

2013 AGM “The Way Forward”

Welcome to our distinguished guests, valued members and invited experts.

First of all, I would like to thank the board of the SHTA for their continued dedication. I believe it is important to recognize that although I am far too often the spokesperson for the SHTA, the organization is what it is today because of the collective efforts of the board of directors and the Staff of the SHTA. The board members volunteer their time, experience and intellect to make St Maarten a better place to live. It is our belief that by making St. Maarten the best place in the world to live, by default we will end up making St Maarten the best place to visit.

I’m very pleased to report that the last speech about the inevitability of change, fear and innovation was very well received and more importantly produced tangible and positive results. People from all over the world have found ways to foster closer relationships with the SHTA; become more involved and become more engaged.

A Prime example would be our relationship with Dr. Leopold James and the **St. Martin Grassroots People Nation Building- & Unification Movement.**

I won’t dare to put words into Dr. James mouth but I believe it is safe to say that as a result of the last speech, Dr. James reached out to the SHTA to meet and discuss our relative points of view. I believe that what we found was that while there might be points that we don’t agree on, there are so many points that we do agree on. Interestingly, the points that we agree on, chronologically come way before the points on which we may or may not diverge. Therefore, on issues such as protecting the environment, protecting the island’s culture and heritage, good governance, transparency and more, it makes sense to cooperate.

For some people, to see Dr James and SHTA on speaking terms, holding one head on some basic issues is a truly scary thought. I believe it only further reinforces the idea that change is possible, even inevitable.

My speech tonight is about a way forward for our home, St. Maarten. I would like to start with a very short video, titled "the power of words"

Video

Change your words, change your world.

"The human Species is capable of amazing things. Beautiful and Horrific"

I have a few examples.

Svalbard Global Seed Vault – Spitsbergen, Norway.

Opened in 2008, The Global Seed Vault's mission is to provide a safety net against accidental loss of diversity in traditional genebanks. While some have called it a doomsday vault, the idea is that is a noah's arc for seeds. They have collected 770,000 different seed samples already.

Spitsbergen was considered ideal

Lack of earthquakes, permafrost, 130 meters above sea level so if icecaps melt it will be above water, cold

In Norway, government-funded construction projects exceeding a certain cost are required to include some kind of art work

Large Hadron Collider

The LHC Is the world's largest and highest-energy particle accelerator. Built by the European Organization for Nuclear Research (CERN), with the aim of allowing physicists to test the predictions of different theories of particle physics. It is widely considered to be one of the great engineering milestones of mankind"

Taking all of those costs into consideration, the total cost of finding the Higgs boson nicknamed the "god particle" is about **\$13.25 billion**.

The LHC was built in collaboration with over 10,000 scientists and engineers from over 100 It lies in a tunnel 27 kilometres (17 mi) in circumference, as deep as 175 metres (574 ft) beneath the Franco-Swiss border near Geneva, Switzerland.

Man on the moon. Apollo 11.

Not only did we send a man to the moon, NASA sent astronauts to the Moon using less computing power than you will find in a modern family car. Today, your cell phone has more computer power than all of NASA back in 1969 when it landed the first man on the moon.

Art (birth of venus) Sandro Botticelli

Music – Mozart to Jimmy Cliff

The Holocaust was the mass murder of approximately six million Jews during World War II, a program of systematic state-sponsored murder by Nazi Germany

Perhaps Greatest invention of all: Civilization itself.

Organized and coordinated social cooperation
Written language – Communication - internet
Division of labor, specialization of labor
Agriculture
Institutional or Collective memory.

It is impossible for one individual to recreate the sum of human knowledge in one lifetime.

Without division of labor and specialization, no one individual could accomplish very much.

When Thomas Edison invented the light bulb, he tried hundreds of different materials to make a commercially viable light bulb. Imagine if he had to source all of those materials himself, grow his own food and raise a family.

Imagine if we had to build our own house, make our own clothes, grow our own food, teach our children. There would no time for anything else.

Established organizations don't like change.

The Catholic church didn't like anyone challenging their authority. For his "arrogance," Galileo was branded a heretic because he had the nerve to claim that the earth revolved around the sun.

So I believe it is safe to say that the human species is capable of amazing things and as a species we come together to accomplish what we as individuals could never achieve. Although change is inevitable, people will always fear and resist change.

So as we go through the discussions tonight... I don't want to hear...

This cant happen in St. Maarten

That's Impossible.

Or my favorite..Sucking teeth.

Ultimately, the power of these words is incredibly destructive.

Especially when it comes to social or political change, everything is possible. It might take time but everything is possible.

So in order to build our civilizations, we chose leaders and representative and entrust them to coordinate and manage our society in order to produce the best quality of life for everyone in the most efficient manner.

