

GEMs

**Global Emerging Markets  
Risk Database (GEMs):  
Analysis of Investor Perceptions  
and Market Demand**

OCTOBER 2024



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IFC and the GEMs Consortium would like to thank each of the 112 individuals from 66 firms – including 28 asset management firms, 23 banks, and 15 other firms, including insurance companies, rating agencies, investment advisors and other firms - who took their valuable time (over 50 total hours of interviews, resulting in 330 total pages of transcripts) to participate in the GEMs Investor Perceptions and Market Demand Study. Their knowledge of, passion for, and expertise in investing in emerging markets and the challenges it poses was clearly evident and much appreciated.

Special thanks also to Thomas Browne and the team from Delphos International for conducting the survey and undertaking this study, and the GEMs Steering Committee and GEMs Secretariat for their valuable contributions, and for their feedback and guidance.



01

# Executive Summary

# Executive Summary

This document reports on the results of a survey of 66 global private sector investors, comprising 23 banks, 28 asset managers, and 15 insurance companies, rating agencies, investment advisors, and other firms interested in increasing private sector investment in emerging markets. The survey was conducted by Delphos International Ltd on behalf of the GEMs Consortium, between May and October 2024. The objective of this study was to assess market demand for, and potential uses of, current GEMs credit risk statistics, and to suggest additional statistics to be developed by GEMs that would be useful to the private sector.

The G20 group of countries wants to stimulate more investment into developing countries, particularly from the private sector. Making more data from the GEMs database publicly available will help achieve this aim by enabling private sector investors to make more informed risk assessments in emerging markets where obtaining reliable statistics can be challenging. By providing robust statistics that help to quantify investment risks versus expected returns, investment firms and banks may be willing to increase their allocations to developing markets, and to advocate for the asset class to their end clients. This can be a powerful vector for materially increased engagement by the private sector which, as the survey results will show, is willing to invest more but is often constrained by the availability of relevant quantitative inputs for its risk assessment.

## Key Findings of the Study

- Awareness of GEMs is low (63% of respondents were unfamiliar with it), but interest in its statistics is strong, with 80% of respondents placing a high value on data from multilateral institutions.
- Investors highlighted a need for more granular statistics, particularly at the country and sector levels, which GEMs has now started to publish.
- The study revealed a robust demand for additional statistics, particularly collateral/guarantee statistics, followed by credit rating and lending in local currencies.
- Although climate statistics were generally a lower priority for most investors, they attracted considerable interest from a smaller group of investors focused on environmental, social, and governance issues.
- There was reluctance from private firms (50% of respondents) to share their investment data to complement the GEMs database/statistics, primarily due to confidentiality concerns and lack of incentives.
- However, two-thirds of respondents expressed a desire to make greater use of GEMs statistics, especially for improving risk models in emerging markets.

The GEMs reports that have been in the public domain since 2021 are seen by those investors who said they are aware of GEMs as only moderately useful. Generally, the survey shows that the private sector is unsatisfied with the availability and quality of emerging market credit risk statistics from any sources including private ones, and that, regarding the GEMs statistics specifically, there is a broad desire to see a higher degree of granularity of statistics, especially along the country and sector dimensions. Private sector financial institutions, especially asset managers, tend to structure investment teams according to a country-by-sector matrix, and therefore the requests for disaggregation along these variables is unsurprising.

Sixty-three percent of respondents in this study were unfamiliar with the GEMs database. Additionally, 47% of investors contacted by Delphos declined to participate in the survey, mainly due to unfamiliarity with GEMs and a belief that they would not provide useful input.

The two new GEMs publications (which can be downloaded from <https://www.gemsriskdatabase.org/>) and the associated events and communications in October 2024 are therefore timely. The granularity of statistics presented in these two reports are aligned with the calls by investors in this study for additional statistics to inform their risk models. This enhancement, along with the ongoing outreach efforts, is expected to significantly raise awareness of GEMs.

One way to make the GEMs statistics more tractable may be to broaden the number of platforms on which they are available or make the data more technically easy to ingest. The survey asked respondents in which form they wish to obtain data,

and responses were broadly split between preferences for API, CSV, XLS, and to a lesser degree PDF formats. Although the GEMs Consortium provides downloadable XLS files and PDFs, strategies for increasing the visibility of GEMs by using platforms such as the Bloomberg terminal, dissemination through rating agencies, major investment banking research providers, or multilateral databases provided by the IMF or the World Bank, all avenues cited by respondents as current sources of credit risk and other data, may be worth considering.

Multilateral institutions are often perceived as lending at lower interest rates than the private sector due to factors such as seniority, access to certain types of guarantees, and because they have access to collateral structures unavailable to private firms. Additionally, multilateral institutions may benefit from concessional funding and preferential regulatory treatment. These advantages can make their lending data less directly applicable to private sector lenders. However, when surveyed, more than 80% of private sector respondents still considered statistics from multilateral institutions relevant, suggesting that despite these differences, the data holds significant value for risk assessment and decision-making.

Further strengthening the relevance case, when asked about additional statistics they would like to see, investors prioritized collateral and guarantee data over credit rating and local currency lending, with low interest in climate statistics. Although climate statistics were generally a lower priority for most investors, they attracted considerable interest from a smaller group of investors focused on environmental, social, and governance issues. Adjusting for collateral and guarantees would help align GEMs credit risk measures with those in

the private sector. Despite low awareness of GEMs, over two-thirds of respondents expressed interest in using GEMs statistics, rising to 80% among those unfamiliar with GEMs, showing strong goodwill and interest in exploring its potential.

Given that Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs) are being requested to divulge more of their proprietary statistics, the question of private sector reciprocity emerges. On this point, results were less encouraging, with 50% of respondents declining to participate in a hypothetical database that would include private sector data, and only 25% accepting (the remaining group agreed only with conditions). The reasons cited were mostly fiduciary or proprietary information concerns. Given that these same concerns have been addressed by the GEMs Consortium within its membership, there should be room for softening this stance if anonymisation and aggregation guarantees, as currently administered by GEMs, are extended to other participants. Any initiative that expands the source data perimeter of credit risk statistics would further the wider objective of increasing investment flows to emerging markets and developing economies.

