

# Annual Report 2017



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# Why do we fight corruption?

For those “in the know”, this is a rhetorical question. Corruption is bad, and we know it. Or do we really?

Thankfully, the economist-led debates in the 1990s about whether corruption is the necessary grease in the wheels of business are long behind. But we would argue that many people, including those most affected by it, still don’t fully grasp what corruption does to our world.

What’s wrong with a Head of State taking money from companies who want to win public contracts, especially if otherwise he or she seems to be running the country in an acceptable way? It seems obvious, but the connection between corruption and lack of education or public healthcare is not an automatic one for many people. Thankfully, a few real-life examples usually suffice to demonstrate it.

Taking the obvious next step of acknowledging that corruption is a direct impediment to the enjoyment of human rights already takes more convincing. But in our view, it is crystal clear: States that fail to effectively prevent and punish corruption are in direct violation of their obligations under international human rights treaties.

Our security is protected by police, and terrorism is the business of radicals – or so we think. Yet Transparency International’s 2017 Global Corruption Barometer ranks the police as the most corrupt public institution. It is said that corrupt security services were the cause for a heavily delayed response to the Westgate shopping mall attack in Kenya in 2013. What that means is that people died as a direct result of corruption. Frustration about corruption pushes young people into associating with radical groups as these offer an opportunity to vent their anger. Terrorism flourishes where corruption is rife.

Why can criminal networks engaged in illegal trafficking in humans, arms and wildlife products operate so freely? Because they can bribe their way through customs and out of courts. And when they have laundered the proceeds of their crimes successfully through the international financial system, they can use these same monies to continue their criminal enterprises.

Finally, let us not forget that when money buys votes, when money buys influence, when money buys politicians, when the media is co-opted by corrupt networks, we lose our fundamental right to participate in the destiny of our countries and consequently of our lives. Institutions of democracy, when undermined by corruption, as they sadly are to varying degrees almost everywhere in the world today, become a farce. They end up protecting rotten systems behind a pretty face.

Is this reason enough to fight corruption? We certainly think so. The international community missed a critical opportunity when the Sustainable Development Goals (SDGs) failed to list anti-corruption as one of their 17 high-level principles. We firmly believe that corruption is the root cause of most if not all hurdles to development; and as long as corruption prevails, achieving the SDGs will remain elusive.

Yet that does not stop us. Our global team will continue pursuing our mission of a world free from corruption, working hand in hand with our partners from governments and non-state actors. Using tangible results and impact from our interventions, we will tirelessly advocate for a greater recognition of the detrimental effects of corruption to societies all around the world. Continue to work with us and help build a world with more peace, equality, justice and prosperity.

**Mark Pieth**  
President

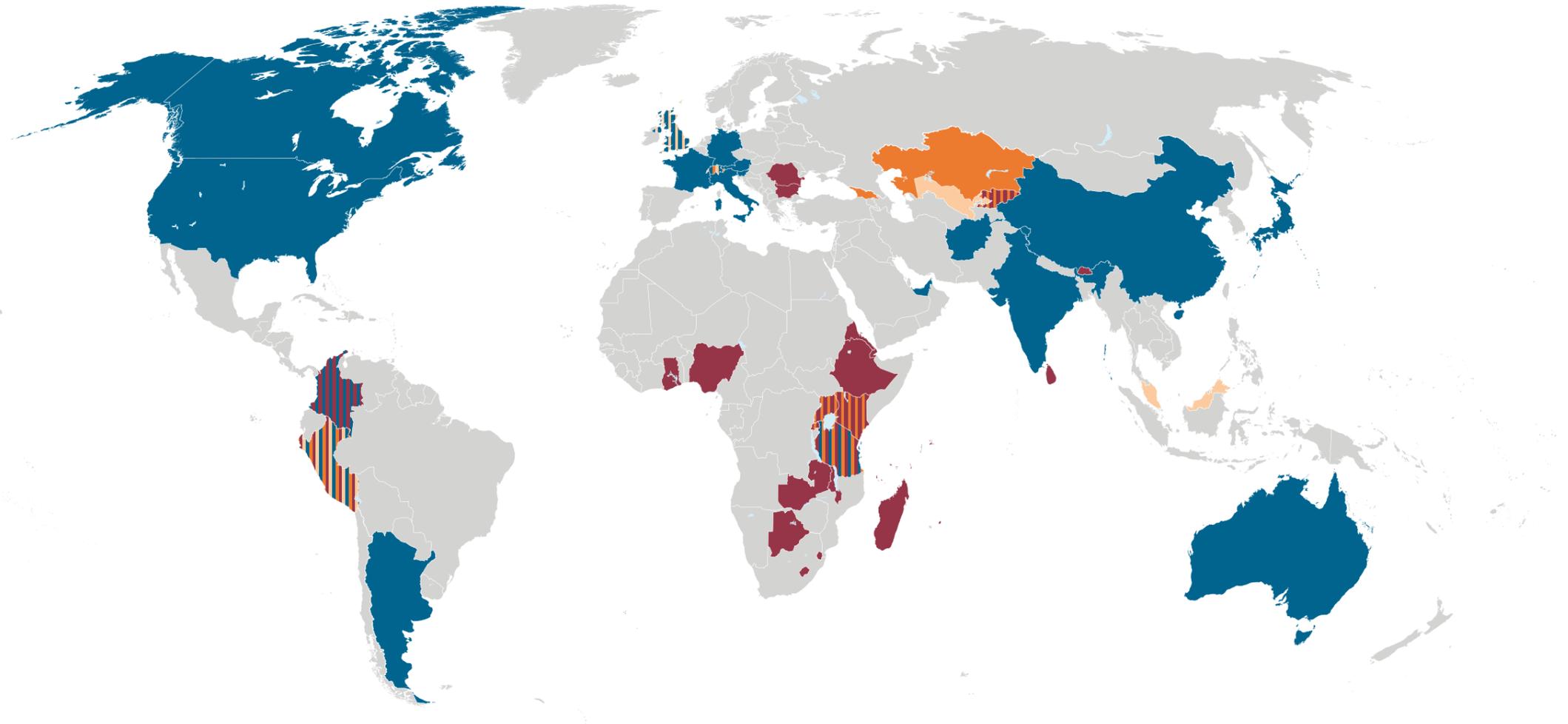


**Gretta Fenner**  
Managing Director



# Our global impact in 2017

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



 **\$ 19,932,660**  
USD recovered internationally with ICAR support

 **10**  
Local trainers trained in ICAR methodology

 **31%**  
Increase in subscriptions to AML Index Expert Edition

 **73**  
Total staff in 2017

 **99**  
Asset recovery cases ICAR worked on

 **15**  
Training workshops

 **10,000+**  
Unique website visitors during launch of Basel AML Index

 **19**  
New staff members hired in 2017

 **382**  
New ICAR trainees

 **929**  
eLearning courses completed by participants

 **14**  
Publications

 **22**  
Nationalities within our staff

# International Centre for Asset Recovery

With large-scale corruption cases continuing to hit the headlines, two things are clear. Firstly, large sums of money continue to be stolen all over the world in increasingly sophisticated ways. Secondly, widespread public outrage is driving efforts to combat corruption and return stolen assets that are solely needed for development.

