

ATTACHMENT B

Final Supervision Report of the BOTA Foundation

World Bank

March 2015



Final Supervision Report of the BOTA Program
provided by the World Bank to the Government Parties
in accordance with the Service Agreement and under the Supervisory Agreement

Report #12: March 2015

Introduction:

Under the Supervisory Agreement, the World Bank agreed to supervise and monitor the use of BOTA Foundation Funds by the BOTA Foundation for the BOTA Program. In accordance with the Service Agreement, the World Bank agreed to provide supervision reports to the three Government Parties (the Governments of the United States, Switzerland and Kazakhstan, the Parties) on the status of the BOTA Program implementation on a semi-annual basis. This is the twelfth and final such report provided by the World Bank.

The Memorandum of Understanding to which the Parties are signatory, and the Service Agreement to which the Parties and the World Bank are signatory expired on 31 December 2014. The BOTA Foundation ceased its operations on the same date. A residual balance of \$385,000 was transferred to UNICEF. A three-person Liquidation Commission is now ensuring that the Foundation is legally liquidated according to Kazakhstani law and that the audits and other financial matters are fully dealt with. A final financial report is under review by the World Bank and a clean final audit has just been submitted by BDO Kazakhstan. Electronic archives of significant documents and databases have been transferred to the World Bank and IREX for safekeeping; other files have been transferred to the Central State Archive of Almaty city, pending the audit results from Kazakhstani tax authorities, in line with Kazakhstani law.

BOTA's Achievements

Looking back over six years of BOTA's operation, its achievements have been significant. Within a very complex governing structure, the BOTA Foundation was established and programs began operation within one year. Disbursements, slow at first, rose rapidly once the programs took hold. By the end of the BOTA Program, each of the programs had exceeded its original targets:

	Original Target	Revised Target (mid-term review)	Final Achievement
CCT # of direct beneficiaries	50,000	70,000	154,241
SSP # of direct grantees	400	530	632
SSP # of end beneficiaries	20,000	30,000	53,572
TAP # of students	600	1,000	841

The external evaluation conducted by Oxford Policy Management (OPM) encompassed qualitative evaluations of all three programs and an impact evaluation of the CCT program. The qualitative assessments found that the BOTA programs were relevant, i.e. they were meeting a real need, and that they were effective in reaching the poor and vulnerable. The impact evaluation of the CCT

program found that it had incentivized investment in human capital and that the cash transfers allow beneficiaries to smooth their finances, especially during winter months when there was little seasonal work. However, the small amount and short eligibility period of the cash benefit had resulted in little discernible impact on poverty alleviation. With hindsight, it is clear that a small transfer amount and limited duration of eligibility could not lead to a sustained and observable impact on poverty.

IREX's final report, which has been circulated to the Parties, provides rich information on all three programs and this report will not replicate those details, but will rather focus on a few aspects that relate to the structure of the BOTA Program and its success.

Governance Arrangements

The Parties

The international agreements reached between the Parties (MOU), between the Parties and the World Bank (Service Agreement, Public Financial Management MOU, Extractive Industries Transparency Initiative MOU), between the World Bank and the BOTA Foundation (Supervisory Agreement), and between the BOTA Foundation's Board of Trustees and the Program Manager (Management Agreement) provided the framework for the safe return and use of the assets, and were designed to institute a series of checks and balances. In addition to these agreements, the Foundation Agreement and Charter were required to register the Foundation in Kazakhstan. However, the many agreements also created a proliferation of reporting requirements, some of which were not fully harmonized between the agreements. The Program Manager and World Bank came to an early agreement on a schedule for regular reporting and discussed the need for *ad hoc* requests for approval. The Parties were required to provide approval for some relatively low-level adjustments, and some of these were dropped during a revision of the documents at the mid-term of the Program. Getting approvals from the Parties was a lengthy process, so it was not considered feasible to adjust the agreements to changing needs, except for once at mid-term to align Program end-dates. The heavy role and oversight of the Parties somewhat obscured and undermined the role of the Trustees, who at times felt as though their decisions held little weight since the will of the Parties ultimately held sway. In future, a simpler structure, with a lighter role for the Parties, and more consistency between the agreements would be recommended.

The Board of Trustees

The role and working of the Board of Trustees also presented some challenges. The seven-member Board comprised two nominees, one each from the Governments of the United States and the Swiss Federation, and five independent Kazakhstanis citizens known for their championing of children's causes and independent of the Government of Kazakhstan. However, the five independent Trustees were nominated and vetted by the Parties, with some candidates being vetoed. Some Trustees served with enthusiasm, offering constructive guidance at all stages of the BOTA Program, others seemed unclear of their role seeking to control or criticize the Foundation,

while others still simply didn't attend the Board meetings and resigned at the mid-term review of the Program. A clear explanation of the role and expectations should be communicated when interviewing prospective Trustees in similar situations in future.

