



StAR

World Bank and UNODC

PROGRESS REPORT

JULY 2009

EXECUTIVE SUMMARY

The Report seeks to provide information on the progress made by the joint World Bank-United Nations Office on Drugs and Crime StAR Initiative since the first technical briefing in June 2007 and StAR's official launch in September that year.

StAR addresses governance as an international public good, arguing that corruption has to be tackled through international cooperation and collective action. StAR supports international efforts to deter illicit flows of the proceeds of corruption and facilitate asset recovery across a broad front. The work program combines policy analysis, the development of knowledge products and capacity building, whilst simultaneously developing a portfolio of country programs that can deliver results on the ground.

StAR has frontloaded much its policy analysis in order to contribute to international debate on regulatory reforms in the international financial system in the wake of the financial crisis. Responding to the priorities identified in the G20's endorsement, StAR will review and propose mechanisms to strengthen international cooperation around asset recovery, the enforcement of standards related to the identification of beneficial ownership and monitoring of politically exposed persons. StAR is currently undertaking analytical work to develop policy recommendations and tools in each of these areas. Alongside these cross-cutting policy issues, StAR has launched a study of fifteen key financial centers aimed at identifying barriers to asset recovery and presenting recommendations aimed at facilitating the asset recovery process.

StAR has also accelerated the development of knowledge products, responding to priorities expressed by practitioners and policy bodies, including UNCAC's Asset Recovery Working Group. These products seek to share international experience in asset recovery and promote innovation. StAR published a Guide to Non-Conviction Based Forfeiture in April 2009. This presents international experience on the design and implementation of NCB regimes. StAR has also started work on an Asset Recovery Handbook and a Good Practice Guide to Income and Asset Declaration, as well as tools to support practitioners, including a legal library and a Mutual Legal Assistance writer tool.

So far over 150 participants from 13 different countries have participated in StAR's introductory workshops and 190 participants from 9 different countries have participated in StAR training courses. Additional, tailored courses have been delivered in partner countries. StAR has developed a training package and contracting arrangements that will facilitate further expansion of training activities.

StAR is working closely with bilateral partners and key international institutions such as FATF and the OECD in the development and implementation of its work program. At an operational level StAR has established a secure Focal Point database in collaboration with INTERPOL to facilitate timely information exchange on asset recovery operations. StAR is exploring how to support the development of regional networks to facilitate communication and cooperation on asset recovery issues.

StAR has received requests for assistance from seventeen countries and is actively engaged with seven. These include countries that have requested: assistance on a specific high profile case; support for an active anti-corruption program where the authorities are pursuing corruption cases; or advice the development of an asset recovery program as part of a broader anti-corruption strategy. Much of StAR's country engagement has been in the role of honest broker to facilitate collaboration between partner countries. StAR has also had success in developing the capacity of asset recovery teams and assisting countries prepare mutual legal assistance requests.

While StAR's country engagement may contribute to some asset recoveries by the end of 2010, StAR expects to deliver early results in the area of deterrence through its work on the international policy agenda. By focusing the attention of policy makers, regulators, supervisors, banks and service providers on the risks associated with the proceeds of corruption and promoting more effective supervision, StAR will help curtail safe havens for corruption.

The governance and management arrangements for StAR have been put in place with establishment of the joint Secretariat in mid-2008, the approval of StAR's governance arrangements and work plan in November 2008 and the activation of StAR's multi-donor trust fund in December 2008. The work plan lays out a program of activities through to end 2010, financed by contributions from Norway, Switzerland, Sweden, France and the United Kingdom. An independent evaluation is scheduled for mid 2010. This will inform management decisions as to whether the StAR Initiative should continue, and if so whether adjustments are needed in the initiative's strategic direction, governance and implementation arrangements.

A. INTRODUCTION

1. The Stolen Asset Recovery Initiative (StAR) was formally launched on September 17, 2007 in New York City at an event chaired by the UN Secretary General Ban Ki-Moon. The present Progress Report seeks to provide an update on the work undertaken and achievements of the StAR Initiative since its launch.

2. The foundations for the StAR Initiative were laid in 2007 and early 2008, when StAR initiated its country engagement in response to requests for assistance, first from Bangladesh and then from Indonesia, and launched a program of analytical work, starting with the preparation of a guide on non-conviction based forfeiture. Since then StAR's activities have steadily gathered pace, notably so after the establishment of the joint Secretariat in mid-2008, the approval of StAR's governance arrangements and work plan in November 2008 and the activation of StAR's multi-donor trust fund in December 2008. StAR is now actively engaged across the range of activities identified in the action plan presented in the original StAR report. Indeed, StAR is working on a significantly broader front and larger program than originally foreseen.

3. Over this period, international support for the asset recovery agenda and the StAR Initiative has continued to strengthen. Box 1 highlights recent endorsements and commitments at international events. The emphasis on the links between StAR and the broader international dialogue on reforms aimed at strengthening the integrity of the international financial system have been reinforced by the recent financial crisis, which have shone a spotlight on the need for better regulation and transparency. StAR particularly welcomes the active participation of officials from the major financial centers in the its program of policy analysis and the development of knowledge products, signaling an interest in this agenda among law enforcement agencies and officials as well as among policy makers. Equally important is the growing interest of developing countries in the StAR Initiative, as reflected in the demand for training, access to knowledge products and the steadily increasing numbers of countries requesting assistance.

