

Annual Report 2018



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A dream of fools?



Countless protests in 2018 reflect growing discontent among citizens at corruption levels in their countries.

As every year when the time comes to write the foreword for our Annual Report, we are filled with pride, gratitude and a sense of satisfaction. It is a privilege to work with passionate people, committed partners and supportive donors, and to work toward a goal that helps make this world a better place.

This may make some of you roll your eyes. And we get that. It can sound naive, and today more so than in a long time. Working for the good of the world is not trendy in many quarters, and it seems particularly rare among those who are elected to do exactly that. The geopolitical context also seems to indicate that the quality of governance is declining. Systems are infested with corruption and captured by individualistic interests that are far removed from the voters' voices.

Yet it is so important to remember that there is a broader objective to our daily grind, the frustrations and setbacks that all of us in the anti-corruption community experience. And to be proud of it. Because not all is doom and gloom. The rising climate change youth movements, for example, are showing us that energy can be mobilised when we show credibly and based on facts that the collective good matters for all of us, individually and collectively.

This idea of collective responsibility – and collective gain – and of the broader societal relevance of our work is what has been driving our team since the Basel Institute's establishment, now 15 years ago.

In our work with the private sector, we feel strongly that the Collective Action approach to anti-corruption is now practised more frequently and recognised as a critical means to achieve lasting change in our economy-driven societies. In the coming years, we will work with partner companies to firmly enshrine this principle as an international anti-corruption norm so that it can attain its full potential.

Similarly, through our work with law enforcement, other public sector accountability institutions and non-state actors, we find increased readiness to join forces across institutions, borders and sectors. By that, we mean truly join forces, not just go to conferences together. By way of example, in prac-

tice this is enabling us to carry the governance and anti-corruption drive into new sectors, as we have started doing in the area of illegal wildlife trade. And it means that law enforcement is showing increased interest in what prevention departments do, for example understanding drivers of corruption and how this can feed into intelligence-led enforcement.

The multi-sector and multi-disciplinary approach of the Basel Institute is well placed to support these developments, and we are happy if we can play a small role in fostering such thinking. So yes, we are proud. We are also humbled by the challenges that continue to lie ahead. And we are highly motivated to work with all of you to continue putting hurdles in the way of those who think that making the world a better place is a dream of fools. To those we say that we gladly side with the fools.

Mark Pieth
President

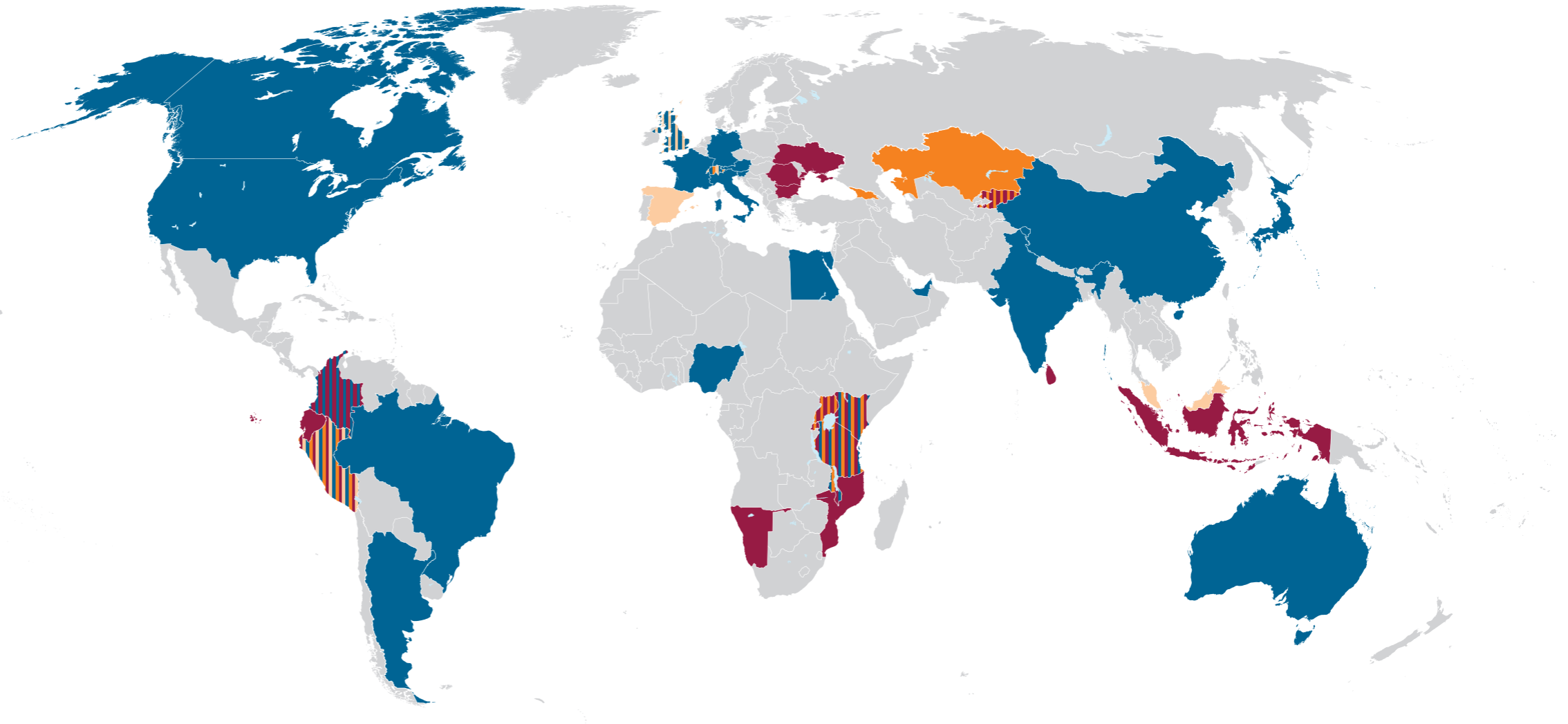


Gretta Fenner
Managing Director




Our global impact in 2018


- Division for Public Governance
- Division for Corporate Governance and Compliance
- International Centre for Collective Action
- International Centre for Asset Recovery



 **\$ 16.5 M**
USD recovered internationally with ICAR support in Peru

 **10**
ICAR experts embedded in partner institutions

 **200+**
Collective Action Conference participants


 **70**
Staff in 2018

 **100+**
Asset recovery cases supported by ICAR

 **19**
ICAR training workshops


 **11,500+**
Unique website visitors during launch of Basel AML Index

 **18**
New staff in 2018

 **516**
New ICAR trainees

 **5,000+**
Active eLearning accounts

 **19**
Publications

 **25**
Nationalities within our team

International Centre for Asset Recovery

The activities of the International Centre for Asset Recovery (ICAR) in 2018 continued to have impact across all aspects of our core mission: to enable partner countries to investigate complex cases of corruption and money laundering, send criminals to jail and recover stolen assets stashed abroad.

However, the amount of hard assets recovered – notably in 2018, the USD 16.5 million recovered with the assistance of our embedded experts in Peru – is just one part of a much wider picture. In line with our Operational Strategy 2017–20 and the ICAR Theory of Change, we believe the lasting impact of ICAR’s work also lies in the softer assets gained along the way.