The Program Manager

The Program Manager was selected following a competitive, international process. IREX partnered with Save the Children to implement and manage the BOTA Program. Each agency brought different and complementary skills. The sudden departure of the Executive Director in late 2010 created some consternation among staff and other stakeholders closely associated with the BOTA Program, but a replacement was quickly found from within BOTA's staff, thus minimizing the transition. Expatriate staff were gradually replaced by fully competent local staff according to the nationalization plan set out in the Management Agreement. Continuity in the team based at IREX headquarters helped ensure consistent and quality support for the Program Manager staff in Almaty.

The World Bank

The role of the World Bank prior to the establishment of the BOTA Program was to facilitate the coordination of the Parties; to draft the international legal agreements that established it and to design the three sub programs: Conditional Cash Transfers, Social Services and Tuition Assistance Programs. Once the BOTA Program was in place, the World Bank's role switched to providing technical advice to the Program Manager and fiduciary oversight with regular reporting to the Parties. Aside from the formal reports, the World Bank staff participated actively as an 'observer' at the Board of Trustees meetings and provided advice and guidance to the Program Manager, Board of Trustees and Parties, as needed. Finally, the World Bank team helped to broker knowledge exchange between BOTA and the Government of Kazakhstan's Ministry of Labor and Social Protection (now Ministry of Health and Social Development) as the latter was developing its Orleu cash transfer program. The World Bank is involved in other asset restitution cases, although each case is very different as is, therefore, the World Bank's role

Working outside of Government

Another provision of the very detailed international agreements reached between the Parties was the requirement that 'the BOTA Foundation shall be independent of the Government of the Republic of Kazakhstan, its officials, and their personal or business associates'. The kind of programs envisaged under the BOTA Program are commonly provided by governments, so to run these programs in Kazakhstan, independently of the Government of Kazakhstan required some creative and innovative programming by the Program Manager. The cost of creating parallel structures, such as a new database of beneficiaries, developing new eligibility mechanisms, new grant-making procedures, renting new premises, hiring new staff and new payment software contributed, in part, to relatively higher overhead costs, than would otherwise have been the case had existing structures had been used, particularly in the early years. However, BOTA's

innovations also provide models and solutions for countries where non-governmental social assistance providers have no option but to work in an environment without well-established government structures.

Fraud and Corruption

Again, the international agreements established a comprehensive set of systems designed to prevent fraud and corruption, including external annual financial audits by an international company, internal audits by the Program Manager, fiduciary and technical supervision by the World Bank. Nonetheless, there is no social protection system in the world that is immune to fraud and corruption and some was uncovered in BOTA: some TAP students who should have been removed from the program were allowed to stay on; one SSP grantee in Kyzylorda embezzled approximately \$10,000 and several CCT staff in Kyzylorda created false households and then withdraw the beneficiary payments totaling approximately \$171,000. By the time the Foundation closed in December 2014, all the funds that had been misused were repaid in full. With hindsight, more spot checks of transactions and ensuring a strong management control with separation of duties could have limited the CCT fraud. Ultimately, having an environment where other staff can report wrong-doing confidentially and anonymously is an equally important measure – in BOTA, as is often the case, it was information from other colleagues that alerted management to the problem.

Sustainability of the Foundation's work

Sustainability of the BOTA Foundation was envisaged in the Memorandum of Understanding: “the BOTA Foundation shall be established with the intention that it continue to operate as a functioning foundation after the BOTA Program has been completed.” However, towards the end of the BOTA Program, there was no support for investment into ways to achieve this goal and the Foundation has entered liquidation procedures. Despite that, the legacy of BOTA's work lives on. The sustainability of the CCT program lies in the Government of Kazakhstan's appreciation of the results achieved by BOTA and adoption of some of the innovations and techniques used by BOTA in their own new national cash transfer program, to be called “Orleu”. Several elements of the program draw on BOTA's CCT design, such as using project assistants (with mandates similar to BOTA's volunteers) to disseminate knowledge and mobilize community participation. Many of the informal Early Childhood Development preschools created to meet demand from BOTA CCT recipients have now been converted into formal state-supported facilities (mini centers). Several SSP grantees have joined other non-commercial organizations to create a National Coalition of Organizations focused on Children and Youth in Kazakhstan, which was established as an informal (non-registered) group in February 2014. In January 2015, the Coalition rented office space and BOTA Foundation donated some of its used assets to equip the offices. Finally, TAP's students have not only the opportunity to break the intergenerational cycle of poverty by using their education to get good jobs but they have also been exposed to community service through TAP and many have expressed a desire to continue this voluntary work in their communities.

BOTA as a model

The Parties came together to address a very specific restitution case and succeeded in creating a mechanism that channeled \$115 million to poor children and youth in Kazakhstan in six years. This is a remarkable achievement and one that has few parallels. There were certainly implementation obstacles along the way, some of which have been mentioned above, but that should not detract from the fact that the goal was achieved, in a timely fashion, with a strong development outcome. While BOTA's particular circumstances might have been unique, there are plenty of aspects of the model that can – and should – be considered as examples for other restitution cases.