

Has WSJ exposed 1MDB as BN's political ATM?

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1Malaysia Development Bhd (1MDB) was founded by Prime Minister Najib Razak to be a “a strategic enabler for new ideas and sources of growth” and was given the mission “to drive sustainable economic development by forging strategic global partnerships and promoting FDI”.

There were many, both within the government circles as well as out of it which questioned its establishment, given that Khazanah Nasional Bhd was already specifically set up to meet these objectives. Why create a separate competing entity?

While we have been fully aware of the shenanigans taking place in 1MDB previously, it was only in recent weeks we are beginning to discover some of the hidden agenda and objectives behind the company's set up.

Firstly, 1MDB was the only known subsidiary of the Ministry of Finance which has amended its memorandum and articles of association (M&A) to grant the prime minister the exclusive approving authority for all major decisions involving the Company.

The amended dated September 2, 2009, added the Clause 117 which placed full control to the prime minister where his “written approval” is necessary for “any financial commitment (including investment), restructuring or any other matter which is likely to affect the guarantee given by the federal government of Malaysia for the benefit of the company, national interest, national security or any policy of the federal government of Malaysia”.

Najib Razak's written approval is also required for all appointments and removal of directors and senior management team of 1MDB.

Expensive tastes in purchases

Secondly, critics of 1MDB have always wondered how the top management and senior executives of the sovereign investment fund could be so stupid as to pay such astronomical prices for its acquisitions, such as Genting Sanyen for RM2.3 billion, Tanjong Power for RM8.5 billion and the parcels of land in Air Itam, Penang for RM1.27 billion.

The power assets were so overpriced that the auditors impaired these asset by RM1.19 billion during the very same financial year of their acquisition.

Genting Bhd for example, recorded a RM1.9 billion extraordinary profit for its power asset sales in its 2012 Annual Report. The power plant asset was only worth approximately RM400 million because there was only four years left to its power purchasing agreement.

These critics have always been suspicious of hanky-panky transactions but have never been able to pinpoint the wrongdoings. All that now changes with the massive expose which hit the front pages of the International Wall Street Journal (WSJ) which alleged that the acquisition payments were channelled back to special charities to fund Barisan Nasional's election campaigns.

The example cited was Yayasan Rakyat 1Malaysia (YR1M) which received RM35 million in donations from Genting Plantation soon after the 1MDB acquisition of Genting Sanyen was completed. These donations were then channel to activities related to Barisan Nasional election campaigns.

Kinibiz.com had separately reported that the various companies in the Genting group had donated a total of RM190 million during the same financial quarter.

Khazanah clone with purpose

By putting all of the above two and two together, it would now appear that 1MDB may have been created as a special purpose vehicle with one of the key objectives being to raise a substantial slush fund to finance BN's election campaigns.

Hence lies the reason why a separate investment vehicle wholly controlled by the prime minister operated under shadowy conditions was created.

Khazanah Nasional, on the other hand, would not have granted Najib Razak all the necessary financial flexibility given the sovereign wealth fund's significantly stronger corporate governance policies.

We call upon Najib Razak, who sits as the chairman of YR1M to disclose all the charity's financial transactions and its source of funds. Did Tanjong Power and the Farlim Group which sold the Penang land also contributed significantly to YR1M or any other charities which the prime minister control?

If proven, then the RM42 billion 1MDB scandal will widen from embezzlement, misappropriation and mismanagement to outright corruption by the Prime Minister - abusing tax-payers' funds to further his own political interests, and that of Umno and its coalition partners.