

**ASSOCIATION OF AFRICAN DEVELOPMENT
FINANCE INSTITUTIONS
(AADFI)**



**FIRST TECHNICAL SESSION ON THE PSGRS
IMPLEMENTATION FOR FOCAL PERSONS
IN AFRICAN DFIs**

April 27-28, 2021. Zoom Videoconference

WORKING DOCUMENTS

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**TERMS OF REFERENCE AND PROGRAM
OF THE TECHNICAL SESSION**



FIRST TECHNICAL SESSION ON THE PSGRS IMPLEMENTATION FOR FOCAL PERSONS IN AFRICAN DFIs

TERMS OF REFERENCE

I. Conference Mode

Date: **April 27 and 28, 2021**
Time: **07:30-10:30 am (GMT)**
Conference Mode: **Virtual**

II. Context and Rationale

The Board of Directors adopted the strategy for strengthening the implementation of the PSGRS. The need to strengthen the implementation of the PSGRS results from the concern to safeguard the credibility of the AADFI rating. Indeed, at its 45th Meeting, held on June 12, 2019, in Malabo, Republic of Equatorial Guinea, the General Assembly *decided to request the Executive Committee to study again the issue of strengthening the evaluation process using the PSGRS in order to improve the acceptance of the results by considering and reflecting on the observations and suggestions made by delegates at the meeting, and to make recommendations to the next meeting of the General Assembly for a decision to be taken.*

The strategy adopted by the Board of Directors mainly targets the following two strategic objectives: (a) strengthen the self-assessment and peer review processes; and (b) protect the value of the AADFI's rating. This strategy was translated into the 2021-2022 action plan, which provided for the appointment of Focal Points for the PSGRS in DFIs and the organization of a biennial Focal Points Session as from 2021.

To this end, the AADFI Secretariat, by the letter of February 27, 2021, requested DFIs to nominate their Focal Point for the PSGRS following the definition and requirements of the position to ensure his/her functional and efficient occupation.

By the subsequent letter of March 2021, the AADFI Secretariat invited the staff dedicated to the PSGRS implementation to participate in the first technical session which will take place in two half-day videoconferences, on April 27 and 28, 2021, from 07:30 am to 10:30 am (GMT).

III. Objectives

The Technical Session on the PSGRS for Focal Points is conceived as a platform for meeting the officers in charge of the PSGRS implementation in member institutions, to achieve the following objectives: (a) facilitate the exchange of professional experiences among them; (b) harmonize the understanding and interpretation of Prudential Standards and Guidelines under the coaching of the Consultant for the Peer Review; (c) discuss the changes in the PSGRS self-assessment process, and (d) collect useful proposals from them for possible improvements to be made to the PSGRS during the next general review, scheduled every five years, the last of which has taken place in 2017.

In addition, the Technical Session will give AADFI the opportunity to

- a. ascertain that each concerned DFI has appointed the officer in charge of the PSGRS implementation in a compliant manner;
- b. present meaningfully to the participants the context, objectives, and techniques established by the reform of the PSGRS implementation processes;
- c. coach participants on the understanding and use of these tools;
- d. respond directly to the concerns raised by some participants; and
- e. identify suggestions for consideration to further improve either the PSGRS or the processes for its implementation.

IV. Expected Results

The Technical Session on the PSGRS implementation for Focal Points is expected to achieve the following results:

- a. All nominated officers in charge of PSGRS implementation participate in the Technical Session;
- b. Each participant delivers his or her presentation **in three minutes**, consisting of
 - ✓ an overview of the institution's strengths and weaknesses concerning the PSGRS;
 - ✓ a summary of the experience of coordinating the PSGRS and the self-assessment: achievements and constraints;
 - ✓ a summary of suggestions from the institution represented for the increased effectiveness of the PSGRS in the future;
- c. The focal points are satisfied with their participation and look forward to the next Session in 2023.