This study shows that there is generally a continued strong desire from the private sector to work more closely with multilateral institutions. The GEMs Consortium's responsiveness to private sector preferences, specifically the publication of country and sector disaggregation in its new reports, and the willingness to commission this study in the first place, establishes a solid foundation for future collaboration. Despite challenges, such as private sector hesitancy toward full reciprocity, GEMs statistics and similar data transpar-

ency initiatives are well-positioned to increase their relevance. If this direction continues, there is potential to significantly boost investment flows into emerging markets and developing economies.

02

# Background and Objectives



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## 2.1. Background

The Global Emerging Markets Risk Database (“GEMs”) Consortium was established in 2009 as a bilateral project between European Investment Bank Group (“EIB”) and International Finance Corporation (“IFC”). The purpose of GEMs is to pool Consortium members’ credit risk data on private and public lending and sovereign and sovereign-guaranteed lending in Emerging Markets and Developing Economies (“EMDEs”), and to provide members with relevant credit risk statistics. The Consortium has since grown to include new members who have developed common approaches to the harmonization of methodologies and implementation of data quality controls. This has enabled the Consortium to add to its default rate offering, adding recovery statistics for public dissemination.

The inclusion of new members, particularly International Bank for Reconstruction and Development (“IBRD”), which joined in 2018, allowed the database's expansion to include information on sovereign and sovereign-guaranteed lending. As of October 2024, the Consortium includes 26 multilateral development banks (“MDBs”) and development finance institutions (“DFIs”). The GEMs Secretariat is based in Luxembourg and is hosted by the EIB, which provides significant infrastructure support and coordinates among members of the Consortium.

In 2022, the G20 report, “Boosting MDBs’ investing capacity”, reviewed the MDBs’ Capital Adequacy

Frameworks and 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.

## 2.2. Existing GEMs Reports

At the time of the launch of this study in March 2024, the GEMs Consortium had already published its first landmark report showcasing recovery rates for private and public lending over the period 1994 - 2022. By the finalization of this study in October 2024, the Consortium launched another two first-of-a-kind reports showcasing: (i) default and recovery rates for private and public lending over the period 1994 - 2023; and (ii) default and recovery statistics for sovereign and sovereign-guaranteed lending for the period 1984 - 2023. These two reports present for the first time greater levels of disaggregation and granularity of default and recovery rates than in previous reports. Results from this Investor Perceptions and Market Demand study will highlight the levels of alignment as well as the gaps between what the market is asking for of GEMs and what the Consortium is currently producing. This study will guide the evolution of GEMs as it continues its efforts to refine data collection, validation, and harmonization of methodology to meet investor and stakeholder demands.

## 2.3. Objectives and Scope of Study

In April 2024, IFC, acting on behalf of the GEMs

Consortium, launched the GEMs Investor Perceptions and Market Demand Study to:

- Assess investor perceptions of GEMs and demand and potential uses for current GEMs statistics, focusing on those relevant to the private sector.
- Suggest additional statistics to be developed by GEMs that would serve as useful credit risk indicators for investors.
- Confirm whether the market understands the particularities of the GEMs database and has demand for it.
- Explore ways to broaden the current scope of GEMs as a public good to enhance knowledge of emerging market credit risks for private investors, rating agencies, and other stakeholders, while ensuring protection of data quality, confidentiality, security, governance, and sufficient resourcing.

The Assignment was structured in two phases:

### Phase 1: Market Demand Assessment

- » Prepare an initial assessment (“First Document”) using publicly available GEMs reports and statistics, evaluating the scope, coverage, and limitations of the current statistics in terms of confidentiality and security.
- » Conduct stakeholder engagements (the “survey”), with key private sector investor groups, such as institutional investors and commercial banks, to gauge demand for GEMs statistics, especially focusing on private sector data.
- » Produce a report (the “Final Report” – this document), summarising findings from the survey.

### Phase 2: Recommendations for New Statistics

- » If Phase 1 confirms significant demand, suggest two sets of additional statistics that GEMs could publish, ensuring data quality, confidentiality, and security.
- » Define the resources, processes, and frequency required to produce and update these new statistics.
- » Identify platforms for disseminating the statistics and potential users who would benefit from them.

## 2.4. Methodology

The first stage of Phase 1 combined desk research and consultations with IFC and the GEMs Secretariat. The desk research involved gathering publicly available information, including GEMs reports and statistics, news articles, and other publications, which were compiled into a ‘Desk Research Document’, not made public. The document summarized the scope and range of the current GEMs statistics, highlighting key limitations regarding coverage, confidentiality, and security. It formed the input into the second stage of Phase 1, on which this document is reporting, pertaining to the investor consultations which were conducted through structured interviews and surveys.

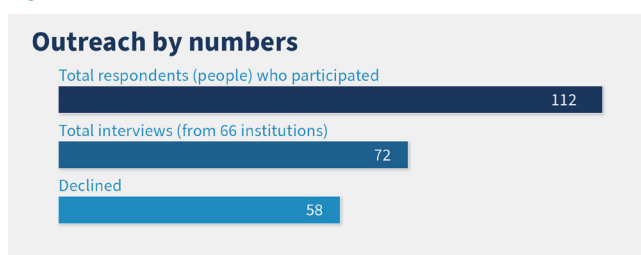
03

# Outreach and Interviews

# Outreach and Interviews

The outreach effort for the survey focused on three main sources of private sector emerging markets investors: the IFC list of contacts, the Delphos list of contacts, and other public sources. The IFC list consisted of 184 contacts who had previously participated in or shown interest in the GEMs survey, while the Delphos list included 296 institutions. A third list was built from public sources, specifically targeting firms which fit the profile for the survey.

Figure 1



Potential respondents were contacted in two ways. For firms with no prior relationship with IFC or Delphos, outreach was initially conducted via email. However, the response rate was low. To address this, a second round of personalized emails was sent, avoiding bulk emailing techniques that are prone to being blocked. While response rates improved, email remains an imperfect tool for corporate outreach. In cases where pre-existing relationships existed, or after thorough research on contact information, outreach was conducted through messaging platforms, pre-approved emails, or phone calls, which significantly boosted engagement.

Throughout the outreach process, challenges emerged. Many institutions were hesitant to participate due to concerns about sharing sensitive company data, particularly in larger organizations

where legal consultations were required before providing any information. Fifty-eight firms declined to participate because they were either unfamiliar with GEMs, did not see the relevance of the survey to their investment strategies, or faced internal hurdles. Many others initially expressed interest, but subsequently stopped responding.

