



**TRANSPARENCY
INTERNATIONAL
LUXEMBOURG**

Activity Report 2011

Financial Information 2011



**TRANSPARENCY
INTERNATIONAL
LUXEMBOURG**

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Contents

Introduction	6
I. Activities during the year 2011	9
1. Meetings of the Board of Directors	9
2. Annual General Meeting	9
3. Support from the Luxembourg government.....	10
4. Donations to TI Luxembourg, exempt from taxation.....	10
5. Agreement to file public complaints.....	11
6. Fundraising and office.....	11
7. Communication with its members.....	11
8. Communication with the public.....	12
9. OECD evaluation, 3 rd phase	13
10. Cooperation with TI-S	13
11. National Integrity System.....	15
12. Advocacy and Legal Advice Center (ALAC).....	15
13. Providing an Alternative to Silence: Towards Greater Protection and Support for Whistleblowers in the EU.....	16
14. Internet presence.....	17
15. Members	18
II. Financial Information	19

Introduction

The year 2011 has marked an important step in the life of Transparency International Luxembourg.

While the organization has been incorporated in 2009, it developed its affiliation process with Transparency International in 2010, becoming a National Chapter in Formation in July 2010. At the same time, the organization has been trying to be recognized by national partners and stakeholders and to develop a sound working and resources base.

This process led the organization to work on different projects with national stakeholders in 2011, participating a.o. in the OECD evaluation phase of Luxembourg in early 2011. The process also led later in the year to an explicit recognition of TI Luxembourg by the Luxembourg government and an explicit support of the aims defended by our organization.

The development of the organization's financial resources was an important step and permitted our organization to put in place the first steps of the organization's professionalization that should be completed during the year 2012. The organization was thus able to rent office spaces from October 2011 onwards. The financial resources have taken a huge step from a meager 2.000 € in 2010 to some 44.000 € in 2011, thanks to a (limited) number of private and public donors. Special thanks are here directed towards these private and public donors. While this is a good start, TI Luxembourg needs to further develop and solidify its fundraising in order to be financially independent and build strong foundations for a professionalization of its activities.

Our organization has also advocated for systemic changes to be adopted by the Luxembourg state authorities. Some of these have now been accepted in principle, a.o. a code of conduct for members of the government, MPs, local elects, civil servants and employees of public bodies. TI Luxembourg has been asked to provide input into how such a code of conduct should be drafted and is monitoring the efforts undertaken.

A huge development then was initiated on 9th December 2011, the international day of the fight against corruption, with the launch of our anti-corruption hotline. At the time of this report some interesting cases have been brought to our organization's attention. These then present new challenges that will need to be faced during the current year.

The upcoming year 2012 will present its own challenges, including a further professionalization of our organization's activities, development of our organization's member base while involving current members in the organization's daily work, development of our financial resources and continued efforts on its advocacy to bring about systemic change, while assisting specific requests brought to it through its anti-corruption hotline.

One challenge stands out in terms of importance. This challenge is the upcoming accreditation process during the summer 2012 of TI Luxembourg as National Chapter of Transparency International with full rights within the organization to Transparency International.

Yann Baden

President of TI Luxembourg

I. Activities during the year 2011

1. Meetings of the Board of Directors

During the year 2011 eight formal Board meetings were held. The dates of the meetings were as follows:

3 March 2011
5 April 2011
14 July 2011
8 September 2011
6 October 2011
24 November 2011
7 December 2011
16 December 2011

Further informal meetings and discussions were held. The members of the Board of Directors were:

Mr Yann Baden	chair
Mrs Marguerite Ries	vice-chair
Mr Serge Marx	secretary
Mr Stephen Nye	treasurer

2. Annual General Meeting

An extraordinary general members meeting was held on 3 February 2011. At this meeting the articles of association were amended so as to fulfill requirements of the Luxembourg government to recognize our organization as being of public interest and thereby allowing donations made to our organization to be deductible from taxable income.

The ordinary Annual General Meeting of TI Luxembourg relating to the year 2010 was held on 5 May 2011. The report on activities and the financials for the year ending 31 December 2010 were unanimously approved by the meeting. The meeting appointed Nicolas Leistenschneider as

the internal auditor for the year ending 31 December 2011. The 4 members of the Board of Directors of TI Luxembourg, Mrs Marguerite Ries, Mr Serge Marx, Mr Stephen Nye and Mr Yann Baden were reelected unanimously for the year 2011.