In the word of Thomas Jefferson.

We hold these truths to be self-evident, that all men are created equal, that they are **endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed**, that whenever any form of government becomes destructive of these ends, it is the right of the people to alter or to abolish it, and to institute new government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their safety and happiness.

But unfortunately, we are all susceptible to human emotions like fear, insecurity, greed and the need for acceptance. This is where corruption plays a role in our society.

There are many kinds of “corruption” legal and illegal. But for our discussion the generally accepted definition of Corruption is **the miss use of office for personal gain**.

Corruption itself is a destructive since it distorts incentives and the decision making process.

But perhaps even more damaging is the environment in which corruption breeds:

Ambiguity

Chao

Lack of transparency

Lack of accountability

CHART: Transparency

There is a direct correlation between transparency and GDP Growth

According to Daniel Kaufmann IMPACT OF AND DAMAGE FROM CORRUPTION IN PUBLIC PROCUREMENT

corrupt (bad) public procurement will increase poverty and inequality by diverting funds away from the attention of social needs; it will engender bad choices, encouraging competition in bribery rather than in quality or price. For companies, corrupt procurement will provide an unfair, unstable and risky competitive advantage and will create a sort of market-entry cost or non-tariff barrier, at least for those companies who do not wish, or cannot afford to bribe their way in.

More specifically,

Financial Impact- **Corruption makes things more expensive.**

- Inflated costs for purchase, investments and services
- Sub-specification quality of work, not justifying paid price
- Burdening government and taxpayers with financial obligations that are not needed, not economically justified or oversized
- Inflated maintenance or repairs costs

Economic Impact- **By making things more expensive it adds to government’s debt burden. Because of the environment around corruption, it has the potential to reduce investments.**

- Economic impact can consist in burdening a government with operational, maintenance and debt servicing liability for investments/purchases, which do not contribute positively to the economy of the country.

- Direct foreign investment decreases because of corruption cost, red tape, and threats to business operators, thus effecting economic growth and employment

Environmental Impact – Because the metrics used to make decisions is about personal benefits, bad choices are more likely to be made.

- Corruption in procurement can engender bad choices, among them projects that have adverse environmental impact.
- Implementing an investment project which does not comply with the country's (or international) environmental standards.

Impact on Health and Human Safety- because value for money or quality isn't the driving factor, substandard construction or products may generate safety risks.

- Damage can consist in human health and safety risks due to quality defects, environmentally unacceptable investments or noncompliance with environmental or health standards.
- Corruption induced sub-standard construction can lead to building failure and consequent human losses.

Impact on Innovation – Because being efficient or innovative isn't the determining factor in winning contracts, companies are less likely to invest in innovation.

- Corruption induced lack of competition leads to the neglect of innovation. Companies relying on corruption will not spend resources on innovation, and even non-corrupt companies will feel less inclined to make the necessary investments in innovation if they cannot access markets due to corruption.

Erosion of Values – As people observe a lack of integrity within government, they are much more likely to reduce their own sense of integrity.

- When people observe lack of concern for integrity and the common good among senior officials and private sector economic operators, and reckless and corrupt behavior is not being sanctioned, they easily reduce their own integrity standards, out of need and often out of greed.
- This applies also to other economic operators who realize that offering a competitive price and quality are not adequate requirements for obtaining contracts.

Erosion of Trust in Government- As the feeling of lawlessness prevails, cheating government becomes a more justifiable activity. If they cheat, I may as well cheat too. Everyone is doing it.

- When people observe that reckless corrupt behavior among government representatives is not being sanctioned, they conclude quickly that government in general is not to be trusted and that cheating government is morally acceptable and not against common values.

Damage to Honest Competitors – Complying with law is punished by lack of contracts or business. Breaking the law is rewarded. What do we really expect is going to happen?

- Corruption by corrupt bidders, if successful and not sanctioned, damages and possibly destroys the honest competitor and may well lead to job losses on the part of an economic operator who is better and more innovative than the corrupt bidder who is not willing to rely on quality and price of his product but resorts to corruption to obtain contracts.

Serious Danger to Economic Development - Corruption damages economic and social development. Ultimately, the poor people are the victims.

- If a government commonly allows corruption in the context of purchases and investments, and often selects investment projects not on the basis of their contribution to economic development of the country but on their ability to generate bribe payments, a country may soon end up squandering investment opportunities and external development assistance and thus seriously retard the country's economic development. The ultimate victims are the poor people in the country.

So where are we in St. Maarten?

As I mentioned, the title of my speech is about a way forward. I'm not here to point fingers or insult anyone, but to decide where we are going; we need to agree where are we starting from?

