



Punjab Skills Development Fund

هنر مندی میں خوشحالی



DIRECTORS' REPORT 2016

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, 2016.

GENERAL:

During the financial year 2015-2016, Punjab Skills Development Fund successfully achieved its operational targets in the fourteen target districts of the Punjab and successfully closed the Punjab Economic Opportunities Program (PEOP). The PEOP targeted a training of 145,500 trainees, and PSDF successfully funded the training of 147,709 trainees (38% females).

PERFORMANCE:

More than five years into its operation, PSDF has been able to show that skills trainings can be delivered without heavy investments in capital infrastructure using a competitive bidding 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 after incorporating the design inputs inferred from Household & Employers survey carried out by Centre for Economic Research in Pakistan (CERP). The schemes focus on certified trainings using standardized training packages, and tailor made trainings in rural areas with an aim to develop market linkages.

The majority of organisations who responded to PSDF's open call for expression of interest in various scheme, were non-governmental organizations and private sector 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 service providers and extended guidance to them prior to submission of bids. Networking opportunities arranged by PSDF encouraged partnerships between within district and outside the districts training service providers.

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. The subsequent experience on implementation of training delivery also confirms the existence of small training providers that can effectively deliver quality training programs.



Punjab Skills Development Fund

هنر مندی میں خوشحالی



Key Achievements 2016:

- PSDF expanded its operations from fourteen districts to entire Punjab and successfully executed World Bank assisted Program, Punjab Skills Development Project.
- PSDF has been able to expand the training market through a competitive process by bringing in over 215 skills providers who have started their training activities.
- PSDF witnessed a 76% increase in growth of unique TSPs in 2015-16 from the previous year.
- 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 more than 500 trades under various schemes.
- Innovative trades not available locally in the public sector are being offered such as training courses for Solar Photovoltaic Training, Fiber Optic System Technician, CNC Programmer, HNC Contraction and Built Environment.
- Additional publicly-funded training capacity has been created by leveraging existing infrastructure. No capital investment has been funded.
- During FY 2015-16 PSDF also diversified its funding sources to explore avenues for its financial sustainability. A total PKR11.047 million as management fee was charged to Punjab Skills Development Project & Tribal Area Development Project.

Plans for 2016-2017:

During the FY 2016-17, PSDF aims to fund training of 55,000 individuals. It is a challenging task as other funding organizations and projects are offering substantially higher direct cash transfer to the candidates. PSDF will continue to work with social researchers to further calibrate its interventions so that the training results in higher returns.

Facilitation of formal employment and self-employment is a crucial component of the PSDF's 5-year operational plan. During 2016-17, the organisation will actively push for the placement of trainees and build relationships to ease and facilitate the access of finance and business support to trainees interested in self-employment after training. PSDF intends to design and launch specialised funding products to drive forward its initiatives for employer leadership and placement. Industry participation will be sought as training service providers in PSDF's regular schemes, as well as in co-financing partnerships with guaranteed placement outcomes. Focus will be expanded in urban and semi-urban trades as well as continued financing of skills training in rural-focused schemes in agriculture and livestock sectors. Moreover, PSDF is widening and qualitatively improving women's participation by rolling out trainings in demand-driven trades for urban women and by fortifying market linkage networks for rural women.

PSDF principle sponsors, Government of the Punjab and Department of International Development UK have decided to scale up PSDF's operations across the Punjab for training of 330,000 poor and vulnerable (at least 40% females) by 2021 formalised through the "Skills Development Programme SDP 2015-2021" which became operational mid-year 2016.

**Punjab Skills
Development Fund**
FINANCIAL REVIEW:

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Rupees in Million						
Fixed Assets	9.65	11.38	16.87	24.84	21.395	22.805
Intangible Assets	-	0.61	0.61	1.41	1.252	1.307
Mobilization Advance	-	10.99	11.46	16.49	5.855	-
Advances, Deposits and prepayments	0.72	1.13	2.01	2.75	3.311	336.504
Tax refunds due from tax authorities	0.01	0.17	0.83	3.42	8.634	11.567
Cash and bank balances	19.25	51.74	128.85	712.49	611.797	301.671
Total Assets	29.633	76.009	160.618	761.400	652.244	703.856
Capital Fund	1.80	1.80	1.80	1.80	1.800	1.800
Accumulated Fund	-	-	-	-	-	10.450
Restricted Funds	10.63	(20.52)	26.15	502.23	195.374	46.556
Deferred capital grant	12.15	11.99	17.47	26.25	21.593	22.232
Deferred Liability	-	1.13	2.29	4.54	10.861	11.885
Creditors, accrued and other liabilities	5.048	81.61	112.91	226.58	422.616	610.930
Total funds and liabilities	29.633	76.009	160.618	761.400	652.244	703.856
Training Cost	-	320.14	918.85	1,176.37	2,622.087	2,983.603
Monitoring Cost	-	16.24	25.48	19.57	44.463	52.697
Advertisement Cost	0.18	9.48	8.28	12.84	25.119	6.312
Total Non-Program Cost	5.32	32.32	42.26	65.68	92.840	100.051
Surplus of Income over Expenses	-	-	-	-	-	11.047

