

‘Banks’ sell-off caused Rs700bn loss

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Lahore, Aug 27: the Anti Privatization Alliance has accused the government of causing Rs700 billion loss to the national exchequer during the privatization process through evaluation of banking and financial institutions on discounted cash flow basis instead of assets' evaluation method, allegedly used for benefiting the buyers.

At a press conference at the press club here on Sunday, Alliance Secretary General Farooq Tariq, Labour Party Pakisytan Chairperson Nisar Shah, National Trade Union Federation Chairman Muhammad Yousaf Baloch and Bank Labour Action Committee President Haji Muhammad Ameen Bhatti said that Habib Bank management evaluated its assets at Rs750 billion in March 2006 for seeking a project loan from International Finance Corporation, but 51 percent shares of the bank were sold to the Agha Khan Fund for Economic Development for just Rs22.409 billions. The total value of Agha Khan Fund assets at the time of purchase of HBL shares was only 90 billion, but it was handed over the bank evaluated at Rs700 billion.

They said Agha Khan Fund was handed over the Habib Bank control against payment of only 25 percent price of shares. The bank had earned around Rs23 billion profits during the past two years, and paid the remaining 75 percent price.

The bank, they said, had 32,000 employees on its payroll when the government decided to privatize it in 1997. Dr. Zakir Mahmood , who was made the bank's chairman, reduced the number of its employees to 13,400 by introducing different retrenchment schemes, while 2,300 employees were sacked immediately after its privatization and were re-employed at much lesser salaries later on, they said. As many as 56,000 bank employees had been sacked under the Golden handshake Scheme after privatization. Dr Zakir was perhaps the most highly-paid person in the country drawing a salary of Rs1.8 million per month.

They said the government was now trying to privatize the First Women Bank. It had been declared a commercial institution despite the fact the Lahore High Court had declared it a welfare institution when its privatization was challenged by the Women Action Forum during the Mr. Nawaz Sharif's tenure in 1997.

They said that Rs378 billion had been raised by privatizing 161 public sector units since 1991. The present government had collected Rs276.61 billion through complete or partial privatization of 58 public sector units from October 12, 1999, to July 20, 2006. The government had decided to utilize 90 percent of privatization proceeds for repayment of foreign loans.

They said that the scale of corruption observed in the privatization carried out by the present regime had rendered the cause of alleged corruption during the tenure of Mian Nawaz Sharif and Benazir Bhutto meaningless. The Pakistan Steel Mills, valued at over Rs300 billion, was sold for just 22 billion. The deal was scrapped following the intervention of Supreme Court and process had been started once again.

They said the Alliance was opposing the privatization process not only because it was causing financial losses to the national exchequer, but also because it was resulting in increase in unemployment due to large -scale retrenchments in the privatized units. The cost of products and services of privatized units had also increased significantly to the disadvantages of the public, they added.

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