

**GLOBAL
INITIATIVE**
AGAINST TRANSNATIONAL
ORGANIZED CRIME

ANNUAL REPORT 2018

January 2019





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DIRECTOR'S OVERVIEW

Every year, looking back over the activities and accomplishments of the growing Global Initiative Against Transnational Organized Crime (henceforth, 'GI-TOC'), I am amazed at how far we have come. What started out as a relatively small attempt to try something new, to impact burgeoning global illicit markets, has continued to expand. We are very conscious of the requirement to make an impact – more resources, greater numbers of staff and increasing our activities are not enough if we cannot show that we are making a difference. This remains core to our philosophy as an organization.

At the start of 2018, we marked the beginning of our fifth year of operation with the development of a new strategy for the organization. This in itself was a marker in our growth and planned trajectory: we moved away from start-up and transitional-type activities that had characterized the previous phase, where our objectives were to ensure sustainable and predictable funding, to build a brand and a reputation, and to develop our governance, systems and processes. Our new strategy, which was widely circulated and endorsed by the GI Network of Experts and the Board, aims to fully leverage the reputation we have created as a global centre of expertise on organized crime; to maximize the benefits of our Network of Experts and our many partnerships with reputable national, civil-society and multilateral organizations. The new strategy focuses on making positive contributions to policy debates, and to making an impact in the regions of the world most harmed by organized crime.

At the start of 2018, we marked the beginning of our fifth year of operation with the development of a new strategy for the organization

At the end of this report, there is a summary that benchmarks how well we are doing against the various indicators that we set ourselves and agreed on with the Board and our members to help measure how we implement this strategy. In all areas, we met the objectives for 2018. In particular, our publication output was significantly higher than anticipated.

Achieving the new goals that we have set for ourselves comes with its own set of challenges, however. We must continue to be responsible, reliable partners in an increasingly complex global environment, where geopolitics and democratic process are contentious, and the fight against organized crime is increasingly politicized. The fight against organized crime or its effects have become a polarizing campaign feature in elections around the world. We are trying to sustain and manage our continued rapid growth in an era where economies remain constrained, and other national and international priorities compete for resources.

Finally, we have to keep our staff, our consultants, our partners and local beneficiaries safe in an operating environment that is seeing the levels of threat and violence perpetrated by criminal groups and corrupt institutions growing ever more overt. These are difficult waters to navigate, but I am inspired by the strong evidence of commitment that is displayed by all those who work with and for the GI-TOC.

At the multilateral level, one of the original targets of influence for the GI-TOC, the picture remains quite mixed. On the positive side, at the UN Convention against Transnational Organized Crime (UNTOC) Conference of the Parties in October 2018, states finally agreed on a process for a mechanism that will review implementation of the convention – a function that has been outstanding for more than a decade. Although it largely excludes civil society, the review mechanism at least marks the start of the means to hold states

The Organised Crime Index is an innovative, data- and expert-driven longitudinal analytical tool

to account on an issue that demands a transnational and inclusive response. The GI-TOC will introduce a series of new activities in this regard, including attempting to bring local impact and experience to bear in the global debate. For its part, the UN Security Council has remained preoccupied with the how illicit flows connect with conflicts and terrorism, including most notably through the Presidential Statement delivered on 8 May 2018. After extensive consultations and lobbying, the UN Global Compact on Migration took a serious and nuanced perspective by acknowledging the important role played by human trafficking and smuggling as dynamics and protection risks in irregular migration, and by disaggregating the required responses to the two forms of crime. Less promising, however, is that the Sustainable Development Goal (SDG) Target 16.4, which speaks to the need to end all forms of organized crime by 2030, goes without an indicator to measure progress. This is a serious shortcoming if states are expected to take seriously their commitment to meet this target. However, as we have repeatedly emphasized, organized crime is a cross-cutting challenge for the SDGs, and will need to be addressed in multiple aspects of the SDGs – though there, too, indicators are often weak.

Given that we felt our attention had been diverted from multilateral processes, we established in 2018 an active portal on our website, 'UNTOC Watch', to monitor UN System positioning and responses across a wide range of issues that are relevant to the fight against organized crime, including on UN reform and the SDGs, as well as on emerging issues. These tools have combined with our research to provide a stronger evidence basis to provide input into UNTOC review mechanisms and other multilateral discussions.

An area where the GI-TOC focused much attention in 2018 was strengthening the infrastructure for measuring the commitment and efficacy of states in the fight against organized crime. The Organised Crime Index is an innovative, data- and expert-driven longitudinal analytical tool that measures both the threat of 10 illicit markets and states' resilience to organized crime.

Beyond the normative and policy-level discussions, the GI-TOC has invested considerable effort in expanding our reach into local communities and municipalities where the impacts of organized crime are most severe. In close consultation with the Board, we have taken steps to open three new offices, enhancing our ability to work effectively in North Africa, southern Africa, Central America and the Balkans, and to launch a new Resilience Fund to provide financial and operational support to nurture and develop networks of community resilience in the face of organized crime and violence.

The EU-funded ENACT programme (Enhancing Africa's Response to Transnational Organised Crime), which we deliver in a consortium with INTERPOL and the Institute for Security Studies, has established five organized-crime observatories in Africa. British and Norwegian funding has allowed us to start an observatory for south-eastern Europe. With German and Norwegian funding, we have broadened our flagship #GIResilience programme – an incubator of civil-society responses to organized crime, which we launched in Sinaloa and Culiacán, Mexico, in 2014 – with new programmes across Mexico, as well as in Guatemala, South Africa and the Philippines. With Canadian and Norwegian funding, we are piloting municipal and whole-of-community responses to the challenge of extortion, a highly prevalent mafia practice that poisons communities in both the developed and developing world.

Finally, and as always, we have continued to invest in the growth and strengthening of our governance systems. The Network of Experts is our primary governance body, whose support is critical to our success. Building on AGM discussions in previous years, we are working to grow the Network and enhance the engagement and benefits for members. In 2018, the Network of Experts grew to 350 members, as always representing a diversity of regions and experience. Making membership something meaningful and value-added is our primary concern, as the Network constitutes the highest authority of the organization.

I feel that we have enormous potential to have an impact in the years to come as we implement the strategic goals that we have collectively set ourselves.

Mark Shaw

January 2019

WORKSTREAMS

As the following sections show, the GI-TOC’s work encompasses a wide variety of areas, both substantively and geographically. It includes all criminal markets, whether these be drugs, people, arms, natural resources or violence, and examines their impacts and responses to them.

In light of this broad remit – and since debates on organized crime and illicit markets are becoming increasingly complex, intertwining and cutting across sectors and regions – the GI-TOC’s work is organized around five substantive workstreams:

Global Initiative workstreams, Strategy 2018–2020



- **Environment:** The environment workstream includes a broad focus and a diversity of approaches to organized crime and the environment, analyzing and countering a wide range of illicit markets for environmental commodities.
- **Political economy:** Our approach aims to bring together the ‘political’ and ‘economic’ aspects of organized crime by considering the political dynamics that may facilitate and protect illicit markets. This workstream addresses the shadowy intersections between political, business and criminal elites.
- **Criminal governance:** This workstream analyzes the particular governance strategies that criminal groups use to (among other things) reduce risk, improve efficiency of their activities and capitalize on new opportunities.

- **People:** Our primary focus in this workstream is on areas of organized crime where people themselves are treated as commodities – in markets for human trafficking and smuggling, but also for kidnapping for ransom, for example.
- **Institutions:** Our focus in this workstream is on the legitimate institutions that seek to disrupt organized-crime groups and mitigate the damage they cause.

These broad streams have been chosen to reflect key themes emerging from the GI-TOC's current research and activities, with the objective of ensuring that our work in a variety of areas continues to build a substantive, nuanced picture of organized crime within its social and political context.

We have tried to keep our activities evenly balanced across the five workstreams, and initiatives often intentionally overlap or are interdependent, as is the nature of the threat posed by organized crime. 'Institutions', for example, are implicated in providing

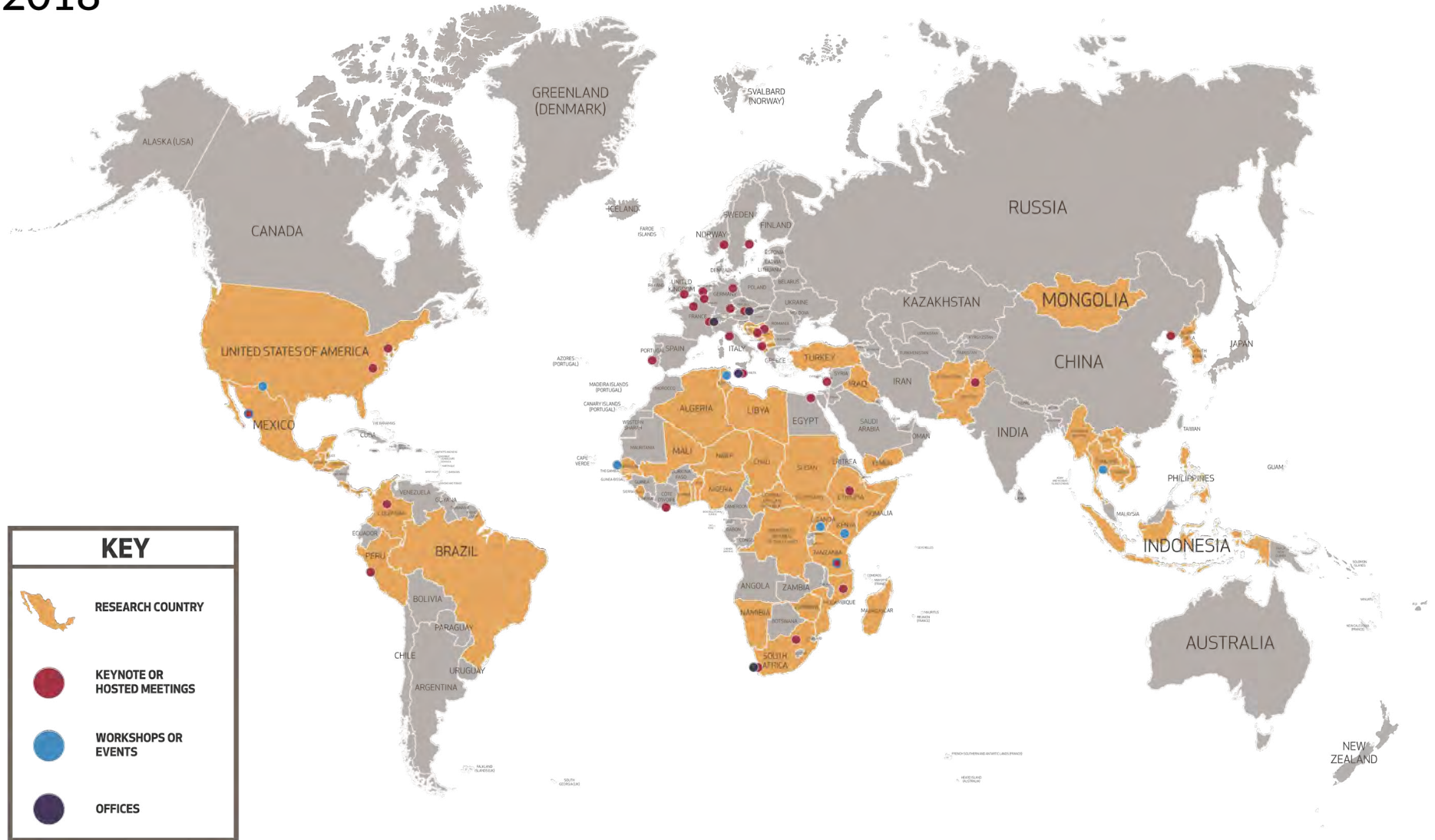
We have tried to keep our activities evenly balanced across the five workstreams

a response to criminal markets in which 'people' are the central commodity, namely human smuggling and trafficking. Likewise, forms of 'criminal governance' often aim to disrupt and challenge the legitimacy of these same institutions. To give one example, a two-year engagement we have had with communities involved in poaching around the peripheries of South Africa's Kruger National Park overlaps within our environmental portfolios and with our #GIResilience work, which is part of the criminal-governance workstream.

The workstreams are, therefore, not discrete entities or isolated subject areas. Instead, they represent a series of useful lenses through which different aspects of transnational organized crime may be viewed, analyzed and understood. They also help to give some order to our programming framework, as well as our engagements with staff, our senior advisers and the Network.

The following map shows where we have worked over the course of 2018:

Where we work 2018



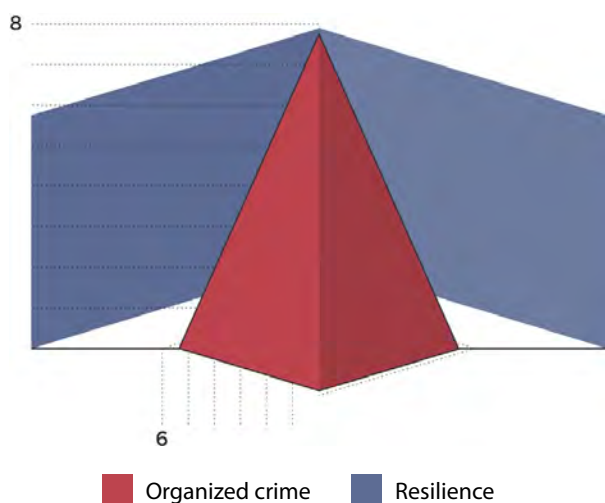


POLITICAL ECONOMY

The GI-TOC has been an active proponent of political-economy-based analysis of organized crime since the organization's inception. Recognizing that both the form and impact of organized crime are often products of the environment in which it develops – including the capacity, reach and behaviour of the state, the economy and legitimate institutions – our work across all topics aims to describe the nature of organized crime and illicit markets through a political-economy lens, through which we aim to support effective, nuanced and contextualized counter-crime efforts.

Our work also views responses to organized crime in this way, in asking how change can be effected through leveraging political and economic opportunities. This workstream addresses the shadowy intersections between political, business and criminal elites. The GI-TOC aims to continue its leading research on this stream and use its comparatively greater freedom (relative to other institutions, such as the UN) to discuss the political economy of organized crime at a greater level of transparency and so boost accountability.

Organised Crime Index



The Organised Crime Index seeks to estimate the scope and scale of criminal markets, and to measure states' resilience to organized crime. Comprising two composite metrics, the Index ranks countries both according to their levels of criminality on a score from 1 to 10 (lowest to highest crime levels), and according to state resilience to organised crime from 1 to 10 (lowest to highest resilience levels). Each country covered by the index will have a dedicated page, allowing analysts to drill into the results to compare markets across the globe, and in future iterations, to assess organized crime trends over time.

In the first iteration, the Index will cover the 54 African nations (as designated by the UN), funded

and delivered in partnership with the EU ENACT programme, plus an additional control panel of 11 countries to provide representation in Asia, Europe, Latin America and more developed-world economies.

The Index for the initial 54 countries, published in September 2019, will be made accessible through a web-based platform of interactive tools and comparative data, and complemented by a range of dissemination activities. We hope to achieve global coverage in successive iterations of the Index. With an increasing number of rounds adding value over time, the longitudinal results produced by the Index will allow trends to be identified as well as potential causality between efforts to strengthen states' resilience and to evaluate the impact of specific interventions.

ENACT



ENACT is an EU-funded pan-African project to enhance African capacity to respond more effectively to transnational organized crime. As part of a consortium led by the South Africa-based Institute for Security Studies (ISS) and with INTERPOL, the project seeks to improve the evidence-based knowledge and analysis of

organized crime in Africa, and its impact on development, security and the rule of law. It works to strengthen the awareness, technical and strategic capacity of relevant African stakeholders, including policymakers, practitioners and civil-society organizations. ENACT is part of the EU-AU programme of cooperation.

The project has established five regional organized crime observatories in Africa, based in Pretoria, Abidjan, Yaoundé, Nairobi and Tunis. Through the observatories, and as a partner in the project, the GI-TOC is producing discrete research deliverables and facilitating capacity-building activities.

Several publications were produced under the ENACT project in 2018.

Our paper on [The crime-development paradox: Organised crime and the SDGs](#) explores the potential for organized crime to poison the well of development and derail the indivisible agenda outlined in the flagship UN development strategy, the SDGs, as they are envisioned for Africa.

The first in-depth research paper undertaken with the ENACT project – [The heroin coast: A political economy along the East African seaboard](#) – investigated the growth and impact of the heroin trade along the East African coast, drawing on field research in four countries: Kenya, Mozambique, Tanzania and South Africa. The report elicited much media attention, and an update will be produced.

A research paper – [Razing Africa: Combatting criminal consortia in the logging sector](#) (and an accompanying policy brief) looked at the growing phenomenon of illicit logging, and how criminal consortia combine with political and business elites to raze Africa's forests, with detrimental impacts on livelihoods, security and environmental sustainability. The policy brief noted in particular how the strategy of imposing logging moratoria is often used to consolidate control over logging sectors and capture the benefits through corruption, rather than to reduce the scale of deforestation, or improve forestry resource governance.



Further publications released in 2018 included a cross-regional study on criminality in the African artisanal and small-scale gold mining (ASGM) sector. The study is informed by desk research as well as field research conducted in Niger, Chad, Sudan, Zimbabwe and South Africa. In addition to the major report, case studies on Sudan, Zimbabwe and South Africa will be published.

A policy brief on counterfeit medicines was also published.

The ENACT project is mandated to produce continental reports on key themes and priority threats for Africa. Two new continental reports have been developed, with extensive research across the continent. The first looks at the African stance on drug policy and the second at the intersection between human smuggling and conflict, which has been a priority for the Security Council in the last two years, as noted in UN Security Council Resolutions [2331 \(2016\)](#) and [2388 \(2017\)](#).