3. Support from the Luxembourg government

Under “13. Perspectives” of the Activity Report 2010 the board had informed its members of difficulties as follows:

“TI Luxembourg is facing difficult times as a result of non existent financial or other resources and important legitimate requests for assistance/cooperation. As a result, the Board of Directors has launched in April 2011 a request for assistance to the Luxembourg government and informed TI-S of the difficulties. As this step has an impact on how TI Luxembourg will be doing business in the future, the Board feels that although not related directly to 2010, the members should be informed at the earliest possible time.”

In answer to our request to the Luxembourg government, TI Luxembourg has been informed by way of a copy of a letter of the Ministry of Justice to the Prime Minister dated 6 September 2011 that « Il me paraît important de souligner que le department de la Justice continue à soutenir les activités et les objectifs poursuivis par l’asbl. Même si les demarches en vue de la recherche d’un local ont été interrompues momentanément, l’Etat entend apporter son soutien matériel au fonctionnement de l’association ». As a result our organization has received a clear commitment from the Luxembourg government enabling it to continue and pursue its objectives.

During a subsequent meeting with representatives from the Ministry of Justice this and other issues have been discussed. As a result and by way of a decision from the government sitting in council of 2 December has decided to grant TI Luxembourg an annual subsidy of 15.000,00 €.

4. Donations to TI Luxembourg, exempt from taxation

TI Luxembourg had engaged in a process with the Luxembourg government to see its donation be deductible from income tax. This process, started in 2009, gave rise to a change of the articles of association (cf. supra).

These changes then led to a grand-ducal decree dated 12 May 2011, whereby TI Luxembourg is recognized as being of public interest. As a result of this decree, TI Luxembourg has been included on a list of organizations whose donations can be deducted from taxable income by the donor.

5. Agreement to file public complaints

By a law of 13 February 2011, Luxembourg has enacted whistleblower protection. The same law provides the possibility for national organizations to request the general authorization from the Luxembourg government to file complaints with the public prosecutor, or as the case may be with the investigating judge, in cases of corruption, or related offenses and/or to exercise the victim's rights.

Luxembourg government has granted the requested authorization to TI Luxembourg by ministerial decree of 24 November 2011.

6. Fundraising and office

TI Luxembourg has undertaken efforts to raise funds and donations in order to become more productive and more professional in its operations.

The income realized by TI Luxembourg has grown from a mere 2.250,00 € in 2010 to approx. 44.000,00 € in 2011, thanks to private donations and government support and subsidies.

This dramatic increase in available funding has allowed TI Luxembourg to rent a small office space in 11C, Bd. Joseph II, Luxembourg. These offices are open to the public at large during business hours.

7. Communication with its members

TI Luxembourg has published two internal "Corruption Newsletters" to inform its members of its activities.

The intention is to broaden this practice and make the Newsletter available to the public at large by including the Newsletter on the internet site of TI Luxembourg. At the same time, the

Newsletter should serve as a general forum and all members and non-members are invited to share their thoughts for inclusion in the Newsletter.

8. Communication with the public

In order to promote its cause and familiarize the public with its activities, TI Luxembourg continued to meet with external stakeholders/partners, met with members and gave some interviews as follows:

Interviews (printed press, radio and television):

- Radio interview (RTL) on TI Luxembourg's call for codes of conduct of 21 September 2011
- Radio interview (RTL) on the Léiweng dossier of 17 October 2011
- Direct printed, radio and televised fallout from the press conference of 9 December 2011 (cf. infra)
- Televised and radio (RTL) interviews in connection to the press conference of 9 December 2011 on the launch of the anti-corruption hotline and TI Luxembourg's request for codes of conducts
- Radio interview (Radio 100,7) on the launch of the anti-Corruption hotline

Televised debate

Participation on the televised debate "Kloërtex" (RTL) on financial markets and the current financial and economic crisis of 11 December 2011 (preparatory conference call of 5 December and recording on 8 December 2011).

