



Punjab Skills Development Fund

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DIRECTORS' REPORT 2017

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, 2017.

GENERAL:

During the financial year 2016-17, the Punjab Skills Development Fund successfully achieved its operational targets and successfully closed the Punjab Economic Opportunities Program (PEOP), co-funded by the Government of the Punjab and the Department for International Development (DFID), UK. The PEOP targeted a training of 145,500 trainees, whereas PSDF exceeded the target by training 147,109 within the same budget allocation. Out of the total target, 38% beneficiaries were women.

Based on the accomplishments of the PEOP, the principal sponsors, Government of the Punjab and DFID, decided to scale up PSDF's operations across Punjab for the training of 330,000 poor and vulnerable youth (at least 40% females) by 2021. This commitment of sponsors was formalized through PEOP's successor, Skills Development Programme (SDP) 2015-2021. Owing to some delays in signing of the EOL between the two funding partners, the programme became operational in October 2016.

For the fiscal year 2016 – 2017, PSDF successfully funded the training of 53,572 trainees, against the target of 42,000.

In FY 2016-17, Punjab Skills Development Program (PSDP), funded by the World Bank, PSDF successfully achieved the Disbursement Link Indicator target of funding demand based training of 6,400 trainees.

PERFORMANCE:

More than six years into its operation, PSDF has been able to show that skills trainings can be delivered by the private sector far more efficiently and cost-effectively when managed through an open and competitive bidding process. PSDF has based its operations on the principles of research, transparency, robust monitoring & evaluation, outsourcing of non-core functions and outcome based payments. Through province-wide implementation, PSDF also demonstrated that this operational model can be expanded and successfully scaled-up. During 2016-17, PSDF has made significant inroads in building employer leadership both through regular schemes like the Industrial Training Programme (ITP) as well as innovative cost-sharing partnerships with the industry.

The ITP is an employer-based training scheme which targets the unmet need of skilled manpower of industries. The scheme engages industrial units and employers giving them the opportunity to select trades most relevant to their needs. Employers are also encouraged to design curricula, training manuals and methodologies. Participating enterprises are contractually bound to provide commitments on employment. As an extension to the ITP 2016



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scheme, ITP-Golden Industrial Triangle scheme was also launched during 2016-17. This scheme is a customised offering serving the manpower needs of the Golden Industrial Triangle cluster (districts: Sialkot, Gurjat, Narowal, Hafizabad, and Gujranwala).

Under the cost-sharing model, PSDF reached out to enterprises that have sizable and sustainable demand for skilled workforce and qualify through PSDF's criteria of entering into Training for Guaranteed Employment Partnership. This intervention creates guaranteed job linkages through cost-sharing training partnerships with large and medium-sized industrial players (locally and internationally) after ascertaining current and future employment needs of partner organizations. The uniqueness of the scheme is that employers are not only guaranteeing jobs but also co-funding the programmes.

PSDF has taken concrete steps to create employment opportunities in the Middle East for skilled workforce from Punjab. Earlier in 2016-17, PSDF signed a landmark MoU with Rotana, a leading hotel management company, under which Rotana agreed to employ workforce trained under the PSDF banner at their properties. This collaboration will benefit 75+ candidates, who will be employed in the trades of Housekeeping, Waiters/Waitresses and *Commis* Chefs. The training programs have started and graduates are taking up jobs upon completion of their respective trainings.

During 2016-17, PSDF also worked diligently towards improving its targeting to minimize exclusion errors. To make the organization's targeting more robust, PSDF has organized the districts of Punjab into seven distinct clusters based on parameters like population, poverty, primary school enrolment, secondary school dropouts, and urban / rural distribution. Training offerings are prioritized across these clusters.

Clusters		Description	Districts		
1	Southern Belt	<ul style="list-style-type: none"> Large pockets of desert Heavy reliance on subsistence agriculture Contain pockets of horticulture excellence 	Multan	Lodhran	Vehari
			Bahawalpur	Khanewal	R.Y. Khan
			Bahawalnager		
2	Greater LHE & FSD	<ul style="list-style-type: none"> Large scale manufacturing located here Top end urban service jobs concentrated 	Lahore	Sheikhupura	
			Faisalabad	Nankanasahib	
3	Golden Industrial Triangle	<ul style="list-style-type: none"> Heavy presence of export oriented and light engineering clusters Significant agricultural economies as well 	Sialkot	Gurjat	Narowal
			Hafizabad		Gujranwala
4	Agri. Heartland	<ul style="list-style-type: none"> Producers of traditional staple crops Contain pockets of horticulture excellence 	Jhang	Sergodha	Toba Tek Singh
			Chiniot	Jehlum	Khushab



