CONTROLLING ORGANIZED CRIME AND CORRUPTION IN THE PUBLIC SECTOR

by Edgardo Buscaglia and Jan van Dijk*[1]

Abstract

Organized crime and corruption are shaped by the lack of strength of the control mechanisms of the State and civil society. The results presented in the present article attest to the links between the growth of organized crime and that of corruption in the public sector in a large number of countries. The two types of complex crime reinforce each other. To identify and isolate the influential factors behind the growth of corruption in the public sector and organized crime, the present article presents and analyses qualitative and quantitative information on a large sample of countries and territories representing worldwide diversity stratified by level of socio-economic development.** The study reported here aimed at identifying the institutional patterns that determine a country's vulnerability to complex crimes. Being policy-oriented, the report includes a set of evidence-based policy recommendations.

INTRODUCTION

Corruption and organized crime are much more than an isolated criminal phenomenon. Theoretical and applied research have shown the interdependent links between the political, socio-economic, criminal justice and legal domains [1-2]. The present article explores those determining factors,
relying upon several operational variables that reflect the prevailing institutional features of each country. Institutional linkages to organized crime and corruption in the public sector are first identified through a simple correlation analysis that does not necessarily imply causal effects. Factor analysis coupled with the application of multiple regression techniques narrows down the most important set of institutional linkages. The analysis was founded entirely on the development of corruption and organized crime indicators.

Towards a composite index of corruption in the public sector

The aim of the work presented here was to develop an index of corruption to be used in statistical analyses for policy purposes. "Corruption" is defined broadly as "the abuse of public power for private gain". To assess the prevalence of street-level corruption, the study used an indicator compiled by the International Crime Victim Survey of the United Nations that records the frequency

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The study covered a large sample of countries, representing worldwide interregional diversity stratified by level of socio-economic development. It included the following Member States and territories: Albania, Argentina, Australia, Austria, Azerbaijan, Belarus, Belgium, Bolivia, Botswana, Brazil, Bulgaria, Canada, China, Colombia, Costa Rica, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hong Kong Special Administrative Region of China, Hungary, India, Indonesia, Ireland, Italy, Jamaica, Japan, Kyrgyzstan, Latvia, Lithuania, Malaysia, Malta, Mongolia, Netherlands, Paraguay, Peru, Philippines, Poland, Portugal, Republic of Korea, Romania, Russian Federation, Singapore, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Thailand, the former Yugoslav Republic of Macedonia, Uganda, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela, Viet Nam, Yugoslavia and Zimbabwe.

with which citizens experience actual requests for bribes. Data from the Survey cover mainly the types of street- and medium-level corruption that an average citizen faces in his or her dealings with public agencies (appendix E, table 77).* The indicator does not include high-level corruption, which is a form of grand corruption, but refers to the extent and frequency with which private interests penetrate the institutions of the State and bias public policies in their favour. A composite index was constructed in order to measure high-level corruption. Perceptional indicators were compiled on distortions arising from interest groups, the independence of policies from the pressures of special interest groups, the likelihood of biased judicial rulings, perceptions of the percentage of the value of public procurementrelated contracts paid for bribes and of the prevalence of "state capture" (appendix E, table 78).

Towards a composite objective index of organized crime

To measure the prevalence of organized crime, the study used an index that combined objective factors linked with complex crimes. The development of an international index of organized crime obviously had to start

*Statistical tables showing the results of the study presented here can be found at www.unodc.org/unodc/crime/crime_cicp_publications_forum.html and are referred to in parentheses in the present article.

from a universally agreed upon definition. During the 1990s, law enforcement agencies in Europe developed a number of operational definitions of the term "organized criminal group". Those definitions agree on the

following crucial elements: such a group is structured, has some permanence, commits serious crimes for profit, uses violence, corrupts officials, launders criminal proceeds and reinvests in the licit economy.

The United Nations Convention against Transnational Organized Crime (General Assembly resolution 55/25, annex I) defines an organized criminal group as "a structured group, committing serious crimes for profit".*

That very broad definition was favoured over the listing of the most common types of organized crime such as trafficking in drugs, arms, persons, stolen cars or protected species and terrorism. The Convention thus focuses on the same types of group as are targeted by law enforcement agencies using the Falcone checklist, which was later incorporated into the so-called Falcone framework.** This is evident from the three protocols supplementary to the Convention, dealing with trafficking in persons, smuggling of migrants and trafficking in firearms (General Assembly resolutions 55/25, annexes I and II, and 55/250, annex), as well as from provisions in the Convention dealing with such secondary characteristics of organized crime as the use of corruption, violence, money-laundering and reinvestment in the licit economy.

For the purposes of calculating the organized crime index used here, the extent of organized crime in a country was assessed on the basis of indicators of the various defining elements contained both in operational investigations conducted by law enforcement agencies (e.g. the Falcone checklist) and in the Organized Crime Convention and its protocols. It was also concluded that official data on police records of criminal activities offered little reliable information on the extent of organized crime activity in a country and that other sources would have to be found or developed. One potentially relevant source is the World Economic Forum's survey of business aimed at measuring the costs imposed by organized crime on firms [3], which provides an estimate of the extent of victimization of businesses by organized crime. The country ranking based on the World Economic Forum's index was subsequently correlated with indices for corruption and violence (homicide). The three indices were found to be highly correlated across a group of 70 countries and, as a result, a composite index of non-conventional crime was constructed [4-5].

