



**EMPLOYEES' OLD-AGE BENEFITS'  
INSTITUTION**

Ministry of Overseas Pakistanis &  
Human Resource Development  
Government of Pakistan  
Head Office: EOBI House 190/1/B,  
Block-2 P.E.C.H.S. Karachi  
Phone : 021-34328026

Ref: No. HO/BS/9<sup>th</sup> Emgt.Mtng/2014/71

Dated 8<sup>th</sup> May, 2014

1. FA/DG(F&A)
2. DG(Investment)
3. DG (HR&GAD)
4. DG(Audit)
5. DG (Ops) North
6. DG (Ops) South
7. DDG (IT)
8. DDG (Law)
9. Incharge Reconciliation Department
10. Incharge Publicity Department
11. CEO, PRIMACO

Subject: Implementation on Minutes of 9<sup>th</sup> Emergent Meeting of Board of Trustees (BOT), EOBI.

I am directed to enclose copy of Minutes of 9<sup>th</sup> Emergent Meeting of Board of Trustees (BOT), EOBI held on 28<sup>th</sup> April 2014 at Islamabad, duly approved by President of BOT/Secretary, Ministry of Overseas Pakistanis & Human Resources Development, Islamabad.

2. You are requested to take necessary action on the decisions pertaining to your Department and send compliance report to this Secretariat for onward submission to BOT in its forth coming meeting.
3. If there is no action on part of your Department, a NIL report may please be sent.

(Dr. Rahmat Ibad Khan)  
Secretary BOT

Encl: As above

Copy for information: -

1. SO to Chairman Secretariat.
2. Master file/Office file.


**Minutes of 9<sup>th</sup> Emergent Meeting of the Board of Trustees, EOBI  
Held on 28<sup>th</sup> April, 2014 at EOBI House, at Islamabad.**

The 9<sup>th</sup> Emergent Meeting of the Board of Trustees of EOBI was held on 28<sup>th</sup> April, 2014 at 2:00 PM in the Committee Room of Bungalow No.7 (EOBI House), Street No. 79, Sector G-6/4 Islamabad. Following attended the meeting:

- |       |   |               |
|-------|---|---------------|
| i.    | Raja Hasan Abbas,<br>Secretary, Ministry of OPs & HRD.                    | President     |
| ii.   | Mr. Muhammad Ayub Shaikh,<br>Chairman EOBI.                               | Member        |
| iii.  | Mr. Muhammad Asif,<br>Joint Secretary, Ministry of OPs & HRD.             | Member        |
| iv.   | Mr. Fida Muhammad,<br>Financial Adviser, Ministry of OPs & HRD.           | Member        |
| v.    | Captain (R) Muhammad Yousaf,<br>Secretary, Department of Labour, Punjab   | Member        |
| vi.   | Mr. Gul Zeb Khan,<br>Secretary, Department of Labour, KPK.                | Member        |
| vii.  | Mr. Naseer Ahmad Baloch,<br>Secretary, Department of Labour, Balochistan. | Member        |
| viii. | Malik Tahir Jawaid,<br>Employers' Representative, Punjab.                 | Member        |
| ix.   | Dr. Muhammad Yusuf Sarwar,<br>Employers' Representative, KPK.             | Member        |
| x.    | Choudhary Naseem Iqbal,<br>Employees' Representative, Punjab.             | Member        |
| xi.   | Mr. Shouket Ali,<br>Employees' Representative, Sindh.                     | Member        |
| xii.  | Mr. Muhammad Iqbal,<br>Employees' Representative, KPK.                    | Member        |
| xiii. | Mr. Sarzameen Afghani,<br>Employees' Representative, Balochistan.         | Member        |
| xiv.  | Mr. Abdul Latif Chaudhry,   | Secretary BOT |

2. Following were also present in the meeting to assist the Board in its deliberations:

- |      |                             |                    |
|------|-----------------------------|--------------------|
| i.   | Mr. Ghulam Muhammad Memon,  | FA/DG(F&A)/HR      |
| ii.  | Mr. Shakeel Ahmad Mangnejo, | Investment Advisor |
| iii. | Mr. Muhammad Ayub Khan,     | DG (Audit)         |
| iv.  | Dr. Najeeb Ahmad Memon,     | DDG (F&A)          |
| v.   | Mr. Meraj Nezamuddin        | DDG (HR)           |
| vi.  | Mr. Abdur Rauf Chaudhry,    | CEO PRIMACO        |

  
**MUHAMMAD NAEEM**  
DEPUTY SECRETARY  
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Islamabad

3. Meeting started with recitation of verses from Holy Quran by member of BOT Mr. Sarzameen Afghani. President of the Board/ Secretary, Ministry of Overseas Pakistanis & Human Resource Development welcomed the participants of the meeting. Thereafter, the Board took up the items from the following agenda for deliberation:

Sr. #	Agenda Items for 9 <sup>th</sup> Emergent Meeting of BOT
01.	Confirmation of the minutes of 108 <sup>th</sup> meeting of Board of Trustees.
02.	Legal and procedural issues related to release of funds to PRIMACO for ongoing Development Projects.
03.	Report on mapping exercise pursuant to BOT decision taken in 7 <sup>th</sup> Emergent meeting.
04.	Review of Decisions of the Investment Committee, Fund Placement Committee and the Investment Department/Institution by the BOT.
05.	Pending equity brokerage claims (F.Y. 2012-2013).
06.	Constitution of Audit Committee of the Board and approval of EOBI (Audit) Regulations, 2013.
07.	Equity Investments – Whether a viable option for EOBI ?
08.	Appointment of Investment Advisor as per instructions of Senate Standing Committee.
09.	Any other item with permission of the Chair.

**Agenda Item No. 1.**

Confirmation of the minutes of 108 <sup>th</sup> meeting of Board of Trustees
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*(Signature)*  
**MR. HANMAD NAEEM**  
 DEPUTY SECRETARY  
 Ministry of Overseas Pakistanis & Human Resource Development  
 Government of Pakistan  
 Islamabad

4. President of the Board directed Secretary BOT, to take up first item on the agenda. Mr. Abdul Latif Chaudhry, Dy. Director General (Law) informed that Dr. Rahmat Ibad Khan, Secretary Board could not attend the meeting due to his unavoidable commitment, therefore, he may be allowed to perform as Secretary Board for today's Proceedings. The Board accorded him permission to act as Secretary to the Board for meeting scheduled on 28<sup>th</sup> April, 2014. Mr. Abdul Latif Chaudhry, informed that first item on the agenda was regarding confirmation of minutes of 108<sup>th</sup> meeting of the Board of Trustees (BOT) EOBI held on 18<sup>th</sup> April.

