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Going After Government Looters

By MATTHEW SALTMARSH

PARIS — The government of the Maldives wants its money back — $400 million to be precise.

That is the amount that it estimates was looted by its former president, Maumoon Abdul Gayoom, and his associates. Mr. Gayoom dominated politics in the Maldives, a tiny Indian Ocean nation, for 30 years. After winning six successive single-party elections, he finally bowed to popular pressure and allowed open elections in 2008. He lost.

He is one of a number of politically connected figures — some alive, others dead — who are the targets of increasingly coordinated efforts to repatriate misappropriated funds. Results to date have been encouraging, but much more can be done, officials and development experts say.

A report from the Maldives' national auditor released in 2009 reads like a guidebook on self-enrichment. The president's spending was "out of control," it said, as Mr. Gayoom used his power to live a lavish lifestyle and extend largesse to those around him.

An estimated $9.5 million was spent buying and delivering a luxury yacht from Germany for the president; $17 million was spent on renovations of the presidential palace and family houses. Mr. Gayoom built a saltwater swimming pool, a badminton court and a gymnasium, and he bought 11 speed boats and at least 55 cars — including the country's only Mercedes-Benz, the audit said.

The Maldives, a series of atolls, has a land mass about 1.7 times the size of Washington, including many uninhabited islands. In terms of gross domestic product per capita it ranks 152nd in the world, according to the C.I.A.

And the list goes on, from Loro Piana suits and trousers to watches and hefty bills for medical services in Singapore for "important people" and their families. There was a $70,000 trip to Dubai by the first lady in 2007, a $20,000 bill for a member of the family of the former president to stay a week at the Grand Hyatt in Singapore. On one occasion, diapers were sent to the islands by airfreight from Britain for Mr. Gayoom's grandson.

Even allocations made to Mr. Gayoom's office for welfare distribution were spent on the president's family and their friends, senior government staff members and their friends and members of Parliament, according to the report.

Mr. Gayoom could not be reached for comment. In September, his office denied accusations of corruption and embezzlement made by government commissions and auditors. His financial affairs are still being investigated.

The Maldives government is beginning the paper chase, but it lacks resources to unravel a complex trail that it assumes runs through the British Channel Islands, Singapore and Malaysia.

Help is coming, notably from the Stolen Asset Recovery Initiative, or StAR, run by the World Bank and the United Nations.

The program estimates conservatively that $20 billion to $40 billion is stolen annually from developing countries through bribery, misappropriation and corruption. That figure represents about 15 percent to 30 percent of aid to the developing world.

While there has been progress in the form of restitution of funds looted from poor countries, some experts fear that the issue may be sliding lower on the international agenda as the financial crisis rolls on.

During the past 16 years, $5 billion has been recovered, according to the program. Repatriating more could help alleviate poverty in some countries: The World Bank says that every $100 million returned could finance the linking of 250,000 homes to clean water supplies each year or treatment for more than 600,000 people with H.I.V. and AIDS.

“People can make a huge profit from corruption and get away with it,” Jeffrey T. Radebe, the South African minister of justice, said in the past week in Paris. “We can do more to ensure that corruption doesn’t pay — and seize assets.”

StAR sets up teams of experts and advises on the legislation needed to track and repatriate funds. It is working with 22 countries in Europe, Africa, the Middle East, Latin America and Asia, including Guatemala, Haiti, Indonesia and Paraguay.

Some governments are also undertaking their own initiatives. Switzerland says it has repatriated 1.7 billion francs, or $1.5 billion, in stolen assets to developing countries. That includes about $684 million looted by Ferdinand E. Marcos, the former dictator of the Philippines, and $700 million from Sani Abacha, the ex-leader of Nigeria. More than $174 million taken by Vladimiro Montesinos, the former head of Peruvian intelligenceand adviser to ex-President Alberto Fujimori, has been returned from a variety of jurisdictions.

The Swiss government has used a constitutional provision to block stolen funds. It hopes that an act directly defining the methods of freezing, confiscating and restoring stolen assets will take effect early next year, helping the process.

There has also been an increase in investigations, settlements and convictions in the United States under the Foreign Corrupt Practices Act. In 2008, the Department of Justice concluded 16 enforcement actions against individuals and companies under the act, a record since its passage in 1977.

