



Working Paper 29

Recovering assets in support of the SDGs

From soft to hard assets for development

Mike Pfister | May 2019



Table of contents

About this working paper	3
About the author	3
Acronyms and abbreviations	4
1 Behind the figures	5
2 Soft assets	7
2.1 Stronger rule of law, transparency and policy frameworks	7
2.2 Inter-agency cooperation	9
2.3 Financial integrity and private sector development	9
3 Beyond SDG 16	11
3.1 SDG 1 – No poverty	12
3.2 SDG 3 – Good health and well-being	12
3.3 SDG 8 – Decent work and economic growth	12
3.4 Industry, innovation and infrastructure	13
3.5 SDG 10 – Reduced inequalities	13
4 Effective development cooperation in asset recovery to support the SDGs	15
5 Measuring development impact through asset recovery efforts	17
6 Creating soft assets and recovering hard assets for development	19
References	20

About this Working Paper

This Working Paper aims to contribute to the international policy dialogue on the link between asset recovery and countries' pursuit of the Sustainable Development Goals. It was drafted by experts at the International Centre for Asset Recovery (ICAR) of the Basel Institute on Governance and has received inputs from representatives of the UK's Department for International Development (DfID), the Swiss Agency for Development and Cooperation (SDC), the Norwegian Agency for Development Cooperation (Norad) and the governments of Liechtenstein and Jersey.

It was discussed with the above representatives at the meeting of ICAR core donors on 28 November 2018 in St Helier, Jersey. It also benefitted from discussions at the International Expert Meeting on the Return of Stolen Assets, "Addis II", in May 2019.

It is part of the Basel Institute on Governance Working Paper Series, ISSN: 2624-9650.

You may share or republish the Working Paper under a Creative Commons AttributionNonCommercial-NoDerivatives 4.0 International License (CC BY-NC-ND 4.0).

Suggested citation: Pfister, Mike. 2019. 'Recovering assets in support of the SDGs

From soft to hard assets for development.' Working Paper 29, Basel Institute on Governance. Available at: <https://baselgovernance.org/publications/working-paper-29-recovering-assets-support-sdgs-soft-hard-assets-development>.

This Working Paper is intended for general informational purposes and does not constitute and/or substitute legal or other professional advice. The contents are the sole responsibility of the author and do not necessarily reflect the views of the reviewers or their governments/organisations. For questions, please email info@baselgovernance.org.

About the author

Mike Pfister is the former Head of Programmes at the International Centre for Asset Recovery (ICAR) at the Basel Institute on Governance. He has vast experience in leading complex initiatives aimed at fostering business integrity, improving financial governance and promoting responsible investment, and has advised governments and companies in these areas. His professional career spans the OECD, the German Development Institute and the United Nations Conference on Trade and Development.

Mike holds an Executive Doctorate in Business Administration from the University of Paris-Dauphine and a Masters in International Economics from the Graduate Institute in Geneva.

Acronyms and abbreviations

DFID	Department for International Development, UK
EU	European Union
FATF	Financial Action Task Force
FFD	Financing for Development
FIU	Financial Intelligence Unit
ICAR	International Centre for Asset Recovery
MLA	Mutual Legal Assistance
OECD	Organisation for Economic Co-operation and Development
SDGs	Sustainable Development Goals
SECO	State Secretariat for Economic Affairs, Switzerland
StAR	Stolen Assets Recovery Initiative of the World Bank and UNODC
UN	United Nations
UNCAC	United Nations Convention Against Corruption
UNODC	United Nations Office on Drugs and Crime

1 Behind the figures

"We need to deal with the cancer of corruption", James Wolfensohn, then President of the World Bank, said in his address at the 1996 Annual Meeting of the World Bank and the International Monetary Fund. Until Mr. Wolfensohn addressed it head-on, corruption was considered a political matter and off limits to development cooperation.¹ The same applies to asset recovery, which only began gaining prominence during the crafting of the United Nations Convention Against Corruption (UNCAC) in 2003. This slow switch in approach to corruption, asset recovery and development has over decades translated into international commitments and targets by developed and developing countries alike.

However, the battle is far from won. While both asset recovery and corruption are mentioned in the Sustainable Development Goals (SDGs) under targets 16.4 and 16.5 respectively,² they should have been reflected more prominently given that they are such a fundamental impediment to development.

The challenge is real, big and complex. Asset theft through corruption remains an important part of the global political economy, marked by governance systems where the lines between the private sector and public interest are blurred. According to the World Bank, over USD 1 trillion, or close to 2 percent of GDP, are lost each year through bribes alone.³ These figures dwarf the amount of official development aid of USD 146.6 billion mobilised by OECD Development Assistance Committee members in 2017.⁴ Helping countries recover stolen assets, anchored in target 16.4 of the SDGs, thus presents an opportunity for mobilising important resources to finance development or poverty reduction efforts.