The research produced under ENACT has been profiled at a number of events, briefings and seminars, which aim to bring our evidence-based research to the attention of policymakers. For example, a [side event at the Conference of Parties to the UN Convention on Transnational Organized Crime \(UNTOC\)](#), discussed ENACT research on the harms of the drug market in Africa.

In other events and initiatives, in partnership with the Thomson Reuters Foundation, we hosted two workshops for investigative journalists in Africa – in Kampala, Uganda, in January, and Dakar, Senegal, in February 2018. These helped equip

The GI-TOC has been an active proponent of political-economy-based analysis of organized crime since the organization's inception

32 national journalists with investigative and writing skills, source and data management, and an understanding of safety and security issues. Graduates could then apply for story grants and mentorship for specific investigations. In 2018, we awarded 13 grants, through which eight stories were published in national newspapers. In August, 12 journalists were selected for a masterclass journalism workshop in Tunis hosted in collaboration with InSight Crime, the Latin Americas' Organized Crime Observatory, and there is exploration now of two cross-border and one cross-continental investigation.

Drug policy

Several projects in 2018 were centred around drug policy.

In Tanzania, a new programme of work focused on gaining a better understanding of the characteristics of domestic illicit drug markets was developed. As an extension of the work the GI-TOC has undertaken to document the transnational connections and characteristics of the heroin trade as it impacts the country (under the ENACT programme), having an accurate understanding of current domestic illicit drug prices will assist in gaining a better understanding of the stability and evolution of the illicit drug market in Tanzania and Zanzibar. In particular, this work will generate an understanding of possible domestic geographic variation in illicit drug prices as one moves further from major domestic drug-supply nodes. The drug use, behaviour, and price data to be collected and analyzed will assist in measuring the influence of supply disruptions on the illicit drug market economy, such as increased or varied enforcement measures, external wholesale

supply fluctuations, and market transformations due to the emergence of ‘new’ drugs and market technologies.

Using our field network in Libya, we have also carried out a political-economy analysis of drug trafficking trends in Libya for the European Monitoring Centre for Drugs and Drug Addiction, which will feed into the *European Drug Report 2019*.

The GI-TOC investigated the drug economy of the Philippines, to understand the foundational issues on drug trafficking and drug use, some of the socio-economic and governance issues that influence how the drug economy manifests in local communities, and how the government response is likely to impact this dynamic. Three separate visits were made to the Philippines with a wide-ranging outreach to civil society, community organizations, national academia, government officials and international actors. This report will underpin the engagement on community resilience likely to begin in 2019, as well as offering a balanced and factual basis on which to evaluate the Philippines’ war on drugs.

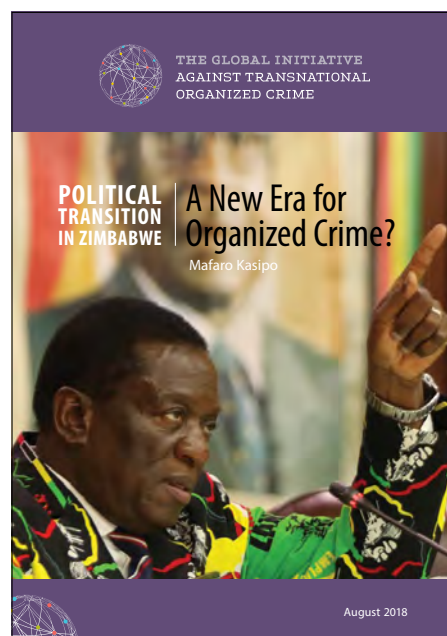
A subsequent study, to follow in 2019, will look more broadly at the ASEAN region, the drug policy in those countries, and the role that civil society can play, not only in terms of demand reduction, treatment and care, but also in norm setting and policy shaping for the region.

The GI-TOC has also been commissioned by the Global Commission on Drug Policy to write a policy brief on the need to refocus law-enforcement responses to drug trafficking and organized crime. This follows on from the Global Commission’s five key pathways to better drug policy, laid out in 2014, one of which addressed law-enforcement reform. The Commission has reached out to the GI-TOC to draw on our long-standing expertise on drug trafficking and law enforcement, and their links to development. The brief will include an analysis of current law-enforcement responses to drug trafficking and suggestions for new policy responses that move away from a ‘militarized’ approach to organized crime.

Illicit economies and political transition

Providing a timely commentary to the political upheaval in the country, this policy brief – [Political transition in Zimbabwe: A new era for organized crime?](#) – analyzes the development of illicit economies in Zimbabwe during the three periods of political transition that have occurred since the country attained independence in 1980, and looks ahead to the phase of transition under its new president, Emmerson Mnangagwa.

Another new report – [Where crime compounds conflict: Understanding northern Mozambique’s vulnerabilities](#) – seeks to explain how the outbreak of violent conflict in northern Mozambique, driven by a group known locally as ‘Al Shabaab’, is linked to a large and dynamic illicit economy in the region. It asks not only whether, and how, the group derives funds from the smuggling of various types of contraband, but it also explains how the illicit economy itself – and longstanding state involvement in it – has generated the conditions for this insurgent movement to emerge and how it may continue to fuel the phenomenon.



Organized Crime Observatory for the Western Balkans

Organized criminal activity in the Western Balkans remains of considerable concern. The region is a source and transit zone for criminal activities and has a significant impact on evolving patterns of governance and conflict.

With seed funding from the governments of the UK, Norway and Austria, the Civil Society Observatory to Counter Organized Crime in South Eastern Europe was established to create a network that connects and empowers civil-society actors in the Western Balkans region, helping them to identify, analyze and map criminal trends and their impact on illicit flows (including both of commodities and people), governance, development, inter-ethnic relations, security and the rule of law.

The observatory is intended to provide policymakers with a better evidence basis, enabling them to monitor and create longer-term strategies to counter organized crime in the region. The observatory will also serve as a platform to coordinate outreach, engagement and the dissemination of information and analysis on organized crime, which will contribute to strengthening resilience in the region.

The observatory was launched after a meeting was held on 30 May 2018 in Vienna on the challenge of organized crime in the Western Balkans, its overlap with the politics of the region, and the role civil society and academia could play in

The Civil Society Observatory to Counter Organized Crime in South Eastern Europe was established in 2018

developing an effective response. The observatory builds on an existing network of 40 civil-society representatives, including investigative journalists and academics from six Balkans countries (Albania, Bosnia and Herzegovina, Kosovo, Former Yugoslav Republic of Macedonia, Montenegro and Serbia). The group is a mix of well-known civil-society activists and those working with vulnerable communities and related issues on a local level.

The then UK prime minister, Theresa May, announced at a press conference on 10 July 2018 that the GI-TOC would lead a civil-society Organized Crime Observatory for the Western Balkans, following a high-level summit in London that brought together the leaders of the Western Balkan countries and like-minded European partners to strengthen security cooperation, increase economic stability and encourage political cooperation.



ENVIRONMENT

Analyzing and countering a wide range of illicit environmental commodity markets is a well-established part of the GI-TOC's research. This reflects a broader, growing recognition that organized crime is a key threat to environmental sustainability, and that instances of environmental crime, such as illicit wildlife trade, are no longer a niche conservation concern for environmentalists.

The environment workstream encompasses a broad focus and diversity of approaches towards organized crime and the environment. Previous work has included monitoring specific markets – such as our reports on [rhino horn trafficking syndicates](#) – but also a much broader range of activities. We have also worked on several cross-cutting issues, such as curbing the illegal wildlife trade online and through digital payment systems, developing the [TOCLAW](#) tool, which collates countries' environmental legislation, [and tracking illicit financial flows in natural-resource sectors](#).

The GI-TOC will continue to consolidate many of these lines of work, while expanding into new areas, such as developing community-resilience initiatives in major conservation zones. We will aim to leverage our cross-sectoral expertise to provide strong analysis that places environmental-crime issues within their broader political and economic context.

Goldwatch

The informal and unregulated nature of the artisanal and small-scale gold mining (ASGM) sector makes it vulnerable to criminal infiltration and illicit financial flows. These complex dynamics have been investigated and analyzed by the GI-TOC in Latin America, Africa and Asia.

[Follow the money: A rapid assessment of gold supply chains and financial flows linked to artisanal and small-scale gold mining in Zimbabwe](#) was published in April 2018.

Building on similar studies the GI-TOC has conducted in [Sierra Leone](#), [Mongolia](#) and [the Philippines](#), the report provides a rapid assessment of the gold supply chains, financial flows and power dynamics of the Zimbabwe ASGM sector and related gold trade, providing a baseline for this type of analysis.



A publication commissioned by the UN Industrial Development Organization (UNIDO) studies gold and mercury flows and trade regulations in the ECOWAS region. The study – *Curbing Illicit Mercury and Gold Flows in West Africa: Options for a regional approach* – is informed by desk research as well as interviews conducted in 12 ECOWAS states with key government and civil-society informants. The study was presented at a side-session hosted by UNIDO at the Minamata Convention Conference of Parties in November 2018.

The GI-TOC’s expertise on this issue is increasingly sought after. We spoke on a panel at the Swiss Agency for Development and Cooperation event ‘Capitalizing on experiences for future actions – Contributions of development partners to sustainable artisanal and small-scale mining (ASM)’ in August. Also, the GI-TOC is a partner on a US State Department-funded project, undertaking research on the Indonesian ASGM sector.

The UN migration agency, the International Organization for Migration, published Remediation Guidelines for Victims of Human Trafficking in Mineral Supply Chains in May, based upon inputs from GI-TOC staff. The guidelines provide concrete, operational guidance on how to take incidents forward when victims have been identified in the supply chain, outlining the roles and responsibilities of key actors, and appropriate action to be taken. They also illustrate the options that actors have at various stages in the process, helping them identify the different elements that need to be considered when making decisions. While these guidelines focus on human trafficking, much of the content is also applicable to other exploitative practices, including the worst forms of child labour, forced labour, debt bondage, commercial sexual exploitation and contemporary forms of slavery.

Digital Dangers: Illicit wildlife trade online

In marketplaces across the world, the illegal wildlife trade (IWT) is escalating dangerously, causing enormous, irreparable damage to biodiversity. Moreover, the marketing of illegal wildlife products is increasingly happening online. Reflecting similar changes occurring in other illicit markets (e.g. illegal narcotics), there has been a significant shift towards the internet as a platform for marketing and selling environmental commodities. Yet, unlike in the narcotics market, the sale of endangered wildlife happens primarily on the surface web, demonstrating just how little regulation or enforcement of these markets there is.

Most illicit flora and fauna products are now sold in open online marketplaces or closed messaging groups – environments where lack of understanding, regulation or legislation means little action can be taken. Online markets are also expanding existing customer bases, and helping to create new demand. As this online segment of the illegal wildlife trade grows in importance, it is now crucial to understand, expose and isolate the most strategic areas for intervention.

During 2018, the GI-TOC published three problem-framing briefs on what we currently know about online IWT markets, the payment systems that make online trading possible and the legal frameworks that shape the opportunities for law enforcement to intervene. It also published three case studies on the trade in specific reptile, bird and flora species that place digital platforms into context, situating them in the broader threat that illicit trading poses to those species, analyzing the opportunities provided by different platforms, and examining the specific demands and network dynamics that determine how illicit trading has entered the digital environment.



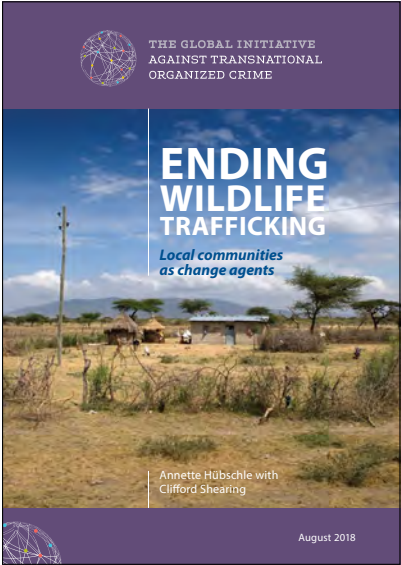
We also published a policy brief dealing with challenges and capacity constraints of law enforcement and a horizon-scanning policy brief, which considers what would happen if enforcement pressure pushed online IWT markets into the dark web, and puts forward a model of how markets adjust to dark-net operating conditions, and how this both deters and attracts consumers.

In partnership with the Centre for Social Media Analysis, we have developed a new technical methodology: the Dynamic Data Discovery Engine (DDDE). The DDDE aims to build as comprehensive a picture as possible of how, where and when CITES-listed plants and animals, or commodities containing them, are transacted using the internet. This work draws on the opportunities presented by the digital age: the ability to use technology, in this case natural-language-driven software, to mine data online.

Analyzing and countering illicit environmental commodity markets is a well-established part of the GI-TOC’s research

Journalists in five regions were commissioned and mentored for ten national IWT investigations. We also piloted a consumer-awareness campaign with Oxpeckers in South Africa, and hosted cross-continental investigative journalism training in Bangkok in November 2018, which brought together 15 journalists from Asia and Africa.

In order to disseminate our findings and lobby for a more effective response, we engaged other stakeholders and presented the project at a CITES Standing Committee in Geneva, the 2018 UN General Assembly in New York, UNTOC CoP in Vienna, Wilton Park, London IWT Conference in the United Kingdom, and Interpol’s Wildlife Cybercrime Conference in Lyon, as well as several other academic and NGO meetings.



Community involvement in wildlife trafficking

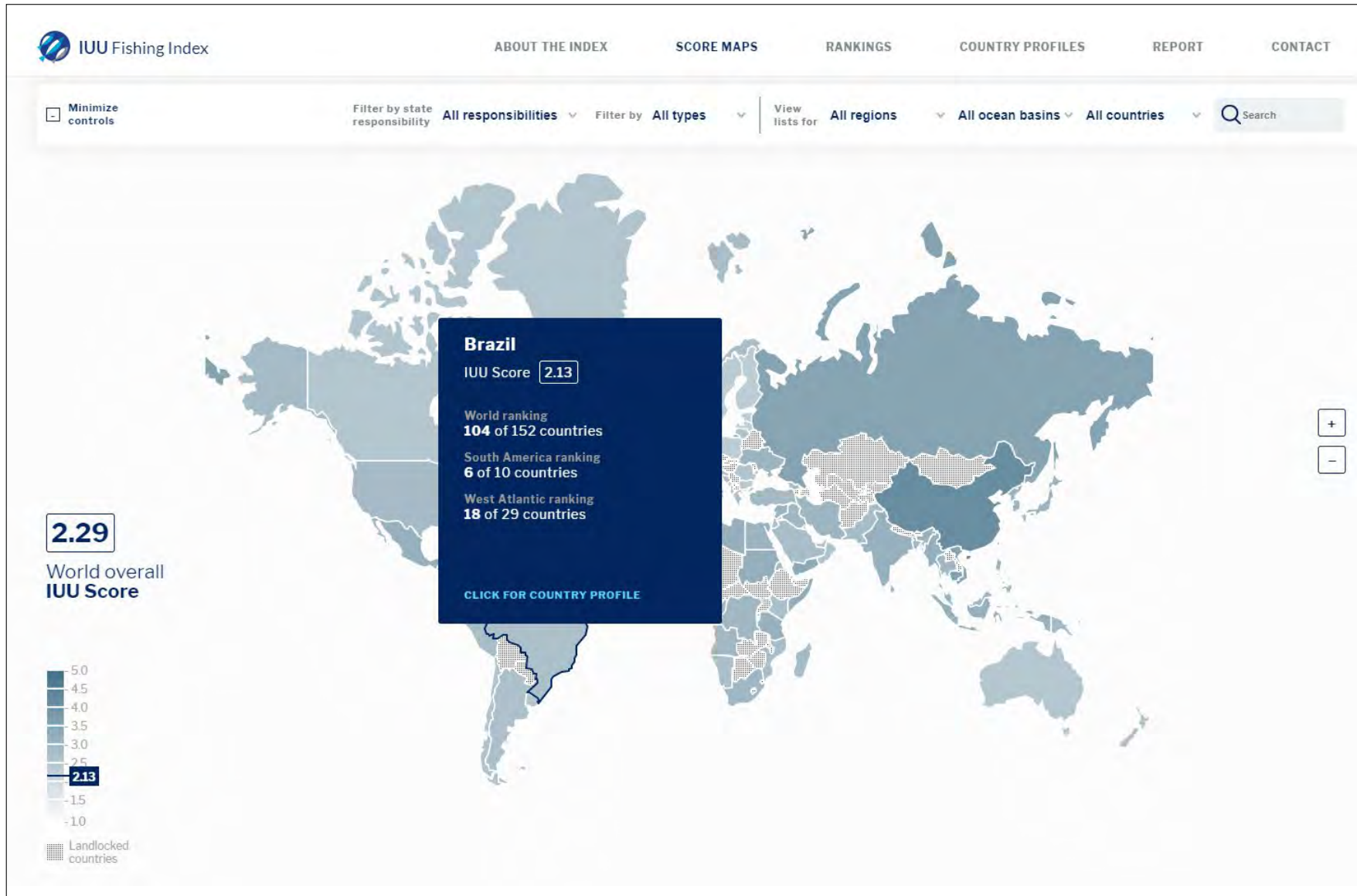
Anti-poaching, conservation and management measures have struggled to curtail rhino poaching in southern Africa. Communities living adjacent to national parks are often – through either active participation, passive acceptance of the presence of poachers and mistrust of the authorities – central to the persistence of illicit wildlife trade.

Ending wildlife trafficking: Local communities as change agents, a report published August 2018, therefore aims to provide a better understanding of why African rural communities participate in wildlife economies,

both legal and illegal, and how alternative, community-oriented strategies can help build a more resilient response to organized wildlife crime than has hitherto been achieved.