PROGRAM

Time (GMT)	Day 1: April 27, 2021
07:30-08:00	<ul style="list-style-type: none"> • Welcome Remarks – AADFI Secretary-General • Opening Remarks by AfDB • Individual introduction by the Participants • Session Schedule by the Consultant
08:15-08:30	An overview of the 2020 Peer Review results by the Consultant
08:30-09:00	PSGRS Implementation Processes Reform by the Consultant
09:00-10:30	DFI Presentations by the Participants (in alphabetical order)
Time (GMT)	Day 2: April 28, 2021
07:30-09:00	Mock Self-Assessment (Operations only, due to time limit)
09:00-09:30	Discussions – Participants and Consultant
09:30-10:00	Conclusions and recommendations: Consultant and Participants
10:00 -10:30	<ul style="list-style-type: none"> • Electronic evaluation of the Session on a form provided by the Secretariat – Participants • Distribution of Participation Certificates – by email • Words of thanks from the Participants by two Delegates (F/A) • Official closing Speech by the Secretary-General

**ASSOCIATION OF AFRICAN DEVELOPMENT
FINANCE INSTITUTIONS (AADFI)**

**INTRODUCTION TO THE REFORM ON THE
PSGRS IMPLEMENTATION**

GENERAL SECRETARIAT
April 2021

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NOTE

This brochure was prepared by the facilitator of the 2021 capacity-building session on the PSGRS implementation for focal persons in African development finance institutions.

MESSAGE FROM THE SECRETARY-GENERAL

This brochure is prepared on the occasion of the first biannual capacity-building session on the PSGRS implementation for focal persons in African DFIs. It provides the reader with sufficient information to fully understand the context and content of the 2020 reform on the implementation of the PSGRS. It is specifically designed to facilitate and optimize the work of the focal persons responsible for the PSGRS implementation in their daily work, and through them, leverage the benefits that each DFI can gain from the PSGRS.

The major innovation of the reform is the integration of the rating categorization system into the PSGRS, which has achieved the four immediate objectives of (a) strengthening and harmonizing the self-assessment process within the participating institutions, (b) establishing the peer review process based on cross-checking of self-assessments and complimentary assessment of the potential impact on development, (c) redefining the content of the table of Honour, and (d) setting up the Rating Table.

The Rating Table will further reassure partners about the value of the AADFI Rating Certificate. This value has become similar to that of credit rating agencies because it is based on an independent complementary assessment in comparison to the self-assessment. However, while credit rating agencies operate within the framework of national or international regulations and professional ethics, the AADFI operates based on the spirit in which the PSGRS was set up from the outset, that is consensus among its member institutions. Thus, the reform approved by the General Assembly is consensually binding for all DFIs.

It is however important to note that this reform changes the PSGRS, neither in its prudential standards and guidelines nor in its integrated rating system. Its added value consists in safeguarding the credibility of the AADFI Rating Certificates to enable recipients to gain maximum benefit in terms of prestige and/or leverage for additional resource mobilization

I would like to use this opportunity to congratulate and thank Mr. Paul Yuma Morisho, Senior Consultant for the PSGRS Peer Review and author of this brochure.

Let me conclude by wishing the readers of this brochure a useful learning experience on the self-assessment and the peer review processes. Any questions are welcome at the General Secretariat, which will be pleased to answer them.

Cyril OKOYE
Secretary-General

1. IMPORTANCE OF THE PSGRS

- 1.1. The PSGRS was developed at the initiative of the AADFI General Assembly held in 2000 and with the financial and technical support of the African Development Bank (AfDB), through a multi-year process of consultative meetings and workshops, and a validation conference that took place from 2001 to 2008. It was consensually adopted by the CEOs of AADFI member institutions in November 2008, in Sun City, South Africa.
- 1.2. During the 1980s, many of the African DFIs were either suspended or closed due to failures related to transparent management. By the 1990s, there was a widespread revival of DFIs, through the reopening of suspended DFIs and the creation of new ones. At the same time, aware of the specificity of development finance and the importance of ensuring the sustainability of their institutions, the new DFI leaders took advantage of their common membership in the AADFI to adopt a non-regulatory, but consensual and single reference framework: the PSGRS.
- 1.3. The PSGRS is a very valuable innovation because
 - a. it offered a benchmark of best management practices to compensate for the lack of a professional benchmark adapted to African development finance institutions (DFIs), most of which are not integrated into the banking regulations of their country.
 - b. it provided those institutions the opportunity to improve their governance and strengthen their financial and operational performance by gradually incorporating the PSGRS' prudential standards and guidelines into their policies and procedures.
 - c. it enables them to self-assess their level of compliance with the AADFI's prudential standards and guidelines and freely take the required measures accordingly.
 - d. it has established a peer review of the self-assessments received to (a) recognize institutions that strive to integrate the AADFI's prudential standards and guidelines into their strategies, policies, and procedures and (b) award them a certificate of participation, which attests to the submission of their self-assessment results.