BUILDING LONG-TERM CAPACITY – THE RIPPLE EFFECT

These softer assets include greater capacity among key anti-corruption officials and institutions, leading to stronger rule of law.

In 2018, we trained over 500 officials in 10 countries on financial investigation and asset recovery, as well as new topics such as money laundering using Bitcoin. According to interviews in the context of our training impact assessment, participants have not only learned a lot but changed their practices at work as a result of our input. Staying in touch with them and supporting them with ad hoc advice is part and parcel of ensuring that training leads to sustainable results.

A highlight of the year was our team of local ICAR-certified trainers in Tanzania, who have started rolling out our training programme to their colleagues across the country.

Smoother inter-agency cooperation both domestically and internationally is another key goal of ICAR’s work, since complex financial crimes can only be tackled with a collective effort. Nearly half of the over 100 ongoing cases supported by ICAR experts advanced in 2018 thanks to inter-agency or international cooperation. This has already led to new initiatives to create inter-agency taskforces and international teams, which we will continue to support through 2019 and beyond.

CREATING STRONGER SYSTEMS FOR SUSTAINABLE DEVELOPMENT

A typical side effect of ICAR’s in-country case work – particularly where our experts are embedded in partner agencies working side by side with anti-corruption officials – is coming across procedural or policy gaps that make the lives of



The ripple effect of asset recovery case work

investigators and prosecutors difficult. When this leads to internal or government-wide reform, our practical insights can help ensure that policymaking is not just a copy-paste of international good practice but locally anchored and contextualised.

One example is Tanzania’s new international cooperation team within its Prevention and Combating of Corruption Bureau, set up during 2018 with ongoing advice and mentoring from ICAR experts to build on progress in intelligence-gathering from foreign jurisdictions.

In this way, we believe ICAR’s work in 2018 continues to impact our partner countries’ efforts far beyond recovering assets – as important as that is. It helps strengthen systems and leave a sustainable legacy to deter criminal activity, protect public funds and support the achievement of the Sustainable Development Goals.

A MULTIDISCIPLINARY APPROACH TO TACKLE COMPLEX FINANCIAL CRIMES

Complementing our law enforcement and asset recovery-focused assistance, our country programmes are increasingly asked to respond to a growing trend – and need – to become more multidisciplinary in fighting crime. This means more practically connecting asset recovery with countries’ broader anti-corruption and governance agendas.

An example of that is our programme of work in Malawi, which benefits from additional funding from the UK Department for International Development. The scope has now expanded to include support to the review of the National Anti-Corruption Strategy, fresh engagements with the private sector and assistance with developing innovative research tools and corruption risk assessment strategies.

Experts from the Basel Institute’s divisions for Collective Action, Compliance and Public Governance will join ICAR in driving this integrated, multi-faceted approach to combating corruption and building capacity to recover stolen assets.



“ ICAR’s work in 2018 continues to impact our partner countries’ efforts far beyond recovering assets. ”

DRIVING INNOVATION IN ASSET RECOVERY TECHNIQUES

ICAR's flexibility and global network of experts, spanning former prosecutors, lawyers and financial investigators, has been instrumental in helping to introduce new and context-sensitive legislative and technical innovations to support our partner countries' asset recovery efforts.

2018 saw the first successful use of plea bargaining in a high-profile case in Malawi, the introduction of a structured approach to unexplained wealth cases in Tanzania and the first use of international video evidence and intelligence from hawala transactions in Kenya. In Peru, ICAR experts have contributed significantly to the elaboration of improved non-conviction-based forfeiture legislation introduced in 2018.

This creative approach to maximising the potential of partner countries' legislative systems aligns with research by the Basel Institute's Public Governance team, which emphasises the importance of context in both understanding criminal behaviour and countering it.



TACKLING FINANCIAL CRIME IN ILLEGAL WILDLIFE TRADE

Arising from ICAR's work, which was increasingly led to include financial investigations related to illegal wildlife trade (IWT), the Basel Institute has in 2018 launched a multi-disciplinary programme of work focused on intelligence-led action against financial crime in IWT.

Corruption and financial crime are key facilitators of the multibillion-dollar illegal trade in ivory, rhino horn and other wildlife products, from bribing officials to laundering profits.

This programme of work combines research, law enforcement response and private sector action with a view to tackling IWT from all angles. We are actively engaging in a range of new partnerships with companies, in particular from the transport and finance sectors, local NGOs and community actors, as well as with our existing network of law enforcement agencies in East Africa and across the world.



2018 at a glance

- In Peru, participation in the recovery of USD 16.5 million in stolen assets from accounts in Switzerland and Luxembourg belonging to individuals linked to former Peruvian presidential advisor Vladimiro Montesinos. See page 22 for more details on ICAR's work out of our Peru country office.
- Technical assistance and strategic advice on over 100 on-going cases in 10 partner countries.
- Introduction in our partner countries of new legal practices including plea bargaining, non-conviction-based forfeiture and prosecuting for unexplained wealth, setup of new dedicated teams on intelligence and international cooperation, and establishment of multi-disciplinary asset recovery offices.

TRAINING AND ELEARNING

- Training of over 500 investigators, prosecutors and judges in Financial Investigation and Asset Recovery, Offshore Structures and Mutual Legal Assistance, Corruption in Infrastructure Projects and Procurement, Financial Interviewing Skills and a new course on Money Laundering using Bitcoin.
- Training programmes delivered in 10 countries: Azerbaijan, Indonesia, Malawi, Namibia, Tanzania, Peru, Romania, Serbia, Uganda and Ukraine.
- Supervision of training programmes delivered by ICAR-certified local trainers.
- Support to training initiatives led by partner organisations, including with Swiss law firm MME on FinTech AML Compliance Training, and with the Romanian Journalism Development Network on financial investigation for journalists as well as public and private sector investigators.
- Blended learning concept applied in Namibia, with an on-site training workshop based on the Operational Analysis eLearning course.
- Continued partnership with the Egmont Group on developing eLearning modules for Financial Intelligence Units.

DIGITAL TOOLS

- Publication of seventh edition of the Basel AML Index, an independent ranking that assesses countries' risk exposure to money laundering, with a record 11,500+ visitors to the Index website in the month of release.
- Development of the Basel Open Intelligence tool for financial investigation, ready for launch in 2019.

GLOBAL POLICY DIALOGUE

- Continued dissemination of the Guidelines for the Efficient Recovery of Stolen Assets together with the Swiss Department of Foreign Affairs and StAR Initiative.
- Participation in the UNCAC Working Group on Asset Recovery and associated discussions in dedicated Expert Group Meetings on Corruption involving Vast Quantities of Assets.
- Support to the development of the Framework for the Return of Assets from Corruption and Crime (FRACCK) agreement between Kenya, Jersey, Switzerland and the UK.
- Joint organisation of the 3rd Global Conference on Criminal Finances and Cryptocurrencies with Europol and Interpol.
- Support to the development of innovative practices for financial crime litigation as part of our membership in (and Secretariat role for) the International Academy of Financial Crime Litigators, www.financialcrimelitigators.org.