2014 in Committee Room, Bungalow No.7 (EOBI House), Street No.79, Sector G-6/4 at Islamabad. He informed that the minutes were approved by President of the Board and were accordingly circulated among all members of the Board vide letter no.HO/BS/108<sup>th</sup> Mtng/2014-85 dated 24<sup>th</sup> April 2014 to offer suggestions, if any. He further informed that no any suggestion was received from any member of the Board. None of the members offered any suggestion or comments. The Chairman EOBI, however suggested that in 107<sup>th</sup> Board meeting it was decided that Mr. Muhammad Tariq Rafi, Employer's Representative Sindh shall be requested to continue as member of the Investment Committee up to 30<sup>th</sup> June, 2014, therefore it may also be made the part of the minutes of the 108<sup>th</sup> Board meeting. **There being no further observations/ suggestions, the Board unanimously confirmed the minutes of 108<sup>th</sup> meeting of the BOT alongwith above said suggestion from Chairman EOBI.**

**Agenda Item No. 2.**

Legal and procedural issues related to release of funds to PRIMACO for ongoing Development Projects- Deferred

5. At the outset Chairman made a presentation on the agenda item. Chairman reminded the members that in the 6<sup>th</sup> Emergent Meeting; the Board had approved 25% of the estimated budget for Financial Year 2013-14 in respect of 14 ongoing development projects of the PRIMACO to avoid penal consequences which were likely to unleash due to contractual obligations in those contracts. Chairman further reminded the Board that it did not approve the budget in respect of projects for 2012-13. In other words, the expenditure of 2012-13 incurred in respect of these projects is unauthorized till this date except subsequent approval by the Board to the extent of book keeping. One tranche of Rs.500 million was released in pursuance of the Board decision to avoid contractual penalties in respect of on-going projects, which were already more than 30% complete. It was informed that the Board in the same meeting also constituted a Development Committee to report on the viability, cost effectiveness etc. of the 13 projects for deciding their ultimate fate specially to seek project approvals from the Board. However, while processing for earlier adjust

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and further payments; out of 25% approved budget legal, financial and internal control deficiencies were observed, Resultantly, Chairman intimated the Board that EOBI faced a dilemma as delay in payments can result in penalties due to breaching of contractual obligations while further release of payments can result in perpetuation of the legal and financial irregularities.

6. For legal infirmities, the Chairman informed the Board that Section 3 of the EOB (Investment) Rules 1979 deals with permissible investment and Rule 3 (h) of the said Rules covers investments in immovable property. He cited the provision as under:

*"The institution may invest any moneys which are not immediately required for expenses under the Act in immovable property whether freehold or leasehold, within the country, not outside the country;"*

7. While referring to above rule, he said that apparently, investments in developmental activities were not covered within the definition of permissible investments. Similarly, direct investments by EOBI in hotels, shopping malls/ cineplex, commercial towers etc. also did not fall in the domain of permissible investments. The chairman informed that perhaps the only way EOBI can invest in aforesaid ventures is through the vehicle of "Controlled Company" and that too only through injection of equity or extending loan facility under Rule 3(g) of the EOB (Investment) Rules 1979. He informed that although PRIMACO was a controlled company but such an arrangement would require due process and proper consultation/approval.

8. The Chairman informed the BOT that Opinion of Ministry of Law was solicited by the previous management in the context of acquisition of M9 Project (Karachi-Hyderabad Highway). The Ministry opined that the definition of 'immovable property' encompasses investment in construction of highways. Consequently as per opinion there is no impediment in the investment in such projects. Another opinion was solicited by the previous management in the context of acquisition of M9 Project (Karachi-Hyderabad Highway) from AJURIS, a Law firm which held that M9 Project was well within the scope of clause (h) of Rule 3 of

EOBI Investment Rules on the grounds that EOB Act is a beneficial statute. Hence, its terms shall be interpreted liberally.

9. Chairman while continuing his presentation added that prior to 108<sup>th</sup> meeting of the Board President/Secretary Ministry of Ops & HRD was briefed on agenda and honourable President of the Board advised to seek fresh opinion on the issue and accordingly an opinion was obtained from M/s. Nooruddin Sarki a Law Firm, who gave their opinion as under :-

- *No further investments/projects be undertaken till the existing investments/projects are streamlined and made strictly in line with the provisions of the Act and the relevant rules;*
- *The existing investment projects be thoroughly scrutinized in line with the legal provisions and efforts be made to protect the investments made/ to be made, especially in line with the observations of the Honorable Supreme Court of Pakistan in its suo moto references;*
- *To immediately bridge the gap of pending disbursements in respect of the projects underway, support can be taken from Rule 6 of the EOB Investments Rules, 1979 and the Federal Government be asked to approve immediate investment so that the existing investments/projects be saved.*

10. In addition to legal infirmities, the Chairman informed the Board of the procedural and financial irregularities which made release of further payments difficult. In this regard, he informed about the absence of Project Approvals. Rule 6(g) of the EOB (Board of Trustees) Rules, 1977 was also cited in the presentation:

*"The Board shall have powers to order investment and disinvestment in real estate where the investment exceeds fifty lac rupees"*

11. Chairman while referring to competence of the Board said that despite the above provision, on-going Projects were initiated without any clear approval of the project as a whole by the Board of Trustees of EOBI which had the sole mandate to approve these Projects. However, he said that in some cases, piecemeal approvals were obtained as the BOT did allow engaging the consultants and in some cases it

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approved the annual budgetary allocation. However, based on the financial/commercial feasibility studies, the Projects were neither appraised nor approved by the Board of Trustees in a structured manner.

12. Regarding the Financial and Administrative irregularities, the Chairman informed the BOT of the following:

- Surprisingly, there was hardly any Project where the financial model was prepared or the feasibility study was carried out by the EOBI or the PRIMACO and got approved from the Board of EOBI to establish the commercial viability of the Project.
- A cursory study of the on-going Projects had revealed instances of serious administrative and financial mis-management.
- The then management of the EOBI and that of PRIMACO liberally amended contracts to grant undue and illegal favors to the Contractors to the disadvantage of EOBI.
- The Contractors were facilitated through grant of mobilization advances much in excess of the sum stipulated in the original contracts despite the fact that most of the contracts were awarded at exorbitant rates - as high as Rs. 8000/- to Rs. 9000/- per sq. feet.
- A case in point was cited of Lahore Hotel Project where the contractor was paid a mobilization advance of Rs. 1.61 billion in addition to owner supplied material (steel and cement) of Rs. 1.2 billion against the project cost of Rs. 5.6 billion. Thus approximately 50% of the project cost was paid for in advance and the running payments were religiously cleared within the stipulated period.
- As of today, almost all Projects suffer implementation delays with serious financial implications for the EOBI in the shape of price adjustment, additional payments to the Consultants and the Contractors and the revenue loss due to delay in the commissioning of the Projects.
- Most of the Projects have been granted extension of time with monetary compensation to the Contractors:
  - Cases in point are the I-8 and the Johar Town Project where the Contractors were paid Rs. 148 million and Rs. 91 million respectively merely because the PRIMACO issued the letter of commencement to the Contractor (in indecent haste) without even waiting for approval of project drawings by the relevant authority.

- The Projects now await second 'Extension of Time' (of upto eight months in some cases) with possible financial implications for the EOBI.
- He further informed that there also existed serious reservations regarding:
  - The expected internal rate of return/ payback period of the most of the Projects.
  - The capacity of the PRIMACO/EOBI to efficiently operate the Projects as commercially viable entities.
  - The apprehensions was based on the low rental income/returns earned from the Projects already completed or operational such as G-10/4 Islamabad, Hotel One, Down Town, Lahore, Awami Markaz Karachi, etc.
- It was also emphasized that the performance of PRIMACO management (present and past), its Project Managers, Consultants and the Engineer(s) was another sore point. The current mess is largely the result of poor supervision and willful failure on the part of PRIMACO management to safeguard/secure the interest of the Principal. He said that unless immediate corrective measures were taken to overhaul the PRIMACO management, one cannot say with certainty if the things would move in the right direction or the additional financial flows will be utilized with prudence and propriety.