Despite these obstacles, the outreach resulted in 72 responses from 66 institutions covering 112 individuals, with participant firm assets under management (AUM) ranging from \$25 million to 4 trillion. Some very large institutions with diverse activities responded more than once where divisions had different viewpoints. Many of the institutions interviewed represented the views of multiple stakeholders, with some internal consultations involving up to 15 people. After the first 20 interviews, patterns became clear, and the statistics of most survey variables started to stabilise. The conclusions of this report are drawn from statistics which are robust to its sample size.

## 3.1. The Interview Process

Respondents were provided two options to participate in the GEMs Market Study: Online survey or interview (via “in-person” or virtually). 80% of the respondents preferred to be interviewed virtually. The length of interviews averaged 30-45 minutes.

The survey contained 36 questions. All participants were informed at the beginning, in both on-line and in-person versions, that responses would be kept anonymous, and that published results would be aggregated.

All interviews were conducted by senior Delphos team members with significant experience in finance and investment in emerging markets. All interviews were machine transcribed automatically.

Once the interview was completed, it was immediately parsed by a team of analysts who consulted the transcription and populated a database. Any ambiguity in transcribed responses, though there were few, was arbitrated by the interviewer. Online survey responses automatically populated the same database.

Statistical results and charts were continuously updated from the database, using custom software purpose-written for the study by Delphos using the R programming language.

04

# Key Emerging Themes

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## Investment Appetite

- The majority of the investors surveyed are engaged in emerging markets and have a high desire to maintain or increase exposure.

## Emerging Markets Credit Data Availability Concerns

- Data availability on credit risk in emerging markets is expensive, and coverage is not comprehensive.

## GEMs Statistics Available to the Public

- GEMs is not well known by private sector investors.
- As of the date of the end of the survey, and prior to the release of the latest GEMs statistics by the Consortium in October 2024, respondents believe that greater disaggregation is still necessary to make informed investment decisions. There is also a high interest in making better use of GEMs statistics.
- Multilateral and development finance institutions' data are seen as relevant for private sector use.

## Desire for Disaggregation

- There is universal interest, especially from those familiar with the GEMs statistics.
- Disaggregation is in greatest demand on country and sector dimensions.

## Climate and ESG

- Generally absent in conversations, with a few notable exceptions.

## Preferred Data Formats

- Machine-readable formats like CSV and API are preferred.

## Usage of Statistics

- Where default rates are shown to be lower than expected, this could motivate asset managers to increase their investments in emerging markets and motivate the asset class to their end clients.
- Low response rate for model calibration.

## Own Data Sharing Hesitation

- Half of interviewees are hesitant due to fiduciary, proprietary concerns, or lack of incentives; though a sizable minority is open to sharing.

05

# Findings from the Assessment



# Findings from the Assessment

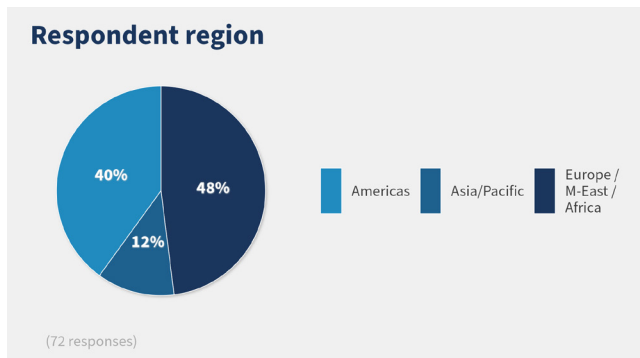
## 5.1. Respondent Types

The Survey was carried out over a period of five months from May through early October 2024. More than 80% of responses were from long-form interviews lasting an average of 30 to 45 minutes, conducted by senior Delphos interviewers experienced in emerging markets and development finance. The balance of survey responses were filled-out online. During outreach, and during interviews, all participants were informed that responses were strictly confidential, and that all data would be anonymised for publications.

### Respondent Region

The responses were balanced in the Americas and in Europe, Middle East and Africa (EMEA), though the number of results in Asia and Pacific was lower (Figure 2). In many cases, and notwithstanding significant outreach resources, Asian investors were less willing to answer or considered that the Survey was not relevant to their activities.

Figure 2

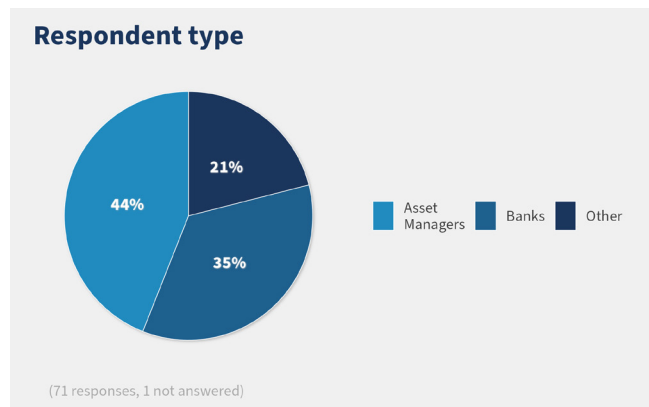


### Respondent Types

Respondent types included Asset Managers, commercial banks, insurance companies, rating agencies, investment advisors and other firms interested in increasing private sector investment in emerging markets (Figure 3).

As noted in the diagram below, Asset Managers comprised just under half of the sample, and banks comprised approximately a third. The “other” category is comprised of insurance companies (which have asset management activities), rating agencies, and investment advisors (which do not directly manage funds, but provide fund management advisory services directly to asset allocation strategy). Advisory firms which do not directly contribute to asset allocation strategy were excluded from the survey. Pension Funds were initially designated as a separate respondent type, but due to structural changes in the industry, these firms now overwhelmingly identify their activity as asset management. Therefore, Pension Funds were included in the Asset Manager category.