516
anti-corruption officials
trained in 2018



Looking ahead

- Seek to respond to demands for expanding institutional scope of ICAR in-country programmes to support a chain-linked approach to asset recovery.
- Continue to strengthen exchange of knowledge and practices among ICAR partner countries and beyond to promote continued innovation in asset recovery.
- Explore opportunities to use training programmes and case-based advice to strengthen inter-agency cooperation.
- Promote the dissemination of innovative legal practices from ICAR partner countries in international forums.

How ICAR contributes to solving the complex puzzle of corruption, tax crime and organised crime

Lise Stensrud, Policy Director Anti-Corruption, Norwegian Development Cooperation Agency (NORAD)



“ Asset recovery is an important piece of a complex puzzle consisting of illicit financial flows from corruption, tax crime and organised crime in various forms. We have seen huge leaks in the last years in relation to the hiding places of stolen assets, the facilitators of these flows and the people engaged in tapping huge amounts of public funds. Yet paradoxically, these are all results of whistle-blowers’ relations with and trust in the media rather than the efficient work of overseeing institutions.

There are four major challenges as I see it. The first challenge is the need for real political engagement in creating conditions for change which permits investigators and prosecutors to work without interference and with the necessary protection. The second one is to defend the space for independent media and civil society and ensure their access to information. They are necessary and indispensable actors which ensure that politicians and institutions are held to account on their mandates and responsibilities. The third challenge is securing trust between governments and society by increased openness and transparency in both challenges and achievements in the process of asset recovery and using the actors to build better systems and knowledge. The fourth challenge is the continuous secrecy in many jurisdictions, which enable proceeds of crime to find a secure hiding place.

ICAR, being one of very few not-for-profit actors providing assistance to developing countries in the investigation and prosecution of financial crime, was an obvious partner for Norwegian development cooperation. We are sure that ICAR’s efforts will contribute greatly to partner countries’ knowledge and use of existing tools and legal instruments, leading to more efficient asset recovery. With more donors offering support, ICAR has the potential to create a common understanding of the challenges and approaches and to improve coordination.

”

Driving global efforts to prevent and fight international financial crime

Robert James MacRae QC, HM Attorney General for Jersey



“ I see the biggest challenge to asset recovery today as the ability of sophisticated criminals to use complex financial structures (often based in a number of jurisdictions) to layer the proceeds of crime using trusts, companies and other complex structures. Aligned to this is the ability to move criminal proceeds very quickly between jurisdictions to avoid detection by law enforcement.

This links to Jersey’s decision to join the core group of ICAR donors. Jersey’s membership of ICAR will assist in maintaining Jersey’s position at the forefront of global efforts to prevent and fight international financial crime, to recover stolen assets and to repatriate those assets to third countries. This will include using the considerable expertise available within the Jersey Law Officers’ Department to provide capacity building training to third countries in matters of asset restraint and recovery.

”

Working with partners fully committed to making progress

Stephen Ratcliffe, Senior Investigation Specialist, Basel Institute on Governance



“ Political and constitutional turbulence in Sri Lanka affected ICAR’s assistance programme in the country during 2018. However, it was rewarding to see that key individuals in our partner agencies were able to navigate the tricky circumstances to keep advancing our vital asset recovery case work.

The authorities continued to develop the cases they presented at the Global Forum on Asset Recovery in 2017 and I was encouraged to see that my advice has been acted upon with positive results. Further proposed and actual changes to the justice system mean that the authorities in Sri Lanka are well placed to benefit from the use of financial investigation and drafting legal assistance request skills that my team has been helping individuals to develop throughout the year.

There is still a long road ahead to achieve the level of capacity Sri Lanka needs to conduct international investigations and recover stolen assets from abroad. The people I work with, however, are keen to learn and see justice delivered, so I look forward to advancing down that road in 2019.

”

Tailor-made training that Ukraine’s anti-corruption bodies can apply on the spot

Elena Konceviciute, Senior Anti-corruption Adviser, European Union Anti-Corruption Initiative



“ After the revolution of dignity in 2014, Ukraine set up a number of new anti-corruption bodies: the Asset Recovery and Management Agency of Ukraine (ARMA), the National Anti-Corruption Bureau (NABU) and the Specialised Anti-Corruption Prosecution Office (SAPO). These have had to develop fast, learning on their feet and making sure that the reforms they implement cannot be reversed.

Facing a number of different challenges – time being one of the key ones – the anti-corruption authorities requested support from our programme to help them speed up some of their processes. We were asked to provide the expertise and know-how that would make them more strategic and more efficient, bringing greater and more sustainable impact.

They also asked us not to bring the models of other countries and try them out in Ukraine. Instead, we should study the relevant Ukrainian legislation and specifics of the country and provide tailor-made training that they could apply on the spot.

The Financial Investigations and Asset Recovery training conducted by the Basel Institute on Governance was not only exemplary in the way it targeted the specific needs of the newly established Ukrainian bodies, but also made them work together, seeing each other as allies.

”

Division for Public Governance

The Public Governance division supports the Basel Institute's wider mission of developing evidence-based approaches to combatting public sector corruption. Our research both contributes to academic debate and translates into practical tools to support anti-corruption reforms.

Throughout 2018, we increased our efforts to share actionable insights from our ongoing research activities with anti-corruption practitioners around the world. We also applied them successfully to many of the Basel Institute's wider technical assistance activities.

USER-FRIENDLY INFORMAL GOVERNANCE RESOURCE

Launched in 2018, our informal governance resource (informalgovernance.baselgovernance.org) presents the full results of our two-year Informal Governance and Corruption research project. Funded by the Anti-Corruption Evidence Programme of the UK Department for International Development (DFID) and the British Academy, the project explored the role that informal practices play in fuelling corruption in Georgia, Kazakhstan, Kenya, Kyrgyzstan, Rwanda, Tanzania and Uganda.

Short videos and concise summaries make it easy for users to get a quick overview of the project's main findings and their practical implications, while the 13 research reports offer a deep dive into the countries' different corruption challenges and how informal practices play into these.

STRATEGIC ASSISTANCE TO ANTI-CORRUPTION INITIATIVES

During 2018, we applied our research findings to develop several political economy assessments related to anti-corruption initiatives in countries receiving development aid. The goal was to highlight local political dynamics and informal drivers of corruption that influence the effectiveness of these initiatives. The evidence-based assessments are helping donors and practitioners to fine-tune their programs to local characteristics and dynamics, and thereby enhance their impact.

This driving goal – to actively support anti-corruption decision-making through evidence and practical insights – plays into our technical assistance and capacity-building support for Malawi's Anti-Corruption Bureau (ACB). Kicked off in 2018 as part of the Basel Institute's ongoing implementation of the DFID-funded Tackling Serious and Organised Corruption project in Malawi, our team has worked with local anti-corruption officials to help them translate research findings into concrete actions and processes. We are also supporting the ACB in their activities aimed at developing a new National Anti-Corruption Strategy, helping to ensure it is inclusive, evidence-based and aligned with the needs and expectations of all Malawians.

SUPPORTING A HOLISTIC APPROACH TO TACKLING CORRUPTION

Our work in Malawi is one example of our continuously strengthening collaboration with other Basel Institute divisions and partners. Our research shows that the complexity of corruption demands a holistic and integrated approach.