13. At the end of the presentation, the Chairman concluded that EOBI confronts a dilemma – Releasing payments to PRIMACO is fraught with legal inadequacies and risk of loss to EOBI fund and on the other hand, stopping the payments may unleash rounds of litigation and contractual claims for monetary compensation. The Chairman requested the Board to deliberate and chalk out a workable solution that addresses the legal, procedural, financial and managerial bottlenecks in a holistic manner. This is imperative in order to streamline timely releases of project payments and mitigate the risk of further delays in commissioning of the projects. At this point the Chairman, EOBI while illustrating the present scenario said that situation has become similar to good old story of "Aagray Ka Ladoo"; Capt. (R) Muhammad Yousuf desired to explain a bit about the example. Chairman said that in Aagra the makers of sweet delicacies used to prepare a "Ladoo" from wood powder (Burada) and that appeared very good/pleasing to eat and everybody would like to have it. If



he had it, he used to regret as his mouth was full of wood powder and if he ignored and did not eat; even then he used to regret that what a beautiful, ravishing thing he could not eat and enjoy. The Chairman said we are also held-up in that scenario; one does not know to eat it or leave it; however he expected the collective wisdom to find the way out.

14. At conclusion of the presentation, President of the Board enquired about nature of contracts. He was informed by DG (Investment) that the contracts are FIDIC based. President asked that whether these contracts had any clause whereby the scope or nature of the contracts could be changed. President also drew attention towards the words "immovable property" used in Rule 3 of the EOB (Investment) Rules 1979 and the words "Real Estate" used in Rule 6 of the EOB (Board of Trustees) Rules 1977.

15. Dr. Yousuf Sarwar, being convener of the Development committee was requested by the Chairman with the permission of the President to inform about deliberation of Development Committee. Dr. Yousuf Sarwar thanked the Board for taking up this important issue on the agenda. He said that approval of 25% of the estimated budget was obtained from the Board and that time we did not have deep knowledge of such issues which have been rightly highlighted by the Chairman today. He also argued that the ToR of the Development Committee did not contain item of examination of legality in terms of the permissibility of the investment in these projects. He stated that the BOT only asked the Development Committee to look for possible cost cutting strategies. Chairman read out the minutes of 6<sup>th</sup> Emergent BOT meeting to apprise the members about the scope and functions of the Development Committee. As per minutes, it was assigned the task to determine scope of modification, abandonment and cost cutting in the context of viability of projects. Chairman informed that the issues like lacking / piecemeal approvals, besides exorbitant costs were placed before the Board in the working paper in 6<sup>th</sup> emergent meeting and it was after thorough consideration that the Board decided to approve 25% of the budget to avoid impending penalties, cost escalations and contractual obligations. Moreover Chairman informed that it was first meeting after constitution of present Board and issues which were known by that time were highlighted before the Board. However, other serious issues keep surfacing from

time to time and continue to pour-in. Management has initiated enquires as well where action is called for.

16. With reference to findings of the Development Committee Capt.(R) Muhammad Yusuf being member of the Committee endorsed the views of Dr. Yusuf Sarwar that primary task of the Committee was to cut costs in the projects wherever it was possible. He further informed the Board that quality of projects barring few projects was poor and almost every project lacks valid approval. Regarding the cost, he opined that except Serena, construction cost of Rs. 8000/- per sq. fts. cannot be justified in respect of any other project. He further stated that we had no skills to comment on the feasibility of the projects. For example, Serena Project had been initiated with three different appraisals. He also raised the issue that in some projects the PPRA Rules have been clearly violated and the BOT had no authority to validate such illegal actions. While referring to the situation when Board was considering budget approval in its 6<sup>th</sup> emergent meeting he said that on one hand we apprehended that projects may invite penalties / contractual obligations in case lifeline was not given whereas on the other there were serious issues of lacking approvals and exorbitant costs.

17. Dr. Yousuf Sarwar observed that third party evaluation or cost benefit analysis should be done for each project to ascertain the viability of each project. If we pay exorbitant cost that means we will perpetuate the wrong decisions taken by the predecessor management and the Board. He referred to some projects as illegal and cited an example of construction of a guest house in a residential area is clear violation of the local laws which cannot be expected from the government body like EOBI.

18. President asked the members of the Development Committee as to whether they had been successful in devising some cost cutting strategy in any of these projects. Asif Khan, Joint Secretary Ministry of OPs & HRD pointed out that scope of the Committee was to examine possible cost cutting options with particular reference to utilize the tax exemptions provided to EOBI under tax laws. However, he stated that contractors have argued that they have already procured all the material


and the contracts have no such clauses whereby the benefit of tax exemptions could be materialized. Dr. Yusuf Sarwar also seconded the opinion that no contractor is willing to meet the cost. The President also enquired whether any member in the Development Committee which had engineering background. It was informed that only Mr. Tariq Rafi had experience of constructing large scale real estate development projects and no other member had the relevant expertise, however, Secretary of the Committee Mr. Musrrat Hussain was an engineer and Senior Manager contracts in PRIMACO.

19. Mr. Muhammad Iqbal, member Employees KPK, argued that BOT should not validate the exorbitant costs as why something worth Rs. 100 was purchased at Rs. 1000. The rates should be compared with the independent government body such as NESPAK. He argued that such a huge cost difference cannot be compensated by mere cost cutting strategy. He questioned the BOT that why should this Board legalize such illegal actions of previous Board and management.

20. Mr. Naseer Ahmed Baloch, Secretary Baluchistan, Labour Department, argued that revisions in contracts were illegal as they were not approved by the BOT hence should not be followed by the EOBI while making payment.

21. Capt.(R) Muhammad Yusuf informed that the Development Committee report was ready and shall be submitted in a day or two. He apprised the BOT that in some projects the contractors had charged some amount twice which was already included in the contract price and on pointing out such mistakes, some corrections are being made.

22. Malik Tahir Javaid asserted that all such contracts were made with malafide intention. The cost of Rs. 9000/- per sq.ft. was unacceptable as he has constructed his house at Rs. 1600/- per sq.ft./-. He further stated that even construction with Italian fitting costs Rs. 3400. He reiterated that BOT must disapprove such projects. He was of the further view that it would not be proper to commit ten wrongs to cure one wrong.

  
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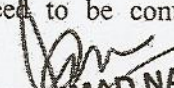
23. Mr. Sarzameen Afghani was of the opinion that on the one hand billions of poor men's money is plundered and on the other hand nominal increase in the pension amount is not being approved. He suggested that those who are responsible for such looting of pensioners' money must be brought to book by referring the matter for investigations to FIA or NAB.

24. Mr. Muhammad Asif was of the view that projects have already taken birth and are half way and can not be abandoned on the analogy of children getting birth from illegitimate wedlock can not be eliminated/killed though perpetrators of illegitimacy could be handled according to law. Therefore, appropriate way has to be found. He raised a question as to whether bloodline would continue during the period of seeking opinion from Attorney General of Pakistan or convening other Board meeting for approval of projects? He asked further that whether we are serving the Institution by withholding the project payments or we are damaging the cause? He asked as to how much money was required to complete the projects? CEO PRIMACO informed while answering the query that ongoing projects had an out lay of approx.15 billion and around 8.5 billion have already been spent.