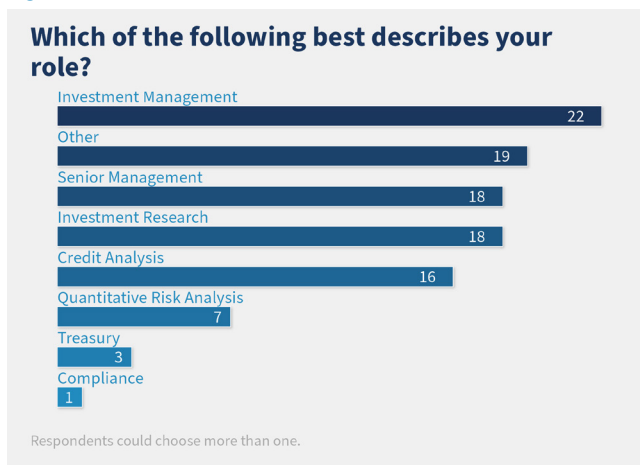
Figure 3



### Respondent Roles

A wide range of respondent roles were represented. Most of these were directly, or indirectly but with high influence, involved in the asset allocation process. This includes active Investment Managers, but also Researchers, Analysts, Risk Controllers, and to a lesser extent Quantitative Analysts (Figure 4).

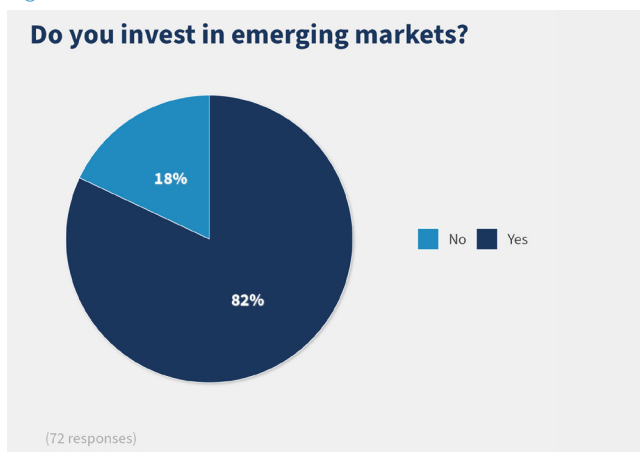
Figure 4



## 5.2. Emerging Markets Remain Topical

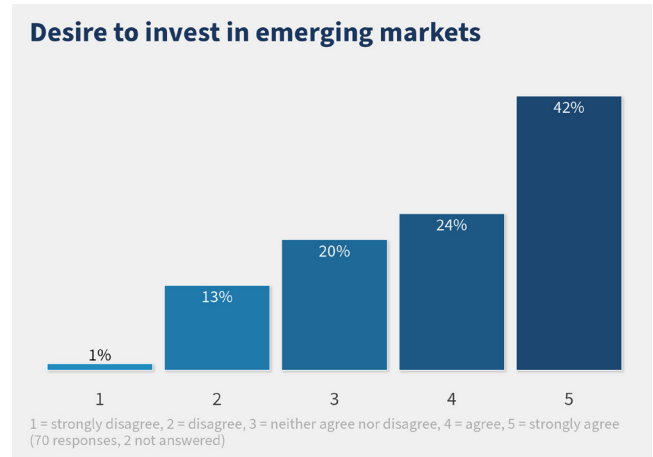
Emerging markets have been a mainstream asset class for global investors for at least two decades and remain as topical as ever. 82% of respondents are investing in emerging markets (Figure 5).

Figure 5



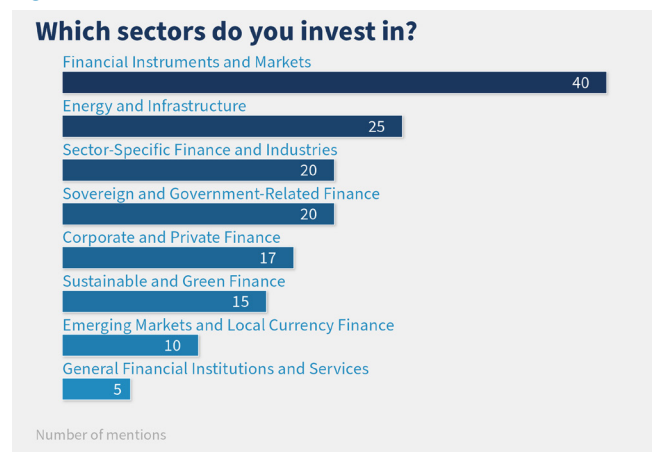
Moreover, most investors strongly agreed with the statement that they wish to continue to invest in emerging markets, with two-thirds agreeing or strongly agreeing (Figure 6).

Figure 6



Not surprisingly, securitised instruments in traded markets were the most cited method of investment, but private finance and sovereign debt instruments also had a high response rate. Sustainable and environmental sectors were also cited (Figure 7). Investors were similarly asked about their preference for liquid, versus illiquid investments, where the latter was defined as “investment in countries which do not have liquid securities markets”. Overwhelmingly, liquid markets were preferred, by over 90% of respondents. However, between 35-40% were also invested in illiquid markets.

Figure 7



### 5.3. GEMs Visibility

Fewer than 40% of respondents are familiar with the GEMs database (Figure 8), and this ratio is similar across all respondent types (Figure 9). The low ratio was an impediment to engagement during the survey outreach process, with numerous firms responding that they had no knowledge of GEMs and that they therefore felt unequipped to participate. In an effort to bridge this knowledge gap, a package of background material was provided to potential respondents.

Consequently, actual awareness of GEMs within the investor community may be even lower than indicated by the survey results, as the refusals from firms unfamiliar with GEMs likely skew the ratio in favour of those who are aware.