4. StAR seeks to support international efforts to deter illicit flows of the proceeds of corruption and facilitate asset recovery across a broad front. The work program combines policy analysis, the development of knowledge products and capacity building, while simultaneously developing a portfolio of country programs that can deliver results on the ground. The balance between these activities has shifted over the last two years.

5. StAR has sought to take advantage of the opportunities created by international debate on the financial sector regulatory reforms in the wake of the international financial crisis. StAR faces a unique opportunity to raise awareness and advance the reforms that will help deter flows of the proceeds of corruption and facilitate asset recovery. StAR's policy analysis has been front-loaded so that the products can contribute to on-going discussions, focusing on the measures identified as priorities by the G20.

BOX 1: INTERNATIONAL SUPPORT FOR STAR AND ASSET RECOVERY

"Donors will take steps ... to track, freeze, and recover illegally acquired assets." Accra Agenda for Action, September 2008.

"...we support the efforts of the World Bank - UN Stolen Asset Recovery (StAR) Initiative" G20 Summit on Financial Markets and the World Economy, Washington DC, November 2008.

"Additional measures should be implemented to prevent the transfer abroad of stolen assets and to assist in their recovery and return ... we note the efforts of ... the Stolen Asset Recovery Initiative and other relevant initiatives". Conference on Financing for Development, Doha, December 2008.

"We reiterate our support for the World Bank – UN Stolen Assets Recovery Initiative (StAR) to champion the recovery of assets stolen from developing countries. The systematic enforcement of FATF standards with respect to the identification of beneficial ownership and the enhanced monitoring of Politically Exposed Persons would have a significant deterrence effect on corruption and make it easier to detect and deter the flow of proceeds of corruption. We also ask the World Bank to review and develop mechanisms for strengthening global cooperation." G20 Working Group Report, Reinforcing International Cooperation and Promoting Integrity in Financial Markets, London, April 2009.

6. Similarly, StAR has sought to accelerate the preparation of its knowledge products. This responds to the demand identified by practitioners for handbooks and guides that systematize international experience and good practice on asset recovery, practical tools and guidance on the implementation of UNCAC's asset recovery provisions. The September 2008 meeting of the Open-ended Intergovernmental Working Group on Asset Recovery, established by the Conference of the States Parties to the United Nations Convention against Corruption, stressed that sharing of information and knowledge on the asset recovery was a priority. StAR has sought to respond by scheduling several of its knowledge products for delivery at the November 2009 UNCAC Conference of States Parties.

7. Consequently StAR's budget to the end of 2010 is skewed towards policy analysis and knowledge products, with about forty percent of StAR's programmed resources allocated to these tasks. The remaining sixty percent of the overall budget is split equally between capacity building activities and support for countries' asset recovery programs. The balance between these activities is expected to shift again during the course of 2010, as the policy analysis and knowledge products are delivered and the portfolio of country work gradually expands.

8. StAR has sought to manage expectations and align them with the work program. The initial StAR report of June 2007 placed considerable emphasis on StAR's potential development impact through contributions to development finance. This reflects the substantial recoveries in a few high profile cases, notably the experience of the Abacha, Marcos and Montesinos cases. The initial report also acknowledges that StAR can have a significant deterrent effect by transmitting the signal that there is no safe haven for stolen assets.

9. StAR's country engagement may contribute to some asset recoveries by the end of 2010, though, based on the existing portfolio of cases, the amounts that are likely to be recovered are relatively modest. Nevertheless, progress on these cases has a signaling effect. So too does the launch of new asset recovery initiatives, particularly so in countries that have been unable to bring prominent corruption cases to judgment in the past. In these countries, the launch of an investigation, the sending of a letter of request for legal assistance and the freezing of assets are all indicators of success in the fight against corruption. Prospects for returns are likely to improve in the medium-term, as countries gain experience and put in place the institutional and legislative frameworks needed to facilitate recovery.

10. StAR's efforts to raise awareness around the proceeds of corruption and support for asset recovery in the international arena are equally important. If these efforts help focus the attention of policy makers, regulators, supervisors, banks and service providers on the risks associated with the proceeds of corruption and improve the effectiveness of supervision then StAR will have contributed to curtailing access to safe havens for corruption.

11. This agenda is in line with StAR's place in the Bank's overall Governance and Anti-Corruption Strategy and UNODC's Medium-Term Strategy. StAR addresses governance as an international public good, arguing that corruption has to be tackled through international cooperation and collective action. StAR is engaged with the broader GAC activities within the Bank, notably through its collaboration with governance teams in managing country engagement, and with the UNODC Strategic Themes Rule of Law and Prevention of Corruption. The work program of the StAR Initiative takes into account the recommendations of the Open-ended Intergovernmental Working Group on Asset Recovery established by the Conference of the States Parties to the United Nations Convention against Corruption.

12. The report provides an overview of progress in relation to StAR's policy analysis (Section B), knowledge products (Section C), networks and capacity building (Section D), country engagement (Section E), work with stakeholders (Section F) and implementation arrangements and financing (Section G). Readers are encouraged to consult StAR's website <http://www.worldbank.org/StAR> for additional information.

B. POLICY ANALYSIS

13. The UN Convention against Corruption (UNCAC) provides the international legal framework underpinning international collaboration in anti-corruption activities and asset recovery. StAR encourages and promotes the ratification, domestication and implementation of the Convention. There is still considerable work to do in this area. Although there now 140 signatories and 136 States Parties to the Convention, five of the G20 countries have yet to ratify: Germany, Italy, Japan, India and Saudi Arabia. Many of the countries that have ratified have yet to fully incorporate the convention into domestic legislation and put in place robust implementation arrangements.

