

Development Credit Authority

The Development Credit Authority (DCA) is a broad, general funding authority enacted by Congress that allows USAID to issue partial guarantees of up to 50% for development purposes. DCA augments grant assistance by mobilizing private capital in developing countries for sustainable development projects, thereby supporting the capacity of host countries to finance their own development. DCA guarantees work with a combination of grant-financed training and technical assistance for creditworthy but historically underserved markets. While DCA can support any sector with adequate cost-recovery potential, experience has shown that it is especially effective in stimulating economic growth and agricultural development.

(in dollars thousands)

<u>Development Credit Assistance</u>	<u>FY 2002 Actual</u>	<u>FY 2003 Actual</u>	<u>FY 2004 Appropriation</u>	<u>FY 2005 Estimate</u>
Credit Subsidy				
Transfer authority for DCA	[18,500]	[5,859]	[20,876]	[21,000]
Administrative Expenses				
Appropriation for DCA	7,500	7,542	7,953	8,000

In FY 2003, DCA helped channel \$10,000,000 in loan capital to agribusinesses in Moldova and Armenia, and \$40,000,000 in loan capital to improve water and wastewater service delivery to underserved populations in Egypt. In the Philippines, DCA was used to expand maternal and child health care services across the country.

In FY 2004, DCA will fund the development, implementation and financial management (\$8,000,000) of all USAID credit programs and will use transfer authority (\$20,876,000) for the subsidy cost associated with using DCA to guarantee loans and loan portfolios. This will support an innovative program to finance water and sanitation facilities in developing countries under the Presidential Water Initiatives. It will also support ongoing activities such as micro-lending in West Bank and Gaza, mortgage market development in Morocco, and municipal finance in El Salvador and Ukraine.

In FY 2005, DCA expects to fund the development, implementation and financial management (\$8,000,000) of all USAID credit programs and to use transfer authority for the subsidy cost (\$21,000,000) associated with using DCA to guarantee loans and loan portfolios. This will support activities in every region of the globe and in every economic sector targeted by USAID including bond financing; micro, small, and medium-size enterprise development; competitive financial services; creative municipal financing; and clean energy and clean water initiatives.