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		• Contain some manufacturing pockets	Mandi- Bahau- din		
5	Northern Belt	• Large pockets of desert • Primarily rain fed ("barani") agriculture	Rawalpindi	Attock	Mianwali
			Chakwal		Bhakhar
6	Eastern Belt	• Producers of traditional staple crops • Contain pockets of livestock farming excellence	Kasur		Okara
			Sahiwal	Pakpattan	
7	South Western Belt	• Deeply rural subsistence agriculture	Muzafargarh		D.G Khan
			Layyah	Rajanpur	

PSDF has designed various schemes after incorporating design inputs inferred from Household & Employers survey carried out by Centre for Economic Research in Pakistan (CERP), and the sector skills studies conducted through DFID technical assistance during 2014-16.

The majority of organisations that have responded to PSDF's open call for expression of interest in various schemes were non-governmental organizations and private-sector formal training institutes. PSDF used a transparent procurement process, developed according to the training market, vetted by its Board of Directors and managed by a reputable third party, to assess the proposals. To encourage local service providers, PSDF management also organized capacity building sessions for local service providers in order to handhold them prior to submission of bids. Networking opportunities arranged by PSDF encouraged partnerships in-district and out-district training service providers. PSDF senior management also travelled extensively to meet with chambers of commerce and industry, associations, and training service providers, to understand their needs and concerns.

Key Achievements 2016-17:

- Against training targets of 42,000 PSDF successfully trained 53,572 and within the same budgetary outlay.
- PSDF successfully expanded operations across Punjab and also executed the World Bank-assisted Punjab Skills Development Project. A total of 11,237 have completed training under this programme as of June 2017.
- To strengthen the transparency of its procedures, PSDF outsourced the evaluations of proposals/bids received from Training Service Providers to A. F. Ferguson & Co a member firm of PwC International.
- PSDF has been able to expand the training market through a competitive process by bringing in over 215 skills providers.
- Achieve saving of about 21% from bidding price to contract price (savings of Rs.800 million approx.)
- Agreement with overseas employers in the hospitality sector from the Gulf Cooperation Council Countries to hire trained youth from Punjab against pre-training employment contracts.



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- Through competitive bidding process cost per trainee per month under the training program with Formal Training Institutes (FTIs) gradually reduced from PKR 15,000 to 8,000 approx. over the period of five years.
- Enrolment to trainee's completion ratio is improved from 71% to 88% over the period of 5 years
- PSDF witnessed a 76% increase in growth of unique TSPs in 2016-17 from the previous year.
- Extended reach in rural areas with a focus on provision of training within rural communities through schemes like the Big Push for Rural Economy, Training for Home-based Livestock, and Women-focused Employment-driven Training.
- On behalf of the Health Department and under the arrangement with the Integrated Reproductive Maternal Newborn Child Health (IRMNCH) Program of Punjab, the training of 712 Lady Health Visitors was conducted through PSDF. The objective of the project was to provide refresher training to a cohort of Lady Health Visitors who would impart training to Lady Health Workers across Punjab to create awareness on mother and child healthcare.
- 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 Contracting and Built Environment.
- During FY 2016-17 PSDF also diversified its funding sources to explore avenues for its financial sustainability. A total of PKR 20.86 million as management fee was charged to Punjab Skills Development Project & IRMNCH Program.

Plans for 2018:

During FY 2017-18, PSDF aims to fund trainings of 85,000 individuals. Other funding organizations and projects are offering substantially higher direct cash transfer to the candidates, PSDF's continued focus is on creating post-training income generating outcomes for the youth and constantly improving the quality of training.

Facilitation of formal employment and self-employment is a crucial component of the PSDF's 5-year operational plan. During 2017-18, PSDF will continue to push for the placement of trainees and build relationships to ease and facilitate access of credit and business support to trainees interested in post-training self-employment. PSDF will continue to gravitate its training focus towards the industry to ensure employer leadership and placement. Therefore, 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. To strengthen placement, PSDF will also be piloting the Placement Services Provider (PSP) model this year. In pilot districts, the outsourced PSP will identify and analyze new job opportunities, jobs in demand, and sectors & trades with substantial potential for jobs. 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.