Moreover, asset recovery plays a critical role in strengthening some of the key foundations of sustainable development, such as the rule of law and strong, transparent and accountable institutions. Transparency International claims that "...corruption removes any positive incremental effect that foreign aid has on poverty reduction."⁵

Massive amounts of financial resources – between USD 3.3 trillion and 4.5 trillion per year – are needed to finance the SDGs.⁶ Recovering stolen assets is thus central to developing countries in their efforts to meet SDG targets, as acknowledged in the Addis Ababa Action Agenda on Financing for Development (FFD), Paragraph 25: UN members *"...commit to making the [United Nations Convention against Corruption] an effective instrument to deter, detect, prevent and counter corruption and bribery, prosecute those involved in corrupt activities and **recover and return stolen assets to their country of origin.**"*⁷

1 Pieth 2017.

2 Target 16.4: "By 2030, significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime." Target 16.5: "Substantially reduce corruption and bribery in all their forms."

3 OECD 2014.

4 OECD 2018.

5 Transparency International 2015.

6 UN Sustainable Development Group 2018.

7 Addis Ababa Action Agenda of the Third International Conference on Financing for Development. Accessed 20 May 2019. <https://sustainabledevelopment.un.org/frameworks/addisababaactionagenda>

Public investment, foreign aid and private investment are all sources of FFD to be unlocked. Every stolen dollar, siphoned away through corrupt activities, that is recovered can be invested for development through supporting backbone sectors for economic and social development, including health, education and infrastructure. Preventing corruption is a critical step in financing development, and by extension so is recovering assets when they are stolen. Asset theft is also a direct impediment to sustainable development as it deprives governments of vital funds for development.

However, asset recovery goes beyond the monetary value of the assets in question. It is about sustainable development itself. Combining “hard assets” in terms of actual assets recovered and the “soft assets” that are needed to do so effectively, ranging from the capacity of law enforcement institutions to the political will to fight criminal networks, provides a powerful foundation for sustainable development.

This paper contends that supporting countries in recovering stolen assets and promoting sustainable development are mutually reinforcing. It also aims to correct the false reputation of asset recovery as a very technical legalistic field of development cooperation, and to generate broader understanding of the far-reaching role that asset recovery can play to foster development.

2 Soft assets

Strengthening country systems for successful asset recovery and sustainable development are two sides of the same coin. Figure 1 illustrates the different steps and elements of country systems that make up asset recovery, including domestic and international components. Weak technical capacity and a lack of resources undermine the efficiency of the relevant institutions to tackle asset recovery challenges. At the same time, these weaknesses make institutions even more prone to political interference, thereby hampering their independence in the pursuit of their respective mandates. All of these squarely affect the rule of law, which is a fundamental pillar of effective asset recovery and the SDGs.

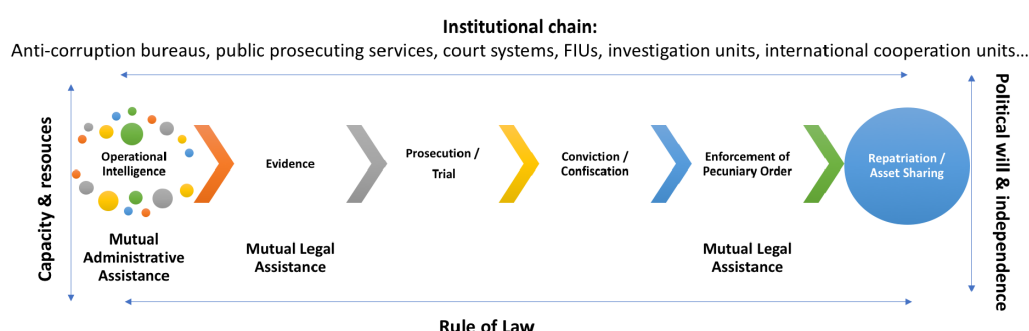


Figure 1: Asset recovery chain and system. Source: ICAR, 2017.

2.1 Stronger rule of law, transparency and policy frameworks

Strengthening systems for more effective asset recovery contributes to an overall improved rule of law. This has positive spill-over effects on overall development policy frameworks, the necessary “soft” tools that will help channel finances to the right development ends. These include infrastructure and procurement laws, competition laws, land rights, intellectual property rights, and the interplay of other laws and regulations.⁸ Strengthening these frameworks can reduce corruption, which can in turn catalyse the effects of foreign aid, increasing the chances of resources achieving their intended purposes.

Through the multiple processes and steps involved in recovering stolen assets, developing countries can gradually build capacity (sometimes with the help of international experts), become more experienced and enhance inter-agency coordination at home and with foreign jurisdictions. By building valuable international networks, they become part of an “alliance of the willing” to fight corruption. A critical beneficial side effect of the above is increased trust and confidence in public institutions.

The process of asset recovery and its underlying steps and measures can also greatly contribute to the transparency of national and international financial systems. Many of these measures are recommended by existing international instruments around

8 OECD 2015.

beneficial ownership, such as the Financial Action Task Force (FATF) Recommendations,⁹ the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes¹⁰ and provisions in the UN Convention Against Corruption. The G20 High Level Principles on Beneficial Ownership Transparency¹¹ also forms part of the existing international framework.¹² Countries' efforts to strengthen capacity and regulations in relation to open-source information provision are a critical aspect in this regard.