It aims to create a more cohesive understanding than what have previously been termed ‘cooking pot and pocket book’ explanations for poaching behaviour, considering the social capital accorded to wildlife poachers and the political aspect of poaching.

IUU Fishing Index, screenshot



IUU Fishing Index

The IUU (illegal, unreported and unregulated) Fishing Index is a collaborative project involving the GI-TOC and Poseidon Aquatic Resource Management.

The index measures IUU fishing across 152 countries for 2018. The index scores countries on a 1 to 5 scale across more than 40 indicators, relating to vulnerability (risks), prevalence (incidents) and government response.

The IUU Fishing Index is the first tool of its kind to bring together the multiple dimensions that contribute to this increasingly urgent global problem, highlighting the weaknesses of individual states. The tool should prove invaluable for strengthening both regional responses, and those working across ocean basins. In addition, it serves as a baseline and yardstick for progress against SDG Target 14.6: Indicator 14.6.1 – *Progress by countries in the degree of implementation of international instruments aiming to combat illegal, unreported and unregulated fishing.*





PEOPLE

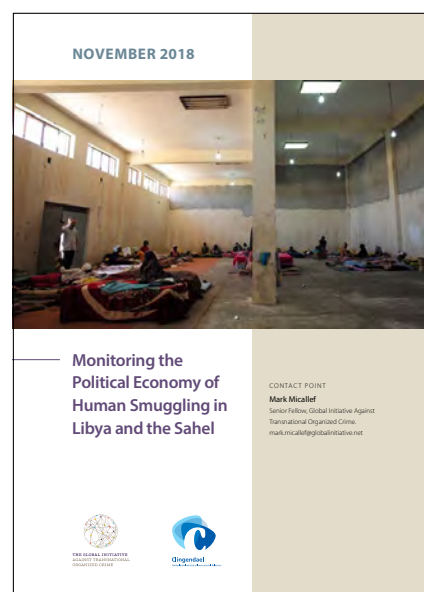
By definition, people are an essential part of the mechanics of organized crime, whether as perpetrators or victims. Our primary focus in this workstream is those areas of organized crime where people are treated as commodities, in markets for human trafficking and smuggling, but also for kidnapping for ransom, for example. These have been prominent topics in the GI-TOC's activities to date, as seen in our leading analysis of the dynamics of these markets in Libya as well as the wider smuggling routes across Africa to Europe. This established expertise is now being taken to a new level, as a new project established in 2018 on human trafficking and smuggling networks across the Sahel illustrates (see below).

Bringing this work within the broader 'people' workstream also aims to establish innovative ways to analyze and respond to human trafficking and smuggling, and thereby expand the – often restrictive and repetitive – policy discussion on these issues. For example, newly established research into trafficking in conflict situations aims to place human trafficking within broader debates about effective humanitarian responses, crisis prevention and peacebuilding. For these reasons, there are considerable synergies between the work done under the people workstream, and those of criminal governance, political economy and institutions.

Monitoring the Political Economy of Human Smuggling in Libya and the Sahel

The GI-TOC was commissioned by the European Commission, under the EU's Trust Fund for Africa, to monitor and analyze the political economy of people smuggling in Libya and the Sahel (principally Niger, Chad and Mali).

This two-year project includes the delivery of 22 monthly briefs, which provide rapid assessments on migratory and smuggling dynamics in the context of broader socio-economic developments, and six in-depth studies that probe in greater detail some of the themes covered in the ongoing monitoring. Monitoring for the monthly assessments is carried out using a core field network of 22 people based in key smuggling hubs across Libya and the Sahel. The in-depth studies follow more conventional research methods, including qualitative



interviewing and surveys. We delivered the first monthly brief in July 2018, and research on the in-depth reports got under way for delivery in 2019.

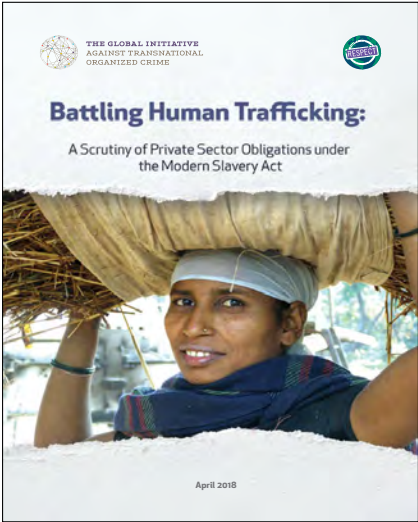
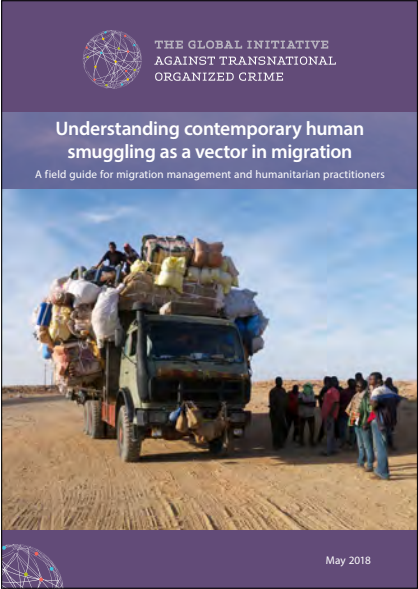
This work very much builds on the GI-TOC’s long-standing engagements in the region, and on mapping and analyzing human-smuggling networks, including the policy brief [Responding to the human-trafficking, migrant smuggling nexus](#), which has guided policy engagement by EU states and the multilateral system, and which has been highly quoted by the media, the UN special envoys and international organizations.

GI-TOC expertise and research on the political economy of smuggling in Libya, including the publication with the Institute for Security Studies, [The anti-human smuggling business and Libya’s political end game](#), was also drawn upon in the landmark decision by the UN Security Council in July 2018, to [sanction six traffickers](#) in Libya for gross human-rights violations.

The GI-TOC was thus invited to speak on a high-level panel highlighting the precedent-setting implications of this decision at the UN General Assembly, co-hosted by the governments of the Netherlands, Niger and Libya, alongside three Ministers of Foreign Affairs, and the lead prosecutor for the International Criminal Court.

The GI-TOC’s policy experience with human smuggling was distilled into a toolkit for migration and humanitarian practitioners, *Understanding contemporary human smuggling as a vector in migration*. This guide analyzes in depth the dynamics and trends of the human-smuggling industry, focusing on migration from and through the Middle East, North Africa and sub-Saharan Africa to Europe. Its goal is to provide practitioners, policymakers and law-enforcement officials with detailed information to enable them to understand how human smuggling works as a vector in migration and to formulate a more effective, holistic policy response than has been achieved to date.

This guide has proven a useful contribution to organizations with responsibility for migration management, protection of refugees and people on the move, humanitarian and development practitioners, and policymakers more broadly.



RESPECT

[The Responsible and Ethical Private Sector Coalition against Trafficking Initiative \(RESPECT\)](#) is a collaboration between the GI-TOC, the IOM, and Babson College’s Initiative on Human Trafficking and Modern Slavery.

Building on our past widely successful webinar series, which began in 2014, the RESPECT Webinar Series 2018 explores [The Human Trafficking – Organized Crime Nexus: Intersections, Vulnerabilities, and Analysis for the Private Sector](#), comprising six



individual webinars on different aspects of organized crime. Transnational organized-crime groups make exceptionally thorough use of private-sector networks to commit, harbour, launder and facilitate crime. Human trafficking is a significant issue in consumer markets and very often aligned with other forms of organized crime, such as money laundering, environmental crime, smuggling of counterfeit goods and drug trafficking. The webinars were well received, and attracted on average 200 sign-ups from around the world, with the average number of live attendees around 100 for each webinar.

The first co-report by RESPECT and the GI-TOC was also published in 2018: [Battling human trafficking: A scrutiny of private sector obligations under the Modern Slavery Act](#), written by Lucia Bird Ruiz-Benitez de Lugo, a GI-TOC senior fellow. This report outlines the obligations imposed on business by the Transparency in Supply Chains clause (TSC), analyzing the efficacy of the TSC against its stated aims, looking beyond compliance statistics to assess whether the TSC has prompted a change in attitudes in the private sector towards mitigating human trafficking in terms of the risks in their supply chains.

In addition to the internal success, RESPECT's collaborating organizations have partnered with external organizations on two distinctive, multi-stakeholder projects.

Given the rapid development of initiatives aimed at helping businesses fight human trafficking, the RESPECT founding organizations, the Global Business Coalition Against Trafficking (GBCAT), and the United Nations Global Compact through its Action Platform on Decent Work in Global Supply Chains, have identified the urgent need to provide a unified repository of information as a resource to facilitate stakeholders in their engagement with the private sector in the fight against human trafficking.

The Interactive Map for Business of Anti-Human Trafficking Organisations (www.modernslaverymap.org) is an online tool that was launched in the UK on 22 May 2018.

This map and the accompanying report, including 75 organizations and initiatives who are working on five human-trafficking-related issues (child labour, forced

labour, etc.), covering 11 industries and eight regions, aims to improve coordination on the eradication of modern slavery, and provides a unique baseline from which existing and newly formed initiatives can move forward.

The Tech Against Trafficking (TAT) initiative

On 28 June 2018, the TAT initiative was launched and the consortium of the RESPECT founding organizations, GI-TOC, IOM and Babson College, were appointed as the research lead to guide the TAT, alongside Business for Social Responsibility, acting as the TAT secretariat.

TAT is a coalition of technology companies collaborating with global experts to help eradicate human trafficking using technology. The founding member companies include BT, Microsoft, Nokia, Salesforce and Amazon. In 2018, TAT focused on mapping and analyzing the landscape of existing tech-focused initiatives to tackle modern slavery. The key findings, which were shared publicly, will help the group develop a three-year strategy.

The current database of tech-focused initiatives and applications, compiled and developed by the RESPECT team, comprises 180 different tools and apps used to combat trafficking, and these were evaluated on their effectiveness and performance over the last quarter of 2018.

The RESPECT team also participated in many high-profile events and conferences at which they shared the findings of the GI-TOC research, and the initiatives and tools developed under RESPECT. These include:

- The [18th Alliance against Trafficking in Persons Conference](#), entitled 'Everyone Has a Role: How to Make a Difference Together', the Organization for Security and Co-operation in Europe (OSCE), Vienna, 23–24 April 2018
- Side events on the RESPECT initiative at the [Commission on Crime Prevention and Criminal Justice \(CCPCJ\)](#) in Vienna, 14–18 May 2018
- [International Round Table on Human Trafficking in the Digital Age – The Interplay between 'New' Technology, Trafficking and Anti-Human Trafficking](#), Vienna, 28 September 2018

- [Human Trafficking and Human Rights – Access to Rights for Victims of Human Trafficking](#), an event organized by the Austrian Task Force on Combating Human Trafficking on the occasion of the EU Anti-Trafficking Day, Vienna, 29 October 2018
- Annual Meeting of Heads of Law Enforcement/Security Co-operation Departments, OSCE, Vienna, 24–25 October 2018

Measuring irregular migration and protection risks

The project 'Measuring Irregular Migration in Africa' is funded by the African Union (AU) and is part of the EU Pan-African Statistics Programme. A report from the GI-TOC, 'Estimating Irregular Migration and Associated Protection Risks and Measuring and Monitoring Migrants Under International Protection' was submitted to AU Statistics (AUSTAT) and distributed to AU member states and AU departments.

Our primary focus in the 'people' workstream is those areas of organized crime where people are treated as commodities

A further role for the GI-TOC is under discussion that would involve application of the suggestions and experiences from the report and running workshops to produce statistics on irregular migration and associated protection risks for a number of pilot countries.

The GI-TOC conducted a workshop at the AU headquarters in Addis Ababa (27–29 August 2018) to present the results from the report. Representatives from 13 AU member states were present, alongside policymakers, statisticians and migration researchers, representatives from various UN organizations (e.g. IOM, UNHCR, UN WOMEN) and various NGOs working on irregular migration in Africa. Future collaboration with IOM was also discussed.



CRIMINAL GOVERNANCE

The broad concept of criminal governance may be understood in two distinct yet closely interrelated ways, both of which are integral parts of GI-TOC's research.

First and foremost, it may be understood as internal governance within criminal organizations themselves. Whether the organization has a rigid hierarchical structure or is made up of looser networks, how resources are distributed and how the activities of members are controlled are all matters of internal governance. Organized-crime groups adopt particular governance strategies to (among other things) reduce risk, improve efficiency of their activities and capitalize on new opportunities. Under this interpretation, criminal governance is a cross-cutting aspect of GI-TOC's research into the dynamics and structure of all criminal markets, and an essential part of forming nuanced and targeted responses to organized crime.

Secondly, crime governance may also be understood as 'governance by crime' – whereby criminal groups aim to exercise authority over the broader community, disrupting and even replacing legitimate forms of governance.

This workstream includes a focus on people and communities affected by organized crime. This includes participants in criminal markets, such as drug users, direct victims of criminal activity, such as extortion and trafficking, or in a more peripheral sense, members of communities damaged by violence and insecurity.

#GIResilience

After publishing the first edition of the Resilience Series and the launch of the Resilience Dialogues in Sinaloa in 2017, the #GIResilience project continued its work to support, engage and boost the work of resilience initiatives in Sinaloa, and progressed to expand its reach into other regions. Taking place during 2018, phase two consisted of the Resilience Incubator, where the project supported the work of three local-community initiatives in Sinaloa that were identified in the previous phase, while maintaining close links with the newly created local network of resilient leaders worldwide.

In Sinaloa, the incubator supported the following initiatives:

1. Families of victims of femicides: a collective of women and families looking to create a network of affected communities, enhance their resilience capacities and improve their access to professional assistance.
2. Recuper-Arte: an artist collective that challenges criminal culture by leading workshops on resilience and capacity building, specially around at-risk youth and neighbourhoods with a high criminal presence.

3. Journalistic and media resilience: supporting organisations like Riodoce, Iniciativa Sinaloa and local independent journalists with the purpose of developing skills for protection and knowledge-sharing in highly violent scenarios. Developing resilience capacities and networks forms part of the ongoing work.

The second Sinaloa Resilience Dialogues took place during October 2018, bringing together different sectors of society that have responded to violence and organized crime. This second iteration included the cultural festival 'Festival Semilla', which reunited 40 local artists in an effort towards community building, the recovery of public spaces and the provision of safe spaces for community development. The dialogues also included two sets of workshops, the first with local journalists, in which there was a discussion on tools and proposals to protect journalists while carrying out their jobs in high-risk areas or situations; and a second with families of femicide victims, which brought together local organizations, experts and victims, to create a network for guidance and assistance, and to expose the neglected issue of gender violence in the state of Sinaloa.

The GI-TOC completed in 2018 the formal process to launch the Resilience Fund

Furthermore, with support from the government of Germany, the #GIResilience project has been working to expand to other cities in Mexico (Oaxaca and Michoacán), Guatemala and the Philippines.

The work in the Philippines covered the consequences of the war on drugs waged in that country since 2016 and the violent impact of criminalizing drug users in Filipino society. Initial figures suggest that 4 500 extrajudicial killings by police and government forces have taken place, in a country that is both a destination and trans-shipment point for illicit drugs and arms in South East Asia.

The GI-TOC completed the formal process to launch a new project in 2019: the Resilience Fund is a newly created fund to support civil-society organizations that fight against organized crime, and to incubate and replicate their community responses. The project, financed in its first phase by the Government of Norway, was approved and will start being implemented in 2019.

The Global Initiative will work as the fund manager for its first three years of implementation, supporting civil society against organized crime, and with a view to bringing on board more donors to support it.

The Resilience Fund originates in a context where civil society and non-state actors have become critical protagonists in the fight against organized crime, and protectors of the vulnerable in the absence of an effective state response. The objective of the Resilience Fund is to put the weight of the international community behind individual and collective community activists and groups, and to position itself as a vehicle to identify, enable and protect them and their efforts, in parts of the world most affected by criminal governance.

The fund has three priority categories of recipients: counter-crime advocates, independent investigative journalists and community resilience initiatives. Sustainable funds will be disbursed to support and enlarge community efforts, provide technical assistance and knowledge sharing, and help build a network and a broader platform for documenting and communicating efforts and achievements.



**RESILIENCE
FUND**

In 2018, the #GIResilience project started to identify possible organizations and community responses that can be incubated in the Philippines to enhance resilience efforts. A programme framework with field visits, interviews and first approaches to local organizations in Manila is being carried out, in which the long-term objective is to develop a series of informal community dialogues on the consequences of drug violence. The project is initially taking place in Manila, with scoping activities also underway in Mindanao and Luzon.

During August 2018, the #GIResilience project was one of 10 selected from over 1 000 applications to present at the UN Solutions Summit at the UN General Assembly in New York. The summit brought together organizations worldwide that are developing innovative solutions to address and implement the SDGs. Representatives from the projects were invited to present their initiatives to member states and donors.

Assassination Witness

The Assassination Witness project began in March 2017, with the aim of recording targeted hits and their impact on South African society, economy and democracy. The GI-TOC is one of the partners on this project, along with the Centre for Criminology at the University of Cape Town, the Open Society Foundation for South Africa and the National Research Foundation.



The first Assassination Witness report, titled [*The rule of the gun: Hits and assassinations in South Africa*](#), was published in March 2018. The report received significant media attention in South Africa and was presented at a diplomatic roundtable on the phenomenon of political killings in South Africa, hosted by the US Embassy in Pretoria in July 2018.

A second report, on assassinations in Nigeria, was published in December 2018. We also commissioned an in-depth case study on a particular hostel in KwaZulu-Natal province, which is notorious for targeted assassinations and which has wider implications for the country as a whole. This case study is due to be completed in 2019.

