GEMs FAQs
(Updated November 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 (EIB) and the International Finance Corporation (IFC) to pool credit risk data on private/public 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. Expansion of the database to also capture information on sovereign and sovereign-guaranteed lending was driven by the inclusion of new members, notably with the International Bank for Reconstruction and Development (IBRD) joining in 2018.

The GEMs database is the result of significant collaboration between the Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs) members of the Consortium working closely together to produce reliable statistics on default and recovery statistics across MDB/DFI portfolios.

The G20 review of the MDBs' Capital Adequacy Frameworks (CAF) recommended that the GEMs Consortium widens the dissemination of statistics to the public with a view to giving investors greater insights into credit risks in emerging markets and guiding their asset allocations. Increased data quality controls and harmonization of methodologies over the last few years have enabled the publishing of default and recovery statistics on the GEMs Consortium website (www.gemsriskdatabase.org) and easily available to the general public. Furthermore, the latest set of annual reports released in October 2024 provide deeper levels of disaggregation of default and recovery statistics in response to the G20 expectations.

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 hosted at the EIB in Luxembourg, which is responsible for the overall coordination of the GEMs activities and the collaboration between Consortium members. The GEMs Secretariat also provides facilities and infrastructure support.

Are investors interested in accessing GEMs statistics?

In March 2024, IFC hired Delphos International to conduct an in-depth market study to assess the relevance of GEMs statistics from an investors' perspective. Survey results (www.gemsriskdatabase.org/#marketstudy) indicate that: (i) credit risk data is not readily available for investors; (ii) GEMs does not have currently sufficient visibility among investors; (iii) investors familiar with GEMs value the availability and content of the GEMs statistics; (iv) further disaggregation is desirable to guide investors' asset allocation decisions in emerging markets; and (v) country and sector level disaggregation are considered the most useful levels of granularity for investors. The latest GEMs publications already address many of the main needs raised by investors in this survey.

How will GEMs impact private capital mobilization into emerging markets?

Access to default and recovery rates of MDB/DFI loan portfolios in emerging markets can help investors better understand the risk profile of this asset class, and possibly be used in risk and pricing models. This can help assessing the risks of investing in emerging markets for private investors, especially when investing alongside MDBs/DFIs, thus potentially helping mobilize private capital into these markets during a critical time of multiple challenges and private investment needs.

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

Since 2021 the GEMs Consortium has been publishing its reports on the GEMs website. This was initially done through annual reports focusing on default rates for private and public lending. Starting in 2022, the reports have also covered sovereign and sovereign-guaranteed lending. In March 2024, for the very first time, the GEMs Consortium published recovery rates for private and public lending.

In October 2024, the Consortium released two other first-of-a-kind reports available on the GEMs website in PDF and excel forms: Default and Recovery Statistics for private and public lending for the period 1994-2023, and Default and Recovery Statistics for sovereign and sovereign guaranteed lending for the period 1984-2023. With the publication of these reports, the GEMs Consortium has completed the coverage of publicized recovery statistics by also including those for sovereign and sovereign-guaranteed lending.

What is new in October 2024 GEMs annual reports and what do they tell investors?

The report on private and public lending discloses for the first time: (i) default and recovery statistics in a single report, as opposed to separate reports previously; (ii) disaggregation of statistics by countries, granular sector cuts, and region/sector combinations, all of which were not available in previous reports; and (iii) statistical quantities such as medians and distributions, in addition to averages reported previously.

The report on sovereign and sovereign-guaranteed lending discloses for the first-time: (i) statistics derived from 40 years of pooled data, which is over a decade more than previously; (ii) recovery statistics; and (iii) statistical quantities such as medians and distributions, in addition to averages reported previously.

How similar can investors expect to find their default/recovery rates in these countries, given the specificities of the GEMs member institutions?

Emerging markets have long been viewed as high-risk destinations for investment, particularly for loans to businesses. This perception stems largely from uncertainty about repayment prospects and limited historical data. Investors, without reliable metrics on likely default and recovery rates, often approach emerging markets with great caution. The newly released GEMs statistics in October 2024 provide a more nuanced view of these risks and insights into the behavior of loans to emerging market firms over the past three decades, as experienced by the MDBs and DFIs. When analyzing the annual average default rates over periods of economic and financial crises, the statistics also highlight the benefits of incorporating emerging markets into diversified investment portfolios. For example, during the 2008 global financial crisis, which originated in the advanced economies, defaults by emerging market firms were less pronounced than among their advanced economy counterparts. This suggests that advanced economy investors with portfolios including emerging markets reaped diversification benefits at a crucial time. While default and recovery rates for private investors going alone into these markets may be different from the GEMs portfolio, GEMs statistics provide a useful benchmark thus far unavailable.

What levels of disaggregation of GEMs statistics are available for public dissemination?

As harmonizing of data methodologies and definitions continues across the 27 GEMs members, the GEMs Consortium strives to continuously improve the level of disaggregated statistics published to better guide investor decisions. The October 2024 set of GEMs annual reports showcases both default and recovery statistics disaggregated by regions, countries, sectors, regions by sector, country income groups, and currency types. Further disaggregation of statistics is under review factoring harmonization of methodologies and sample size, among other details.

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

Public reports are currently the most efficient way to disseminate GEMs statistics to broader audiences. The GEMs Consortium took part in the G20- commissioned MDB's Capital Adequacy Frameworks (CAF) 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 eleven participating MDBs.

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, detailed underlying loan portfolio data cannot be made public as this constitutes commercially sensitive information that is protected by confidentiality agreements. To ensure confidentiality, members of the GEMs Consortium only have access to aggregated anonymized statistics of other members.