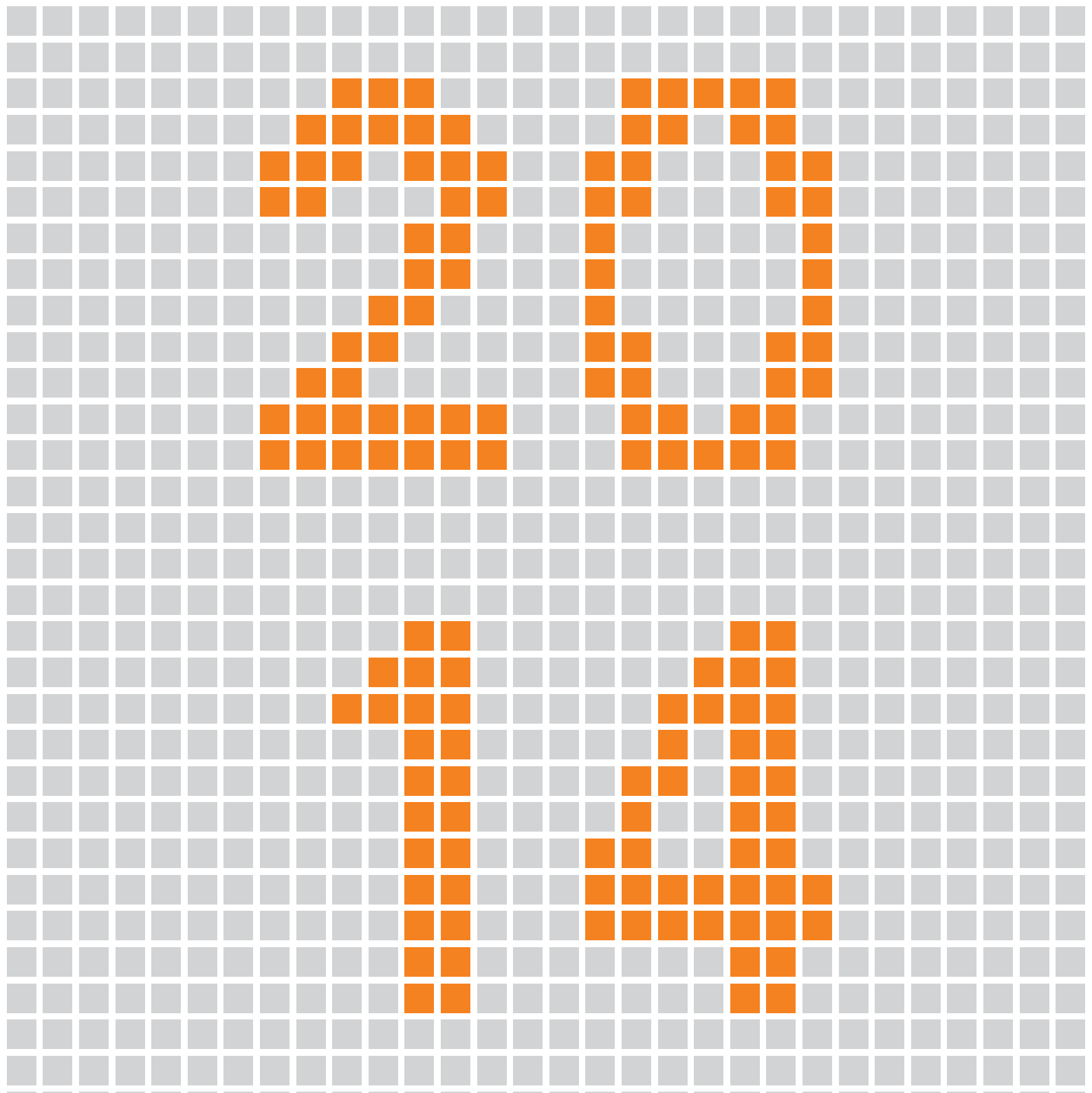


Annual Report 2014



5 FOREWORD

6 WORKING WITH THE PUBLIC SECTOR

7 ENFORCEMENT: INTERNATIONAL CENTRE FOR ASSET RECOVERY

- 9 Case assistance: Can the Yanukovych assets be recovered?
- 12 Training: Bhutan – a partner country tells its story
- 14 E-learning: Does your grandmother drive a Porsche?

16 PREVENTION: DIVISION FOR PUBLIC GOVERNANCE

- 17 Social accountability: Harnessing the power of citizens against corruption

20 WHERE WE WORKED IN 2014

22 WORKING WITH THE PRIVATE SECTOR

23 PREVENTION: INTERNATIONAL CENTRE FOR COLLECTIVE ACTION

- 24 Collective Action: Talking from experience – an interview with Tayfun Zaman

28 PREVENTION: DIVISION FOR CORPORATE GOVERNANCE AND COMPLIANCE

- 29 Compliance: Case scenario

17 GENERAL INFORMATION

32 KNOWLEDGE PRODUCTS

33 TEAM AND FOUNDATION BOARD

34 PARTNERS

35 FUNDING

36 FINANCIAL STATEMENT



Foreword

Once a year the time comes when the foreword for our annual report is due. And with it comes the question of what has changed in the past year to which we may have contributed in our own small way.

This question is not always easy to answer, as in the world of anti-corruption, things move slowly, changes are not always immediately noticeable – sometimes it even feels like we are going backwards –, and there is never just one single actor, one organization that could alone claim responsibility for progress. So what can be said, and what have we observed through the lens of our work this past year? Some steps forward and some steps back:

In the asset recovery field, we have observed a growing impatience. On the one hand this is good because it has freed up more resources and has generated more political will – we were literally overrun in 2014 with requests for assistance, especially in relation to case assistance. On the other hand impatience, often fed by quite unrealistic expectations, can easily lead to rash acts, which is a risk because they can undermine the integrity and the effectiveness of the underlying legal processes. We have to work even more closely with our counterparts to direct this impatience into constructive channels.

In our work with the private sector, we have at times observed such levels of confidence about just how robust their compliance systems are that some companies risk becoming complacent. Large companies might appear to have sophisticated compliance programmes which are fully resourced, yet almost every day in 2014 new scandals involving allegations of corporate bribery were reported in the media, often about companies that, if asked, would claim to have robust compliance systems in place. But proving that a ‘rogue employee’ has ignored compliance standards will still be a challenge for most firms, no matter how good they believe their programmes to be. In practice we continue to see that the implementation of standards and procedures that are dreamed up in head office may ‘get lost in translation’ for employees operating in the business far away from the parent company. This is a potentially serious gap for many companies, making complacency a risky line to take.

For some large companies their confidence about their compliance programme is such that they refer to the ‘competitive advantage’ it gives them in winning new business. While not so long ago companies were clamouring to get involved in anti-corruption activities that would level the playing field so that all would compete on the quality of their services and products rather than through bribery – so called Collective Action initiatives – this argument that compliance is a competitive advantage has now become a stumbling block for joint company engagement. We remain committed to the approach and will continue to explain the true value of Collective Action and to encourage companies to be bold and take the lead in anti-corruption initiatives.

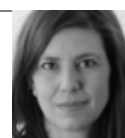
An underlying theme to all of these developments, which has been guiding our work in the area of governance research, is that while anti-corruption has been on the international agenda for a couple of decades now, it has not delivered the results we were hoping for. And politics, in our view, is what is holding it back: Politics guide international relations, politics guide commercial competition, and politics guide national reform agendas. Yet most anti-corruption programmes are still based on technocratic solutions. Unless we manage to adequately reflect and sometimes play with the political environment in which we operate, we will not move on from patchy and short lived successes to more sustainable changes in how we conduct ourselves, be it in business, in intergovernmental relationships or in building our societies. Our approach to anti-corruption will more than ever have to be founded in a thorough analysis of context and of the informal drivers of change.

This gives us much to work on in 2015 and beyond, and with the whole team, we look forward to working with our partners on cracking some of these problems.

PROF MARK PIETH
PRESIDENT OF THE
BASEL INSTITUTE ON GOVERNANCE



GRETta FENNER ZINKERNAGEL
MANAGING DIRECTOR
BASEL INSTITUTE ON GOVERNANCE



Working with the public sector

Enforcement: International Centre for Asset Recovery

Freezing, confiscating and returning stolen assets to their country of origin is widely recognised as a potentially much more powerful sanction against corruption and financial crimes than simply imprisoning the perpetrators of such crimes, as it deprives the criminals of access to the ultimate objective for which they have committed the crime. Through this, asset recovery also has a preventative function as it reduces the incentives to engage in corruption in the first place.