What is not so widely understood are the techniques required to send criminals to jail and recover stolen assets stashed abroad. Thanks to its expertise and services spanning the entire spectrum of asset recovery, but also its independence and sensitivity to local context, International Centre for Asset Recovery (ICAR) is uniquely placed to fill this gap.

## NEW OPERATIONAL STRATEGY TO MAXIMISE IMPACT

Developed with donors and partner countries with the aim of maximising our support for affected countries, ICAR's operational strategy for 2017-2021 builds on our Theory of Change (see Figure 1). In brief, we believe that asset recovery not only has the positive **direct impacts** of catching criminals and returning resources, but important **indirect impacts** in deterring corruption and strengthening the rule of law.

To achieve better **outcomes** – more convictions and confiscation of stolen assets – ICAR works through four interconnected lines of intervention, or **activities**. Our focus on each, and how they complement each other, is illustrated in Figure 2. Individually and together, the aim of our activities is to increase the capacity of partner countries to recover stolen assets through better inter-agency and international cooperation, enhanced technical skills and expertise, a stronger legal and institutional framework, swifter case progress and the development of advanced asset recovery practices.

## RESULTS IN 2017

The new strategy is already showing results, with strongly increasing demand for ICAR's case-specific support. The number of cases in which we provided technical and strategic assistance rose by 36 percent over 2017 alone. According to our new online monitoring and evaluation tool, solid progress

was made in most ongoing cases during the year. When coupled with deeper inter-agency cooperation, as in Malawi and Peru, we achieved faster progress.

We were happy to see major advances in several key areas of international cooperation. Examples include the successful conclusion of a case involving the UK and Kenya, resulting in part of the returned assets being used to purchase specialist ambulances for the Kenyan healthcare system. In a long-running money-laundering case related to the regime of former Peruvian President Fujimori, a confiscation order from Peru led to decisions by courts in Switzerland and Luxembourg to return almost US\$17 million in stolen assets to Peru.

## BUILDING CAPACITY THROUGH TARGETED TRAINING

Technical assistance is coupled with dedicated formal training modules. ICAR's unique training methodology – practical, tailored, balancing hands-on exercises with interactive learning methods – continued to prove its worth in 2017. There was significant expansion in our outreach and impact, with national and regional training workshops reaching participants from 20 countries. Two successful train-the-trainer programmes further enhanced our impact. Through these, we helped to increase partner countries' capacities to investigate corruption and money laundering, as well as pursue the repatriation of stolen assets.

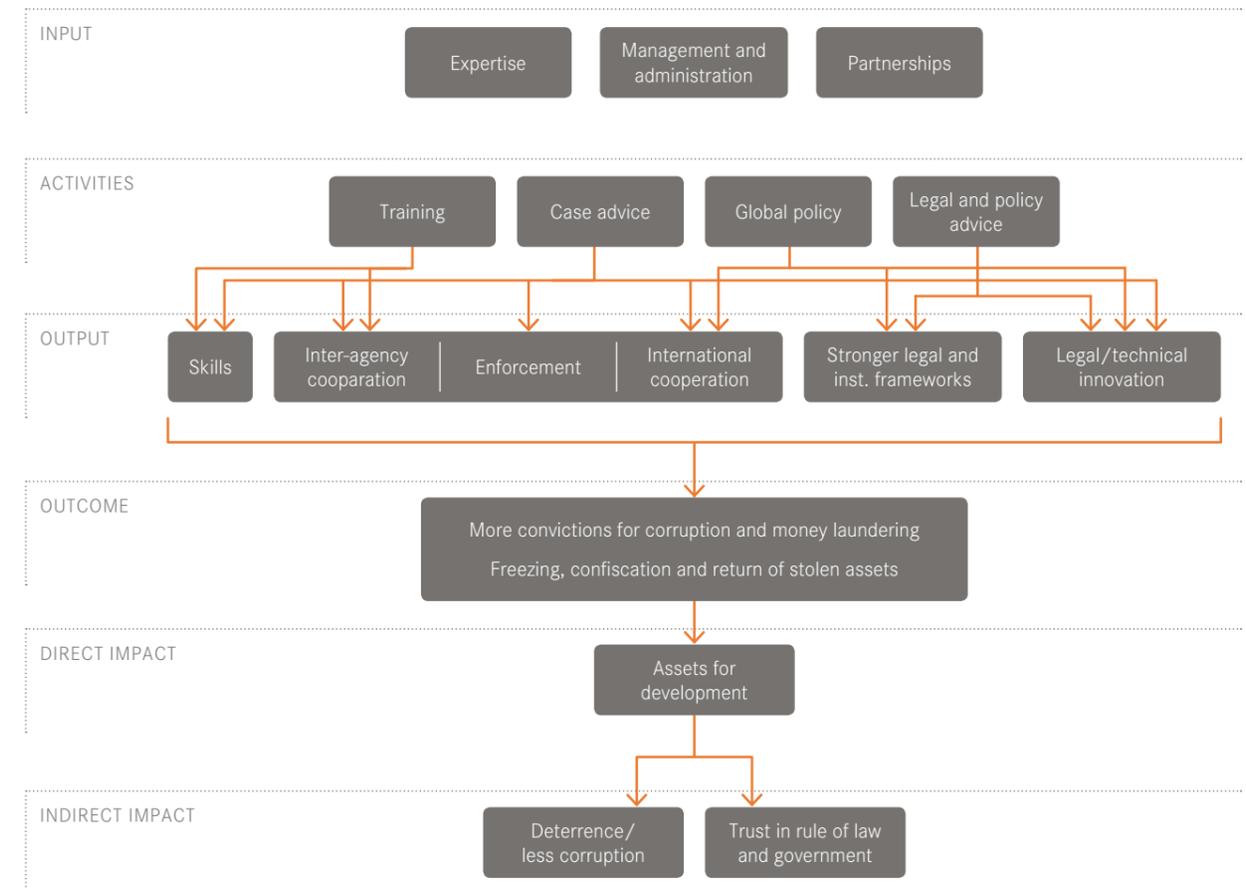


Figure 1: ICAR Theory of Change

As usual, the benefits in 2017 went far beyond direct capacity building. Regional workshops across Africa, in which participants from different agencies worked together during interactive training programmes, provided a platform for inter-agency cooperation and exposure to international best practices and practical tools. In Uganda, for example, trainees' sharper understanding of money-laundering offences led to groundbreaking convictions and the inclusion of asset recovery as an integral part of the investigative strategy.

**A CLEAR PATH AHEAD**

In addition to the inherent difficulty of recovering stolen assets, ICAR and our partners face challenges ranging from political interference to a massive increase in caseload that is overwhelming law enforcement agencies around the world. Our vision of a world free of corruption remains elusive, but our commitment to advancing the cause of asset recovery is stronger than ever – and with the new operational strategy illuminating our path, we are convinced we are moving in the right direction.

