



FACT SHEET

Development Credit Authority and Education

The Development Credit Authority (DCA) is a tool that USAID has used since 1999 to provide partial credit guarantees on loans or bonds, thereby mitigating the risk to a lender. The credit guarantees enable USAID to encourage banks to lend their own capital to creditworthy but underserved sectors. Leveraging private capital this way allows USAID to have a greater and more sustainable impact, allowing banks to become familiar with sectors they previously viewed as risky.

The DCA loan guarantees in the education sector described below have mobilized \$9.5 million in private sector credit at a cost of \$389,500 to USAID. In other words, every \$1 spent by USAID has leveraged more than \$24 from the private sector.

Ghana

Overcrowding, poor quality and limited access to government-run schools often make private school a necessity rather than a real choice. In 2008, USAID structured a \$5 million loan portfolio guarantee, implemented in partnership with Opportunity International Savings and Loans Limited (OISL), to support a pilot program which will extend short and medium term loans to private schools. By making financing available to private schools, particularly those which cater to lower income families, USAID is ensuring that these institutions have the resources necessary to invest in their schools and to provide children with a good education.

Kyrgyzstan

Increasing the availability of higher education is key to spurring innovation, job creation, and income generation. The government of Kyrgyzstan recognizes this and has committed to increase the availability of vocational and university education to Kyrgyz youth. However, opportunities for higher education are limited due to the high cost which on average is \$800, at a public university. This is more than half the country's annual per capita income of \$1,300. Private universities can cost up to \$2000. Scholarship opportunities are scarce and families are often unable to help their children pay for higher education.

In order to make university and vocational education more affordable, USAID/Kyrgyzstan designed a \$1.5 million loan portfolio guarantee with two Kyrgyz banks, Kompanion and KICB, to cover 50 percent of losses on a portfolio of loans for vocational and university education.

Jordan

As with many countries, the private basic education sector in Jordan is growing to meet increasing demand and shortfalls in public supply, partially due to influx of Iraqi refugee children in private schools since 2003. Due to overwhelmed public schools in Jordan, the private school sector will need to grow at a faster rate, both in terms of size and quality of services offered.

At the end of 2009, USAID/Jordan established a \$3 million loan guarantee with the Microfund for Women to encourage the institution to lend to low and middle income private kindergarten, primary and secondary schools. The schools will use these loans to purchase vehicles and improve their facilities. The guarantees will complement the activities that the Government of Jordan is undertaking to improve access to education nationwide.