However, despite the wide recognition of the importance of asset recovery, on the whole, the success rate in effectively tracing and recovering illegally gotten funds from across international borders remains conspicuously low, not least because the process remains extremely complex, usually involving at least two, if not more, differing jurisdictions. To handle the legal and operational complexities of the process, the relevant national authorities require certain levels of procedural and institutional maturity as well as an operational context where applicable laws for asset recovery exist. While we have seen significant improvements in the legal framework for asset recovery in a large number of countries, the ability to operationalize these laws is still limited in most affected countries. Technical expertise and capacity, notably in financial investigation and international judicial cooperation, is still largely missing and political will to dedicate adequate resources to the asset recovery process is unevenly distributed.

Since the establishment of the International Centre for Asset Recovery (ICAR) in 2006, the Basel Institute through ICAR actively supports authorities of affected partner countries to deal with these particular challenges and to enhance and more effectively apply their institutional and technical capacities in recovering assets. Acting at the request of affected countries, ICAR experts work hand-in-hand with these countries' law enforcement and other relevant authorities on the ground. They also engage, together with our partner countries, with other concerned jurisdictions using ICAR's extensive international network. Demand for this in-country hands-on support has surged in 2014 and as a consequence our team has grown rapidly. Our case

specific support is combined with the delivery of country-specific tailor-made capacity building training programmes and regional workshops. In this area of work, ICAR in 2014 has again continued to expand its existing curriculum of trainings with a range of advanced and sector specific trainings in the area of financial investigation, asset recovery and international cooperation and a growing number of e-learning modules for self-paced, long-distance learning.

At the policy level, ICAR continues to actively participate in selected aspects of global policy dialogue on asset recovery, focusing notably on efforts to shape more efficient procedures for asset recovery and to ensure the meaningful and transparent return of stolen assets once they have been recovered, as well as following new trends in financial crime prevention such as virtual currency and bitcoins.

To date, ICAR has worked with over 30 countries worldwide in freezing and investigating more than USD 1 billion of public funds that were illegally acquired by public officials and transferred to foreign jurisdictions. It has enabled its partner countries to make significant and tangible progress in tackling financial crime and ensuring that stealing of public funds does not go unpunished. ICAR remains one of only two internationally operating not-for-profit institutions specialised in this field.

2014 AT A GLANCE

Training and IT tools

- 4 national multi-phase training programmes in financial investigation and asset recovery: Bhutan, Indonesia, Nepal and Romania
- 1 regional training programme for countries of the MENA region (Iraq, Jordan, Lebanon, Palestine and Tunisia) in conjunction with the ISISC
- Co-hosting and co-delivery of national and regional training workshops on financial investigation, asset recovery and related topics with partner organisations, including UNODC and ARINSA in Lesotho, Malawi, Tanzania, Panama, East Africa and Southern Africa
- Trained more than 200 professionals worldwide in financial investigation and asset recovery
- Development of new specialised training modules for financial investigation and asset recovery in specific industry and economic sectors: procurement, offshore structures, mega construction projects, the oil & gas industry, and forestry
- Launch of 3rd edition of the Basel Anti-Money Laundering Index, which, by the end of 2014, accounted for 79 clients from both the private and public sector (fee-based Expert Edition)

E-learning

- Development of Offline Edition – once downloaded, Internet is no longer required to complete a course
- Integration of e-learning module on Financial Analysis and Visualization of Money Flows into ICAR's multi-phase training programme for the Anti-Corruption Commission (KPK) in Indonesia

- New partnership arrangement with the Egmont Group of Financial Intelligence Units (FIUs) to develop a course on Operational Analysis in relation to Suspicious Transaction Reports (STRs) covering elements of risk assessment of STRs, planning and collection of information, as well as analysis and dissemination of intelligence to law enforcement agencies

Casework and technical assistance

- Support to 9 partner countries in East Africa, South America, the Middle East, Central and South East Asia and Eastern Europe, providing strategic advice on a total of 65 cases, involving specific guidance on 22 MLA requests, representing in sum a value of USD 1.5 billion in suspended or frozen assets
- Pilot in-country secondment of ICAR financial investigation specialists embedded with relevant local authorities to provide casework assistance
- Support to East Timor in reviewing its money laundering investigation processes and laws in the context of USAID's FOTI Timor Leste programme
- Legal review and analysis assistance to Ghana, Nigeria, Senegal as well as Cape Verde in the context of the EU technical assistance programme "Cocaine Route: Anti-Money Laundering Activities in West Africa"
- Technical input into SECO credit proposal concerning its support to Romania in relation to the country's ongoing anti-money laundering efforts
- Review of, and technical advice towards the legal framework and operating guidelines for lawful interception in Bhutan

Global policy

- Organisation of practitioners' workshop for Civil Society Organisations (CSOs) on asset recovery in the MENA region, held in parallel with the Arab Forum on Asset Recovery (AFAR) in Geneva, to support the role of CSOs in the asset recovery process
- Launch of new online information platform with interactive guide for CSOs on how to play a more active part in recovering stolen assets (cso.assetrecovery.org)
- On-going participation in the global dialogue on return modalities and end use of confiscated assets, amongst other, through UNODC's Experts Workshop on Asset Return
- Proactive and lead role, in partnership with key international stakeholders, in developing draft "Guidelines for the Efficient Recovery of Stolen Assets," amongst other, through participation in the Swiss FDFA led Lausanne process
- Hosted first international expert workshop on the use of virtual currency to launder money at the University of Basel
- ICAR, Europol and Interpol established an international working group for pursuing the challenges exposed by virtual currencies in the process of tracing and recovering stolen assets

CASE ASSISTANCE

Can the Yanukovich assets be recovered?

Since the Arab Spring, asset recovery has become one of the first topics after the fall of a regime to elicit hope in the people of the concerned country. It also emerges increasingly as a top priority topic in related international efforts to help the country's stabilization efforts. This was also the case in Ukraine, in early 2014, after the government of President Yanukovich was overthrown. In the days immediately after the downfall of the Yanukovich regime, Ukraine civil society played a key role in safeguarding information and evidence of financial crimes committed under Yanukovich; in parallel, the international response to freeze assets potentially stolen by the former President and his close associates and family members was the fastest and best coordinated in the history of asset recovery.

Situations like this are often marked by high public expectations and international pressure. At the same time, concerned authorities are overwhelmed by the sheer number and complexity of the new cases to be investigated, and they often have limited capacity for this task; in addition, questions are sometimes raised about the potential of conflicts of interest in the concerned authorities where a majority of staff is likely to have served under the previous regime. In Ukraine this strain on concerned authorities was further amplified by a financial crisis and the instability in the East of the country.

In August 2014, the Basel Institute responded to a call for assistance from the General Prosecutor's Office (GPO), and the two organisations signed a Case Consultancy Agreement through which the Basel Institute agreed to support the GPO with the tracing and international recovery of assets presumed to having been stolen by members

of the Yanukovych regime.

Both the ICAR team and the GPO were aware from the outset that their work commenced under difficult circumstances and would face operational and legal challenges. Besides the Lazarenko case, the asset recovery efforts by Ukraine against the Yanukovych regime are the largest in the history of Ukraine. The sheer volume of frozen assets, the large number Ukrainian officials (initially over 20 individuals) subject to sanctions by the European Union, as well as the variety of jurisdictions involved illustrate that the asset recovery process is expected to be complex. In addition, a number of recent legislative changes added to the challenge, due to limited experience in applying them. For example, the new Criminal Procedure Code (CPC) that came into force in Ukraine in 2012 introduced far-reaching changes to the procedural framework for initiating criminal proceedings, pre-trial investigations and trials. One prosecutor noted in view of these changes and what it means for it's prosecutors: "It is more difficult to change people's conscience than the law".

Regardless of these challenges, cooperation with the GPO since August 2014 has led to significant progress both in domestic investigations and in relation to obtaining information from abroad through judicial cooperation. ICAR supports the GPO through a locally embedded financial investigator and a team of experts based in Basel, working with the GPO remotely and through frequent visits. In an initial stage, ICAR's assistance focused on supporting an appropriate case prioritization, initiating the overall case strategy and creating a joint investigation plan. Moreover, ICAR has also been assisting the GPO in profiling the suspects and trying to unmask the true owners that are usually hidden behind intricate corporate structures such as shell companies and trusts. For example one of suspect's company scheme had five layers of corporate structures involving four different jurisdictions.

