



# Good Governance in the Caribbean: Obstacles and Opportunities

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### Foreword

Guy Mentel

The Caribbean has too often been relegated to the back seat of most Western Hemisphere policy discussions. With the exception of Cuba, the countries of the region have rarely emerged atop United States foreign policy priority lists. From climate change to blue economy issues to food security and increased digital connectivity, the Caribbean, with all of the challenges it faces, is also home to extraordinary opportunity and possibility.

The inspiration for this book was a July 2020 two-day conference co-sponsored by the U.S. Embassy in Suriname and Global Americans. The virtual summit brought together regional and international experts to examine possible paths toward political, environmental, and economic stability in the Caribbean. Relatively recent discoveries of large oil reserves off the coasts of Guyana and Suriname on the one hand, and growing Venezuelan refugee flows on the other, loomed in the backdrop of many panel discussions. The conference concluded with a number of recommendations, including a call for increased U.S. attention to the region in terms of both foreign assistance and engagement by senior-level policymakers.

During 2020 elections in the Dominican Republic, Suriname, Guyana, and Trinidad and Tobago, voters indicated that concerns over good governance were of utmost importance. This is neither a Caribbean-specific phenomenon, nor is it a particularly new one. Corruption hampers economic growth, inhibits efficient delivery of public services, deters investment, undermines democratic institutions, and erodes faith in the political process. According to Transparency International's Global

Corruption Barometer, only [39 percent](#) of citizens in Latin America and the Caribbean believe their government is doing a good job fighting corruption, while 57 percent think their government is performing poorly. Though the hemisphere has seen some successes in recent years, such as the wave of prosecutions that swept Latin America in the aftermath of “Operation Car Wash” (Lava Jato) or the corruption cases that brought down high-level politicians in Guatemala and Honduras, the region has also seen significant backsliding. Such regression can be seen in the dismantling of the United Nations-backed International Commission Against Impunity in Guatemala (CICG) and the demise of the Organization of American States-backed Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH).

In recent months, new leaders have taken power across the Caribbean. In Suriname, an embattled former military ruler who dominated the country's politics in recent decades bowed out of power after losing an election in the middle of the COVID-19 pandemic. In the Dominican Republic, the ruling Dominican Liberation Party (Partido de la Liberación Dominicana, PLD) was handed an overwhelming defeat. St. Vincent and the Grenadines held democratic elections that quietly decided the future of a country that had been run by former Prime Minister Ralph Gonsalves for four consecutive terms.

In the United States, a new presidential administration will also bring with it new opportunity to ramp up international anti-corruption efforts, making them commensurate with U.S. interests at home and abroad. For instance, the Biden administration might increase investments in regional cooperation on anti-corruption, deploying resources and expert assistance to

countries interested in developing internationally supported anti-corruption commissions. Policymakers might also consider establishing governance-themed public-private partnerships (PPP), given that companies suffer significant losses due to corruption in terms of unsuccessful bids and inhospitable markets. A serious focus on anti-corruption and good governance requires a whole-of-government approach in the U.S. and a commitment to work with partners across the hemisphere as they invest in policies that strengthen the rule of law, transparency, and democratic institutions.

Caribbean nations may also look to other institutions for guidance—both in terms of good governance and as cautionary tales. Regional tools and systems like the Caribbean Community (CARICOM), the Inter-American Anti-Corruption Convention, and the Caribbean Financial Task Force, among others, are already in place to allow Caribbean nations to share best practices and set standards for developing anti-corruption programs. The Ninth Summit of the Americas, to be held in the U.S. in 2021, will provide another important opportunity to rally hemispheric partners behind a good governance mission and message.

The audience for this series of essays includes policymakers, civil society actors, businesses, journalists, activists, and academics. The editors of this book hope that the ideas that fill these pages inform better public policies and inspire increased collaboration among nations in the hemisphere.

Global Americans would like to extend special thanks to Mavrick Boejoekoe in Suriname, Anthony Bryan in Trinidad and Tobago, and Scott MacDonald in the U.S. for their support in organizing the July 2020

conference. Global Americans would also like to extend our appreciation to the U.S. Embassy in Suriname and Ambassador Karen Williams in particular. Finally, all of the editors would like to thank the panelists who joined us for the July 2020 conference, including: Rayah Bhattacharji, Sharda Ganja, Dr. S. Jabbar, Dr. Georges A. Fauriol, Dr. Anthony Bryan, Dr. Maarten Schalkwijk, and Bruce Zagaris.

## Chapter 1. Introduction

Mavrick Boejoekoe, Scott B. MacDonald, Benjamin Henderson

This study seeks to identify the causes of corruption in the Caribbean, while determining how it influences the region's socioeconomic environment and pointing to what is needed to foster better governance going forward. These subjects should be viewed in relation to how Caribbean governments can provide better transparency and accountability to their citizens, improve their personal safety, and make their economies more competitive. The need for good governance has never been more critical as the Caribbean, and the world, struggle to cope with the health and economic crisis induced by the COVID-19 pandemic. This assumes greater importance considering recent elections in Guyana, Suriname, Jamaica, St. Vincent and the Grenadines, and Trinidad and Tobago; the discovery of large commercial quantities of offshore oil in the first two countries, and additional liquified natural gas (LNG) fields in the last; and the general impact of corruption and governance on a wide range of countries in the Caribbean.

Good governance implies effective institutions, responsible leadership, and integrity. The importance of this was heeded by social scientists Aron Acemoglu, S.

Johnson, and James A. Robinson, who [noted](#):

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*“Countries with better institutions, more secure property rights, and less distortionary policies will invest more efficiently to achieve a greater level of income.”*

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Equally important, there is also much to be said about the importance of good policies that stress the development of physical and human capital, both of which are critical to making institutions flexible and able to adapt to changing circumstances.

There can be considerable drawbacks from a lack of effective institutions, poor policies, and the dominance of a small elite who have organized society for their own benefit at the expense of the rest. In some cases, endemic corruption has led to political upheaval. One only need look to the root causes of revolution in France during the 1780s, Republican China in the 1920s and 1930s, and the late Soviet Union in the 1980s. Modern democracies have so far been exempt from this upheaval, as exemplified by the end of the Cold War and where judicial reform has empowered the national police and judiciary to tackle entrenched corruption, as occurred in Brazil during “Operation Carwash.” If corporate governance issues are added into the picture, the likes of the Savings and Loan scandals, Enron, and Bernie Madoff reflect many of the same concerns about greed and the erosion of public confidence in the United States.

The Caribbean faces the same governance challenges as other parts of the world. Corruption due to institutional weaknesses and societal norms are reflected by varying

levels of tolerance for official bribery, the penetration of criminal organizations into the political process, embezzlement of public funds, favoritism, and patronage. This has often left the Caribbean people questioning the value of their political systems and integrity of public officials, ranging from police officers to heads of central banks and prime ministers.

To varying degrees, Caribbean societies were shaped by the governing practices and roots of corruption inherited from their respective colonial powers. In the Spanish Caribbean, that can be traced back to the encomienda system introduced in the late 15<sup>th</sup> century and efforts to prohibit trade with other countries. Both created the need for informal networks that broke rules and regulations through contraband activities, bribes, and promotion of political allies and family members to key government positions. Spanish officials dispatched to the Caribbean colonies were forbidden from engaging in other business activities or accumulating property during their tenure in office, however, many departing colonial authorities either remained in the region, wealthy and powerful, or returned to Spain far richer than when they left. Corruption was also a serious factor in other Caribbean colonies under the English, Dutch, and French. Indeed, it could be said that during much of the Caribbean’s colonial era, corruption was the grease that lubricated the wheels of administrative machinery, reflecting similar experiences in the metropolitan countries which sent out officials to their southern postings.

The importance of dealing with corruption in the Caribbean remains. In the aftermath of the September 2020 elections in Jamaica, Prime Minister Andrew Holness indicated that his second consecutive government would be tough on corruption. At his inauguration ceremony, he noted:

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*“There will be those who believe that the majority is a basis for arrogance, gives license to do as they wish, creates opportunities to... selfish ends and their personal ambitions, gives room for complacency, and tolerance of errors. Those who hold such views would be sadly mistaken and soon separated.”*

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There is also an important economic impact of corruption. If members of the political class, workers in bureaucracy, and police all have their own “little charges” for which they already receive payment through taxes, economic activity becomes inefficient. This also pertains to the special interests that receive “special treatment” over other competitors, some of which could probably offer the same products or services for a lower price, ultimately benefiting the taxpaying public. Transparency reduces the ability of political elites and major domestic and foreign companies to make side deals during bidding and planning processes. Corruption can also distort national economic development. In Haiti, the illicit commercial trafficking that characterized their border with the Dominican Republic border before COVID-19 long provided an example of lost government revenues, special relationships, and bribes. In a March 2019 study by the Center for Strategic and International Studies, Mary Speck, Linnea Sandin, and Mark Schneider [observed](#) that “exports from the Dominican Republic, worth hundreds of millions of dollars, enter Haiti illegally each year, depriving the government of revenues needed to create jobs and provide basic services and stifling the growth of Haiti’s own agricultural and industrial sectors. Meanwhile, Haitians—unable to find employment, education, or healthcare at home—cross into the

Dominican Republic, swelling the country’s undocumented population.” The COVID-19 pandemic had a major impact on reducing the illicit flow of trade, but post-pandemic, the arrangement is likely to be revived.