25. Dr. Muhammad Yousuf Sarwar, Employer Representative from KPK informed that some projects were completely unviable and he referred to Hassanabdal Project as it is located in the deserted area and it had no proper access which seriously hurts its financial feasibility. He also informed that a subcommittee of the Development Committee has been constituted, which comprises of Capt. (R) Muhammad Yusuf, Muhammad Mr. Muhammad Asif and Muhammad Ayub Khan, DG Audit to undertake a mapping exercise to understand the nature of contracts and violations.

26. Capt. (R) Muhammad Yusuf pointed out that core issue was to develop mechanism for safeguarding the investment already made. He gave example of Serena Hotel project which was a good project in hotel sector in Lahore and it could be one of the projects which could yield sufficient revenue/profit.

27. The President of the Board observed, that as he understood, out of 14 projects, there were few projects which need to be continued however, major

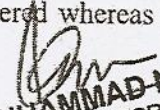
  
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contract agreements should be quickly consulted with some specialist as to whether there was any way out to exit from the contractual obligations or that these contracts were fait accompli. He further observed that our decision must be in accordance with the findings. In response it was highlighted that the major projects are almost complete or half way and only few small projects are there where we can go back.

28. Capt.(R) Muhammad Yusuf recommended that projects which were nearing completion may not be stopped. Dr. Muhammad Yousuf Sarwar however, referred to Serena Hotel, where defective contract agreement with the operator made it unviable. He therefore, recommended that payments cannot be released for such projects.

29. The President of the Board suggested that the questions related to legality or permissibility of the investments may be referred to the Attorney General of Pakistan for his opinion. Mr. Naseem Iqbal, Employee Representative Punjab seconded the view.

30. Mr. Muhammad Asif Joint Secretary Ministry of Ops & HRD observed that when two opinions, one from Law Division and other from Ajuris a law firm were in support of permissibility of investments and one opinion is against why are we following one opinion. It was informed that where the department/Ministry has reservation on any opinion, it can be further referred to Attorney General of Pakistan. Mr. Fida Muhammad was also of the view that we may refer the matter to Attorney General of Pakistan as he is the Counsel of the Government. The President was finally of the opinion that we have to seek the advise of Attorney General of Pakistan while informing him of full facts/background. Malik Tahir Javed also said that such decision would be a prudent decision. At this point on a query CEO PRIMACO informed that on an average projects have achieved 50% physical/financial progress and some projects are nearing completion and if we stop the projects we may face penalties/contractual obligations and long litigation for 8-10 years and end up with equal amount of losses which is required to complete the projects i.e. approximately Rs. 8 billion. On a further query from the President of the Board CEO, informed that mobilization advances are partially recovered whereas a major portion is yet to be recovered as per agreement/FIDIC rules.

  
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31. Mr. Fida Muhammad, Financial Adviser, Ministry of Ops and HRD argued that the previous BOT members and management were already facing FIA investigations. He further enquired that how much money was spent and how much more is required for each project. He suggested that for viable projects cost cutting should be considered whereas those which are not viable should be abandoned.

32. Chairman, EOBI at this juncture proposed that looking at the nature and seriousness of irregularities forensic auditors should be procured for digging out all irregularities once for all so that earlier raised concerns of bringing total information before BOT for making a comprehensive decision could be addressed. Chairman EOBI was of the further view that while referring case to Attorney General of Pakistan his attention may also be invited to Rule 3(i) read with rule 4(vi) of the EOB (investment) Rules 1979 dealing with permissibility and limit on investments whereby EOBI could invest in other investments and that whether present situation could be addressed to save the projects from foreseeable/anticipated losses under these provisions.

33. Mr. Muhammad Asif cited a case study that a project of Benevolent Fund was considered in the Establishment Division and the cost of project was got rechecked from Architects Association of Pakistan who have estimated the cost of construction of Rs.12400/- per sq.ft. which meets the standards/specifications of the best projects of the private sector. Mr. Muhammad Iqbal of KPK argued that those who signed the contracts should must be made accountable.

34. The President of the Board in order to conclude the discussion invited the Board members to give their opinion as to whether the projects may be given immediate lifeline / provided necessary cash flow or to withhold till we get opinion from Attorney General of Pakistan on permissibility of the investments in development projects.

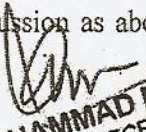
35. In response Malik Tahir Javed responded in negative; whereas Mr. Naseem Iqbal and Shoukat Ali were in favour of providing life line. Dr. Muhammad Yousuf Sarwar was of the opinion that we may look project to project and so far Sarina project is concerned we may give lifeline. Malik Muhammad Iqbal was also of the view to give lifeline to Serena project. Mr. Sarzamin Afghani was of the view to

wait for Attorney General's opinion; however he said that all responsible must be made accountable. Capt. (R) Muhammad Yousuf said that in the cases of contractors we have already made advance payments; they may be pursued to continue the work and the mega projects like I-8, OEC Tower, Serena and Johar Town should not be held back and some amount may be released. Mr. Gul Zeb Khan, Secretary Labour, KPK said that projects having achieved the progress of 30% to 40%, we may give lifeline. Mr. Fida Muhammad was of the view that lifeline may be given on case to case basis.

36. Chairman suggested releasing payments only after resolution of issue of permissibility and approval of the projects and said that adhoc payment in absence of clarity on permissibility of investment may not be appropriate. Malik Tahir Javed suggested to complete the exercise within 45 days. Mr. Fida Muhammad at this point said that if you terminate the agreements, the contractors would play havoc and recover the cost/penalties that might be enough to complete the projects. On a query with reference to approval of the budget of the ongoing projects of PRIMACO, it was informed that Rs.2067.881 million (budgetary allocation) was approved by the Board in 6<sup>th</sup> emergent meeting held on 13.11. 2013 and out of this allocation Rs.777.579 Million have been released to PRIMACO and utilized by them and Rs.1290.302 million is still in balance and yet not released.

37. Capt. © Muhammad Yusuf suggested removing key person in PRIMACO for his inefficiency and irregularities. Mr. Nasim Iqbal, Muhammad Iqbal, and Mr. Sarzameen Afghani endorsed his view point. In response the Chairman agreed to take up the matter in next meeting of BoD of PRIMACO, to revamp PRIMACO.

38. The President while summing up the discussion said that there are some opinions to give lifeline and some opinions suggest to hold back till opinion is received from Attorney General of Pakistan whereas some opinions suggest temporary lifeline to some mega projects. Therefore, it appeared appropriate to take a considered decision which lead to a final solution instead of adhoc life line. Accordingly after threadbare discussion as above following decisions were arrived at.