14. StAR is working on a number of tools to promote and support the implementation of Chapter V. These include support to the development of the mechanism for the review of implementation of UNCAC, focusing on the convention's asset recovery provisions.

BOX 2: ASSET RECOVERY AND THE TAX AGENDA

Throughout the process leading up to the April 2009 G20 summit, StAR has sought to distinguish the proceeds of corruption and asset recovery agendas from the on-going policy debate with regard to tax havens and tax information exchange. While StAR and the tax agendas share a common interest in improving transparency, international cooperation and lifting of banking secrecy, there are important differences at a policy and operational level.

The fundamental distinction is that the curtailment of tax evasion will primarily benefit OECD countries whereas asset recovery will primarily benefit developing countries. The tax evasion agenda centers on information exchange between tax authorities: asset recovery requires collaboration between a much broader range of actors both in developed and in developing countries including financial supervisors, financial intelligence units, law enforcement and the judiciary. Similarly, while the tax evasion agenda focuses on the taxable entity, asset recovery focuses on the natural person who ultimately controls the assets, the beneficial owner (who may well pay tax on the proceeds of corruption).

For these reasons, more stringent measures to address tax evasion may provide some assistance to the efforts to curtail flows from the proceeds of corruption but solutions will ultimately require distinct policy measures involving a different group of institutions.

StAR is working on development of a comprehensive, software-based self-assessment tool which will make it possible to gather information on the implementation of the Convention against Corruption and needs for technical assistance for the implementation. UNODC has further developed a pilot review project and is conducting voluntary pilot reviews in 29 countries, based on a peer review methodology. This experience will help inform the design of UNCAC's permanent monitoring mechanism. StAR is also preparing country-level and cross-cutting analytical reports on the status of implementation of the asset recovery provisions. These reports will help countries identify where they need technical assistance to support UNCAC implementation. They will also help identify areas where StAR may be able to provide policy analysis and tools to assist countries' implementation efforts, notably as regards the alignment of domestic legislation with UNCAC provisions.

15. StAR's work plan has been geared so that many of the products will be delivered in time for the November 2009 fourth Conference of States Parties. The COSP provides an opportunity to reach the widest possible audience and maintain the focus on asset recovery as one of the Convention's most innovative provisions.

16. Notwithstanding UNCAC's role as a vehicle for reform, the international financial crisis has created new opportunities and windows for StAR to raise awareness on the need to tackle the proceeds of corruption. Following-up on StAR's endorsement in November G20 Summit Communiqué, the Secretariat has worked through the G20 process to secure a mandate to work on key policy issues. As a result of these efforts, the recommendations of Working Group 2 published at the April G20 Summit reiterate the G20's endorsement and task the World Bank with the review and proposal of mechanisms to strengthen international cooperation around asset recovery, the enforcement of standards related to the identification of beneficial ownership and monitoring of politically exposed persons. StAR hopes that this work will contribute the

Financial Action Task Force's (FATF) preparations for the next round of Anti-Money Laundering / Counter Financing of Terrorism (AML/CFT) mutual evaluations to be launched in 2011. In particular, StAR is focusing on effective implementation of the corruption-related FATF recommendations.

17. To this end, StAR is currently undertaking analytical work to develop policy recommendations and tools in each of these areas:

- A study of the Global Architecture for Asset recovery is mapping out the roles and functions of national and international bodies engaged in asset recovery in order to identify gaps, overlaps and potential areas for collaboration. The preliminary results of this analysis highlight the central role of law enforcement in the asset recovery process and the benefits of dedicated law enforcement teams in financial centers who can follow-up on foreign corruption-related cases.
- A study on Politically Exposed Persons (PEPs) is reviewing how different jurisdictions implement PEPs requirements and how financial institutions and supervisors can foster the effective implementation of enhanced scrutiny on PEPs. Drawing on experience, this product seeks to identify mechanisms for improving international practice.
- A systematic, evidence-based survey of how Corporate Vehicles are misused for illicit purposes will generate policy recommendations and a practical, applied guide as to how authorities can improve access to information on beneficial ownership of corporate vehicles.

18. Alongside these cross-cutting policy issues, StAR has launched a study of fifteen key financial centers aimed at identifying barriers to asset recovery and presenting recommendations aimed at facilitating the asset recovery process. The study is being undertaken with practitioners from each of the participating jurisdictions and is expected to lead to specific recommendations for facilitating the asset recovery process at the country level. The study will also identify practices and recommendations that are relevant across jurisdictions and provide insights as to how the performance of institutions engaged in asset recovery can be strengthened.

19. Following-up on the commitment made by donor countries in the context of the Accra Agenda for Action in September 2008 to support asset recovery, the StAR Secretariat, working with OECD DAC, launched a reporting exercise in May 2009. This exercise seeks to quantify the number, origin and status of asset recovery actions in OECD jurisdictions that have originated from corruption cases in developing countries. The data set does not lend itself to cross-country comparisons but it should provide, for the first time, a rough measure of the level of overall activity and structure of asset recovery at a global level. The data will also help quantify the relative importance of the various channels through which asset recovery cases are generated, in particular the extent to which cases are identified by the financial centers where the assets have been hidden.

20. Following discussions at the Friends of StAR meeting in February 2008 (see Box 6), the Secretariat explored the feasibility of developing an ease of recovery index as a means of measuring and comparing countries' capability to return assets, along the lines

of the *Doing Business* report. The Secretariat determined that it would be premature to launch such an exercise. The asset recovery reporting exercise and the barriers to asset recovery study may provide information needed to reassess the feasibility of the ease of recovery index at a later date.