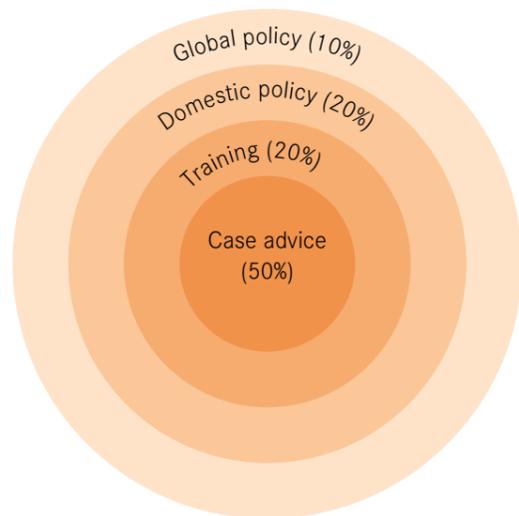


Figure 2: Lines of intervention: ICAR activities

**DIGITAL TOOLS TO HELP FIGHT CORRUPTION**

We also saw growing interest in ICAR's digital tools, notably our **Basel AML Index**, which ranks countries in relation to money laundering and terrorism financing. Released in August 2017, the sixth edition of this index led to 10,000 unique website visitors in August alone, along with a 31 percent increase in subscribers to the premium edition. See [index.baselgovernance.org](http://index.baselgovernance.org).

Driven by clear demand for streamlined open-source information research related to financial investigations and due diligence, we have also been upgrading our former Asset Recovery Intelligence System. The new tool – **Basel Open Intelligence** – allows users to automatically search for an individual or company in combination with over 270 keywords in multiple languages, encompassing financial crime, law enforcement, judicial actions and other criminal activities. Matching sources are downloaded and people, companies, locations, professional positions and keywords found in combination with the individual or company are extracted. The search summary gives the user a clear overview of sources, as well as the ability to quickly analyse relevant information in more depth.

The Basel Open Intelligence tool is designed to meet the needs of public organisations such as Financial Intelligence Units, anti-corruption agencies, police and prosecutors, as well as private companies. It will be available free of charge to public and non-profit organisations located in countries eligible to receive official development assistance. It is due to be released in mid-2018, after thorough beta testing with international organisations and Financial Intelligence Units. See [www.baselgovernance.org/boi](http://www.baselgovernance.org/boi) for more information.



## 2017 at a glance

### TRAINING AND E-LEARNING

- National training programmes in financial investigation and asset recovery (Bhutan, Bulgaria) and operational analysis (Uganda).
- Train-the-trainer programmes in Romania and Tanzania.
- Multi-country training programmes in Botswana, Seychelles and Zambia.
- 382 trainees, including investigators, prosecutors, regulatory authorities, members of the judiciary, Financial Intelligence Units and other relevant stakeholders.
- Training modules for partner organisations including the OECD International Academy for Tax Crime Investigation, the International Criminal Court, the Academy of European Law and the Journalism Development Network in collaboration with the RISE project.
- Presentation of the Basel Institute's e-learning platform at Egmont Group events in Macao and Doha.
- Development of a terrorist financing e-learning course in collaboration with the Egmont Group.
- Continued development of an e-learning course on investigating virtual currencies.

### LEGAL AND CASE CONSULTANCY

- Technical assistance and strategic advice on 99 cases in 10 partner countries.
- Wide-ranging assistance with asset recovery and related legislation/institutional reforms in Bulgaria and Romania.

### GLOBAL POLICY

- Assistance in developing the Guidelines for the Efficient Recovery of Stolen Assets ([guidelines.assetrecovery.org](http://guidelines.assetrecovery.org)).
- Joint organisation of the Global Conference on Money Laundering and Digital Currencies in Doha as part of a working group partnership with Europol and Interpol.
- Completion of study commissioned by the Swiss Federal Department for Foreign Affairs (FDFA) and published as a

Working Paper: It Takes Two to Tango: Decision-making Processes on Asset Return.

- Contributions to the dialogue on asset return in the context of the UNODC/FDFA Addis Ababa Action Agenda.
- Participation and presentations at policy-making events, including the United Nations Convention Against Corruption (UNCAC) Conference of States Parties and Global Forum on Asset Recovery.

### DIGITAL TOOLS

- Sixth edition of the Basel Anti-Money Laundering Index, with over 10,000 visitors during the release period and 210 subscribers to the fee-based Expert Edition in 2017.
- Promotion of the Basel AML Index at partner forums, including MONEYVAL, HSBC and the Swiss Financial Market Supervisory Authority.
- Support for implementation of a Suspicious Transaction Report database for the Financial Intelligence Agency of Uganda.
- Development of an online Monitoring & Evaluation tool for tracking progress on ICAR case work with partner countries.
- Ongoing development of the Basel Open Intelligence tool (see page 8).

### PERU COUNTRY OFFICE

- Assistance to the Attorney General's Office in developing its new National Asset Recovery Office.
- Legal advice to the AGO, Minister of Justice and judiciary on specific international asset recovery case work.
- Wide-ranging technical assistance in case management, contributing to the repatriation of funds from Switzerland and Luxembourg and the seizure of criminal assets linked to corrupt political leaders in Peru.
- Development and delivery of financial investigation and asset recovery training programme for Peruvian law enforcement and other authorities.



# 382

participants in 21 countries benefited from ICAR training

## Looking ahead

- Continue to adapt and deliver our standard and specialised training programmes and e-learning modules to meet the needs of partner countries. This includes a workshop tailored to the new Asset Recovery and Management Agency in Ukraine and a new training module on Money Laundering using Bitcoin in Indonesia.
- Continue to support ICAR's partner countries in specific case work and related anti-corruption needs.
- Pilot the use of financial investigation in an East African country as a tool to sanction wildlife crimes and recover related assets.

## Specialist support to face Malawi's corruption challenges

Atuweni Juwayeyi-Agbermodji, Director General, Financial Intelligence Authority (FIA), Malawi



“ Limited resources available to Malawi's FIA mean we have to prioritise activities that will have the biggest impact in fighting corruption. One major priority in 2017 and 2018 is support in training investigators, in line with our new mandate to conduct investigations. The Basel Institute's embedded financial investigations expert is helping to establish our investigations department.

Ongoing challenges range from limited resources for basic items, such as vehicles and IT equipment, to the need for capacity building – especially for our judiciary in issues around money laundering and beneficial ownership. Many issues require deep expertise and a long-term approach, such as developing an effective operational framework for confiscation. This is because despite successful convictions for corruption and money laundering in Malawi, little or no confiscation takes place – so criminals can still enjoy the proceeds of their crime.

We are therefore grateful for the Basel Institute's wide-ranging support, which in 2017 included conducting a Money Laundering/Terrorist Financing Risk Assessment, helping us prepare for our AML/CFT Mutual Evaluation and reviewing our Companies Act Regulations in view of new requirements.

”

## Working together to enhance skills in financial crime reporting

Attila Biro, investigative journalist and head of the RISE Project, a Romanian non-profit organisation dedicated to investigative reporting



“ I participated in the Mapping and Visualizing Cross-Border Crime Project, a three-year initiative of the Basel Institute, Journalism Development Network and RISE Project. It involved workshops to enhance the skills of journalists and law enforcement personnel in Switzerland and Romania to uncover illicit networks and expose organised crime.