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FINANCIAL REVIEW:

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Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	Rupees in Million						
Fixed Assets	9.650	11.380	16.870	24.840	21.395	22.805	50.794
Intangible Assets	-	0.610	0.610	1.410	1.252	1.307	1.741
Mobilization Advance	-	10.990	11.460	16.490	5.855	-	3.658
Advances, Deposits and prepayments	0.720	1.130	2.010	2.750	3.311	336.504	72.036
Tax refunds due from tax authorities	0.010	0.170	0.830	3.420	8.634	11.567	16.008
Cash and bank balances	19.250	51.740	128.850	712.450	611.797	301.671	1,563.859
Total Assets	29.630	76.020	160.630	761.400	652.244	673.854	1,708.096
Capital Fund	1.800	1.800	1.800	1.800	1.800	1.800	1.800
Accumulated Fund	-	-	-	-	-	10.450	32.441
Restricted Funds	10.630	(20.520)	26.150	502.230	195.374	46.555	1,012.815
Deferred capital grant	12.150	11.990	17.470	26.250	21.593	22.232	52.535
Deferred liability	-	1.130	2.290	4.540	10.861	11.885	18.200
Creditors, accrued and other liabilities	5.018	81.610	112.910	226.580	422.616	610.930	590.305
Total funds and liabilities	29.628	76.010	160.620	761.400	652.244	703.853	1,708.096
Training Cost	-	320.140	918.850	1,176.370	2,622.087	2,983.603	1,630.795
Monitoring Cost	-	16.240	25.480	19.570	44.463	52.697	67.454
Advertisement Cost	0.180	9.480	8.280	12.840	25.119	6.312	22.007
Non-Program Cost	5.370	32.320	42.760	65.880	92.840	100.051	128.097
Surplus of Income over Expenses	-	-	-	-	-	11.047	24.202

During the financial year, the company received 3,108.64 million rupees under Skills Development Fund, Punjab Skills Development Project and Skills Development Programme 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
	2016-17	2016-17		
	Rupees in "Million"			%
Management cost	115.59	73.42	42.17	36.48%
Operating expenditure	70.58	47.15	23.42	33.19%
Capital expenditure	79.05	36.73	42.32	53.54%
Non program activities	265.21	157.30	107.91	40.69%
Program activities	3,624.14	1,720.26	1,903.88	52.53%
Management fee	56.39	20.86	35.53	63.01%
Total	3,945.74	1,898.42	2,047.32	51.89%

Against the total approved budget amounting to Rupees 3,945.74 million for the year ended June 30, 2017 actual cost incurred was Rupees 1,898.42 million leaving us with an unconsumed budget of Rupees 2,047.32 million. The major reason of unconsumed budget was delay in opening of Assignment accounts & release of funds from Donors. Programme activities under SDP were planned in September 2016, however 1st tranche of funds was released in January 2017 which causes the delay of about 04 months in execution of all financial plans for FY 2016-17.



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Management Cost

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Management cost incurred during the year 2016-17 was Rupees 73.42 million against the budgeted amount of Rupees 115.59 million leaving us with an unconsumed budget of rupees - 42.17 million due to delay in hiring of human resources as planned.

Operating Expenditures

Other operating cost incurred during the year 2016-17 was Rupees 47.15 million against the approved budget of Rupees 70.53 million. This mainly includes cost for premises rentals, communication, utilities, printing and stationary, travelling and legal and professional charges.

Capital Expenditures

During the year capital expenditure incurred amounting to Rupees 36.73 million against the approved budget of Rupees 79.05 million. This mainly includes renovation cost of new office building, office furniture and fixture, computer and electric equipments. Rupees 30 million was allocated for the implementation of new ERP Solution, but no activity was initiated due to delay in hiring of IT team.

Program Activities

On program activity the actual expenditure incurred during the year under various training schemes namely "Industrial Training Programme 2016 & 2017" "Skills for Job 2016-17", "Overseas Employment Training", "Cost Sharing Model", "BPRE (Agri & Livestock) & "Skills for Punjab Growth Strategy" & extensions of ongoing schemes was Rupees 1,720.26 million against the approved budget of rupees 3,624.14 million. The Budget could not be consumed completely, because the schemes were initiated after releases of funds from Donors, whereas most of the schemes were budgeted in August & September 2016.