2. STRUCTURE AND IMPLEMENTATION OF THE PSGRS

- 2.1. The PSGRS consists of 100 prudential standards and guidelines that serve as benchmarks for African DFIs to comply with and become efficient and competitive.
- 2.2. Compliance with the prudential standards and guidelines is assessed using the PSGRS' built-in assessment system, which is based on 300 criteria corresponding to the 100 prudential standards and guidelines, with three criteria per standard and guideline. Each criterion is scored as follows: 2 points (full compliance), 1 point (partial compliance), or 0 point (poor or noncompliance).
- 2.3. The rating system is published and each institution is encouraged to carry out its own self-assessment using this system. The self-assessment results must be certified by an external auditor. Thereafter, the certified results should be forwarded to the AADFI Secretariat for validation by the peer review. The role of the peer review was clearly defined at the outset.

However, the procedure thereon was not developed. The validation of the self-assessment results was therefore not specifically relevant; it was a formality check and resulted in the establishment of the Table of Honour as from 2013. This table listed the institutions whose compliance results were 80% or above. Those institutions were consequently awarded a compliance certificate called Rating Certificate.

- 2.4. By 2016, some institutions presented their rating certificates to donors and successfully mobilized additional resources. This success created a technical obligation for AADFI to define the value of its rating. In everyday financial language, the rating expresses an opinion on capacities assessed by an independent consultant or professional expert, according to an established methodology. This matter was being considered by the Secretariat.
- 2.5. As provided for in the PSGRS Manual, the prudential standards and guidelines were reviewed through a progressive consensus process and some prudential standards and guidelines were revised. This revision was approved by the General Assembly in 2017 and made public in 2018. Thus, we now speak of PSGRS I, which served as a reference from 2009 to 2018; and PSGRS II, which serves as a reference since 2019. The review exercise will resume in the coming years, as it is planned to follow a cycle of at least 5 years.

3. CHALLENGES FACED WITH THE PSGRS IMPLEMENTATION

- 3.1. Along with the above-mentioned review exercise, the basis of the rating certificate, which is the self-assessment, was questioned by some participating DFIs and the African Development Bank (AfDB), as of 2017. It was claimed that
 - a. some self-assessments seemed subjective;
 - b. the table of honor did not reflect the objective relativity of DFIs in terms of their potential impact on development; and
 - c. the peer review did not add any value by only aggregating the self-assessment results.
- 3.2. The credibility of the rating certificate was eventually threatened. In fact, some important DFIs were already suspending their participation in the Peer Review. Aware of the general damage that the loss of credibility of the AADFI Rating Certificate would cause, the Board, since 2018, supported by the General Assembly in 2019, initiated a study to safeguard the credibility of the AADFI Rating Certificate in the long term and entrusted this study to a consultant who was to work in collaboration with the General Secretariat.

4. REFORM ON THE PSGRS IMPLEMENTATION

- 4.1. The report of the commissioned study proposed in 2000 measures to safeguard the value of the AADFI Rating and the relevance of the PSGRS. After considering the consultant's proposals, the Board adopted a reform package with four main axes.
- 4.2. The first axis is to require the appointment of a PSGRS Focal Person in each African financial institution willing to participate in the PSGRS Peer Review Exercise. The objective is to ensure that the self-assessment process is perceived and conducted in the same way by all institutions. The responsibilities and hierarchical position of the focal

person are defined. Each institution must communicate to the AADFI Secretariat the first name, surname, and address of the Focal Person.