C. KNOWLEDGE AND INNOVATION

21. StAR has focused on practical tools in response to a priority identified by practitioners, who have highlighted the need for “how to” guides and supporting information systems. StAR has also sought to use these guides as a means of promoting innovation, by sharing information on international best practice and the tools and techniques used in a range of jurisdictions. The development of knowledge products also serves to strengthen credibility of the StAR Initiative and provides tools for StAR to support its work with national authorities.

22. StAR seeks to involve a wide-range of practitioners, from diverse professional backgrounds, regions and legal traditions, in the preparation of its knowledge products. While this participatory approach increases production costs, given the need to convene international meetings, it helps ensure that products reflect international experience and identify good practices. Investments in consultation during the design and preparation of StAR products also facilitate subsequent dissemination by involving a wider range of partners.

23. StAR published its first substantial knowledge product, the *A Good Practices*

BOX 3: STAR POLICY ANALYSIS AND KNOWLEDGE PRODUCTS

ASSET RECOVERY POLICIES

- Global Architecture for Asset Recovery (Bank-managed, Delivery in July 2009)
- Politically Exposed Persons (Bank-managed, October 2009)
- Misuse of Corporate Vehicles (Bank-managed, April 2010)
- Lowering the Barriers to Asset Recovery (October 2010)

HANDBOOKS FOR PRACTITIONERS

- Non-Conviction Based Asset Forfeiture Guide (Bank-managed, April 2009)
- Proceeds of Corruption: Managing Asset Return (Bank-managed, July 2009)
- Asset Recovery Handbook (Bank-managed, October 2010)
- Good Practice Guide on Income and Asset Declaration (Bank-managed, September 2009).

TOOLS FOR PRACTITIONERS

- Legal Library on Asset Recovery (UNODC-managed, October 2009 and continuous)
- Reporting on UNCAC Implementation (UNODC-managed, October 2009)
- Mutual Legal Assistance (MLA) Request Writer Tool (UNODC-managed, October 2009)
- GoATR - UNODC's Asset Tracking and Recovery Software Solution (UNODC-managed, Feasibility Study Underway).
- Knowledge Consortium (UNODC-managed, October 2009 and then continuous)

Guide to Non-Conviction Based Asset Forfeiture, in May 2009. The Guide presents international experience on the design and implementation of NCB regimes. NCB Forfeiture is a tool that allows law enforcement to pursue the recovery of assets in those cases where a conviction cannot be secured but there is enough evidence to demonstrate the tainted nature of the assets. The Guide describes how this innovation can be adapted for countries with a variety of legal and institutional arrangements. StAR is following up with presentations at major international events, such as the UNCAC Asset Recovery Working Group, to promote awareness of the NCB tool and will provide training and advisory services for countries that are interested in implementing NCB regimes.

24. StAR has launched work on an Asset Recovery Handbook, which will provide guidance to practitioners at each stage of the asset recovery process. The Handbook will be StAR's "flagship" product: a reference work consolidating experience from and reflecting the requirements of key jurisdictions representing a range of legal traditions and institutional arrangements. Designed as a practical tool, the Handbook will provide a quick-reference text which highlights good practices in core areas, such as investigative techniques, following the "money trail", initiating judicial proceedings, case management and obtaining international legal assistance/cooperation. An international panel of experts, meeting for the first time in May 2009, will advise on the handbook's design and content.

25. StAR is developing electronic tools for practitioners working on asset recovery cases. These include a legal library of legislation and jurisprudence relevant to asset recovery. Access to up-to-date information on partners' legal framework is essential to both requesting and responding countries when drafting and dealing with mutual legal assistance requests. The legal library has been linked to the UNCAC monitoring as a means of facilitating updating and the team is also exploring collaboration with some of the commercial legal libraries.

26. StAR is also working on electronic tools to help practitioners manage the asset recovery process, with UNODC's information technology team taking the lead. The first tool is an upgraded Mutual Legal Assistance Request Writer Tool. The MLA Request Writer guides practitioners through each step in the drafting of a mutual legal assistance request. The software uses checklists to prompt the entry of the information necessary for the requested State to execute the request. The second, currently undergoing a feasibility assessment, is GoATR, an asset tracking and recovery software solution. The software supports agencies involved in the identification, restraint, management, forfeiture, recovery and realization of criminally-derived or stolen assets.

27. In addition to the tools for practitioners working specifically on asset recovery, StAR is working on products that seek to link the asset recovery agenda to the broader governance programs supported by the Bank and UNODC. The StAR Secretariat is developing a Good Practice Guide to Income and Asset Declaration, in collaboration with the Bank's governance teams. The Guide will distill the experience of developed and developing countries and highlight successful approaches by practitioners in the use of these systems for the prevention and detection of corruption. This responds to requests from practitioners at the country level and Bank teams who have expressed concern that the substantial investments in the establishment of income and asset declaration systems have not always delivered the desired results. From StAR's perspective, income and

asset declaration systems can provide a useful tool to support the prosecution of corruption cases and can provide a resource for financial institutions when identifying politically exposed persons. The Guide will explore these linkages.