It was subsequently decided to seek additional available country data on

*The United Nations Convention against Transnational Organized Crime and the protocols thereto are available at www.unodc.org/unodc/crime_cicp_convention.html

**The Falcone checklist provides an operational account of organized criminal groups operating within a certain jurisdiction by describing the composition, structure, modus operandi, licit/illicit linkages and other important aspects necessary for the investigation and prosecution of criminal networks. For more details, see S. Gonzalez-Ruiz and E. Buscaglia (2002) [2].

the core activities of organized criminal groups such as credit card fraud and trafficking in drugs, persons, firearms, stolen cars and cigarettes.* The indicator for drug trafficking (police seizure data) did not show any correlation with the other organized crime factors mentioned above and was subsequently excluded from the analysis. Finally, a composite index was constructed that included indicators of five core activities (trafficking in persons, firearms, stolen cars and cigarettes and fraud) and four secondary factors (costs for business, extent of the informal economy as a proportion of gross domestic product, violence and money-laundering). This composite index of organized crime is used in the analysis below. It should be noted that although the composite index has proved to be robust and not much affected by the inclusion or exclusion of individual indicators, efforts are nevertheless ongoing to add further statistical indicators.

The purpose of the study was to derive policy recommendations addressing institutional reform through a process of identifying best practices across the globe. For that reason the study profiles the countries involved according to several features, which—for practical reasons—are classified into six broad areas: *(a)* socio-economic factors; *(b)* the political sphere; *(c)* the criminal justice system; *(d)* private sector governance; *(e)* public sector governance; and *(f)* independence and integrity of the judiciary (appendix I.A).

The objective of the study was not to offer a new theory of organized crime, but to focus on the exploration and empirical verification (or reexamination) of the links existing between organized crime and its main economic, administrative, legal-judicial and political causes. Those links were first identified through simple correlation analysis and the main results are presented below.

Socio-economic factors

In many cases poverty and unemployment do not just provide a greater

*In particular, data were compiled on smuggling of firearms (taking into account data on manufacturing, sales, imports and exports already computed by the United Nations), estimates on smuggling of cigarettes, car theft and consumer fraud victimization (the International Crime Victim Survey), number of homicides (the United Nations, the International Criminal Police Organization (Interpol) and the World Health Organization), size of the informal economy and the business sector's perceptions of organized crime prevalence (World Economic Forum), inflows of laundered money in millions of dollars per year as a proportion of gross domestic product (the Walker index) and trafficking in persons in terms of nationalities of suspects (human trafficking database of the United Nations Office on Drugs and Crime). The index presented here ranked each country for each variable in order to compute the composite organized crime index as an average of the rankings that each country showed for each item mentioned above. Each component showed strong correlations with the index, with costs to business, homicide and moneylaundering being the best predictors. The index considered here only included those countries for which there were at least three observations out of which at least two were "core activity" factors. Higher values corresponded to greater prevalence of organized crime (appendix E, table 79).

supply of potential illegal labour for organized criminal activities, but they also create a favourable environment for criminals to exploit the social fabric of countries as a foundation for organized crime. In some cases (in the south of Italy, for example), organized crime forces legal businesses to generate employment for a fee paid to criminal syndicates in the area. Thus organized crime is actually playing a positive social role, as a dispenser of services. Moreover, organized crime also grows as a result of the failure of the State to provide dispute resolution mechanisms on labour matters or when the State fails to assure access to legal services or to financial markets.

Based on a statistical analysis of the sample of countries covered in the present study, organized crime has the capacity to take advantage of poor economic and social conditions within a country (appendix A, table 1). For example, all indicators measuring the effectiveness of the State in fighting monopolistic practices have a negative correlation with organized crime. The same applies to indicators measuring the degree of economic freedom enjoyed (appendix A, tables 1-3).

The degree of openness of an economy, expressed by the scale and scope of regulations applied to foreign trade, and openness to imports and foreign direct investment were all considered. All those features are inversely related to the organized crime index. This suggests that openness to foreign trade or investment is important in permitting new economic forces to challenge incumbents within domestic markets and to undermine the old economic capture of a territory by organized crime (appendix A, table 3).

A lack of clear definition and enforcement of property rights is associated with higher levels of organized crime. This confirms the findings of Milhaupt and West [6] applied to Italy, Japan and the Russian Federation. In the present much larger sample of countries, when there is no clear definition of property rights, organized crime then plays its key “authority” role, setting its own rules in areas such as credit allocation, labour disputes or in “protecting” property for a fee (appendix A, table 3).

The tax system is an important economic dimension that has a major impact on organized criminal activities. An environment where tax evasion is prevalent is often accompanied by the higher levels of organized crime associated with the nature and scale of money-laundering (appendix A, table 1).

The financial and monetary structure of a country also affects a country's risk rating: analysis shows that a country's financial and liquidity risk ratings are all positively related to the organized crime index. One can conclude that higher country risk ratings are associated with higher levels of organized crime (appendix A, table 2). Conversely, a low risk rating indicates effective and functioning financial monitoring of economic interactions, good protection of large and small investors and effective functioning of central banks or of other legal authorities that manage to instil overall transparency into markets.