  
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## Decision

- a) It was observed by the Board that due to differing opinions of the Law division and opinion obtained from the Counsel by EOBI on the investment Rules, regarding permissibility of the investment in development projects, it was felt appropriate that further opinion may be obtained from the Attorney General of Pakistan through Ministry of OP & HRD. Besides development projects, the opinion on permissibility of the Investment in Hotel Complex, Shopping Malls, Cineplex and other such activities by the EOBI in view of the Rule 3(h) of the EOB (Investment) Rules 1979 may also be obtained. It was also observed that while seeking opinion detailed background of the Investment in Development Projects, the dilemma which EOBI faces at present as delay in payments can result in penalties due to breaching of contractual obligations while further release of payments can result in perpetuation of the legal and financial irregularities may be appropriately communicated to the Attorney General of Pakistan. Existing approved budgetary allocation/ release/ balance may also be apprised to the Attorney General of Pakistan as per para-36 above of these minutes.
- b) In the interest of EOB fund and to protect and secure the funds already invested, the Attorney General of Pakistan may also be requested that in case the investments in real estate development, Hotels, Shopping Malls, etc is not permissible under Rule 3(h) of the EOB (Investment) Rules 1979, he may be requested to guide the institution as to whether the institution may invest funds in these projects with the permission of the Federal Government in terms of Rule 3(i) subject to the limits specified in Rule 4(vi) of the EOB (Investment) Rule 1979 so as to avoid possible contractual claims and penalties due to the suspension/termination of contracts and revenue losses due to delays in commissioning of the projects.
- c) Alternatively the Attorney General may be requested to suggest the appropriate legal course of action to protect/safeguard the Investments out of the EOB fund which comprises contributions of poor pensioners and is meant to provide social security to the Old Age Workers. To enable the Attorney General of Pakistan to reach the correct conclusion, the quantum of expected loss may be furnished in detail.
- d) It was also decided that the office of Attorney General shall be pursued to seek an early opinion as delay is quite likely to cause huge losses in the ongoing projects as stated here in before. Further on availability of opinion an emergent meeting of the BOT shall be called to discuss the project approval




process and other project related issues. Working paper for that meeting shall contain a project wise summary to be circulated at least seven days prior to holding of the meeting.

- e) The Board also directed that a forensic audit of all the projects executed by the PRIMACO be conducted through a reputable firm having the requisite engineering, legal, financial, accounting, procurement and auditing expertise. The Internal Audit Department of the EOBI should act as the focal department for the activity and the forensic audit be completed on a fast track basis preferably within a period of 120 days. The Forensic Audit besides other areas should focus on compliance of Public Procurement Rules in award of contracts; financial feasibility/viability of the Projects; the propriety of the cost of the Projects; tracking instances of fraudulent, unethical, corrupt and non-transparent practices if any; financial impact of amendments to contracts, variation orders, price adjustments, mobilization advances, secured advances, extensions of time and revenue losses due to delays in commissioning of projects etc. and the responsibility thereof; the quality and compliance of financial control principles/mechanism; the quality of contract documents and their capacity to ensure fairness, transparency, economy, efficiency and level playing field; the analysis of losses suffered by the EOBI and legal measures that may be taken to retrieve the losses suffered by the institution; analysis of managerial capacity of PRIMACO and the way forward.
- f) The Board also directed that process may be initiated immediately for the replacement of the incumbent PRIMACO management specially key management personnel by a competent management team. In the meanwhile, the performance of Project Managers, the Engineers(s) and other employees of PRIMACO be appraised by the PRIMACO Board for taking necessary corrective measures.
- g) The Board also directed that an urgent scrutiny of four major contracts i.e. Hotel Serena, OEC Tower, Jouhar Town project and I-8 Commercial Mall/Complex be conducted by engaging a consultant through quotations to avoid delay. For this purpose the Board sanctioned Rs.500000/- only as per provision to Rule 42(b)(i) of the PPRA Rules 2004. TOR of this consultancy may be prepared by the Institution.

Agenda Item No. 3.

Draft Minutes of 9<sup>th</sup> Emergent BOT Meeting

  
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Islamabad

Page 16

Report on mapping exercise pursuant to BOT decision taken in 7<sup>th</sup> Emergent meeting-

39. At this point the President of the Board intended to leave due to some exigency and nominated Malik Tahir Jawed, Member BOT to Preside the Board of Trustees Meeting under Rule 10(2) of EOBI (Board of Trustees) Rules 1977.

40. The chairman, EOBI informed that the Board of Trustees had directed in its 7<sup>th</sup> Emergent meeting held on November 29, 2013 to carry out a property specific mapping exercise to develop a matrix from available record of EOBI as well as audit report of Auditor General of Pakistan; which shall reflect the violations of rules/regulations in purchase of 18 properties, the subject matter of suo moto case before honorable Supreme Court of Pakistan.

41. In compliance, the management constituted a committee and submitted a report to the Board which was placed in earlier Board meetings as an agenda item, but due to time constraint, the item was deferred.

42. The Board was also apprised that the committee described the violations in its report as per ToR. Apparently, the senior officers, members of Board of Trustees and officials of Ministry remained involved in the process of decision making as such the Board was requested to constitute a high powered committee comprising of the Board members/Ministry Officials to fix the responsibility in the light of finding of mapping exercise report and available record.

43. Capt. (R) Muhammad Yousaf, Secretary Labour, Punjab appreciated the report and suggested that senior officer of concerned Federal Ministry may be assigned the task to identify the names of persons involved in the whole process of purchasing and release of payments.

44. Mr. Muhammad Asif, Joint Secretary was of the view that the earlier committee was supposed to submit a report after fixing the responsibilities. The chairman replied that it was not included in the ToR as Officers of the Institution were junior enough to fix responsibilities on the members of the Board, Ministry Officers and member of the Investment Committee, therefore, the committee has mapped the violations and that phase is over now.

45. Mr. Malik Tahir Javed proposed that a committee comprising of Board members may be constituted to identify the people involved in the violation of rules during purchase of properties and fix the responsibilities.

**Decision:**

The Board approved the constitution of the committee comprising of Board members with the Term of Reference as under:

**Composition of the committee**

- |  |          |
|--|----------|
| 1. Mr. Fida Muhammad<br>Financial Advisor, Ministry of (OP&HRD)    | Convenor |
| 2. Ch. Nasim Iqbal,<br>Employees' Representative Punjab/Member BOT | Member   |

**Term of Reference:**

To look into the report of mapping exercise and examine the available record to identify the names with designation who were responsible for violations of rules during purchase of 18 properties and release of payments. EOBI shall assist and extend necessary support to the committee.

**Agenda Item No.4.**

Review of Decisions of the Investment Committee, Fund Placement Committee and the Investment Department/Institution by the BOT

46. The Director General Investment gave a detailed briefing to the Board regarding the decisions taken by the Investment Committee and the Fixed Income Committee constituted pursuant to the decisions of the 6<sup>th</sup> emergent meeting of the Board of Trustees. He also presented the decisions of the Fund Placement Committee which was constituted by the institution prior to the constitution of the Board of Trustees. The Board of Trustees reviewed the following decisions of the three committees in detail.

47. The following decisions/recommendations were discussed in detail by the Board of Trustees

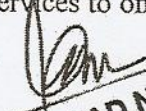
## DECISIONS OF INVESTMENT COMMITTEE:

I: In its 220<sup>th</sup> meeting the Investment Committee decided that the investment department shall obtain online accounts facility from brokerage firms on a fast track basis so as to enable the Investment Committee and the Investment Department to execute the decisions regarding investment or disinvestment of equity portfolio with ease, confidentiality and efficiency while minimizing the possibility of front running.