The importance of good governance is a message that is widely understood in the Caribbean. The challenge is maintaining the political will to tackle the complex relationships entwined between the government and the private sector.

### **Why focus on Guyana, Suriname, and Haiti?**

#### **Guyana**

The discovery of large, commercially viable amounts of oil off the shores of Guyana and Suriname have put these two countries into sharper focus. From electoral practices to the transparency of government, financial transactions, and what type of institutions and policies will be installed to ensure that future revenue from their oil sales will be used for the national good, these governments will be under the microscope. Together with Haiti, Guyana and Suriname feature more in the following chapters than other Caribbean countries. This emphasis was reinforced by recent elections in the South American countries. Corruption was a major issue in Guyana’s March, and Suriname’s May, vote. In the former case, old charges against the 23-year rule of the People’s Progressive Party were dredged up, which included complicity with narco-traffickers, extra-judicial killings, cronyism, questionable land deals—one involving now President Irfaan Ali—and the mismanagement of the country’s sugar industry. There was also plenty of grousing over electoral corruption on the part of the outgoing “A Partnership for National Unity-Alliance for Change” government (2015-2020). Considering that the country’s two

major ethnic communities have a strong identification with one political party (the Afro-Guyanese tend to vote for the A Partnership for National Unity + Alliance for Change and the Indo-Guyanese for the People's Progressive Party/Civic), the Guyanese government is under considerable pressure to get it right on managing national wealth in an equitable manner.

It is worth noting that Guyana has been one of the few countries to make considerable improvements in anti-corruption measures since 2012. The global watchdog organization, Transparency International, ranked it 85 in its Corruption Perceptions Index (CPI) out of 198 countries. Part of the country's improvement came from actions by the Granger government, including making petroleum contracts publicly available, dismissing employees found guilty of corruption, re-establishing the Integrity Commission, appointing an ombudsman, activating anti-money laundering laws, passing whistleblower protection legislation, and updating the code of conduct for public officials. Following protests by citizens, the government also halted a major contract for parking meters in Georgetown, which violated procurement laws.

While Guyana fared well in Transparency International's 2019 CPI, there could be a downgrade due to the delay of the country's parliamentary election, which was finally held in March 2020 after the government suffered a no-confidence vote in December 2018 and the following dispute over the results, ultimately resulting in a change of government in August 2, 2020.

Going forward, corruption will no doubt be part of the charged political atmosphere in Guyanese politics. Guyana's oil gives it a chance for a brighter future, but there is considerable work that has to be done.

According to the World Bank's Ease of Doing Business 2020 rankings, Guyana ranks 134, which puts it below Iran, Paraguay, and Nigeria. As David Lewis [noted](#):

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*“Guyana needs to avoid the traps that so many other resource-rich nations have fallen into. Developing a new non-political regulatory system will be a crucial first step. But the country also needs systemic change to create a friendlier climate for local business and investment.”*

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### Suriname

Suriname's track record with corruption is a point of concern for many of the country's citizens. Part of this stems from the country's political development in which democratic norms were disrupted following the 1980 coup. The coup provided an opportunity for military strongman Desi Bouterse and those close to him to play an extended role in behind the scenes politics and allegedly corrupt economic activities for several decades, despite efforts of civilian governments to clean office. As one Dutch journalist, Douwe den Held, [wrote](#) in July 2020: “Bouterse proved to be an extremely controversial figure who dominated international coverage of the small South American nation. He took over Suriname in a military coup in the 1980s, returned to power as a democratically elected president in 2010, and has been accused of human rights abuses and drug trafficking.”

It is worthwhile to briefly review Bouterse's record. He was finally sentenced in November 2019 for the massacre of 15 political opposition members in December 1982; alleged to have had a hand in the

Moiwana massacre in 1986 where 35 Maroons were killed—mainly women and children—by the National Army then under his control; and in 1999 was sentenced by Dutch authorities to 16 years for cocaine smuggling; and has since been followed by ongoing allegations of being involved in using his country as a transit point in international drug trafficking and gold smuggling out of Venezuela. There was also the case in early 2020 of the central bank missing \$100 million out of its coffers. In the ensuing scandal it was revealed that the government decided to tap that money to keep current on debt repayments and purchase key foodstuffs, with an eye on the elections. The central bank head, Robert van Trikt, was dismissed and arrested. An arrest warrant has been issued for Bouterse's finance minister Gillmore Hoefdraad, who since the election, is thought to have escaped to Guyana. Rounding out the picture, Bouterse's son was arrested by the U.S. Drug Enforcement Agency in 2013 in Panama for offering to smuggle cocaine and helping Hezbollah to set up a base in Suriname—he is now sitting in a U.S. federal prison. There is more, but suffice to say that the government that won the May 2020 elections has considerable work ahead to clean up corruption.

For both Guyana and Suriname, the newfound wealth represents a major challenge. Managing oil resources will require transparent, effective, and responsible governance to avoid turning either country into another corrupt petro-state. In this, both countries are going to have their institutions tested to see if they can learn to adapt to changing circumstances. It could be said that in both cases a relative sense of isolation, much of it induced by remote geography and by language, contributed to a lesser level of external influences in terms of dealing with

corruption. Oil has changed that. The world has come to Guyana and Suriname, and with that, so has greater external scrutiny of governance and corruption.

### Haiti

As for Haiti, the issue of corruption is very much front and center to the country's ongoing problems in providing stable government. Indeed, Haiti is often regarded as being in a near-state of chaos. As Georges Fauriol, one of the conference panelists noted in an earlier [article in Global Americans](#), "Is Haiti a failing state? Or is it, as they say in French, 'à la dérive?'" The expression more accurately depicts what is happening in Haiti, providing the image of a drifting vessel at the mercy of currents, moving toward an inevitable disaster.

In the same article, Fauriol points to causes for Haiti's drifting, which include political dysfunction, imploding economic prospects, boiling public temper, and an electoral calendar debacle. A major thread that weaves together much of this state of affairs is longstanding corruption, which most recently has been exposed in a scandal involving a missing \$3 billion linked to the Venezuelan oil program run by PDVSA. The sheer size and scale of the scandal, which is thought to have lasted nearly a decade, was hard to miss in the poorest country in the Western Hemisphere.

Corruption has badly eroded the public's confidence in the Haitian government. Successive leaders and their parties have demonstrated an inability to deal with the hopes as well as the fears of its citizens. Poor governance has left a political landscape with little hope and boiled down to the basics in terms of an almost ongoing revolt against real and perceived injustice and inequality. Although much of Haitian society is angry over ongoing corruption, it



continues to be a central problem. Haiti remains in the bottom tier of countries ranked by Transparency International, a position it has consistently held, which in itself, makes the added focus on Haiti worthwhile.

Corruption and good governance are centerpieces to the future development of the Caribbean. While most of the Caribbean is far removed from the bottom rungs of corruption by various international ratings, major governance issues continue to exist and, in some cases, have profoundly distorted development of civil society.

Hopefully, the following essays help influence the process of creating a better Caribbean society and business environment for both local and foreign actors.

The paper is broken down into six chapters. Chapters two through four are dedicated to Suriname, chapter five covers Haiti, chapter six covers the Caribbean, good governance and the global accountability regime, and chapter seven provides recommendations for good governance. The last two chapters seek to put the Caribbean into a broader comparative perspective, which underscores the point that the region is not just seen by its own population for its positives and negatives, but also by external forces, ranging from multilateral lenders, private sector businesses, investors, and rating agencies.

### Chapter 2. A short theoretical view on causes and strategies to reduce corruption

Satcha Jabbar

Contrary to existing economic explanations in many developing countries, the political economy approach takes a broader view

regarding the occurrence of corruption by viewing societies as a conglomerate of different economic and social groups with conflicting interests that are exemplified by the economy. The competitive nature of society is also evident in the rules, laws, taxation, benefits and other national economic decision-making processes. What one is left with is “how [political forces affect the choice of economic policies](#), especially as to distributional conflicts and political institutions.” This leads to the question, how is it possible, despite laws, rules, and regulations in many corporations, government departments, and other private and public businesses that corruption is still present and, in many instances, even increasing in the international arena?

Public sector corruption cannot simply be reduced to people in positions of power stealing from the taxpayers and citizens. Nor can it be entirely explained by greed, low moral and ethical values, or weak institutional capacities. It has deep roots embedded in the forming of the society and the income distribution, especially in developing countries with a history of being under colonial rule. During colonial times, the “elites” of the economic and social hierarchy were created by a political, administrative, and financial elite created by the colonizing country. These groups interacted with each other to safeguard the interests of the colonial power. They were appointed to high state positions, were owners or shareholders of the plantations, owned ships to transport produce, and financed production and trade. The governor of the colony, appointed by the colonial power, saw to it that these overseas interests were protected. Leading up to and following independence, many of these individuals returned to their homeland having served the “tropical years” under the bosses and owners of capital, properties, and power. Few of the

workers stayed and became citizens of the colony, and those that did continued to cultivate strong ties to the former power holders.