- 4.3. The PSGRS II Brochure has been updated in the first paragraph of the Section **“Undertaking the Assessment Process**. This paragraph now reads as follows: *“The functional responsibility for conducting the self-assessment process should be assigned to someone who is preferably not directly involved in the major operations (administrative, financial, and operational). Each DFI can choose the person responsible for planning, or monitoring & evaluation, or internal control. The person must also ensure that the AADFI’s prudential standards and guidelines are appropriately integrated into the policies, strategies, and procedures of his/her institution.”*
- 4.4. The Focal Point has been defined as a position or unit attached to the Directorate. The incumbent of this position or unit is the Focal Person. The latter may be either an advisor or a director of a department in charge of planning, monitoring & evaluation, or internal control, excluding internal audit functions involving regular reporting to the Board of Directors, financial and/or accounting management, management of operational activities, procurement, assets or human resources; this exclusion is intended to prevent any conflict of interest. The focal person has the following responsibilities:
 - a. progressively promote the integration of the AADFI prudential standards and guidelines into the policies, strategies, and procedures of his/her institution, by initiating specific proposals in this regard.
 - b. coordinate the self-assessment process within his/her institution, permanently throughout the year: provide information to the various departments that request it, request the necessary information for the self-assessment, prepare the self-assessment sheets and submit them to the Directorate for approval and to the Board of Directors for information or deliberation, liaise with the external auditor in close collaboration with the Head of Finance for the certification of the self-assessment, and prepare the submission of the self-assessment results to the AADFI General Secretariat.
 - c. act as a permanent intermediary between his/her institution and the General Secretariat of the Association.
- 4.5. The second axis consists of developing a peer-review procedure. The established procedure provided that any self-assessment results certified by an external auditor are cross-checked by an independent consultant who reports to the Board of Directors, through the AADFI Secretary-General. The cross-check is based on the same information requested from all participating institutions and obtained from them or their official publications, including their most recent annual reports.
- 4.6. The third axis is to define an objective link between the self-assessment and the rating certificate and an autonomous value of the rating. The objective link is to confer eligibility for the rating only to institutions that have achieved compliance scores of 80% or above. The value of the rating certificate is independent of any self-assessment and based on the assessment of the potential impact on development.
- 4.7. The concept of the potential impact on development stems from the core business of development finance institutions. This activity aims to contribute to the improvement of the living and working conditions of the populations targeted by their operations. Many indicators come into play, including the volume and quality of operations, job creation, market satisfaction, poverty reduction, and environmental protection. In economically advanced countries, it has become mandatory to consider the impact of any facility (road,

industrial facility, etc.) on the human and physical environment when assessing a project. In the assessment of a development project, as in the retrospective assessment of the same completed project, the feasibility and viability of the project, i.e., the likelihood of its potential impact, is assessed on the one hand, and the sustainability of the benefits, which is the basis for the repayment of the loan and the financial stability of the lender, on the other. The potential impact on development thus provides a stable basis for the credibility of the rating certificate issued by the AADFI, eliminating the criticism and suspicions about the possible subjectivity of some self-assessments.

- 4.8. The categorization of the ratings thus adds value to the relativity of the potential impact on development between DFIs. For example, an institution with a broader financial base has a greater potential impact on development. Similarly, an institution that rather finances short-term operations (trade, salary advances, transport) consequently reduces its potential impact on development. The autonomous opinion expressed by the AADFI Rating is based on an assessment carried out by an independent consultant and on the same objective indicators applied to all institutions eligible for the rating, as described in **Appendix 1** and the questionnaire for assessing the potential impact on development and rating instructions of the DFI, as shown in **Appendix 2**. The AADFI Rating process has been improved by aligning its methodology with that of credit rating agencies, based on an autonomous and independent assessment, as summarised in the table in **Appendix 3**.
- 4.9. The fourth axis is to streamline the peer review report. It was decided to publish the strategic framework of the PSGRS (vision, mission, objectives, analytical tools) separately. From now on, the report will have three chapters devoted to the Table of Honour (validated results of the self-assessments), the Rating Table (results based on the potential impact on development and sustainability), and the Comparative Table of Ratings Awarded (a five-year series).

5. IMPROVED PEER REVIEW PROCESS

- 5.1. The improved peer review process is conducted by an independent consultant (probably an independent team of consultants at a later stage) who analyses and certifies the information received from the DFIs and determines compliance indices and rating indices according to which the participating DFIs are classified in decreasing order of merit on the Table of Honour and the Rating Table.
- 5.2. In the context of the improved implementation of the PSGRS, the words “index” and “indices” mean “percentages” or “symbols” corresponding to the compliance or rating scores obtained by the participating institutions concerned.
- 5.3. The successive activities of the peer review are carried out in the following three stages:
- 5.4. The first step is to draw up the Table of Honour (**Appendix 4**) which ranks the DFIs that have submitted the self-assessments. The following activities are carried out:
 - a. Cross-check the plausibility, reasonableness, or correctness of the scores assigned about the 100 prudential standards and guidelines, based on information collected objectively from the DFIs.
 - b. Validate the results of the self-assessments as corrected, if appropriate. They are therefore called compliance indices.

