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FROM THE AMERICAN PEOPLE



## The Development Credit Authority Guarantee

The Banking on Health Project improves the ability of private sector health care providers to access financing, thereby improving their capacity to deliver high-quality reproductive health and family planning services. One of the ways that Banking on Health can support financial institutions that are interested in lending to the private health care sector is by assisting in structuring, monitoring, and supporting with technical assistance, the U.S. Agency for International Development's (USAID) Development Credit Authority (DCA) guarantees.

USAID is working with the private sectors of many countries to expand investment in important sectors that are traditionally underserved by the financial markets, such as the private health care market. The DCA works with local privately held financial institutions to facilitate the expansion of finance into such markets by providing a partial credit guarantee which reduces the risk associated with lending to new sectors or new borrowers. All guarantees have the full backing of the US Treasury. In addition to recommending and monitoring DCA guarantees, Banking on Health provides training and technical assistance to support the utilization of health sector guarantees.

### DCA Credit Guarantees\*



| LATIN AMERICA & CARIBBEAN (17) |              | AFRICA (17)   | EUROPE & EURASIA (22) |             | ASIA & NEAR EAST (20) |
|--------------------------------|--------------|---------------|-----------------------|-------------|-----------------------|
| Ecuador                        | Mexico (2)   | Ghana (2)     | Armenia (4)           | Moldova (4) | Bangladesh (2)        |
| Guatemala (2)                  | Nicaragua    | Kenya (3)     | Bosnia (4)            | Romania     | Egypt (2)             |
| Honduras (3)                   | Peru (3)     | Mali (2)      | Bulgaria (3)          | Russia      | India (2)             |
| Jamaica (9)                    | Regional (2) | S. Africa (3) | Croatia               | Ukraine     | Morocco (9)           |
|                                |              | Uganda (7)    | Kazakhstan            |             | Philippines (2)       |
|                                |              |               |                       |             | Vietnam (3)           |

\*As of December 2004. For more information on the DCA,

See: [http://www.usaid.gov/our\\_work/economic\\_growth\\_and\\_trade/development\\_credit/detailed\\_information.htm](http://www.usaid.gov/our_work/economic_growth_and_trade/development_credit/detailed_information.htm)

## Types of DCA Guarantees

**Loan Portfolio Guarantees (LPG)** provide financial institutions with partial coverage on a portfolio of loans that they provide to their customers. In the case of the LPG, USAID agrees to share in the risk of a broadly defined category of bank loans with a view toward inducing local banks to extend credit toward an underserved sector. The individual borrowers under a LPG are not predetermined at the time the Guarantee Agreement is signed, but the borrowers must fall within a pre-agreed definition of “Eligible Borrowers,” such as borrowers that are private health sector businesses.

**Loan Guarantees (LG)** are typically for one specific credit enhancement purpose in cases where the borrower, lender, and uses of loan proceeds are known.

**Bond Guarantees (BG)** support the issuance of bonds by financial institutions, private sector corporations, or sub-national entities. Funds generated from a bond issuance can, for example, assist in raising local funds to initiate projects that require substantial up-front capital investment.

**Portable Guarantees (PG)** provide an identified potential borrower with a letter of guarantee commitment through which the borrower may seek the most advantageous terms from the local financial market. Portable Guarantees are appropriate for specific credit enhancement purposes when the borrower is known, but the lender is not yet known.

## DCA Credit Guarantees Supporting the Private Health Sector

**Philippines:** *Opportunity Microfinance Bank • Loan Portfolio Guarantee • \$750,000* • USAID’s loan portfolio guarantee supports loans to private midwife clinic members of a social franchise.

**Nicaragua:** *BanPro and FINARCA Banks • Loan Portfolio Guarantees • \$5,000,000* • This Loan Portfolio Guarantee supports lending to private health care providers, including Empresas Médicas Previsionales (EMPs) which are medical service providers certified by the national insurance institute to provide basic medical care through the private social security system.