The quality of a State's economic management can be assessed by its three main economic policies, fiscal, monetary and trade policies. A governance quality index has been constructed on that basis by Huther and Shah [7]. The strong correlation with the organized crime index used here suggests that high quality of economic management is important in providing an environment that is less conducive to organized criminal activities (appendix A, table 2).

The political sphere

Organized crime and democracy work according to guiding principles that are in direct conflict with one another. A democratic State upholds the sovereignty of the nation and ensures the protection of the rights of all individuals, regardless of wealth, social status, age or gender. Organized crime as traditionally defined, on the other hand, is built around patronage, carrying on a tradition of feudalism, and does not hesitate to commit human rights abuses.

An analysis of the relationship between organized crime and the democratic State finds that the growth of one negatively affects the growth of the other, that is, consolidation of democracy taking place concomitantly at the local and national levels impedes the growth of organized crime (appendix A, tables 4 and 5).

However, even in a democratic political framework where institutionalized mechanisms for governing and distributing public goods, including justice, do exist, there is still a danger of penetration of those state institutions by organized crime, a phenomenon that is described as "state capture". The way in which organized crime usually "captures" the State is by coopting public institutions. In contrast to the standard forms of corruption, highlevel corruption represents a more sophisticated, more pernicious form, which frequently leads to enactment of "suitable" state decisions creating a bias in the design and implementation of public policies. The relationship

between state capture and organized crime was examined in the present study and the results showed that the two phenomena were strongly linked, meaning that higher levels of state capture are associated with the spread of organized crime (appendix A, table 4).

Criminal justice system

The criminal justice system of a country is a key factor in any analysis of how effective the State is in responding to serious crimes, in particular organized crime. What surfaced from initial analyses here was that the number of personnel employed in police and prosecution services was positively correlated with levels of organized crime (appendix A, table 6). The immediate explanation is that, in countries with high crime rates, the first response of the State is to increase the number of police personnel, therefore the higher the crime rate, the more personnel the country will need to come to terms with the problem. More generally, that trend is also confirmed, if the financial resources invested in a criminal justice system are considered (appendix A, table 6). In that analytical context, the size of the payroll and the money spent on criminal justice is positively related to the level of organized crime.

The study presented here also considered measurements of the effectiveness of criminal justice systems. It is noteworthy that an international index of total recorded crimes per capita is related inversely to the level of organized crime (appendix A, table 7). In countries with lower levels of organized crime, higher percentages of drug arrests are recorded (appendix A, table 8). In countries with high levels of organized crime, the criminal justice system may not be able to deal adequately with crimes committed and official statistics may thus not reflect the actual nature and scale of crimes perpetrated. On the other hand, when a criminal justice system works properly, in terms, for example, of more arrests and convictions for drug trafficking, that institutional effectiveness helps to control organized crime better. In many countries with less than effective law enforcement institutions, victims lack confidence in state institutions and so citizens rarely report crimes or request police intervention. In such environments, citizens often find support in illegal organizations, such as mafia-type groups, to deal with minor crimes. Ironically, then, low levels of recorded crimes and drug arrests in a country may point to low effectiveness of the police and a relatively high prevalence of organized crime.

In order to come to terms with the above constraints, the present study proposed a more direct measure of effectiveness of criminal justice, consisting of computing the ratio of victimization by common crime derived from the International Crime Victim Survey [8] divided by the number of convictions per capita. A smaller ratio can be seen as a measure of effectiveness of criminal justice since it reflects higher risks of punishment for offenders per crime committed. After correlating the measure of such effectiveness

with the organized crime index, a clear association emerged between the two variables (appendix A, table 9), that is, the level of organized crime is lower in countries where the conviction rates per crimes committed are higher. In other words, the presumed deterrent effect of functioning criminal justice systems with regard to organized crime is clearly demonstrated in the present analysis.

The largest return for expenditure invested in criminal justice systems may lie in the training of specialized personnel. When countries introduce training and organizational control of decision-making processes through special anti-organized crime units (i.e. higher levels of training allocated to their anti-organized crime officers and prosecutors), significant reductions in organized crime can be observed [2].

Private sector governance

Lack of private sector governance provides a breeding ground for the growth of organized crime. The study reported here approaches private sector governance from two perspectives. The first perspective refers to the question of how transparent and effective the banking system is and how feasible it is for business to access financial services within a formal regulatory framework in order to conduct its normal activities. If small or large businesses find it difficult to obtain loans, they will rely on illegal sources for the provision of financial services at higher interest rates (usury). The statistical results confirm this (appendix A, table 12).

The second perspective concerns the governance of the financial sector and corporations, focusing in particular on the anti-money-laundering legislation coupled with a regulatory framework and banking supervision practices. In accordance with the Euroshore study [9], it is possible to rank countries in terms of the enactment and implementation of their antimoney-laundering legislation coupled with their regulatory practices and banking supervision. The present study indicates that in countries with low regulatory standards applied to banks, the organized crime index doubles compared with countries with higher standards of enforcement of antimoney-laundering legislation (appendix A, table 11). This analysis is supplemented by the indicators of perception of transparency of financial institutions, coupled with the level of financial disclosure required (appendix A, table 12). All these indices correlate inversely with organized crime.