- c. Rank all participating DFIs in the Table of Honour in decreasing order of compliance indices.
- 5.5. The second step is to draw up the list of DFIs eligible for rating. The following activities are carried out:
 - a. Request, receive, and analyze specific information needed for assessing the rating indices, using the “*Questionnaire for collecting necessary information*” (**Appendix 5**) as support.
 - b. Determine the rating indices obtained by the DFIs that provided the specific information, using the “*DFI Rating Sheet by Question*” (**Appendix 6**) and the “*Rating Categorisation System*” (**Appendix 7**) as support.
 - c. Rank the DFIs on the rating list in decreasing order of merit with respect to the rating indices in each of the three rating categories: Category A, Category B, and Category C, using the “*Rating Table*” as support (**Appendix 8**):
- 5.6. The third step is to assign ratings to qualified DFIs. The following activities are carried out:
 - a. The consultant prepares and submits the peer review report, reporting on the analyses carried out, the results obtained, and the compliance and rating indices determined.
 - b. The General Secretariat Directorate checks and validates the consultant’s report and forwards it to the Board of Directors.
 - c. The Board of Directors considers the consultant’s report, in his/her presence, to answer any questions. At the end of its deliberations, the Board adopts the report as presented or as amended and authorizes the Secretary-General to issue Certificates of Participation to all DFIs listed in the Table of Honour and Rating Certificates to DFIs listed in the Rating Table.
 - d. The Secretary-General prepares the certificates of participation and the rating certificates, countersigns them together with the independent consultant, and circulates them to the recipients.

6. BENEFITS OF THE REFORM ON THE PSGRS IMPLEMENTATION

- 6.1. Overall, this reform enhances the value of the PSGRS and strengthens its implementation. The specific benefits can be broken down as follows:
 - a. Each DFI will have a focal person with identical skills and job descriptions as in other African DFIs. Besides, a refresher seminar for focal persons will be organized every two or three years, to harmonize the understanding of the prudential standards and guidelines and share experiences.
 - b. Each DFI is free to self-assess and progressively incorporate the prudential standards and guidelines into its policies and procedures.
 - c. Each DFI participating in the Peer Review may benefit from reasoned corrections of its self-assessment results; it is expected that those corrections will mainly

rectify either misunderstanding or misinterpretation of some prudential standards and guidelines.

- d. The Peer Review adds value to the determination of ratings for deserving DFIs; it uses the self-assessment to select DFIs to be considered for rating; it awards the rating based on an independent consultant's assessment of the medium-term potential impact on the development
- e. DFIs that have suspended their participation due to suspicion of the subjectivity of some of the self-assessments may change their minds and resume participation in the peer review.
- f. The African Development Bank (AfDB) and other donors who have criticized the basis of the rating, i.e., the self-assessment, will now more readily accredit the AADFI Rating Certificate to the ultimate benefit of DFIs resource mobilization.
- g. The West African Rating Agency (WARA) and other similar agencies will be more encouraged to grant preferential subscription rates to African DFIs that receive the AADFI Rating Certificate.

APPENDICES

1. The ten criteria of developmental impact
2. Questionnaire for assessing the potential impact on development of a DFI and rating instructions
3. Comparison between the Credit Rating and the AADFI Rating
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Appendix 1: The ten criteria of developmental impact¹

GOVERNANCE
1. The <i>presence of independent directors on the Board</i> of a DFI strengthens independence, objectivity, and rigor in decision-making, better ensuring that the developmental impact of the funding provided is realized. FACTUAL
2. The establishment of <i>Board Committees</i> allows for in-depth reviews of files before decision-making, adding value to Board decisions that ultimately aim for significant developmental impact. FACTUAL
3. The implementation of a <i>conflict-of-interest policy</i> promotes the integrity of Board members and staff, ensuring that developmental impact is maximized. PROSPECTIVE
FINANCE
4. The greater the <i>amount of share capital</i> , the more projects an institution can finance and thus have a greater developmental impact. FACTUAL
5. The <i>credit rating</i> obtained from a rating agency is an indicator of the willingness to achieve outstanding performance and can ensure the achievement of a significant developmental impact. PROSPECTIVE
OPERATIONS
6. The rate of <i>concentration of commitments</i> on the institution's core mission areas is an indicator of developmental impact. FACTUAL
7. The <i>establishment of a risk policy</i> promotes the optimal choice of projects whose realization will have an assured developmental impact. PROSPECTIVE
8. The implementation of the institution's <i>environment and climate change policy</i> will lead to the approval of projects whose realization will have positive and sustainable developmental impacts. PROSPECTIVE
9. The implementation of the institution's <i>gender promotion and poverty reduction policy</i> will lead to the approval of projects whose implementation will have favorable developmental impacts in the sense of the economic and social promotion of the populations. PROSPECTIVE
10. The ratio of the <i>cumulative number of completed projects to the cumulative number of approved projects</i> indicates that the institution has a more or less remarkable developmental impact. FACTUAL