As part of the project, the databases of assassinations in South Africa and Nigeria have been maintained with new data throughout 2018, according to the characteristics of the assassinations. The data is accessible through the Assassinations Witness website and publicized through its Twitter account (@AssassinationZA). Data sharing requests from local and international academics and organizations have also been granted. The project has had a sizeable impact, with numerous mentions in national and international news (including *The New York Times*). Regular release of criminal assassination data will continue.

Faces of Assassination

The Faces of Assassination initiative is the outcome of years of bearing witness to the great impact that assassinations have in societies where organized crime has permeated political and economic structures. The main objectives of the project are to gather data on the way these killings alter criminal and sociopolitical dynamics, and to increase our understanding of how the global criminal complex operates, and its links to corrupt businesses and governments. A book compiling a number of these cases and an accompanying website are planned for launch in 2019.

One of the cases is that of Professor Yuniol Ramírez, a lawyer and community leader in the Dominican Republic, who was assassinated in October 2017 after refusing the offer of a bribe to stop his ongoing investigation into corruption within the country's national bus agency. The fallout from his murder resulted in the arrests of several

senior Dominican officials, including the bus agency director. Although Ramírez sought to break corruption through the rule of law, it took his murder for him to succeed – a scenario that tragically repeats itself worldwide, as this project will continue documenting.

Profiles of Javier Valdez (Mexican journalist), Berta Cáceres (Honduran environmental activist), and Sikhosiphi ‘Bazooka’ Radebe (South African mining awareness activist) were also completed. These initial profiles established the foundation for the Faces of Assassination project to be expanded in 2019.

By raising the profile of cases of assassinations worldwide, we intend to draw attention to the violence that is used to instil fear and to silence entire communities. The project commissions local journalists, who are responsible for drafting a profile about their assigned assassination.



South African Gang Monitor

Building on our previous work on the complex milieu of gangs in Cape Town, this project aims to monitor the territories and influence of different criminal groups, and examine the drivers behind Cape Town’s gang violence. Background research on Cape Town gangs has been conducted, as well as research into how gangs have been monitored in other contexts. A study on key gangs and gang leaders in Cape Town has also been completed along with a mapping of Cape Town gang territories, with decisions to be made as to how this mapping work will be fully utilized. Fieldwork on gang conflicts in and around Johannesburg has also been conducted. Three detailed reports got under way in 2018, focusing on three areas: Helenvale in Nelson Mandela Bay; Westbury, Johannesburg; and Cape Town. Our focus is on strengthening community and civil-society reporting networks and responses.

Crime-terror nexus

The intersection between crime and terror is a preoccupation of the international community, seeking to understand how those groups, networks and transnational flows intersect. The GI-TOC has consistently contributed to policy debate on this issue, providing a distinct perspective of analysis, driven from the viewpoint of criminal groups and their evolution.

Accordingly, the GI-TOC gave keynote or high-level presentations at the following fora:

- April 2018, Global Counterterrorism Forum (GCTF) meeting on the organized crime–counterterrorism nexus in the Balkans
- June 2018, GCTF meeting on the organized crime–counterterrorism nexus in East Africa
- October 2018, UN General Assembly consultation on the organized crime–counterterrorism nexus

A public lecture on 'The evolution of organized crime and its linkage to terrorism' was held at ETH Zurich on 6 September 2018. Attendees included members of the Swiss law-enforcement community (both cantonal and federal police), the Bern-based diplomatic corps, the private sector and academia. A short policy paper on the crime–terror convergence was subsequently [published by CSS/ETH Zurich](#).

World Atlas of Illicit Flows



At the UN General Assembly 2018, the GI-TOC launched a flagship joint publication with INTERPOL and RHIPTO, the Norwegian Center for Global Analyses, the [World Atlas of Illicit Flows](#). The publication charts more than 1 000 smuggling and trafficking routes, and their intersection with conflicts across the globe.

Using an illicit-flows approach, the report identifies some \$31.5 billion that is generated annually from illicit activity, trafficking and criminal extortion in conflict zones to organized-crime groups. The illicit exploitation of natural/environmental resources, such as gold, minerals, diamonds, timber, oil, charcoal and wildlife, is the single-largest overall category of threat finance to conflicts today, estimated at contributing 38% share of illicit flows to armed groups

in conflict. When incomes from these natural resources are combined with their illicit taxation and extortion (26%) by the same non-state armed groups, the figure becomes as high as 64%.

Northern Mozambique

Since October 2017, when an extremist militant group launched a series of attacks on state structures in Cabo Delgado province in Mozambique, there have been fears that the north of the country could descend into a state of great vulnerability and violence. In the midst of these fears, many analysts have struggled to make sense of these events, and sensational claims about the militants controlling the ruby and timber trade have circulated. In the context, the GI-TOC was uniquely placed to shed light on the workings of this illicit economy, and drawing on a series of new interviews in areas affected by the violence, provided analysis of the militants' links to illicit trade, as well as the obstacles to an effective state response.

Our October 2018 report, 'Where crime compounds conflict: Understanding northern Mozambique's vulnerabilities', not only asks whether, and how, the group derives funds from the smuggling of various types of contraband, but also explains how the illicit economy itself has generated the conditions for this insurgent movement to emerge and how it may continue to fuel the phenomenon. Crucially, it argues that the state's own efforts to quash the movement are undermined by its own long-standing involvement in the illicit economy.

This report builds on analysis developed through work for the UK's Department for International Development (DfID) on the regional criminal economy in East Africa and southern Africa, and on our EU-funded Heroin Coast report, which was published in June 2018 and received extensive coverage in the region and internationally. Findings, which are expected to have a significant impact on the current understanding of the so-called Al-Shabaab movement in northern Mozambique, are that the militant group is more economically and socially embedded than previously believed and may now rely on an organized collection of donations in northern Mozambique. The report concludes by tracing connections with similar developments in neighbouring Tanzania, arguing for a regional perspective on both the illicit economy and the extremist phenomenon.

In South Africa, work under the #GIResilience project with community activists in Cape Town's gang-afflicted Manenberg area culminated in a handbook guide to resilience to organized crime through community organizing,

as a collaboration between the GI-TOC and Manenberg-based activist and community leader Roegchanda Pascoe. A photo collection and short film showcasing the resilience work and the impact of gang violence on communities were prepared for a 2019 exhibition. Informal meetings and discussions with community activists were also conducted in preparation for an anti-gang and anti-violence march which took place on 3 October 2018.

The resilience project was one of 10 selected from over 1 000 applications to present at the UN Solutions Summit at the 2018 UN General Assembly in New York. Representatives from the projects were invited to present to member states and donors to showcase their work and its impacts.

Some findings and experiences from both the Sinaloa and South Africa resilience work were also presented at an event during Geneva Peace Week entitled 'Addressing Group Violence and Community Resilience' in December 2018.

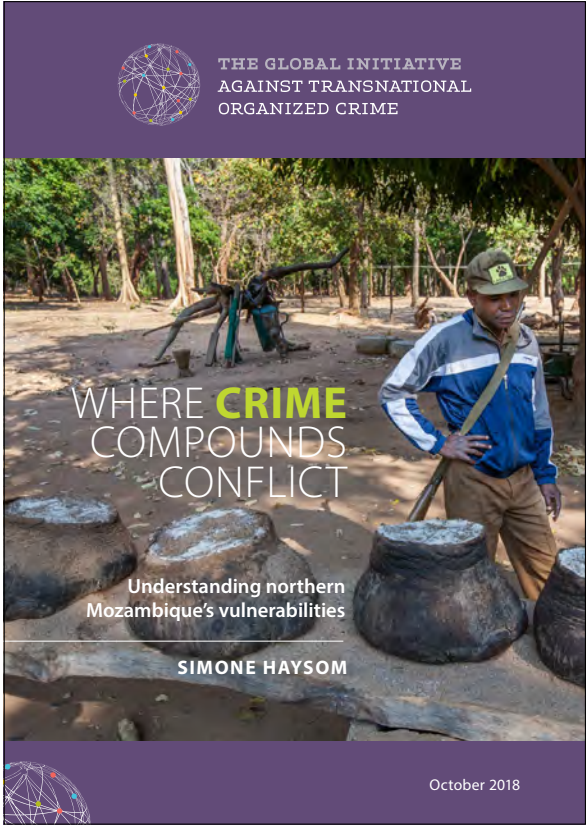
Building coalitions against extortion

Extortion remains one of the most difficult forms of crime to combat. It develops in places where organized-crime groups and gangs are present, and where systems of law enforcement, local governance and community cohesion are weak. Extortion uses violence and the threat of violence to derive financial returns. It introduces and sustains a culture of insecurity that is pervasive across society.

A Canadian-funded project in Central America, carried out in partnership with InSight Crime prepared its first phase in 2018, in the form of a comprehensive, far-reaching and innovative report into extortion dynamics and impacts in Honduras, El Salvador, Guatemala, Panama and Costa Rica. It is a widespread and pernicious challenge that is experienced with different degrees of acuteness in different countries. In Guatemala, it is estimated that as much as 15–20% of the operating budgets of individual firms can be disbursed in 'security-related costs', including paying off organized crime. In El Salvador and Honduras, the two countries with the highest murder rates in the world, extortion has become the primary source of

financing for the violent drug-trafficking gangs, the Maras and Mara 18. About 70% of businesses in El Salvador are subjected to systematic extortion, said to cost the economy \$4 billion annually. In these countries, extortion has serious consequences for the economy, security and development, causing extreme violations of human rights.

The research phase of the project will identify case studies of community resilience to extortion. This has been complemented by a Norwegian-funded expert-led process to identify whole-of-community strategies and best practices to respond to extortion that have been used in different places around the world. From 10–11 December, the GI-TOC convened a meeting of 20 senior policy and academic experts in Vienna to identify successful examples of community-based responses and explore possible changes in the current model laid down to counter extortion, with the goal of incorporating the conference's recommendations into a handbook on how to better tackle this issue. The country case studies, which draw from situations as geographically diverse as Karachi and Naples, will be published as an edited book.





INSTITUTIONS

One of the greatest challenges when it comes to countering transnational organized crime is how to formulate effective, viable and sustainable solutions. While much of the GI-TOC's work in other streams is centred on understanding organized-crime groups themselves, their operations and their effects, our focus in this workstream is on the legitimate institutions that seek to disrupt these groups and mitigate the damage they cause.

This workstream also includes work that turns the analytical lens on the work of major institutions themselves, considering how their structure, activities and competing agendas shape the environment in which organized crime operates.

The remit of 'institutions' may also be interpreted, more broadly, to include financial institutions, media and the private sector as relevant actors in the fight against organized crime. For example, many organized-crime groups use attacks on the media to intimidate communities in an attempt to enforce silence about their activities, while the era of fake news further challenges good accountability among governmental institutions.

Illicit financial flows

The report *Measures that miss the mark: Capturing the proceeds of crime in illicit financial flow models* was published in June 2018.

While there is widespread agreement that IFFs are a global threat, the concept remains vague and its content controversial. Furthermore, misalignment between terminology used to define IFFs and methodology to measure the scale of IFFs has troubling implications for policy response. This paper examines how terminology and measurement frameworks should better reflect the form and scale of IFFs linked to crime.

The report builds on the GI-TOC's growing foundation of work on IFFs, and the push for a greater appreciation of IFFs that result from criminal proceeds and organized crime. Recognition of the GI-TOC's growing expertise in this area is reflected by invitations to speak on the topic and to give input on the development of SDG indicators.

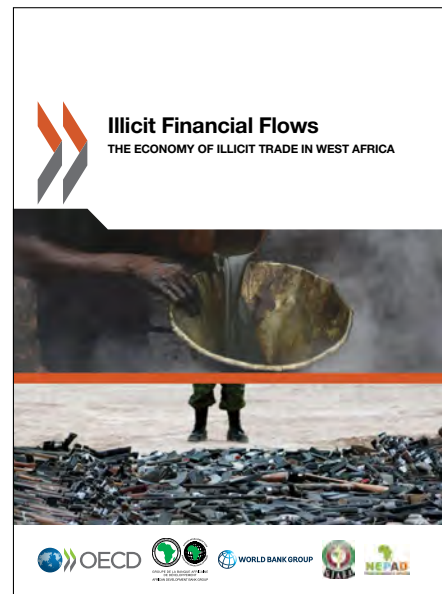


We were also invited to contribute to a number of meetings relating to IFFs, including:

- March 2018, UNODC hosted an expert group on measuring IFFs relating to wildlife crime.
- June 2018, the GI-TOC was invited to attend the [UNODC-UNCTAD expert meeting on statistical methodologies for measuring IFFs](#).
- September 2018, UK DfID consultation on UK policy relating to IFFs and financial centres.
- November 2018, a UN Economic Commission for Africa expert group on IFFs from Africa, in Addis Ababa.

In addition, the report [Illicit financial flows: The economy of illicit trade in West Africa](#), a publication for the OECD by the GI-TOC, was published in February 2018. The report reviews diverse forms of economies prevalent in West Africa that are usually seen as criminal or illicit, organizing them through a typology according to a range of illegal activities, from natural-resource crimes to illicit trade in normally legal goods.

The report generated a large amount of traction and interest, and the OECD and the GI-TOC were asked to present on the work at several events.



Tech and trade

Illicit trade in goods that displace legal goods – particularly trade in counterfeit and substandard goods – contributes significantly to illicit financial flows.

This form of illicit trade fuels corruption and undermines economic and social development. This problem is enabled and perpetuated owing to various factors, including difficulties in quantifying such illicit trade, weak institutional and enforcement capacity, and entrenched systemic corruption.

Over the course of 2018, the Atlantic Council and the GI-TOC partnered on a project on 'Licit commodities traded illicitly'. The report provides an overview of the illicit trade debate, and how it differs from organized crime more broadly. It draws from two case studies, on tobacco in southern Africa and counterfeit pharmaceuticals in Central America, as well as other available evidence, to draw together the evidence basis on what motivates and enables illicit trade in licit goods.

This report, to be published by the Atlantic Council in 2019, focuses specifically on illicit trade in developing economies, describing the modus operandi of the various actors involved in illicit supply chains, in particular focusing on the interface between criminal networks, corrupt actors and state officials. It develops a typology of technology solutions to illicit trade, and using cases studies of Central America and southern Africa, reviews how effectively these technologies can apply in the context of weak states with low capacity for regulation and enforcement. It also considers demand-side dynamics, as they apply to markets for tobacco, pharmaceuticals and licit goods frequently traded illicitly more broadly, and how technology solutions can be customized to places where licit goods are often priced out of the market in the face of competition by illegitimate goods.

Finally, the report will evaluate a range of response options, particularly those that utilize new or emerging illicit trade technologies, and make recommendations for the international community, national governments – including



specific departments within them – and for the private sector. It will also consider what role can be played by civil society.

Enforcement and border policing

A commonly discussed policy recommendation for countering transnational organized crime is to enhance institutions responsible for border security and management. While border security implies stopping dangerous people and things from entering the country, border management sometimes entails a screening process where most people and things are pre-screened before an entry point and then allowed to cross the border.

As part of research into institutions, the GI-TOC published a policy paper, [For protection or profit: Free trade, human smuggling and international border management](#), and two blog posts that considered the impact of multinational corporations on smuggling

UNTOC Watch seeks to monitor and analyze how the UN System is responding to organized crime

vulnerabilities at border control through so-called ‘trusted’ traders and traveller programmes, which reduce border inspections for individuals and companies that allow inspectors to pre-screen cargo and passengers who pass background investigations. Our research demonstrated that although these programmes are essential to managing global supply chains, they often create an illusion of increased security and, in practice, do little to prevent smuggling.

In March and April 2018, the GI-TOC presented the paper’s findings in Brussels, Geneva and Washington DC, jointly with the Brookings Institute, and then again in Brussels at the end of April. Private-sector trade experts and scholars incorporated the paper’s conclusions, which led many to reconsider blanket advocacy for trusted trader and traveller programmes without additional data and research on the topic.

In a follow-up to our 2017 work on militarization and militarized approaches to organized crime, in partnership with the International Institute for Strategic Studies (IISS) in London, we commissioned a research study on the state response to organized crime and gang violence in Brazil to be published in 2019.

UNTOC Watch

Launched at the end of 2017, UNTOC Watch is a project from the GI-TOC that seeks to monitor and analyze how the UN System is responding to organized crime. It aims to address key issues that have emerged from ongoing discussions hosted by the GI-TOC on the relationship between organized crime and development. These include how organized crime is addressed through the UN’s 2030 Agenda for Sustainable Development, how the UN Convention against Transnational Organized Crime is being implemented, and issues of peacekeeping and coherence of response across the UN System. UNTOC Watch aims to support the UN System, so that it can respond more systematically to threats posed by organized crime and help mitigate its impact in the areas of conflict and violence, the environment, migration and cyberspace.

A regular series of blogs and interviews were published under UNTOC Watch, providing commentary and analysis from a range of experts: GI-TOC Network members, UN officials

past and present, and expert commentators from various backgrounds. These have addressed issues as varied as the [Arms Trade Treaty](#) and its relation to other UN instruments, [trafficking in humanitarian crises](#) and [international trade policy](#). In particular, our series, which provides commentary on the implementation and diplomatic processes surrounding UNTOC, such as current political negotiations over developing a review mechanism for the convention – has received a wide readership in UN circles and contributed to the discussion.

[Organized crime and its role in contemporary conflict](#) was the key publication from UNTOC Watch in 2018. This report presents findings from an analysis of UN Security Council resolutions from 2000 to 2017, according to references made within the resolutions to forms of organized crime. Security Council resolutions provide a comprehensive overview of major threats to global peace and security, and hence provide a rich documentary resource for analysis and an indicator of the dynamics of contemporary conflict. It is an indicator that is wide-ranging, both in terms of global scope and in reflecting conflict trends over time. The analysis found that organized crime has, increasingly in recent years, become a major preoccupation of the Security Council, referenced in some form in over 60% of resolutions every year from 2012 to 2017.