It took no less than 17 years and 60 decisions of the Swiss Federal Supreme Court to return the USD 684 million stolen by the Marcos regime to the Philippines.¹³ While it can take years to recover stolen assets, communicating efforts and commitments to restore assets and address errors of the past can quickly send positive messages to a public eagerly awaiting action. An example includes the signing of a Memorandum of Understanding between Nigeria and the United Kingdom in 2016, which clearly communicates the principles guiding the collaboration on returning stolen criminal assets.¹⁴

Trust in public institutions can go far in developing an economy. Increased confidence in the public system is a harbinger of more private investment, both foreign and domestic, and can foster peace and stability.¹⁵ Trust built on successes in tackling the impunity of wealthy and influential criminals is an important part of the transformative effects of effective asset recovery. Triggered by efforts to recover stolen hard assets, these soft assets create significant sustainable development impact. This development impact on societies goes beyond the monetary value effect of assets recovered.

Box 1: Tackling Serious and Organised Crime in Malawi

The Basel Institute's International Centre for Asset Recovery (ICAR) supports developing and transition economies in recovering stolen assets. In its efforts in Malawi through a development cooperation project financed by the UK Department for International Development (DFID), ICAR has embedded international experts in the areas of prosecutions, anti-corruption and financial analysis and investigations in the Office of the Director of Public Prosecutions, the Anti-Corruption Bureau and the Financial Intelligence Authority respectively. These experts are working day-to-day with their counterparts on a set of carefully identified cases, emanating from the cashgate scandal, with asset recovery potential.

9 E.g. on the transparency and beneficial ownership of legal persons (R. 24) and legal arrangements (R. 25) and on financial institution secrecy laws (R.9). See <http://www.fatf-gafi.org/publications/fatfrecommendations/documents/fatf-recommendations.html>

10 <https://www.oecd.org/tax/transparency>

11 https://star.worldbank.org/sites/star/files/g20_high-level_principles_beneficial_ownership_transparency.pdf

12 StAR Initiative. n.d. "Module 3: Tools for Transparency." Accessed 20 May 2019. https://star.worldbank.org/sites/star/files/module3_final.pdf

13 Swiss Federal Department of Foreign Affairs 2017.

14 UK Government. 2016. "Immigration Minister signs agreement with Nigeria on returning stolen criminal assets." Published 2 September 2016, accessed 20 May 2019. <https://www.gov.uk/government/news/immigration-minister-signs-agreement-with-nigeria-on-returningstolen-criminal-assets>

15 Kurul and Yalta 2017.

The efforts focus not only on securing convictions and recovering assets but also on building systems within and among these key institutions in Malawi to ensure a sustainable legacy. Two years into the project, Malawi is seeing positive results, including high-profile convictions, numerous trusted international links developed between Malawian agencies and foreign jurisdictions, and overall improved processes in and between agencies along the anti-corruption chain.

A central innovation in the programme has been to extend its remit from law enforcement to corruption prevention activities. This programme is an example of how the work supporting asset recovery involves a whole array of measures that contribute to improved rule of law, a stronger judiciary and enhanced capacity in key integrity institutions.

Source: ICAR, 2018

2.2 Inter-agency cooperation

Effective inter-agency cooperation is a loose term that translates into trust among relevant agencies involved in the pursuit of similar objectives, effective sharing of information for evidence – forming part of “intelligence” – and effective and coordinated mechanisms around communication on corruption and asset recovery, both internally and externally. It is the necessary thread that holds the asset recovery chain together.

This illustrates the importance of focusing on the system as a whole rather than strengthening individual nodes along the chain in isolation, which may add to an imbalance in the system and hamper prospects of asset recovery. For example, a Financial Intelligence Unit (FIU) may perform detailed operational analysis and provide highly sophisticated intelligence with clear leads to corrupt activities to an overburdened and politically compromised national anti-corruption agency. This is a waste of resources on the part of the FIU, as its capacity to fight financial crime is only as strong as the weakest link in the asset recovery chain. In fact, this imbalance may even hamper the FIU which, by doing its job, may become politically exposed and eventually be undermined.

2.3 Declaration and registration mechanisms

The contribution of strong asset recovery systems to private sector development should not be underestimated. The financial sector, which is a critical element in the asset recovery chain, is a vital channel for private sector development and finance for development, and hence for countries to reach their SDGs. It is the engine that drives infrastructure development and provides businesses with capital for employment, growth and innovation.

On the one hand, banks, financial institutions and their regulators are the custodians of a sound financial architecture. On the other hand, they are also the channels through which assets can be stolen and transferred abroad. A compromised financial sector mired by financial crimes is a significant impediment to sustainable development.

Endowed with a strong system of asset recovery, a country will have sound statutory provisions for financial institutions, institutions will have the capacity to oversee and regulate banks and other financial institutions, and law enforcement agencies will have the competence to identify criminal acts, trace funds and provide the necessary intelligence for asset recovery. These are all critical elements to building trust in a country's financial system.