¹ The number of criteria of which the content of each may change in the future to refine the assessment only.

Appendix 2: Questionnaire for assessing the potential impact on development of a DFI and rating instructions

GOVERNANCE

1. How many of the current members of the Board of Directors are independent?

Total: if 60% of the current members of the Board of Directors are independent

Partial: if less than 60% of the current members of the Board of Directors are independent

Non: if no current member of the Board of Directors is independent.

2. How many internal Board Committees are there?

Total: if there are at least 3 internal committees.

Partial: if there are at least one or two internal committees.

Non: if no Internal Committee exists

3. Has your institution formulated and published a conflict-of-interest policy?

Total: if there is a conflict-of-interest policy for members of the Board of Directors and employees

Partial: if there is a formulated and published conflict of interest policy covering only members of the Board of Directors or only staff.

Non: if there is no conflict-of-interest policy.

FINANCE

4. What is the current amount of share capital of your institution?

Total: if your institution's current share capital is equal to or greater than the equivalent of US\$1 billion.

Partial: if your institution's current share capital is less than US\$1 billion, but equal to or greater than US\$500 million.

Non: if the current amount of your institution's share capital is less than US\$500 million

5. Is your institution rated by a Credit Rating Agency?

Total: if it has been rated by a Credit Rating Agency for two years or more.

Partial: if it has been rated by a Credit Rating Agency for only one year.

Non: if it is not rated at all by a Credit Rating Agency.

OPERATIONS

6. What is the current rate of concentration of your institution's commitments in its core mission areas?

Total: if your institution's current rate of concentration of cumulative commitments is equal to or greater than 80%.

Partial: if your institution's current rate of concentration of cumulative commitments is between 60% and 80%.

Void: if the current concentration rate of your institution's cumulative commitments is less than 60%.

7. *Has your institution established and published an integrated risk management policy?*

Total: if your institution has implemented and published its integrated risk management policy for operational, financial, administrative (purchasing, assets), technological, and security management.

Partial: if your institution has implemented and published its management risk management policy for at least two of the above areas.

Non: if your institution has not implemented or published its risk management policy.

8. *Has your institution established and published its policy on environmental protection and climate change management?*

Total: if your institution has implemented and published its integrated environmental protection and climate change management policy.

Partial: if your institution has only implemented and published its environmental protection or climate change management policy.

Non: if your institution has no environmental protection or climate change management policy.

9. *Has your institution put in place and published its integrated policy for the promotion of gender and the fight against poverty?*

Total: if your institution has implemented and published its integrated policy for promoting gender and fighting poverty.

Partial: if your institution has only put in place and published its policy on gender promotion or poverty alleviation.

Non: if your institution has not put in place its policy either for the promotion of gender or the fight against poverty.

10. *What is the ratio of the cumulative total number of completed projects to the cumulative total number of approved projects in your institution?*

Total: if the ratio of the cumulative total number of completed projects to the cumulative total number of approved projects is equal to or greater than 50%.

Partial: if the ratio of the cumulative total number of completed projects to the cumulative total number of approved projects is between 30% and 50%.

Non: if the ratio of the cumulative total number of completed projects to the cumulative total number of approved projects is less than 30%.