### Suriname

In the aftermath of Suriname's independence in 1975, new social groups were formed. These changes in the country's social structure are an ongoing development that is related to production structures, accumulation of wealth, income distribution, and education. Old industrial and agrarian elites are now being replaced by or merged with capital market gurus and high-tech companies. The middle class is characterized by having specific skills and knowledge including doctors and teachers, medium- and high-level staff in large companies, small technical shops, etc. Lastly, low-income groups tend to have limited skillsets and are usually laborers and agrarian workers. In this group we also find low-ranking military personnel. Segments of the various groups tend to opt for state power or at least access to it.

### Ethnic diversity

What makes Suriname—and other diverse societies in the Caribbean—even more interesting is the presence of different religious and ethnic denominations within the economic stratification. This can have an impact on the existence (or absence) of corruption. Suriname's population may be small—under one million—but people of African, Asian, European, and American descent comprise an ethnic hodgepodge where no ethnic group has an outright majority. This is also reflected in the mix of languages, which range from Dutch and English to Sranang Tongo, Caribbean Hindi, Javanese and Chinese, with just as many varieties of religion dominated by Christianity, Hindu, and Islam.

### Causes of corruption

The Nordic countries—Switzerland, Singapore, and New Zealand—are all perceived as the least corrupt nations in the world, ranking consistently high in terms of international financial transparency. Academic literature suggests that this is due to the presence of a relatively homogeneous population, where one language is spoken and little ethnic diversity exists. According to social scientist Barry R. Weingast, for a country to avoid corruption there has to be an agreement between players to do so. This agreement is easier to achieve if the country is less socially segmented.

A society is viewed to be socially segmented if it possesses many different ethnic groups, as well as various economic and social groups with diverging interests. This segmentation often makes it more difficult to reach a common ground, with the various groups and factions within these groups, all competing for the provision of various public policies and goods.

Historically, ethnic and religious groups formed different “wings” within parties. As a result, political parties request different goods and services from the government. For instance, in the 1960s when two ethnically-based political parties held power in Suriname, one party requested overseas scholarships for their members, while the other group opted for land.

Cross-country regression studies have found that variables such as social capital, cultural values, and ethnic heterogeneity are correlated with measures of corruption and bureaucratic inefficiency. Combine this classification with the mix of economic classes and the picture is complete.

### How corruption influences the region's socioeconomic environment

Corruption influences the socioeconomic environment in many ways:

- 1) Corruption deteriorates norms and values as to what is right, especially in highly segmented societies like Suriname. It influences what is acceptable. For example, is it acceptable that party members can obtain public works contracts by getting inside information on the procurement prices just because they donated to the party?
- 2) Corruption discourages paying taxes. In a larger sense, it has even discouraged honest work in Suriname. If people are not paying taxes because they can bribe tax officers, other would-be taxpayers may choose to work in the informal sector to also avoid paying taxes to an unfair system. This hurts the economy by reducing public income, and with that, public provisions.
- 3) Corruption distorts market prices and therefore distorts the entire allocation process of goods and services. For example, smuggled alcohol, cigarettes, medicine, and food discourages the production of local products that cannot compete with the often-lower prices of the illegally imported foreign products that are not subjected to tariffs. Bribes paid to obtain public land also increase the market price of land. The message is clear: corruption benefits a select few, but hurts the nation.

### What is needed to foster better governance?

Since May 25, 2020 Suriname has begun putting the pieces back together after a decade of mass corruption, fraud, bad governance, and populist politics. One after the other the current government is unearthing massive scandals and handing

them over to the Attorney General, but what can be done to prevent corruption in the first place?

First, and most importantly, install a high-level authority for good governance that will have all the legal rights to carry out the following tasks:

1. Map all of the forms of corruption in: domain land management, public works, finance, government purchasing, health, international tendering, and between government and multinational organizations.
2. Produce a good governance handbook for the government of Suriname and make it an integral part of primary and secondary school curriculums, while also sharing it in the media.
3. Correct and punish past corrupt practices where possible.

As Suriname begins this new decade, it is not only fighting the COVID-19 pandemic, but also corruption. It is important to set the example that corruption is not okay, and that it causes harm to all in the long term.

## Chapter 3. The quality of governance in Suriname: A bridge too far?

Ine Apapoe

“Good governance,” “combating corruption,” and “integrity” are all popular terms among Surinamese politicians, civil society groups, and academics these days. The ubiquity of references to such ideas is due primarily to the economic and political turbulence of recent years, which has contributed to serious violations of the principles of good governance. The

Government of Suriname (GoS) is plagued by a weak system of checks and balances, and the Surinamese parliament is dominated by a majority that has prioritized adopting laws designed to reward political allies and maintain power, rather than serving the interests of the Surinamese population.

The quality of governance in a given country has long been an emphasis of donors, international organizations, scientists, and other national governments. Good governance is built from values such as democracy, popular democratic participation, lawfulness, integrity, efficiency, and effectiveness. Good governance establishes standards for the processes by which social, political, and economic conflicts may be addressed and resolved. Achieving good governance, however, requires extensive reforms and the collaborative efforts of civil society groups, the business community, political elites, and international organizations; the establishment of good governance, therefore, can pose a challenge for developing countries such as Suriname. This article seeks to demonstrate the central importance of integrity—and in particular incorruptibility—with respect to the construction of good governance in Suriname.

A 2001 study conducted by the [Inter-American Development Bank \(IADB\)](#) identified several obstacles to the achievement of good governance in Suriname, including: the existence of extensive patronage networks; a wealth of (and dependence upon) natural resources; and the corrupting influence of drug trafficking. The report also argued that there are significant shortcomings in the Surinamese judiciary, and the Constitution of Suriname, that undermine good governance.

As demonstrated by the [United Nations Development Programme's 2017 Corruption Risk Assessment for Suriname](#), the GoS remains ill-equipped to overcome these persistent obstacles to good governance in the country. This does not necessarily mean, however, that Suriname has not made any progress with regard to fighting corruption and reaching higher quality of governance in the two decades following the publication of the IADB report.

### **Attempts to establish good governance**

From 2003 until 2014, the GoS attempted to meet some of the requirements for good governance—to varying degrees of success—by involving the Surinamese population in the decision-making process through the [Decentralization for Local Government Program \(DLGP\)](#). (The program was formally discontinued in 2014, without having achieved all of its stated goals). From 2006-2010, the GoS spearheaded the [Public Sector Management Strengthening Program \(PSMSP\)](#), which aimed to improve and strengthen the Surinamese public sector, enabling it to function more efficiently and effectively. The PSMSP included awareness-building initiatives to ensure cooperation between all public sector stakeholders; and emphasized transparency and responsibility within the Surinamese government, the redefinition of legal arrangements, and the technical strengthening of governmental institutions. However, the implementation of the PSMSP proved to be an insufficient solution to the multidimensional challenges facing Suriname. As had been the case with previous efforts at reform, the PSMSP ultimately collapsed due to a lack of consensus-building, the inability of the GoS to issue the necessary regulations (e.g., budget, tax, customs, decentralization, procurement), and its limited capacity to

implement and coordinate its necessary reforms.

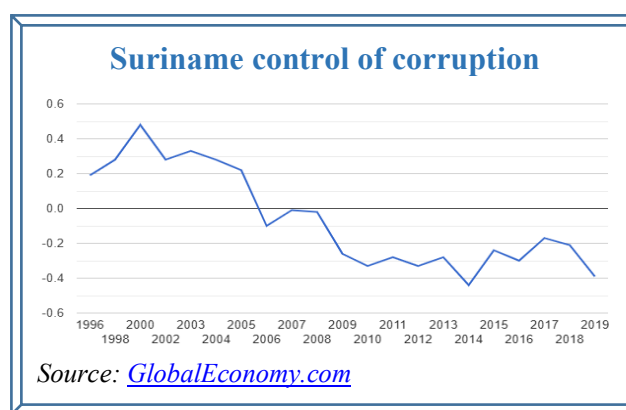
In his 2010 inauguration speech, former President Dési Bouterse announced the start of what he termed a “crusade against corruption.” Bouterse also called for the implementation of good and transparent governance and the finalization of the Openness of Governance Act (*Wet Openbaarheid van bestuur*). While this law has still yet to be adopted, a companion piece of legislation, the [Anti-Corruption Act](#), did come into force. After several amendments made to the draft in 2002, the law now mandates income, asset, and financial disclosure requirements, with strict submission timeframes, for certain government officials. A further revision to the law, in August 2017, also required the Surinamese National Assembly to create an Anti-Corruption Commission to prevent and combat corruption. However, although the Anti-Corruption Act has been adopted, it has not yet been proclaimed in the State Decrees (a legal condition that must be fulfilled before a law can be implemented). Furthermore, the parliamentary Anti-Corruption Commission has not yet been convened.