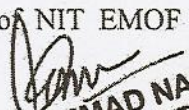
II: In the same meeting, the Investment Committee decided the following with regards to limits prescribed for investments:

- i. *Henceforth, the maximum limits prescribed in Rule 4 (2) shall be applied on the combined/aggregate investment in sub-classes (c), (e) and (f) and shall be strictly followed as such.*
- ii. *Last Annual Audited Accounts may be used for calculating paid up capital or net worth of company, corporation, scheduled bank, Islamic bank in terms of Rule 4(2);*
- iii. *In case of mutual funds, the fund size in terms of Rule 4 (2) shall be the lower of the fund size from among the figures reflected in the last audited accounts and the last monthly fund manager report.*

III: In its 221<sup>st</sup> meeting dated 24.12.2014 the Investment Committee selected through a competitive bidding process M/s Abbasi Securities as broker for executing trades for share price slabs PKR zero to PKR 50, PKR 50.01 to 100 and PKR 100.01 to 200, being the lowest evaluated bidder. The Committee also selected M/s Saa Capital as broker for the share price slab PKR 200.01 and above being the second lowest bidder (and lowest evaluated bidder). The procurement process reduced the cost of brokerage services to one thirteenth of the previous contract with brokerage firms.

  
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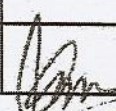
- IV: **In its 222<sup>nd</sup> meeting** the Investment Committee decided that keeping in view the capacity constraints of Investment Department the two consultants working with the department may be retained until hiring of investment professionals.
- V: **In its 225<sup>th</sup> meeting** the Investment Committee decided to renounce and sell the right allotment letters for 33,502,314 shares offered by the Bank of Punjab at the market value up to 4<sup>th</sup> March 2014.
- VI: In the same meeting, the Committee decided that the brokers may be paid the additional commission equal to the actual impact due to increase in LAGA by the KSE i.e. paisa 50 per one hundred thousand value of shares transacted.
- VII: In view of withdrawal of bid by the Bank of Punjab after the opening of bid, the Committee **in its 226<sup>th</sup> and 227<sup>th</sup> meeting** decided that the President of Bank of Punjab be issued a letter of displeasure. The Committee also directed that the Bank of Punjab shall not be invited in the bid invitations of the institutions for a period of three months effective 14<sup>th</sup> March, 2014.
- VIII: **In the 226<sup>th</sup> meeting** the Investment Committee also decided that the Funds realized due to selling of shares shall be invested in the 5 year PIBs through the primary auction scheduled in the last week of February 2014. Besides, the Funds available in March and April 2014 due to six monthly review of the Special Savings certificates shall also be invested in the PIBs. Out of these funds a reasonable sum may be ear-marked/placed in DPA accounts for investment in equities as and when the right opportunity is available.
- IX: **In its 227<sup>th</sup> meeting** the Committee resolved that the institution shall redeem 15% of the total units of NIT EMOF as offered by the National Investment Trust.

  
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X: In its 228<sup>th</sup> meeting the Investment Committee decided that the minutes of the meeting not chaired by the convener shall be signed by the member presiding the meeting.

XI: Pursuant to the decisions of the Investment Committee in its 221<sup>st</sup> to 229<sup>th</sup> meeting following sell transactions were executed by the institution in the Available for Sale Equity portfolio (through online terminals) with the approval of Chairman EOBI and pre-audit by the Director General Audit. The transactions were executed from 24<sup>th</sup> December 2013 to 27<sup>th</sup> April 2014.

Scrip	Sold/Bought	Quantity	Average Sell /Purchase Price	Amount Realized	Capital Gains
Attock Cement	Sold	484,400	138.69	67,179,385	14,458,220
Ghani Glass	Sold	625,500	72.01	45,040,070	3,419,366
Agri Auto Ind	Sold	242,500	77.46	18,782,964	2,937,800
Sunrays Textile	Sold	7,606	296.94	2,258,500	2,258,500
Shell Pakistan	Sold	418,000	271.58	113,519,427	20,409,148
Indus Dyeing	Sold	1,120	1,200.00	1,344,000	902,227
Fauji Fertilizer	Purchased	2000	114.97	(229,940)	-
Pak State Oil	Sold	3,828,200	346.41	1,326,120,802	185,545,847
Shahmurad Sugar	Sold	142,500	24.24	3,453,590	601,668
Sui Southern Gas	Sold	2,362,500	26.35	62,242,685	1,301,313
Fauji Fertilizer	Sold	44,183	114.83	5,073,488	3,266,784
United Bank	Sold	7295000	155.25	1132499147	168148560
Bank of Punjab – R	Sold	33,502,312	1.83	61,163,359	61,163,359
Engro Corporation	Sold	7,047,700	182.71	1,287,700,873	378,370,347
Attock Refinery	Sold	3,807,000	217.92	829,632,481	112,857,357

  
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Habib Bank Limited	Sold	2816300	181.38	510821761	139,584,261
Total		62,626,821		5,466,602,586	1,095,224,757

XII: The following sell transactions were executed by the Investment Department in the Held for Trading Equity portfolio (through online terminals) with the approval of Chairman EOBI and pre-audit by the Internal Audit Department. The trades were undertaken from 24<sup>th</sup> December 2013 to 27<sup>th</sup> April, 2014 within the broad parameters stipulated by the Investment Committee in its 220<sup>th</sup> meeting held on 13.12.2013 and also reviewed by the Investment Committee.

Scrp	No. of shares sold	Average Sell Price	Amount Realized	Capital Gains
Ferozsons	644,400	169.28	109,082,321	58,731,155
Nestle	5,440	11,637.80	63,309,643	52,971,371
Attock Petroleum	104,900	515.19	54,043,456	29,655,132
Pak Petroluem	4,843,400	223.09	1,080,512,568	604,843,445
Attock Cement	29,400	145.28	4,271,100	1,485,182
Pak Oil fields	1,274,900	524.00	668,052,442	239,897,807
Nishat Mills	2,187,500	134.07	293,279,387	121,863,750
OGDC	16,420	285.64	4,690,148	2,159,531
Fauji Bin Qasim	2,277,000	43.81	99,766,730	2,387,298
Muslim Com Bank	1,836,100	284.85	523,010,253	99,129,748
D.G Khan Cement	1,066,800	91.80	97,935,038	39,231,379
Lucky Cement	1,165,000	309.26	360,283,629	196,908,032
Attock Refinery	217,800	227.96	49,649,561	495,313

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Prosperity Weaving	348,000	57.32	19,948,237	12,808,167
Total	16,017,060		3,427,834,512	1,462,567,309

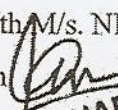
**RECOMMENDATIONS/DECISIONS OF FUND PLACEMENT COMMITTEE:**

In its meetings held on October 04, 2013, October 28, 2013, 1<sup>st</sup> November and 13<sup>th</sup> November 2013 the Fund Placement Committee (a Committee of Director Generals constituted by the Chairman EOBI prior to 6<sup>th</sup> Emergent Meeting of the BOT and prior to the constitution of the Investment Committee/ Fixed Income Committee by the BOT) recommended as under: The recommendations were approved by the Chairman EOBI.

I: **4<sup>th</sup> October 2013:** Placement of Rs. 1.2 Billion with M/s. Bank of Punjab at a rate of 9.40% on a daily product basis and Rs. 1.2 Billion in one month TDR (Term Deposit Receipt) of M/s. NIB Bank at a rate of 9.55% - being the highest bidders in the respective tenor.

II: **28<sup>th</sup> October 2013:** Placement of Rs 2.3 billion in M/s Faysal Bank Ltd. at a rate of 9.45% on a daily product basis being the highest bidder for the tenor. In view of Rule 4(2) of the EOBI investment Rules 1979 the remaining funds of Rs. 500 Million were maintained with M/s Bank of Punjab at @9.40%.