Moreover, a strong asset recovery system will ensure that financial crimes are successfully prosecuted, which also entices responsible investment – both local and foreign – in the country and motivates investors to use its financial system. This will provide the necessary private investment to complement the development financing needed to meet the SDGs.

3 Beyond SDG 16

Asset recovery goes beyond returning stolen funds. It helps to improve the governance of countries, enhances responsible public financial management (see Box 2), contributes to more accountability and transparency, strengthens the rule of law, builds capacity in the judiciary, and can help restore confidence in public institutions and government.

From a law enforcement perspective, it also acts as an important deterrent to corruption, making it harder for criminals to hide and benefit from the proceeds generated from their criminal activities (see Figure 2).

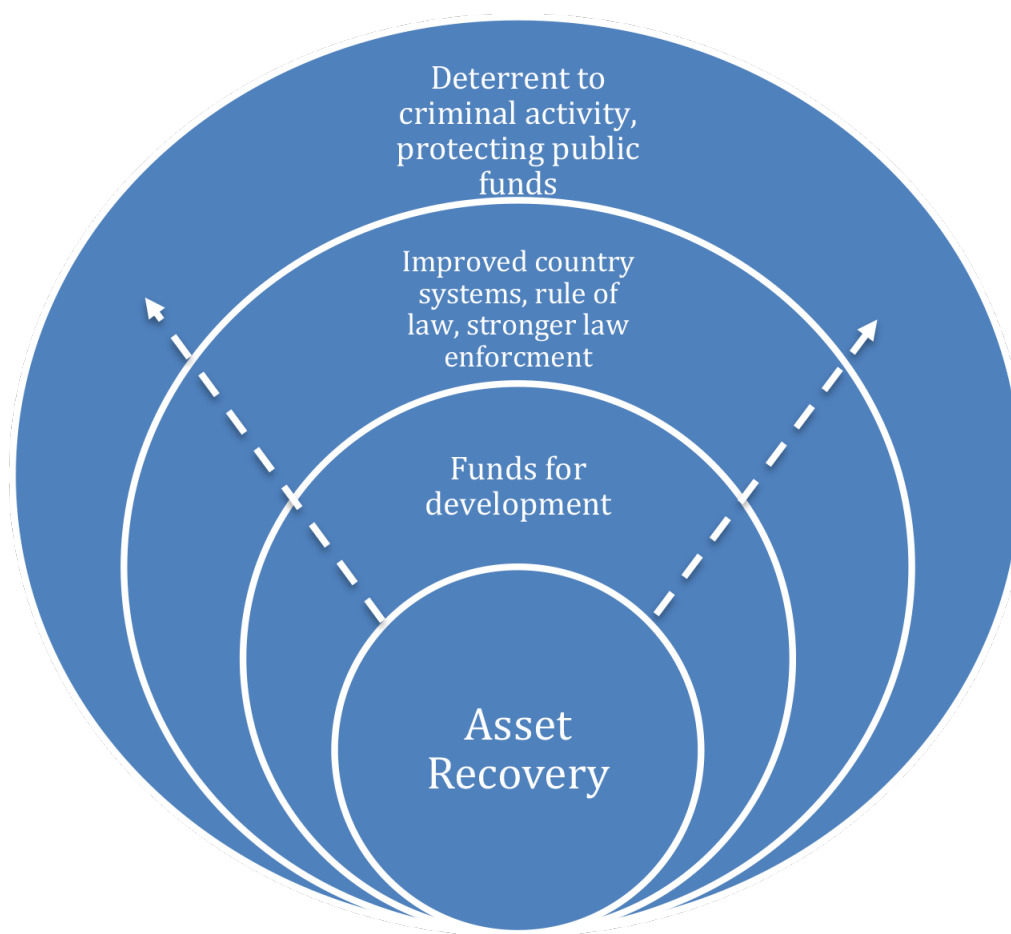


Figure 2: Direct and indirect effects of asset recovery. Source: ICAR, 2018.

What is more, weak governance and financial crime is a critical impediment to all SDGs. This is recognised by the Pathfinders for Peaceful, Just and Inclusive Societies initiative, which treats SDG 16 ("Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels") as cross-cutting to all the goals.¹⁶

In line with that, and while asset recovery is a specific objective of the SDGs itself in target 4 under SDG 16, it is critical to recognise that efforts of developing countries

¹⁶ New York University Center on International Cooperation. n.d. "Peaceful, Just and Inclusive Societies." Accessed 20 May 2019. <https://cic.nyu.edu/programs/sdg16plus>

to recover stolen assets can promote development beyond providing funds for development. In the following we give examples of how corruption impedes SDGs and how asset recovery can contribute to reducing this impact and fostering the achievement of the SDGs across the board.

3.1 SDG 1 – No poverty

Assets stolen from the public by corrupt public officials and private individuals deprive the 650 million people living in extreme poverty of vital economic opportunities to break away from the vicious cycle of poverty. One out of five people in developing countries still lives on less than USD 1.25 a day, yet developing countries have been estimated to lose around USD 1 trillion a year in proceeds from crime.¹⁷ This links to the rationale behind SDG 10, which aims to reduce inequalities.