Is society in St Maarten concerned about corruption?

Governor seem concerned "A lot has transpired in that six weeks period, some of which has given rise to some critical questions and requires that politicians take a good look in the mirror. Developments that have caused me, in my capacity as Governor of Sint Maarten to appeal to all stakeholders to do all that is necessary to maintain and protect the integrity of our constitutional democracy."

Media seem concerned Cartoon: slide

Bumper Sticker: Slide

Teen Times:

We certainly know the Kingdom is concerned.

Even the Governing accord, seems to acknowledge that something is amiss.

In the UP/DP Governing Accord, integrity, transparency, reduction of bureaucracy and efficiency and service have been specified as focal points for the remaining governing term. Together with economic diversification, fiscal reform and simplification, social safety nets, job creation, training, poverty alleviation, community and infrastructural development, legislative focus, electoral, labour and immigration reform, national insurance and the completion of the reorganization of the Justice Ministry as focal issues for Sint Maarten, the governing accord will be executed as agreed upon by the coalition partners United Peoples Party, Democratic Party and the independent Member of Parliament Romain Laville.

In a work shop organized by the SER with Dr. Ryan Peterson, there were lots of discussions about Education, Environment and Economy but ultimately it was agreed that the real issues would never make progress unless a proper structure for decision making was in place.

Here's the opportunity:

From all corners of society, everyone seems concerned and there seems to be a consensus on the need for reform or change.

While I believe the governing accord is a step in the right direction, I believe that it still needs to be translated into a specific action plan with a focus on the core issues not the symptoms. While I understand that volatility and instability in government is bad for the country, the core issue is why our elected officials are so volatile. There is a risk that just treating the symptom might actually make things worse, not politically but economically and socially. While it might mean that government wouldn't collapse on an annual basis, it might also mean that politicians might feel less vulnerable, and more empowered to do as they please without fear of consequences.

THE WAY FORWARD

The good news is that St Maarten isn't the only country in the world that needs to strengthen its administrative processes. This is a common problem with easily applicable and easily transferable solutions. There is no need to reinvent the wheel.

I have a secret to tell you. I didn't figure all this out on my own. All of this information is readily available on the internet.

These aren't SHTA's ideas or mine. What I am going to present are simply lessons learned from others that have gone through similar efforts to make their country less susceptible to corruption.

It is interesting to note that in general efforts to legislate morality have been for the most part unsuccessful.

The most successful approach has been to focus on setting up structures that are resistant to corruption.

Not through preaching, speeches, codes of conduct. And not through new laws alone.

The Answer is very simple. Slide.

$$C = M + D - A \quad \text{yes everything boils down to math}$$

Corruption = monopoly + Discretion - Accountability

To make Corruption resistant structures = Reduce monopoly power + limit discretion - increase accountability

If elected officials focused on the development of specific and clear policies and delegated authorities to civil servants, monopoly and discretion would be greatly reduced.

If clear guidelines are laid out and consequences for corruption are swift and deliberate, accountability would increase. The lack of statistical information is a great detriment to transparency and accountability.

Formula for success

There are some very simple best practices that have been developed.

Structures, leadership and incentives

- Change the risk-reward calculations for the giving and receiving of bribes (Economic crime)
- Raise the probability of bad behavior and good behavior being discovered (transparency)
- Increase the rewards for good behavior. (incentivize good behavior)
- Reasonable public sector pay scales (80% private sector)
- Raise the penalties for bad behavior (punish bad behavior)
- A whole government approach integrating private sector. (policy development)
- Use of integrity pacts. (self policing private sector)

When I match our objectives against the formula, I understand the position we are in.

St Maarten Tourism Authority.

We have managed to dismantle the Netherland Antilles, form county St Maarten in less time than the formation of a PPP structure to manage our main industry. While it is always almost there, it never arrives. Perhaps because this would translate into reduced monopoly, reduced discretion and increased accountability this may never actually happen.

TSIS

Any business in today's economy needs to have statistics to measure the success of its marketing activities. The Tourist Statistical information system would have allowed us to develop demographic information about our visitors. Besides being able to conduct more targeted marketing campaigns, it would allow the destination to gather visitor feedback from exit surveys and to calculate return on investment from a marketing perspective. In other words, it would improve accountability. Despite spending between 2 to 3 million guilders of SEI funds, we still don't have any useable data.

Overhaul Tax Code

With the finance department's self assessed compliance to be around 30 to 40%, fixing the tax system should be a national priority. The turn over tax is one of the most destructive taxes for St Maarten. This tax actively discourages locals from buying locally. While things are not yet clear, it appears that the metrics for negotiations were not about what is most beneficial for the country but what was most beneficial for the contractors.

