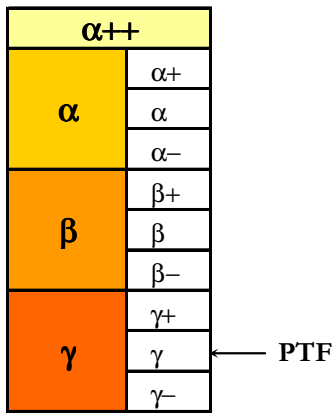


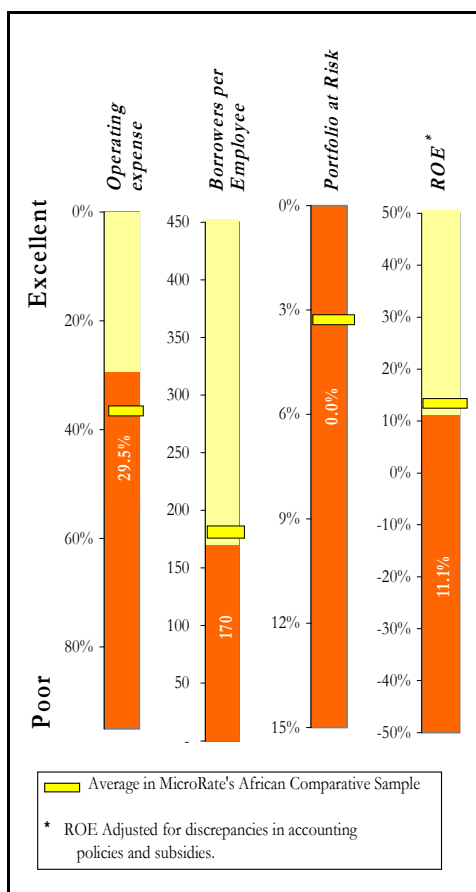
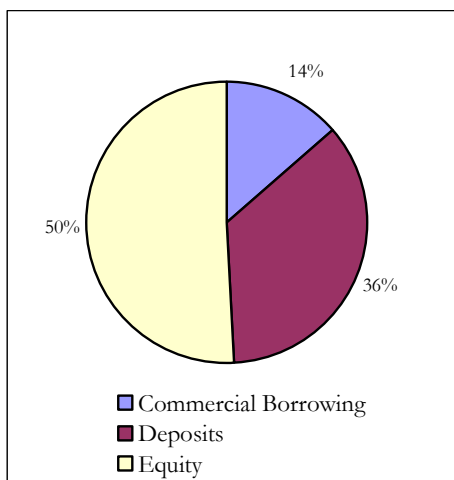
Presidential Trust Fund	TANZANIA	
Non Governmental Organisation	Report as of December 2006	
Contacts	Synopsis	
<p>MicroRate: Craig Kirkwood craig@microrate.com Tel: +27 11 803 7117 Fax: +27 11 807 3490</p>	<p>The Presidential Trust Fund for Self Reliance (“PTF”) was started as a government initiative, but registered as an NGO in 1988. The portfolio is composed entirely of group loans and grew by 32.7% to \$2.5 million in the six months to December 2006. Operations are conducted through 7 (mainly urban and peri-urban) branches, servicing around 10,500 clients. The financial performance of the institution has been erratic however PTF reported a significant rise in profitability in the first half of FY2007. Whilst this bodes well for the institution in terms of funding mobilisation, funding sources remain heavily concentrated. To alleviate this problem, PTF has intermediated almost 90% of its client’s compulsory savings which is a notable risk.</p>	
PERFORMANCE RATING	γ	
Date of visit	February 2007	
Date of previous rating	May 2005	
Last rating	γ	
	 <p>The diagram shows a vertical scale of ratings from α++ at the top to γ- at the bottom. The ratings are grouped into four main categories: α (α+, α, α-), β (β+, β, β-), γ (γ+, γ, γ-), and γ- at the bottom. An arrow points from the label 'PTF' to the 'γ' rating level.</p>	
Main Performance Indicators		
	Jun '06	Dec'06
Gross Portfolio ('000's)	\$1,893.9	\$2,513.7
Number of active borrowers	10,681	10,064
ROE	(0.5%)	11.1%
Portfolio Yield	37.5%	39.4%
Portfolio at Risk	n.a.	n.a.
Operating Expense Ratio	33.9%	29.5%
Average Loan Size	\$188	\$235
Borrowers per staff	168	170
Highlights	POSITIVE	
	<ul style="list-style-type: none"> • Profitable, although financial performance is erratic. • Improved operating efficiency. • Potentially large market. 	
	NEGATIVE	
	<ul style="list-style-type: none"> • Weak MIS and reporting. • Portfolio quality cannot be measured with any accuracy. • Unfavourable strategic position. • Increased competition. • Strong dependence on two funding sources. • Risky use of clients’ savings to fund operations. 	

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PRESIDENTIAL TRUST FUND	TANZANIA	December 2006
Sources of Funding	Rating Rationale	



The operating expense ratio and ROE compared to all African MFIs rated by MicroRate with average loans < US\$500.

PTF is profitable – The institution’s financial performance has been volatile and characterised by fluctuating margins. At the end of December 2006, PTF reported a net profit of \$85,600 and a healthy ROE of 11.1%. This follows a minor loss of \$6,200 six months previously.

Improved operating efficiency – PTF’s staff are highly productive with each credit officer managing 314 borrowers. This, together with the higher average outstanding loan size, has greatly enhanced efficiencies with the operating expense ratio improving further to 29.5% (June 2006: 33.9%).

Cannot monitor portfolio at risk - Although PTF is in the process of installing a new MIS the MFI is still unable to generate a summary report of its arrears. Hence, Portfolio at Risk (PaR over 30 days) cannot be measured. PTF cannot be considered as a fully viable MFI that can attract funding, as long as portfolio quality cannot be determined with reasonable accuracy.

Gaps in senior management – Although PTF manages adequately with its small management team, this is set to change. By the end of the first quarter 2007, both the Executive Director and the Operations manager will have left the institution. MicroRate is concerned by the lack of capacity in the organisation to promote internally and it is likely that these positions will have to be filled from the outside.

Risky practice of using clients’ savings - With cash and liquid assets comprising just 5.5% of total assets and with around 86% of all deposits tied up in the portfolio, a liquidity squeeze is a real threat. Whilst it is unlikely that the institution would experience a “run” on deposits, the concern is that the institution does not yet have the necessary skills to intermediate savings deposits.

Weak governance - Although the Board appears to function adequately, MicroRate feels the Board has been slow to respond in terms of strategy and succession planning. In addition, it is felt that a diversity of commercial skills would be of greater benefit to PTF, especially in developing a more systematic approach to risk management.