3.2 SDG 3 – Good health and well-being

The health sector, covering both human capital and infrastructure, is rightly at the core of SDG 3. Helping countries recover stolen assets that can be reinvested in health and well-being is obviously an important endeavour.

Recovering assets stolen through drug theft illustrates how asset recovery can support countries in meeting SDG 3. As an example of the magnitude of the challenge, Malawi's Minister of Health was quoted in 2015 as saying: "It is disheartening to note that the government is losing a lot of money due to drug theft by the people government entrusted with the responsibility of taking care of the lives of people."¹⁸ This was stated against the backdrop of Malawi, with a per capita income of USD 1,180 per year, allegedly losing around USD 24.7 million annually due to drug theft.

3.3 SDG 8 – Decent work and economic growth

Sectors in which illicit activities take place are often informal or areas of weak governance and regulation. Indeed, most if not all forms of serious crime are fuelled by money and many of them generate (typically illicit) funds. By way of example, human trafficking and forced labour (SDG 8, in particular indicator 8.7) are only possible because the organised crime networks operating in this field can launder the generated proceeds. Bribery is an essential tool in the hands of traffickers to make customs or factory inspectors turn a blind eye, and many other such corrupt acts are needed to cover up and hide the trafficking activity.

Due to the importance of financial flows in this type of crime, taking an asset recovery approach can have a significant impact. Tracing assets can help identify the perpetrators at the highest echelons of the crime networks involved, which is known to be significantly more effective in disrupting the trade than arresting small operatives. This has been widely recognised and has recently resulted in

¹⁷ Reuter 2017.

¹⁸ Nyaka, Owen. 2016. "Drug theft: A serious threat to Malawi's health system." Aidspace. Published 8 February 2016, accessed 20 May 2019. http://www.aidspace.org/gfo_article/drug-theft-serious-threat-malawi%E2%80%99s-health-system.

the creation of the Liechtenstein Initiative for a Financial Sector Commission on Modern Slavery and Human Rights, which highlights the crucial role of the financial sector in detection and tracing.¹⁹

In addition, and similar to any form of crime requiring or generating large sums of assets, when the proceeds of human trafficking and similar crimes are frozen and recovered, the incentive for perpetrating the crime is significantly reduced.

The same logic can be applied to other SDGs that target serious and organised crime.

3.4 SDG 9 – Industry, innovation and infrastructure

Infrastructure deficits have had a crippling effect on developing countries' economic growth and development prospects for decades. In some low-income African countries, it has cut business productivity by 40 percent.²⁰ At the same time, infrastructure is one of the sectors most prone to corruption, where the proceeds of crime are siphoned away through opaque procurement systems suffering from bid rigging and other illegal practices. The World Economic Forum estimates that by 2030, "unless measures are introduced that effectively improve this situation, close to \$6 trillion could be lost annually through corruption, mismanagement and inefficiency" in the construction sector.²¹

Choking the flow of proceeds from crime through illicit asset freeze and confiscation can break the cycle of corruption and effectively disrupt the incentives for illegal practices in this sector, which is crucial to countries' development. One can easily also notice the links between asset recovery as a corruption deterrent and SDG 6 (Ensure availability and sustainable management of water and sanitation for all). As U4 notes: "Corruption in the [water and sanitation sector] generates 'water poverty' by reducing the quality and availability of services, with disproportionate and adverse effects on the poor and marginalised".²²

3.5 SDG 10 – Reduced inequalities

Today, the richest 10 percent of the world's population earn up to 40 percent of the total global income. Particularly notable is the increase in income inequality in developing countries by 11 percent between 1990 and 2010.²³ A compromised political and private elite, enjoying impunity for their illegal practices siphoning away vital development resources, is central to this phenomenon.

Asset recovery, and the steps it entails, can be an important deterrent to criminal activities and the related impunity criminals enjoy. As such, asset recovery can greatly contribute to reducing inequalities, particularly in developing countries.

¹⁹ <http://www.financialsectorcommission.org>

²⁰ Foster and Briceno-Garmendia 2010.

²¹ Matthews 2016.

²² Jenkins 2017.

²³ United Nations Development Programme. n.d. "Goal 10: Reduced inequalities." Accessed 20 May 2019. <https://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-10-reduced-inequalities.html>

Box 2: Improving public financial management and asset recovery in Peru

Through its county office and a financial contribution from the Swiss State Secretariat for Economic Affairs (SECO), ICAR supports Peru in enhancing public financial management at the subnational level. While the ultimate objective of the programme is to strengthen public financial management, and hence narrow down opportunities for inefficiencies and corruption in the public sector, its asset recovery component ensures that, should assets be stolen, Peru has the capacity and the international networks to trace, freeze, confiscate and return these assets to Peru.

ICAR has been central to building capacity and strengthening institutions in Peru to undertake asset recovery, notably by helping establish an asset recovery unit and advising on legislative reform. The returns on investment in the project are high as, with ICAR's support, Peru has so far been able to recover over USD 20 million.