Figure 8

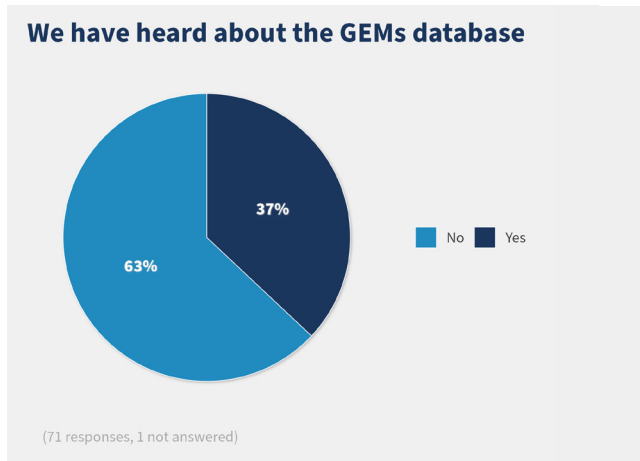
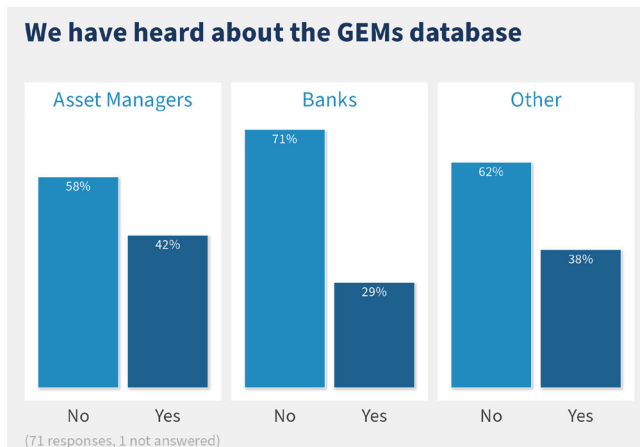


Figure 9



### 5.4. Potential Interest in GEMs

Respondents overwhelmingly agreed that DFIs' and MDBs' credit risk statistics are relevant to their investment activities (Figure 10). This sentiment is expressed by all three surveyed investor segments, but it is particularly strong amongst Asset Managers (Figure 11).

Figure 10

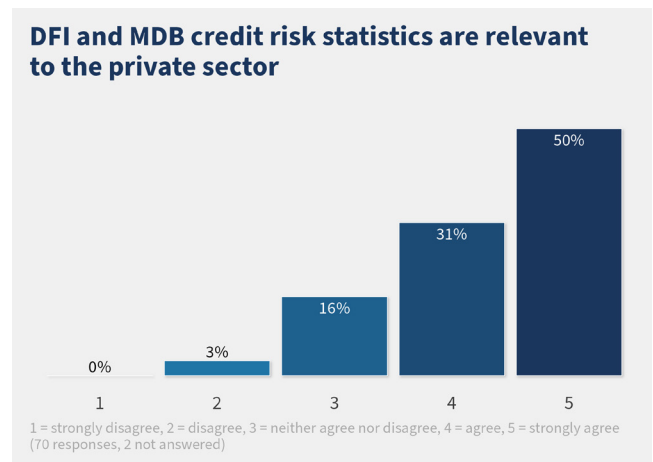
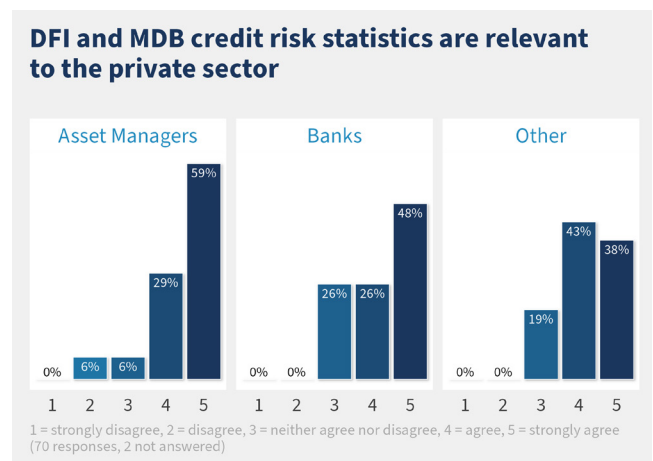
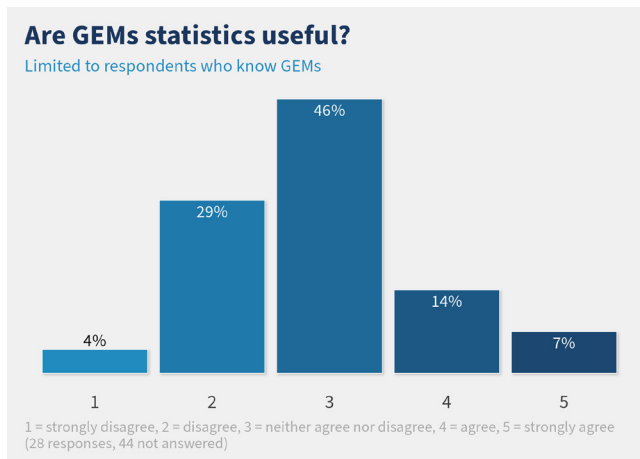


Figure 11



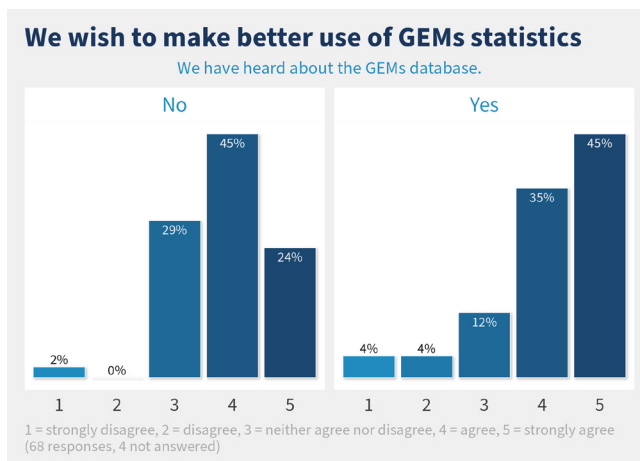
However, in their current form, GEMs statistics are only moderately useful. Note that this chart represents only those respondents who are familiar with GEMs (Figure 12).