28. StAR's potential role in helping countries monitor the use of returned assets featured prominently in the StAR report published in 2007. StAR is currently preparing a technical guidance note to help policy makers design arrangements for the management of returned assets that support their development objectives. The guidance note starts from the principal enshrined in UNCAC Article 57 that the proceeds of embezzlement and money laundering resulting from corruption should be returned to the requesting country without condition. However, the guidance note recognizes that countries may have an interest in putting in place enhanced governance arrangements to address concerns regarding transparency and accountability that may arise for political economy reasons. The guidance note also acknowledges that the development of enhanced governance arrangements may facilitate the return of funds in foreign bribery cases where the repatriation requirement is not always clear cut. By demonstrating that returned proceeds of corruption are used effectively, transparently and accountably, countries will help promote international cooperation in asset recovery and build confidence in the process. StAR will work with partner countries to support the development and monitoring of appropriate management arrangements where requested.

29. Alongside these products, StAR is also planning to undertake preliminary legal research to explore the implications of the international conventions and related national legislation for asset recovery. One of these studies explores the various avenues for application of Article 35 regarding compensation for damages, taking into account provisions in other international agreements and the scope for private litigation. This issue merits some analysis given recent initiatives by civil society organizations to freeze and recover assets on behalf of third parties. Another explores the treatment of proceeds of bribery in international conventions and the scope for restitution of these funds to national authorities in developing countries. This legal research may open avenues for further policy work.

30. StAR is piloting the development of a knowledge consortium, comprising knowledge made available by national and international institutions and civil society organizations that are engaged in asset recovery activities. The consortium will establish a virtual network, facilitating the exchange of information between agencies supporting the asset recovery agenda and facilitating contacts between practitioners. The consortium will also serve as a vehicle for collaboration between various stakeholders in the preparation of the various StAR knowledge products and policy studies.

D. NETWORKS AND CAPACITY BUILDING

31. Practitioners have stressed the importance of formal and informal networks in facilitating the asset recovery process. Networks provide an opportunity for practitioners to learn from peers, contribute to the creation of knowledge and develop common policy agendas. Networks also allow practitioners gain familiarity with each other's working methods, develop contacts in key jurisdictions and build trust. This facilitates the exchange intelligence on asset recovery matters, develops sources of information on the requirements for and follow-up on requests for mutual legal assistance.

BOX 4: TRAINING ON ASSET TRACING AND MUTUAL LEGAL ASSISTANCE

StAR's core training courses have been developed and implemented by the Basel-based International Center for Asset Recovery. The training includes a set of foundation lectures on: Mutual Legal Assistance (MLA), including use of UNODC's MLA writing tool; elements of money laundering and corruption crimes; and use of corporate instruments for money laundering purposes. The lectures on MLA generally include speakers from important financial jurisdictions in the region.

The center piece of the training program is a simulated corruption investigation that requires participants to use concepts learned in lectures and apply them to a complex financial investigation. Participants work in teams, drawn from various institutions. The exercise begins with information provided by a whistleblower. Leads then take the teams through a maze of financial transactions specifically designed to conceal and disguise the source, location, and ownership of the proceeds of corruption. Through their own initiative each team identifies and follows leads, which result in gathering of documentary evidence and hundreds of summarized bank records. The teams use a variety of investigative techniques to identify the witnesses and determine what evidence can be used to prove the elements of money laundering and corruption offences and to direct an asset recovery action.

StAR's experience to date points to the need to ground training in the reality of practitioners day-to-day work, drawing on the legal and institutional framework in which they operate and providing examples that match their experience. Training in abstract, where practitioners are not engaged in asset recovery cases is unlikely to lead to effective skills transfer. These conclusions point to the need to tie training courses to StAR's country engagement.

32. In order to assist the development of networks at an operational level, StAR has collaborated with INTERPOL in setting up a secure Focal Point database that allows law enforcement to identify contact points and share information on asset recovery round the clock. The database became operational in January 2009 and already has information from more than eighty countries. StAR is currently exploring the feasibility developing regional networks to support operational work, possibly following the CARIN model. CARIN (the Camden Asset Recovery Information Network) brings together mostly European asset recovery agencies to discuss case related and institutional issues.

33. StAR has financed provided a series of training workshops and courses in Africa, South Asia and East Asia. Training has been delivered at two levels: introductory workshops to raise awareness about asset recovery and more advanced training courses that drill down each of the technical aspects of asset recovery. Since its inception, over 150 participants from 13 different countries have participated in the introductory workshops and 190 participants from 9 different countries have participated in the training courses.

34. The introductory workshops have generally been held at a regional level to allow practitioners to share experience and develop contacts, including contacts in regional financial centers. These events are designed for higher level decision-makers who do not need extensive training on hands on asset recovery techniques and procedures.

35. The training courses seek to transfer skills to practitioners working on asset recovery cases, while also fostering team building and collaboration between the various institutions involved in the asset recovery process at the country level. The primary purpose of training courses is to teach participants how to identify, investigate and prepare asset recovery cases and follow through with mutual legal assistance requests. The didactic method is designed to promote interaction between practitioners within country, thereby fostering team-building, communication and understanding between institutions that may not have had much experience in working collaboratively (see Box 5).

36. During 2008 training activities were approved on a case-by-case basis, largely depending on the limited availability of Bank seed funds and co-financing. Following the approval of the work plan and activation of the StAR Trust Fund in December 2008 the Secretariat launched a tender process for a draw down contract that would facilitate the planning and delivery of courses. This tender process resulted in the contracting of the Basel Institute for Governance's International Center for Asset Recovery (ICAR).

