

The Virgin Islands Consortium

Op-Ed: How Corruption Negatively Impacts Our Economy

Opinion / **Published On February 24, 2017 11:21 AM /**

Staff **February 24, 2017**



I stood outside the Legislature's building on St. Thomas for 1 ½ hours protesting against the proposed "sin tax" bill on February 15 and then I went in and testified against it before the Committee on Finance. Most of my testimony centered on the extremely negative effect corruption has on an area's economy and how fighting corruption actually brings significant improvement to an economy. I also made other recommendations. After I completed my testimony, one of the senators asked me what my testimony about corruption had to do with the "sin tax" bill. It has become obvious to me that I should write more about corruption and our economy so that Virgin Islanders can better understand the connection as well as the importance of fighting corruption on all fronts and making our government transparent.

Just what does transparency in government mean? It generally requires an open sharing of information by the government with its citizens. It promotes accountability and honesty. According to Transparency International, a global organization aimed at promoting transparency and combating corruption in countries throughout the world, transparency builds the people's trust in government officials and protects the people against corruption.

Corruption in government has many forms and has drastic effects. Transparency International succinctly describes the tremendous negative impact that corruption can have on an area's economy as follows:

"Economically, corruption depletes national wealth. Corrupt politicians invest scarce public resources in projects that will line their pockets rather than benefit communities, and prioritize high-profile projects such as dams, power plants, pipelines and refineries over less spectacular but more urgent infrastructure projects such as schools, hospitals and roads. Corruption also hinders the development of fair market structures and distorts competition, which in turn deters investment."

Corruption affects the basic services that people need. According to Transparency International, "the services people depend on – from drinking water to health clinics – suffer. They are often of a low quality or not sufficient to meet society's most basic needs. Corruption siphons off monies needed to improve them while also distorting policy decisions, such as where roads and schools are built."

What about the effect of corruption on a government entering into contracts for services, often referred to as public procurement? Our government spends huge amounts of monies each year on this. Transparency International describes the results: "Contracts to suppliers can be awarded without fair competition. This allows companies with political connections to triumph over their rivals. Or companies within the same industry can rig their bids, so each gets a piece of the pie. This increases the cost of services to the public. We've found that corruption can add as much as 50 per cent to a project's costs. But corruption in public procurement isn't just about money. It also reduces the quality of work or services. And it can cost lives."

In his online article at forbes.com dated January, 24, 2014 entitled *Government Corruption and Economic Growth: The 21 Least Corrupt Nations*, contributing writer Mike Patton states that multinational companies looking to expand will avoid areas that are corrupt as they find them "unattractive" and not even "conducive to local business development". In fact, he further states that "when corruption is low and government acts ethically, there is a perception, hence a reality, that it is safe to do business there. If you compare the most and least corrupt nations, you'll find the least corrupt nations, in general, have larger economies."

When I testified before the Senate, I gave Singapore as an example of a country that succeeded in turning its economy around by taking a tough stand against corruption.

Singapore was infamous for corruption throughout most of its history. Because corruption was having a dramatic negative affect on foreign investments and economic growth, its legislature passed the Prevention of Corruption Act and created a commission dedicated to investigating corruption and preparing cases for prosecution. As a result of years of commitment to creating an environment that would be conducive to economic

growth, Singapore is now ranked among the top ten most “cleanest” or least corrupt countries in the world, according to Transparency International.

As stated in the *2017 Index of Economic Freedom*, “prudent macroeconomic policy and a stable political and legal environment have been the keys to Singapore’s continuing success in maintaining a strong and dynamic economy.” In fact, its “minimum tolerance for corruption” and “transparent and efficient regulatory environment” are touted as the foundation for a flourishing private business sector and growing investments by global companies.

One of the senators commented that Singapore has a high “sin tax” of 25% on alcohol and other items, as a way to justify the proposed “sin tax” bill. However, and importantly, Singapore actually pledged that the money raised would be used for the healthcare of its growing senior citizen population. The monies that will be generated by the proposed “sin tax” bill here are not pledged to any public health concern but to the general fund, where the monies can be used by the Governor and the senators for any reason.

During the protest, I saw a sign that said “Corruption is a sin”. In my opinion, that is very true, but I also agree with those who describe corruption as “a disease” because it can infiltrate all areas of government silently, and when finally detected, significant strength and determination must be used to fight it. A vibrant economy in the Virgin Islands requires a government that is transparent and committed to eliminating corruption at all levels.

Submitted by Soraya Diase Coffelt

© Viconsortium 2026