Regarding the enforcement of accounting standards, analysis takes into account the nature and scope of the information requested by law from private companies in accordance with an index compiled by the Center for International Law and Economic Development at the University of Virginia School of Law. Seven categories are considered (general financial information, income statements, balance sheets, fund flow statements, accounting standards, stock data and special items). In the present study it was found that the organized crime index was also inversely related to good accounting standards applied to private businesses (appendix A, table 12).

Public sector governance

"Buying" protection from the State is a necessary condition for the growth of organized crime. To measure the degree of corruptibility of the public domain, the level of state capture was measured, which, as was reported for the political sphere, is related to the organized crime index. Additionally, the independence of civil servants from political pressure was examined and it was found that higher levels of political intervention in the appointment, dismissal and promotion of civil servants went hand in hand with higher levels of organized criminal activity (appendix A, table 13). Another pernicious effect can be traced to the distortions caused by interest groups (appendix A, table 14). Lobbying can be conducted through legal means, as a way to influence the making of laws, regulations and policies. Nevertheless, organized crime can also "lobby" the State in its quest to block or to enact laws for its own purposes. Customs offices provide an excellent example of such interference: customs bureaux are responsible for allowing for access of goods and services into a country and play a key role in preventing both trafficking in persons and drugs and smuggling of goods and services in general. As a result, customs are well worth being "captured" by organized crime. The finding of the present study in that regard was that lower effectiveness of customs systems was related to higher levels of organized crime (appendix A, table 13).

Independence and integrity of the judiciary

Analysis shows that judicial independence is strongly related to levels of organized crime. Results also show a strong correlation between the perceived independence of the judiciary and the perceived extent of judicial corruption (appendix A, table 16). Statistical analysis confirmed here that independent judges were less vulnerable to corruption and better able to implement repressive actions against organized crime, even when the political system and other areas of the State had been captured by organized

crime. In that context, for example, corrupt judges were found to abuse their substantive and procedural discretion through rulings that slowed down or obstructed law enforcement in organized criminal cases (appendix A, table 15).

Among the factors making it possible for organized crime to capture the court system, the most significant are procedural complexity and abuses of substantive judicial discretion. The present analysis verified those links (e.g. that higher degrees of procedural complexity were linked to judicial corruption and to higher levels of organized crime) (appendix A, tables 15-17). The link between the abuse of substantive judicial discretion on the one hand and judicial corruption and increases in organized crime on the other was confirmed through another analysis. Moreover, lack of predictability of judicial rulings was linked[x] to higher levels of both court corruption and organized criminal activities (appendix A, table 16).

A multi-variable analysis of key correlates of organized crime

In order to identify which of the many correlates of organized crime found are the best predictors of the level of organized crime, multiple regression analysis was applied, with the organized crime index acting as the dependent variable. The recommendations made below are based on the strongest variables as determined by the correlation analyses (appendix A, table 18). The selection of independent variables was guided by the need to include as many of the areas considered above as possible (i.e. socio-economic factors, the political sphere, the criminal justice system, private sector governance, public sector governance and independence and integrity of the judiciary). The choice of variables was also supported by the results of the factor analyses (appendix F, table 87). Variables that best represented their particular domains were chosen for inclusion in the regression models. Several regression models were able to explain 50 per cent or more of the variance in the organized crime index scores. A multiple regression model including the human development index (representing socio-economic factors; also included as control variable), independence of the judiciary (representing the judicial integrity area) and police protection of property

rights (representing the effectiveness of the criminal justice system) explained 72 per cent of the variations in the organized crime index, as shown in table 1 below (see also appendix F, table 84).

The results indicated that independence and integrity of the judiciary was the most important predictor of the extent of organized crime. Independently of this, the extent of organized crime was higher in countries where the police were less effective. Finally, organized crime was more prevalent in less affluent countries, independently of the two other factors. On the basis of these three key factors, levels of organized crime per country could be predicted fairly accurately. The result leaves little doubt about the importance of law enforcement and criminal justice in the fight against organized crime.

Table 1. Multiple regression analysis of organized crime

Independence Human development				
Variables of the judiciary Police protection index				
Beta (standard coefficient)	–.378	–.437	–.236	
Significance		.008	.001	.065

Model summary[a]

Model R R square		
1	.718[b]	.515
2	.825[c]	.681
3	.849[d]	.720

[a]Dependent variable: organized crime index.
[b]Predictors (constant): independence of the judiciary from political pressure.
[c]Predictors (constant): independence of the judiciary from political pressure and police protection of property rights from criminal action.
[d]Predictors (constant): independence of the judiciary from political pressure, police protection of property rights from criminal action and human development index 1999.

Results on corruption in the public sector

Socio-economic factors

Socio-economic factors include the wealth of a country, the distribution of national income and how the public revenues are invested in the overall structure of the State, which fundamentally shapes the quality of life of the population. High levels of national income mean added financial resources to support the criminal justice system. It comes as no surprise that high levels of national income and development were associated with lower levels of both street-level corruption (appendix C, table 22) and high-level corruption (appendix C, table 23).*

Evidence suggests that tax and customs administrations are usually among

the most corruption-prone government agencies, especially in developing countries. When tax evasion is rampant among businesses and individuals as a result of lax controls, public servants verifying the illegalities can be "bought". In that case both subjects will gain: the entrepreneur will continue to pay lower taxes, while the controller will receive extra money. An inadequate tax system, or a system perceived as such, is not only an incentive for tax evasion, which reduces public revenues but, as confirmed by the present analysis, also increases corruption (appendix C, tables 23 and 24).

