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Swiss Task Force on Asset Recovery, FDFA
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CALL FOR TRANSPARENCY AND ACCOUNTABILITY IN THE RETURN OF GULNARA KARIMOVA'S STOLEN ASSETS TO UZBEKISTAN

Statement by Uzbek Civil Society Activists

Gulnara Karimova, the daughter of former Uzbek President Islam Karimov, has been found guilty of accepting over one billion USD in bribe payments from telecommunications companies during her father's presidency and is currently being held incommunicado in an Uzbek prison. In Switzerland alone, she has been found guilty of having hidden over \$800 million. Out of this amount, \$131 million have already been confiscated, with Swiss judicial authorities having approved the return of these assets to Uzbekistan. In February 2020, an open letter on behalf of Gulnara Karimova was [published](#) on the Instagram page of her daughter, currently living in London. Karimova made an offer to President Shavkat Mirziyoyev not to contest the return of the remaining assets to the Uzbek government if her request for clemency and release were granted. That deal would remove the last obstacle to releasing the remaining assets in Switzerland, worth around 700 million USD.

In her letter, Karimova provided insight and confirmed there had been extended negotiations between the Swiss and Uzbek governments to return the confiscated \$131 million and that the Swiss authorities were planning to transfer the funds to Uzbek government-run humanitarian projects in the fields of public health and education. Furthermore, Karimova [complained](#) that the process was being held up due to the involvement of too many officials who were pursuing their own interests.

We, Uzbek civil society activists, are greatly concerned by Karimova's alleged insight into the status and nature of on-going negotiations. Whilst we welcome the recent updates from Swiss authorities – a positive step towards meeting the GFAR principles – we urge the Swiss government to:

- uphold its commitments in observing these principles, particularly relating to full transparency of the asset return process;
- ensure safeguards that prevent these assets from being stolen again;
- involve independent civil society in the monitoring and disbursement of assets.

We are concerned about the proposed return for the following reasons:

Firstly, the Uzbek public learned of the ongoing negotiations and repatriation of assets through Karimova – the perpetrator of acts of corruption – and not from the Swiss or Uzbek authorities involved in the seizure and repatriation process. This lack of transparency and accountability runs contrary to the [*Principles for Disposition and Transfer of Confiscated Stolen Assets in Corruption Cases*](#) developed with Switzerland's participation and adopted at the Global Forum for Asset Recovery (GFAR) in Washington D.C. in December 2017.

The following principles were adopted:

GFAR Principle 4. *Transparency and accountability. Transferring and receiving parties will guarantee transparency and accountability in the process of asset recovery and disposal.*

We call upon the Swiss authorities to be fully transparent in their negotiations with the Uzbek government (the asset receiving party) and to make transparency and accountability to both the Swiss and Uzbek public the cornerstone of any framework for the return, disbursement and monitoring of stolen assets. This would ensure that the victims of corruption – the Uzbek people – are respected in the remediation process.

Principle 9. *All steps should be taken to ensure that the disposition of confiscated proceeds of crime do not benefit persons involved in the commission of the offence(s).*

We call upon the Swiss authorities to clarify that they intend to abide by this principle.

According to available information, Uzbek officials who were complicit in Karimova's crimes of extortion and bribery of telecommunications companies, still hold leading positions in the government of Uzbekistan. If the assets are returned to Uzbekistan now, there is a strong likelihood that these high-ranking government officials will engage or influence the oversight, management or disposal of these funds. It is imperative that guarantees are made to ensure that history is not repeated, and mismanagement, misappropriation or re-laundering of assets do not take place. In addition, we are deeply concerned that the Uzbek government has not yet adopted and implemented reforms that would prevent the reoccurrence of the corrupt schemes and practices which allowed Karimova to act with impunity in the first place.

Moreover, during the years of Shavkat Mirziyoyev's rule, there have been a number of cases of conflict of interest at the highest level of government as well as patent violations of money laundering laws and the distribution of lucrative contracts, licenses and property controlled by the state behind closed doors. A vivid example of the Uzbek authorities' unwillingness to observe GFAR Principle 4 (Transparency) is that they have yet to make public how they disposed of Karimova's confiscated Uzbek (domestic) assets. In July 2019, it was widely reported that control of one portion of Karimova's assets - a palatial home with a resort complex, four swimming pools, an amphitheatre and hotel in the mountainous area of Sijak - [was](#) to be transferred to the President's son-in-law.

In 2018-2019, numerous press accounts disclosed corruption in the financing of the construction of the International Business Centre "Tashkent City", a project valued at \$1.3 billion. Multiple sources [reported](#) that the Mayor of Tashkent, one of the richest men in Uzbekistan, had significant personal financial interests in this project and indeed was its Director before being appointed city governor (*hokim*). It was found that under his direction and subsequent to his promotion to city governor, suspicious business schemes operated through offshore accounts using opaque business ownership structures.