37. In addition to the advanced training course, StAR has provided specialized training on specific topics or to specific groups, notably within the context of StAR's country engagement. For example, in April 2009, StAR provided a two day workshop for fifty judges, predominantly from the Supreme Court, but also from the Appeals courts and several courts of first instance. The workshop sought to explain how other jurisdictions use financial and expert witnesses and documentary evidence to establish a money trail in forfeiture cases, structure opinions including finding of fact and conclusions of law, and write forfeiture judgments. StAR continues to support these targeted training activities, delivered by Bank and UNODC staff with the assistance of practitioner experts from other jurisdictions.

E. COUNTRY ENGAGEMENT

38. The 2007 StAR report proposed that the initiative should develop pilot programs aimed at assisting helping countries recover stolen assets by providing legal advice and technical assistance. The report anticipated that StAR would initially work intensively with five or six countries, through a combination of short-term activities and longer-term institutional development. There were to be strict rules of engagement to manage the risks associated with providing support to national authorities' asset recovery efforts.

39. StAR has followed a demand-led approach to country engagement, responding to requests originating from the national authorities. Three countries requested assistance from StAR in the six months following the June 2007 Board Technical Briefing. Since then, the number of requests has expanded significantly and the pace has accelerated. A total of fifteen countries had submitted requests for assistance by May 2009, half of which have been received in the last six months.

40. Requests for assistance have been generated through a variety of channels. The Secretariat has publicized the Initiative through presentations at international events, such as the UNCAC Asset Recovery Working Group. Initial contacts have taken place with several countries on the margins of these events. The Secretariat has also publicized the Initiative internally within UNODC and the Bank, in the Bank's case through intranet

events and a series of meetings with the management teams of the Bank's Regional Vice-Presidencies. Field offices or country teams have been the original point of contact for a large and growing proportion of country requests, either through UNODC or the Bank. Several requests have originated from contacts through Bank or UNODC senior management. Financial centers have also taken the initiative in identifying countries where StAR assist countries in seeking the freezing, seizure and repatriation held in their jurisdictions. Follow-up with the national authorities has generated requests for assistance in several of these cases.

41. Specific guidelines for country engagement were put in place in September 2008 and approved by the Management Committee in November of that year. These rules were prepared in collaboration with the Bank's Legal Vice-Presidency elaborating on the

BOX 5: RULES OF ENGAGEMENT

The recovery of the proceeds of corruption is the responsibility of national authorities and negotiated between States. The process generally requires that the authorities in these jurisdictions undertake criminal and / or civil legal proceedings against current or former public officials. These proceedings may be interpreted as being politically motivated. For all of these reasons, StAR's support to national asset recovery programs and specific cases has to be managed with considerable caution.

To address these concerns, StAR has put in place procedures to ensure that Bank and UNODC management are informed about and authorize StAR country engagement, together with operational guidelines that define the nature of and limits to StAR's assistance. These guidelines were prepared with the assistance of the Bank's Legal Vice-Presidency.

StAR responds to letters of request from national authorities. After initial discussions to clarify the nature of the request, the StAR Secretariat will determine whether to seek Management Committee approval for the field an identification mission. The criteria for determining whether to proceed include the extent to which the assistance requested falls within the StAR Initiative's competence and capability and the StAR Initiative's comparative advantage relative to other sources of assistance. Where the identification mission proposes follow-up action, the Secretariat prepares a country program and seeks Management Committee approval.

StAR's assistance to partner countries is aimed at collecting and sharing information to facilitate progress in a country's asset recovery efforts and informing national authorities' decision-making. This may include providing short-term technical assistance to advise on institutional and legislative issues, audits and accounting work, legal research, financial analysis, asset recovery procedures and the preparation of mutual legal assistance requests. In this advisory role, StAR cannot undertake the work of national authorities. StAR may also serve as an "honest broker" between parties, such as engaging in country dialogue and sponsoring meetings between parties to help facilitate and encourage the asset recovery process. However, StAR cannot become directly involved in legal representation, prosecutions or litigation. Nor should StAR become privy to confidential information shared between States.

In practice, StAR's engagement to date has largely been geared to advice on institutional and legislative issues, advice on the preparation of mutual legal assistance requests (generally in consultation with both parties to the request) and in its honest broker role.

brief description of StAR's country work in the initial StAR report of June 2007 (see Box 5).

42. Within these guidelines, StAR's response to requests and subsequent country engagement has varied depending on country circumstances and the nature of the request. Three broad categories of follow-up and country engagement can be distinguished: countries where StAR has been asked to follow-up on a specific, high-profile inactive case where the authorities are not expected to pursue domestic judicial proceedings; countries where StAR has been asked to assist in an active and on-going anti-corruption program where the authorities are pursuing corruption cases through domestic judicial proceedings; and countries where StAR has been asked to identify opportunities for the development of an asset recovery program as part of a broader anti-corruption program. This classification should be treated with some caution. The categories are not exclusive, the nature of the assistance requested may change and the process of engagement is not necessarily linear: countries that originally requested assistance to explore opportunities for asset recovery do not necessarily request follow-up on specific cases.

43. Faced with a growing number of countries expressing interest in StAR and following up with letters of request and the limited capacity to provide assistance, StAR has to be particularly conscious of the need to focus its assistance on those areas where it can add value, taking into account the range of assistance available from other sources. Long-term development institutional development can be delivered more effectively through anti-money laundering, good governance and law enforcement capacity building programs supported by the Bank, UNODC and bilateral partners. Where such assistance is available, StAR assistance is best limited to very specific, asset recovery issues that cannot be addressed by the on-going projects.

