

Financial Sustainability of CGS – An Empirical Snapshot

EMGN Autumn Academy

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Zoom



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Main Parameters for Financial Sustainability



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Main revenue streams

Fees

Investment income

Recoveries

Grants / subsidies

Other income

Main expenses

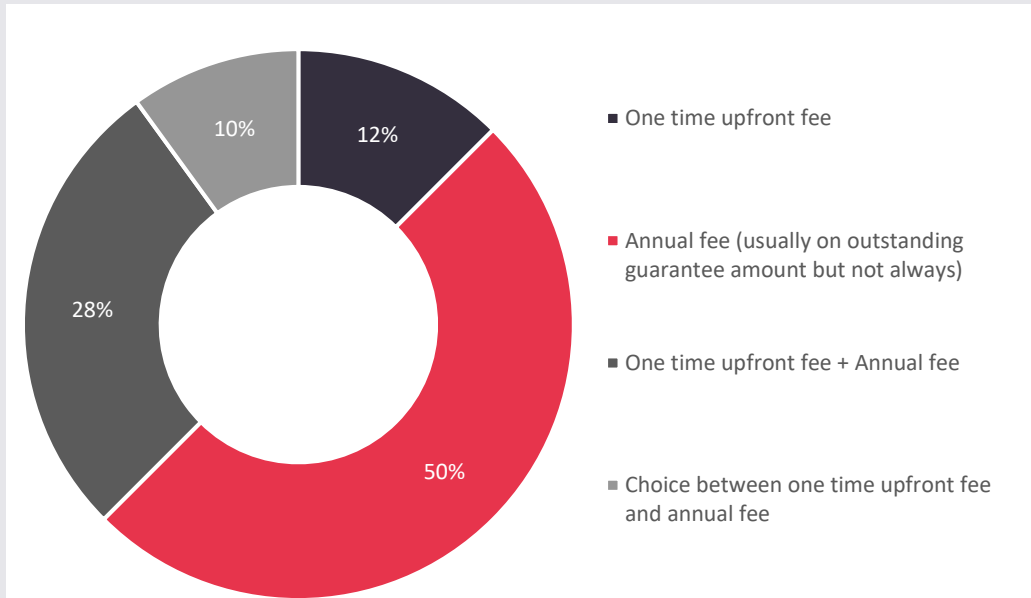
Op ex

Risk

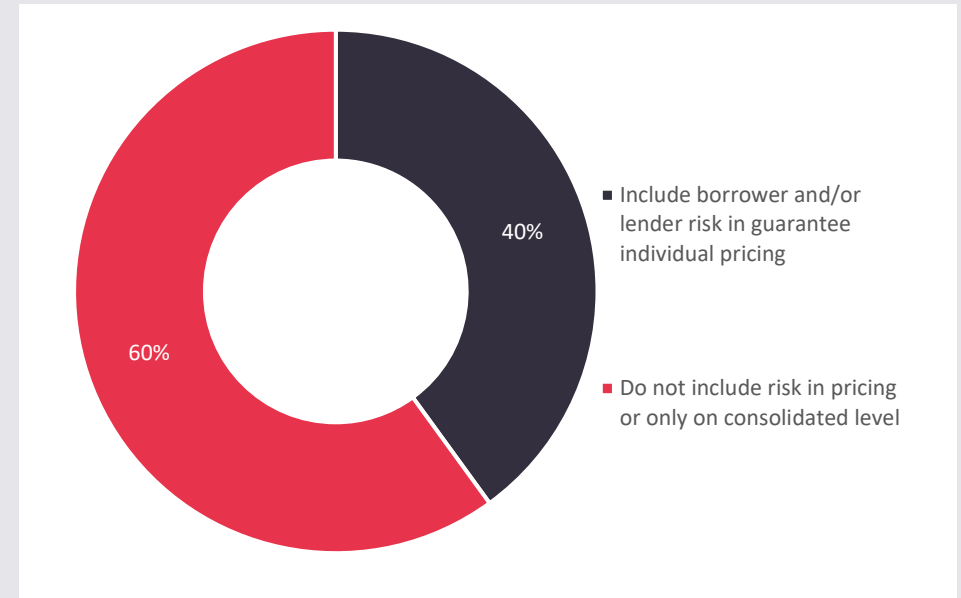
Cost of funds

Taxes

Fees (n = 40)



Guarantee Fee Structure



Risk-based pricing

Pricing more influenced by

- demand side (PFIs, sometimes MSMEs)
 - competition
 - political considerations / government mandate
- less so by cost-based calculations

Annual fees on outstanding guarantee amount range from 0.25% to 5.75% with a median range of 1% to 2.5%

Income Statistics (n = 8 to 12)

- Guarantee fees represented on average 72% of operational costs (without risk cost)
- In more than 50% of CGS, fees were greater than operational costs (not including risk cost)
- Investment returns were higher than pay-outs in $\frac{3}{4}$ of CGS (capital base and yield the most relevant parameter)
- In $\frac{2}{3}$ of cases, fees + investment returns were greater than operational costs + pay-outs
- Guarantee fee yield on guarantee portfolio is 2% on average
- Net loss rate (pay-outs minus recoveries) is 1.3% of portfolio on average
- Recoveries made only an average of 4% of overall income
- CGS using indiv. guarantees report op ex of 20% of income, for portfolio guarantees approx. 5% (limited data)

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