

Achieving Development Impact with an Inclusive Asset-Return Model

The Case of the BOTA Foundation in Kazakhstan

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Executive summary

The BOTA Foundation was a unique development response to “right the wrongs” of corruption. Over five years, the governments of Kazakhstan, Switzerland, and the United States, along with the World Bank, IREX, and Save the Children collaborated to return \$115 million of disputed assets to the people of Kazakhstan. The pioneering model delivered much needed social assistance to poor and vulnerable populations in the country, but was not without complications. The lessons from the BOTA experience provide insights into an unexplored area: returning assets to deliver justice and development impact.

Corruption hits the poorest the hardest. When public money flows into private bank accounts, essential services for the most vulnerable citizens become deficient. The phenomenon is all too common. Every year tens of billions of dollars are stolen from developing countries. Tracing and recovering these stolen assets is a complex and painstaking process, but once the recovery work is complete, the return of assets presents an opportunity to get money back to the people most harmed by its theft.

In the 1990s, investigations began in a case that would later be dubbed “Kazakhgate.” James Giffen, an American businessman, had helped parcel off oil concessions in western Kazakhstan by channeling bribes to the country’s President Nursultan Nazarbaev and former Prime Minister Nurlan Balgimbaev to broker oil deals. As part of the settlement of the case against Giffen, millions of dollars frozen in a Swiss bank account along with the interest accrued were to be returned to the people that were hit hardest by the corruption. As a result, the Governments of Kazakhstan, the Swiss Confederation, the United States, and the World Bank came together to establish the BOTA Foundation — an independent organization dedicated to serving Kazakhstan’s most vulnerable populations.

Agreeing to establish the BOTA Foundation was not easy. The Government of Kazakhstan asserted that the funds were its property, but the Swiss Confederation and the United States wanted to ensure that the funds would be used with appropriate accounting mechanisms to prevent further corruption. The three governments engaged the World Bank to discuss development uses. With the Bank’s assistance, eventually the three governments entered into a trilateral Memorandum of Understanding that would establish BOTA as an independent entity.

Many parties have a stake in the asset return process including “requested” countries (states that currently hold the assets in their jurisdiction) and “requesting” countries (states laying claim to the assets) as well as civil society. Balancing various incentives and needs can be challenging. There are four general models of asset return: (1) Country System, (2) Enhanced Country System, (3) Autonomous Funds, and (4) the NGO Model. With the Kazakhgate funds, the government parties had to consider the amount to be repatriated, the broader governance context, quality of the Kazakhstan’s public financial management systems, and the

programmatic and financial management capacity of local NGOs. In opting for the NGO model, special attention was paid to the sovereignty of Kazakhstan and the wishes of the U.S. and Swiss to ensure oversight of the use of the funds. They decided to create a new institution, the BOTA Foundation, with several layers of monitoring and accountability.

Given its experience working with civil society in the region and robust financial management systems, IREX was selected to manage the set-up of the Foundation and provide ongoing institutional development support. Save the Children collaborated with IREX on program design and provided technical assistance on specific program themes. The resulting state-of-the-art foundation would concentrate on three core programs: (1) Conditional Cash Transfers, (2) Tuition Assistance, and (3) Social Services.

Through conditional cash transfers, BOTA provided money and associated professional development trainings to build human capital. Tuition assistance in the form of scholarships allowed poor Kazakhstanis to access higher education — most were the first in their family to attend college. And through an innovative social services program, BOTA delivered financial and technical support to service delivery NGOs throughout the country. In all, BOTA directly reached 208,000 individuals — more than double its original target.

BOTA leaves behind a rich legacy. From building and diffusing the capacity of more than 100 employees that are now seen as social service experts in the country to transforming the way the government views social assistance, the Foundation made a tremendous impact.

Documenting the process, results, successes, and struggles of BOTA has led to a set of recommendations for future asset return cases that can be thought of as the building blocks for best practices:

- Align real social needs and political priorities
- Collaborate with but maintain independence from government
- Create an oversight structure robust enough to provide legitimacy but not so burdensome to prevent progress
- Engage civil society at each stage of the asset-return process
- Add to development investments — don't replace them
- Allocate resources to asset recovery and return to ensure justice and deter corruption

This case study provides an authoritative account of the workings of a cutting-edge mechanism that delivered development outcomes while pushing to end impunity. It proves that governments and civil society can work to ensure justice is served.