In Britain, the government has allocated funds from its development budget to finance Metropolitan Police investigations of foreign corruption and asset recovery.

"We've come a long way," said Ngozi Okonjo-Iweala, a World Bank managing director and former Nigerian finance minister. "But I would not be complacent."

Antonio Maria Costa, executive director of the U.N. Office on Drugs and Crime, said the world was already "well equipped" to "prevent and reverse the flows of ill-gotten gains." He was referring in part to the U.N. Convention Against Corruption, which took effect in 2005. It is the first binding international anti-corruption instrument, obliging its parties to implement measures affecting laws, institutions and practices on asset recovery.

The convention, he added, "needs to be fully implemented and actively supported, especially by financial centers."

The leading economies put their weight behind the process, calling for enforcement of the convention at a meeting last year in Pittsburgh of representatives of the Group of 20 industrialized and emerging economies.

But four members — Germany, India, Japan and Saudi Arabia — have not ratified it. "G-20 countries must not just talk, but act," Mrs. Okonjo-Iweala said.

She welcomed international progress on pressing offshore centers to fall in line with the standards of the Organization for Economic Cooperation and Development on tax evasion. "Why isn't there similar outrage and international mobilization on the reclaiming of the proceeds of corruption?" she added. "I believe that's partly because of a profound misunderstanding. It's seen as an issue that only affects developing countries, while tax evasion is seen as problem in the developed world."

The budgetary crisis in Greece appears to be a case in point. A recent study from the Brookings Institution estimated that bribery and corruption cost the Greek economy about 8 percent of gross domestic product a year, or nearly $30 billion

Mrs. Okonjo-Iweala also criticized the "slow pace of results in some areas," notably the translation of international standards into law and practice.

Among specific setbacks, a French appeals court decided last year not to pursue an investigation of three African heads of state accused of money laundering linked to French assets. They were Omar Bongo, the late strongman of Gabon; Denis Sassou-Nguesso of the Congo Republic; and Teodoro Obiang Nguema Mbasogo of Equatorial Guinea. All denied wrongdoing.

A French investigation into Mr. Bongo had found assets scattered across France, including property in the chic 16th Arrondissement of Paris, cars and numerous bank accounts.

Much of the looted money ends up in complex corporate structures and bank accounts held by associates offshore, making it hard to identify the beneficial owners. This raises the issue of tightening regulation of service providers and of the legal firms that create front companies that invest in assets like real estate and art.

The Financial Action Task Force, an international body dedicated to fighting money laundering, has established tough guidelines on due diligence for these centers. But experts say that compliance in many jurisdictions has come up short.

Mrs. Okonjo-Iweala said that the private sector “has a very special role to play.”

Ali Hashim, finance minister of the Maldives, added, “The banks and other institutions that came from abroad, they lowered their standards to the standards that were in the country.”

Under the old regime, some foreign bank managers were given free holidays on luxury tourist resorts on the islands, he said, which might have made it “hard for those managers to subsequently turn down risky or inappropriate credit requests.”

Large banks recognize the issue. Eleven leading lenders, including UBS and HSBC, have formed the Wolfsberg Group, an association to develop standards to counter money laundering and terrorist financing. Tracy Paradise, executive secretary of the Wolfsberg Group, emphasized the need for a “multi-stakeholder approach.” To help identify risky clients, she urged governments to provide lists of so-called politically exposed persons, those potentially subject to corruption because of their jobs. At the moment, banks rely on third-party vendors of such data, which can promote quantity over quality, she said.

Even where hidden assets have been identified, repatriation can be complicated by a lack of legal infrastructure in the recipient country, experts say.

Funds looted from Haiti by the former dictator Jean-Claude Duvalier have not yet been returned because of a series of legal difficulties, according to Micheline Calmy-Rey, the Swiss foreign minister. So far the Swiss have identified and frozen $5.7 million. The Swiss also froze assets of Mobutu Sese Seko, the former Congo leader. But they were unable to repatriate the assets after a series of legal proceedings were exhausted.

In the Maldives, the government wants its money back to help offset the decline in tourism, which has been hit by the global downturn, and to plug a budget deficit estimated last year at 34 percent of G.D.P. “What we are asking the World Bank is, help us get this back,” Mr. Hashim said. “Then we won’t need to have that much” foreign aid, he said.