44. It is important to acknowledge the role played by the financial centers in developing capacity and supporting the operational work of requesting countries. Some financial centers provide technical assistance to requesting countries on asset recovery techniques and procedures, notably in the area of investigative techniques and mutual legal assistance, either through in-country mentors or short missions by law enforcement officials. Others have contracted private legal services to assist the requesting country. StAR has sought to coordinate and collaborate with these bilateral sources of technical assistance wherever possible.

45. Country engagement is a complex, challenging and high risk activity. Securing asset returns takes time and is by no means a predictable process. There is no guarantee that country engagement will generate results, even after substantial investments in time and effort to build national capacity. In this context it is not particularly helpful to focus on the amount of money returned as the only measure of success. The approval of new legal tools to fight corruption, the launch of an investigation, the issuing and successful response to a request for mutual legal assistance, the freezing and confiscation of assets all represent victories in the fight against corruption and indicators of a successful asset recovery program. Recognition of these successes helps maintain momentum in a process that can take many years and where it is impossible to determine the prospects for the return of stolen funds at the start.

F. WORKING WITH STAKEHOLDERS

46. International cooperation is the key to making progress in the asset recovery, both in advancing regulatory reforms aimed at lowering the barriers to asset recovery and at the operational level in pursuing asset recovery cases. The Friends of StAR were established as means of supporting and facilitating cooperation (see Box 7). The Secretariat has also sought to develop close working relationships with bilateral partners in the financial centers and international organizations active in fields that are related to asset recovery.

47. The Open-ended Intergovernmental Working Group on Asset Recovery established by the Conference of the States Parties to UNCAC is an important opportunity for StAR to hear a wide range of countries' views on and priorities for the asset recovery agenda. StAR has sought to keep the Working Group informed of its activities, making brief presentations to the group in September 2008 and providing a more in depth update in May 2009. StAR has also used the Working Group as a forum for dissemination of its products, notably the NCB Guide. In order to strengthen StAR's links to the UNCAC process, StAR has timed the finalization of several of its products so that these will be available at the UNCAC Conference of States Parties in November 2009.

48. Key partners for StAR's work on policy analysis and advocacy include the Financial Action Task Force (FATF) and the OECD. FATF plays an important role in the development and enforcement of international standards governing anti-money laundering and counter terrorism-financing national regimes. FATF's collaboration will be critical for the implementation of any recommendations arising out of the G20 agenda related to the enforcement of standards related to the identification of beneficial ownership and monitoring of politically exposed persons.

BOX 6: THE FRIENDS OF StAR

The Friends of StAR (FStAR) were convened as a group of distinguished individuals to advise management on the key issues on the asset recovery agenda, make recommendations and advocate on key policy issues. FStAR has met twice, first in February 2008 and then in May 2009.

FStAR's second meeting validated progress made to date and StAR's strategic priorities. FStAR underlined the importance of building capacity through investments in knowledge and innovation whilst continuing to support country asset recovery programs. FStAR members noted that progress in individual cases is unpredictable, slow and occasionally reversed. Consequently it was important for StAR to develop indicators that would help highlight successes throughout the asset recovery process. FStAR also stressed the need for a concerted effort to bring about reforms in financial centers to tackle the proceeds of corruption and facilitate asset recovery. FStAR members noted the importance of an effective communication strategy, through the preparation of compelling narratives that draw on the international experience in asset recovery. FStAR members also highlighted the importance of using a wide range of entry points to advance the policy agenda and the role of regional champions as advocates for reforms in financial centers.

49. Within the OECD, StAR is working with the Development Assistance Committee on the design and implementation of a mechanism for collecting quantitative information on asset recovery in OECD countries, following up on commitments made in the September 2008 Accra Agenda for Action. StAR is also working with the Anti-Corruption Division on development of modules for the Asset Recovery Handbook and the Good Practice Guide on Income and Asset Declaration.

50. At an operational and technical level, StAR has collaborated with INTERPOL in the establishment of the asset recovery Focal Point database. The team is now exploring how this network can be strengthened and used as a tool for sharing technical information and capacity building activities. StAR is also exploring the feasibility of developing regional information networks, using the CARIN model.

51. There are, in addition to the above, a wide range of contacts that StAR has developed to share information and raise awareness about the asset recovery agenda. This has included participation and speaking engagements at conferences for International Association of Prosecutors (IAP), International Bar Association (IBA), International Association of Anti-Corruption Authorities (IACAA) and Transparency International's International Anti-Corruption Conference.

52. StAR has sought to strengthen its collaboration with international civil society organizations with an interest in asset recovery as part of their broader anti-corruption mandate. This collaboration has intensified through the G20 process, when a number of civil society organizations shared a common interest in seeking a commitment to tackle the proceeds of corruption at the highest political level.

53. StAR is currently revising a draft of a note on civil society engagement in the asset recovery agenda to reflect recent developments. The review highlights civil society's innovative work in this field and goes on to identify potential areas of collaboration, taking into account organizations differing interests, experience and competencies. The review demonstrates that many of the tools that primarily intended for the use of practitioners and national authorities – for instance, guidance on the use of income and asset declarations and guidance on the monitoring of returned assets – may also serve a useful purpose for civil society.

G. IMPLEMENTATION ARRANGEMENTS AND FINANCING

54. This section highlights some of the strategic decisions that have been taken in the design of governance and implementation arrangements and on-going challenges in implementing StAR.