Appendix 3: Comparison between the Credit Rating and the AADFI Rating

<i>Aspects</i>	<i>Credit Rating</i>	<i>AADFI Rating</i>
<i>Profession/objective</i>	<i>Assessment of the credit rating in accordance with the profession and specific national or international regulations.</i>	<i>Assessment of Development Impact Potential and induced Sustainability, using the PSGRS mechanism</i>
<i>Subject evaluated</i>	<i>The ability or potential for default to repay a potential loan and pay interest on it on time.</i>	<i>Medium Term Sustainability for Development Impact Potential</i>
<i>Stakeholders</i>	<i>Issuers, Financial Market, Rating Agencies</i>	<i>African DFIs, AADFI, Investors</i>
<i>Business model</i>	<i>Payment of fees per subscription by the potential issuers on an annual basis</i> <i>Payment of fees by the committed issuers on a targeted capital market intervention basis.</i>	<i>No fees charged to AADFI member institutions in good standing concerning their annual fee.</i> <i>Payment of specific fees by non-AADFI member institutions.</i>
<i>Activities</i>	<i>Continuous independent assessment of the performance and the business environment of the potential issuer, over the agreed period, usually one year</i>	<i>Annual assessment of development impact potential of eligible DFIs.</i>
<i>Assignment of the rating</i>	<i>Decisions taken by a competent internal committee based on information analyzed at headquarters, whether gathered during field visits or culled from media and specialist publications.</i>	<i>Decision taken by the AADFI Board of Directors, in its capacity as the peer group of the PSGRS mechanism, on the proposal of an independent consultant</i>
<i>Results</i>	<i>Assignment of a credit rating to the issuer, which can be modified at any time according to market, economic and political developments.</i>	<i>Award of a rating certificate to the DFIs, valid for one year.</i>
<i>Communication</i>	<i>Notification to the issuer and media or targeted announcement at the initiative of the issuer or the Agency.</i>	<i>Individual notification; random publication of the Rating Roll.</i>

Appendix 4: 2020 Table of Honour

Institutions which participating in the 2020 Peer Review	Conformity Indices
Institutions eligible to Rating Process	
Groupe du Credit Agricole du Maroc (GCAM – Morocco)	99%
Trade and Development Bank (TDB – Kenya)	98%
East African Development Bank (EADB – Uganda)	97%
Tamwil El Fellah (TEF – Morocco)	96%
Development Bank of Nigeria PLC (DBN – Nigeria)	95%
Botswana Development Corporation (BDC* ² – Botswana)	95%
Bank of Industry Ltd (BOI – Nigeria)	94%
Banque Nationale de Developpement Economique (BNDE – Burundi)	94%
Uganda Development Bank Ltd (UDBL – Uganda)	92%
Infrastructure Development Bank of Zimbabwe (IDBZ – Zimbabwe)	91%
Development Bank of Rwanda (BRD – Rwanda)	89%
GAPI Sarl (Mozambique)	86%
Fonds Africain de Garantie et de Cooperation Economique (FAGACE – Benin)	86%
Export Development Fund (EDF – Malawi)	86%
Development Bank of Southern Africa (DBSA –South Africa)	85%
IDB Capital Ltd (IDB – Kenya)	85%
Banco de Desenvolvimento de Angola (BDA – Angola)	84%
Banque Nationale d’Investissement (BNI – Côte d’Ivoire)	82%
ECOWAS Bank for Investment and Development (EBID – BIDC - Togo)	82%
Eswatini Development & Savings Bank (EDSB – Eswatini)	82%
Nigerian Export-Import Bank (NEXIM-Nigeria)	81%
Agricultural Bank of Namibia (AGRIBN* – Namibia)	81%
Institutions non-eligible to Rating Process	
National Development Bank	79%
Eswatini Development and Savings Bank	79%
Industrial Development Corporation of Zimbabwe Ltd	79%
Federal Mortgage Bank of Nigeria	75%
Small and Medium Enterprises Bank	67%

² *Member of SADC-DFRC and Non-Member of AADFI

DFI:

Appendix 5 a: Questionnaire for collecting specific information to assess the potential impact on development

Questions from the Association	Responses from the DFI concerned
1. Composition of the Board of Directors	
1.1 What is the total number of Directors?	
1.2 What is the number of independent Directors?	
2. Internal committees of the Board of Directors	
2.1. How many internal committees are there?	
3. Conflict-of-interest Policy	
3.1. Does your institution have a conflict-of-interest policy approved by the Board of Directors?	
3.2 Does this policy apply to staff?	
3.3. Does this policy apply to Members of the Board?	
4. Share capital of your institution	
4.1. When was the last increase in share capital?	
4.2. What is the amount of share capital at the end of 2020 in local currency and US\$ equivalent?	
5. Credit rating of your institution	
5.1. To which credit rating agencies does your institution subscribe and for how long?	