Figure 12



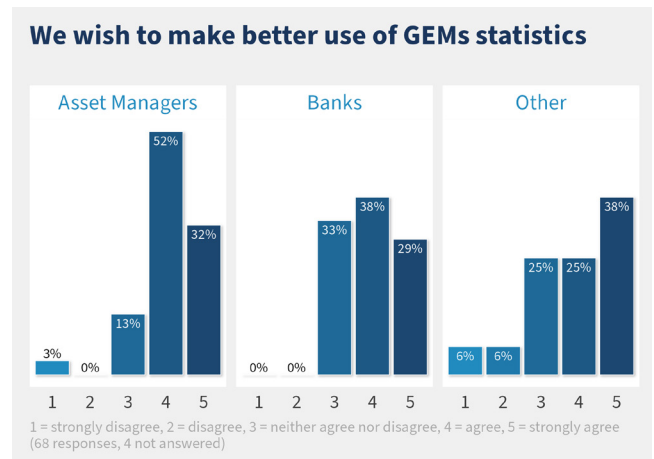
There is however a high desire to make better use of the GEMs statistics (Figure 13). Investors who are familiar with GEMs, though only finding it moderately useful in its current form (Figure 12 above), are even more enthusiastic about making use of it, than those who do not know GEMs (chart below). This mitigates some of the results above: those who know it are even more likely to use it more, pointing to the potential of the GEMs statistics as a useful resource for the private sector.

Figure 13



The desire to make better use of the GEMs statistics was high across investor types (Figure 14).

Figure 14



## 5.5. General Use of Credit Risk Data

Credit risk statistics are widely used across respondent segments, especially amongst Asset Managers and Banks (Figures 15 and 16). The presence of rating agencies in the “other” category biases their responses as they are providers of credit risk data, rather than consumers.

Figure 15

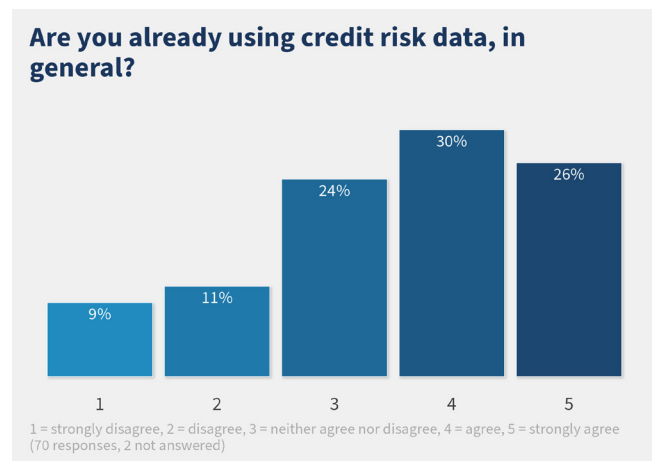
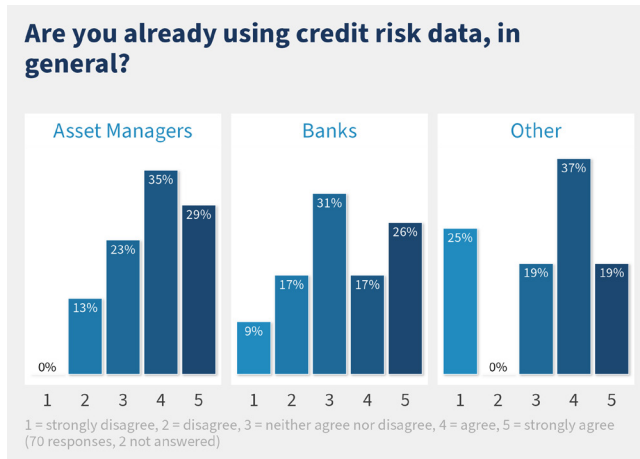
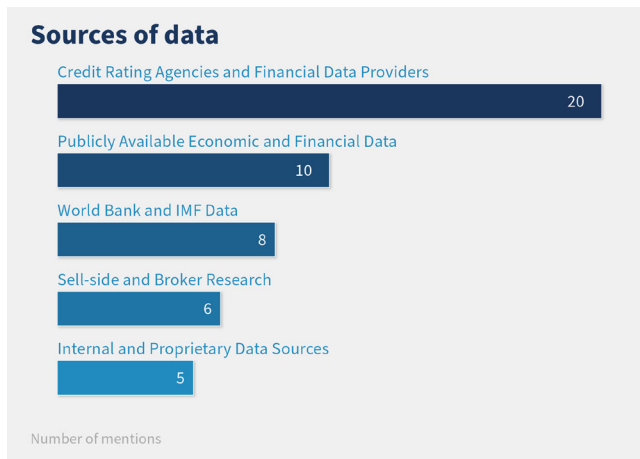


Figure 16



Traditional credit rating agencies provide the main source of respondents' credit risk data, followed by publicly available economic and financial data (e.g., IMF and IBRD), among others (Figure 17).

Figure 17



However, satisfaction levels with credit data availability are moderate to low, with almost no investors rating highly what they already use (Figures 18 and 19). Data coverage and availability were the most frequently cited concerns, highlighting an unmet need within the investor community that GEMs statistics could potentially address.

Figure 18

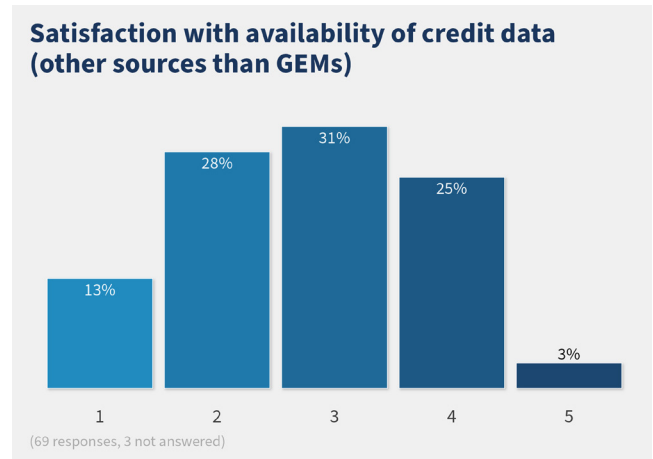
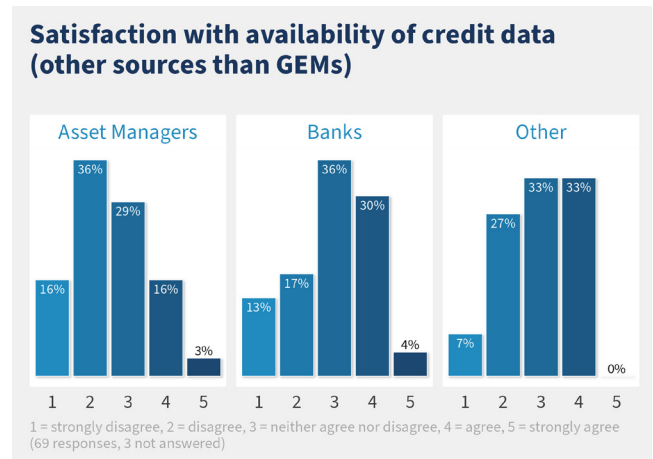