While some domestic investigations have been progressing well, the Ukrainian GPO also depends heavily on information and evidence possibly available in foreign jurisdiction. A pro-active attitude to active information sharing both in Ukraine and in the concerned foreign jurisdictions is critical for the success and efficiency of the international tracing efforts. The work in Ukraine has shown that establishing direct contact via phone, email or face-to-face meetings with foreign counterparts helps create trust and ultimately speeds up procedures and reduces unnecessary formalities.

In addition to informal exchanges, an important channel to gather information from abroad is through mutual legal assistance (MLA). There, cooperation has been challenged by criteria applied to MLA such as dual criminality. For example, Ukraine's penal code provides for illicit enrichment, and a number of members of the Yanukovych regime are suspected of this crime. However, this offence does not exist in most countries from which Ukraine seeks MLA, and thus, in order to make MLA possible, investigations have to be oriented towards other crimes for which dual criminality applies.

Another challenge relates to efforts by the defendants to challenge decisions taken by foreign authorities, be it under sanctions regimes or on another legal basis, to have their assets frozen. As is often the case, Ukrainians associated with the Yanukovych regime have access to highly qualified lawyers who have not shied away from

contesting such freezing measures. This adds to the pressure on Ukrainian authorities; the outcome of these de-freezing attempts will hinge on the quality of information provided by Ukraine.

Finally, the investigations also proved to be complicated by the traditionally rather hierarchical structures within Ukrainian law enforcement agencies, and a reluctance – not uncommon in other countries – for law enforcement agencies to work together. For this, it has been critical to establish an understanding of the interconnectedness of cases, and as a result to help create joint investigation teams and merging several cases.

In all this work, the effectiveness of joint efforts by the GPO and ICAR relies heavily on mutual trust. Understandably it is rather unusual, and thus takes getting used to, for prosecutors to work with external advisors. This was further amplified by quite frequent restructurings and personnel changes. This being said, Ukrainian investigators and prosecutors showed an immense willingness to cooperate. Efforts to locate, freeze, confiscate and return stolen assets in Ukraine of course remain challenging and further legal battles should be expected. However, we are confident that through cooperation with the GPO on financial investigations and effective information exchange with other jurisdictions, the country will ultimately achieve its goal to recover assets stolen by the Yanukovych regime and that these assets will be returned in such a way that at least some of the damage done by corruption can be remedied.



Signing of Case Consultancy Agreement between the Basel Institute and GPO

TRAINING – CAPACITY BUILDING

Bhutan – a partner country tells its story

The Anti-Corruption Commission (ACC) of Bhutan and the Basel Institute have a long-standing working relationship covering a range of joint endeavours including the development of Bhutan's national anti-corruption strategy and the conceptualization of a long term institutional development plan for the ACC. As part of these collaborative efforts, the ACC in 2014 requested support from ICAR to strengthen the capacity of the agency in conducting complex financial investigations. An inherent component of this training programme was the involvement of a range of law enforcement and asset recovery related agencies from Bhutan to enhance institutional cooperation within Bhutan's anti-corruption landscape. In addition to investigators from the ACC, participants thus also included representatives from Bhutan's Judiciary, the Office of the Attorney General, the Royal Bhutan Police, the Drug Regulatory Authority, the Department of Revenue and Custom, and the Bhutan National Legal Institute. Funded in the context of a five-year cooperation agreement between SDC and Bhutan titled DG+ Democratic Governance Programme, our capacity building project was concluded in 2015 with a third and final training. The training team was impressed by the commitment and skills displayed by the participants of the training and we hope that our work has helped in further increasing the effectiveness of the agency and its partners in investigating and prosecuting corruption for the benefit of Bhutan's society and economy.

At the completion of the third training workshop, we asked Dasho Neten Zangmo, Chairperson of the ACC of Bhutan, to share with us her impressions of ICAR's training programme. Dasho Neten was the first Chairperson of Bhutan's ACC and, at the time of the printing of this report, will have left the ACC at the end of her regular term. She has been instrumental in making the ACC Bhutan a strong institution in Bhutan, helping to contribute to the country's efforts to build an equitable and accountable democracy. The Basel Institute team extends its great appreciation and best wishes to Dasho Neten.



Participants of the training workshop



Participants working on a practical exercise

Ms Dasho Neten Zangmo, Chairperson of the ACC writes:

“The highest probable risk to development I see is corruption. Corruption is unambiguous – there is no great or small corruption. And no one can be above the law [...] But there is an even greater threat - ignoring corruption. When the corrupt are not held to account, those who observe due diligence, work hard and professionally are most likely to be discouraged.” His Majesty, 2014

Bhutan as a small nation, a young democracy situated as she is geopolitically and with materialism increasingly colonizing her people cannot insulate herself from the ills of corruption. His Majesty the Fourth King, in his enlightened wisdom, established the Anti-Corruption Commission of Bhutan (ACC) in December 2005 as He was steering the nation in establishing parliamentary democracy. The ACC is seen as a strong, effective and a trustworthy institution of democracy in Bhutan and beyond. This is attributable to the Kings’ commitment to fight corruption, goodwill of the government and its partners, determination of the ACC itself and not the least of all support from its counterparts and development partners including institutions such as the Basel Institute on Governance, Switzerland.

Corruption is complex and continuing to be sophisticated with the increasing dynamism and interconnectedness of political economies, supersonic technological advancement and social reengineering. The ACC and its partners have to understand corruption well, its manifestations and have to build the wherewithal to prevent and combat it comprehensively and sustainably. An important area where the ACC has to build its expertise is in financial investigation and asset recovery. In February 2014, the International Centre for Asset Recovery (ICAR) of BIG assisted the ACC in assessing the domestic laws, institutions and coordinating mechanisms for authorities dealing with asset recovery. Subsequently, it conducted three rounds of training on “Financial Investigations and Asset Recovery”, the first of its kind in Bhutan, for 79 officials from the Judiciary, Attorney General’s Office (OAG), other law enforcement agencies and financial institutions. The trainings not only afforded enrichment of skills and knowledge but also provided a platform for fostering greater synergy between the diverse domestic actors involved in the asset recovery process. The ICAR’s wealth of expertise, professionalism and wide international experience enriched the interactive lectures, investigation simulations and trial preparations.

Participants gained sound knowledge of international standards, instruments like MLA, strategies to track money trails to safe havens and establish links between asset recovery, money laundering and predicate offence such as corruption. The trainings were very successful as testified by the following statements.

At the end of the first training, Judge Gembo Tashi stated:



ICAR trainers with Ms Dasho Neten Zangmo, Chairperson of ACC

“Members of the judiciary now appreciate how much work goes on behind the scenes when conducting an investigation. The training has enabled the investigators and prosecutors to share with the judges what was expected of them and vice versa. If evidence was placed before court in the manner that the participants had learnt during the training, then the judges would have no other option but to convict.”

Sharing his feedback on the second round of training, Assistant Attorney Tashi Gyalpo from the OAG, said:

“[...]training was very illuminating, emphasizing the importance of the concept of asset recovery being linked to money laundering and predicate offences. The link had not been very clear to me in the past. If the OAG had received such cases, we would not have known how to handle them. The judiciary, OAG and ACC are all part of law enforcement and if only one agency moves ahead, then the investigation and prosecution of corruption would not succeed. The opportunity afforded by the workshop to interact with the judges was most welcome as this seldom happens in reality.”

The Honorable Chief Justice, Supreme Court of Bhutan, who graced the training in February 2015, said.

“After the conclusion of the first training, I have heard only praises from the judges and lawyers who attended the training last June. I have been informed that the workshop was very relevant, and that the practical exercise of the realistic, yet fictitious case [...] was brilliantly prepared, which helped them to understand the issues with ease. The participants were very impressed with the trainers for their extensive knowledge and for the amount of research, preparation and effort they had put in to ensure the success of the workshop”

As Bhutan explores more sophisticated “weapons” to fight the human disorder of corruption, it will continue to draw on the valuable pool of expertise and experience of institutions such as the Basel Institute and with the goodwill and generous support of the SDC, ACC’s traditional partner in development.

E-LEARNING COURSE ON “SOURCE AND APPLICATION” – HOW DOES IT WORK

Does your grandmother drive a Porsche?

