DIRECTORS' REPORT 2012.

On behalf of the Board of Directors of the Company, I am pleased to present the operational performance and audited financial statements of the Company for the year ended June 30, 2012.

GENERAL:

During the financial year 2011- 2012, Punjab Skills Development Fund successfully achieved its operational targets in the four districts of South Punjab in which the fund is operating. During the current financial year, PSDF operated two schemes, Model Villages Project and Skills for Employability, in Bahawalpur, Bahawalnagar, Lodhran & Muzaffargarh, which are amongst the poorest ten districts of the province.

PERFORMANCE:

More than one year into its operation, PSDF has been able to show that skills trainings can be delivered without heavy investments in capital infrastructure using a per trainee cost basis model. PSDF has based its operations on the principles of information use, transparency, robust monitoring & evaluation and outsourcing of non-core functions. PSDF designed two schemes, namely Skills for Job and Skills for Market, after incorporating the design inputs inferred from household survey carried out by Centre for Economic Research (CERP). The former scheme focuses on certified training using standardised training packages, whereas the latter provides bespoke training in rural areas with an aim to develop market linkages.

PSDF’s open call for expressions of interest attracted 124 organizations in Skills for Job product. Majority of them were non-governmental organizations and formal training institutes. PSDF used a transparent procurement process developed according to the training market and vetted by its Board of Directors to assess the proposals. To encourage local service providers, PSDF management also organised capacity building sessions for local providers and extended guidance to them prior to submission of bids. Networking opportunities arranged by PSDF encouraged partnerships between local providers and those from outside the districts.

For Skills for Job, 124 entities submitted 711 proposals for 170 different trades; 311 proposals in 113 different trades qualified in technical evaluation. After combined technical and financial evaluation, 21% of submitted proposals were approved by the
Board of Directors. Finally, contracts were signed with 41 entities for training more than 20,000 individuals in 93 different trades.

In case of Skills for Market, twenty six organizations submitted bids; fifteen of them were invited to submit technical proposals, and after final evaluation, contracts were signed with 7 organizations for training 3,500 individuals.

PSDF received an overwhelming response from private providers; however, there was considerable variation in the quality of technical proposals. The Fund realises that the size and experience of bidding entities is not necessarily related directly to the quality of proposals as many smaller organisations prepared excellent proposals with little guidance. The subsequent experience on implementation of training delivery also confirms the existence of small training providers that can effectively deliver quality training programs.

Key Achievements 2012:

PSDF’s main achievements during the Year 2012 are:

- PSDF has been able to expand the training market through a competitive process by bringing in 41 skills providers who have started their training activities.
- More than 80% of the trainings contracted by the PSDF for the next year will carried out outside the public sector.
- Extended reach in rural areas with a focus on provision of training within rural communities.
- A wider choice of trades is now available to individuals wishing to take the vocational path: PSDF funds training in 93 unique trades under skills for job.
- Innovative trades not available locally in the public sector are being offered such as training courses for heavy machinery operators, fiber optic technicians etc.
- Adequate opportunities for women have been provided-42% of the trainees under the Skills for Employability scheme were female;
- Additional publicly-funded training capacity has been created by leveraging existing infrastructure. No capital investment has been funded.
- A third party monitoring system has been developed for independent assessment of training providers.
- PSDF received a grant of USD 30,000 from Citi foundation; this reflects a confidence of private international Organizations on the delivery methodology system of PSDF.
Plans for 2012-2013:

During the FY 2012-13, PSDF aims to fund training of 30,000 individuals. It is a challenging task as other funding organization & projects are offering substantially higher direct cash transfer to the candidates. PSDF will continue to work with the researchers to further calibrate its interventions so that the training results in higher returns. It is hoped that Employer's Survey scheduled to complete by December 2012 will prove to be a treasure trove for designing next round of interventions.

PSDF also intends to design and launch specialised funding product to finance skills training in Agriculture and Livestock sector so that the households' demand expressed in the survey for training in this sector could be met. PSDF also plans to develop linkages with micro financing organization so that funding needs of trainees for setting up enterprises can met through various financing options.

