

WHEN SYSTEM STONEWALLS THE RECOVERY OF STOLEN ASSETS...

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LAHORE: Theft of public assets takes a huge toll on economy, especially in the developing countries as it diverts funds from services, which not only gnaws at public trust but also jeopardises governance across-the-board.

While accurate figures are always hard to come by, it seems certain that tens of billions of rupees belonging to the country were funnelled abroad by the ‘high and mighty’ that too with impunity.

The holders of such illegal assets get away with their exploits without fear because of toothless regulators.

Those, who made billions in Pakistan illegally, are confident of their ‘untouchability’.

The wealth they illicitly created was accumulated by pleasing those who matter. These influential people would be exposed if smugglers and tax evaders are apprehended. Detailed investigation following the money trail would ultimately lead the investigators to them. In the recent amnesty scheme only 2.3 percent of the estimated illegal wealth has been declared.

It is worth noting that most of the declared assets were the ones hived up outside the country.

It was the fear factor that forced many Pakistanis to declare their foreign assets because the host countries under new law are bound to reveal their assets to the home country. Those who declared their foreign assets were medium-sized businessmen. The bigger fish did not come forward perhaps because they have ensured legal ways to safeguard their assets. The politicians and bureaucrats were barred from availing this facility. They are the ones who own huge assets outside Pakistan.

The response from those who built assets in Pakistan was lukewarm as usual. They have been offered similar amnesties in the past and none of them was ever apprehended.

This time the Federal Board of Revenue (FBR) announced that they have the details of illegal assets and those failing to regularise this wealth through amnesty tax would be severely dealt with.

After the amnesty period was over the FBR did not issue any specific warning to illegal asset owners. Instead, it issued as general warning to all registered filers before the expiry of scheme, warning them to avail the amnesty to save themselves from severe penalties as their assets were no longer hidden from the authorities. This looks absurd if you have the details then you should have prosecuted the evaders before the announcement of amnesty.

The FBR in fact lacks the muscle to nab illegal wealth that is visible to all others except tax collectors.

It was the ineffectiveness of the tax collectors and the regulators that facilitated flight of capital as well. After all someone first accumulate assets, then disposes them and sends the money abroad through hundi or exchange companies involved in such practices on the sidelines.

This lapse on the part of the FBR and the regulators has played havoc on Pakistan's economy. This theft of capital means that valuable public resources are diverted from addressing the abject poverty and fragile infrastructure so prevalent in the country.

Although the exact magnitude of the proceeds of corruption circulating in our economy is impossible to ascertain, estimates demonstrate the severity and scale of the problem. Whatever we lose from public sector companies qualifies under the head of corruption and this amount alone is estimated at a staggering Rs1200 billion. Unfortunately, this loot is on top of bureaucratic and political corruption rampant across all the departments. Around Rs800 billion/year is consumed by corruption every year.

According to a World Bank and United Nations Office on Drugs and Crime analysis titled "Barriers to asset recovery", it has been proved that once the assets have left the victim jurisdiction, they can be difficult to locate and recover before they are moved to yet another jurisdiction or dissipated.

The analysis adds that unique skills, capacity, resources, and timely and effective international cooperation and coordination are required to identify, trace, restrain, confiscate, and eventually repatriate these assets.

The current global environment makes the successful recovery of stolen assets possible only if the state machinery shows seriousness in this regard.

The report also states that ineffective anti-money laundering regime in the past and weak enforcement of preventive measures allowed corrupt politically exposed persons and their gatekeepers to launder proceeds of corruption and move them from victim jurisdictions to traditional financial centers.

Even with effective, prompt, and cooperative assistance between jurisdictions, differences across jurisdictions in the evidence required, the burden of proof, notification requirements, and banking secrecy are just some of the obstacles that practitioners in the field find challenging, the 200-page analysis says.

It is a pity that the government is borrowing money heavily to run its day to day affair while billions are being siphoned under its nose by public servants and public sector companies. Moreover it is extremely difficult to confiscate illegally acquired assets in Pakistan. The legal procedures are lengthy and cumbersome. The tax and bank defaulters are enjoying their black money by effectively blocking recoveries through legal tricks.