Another rewarding example of this approach in 2018 was our team's collaboration with the International Centre for Collective Action. We brought our expertise to help organise two international workshops aimed at distilling best practices and lessons learned from anti-corruption Collective Action initiatives with the private sector and extracting actionable insights for the wider community of anti-corruption practitioners.

2018 at a glance

RESEARCH

- Completion of Informal Governance and Corruption research project (see opposite).
- Political economy assessment of Tanzania for the Swiss Agency for Development Cooperation (SDC).

TECHNICAL ASSISTANCE

- Support to the Tackling Serious and Organised Corruption (TSOC) project in Malawi (see opposite).
- Support to the SDC's Decentralisation, Democratisation and Local Governance thematic network as part of an expert consortium led by the Institute of Development Studies, including development of training material and papers on governance and accountability.

TEACHING

- Course on Sustainability and Health Governance for Masters students at the University of Basel.

Looking ahead

- Launch and implement a research project on Addressing Bribery and Favouritism in the Tanzanian Health Sector as part of the DFID-funded Global Integrity Anti-Corruption Evidence (GI-ACE) programme.
- Use social network analysis, field research and community engagement to explore the drivers behind illegal wildlife trafficking in East Africa as part of a cross-divisional project funded by PMI Impact.
- Lead Politics and Governance activities as part of the Research Network Africa initiative of the University of Basel's Centre for African Studies.
- Ongoing training, technical assistance and research projects, including follow-on funding for research on informal governance and corruption from the GI-ACE programme.



11
publications in 2018

“ Evidence-based assessments help donors and practitioners to fine-tune their initiatives to local dynamics – and thereby enhance their impact. ”

Testing “what works” in anti-corruption and measuring the impact

Peter Evans, Team Leader - Governance, Conflict & Social Development Research Team, Research and Evidence Division, UK Department for International Development (DFID)



“ The Basel Institute has implemented a range of anti-corruption research projects funded by DFID, including under the earlier DFID/British Academy Anti-Corruption Evidence (ACE) Programme and currently two under the Global Integrity Anti-Corruption Evidence (GI-ACE) Programme. DFID’s ACE programme is explicitly about changing the way we think about corruption research – testing “what works” in anti-corruption, including testing the political feasibility of reform, and measuring the effects of anti-corruption efforts.

The Basel Institute’s research focusses particularly on how informal practices, networks and social norms can fuel corruption in a range of DFID focus countries, including Tanzania and Uganda. All DFID research is open access, and so valuable not only for local DFID teams and implementers of DFID-funded programmes, but for any organisation or government wishing to make their anti-corruption interventions more effective.

Insights from the Basel Institute research are being used to support wider DFID programmes not strictly related to the original research focus, for example the Tackling Serious and Organised Corruption project in Malawi. This extends the value of the original research and awareness of the insights it has revealed.

”

Broadening perspectives on corruption research

Saba Kassa, Public Governance Specialist, Basel Institute on Governance



“ In August 2018, the Institute hosted a group of 30 students from the Institute for Security Policy at Kiel University in Germany. The students were interested in learning more about our research and findings on corruption.

During our workshop, I explained how our research projects distinguish themselves from conventional anti-corruption approaches by focusing on concepts such as social norms and informal governance to explain corrupt behaviours.

In our group discussions, we examined real-life examples of corruption challenges and what effective anti-corruption strategies could look like. Talking to the students reminded me how important it is to see corruption as a multifaceted phenomenon. Corruption research benefits from knowledge coming from different academic fields, including that of security studies.

”



Peru country office / Public Finance Management

As the initial phase of a four-year programme to strengthen Public Finance Management (PFM) in Peru at a subnational level draws to a close, we are intensifying our efforts to consolidate the programme's significant achievements and ensure their sustainability.

Signed in 2015 by the Peruvian and Swiss governments, the four-year, USD 6 million programme is funded by the Swiss State Secretariat for Economic Affairs (SECO). The aim is to enhance the capacity of regional and local authorities to plan, implement and execute budgets and to increase standards of integrity and transparency in doing so.

A SUSTAINABLE FUTURE FOR PUBLIC FINANCE MANAGEMENT

In 2018, we supported subnational governments in institutionalising macroeconomic policies for public spending. Solid internal processes to improve spending and coordination in planning, budgeting and logistics are supported by mechanisms to ensure integrity, ethics and accountability.

Sustainability is about people as well as processes. In 2018, we expanded our targeted training programmes for public officials in public procurement, open government as well as planning and budget programming.

We have been delighted to congratulate the 229 graduates in our specialised Diploma in Management and Public Finances, delivered in partnership with Universidad ESAN.

In addition to driving ever-higher standards of financial management in Peru's regional public authorities, these graduates have been working to develop a new PFM Experts Network bringing together government, academia and civil society.

DRIVING ASSET RECOVERY SUCCESS IN PERU AND ECUADOR

In addition to the SECO-funded Public PFM programme, the Basel Institute's Lima office also houses experts of the International Centre for Asset Recovery (ICAR), who support the Peruvian and Ecuadorian governments in asset recovery and related topics.

In 2018, USD 16.5 million was successfully recovered by the Peruvian State with assistance from ICAR experts. ICAR provided legal and technical advice to advance 10 high-profile corruption cases in Peru, covering case strategies and mutual legal assistance. Many more cases are pending, particularly related to the Brazilian construction company Odebrecht.

In efforts to build capacity and modernise national anti-corruption frameworks, ICAR is also rolling out advanced training programmes for members of the judiciary, prosecutors and state attorneys, and contributing to the development of new confiscation laws in Peru and Ecuador.

2018 at a glance

PUBLIC FINANCE MANAGEMENT

- Development of protocols to strengthen the lowest-ranking indicators in the Public Expenditure and Financial Accountability (PEFA) assessments of subnational governments.
- Development of Codes of Conduct for all 11 subnational governments in the programme. Six were completed in 2018.
- Completion of the Diploma in Management and Public Finances in partnership with Universidad ESAN. 83 percent of students graduated successfully.
- Capacity building in public procurement (811 trainees), open government (511 trainees), planning and budgeting.
- Training for 290 Peruvian judges, prosecutors and other criminal justice practitioners in asset recovery, financial investigation and mutual legal assistance.
- Instructional videos in national online platforms to enable citizens to monitor budget execution in Peru.
- Launch of new PFM programme website (gfpsubnacional.pe).
- Participation in conferences and forums, including the First Meeting of Current and Elected Regional Governors and a keynote speech at the UNODC Lima Expert Group Meeting on Corruption.

PUBLICATIONS

- Guidelines on the application of PEFA assessments in subnational governments; corruption risk management; participatory implementation of a Code of Conduct; good practices in strengthening decentralised management.
- Proposed framework regulations for developing public accountability hearings for regional and local governments.
- Four proposed protocols on following up payment arrears; warehouse management; control of portable property; monitoring non-financial assets.