It is also necessary to explore the links between the degree of economic freedom of a country and the spread of corruption. Economic freedom means fewer contacts between private economic operators and state institutions; hence fewer opportunities for corruption arise. More economic freedom also means greater competition and fewer barriers applied to the economic interaction among physical and legal persons, thus making it harder to build privileged relations based on vested interests (appendix C, tables 23 and 25). All these aspects are inversely correlated with corruption. The amount of protectionism and levels of foreign direct investment were also examined and the results showed that a more open domestic market was linked to less street-level and high-level corruption (appendix C, tables 26 and 27).

Independence and integrity of the judiciary

The legal environment, and in particular the way the judiciary functions and the quality of the services provided, has been acknowledged as one of the most significant determinants of corruption [11]. This is due to the fact that only an independent, fairly administered and predictable judiciary can fulfil its role as institutional guarantor of the rule of law, assuring that wrongdoers are punished with a high degree of predictability. Moreover, since much of the corruption in the public sector involves mediumlevel and high-ranking office holders and politicians, a necessary condition for repressing such criminal behaviour seems to lie with the judiciary, as they are assigned the important task of making sure that members of the Government do not act outside the law. In the present analysis, independence and fairness of the judiciary emerged as the single most important determinant of both street-level and high-level corruption in the public sector (appendix C, tables 28 and 29).

Procedural complexity serves as a barrier to access to court services and to justice in general. In order to develop an approximate measure of procedural complexity, which normally leads to court delays, a legal

formalism index already used in previous applied research conducted by Lopez de Silanes [12] was used here. The results of the present study showed a strong link between higher levels of corruption and both proxies for higher procedural complexity, thus confirming the original hypothesis (appendix C, table 30).

The criminal justice system

The resources allocated to criminal justice systems must be expected to have an impact on levels of corruption. The underlying assumption is that the more personnel and money are employed in curbing crime, the more effective will be the performance of the relevant agencies in fighting corruption. One way or another the effectiveness and efficient functioning of the criminal justice system should affect corruption levels, since, as already stated, corruption is a crime involving the rational assessment of potential costs and benefits by those who commit such acts.

Initial correlation analysis showed a strong association between frequency of corruption incidence and rate (per 100,000 people) of personnel allocated to police and prosecution (appendix C, table 33). The correlation was positive, indicating that the higher the numbers of human resources in those agencies, the higher the incidence of low-level and high-level corruption (appendix C, table 34). Similar results were found with regard to organized crime. Analysis also showed a positive link between money spent on law enforcement and a measure of serious complex crimes as measured by the corruption indicators (appendices A, table 6, and C, table 37).

The study then examined the number of crimes per 100,000 inhabitants, the number of prosecutions per 100,000 inhabitants, the number of criminal cases brought before criminal courts per 100,000 inhabitants and the number of convictions for any type of crime per 100,000 inhabitants (appendix C, tables 38 and 39). The results showed that higher outputrelated effectiveness of the criminal justice system was correlated with lower levels of corruption. The ratio between number of convictions per capita and the rate of victimization by common crimes among the public according to the International Crime Victim Survey was calculated. This measure of criminal justice effectiveness, which was also used in the analysis of organized crime, was strongly inversely related with high-level corruption (appendix C, table 40). The hypothesis that deterrence is higher the more convictions are effected per crime committed seems also to be supported by cross-national analysis with regard to corruption.

The political sphere

Non-democratic regimes are in part sustained by loyal “courts” exercising

in most cases undue authority in order to keep and widen their illegitimate political power. Such a mechanism works through the biased selection and promotion of personnel [13]. To confirm those hypotheses, countries were classified in terms of the presence of public officials, recruitment practices and competitiveness. Bureaucracies that show less meritocracy experience higher levels of corrupt practice (appendix C, table 61).

The study also examined the connection between corruption and a country's democratic tradition involving higher levels of social capital. Daniel Treisman [14] has hypothesized that corruption will be lower in democratic countries and those with a freer press and more vigorous civic associations. Countries with a stronger democratic tradition and with larger stocks of social capital, experience, at the same time, lower rates of high- and low-level corruption (appendix C, tables 41 and 43). There is also a direct relationship between interruptions in the democratic processes (e.g. political instability) and corrupt practices. The results here confirmed, for example, that more intense armed conflicts were associated with higher levels of corruption (appendix C, table 44).

Given that democratic countries with high stocks of social capital tend to experience lower levels of corruption, how is it that consolidated democracies still often experience political corruption? Responding to this question requires investigation of the nature and scope of the constraints applied to the decision-making power of public officials. Operationally, this variable refers to the decision-making powers of chief executives. Limits to the discretion of public officials also represent an increase in their accountability. In general, data analysis showed that a balanced use of constraints tended to reduce the likelihood of corrupt practices (appendix C, table 45).

