GEMs FAQs

(Updated 05 April 2024)

What is GEMs?

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. With the entry of new members, the Consortium has evolved into a community of practice that develops common approaches and data methodologies to record default and recovery frequencies within the GEMs consortium. Harmonization of methodologies and data quality controls over the last few years has enabled the Consortium to now provide default and recovery statistics for public dissemination. 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.

As such, the database is a product of significant collaboration between currently 25 multilateral development banks (MDBs) and development finance institutions (DFIs) working closely together for several years to produce reliable statistics on default and recovery statistics across MDB/DFI portfolios. 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 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 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. An in-depth market study has been launched to delve deeper into investor demand for GEMs statistics, as well as receive feedback on what additional statistics would be useful within the parameters of client confidentiality. Once finalized, this study will help fine tune GEMs statistics in a manner most relevant and helpful for private capital mobilization.

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.gemsriskdatabase.org/#publication). For both lending universes, the reports highlight the composition of the database across regions, income groups, sectors, and counterpart types. The publication on private/sub-sovereign lending also showcases specific default statistics for the infrastructure dataset.

On March 25, 2024, for the very first time, the GEMs Consortium published recovery rates for private and sub-sovereign lending from 1994 to 2022. "*Recovery Statistics: Private and Sub-Sovereign Lending, 1994-2022*" is now available for free on the GEMs website. This report is the first GEMs publication focusing on recovery rates, providing statistics derived from pooled GEMs data going back to 1994, supplied by 19 member institutions. Recovery rates are disaggregated by region, income group, and sector, considering the following:

- To facilitate the aggregation of the results per geographical location and income distribution, the World Bank Group classifications are used as they constitute market standards and are publicly available through the World Bank's website. This aggregation can offer insights into the GEMs database global reach and the allocation of resources to countries that belong to the middle/low-income group category.
- The majority of counterparts in the GEMs database are in Europe, Central Asia and Africa. This is an outcome of the representation of the 19 member institutions contributing data. Of those, 10 are headquartered in Europe, 2 in Asia, 5 in Americas and 2 in Africa. European territories are represented by Eastern European countries, Turkey as well as territories such as Marshall Islands, French Polynesia etc. that are assigned geographically and income-wise to the corresponding "mother territory" – in the two examples provided this will be respectively the United Kingdom and France.
- In terms of the large number of samples that are assigned to the N/A category, some of the reported lending obligations are syndications or projects that are allocated to more than one countries. These are often not submitted in a way that the partial allocations are explicit but as a sum of its parts without a specific geographical designation assigned to it. This sample is not insignificant, and a decision has been taken to include them in the report under the N/A category. The GEMs Secretariat is working with GEMs member institutions to address the issue.

The Recovery Statistics report complements the series of "*Default Statistics*" reports that have been available as a public good over the last few years.

Generating these reports requires harmonization of methodologies and definitions of numerous MDBs and DFIs and analyzing vast amounts of data. It is therefore a time- and labor-intensive process. The Consortium is investing their resources in this effort to ensure data and its processing are of the highest quality prior to public dissemination of statistics, 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. The pilot confirmed private investor appetite and the added value of GEMs statistics 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. The 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 statistics to broader audiences. The GEMs Consortium also took part in the G20-commissioned MDB's Capital Adequacy Frameworks review in May 2022. GEMs statistics were 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.

Why are GEMs statistics not further disaggregated for public dissemination?
As harmonizing of data methodologies and definitions continues across the 25 GEMs members, the GEMs Consortium aims to provide more disaggregated statistics to better guide investor decisions. The next report cycle currently scheduled for Q4 2024 will consist of both default and recovery statistics disaggregated by regions, income groups, and sectors. Further disaggregation of statistics (e.g., increased sectoral breakdowns, statistics by credit ratings etc.) is under review depending on the underlying data sample sizes, definitions, and overall data quality checks. Providing disaggregated GEMs statistics by countries could create confidentiality issues and have adverse impact on investors' perceptions of countries based on what could be smaller sample sizes or very specific portfolio related

issues prevailing at the time. An in-depth Market Study currently underway will shed more light on the demands of investors, as well as avenues to deliver on these needs working within the confines of data limitations and confidentiality issues. Working with a data aggregator to continue enhancing the data collection, aggregation, analysis, and wide dissemination of statistical reports will also add to the Consortium's efforts of providing quality information as a public good to drive investor decisions in emerging markets.