Summary

The roots of public fraud and corruption in the Dutch Caribbean
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INTRODUCTION

Fraud and corruption are an ongoing problem throughout the Dutch Caribbean, while little empirical attention has been focused on this issue. The objective of this qualitative study is to contribute to a better and fuller insight in the nature and the explanatory factors of public fraud and corruption in the Dutch Caribbean.

The central research question of this thesis is:
What kind of (alleged) public fraud and corruption cases are tried before the Court of Appeal in the Dutch Caribbean, what do these cases unfold about the characteristics of fraud and corruption and the macro, meso and micro level factors affecting them?

Sub-questions include:

1. How are public fraud and corruption described in the literature?
2. Which factors explain public fraud and corruption according to the literature?
3. What is known about the nature, scope and approach of public fraud and corruption in the Dutch Caribbean?
4. What characterizes the researched cases of (alleged) public fraud and corruption, and how was this research conducted?
5. Which types of (alleged) public fraud and corruption follow from the researched cases of the Dutch Caribbean?
6. Which explanatory factors at the macro, meso and micro level are dominant in the 46 studied cases?
7. Which patterns became visible in the empirical research, and what do these insights contribute to our knowledge about public fraud and corruption and the battle against these phenomena (especially in the Dutch Caribbean)?

In this study, the focus is on public officials who use their position to benefit themselves, their family, their political party, or other private interests at the expense of public interests. This specifically refers to public monies, goods, information, jobs, permits, and services which have been obtained from the government in an unlawful manner. Corruption always involves two parties: the corruptor and the corrupted. Reciprocity is central and inherent in the case of corruption: the corrupted receives money or other privileges or perks, while the corruptor stands to win something in return, such as a permit or a government job. Fraud can also refer to cases in which the perpetrator can profit personally without benefitting others.

The definition of the term public official in this study is broad based and includes all employees who are considered to work as civil servants. In addition, employees of
government-owned companies and entities, where government is a deciding factor in the manner in which business is conducted, are also considered public officials, as well as ministers, lieutenant governors and chief-prosecutors.

The research methods used in this study included studying literature and reports, carrying out research on judicial information (e.g. the verdicts), conducting interviews, and exploring newspaper-based databanks. All known public fraud and corruption cases that were tried between 2000 and 2015 before the Court of Appeal of the Joint Court of Aruba, Curacao, St Maarten and Bonaire, St Eustatius and Saba, formerly the Joint Court of the Netherlands Antilles and Aruba, were researched and studied. The cases took place within various judicial areas involving criminal law, civil law, as well as administrative law. This yielded 46 public fraud and corruption studied cases in total, which were all covered by the definition provided above; all cases involved a public official who had misused the trust placed in him – as one who had accepted the duty of public office – to obtain personal gain.

The geographical research area of this study is the Dutch Caribbean, which is part of the Kingdom of the Netherlands. The Dutch Kingdom is comprised of four autonomous countries: the Netherlands, Aruba, Curacao, and St Maarten and three public entities: Bonaire, Saba and St Eustatius, which fall under the jurisdiction of the Netherlands and are known as the Caribbean Netherlands, also called BES. Even though the Dutch Caribbean is often qualified as a unity, the islands’ (colonial) history, political situation, and social and cultural characteristics are different.

**Methods and conceptual model**
The first phase of the study consisted of a review of the literature on explanatory factors that influence public fraud and corruption in both Western - and Caribbean countries and the collection of information on public fraud and corruption in the Caribbean. This resulted in a conceptual model with variables on the macro, meso and micro level that might influence public fraud and corruption in public organisations (see figure 1).

At the macro level, the framework focused on administrative development, political system, financial-economic conditions, the history of colonial powers and slavery, culture and religion, geographical location and small scale. At the meso level the study focused on leadership, the existence of procedures and controls, the organizational culture and the implementation of an integrity policy as crucial factors for influencing fraud and corruption. The micro level is related to the behaviour of the public officials: their personality traits (dominant, power-hungry, eloquent, convincing, megalomaniac, unprincipled, irresponsible, unscrupulous), their motives (money, power, addiction, frustration, love),
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01. Administrative development
02. Political system
03. Financial-economic condition and tourism
04. Colonialism and slavery
05. Culture and religion
06. Geographical location
07. Small scale

08. Leadership
09. Procedures
10. Controls
11. Organizational culture
12. Integrity policy
13. Personality traits
14. Motives
15. Rationality of action
16. Neutralization techniques

Figure 1 Conceptual model with factors at the macro, meso and micro level
Summary

their rationality of action and the applied neutralization techniques. Lastly, the findings of the analyses on meso and micro level are contextualized in the macro-context of the Dutch Caribbean.

**Summary of the findings: types of public fraud and corruption in the Caribbean**

To facilitate the interpretation of the empirical information yielded by the 46 studied cases, a classification of various categories was provided. The researched cases were divided into those involving public fraud and others involving public corruption, based on the indictment handed down in the particular case. Fraud included (a) theft and embezzlement, and (b) forgery, fraud, and deception. Corruption included (c) favouritism and (d) bribery. To further the classification of the studied cases, an additional differentiation was added to the classification provided above. In terms of fraud and corruption, the levels petty, grand, and political were introduced. Petty corruption refers to everyday abuse of entrusted power by low- and mid-level public officials in their interactions with ordinary citizens, who are often trying to access basic goods or services in locations such as hospitals, schools, police departments, and/or other agencies. Grand corruption consists of acts committed at a high level of government that distort policies or the central functioning of the state, enabling leaders to benefit at the expense of the public good. Political corruption is the manipulation of policies, institutions, and rules of procedure in the allocation of resources and financing by political decision makers, who abuse their position to sustain their power, status, and wealth. It is prudent to note that substantial differences exist between cases in both range and complexity. The 46 studied cases entail larger and smaller manifestations of fraud and corruption. A case can be contained in a certain area of government, but it can also consist of a much broader network of international divisions. Some cases are centered around one suspect, while others involve almost 20 public suspects.