Source: ICAR, 2018

4 Effective development cooperation in asset recovery to support the SDGs

Unlike traditional areas of development cooperation, ranging from humanitarian aid to agriculture development, asset recovery is often labelled as a highly technical niche within the broader anti-corruption sphere. This is also reflected by the limited number of outfits, such as the World Bank and UNODC's Stolen Asset Recovery (StAR) Initiative and ICAR, providing support to developing countries in this field.

Asset recovery forms part of the broader frameworks that countries have at their disposal to fight financial crimes and other forms of corruption. Dirty money flows to areas where weak regulations offer loopholes and opportunities for money laundering, all making asset recovery more difficult. This puts developing countries with weak and ineffective regulations at high risk. This is further exacerbated by the regulatory pressures that have mounted on traditional financial centres and tax havens, such as the first ever EU list of non-cooperative tax jurisdictions drawn up in 2017. These are likely to trigger further reforms in the financial centres under scrutiny, which may lead to agents of dirty money having to look for other jurisdictions with weak regulations.

While a globalised economy offers vast economic opportunities for development, its interconnectedness also creates more challenges for developing countries, which, through deficiencies in their regulatory frameworks, are weak spots in the global financial web. The EU's 5th Anti-Money Laundering Directive has a direct effect on this²⁴ by calling for strengthened monitoring of financial transactions involving high-risk third countries. As a result, developing countries with insufficient financial regulations may suffer from so-called de-risking, becoming wholly excluded from the EU financial system. This obviously has a detrimental impact on their development prospects. Countries can find other sources of financing, of course, but that is clearly a second-best solution to upgrading financial regulations.

Starting at the policy level, development cooperation can help countries prepare themselves for tougher due diligence on the part of their financial counterparts in more advanced economies. The European Commission will regularly update its list of non-EU countries with deficient anti-money laundering regimes, building on what was established by the FATF.

This international pressure can be used as an engine for domestic reform. In Malawi, for example, while the country was preparing for its recent evaluation by the Eastern and Southern Africa Anti-Money Laundering Group, DFID's support through ICAR was used to gear up Malawian institutions for the evaluation. The process resulted in a new national money laundering and terrorism financing risk assessment of Malawi and the implementation of tangible reforms including improved inter-agency reporting lines and cooperation. Having such reforms reflected in the demanding

24 PWC Compliance FS Blog. 2018. "The European Parliament adopts the 5th Anti-Money Laundering Directive." Published 2 May 2018, accessed 20 May 2019. <https://blogs.pwc.de/compliance-fs/aktuelles/the-european-parliament-adopts-the-5th-anti-money-laundering-directive/712/>

FATF and FAFT-style mutual evaluations is critical in preventing de-risking by investors from responsible investment destinations.

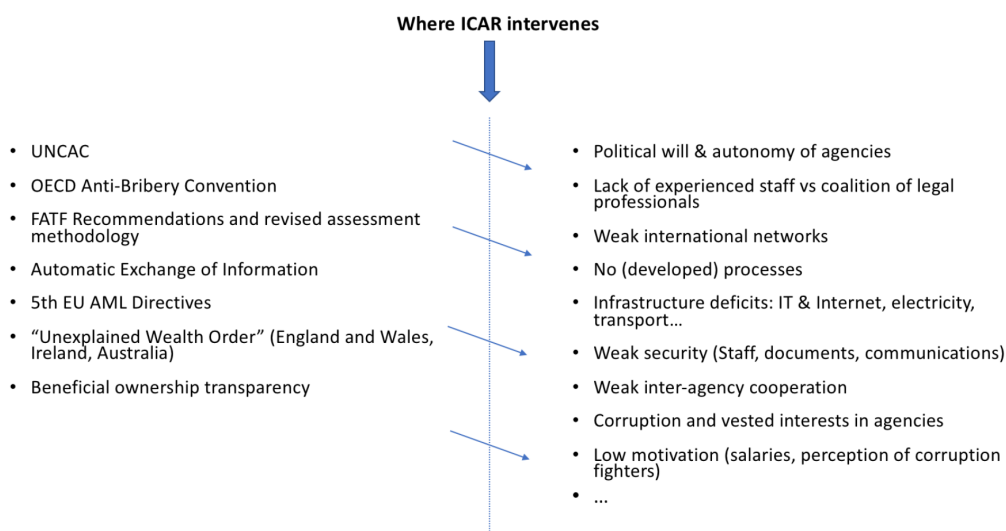


Figure 3: Bridging international requirements and local realities. Source: ICAR, 2018

At a more practical level, development cooperation can help integrity institutions become better organisations with more technical capacity, clear processes, adequate infrastructure and financial resources to fulfil their mandates. Assistance can thus help bridge a gap between ambitious international agreements and local realities in developing and least developed countries.

In Tanzania, for instance, the Swiss Development Cooperation supports the Preventing and Combating of Corruption Bureau with international expertise to build its investigative capacity, while also helping to develop an international function that will be key in interacting with international jurisdictions in the implementation of mutual legal assistance and other forms of complex cross-border cooperation. Figure 3 illustrates typical areas where ICAR, an example of a technical asset recovery outfit financed by development partners, assists developing countries.