Over 250 participants benefited from the combination of the RISE Project's investigative journalism skill-sharing sessions and the Basel Institute's intensive training on the theory and practice of complex financial investigations. E-learning modules created under the ICAR Financial Investigations and Asset Recovery training programme were another vital component, allowing journalists and law enforcement officers to gain in-depth knowledge of how to investigate corruption and uncover evidence of financial wrongdoing.

The Basel Institute's input contributes significantly to our goal of ensuring high-quality investigative journalism going forward, as well as overcoming the ongoing challenges of investigating and reporting on financial crime – namely lack of resources, fuzzy legal provisions and difficult access to data.

”

## Improving outcomes through communication and coordination

Mike Pfister, Head of Programs ICAR, Basel Institute on Governance



“ ICAR’s country projects – from Peru, through Kenya to Ukraine – are varied, ambitious and complex. Technical experts from a wide range of backgrounds, each with decades of experience in their fields, must come together to solve complex financial crimes and recover stolen assets in order to bring real development benefits to the countries concerned.

A highlight of 2017 for me was helping to harness the energy and initiative of each individual expert, bringing together their shared expertise to achieve our common goals. In Malawi, for example, our international field staff come with professional backgrounds in investigations, prosecution and forensic auditing. When I arrived in mid-2017, the project was already achieving solid results. My challenge was to facilitate communication on impact, enhance relationships and demonstrate the value of our work through more targeted reporting, as well as positioning our work in the bigger picture.

It is immensely satisfying to see how open communication and efficient coordination are now resulting in smoother collaboration and a greater level of comfort for our partners and donors – all while hitting home real successes in fighting corruption.

”

## Operational Analysis training deepens understanding of FIU’s role

Thierry Ravalomanda, Senior Asset Recovery Specialist, Basel Institute on Governance



“ On the training side, a highlight of 2017 was our Advanced Operational Analysis course in Uganda. The training addresses core Financial Intelligence Unit functions, helping other partner agencies to understand its role in conducting operational analysis and the value of the information it gathers. A representative of Uganda’s Office of the Director of Public Prosecutions said the training helped her to “understand what the FIU analysts have to go through” before handing over their reports to be used as intelligence in cases of financial crime.

Initially designed for the FIU of Peru, the module was standardised for use in other jurisdictions and enhanced with the critical issue of inter-agency cooperation and coordination. We are receiving more and more requests for the module, demonstrating its wider resonance and value.

”

# Division for Public Governance

The Public Governance division supports the Basel Institute's wider mission by developing evidence-based approaches to combatting public sector corruption. Our research both contributes to academic debate and translates into practical tools that we use in our technical assistance work.

This link between academic research and applied technical assistance remained strong in 2017, with our teams teaching at universities in Basel and Rwanda, and providing technical support in areas such as Public Finance Management and Democratisation, Decentralisation and Local Governance.

No single anti-corruption approach works in all contexts and countries. We therefore promote solid, up-to-date research and tailor our recommendations and interventions to specific cases. In this context, two recent research projects stand out.

## SUPPORTING A BEHAVIOURAL APPROACH TO ANTI-CORRUPTION INITIATIVES

Completed in 2017, our research project on Corruption, Social Norms and Behaviours in East Africa highlights our ongoing efforts to explore the effectiveness of innovative anti-corruption approaches. The aim is to better understand why corruption can persist in a country despite adequate anti-corruption laws and institutions.

Conventional anti-corruption policies involving penalties and detection methods assume that people rationally weigh up the costs and benefits of their actions. In fact, behavioural research shows that citizens are often motivated by irrational factors such as stereotypes, peer pressure, reputation and status.

To what extent do behavioural factors play a role in corruption? How can we use behavioural research to shape more effective initiatives? Supported by the East Africa Research Fund of the UK Department for International Development, the research focuses on how citizens and public service providers engage in, resist and report corrupt transactions in the health sector in Rwanda, Tanzania and Uganda.

The evidence reveals how informal social networks, with their strong expectations around sharing and reciprocity, can

drive bribery and favouritism. Filling a vital gap in academic literature, our research supports behavioural approaches to tackling the social and cultural factors behind corrupt actions. Country reports, policy briefs and a comparative analysis are all freely available on the Basel Institute on Governance website under Publications > Commissioned studies.

## UNDERSTANDING INFORMAL DRIVERS OF CORRUPTION

2017 saw significant progress in the Basel Institute-led research project, Informal Governance and Corruption: Transcending the Principal-Agent and Collective Action Paradigms. We are exploring informal drivers of corruption that, although unwritten and rarely articulated in policy, have a significant impact on the effectiveness of anti-corruption measures.

One of eight projects funded by the Anti-Corruption Evidence Programme of the UK Department for International Development and the British Academy, the research covers Georgia, Kazakhstan, Kenya, Kyrgyzstan, Rwanda, Tanzania and Uganda. Our final aim is to uncover solid evidence to support the development of more effective anti-corruption strategies.

## 2017 at a glance

### RESEARCH

- Completion of Corruption, Social Norms and Behaviours in East Africa research project (see opposite).
- Ongoing activities for Informal Governance and Corruption research project (see opposite).

### TECHNICAL ASSISTANCE

- Social accountability initiatives to strengthen monitoring of Public Finance Management (PFM) for essential public services in Peru.
- Other technical assistance and capacity-building initiatives in Peru (see page 20).
- Participation in a consortium led by the UK Institute of Development Studies to provide technical assistance to the Swiss Agency for Development Cooperation in the areas of Democratisation, Decentralisation and Local Governance.

### TEACHING

- Course on Sustainability and Health Governance for master's students at the University of Basel.
- Workshop on Quantitative and Qualitative Research Methods on Corruption and their Application at the Protestant Institute of Arts and Social Sciences in Rwanda.

## Looking ahead

- Release the findings of our research into informal governance and corruption, including videos, project reports and publications, on a dedicated website, [informalgovernance.baselgovernance.org](http://informalgovernance.baselgovernance.org).
- Building on our behavioural research, develop anti-corruption interventions that harness the power of social networks to promote positive outcomes.
- Support the Basel Institute's International Centre for Collective Action with research into the effectiveness of different Collective Action initiatives.
- Ongoing training, technical assistance and research projects, including follow-on funding for research on informal governance and corruption received from the British Academy and DFID.



# 12

publications issued by the Division for Public Governance



## Strengthening our capacity to face Rwanda's challenges together

Clément Musangabatware, Deputy Ombudsman for corruption prevention, Rwanda



“ In our efforts to combat corruption in Rwanda, we face constant challenges. These include a lack of public willingness to report corruption cases and the need for training to gather solid evidence of financial crimes.

Criminals are smart, so we have to be smart too. We must strengthen institutional collaboration at all levels and focus on improving education, law enforcement and the application of asset recovery law.

The Basel Institute has helped us greatly with capacity building in areas such as Collective Action and research methods in support of defining and developing anti-corruption measures. In 2017, we benefited from their training aimed at our local journalists and the private sector.