229
graduates with a Diploma
in Management and
Public Finances

Looking ahead

- Consolidate implementation of integrity mechanisms and promote sustainable capacity at the subnational level.
- Help subnational governments develop more tools to improve transparency, accountability and institutional ethics in their institutions.
- Develop and potentially implement a virtual version of the diploma in collaboration with SERVIR, Peru's National Civil Service Authority.
- Support the new PFM Experts Network.
- With ICAR, strengthen asset recovery teams in the judicial system, help consolidate the new Office of Asset Recovery in the Public Prosecutor's Office of Peru and continue to assist with complex investigations into financial crimes and asset recovery proceedings.

Asset recovery requires imagination: lessons from the Venero case

Oscar Solórzano, Senior Asset Recovery Specialist and Country Manager – Peru, Basel Institute on Governance



“An imaginative approach may prove fruitful where ordinary procedures fail.” This is what I learned from the so-called Venero case, ICAR’s largest asset recovery success in 2018. Stemming from a dirty deal in the late 1990s, USD 13 million lay frozen in the Swiss bank account of an involved businessman for almost 20 years.

After a sober analysis, I concluded that the situation looked grim for the Peruvian State. Time was not on our side and we were looking at a long and costly legal battle. ICAR therefore provided a report and a legal opinion recommending that the option of a settlement was to be considered seriously – even though settlements were unknown to Peru until then.

The advice was taken and, to cut a long story short, Peru recovered the original USD 13 million plus USD 2 million in accumulated interest. The businessman retained another USD 2 million in interest, provoking diverse reactions in the country, but together with the prosecutor in charge we were able to justify the decision to stakeholders. Personally, I see the Venero case as my highlight of 2018. Peru recovered USD 15 million from a case that looked hopeless and the Peruvian State was saved a resource-intensive process.

”

Training and technical assistance crucial to the landmark Odebrecht cases

Elmer Chirre Castillo, Provincial Prosecutor of the Third Anti-Corruption Supraprovincial Prosecutor’s Office of Lima



“As a prosecutor specialised in corruption, I must first acknowledge the very important contribution of the advanced training I received from the Basel Institute. The high-level, intensive training course I attended was led by international instructors specialised in money laundering and financial investigation.

They provided insights into their extensive experience in their own countries as well as helping us to get to know and learn to use investigative tools that, in my case, have been applied and strengthened with day-to-day assistance to the Odebrecht investigations and during the hearings.

Secondly, I would like to thank the Basel Institute for its technical assistance during 2018 in the two cases “La Centralita” and “Chacas San Luis”.

This has enabled the first ever criminal conviction in Peru related to the Odebrecht case and the recovery of assets amounting to PEN 65 million (USD 20 million), an amount in civil reparations that is unprecedented in the history of our institution.

”

International Centre for Collective Action

“Evolution to Revolution” was the theme of the year for the Basel Institute’s activities promoting Collective Action in 2018. Endorsement of anti-corruption Collective Action in 2018 by the B20 Argentina and UK Anti-Corruption Strategy supports growing acceptance of the concept as a useful tool to tackle bribery. Collective Action is gradually moving towards becoming a global norm.

We are delighted to have contributed to these achievements and look forward to continuing to promote the potential of Collective Action to address systemic corruption issues in markets, industry sectors and procurement projects around the world.

INTERNATIONAL COLLECTIVE ACTION CONFERENCE

The 3rd International Collective Action Conference in November 2018 was a fitting culmination of the Institute’s Collective Action project over the last 3.5 years, supported by the Siemens Integrity Initiative Second Funding Round and implemented in collaboration with the OECD and the UN Global Compact.

Over 200 participants from 40 countries across five continents and all sectors came together for the event, which was sponsored by the Siemens Integrity Initiative and US law firm Hughes Hubbard & Reed. Presentations and panels explored the ongoing evolution of the movement and how new elements – new stakeholder collaborations, digital tools, behavioural science, human rights and sustainability – are creating a small revolution pushing anti-corruption actors to make Collective Action more effective.

FOSTERING PEER LEARNING AND BEST PRACTICE SHARING

Leading up to the conference, the Basel Institute organised and facilitated structured discussions during two Collective Action peer learning workshops held in Basel, Switzerland and Aswan, Egypt. Representatives of 36 Collective Action initiatives and other stakeholders from around the world identified a series of success factors and strategies for overcoming challenges.

We have shared the results of these peer learning initiatives online via the B20 Collective Action Hub (www.collective-action.com). The report joins a database of over 130 initiatives, guidance on practical Collective Action tools and a wealth of academic research, including more than a dozen new publications during 2018.

“ Collective Action is gradually moving towards becoming a global norm. ”



27
countries represented at our Collective Action peer learning workshops

2018 at a glance

SIEMENS INTEGRITY INITIATIVE

- Organisation of the 3rd International Collective Action Conference with around 200 participants.
- Continued enhancement of the B20 Collective Action Hub, www.collective-action.com.
- Production of five YouTube videos featuring interviews with leading voices in Collective Action.
- Organisation of two Integrity Partner peer learning workshops on Collective Action.
- Promotion of Collective Action at international conferences and events, including OECD and B20 meetings, with B20 Argentina endorsing Collective Action and the High Level Reporting Mechanism.
- Support for the UN Global Compact and four local networks to identify Collective Action strategies.

FACILITATION OF COLLECTIVE ACTION INITIATIVES

- Progress in four industry Collective Action initiatives facilitated by the Basel Institute, including development of a website for the Metals Technology Initiative.
- Mandate to act as Secretariat for the Tainted Assets Initiative, supported by the OECD Secretariat.

HIGH LEVEL REPORTING MECHANISMS (HLRM)

Siemens Integrity Initiative funding enabled our work on the HLRM with the OECD to continue in 2018, with major developments including:

- Support to the Colombian government in implementing a new HLRM for the Bogotá Metro procurement project.
- Technical advice to the Argentine government leading to the launch of a pilot HLRM for highway construction procurement, plus private sector consultations.
- Launch of a user-friendly information site on the HLRM on the Collective Action Hub.

RESEARCH AND PUBLICATIONS

- Two publications on the HLRM: a comparative analysis of HLRMs in Argentina, Colombia, Ukraine, Panama and Peru, and the results of a private sector roundtable in Argentina.
- A working paper on anti-corruption Collective Action success factors, sustainability and strategies.
- An article in *Currency News* on integrity pacts as a tool to prevent corruption in banknote procurement.

Looking ahead

- Intensify promotion of integrity pacts for banknote-related procurement in collaboration with the Banknote Ethics Initiative (BnEI).
- Provide anti-corruption Collective Action guidance services to SMEs as part of the Business Integrity Initiative, a pioneering project of the UK Department of International Development.
- Provide Collective Action expertise to facilitate industry-led action against wildlife trafficking, as part of a PMI Impact-funded project to tackle financial crime in illegal wildlife trade.

Collective Action expertise plus political will lead to real impact in Argentina

Mirna Adjami, Project Manager Anti-Corruption Collective Action, Basel Institute on Governance



“ Argentina was the hub of some exciting anti-corruption developments in 2018, the year it held the rotating G20 Presidency. A highlight for me was a trip to Buenos Aires in October 2018, which marked the culmination and fruition of several of the ICCA’s technical advice and advocacy efforts.