Figure 19



## 5.6. Disaggregation Dimension Scores

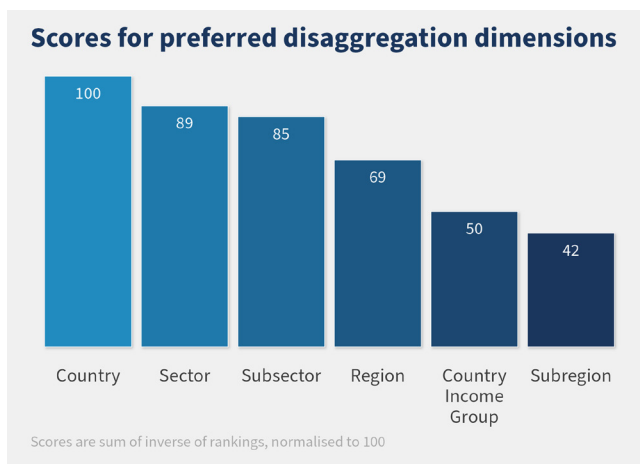
Higher data granularity is a frequent investor request. This requirement has increased in importance in the modern era where algorithms and models form a growing part of investment decision-making. Respondents were asked to rank their preference for higher granularity along six possible dimensions: Region, Sub-region, Country, Sector, Sub-sector, and Country Income Group. Some of these dimensions are themselves sub-divisions of others. For example, knowing a country implies both its sub-region and region. The reason that nested categories were offered as a choice, is that higher granularity may not always be possi-

ble, nor may it be important for investors who may be satisfied with a lower granularity offering.

On the geographic dimensions (Region, Sub-region, Country), the highest granularity dimension, “Country”, was ranked highest (Figure 20).

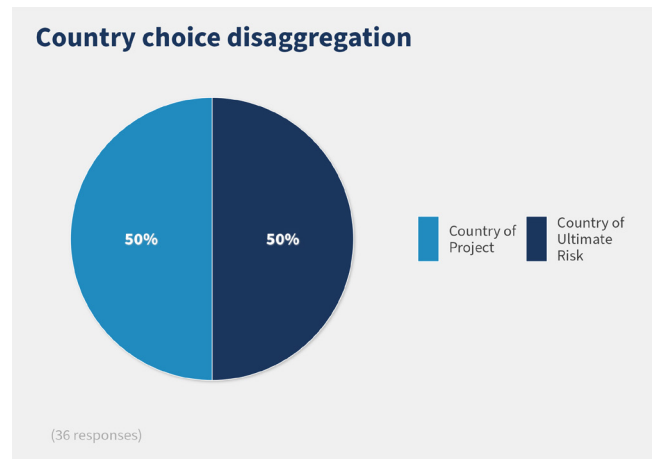
On the sectoral dimensions (Sector, Sub-sector) however, the lower granularity dimension was ranked highest, namely, “Sector”. Nevertheless, “Sub-sector” was very close behind. “Country Income Group” was less highly ranked, and “Sub-region” was ranked the lowest.

Figure 20



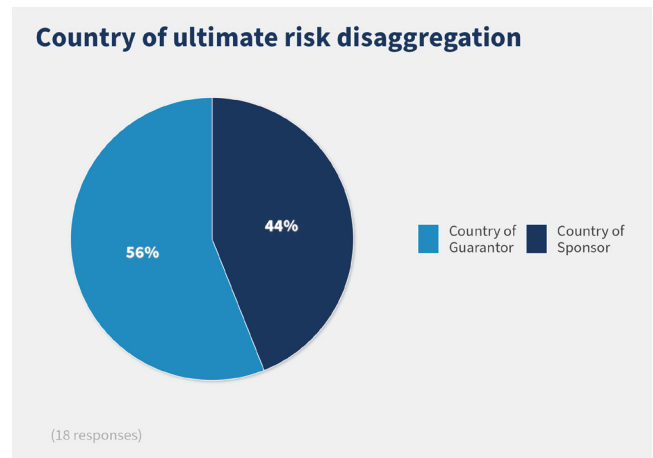
Respondents who ranked “Country” first or second, were further asked which “Country” measure they favoured. The choices were “Country of project”, namely the country where a project’s operations are located, or the “Country of ultimate risk”, which is the country where the legal debtor entity responsible for investment funding is located. The results were inconclusive, indicating that both measures may need to be made available to meet investor preferences. (Figure 21).

Figure 21



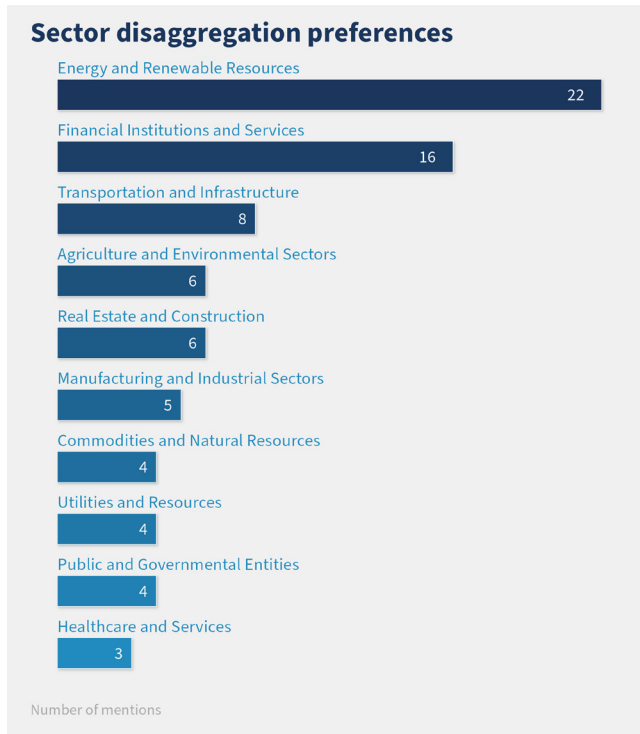
“Country of ultimate risk” responses were sub-divided by “Country of guarantor”, and “Country of sponsor”. The reason for the sub-division is that the entity which is obtaining funding for a project, the Sponsor, may obtain guarantees from a senior party, a Guarantor, which is the entity of last recourse, and therefore is the entity of final recourse in the debtor chain. “Country of Guarantor” was narrowly favoured (Figure 22).