A number of legal elements are in the pipeline to be revised in Rwanda, including anti-corruption laws, aspects of the penal code and the establishment of the Rwanda Investigation Bureau. The commitment of our staff and partners like the Basel Institute gives us the courage to continue fighting corruption and embezzlement. With their support – along with a strong political will and robust legal framework – we can achieve a lot more.

”

## Conducting solid research and communicating results

Cosimo Stahl, Public Governance Specialist, Basel Institute on Governance



“ In summer 2017, I participated in the delivery of our three-day workshop on Quantitative and Qualitative Research Methods on Corruption at the Protestant Institute of Arts and Social Sciences in Rwanda.

This coincided with the completion of field research activities for our research project on corruption, social norms and behaviours in East Africa (see page 14). As well as interacting with our local project researchers, we held an event to discuss our findings with Rwandan anti-corruption practitioners. Their feedback on the exploratory nature of the project, including initial scepticism around qualitative data collection and sampling methods, gave me a valuable insight into their expectations for research aimed at informing policy and driving action.

Preconceived ideas about corruption can influence both academic and non-academic stakeholders. For me, both the workshop and the feedback highlight the importance of conducting meaningful research, communicating widely about the results and providing practical training to enhance understanding of modern research methods.

”

# Strengthening Public Finance Management in Peru

The Basel Institute's subsidiary office in Lima, Peru is responsible for implementing a programme to strengthen Public Finance Management (PFM) at the subnational level in 11 regions and municipalities in Peru. Signed in 2015 by the Peruvian and Swiss governments, this four-year, US\$6 million programme is funded by the Swiss State Secretariat for Economic Affairs (SECO).

## CONTINUED PROGRESS IN 2017

In 2017, with a team of 30, we continued to make real progress towards the programme's key goals. These include seeking to improve the efficiency and effectiveness of the public expenditure cycle and to increase the transparency and accountability of public finances. In terms of cross-cutting measures, we also made great strides in facilitating coordination between the central and subnational governments in this area and in supporting broader capacity-building efforts in PFM in key institutions and staff categories.

The Basel Institute's ICAR division is also involved in the project, helping to strengthen the capacity of public prosecutors to detect and investigate corruption in public finance at regional levels and to recover related assets.

## WORKING TOGETHER TO PROMOTE DEVELOPMENT AND TRUST

Our partners, particularly the Organisation for Economic Co-operation and Development, PLADES, ESAN University and the Catholic University of Peru play an essential role in helping achieve these goals.

As we move into the second half of the programme, we look forward to continuing our fruitful collaboration with the final aim of promoting economic development, reducing poverty and fostering social inclusion in Peru. In this way, we will also help to cultivate greater trust in Peru's governance and public institutions.

## 2017 at a glance

- Capacity building for 11 Subnational Governments (SNGs) in PFM, focused on public expenditure, budget transparency, integrity and prevention of corruption.
- Support for SNGs to strengthen operational ethics and transparency, including Codes of Conduct, accountability strategies and strategic assistance for public expenditure mechanisms.
- Project partner ESAN University provided successful PFM diploma courses to relevant SNG stakeholders.
- Coordination with central authorities, including the Ministry of Economy and Finance, Comptroller General, National Human Resources Authority, National Centre for Strategic Planning, Attorney General's Office and Ministry of Justice, to support efficient PFM at the SNG level.



**11**  
Public Expenditure and Financial Accountability evaluations completed for 11 SNGs



# International Centre for Collective Action

The Basel Institute's International Centre for Collective Action (ICCA) is founded on the belief that when implemented effectively as part of standard anti-corruption practices, Collective Action has the power to catalyse systemic change when it comes to tackling corruption.

Weak levels of trust and fear of exposure are among the causes holding back the full integration of Collective Action into compliance programmes. Our approach therefore revolves around facilitating constructive, practical initiatives that bring competitors together. Supported by funding from the Siemens Integrity Initiative, we work to develop long-term relationships of trust between relevant stakeholders in business, civil society and the public sector.

We look forward to continuing to promote the potential of Collective Action to achieve lasting change through initiatives, guidelines and industry events, including our third international conference on Collective Action in November 2018.

## B20 COLLECTIVE ACTION HUB

In collaboration with the UN Global Compact, the ICCA hosts the B20 Collective Action Hub, an anti-corruption initiative of the B20 outreach group of business leaders from G20 countries.

In 2017, we have continued to evolve the hub into a dynamic online resource. It now spans academic research, a database of over 130 anti-corruption Collective Action initiatives ([www.collective-action.com/initiatives/map](http://www.collective-action.com/initiatives/map)) and practical tools to initiate anti-corruption projects involving multiple stakeholders.

## PROMOTING COLLECTIVE ACTION GLOBALLY

Our small but highly experienced team spoke at over 20 events in 2017 to promote anti-corruption compliance and Collective Action as a tool for preventing bribery. The 2017 publication of the updated Wolfsberg Anti-Bribery and Corruption Compliance Programme Guidance, produced in collaboration with the Wolfsberg Group association of global banks, illustrates the value we continue to provide to industry groups dedicated to managing corruption risks.

Multi-stakeholder initiatives such as the High Level Reporting Mechanism, which aims to bring transparency and trust to major public procurement projects, also expanded globally in 2017.



## 2017 at a glance

### SIEMENS INTEGRITY INITIATIVE (SII)

- Continuous improvement of the B20 Collective Action Hub. [www.collective-action.com](http://www.collective-action.com).
- Promotion of Collective Action through presentations at over 20 events, including the B20 Germany meetings.
- Support for the UN Global Compact and its local networks, identifying industries where Collective Action has high potential.
- Expert advice to the World Customs Organization, resulting in a WCO resolution endorsing Collective Action as a means to address customs-related corruption risks.

### HIGH LEVEL REPORTING MECHANISM (HLRM)

SII funding has enabled our work on the HLRM with the OECD to continue in 2017, with major developments including:

- Expansion of HLRM to a new phase of major procurement projects in Colombia.
- Adoption of HLRM pilot in public-private partnerships for highway construction in Argentina.
- Fieldwork to develop proposals for an HLRM in Peru; successful conference attended by 500 civil servants.
- Development of recommendation for an HLRM in Afghanistan's National Anti-Corruption Strategy.

### FACILITATING COLLECTIVE ACTION INITIATIVES

- Expansion of Metals Technology Initiative membership to four leading metals technology companies.
- Discussions and meetings with major manufacturers of Long-Lasting Insecticidal Nets to develop good practices in anti-corruption compliance in line with the Global Fund Integrity Pact that they have all signed.
- Expert advice on Banknote Ethics Initiative Integrity Pacts for tenders issued by central banks and printing works.

### RESEARCH

- Research and online survey exploring private sector use of e-government and the effectiveness of digital tools in preventing corruption, commissioned by GSK with support from Deloitte.
- Discussion paper for the Open Government Partnership on boosting private sector engagement in this multi-stakeholder initiative.



