

Grand corruption and the SDGs

Grand corruption is a serious threat to the 2030 Agenda for Sustainable Development. This series of case studies prepared by Transparency International illustrates how corrupt schemes across the globe have repeatedly implicated high-level officials and resulted in the gross misappropriation of public funds. As a direct result, education, health and other development priorities remain underfunded; the natural environment is ravaged; and fundamental human rights are violated. Those who suffer the consequences are ordinary citizens, and particularly those most left behind.

Selling the country's future: the island sales scheme in the Maldives



Protecting the natural beauty and environment of the Maldives is central to the implementation of its sustainable development agenda. As the bedrock of the tourism industry, the country's ecosystem is both a source of economic prosperity and an invaluable resource that must be protected in its own right.

Grand corruption in the Maldives has directly put this resource at risk. The island sales scheme, instigated by high-level officials including a former president, led to 50 islands and submerged coral lagoons being leased out for largely unsustainable private developments in 2014 and 2015.

The US\$ 80 million lost to corruption in this scandal represents a large proportion of what needs to be spent on environmental protection in the Maldives. The rapid pace of tourist development, exacerbated by corrupt practices, has also rapidly exceeded what is sustainable for the natural environment, threatening biodiversity under water and on land.

In numbers:

- **50 islands and submerged coral lagoons** leased out for private developments in 2014 and 2015 alone compared to just over 100 in the four previous decades.
- **US\$ 80 million** lost to corruption according to a 2016 report by the Maldives Auditor-General, equivalent to two-thirds of the budget set aside in 2020 for environmental protection.
- **85 marine and land species** native to the Maldives which are classified as critically endangered, endangered or vulnerable on the IUCN Red List.



Grand corruption and the SDGs: The Maldives

Grand corruption in the Maldives

Background

Grand corruption thrives in authoritarian states where elites are free to act with impunity. Although little known to the tourists who visited the country's beaches, the Maldives has long suffered from autocratic rule. For three decades, Maumoon Abdul Gayoom (1978 to 2008) ran the Maldives as a dictatorship before losing in the country's first multi-party elections in 2008. Gayoom's half-brother, Abdulla Yameen, came to power in the 2013 presidential election.

However, elections alone changed little in the power structures behind the state. Ten years after the first election, Human Rights Watch was warning in 2018 of a "slide toward one party rule" under Yameen as he sought to clamp down on the independent press, undermine the independence of the judiciary and suppress the activities of political opposition parties¹. These actions, however, led to a surprise defeat for Yameen in the 2018 presidential election by Ibrahim Mohamed Solih, the current president of the Maldives.

In autocratic countries, it is common for grand corruption to be concentrated around the most lucrative economic sectors where rents are most readily available, such as the extraction of natural resources.² The Maldives is no exception; in its case, it is the tourism sector, and the exploitation of the country's vast natural beauty, which has been a locus of corrupt practices. Economic activity in the sector has long been controlled by a small circle of

What is grand corruption?

Transparency International identifies three main features of grand corruption: a corruption scheme; involvement of a high level public official; and serious harm caused, which may take the form of large-scale misappropriation of public resources or gross violations of human rights.*

elites. Under Gayoom, tourism concessions were handed out as a form of patronage and reward for political support³. These activities spiralled out of control under Yameen and ultimately contributed to his downfall.

The island sales scheme

The scheme was first identified in 2014 by the country's then auditor general, Niyaz Ibrahim, who uncovered irregularities amounting to US\$6 million in the operations of a state-owned enterprise, the Maldives Marketing and Public Relations Company (MMPRC). After sharing his findings and recommendations with the government, Ibrahim was promptly dismissed from his position in an apparent attempt to block further enquiry into the issue⁴. He was later threatened, placed under surveillance and eventually had to flee the country.⁵

Then in 2016, a whistleblower from the banking sector called Gasim Abdul Kareem came forward with further details. He too encountered problems from the state, and was arrested and charged with unauthorised disclosure of private information⁶. At that point, investigative work by Al Jazeera⁷ and

¹ This is an abridged summary. TI's full legal definition with explanatory notes is available upon request from gdell@transparency.org



later the Organized Crime and Corruption Reporting Project (OCCRP)⁸ picked up the story and exposed the full details of the scandal.

Their reporting focused on Ahmed Adeb, former tourism minister (2012 to 2015) and vice-president (2015), the key figure in this scheme who conspired to lease out over 50 islands and submerged coral lagoons for private developments in 2014 and 2015. Adeb oversaw a vast system of bribery and kickbacks that has implicated local business tycoons, international businesspeople and other senior politicians.