Figure 22



Where “Sector” was ranked first or second in the respondent’s disaggregation preference, up to three sectors of interest were requested. “Energy and Renewables” dominated this list, followed by “Financial Institutions”, and “Transportation infrastructure”. “Environmental and ESG” sectors lagged at the lower end of the spectrum (Figure 23).

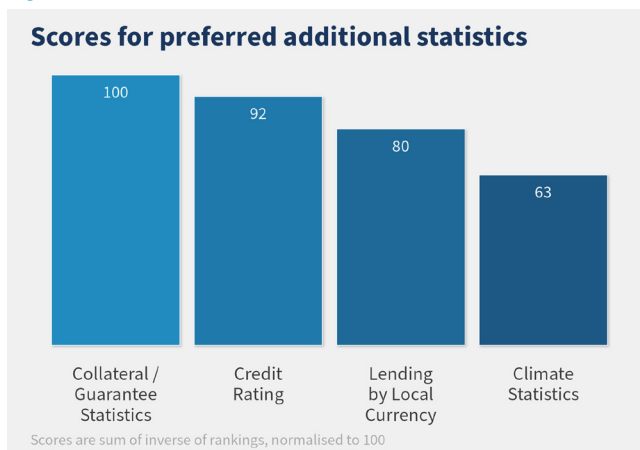
Figure 23



### 5.7. Scores for Preferred Additional Statistics

The final question in the survey asked respondents to rank which potential additional statistics that the GEMs Consortium may choose to make publicly available. Collateral and Guarantee statistics were most favoured (Figure 24), followed by Credit Rating. Local Currency lending, namely the extent to which projects are funded in non-G7 currencies, was also ranked fairly highly, while Climate statistics were not among the top ranked categories.

Figure 24



### 5.8. Private Sector Willingness to Contribute its Own Data

The issue of reciprocity emerges naturally from calls for MDBs and DFIs to share their credit risk statistics. In the interest of gauging the private sector’s reciprocal willingness to contribute to a hypothetical shared credit risk database, respondents were asked if they would be willing to disclose their own credit risk statistics to such an effort. The feedback was not very positive, as over half of the respondents declined to participate, while only a quarter expressed a willingness to share their data. (Figure 25). The other quarter agreed to share only contingent to certain conditions.

Figure 25

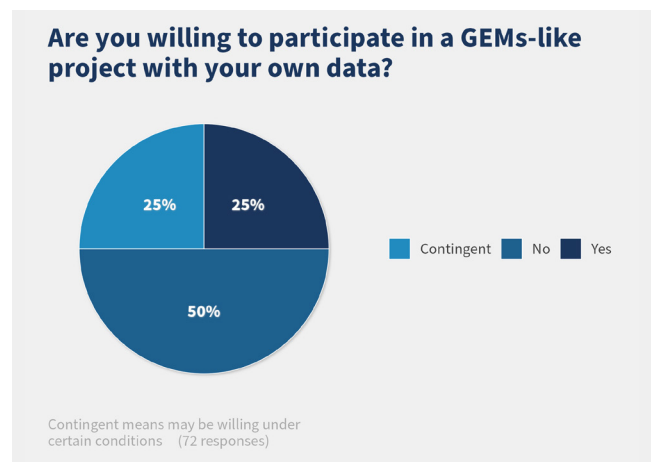
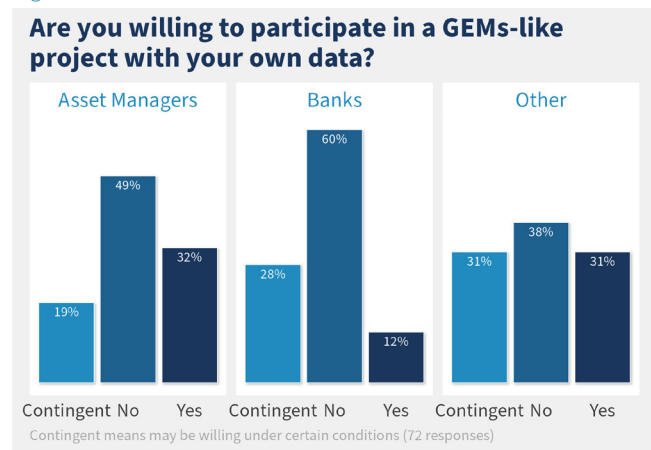


Figure 26



Banks were particularly unwilling to share data (Figure 26). Mitigating this negative result, another quarter of respondents were willing to do so under certain conditions. The reasons cited for reticence follow (Figure 27).

Figure 27





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# Other Observations

# Other Observations

## 6.1. GEMs Usage by Risk Managers

Risk managers were asked how they calibrate models, and how GEMs statistics helps. The sample was too low for a reliable result. However, the following points were mentioned by risk managers or by other respondents with quantitative roles which overlapped with risk management:

- Using Moody's CDOROM to produce an indicative rating for senior investments on blended funds.
- Informal calibration by comparing data from GEMs with data from other clients.
- Using statistics to direct the course of risk management strategies.
- Regression analysis.
- Using VAR (Value at Risk) to assess risk levels.
- Measuring liquidity with VAR.
- If GEMs statistics had more granularity, it could be used instead of or in addition to rating agency data.
- Providing relevant data and statistics to support risk model calibration.
- Offering insights specific to emerging markets which can influence risk assessments.
- Providing statistical benchmarks for comparison.

## 6.2. Data Ingestion Format Preferences

The most common method of data ingestion among respondents is through APIs, with 18 mentions. Excel is also a popular choice, cited by 17 respondents, often used for its ease of integration and familiarity. CSV files are preferred by 16 respondents, particularly for their structured format and ease of manipulation. PDF files are used by 13 respondents, although they are often noted as less tractable due to difficulties in data extraction. Websites are a source for 8 respondents, often through web scraping or direct download. Seven respondents mentioned using all formats, indicating some flexibility in data ingestion methods.

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