The August 2019 establishment of the Constitutional Court represented, in theory, a major improvement with respect to the Surinamese judicial system. In practice, however—just as other initiatives and programs (the DLGP, the PSMSP, the Anti-Corruption Act) have largely failed, due to the lack of enforcement capacity, the weakness of the public sector, and other persistent obstacles to the execution of good governance—the Constitutional Court has yet to fulfill its promise.

The fact that the aforementioned initiatives have not yet delivered concrete results is

understandable. Achieving good governance, combating corruption, and promoting integrity are complex tasks, requiring thorough preparation and collaboration between all interested actors. Establishing standards of good governance in Suriname is not just a question of the adoption and application of laws and rules, but also a question of understanding the political and administrative culture of Suriname, which is still largely defined by the widespread practice of patronage. The social expectations for political leadership represent another deeply engrained societal obstacle. In Suriname, party loyalists are frequently rewarded after elections with jobs directly within the government or other government-related organizations.

Thus, it is no surprise that, despite the legal and policy-related advances of recent decades, the corruption ratings for Suriname have worsened. In 2019, Suriname ranked 70<sup>th</sup> out of 198 ranked countries in the Transparency International rating system for control of corruption, scoring 44 out of 100 on the corruption perception index.



The path to better governance, controlling corruption, and promoting integrity, will not be an easy one; several challenging steps must be taken. It will be necessary to mobilize all of Surinamese society in these efforts. This means, firstly, that the government has to be demonstrably

committed to the execution and enforcement of good governance. Secondly, citizens and societal organizations, as well as political parties, will also need to build awareness and remain committed to their own roles in this process. It is not enough that legislation is adopted—such laws must also be implemented; and both preventative and penal anti-corruption regulations must be rigorously applied.

In other words, Suriname must undergo a complete shift in its collective mentality. Everyone in the country has to realize that good governance is a shared responsibility. Ultimately, the adoption and enforcement of policies and actions that will build and maintain good governance in Suriname will depend on the political will of the government; but it is Surinamese society that must hold the politicians accountable, demand integrity, combat complacency towards corrupt practices, and insist that unethical behavior will no longer be tolerated or accepted.

### Chapter 4. Legal aspects of helping Suriname achieve better anti-corruption and governance

Bruce Zagaris

The 2020 Good Governance and Corruption in the Caribbean conference raised the issue of the role of the rule of law in the region. In Suriname, those issues include a lack of transparency in procurement concerning extractive industries, anti-corruption, anti-money laundering issues, and the proper institutional framework for natural resource extraction. From a legal perspective, there are both challenges and opportunities for Suriname to improve its anti-corruption, anti-money laundering, and terrorist financing regimes. Achieving improvements in these areas will help in Suriname's

economic development, since investors rely on integrity in a host country's legal system.

Money laundering in Suriname is connected to transnational organized crime, especially the transshipment of cocaine. Public corruption contributes to money laundering. Profits from gold mining and related industries contribute to a boom in the informal sector. The bulk of the money in this sector does not pass through the formal banking system. Gold is used to barter in Suriname's interior. From January-October 2019, Suriname only prosecuted one case for money laundering.

In April 2018, the Dutch authorities seized approximately USD \$21.5 million of a cash shipment from the Central Bank of Suriname. On December 24, 2019, a Dutch court ruled in favor of the bank because, as the sender of funds, it has immunity and hence the funds could not be confiscated. Dutch prosecutors have continued the investigation into money laundering. They have also presented documents, suggesting that Surinamese commercial banks and cambios may have laundered USD \$82.6 million from 2017-2018.

The Financial Action Task Force (FATF) is a global money laundering and terrorist financing watchdog. The intergovernmental body sets international standards that prevent illegal money laundering and terrorist financing activities. FATF standards require the Surinamese government to complete and publish its national risk assessment, in order to strengthen its anti-money laundering and terrorist financing prevention (AML/CFT) policies. Countries should identify, assess, and understand the money laundering and terrorist financing risks they face. They should also take appropriate action in response, including designating an authority

or mechanism to coordinate risk assessment, apply resources, and ultimately mitigate risks. Likewise, the Surinamese government, financial institutions, and designated non-financial businesses and professions must apply a risk-based approach to ensure that AML/ CFT measures are commensurate with the risks identified. In March 2019, former President Bouterse signed a resolution requiring government agencies to cooperate with the national risk assessment. The government and stakeholders must prepare, disseminate, and apply a comprehensive risk assessment in the framing and implementation of its AML/CFT policies.

Suriname's Money Laundering Act of 2002—amended in 2016 and in accordance with international conventions and treaties—facilitates the seizure and forfeiture of assets, instruments, or products deriving from drug trafficking and other related crimes. However, Suriname lacks regulations for the accountability and transparency of the administration of seized and forfeited assets. Nor does Suriname offer or participate in specialized training programs for the administration and disposition of seized and forfeited assets. As a result, its executive agencies lack the capacity to effectively implement asset forfeiture laws.

One way in which Suriname can improve its AML/CFT policies is for its Financial Intelligence Unit (FIU) to join the Egmont Group. The Group is a body of 165 FIUs that offers a platform for the secure exchange of expertise and financial intelligence to combat money laundering and terrorist financing.

Any FIU which meets the criteria of the Egmont Group—namely being a national center for the receipt and analysis of

suspicious transaction reports and for the dissemination of that analysis—is eligible to apply to become a member FIU. A qualifying FIU should be able to access additional information from reporting entities and have access, on a timely basis, to the financial, administrative, and law enforcement information that it requires to undertake its functions properly. If the FIU is not able to meet the criteria due to national laws, lack of implementation, or its own lack of capacity, it is not eligible to join the Egmont Group. FIUs are uniquely positioned to support national and international efforts to counter terrorist financing. They serve as the gateway for sharing financial information domestically and internationally, in accordance with global AML/CFT standards.

Suriname is taking steps to join the Egmont Group. It could benefit significantly from the work of Egmont's Technical Assistance and Training Working Group, specifically the technical assistance and training Egmont members receive, often in conjunction with observer organizations and international partners. The group also supports FIUs facing significant challenges to complying with Egmont requirements and international standards.

Among the working group's courses are: Tactical Analysis, Strategic Analysis, Corporate Vehicles and Financial Products, Egmont AML/CTF Supervisory, and FIU Information System Maturity Model.

### **Anti-corruption and governance**

According to a [United Nations Development Program report](#), corruption in Suriname is in part due to “poor legislation, inadequate institutional mechanisms, inefficient public expenditure management, limited transparency, conflicts of interest, and the abuse of influence and power.” The

elements in institutions, sectors, and agencies contributing to corruption are: a concentration of authority and lack of effective checks and balances; weak transparency concerning executive decisions, combined with limited access to information; unclear regulatory systems that allow for discretionary decision-making; lack of consistency in implemented procedures and processes; and ineffective systems of oversight and enforcement. Among the concrete problems with Suriname's laws, institutions, and systems are the following: its laws are antiquated and too narrow to address modern corruption risks; even the proposed anti-corruption laws do not cover many issues that affect sectors like mining and forestry, such as widespread deforestation; anti-corruption measures in Suriname are new and also relatively narrow; the failure to ratify legislation; poor checks and balances; a lack of necessary institutional structures facilitates corruption; civil society has a limited role in promoting ethical principles like the rule of law, integrity, transparency, and accountability; and Suriname does not have a law that guarantees the right to access information (i.e. a freedom of information law).

Companies operating in Suriname's natural resource sector encounter a substantial risk of corruption. The lack of requirements for corporations to establish policies or internal controls, enlarges the risk of foreign companies becoming involved in corrupt practices. Additionally, though there is a financial disclosure law for public officials, it has not yet been implemented yet. Reports show that corruption is believed to occur in the allocation of licenses, the licensing process, the declaration of extraction results, and the payment of taxes and royalties. Bribery regularly occurs in the customs administration in relation to imports and

exports. Businesses encounter a large corruption risk when they bid public procurement. Irregular payments in connection with awarding public contracts and licenses are widespread. The lack of transparency makes the procurement system opaque. Gold is Suriname's main export. However, Suriname does not regulate gold mining and most of it occurs in a substantial informal economy. Illegal mining accounts for over [two-thirds](#) of gold extraction. Once Suriname starts to participate in the Extractive Industries Transparency Initiative and is evaluated, its anti-corruption and governance of natural resource extraction should improve.

Suriname's existing legal framework for anti-corruption originates from its outdated penal code, creating a number of problems. In 2017, the Surinamese Parliament enacted anti-corruption legislation, including financial disclosure requirements for certain government officials. The law requires income, asset, and financial disclosure and has strict guidelines for submission timeframe. However, the government has not yet set up the Anti-corruption Commission, which is responsible for implementing the law. Within CARICOM, Guyana, Jamaica, and the Bahamas have financial disclosure laws. None of them work effectively, partly due to lack of funding for their commissions and a lack of transparency.