# 40

companies lead the way in Collective Action

## Looking ahead

- The third international anti-corruption Collective Action conference, Evolution to Revolution, will take place in Basel, Switzerland, on 14-15 November 2018. For information, see [www.collective-action.com/conference2018](http://www.collective-action.com/conference2018).
- Research based on the 2018 Siemens Integrity Partner Workshops will be issued in late 2018.
- Continue to enhance B20 Collective Action Hub with new information and user-friendly interactive features.
- Support the implementation of new HLRMs in Colombia, Peru and Argentina.

## Positive impacts of the High Level Reporting Mechanism in Colombia

Gabriel Cifuentes, Secretary for Transparency in 2017, Office of the President, Colombia



“ The High Level Reporting Mechanism (HLRM) is one of several important initiatives that we are implementing in Colombia to help fight our biggest enemy today – corruption.

Designed by the OECD, the Basel Institute and Transparency International, the HLRM is a powerful, rapid and cost-effective tool to prevent bribery and other forms of corruption in public procurement. By providing a non-judicial mechanism to process complaints of unlawful requests by public officials and private actors, it greatly increases transparency and confidence on all sides.

The HLRM was first implemented in Colombia in 2015, in the context of an US\$18 billion road and tunnel infrastructure project. We are now implementing it in three other major procurement projects, including our multimillion-dollar Peace Fund.

Colombia would not be benefiting from the High Level Reporting Mechanism without the support of the OECD and the Basel Institute.

”

## Convincing companies of the value of compliance

Scarlet Wannewetsch, Project Associate Anti-Corruption Collective Action, Basel Institute on Governance



“ In 2017, we facilitated discussions about anti-corruption compliance with companies of all sizes and types, from all over the world. Their diversity was reflected in their different approaches to compliance. It was therefore gratifying to hear from one participant that, although he had previously been sceptical, our discussions had totally won him over.

His company was a small spin-off from a larger company and didn't yet have a Code of Conduct. During the meeting, he began to draft a Code and showed us his proposal at the end of the day. He later shared his positive experience of implementing the new policy. It went far beyond initial expectations, sparking discussion within the company and generating positive feedback from the supply chain.

”

# Division for Corporate Governance and Compliance

Compliance programmes have evolved rapidly in recent years. In forward-thinking organisations across the world, we are seeing a shift from formalistic approaches focused on internal policies and procedures to more sophisticated tools that inform corporate strategy, risk and sustainability. At least this is the case for some organisations. Others still struggle to get the basics right.

Ample evidence supports our belief that when implemented in the right way, compliance – and the ability to demonstrate it to customers and auditors – can give companies a real competitive edge. From a public perspective, high standards of compliance and corporate governance in the private sector contribute to the wider fight against corruption.

## HELPING BUSINESSES FIND SOLUTIONS

Our approach to corporate compliance deploys tailored advice that is pragmatic, solutions-oriented and business-friendly. We research and take into account new developments, including insights into behavioural ethics, e-governance and alternative diagnostic and training methods.

In 2017, we continued to provide tailored advice on compliance and governance issues to companies ranging from leading multinationals and state-owned utilities to mid-sized organisations with an international scope.

Working closely with corporate leaders across the world has given us deep insights into the kind of practical support needed by companies wishing to mitigate compliance-related risks and enjoy the benefits of effective compliance mechanisms.

## A DIGITAL TOOL FOR ENHANCED DUE DILIGENCE

Under development during 2017, our Basel Open Intelligence tool highlights our desire to provide exactly this type of support. By acting like a targeted, superpowered search engine to carry out background checks on third parties, it will help companies make their due diligence processes more efficient, accurate and transparent. Companies will be able to filter relevant results and download them for offline storage and use in due diligence reports and future audits.

See page 8 and [www.baselgovernance.org/boi](http://www.baselgovernance.org/boi) for more information.



## 2017 at a glance

### CORPORATE ADVISORY SERVICES

- Appointment of Basel Institute's Head of Compliance and Corporate Governance as a member of the External Advisory Council to the Board of Graña y Montero, Peru's largest construction company.
- Advice and support to various multinational and mid-size Swiss companies in relation to the implementation of anti-corruption compliance programmes.
- Developing an updated Code of Conduct for a Swiss multinational company.
- Expert opinion on a case in the UK High Court involving allegations of corruption by a financial institution.

### TRAINING

- Development and delivery of training programme in anti-corruption compliance and good governance to representatives from state-owned companies in Uzbekistan.
- In cooperation with Nestor Advisors, development of a training curriculum in corporate compliance and governance for the Malaysian Institute on Management.

### RESEARCH

- Study on New Perspectives in e-Government and the Prevention of Corruption, commissioned by pharmaceutical company GSK with support from Deloitte.

### DIGITAL TOOLS

- Development of Basel Open Intelligence tool that enables companies to conduct smart searches of publicly available information as part of third-party due diligence procedures.



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participants from 33 sectors in our e-government research survey

## Looking ahead

- Launch and promote the Basel Open Intelligence tool to the corporate sector.
- Research priorities include:
  - developing a better understanding of influences on corporate culture, including evidence from behavioural ethics approaches;
  - methods to combine company-wide risk assessments to include sustainability, human rights, environmental, corruption and other compliance risks, in order to develop holistic approaches to risk mitigation.
- measuring the impact of anti-corruption compliance programmes;

## E-government in corporate anti-corruption strategies

Andrew Daniels, Head of Anti-Bribery and Corruption in 2017, GSK



“Companies are increasingly interested in exploring how to make e-government part of their anti-corruption strategy. In 2017, pharmaceutical company GSK commissioned the Basel Institute to conduct in-depth research on this topic, including a broad survey of private sector actors. Andrew Daniels, GSK’s Head of Anti-Bribery and Corruption, said at the launch of the report:

*“Governments are increasingly investing in e-government solutions and the private sector should respond to the opportunities this creates by making their use part of a company’s anti-corruption strategy. We, at GSK, believe these systems reduce our exposure to bribe solicitation and make our government interactions more efficient, transparent and traceable.”*

The research is available as a Basel Institute Working Paper entitled: New perspectives on e-government and the prevention of corruption. It was presented at a side event on innovation solutions to corruption prevention at the 2017 UNCAC Conference of States Parties in Vienna, Austria.

”

## Overcoming compliance challenges to turn a business around

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



“In 2017, I was appointed as one of three external advisors to the Board of a company that has been confronted with multiple challenges relating to allegations of bribery and cartel issues. This highlights the enormous responsibility faced by the newly appointed Chief Compliance Officer and the new Board.

Preserving jobs and enabling the company to function became a priority. As a result, establishing a strong compliance programme became an imperative and a matter of survival. It was – and continues to be – a stimulating experience to be part of a team that is dedicated to making sure that business is conducted cleanly in the future. The company wants to be a leader in its field for good practices, which will benefit the market as a whole.

”

# Knowledge products

The Basel Institute regularly contributes to creating and disseminating research and knowledge derived from our practice in anti-corruption and good governance. In 2017, the Basel Institute's publications included:

## Commissioned studies

Stahl, C., Kassa, S., Baez-Camargo, C. (2017). *Drivers of petty corruption and anti-corruption interventions in developing countries – a semi-systematic review*. Basel Institute on Governance, [www.baselgovernance.org/publications/3623](http://www.baselgovernance.org/publications/3623).