Press releases:

- 8 February 2011 on the enactment of whistleblowing legislation, the publication of the interest register of MPs and the enactment of the new law on municipalities
- 18 and 24 May 2011 on the release of the OECD Progress Report by TI

- 19 September 2011 on TI Luxembourg's call for codes of conducts at the levels of Parliament, Government and municipalities
- 1 December 2011 on the release of the CPI by TI-S

Press conference

TI Luxembourg held a press conference on 9 December 2011 detailing its call for codes of conduct at the levels of Parliament, Government and municipalities (inclusive of civil servants and public establishments) and announcing the launch of an anti-corruption hotline (ALAC).

Meetings with stakeholders/partners:

- 13 May 2011, meeting with Professor Stefan Braum de l'université de Luxembourg
- 16 May 2011, meeting with the green party Déi Gréng
- 18 May 2011, meeting with the association "Mouvement Ecologique"
- 21 October 2011, meeting with representatives of the Ministry of Justice
- 29 November 2011, meeting with a representative of the Ministry of Foreign Affairs

9. OECD evaluation, 3rd phase

TI Luxembourg has been invited by the Luxembourg government to participate at the OECD evaluation, 3rd phase, on the implementation of the OECD convention against corruption of foreign officials, in the civil society panel.

Serge Marx and Yann Baden thus participated during these discussions on 2 February 2011.

10. Cooperation with TI-S

Apart from several conference calls with TI-S, several international meetings were organised which were attended by a representative of TI Lux.

Apart from two NIS (National Integrity Systems) related meetings and workshops, (Kick-off Meeting held in Berlin, from 31 January to 3 February, with the participation of 26 national partners which gathered a range of project coordinators and lead researchers to start the

implementation of the research project the European National Integrity Systems Project (ENIS) and Advocacy Planning Meeting taken place on 20-21 September 2011 in Budapest, Hungary to establish the strategic and programmatic framework for the advocacy phase of the ENIS project, with a view to longer-term impact, cooperation, and growth), Nourollah Moafi, attended and represented our organisation at the Europe and Central Asia regional meeting of TI-S on 1-3 June 2011 in Sibiu, Romania. The three day meeting opened with a public conference on integrity in business -‘Together for Integrity’-, which brought together representatives from the business sector, the anti-corruption movement in Europe and Central Asia, as well as international experts. The conference was followed by the Internal ECA regional meeting, which covered a variety of topics relevant to the work of TI chapters in the ECA region as well as the movement in general. A total of 92 people participated in the meeting, representing 40 National Chapters and partner organisations as well as the Transparency International Secretariat.

Serge Marx, Nourollah Moafi and Yann Baden attended the Annual Membership Meeting (AMM) of TI during the week of 12 to 16 October 2011 in Berlin. The representatives of TI Luxembourg participated in different workshops and conferences held during these events.

Nourollah Moafi attended a workshop on ALACs entitled “Citizen Empowerment and Access to Justice – the Role of Civil Society” in Dublin on 15 and 16 November 2011. The purpose of this two day workshop, hosted by Transparency International Ireland, Transparency International Czech Republic and Transparency International Secretariat, was to share experiences in engaging citizens – one of the key priorities of the TI Strategy 2015 through advocacy and legal advice services. The focus and the theme of the workshop was to share existing experiences of Transparency International Chapters and other civil society organisations providing legal and advocacy services to citizens and to discuss the opportunities and challenges faced by TI Chapters in high income countries as they develop people engagement strategies including but not limited to services for victims and witnesses and whistleblowers.

Yann Baden also attended a meeting on fundraising in the context of the western European chapters in Berlin on 7 and 8 December 2011.

11. National Integrity System

As indicated in the activity reports 2009 and 2010, TI Luxembourg expressed its wish to participate in the NIS report.

Nourollah Moafi participated at a NIS kick-off meeting organized by TI-S from 31 January to 3 February 2011 in Berlin and again at an NIS advocacy planning meeting organized by TI-S on 20 and 21 September 2011 in Budapest, Hungary.

Work on this project has been started by Nourollah Moafi and is ongoing.

12. Advocacy and Legal Advice Center (ALAC)

TI Luxembourg has expressed its wish to set up an ‘Advocacy and Legal Advice Centre (ALAC)’ in Luxembourg.