In 2014 the development of a self-paced e-learning environment continued to play an important role for ICAR in its efforts to offer a variety of avenues to its partner countries to build capacity in asset recovery and financial investigation. By the end of the year, ICAR’s Asset Recovery CAMPUS (<https://campus.assetrecovery.org/>) registered some 750 practitioners worldwide. Some of these practitioners enrolled in ICAR’s e-learning courses by accessing these on the Asset Recovery CAMPUS; others were exposed to the courses through their participation in ICAR’s onsite training programmes which increasingly also integrate e-learning components. As e-learning modules can

not only be accessed online but may also be installed locally at partner agencies' own training centers, they offer an opportunity for partner agencies to become increasingly self-sufficient in providing basic aspects of financial investigation training to their staff, which is then complemented with the more in-depth capacity building provided in ICAR's face-to-face trainings.

Investigators of corruption and bribery cases often face a common problem: there is no direct evidence linking the suspect to the illegal activity.

Bribery is seldom blatantly witnessed or caught first hand on video. For the most part, it occurs inconspicuously. Nevertheless, many suspects of bribery, once they have enriched themselves, like to show their newly acquired wealth by buying luxury items such as big houses or fancy cars; and, rather than admitting to their conspicuous new and many purchases, they try to cover these up by lying and justifying their increasingly luxurious life style with banal explanations such as, "I inherited the Porsche from my grandmother."

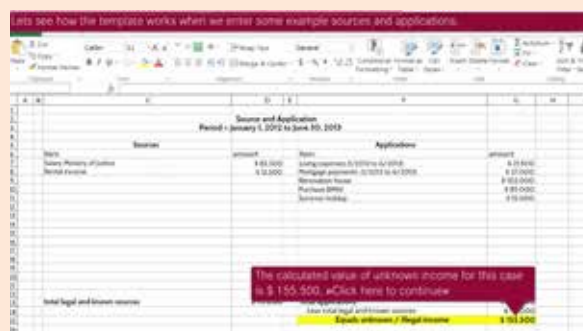
ICAR's e-course on "Source and Application" teaches participants how circumstantial evidence such as bank records, invoices and other such documents may assist an investigation in proving bribery or corruption. Through online enrollment into this particular course, with or without Internet connection, participants are able to independently learn to apply the "Source and Application Method" to...

- calculate the amount of unknown/illegal income pertaining to a particular suspect
- find actual sources and applications in the context of their own respective cases
- independently create a Source and Application calculation
- use a simple Excel template to calculate the amount of unknown/illegal income
- use international recommendations like the United Nations Convention Against Corruption (UNCAC) to support the use of circumstantial evidence in a bribery or money laundering case

More e-courses developed by ICAR can be found on the Asset Recovery CAMPUS. All ICAR e-learning is jointly developed by ICAR's Asset Recovery/Financial Investigation Specialists (Training) and ICAR's e-learning Specialists.



Interactive exercise to explore the principles of Source and Application



Participants create their first Source and Application calculation

Prevention: Division for Public Governance

The Basel Institute takes a balanced approach to combating corruption by supporting both enforcement measures and prevention measures. Through its specialised Division for Public Governance, the Basel Institute tackles the latter by applying a two-pronged operational approach. On the one hand, it provides hands-on technical advice and guidance to partner countries in support of their national corruption prevention programmes; on the other hand, it conducts original and commissioned academic research that contributes to building and enhancing knowledge about effective and innovative measures to promote governance reforms and preventing corruption. The combination of research and practical application in the context of technical assistance allows these two activity strands to be mutually reinforcing and lends compelling value to the Division's services: Knowledge and awareness gained from delivering technical support programmes to partner countries on the ground can be integrated into the Division's research endeavours; and vice-versa, findings and insights derived from the Division's research activities are fed into the conceptualisation of its technical support programmes.

In 2014, research and technical assistance programmes were conducted with a particularly wide geographical spread, including in Eastern and Western Europe, in East Africa, in South East Asia and in Central America



Participants of the workshop "Quantitative and Qualitative Research Methods on Corruption"

2014 AT A GLANCE

- Development of two new training modules on "Quantitative and Qualitative Corruption Research Methods and their Application" and on "Power and Influence Analysis"
- Capacity building training programmes delivered in Basel (at the University of Basel) and Indonesia (to the Corruption Eradication Commission, KPK)
- Participation in co-delivering capacity building training (with GIZ) in Cameroon on good governance in the extractive industries in Central African Economic and Monetary Community (CEMAC) to ministerial representatives of Cameroon, Central African Republic, Chad, Equatorial Guinea, Gabon and the Republic of the Congo
- Technical support to Albania in establishing a citizen's/patients complaint and transparency system in the context of Albania's corruption prevention efforts to reform its national health system
- Country-specific analysis report, commissioned by WHO, on "Strengthening health systems by improving accountability for health systems in European Member States" with case studies on Moldova, Finland and Turkey
- On-going original research on linkages between corruption, governance and social accountability in the context of the multi-centre EU research consortium, ANTICORRP, producing two country reports on Mexico and Tanzania for the programme's "Ethnographic Study of Corruption Practices"
- Co-lecturing semester course on "Sustainability and Health Governance" at the University of Basel as part of the Law Faculty's Masters Programme on Life Sciences
- Political-economy research study on Kenya, including field research, applying, amongst other, the Institute's "power and influence" research methodology with a view to supporting and better informing ICAR's longer-term operational engagement in Kenya

SOCIAL ACCOUNTABILITY MECHANISMS - HOW DOES IT WORK

Harnessing the power of citizens against corruption: designing effective social accountability initiatives

An important on-going focus of research work for the Division of Public Governance concerns the importance of “social accountability” mechanisms, that is, the active and acknowledged participation of citizens and groups of citizens in their respective national efforts to curb corruption and related unlawful practises. Experts of the Public Governance team first began to engage on the subject matter in the context of the Basel Institute’s participation in the multi-centre research programme commissioned by the European Union (EU), ANTICORRP launched in 2012. The aim of this multi-year project was to research the linkages between corruption, governance and social accountability in support of the EU’s programme of work on the “The Ethnographic Study of Corruption Practices” and includes, amongst other, field-research based case studies in Mexico and Tanzania. The following article illustrates when and how encouraged involvement of citizens and civil society in local efforts to impede corruption can play a meaningful role, and thus why their voices and influence shall be mobilised, along side, or as integrated actors, for the creation and enactment of other more conventional and formal practises and initiatives for tackling corruption.

The knowledge gap

There is increasingly agreement that corruption cannot be effectively controlled without civil society involvement. Especially in areas such as education, health and security, where corruption is experienced directly by users and generates high social costs, there are significant opportunities for citizen action against corruption provided civil society is empowered and equipped with adequate information and institutional mechanisms to denounce and resist abuses of power. In response, many social accountability tools have been developed, reflecting not only the growing interest in this approach, but also its potential applicability in a broad number of sectors.

Reviews of the empirical evidence have, however, revealed an inconsistent track record of social accountability interventions (McGee and Gaventa 2010, Gaventa and Barrett 2010). Some authors have even suggested that the importance of fostering social accountability initiatives to improve governance in the delivery of basic services has been overstated (Booth 2011), and that these participatory mechanisms in fact have little impact on accountability (Andrews and Shah 2002). In spite of those claims, it is difficult to ignore the existing evidence that social accountability initiatives, when adequately designed and implemented, can make a meaningful contribution to combating corruption and improving the livelihoods of people.

Our approach

In order to address the question of when and how can social accountability function as an effective anti-corruption strategy, and within the scope of its contribution to the ANTICORRP research consortium, the Basel Institute on Governance conducted research activities to inquire about the elements of the local context that need to be taken into account in order to develop social accountability strategies that respond to the needs and expectations of the intended beneficiaries. The research findings suggest that in order to enable citizens to articulate their voice effectively, any social accountability initiative needs to be consistent with the social values, levels of institutional trust, and

collective action capabilities of communities. Furthermore, the research findings also stress the importance, not only of empowering citizens, but also of developing institutional links to the state and to key decision makers who may be engaged and held accountable. Building on the research findings, and in order to translate them into useful knowledge for practitioners, the Basel Institute in collaboration with the UNDP's Programme on Anti-Corruption for Development Effectiveness (PACDE) developed a methodological toolkit to capture the elements of the local context that should be taken into account in order to develop and support effective anti-corruption social accountability initiatives.