5 Measuring development impact through asset recovery efforts

Development cooperation has a wealth of experience in measuring the impact of technical assistance programmes. Different sectors and actors in the broad realm of development cooperation have developed their specific expertise. For example, the International Finance Corporation²⁵ is a leader in systems that measure impact in private sector development, while the German government has set up DEval,²⁶ an agency solely focused on evaluating Germany's development interventions. These initiatives are derived from sectoral expertise. As such, the experience countries have had in strengthening asset recovery systems can also usefully inform measurements of development impact through anti-corruption initiatives.

Figure 1 reminded us of the different levels comprising an asset recovery system. Breaking it down into levels of intervention, ICAR, together with its development partners in the context of asset recovery projects in developing and transition countries, has identified three broad categories of activities now illustrated in Figure 4:

- Capacity and resources for asset recovery in law enforcement institutions (micro-level).
- Inter-agency mechanisms and cooperation – domestic and international (meso-level).
- Legal and regulatory framework for asset recovery (macro-level).

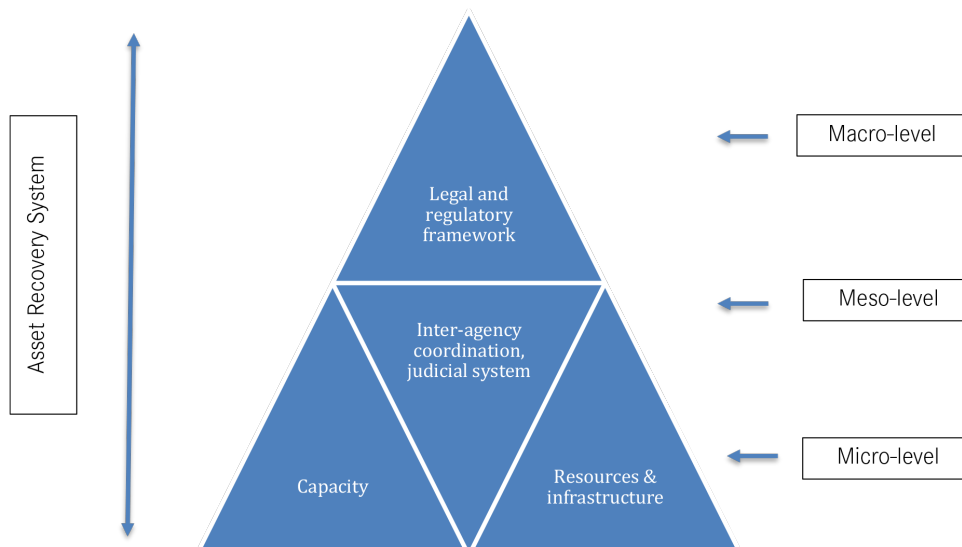


Figure 4: Levels of intervention for a strengthened domestic asset recovery system. Source, 2018

25 International Finance Corporation. n.d. "IFC's Development Impact: Learning from results, adding value for clients." <https://www.ifc.org/wps/wcm/connect/cbe0198041562db693bdb39e78015671/Development+Impact+FACTSHEET+FINAL.pdf?MOD=AJPERES>

26 Centre for Public Impact. 2016. "German Institute of Development Evaluation (DEval)." Accessed 20 May 2019. <https://www.centreforpublicimpact.org/case-study/german-institute-development-evaluation/>

While the individual categories and levels can be adjusted with technical details, such a perspective shows how asset recovery systems require holistic approaches. No single level can develop the system effectively without the others. This interplay will also greatly depend on the local context. For example, the approach taken to support capacity development in the Prevention and Combating of Corruption Bureau in Tanzania, with its 1,000+ staff across the country, will be different from the one applied to the Anti-Corruption Bureau of Malawi, which has less than 100 staff.

Based on these categories, one can derive both qualitative and quantitative indicators that aim to measure whether the different activities lead to the expected outcomes. Here, it is important to have a mix of qualitative and quantitative indicators, as no one number can provide a meaningful indication of development impact. It is in this regard that development cooperation monitoring and evaluation tools can be matched with road-tested instruments used in legal practice, such as case management systems. Through these, for instance, stagnant corruption cases can easily be spotted and remedial measures put in place. ICAR has developed a dynamic case progress chart that tracks progress in the different cases on which ICAR provides advice. Inserting these figures into a results framework along with qualitative indicators can provide powerful asset recovery and development measurements. This is one example of how sectoral expertise can help strengthen development impact measurement tools.

Results frameworks that manage to capture increased capacity and resources in institutions key to supporting the rule of law, matched with indicators of enhanced inter-agency communication – such as through established mechanisms for intelligence sharing and standard operating procedures for mutual legal assistance requests – and proof of improved laws and effective regulations would all support evidence for development impact through assistance in asset recovery. Such results frameworks will of course depend on the local contexts, but the approach outlined above can be useful in making sure the monitoring and evaluation systems applied to asset recovery projects can be used to demonstrate development impact.

