

DIRECTORS' REPORT 2014.

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, 2014.

GENERAL:

During the financial year 2013- 2014, Punjab Skills Development Fund successfully achieved its operational targets in the four Pilot districts of South Punjab and also expanded its operations in 10 Phase -1, districts of Punjab namely Lahore, Sheikhpura, Faisalabad, Gujranwala, Narowal, Sargodha, Chiniot, Vehari, Khanawal and Rahim Yar Khan.

During the current financial year, PSDF operated various schemes Skills for Job 2013-14, Skills for Job 2014, Skills for Market 2013-14, Skills for Farm, Skill for Garments & Skill for Job - Health Sector in Pilot & Phase-1 Districts and enrolled 31,438 trainees out of which 20,850 trainees completed their training.

PERFORMANCE:

More than three 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 also demonstrated that the funding model can be expanded and successfully implemented at a larger scale.

PSDF designed various schemes, namely Skills for Job, Skills for Market, Skills for Farm, Skills for Garments, Skill for BioGas, Skill for Job - Health Sector after incorporating the design inputs inferred from household & Employers survey carried out by Centre for Economic Research (CERP). The schemes focus on certified trainings using standardized training packages, & tailored made trainings in rural areas with an aim to develop market linkages.

PSDF's open call for expressions of interest attracted 359 organizations in various schemes. 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 organized 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 13-14, 89 entities submitted 482 proposals for 44 different trade groups; 272 proposals in 39 different trade groups qualified in technical evaluation. After combined technical and financial evaluation, 58% of submitted proposals were approved by the Board of Directors. Finally, contracts were signed with 63 entities for training more than 25,000 individuals in 39 different trade groups and 135 different trades.

For Skills for Garments, 46 organizations submitted bids; 23 of them were invited to submit technical proposals, and after final evaluation, contracts were signed with 14 organizations for training 7,700 individuals.

In case of Skills for Market 2013-14, 65 organizations submitted bids; 29 of them were invited to submit technical proposals, and after final evaluation, contracts were signed with 8 organizations for training 4,000 Females.

For Skills for Farm, 76 organizations submitted bids; 23 of them were invited to submit technical proposals, and after final evaluation, contracts were signed with 7 organizations for training 2,250 individuals.

For Skills for job 2014 and Skill for Job - Health Sector, 90 organizations submitted bids; 13 of them were invited to submit technical proposals, and after final evaluation, contracts were signed with 7 organizations for training 2,700 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 organizations 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 2014:

- PSDF has been able to expand the training market through a competitive process by bringing in 56 new skills providers who have started their training activities.
- More than 82% of the trainings contracted by the PSDF for the next year will be 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 160 unique trades under skills for job 2013-14, Skills for Garments, Skills for farms and Skills for job 2014 & Health Sector.
- Innovative trades not available locally in the public sector are being offered such as training courses for Air Hostess and Steward Course, Accommodation Operations & Services, Fiber Optic System Technician etc.
- Efforts were made to provide training opportunities to Special Persons under Skills for Job 2013-14
- Additional publicly-funded training capacity has been created by leveraging existing infrastructure. No capital investment has been funded.

Plans for 2014-2015:

During the FY 2014-15, PSDF aims to fund training of 50,000 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.

PSDF also intends to design and launch specialised funding product to involve the industry in imparting the skills according to their needs. A greater focus will be placed on involving the employers in the new future schemes. Simultaneously PSDF will continue financing skills training in Agriculture, Livestock and Textile/ Garments 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.

FINANCIAL REVIEW:

SKILLS DEVELOPMENT FUND:

During the financial year, the company had received 1,696 million rupees under skills development fund component 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.

SUMMARY - BUDGET VS ACTUAL COMPARISON				
Description	BUDGET	ACTUAL AUDITED	VARIANCE	VARIANCE
	2013-14	2013-14		
	RUPEES (M)	RUPEES (M)	RUPEES (M)	%
Management cost	44.53	34.61	9.92	22.27
Operating expenditure	26.70	24.81	1.89	7.078
Capital expenditure	15.30	10.58	4.72	30.84
Non program activities	86.53	70.00	16.53	19.10
Program activities	1,529.91	1,198.98	330.93	21.63
Total	1,616.53	1,268.98	347.55	21.49

Against the total approved budget amounting to Rupees 1,616.53 million for the year ended June 30, 2014 actual cost incurred was Rupees 1,268.98 million leaving us with an unconsumed budget of rupees 344.59 million.

During the year capital expenditure incurred amounting to Rupees 10.58 million against the approved budget of Rupees 15.30 million. This mainly includes acquisition cost of vehicles, IT equipment & software up-gradation & renovation of PSDF Office.

Management cost incurred during the year 2013-14 was Rupees 34.61 million against the budgeted amount of Rupees 44.53 million leaving us with an unconsumed budget of rupees 9.92 million.

On program activity actual expenditure incurred during the year on three new schemes namely "Skills for Farm" "Skills for Job 2013-14" and "Skills for Market 2013-14" & ongoing schemes of 2012-13 was Rupees 1,198.98 million against the approved budget of rupees 1,529.91 million.

Other operating cost incurred during the year 2013-14 was Rupees 24.81million against the approved budget of Rupees 26.70 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 23.48 million.

ACCOUNTABLE GRANT:

During the financial year 2013-14 the company had entered into an agreement with Department of International Development UK, where it shall grant of GBP 1.5 million for "Institutional Development" upto December 31, 2015. The company had received 1st tranche of GBP 228,000/- equivalent to Pak Rupees 38.00 Million during the financial year 2013-14.

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.

KPMG was appointed as the company auditor for the year 2013-2014 and the same company has offered to provide its services for the year 2014-2015 as well

BOARD OF DIRECTORS:

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

Mr. Baleegh-ur-Rehman had tendered his resign from directorship of the company. Mr. Arif Saeed, Mr. Shahid Hafiz Kardar, Mr Khawaja Imran Nazir, Ms. Saira Iftekhhar & Ms. Ghazala Reham were appointed as a Director during the year.

BOARD MEETING:

During the year three 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

On Behalf of the Board



Lahore: October 17, 2014

Mr. Ali Sarfraz
Director / Chief Executive
Officer