As Al Jazeera and the OCCRP uncovered, the mechanics of the scheme revolved around the relationship between Adeb and his friend, Abdulla Ziyath, who was the managing director of the MMPRC. The two men arranged for the MMPRC to take control of the process for leasing islands, effectively circumventing the tourism ministry and a legal requirement for leases to be subject to public tenders. Developers negotiated directly with the MMPRC and paid fees into its accounts rather than state coffers. As a result, “some lucky investors got islands for millions of dollars less than what they would have paid following a regular process”⁹. A 2016 audit report found that the losses to the state from the scheme amounted to US\$ 80 million¹⁰.

Adeb and Ziyath arranged for much of this money to be handed out to those with inside knowledge of the scheme, including parliamentarians and judges. The scheme went all the way to the top. Investigators found that President Yameen received US\$1 million into a bank account in his name, and he appears to have intervened directly in around half of the deals¹¹.

Among the international businesspeople who have been connected to the scheme is Ong Beng Seng, a Singaporean billionaire and hotel operator. He

appears to have met and offered luxury hotel rooms to President Yameen and Adeb at a time when his companies were negotiating for leases for two uninhabited islands. He later obtained one of these islands for US\$5 million and the other for free¹². A Qatar-based company, Assets Real Estate Development (ARED), also obtained a lease in suspicious circumstances in May 2015. The US\$1.5 million it paid for the lease appears to have been quickly diverted by Adeb and his associates. The development secured by ARED was to be managed by the Hilton hotel group under the Waldorf Astoria brand¹³. This represents a pattern in which large parts of the country’s territory were handed out without following legitimate processes. As shown below, these opaque practices have enabled the unregulated and unsustainable exploitation of natural resources, with serious environmental ramifications for flora and fauna in the Maldives.

Consequences for those involved

Self-styled as the “untouchables”¹⁴, there seemed little prospect that Adeb and his associates would face justice until an unusual chain of events unfolded from late 2015 onwards. At this time, Adeb was accused of involvement in a plot to assassinate Yameen after a blast hit a boat transporting the then president. Adeb was convicted in 2016 and given a 33-year sentence on charges of terrorism, possession of firearms and corruption. In 2019, however, a court ordered that Adeb face a re-trial due to alleged political interference in the case. Adeb is now being detained for alleged money laundering in the island sales scheme after he attempted to flee to India in August 2019¹⁵.

Adeb was also a key witness in a money laundering case brought against President Yameen after the latter lost power in 2018. Yameen was



successfully convicted by the Maldives courts in November 2019 and sentenced to five years in prison. The case against him centred on the US\$1 million payment he received in relation to the sale of one island, and he has also been ordered to pay a US\$5 million fine¹⁶.

If recent progress has been made in holding to account some of the highest profile individuals involved, there is some concern that this only scratches the surface of the problem.

Transparency International and its national chapter in the Maldives have called on the new government, led by Ibrahim Mohamed Solih, to conduct much wider reaching investigations into the schemes. A list published by the Maldives Anti-Corruption Commission named 155 companies and individuals that received potentially illicit payments. It remains to be seen whether all will be investigated¹⁷.

Following the various flows of the money trail would have a much more disruptive impact on the elite networks that have benefited from entrenched grand corruption in the Maldives. The role of foreign companies and individuals may also justify scrutiny by authorities in other jurisdictions. Their assistance might also be required for the long process of seeking to recover the funds lost, which, as is common with cases of grand corruption, does not yet appear to have been initiated¹⁸.

Impact on the SDGs

Despite the socio-economic and geographic challenges inherent to a small island state, the Maldives has been described by the World Bank as a “development success story” on account of the improvements it has made in health and education in particular¹⁹.

This progress has to a large extent been built on the economic windfall related to the country’s

booming tourism industry. In 2015, tourism accounted directly for around 29% of GDP, which rises to 67% of GDP when factoring in sectors heavily dependent on tourism, such as construction and transport²⁰. The success of the tourism industry is intimately connected to the natural environment of the Maldives. The country is an archipelago formed of 1,192 islands grouped around 26 natural atolls in the Indian Ocean. The Maldives has the seventh largest reef ecosystem in the world and the fifth richest reef biodiversity globally²¹.