The policy brief was presented at a successful [side event at the UN General Assembly](#), on 26 September 2018 with the support of the governments of France and Norway. This was a joint event held with INTERPOL and RHIPTO, the Norwegian Center for Global Analyses, to complement the launch of the [World atlas of illicit flows](#), (see above). The event was well attended and garnered a lot of media attention and discussion.

The analysis is also [available as an interactive tool from the GI-TOC website](#). Another policy brief addressing the UN response to cybercrime was also researched.

On 6 November 2018, the GI-TOC addressed the [UN Security Council](#) during a briefing on policing in UN peacekeeping operations. The statement submitted focused on how organized crime exacerbates conflict and how UN police components can be better equipped to address organized crime, drawing on information from the analysis and policy brief outlined above.

Development Dialogue

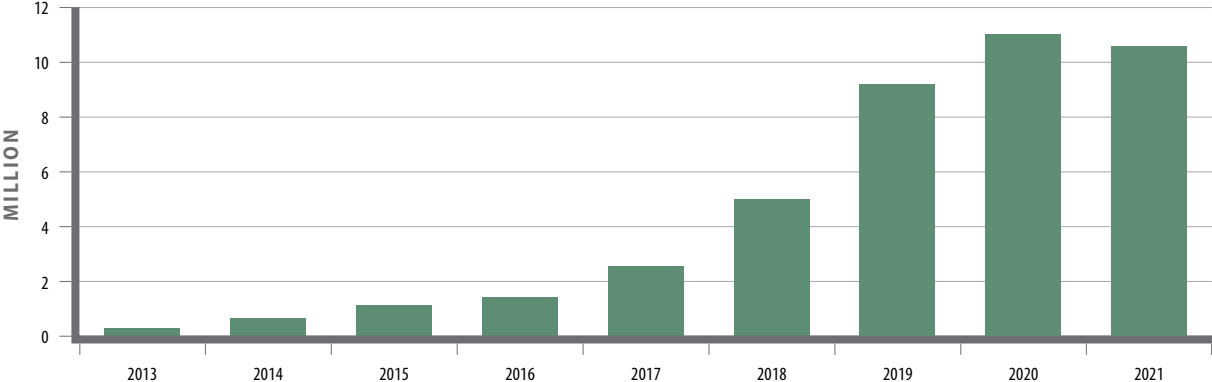
The Development Dialogue is a series of conferences, facilitated by the GI-TOC, which has been convened regularly since 2013. The Dialogue brings together leading development and research organizations that are working on the interconnections between development, organized crime and conflict, such as the OECD, World Bank, UN agencies, government departments and independent research institutions, such as the GI-TOC. The Dialogue provides an opportunity for these institutions to share ideas, examine the lessons learned and good practices for responding to organized crime across the analysis, planning and programming cycle. It has continued to consolidate itself as a relevant, meaningful, trust-based platform that can complement and reinforce formal policy dialogues ongoing in the multilateral system.

During 2018, preparations were initiated for the latest development of the Development Dialogue in partnership with the UK Department for International Development, Conflict, Humanitarian and Security Department (DfID-CHASE). The agenda focused on how organized crime links to conflict and state fragility, and how development interventions have an impact on organized crime.

A GROWING ORGANIZATION

The GI-TOC has been growing in multiple ways, including financially, in terms of staff numbers, programmatically and through the Network of Experts.

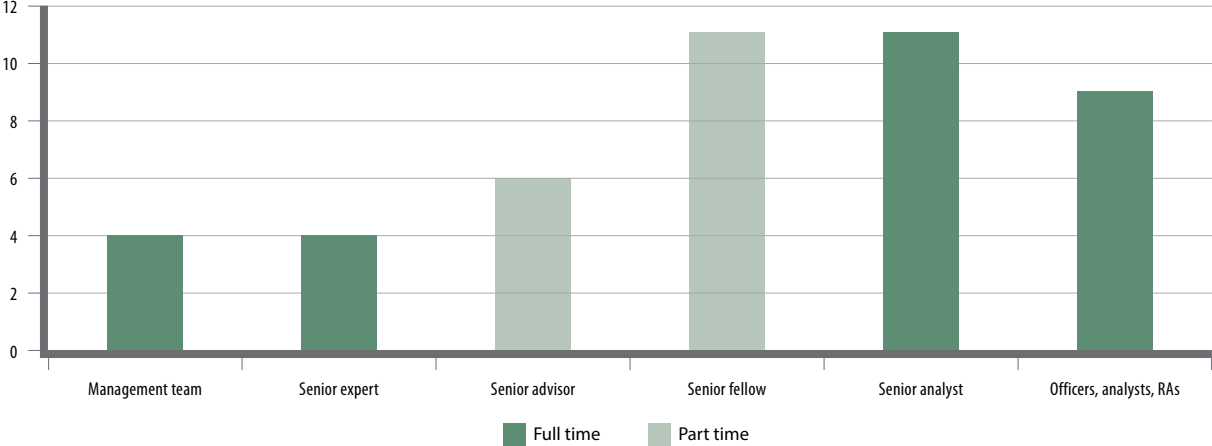
Global Initiative income, 2013–18 (projected 2019–21)



As predicted, in 2018 the income to the GI-TOC reached approximately CHF 5 million, with grants signed that will maintain at least that level of activity for the next two years.

As the graph shows, this represents a doubling of the 2017 income levels, which, in turn, were almost double those of the previous year.

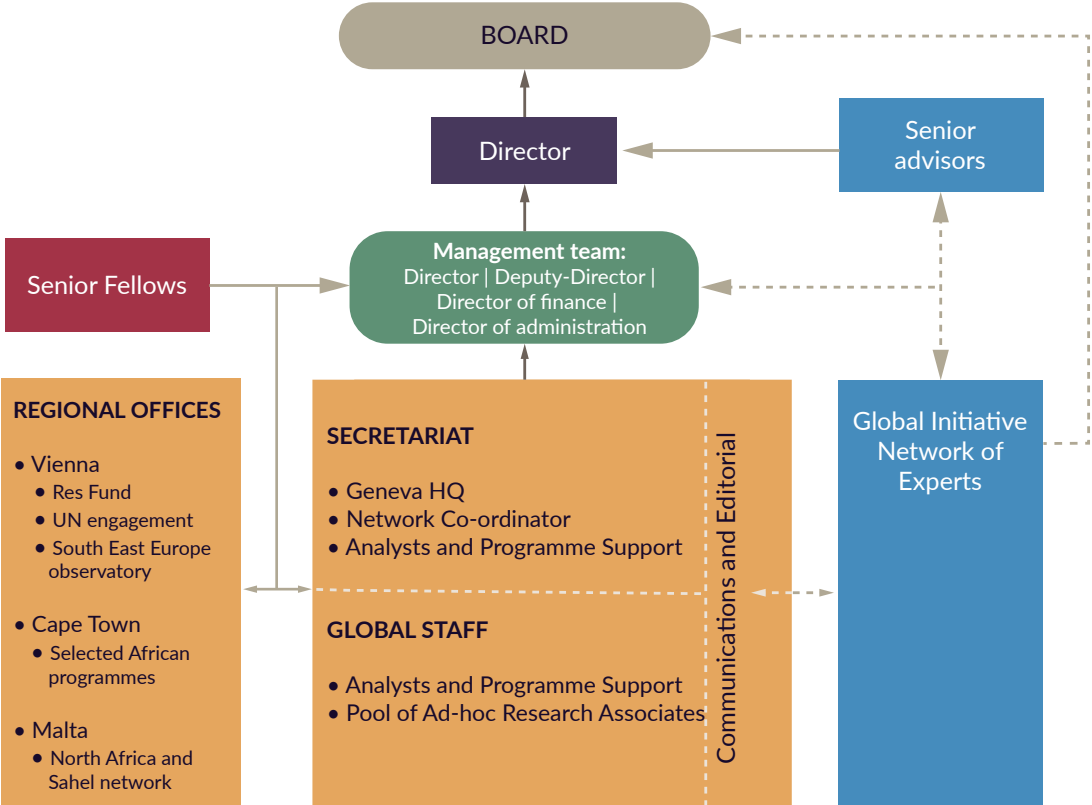
Global Initiative staff complement



With financial growth of this scale comes a commensurate growth in programmatic activity, publications and personnel. The secretariat now numbers in the region of 45 full- and part-time staff and affiliates (see diagram below). In addition, more than 70 international and national consultants have contributed to research projects or activities in the field, and we maintain a 50+ strong research network spanning Libya and the greater Sahel area.

The GI-TOC structure has changed in a number of ways over the past year. We opened three new offices, to manage a growing portfolio of field programmes in key locations, Malta, Cape Town and Vienna. The leadership team has expanded to better manage the growth of the organization, and the outreach and liaison with the burgeoning Network has been more closely integrated into the work of the core secretariat.

Secretariat structure, 2018



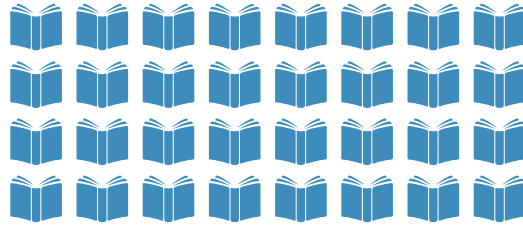
Publications and outreach

Over the course of 2018, either directly or through one of our projects or partnerships, the GI-TOC issued 48 publications (32 research reports and 16 policy briefs), spanning every continent on the globe. We published an original blog on our website at least once a week (a total of 54 as of 31 December 2018) – articles that voice the expertise of the GI-TOC and its Network around contemporary issues across the whole gamut of organized-crime types.

As of 31 December, there had been 150 000 hits on the website. Our core platform for content sharing on social media is Twitter (6 700+ followers as of 31 December), where we have an average daily presence of 10 tweets per day, plus retweets from key partners, staff members and Network experts. Since its inception, the GI-TOC has issued more than

15 000 tweets. Facebook (10 000+ followers) is used mainly for live streaming of events and other initiatives. On LinkedIn (2 400+ connections), we have the opportunity to reach a very selected audience (41% senior profiles; 9% directors, 30% students or entry-level staff) with an engagement rate of 5.5%, which makes us very proud when compared to the engagement rates of other organizations such as UNODC (3.6%); RUSI (2.8%); IOM (2.2%).

OVER THE COURSE OF 2018 THE GI-TOC ISSUED 48 PUBLICATIONS



32 research reports

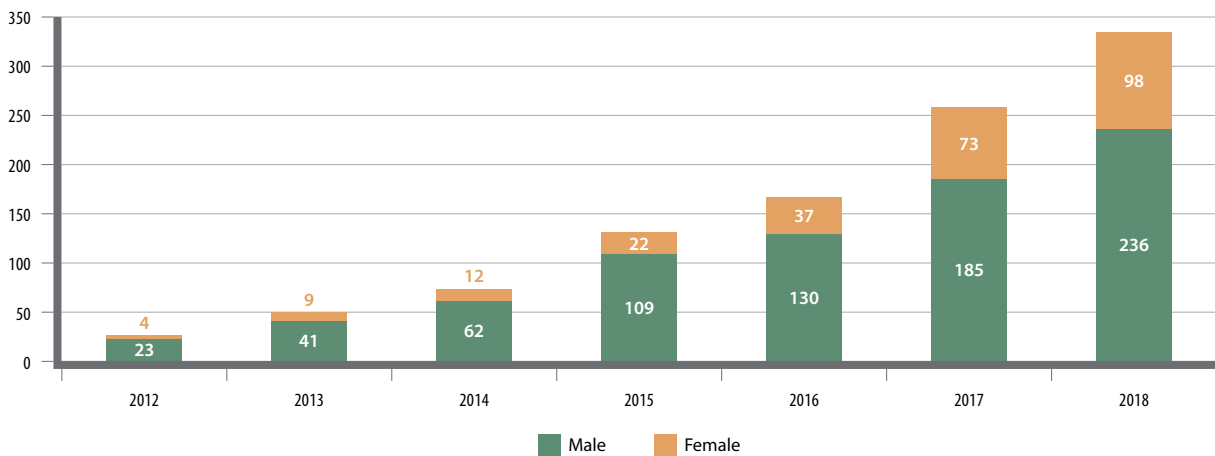


16 policy briefs

We are now extensively featured in the media in countries where we are active, and GI-TOC staff increasingly appear in news broadcasts, or are quoted in the press, sharing their expertise on key contemporary issues.

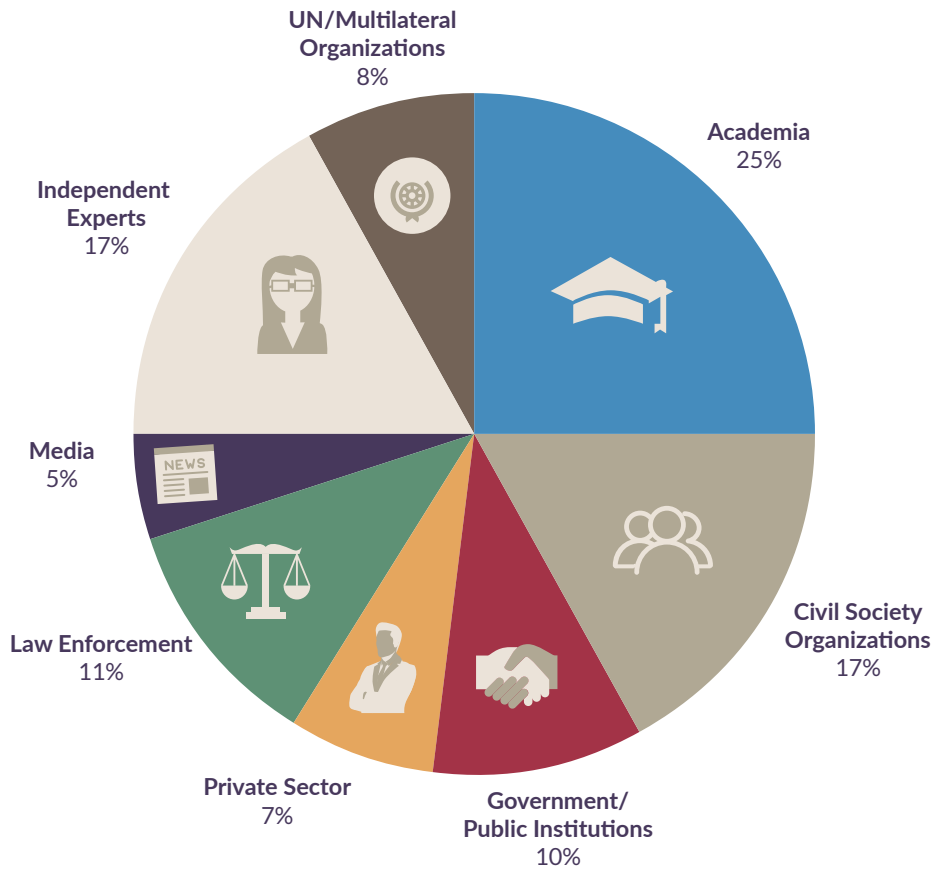
Global Initiative Network of Experts

The Network of Experts remains crucial to the ongoing evolution of the GI-TOC. The overall objective 2018–2020 is to develop and grow a diverse and professionally engaged Network committed to the objectives of the GI-TOC, and working to achieve them.



The size of the Network has expanded greatly since the original 27 individuals to the current 334 members (as of year-end 2018).

The GI strategy 2018–2020 foresees the Network growing to 500 members by 2020, of whom at least a third shall be women, with the ultimate goal to achieve gender parity in membership.



Membership composition by region has changed over the last three years: the strongest growth for GI-TOC membership between 2016 and 2018 has been in Latin America (from 10 to 39 members), followed by Asia (from 23 to 57 members) and Europe (from 59 to 127 members).

While determining a clear thematic area of work for some members of the Network is not always easy – and in fact represents the complexity of the environment and the cross-thematic expertise of the Network – the graph provides some idea of the fields in which members work.

Although the GI-TOC will continue to aim at increasing the number of law-enforcement experts among its members, it is also encouraging to note that there are increasingly more members from the private sector.

Overall, as these collective statistics demonstrate, the GI-TOC continues to be a highly dynamic, growing organization that is expanding to meet the challenges of countering organized crime.

ANNEX 1: REPORTING AGAINST STRATEGIC OBJECTIVES AND INDICATORS

Strategic objective 1

To generate, analyze and publish value-adding information on organized crime by leveraging on a strong network of global partners and organized crime ‘observatories’.

Measure of progress as per Strategy 2018–2020	Progress report as at end 2018
Over 40 high-quality and impactful research products, such as reports or other innovative formats aimed at effective dissemination of information.	In the course of 2018, the GI-TOC produced 32 research reports. This is well above the target; 16 policy briefs were also published.
An organized-crime assessment tool that provides global coverage.	The Organised Crime Index will be launched in 2019. During 2019, work was well under way on the first iteration of the Index. We will launch the full global Index (funding allowing) by end 2021.
Topics covered by the publications are relevant to current issues and representative of different regions, and the diversity of challenges faced by countries.	Of the research reports and policy briefs, 11 covered global topics, 21 African ones, four focused on Asia, and one on Europe. The output remains weighted towards Africa, in part reflecting the rise of organized crime on the continent, but also where our core area of expertise has developed. We now have a stronger focus on Latin America and have invested in several activities and reports in Asia. Several publications for these regions were also unpublished on the request of partners.
An increase in website hits of over 10% per year, reaching a target of 150 000 by end 2018.	150 000 hits to the website, as of 31 December 2018, a figure that was the target for 2020. This is a 20% increase over last year, which recorded 108 000 hits as at end December 2017.
Identified research partners in each region of the world with established networks of data/information monitoring in high-profile regions, and selected observatories of organized crime established.	A clear relationship was established with InSight Crime in Latin America and ISS in Africa. In July 2018, the GI-TOC launched the Civil Society Observatory to Counter Organized Crime in South Eastern Europe. An expansion into Asia is being strategized with several studies upcoming.