Furthermore, in response to the exposé and public criticism, the Mayor organized a press conference and [stated](#) that the Uzbek authorities were not obliged to verify company ownership of corporate investment in Uzbekistan. This statement contradicts the [law](#) of Uzbekistan on combating money laundering and actively encourages this breach of Uzbek law. Two deputy ministers representing the Uzbek Ministry of Investment and Foreign Trade and the Ministry of Economy and Industry were present at that press conference and neither contradicted him nor distanced themselves from his statement. Thus, the government of Uzbekistan has publicly demonstrated that it is not only an untrustworthy partner in the fight against corruption and money laundering but actively encourages it. Despite his position on and role in the practice of money laundering, the Mayor of Tashkent was "elected" to the Senate of Uzbekistan in December 2019.

A more recent example of similar practices was the transfer of the hotel complex "Shodlik Palace" in the prestigious area of Tashkent city to the company *Ofelos Plaza* at the end of January 2020. This took place without any open tenders and *Ofelos Plaza* was created and registered as a business entity only one month earlier. Credible reports [claim](#) a member of the presidential family is behind the company.

There are a growing number of other examples of government-controlled corruption schemes, nepotism, and opaque distribution of resources in Uzbekistan which raise significant questions regarding the Swiss-Uzbek negotiation framework for return, disbursement and monitoring of assets to humanitarian projects and expose the widespread conflict of interest and weaknesses in the Uzbek governance and legal system. These concerns are heightened by the outcome of the recently returned "Kazakh II" assets to Kazakhstan. It was discovered that assets returned from Switzerland via the World Bank were [allocated](#) to GONGOs (government-organised NGOs) controlled by the daughter of the former President, herself a major political figure. There is justified concern amongst Uzbek and international civil society as well as Swiss Parliamentarians that the same fate may actualise on assets returned to Uzbekistan.

One avenue for recourse would be GFAR Principle 10: *Inclusion of NGOs. Non-governmental organizations and organizational communities should be encouraged to participate in the asset recovery process, including by helping to identify how harm can be rectified, and to promote transparency and accountability in the transfer, disposal and management of recovered assets.*

A significant challenge in Uzbekistan is that it has virtually no organizations independent from the state, and no entities that would be able to monitor the funds' return independently of government as long as Uzbekistan continues to enforce draconian restrictions on the establishment and activities of civil society NGOs. As a result, credible, registered anti-corruption non-profit organizations are absent in the country. Even groups pursuing fairly harmless social welfare

programs are routinely [denied](#) registration. To fill this accountability gap, we encourage Swiss authorities to involve both Uzbek activists and reputable international civil society organisations and experts in the field of anti-corruption and human rights to work together in the interests of victims of corruption.

Conclusion

Uzbekistan does not yet possess the conditions required for accepting and disbursing returned assets or the ability to guarantee that the process is free of corruption and mismanagement.

The state system is highly corrupt, with current governance and legal structures providing a breeding ground for nepotism among members of the Presidential family and their associates who are often the principle beneficiaries. In addition, there are insufficient anti-corruption laws and processes to prohibit corrupt activities and safeguard projects. Under such conditions, **asset recovery must be preceded by the creation of appropriate institutional conditions** in the country of asset origin.

We therefore reiterate and support the previous [call](#) by Uzbek activists to the governments of Switzerland and other countries where Karimova's assets are held. **The Government of Uzbekistan must establish anti-corruption mechanisms and rule of law as the most reliable guarantee that the returned assets will not be mismanaged, misappropriated or stolen.** This includes prohibiting the use of channels controlled by oligarchs and members of the ruling elite through which various shadow schemes operate. If these conditions are not met and the Swiss government returns the assets unconditionally, it would risk complicity with corrupt schemes and thereby seriously undermine its international credibility.

There exists a significant opportunity in the asset return process to support Uzbekistan in its path to sustainable reform in the areas of anti-corruption, good governance and human rights, in accordance with [Agenda 2030](#) of the Sustainable Development Goals. We welcome the Government of Switzerland's willingness to engage and commit to ensuring the assets are repatriated and disbursed in line with the interests of the victims of corruption, namely the Uzbek people. We also acknowledge the willingness of the Government of Switzerland to negotiate context-specific principles for the return of assets.

However, at this point in time, the guarantees of the Uzbek government cannot be relied upon. There is ample evidence which shows that the state of the current governance system in Uzbekistan is poor. Among every significant comparison of countries on human rights, governance, and corruption Uzbekistan **ranks at the very bottom**. It still [ranks 158th](#) on the Transparency International's Perception of Corruption Index and [remains](#) "not-free" on the Freedom House index.

In May 2019, the government of Uzbekistan adopted an ambitious two-year program of anti-corruption reforms. But almost a year later, there are no signs that it is being implemented. This further feeds into the serious concerns Uzbek civil society has on how words have diverged from deeds. We therefore urge the Swiss authorities and governments of other countries holding Karimova assets to **rely primarily on the deeds rather than on the oral or written commitments of the Uzbek government.**

We would welcome the opportunity to work closely with the Swiss Government and governments of other asset-holding countries to ensure the responsible repatriation of assets and contribute to building a constructive path to sustainable reform in Uzbekistan.

We look forward to your response.

Yours sincerely,

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