ALACs, initiated and developed by TI, provide free advice and assistance to victims and witnesses of corruption. Through telephone hotlines, walk-in centres and outreach services, ALACs help citizens pursue corruption-related complaints. The diversity of cases and people who use the centres - from the unemployed (jobless or free entrepreneurs and liberal professions) to entrepreneurs and well-positioned whistleblowers - demonstrates the pervasive nature of corruption. In line with TI’s approach of constructive engagement, ALACs build partnership with public authorities and private actors with a view to remedy the situation.

ALACs started in 2003 on a pilot basis in South Eastern Europe. The ALAC model has since taken off and now represents one of the most dynamic of anti-corruption interventions. It is expected that ALACs will operate in more than 50 countries in all regions of the world by the end of 2011.

TI Luxembourg finally, after a year-long preparation, launched its ALAC under the form of an anti-corruption hotline at its press conference of 9 December 2011 the international anti-corruption day. A representative of TI-S, Ben Elers, was present at the press conference to express TI-S’ support for TI Luxembourg’s ALAC.

The hotline can be reached under its Internet site at the following addresses: www.corruption.lu, www.korruption.lu and www.korruptioun.lu, corresponding to the four main languages in use in Luxembourg. The ALAC can also be reached through its mail address at info@transparence.lu or through its phone number 26 38 99 29.

In the first weeks of its launch, several high-profile cases have been disclosed to TI Luxembourg. The work on these cases is ongoing. Several meetings have taken place in this respect. A formal report will be filed each year.

Nourollah Moafi and Brunni Hauch, a new employee hired by TI Luxembourg, manage the day-to-day operations of the hotline.

13. Providing an Alternative to Silence: Towards Greater Protection and Support for Whistleblowers in the EU

TI Luxembourg participated with TI-S in a EU tender to study and promote whistleblowing. TI has been granted the project which is to be supplemented during the year 2012-2013.

The project will be implemented by seven partners: TI-S acts as the Co-ordinator while TI Luxembourg along with five other national chapters of TI (Belgium, Estonia, Greece, Italy, Latvia) as the project partners will implement the activities in their respective countries.

The Project will run for twenty months and builds on and complements JLS/2007/ISEC/495 which analysed whistleblowing legislation in ten EU Member States and developed draft principles for whistleblowing legislation.

The aim of this project is to promote the concept of whistleblowing and to enhance the protection of whistleblowers in the EU. Specifically, the project aims at:

- enhancing whistleblower protection in EU Member States and
- promoting the value and importance of whistleblowing towards European citizens and decision makers.

Its key activities are:

- expert and planning meeting,
- validation and publication of the best practice principles for whistleblowing legislation,
- assessment of current whistleblowing legislation across the EU against these principles (update of existing research in ten countries, new research in 17 countries),
- publication of a report, compiling and analysing the research results in all 27 EU Member States,
- advocacy towards national and European/international decision makers for enhanced whistleblower protection legislation, complying with best practice,
- distribution of popular material towards key target audience in EU member states, using print, media and social media tools.

The Project results should be:

- best practice principles for whistleblowing legislation,
- EU-wide comparative whistleblowing legislation assessment,
- greater understanding among European decision makers about the need for adequate whistleblowing legislation,
- greater awareness among the European public and potential whistleblowers about the value of whistleblowing.

The project results will be disseminated through print, online and social media. Key target audiences will be national and European/international policy makers, whistleblowers, employees, experts, law enforcement, media, business and the general public.

14. Internet presence

TI Luxembourg has been maintaining and updating its internet site at www.transparency.lu. A new anti-corruption hotline web-site has been added under the addresses www.corruption.lu, www.korruption.lu and www.korruptioun.lu.

A major update and new design of these sites has become necessary. The board of TI Luxembourg is currently looking into possibilities for a major overhaul of its internet presence.

TI Luxembourg is also present on Facebook under (Transparency International Luxembourg).

15. Members

TI Luxembourg is seeking popular support. Corruption being a difficult and technical issue, TI Luxembourg will never attract a very large popular support basis. Nevertheless, its membership basis has been increasing slowly but steadily. Further efforts are however necessary to reach further popular support.