Yet it is this natural beauty that has been directly threatened by the island sales scheme. Motivated by corrupt intentions, the rate of tourist development in 2014 and 2015 vastly exceeded that of the last four decades, when just over 100 island leases were granted for development compared to 50 in just two years²². Given the well-documented impact of mass tourism on coral reefs²³, the virtually unregulated expansion of tourism facilitated by corrupt practices is likely causing lasting damage to the local environment. In turn, this has potentially catastrophic implications for the country’s economy and its potential to meet the 2030 targets for SDGs 14 and 15.

SDG 14: Life Below Water

A 2018 study by Cowburn et al. that assesses the environmental impact of resort tourism on coral reefs in the Maldives offers an insight into some of the risks this rate of development could pose for marine ecosystems²⁴. The study found various negative environmental impacts on reef conditions resulting from tourist activity, including construction work, sewage and waste, pollution and sand pumping. Significantly, the study found that newer resorts tended to have lower coral cover, which was likely a result of recent construction and dredging work. Although the reefs appear to be



naturally more resilient than in other ocean regions, the paper concludes that “resilience may not be guaranteed without proper management, and the paradisiacal clean tropical waters and colourful coral reefs enjoyed by visitors to the Maldives could easily be lost”.

The fact that the island sales took place outside of official channels increases the scope for mismanagement and undermines existing government plans for the protection of marine ecosystems. As a comparison, the US\$80 million reported to have been lost in this scheme is equivalent to around two-thirds of the budget (MVR1.798 billion, approximately US\$117 million) set aside by the Maldives government in 2020 for environmental protection²⁵. This budget encompasses expenditure for waste management, waste water management and the protection of biodiversity.

SDG 15: Life on Land

Corruption in the island sales scheme also had an impact on biodiversity on land. According to the country’s National Biodiversity Strategy and Action Plan (2016 to 2025), over 60% of the country’s inhabited islands report severe beach erosion²⁶. Moreover, as the leased submerged lagoons are reclaimed into artificial islands, the demand for palm trees is growing. Trees for the landscaping of these island resorts are sourced from the local communities both legally and illegally, leading towards deforestation of the local inhabited islands²⁷.

These actions threaten endangered species such as the hawksbill and green turtles, which are classified on the International Union for Conservation of Nature (IUCN) Red List as critically endangered and endangered respectively²⁸. In total, there are 85 marine and land species native

to the Maldives that are classified as critically endangered, endangered or vulnerable on the Red List²⁹.

There are many factors that will influence whether the Maldives is able to meet SDGs 14 and 15 and protect its marine and land environment and biodiversity, not least the impact of global climate change, which is largely beyond the country’s control. Nonetheless, the failure of the Maldivian government to stop the environmental destruction that followed the MMPRC grand corruption scandal has further increased the vulnerability of the islands to climate change. The vast scale of the islands scheme, which has directly enriched a select few at the expense of the country as a whole, is directly contrary to the principles of sustainable development, and its negative impact may become increasingly apparent in the coming years.

Recommendations

National level

The government of the Maldives should:

1. Establish a robust asset declaration regime for public officials to prevent embezzlement of the type and scale witnessed during the island sales scheme.
2. Criminalise illicit enrichment to prevent state officials from taking kickbacks from their public positions and to ensure an end to influence peddling.
3. Establish conflict of interest and gift registers for all public officials to ensure the integrity during their tenure.
4. Fully implement the Whistleblower Protection Act and appoint an independent director to the



Whistleblower Protection Unit within the Human Rights Commission of the Maldives to prevent intimidation of legitimate whistleblowers like Gasim Abdul Kareem.

5. Take legal steps to ensure proper transparency of public companies like MMPRC.
6. Guarantee freedom of action for journalists and civil society to conduct investigative journalism and report on grand corruption cases.

Global level

To help support the accomplishment of the SDGs, States parties to the United Nations Convention against Corruption (UNCAC) should:

1. Explicitly recognise grand corruption as a threat to the achievement of the 2030 Sustainable Development Agenda.
2. Prioritise the prevention of and responses to grand corruption (as prescribed in the Oslo statement) due to its developmental consequences.
3. Initiate discussions about a definition of grand corruption and an Optional Protocol to the UNCAC on Grand Corruption.
4. Commit to further research on the impact of grand corruption on sustainable development to identify effective strategies to counter this problem, and convene an Expert Group Meeting on this subject.



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*Transparency International
International Secretariat
Alt-Moabit 96
10559 Berlin
Germany*

*Phone: +49 - 30 - 34 38 200
Fax: +49 - 30 - 34 70 39 12*

www.transparency.org

*<https://voices.transparency.org/>
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Author: Thomas Shipley

Reviewers: Matthew Jenkins, Transparency International

Ahid Rasheed, Transparency International Maldives

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