A categorisation along the lines of petty, grand, and political fraud is presented in table 1.

In 57 percent of the cases, the primary crime was corruption. In 43 percent of the cases, fraud was the prime transgression. The majority of the selected cases – 65 percent – were classified at the highest level of grand and political fraud and corruption. The effects of grand and political fraud and corruption cases had a greater impact on the Dutch Caribbean societies’ economic and political system, than the petty fraud and corruption cases did. This is due to the large amounts of taxpayers’ funds involved, the relatively long periods of criminal investigation necessary, and the large amount of (negative) publicity surrounding these cases. The large number of high-level cases signifies that the majority of fraud and corruption cases brought before the Court of Appeal either involved high-ranking
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**Factors that influence public fraud and corruption in the Dutch Caribbean**

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**Micro level**

A varied number of personal characteristics, like the ability to take advantage of an opportunity that presents itself, the desire for money and (political) power and influence, and the skill of applying neutralization techniques, make an important contribution to fraud and corruption in the Dutch Caribbean. These results imply that the explanatory factors in the existing literature, are also applicable in the Dutch Caribbean.

The personality traits of the perpetrators seem to show similarities with those in international literature, but the cases also provided other characteristics, like ‘serious hard worker’ and ‘fanatic crime fighter’, which can be added in future research. Further research is needed to obtain more clarity.

In addition, two prototypes of perpetrators emerged in this study: the occasional thief who misuses the opportunity offered by the function and organization, and the targeted perpetrator who seeks and creates the opportunity to commit fraud and corruption himself. The motive of the first type of perpetrator is mainly money, and of the second type money and political power and influence.

| Table 1 Categorisation as to petty, grand, and political fraud as well as corruption |
|------------------------------------------|------------|----------|----------|----------|
|                                         | Number of cases | Petty   | Grand   | Political |
| **Fraud**                               |              |         |         |          |
| Theft and embezzlement                   | 5           | 5       |         |          |
| Forgery, fraud, and deception            | 15          | 3       | 10      | 2        |
| Subtotal (%)                            | 20 (43)     |         |         |          |
| **Corruption**                          |              |         |         |          |
| Favouritism                             | 6           |         | 6       |          |
| Bribery                                 | 20          | 8       | 7       | 5        |
| Subtotal (%)                            | 26 (57)     |         |         |          |
| **Total (%)**                           | 46 (100)    | 16 (35) | 17 (37) | 13 (28)  |

government officials, entrusted with a high level of authority, or were of a large scale and/or impact on society.
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Meso level
According to researchers, ethical leadership is an essential condition to prevent corruption and fraud, but this is often non-existent in the organisations. The studied cases showed that often the high-ranking high educated official in charge of good governance in the organisation, is in fact the perpetrator of fraud and corruption. Moreover, the political fraud and corruption cases showed a great interdependence between the high-ranking official in charge and politics. Personal ties and professional roles were often interwoven, decisions often based on personal relationships rather than on good governance principles. The favouritism cases showed newly appointed ministers who appoint officials from their own circle in the public administration and state-owned businesses.

Furthermore, international literature shows that an organisations’ internal corporate culture is determinative if the aim is preventing fraud and corruption. Fraud and corruption are less likely to happen when issues of integrity can easily be discussed, and when public officials feel free to consult and also confront each other when colleagues deviate from normal policies and procedures. This, however, did not appear to be the rule across the organisations studied. On the contrary, the organisational cultural background in several researched cases can be characterised as one of fear and lack of interpersonal trust to express themselves. The public officials felt fear that an assertive attitude would trigger negative consequences and thus these officials overall chose to keep quiet. Often, they felt very frustrated about it.

In the majority of the organisations, internal and external control was inadequate. The failing control was not caused by a lack of clear procedures. The procedures were in place, including the separation of duties, but were not put into practice by the public officials.

Macro level
How can these micro and meso results be viewed in light of the macro context? It appears that the political system, the culture and the geographical location, strongly contribute to the occurrence of public fraud and corruption. The results also show that the low administrative development, the financial situation and the small scale have influence on public fraud and corruption, but to a lesser extent. Often, it is clear that it is too demanding for small countries to comply with all capacity and quality requirements necessary for the investigation and prosecution of fraud and corruption. This results in a free pass for offenders. The colonial history and the past of slavery have far-reaching consequences for the Dutch Caribbean. The research method used in this study, however, proved to be unsuitable for establishing a direct relationship between this history and public fraud and corruption. In addition, it is difficult to make general statements about the influence of the macro context, due to differences between countries in the Dutch Caribbean. What is applicable to one island does not necessarily have to be applicable to the other islands.
Finally, the study provides an outline for further research and policy development. Although the conceptual model applies to the Dutch Caribbean, it is clear that further research is useful and necessary to clarify the role of the colonial history and the history of slavery, as well as the influence of the small scale of the islands and the tourism economy.

In the recommendations, firstly attention is requested for achieving more political stability and reducing the influence of the financiers of political parties. Secondly, a reduction of opportunity through better compliance with internal procedures and the tightening of control measures are recommended. Special attention is necessary to the vulnerable processes such as issuing permits and controls on drugs and other contraband. Thirdly, attention is requested for a critical look at the appointment procedures of managers. Constant attention to integrity issues in organisations is required. Effective prevention and combating of fraud and corruption requires a sense of urgency from society itself and a willingness to act accordingly.