



# Preventing corruption for sustainable prosperity

Corruption is an important obstacle to development and compromises the effectiveness of international cooperation. The SECO strengthens good economic governance and supports projects to prevent corruption. It also follows a zero tolerance policy in its activities.

Corruption refers to any abuse or misuse of a position of trust, funds, or power for private benefit to gain an undue advantage. Corruption is widely seen as an important obstacle to development as it distorts competition and markets, inhibits investment, undermines the rule of law and leads to a waste of public and private resources. Corruption also compromises the effectiveness of international cooperation.

SECO's activities strengthen good economic governance, including anti-corruption policies and measures. Reliable economic framework conditions and transparent rules are a prerequisite for people and companies to participate in economic growth and sustainable prosperity. SECO also applies a zero tolerance policy to corruption in its projects.

## **SECO's projects to prevent corruption**

In countries with poor governance, weak institutions and ineffective law enforcement, there are often no legal consequences for corrupt behavior. The prevalence of corruption hinders economic development, hurting the poor disproportionately by diverting funds intended for development and basic public services, such as health care and education. In a corrupt environment, development projects are on average more expensive and of lower quality. Consequently, public services and infrastructure remain underdeveloped, there is a lack of trust in public institutions, while firms have little incentives to invest. This in turn negatively affects economic growth and job creation.

SECO supports activities aiming at preventing corruption and promoting transparent and efficient business practices, such as:

- increased transparency and improved control of public financial management;
- extension and consolidation of public procurement systems;
- improved governance of natural resources and public private partnerships

Digitalization offers opportunities to simplify the interaction between the public and private sector, thus saving time and resources, while reducing opportunities for corruption. Modernizing tax administrations, public procurement processes and public services leads to the automation of processes and an improvement of control systems (e.g., automation of tax administration processes or the management of VAT and excise duties).

## Zero tolerance policy within SECO projects

SECO practices a zero tolerance policy with regard to corrupt and fraudulent practices. This applies both to staff members and partners. On the one hand, no illegal behavior is tolerated. On the other hand, irregularities must be reported and will trigger disciplinary measures or criminal proceedings. Zero tolerance does, however, not imply that SECO cannot operate in countries where corruption is a problem. Yet, it is important to recognize and mitigate the risks involved. Important measures to mitigate risks include a well-established internal control system, comprehensive due diligence of new partners, clear procurement processes, regular external audits and close monitoring of projects by headquarters and the Swiss Cooperation Offices.

## National and international coordination and exchange activities of SECO

Switzerland's strategy with regard to anti-corruption – both on a national and international level – is defined by an interdepartmental working group on combating corruption (IDWG) and approved by the Federal Council. SECO is part of the IDWG, which comprises those federal offices involved in the fight against corruption and the Office of the Attorney General. The IDWG proposes recommendations to the attention of the Federal Council. In addition, SECO maintains a close exchange with the Federal Audit Office, the SDC Compliance Office and compliance specialists from other donor countries.

### Project example: Subnational Public Finance Management Strengthening Peru

**Country:** Peru

**Project Partner:** Basel Institute on Governance

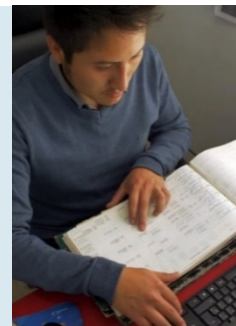
**Time period:** 2020 -2023 (Phase II)

**Budget:** CHF 6 million (SECO share: 100 percent)

**Objectives:** The project's main goal is to improve public financial management at regional and local level in Peru, allowing a more strategic allocation of public resources. It aims to:

- improve internal control, transparency and accountability in all budgetary cycle phases. This includes procurement, cash management and oversight.
- strengthen the public prosecutor's ability to investigate corruption and recover misappropriated public assets.

**Results:** The project has set up an asset recovery unit, trained 500 judicial officers to investigate corruption cases and enabled Peru to retrieve assets worth more than USD 40 millions.



### Project example: International Monetary Fund (IMF) Anti-Corruption Challenge

**Country:** Global

**Project Partner:** International Monetary Fund (IMF)

**Time period:** 2019 -2020

**Budget:** CHF 500'000 (SECO share: 237'500)

**Objectives:** Through this project, SECO-WE aims at promoting innovative technical solutions to address corruption in public administrations.

**Results:** Eight projects were selected for further development. Among them, the Extractive Industries Transparency Initiative (EITI) intends to create a system that identifies ex-ante possible risks of corruption in the license and contract allocation processes in the extractive sector. It will detect whether participants in a public bid are relatives or are otherwise connected to the public official(s) in charge of the license/contract allocation, and hence create a warning system regarding the possible lack of impartiality in the decision-making process.



## Further information:

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