Notwithstanding the yet-to-be-implemented anti-corruption law of 2017, Suriname needs to modernize its criminal laws pertaining to corruption. For instance, it needs a law facilitating whistleblowing. In terms of international conventions, Suriname is a member of the Inter-American Anti-Corruption Convention. However, it is not a member of the United Nations Convention on Corruption, which is the only legally



binding universal anti-corruption instrument. The convention's far-reaching approach and the mandatory character of many of its provisions make it a unique tool for developing a comprehensive response to a global problem. As of February 6, 2020, the convention has 187 participating countries, which means that Suriname would be able to cooperate with the 187 members in the investigation and prosecution of corruption offenses.

Similarly, Suriname did not update its regulatory and procedural frameworks allowing for effective cooperation mechanisms with other countries and relevant international organizations on the management of seized and forfeited assets. Moreover, although Suriname ratified the Inter-American Convention on Mutual Assistance in Criminal Matters, it is not a party to the Inter-American Convention on Extradition.

Ultimately, more must be done on a regional basis to combat corruption. With the help of the Commonwealth Secretariat, 12 Caribbean governments established the Association of Integrity Commissions and Anti-Corruption Bodies in the Commonwealth Caribbean in 2012. However, as it is not a member of the Commonwealth, Suriname did not participate. In 2015, the chief prosecutors from the Commonwealth countries in the Caribbean met to discuss best practices to recurrent issues that interfere with the prosecution of corruption, money laundering, and the recovery of proceeds of these crimes. The Commonwealth Secretariat organized the meeting in collaboration with the Caribbean FATF for the CARICOM Implementation Agency for Crime and Security and the UN Office on Drugs and Crime (UNODC).

Article 18 of the revised Treaty of Chagauramas provides for the establishment of a Legal Affairs Committee. Under Article 19(1), the Committee is responsible for providing advice on treaties, international legal issues, and harmonization of laws of the community. CARICOM should task the Legal Affairs Committee with devising regional approaches and best practices on anti-corruption and related initiatives.

### **Technical and financial assistance**

Suriname may want to take advantage of technical and financial assistance from international organizations and civil society, in order to improve its laws, treaties, and capacity to prepare new legislation, regulations, and negotiate treaties. The UNODC Regional Office for Central America and the Caribbean has a regional program consisting of the following five sub-programs: countering transnational organized crime, illicit trafficking, terrorism, corruption, and money laundering. The Inter-American Development Bank provides grants to CARICOM countries to prepare national risk assessments, revise AML/CFT laws and regulations, and strengthen exam procedures.

*One source of assistance is the Basel Institute of Governance. The independent not-for-profit organization providing technical assistance in governance, anti-corruption, and asset recovery to public and private organizations around the world actively engages in strengthening developing countries' capacity to investigate and prosecute cross-border corruption. It has collaborated with the Egmont Group to transpose in-person trainings on operational analysis and on terrorism financing into self-paced e-learning modules which are free of charge and available on <https://learn.baselgovernance.org>. The operational analysis training has been up*

*and running for over a year. Another potential source of training on anti-corruption and AML/CFT is the International Anti-Corruption Academy in Austria.*

While Suriname has significant room for growth in anti-corruption, transparency, and governance, the international community will welcome the opportunity to help the new government improve in all of these regards. In particular, the international community (e.g. the IMF 2018 Article IV report underscoring the need to strengthen governance) recognizes that many of the significant problems in Suriname, such as the more than doubling of its public sector debt since 2014 (constituting 77.2 percent of GDP in 2017), cannot be solved without a major transformation in improving its anti-corruption legislation and enforcement, transparency, and governance. The international community realizes that Suriname's richness in natural resources—such as gold, oil, bauxite, and timber—will significantly increase development and corruption pressure, requiring careful stewardship to manage the country's fragile environment and to protect endangered species in Suriname's marine and Amazonian biomes.

## Chapter 5. Good governance and corruption in the Caribbean: the Haitian challenge

Georges A. Fauriol

### Intractable issues

The past decade has witnessed a decay of established democracies' own commitment to democratic principles and in turn a qualitative decline in the adherence to norms and institutions of democracy world-wide.

How is this relevant to Haiti?

- First, an alarming feature has emerged across all regions of the world—as well as in Haiti: the difficulty governments are having in addressing the aspirations, let alone the fears, of their citizens. Much of this can be associated with poor governance, which has energized a revolt against real and perceived injustice and inequality.
- Second, this corrosion of good, let alone democratic governance, has translated into frustrations at both the policy and street-levels—sometimes violently. In the case of Haiti, the breakdown of national governance has made it difficult, if not impossible to deal effectively with Haiti's multiple other problems—notably systemic corruption.
- And third, a pattern of dismal governing performance from Haitian political leaders of all factions since the late 1980s has coexisted with painfully disappointing outcomes from layers of international donor efforts, let alone direct interventions.

Cumulatively, this should at least draw attention to the need by both Haitian leadership and its international partners to come to grips with a reality where the country's many woes remain unresolved. It is not entirely surprising that foreign actors are viewed by portions of both Haiti's intellectual and popular circles—and in Haiti's extensive diaspora as well—as a key source of the country's mess. Perhaps incongruously, this notion of foreign meddling—targeting particularly the United States, and multinational institutions, notably the UN system and the OAS—is often matched by an expectation that these

same actors will readily support Haiti in times of need. This leads to serious misjudgments and may begin to explain the disappointments of Haitian governance. Lost in the translation is the fatigue and frustrations evident among Haiti’s many friends, which easily gives way to policy expediency and outcomes which do not reinforce the foundations of Haiti’s fragile constitutional order.

### Haiti’s governance-corruption spectrum

This analysis works from the uncomfortable, but realistic, premise that corruption can permeate all sectors of Haitian governance. The magnitude of the challenge is confirmed by several overlapping indices: Transparency International’s 2019 Index ranks Haiti as the second most corrupt country in the hemisphere after Venezuela; the 2019 Global Competitiveness Report Index—which measures the quality of institutions and the ensuing human capital and economic ecosystem—ranks Haiti fourth from the bottom out of 141 countries (barely ahead of the Democratic Republic of the Congo and Yemen); and the World Bank’s Worldwide Governance Indicators, reporting across six dimensions of governance (notably, government effectiveness, regulatory quality, rule of law, and control of corruption), also rank Haiti dramatically low. These statistics reflect a perennial challenge for succeeding Haitian governments to effectively match up with good governance and anti-corruption activities in the Caribbean.

Making sense of the scope of the problem may best be visualized through what amounts to Haiti’s governance-corruption spectrum. This includes four arenas of policy activity: 1) economic governance, 2) political practices, norms, and effectiveness, 3) rule of law and constitutional apparatus, and 4) international community engagement

in Haiti. These four policy arenas can be matched up with what one might describe as “corruption triggers” embedded in each policy activity: a) financial transaction and resource flows, b) institutional mechanisms and management processes, and c) levels of authority and action mandates.

### Governance-corruption spectrum conceptual design

	Resource Flows	Institutional Processes	Mandates/ Authority
Economic Governance			
Political Norms/ Effectiveness			
Rule of Law/Const. Apparatus			
International Community			

One can operationalize this framework by looking at three cases of the past decade, notable by their sheer scope: the PetroCaribe embezzlement, the massive post-2010 earthquake reconstruction effort, and in a different context, the Haiti-DR uncontrolled cross-border trade flows between Haiti and the Dominican Republic. In varying ways each encompasses:

- The skewing of economic governance toward self-dealing through opaque mandates and administrative authority, let alone bureaucratic practices by those involved;
- An often-remarkable insouciance and resistance to achieving effective outcomes by tilting mandates, processes, and monetary flows toward corruptive ends;
- A dense and what is at times an impervious observance of formal rules, frequently degenerating into

broader institutional and systemic political chaos;

- And what can become a difficult, tiring, if not plotting interaction between Haitian actors and international community partners, leading to short-cuts and programmatic dead-ends.

### PetroCaribe

The scale of the PetroCaribe embezzlement (somewhere in the range of USD \$1.5-2.5 billion range, derived from Venezuela's discounted oil program and designed to support Haitian social and infrastructure projects, but also used for budgetary support) provides an illustration of the limitations of efforts to push political leadership toward corrective action. With support from the donor community, Haitian civil society and sometimes international media interest have been no match for the outside deception of successive governments and its allies. Eighteen-month-long public disturbances culminated in what was essentially a shutdown of the economy during fall 2019. With a focus on the need for government transparency and effective anti-corruption measures—in effect political accountability—public pressure successfully pushed through several investigations.