On maturity of TDR from M/s NIB of Rs. 1.210 Billion on 11/11/2013, in view of the Monetary Policy announcement anticipated in 3<sup>rd</sup> week of November, 2013 in which hike in discount rate was expected; it was decided to place the available funds in DPA with second highest bidder(s) of the last bidding process at a rate of 9% per annum until the announcement of MPS-- Rs. 350 Million with M/s. BOP; Rs. 550 Million with M/s. NIB Bank and Rs. 550 Million with M/s. Askari Bank Islamic Division

  
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III: **1<sup>st</sup> November 2013:** An amount of Rs. 23.174 billion in Special Savings Certificate of the National Savings Directorate was rolled over in the same instrument from the rate of Rs. 9.90% to a rate of 10.60%.

IV: **13<sup>th</sup> November 2013:** The Committee decided placement of Rs. 1.0 billion in M/s Faysal Bank Limited at a rate of 9.90% and Rs. 1.40 billion in M/s. NIB Bank at 9.4% on a daily product basis being the first and second highest bidders for DPA deposits; placement of Rs. 1.2 billion in M/s. NIB Bank at a rate of 9.5 % in one month TDR being the highest bidder in one month tenor and placement of Rs. 1.3 billion in M/s. Faysal Bank Limited at 10.05% in two months TDR being the highest bidder for two month tenor.


### RECOMMENDATIONS/DECISIONS OF FIXED INCOME COMMITTEE

**1<sup>st</sup> Meeting dated 18<sup>th</sup> December, 2013:** The Fixed Income Committee recommended to invest PKR 1.0 Billion in the primary auction of 3 years PIB. The details of bids are as under:

Amount	Bid (%)	Yield	Name of Primary Dealer	Status
Rs. 500,000,000	98.24	12.0531%	NBP	Accepted
Rs. 500,000,000	98.16	12.0904%	FABL	Accepted

**2<sup>nd</sup> Meeting dated 20<sup>th</sup> December, 2013:** *The Fixed Income Committee recommended:*

- i. to place Rupees Eight Hundred Fifty Million in Daily Product Account with M/s Bank of Punjab @10.65% p.a being highest bidder (the maximum limit in terms of Rule 4(2)).
- ii. to place Rupees One Billion Two Hundred Seventy Five Million in Daily Product Account at M/s Bank Al Falah @10.05% p.a. being second highest bidder.

  
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- iii. to place Rupees Six Hundred Million One Month TDR offered by M/s Habib Bank Ltd. @10.55% p.a. being the highest bidder.

**3<sup>rd</sup> and 4<sup>th</sup> Meeting dated 21<sup>st</sup> and 24<sup>th</sup> January 2014:** The Fixed Income Committee recommended:

- a. Placement of PKR 850 Million in BOP in DPA at 10.65% being the highest bidder.
- b. Placement of PKR 1715.005 Million in T Bills with yield to maturity of 9.75% and days left to maturity 24 days being the highest evaluated bidder for the maturity profile of upto one month.

**5<sup>th</sup> Meeting held on 21.02.2014 :**

The Fixed Income Committee in its meeting dated 21<sup>st</sup> February 2014, decided that the institution shall participate in the primary auction of 5 year PIBs held on 26<sup>th</sup> February 2014 and invest in PIBs of face value Rs. 1 billion each at the YTM 12.4717%, 12.4841%, 12.4903%, 12.5026%, 12.515% and 12.5212% respectively. The State Bank of Pakistan accepted all the offered bids of EOBI.

**6<sup>th</sup> Meeting dated 28<sup>th</sup> February 2014:** Fixed Income Committee recommended that the SSCs of approx. Rs. 20.5 Billion due on March 06, 2014 be pre matured on the six monthly review date for investment in instruments of longer tenor preferably PIBs. The Committee also considered that keeping the amount with NBP for 21 days @ 8.40% may not be a beneficial option. Therefore, instead of waiting for primary auction which was scheduled on 26.03.2014, competitive bids be called for PIBs (secondary market) from all A+ banks and primary dealers for PIBs of 3,5,10 & 20 years tenor along with the rates of National Saving Schemes from the National Saving Directorate.

**7<sup>th</sup> Meeting dated 4<sup>th</sup> March 2014:** The competitive bids for PIBs (secondary market) were opened and evaluated by the Committee and it

recommended to fix the cut off yield for 10 year PIBs at 12.75%. Thus, the bids of (a) Samba Bank Limited for an amount of Rs. 200 million at yield of 12.78%, (b) Faysal Bank for an amount of Rs. 500 million at yield of 12.77% and (c) MCB Bank for an amount of Rs. 500 million at 12.75% were accepted. The Fixed Income Committee further decided that out of remaining funds which would be available due to pre-maturity review of the SSCs during March 2014, Rs. 10 billion be re-invested in 3 year SSCs at a higher rate of 11.4% and approx. Rs. 10.5 billion be kept in NBP for investment in 10 year PIBs through primary auction scheduled on 26<sup>th</sup> March 2014.

**8<sup>th</sup> Meeting held on 10.03.2014:** The Fixed Income Committee recommended that amount of SSC's due in the month of March 2014 on different review dates (March 19, 2014, March 23, 2014 and March 26, 2014) shall be pre-matured.

**9<sup>th</sup> and 10th Meeting held on 24.03.2014:**

- i. After evaluation of bids the Committee decided to finalize the top two Banks in terms of return offered for Daily Product Account valid for at least 06 months:
  - a. NIB Bank (DR-50 bps)
  - b. Faysal Bank (DR-50 bps)

Subsequently, in the 10<sup>th</sup> meeting of Fixed Income Committee it was brought to the notice of the Committee that the terms and conditions sheet submitted by M/s Faysal Bank reflected the Bid as DR-50 bps whereas in the bid sheet, the bid was written as KIBOR-50bps. As such the bid of M/s Faysal Bank was not responsive. Therefore, the Committee declared the bid of M/s. Faysal Bank as Not Responsive and bid of only M/s NIB Bank was recommended as successful.

- ii. Keeping in view the guidance provided by the Investment Committee in its 226<sup>th</sup> meeting held on 17-02-2014 and 228<sup>th</sup> Meeting held on 24-03-2014, the committee recommended:

- a. To invest Rs.1.988 Billion in the Special Saving Certificate of 03 years tenor at the higher rate of 11.4% ( last coupon rate 12%) from the date of pre-maturity i.e 20<sup>th</sup> March 2014.
- b. To invest Face value amount: Rs. 6,000,000,000/- in Ten Years PIBs through M/s Faysal Bank Ltd @12.7580% YTM ; Rs. 10,000,000,000/- in Ten Years PIBs through M/s NBP @12.7784% YTM and Rs. 10,000,000,000/- in Ten Years PIBs through M/s NIB Bank Ltd @12.8050% YTM.
- iii. F&A Department shall en-cash the SSCs maturing in April 2014 on their respective six monthly review dates.