The most "institutional" instrument for accountability in democracies is the electoral system. Electoral mechanisms have been classified into four major groups: plurality, majority, semi-proportional and proportional [15]. The present study found that there was more corruption in countries having a proportional type of electoral system than any other type (appendix C, table 46). In particular, there was higher corruption within proportional systems, especially in closed-list representation systems where there were poor links between voters and politicians and thus less incentive for politicians to translate social preferences into political action.

The nature, scale and scope of public information channels are highly relevant for the maintenance of democracy, since a well-informed electorate can hold its politicians accountable for illegal activities, including corruption. More specifically, statistical analysis shows that higher levels of media activity are correlated to lower levels of corruption: information seems to

be an important controlling force in anti-corruption programmes (appendices C, table 47, and D, table 73). Media and information flows can also be biased and/or "bought" by political and economic concentrations of power. Less competition in the media sector thus enhances the spread of corruption. To verify this hypothesis, the statistical analysis undertaken examined the percentage of state-owned daily newspapers as a measure of state ownership of the press. It was found that higher proportions of the media owned by the State were related to higher levels of street-level and high-level corruption (appendix C, tables 48 and 49).

Private sector governance

Corruption in the private sector is encouraged by the maintenance of low standards of accounting practices, such as keeping off-the-books accounts and non-accountable funds. Such lax accounting not only means lower taxes, since profits are kept hidden, but can also hide the presence of slush funds for illegal practices, feeding into systemic corruption. In such cases, businesses are usually in connivance with public officials. The study presented here examined the connection between corruption and a country's maintenance of accounting standards in a sample of 60 countries, using the University of Virginia index (see above), which covers the degree of reporting on several items, such as general financial information, income statements, balance sheets, fund flow statements, accounting standards, stock data and special items. The results showed that stronger enforcement of detailed accounting standards was associated with lower levels of corruption (appendix C, table 50).

Where financial regulations are not strictly enforced, there are likely to be many cases of bribery. The present study examined the relationship between corruption and the enforcement of banking and security regulations (appendices A, table 12, and C, table 50) and the results suggested that stronger enforcement of banking and security regulations was associated with lower levels of corruption.

Public sector governance

Several studies have already made reference to the empirical links between administrative inefficiency-ineffectiveness and corruption [16]. In this section some of the main factors of good public governance linked to the control of public sector corruption are discussed. The analysis performed first linked administrative corruption with perceptions of the quality of bureaucracy. The results were convincing (appendix C, table 57).

In order to study the relationships between patronage, the quality of bureaucracy and corruption, proxies measuring the presence of a politicized

bureaucracy were linked with two perceptional indicators, “independence of the civil service from political pressure” and “immunity of the public service from political interference”. The hypothesis that enhanced independence of civil servants is related to higher quality of the bureaucracy and to lower levels of corruption was also verified (appendix C, tables 58 and 59). Additionally, high-level corruption was found to be strongly correlated with the variables “independence of civil service from political pressure” and “immunity of public service from political interference” (appendix C, table 60).

Furthermore, the impact of economic interventionism of States on rates of high-level corruption is significant. State intervention in the private sector, that is, the extent to which the State interferes in economic interactions within the private domain, comes in many forms, one of which is the granting of government subsidies to private companies. High levels of corruption are associated with high distortions and abuse of discretion in the granting of state subsidies to the private sector (appendix C, table 60).

Procurement has been recognized as a high-risk area, since it frequently involves huge sums of public monies flowing to the private sector based on decisions by public officials. In some cases, corrupt transactions are the norm as a result of common institutional failures that could be avoided, an assumption that was tested by running correlations between perceptional indicators on procurement opened to foreign bidders and the index of high-level corruption, which proved to be significantly strong (appendix C, table 60). More discretion exercised by public officials is also associated with higher levels of corruption in procurement.

Another government sector usually characterized as corruption-prone is customs. The association was examined between the spread of corruption in this area and two perceptional variables measuring whether the “customs bureaucracy hinders the efficient transit of goods” and “efficiency of customs”. Statistics showed a negative correlation between corruption and the quality of the customs bureaucracy and their efficiency, measured in terms of procedural complexity and abuse of discretion exercised by customs officials in the exercise of their duties (appendix C, tables 60 and 63). In short, high-quality customs are associated with lower levels of corruption.

Regulation is one of many key areas where the interests of business people and regulators stand in sharp contrast and many opportunities and justifications for corruption arise. Since the great number of required procedures not only increases the chances for public officials to initiate or respond to corrupt transactions (opportunity factor/supply side) but also “forces” businessmen

to adopt such corrupt practices in order to “jump the queues” (demand side), the study examined the association between corruption prevalence and red tape, represented by the number of procedures required in order to start a new business. The statistical link between increased red tape and higher corruption proves to be positive and very strong (appendix C, table 64).

Corruption can be seen as a way to accelerate administrative procedures for those willing to pay bribes or “speed money”. Extraction of undue benefits, such as rents, by politicians and/or regulators in many cases takes the form of outright extortion. This can happen, for example, when regulators impose delays or repeated obstacles on private firms until a bribe is paid [17]. The association between the prevalence of corruption and the time spent with bureaucrats, as represented by the number of business days required in order to obtain authorization to start a firm, was examined. The links between the two variables proved to be very significant (appendix C, table 64). The relationship showed that the more time required, the greater the corruption involved. Analysis suggested a strong positive association between high-level corruption and regulation of entry in terms of numbers of procedures, time and cost involved (appendix C, table 67). That is, excessive red tape was associated with a higher level of corruption.

