

## **BRIEFING NOTE ON THE PSGRS PEER-REVIEW PROCESS**

This briefing note on the PSGRS implementation aims to guide the conduct of the Self-Assessment and Peer-Review processes. It summarises, on the one hand, the comprehensive directives included in the PSGRS 2<sup>nd</sup> Edition Brochure, as gradually updated with the decisions made by the AADFI Board of Directors and the General Assembly since the launching of the PSGRS in 2009; on the other hand, the directives related to the Rating Categorisation Policy adopted in 2020.

### **DIRECTIVES RELATED TO THE SELF-ASSESSMENT PROCESS**

The self-assessment process is carried out in two steps:

#### **Step One: Internal compliance assessment**

- 1) African finance institutions willing to participate in the PSGRS Peer Review-Exercise should start by objectively self-assess internally, under the coordination of their PSGRS Focal Point Officer. It is recommended to the institutions to use their latest audited data for the self-assessment.
- 2) Each Management should validate the self-assessment results of its institution and submit the same to an External Auditors for certification.

#### **Step Two: Certification of the self-assessment results by an External Auditor**

- 3) The self-assessment results should be submitted to an External Auditor to certify their compliance with the prudential standards and guidelines of the AADFI's PSGRS. It is, therefore, recommended to the concerned institutions to make it one of the tasks of the External Auditor when auditing their annual accounts in order to facilitate the process and save costs.
- 4) The certified self-assessment results should then be brought to the attention of the institution's Board of Directors for information and action, as appropriate.

### **DIRECTIVES RELATED TO THE PEER-REVIEW PROCESS**

The Peer Review process is carried out in four steps:

#### **Step One: Reception of the self-assessment results**

- 5) In the meantime, the certified self-assessment results – comprising the Rating Questionnaire Worksheet and the Summary Rating Score Sheet – should be submitted to the AADFI Secretariat **not later than September 30** of each year.

#### **Step Two: Self-assessment review**

- 6) Between **September 30 and October 10** of each year, the certified self-assessment results, received by the AADFI Secretariat, will be reviewed by the Independent Consultant to the Peer Group, using data obtained directly from the concerned institutions or through their publications, including their annual reports.
- 7) Every year, the Independent Consultant will ascertain the compliance to selected prudential standards and guidelines of the PSGRS and, if necessary, correct the results of some institutions while providing them with explanations on his adjustments.

- 8) After reviewing the certified self-assessment results, the Independent Consultant will draw up a Table of Honor including all the participating institutions. Those with a compliance score of 80% or above shall be admitted to the PSGRS Rating process.

### **Step Three: Rating process**

- 9) The rating process aims at assessing the development impact potential of each institution admitted to this process.
- 10) Each year, from **October 11** to **13**, the institutions admitted to the PSGRS Rating Process will receive a specific information request questionnaire to be duly filled and returned to the AADFI Secretariat within ten days and **not later than October 24**.
- 11) The specific information received from contacted institutions will be analyzed by the Independent Consultant, following an approach similar to that of the credit rating agencies. The AADFI development impact potential rating process will end up with the drawing up of the Rating Table, comprising the three rating categories. Each institution will be listed in a category following its scores: Category A (20-16 points), Category B (15-11 points), and Category C (below 11 points).

### **Step Four: Approval of the Board of Directors**

- 12) Between **October 25** and **November 2**, the Independent Consultant will draft his report on the overall Peer Review exercise, outlining and commenting the compliance and rating results. This report will be validated by the Secretariat and submitted to the Board of Directors at its November's meeting, on the sidelines of the annual CEO Forum.
- 13) In November, the Board of Directors will consider the Independent Consultant's Report. If the Board is satisfied, it will adopt the Table of Honour and the Rating Table, then authorize the AADFI Secretary-General to issue the Attestations of Compliance and the Rating Certificates to the deserving institutions. Otherwise, the Independent Consultant will be invited to revise or supplement the report. In that case, the rating process is restarted from scratch.