Strategic objective 2

Promote discussion on effective responses to organized crime across disciplinary boundaries, and link different people and perspectives.

Measure of progress as per Strategy 2018–2020	Progress report as at end 2018
Diverse participation at GI-TOC meetings, in terms of both location and representation.	GI-TOC hosted 33 meetings in 2018. Eighteen of these – just over 50% – were held in Africa, Asia or Latin America. The majority of these (14) were held in Africa. We have not recorded where meeting participants are from, although we estimate that at least 50% are drawn from developing countries, based on the distribution of meetings, as outlined above.
Publication of a minimum of 50 policy-relevant briefs and blogs a year.	In 2018 we published over 50 blogs, with an average of one new blog per week; 14 policy briefs were published, although some of these are much closer in length and content to research reports.
Positive feedback received on GI-TOC discussions/outputs on policy in individual countries and at regional and global (multilateral) level, and reference made to them in reports, policies and programmes.	<p>We have not consistently recorded audience feedback in all meetings. However, under the ENACT programme we have done so in selected meetings. This shows 95% of all assessments were in the ‘good’ or ‘excellent’ category over three events.</p> <p>GI-TOC reports have been widely referenced in the media. For example, we have been quoted in <i>The New York Times</i>, <i>The Economist</i>, the BBC, <i>The Guardian</i>, CNN, Reuters, Al Jazeera and Agence France Presse. We have also been widely quoted in local media. One key product, the <i>World Atlas of Illicit Flows</i>, was referenced some 5 400 times in the media, with a minimum of 200 separate news articles. Other reports receiving extensive coverage were the report on East African heroin flows (with several cover stories), the South African assassinations monitor (mentioned over 50 times) and our work on human smuggling (GI-TOC staff have been invited to appear on television news on this issue about two to three times a month).</p>
Invitations received, and high-profile technical presentations and communications made by GI-TOC staff and associates to, national, industry and global technical forums.	The GI-TOC now regularly receives invitations to speak and present at conferences and events. The challenge is now to select which ones to attend. The GI-TOC presented at or hosted over 70 events during 2018, often several times during one week. A full list of these is available.

Strategic objective 3

A series of innovative field-based programmes that specifically seek to reduce organized crime or criminal markets, and from which wider lessons can be drawn.

Measure of progress as per Strategy 2018–2020	Progress report as at end 2018
Six demonstration projects implemented over a three-year period.	Four projects currently underway in Mexico, South Africa and the Philippines.
Robust monitoring, evaluation and learning from the projects.	To be conducted at project conclusion.
Documented examples of where lessons from GI-TOC projects have been used by others to inform responses at local, regional and global level.	Too early to determine. However, conclusions from several projects have had high-profile impacts – most notably, ‘Assassination Witness’ in South Africa has impacted government safety priorities. Our Mexico project was selected as one of 10 innovative projects at the UN General Assembly.
A focus on documenting and incubating community resilience, including a focus on civil-society and private-sector responses to criminal governance.	Under way. As noted elsewhere, the GI-TOC also worked on establishing a Civil Society Resilience Fund to provide wider support to civil-society responses.

Strategic objective 4

Develop and grow a diverse and professionally engaged Network of Experts committed to the objectives of the GI-TOC and working to achieve them.

Measure of progress as per Strategy 2018–2020	Progress report as at end 2018
The GI-TOC Network to consist of 500 members by 2020, of whom at least a third are women, with our ultimate goal being to achieve gender parity in membership.	As at year end, the Network had 334 members, well within range of the 500 target by end 2020. There has been a considerable increase in female members, with just under 39% of all members being women as at June 2018. This dipped to 29% as of September 2018 (just under the one-third target), but we hope it will increase again in 2019.
The Network to provide a balance of representation between all regions and expertise.	The Network remains too European and North American, but with relatively rapid increases in membership from Africa, Asia and Latin America. The latter three regions now consist of 41% of all members, an increase of 127% in comparison to 2016.
Network Members involved in all aspects of GI-TOC's work: research, policy development and advocacy, as well as project implementation.	The composition of the Network touches on all the key groups involved in and utilizing the GI-TOC's research, including law enforcement (10.8%), UN and multilateral organization members (8.6%), government and members of public institutions (10.4%), the media (5.1%) private sector (6.5%) other civil society organizations (18.1%) and academia (25.6%) as well as independent experts (15%). Many of our network members of course work across more than one of these broad categories.
An effective system of cross-network communication measured by the number of interchanges between Members of the Network.	A full-time Network coordinator has been appointed. We are working on a system to measure exchanges within the Network and with the secretariat through targeted communication, such as newsletters and proposed virtual thematic discussions.

Strategic objective 5

A professional, expert, diverse and adequately funded secretariat focused on making a difference in the areas of concern to the GI-TOC.

Measure of progress as per Strategy 2018–2020	Progress report as at end 2018
Continued growth in the GI-TOC's budget with the objective of ensuring quality delivery and impact.	Annual budget/expenditure doubled between 2017 and 2018 (from CHF2.5 million to CHF5 million). Current budget estimated for 2019: CHF6 million, although likely to be higher.
Clean audits achieved in 2018, 2019 and 2020.	Clean audit achieved for 2017/18. Audit for 2018/19 to be undertaken in the first quarter of 2019.
50% of staff and consultants from developing countries by 2020.	In total, 55% of all staff and consultants are from developing countries. However, only 28% of the GI-TOC core staff are from developing countries. The majority of consultants employed by the GI-TOC (75%) are from developing countries. (This excludes more than 50 people employed in the GI-TOC's Libya network).
Documented internal systems assessed as functioning effectively by the Board.	Both the Board, and the Audit and Finance Committee (AFC) have complimented the secretariat on steps taken to improve internal systems, including those concerning finance, administration and safety. These discussions and comments have been documented in Board and AFC minutes.



ANNEX 2: AUDITED FINANCIAL STATEMENTS

**THE GLOBAL INITIATIVE AGAINST TRANSNATIONAL ORGANIZED CRIME
GENEVA**

STATUTORY AUDITORS' REPORT
To the General Meeting of Members
On the limited examination of the
financial statements
for the year ended 31 December 2018

Report of the statutory auditor to the General Meeting of Members on the limited examination of The Global Initiative against Transnational Organized Crime, Geneva


As statutory auditor, we have examined the financial statements (balance sheet, statement of income and expenses and notes) of The Global Initiative against Transnational Organized for the financial year ended 31 December 2018. The limited examination of the prior year financial statements was performed by another auditor who expressed an unqualified audit opinion on those financial statements in his report dated 13 April 2018.

These financial statements are the responsibility of the Board. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law and the association's articles of incorporation.

Without qualifying our opinion, we draw attention to the note "Deficit and going concern" to the financial statements describing the over-indebtedness financial position of the association at year-end 2018 and the projects' contracts and results that would offset the over-indebtedness in the future. If the forecasts could not be realized as expected, there would be a material uncertainty that may cast doubt about the association's ability to continue as a going concern and potentially about its solvency. Should the going concern assumption no longer be appropriate, the financial statements would have to be prepared based on liquidation values and/or the association dissolved.

MAZARS SA

Jean-Marc Jenny
Licensed Audit Expert
Auditor in Charge



Franck Paucod
Licensed Audit Expert

Vernier, 18 June 2019

Enclosures:

Financial statements for the year ended 31 December 2018 (Balance sheet, statement of income and expenses, notes)

The Global Initiative Against Transnational Organized Crime - Geneva

Balance Sheet as of 31st December 2018

(in Swiss Francs)

	2017	2018
ASSETS		
Current assets		
Cash and Cash equivalents	606'213	550'711
Grants receivables	144'413	50'947
Accrued income	145'545	588'620
Other current receivables	889	7'172
Global Initiative - Verein Gegen	-	30'817
Transitory expenses	2'992	24'479
Current assets	900'051	1'252'745
Fixed assets		
Fixed assets	877	2'551
Financial assets	2'500	819
Fixed assets	3'377	3'369
Total Assets	903'428	1'256'115
LIABILITIES		
Short-term liabilities		
Vendors payables	32'409	185'053
Accrued expenses	180'324	343'475
Other current payables	70'849	81'958
Deferred income	724'739	889'051
Short-term liabilities	1'008'321	1'499'537
Association own funds		
Balance brought forward	-60'150	-104'893
(Lack) Excess of income over expenditures	-44'743	-138'529
Total association own funds	-104'893	-243'422
Total Liabilities	903'428	1'256'115

The Global Initiative Against Transnational Organized Crime - Geneva

Statement of Income and Expenses for the year ended 31 December 2018
compared to 2017
(in Swiss Francs)

	2017	2018
INCOME		
Grants received	2'989'909	5'028'896
Income received in advance	-674'318	-889'051
Accrued income variation	145'545	443'075
Donations in kind	107'085	169'115
Total Revenues	2'568'221	4'752'034
PROGRAMME EXPENDITURE		
Personnel costs and salary consultants	-998'562	-2'147'929
Consultant costs	-437'344	-1'436'048
Consultant costs in kind	-13'585	-75'614
Travel expenses	-631'880	-699'492
Professional services	-59'365	-59'672
Website - Publications and pamphlets	-25'596	-29'507
Total Expenditure related to programs	-2'166'332	-4'448'261
Net contribution to overheads	401'889	303'773
OVERHEAD COSTS		
Rental and maintenance	-9'031	-20'002
Rent in kind	-93'501	-93'501
Administration costs	-121'082	-125'276
VAT not recoverable	-82'844	-132'338
Amortization	-490	-750
Total Overhead Costs	-306'948	-371'868
Earnings before financial result	94'940	-68'094
FINANCIAL RESULT		
Exchange gain & losses	-23'110	-86'859
Bank fees	-12'607	-22'729
Total financial results and expenses	-35'717	-109'588
OPERATION FROM PREVIOUS YEARS		
Operating revenue from previous years	19'016	65'128
Operating charge from previous years	-122'983	-25'975
Total revenue and charges from previous years, net	-103'966	39'153
Income over expenditures - Lack of income	-44'743	-138'529

The Global Initiative Against Transnational Organized Crime - Geneva

Notes to the financial statements for the year ended 31st December 2018

(in Swiss Francs)

Association domicile

Avenue de la Paix 7bis 1202 Genève

Scope of the association

Promote cross-border and catalytic processes that attract new players and facilitate remodeling of reflection, coordination and responses to transnational organized crime; invigorate the global debate around transnational organized crime in order to promote sustainable translation and implementation of new approaches within a multilateral framework, regional and national levels; undertake research and develop new policy options to help inform a strategic development at national, regional and international levels; create the basic materials of a global strategy on organized transnational crime.

Accounting principles applied in the preparation of the financial statements

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO)

Revenue recognition

Since 2015, revenues are recognised on the basis of donor specific contracts using the percentage of completion method and related accruals have been booked in the balance sheet.

Expenditure recognition

Expenses are recognized in the financial statements on an accrual basis.

Declaration of full-time equivalents

The association employs about forty consultants - employees of which less than ten are located in Switzerland

Pension liabilities

	2018	2017
Liability to pension scheme as at 31st December	CHF 7063.50	CHF 6843.30

Lease commitment not considered in the financials

None at end of the period.

The Swiss confederation is providing an in-kind contribution covering the rent for the Geneva's office space. This contractual agreement ends by 30 April 2020

The Global Initiative Against Transnational Organized Crime - Geneva

Notes to the financial statements for the year ended 31st December 2018

(in Swiss Francs)

Exchange Rates applied

Devises	2018	2017
AUD	0.7025	0.7707
CAD	0.7301	0.7869
DKK for 100	15.8051	15.9107
EUR	1.1373	1.1808
GBP	1.2616	1.3298
NOK for 100	11.4333	11.9917
PKR for 100	0.7111	0.8937
SEK for 100	11.0837	12.0407
THB for 100	3.0570	
USD	0.9943	0.9883
ZAR	0.0689	0.0797

Operation from previous period

Operating revenue from previous years

2017

Four smaller projects that were finalized in 2016 have only been invoiced in 2017

In May 2018, decision has been obtained from VAT authorities with regards to services acquired from countries outside Switzerland

Discussion has been finalized in early 2018 related to a project that has been performed back in 2017

2018

Ruling has been obtained from VAT authorities on how to account for services acquired from outside Switzerland, enhance reducing the VAT charges for 2016 and 2017

Revenue in dispute lately in 2017 has finally been agreed on early 2018 with the supplier

Operating charge from previous years

2017

Several projects in 2016 were able to benefit from pre-financing disbursement. These prepayments were not taken into consideration when establishing final invoices in 2016. These revenues were reversed in 2017 when reconciliation of those projects were made.

2018

One project funded by GIZ has been aborted.

Several invoices related to ENACT's consultant have been presented to us lately in 2018

The Global Initiative Against Transnational Organized Crime - Geneva

Notes to the financial statements for the year ended 31st December 2018

(in Swiss Francs)

Subsequent events

An additional project, unearmarked, has been signed for CHF 125 000 approx.

Three projects have been signed with the GI Vienna office, which will increase the rate of recharge for some core Geneva personnel, and also allow the transfer of core staff currently paid for in Geneva to be transferred to the Vienna payroll.

Deficit and going concern

The association over-indebtedness financial position at year-end 2018 relates to the small deficit carried-over from last year and to the implementation of a large lump sum contract, for which the revenue has been conservatively estimated on basis of the progress of the project and for which the total revenue will not be recognized in full until its end in mid-2020. Based on current delivery and expenditure patterns, management is anticipating the realization of a significant surplus from this project (which is likely to be increased in part due to further contracts being signed that will allow economies of scale for the implementation team in question) that would not only offset the indebtedness currently indicated, but as well would allow for the building of a reserve.

In addition, four new multi-year contracts are currently being concluded for GI Geneva, that will result in additional revenues of approximately CHF 10million over the next three financial years and should generate overheads contributions for the core costs, as well as covering some substantive project staff whose salaries are currently paid under the core secretariat, or piecemeal under smaller projects. As always, liquidity is carefully managed to meet all commitments in a timely manner.

In the view of management, the continuation of the operations for the foreseeable future is assured, and prudent policies towards financial management are being employed.

**The Global Initiative – Verein gegen
transnationale organisierte Kriminalität**

1010 Wien

Report on the review of the
financial statements as of

31st December 2018

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The Global Initiative - Verein gegen transnationale
Kriminalität

Report on the review

To the Executive Board of
The Global Initiative - Verein gegen transnationale Kriminalität

Schwarzenbergplatz 1
1010 Wien

Introduction

We have reviewed the attached asset statement of The Global Initiative - Verein gegen transnationale Kriminalität (Global Initiative against Transnational Organized Crime), Vienna, for the period from 17 September 2018 to 31 December 2018. The asset statement includes the balance sheet dated 31 December 2018 and the income statement for the period from 17 September 2018 to 31 December 2018. We have also reconciled the attachment with the figures in the balance sheet and income statement.

The representatives of the organisation are responsible for preparing this asset statement. They are also responsible for ensuring that the asset statement provides the most accurate possible view of the organisation's net assets, financial position and earnings in compliance with the relevant accounting regulations of the *Ertragsteuerrecht* (EStG) (Income Tax Act), in particular § 4 (1) EStG and the supplementary provisions of the articles of incorporation.

Our responsibility is to provide a summary assessment of these financial statements on the basis of our review.

Our responsibility and liability for proven financial losses caused by a grossly negligent breach of duty is limited to EUR 2 million in the same way as § 275 (2) UGB (Austrian Company Code). Our liability for minor negligence is excluded in accordance with the General Conditions of Contract for the Public Accounting Professions, as amended, on which this assignment is based. The limitation of our liability agreed with the client and stated here shall also apply in respect of any third party who undertakes or refrains from actions whilst relying on our report.

Scope of the review

We carried out the review in compliance with the auditing principles applicable in Austria, in particular KFS/PG 11 "principles for reviewing financial statements".

The review of financial statements/an asset statement includes enquiries, addressed primarily to those responsible for finance and accounting, as well as analytical assessments and other investigations. A review is carried out on a considerably smaller scale and includes less information than an audit of annual financial statements, and it therefore does not allow us to ascertain with the certainty comparable to an audit of annual financial statements that we are aware of all essential facts. For this reason we shall not issue an audit certificate.

Report on the review of the financial statements

The Global Initiative - Verein gegen transnationale
Kriminalität

Summarised assessment

On the basis of our review we did not discover any facts that would lead us to suspect that the attached asset statement does not present the most accurate possible view of the organisation's net assets and financial position as of 31 December 2018 and the earnings position for the period from 17 September 2018 to 31 December 2018 in compliance with the applicable accounting regulations.

This report is intended solely for the informational requirements of the Executive Board of The Global Initiative - Verein gegen transnationale Kriminalität as our client and it must not be disclosed to third parties, in whole or in part, without express consent.

Vienna, 30.04.2019

MAZARS GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

.....
Mag. Günther Mayrleitner
Auditor

This report is a translation of the original report in German, which is solely valid.
Publication or sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternate versions.

Report

on the Compilation
of Financial Statements of

**The Global Initiative - Verein gegen
transnationale organisierte Kriminalität,
Wien**

as at

December 31, 2018

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Appendix

General Conditions	I
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I. Engagement and Compilation

We have been engaged to compile the following balance sheet of

The Global Initiative - Verein gegen transnationale organisierte Kriminalität

(hereafter referred to as “association”)

as of

December 31, 2018

– consisting of the balance sheet, the income statement and the notes – on the basis of the accounting and the inventory as well as the provisions of applicable accounting and valuation methods.