DFI:

Appendix 5 b: Questionnaire for collecting specific information to assess the potential impact on development

Questions from the Association	Responses from the DFI concerned
6. Focus on core business: medium and long-term financing	
6.1. What is the total amount of lending approved since the establishment of your institution, in local currency and US\$ equivalent?	
6.2. What is the total amount of short-term lending, less than two years (trade, salary advances, advances for school fee, etc.) approved since the establishment of your institution in local currency and US\$ equivalent?	
7. Risk management	
7.1. Does your institution have a risk policy approved by the Board of Directors and available to the public?	
7.2. Does the existing risk policy cover operational risks?	
7.3. Does the existing risk policy cover financial risks?	
7.4. Does the existing risk policy cover procurement risks?	
7.5. Does the existing risk policy cover technological risks?	
8. Protection of the environment and/or climate change	
8.1. Does your institution have a policy in this area, approved by the Board of Directors and publicly available for more than one year?	
8.2. Does this policy cover the environment and climate change?	
8.3. Does the policy cover the environment only?	
8.4. Does this policy cover climate change only?	
8.5. Does this policy define the use or mobilization of climate finance?	

DFI:

Appendix 5 c: Questionnaire for collecting specific information to assess the potential impact on development

Questions from the Association	Responses from the DFI concerned
9. Gender and poverty reduction	
9.1. Does your institution have guidelines on gender promotion and/or poverty alleviation, approved by the Board of Directors and publicly available?	
10.2 Do these guidelines cover gender promotion only?	
9.3. Do these guidelines cover poverty alleviation only?	
10. Operational performance of your institution since its inception	
10.1. What is the total amount of loans approved in local currency and US\$ equivalent?	
10.2. What is the total amount of loans disbursed, in local currency and US\$ equivalent?	
10.3. What is the total number of projects approved?	
10.4. What is the total number of projects completed?	
10.5. What is the total number of projects canceled before or during implementation?	

Appendix 6: Rating Sheet per Question

Institutions		Score awarded per question										Rating Indices
		1	2	3	4	5	6	7	8	9	10	
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Appendix 7: Overview of the rating categorization system

The assessment system for development impact potential is based on a 20-point scale, which classifies each DFI under consideration, according to the points obtained, into one of three similar and distinct categories, namely:

- a. Category A admits DFIs that score 20 to 16; it indicates that these DFIs have very strong or very satisfactory potential development impacts, which suggest reassuring prospects in the medium term.
- b. Category B admits DFIs that score 15 to 11; it indicates that these DFIs have strong or satisfactory potential development impacts, making it possible to presume stable and encouraging prospects in the medium term.
- c. Category C admits DFIs that score 10 or less; it indicates that these DFIs have potential development impacts that are average or need to be improved in the short or medium term.

It should be noted that the points obtained at the end of the assessment are referred to as indices, in the sense of a percentage or a symbol corresponding to scores gained.

Appendix 8: 2020 Rating Table

Institutions Rated by Peer Review	Rating Indices
CATEGORY A	
Eastern and Southern African Trade and Development Bank (TDB)	AA
Bank of Industry Limited (BOI)	
Fonds de Garantie et de Coopération Économique (FAGACE)	A+
Development Bank for Southern Africa (DBSA)	A
CATEGORY B	
Groupe Crédit Agricole du Maroc (GCAM)	BB
East African Development Bank (EADB)	
Tamwil El Fellah (TEF)	
Development Bank of Nigeria (DBN) PLC	
Botswana Development Corporation (BDC*)	
Uganda Development Bank Limited (UDBL)	
Infrastructure Development Bank of Zimbabwe (IDBZ)	
Rwanda Development Bank (BRD)	B+
Export Development Fund (EDF)	
Banque d'Investissement et de Développement de la Cedeao (BIDC)	B
Agribank of Namibia (AGRIBANK*)	
Nigerian Export-Import Bank (NEXIM)	
CATEGORY C	
Banque Nationale pour le Développement Économique (BNDE)	CC
GAPI Sociedade de Investimentos SA	C+
IDB Capital Limited	C
Banco de Desenvolvimento de Angola (BDA)	
Banque Nationale d'Investissement BNI	
Eswatini Development and Savings Bank (EDSB)	