Management Fee

In FY 2016-17, PSDF earned management fee Rupees 20.86 million on account of World Bank Project "Punjab Skills Development Project" & "IRMNCH Projects" i.e. 7.50% & 7.00% of utilized & contracted amount respectively. The reason of variance from the budget was due to under-utilization of funds under World Bank Project. The funds were under-utilized because of the competitive bidding process managed by PSDF that led to the actual cost per trainee to be lower than the budgeted cost per trainee. Therefore, the agreed DLI was achieved within a lower budget and consequently resulted in negative variance under Management fee income.

During the year, profit earned on bank deposit amounting to Rupees 41.47 million.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK:

As required by Public Sector Companies (Corporate Governance Rule 2013) we are please to report the following:

- The Board has complied with the relevant principles of corporate governance, and has identified the rules that have not been complied with, the period in which such non-compliance continued, and reasons for such non-compliance;



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- The Financial Statements, prepared by the management of the company present fairly its, the result of its operations, cashflow and changes in equity;
- Proper books of account of the company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable & prudent judgement;
- Board recognize their responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored; and
- Appointment of chairman and other members of the board and the terms of their appointment are in the best interest of the company as well as in line with the best practices.

FUNDING ARRANGEMENTS:

Skills Development Programme ("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 is GBP 127.5 million, DFID's share is 30% (GBP 38.4 million) of this total amount including both vocational Training (GBP 31.4 million) and Technical Assistance (GBP 7 million) and GOP will provide funding for the remaining 70% (GBP 89.1 million) of the overall programme budget. The contract is for five years and will expire in 2021. The vocational training activities under this agreement were started from October 2016. During the year the Company has received GBP 3.479 million equivalents to Rs. 465.250 million and GBP 14.208 million equivalents to Rs. 1,900 million from DFID and Government of the Punjab respectively.

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 and vocational 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 under said Project. The Company has received Rs. 598 million out of the allocated funds till 30 June 2017.

The Company and **Integrated Reproductive Maternal New Born & Child Health & Nutrition (IRMNCH) Program Punjab** signed a contract on 18 January 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 training of 720 Lady Health Visitors & 48,000 Lady Health Workers was completed by June 30, 2017. However, report on quality assurance is yet to be prepared and submitted by training service provider. The contract between IRMNCH & PSDF was valid till 31 December 2016. It may be further extended till completion



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assignment. Approximate cost of the Project was PKR 36 million. The Company has received Rs. 31 million till 30 June 2017.

A skills provision contract was entered between the Company and **Tribal Area Development Project ("TADP")** of Planning and Development Department, Government of Punjab, on 23 October 2014. As per the agreement, the Company is to engage vocational training service providers to train 1,000 residents of tribal area of Punjab till December 2017 with total fund allocation of Rs. 60 million. During the year the contract has been extended till June 2019. The Company has received Rs.18 million out of the allocated funds till 30 June 2017.

Punjab Economic Opportunity Programme - Skills Development Fund Project - ("SDF") was managed by the Company 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 was GBP 51.50 million (GoP = 25.00 million, DFID = 26.5 million). The Company has received a total fund of GBP 50.85 million (GoP = 24.92 million, DFID = 25.93 million) and has funded 147,599 trainings. All training activities were completed in October 2016.

Accountable Grant Arrangement Project ("AGA") was funded by DFID and managed by the Company. Its objective was 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, however total funding under the said project was revised to GBP 0.84 million and remaining funds were transferred into DFID assisted Technical Assistance Component of upcoming programme "Skills Development Programme 2015-21". AGA project was completed on 15 September 2016.

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 2016-17 and the same firm has offered to provide its services for the year 2017-18 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.

- Four (04) Directors from amongst the Government Nominated Members
- Ten (10) Directors from amongst the Civil Society Members, and
- One (01) Executive Director (Chief Executive Officer)



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BOARD MEETINGS:

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Three (03) meetings of the Board of Directors were held during the year:

Sr.#	BOD Meeting	Date
1	27 th BOD Meeting	September 09, 2016
2	28 th BOD Meeting	January 09, 2017
3	29 th BOD Meeting	April 10, 2017

And attendances of BOD Members are as follows:

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

During the year Mr. Almas Hyder has submitted his resignation.

ACKNOWLEDGEMENT :

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