PSDF Sponsors, Government of the Punjab and Department of International Development UK have indicated their intent to scale up PSDF's operations across the Punjab. The management is preparing a scale up plan to meet the objectives specified by the sponsors. It is expected that during the FY 2012-13, PSDF will add few more districts to its operations in Central and Northern Punjab where the absolute number of poor in some districts is higher than those in South of the Punjab.

FINANCIAL REVIEW:

During the financial year, the company had received 345 million rupees from the sponsors in order to meet its expenses related to both program and non-program activities. All costs directly related to the program have been classified and accounted for as program related costs. Costs pertaining to non-program activities include management cost, operating and capital expenditure.

<table>
<thead>
<tr>
<th>SUMMARY - BUDGET VS ACTUAL COMPARISON</th>
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<tbody>
<tr>
<td><strong>Description</strong></td>
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<tr>
<td>-----------------</td>
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<tr>
<td>2011-12</td>
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<tr>
<td>RUPEES (M)</td>
</tr>
<tr>
<td>Management cost</td>
</tr>
<tr>
<td>Operating expenditure</td>
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<td>Capital expenditure</td>
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</table>

A Company set up under section 42 of the Companies Ordinance 1984
PUNJAB SKILLS DEVELOPMENT FUND

<table>
<thead>
<tr>
<th>Non program activities</th>
<th>41.04</th>
<th>34.82</th>
<th>6.22</th>
<th>15.16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program activities</td>
<td>468.60</td>
<td>347.54</td>
<td>121.06</td>
<td>25.8</td>
</tr>
<tr>
<td>Total</td>
<td>509.64</td>
<td>382.36</td>
<td>133.5</td>
<td>26.19</td>
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</table>

Against the total approved budget amounting to rupees 509.64 million for the year ended June 30, 2012 actual cost incurred was rupees 382.36 million leaving us with an unconsumed budget of rupees 127.28 million.

During the year capital expenditure incurred amounting to rupees 4.815 million against the approved budget of rupees 4.876 million. This mainly includes acquisition cost of generator for Head Office, computers and IT equipment, and accounting software.

Management cost incurred during the year 2011-12 was rupees 18.22 million against the budgeted amount of rupees 19.947 million leaving us with an unconsumed budget of rupees 1.727 million.

On program activity actual expenditure incurred during the year on two schemes namely “Model Villages Muzaffargarh” and “Skills for Employability” was rupees 347.5 million against the approved budget of rupees 468.6 million.

Other operating cost incurred during the year 2011-12 was rupees 11.787 million against the approved budget of rupees 16.217 million. This mainly includes cost for premises rentals, communication, utilities, printing and stationary, travelling and legal and professional charges.

During the year PSDF has earned profit on deposit amounting to rupees 1.66 million.

**AUDITORS:**

Quality of financial reporting continues to be of prime concern to the stakeholders- Sponsors, Board of Directors and Management. Therefore, the company will continue to exercise due diligence and care in the selection of Auditors as it had done in the past.

**BOARD OF DIRECTORS:**

Following changes have been made in the Board of Directors during the year:

A Company set up under section 42 of the Companies Ordinance 1984
Mr. Muhammad Jehanzeb Khan retired and Mr. Hamed Yaqoob Sheikh was appointed as a Director. Furthermore, Mr Almas Hyder and Ms Khawar Mumtaz were also appointed as a Director of the Company during the year. Later on dated May 11, 2012 Mr Asad Umar had tendered his resignation from the Chairmanship of the Board of Directors of Punjab Skills Development Fund (PSDF) and replaced by Dr Ijaz Nabi.

BOARD MEETING:

During the year five meetings of the Board of Directors were held.

ACKNOWLEDGEMENT:

The Board wishes to place on record its appreciation for the untiring efforts of all its employees in taking the Company forward.

Lahore: October 25,
2012

On Behalf of the Board

Mr. Ali Sarfraz
Director / Chief Executive Officer