Administration Building

Very few businesses or residents could afford to pay rent and mortgage on an unfinished construction project, but the government's administration building remains a white elephant. This is another glaring example that obviously someone had too much discretion with not enough accountability. But in the end the tax payers are paying double.

Good Governance

Despite the fact that there are a number of ongoing investigations, it's hard to say justice is clear or swift.

Allegations of money laundering related to the sale of government lease land

Allegations of buying votes.

Allegations of blackmail

Allegations of bribery

Allegations of embezzlement.

Allegations of violation of accountability law.

While I respect that justice needs time to do a proper investigation, from a good governance/transparency perspective, this is taking way too much time. This isn't fair to the people of St Maarten or the accused. It's time to Poop or get off the pot.

The point of this analysis isn't to point fingers or anger anyone.

The point of this analysis is to demonstrate that this isn't a theoretical exercise or academic gymnastics.

Anyone that cares about the economy, environment, education should care about the structure in which decisions are made.

The solution for this isn't purely governmental. The business community and citizens also play a role in this. I have two examples available through Transparency International.

Integrity pact - Available on line with Transparency International.

- Open books on all payments to other bidders
- Agreement with penalties not to offer or receive bribes. Penalties could include disbarment, loss of performance bond, damages to other bidders, forfeiture of contract
- Beginning from preparation phase
- Independent monitoring system (US independent private sector inspector general – accountable to the public) or full public disclosure.
- Maximum transparency
- Identifying appropriate finder's fees, consulting fees etc.

Colombia – Banco Agrario 30% below budget price

Pakistan- Karachi water saving of 75%

With St. Maarten's project 100 million dollars...even 10% would be huge.

Participatory Diagnosis

Not about finding bribes etc but about improving the process.

- Setting pre qualification criteria
- Setting specifications
- Awarding of Contracts
- Post award payments
- Change orders.

10 Myths About Governance and Corruption

Daniel Kaufmann

Toward a transparency reform scorecard

The data suggest that transparency helps improve governance and reduce corruption—essential ingredients for better development and faster economic growth. But there is a need for the development aid community to pay more attention to the issue. For that reason, at the World Bank Institute we have begun to construct an index to help make transparency more transparent. Further, in terms of reforms, a basic checklist, which countries may use for self-assessment, includes:

- public disclosure of assets and incomes of candidates running for public office, public officials, politicians, legislators, judges, and their dependents;
- public disclosure of political campaign contributions by individuals and firms, and of campaign expenditures; **How many people pay multiple politicians? Take payments from multiple parties.**
- public disclosure of all parliamentary votes, draft legislation, and parliamentary debates;
- effective implementation of conflict of interest laws, separating business, politics, legislation, and public service, and adoption of a law governing lobbying;
- publicly blacklisting firms that have been shown to bribe in public procurement (as done by the World Bank); and "publish-what-you-pay" by multinationals working in extractive industries;
- effective implementation of freedom of information laws, with easy access for all to government information; **Imagine making issuance of taxi, bus licenses public, government land, business licenses, vending permits public and transparent**
- freedom of the media (including the Internet);
- fiscal and public financial transparency of central and local budgets, adoption of the IMF's Reports on Standards and Codes framework for fiscal transparency, detailed government reporting of payments from multinationals in extractive industries, and open meetings involving the country's citizens;
- disclosure of actual ownership structure and financial status of domestic banks;
- transparent (web-based) competitive procurement;
- country governance and anticorruption diagnostics and public expenditure tracking surveys (such as those supported by the World Bank); and
- transparency programs at the city (and subnational) levels, including budgetary disclosure and open meetings.

Conclusion:

The fact that we can have this meeting, speak openly, have so many attendees from all sections of the community is proof that St Maarten is full of potential.

I hope that I have been able to demonstrate that the choices St Maarten faces are not unique. And while the solutions might not be painless or effortless, they are clear.

But it begins with political will

Thomas Jefferson

When the people fear government, you have tyranny.

When the government fears the people, you have liberty.

I'm not advocating that we should be afraid of each other.

There is a reason that our constitution begins with "we the people..."

The power is with the people and so is the responsibility.

Every individual is an agent of change and if the people exercise the "power of their words"
The government must listen.

When Fujimori, president from Peru was arrested for murder, embezzlement, bribery, officials seized all kinds of records and document. Fujimori used a fixer, or agent to pay or receive bribes. This guy kept detailed records and videotaped everything so that the person paying or receiving the bribe was equally guilty and therefore not likely to go to the authorities. When they analyzed the records, what they found was that the highest bribes were paid not to senators, NGO's, business people, police but to newspaper editors.

Just goes to demonstrate again, the power of words. Change your words, change your world.