The Basel Institute co-convened a private sector roundtable to discuss Argentina’s pilot use of a High Level Reporting Mechanism (HLRM) for a major highways project. I also attended the B20 Summit convening global business leaders who endorsed the conclusions of the B20 Integrity and Compliance Task Force. The Basel Institute had been an active contributor to this Task Force’s deliberations and through our advice, the Task Force endorsed a recommendation calling on state-owned enterprises to engage in Collective Action to improve their anti-corruption compliance and on G20 countries to adopt HLRMs to combat corruption in public procurement.

These developments demonstrate the impact our technical advice can have on real market scenarios, particularly where governments demonstrate political will to fight corruption.

”

ICCA Conference: inspiring and valuable for the daily work of any Compliance Officer

Dennis Wolf, Senior Manager Group Compliance, Internal Audit & Risk Management, Koenig & Bauer



“ Being a first-time participant in the Collective Action Conference, I was impressed to see the huge number and maturity of Collective Action initiatives and organised compliance activities around the world. I was even more impressed by the individuals driving these activities with such enthusiasm, sometimes even overcoming personal challenges to do so. Sharing experiences and strategies to overcome obstacles and add value to society, authorities and companies – as facilitated by the Conference – is in my opinion key to the development of an international culture of compliance.

From a practitioner’s perspective, the information and visions shared by the international law enforcement agencies and organisations, as well as the best practices discussed in the panels and breakout sessions, were extremely important. These will have a direct influence on the further development of the Compliance Management System of our Group.

In summary, the Conference was a thoroughly inspiring event that provided valuable input for my daily work as Group Compliance Officer.

”



Division for Corporate Governance and Compliance

The trend among organisations with well-established anti-corruption compliance programmes is to integrate these into enterprise-wide risk management frameworks and set measurable indicators to ensure that their programmes remain fit for purpose. There is growing recognition that effective compliance contributes to a healthy business model and sustainable growth.

Our compliance advisory work during 2018 has supported this development by seeking to help companies to use their existing risk management processes as the basis to integrate anti-corruption compliance into wider frameworks of risk management and sustainability. We believe this will continue as human rights risk assessments and corruption risk mitigation become increasingly important.

Our work in Collective Action supports this approach by helping companies to solve shared challenges related to bribery and raise standards of integrity across an industry or region.

SUPPORT FOR SMALL BUSINESSES

Small- and medium-sized enterprises (SMEs) that do business internationally are open to the same bribery and corruption risks as their larger competitors, yet have far fewer resources to protect themselves from these risks. Our tailored, resource-sensitive guidance on anti-corruption compliance and bribery prevention helps SMEs to avoid legal and reputational risks and enjoy the competitive advantage that solid compliance systems provide.

A mandate from the UK Department for International Development, awarded in late 2018 as part of the Business Integrity Initiative, will enable us to expand our support for SMEs in the coming year.

TAILORED COMPLIANCE TRAINING

Robust compliance is based on strong communication that reinforces the corporate culture and is relevant to the employees that are being addressed. That is why a strong focus of our compliance work is on bespoke training for companies and public sector organisations.

These customised training programmes were joined in 2018 by a comprehensive training curriculum on Corporate Governance and Compliance, developed in cooperation with Nestor Advisors for Malaysian compliance practitioners and other interested individuals. Around 30 practitioners completed the modules during 2018, hosted by the Malaysian Institute on Management.

“ Effective compliance contributes to a healthy business model and sustainable growth. ”

2018 at a glance

ADVISORY SERVICES

- Advice and support to international companies for crisis management in relation to their anti-corruption compliance programmes.
- Development of legal opinions on cases of corruption and conflict of interest in collaboration with Professor Mark Pieth.

COMPLIANCE TRAINING

- In cooperation with Nestor Advisors, rollout of a training curriculum in Corporate Governance and Compliance for the Malaysian Institute on Management (MIM).

MODERATION AND SPEAKING EVENTS

- Presentation at the 10th International Conference of Financial Crime and Terrorism Financing (IFCTF) in Kuala Lumpur.
- Panel moderation at the Arbitration and Crime Conference at the University of Basel.
- Moderation of the C5 Anti-Corruption Conference, plus moderation of a private sector panel.
- Co-chairing of a high-level panel with Professor Mark Pieth at the International Anti-Corruption Conference.
- Participation in the ICC Young Arbitrators Conference; a meeting of Ethics and Compliance Switzerland and the EU Anti-Corruption Conference.

Looking ahead

- Provide guidance to SMEs on anti-corruption compliance and bribery prevention as part of the UK government's DFID-funded Business Integrity Initiative.
- Launch Basel Open Intelligence and raise awareness in the corporate community of this new anti-corruption compliance and due diligence tool.

USER-FRIENDLY COMPLIANCE TOOLS

Practical online tools are essential to supplement efficient compliance systems.



Our long-standing Basel AML Index, an interactive country risk assessment tool covering corruption, money laundering, financial transparency and related risks, was upgraded and transferred to a new user-friendly platform in 2018. See index.baselgovernance.org



This is now joined by Basel Open Intelligence, a newly developed open-source search tool to make multilingual background checks and due diligence processes faster, easier and more thorough. See baselgovernance.org/boi

Collaboration to address bribery and corruption challenges worldwide

Kyle Lewis, Compliance Operations Manager, LafargeHolcim during 2018



“ Over the last year, I’ve collaborated with the team at the Basel Institute on the development of their Basel Open Intelligence (BOI) tool. It has been a valuable exchange in order to develop a tool that brings added value to our organisation, as well as improving the screening capabilities of other private and public organisations.

I fully believe that collaboration between private companies, public organisations and civil society is the best approach to addressing the challenge of bribery and corruption worldwide.

The Basel Institute offers a forum as well as training and tools that provide exactly this type of exchange for the benefit of all involved. I look forward to continuing the collaboration in the years to come.



How megatrends are changing the role of companies in society

Gemma Aiolfi, Head of Compliance, Corporate Governance and Collective Action, Basel Institute on Governance



“ A highlight from 2018 was the discussion I was invited to participate in with the governance subcommittee of a multinational company. The topic was trends and developments in the role of companies in society.

Preparing for this discussion took me into the literature on megatrends, sustainability and how companies are addressing these issues as they implement the Sustainability Development Goals. Megatrends are defined as the transformative global events that will have a major impact on economies, companies and society. They include climate change, population growth and urbanisation.

Discussing these issues and the ways that they are impacting corporate strategies was stimulating and sobering at the same time.



Knowledge products

Working papers

Aiolfi, Gemma and Valeria Silva. 2018. “High Level Reporting Mechanisms – a comparative analysis in Argentina, Colombia, Ukraine, Panama and Peru.” *Basel Institute on Governance Working Paper 25*.

Stahl, Cosimo and Saba Kassa. 2018. “The ambivalence of social networks and their role in spurring and potential for curbing petty corruption – comparative insights from East Africa.” *Basel Institute on Governance Working Paper 26*.

Basel Institute on Governance. 2018. “Anti-corruption Collective Action: success factors, sustainability and strategies.” *Basel Institute on Governance Working Paper 27*.

Other articles and studies

Adjami, Mirna. 2018. “Integrity pacts to prevent corruption in banknote procurement.” *Currency News* (April).