The entire accounting carried out by us and, in addition, the documentation, accounting and inventory records – the regularity or plausibility of which we did not check in compliance with our engagement – as well as the information provided to us served as the basis for the compilation of the balance sheet. You are responsible for the preparation of the inventory and the balance sheet pursuant to **Austrian Income Tax Act (EStG)**, especially § 4 para 1 EStG and the supplementary provisions of the Associations statutes.

This responsibility includes: Design, implementation and maintenance of an internal control system insofar as this is important for the preparation of the balance sheet and for providing a true and fair view of the association’s net assets, financial position and results of operations, so that the balance sheet is free of material misstatements due to intentional or unintentional errors; selection and use of suitable accounting and valuation methods and the preparation of estimates that appear appropriate under the given circumstances.

We did not perform either an audit, a review of the financial statements or an assurance engagement or agreed-upon procedures and, therefore, **do not provide an assurance (confirmation)** on financial statements.

You are responsible for the accuracy as well as the exhaustiveness of the documentation and information provided to us; a responsibility which also applies vis-à-vis the users of the balance sheet compiled by us. In this context, we refer to the **Letter of Representation** which you signed with the financial statements on our request.

Basis for our activity is the compilation engagement letter concluded with the client. The compilation engagement was carried out under the provisions of the expert opinion KFS/RL 26 “Principles for the Compilation of Financial Statements”. The **General Conditions of Contract for the Public Accounting Professions (AAB)**, issued by the Austrian Chamber of Public Accountants and Tax Advisors (KSW), as of 2018 shall apply to this compilation engagement. These apply not only between the association and Steuer & Service Steuerberatungs GmbH but also vis-à-vis third parties.

Any distribution to third parties of the balance sheet compiled by us is only permissible upon inclusion of the compilation report. If the balance sheet compiled by us is distributed to any third parties, the provisions stipulated in Point 7. AAB for the Public Accounting Professions of KSW on the liability vis-à-vis third parties shall apply.

Responsible for the proper performance of the engagement is Mr. Mag. (FH) Michael Kern, LL.M., Austrian Certified Tax Consultant.

This English translation of the compilation report is presented for the convenience of the reader only and the German wording is the only legally binding version.

II. Balance sheet as at December 31, 2018

	2018-12-31 EUR
ASSETS	
A. Fixed assets	
<i>I. Tangible assets</i>	
1. Tools and equipment	1,880.00
B. Current assets	
<i>I. bank balances</i>	609,416.76
C. Prepayments and accrued income	<u>178.98</u>
Total assets	<u><u>611,475.74</u></u>

2018-12-31
 EUR

ASSOCIATION OWN FUNDS AND LIABILITIES

A. Association own funds	
<i>I. Association own funds</i>	
1. Association own funds	-36,569.66
B. Provisions	
1. Other provisions	6,000.00
C. Liabilities	
1. Accounts payable - Trade	56,451.49
2. Other liabilities	5,221.75
thereof taxes	1,929.20
thereof social security	3,304.25
	61,673.24
D. Accruals and deferred income	580,372.16
Total association own funds and liabilities	611,475.74

III. Income statement for the fiscal year 2018

	2018 EUR
1. Revenue	
a. Other income	79,730.15
2. Personnel expenses	
a. Salaries	-51,728.91
b. Social security costs	-12,863.45
	<u>-64,592.36</u>
3. Amortisation and depreciation	
a. of tangible fixed assets	-376.00
4. Other operating expenses	-51,331.45
	<u>-51,331.45</u>
5. Subtotal no. 1 to 4 (Operating result)	<u>-36,569.66</u>
6. Earnings before taxes	<u>-36,569.66</u>
7. Earnings after taxes	<u>-36,569.66</u>
8. Net loss for the year	<u>-36,569.66</u>

IV. Notes

for the fiscal year 2018

of

**The Global Initiative - Verein gegen transnationale organisierte
Kriminalität, Wien**

1 Accounting and valuation principles

1.1 General principles

The balance sheet as of December 31, 2018 was prepared in accordance with current accounting principles of the EStG and the VerG.

The association is classified as "small" according to § 22 VerG. Therefore, the association is obligated to have audited if its financial management is in accordance with the accounting and if its funds were used constitutionally within 4 months of preparation of the balance sheet.

The balance sheet was prepared under the Generally Accepted Accounting Principles, giving a true and fair view of the association's financial position.

The principle of completeness was applied at preparation of the balance sheet.

The evaluation of assets and liabilities was carried out considering the principle of individual items valuation and the going concern concept.

The principle of prudence was considered by showing only the realized gains at balance sheet date. All recognizable risks and possible future losses arisen in the fiscal year were taken into account.

1.2 Fixed Assets

Fixed assets are valued at acquisition or manufacturing cost reduced by straight-line depreciation.

Scheduled depreciation is based on the following useful lives:

Fixed assets	Useful life in years
Technical equipment, plant and machinery	3

1.3 Liabilities

Liabilities are valued at repayment amounts taking into account the principle of prudence.

2. Notes on the balance sheet and the profit and loss account

2.1 Balance sheet

2.1.1 Assets

Fixed assets

The development of fixed assets and details to the depreciation are shown in the attached schedule (Appendix 1).

2.1.2 Liabilities and owners equity

Provisions

The provisions developed in the fiscal year 2018 as follows:

	Status 2018-09-17 EUR	Usage EUR	Reversal EUR	Assignment EUR	Status 2018-12-31 EUR
Other provisions	0.00	0.00	0.00	6,000.00	6,000.00
	0.00	0.00	0.00	6,000.00	6,000.00

2.2 Profit and loss account

Revenue

	2018 EUR
Public subsidies	16,744.47
Other income	62,985.68
	79,730.15

Personnel expenses

	2018 EUR
Salaries	51,728.91
Social security costs	12,863.45
	64,592.36

Depreciation and amortization of intangible assets and of tangible assets

Scheduled depreciation/amortization in the current short financial year totaled EUR 376.00.

Other operating expenses

	2018 EUR
Maintenance	1,752.92
Bought-in services	13,847.36
Office costs	808.77
Mail expenses	138.08
Legal and consulting expenses	29,081.81
Fees and contribution	5,795.40
Transaction costs	-0.51
Other operating expense	-92.38
	51,331.45

3. Other notes

The association is represented by Dr. Mark Shaw (Director) and Johanna Borstner (Director of Administration). The directors are authorized to represent the association together.

After the balance sheet date no significant events occurred which were not included into the balance sheet or the profit and loss account.

Staff

In 2018, the association employed 1 employee on average.

	<u>2018</u>
Workers	0
Employees	<u>1</u>
	<u>1</u>

Vienna, 30. April 2019

.....
Dr. Mark Shaw

.....
Johanna Borstner

Statement of fixed assets as at December 31, 2018

A. FIXED ASSETS
I. Tangible assets
 1. Tools and equipment

		Purchase/Production costs			Cumulated depreciation			Carrying values		
Status	Additions	Disposals	Repositings	Status	Status	Write-ups	Disposals	Status	Status	Status
2018-09-17				2018-12-31	2018-09-17			2018-12-31	2018-09-17	2018-12-31
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
0.00	2,256.00	0.00	0.00	2,256.00	0.00	376.00	0.00	0.00	376.00	0.00
										1,880.00

General Conditions of Contract for the Public Accounting Professions (AAB 2018)

Recommended for use by the Board of the Chamber of Tax Advisers and Auditors, last recommended in its decision of April 18, 2018

Preamble and General Items

(1) Contract within the meaning of these Conditions of Contract refers to each contract on services to be rendered by a person entitled to exercise profession in the field of public accounting exercising that profession (de facto activities as well as providing or performing legal transactions or acts, in each case pursuant to Sections 2 or 3 Austrian Public Accounting Professions Act (WTBG 2017). The parties to the contract shall hereinafter be referred to as the "contractor" on the one hand and the "client" on the other hand).

(2) The General Conditions of Contract for the professions in the field of public accounting are divided into two sections: The Conditions of Section I shall apply to contracts where the agreeing of contracts is part of the operations of the client's company (entrepreneur within the meaning of the Austrian Consumer Protection Act. They shall apply to consumer business under the Austrian Consumer Protection Act (Federal Act of March 8, 1979 / Federal Law Gazette No. 140 as amended) insofar as Section II does not provide otherwise for such business.

(3) In the event that an individual provision is void, the invalid provision shall be replaced by a valid provision that is as close as possible to the desired objective.

SECTION I

1. Scope and Execution of Contract

(1) The scope of the contract is generally determined in a written agreement drawn up between the client and the contractor. In the absence of such a detailed written agreement, (2)-(4) shall apply in case of doubt:

(2) When contracted to perform tax consultation services, consultation shall consist of the following activities:

a) preparing annual tax returns for income tax and corporate tax as well as value-added tax (VAT) on the basis of the financial statements and other documents and papers required for taxation purposes and to be submitted by the client or (if so agreed) prepared by the contractor. Unless explicitly agreed otherwise, documents and papers required for taxation purposes shall be produced by the client.

b) examining the tax assessment notices for the tax returns mentioned under a).

c) negotiating with the fiscal authorities in connection with the tax returns and notices mentioned under a) and b).

d) participating in external tax audits and assessing the results of external tax audits with regard to the taxes mentioned under a).

e) participating in appeal procedures with regard to the taxes mentioned under a).

If the contractor receives a flat fee for regular tax consultation, in the absence of written agreements to the contrary, the activities mentioned under d) and e) shall be invoiced separately.

(3) Provided the preparation of one or more annual tax return(s) is part of the contract accepted, this shall not include the examination of any particular accounting conditions nor the examination of whether all relevant concessions, particularly those with regard to value added tax, have been utilized, unless the person entitled to exercise the profession can prove that he/she has been commissioned accordingly.

(4) In each case, the obligation to render other services pursuant to Sections 2 and 3 WTBG 2017 requires for the contractor to be separately and verifiably commissioned.

(5) The aforementioned paragraphs (2) to (4) shall not apply to services requiring particular expertise provided by an expert.

(6) The contractor is not obliged to render any services, issue any warnings or provide any information beyond the scope of the contract.

(7) The contractor shall have the right to engage suitable staff and other performing agents (subcontractors) for the execution of the contract as well as to have a person entitled to exercise the profession substitute for him/her in executing the contract. Staff within the meaning of these Conditions of Contract refers to all persons who support the contractor in his/her operating activities on a regular or permanent basis, irrespective of the type of underlying legal transaction.

(8) In rendering his/her services, the contractor shall exclusively take into account Austrian law; foreign law shall only be taken into account if this has been explicitly agreed upon in writing.

(9) Should the legal situation change subsequent to delivering a final professional statement passed on by the client orally or in writing, the contractor shall not be obliged to inform the client of changes or of the consequences thereof. This shall also apply to the completed parts of a contract.

(10) The client shall be obliged to make sure that the data made available by him/her may be handled by the contractor in the course of rendering the services. In this context, the client shall particularly but not exclusively comply with the applicable provisions under data protection law and labor law.

(11) Unless explicitly agreed otherwise, if the contractor electronically submits an application to an authority, he/she acts only as a messenger and this does not constitute a declaration of intent or knowledge attributable to him/her or a person authorized to submit the application.

(12) The client undertakes not to employ persons that are or were staff of the contractor during the contractual relationship, during and within one year after termination of the contractual relationship, either in his/her company or in an associated company, failing which he/she shall be obliged to pay the contractor the amount of the annual salary of the member of staff taken over.

2. Client's Obligation to Provide Information and Submit Complete Set of Documents

(1) The client shall make sure that all documents required for the execution of the contract be placed without special request at the disposal of the contractor at the agreed date, and in good time if no such date has been agreed, and that he/she be informed of all events and circumstances which may be of significance for the execution of the contract. This shall also apply to documents, events and circumstances which become known only after the contractor has commenced his/her work.

(2) The contractor shall be justified in regarding information and documents presented to him/her by the client, in particular figures, as correct and complete and to base the contract on them. The contractor shall not be obliged to identify any errors unless agreed separately in writing. This shall particularly apply to the correctness and completeness of bills. However, he/she is obliged to inform the client of any errors identified by him/her. In case of financial criminal proceedings he/she shall protect the rights of the client.

(3) The client shall confirm in writing that all documents submitted, all information provided and explanations given in the context of audits, expert opinions and expert services are complete.

(4) If the client fails to disclose considerable risks in connection with the preparation of financial statements and other statements, the contractor shall not be obliged to render any compensation insofar as these risks materialize.

(5) Dates and time schedules stated by the contractor for the completion of the contractor's products or parts thereof are best estimates and, unless otherwise agreed in writing, shall not be binding. The same applies to any estimates of fees: they are prepared to best of the contractor's knowledge; however, they shall always be non-binding.

(6) The client shall always provide the contractor with his/her current contact details (particularly the delivery address). The contractor may rely on the validity of the contact details most recently provided by the client, particularly have deliveries made to the most recently provided address, until such time as new contact details are provided.

3. Safeguarding of Independence

(1) The client shall be obliged to take all measures to prevent that the independence of the staff of the contractor be jeopardized and shall himself/herself refrain from jeopardizing their independence in any way. In particular, this shall apply to offers of employment and to offers to accept contracts on their own account.

(2) The client acknowledges that his/her personal details required in this respect, as well as the type and scope of the services, including the performance period agreed between the contractor and the client for the services (both audit and non-audit services), shall be handled within a network (if any) to which the contractor belongs, and for this purpose transferred to the other members of the network including abroad for the purpose of examination of the existence of grounds of bias or grounds for exclusion and conflicts of interest. For this purpose the client expressly releases the contractor in accordance with the Data Protection Act and in accordance with Section 80 (4) No. 2 WTBG 2017 from his/her obligation to maintain secrecy. The client can revoke the release from the obligation to maintain secrecy at any time.

4. Reporting Requirements

(1) (Reporting by the contractor) In the absence of an agreement to the contrary, a written report shall be drawn up in the case of audits and expert opinions.

(2) (Communication to the client) All contract-related information and opinions, including reports, (all declarations of knowledge) of the contractor, his/her staff, other performing agents or substitutes ("professional statements") shall only be binding provided they are set down in writing. Professional statements in electronic file formats which are made, transferred or confirmed by fax or e-mail or using similar types of electronic communication (that can be stored and reproduced but is not oral, i.e. e.g. text messages but not telephone) shall be deemed as set down in writing; this shall only apply to professional statements. The client bears the risk that professional statements may be issued by persons not entitled to do so as well as the transfer risk of such professional statements.

(3) (Communication to the client) The client hereby consents to the contractor communicating with the client (e.g. by e-mail) in an unencrypted manner. The client declares that he/she has been informed of the risks arising from the use of electronic communication (particularly access to, maintaining secrecy of, changing of messages in the course of transfer). The contractor, his/her staff, other performing agents or substitutes are not liable for any losses that arise as a result of the use of electronic means of communication.

(4) (Communication to the contractor) Receipt and forwarding of information to the contractor and his/her staff are not always guaranteed when the telephone is used, in particular in conjunction with automatic telephone answering systems, fax, e-mail and other types of electronic communication. As a result, instructions and important information shall only be deemed to have been received by the contractor provided they are also received physically (not by telephone, orally or electronically), unless explicit confirmation of receipt is provided in individual instances. Automatic confirmation that items have been transmitted and read shall not constitute such explicit confirmations of receipt. This shall apply in particular to the transmission of decisions and other information relating to deadlines. As a result, critical and important notifications must be sent to the contractor by mail or courier. Delivery of documents to staff outside the firm's offices shall not count as delivery.

(5) (General) In writing shall mean, insofar as not otherwise laid down in Item 4. (2), written form within the meaning of Section 886 Austrian Civil Code (ABGB) (confirmed by signature). An advanced electronic signature (Art. 26 eIDAS Regulation (EU) No. 910/2014) fulfills the requirement of written form within the meaning of Section 886 ABGB (confirmed by signature) insofar as this is at the discretion of the parties to the contract.

(6) (Promotional information) The contractor will send recurrent general tax law and general commercial law information to the client electronically (e.g. by e-mail). The client acknowledges that he/she has the right to object to receiving direct advertising at any time.

5. Protection of Intellectual Property of the Contractor

(1) The client shall be obliged to ensure that reports, expert opinions, organizational plans, drafts, drawings, calculations and the like, issued by the contractor, be used only for the purpose specified in the contract (e.g. pursuant to Section 44 (3) Austrian Income Tax Act 1988). Furthermore, professional statements made orally or in writing by the contractor may be passed on to a third party for use only with the written consent of the contractor.

(2) The use of professional statements made orally or in writing by the contractor for promotional purposes shall not be permitted; a violation of this provision shall give the contractor the right to terminate without notice to the client all contracts not yet executed.

(3) The contractor shall retain the copyright on his/her work. Permission to use the work shall be subject to the written consent by the contractor.

6. Correction of Errors

(1) The contractor shall have the right and shall be obliged to correct all errors and inaccuracies in his/her professional statement made orally or in writing which subsequently come to light and shall be obliged to inform the client thereof without delay. He/she shall also have the right to inform a third party acquainted with the original professional statement of the change.

(2) The client has the right to have all errors corrected free of charge if the contractor can be held responsible for them; this right will expire six months after completion of the services rendered by the contractor and/or – in cases where a written professional statement has not been delivered – six months after the contractor has completed the work that gives cause to complaint.

(3) If the contractor fails to correct errors which have come to light, the client shall have the right to demand a reduction in price. The extent to which additional claims for damages can be asserted is stipulated under Item 7.

7. Liability

(1) All liability provisions shall apply to all disputes in connection with the contractual relationship, irrespective of the legal grounds. The contractor is liable for losses arising in connection with the contractual relationship (including its termination) only in case of willful intent and gross negligence. The applicability of Section 1298 2nd Sentence ABGB is excluded.

