the evaluated guarantees (Ghana, Indonesia, Russia, Kenya, and Haiti Capital Bank), the partner institution sustained lending to the targeted sector, region, or borrower type. While the DCA guarantee played a role in extending credit to the targeted group, it is unclear how large of an impact it had due to other factors such as ongoing

[11] The evaluation in Haiti was for the multibank guarantee with SOGEBANK and Capital Bank and compared how each lender implemented the guarantee.
[12] Root Capital is a non-profit social investment fund which lends in several countries.

strategies to lend in these targeted sectors or the reliance on donor or government guarantees to continue lending in these sectors.

Only one partner, the financial institution in Rwanda, showed limited behavioral change in lending to targeted sector, region, or type of borrower outside of the guarantee as they only wanted to target coffee exporters and continue to use guarantee facilities.

The bank sustained its lending to the target sector/region outside of the guarantee	The partner sustained its lending to the target sector/region outside of the guarantee, *due to other factors*. Guarantee may have played a role.	The partner institution had little behavior change outside of the guarantee
• Honduras Covelo Foundation • Philippines LGUGC • Ethiopia BOA • Latin America/Africa Root Capital • Moldova FinComBank • Haiti SOGEBANK	• Ghana EcoBank • Indonesia Bank Danamon • Russia Center-Invest • Kenya KCB • Haiti Capital Bank	• Rwanda Bank of Kigali

Impact: Impact of the market demonstration effect of the guarantee is hard to isolate due to the large number of other factors. However, the evaluations point to a correlation, and sometimes causality, between the presence of the guarantee, and improved access to credit for the intended borrowers.

Access to credit for the target sector, region, or type of borrower improved overall due to the guarantee in the following places: Indonesia, Philippines, and Moldova. Most notably in the Philippines, the impact of the DCA guarantee as a demonstration model could be significant as the partner[13] has expanded its guarantee activities into other sectors, has become a program manager of three other guarantee funds for other organizations, and has influenced the creation of the new Philippines Water Revolving Fund (PWRF), a joint U.S./Japan initiative. Access to credit for the target sector, region, or type of borrower improved overall due to other factors such as government promotion campaigns or other lenders entering the space—possibly in combination with DCA contributions-- in the following countries: Ghana, Honduras, Rwanda, Ethiopia, Latin America/Africa, Kenya, and Haiti. In Russia, access to credit for the targeted sector, region or type of borrower has not improved due to government regulations, high collateral requirements and interest rates, short tenors and small loan sizes. Also the effects of the 2008 financial crisis greatly affected SME lending in Russia.

Access to credit for the target sector/region/type of borrowers improved overall, *thanks to the guarantee*	Access to credit for the target sector/region/type of borrowers improved overall, *due to other factors*. Guarantee may have played a role.	Access to credit for the target sector/region/type of borrowers has not improved
• Indonesia Bank Danamon • Philippines LGUGC • Moldova FinComBank (CEP)	• Ghana EcoBank • Honduras Covelo Foundation • Rwanda Bank of Kigali • Ethiopia BOA • Latin America/Africa Root Capital • Kenya KCB • Haiti SOGEBANK/Capital Bank	• Russia Center-Invest

[13] The partner in Philippines is a local guarantor and the DCA guarantee was a re-guarantee of their loans to local infrastructure projects including water supply and sanitation projects.