During the financial year, the company received 2,479 million rupees under Skills Development Fund, Accountable Grant, Punjab Skills Development Project and IRMNCH components from the sponsors (Government of the Punjab & DFID) 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
	2015-16	2015-16		
	RUPEES (M)	RUPEES (M)	RUPEES (M)	%
Management cost	102.96	67.19	35.77	34.74
Operating expenditure	49.64	32.86	16.78	33.79
Capital expenditure	42.15	9.22	32.93	78.14
Non program activities	194.75	109.27	85.48	43.89
Program activities	4,047.81	3,042.61	1,005.20	24.83
Management fee	21.68	11.05	10.63	49.03
Total	4,242.55	3,151.88	1,090.68	25.71



ہنرمندی میں خوشحالی



Punjab Skills Development Fund

Against the total approved budget amounting to Rupees 4,424.55 million for the year ended June 30, 2016 actual cost incurred was Rupees 3,151.88 million leaving us with an unconsumed budget of Rupees 1,090.68 million. The major reason of unconsumed budget was delay in finalization of Skills Development Programme "SDP 2015-21" which was planned in January 2016. However the Programme was signed between Government of the Punjab & DFID in FY2016-17 for funding 330,000 trainees by 2021.

During the year capital expenditure incurred amounting to Rupees 9.22 million against the approved budget of Rupees 42.15 million. This mainly includes acquisition cost of vehicles for Chief Executive Officer, Assistant Manager Placement and Assistant Manager Communication. Since the upcoming Programme "SDP 2015-21" was not initiated in FY 2015-16, the cost of renovation of new office premises could not be incurred in FY 2015-16.

Management cost incurred during the year 2015-16 was Rupees 67.19 million against the budgeted amount of Rupees 102.96 million leaving us with an unconsumed budget of rupees - 35.77 million. Upscale operations of PSDF could not be initiated due to delay in finalization of Skills Development Programme. Hence additional human resources were not hired as budgeted.

On program activity actual expenditure incurred during the year under various schemes namely "Skills for Job" "Skills for Garments" "Skills for Employability" & "Skills for Punjab Growth Strategy" & extensions of ongoing schemes was Rupees 3,042.61million against the approved budget of rupees 4,047.81million. The Budget allocated for Skills Development Programme "SDP 2015-21" could not be consumed because the programme was not finalized till June 30, 2016.

In FY 2015-16, PSDF earned management fee Rupees 11.05 million on account of World Bank Project "Punjab Skills Development Project" & "Tribal Area Development Project" @ 7.50% & 5.00% of total utilized amount respectively.

Other operating cost incurred during the year 2015-16 was Rupees 32.86 million against the approved budget of Rupees 49.66 million. This mainly includes cost for premises rentals, communication, utilities, printing and stationary, travelling and legal and professional charges.

During the year, profit earned on bank deposit amounting to Rupees 26.116 million.

FUNDING ARRANGEMENTS:

Skills Development Fund Project ("SDF") is managed by the Company. SDF provides funds to Training Service Providers ("TSPs") to provide skills and vocational training opportunities to the poor and vulnerable population of Punjab. The total allocated fund for the Company under SDF was GBP 50 million to be contributed equally by GoP and DFID for the period of 5 years up to December 2015 with a target of 135,000 trainees. In September 2015, the Project (SDF) was extended till 31 December 2016 with an additional allocation of funds of GBP 1.5 million from DFID to train 145,500 trainees in total. The revised allocation of funds is GBP 51.50 million (GoPb = 25.00 million , DFID = 26.5 million). The Company has received a total fund of GBP 48.89 million (GoP = 24.91 million, DFID = 23.97 million) and has trained 147,599 trainees till 30 June 2016.



ہنرمندی میں خوشحالی



Punjab Skills Development Fund

Accountable Grant Arrangement Project ("AGA") is funded by DFID. Its objective is to assist the Company's operations by generating labor market intelligence and capacity building of the Company. The total allocated fund for the project was GBP 1.5 million from DFID. The Company has received a total fund of GBP 0.84 million till 30 June 2016. The project was completed on 15 September 2016.