(2) In cases of gross negligence, the maximum liability for damages due from the contractor is tenfold the minimum insurance sum of the professional liability insurance according to Section 11 WTBG 2017 as amended.

(3) The limitation of liability pursuant to Item 7. (2) refers to the individual case of damages. The individual case of damages includes all consequences of a breach of duty regardless of whether damages arose in one or more consecutive years. In this context, multiple acts or failures to act that are based on the same or similar source of error as one consistent breach of duty if the matters concerned are legally and economically connected. Single damages remain individual cases of damage even if they are based on several breaches of duty. Furthermore, the contractor's liability for loss of profit as well as collateral, consequential, incidental or similar losses is excluded in case of willful damage.

(4) Any action for damages may only be brought within six months after those entitled to assert a claim have gained knowledge of the damage, but no later than three years after the occurrence of the (primary) loss following the incident upon which the claim is based, unless other statutory limitation periods are laid down in other legal provisions.

(5) Should Section 275 Austrian Commercial Code (UGB) be applicable (due to a criminal offense), the liability provisions contained therein shall apply even in cases where several persons have participated in the execution of the contract or where several activities requiring compensation have taken place and irrespective of whether other participants have acted with intent.

(6) In cases where a formal auditor's report is issued, the applicable limitation period shall commence no later than at the time the said auditor's report was issued.

(7) If activities are carried out by enlisting the services of a third party, e.g. a data-processing company, any warranty claims and claims for damages which arise against the third party according to law and contract shall be deemed as having been passed on to the client once the client has been informed of them. Item 4. (3) notwithstanding, in such a case the contractor shall only be liable for fault in choosing the third party.

(8) The contractor's liability to third parties is excluded in any case. If third parties come into contact with the contractor's work in any manner due to the client, the client shall expressly clarify this fact to them. Insofar as such exclusion of liability is not legally permissible or a liability to third parties has been assumed by the contractor in exceptional cases, these limitations of liability shall in any case also apply to third parties on a subsidiary basis. In any case, a third party cannot raise any claims that go beyond any claim raised by the client. The maximum sum of liability shall be valid only once for all parties injured, including the compensation claims of the client, even if several persons (the client and a third party or several third parties) have sustained losses; the claims of the parties injured shall be satisfied in the order in which the claims have been raised. The client will indemnify and hold harmless the contractor and his/her staff against any claims by third parties in connection with professional statements made orally or in writing by the contractor and passed on to these third parties.

(9) Item 7. shall also apply to any of the client's liability claims to third parties (performing agents and vicarious agents of the contractor) and to substitutes of the contractor relating to the contractual relationship.

8. Secrecy, Data Protection

(1) According to Section 80 WTBG 2017 the contractor shall be obliged to maintain secrecy in all matters that become known to him/her in connection with his/her work for the client, unless the client releases him/her from this duty or he/she is bound by law to deliver a statement.

(2) Insofar as it is necessary to pursue the contractor's claims (particularly claims for fees) or to dispute claims against the contractor (particularly claims for damages raised by the client or third parties against the contractor), the contractor shall be released from his/her professional obligation to maintain secrecy.

(3) The contractor shall be permitted to hand on reports, expert opinions and other written statements pertaining to the results of his/her services to third parties only with the permission of the client, unless he/she is required to do so by law.

(4) The contractor is a data protection controller within the meaning of the General Data Protection Regulation ("GDPR") with regard to all personal data processed under the contract. The contractor is thus authorized to process personal data entrusted to him/her within the limits of the contract. The material made available to the contractor (paper and data carriers) shall generally be handed to the client or to third parties appointed by the client after the respective rendering of services has been completed, or be kept and destroyed by the contractor if so agreed. The contractor is authorized to keep copies thereof insofar as he/she needs them to appropriately document his/her services or insofar as it is required by law or customary in the profession.

(5) If the contractor supports the client in fulfilling his/her duties to the data subjects arising from the client's function as data protection controller, the contractor shall be entitled to charge the client for the actual efforts undertaken. The same shall apply to efforts undertaken for information with regard to the contractual relationship which is provided to third parties after having been released from the obligation to maintain secrecy to third parties by the client.

9. Withdrawal and Cancellation („Termination“)

(1) The notice of termination of a contract shall be issued in writing (see also Item 4. (4) and (5)). The expiry of an existing power of attorney shall not result in a termination of the contract.

(2) Unless otherwise agreed in writing or stipulated by force of law, either contractual partner shall have the right to terminate the contract at any time with immediate effect. The fee shall be calculated according to Item 11.

(3) However, a continuing agreement (fixed-term or open-ended contract on – even if not exclusively – the rendering of repeated individual services, also with a flat fee) may, without good reason, only be terminated at the end of the calendar month by observing a period of notice of three months, unless otherwise agreed in writing.

(4) After notice of termination of a continuing agreement and unless otherwise stipulated in the following, only those individual tasks shall still be completed by the contractor (list of assignments to be completed) that can (generally) be completed fully within the period of notice insofar as the client is notified in writing within one month after commencement of the termination notice period within the meaning of Item 4. (2). The list of assignments to be completed shall be completed within the termination period if all documents required are provided without delay and if no good reason exists that impedes completion.

(5) Should it happen that in case of a continuing agreement more than two similar assignments which are usually completed only once a year (e.g. financial statements, annual tax returns, etc.) are to be completed, any such assignments exceeding this number shall be regarded as assignments to be completed only with the client's explicit consent. If applicable, the client shall be informed of this explicitly in the statement pursuant to Item 9. (4).

10. Termination in Case of Default in Acceptance and Failure to Cooperate on the Part of the Client and Legal Impediments to Execution

(1) If the client defaults on acceptance of the services rendered by the contractor or fails to carry out a task incumbent on him/her either according to Item 2. or imposed on him/her in another way, the contractor shall have the right to terminate the contract without prior notice. The same shall apply if the client requests a way to execute (also partially) the contract that the contractor reasonably believes is not in compliance with the legal situation or professional principles. His/her fees shall be calculated according to Item 11. Default in acceptance or failure to cooperate on the part of the client shall also justify a claim for compensation made by the contractor for the extra time and labor hereby expended as well as for the damage caused, if the contractor does not invoke his/her right to terminate the contract.

(2) For contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions, a termination without prior notice by the contractor is permissible under Item 10. (1) if the client verifiably fails to cooperate twice as laid down in Item 2. (1).

11. Entitlement to Fee

(1) If the contract fails to be executed (e.g. due to withdrawal or cancellation), the contractor shall be entitled to the negotiated compensation (fee), provided he/she was prepared to render the services and was prevented from so doing by circumstances caused by the client, whereby a merely contributory negligence by the contractor in this respect shall be excluded; in this case the contractor need not take into account the amount he/she obtained or failed to obtain through alternative use of his/her own professional services or those of his/her staff.

(2) If a continuing agreement is terminated, the negotiated compensation for the list of assignments to be completed shall be due upon completion or in case completion fails due to reasons attributable to the client (reference is made to Item 11. (1)). Any flat fees negotiated shall be calculated according to the services rendered up to this point.

(3) If the client fails to cooperate and the assignment cannot be carried out as a result, the contractor shall also have the right to set a reasonable grace period on the understanding that, if this grace period expires without results, the contract shall be deemed ineffective and the consequences indicated in Item 11. (1) shall apply.

(4) If the termination notice period under Item 9. (3) is not observed by the client as well as if the contract is terminated by the contractor in accordance with Item 10. (2), the contractor shall retain his/her right to receive the full fee for three months.

12. Fee

(1) Unless the parties explicitly agreed that the services would be rendered free of charge, an appropriate remuneration in accordance with Sections 1004 and 1152 ABGB is due in any case. Amount and type of the entitlement to the fee are laid down in the agreement negotiated between the contractor and his/her client. Unless a different agreement has verifiably been reached, payments made by the client shall in all cases be credited against the oldest debt.

(2) The smallest service unit which may be charged is a quarter of an hour.

(3) Travel time to the extent required is also charged.

(4) Study of documents which, in terms of their nature and extent, may prove necessary for preparation of the contractor in his/her own office may also be charged as a special item.

(5) Should a remuneration already agreed upon prove inadequate as a result of the subsequent occurrence of special circumstances or due to special requirements of the client, the contractor shall notify the client thereof and additional negotiations for the agreement of a more suitable remuneration shall take place (also in case of inadequate flat fees).

(6) The contractor includes charges for supplementary costs and VAT in addition to the above, including but not limited to the following (7) to (9):

(7) Chargeable supplementary costs also include documented or flatrate cash expenses, traveling expenses (first class for train journeys), per diems, mileage allowance, copying costs and similar supplementary costs.

(8) Should particular third party liabilities be involved, the corresponding insurance premiums (including insurance tax) also count as supplementary costs.

(9) Personnel and material expenses for the preparation of reports, expert opinions and similar documents are also viewed as supplementary costs.

(10) For the execution of a contract wherein joint completion involves several contractors, each of them will charge his/her own compensation.

(11) In the absence of any other agreements, compensation and advance payments are due immediately after they have been requested in writing. Where payments of compensation are made later than 14 days after the due date, default interest may be charged. Where mutual business transactions are concerned, a default interest rate at the amount stipulated in Section 456 1st and 2nd Sentence UGB shall apply.

(12) Statutory limitation is in accordance with Section 1486 of ABGB, with the period beginning at the time the service has been completed or upon the issuing of the bill within an appropriate time limit at a later point.

(13) An objection may be raised in writing against bills presented by the contractor within 4 weeks after the date of the bill. Otherwise the bill is considered as accepted. Filing of a bill in the accounting system of the recipient is also considered as acceptance.

(14) Application of Section 934 ABGB within the meaning of Section 351 UGB, i.e. rescission for *laesio enormis* (lesion beyond moiety) among entrepreneurs, is hereby renounced.

(15) If a flat fee has been negotiated for contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions, in the absence of written agreements to the contrary, representation in matters concerning all types of tax audits and audits of payroll-related taxes and social security contributions including settlements concerning tax assessments and the basis for contributions, preparation of reports, appeals and the like shall be invoiced separately. Unless otherwise agreed to in writing, the fee shall be considered agreed upon for one year at a time.

(16) Particular individual services in connection with the services mentioned in Item 12. (15), in particular ascertaining whether the requirements for statutory social security contributions are met, shall be dealt with only on the basis of a specific contract.

(17) The contractor shall have the right to ask for advance payments and can make delivery of the results of his/her (continued) work dependent on satisfactory fulfillment of his/her demands. As regards continuing agreements, the rendering of further services may be denied until payment of previous services (as well as any advance payments under Sentence 1) has been effected. This shall analogously apply if services are rendered in installments and fee installments are outstanding.

(18) With the exception of obvious essential errors, a complaint concerning the work of the contractor shall not justify even only the partial retention of fees, other compensation, reimbursements and advance payments (remuneration) owed to him/her in accordance with Item 12.

(19) Offsetting the remuneration claims made by the contractor in accordance with Item 12. shall only be permitted if the demands are uncontested and legally valid.

13. Other Provisions

(1) With regard to Item 12. (17), reference shall be made to the legal right of retention (Section 471 ABGB, Section 369 UGB); if the right of retention is wrongfully exercised, the contractor shall generally be liable pursuant to Item 7. or otherwise only up to the outstanding amount of his/her fee.

(2) The client shall not be entitled to receive any working papers and similar documents prepared by the contractor in the course of fulfilling the contract. In the case of contract fulfillment using electronic accounting systems the contractor shall be entitled to delete the data after handing over all data based thereon – which were prepared by the contractor in relation to the contract and which the client is obliged to keep – to the client and/or the succeeding public accountant in a structured, common and machine-readable format. The contractor shall be entitled to an appropriate fee (Item 12. shall apply by analogy) for handing over such data in a structured, common and machine-readable format. If handing over such data in a structured, common and machine-readable format is impossible or unfeasible for special reasons, they may be handed over in the form of a full print-out instead. In such a case, the contractor shall not be entitled to receive a fee.

(3) At the request and expense of the client, the contractor shall hand over all documents received from the client within the scope of his/her activities. However, this shall not apply to correspondence between the contractor and his/her client and to original documents in his/her possession and to documents which are required to be kept in accordance with the legal anti-money laundering provisions applicable to the contractor. The contractor may make copies or duplicates of the documents to be returned to the client. Once such documents have been transferred to the client, the contractor shall be entitled to an appropriate fee (Item 12. shall apply by analogy).

(4) The client shall fetch the documents handed over to the contractor within three months after the work has been completed. If the client fails to do so, the contractor shall have the right to return them to the client at the cost of the client or to charge an appropriate fee (Item 12. shall apply by analogy) if the contractor can prove that he/she has asked the client twice to pick up the documents handed over. The documents may also further be kept by third parties at the expense of the client. Furthermore, the contractor is not liable for any consequences arising from damage, loss or destruction of the documents.

(5) The contractor shall have the right to compensation of any fees that are due by use of any available deposited funds, clearing balances, trust funds or other liquid funds at his/her disposal, even if these funds are explicitly intended for safekeeping, if the client had to have anticipated the counterclaim of the contractor.

(6) To secure an existing or future fee payable, the contractor shall have the right to transfer a balance held by the client with the tax office or another balance held by the client in connection with charges and contributions, to a trust account. In this case the client shall be informed of the transfer. Subsequently, the amount secured may be collected either after agreement has been reached with the client or after enforceability of the fee by execution has been declared.

14. Applicable Law, Place of Performance, Jurisdiction

(1) The contract, its execution and the claims resulting from it shall be exclusively governed by Austrian law, excluding national referral rules.

(2) The place of performance shall be the place of business of the contractor.

(3) In absence of a written agreement stipulating otherwise, the place of jurisdiction is the competent court of the place of performance.

SECTION II

15. Supplementary Provisions for Consumer Transactions

(1) Contracts between public accountants and consumers shall fall under the obligatory provisions of the Austrian Consumer Protection Act (KSchG).

(2) The contractor shall only be liable for the willful and grossly negligent violation of the obligations assumed.

(3) Contrary to the limitation laid down in Item 7. (2), the duty to compensate on the part of the contractor shall not be limited in case of gross negligence.

(4) Item 6. (2) (period for right to correction of errors) and Item 7. (4) (asserting claims for damages within a certain period) shall not apply.

(5) Right of Withdrawal pursuant to Section 3 KSchG: If the consumer has not made his/her contract statement in the office usually used by the contractor, he/she may withdraw from the contract application or the contract proper. This withdrawal may be declared until the contract has been concluded or within one week after its conclusion; the period commences as soon as a document has been handed over to the consumer which contains at least the name and the address of the contractor as well as instructions on the right to withdraw from the contract, but no earlier than the conclusion of the contract. The consumer shall not have the right to withdraw from the contract

1. if the consumer himself/herself established the business relationship concerning the conclusion of this contract with the contractor or his/her representative,

2. if the conclusion of the contract has not been preceded by any talks between the parties involved or their representatives, or

3. in case of contracts where the mutual services have to be rendered immediately, if the contracts are usually concluded outside the offices of the contractors, and the fee agreed upon does not exceed €15.

In order to become legally effective, the withdrawal shall be declared in writing. It is sufficient if the consumer returns a document that contains his/her contract declaration or that of the contractor to the contractor with a note which indicates that the consumer rejects the conclusion or the maintenance of the contract. It is sufficient if this declaration is dispatched within one week.

If the consumer withdraws from the contract according to Section 3 KSchG,

1. the contractor shall return all benefits received, including all statutory interest, calculated from the day of receipt, and compensate the consumer for all necessary and useful expenses incurred in this matter,

2. the consumer shall pay for the value of the services rendered by the contractor as far as they are of a clear and predominant benefit to him/her.

According to Section 4 (3) KSchG, claims for damages shall remain unaffected.

(6) Cost Estimates according to Section 5 Austrian KSchG:

The consumer shall pay for the preparation of a cost estimate by the contractor in accordance with Section 1170a ABGB only if the consumer has been notified of this payment obligation beforehand.

If the contract is based on a cost estimate prepared by the contractor, its correctness shall be deemed warranted as long as the opposite has not been explicitly declared.

(7) Correction of Errors: Supplement to Item 6.:

If the contractor is obliged under Section 932 ABGB to improve or complement his/her services, he/she shall execute this duty at the place where the matter was transferred. If it is in the interest of the consumer to have the work and the documents transferred by the contractor, the consumer may carry out this transfer at his/her own risk and expense.

(8) Jurisdiction: Shall apply instead of Item 14. (3)

If the domicile or the usual residence of the consumer is within the country or if he/she is employed within the country, in case of an action against him/her according to Sections 88, 89, 93 (2) and 104 (1) Austrian Court Jurisdiction Act (JN), the only competent courts shall be the courts of the districts where the consumer has his/her domicile, usual residence or place of employment.

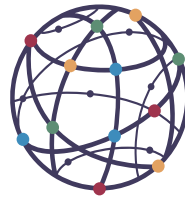
(9) Contracts on Recurring Services:

(a) Contracts which oblige the contractor to render services and the consumer to effect repeated payments and which have been concluded for an indefinite period or a period exceeding one year may be terminated by the consumer at the end of the first year, and after the first year at the end of every six months, by adhering to a two-month period of notice.

(b) If the total work is regarded as a service that cannot be divided on account of its character, the extent and price of which is determined already at the conclusion of the contract, the first date of termination may be postponed until the second year has expired. In case of such contracts the period of notice may be extended to a maximum of six months.

(c) If the execution of a certain contract indicated in lit. a) requires considerable expenses on the part of the contractor and if he/she informed the consumer about this no later than at the time the contract was concluded, reasonable dates of termination and periods of notice which deviate from lit. a) and b) and which fit the respective circumstances may be agreed.

(d) If the consumer terminates the contract without complying with the period of notice, the termination shall become effective at the next termination date which follows the expiry of the period of notice



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