Adjami, Mirna and Erica Pedruzzi. 2018. “Roundtable on the pilot High Level Reporting Mechanism in Argentina.” Basel Institute on Governance.

Baez Camargo, Claudia. 2018. “Harnessing the power of communities against corruption.” *U4 Brief* 2018:4.

Baez Camargo, Claudia, and Lucy Koechlin. 2018. “Informal governance: Comparative perspectives on co-optation, control and camouflage in Rwanda, Tanzania and Uganda.” *International Development Policy* 10 (October), 78-100.

Baez Camargo, Claudia, Saba Kassa and Cosimo Stahl. 2018. “Informal networks: the invisible drivers of corruption and implications for anti-corruption practice.” *Public Administration Review* (October).

Baez Camargo, Claudia, and Tharcisse Gatwa. 2018. “Informal Governance and Corruption – Transcending the Principal Agent and Collective Action Paradigms in Rwanda.” Basel Institute on Governance.

International Centre for Collective Action. 2018. “Collective Action Conference 2018: Evolution to Revolution – Conference Highlights”. Basel Institute on Governance.

Working Paper series: ISSN 2624-9650
Policy Brief series: ISSN 2624-9669

Public Finance Management guidelines and protocols

The following publications were produced in the context of the Subnational Public Finance Management Strengthening Programme in Peru. They are available, along with related publications and multimedia resources, on the programme website: gfpsubnacional.pe/publicaciones.

- Gestión de las Finanzas Públicas en el Perú
- Gestión de riesgos para la prevención de corrupción en el Perú
- Guía para la implementación participativa de un Código de Conducta
- Fortaleciendo la gestión descentralizada
- Propuesta de reglamento marco para el desarrollo de audiencias públicas de rendición de cuentas
- Propuesta de protocolo de seguimiento de atrasos de pago
- Propuesta de protocolo de gestión de almacén
- Propuesta de protocolo de control de bienes muebles distribuidos por el MINEDU e instituciones públicas y privadas
- Propuesta de protocolo para el seguimiento de los activos no financieros



All publications are freely available at www.baselgovernance.org/publicaciones

Team and Foundation Board

In order to successfully carry out our mission and to support our partners worldwide, we rely greatly on the expertise, dedication and creativity of our staff. In 2018, we were delighted to welcome eight new team members to our Basel headquarters and country offices: Virgil Ballakistan, Margarida Bandeira de Lima, Diana Cordero, Monica Guy, Phillip Jones, Joseph Kennedy, Misozi Samuti and Daniel Wegner. Our team in Peru welcomed 10 new members: Cinthia Altamirano, Delila Arraga, Oscar Capuñay, Elizabeth Contreras, Karla Coronado, Diego Luna, Marleni Quispe, Allison Romero, Alicia Tambo and Maria Tamay. Please see our website for the latest information and contact details.

Management group

Gretta Fenner
Managing Director



Andrea Poelling
Head of Operations



Gemma Aiolfi
Head of Compliance, Corporate Governance & Collective Action



Phyllis Atkinson
Head of Training ICAR



Claudia Baez-Camargo
Head of Governance Research



Mike Pfister
Head of Programmes ICAR



Team

Mirna Adjami Project Manager Anti-Corruption Collective Action

Nana Adrian Intern

Iman Alwan Administration

Kateryna Boguslavska Project Manager Basel AML Index

Andrew Dornbierer Asset Recovery Specialist

Monica Guy Communications & Project Officer

Peter Huppertz Team Leader IT & eLearning

Saba Kassa Public Governance Specialist

Joseph Kennedy Visual Designer

Bruno Michel Finance Officer

Federico Paesano Senior Financial Investigation Specialist

Teresa Paonessa Human Resources

Stephen Ratcliffe Senior Investigation Specialist

Thierry Ravalomanda Senior Asset Recovery Specialist

Nina Schild Events & Publications Coordinator

Jonathan Spicer Senior Asset Recovery Specialist

Cosimo Stahl Public Governance Specialist

Hoa Truong IT & eLearning Developer

Scarlet Wannewetsch Project Associate Anti-Corruption Collective Action

Matthias Wilde Administration & Project Support

Field staff

Virgil Ballakistan Investigation Specialist

Margarida Bandeira de Lima Senior Asset Recovery Specialist

Diana Cordero Asset Recovery Specialist

Phillip Jones Senior Investigation Specialist

Simon Marsh Senior Investigation Specialist

Shane Nainappan Senior Asset Recovery Specialist

Misozi Samuti Financial Administrator

Oscar Solorzano Senior Asset Recovery Specialist

Nicholas Staite Senior Asset Recovery Specialist

Hannes van Vuren Senior Financial Investigator

Daniel Wegner Program Coordinator

Peru country office

Oscar Solorzano Country Manager, Peru

Paola Bustamante Co-Country Manager

Xiomara Carbajal Embedded PFM Specialist

Limberg Chero Project Component Leader

Julia Cori Project Component Leader

Romina Cruz Communications Officer

Milagrato Diaz Embedded PFM Specialist

Veronica Ferreyra Consultant

Luz Maria Garrido Coordinator

Juan Carlos Guevara Coordinator

Rosario Huaman Embedded PFM Specialist

Lucy Malarin Administrative Assistant

Luis Maldonado Consultant

Javier Mazotti Logistics Officer

Manuel Monasí Consultant

Jorge Rivadeneira Consultant

Silvia Rodriguez Embedded PFM Specialist

Jorge Rojas Embedded PFM Specialist

Maritza Rojas Embedded PFM Specialist

Lady Seminario Coordinator

Tirza Yañez Consultant

Americo Yucra Consultant

Magaly Zumaeta Consultant

Departed and temporary staff

Rene Baca Consultant

Alan Bacarese Senior Asset Recovery Specialist

Giussani Bruno Consultant

Zoila Leiva Consultant

Christian Müller IT Supporter

Carlos Oliva Project Component Leader

Jakeline Valencia Consultant

Marco Zanchi Communications Officer

Senior advisors

Tom Lasich Senior Asset Recovery Advisor

Rudolf Wyss Senior Asset Recovery Advisor

Foundation Board

Dr Hans-Peter Bauer and Prof Dr Anton Schnyder stepped down from the Foundation Board at the end of 2018. We thank them warmly for their many years of dedication and support to the Basel Institute on Governance. Domenico Scala was elected to join the Board from January 2019.