An essential characteristic of good governance is the existence and efficient functioning of institutions that hold public officials accountable. State bureaucracies can be made accountable to the political executive (ministerial responsibility), to the legislative assembly (legislative oversight), to the public (ombudsman, media) or to the judiciary. Judicial scrutiny of the bureaucracy is found in systems where administrative law is established as a separate branch of public law. In many States, this leads to the creation of a network of administrative courts empowered to resolve disputes between the government bureaucracy and private citizens. The existence of such bodies is not of itself a guarantee of low administrative crime, but when they are proved to be effective, then corruption is less frequent. Lower rates of corruption appear in systems with higher rates of litigation against government (the likelihood of winning a dispute filed against the Government or a state agency) and greater compensation for state intervention (the existence of the legal right to seek compensation from the State for damages incurred as a result of unlawful state interference) (appendix C, tables 68 and 69).

Multi-variable analysis of the key correlates of corruption

In order to determine the best predictors of low-level and high-level corruption, multiple regression models were used for the most important variables shown by correlation analysis (appendix C, tables 70 and 71) while also taking into account the results of the factor analyses (appendix F, table 87). This was done by considering as independent variables representative proxies of private sector governance, public governance, independence and integrity of the judiciary, the criminal justice system and socio-economic factors, respectively.

The results of the multiple regression model showed that low levels of corruption were affected by levels of judicial independence (judicial integrity), the levels of the United Nations human development index (as regards socio-economic factors), the independence of civil servants (public governance) and the strength of democratic institutions (in the political sphere), as shown in table 2. The four factors together explained 88 per cent of the variations in street-level corruption in the cross-country sample and together allowed for almost perfect prediction of the level of common corruption in a country.

The same multiple regression method was used in considering high-level corruption as the dependent variable. The following independent variables showed the most significant relationships: “foreign trade regulation” (in the socio-economic area), “enforcement of banking regulation” (private governance), “quality of the bureaucracy” (public governance) and “polity levels” (in the political sphere), as shown in table 3. The four factors accounted for 89 per cent of the variation in high-level corruption across countries.

Table 2. Multiple regression analysis of low-level corruption

Variables	*Independence of the judiciary*	*Human development index*	*Independence of civil servants*	*Polity*
Beta (standard coefficient)	–.893	–.688	–.481	-.247
Significance	.008	.001	.034	.035

Model summary[a]

Model	*R*	*R square*
1	.832[b]	.693
2	.861[c]	.741
3	.890[d]	792
4	.909[e]	.826

[a]Dependent variable: low-level corruption (data derived from the International Crime Victim Survey (cities only) of 1999 or, if not available, from that of 1995.

[b]Predictor (constant): independence of the judiciary from political pressure.

[c]Predictors (constant): independence of the judiciary from political pressure and human development

index 1999.
[d]Predictors (constant): independence of the judiciary from political pressure, human development index 1999 and independence of civil servants from political pressure.
[e]Predictors (constant): independence of the judiciary from political pressure, human development index 1999, independence of civil servants from political pressure and polity.

The results of the above regression analyses were robust and significant for each of the selected independent variables (appendix F, tables 85 and 86). By using the sets of variables mentioned, the levels of corruption per country could be predicted with reasonably small margins of error.

Policy recommendations

Discussion now turns to how organized crime and corruption can be reduced by strengthening state institutions and involving civil society.

The organized crime-corruption nexus

Analysis confirmed a very strong level of association between the index for levels of organized crime and the index for public sector corruption, as demonstrated in table 4. Rampant corruption offers opportunities for organized crime that are readily exploited by emerging criminal groups. When organized crime acquires a dominant position, corruption within

Table 3. Multiple regression analysis of high-level corruption

Variables	*Enforcement of banking regulations*	*Polity*	*Quality of the bureaucracy*	*Openness to foreign trade*
Beta (standard coefficient)	–.246	–.231	–.346	–.268
Significance	.097	.069	.014	.026

Model summary[a]

Model	*R*	*R square*
1	.833[b]	.695
2	.894[c]	.799
3	.921[d]	.848
4	.942[e]	.887

[a]Dependent variable: high-level corruption (state capture index).
[b]Predictor (constant): enforcement of banking regulations.
[c]Predictors (constant): enforcement of banking regulations and polity.
[d]Predictors (constant): enforcement of banking regulations, polity and quality of the bureaucracy.
[e]Predictors (constant): enforcement of banking regulations, polity, quality of the bureaucracy and openness to foreign trade.

the public sector is bound to grow. The many ways in which organized crime and corruption in the public sector "feed" each other justify examining both types of complex crime in a joint manner in parallel with the policy recommendations below, which include examples of successful national experiences in the fight against organized crime and corruption in the public sector.