To date, the aforementioned methodology has been applied in Mexico, Tanzania, the Philippines, Serbia and Ghana, generating significant insights from a broad variety of contexts. Application of the methodology yields an assessment of the "goodness of fit" of different social accountability tools to prevailing conditions in target communities. The research toolkit also generates indicators to help implementers track project progress and impact. Thus, the assessment may be usefully applied at the outset of the social accountability intervention in order to generate a baseline data set, and then be re-applied later on in order to measure progress and impact.

Finding the right tool for each context

The evidence suggests that assessing the collective action capabilities in each context is of utmost importance. Such capabilities are measured according to the presence of an organized civil society, the prevalence of social capital, and whether patterns of social interaction among target communities can be described as communitarian or individualistic. These elements may then be used to inform the decision on the type of social accountability tool that may be suitable to each context. Thus, social accountability approaches such as citizen monitoring, community scorecards and participatory budgeting require a meaningful collective action effort and, as such, can be expected to work better in communitarian settings where social capital and horizontal networks tend to be denser, as exemplified by the case studies from the Philippines, Tanzania and Mexico. Other social accountability tools such as citizen report cards, direct individual complaints, and online and SMS reporting mechanisms may be better suited to contexts where more individualistic attitudes prevail, as is the case in Belgrade. Furthermore, the Mexican case highlights how a lack of coherence between the social accountability tool and community practices can seriously hamper the effectiveness of a participatory initiative.

Additionally, the cases of the Philippines and Tanzania illustrate the amplifying effect that trainings on rights, entitlements and corruption awareness-raising can have on community empowerment in contexts where community-based organizations are active. This is a lesson that may be useful for contexts such as the Mexican, where the building blocks for a rights based anti-corruption approach are lacking but social capital and local participatory practices are, nonetheless, abundant. In contrast, where such horizontal networks are lacking, the outreach potential of trainings is much more limited and dissemination of such information through public campaigns at the service point or through the media may be more effective.

Another dimension to note – in order to facilitate take up and sustainability of participatory initiatives – is that the anti-corruption social accountability efforts should ideally link up citizens with actors or institutions they trust. Thus, adopting a social accountability approach that involves direct interactions between government officials, service providers and citizens is feasible in contexts where a significant degree of trust among the stakeholders involved

is already present as in the case of the Philippines. In Tanzania, successful anti-corruption actions have involved institutions trusted by citizens, such as media and NGOs, acting as enablers of the transmission of citizen voice to the state officials, which citizens otherwise mistrust. In contrast, where trust is low for all institutions, as in Serbia, an anonymous reporting mechanism, ideally handled by a neutral third party (such as a NGO), may be more appropriate.

The cases also highlight the importance of taking into account the incentives of key stakeholders in the public sector: the assessed projects in Serbia, Tanzania and Mexico shared a significant weakness because of the absence of well defined procedures to relay information to government decision makers, which is probably partly due to a systemic absence of functional institutional structures linking citizens' inputs to the state. The Philippine case is an exception in this regard, due to the extraordinarily close relationship between the local government authorities and citizens in the communities that were studied.

Acknowledging challenges and finding solutions

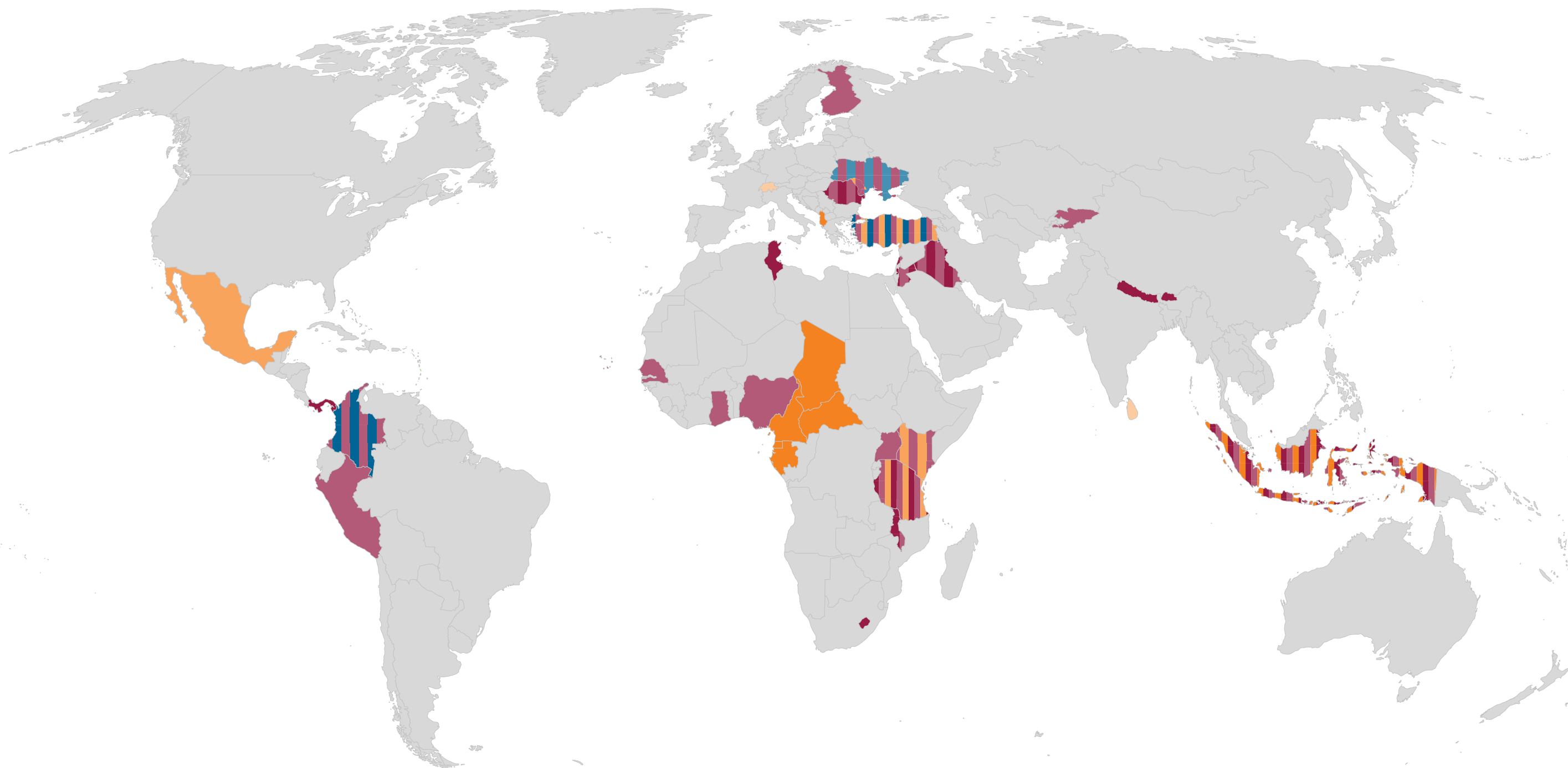
The experience in applying the methodology across such a variety of contexts highlights the fact that social accountability cannot be understood as a silver bullet in the fight against corruption as the case studies also illustrate some of the limits to participatory approaches. Without sanctions, accountability clearly has no meaning, yet enforceability tends to be the most difficult component to incorporate into social accountability programmes because it often requires reforms to the legal and regulatory frameworks governing the terms of employment of civil servants. However, although such reforms may be politically difficult to undertake, citizen voice and engagement can be an important factor to create greater public awareness of the need of reform and to spawn political will.

For the aforementioned reason, designing social accountability approaches that incorporate mechanisms engaging state institutions and government officials in a regular and predictable manner is important. In other words, defining institutional mechanisms through which voice, enforcement and answerability may become functional and link up to enable information flows across the full social accountability cycle should be an essential element of developing a holistic citizen participatory intervention.

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Where we worked in 2014



International Centre for Asset Recovery

- Trainings
- Technical Assistance

Public Governance

- Technical assistance
- Research

Corporate Governance

- Technical advice

International Centre for Collective Action

- Initiatives
- High level reporting mechanisms

Working with the private sector

Prevention: International Centre for Collective Action

The Basel Institute recognises the importance of all concerned actors in the prevention of corruption, with the private sector playing a key role. With this fundamental principle in mind, the Basel Institute in 2012 established the International Centre for Collective Action (ICCA) with funding support from the Siemens Integrity Initiative, to actively engage with and promote private sector led self-regulation and multi-stakeholder initiatives against corruption. Experts of the ICCA today closely guide and assist companies in devising and implementing joint solutions that aim to mitigate potential risks of corruption affecting their business, industry or sector. Such efforts can take on different forms, and may include, amongst other, industry standards, integrity agreements or public-private partnerships. While some are limited to the private sector, others involve companies in collaboration with governments, civil society and even international organisations.