The most significant effort included an initial report from the Cour Supérieure des Comptes et du Contentieux Administratif (CSCCA—roughly equivalent to our Government Accountability Office [GAO] but with more autonomous legal authority) issued in May 2019, accusing PetroCaribe and a large swath of Haiti's government machinery of embezzlement. This expanded on earlier reporting from a parliamentary investigative effort (initially resulting in a 686-page parliamentary report issued in late 2017). Revelations have gone beyond targeting Moïse's predecessor (Michel

Martelly) and individuals in his government, several of whom transitioned to the current government—and suggested that Moïse might also be tainted by the scandal. After delays, the last installment of the CSCCA investigation was issued in August 2020, adding further credence to the fact that between 2006 and 2016 every government ministry, a number of autonomous public institutions, as well as Haitian and foreign firms benefited from PetroCaribe corruption—with no cost controls and budgetary oversight. The evidence is overwhelming, but in the context of Haiti's dysfunctional politics and weak judiciary, this begs the question of what happens next. Fast forward into 2021 and it is likely that the PetroCaribe matter will have remained an unresolved political and legal issue.

### Post-January 12, 2010 earthquake reconstruction

This natural catastrophe left an estimated 220,000 people dead, 300,000 injured, and an already weak national governance infrastructure facing destruction and a humanitarian tragedy. This also let loose an unprecedented flow of humanitarian aid—by 2015 approximately USD \$13.5 billion in contributions and pledges, about three-quarters from public/country donors and the rest from private sources. But, the optimistic notion of "building back better" quickly gave way to the fog of overlapping or duplicative initiatives, overconfident programming disconnected from the reality on the ground, an anxious interaction between local and international reconstruction and development actors, and an over-reliance on foreign contractors essentially by-passing the admittedly limited absorption capacities of Haitian public institutions.

The global goodwill was undermined by headlines such as the American Red Cross claims of a major home building project that

by 2015 could reportedly account for only six new homes. Multiple infrastructure (notably roads, bridges, and even sports facilities) and public building reconstruction contracts were issued to Dominican and other non-Haitian businesses that often appeared to have links to individuals within the Haitian public sector bureaucracy and political community—and with cost payouts often exceeding project deliverables. For good measure, PetroCaribe funding was also diverted toward reconstruction projects with little accountability. Politically overstated critiques linked to the Clinton Foundation (later expanded to the Clinton-Bush Haiti Fund, involving funding raised by both former U.S. presidents), added to the overall diminishing credibility of rebuilding efforts, regardless of the validity of the accusations against the foundation. In a telling, even tragic, indicator of the failings of the 2010 earthquake reconstruction undertaking occurred when the COVID-19 pandemic hit Haiti in March 2020. It emerged that three medical facilities built in the aftermath of the earthquake lay unopened. The general hospital in Port-au-Prince (primarily funded with U.S. and French government funding), a regional hospital in Gonaïves (with Canadian support), and a smaller facility in Jacmel (with support from Japan) remained unusable because the government had not yet appropriated the budget to staff the facilities.

### **Uncontrolled trade flows between Haiti and the Dominican Republic**

The Caribbean remains a bridge between North and South America, and that reality translates into several transnational threats—notably drug trafficking and organized crime, human trafficking, weapons trafficking, and terrorism. This provides the backdrop to why an uncontrolled Haiti-Dominican Republic (DR) border has been a long-standing concern to policy-makers in

Washington. The Haiti-DR border is emblematic of dysfunctional governance shielding corruption on an institutionalized scale. [A paper prepared](#) in 2019 by the Haitian private sector alarmingly noted that no other political, social, or economic development strategy in Haiti will succeed without ending the enormous illegal border trade that kills employment, depresses economic growth, and robs government revenues.

- *In 2015 Dominican exports to Haiti totaled USD \$1.4 billion, while Haitian exports to the DR amounted to only USD \$4 million.*
- *In 2018 exports from Haiti to the Dominican Republic were still less than USD \$60 million.*
- *The budget deficit of the government of Haiti in 2018 was approximately USD \$350 million.*
- *Lost income at the border for the Haitian government from Dominican imports was estimated to be in the USD \$350 million range.*
- *For the same year Haiti's customs collection of duties at border points was only around USD \$15 million.*

What has facilitated this corrosive environment is also what amounts to collusion among layers of Haitian and Dominican beneficiaries in both the public and private sector. This includes lax customs controls on both sides of the border enabling contraband and illegal trade, made worse by border flows occurring outside of the four formal border crossings. For this process to remain in place also implies collusion that reaches back into the political leadership of both countries. Under-resourced Haitian customs and border controls, seizures of merchandise, and the capacity to impose sanctions against contraband and fiscal fraud

are no match for the volume of day-to-day merchandise and vehicle crossings (and foot traffic). This also affects backup enforcement mechanisms responsible for monitoring and implementing anti-corruption regulations, let alone applying penalties to those who break them. The scale of a dysfunction affecting Haitian trade extends even into arenas deemed by most observers as relative success stories. A case in point may be the over-hyped Caracol Industrial Park in northeast Haiti, built from scratch after the 2010 earthquake with massive support from the United States and the Inter-American Development Bank. The park was designed to tackle the country's unemployment rate as well as create jobs away from the overcrowded capital, Port-au-Prince. It attracted major investors, notably South Korean textile/garment companies. However, the government's mismanagement of the park—corruption and concerns over security—has cast a level of uncertainty about the entire initiative.

### More of the same

In recent months there have been cases involving electric power breakdowns, water supply shortages, as well as fuel supply scarcities—each with a history of mismanagement and the same refrain of government agencies operating with little oversight and budgetary controls. Following the 2020 summer hurricane season, clearing away damage was hampered because heavy equipment owned by the government's Centre national d'équipement (CNE – national equipment center) lay abandoned and non-functioning. In a similar vein, armored vehicles from the Haitian national police broke down mechanically while responding to recent public disturbances in the Port-au-Prince region.

By the end of 2020, Haiti's unstable socioeconomic edifice also faced a domestic constitutional crisis regarding the length of

President Jovenel Moïse's mandate, let alone how to carry out legitimate elections delayed since fall 2019. Arguably, addressing Haiti's governance and corruption challenges is more related to a shortage of political will and discipline coupled with weak institutions, than access to international donor assistance and expertise. The latter remains available from a variety of country donors and international development institutions, but the common refrain often heard relates to the limited absorption capacity of Haitian partners. To achieve results, a sharper emphasis might also be placed on policy mechanisms with a longer-term and wider political impact.

### U.S. policy

Despite being an election year, Haiti continues to receive attention on Capitol Hill, including two House hearings—one in December 2019 and another in March 2020. In both cases one constant was Haiti's inability to come to grips with corruption, violence, and political dysfunction. Early last year a bill was introduced—whose title encapsulates much of those concerns—HR 5586 Haiti Development, Accountability, and Institutional Transparency Initiative Act. It specifically targets corruption, violence and impunity, freedom of the press, and for good measure, requires updated reporting on funding related to post-earthquake reconstruction efforts.

A latent concern is that U.S., and more broadly international funding, is being misused as budgetary gap-fillers compensating for the loss of revenue due in part to Haiti-DR border contraband trade. In recent years, USAID funding has attempted to address this issue, but it likely lacks the political bandwidth to truly alter Haitian behavior. If the U.S. Congress is energized, this could change the calculus. A promising proposal emerged at last December's

hearing in the House of Representatives to create a bipartisan working group of members in the U.S. Congress, providing a robust Haiti policy platform on Capitol Hill. This would be welcomed by Haiti's civil society which has provided much of the political energy pressing for greater transparency across the country's political and economic institutions.

The governance-corruption theme potentially partners as well with a less defined, but broader interest in U.S.-Caribbean resiliency policy. Effective resiliency is all about acting on anticipated changes, or opportunities. In U.S. policy terms, this has traditionally referenced the Caribbean's capacity for disaster management and overcoming political breakdowns—a definition that matches up with Haiti's national struggles. In this regard, the U.S.-Caribbean Resiliency Partnership is a commendable endeavor which should pay particular attention to Haiti. However, this requires robust engagement from Haiti's political leaders, civil society, and the private sector that needs to go beyond what, until recently, has been framed mostly by short-term responses and infusions of resources.

### **Regional policy responses**

Haiti should be given credit for pursuing investigations of the PetroCaribe scandal, but issuing government audits and parliamentary investigations reports is not enough. There is a need to develop more sustainable mechanisms to address widespread public sector corruption and constructively channel public anger. This kind of civil society activism is appealing to international donors ready to support more robust judicial assistance programs and the investigatory capacity of key government and judicial units, but this will not be sufficient to circumvent political

interference and requires creativity from the international community. The recent, and imperfect, experiences in Guatemala (the UN-backed International Commission Against Impunity in Guatemala) and Honduras (the OAS-backed Mission to Support the Fight Against Corruption and Impunity in Honduras) can provide some lessons, but they are not easily transferable.

A more promising avenue is to capitalize on Haiti's membership in CARICOM and its institutionalized commitment to the rule of law. Haiti's governance breakdowns have historically triggered engagement from its Caribbean neighbors, and although a new Haitian ambassador to CARICOM was recently named, the Moïse government has not easily welcomed interest from CARICOM. Nonetheless, this is a constituency with core competencies to develop an effective Caribbean anti-corruption and transparency mechanism on a scale which Haiti might find more welcoming. This dovetails with existing technical and financial assistance initiatives on anti-corruption, and the emergence of regional and international enforcement mechanisms—notably the CARICOM Implementing Agency for Crime and Security, the Association of Caribbean Commissioners of Police, and national enforcement capacities. Beyond functional areas of expertise is the reality that this mix of institutions also represents a network of partnerships with international funding agencies, government donors, and philanthropic organizations working on transparency and anti-corruption measures. Haiti has to take a more energetic approach to all of this.

