THE IMPACT OF

USAID's DEVELOPMENT Credit Authority

As a data-driven, results-oriented guarantor, DCA is committed to continual program evaluation. **11** total evaluations were completed, examining **12** financial institution partners representing

$100.3 MILLION and covering **14,621** BORROWERS. THE DEFAULT RATE for these selected guarantee facilities is **4.3%**

In 11 of 11 CASES

DCA enabled lending to new or riskier borrowers, but in only 9 out of 11 cases was the DCA successful in reaching the specific borrowers the USAID field offices intended to target.

LESSONS LEARNED IN GUARANTEE DESIGN

Technical Assistance: Guarantees are more likely to succeed when assistance providers help and partners develop loan products and improve risk management.

Targeted Scope and Sufficient Size: It is easier to pinpoint impact when the guarantee targets a niche sector with a small number of players.

Incentivizing Competition: Multi-bank guarantees are more likely to have a sustainable market-catalyzing impact than a single guarantee facility in a large market.

Revolving Guarantees: Evaluations indicated a potential need for the introduction of revolving lines of credit, though these are not permitted under USG credit policy.

INDEPENDENT EVALUATIONS

In 2012, DCA rewrote its **EVALUATION METHODOLOGY** to incorporate the impact of guarantees on borrowers—not on banks. In 2013, two evaluations were completed under the new framework.

In Kenya, employment increased **50%** on average for businesses with guaranteed loans.

In Haiti, **87%** of guaranteed borrowers were able to receive financing after the guarantee ended.

These findings are based on a sample of borrowers.

EVALUATING IMPACT

Market Demonstration

Did other, non-partner banks initiate or increase lending to the sectors/regions (and did the DCA serve as a model for this change)?

3 OF 11 cases showed causality between guarantees and countrywide improved credit access for the target sector.

7 OF 11 cases showed a countrywide increase in lending, but the effect may have been from outside factors.

Bank Behavior Change

Did the bank continue lending or lend to similar borrowers without guarantee?

6 OF 12 banks changed lending behavior after the guarantee ended.

5 OF 12 banks continued to show reliance on donor or government guarantees to continue lending in target sectors after USAID guarantee expired.

Additionality

Compare indicators for loans under the guarantee with the rest of the bank's portfolio.

9 OF 12 banks used the guarantee to start or increase lending to the targeted sector, region, or borrower.

3 banks' use of the guarantee did not fully achieve goals set out by USAID field offices' development objectives.

USAID FROM THE AMERICAN PEOPLE