

GEMs 2.0 Frequently Asked Questions (FAQs)

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What is GEMs 2.0?

The Global Emerging Markets Risk Database (GEMs) Consortium was established in 2009 as a bilateral initiative between the European Investment Bank Group (EIB) and the International Finance Corporation (IFC) to pool credit risk data on private/sub-sovereign lending in Emerging Markets and Developing Economies (EMDEs) and provide members with the related statistics. Expansion of the database to also capture information on sovereign/sovereign-guaranteed lending was driven by the inclusion of new members, notably with the International Bank for Reconstruction and Development (IBRD) joining in 2018.

Built by the GEMs Consortium, the database is a joint endeavor supporting technical cooperation between international institutions. Currently, the GEMs Consortium comprises 25 multilateral development banks (MDBs) and development finance institutions (DFIs). The GEMs Secretariat is housed in Luxembourg by the EIB, which provides significant infrastructure support and facilitates the collaboration of the Consortium members.

The G20 review of the MDBs' Capital Adequacy Frameworks (CAF) recommended that the GEMs Consortium widen the dissemination of statistics to the broader public (GEMs 2.0) beyond the already disclosed default statistics made available through the publications on the GEMs Consortium website (<https://www.gemsriskdatabase.org/>). The G20 has also called for efforts to launch GEMs 2.0 as a stand-alone entity to evolve the governance and overall management of the Consortium.

What is the current management and governance structure of the GEMs Consortium?

The GEMs Consortium is governed by a Steering Committee co-chaired by EIB and IFC and comprising senior officials from the European Bank for Reconstruction and Development (EBRD), International Bank for Reconstruction and Development (IBRD), African Development Bank (AfDB), Asian Development Bank (ADB), and Inter-American Development Bank Group (IDB Group). The Consortium is managed by the GEMs Secretariat housed by the EIB in Luxembourg.

Are investors interested in accessing GEMs statistics?

IFC concluded a high-level survey of IFC investors in August 2023 to assess the relevance of GEMs statistics from an investors' perspective. Survey results indicate that GEMs could serve as a tool for providing investors additional information on the investment and risk profile of EMDEs. A more in-depth market study is to be launched in 2024 to delve deeper into investors' demand.

How will GEMs impact private capital mobilization into EMDEs?

Access to default and recovery rates of MDB/DFI loan portfolios in EMDEs can help investors better understand the risk profile of EMDE debt in private sector entities. It can also provide a benchmark that can be employed in risk modelling as well as incorporated in pricing models. This will help to reduce the

gap between perceived and real risks of investing in EMDEs for private investors, thus potentially helping mobilize private capital into these markets during this critical time of multiple challenges and private investment needs.

What type of GEMs statistics will be available to the public and investors?

The GEMs Consortium has been publicly disseminating statistics through the GEMs website since 2020. This was initially done through annual reports focusing on default rates for private/sub-sovereign lending. Starting in 2022, the reports have also covered sovereign and sovereign-guaranteed lending. The latest default statistics were published in November 2023 on the GEMs website (<https://www.gemriskdatabase.org/#publication>). For both lending universes, statistics are disaggregated across regions, income groups, sectors, and counterpart types. The publication on private/sub-sovereign lending also showcases specific statistics for the infrastructure dataset.

In Q1 2024, for the very first time, the GEMs Consortium will publish recovery statistics for private and sub-sovereign lending from 1994 to 2022.

Generating these reports requires harmonizing different systems and procedures of numerous MDBs and DFIs and analysing vast amounts of data, and as such is a time- and labor-intensive process. The Consortium is investing their resources in this effort to ensure data is of the highest quality prior to public dissemination, all with a view toward helping investors better understand risk-reward calculations in emerging markets and developing economies.

Can investors and the public have access to the underlying loan data and the full GEMs database?

Consistent with the practice of commercial banks and of most public sector financial institutions (for their private sector investments), detailed underlying loan portfolio data cannot be made public as this constitutes commercially sensitive information that is protected by confidentiality agreements. This constraint is necessary to ensure that contributors are able to provide GEMs with sensitive lending information. To ensure this confidentiality is preserved, members of the GEMs Consortium only have access to aggregated statistics of other MDBs/DFIs as a group. That is, Consortium members do not have access to the underlying data of individual contributors to the GEMs database.

How have GEMs statistics been shared in the past with investors and others?

GEMs default statistics were shared with ILX in January 2020 as a pilot to assess the impact of GEMs statistics in the market with relation to mobilizing private investments into EMDEs. This was done under a negotiated non-disclosure agreement (NDA), with only one set of statistics shared, following which the agreement expired. This pilot confirmed private investor appetite and the added value of GEMs data and its usability. This allowed the Consortium to move a step closer to disseminating statistics through public reports available on the GEMs website, which we began doing in 2020. These reports have focused on default rates pertaining initially to private and sub-sovereign lending. As of 2022, the reports also cover sovereign and sovereign-guaranteed lending. Public reports are currently the most efficient way to disseminate GEMs data to broader audiences. The GEMs Consortium also took part in the G20-commissioned MDB's Capital Adequacy Frameworks review in May 2022. GEMs data was used by the

G20 panel to understand the impact of preferred creditor status on the capital adequacy of the 11 participating MDBs. Strict confidentiality rules were adhered to throughout this process.

What progress has been achieved in exploring the establishment of a stand-alone entity to house the GEMs database?

The GEMs Steering Committee is working on strengthening the governance and management model of GEMs to provide a robust legal and business environment to meet the challenges ahead. This will result in an improved ring-fenced GEMs entity, which will continue to be hosted in Luxembourg by the EIB. This solution provides an effective way to concentrate on results and move quickly towards the dissemination of GEMs statistics.