## Chapter 6. The Caribbean, good governance, and the global accountability regime

Scott B. MacDonald

Good governance is a major concern in the Caribbean. Indeed, the issue of corruption is an ongoing point of discussion in some countries and a topic that tends to arise during elections. This was amply evident in 2020's hotly contested elections in the Dominican Republic, Guyana, Suriname, and Trinidad and Tobago. In each case, campaign narratives included concerns of citizens over governance, which have an impact on their day-to-day lives in the form of quality of public services, accountability of government finances, and law and order. While the need for better governance is an issue in the Caribbean, the region is hardly unique in dealing with such challenges. Caribbean governments are finding themselves increasingly brought into a broader international system of governance accountability. While this at times may be perceived as external interference, the creation of such a global accountability regime generally functions as a force for positive change, especially if it contributes to the creation of more robust civil societies. The Caribbean is hardly unique in facing governance issues. According to the World Economic Forum, the global cost of corruption in 2018 was estimated to be USD \$2.6 trillion, equal to a fifth of the global economy at the time. The World Bank estimates that over USD \$1 billion is paid in bribes for corrupt purposes every year.

But that is not all. International news headlines in recent years provide rich findings in terms of corruption in high places. In Malaysia, the 1MDB scandal helped bring down the government, put its former prime minister on trial for

corruption, and in 2020 saw Goldman Sachs, the U.S. investment bank, reach a settlement of USD \$3.9 billion with the Malaysian government for its part in the scandal. In Brazil, the 2010s were rocked by Operation Car Wash (Operação Lava Jato), which revealed extensive money laundering and bribery involving the state-owned oil company, Petrobras. The ripples from that scandal ultimately sent one former president to prison, helped impeach another, ruined the reputation of one of the country's largest and best-known companies, Odebrecht, and snared high-ranking political figures in other parts of Latin America. The United States has also seen its share of public corruption. It is often forgotten but it was only in 1883 that the U.S. officially did away with the spoils system via the Pendleton Act, and there have been many financial scandals, not necessarily involving the government, but nonetheless causing damage to the public faith, including the Savings and Loans scandal, Enron, and Bernie Madoff.

### How corrupt is the Caribbean?

In many ways this is a loaded question, something that no doubt makes many government officials roll their eyes in exasperation. Although the Caribbean does not have the same litany of massive multi-billion-dollar scandals spread across several national jurisdictions as in the cases of Malaysia and Brazil, it is fair to say that corruption exists. In its 2019 survey of corruption in Latin America and the Caribbean, global corruption watchdog Transparency International's [main findings](#) were: corruption is on the rise; governments are not doing enough; presidents, prime ministers, and parliamentarians are seen as the most corrupt; bribery is a regular occurrence for many; sexual extortion is a major issue; political integrity is lacking, especially around elections; and, despite fears of retaliation, citizens can make a



difference. Countries in the survey representing the Caribbean included the Bahamas, Barbados, the Dominican Republic, Guyana, and Jamaica. In these countries, Transparency International noted a sizable group of people who see government corruption as a big problem.

**Government corruption, by country (2019)**

Country	Percentage of people who concerned with corruption
Peru	96%
Colombia	94%
Argentina	93%
Dominican Republic	93%
El Salvador	93%
Venezuela	93%
Honduras	91%
Brazil	90%
Guatemala	90%
Mexico	90%
Panama	90%
Chile	85%
Trinidad and Tobago	85%
Costa Rica	82%
Bahamas	80%
Jamaica	78%
Guyana	59%
Barbados	53%

Source: *Transparency International*

It is worth noting that in the Caribbean (as elsewhere) corruption is often in the eye of the beholder; practices conducted by the local population may be perceived as normal, yet from the outside may be seen as a form of corruption. In some countries this would include the hiring of family members or the favoring of certain companies for government contracts run by family members and friends. Other forms of corruption, including the large-scale embezzlement of public funds, the laundering of those funds, the removal of

honest officials who stand in the way, and taking bribes tend to be more blatant and easier to identify.

Most Caribbean countries have faced these issues, a situation probably not helped by the longevity of certain governments. In Cuba, which has seen only three leaders since 1959, political power is exercised and monopolized by a narrow elite, leaving much of the population feeling held back by an ineffective and corrupt state. The cost has been that many Cubans have not used their ambition, talent, and entrepreneurial drive at home, but have left and contributed to the economic life of the United States, Spain, or other parts of Latin America and the Caribbean. Much of the same could be said about Guyana during the long years of Forbes Burnham (1964-1985), which proved an incentive for many Guyanese to leave and test their skills in North America, the United Kingdom, or other parts of the Caribbean.

As corruption has long been an issue, there has been an effort to develop databases and ratings systems to help governments, citizens groups, businesses, and investors quantify levels of corruption. Transparency International provides rankings for 198 jurisdictions based on comparable data. In these, Caribbean countries generally fare well with a sprinkling of representation in the upper tier (least corrupt) and bulked in the middle, though Haiti is notable for being in the bottom tier. The Bahamas and Barbados are the most highly ranked (not far from the United States), reflecting high levels of rule of law, transparency, functioning judiciaries, and low crime rates.

**Transparency International rankings for the Caribbean and selected countries (2019)**

Country	Rank (out of 198)	Score (out of 100)
United Kingdom	12	53
United States	23	69
Bahamas	29	64
Barbados	30	62
St. Vincent & The Grenadines	39	59
Dominica	48	55
Grenada	51	53
Cuba	60	48
Suriname	70	44
Jamaica	74	43
China	80	41
Trinidad & Tobago	85	40
Guyana	85	40
Panama	101	36
Russia	137	28
Dominican Republic	137	28
Haiti	168	18
Venezuela	173	16

Source: Transparency International

Transparency International is not the only organization that rates and ranks countries in terms of governance. Considering the importance of access to international capital, the Caribbean has increasingly had to take into consideration the role of international rating agencies. These include Moody's, Standard & Poor's, and Fitch, which provide sovereign ratings. Such ratings are important for many investors looking at the region as a potential place to invest, as they provide an idea of creditworthiness and put countries into peer groups consisting of members from around the world. Considering the Caribbean's large infrastructure needs, having access to such investors is important. Rating agencies look for robust anti-corruption measures and systems to control debt, external sustainability, and overall development prospects. This brings into play such variables as bureaucratic quality,

investor protection, rule of law, government effectiveness, and democratic accountability.

Another governance rating database is the World Bank's Worldwide Governance Indicators. This covers a wide range of indicators pertaining to governance and corruption. Included in the World Bank's program are such items as "control of corruption" and "voice and accountability." Under the first are such considerations as corruption among public officers, public trust of politicians and transparency, accountability, and corruption in the public sector. Under voice and accountability are such items as press freedom, human rights, role of the military in politics, and openness of the budget process.

The World Bank also created the Ease of Doing Business Ranking Index. It takes into consideration items such as what it takes to incorporate a business, get a building permit, obtain an electricity connection, transfer property, get access to credit, protect minority investors, pay taxes, and enforce contracts. All of this points back to regulations, or the rules of the game. Corruption can complicate many of the factors that go into creating a positive environment for business, which, in turn, can result in lost opportunities including employment generation, a broader and deeper tax system, and better social services. Among Caribbean countries, Jamaica (71 out of 190), St. Lucia (93), and Trinidad and Tobago (105) ranks the highest; Grenada (146), Suriname (162), and Haiti (179) rank the lowest.

Another part of the global accountability regime is ESG (Environmental, Social, and Governance) standards. ESG is used by private investors (pensions, companies, and mutual fund managers) to gauge how a

company or project in which they are investing, either through green bonds or direct investment, meets these standards. Although ESG investment started from low levels in the early 21<sup>st</sup> century, it now accounts for billions of dollars, and in the post-COVID-19 environment will continue to expand further. Moreover, many of the world's leading companies (a number of them active in the Caribbean) are adopting ESG standards. According to a [survey by KMPG](#) (one of the world's largest accounting firms), 75 percent of the largest 100 companies across 49 countries indicated that they are employing ESG business models or incorporating aspects of sustainability approaches, a number which shifted substantially upward by 2017 from just 12 percent in 1993.

For Caribbean governments, ESG becomes important from the standpoint that investors may shy away from investing in companies operating in jurisdictions that have poor track records with environmental compliance, governance, and transparency. This has particular relevance for companies operating in the extractive industry, including mining, oil, and gas. Equally important, Caribbean aspirations to implement Blue Ocean economic policies that tap the potential of the local ecosystems constructed around oceans systems fit into a widening ESG investment menu. The blue economy approach combines conservation and growth in the context of oceans, seeking to provide a sustainable and integrated development strategy. It enables small states to provide ocean ecosystem services and to develop new industries in aquaculture, sustainable tourism, marine biotechnology, seabed mining, and other growth sectors. Considering that competition for international capital, this could well provide Caribbean countries a

wider platform to attract foreign and domestic investment.