A skills provision contract was entered between the Company and Tribal Area Development Project ("TADP") of Planning and Development Department, Government of the Punjab, on 23rd October 2014. As per the agreement, the Company will engage training service providers to train 1,000 residents of tribal area of Punjab till December 2017 with total fund allocation of Rupees 60 million. The Company has received Rupees 18 million out of the allocated funds till June 30, 2016.

Punjab Skills Development Project ("PSDP") was launched through a contract between the World Bank and Islamic Republic of Pakistan on 30 April 2015. Its core objective is to improve the quality, labor market relevance of, and access to skills training programs in priority sectors in Punjab. As per Project Appraisal Document, 50,000 individuals (at least 15% females) will be enrolled out of which 40,000 will be completed till 2020 with total fund allocation of USD 32.2 million by the World Bank. The Company has received Rupees 148 million out of the allocated funds till June 30, 2016 & successfully achieved training targets FY 2015-16 as defined in Project Document.

The Company and Integrated Reproductive Maternal New Born & Child Health & Nutrition (IRMNCH) Program Punjab signed a contract on January 18, 2016 for the provision of capacity enhancement of Lady Health Visitors/ workers. As per the contract the Company will engage service provider for the provision of Skill Enhancement (Training of Trainers) of 720 Lady Health Visitors (LHV) nominated by the IMRNCH. These master trainers will then conduct the training of other Lady Health Workers approximately 48,000. The contract will continue till December 2016 having approximate cost of Rupees 36 million. The Company received Rupees 31 million out of the allocated funds till June 30, 2016.

Skills Development Project ("SDP") was launched through a contract between the Department for International Development ("DFID") and Government of Punjab ("GOP") on 02 August 2016. Under this Programme, technical and vocational skills training will be provided to 330,000 poor and vulnerable people (40% women) across all districts of Punjab to enhance their employment prospects and incomes. The Programme also aims to support institutional development of the Punjab Skills Development Fund (PSDF), policy, regulatory and institutional reforms in the skills sector in Punjab to improve the quality and market relevance of skills development initiatives. The overall budget of the SDP will be GBP 127.5 million. DFID's share is 30% (GBP 38.4 million) of this total amount including both Training (GBP 31.4 million) and Technical Assistance (GBP 7.00 million) and GOP will provide funding for the remaining 70% (GBP 89.1 million) of the overall programme budget. The contract will span five years and will expire in 2021. The activities under this agreement are expected to start subsequent to the year end.



Punjab Skills Development Fund

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 2015-16 and the same firm has offered to provide its services for the year 2016-17 as well.

BOARD OF DIRECTORS:

As per Article of Association all Board members shall be nominated by the Government of the Punjab. The composition of the Board shall be as follows.

- (a) Four (04) Directors from amongst the Government Nominated Members
- (b) Eleven (10) Directors from amongst the Civil Society Members, and
- (c) One (01) Director from amongst the Ex-Officio Members.

BOARD MEETINGS:

Four (04) meetings of the Board of Directors were held during the year:

Sr.#	BOD Meeting	Date
1	23 th BOD Meeting	August 11, 2015
2	24 th BOD Meeting	September 29, 2015
3	25 th BOD Meeting	October 26, 2015
4	26 th BOD Meeting	March 17, 2016

And attendance of BOD Members are as follows:

Sr. #	Name of BoD Member	Designation	No. of Meetings attended
1	Dr. Ijaz Nabi	Chairman of the Board	4
2	Mr. Jawad Khan/Ali Sarfraz Hussain	Chief Executive Officer	3
3	Secretary Finance	Director	2
4	Secretary Industries	Director	4
5	Secretary Planning & Development	Director	4
6	Secretary Lives stock	Director	3
7	Ms. Khawar Mumtaz	Director	2
8	Ms. Aqueela Mumtaz	Director	1
9	Mr. Faisal Farid	Director	2
10	Mr. Almas Hyder	Director	1
11	Mr. Makhdom Khusro Bakhtiar	Director	Nil
12	Mr. Khawaja Imran Nazir	Director	Nil
13	Ms. Saira Iftikhar	Director	1
14	Ms. Ghazala Rehman	Director	1
15	Mr. Naved Hamid	Director	2



**Punjab Skills
Development Fund**
ACKNOWLEDGEMENT :

هنرمندی میں خوشحالی



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

On Behalf of the Board

Mr. Jawad Khan
Director / Chief Executive
Officer

Lahore: November 04, 2016