Building on a decade-long track record in supporting industry initiatives against corruption, the Basel Institute has over time made notable inroads in the promotion and support of anti-corruption Collective Action initiatives worldwide and has adopted a leading role in this field of work. The best-known examples of our work as facilitators and initiators of Collective Action initiatives are the Wolfsberg Group, which brings together the world's largest private banks in their efforts to set and enhance international standards against money laundering, and the World Economic Forum Partnering against Corruption Initiative, an international cross-industry collaboration to promote anti-bribery compliance.

In acknowledgement of these and other recognisable achievements by the Basel Institute, the B20, which interacts on behalf of the international business community with the G20 leaders, at the end of 2013 awarded the Basel Institute the mandate to act as the B20's international competence centre on Collective Action, referred to as the B20 Collective Action Hub on Anti-Corruption. In this capacity the Basel Institute together with the Organisation for Economic Co-operation and Development (OECD) continues to support interested countries in establishing specialised reporting mechanisms for the private sector, such as the High

Level Reporting Mechanism in Colombia and the Business Ombudsman in Ukraine.

2014 AT A GLANCE

- Launch of the B20 Collective Action Hub on Anti-Corruption (www.collective-action.com), the first comprehensive interactive online database and resource centre worldwide for all information on Collective Action
 - Russian Compliance Alliance becomes first official member of the B20 Collective Action Hub
 - Organisation of an international conference on "Collective Action: Going Further together to Counter Corruption" at the University of Basel
 - Facilitation of industry-specific initiatives, including in the energy and transport sector, with members of the heavy industry sector, and in the defence sector
 - Business Ombudsman Ukraine established in partnership with the European Bank for Reconstruction and Development (EBRD)
 - High Level Reporting Mechanism (HLRM) in Colombia further expanded, in collaboration with the OECD
 - Participation in the Siemens Integrity Initiative's Second Funding-Round for Scaling up Anti-Corruption Collective Action: B20 Hub on Anti-Corruption Collective Action
 - Active participation in the B20 Working Group on Transparency and Anti-Corruption
-

GOING TOGETHER IN AN EFFORT TO CURB SHARED CORRUPTION PROBLEMS

Talking from experience – an interview with Tayfun Zaman

The Basel Institute and its partners see Collective Action as a deviceful and effective tool in countering shared obstacles of corruption, arguing that no single actor, state or non-state, can effectively prevent and respond to corruption by acting alone. Thus, when participants of a market or market segment recognise the benefit of coming together and agreeing to jointly tackle collective problems of corruption, find and implement concerted and workable solutions for all concerned, Collective Action can become an effective action plan for going-together in tackling corruption hurdles. And when acting in such manner, Collective Action has the unmediated and encouraging side-effect of increasing the impact and credibility of individual action in that it brings together vulnerable individual players into an alliance of like-minded organisations and thereby levelling the playing field between competitors.

In an interview with Tayfun Zaman, Secretary General at TEID, Ethics and Reputation Society, and Founder and Director of Turkish Integrity Center of Excellence, Mr Zaman talks about his own professional experience of launching and participating in a Collective Action initiative for custom brokers in Turkey:

Dear Mr Zaman, can you please tell us about TEID, the Ethics and Reputation Society of Turkey?

The Ethics and Reputation Society – TEID, was established in May 2010. TEID's main mission is to make business ethics the very basis of companies' written culture in Turkey. It is also our aim to act as a reference centre in integrity risk management in Turkey. In this context, TEID establishes partnerships and affiliations with some of the most respected NGOs in the field, such as the Basel Institute on Governance.

TEID currently has more than 100 corporate members, whose total revenues exceed 13% of Turkish GDP and who collectively employ approximately 200,000 people.

TEID has initiated a Collective Action amongst customs brokers in Turkey. Could you tell us more about the background of this initiative?

TEID, in partnership with five local associations of customs brokers in Turkey (Istanbul, Izmir, Bursa, Mersin and Ankara) has prepared Customs Brokerage Ethics Standards governing business ethics and integrity risk management in customs- associated transactions and relations. At the unveiling of the initiative in 2013, 250 Turkish customs brokers signed the declaration of integrity.

What are the main goals and operating procedures of the Customs Brokerage Ethics Standards?

The initiative seeks to combat corruption and integrity related barriers in customs operation with a holistic approach, through the partnership of NGOs, and both the public and private sectors. First, we try to address and manage the

relationship between customs brokers and the customer in order to better manage integrity risks on behalf of the customer. Secondly, we promote fair competition in all business relationships involving customs brokers and their customers. Finally, the Customs Brokerage Ethics Standards includes commitments for combatting corruption in connection with interactions between customs brokers and public officials.

“A comprehensive Collective Action approach can further strengthen and support a successful integrity programme of individual customs brokers [...]”

Why have you chosen a Collective Action approach over another methodology and why do you think that Collective Action was the most promising one in view of the challenges that you were seeking to address?

As the private sector can play a part in the corruption problem in customs, it can also be a significant part of the solution. An adherence to standards of integrity and ethics by customs brokers in their business could thus be considered as an initial key step. A comprehensive Collective Action approach can further strengthen and support a successful integrity programme of individual customs brokers, increasing an individual company's impact by making fair business practices more common and elevating individual action of vulnerable individual players such as small and medium sized enterprises, which compose the majority of customs brokerage operations in Turkey. Thus, this gives customs brokers a very important part in reducing corruption in customs through their role as agents of the private sector.

In June 2014, the ICCA hosted an international conference on anti-corruption Collective Action, where you delivered an excellent presentation. Could you please share with us some of your thoughts and experiences on the event?

It was indeed a pleasure to take part in this important conference. I believe that it was a very productive event for me and for all of the participants, providing a unique opportunity to exchange with Collective Action practitioners from business, government, academia and civil society. The variety of topics and methodologies analysed in the presentations and discussions helped underscore effective methods and the value of Collective Action in the fight against corruption. It was an honour to discuss some of the successful examples, practical advice and lessons learned about collective action drawing from our recent experience in Turkey.

Turkey is currently the host nation for the G20¹/B20, with a B20 Task Force devoted to Anti-Corruption. What will be B20 Turkey's approach to anti-corruption?



Tayfun Zaman, Secretary General TEID

The B20 and G20 this year are focused heavily on implementation, and thus B20 Turkey will build upon recommendations and action plans of the 2014 B20 Anti-corruption Working in (ACWG) in Australia and the G20 ACWG. For example, one B20 Australia Recommendation calls for endorsement of the G8 core principles on transparency of ownership and control of companies and legal arrangements. G20 leaders answered positively to this recommendation, and thus B20 Turkey will focus on this as an area for implementation in 2015, with actions to be further detailed and carried out over the course of the year. In addition, B20 Turkey's approach for 2015 will also contain an important Collective Action component, again in relation to the area of customs brokerage.

That is a very topical idea, in light of your experience in this field. What are your recommendations to B20 with regard to Collective Action in customs brokerage?

- Model a collective action tool-kit to be used by the local associations of customs brokers in all G20 Countries to promote and facilitate parallel collective action initiatives
- Prepare a customs-focused integrity guideline equipped by sector specific risk definitions, regulations and solutions
- Create sector specific tuning based on the integrity barriers defined by a TEID/OECD Survey
- Conduct a corruption focused survey in Turkey to identify corruption risks and barriers in customs operations
- Create and publish a "case for change" showing the return on investment for customs agencies of each G20 country that combats corruption
- Compile an online repository of innovative uses of technology and analytics, apps, data platforms, case studies in mitigating corruption risk at customs in G20 countries
- Monitor adoption and effectiveness of new technologies in customs in five pilot G20 countries.

You have recently founded and lead the Turkish Integrity Centre of Excellence (TICE). What are the aims of this institution and how do you see it further promoting business integrity and Collective Action?

We have established TICE in 2014 with the mission of levelling the playing field, by including and engaging the private sector in the fight against corruption, based on the recognition that businesses seldom have appropriate expertise to implement internationally developed anti-corruption and good governance guidelines and standards. Also, it was noted that the assessment of how companies improve their practical implementation of these standards is difficult due to the lack of coherent data regarding socio-economic effects of corruption on leading sectors of the local economy. Further, especially smaller companies, whilst they might have defined some sort of ethical standards, often do not have a compliance program through which they integrate those standards into their written corporate culture and into their corporate practice. Consequently business ethics remain a soft skill for the companies rather than a value and an asset to be measured, reported and effectively managed. The vision of TICE is to create a cultural change in the Turkish private sector to address this problem. To this end, TICE amongst others is dedicated to training compliance officers who will effectively manage integrity risks for their companies. Collective Action will play a very important role in this cultural change.