If all the steps involving asset recovery are supported effectively, alignment with broader development goals can be ensured, country ownership strengthened and results managed – all core elements of the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008).²⁷ These efforts will go a long way in providing better access to justice for all and in building accountable and effective institutions, which are vital centrepieces for social and economic progress and core to the SDGs.

27 <https://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>

6 Creating soft assets and recovering hard assets for development

Achieving the SDGs is a daunting endeavour for all countries. A UN report estimated the investment gap to finance the SDGs in developing countries at USD 2.5 trillion per year.²⁸ As such, there are urgent calls to mobilise more public and private funds towards meeting the SDGs. After the critical first step, which is to provide leadership, the UN calls for a re-orientation of private markets towards SDG sectors to channel private investment into SDG sectors and minimise the risk of investment in SDGs.²⁹

All these steps assume that assets, both public and private, are not misused. Protecting assets, making it more difficult to engage in criminal activities and to siphon away proceeds of crime, and ultimately helping countries recover stolen assets, all contribute to the steps highlighted above.

This note aims to provide a lens through which efforts to recover stolen assets and to meet the SDGs can be perceived simultaneously and as mutually reinforcing. The groundwork undertaken in support of asset recovery goes a long way in helping countries meet their SDGs, first by building up the soft assets, and ultimately return the hard assets to be invested in the SDGs.

28 UN Conference on Trade and Development. 2014. "Developing countries face \$2.5 trillion annual investment gap in key sustainable development sectors, UNCTAD report estimates." Press release issued 24 June 2014, accessed 20 May 2019. <https://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=194>

29 UN Conference on Trade and Development. n.d. "Financing for SDGs". Accessed 20 May 2019. <http://worldinvestmentforum.unctad.org/financing-for-the-sdgs/>

References

- Foster, Vivien and Cecilia Briceno-Garmendia. 2010. "Africa's Infrastructure, a Time for Transformation." Africa Development Forum. World Bank. <https://openknowledge.worldbank.org/handle/10986/2692>
- International Centre for Asset Recovery. 2011. "Development assistance, asset recovery and money laundering: making the connection." Basel Institute on Governance. <https://www.baselgovernance.org/publications/development-assistance-asset-recovery-and-money-laundering-making-connection>
- Jenkins, Matthew. 2017. "The impact of corruption on access to safe water and sanitation for people living in poverty." U4 Anti-Corruption Resource Centre, Chr. Michelsen Institute (U4 Helpdesk Answer 2017:6). <https://www.u4.no/publications/the-impact-of-corruption-on-access-to-safe-water-and-sanitation-for-people-living-in-poverty>
- Kurul, Zühal, and A. Yasemin Yalta. 2017. "Relationship between institutional factors and FDI flows in developing countries: new evidence from dynamic panel estimation." *Economies* 2017, 5, no. 2:17. doi:10.3390/economies5020017
- Marshall, Andrew. 2013. "What's yours is mine: New actors and new approaches to asset recovery in global corruption cases." CGD Policy Paper 18 (April). <https://www.cgdev.org/publication/what%E2%80%99s-yours-mine-new-actors-and-new-approaches-asset-recovery-global-corruption-cases>
- Matthews, Petter. 2016. "This is why construction is so corrupt." World Economic Forum. <https://www.u4.no/publications/the-impact-of-corruption-on-access-to-safe-water-and-sanitation-for-people-living-in-poverty>
- OECD. 2014. "CleanGovBiz: Integrity in action." <https://www.oecd.org/cleangovbiz/49693613.pdf>
- OECD. 2015. Policy Framework for Investment. OECD Publishing. <http://dx.doi.org/10.1787/9789264208667-en>
- OECD. 2018. Development Cooperation Report. Paris: OECD Publishing. <https://doi.org/10.1787/20747721>
- Pieth, Mark, and Fritz F. Heimann. 2017. *Confronting Corruption – Past Concerns, Present Challenges, and Future Strategies*. Oxford University Press.
- Reuter, Peter. 2017. Illicit Financial Flows and Governance: The Importance of Disaggregation. World Development Report Background Paper. World Bank. <https://openknowledge.worldbank.org/handle/10986/26210>
- Swiss Federal Department of Foreign Affairs. 2017. "No Dirty Money: The Swiss Experience in Returning Illicit Assets." Federal Department of Foreign Affairs, Switzerland. https://www.eda.admin.ch/dam/eda/en/documents/aussenpolitik/voelkerrecht/edas-broschuere-no-dirty-money_EN.pdf

Transparency International. 2015. "Ending corruption, ending poverty – how will the SDGs measure up?" Published 24 September 2015, accessed 20 May 2019. <http://blog.transparency.org/2015/09/24/measuring-corruption-to-end-poverty-2/>

UN Sustainable Development Group. 2018. "Unlocking SDG Financing: Findings from Early Adopters." Accessed 20 May 2019. <https://undg.org/document/unlocking-sdg-financing-findings-from-early-adopters/>