Baez-Camargo, C. (2017). *Corruption, social norms and behaviours: a comparative assessment of Rwanda, Tanzania and Uganda*. Basel Institute on Governance, [www.baselgovernance.org/publications/5667](http://www.baselgovernance.org/publications/5667).

Baez-Camargo, C., Sambaiga, R., Kamanyi, E., Stahl, C., Kassa, S. (2017). *Behavioural influences on attitudes towards petty corruption: a study of social norms and mental models in Tanzania*. Basel Institute on Governance, [www.baselgovernance.org/publications/5669](http://www.baselgovernance.org/publications/5669).

Baez-Camargo, C., Bukuluki, P., Lugolobi, R. Stahl, C., Kassa, S. (2017). *Behavioural influences on attitudes towards petty corruption: a study of social norms and mental models in Uganda*. Basel Institute on Governance, [www.baselgovernance.org/publications/5670](http://www.baselgovernance.org/publications/5670).

Baez-Camargo, C., Gatwa, T. Dufitumukiza, A., Stahl, C., Kassa, S. (2017). *Behavioural influences on attitudes towards petty corruption: a study of social norms, automatic thinking and mental models in Rwanda*. Basel Institute on Governance, [www.baselgovernance.org/publications/5671](http://www.baselgovernance.org/publications/5671).

*The above studies and policy briefs are part of a pioneering research effort commissioned by the East Africa Research Fund of the UK Department for International Development (DFID).*

## Policy briefs

Baez-Camargo, C. (2017). *Can a behavioural approach help fight corruption?* Basel Institute on Governance, [www.baselgovernance.org/publications/3621](http://www.baselgovernance.org/publications/3621).

Kassa, S., Stahl, C., Baez-Camargo, C. (2017). *Social norms, mental models and other behavioural drivers of petty corruption – the case of Rwanda*. Basel Institute on Governance, [www.baselgovernance.org/publications/5664](http://www.baselgovernance.org/publications/5664).

Kassa S., Baez-Camargo, C. (2017). *Social norms, mental models and other behavioural drivers of petty corruption – the case of Tanzania*. Basel Institute on Governance, [www.baselgovernance.org/publications/5665](http://www.baselgovernance.org/publications/5665).

Stahl, C., Baez-Camargo, C. (2017). *Social norms, mental models and other behavioural drivers of petty corruption – the case of Uganda*. Basel Institute on Governance, [www.baselgovernance.org/publications/5666](http://www.baselgovernance.org/publications/5666).

## Working papers

Baez-Camargo, C., Passas, N. (2017). *Hidden agendas, social norms and why we need to re-think anti-corruption*. Basel Institute on Governance, Working Paper No. 22, [www.baselgovernance.org/publications/3624](http://www.baselgovernance.org/publications/3624).

Aiolfi, G., Pfister, M. (2017). *New perspectives in e-government and the prevention of corruption*. Basel Institute on Governance, Working Paper No. 23, [www.baselgovernance.org/publications/4714](http://www.baselgovernance.org/publications/4714).

Baez-Camargo, C., Fenner, G., Kassa, S. (2017). *It takes two to tango. Decision-making processes on asset return*. Basel Institute on Governance, Working Paper No. 24, [www.baselgovernance.org/publications/4276](http://www.baselgovernance.org/publications/4276).

## Peer-reviewed journal article

Baez-Camargo, C., Ledeneva, A. (2017). *Where does informality stop and corruption begin? Informal governance and the public/private crossover in Mexico, Russia and Tanzania*. *The Slavonic and East European Review*, 95(1) pp. 49-75. doi:10.5699/slaveastorev2.95.1.0049. Free to download at: [discovery.ucl.ac.uk/1551566](http://discovery.ucl.ac.uk/1551566).

## Article contribution

Aiolfi, G. (2017). *The value and importance of Collective Action*. IBA Anti-Corruption Committee Anti-Corruption Law and Practice Report 2017, pp. 29-31. International Bar Association, [www.baselgovernance.org/publications/other/3613](http://www.baselgovernance.org/publications/other/3613).



All publications are freely available at [www.baselgovernance.org/publications](http://www.baselgovernance.org/publications)

# Team and Foundation Board

In order to successfully carry out our mission and support our partners worldwide, we rely greatly on the expertise, dedication and creativity of our staff. In 2017, we were delighted to welcome seven new members to the Basel Institute on Governance headquarters: Mirna Adjami, Iman Alwan, Kateryna Boguslavska, Teresa Paonessa, Mike Pfister, Jonathan Spicer and Scarlet Wannewetsch. In Peru, we were pleased to welcome Rene Baca, Paola Bustamante, Julia Cori, Diana Cordero, Milagrito Diaz, Zoila Leiva, Luis Maldonado, Manuel Monasí, Jorge Rivadeneyra, Jakeline Valencia, Americo Yucra and Magaly Zumaeta. Please see our website for individual contact details.

## Management group

### Gretta Fenner

Managing Director, Basel Institute & Director ICAR



### Andrea Poelling

Head of Operations



### Gemma Aiolfi

Head of Corporate Governance and Compliance & Head of Collective Action



### Phyllis Atkinson

Head of Training ICAR



### Claudia Baez-Camargo

Head of Governance Research



### Mike Pfister

Head of Programs ICAR



## Team

**Mirna Adjami** Project Manager, Anti-Corruption Collective Action

**Iman Alwan** Administration

**Kateryna Boguslavska** Project Manager, Basel AML Index

**Peter Huppertz** Team Leader, IT and eLearning

**Saba Kassa** Public Governance Specialist

**Bruno Michel** Finance Officer

**Christian Müller** IT Supporter

**Federico Paesano** Senior Financial Investigation Specialist

**Teresa Paonessa** Human Resources

**Stephen Ratcliffe** Senior Investigation Specialist

**Thierry Ravalomanda** Senior Asset Recovery Specialist

**Nina Schild** Events & Publication Coordinator

**Jonathan Spicer** Senior Asset Recovery Specialist

**Cosimo Stahl** Public Governance Specialist

**Hoa Truong** IT and eLearning Developer

**Scarlet Wannewetsch** Project Associate, Anti-Corruption

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**Lady Seminario** Coordinator

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**Magaly Zumaeta** Consultant

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**Joan D'Souza** Programme Manager

**Andrew Dornbierer** Asset Recovery Specialist ICAR

**Simon Marsh** Senior Investigation Specialist ICAR

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**Nicholas Staite** Senior Asset Recovery Specialist

**Hannes van Vuren** Senior Financial Investigator

## Departed and temporary staff

**Claire Daams** Head of Legal and Case Consultancy

**Laura Fritsch** Intern

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**Marius Hochstrasser** Intern

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**Miikka Karimo** Medical Supplies Theft Specialist

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## Foundation Board

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**Prof Anne Peters** Vice President

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**Prof Anton Schnyder**

**Christoph Tschumi**

# Partners

In 2017, the Basel Institute continued to partner with a wide range of leading public and private institutions. We are grateful and indebted to all our partners for generously sharing their expertise and experience to advance our mission. These partnerships are essential to the success of our programmes around the world and we look forward to continuing our collaboration in 2018 and beyond.