**10<sup>th</sup> Meeting held on 04.04.2014:** The committee opened and evaluated secondary market bids of PIBs. It recommended purchase of 10 year PIBs with a cut off rate of 12.80% Yield to Maturity and above. Thus, following bids were recommended for acceptance:

S. No	Name of Bidder/ Bank	Face Value Rs. Million	Yield to Maturity	Price	Amount Rs.	Issue Date	Maturity Date
1	Citibank	1,000	12.82%	95.8429	984,072,836	19-07-2012	19-07-2022
2	Pak Oman	500	12.81%	95.8917	492,280,418	19-07-2012	19-07-2022
3	JS Bank	500	12.8050%	95.9161	492,402,418	19-07-2012	19-07-2022
4	NIB Bank	500	12.80%	95.9405	492,524,418	19-07-2012	19-07-2022
5	Bank Al Falah	500	12.80%	95.9405	492,524,418	19-07-2012	19-07-2022

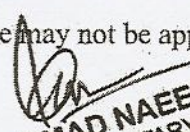
**12<sup>th</sup> Meeting held on 21.04.2014:** Keeping in view the guidance provided by the Investment Committee in its 226<sup>th</sup> meeting held on 17-02-2014 and 229<sup>th</sup> Meeting held on 14-04-2014, the Fixed Income Committee recommended following pass through bids in the primary auction scheduled on 23.04.2014:

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- i. To invest Face value amount Rupees Two Billion ad Five Hundred Million in Ten Years PIB through M/s NIB Bank Ltd @12.85% YTM (Price Rs.95.70) and to invest Face value amount Rupees Four Billion Five hundred million Only) in Ten Years PIB through M/s NBP @12.85% YTM (Price Rs.95.70)
- ii. Keeping in view the recommendations of the Sub Committee constituted by the Investment Committee in its 229<sup>th</sup> meeting held on 14<sup>th</sup> April 2014, the Fixed Income Committee recommended to invest face value amount Rupees Twenty Four Billion Only in Ten Years PIB through M/s NBP Ltd @12.9016% YTM in the primary auction scheduled on 23<sup>rd</sup> April 2014. The forward settlement date shall be 6<sup>th</sup> May 2014 or earlier. The NBP would retain the coupon income earned on the said bonds upto the date of transfer of funds to the NBP.

48. Mr. Fida Muhammad Khan suggested that the Investment Committee may consider investment in energy sector projects. Mr. Tahir Javed Employer Representative Punjab observed that the Investment Committee may consider further investments in equities as the shares of blue chip companies offered handsome returns. The Board was informed that the market was trading at all time high levels, therefore the investment committee felt that it was not the right time to make fresh investments in stocks. However, as and when there was a significant correction in the market, the Investment Committee would take appropriate decision for fresh investment in equities.

49. The Board of Trustees did not agree to the recommendation of the 221<sup>st</sup> meeting of the Investment Committee for inclusion of the Chairman EOBI as a member of the Investment Committee. The Board observed that the Chairman EOBI was the approving authority for the recommendations of the Investment Committee as per delegations decided by the Board of Trustees in its 6<sup>th</sup> emergent meeting. Therefore, his inclusion in the Investment Committee may not be appropriate.

  
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## Decision

50. The Board of Trustees expressed its satisfaction with the decisions of the Investment Committee, Fixed Income Committee, Fund Placement Committee and the Investment Department. The Board of Trustees resolved to ratify the decisions taken by the 220<sup>th</sup> to 229<sup>th</sup> meeting of the Investment Committee, the 1<sup>st</sup> to 12<sup>th</sup> meeting of Fixed Income Committee and the meetings of the Fund Placement Committee as reflected in the minutes of the meeting annexed to the working paper including the decisions mentioned hereinbefore at Para 47. The Board also ratified the transactions executed by the institution in the Held for Trading Equity portfolio w.e.f. 24<sup>th</sup> December, 2013. The Committee, however did not agree to the recommendation of the Investment Committee to include the Chairman EOBI in the Investment Committee.

51. The Board of Trustees also appreciated the performance of the above committees and the Investment Department especially the decision of investment in longer tenor PIBs; the timely disinvestment/trimming of equity portfolio which resulted in sizable capital gains for the institution and the measures taken for strengthening the institutional arrangements for managing the investment portfolio.

### Agenda Item No. 5.

Pending equity brokerage claims (F.Y. 2012-2013)

52. The Agenda Item was differed due to want of time.

### Agenda Item No.6.

Constitution of Audit Committee of the Board and approval of EOBI (Audit) Regulations, 2013.

53. The chairman EOBI informed that the Board may constitute the Audit Committee under rule-6 (i) of the EOBI (Board of Trustees Rules) 1977. The audit Committee shall work as recommending body of the Board in respect of all financial.

matters as and when assigned by the Board of Trustees. This was in line with earlier observation of the Board, excluding investment related activities of the Institution as and when assigned by the Board of Trustees.

54. The Board was further apprised that in the light of direction given in 107<sup>th</sup> BOT meeting of the Board, held on 24<sup>th</sup> and 25<sup>th</sup> February 2014 the revised Audit Committee regulations are also placed for deliberation.

55. Capt. (R) Muhammad Yousaf Secretary Labour, Punjab while endorsing the Audit Committee Regulations, asked for nomination of those on audit committee who were not nominated earlier on any permanent Committee/Board. The chairman informed that the employer representative from Sind and Punjab are conveners of Investment and HR committee respectively. The employer representative from Balochistan and KPK can be considered for convenership of the committee. Capt. Muhammad Yousaf proposed the name of Dr. Muhammad Yousaf Sarwar as convener of the audit committee and Mr. Fida Muhammad Khan as Member. Malik Tahir Javed supported the proposal with comments that the employer representative from Balochistan has other engagement and will be difficult for him to spare time. He referred his telephonic discussion with him two days ago about BOT meeting. The chairman EOBI proposed the names of Secretaries Labour Balochistan and KPK as they are not members on any committee to be the members on audit committee

**Decision:**

56. The Board approved the constitution of the following Audit Committee:

- |  |          |
|--|----------|
| 1. Dr. Muhammad Yousaf Sarwar,<br>Employer Representative KPK. | Convener |
| 2. Mr. Fida Muhammad, Financial Adviser                        | Member   |
| 3. Mr. Naseer Ahmed Baloch,<br>Secretary Labour, Balochistan.  | Member   |
| 4. Mr. Gul Zeb Khan,<br>Secretary Labour, KPK                  | Member   |
| 5. Mr. Muhammad Ayub Khan,<br>DG (Audit)                       | Member   |

57. Director/DDG (audit) will be the secretary of the Committee. The Board also approved the Audit Committee Regulations-2014, which may be processed for notification as per EOB Act.

**Agenda Item No.7.**

Equity Investments – Whether a viable option for EOBI ?- Deferred

58. The Agenda Item was differed due to want of time.

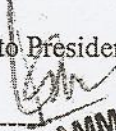
**Agenda Item No.8.**

Appointment of Investment Advisor as per instructions of Senate Standing Committee.

59. The Agenda Item was differed due to want of time.

60. While concluding the meeting, nominee President of the Board, Malik Tahir Javed and others who had participated in the SAARC Labour Conference held at Lahore from 24-26 April 2014 termed the event as a great success and congratulated Capt. (R) Muhammad Yousuf Secretary Labour Government of Punjab being key organizer of the event. Muhammad Ayub Shaikh, Chairman, EOBI also shared his feedback as EOBI had put up a stall in the event and termed the SAARC Labour Conference as great success.

61. The meeting ended with a vote of thanks to President of the Board.

  
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**MUHAMMAD NAEEM**  
DEPUTY SECRETARY  
Ministry of Land Reclamation & Development  
Government of Pakistan  
Islamabad