Finally, what do you think that the Basel Institute on Governance and the B20 Hub can bring to the international community in terms of Collective Action? Why is it suited to this role?

The Basel Institute on Governance has significant experience in supporting and facilitating anti-corruption Collective Action initiatives in numerous sectors, and as host of the B20 Collective Action Hub, performs a highly important role in international anti-corruption efforts. This long experience and expertise in anti-corruption methods and Collective Action practices makes the Basel Institute highly suited to the repository, dissemination, convening and advising work that it undertakes.

¹ The Group of Twenty (G20) is an international forum for the governments of 20 of the world's major economies. The B20, part of the G20, represents the views of the international business community from among the G20 countries.



Founded in May 2010, Ethics and Reputation Society “TEİD” is a non-profit organization aiming to develop and encourage adherence to universally recognized business ethics principles and disseminating those in Turkish Business environment.

TEİD do not only act as a point of reference for the private sector companies assisting them to implant the principles of business ethics but we also work closely with the legislator in the pursuit of a socio-economic environment where companies act in compliance with those principles do not lose their competitiveness but gain advantages.

To learn more about TEİD and TICE:

TEİD: www.teid.org

TICE: www.tice.org.tr

Prevention:

Division for Corporate Governance and Compliance

Law enforcement authorities worldwide are continuing to increase efforts to prosecute cross-border bribery. The tightening of enforcement measures to counter bribery and money-laundering offences and persistently high corruption risks in a large number of countries are not only challenging multinationals but are also affecting small and mid-sized companies. The stakes of engaging in unlawful business transactions are high, in legal, financial and reputational terms. Small and mid-sized companies for whom the impact of possible enforcement actions or reputational damages can be devastating are particularly vulnerable and may, in the event that enforcement action is brought against them, be brought to the brink of bankruptcy. The Basel Institute approaches these risks in a practical and cost effective way, and sees the implementation of customised compliance programmes as the best way to protect companies and their employees against legal, reputation and business risks associated with bribery and money laundering.

Through its specialised Division for Corporate Governance and Compliance, the Basel Institute offers its services to the private sector to support the development or improvement of corporate compliance programmes. In 2014, the Basel Institute continued to offer tailored compliance services and solutions designed to address the particular compliance challenges that companies face. Our approach is to work closely with the company to realise a practical, risk focused compliance programme that fits with the company's business model, and that can be implemented by the company itself. In devising such solutions, the Basel Institute may provide advice on the development, strengthening and implementation of internal compliance management systems, as well as procedures and policies in line with best practices, risk developments and legal regulations to comply with anti-bribery and anti-money laundering laws and standards. Additional services include reviewing and benchmarking existing programmes, conducting company-specific risk analysis and drafting internal compliance policies and codes of conduct.

2014 AT A GLANCE

- Corporate advisory services to 7 companies
 - The Independent Governance Committee (IGC) of FIFA, for which the Basel Institute acted as Secretariat, completed its advisory task by delivering its final report.
 - Ms Gemma Aiolfi, Head of Corporate Governance & Compliance, was elected board member of Ethics and Compliance in Switzerland (ECS)
 - Regular lecturing on corporate criminal liability and compliance (e.g. University of Queensland's TC Beirne School of Law Australia)
 - Membership in the the OECD's Advisory Board on Business Integrity Eastern Europe and Central Asia
-

LOCAL IMPLEMENTATION OF GLOBAL POLICIES: HOW IT WORKS AND WHY IT IS IMPORTANT

Case scenario

A local plant manager receives a request from a member of his sales team to be given authorisation to provide a small digger to a local village community so that they can build a trench to channel the torrential rainfall in the rainy season, help repair a local temple, and erect a fence to protect the village from wild animals that come in from the forest at night. The manager agrees to the request because many of the local workers at the plant live in the village and it would help build good relations, particularly as there has been recent unrest at the plant about pay and conditions. The manager signs the note authorising the purchase of the digger. Some months later the manager finds himself at the centre of an internal investigation authorized by head office, the allegation being that he has breached the company's internal gift giving policy and its corporate social responsibility programme which prohibits support to any religious or political organizations.

The investigators conduct their interviews, gather the facts and return home to company headquarters where the decision to discipline the local manager is taken. It then falls to the company's compliance team to consider whether remediation measures are needed to ensure that this case does not happen again and to prevent it happening elsewhere. But what had gone wrong?

Two years before the incident, the company had issued a new group-wide gifts and entertainment policy. Employees had been trained, examples had been provided through the company's intranet to illustrate what falls under the new policy and where the risks of gift giving could arise, and a system of approvals had been put in place. It all looked clear and appeared to have been implemented in a reasonable way, at least from the group perspective.

In reality, some of the local entities had not really understood the need for such a policy in the first place. They had been operating for decades in a decentralised way, with the freedom to organise themselves as they liked, without too much interference from head office on details such as local gift giving which anyway was determined according to local practices and customs, and authorized by local management.

The investigators found that the easy going approach of the subsidiary was falling short, even by the local company's own standards: The purchase order for the digger had benefitted a local businessman who had family ties in the village and had used his influence to initiate the request but who intended to use it for his building business in the nearby town. It turned out that the promise to do the building work in the village had not been fulfilled, and



the villagers never had sight of the digger let alone the benefit of its usage. The local businessman was also a local council member for the ruling political party, and the local government had the power to grant operating licences to the plant near the village. The investigators had tried to find out if there were links between the local company manager and the businessman but the results were inconclusive. What was clear though was that the company had spent money on a gift that had not been given to the intended recipient, but had ended up in the hands of a local politician who could have influence on applications the local entity might make for business licences in future. No one in the local company had taken responsibility for making sure the gift was delivered to the right person or organization because no due diligence had been carried out on who would be taking delivery. The lack of oversight also extended to the building projects, no one at the company was tasked to monitor them and so the company had no idea if its generosity was of benefit to the community and appreciated.

The local entity was a very small outfit, delivering a tiny percentage to overall profits of the group and employing mostly locals. Legal services were often outsourced to an external law firm, and the size of the operation hardly warranted a compliance officer. In this situation, the local company starts to look like a small company in terms of how to handle its compliance function, although being part of a multi-national means that regional compliance officers are in place and should be able to assist even the small entities under their responsibility. In practice though, the region may be very large and the regional compliance officer quite stretched in terms of workload, cultural variations within the region can be profound, and the reluctance to change long-standing ways of operating make the process of change which includes implementing new group standards on gifts and entertainment, quite challenging.

This example is a composite of several cases that are familiar to the compliance team at the Basel Institute and is used to illustrate the importance of local implementation of global policies, because the risks to the group can start anywhere - even in seemingly insignificant places that hardly contribute to the bottom line.

General information

Knowledge products

The Basel Institute was engaged in a number of publication projects with a view to contributing to the creation and dissemination of research and practice-based knowledge in anti-corruption and good governance. Our products in 2014 included:

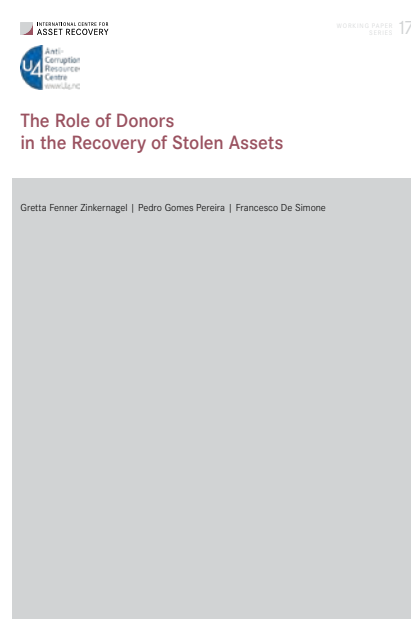
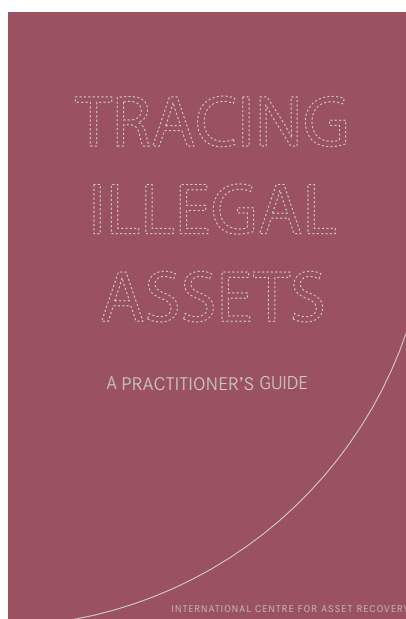
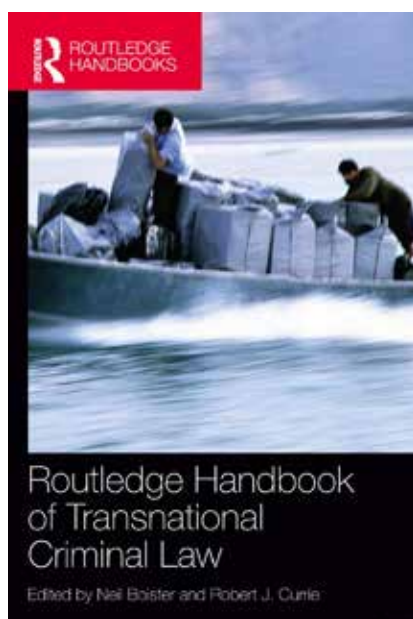
Books and book contributions

Monteith, Ch., P. Gomes Pereira, Asset Recovery in Boister, N., R. Currie (Eds.), (Routledge, UK, 2014).

Monteith, Ch., P. Atkinson, *Tracing Illegal Assets - A Practitioner's Guide* (Basel Institute on Governance, forthcoming in August 2015).

Working papers

Gretta Fenner, Pedro Gomes Pereira, Francesco De Simone, *The Role of Donors in the Recovery of Stolen Assets*, (Basel Institute on Governance, 2014).



Team and Foundation Board

Team

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Dr Hans-Peter Bauer
Dr Thomas Christ
Prof Dr Till Förster
Prof Dr Lukas Handschin
Prof Dr Anton Schnyder
Christoph Tschumi

Partners

The Basel Institute regularly partners with a range of public and private institutions to develop and implement its mandated projects. Such partnerships play a key role in the success of the Basel Institute's programme of work around the world and afford it the necessary flexibility and capacity for longer-term planning, strategizing and sustainability of activities worldwide. We are appreciative of all those – donors, clients and partners listed below – who have again worked with us in 2014 and shared their insightful expertise and experiences.

ANTICORRP (EU research consortium)
 Asset Recovery Inter-Agency Network of South Africa – ARINSA
 B20 (Business Group of the G20)
 British Foreign Commonwealth Office – Panama
 Egmont Group of Financial Intelligence Units
 Ethics and Compliance Switzerland – ECS
 European Bank for Reconstruction and Development – EBRD
 Europol
 Fairtrade International
 Gesellschaft für Internationale Zusammenarbeit – GIZ
 Global Forum on Law, Justice and Development – LJD
 Indonesian Corruption Eradication Commission – KPK
 International Anti-Corruption Academy – IACA
 International Institute of Higher Studies in Criminal Sciences – ISISC
 International Monetary Fund (IMF)
 International Forum on Business Ethical Conduct – IFBEC
 Interpol
 Ministerio Público Fiscalía de la Nación – Peru
 National Anti-Corruption Commission of Thailand
 Office for Economic Cooperation and Development – OECD
 Principality of Liechtenstein – Ministry of Foreign Affairs
 Procuraduría Pública Especializada en Delitos de Corrupción del Ministerio de Justicia y Derechos Humanos
 Siemens Integrity Initiative
 Superintendencia de Banca, Seguros y AFP – Peru
 Superior Council of Magistracy of Romania
 Swiss Agency for Development and Cooperation – SDC
 Swiss Federal Department of Foreign Affairs – FDFA

Swiss State Secretariat for Economic Affairs – seco
 Swisspeace
 Thai Institute of Directors
 TRACE International
 Transparency International – TI
 U4 Anti-Corruption Resource Center
 UK Department for International Development – DFID
 United Nations Development Programme – UNDP
 United Nations Office for Drugs and Crime – UNDOC
 UNODC/World Bank Stolen Asset Recovery Initiative – StAR
 United Nations Interregional Crime and Justice Institution – UNICRI
 United Nations Global Compact – UNGC
 Universidad de San Andrés – Buenos Aires, Argentina
 University of Basel
 University of Queensland (Brisbane, Australia)
 University of Western Cape (Cape Town, South Africa)
 U.S. Agency for International Development – USAID
 Wolfsberg Group
 World Anti-Corruption Forum
 World Economic Forum Partnering Against Corruption Initiative –PACI
 World Health Organisation (WHO)
 World Bank

Because of the highly sensitive nature of ICAR's casework assistance, partner countries of ICAR's casework team are not published.

Funding

The Basel Institute is an independent not-for-profit organisation registered in Basel, Switzerland, operating on an annual budget of approximately CHF 4 million.

Partly these financial resources are provided through thematically earmarked core contributions from donor agencies and private foundations and institutions. In 2014, the Basel Institute received such core contributions from the Government of Liechtenstein, the Swiss Agency for Development and Cooperation and the United Kingdom Department for International Development for the implementation of its programme of work in relation to the recovery of stolen assets. Similarly, the Siemens Integrity Initiative continued to provide seed funding to the Basel Institute for the promotion of Collective Action initiatives and the creation of the B20 Collective Action Hub. In addition we generate income from advisory services and receive project-

related funding from a range of development and corporate partners. Funds generated through these means make up about 35% of the Basel Institute's total annual budget. Any surplus assets generated from advisory services or project-related funding are used to fund research activities as well as technical assistance programmes to developing countries.

As a nonpartisan and not-commercially motivated organisation, the Basel Institute gratefully relies on the financial support that it receives from its various partners. Without their support and steady encouragement it would not be possible to reach out as effectively to as many partner countries as we do. We would like to thank our core donors, project clients and other contributors who in 2014 again generously supported the different facets of our programme of work, thus enabling us in a conjoined effort to make a contribution towards the global fight against corruption.

Financial statement

Balance

Assets (in CHF)	2014	2013
Liquid assets	1'331'993.65	1'395'113.60
Receivables	553'635.70	498'515.26
Accrued income and prepaid expenses	316'853.95	267'500.88
<i>Total current assets</i>	<i>2'202'483.30</i>	<i>2'161'129.74</i>
Office furniture and equipment	3'265.00	27'410.90
Financial assets	27'463.00	27'410.90
<i>Total fixed assets</i>	<i>30'728.00</i>	
Total assets	2'233'211.30	2'188'540.64
Liabilities (in CHF)		
Payables	357'287.31	266'785.58
Accrued liabilities	109'715.22	114'578.28
<i>Total current liabilities</i>	<i>467'002.53</i>	<i>381'363.86</i>
Restricted funds	1'217'690.05	1'329'756.52
Capital of the foundation	548'518.72	477'420.26
<i>Total funds and capital</i>	<i>1'766'208.77</i>	<i>1'807'176.78</i>
Total liabilities	2'233'211.30	2'188'540.64

Statement of operations

Income and expenditure (in CHF)	2014	2013
Contributions	2'890'552.35	2'301'181.25
Income from advices rendered to third parties	1'711'149.28	2'115'736.54
<i>Total operating income</i>	<i>4'601'701.63</i>	<i>4'416'917.79</i>
Direct project expenditure	-3'730'588.56	-3'612'699.12
Administrative expenditure	-927'411.96	-872'155.59
<i>Total operating expenditure</i>	<i>-4'658'000.52</i>	<i>-4'484'854.71</i>
<i>Operating surplus (-deficit)</i>	<i>-56'298.89</i>	<i>-67'936.92</i>
Net financial income	15'280.95	10'121.45
Net extraordinary income	49.93	-32'417.68
Change (net use) of restricted funds	112'066.47	117'846.74
Annual result	71'098.46	27'613.59

Note: The aforementioned balance sheet and statement of operations form part of the Basel Institute's 2014 financial statement. The 2014 financial statement was audited by *Abelia Wirtschaftsprüfung und Beratung AG*, in accordance with Swiss GAAP ARR, Swiss law as well as the Charter of the Foundation and its regulations. The Board of the Foundation approved the 2014 financial statement on 26 March 2015.

Notes

Notes