Alliance for Integrity (Afln)  
 Anti-Corruption Commission of Bhutan (ACC)  
 B20 Argentina  
 B20 Germany  
 Deutsches Institute für Compliance (DICO)  
 Egmont Group of Financial Intelligence Units  
 Egyptian Junior Business Association (EJB) Integrity Network Initiative  
 Ethics and Compliance Switzerland (ECS)  
 Europol  
 Global Forum on Law, Justice and Development (GFLJD)  
 International Anti-Corruption Academy (IACA)  
 Interpol  
 Makerere University, Uganda  
 Malaysian Institute of Management (MIM)  
 Maritime Anti-Corruption Network (MACN)  
 Metals Technology Industry (MTI) Anti-Corruption Collective Action Initiative  
 National Agency for the Management of Seized Assets, Romania  
 National Anti-Corruption Commission (NACC), Thailand  
 Nestor Advisors  
 Organisation for Economic Co-operation and Development (OECD)  
 Partnering Against Corruption Initiative (PACI)  
 Poder Judicial del Perú  
 Pontificia Universidad Católica del Perú (PUCP)  
 Programa Laboral de Desarrollo, Peru (PLADES)  
 Protestant Institute of Arts and Social Sciences, Rwanda (PIASS)  
 Secretaría de Transparencia, Presidencia de la República de Colombia  
 Siemens Integrity Initiative  
 Sport Integrity Global Alliance (SIGA)

Stolen Asset Recovery Initiative (StAR)  
 Superintendencia de Banca, Seguros y AFP, República del Perú  
 Swiss Agency for Development and Cooperation (SDC)  
 Swiss Federal Department of Foreign Affairs Directorate for Public International Law (FDFA DIL)  
 Swiss State Secretariat for Economic Affairs (SECO)  
 Thai Institute of Directors (IOD)  
 Thailand's Private Sector Collective Action Coalition Against Corruption (CAC)  
 The Wolfsberg Group  
 TRACE International  
 Transparency International  
 U4 Anti-Corruption Resource Centre  
 Ukrainian Network of Integrity and Compliance (UNIC)  
 United Nations Crime Prevention and Criminal Justice Programme Network (CCPCJ PNI)  
 United Nations Global Compact  
 United Nations Interregional Crime and Justice Research Institute (UNICRI)  
 United Nations Office on Drugs and Crime (UNODC)  
 Universidad de San Andrés, Argentina (UdeSA)  
 Universidad ESAN, Peru  
 University of Basel, Switzerland  
 University of the Western Cape, South Africa (UWC)  
 World Bank  
 World Customs Organization (WCO)

*Due to the sensitive nature of ICAR's casework assistance, partner agencies and countries of ICAR's casework team are not published.*

# Funding

In 2017, the annual budget (*Total operating income*) of the Basel Institute on Governance totalled CHF 8.6 million (EUR 7.8 million / USD 8.7 million).

Our funding comes from various sources. In 2017, we received core funding from bilateral governmental (development aid) agencies including the Swiss Agency for Development and Cooperation, the UK Department for International Development and the Principality of Liechtenstein, which together support our headquarter-based operations of the International Centre for Asset Recovery (ICAR). In addition, due to ICAR's expanding field operations through the placement of in-country experts in partner countries, ICAR relies increasingly on country programme-specific financial support. For the most part, this is provided to ICAR by its core donor country offices, including in Kenya, Malawi and Tanzania.

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.

Other direct project-specific funding and income are obtained from a variety of development and corporate partners around the world, including partner institutions that offer research grants. Such funds support the Basel Institute's provision of technical assistance and development of applied research. Two substantial research grants in 2017, one from the British Academy and one from the East Africa Research Fund, financed two long-term research projects of the Basel Institute's Public Governance division.

As a corporate actor, the Siemens Integrity Initiative earmarked funds to promote the Basel Institute's anti-corruption Collective Action work through its International Centre for Collective Action.

In 2017, the Basel Institute's core financing (*Contributions*) amounted to approximately 25 percent of the annual budget (*Total operating income*). Project- and country programme-specific funding (*Project income, Reimbursed expenses, Overhead recovery*) made up the remaining 75 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.

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.

# Financial statement

## Balance sheet

ASSETS (IN CHF)	31 DEC 2017	31 DEC 2016
Liquid assets	2,307,049.89	1,780,826.02
Trade-receivables	379,048.78	545,524.58
Other receivables	204,617.15	392,086.00
Accrued income and prepaid expenses	1,381,179.84	316,867.55
Total current assets	4,271,895.66	4,117,494.58
Office furniture and IT equipment	21,669.62	23,906.18
Financial assets	44,659.45	44,647.34
Total fixed assets	66,329.08	70,708.20
<b>TOTAL ASSETS</b>	<b>4,338,224.73</b>	<b>4,188,202.78</b>
LIABILITIES (IN CHF)	31 DEC 2017	31 DEC 2016
Trade-payables	164,223.17	121,860.91
Advance payments	1,929,185.67	2,126,281.83
Other payables	128,258.20	121,770.04
Accrued liabilities and deferred expenses	502,949.00	281,156.63
Total current liabilities	2,724,616.04	2,680,500.29
Restricted funds (ICAR)	893,805.63	848,884.33
Total restricted funds	893,805.63	848,884.33
Paid-in capital	20,000.00	20,000.00
Unrestricted capital (GOV)	638,818.16	535,413.63
Annual result	60,984.90	103,404.53
Total capital of the organisation	719,803.06	658,818.16
<b>TOTAL LIABILITIES</b>	<b>4,338,224.73</b>	<b>4,188,202.78</b>

## Statement of operations

INCOME AND EXPENDITURE (IN CHF)	2017	2016
Contributions	2,151,000.00	2,479,393.13
Overhead recovery	225,893.44	
Project income (fees)	4,160,547.92	3,979,757.92
Reimbursed expenses	2,060,415.58	920,578.77
Total operating income	8,597,856.94	7,379,729.82
Project expenditure	-7,625,347.66	-6,545,079.99
Administrative expenditure	-878,775.62	-826,756.29
Total operating expenditure	-8,504,123.28	-7,371,836.28
Operating surplus (- deficit)	93,733.66	7,893.54
Net financial income	12,172.54	-39,492.42
Net extraordinary income	185.90	
Change of restricted funds	-44,921.30	134,817.51
<b>ANNUAL RESULT</b>	<b>60,984.90</b>	<b>103,404.53</b>

The above balance sheet and statement of operations form part of the Basel Institute's Financial Statement 2017, 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 2017 on 20 April 2018.

# Stay in touch



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Asset Recovery Forum  
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Basel AML Index  
[index.baselgovernance.org](http://index.baselgovernance.org)

Guide to the Role of Civil Society Organisations  
in Asset Recovery  
[cso.assetrecovery.org](http://cso.assetrecovery.org)

Informal Governance and Corruption  
[informalgovernance.baselgovernance.org](http://informalgovernance.baselgovernance.org)

## Twitter

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With thanks to our key donors and funders in 2017