55. StAR's governance and implementation arrangements were put in place in late November 2008, with the constitution of the Management Committee comprising the Vice Presidencies for Poverty Reduction and Economic Management (Chair), Financial and Private Sector Development and the World Bank Institute and UNODC's Directorates of Treaty Affairs and Operations (see Box 8). During its first session the Management Committee approved: the Partnership Charter, which lays out the guiding principles and governance arrangements for the StAR Initiative; the model Transfer Agreement between UNODC and the WBG and model Administration Agreements for the Multi-Donor Trust Fund; the Operations Manual, laying out common procedures to

BOX 7: STAR AS A PARTNERSHIP

Building an effective partnership between WBG and UNODC faces significant challenges. StAR's governance arrangements provide for joint decision-making through the Management Committee at the strategic level, in the approval of activities and products, and in the allocation of Trust Funds. However, at an operational level, both organizations follow their own procedures, are accountable to their own governance structures and to Trust Fund contributors directly for the application of funds. These arrangements, compounded by the distance between Vienna and Washington DC, differing institutional priorities, organizational arrangements and incentives, could discourage and hinder the development of a joint program of work between the two organizations.

StAR has sought to overcome these problems by:

- Establishing a joint Secretariat, housed in the WBG, including two UNODC staff on special assignment, with broad responsibility for coordinating activities across both organizations.
- Strengthening communications across the wider team in UNODC and WBG, through the circulation of information on activities, events and recent developments in the field, and by holding bi-monthly VC meetings between Vienna and Washington DC for the staff.
- Involving the partner organization in all StAR activities, through the quality control process, by allocating funds for cross-support so that, for example, UNODC staff can participate in WBG-managed activities and by holding some of the expert panel meetings in Vienna.
- Undertaking joint missions to participating countries wherever feasible.

These arrangements have gone some way to facilitating collaboration between the organizations. Nevertheless, the partnership remains a work in progress.

manage risks and quality control; the Terms of Reference for Secretariat staff; and StAR's work plan and budget through to the end of 2010. These instruments became effective with the activation of the Trust Fund in December 2008, following the signature and disbursement of the first contribution from Norway.

56. StAR was conceived and designed as a pilot initiative with explicit sunset provisions in the Partnership Charter and Work Plan. StAR's work plan lays out a program of activities for a period of two years, to December 2010. Before the end of this period, StAR's progress will be reviewed by an independent evaluator. The results of this evaluation will help inform management decisions as to whether the program should continue, and if so whether adjustments are needed in the initiative's strategic direction, governance and implementation arrangements. While two years is a relatively short-period from the perspective of any national asset recovery program or any individual case, it should be sufficient to assess the demand for StAR's services, StAR's ability to respond to this demand and make informed decisions regarding StAR's future.

57. The implementation arrangements for StAR's work plan seek to draw on and expand capacity within existing Bank and UNODC departments and teams rather than develop capacity dedicated solely to StAR activities within the StAR Secretariat. Collaboration with existing teams has enabled StAR to scale-up its activities quickly

by drawing on an existing pool of expertise and a stock of institutional and country contacts. Collaboration also helps mainstream asset recovery work as part of the Bank and UNODC financial market and anti-corruption agendas, offering a vehicle for sustainability of asset recovery work over the longer-term. Both these considerations are particularly important given that changes may be made to the implementation arrangements or the program terminated in its current form at the end of the two year planning horizon. Thus, while the core Secretariat remains relatively small, comprising three World Bank staff and two staff on special assignment from UNODC, the broader Secretariat of staff working at least half time on StAR activities now includes six staff in the World Bank's Financial Market Integrity Unit and two from the Public Sector and Governance Unit, together with six staff in UNODC.

58. Following this model, most of StAR's activities are managed and implemented by the participating WBG and UNODC departments. StAR's work program has been developed jointly with these departments and the tasks assigned taking into account departmental priorities and the skills available: The Financial Market Integrity Unit (FPDFI) has taken the lead on activities closely linked to anti-money laundering, the Public Sector and Governance Unit (PRMPS) on accountability systems and UNODC on issues related to the implementation of UNCAC and information systems. This has helped ensure that StAR activities are aligned with departmental priorities. The Secretariat oversees these activities through the quality control process. The Secretariat is engaged at a much more operational level in StAR's country work, though here too StAR draws on the staff of participating departments and assigns leadership on the country activities according to the extent to which departments have on-going engagements with national authorities, the organization is able to provide support in-country and the available skills.

59. Although Bank budget covered staffing and operational costs up to December 2008, when the Multi-Donor Trust Fund was activated, Bank funds will almost exclusively be allocated to cover staffing costs from this date forward. In FY2009, the Bank budget amounted to \$1.8 million spread across three departments FPDFI, PRMPS and WBI. In order to align these resources with the StAR's work program, Bank funds have been shifted with the largest share now allocated to FPDFI (covering country and AAA activities) and PRMPS (covering Secretariat, country and AAA activities) and an allocation to WBI to cover staff time for country work and program development.

60. StAR has mobilized external financing to cover operational costs. The financing requirement for the StAR MDTF to deliver the approved work program is estimated at \$6.9 million for the two year period. The Trust Fund will finance all non-staff costs for the Bank-managed activities, including consultants, and project costs for UNODC, including project personnel. Commitments to date amount to \$6.3 million, comprising US\$3.6 million from Norway, US\$1 million each from Switzerland and Sweden, US\$480,000 from Australia, US\$130,000 from France and US\$100,000 from the UK through an administrative transfer. StAR's contributors have asked the Secretariat to convene a meeting of the donor group to discuss progress in implementation of the work program. This meeting is expected to take place in the third quarter of 2009.