II. Financial Information

FINANCIAL INFORMATION

at

31 December 2011

of

Association pour la Promotion de la Transparence Asbl
exerçant sous Transparency International Luxembourg

Index

Contents

Financial statements

Balance sheet

Income Statement

Statement of Changes in Reserves

Cash Flow Statement

Notes to the financial statements

Independent Auditors' Report

Balance Sheet

	31/12/2011 Euro	31/12/2010 Euro
Assets		
<u>Current assets</u>		
Cash and cash equivalents	5 584,66 €	2 250,00 €
Subsidy receivable	8 400,00 €	-
Total current assets	13 984,66 €	2 250,00 €
Total assets	13 984,66 €	2 250,00 €
Liabilities and Reserves		
<u>Reserves</u>	13 984,66 €	2 250,00 €
Total liabilities and reserves	13 984,66 €	2 250,00 €

Income Statement

	2011 Euro	2010 Euro
Income		
Membership fees	2 097,50 €	2 250,00 €
Donor contributions in cash	7 475,00 €	-
	25 792,51	
Donor contributions in kind	€	-
Government subsidy	8 400,00 €	-
	43 765,01	
Total Income	€	2 250,00 €
Administrative expenses	149,90 €	137,00 €
Travel and representation	7 547,39 €	1 860,00 €
Rent	2 475,00 €	-
	21 213,51	
Salaries and wages	€	-
PR expenses	644,47 €	-
	32 030,27	
Total Expenditure	€	1 997,00 €
	11 734,74	
Result from operating activities	€	253,00 €
	11 734,74	
Net surplus	€	253,00 €

Reserves

	Special Fund Euro
Opening balance at 1 January 2010	1 996,92 €
Appropriation from net surplus for 2010	253,00 €
Balance at 31 December 2010	2 249,92 €
Appropriation from net surplus for 2011	11 734,74 €
Balance at 31 December 2011	13 984,66 €

Cash Flow Statement

	2011	2010
	Euro	Euro
Net surplus of the year	11 734,74 €	253,00 €
Movement in receivables	-8 400,00 €	-
Net cash flow from operating activities	3 334,74 €	253,00 €
Increase in cash and cash equivalents	3 334,74 €	253,00 €
Opening cash and cash equivalents	2 249,92 €	1 997,00 €
Cash and cash equivalents at 31 December	5 584,66 €	2 250,00 €

1) Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Currently, the IFRS do not contain specific guidelines for non-profit and non-governmental organisations concerning the accounting treatment and the presentation of the financial statements. Where the IFRS are silent or do not give guidance on how to treat transactions specific to the not-for-profit sector, accounting policies have been based on the general IFRS principles, as detailed in the IASB Framework for the Preparation and Presentation of Financial Statements.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The financial statements are presented in Euro, which is the Association's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

3) Summary of significant accounting policies

(a) Adoption of new and revised International Financial Reporting Standards (IFRS)

There are no new or revised standards to be adopted in future periods that are likely to have a significant impact on the financial statements of the Association.

(b) Income

Membership fees are recognised as unrestricted funds in the year in which the subscription is paid.

Donor contributions are recognised in the year of the donation and allocated to general funds unless the donor specifies a particular project.

Subsidies are recognised on an accruals basis in the year to which they relate.

(c) Cash and cash equivalents

Cash and cash equivalents consist only in cash at bank.

(d) Taxation

No income tax or VAT taxation has been provided in these financial statements as the Association does not carry out any business activity and was not in receipt of any taxable income.

(e) Financial assets

The Association has only cash at bank at 31 December 2010 and cash at bank and a short-term receivable as at 31 December 2011 for which the carrying values are equal to the fair value due to their liquid and short-term nature.

(f) Finance income

Finance income comprises interest on bank accounts.

(g) Reserves

The Reserves of APPT consist of retained earnings.

4) Financial Instruments

The Association has only cash at bank at 31 December 2010 and cash at bank and a short-term receivable as at 31 December 2011. Cash at bank funds is held at a bank in Luxembourg with a good credit rating. The Association faced no currency or liquidity risk in 2010 and 2011. The receivable is due from the Luxembourg government which enjoys a triple A rating. The amount due was received in January 2012.

5) Related Parties

Neither the members of the Board of Directors nor any other related parties have received any remuneration from the Association. The subscriptions received by the Association have been paid by members of the Board of Directors.