There are other ways that Caribbean countries and territories are rated. These include organizations like the Organization for Economic Cooperation and Development (OECD), the Financial Action Task Force, and other multinational groups that create “blacklists” and “greylists” for jurisdictions that are regarded as facilitating money laundering and other types of financial crime or tax evasion. The European Union's Economic and Financial Affairs Council maintains a list of “non-cooperative” jurisdictions for tax evasion. The last revision, in February 2020, included the following Caribbean countries: the Cayman Islands, Panama, Trinidad and Tobago, and the U.S. Virgin Islands. Jurisdictions that had previously been on the EU blacklist were Aruba, Barbados, Belize, Bermuda, and Dominica, but they were removed as they worked with the EU to improve their tax compliance standards (despite a degree of acrimony over a European imposition of what constitutes an international norm).

The stakes for the Caribbean are high in terms of governance issues, especially in a region hard hit by the COVID-19 pandemic. The Caribbean already has a number of reasonably well-developed organizations that include CARICOM, the Caribbean Court of Justice, the Caribbean Development Bank, and the Caribbean Financial Task Force. Although there is often grouching over the value of Caribbean regional organizations, the region would be much poorer without them as they provide important forums for discussion, technical expertise, and the creation of regional standards. Moreover, they reinforce ideas about the need for robust civil societies and their projects should help promote civic organizations throughout the region.

Looking ahead, good governance and tackling corruption are important to the Caribbean. This comes in many shapes and forms, but for governments in the region to deliver the package of goods that their citizens should expect (law and order, functioning public utilities, and working healthcare and educational systems), there has to be a commitment to maintaining systems that promote the public good. In some cases this means not just having laws on the books, but also enforcing those laws. At the same time, Caribbean governments have to be aware that, as they are increasingly held to a higher standard by their own citizens, they are also held to international standards. Accountability to both domestic and international constituencies may add to the pressures on government, politicians, and business leaders, but the results are societies that are more inclusive and equitable—a goal to which all citizens can aspire. The importance of accountability was caught by the American sociologist E. Digby Baltzell, “The downfall of every civilization comes, not from the moral corruption of the common man, but rather from the moral complacency of common man in high places.”

### Chapter 7. Recommendations for good governance in the Caribbean

Scott B. MacDonald, Bruce Zagaris, and Georges A. Fauriol

Most acts of corruption occur under the radar; you know they are there, but they are just out of sight. It can also be argued that the challenge of good governance is just as elusive, and remains an issue for governments and civil societies across the world. The task facing countries is one of striking the right balance in terms of rules

and regulations, which support the ideas of the rule of law and the ability of businesses and individual citizens to function in their day-to-day capacities.

Getting this balance right is not an easy task. The American political scientist Samuel P. Huntington caught some of the nuances of this balancing act in *Political Order in Changing Societies*:

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*“In terms of economic growth, the only thing worse than a society with a rigid, over-centralized, dishonest bureaucracy is one with a rigid, over-centralized, and honest bureaucracy.”*

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Whether one agrees or disagrees with Huntington’s observation, it underscores the importance of “getting it right” with respect to good governance. In this regard, the Caribbean is no exception.

It is instructive that, in 2020, the newly-elected leaders of Jamaica, Guyana, and Suriname stated that corruption was a major concern for their administrations. Indeed, in his inaugural address, Jamaican Prime Minister Andrew Holness promised that steps would be taken to strengthen the country’s anti-corruption agencies, and that each of the elected members of his party would participate in the sensitization and public education programs that would be created by Jamaica’s Integrity Commission. According to Holness, this requirement would increase their awareness and understanding of the anti-corruption legislative framework, “not just [to] sensitize them, but to ensure that they are [aware] of their duties under the law and

understand that this will be an accountable government.” He also stated, “In addition to investigation and prosecution, we must also seek to present the occurrence of acts which weaken public trust and damage the integrity of the government.”

The Global Americans Conference on Good Governance and Corruption in the Caribbean offered up a productive discussion on corruption and good governance best practices, recognizing that some reforms are geared more toward domestic conditions (influenced by local societal views pertaining to different practices and tolerance to certain practices) and others toward externally-driven factors. The following recommendations and key observations build upon those discussed previously:

- There is a need to create a high-level authority for good governance that will set the government’s tone on governance by outlining all forms of corruption that may exist in the public domain, and can provide a handbook on best practices to educate cabinet ministers, departmental heads, and rank and file civil servants. This project could also be extended to the broader public through the education system. The good governance body should also have the authority to correct and punish corrupt practices when necessary, with the support of the head of government. Jamaica and Guyana have integrity commissions, but such a mechanism is absent in Suriname. In July 2020, Barbados passed the Integrity in Public Life Act, which seeks to deter and punish corruption by politicians, senior public officers, and high-ranking managers of state-owned enterprises.
  - Most Caribbean governments have made laudable commitments to democratic governance, yet they need to update their governance practices to adapt to changes in the global economy—in particular, with regard to the increasing digitalization of commerce and investment. These are not easy tasks. The reality is that, while endowed with governance assets and regional institutional mechanisms, the Caribbean is also a nexus of chronic deficiencies, notably in public sector transparency and corruption.
- Its geography continues to make the Caribbean region a conduit for drug trafficking, organized crime, human trafficking, and terrorism. Each of these phenomena introduce illicit financial flows that fuel persistent crime in most Caribbean nations and undermine good governance. Portions of the region, notably the southern Caribbean’s oil and gas belt, are magnets for highly lucrative multinational investments, which carry with them an uneven record of faithfulness to notions of transparency. It is muddled further by geopolitics, notably China’s Belt and Road Initiative, which offers development and infrastructure funding to Caribbean nations that have been increasingly critiqued for operating with sometimes opaque contracting and investment criteria.
- This raises the need to maintain and, in some cases, upgrade ties to international organizations involved in dealing with transnational crime on such areas as money laundering, terrorist financing, fintech

applications, and crypto-currencies. Sources of assistance include the Basel Institute of Governance, the Inter-American Development Bank (already active in most countries in the region), and the United Nations Office on Drugs and Crime (which has a regional office for Central America and the Caribbean). And, of course, the regional governments have access to the Caribbean Development Bank, which considers the promotion of good governance to be critical to Caribbean development. The Egmont Group, a body of 165 Financial Intelligence Units (FIUs), is a platform for the secure exchange of expertise and financial intelligence to combat money laundering and terrorist financing. Most Caribbean countries and territories (including Aruba, Curaçao, the British Virgin Islands, and the Cayman Islands) are members; Guyana, Haiti, and Suriname are not.

- If Caribbean countries have not established their own offices of Transparency International (TI) or similar transparency organizations, they should consider doing so. TI provides an important global benchmark for each nation's civil society, as well as domestic and foreign business. Similarly, the establishment of regional and local offices of the International Association of Journalists and Investigative Journalists would be worthwhile.
- Guyana and Suriname need to strengthen mining sector governance, transparency, accountability, and administration. These reforms should

also encompass supporting supplementary reforms in legal, regulatory, and institutional frameworks. Both countries are currently experiencing vigorous oil and gas exploration as well as significant goldmining operations.

- There is also a need to update rules and regulations pertaining to the management of forests in Guyana and Suriname. Forests make up around 90 percent of land cover in each country and are relatively untouched, compared to other countries like Brazil, Indonesia, and the Democratic Republic of Congo.
- Through its Legal Affairs Committee, CARICOM should play a role in upgrading the regional and member standards on governance and anti-corruption. CARICOM should supplement the work of the Commonwealth Secretariat in establishing the Association of Integrity Commissions and Anti-Corruption Bodies in the Commonwealth Caribbean. This would focus attention on the need to modernize anti-corruption, governance, money laundering, freezing, and forfeiture laws.
- The Caribbean Association of Chiefs of Police should also play a proactive role in helping to build the capacity for anti-corruption work by domestic law enforcement.
- CARICOM should consider helping develop uniform financial disclosure legislation for its members and help ensure they are properly resourced. Guyana, Jamaica, and the Bahamas

have financial disclosure laws, but none of them work effectively.

- Caribbean governments should consider working with the IADB, the UNODC, and the Follow-Up Mechanism for the Implementation of the Inter-American Convention against Corruption to strengthen anti-corruption legislation and resources.
- The European Union, Canada, the United States, and the Nordic countries are all potential candidates to contribute to strengthening anti-corruption and good governance activities in the region.
- Clearly, pushing for more robust judicial assistance programs and

supporting the investigatory capacity of key government and judicial units will not be sufficient to circumvent political interference in some countries in the region. This will require creativity from the international community, but most importantly, from Caribbean political and civil society leadership. The elements for overcoming political obstacles exist. For example, with encouragement from international partners, CARICOM's institutionalized commitment to the rule of law provides core competencies to develop regional anti-corruption and transparency mechanisms.

## About the Authors

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