

FATF worries

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THE first review to monitor Pakistan's compliance with its counter-terror-financing and money-laundering action plan has not gone as well as it needed to. The delegation from the Asia Pacific Group that is carrying out the review ended its visit without a word, but according to unofficially sourced reports from government representatives who could not speak on record, the review found deficiencies in Pakistan's legal framework that could prove to be a considerable challenge for the new rulers. True, some progress has also been noted, but it is the deficiencies that will matter once the review comes up for discussion at the next FATF meeting. To some extent, the deficiencies can be attributed to the fact that implementation of the action plan began under an interim government that had a limited mandate and was, therefore, unable to take some of the steps required of it. In light of this handicap, the APG has agreed to conduct another review in a month, so that it can engage with the newly elected government on the commitments. Next to arranging a bailout, this looks like the new big challenge that awaits the government.

The main flaw pointed out by the APG is the legal framework around non-profit-making and charitable organisations. The reference is clearly to those groups operating in Pakistan as charities but that are listed by the United Nations as terrorist outfits. It is not yet clear what adjustments to the legal framework the action plan is committed to making, but getting together the votes required for the legislative changes would be one of the big tasks. In addition, the APG has flagged issues like cross-border movement of currency, weak investigation and prosecution in terror-financing cases, as well as poor implementation of UN Resolution 1267, which lists banned entities and persons.

Some elements of the action plan require administrative attention, such as improving the quality of human resource in sensitive departments or better coordination to speed up the processing of suspicious transaction reports. These will be relatively easier to address. But other elements that require legislative changes, tackling vast deficiencies in the economy such as the prevalence of the black market, or negotiating civil-military relations will be the tricky part. The incoming government will find its attention focused on key weaknesses in Pakistan's polity and economy when it goes about the task of implementing the action plan. How it walks this path, and how well it can conduct itself before FATF could become a litmus test of its ability to deliver on the wide range of promises it has made in its manifesto. Addressing the black economy, for example, is key to tackling terror financing since the relationship between terrorism and racketeering is well entrenched. It will take immense sobriety and maturity to follow this road.

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