Prof Dr Mark Pieth President

Prof Dr Anne Peters Vice President

Dr Marco Balmelli

Dr Hans-Peter Bauer

Dr Thomas Christ

Prof Dr Till Förster

Prof Dr Lukas Handschin

Prof Dr Anton Schnyder

Christoph Tschumi

Partners

Our relationships with a wide range of leading public and private institutions are essential to the success of our programmes around the world. We are grateful to our partners for supporting our mission and generously sharing their expertise and experience, and we look forward to continuing our collaboration in 2019 and beyond. In 2018, key institutional partnerships included:

- African Development Bank
- Anti-Corruption Commission of Bhutan
- B20 Anti-Corruption Taskforce
- Deutsches Institut für Compliance
- Egmont Group of Financial Intelligence Units
- Europol
- Global Forum on Law, Justice and Development
- International Anti-Corruption Academy
- Interpol
- Lausanne Seminars on Asset Recovery
- National Anti-Corruption Commission of Thailand
- Organisation for Economic Co-operation and Development
- Sport Integrity Global Alliance
- Stolen Asset Recovery Initiative of the United Nations Office on Drugs and Crime and the World Bank
- United for Wildlife Transport and Financial Taskforces
- United Nations Crime Prevention and Criminal Justice Programme Network
- United Nations Global Compact
- United Nations Interregional Crime and Justice Research Institute
- United Nations Office on Drugs and Crime
- University of Basel
- Wolfsberg Group
- World Economic Forum Partnering Against Corruption Initiative

We are proud to act as the Secretariat for:

- Ethics and Compliance Switzerland (ECS)
- International Academy of Financial Crime Litigators (IAFCL)

Due to the sensitive nature of our asset recovery case work assistance, partner agencies and countries of ICAR’s case work team are not published.

Funding

We would like to express our sincere appreciation to our core donors, project funders and other contributors for their continued commitment, financial and in-kind support and steady encouragement. Without their dedication to our joint efforts we would not be able to pursue our mission: to eradicate corruption and promote good governance globally.

In 2018, the annual budget (Total operating income) of the Basel Institute on Governance totalled CHF 9.6 million (EUR 8.5 million / USD 9.6 million).

We receive core funding from bilateral governmental (development aid) agencies. In 2018, the Government of Jersey and Norwegian Agency for Development Cooperation (Norad) joined the Swiss Agency for Development and Cooperation (SDC), UK Department for International Development (DFID) and Principality of Liechtenstein in supporting the headquarter-based operations of our International Centre for Asset Recovery (ICAR).

Due to ICAR’s expanding field operations, with experts stationed in partner countries, ICAR relies increasingly on country programme-specific financial support. For the most part this is provided by the country offices of core ICAR donors.

The Swiss State Secretariat for Economic Affairs finances the Basel Institute’s multi-year technical assistance programme in Public Finance Management in Peru, where the Basel Institute has been operating a country office since 2016.

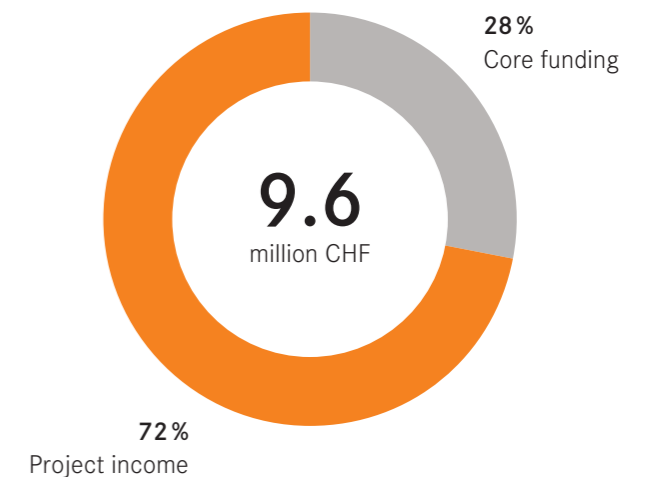
The Siemens Integrity Initiative has been supporting the anti-corruption Collective Action work of the Basel Institute and its International Centre for Collective Action since 2010.

Other project-specific funding and income are obtained from development and corporate partners around the world, including institutions that offer research grants. Such funds support the Basel Institute’s provision of technical assistance and development of applied research.

In 2018, the Basel Institute’s core financing (Contributions) amounted to approximately 28 percent of the annual budget (Total operating income). Project- and country programme-specific funding (Project income, Reimbursed expenses, Overhead recovery) made up the remaining 72 percent.

Any surplus funds generated from advisory services and project-related funding are used to support the Basel Institute’s research initiatives and technical assistance programmes in developing countries.

OPERATING INCOME 2018



Financial statement

Balance sheet

ASSETS (IN CHF)	31 DEC 2018	31 DEC 2017
Liquid assets	2,698,166.96	2,307,049.89
Trade-receivables	926,928.38	379,048.78
Other receivables	437,472.61	204,617.15
Accrued income and prepaid expenses	1,334,544.86	1,381,179.84
Total current assets	5,397,122.81	4,271,895.66
Office furniture and IT equipment	17,206.03	21,669.62
Financial assets	44,670.50	44,659.45
Total fixed assets	61,876.53	66,329.07
TOTAL ASSETS	5,458,999.34	4,338,224.73
LIABILITIES (IN CHF)	31 DEC 2018	31 DEC 2017
Trade-payables	75,366.43	164,223.17
Advance payments	2,414,758.14	1,929,185.67
Other payables	136,866.90	128,258.20
Accrued liabilities and deferred expenses	637,422.89	281,156.63
Total current liabilities	3,264,414.36	2,724,616.04
Restricted funds (ICAR)	1,418,274.92	893,805.63
Total restricted funds	1,418,274.92	893,805.63
Total liabilities	4,682,689.28	3,618,421.67
Paid-in capital	20,000.00	20,000.00
Unrestricted capital (GOV)	649,803.06	638,818.16
Annual result	106,507.00	60,984.90
Total capital of the organisation	776,310.06	719,803.06
TOTAL LIABILITIES	5,458,999.34	4,338,224.73

Statement of operations

INCOME AND EXPENDITURE (IN CHF)	2018	2017
Contributions	2,705,938.19	2,151,000.00
Overhead recovery	297,776.02	225,893.44
Project income (fees)	4,323,753.35	4,160,547.92
Reimbursed expenses	2,259,437.50	2,060,415.58
Total operating income	9,586,905.06	8,597,856.94
Project expenditure	-8,090,808.41	-7,625,347.66
Administrative expenditure	-886,083.55	-878,775.62
OPERATING SURPLUS (- DEFICIT)	610,013.11	93,733.66
Net financial income	-29,036.82	12,172.54
Net extraordinary income		
Change of restricted funds	-524,469.29	-44,921.30
Change of unrestricted funds	50,000.00	
ANNUAL RESULT	106,507.00	60,984.90

The above balance sheet and statement of operations form part of the Basel Institute's Financial Statement 2018, which was audited by BDO AG in accordance with Swiss GAAP ARR, Swiss law and the Charter of the Foundation and its regulations. The Foundation Board of the Basel Institute approved the Financial Statement 2018 on 16 April 2019.

Stay in touch



Headquarters

Address Steinering 60
4051 Basel
Switzerland
Phone +41 61 205 55 11
Email info@baselgovernance.org
www baselgovernance.org
Twitter @Basellnstitute
LinkedIn [linkedin.com/company/basel-institute/](https://www.linkedin.com/company/basel-institute/)

International Centre for Asset Recovery

Twitter @StolenAssets

Peru country office

Address Av. José Gálvez Barrenechea 511
San Isidro
Lima 15036
Peru
Phone +51 977 187 775
www gfpsubnacional.pe
Twitter @Programa_GFP
Facebook [facebook.com/GFPsubnacional](https://www.facebook.com/GFPsubnacional)

International Centre for Collective Action

www collective-action.com
Twitter @FightBribery

With thanks to our key donors and funders in 2018