In this context, five levels of infiltration of the public sector by organized crime need to be addressed by policy makers. The first level involves sporadic acts of bribery or abuse of public office at low levels of government agencies by organized crime. The second level involves acts of corruption occurring on a frequent basis by having low-ranking state officials on the organized criminal payroll. The third level occurs when organized crime infiltrates the managerial domain of public agencies in an attempt, for example, to bias the hiring of state personnel in order to favour the operations of criminal groups. The fourth level of infiltration compromises the heads of agencies responsible directly or indirectly for fighting organized crime-related activities (e.g. drug enforcement agencies) or may involve cases of agencies providing potential long-term benefits to a criminal group (e.g. customs). This fourth level represents an increased perniciousness with long-term negative effects on the capacity of the State to eradicate corruption and organized crime. Finally, the fifth level of infiltration by organized crime encompasses the capture of the State's policies

Table 4. Correlations

		High-level corruption	*Organized crime index*	*Low-level (state capture index)*
Spearman's rho	Organized crime index	Correlation coefficient	1.000	0.688[b]
		Significance (two-tailed)	—	0.000
		N[c]	58	44
	Low-level corruption "ICVS, city" 1999 (if not, 1995)	Correlation coefficient	0.688[b]	1.000[b]
		Significance (two-tailed)	0.000	—
		N[c]	44	48
	High-level corruption	Correlation coefficient	0.708[b]	0.698[b]
		Significance (two-tailed)	0.000	0.000
		N[c]	50	37

(state capture index) Significance (two-tailed) 0.000 0.000 —
N_c 50 37 67
[a]Data derived from the International Crime Victim Survey (cities only) of 1999 or, if not available, from that of 1995.
[b]Correlation is significant at the .01 level (two-tailed).
[c]Number of countries sampled.

by criminal groups who are then able to bias law making, law enforcement and judicial decisions themselves. This fifth type of state infiltration involves high-level officials such as senators, ministers or even presidents of countries usually compromised by organized criminal groups in order to bias policy-making. At this fifth level of infiltration, organized crime is involved in the campaign financing of politicians or through other more common types of extortion and family links to high-level officials. Such state capture represents the highest level of corruption in the public sector, which paves the way for the expansion and consolidation of transnational organized crime.

Criminal justice reforms: legislative issues and investigative tools

In order to implement successfully the "right" types of legal and criminal justice policy reform against the combination of organized crime and corruption in the public sector, States must first ensure that appropriate legal instruments are in place.

In the legal domain, a few countries have pioneered the enactment of legal measures that criminalize conspiracy to commit a crime. Other countries criminalize membership or participation in criminal enterprises. Illicit association as a form of criminal activity has been introduced into many criminal codes around the world, in particular those of France, Italy, Spain and States in Latin America. Other countries have established as criminal offences crimes committed by groups. In Italy these are called "associated crimes" or "Mafia-type crimes". In the United States of America, legislators have enacted the Racketeer Influenced and Corrupt Organizations Statute (the so-called RICO statute), which prohibits engaging in an enterprise involved in a pattern of criminal activity (racketeering). In that case, judicial rulings indicate that a "RICO enterprise" entails an organizational structure that carries on its business by means of activities that are primarily criminal and where there is a high degree of probability that the criminal activities will continue in the future. In all of the country-specific laws, the judicial capacity to dismember a criminal organization has been greatly enhanced by the enactment of innovative statutes.*

Within these legal frameworks, several countries pioneering anti-mafia policies have also improved their operational capacity for the gathering and

*For participation in a criminal association, see the French Criminal Code, Title V, articles 450-1-450-4; the Italian Penal Code, Royal Decree No. 1398 of 19 October 1930, articles 416, "Association for purposes of committing offences", and 416 bis, "Mafia-type association"; and the Spanish Criminal Code, articles 515 and 516, on illicit association.

analysis of complex evidentiary material, over and above the traditional or conventional technique of investigation. Such modern techniques include wire-tapping, controlled delivery, electronic surveillance and testimony obtained from witnesses through offers of immunity or other incentives, coupled with the protection of witnesses. Moreover, international experience in fighting organized crime also shows that law enforcement needs to have the research and analysis capability to support investigations and prosecutions by clearly determining: *(a)* the structure, composition and primary activities of the criminal networks; *(b)* their modus operandi (including production, marketing and financial logistics); *(c)* contacts with both licit and illicit environments; and *(d)* a clear delineation of preventive strategies.

The need for specialized anti-mafia units

International experience shows that specialized units against organized crime at the police and judicial levels or task forces within criminal justice systems are effective tools in fighting organized crime. The establishment of a task force to conduct a complex investigation may take a multi-agency approach where representatives from law enforcement and judicial entities are assigned to specific cases. For example, a task force composed of specialists or skilled investigators from several agencies and prosecutors makes it possible to use a dedicated unit without decimating the available investigative resources from a single organization. The use of team members from other investigative or regulatory agencies often facilitates the gathering of complex evidence. The team concept allows for the clear allocation of assignments and responsibilities among team members and promotes a sense of unity, all necessary for the team's success. In that context, legal advisers or prosecutorial representatives should be included in teams to provide timely legal assistance and leadership in gathering evidentiary material.

The building of specialized units within the criminal justice system is the key to success. The application of team-based management of cases, involving specialized pools of investigators, prosecutors and judges, has been introduced with success in, for example, Chile, Italy and Singapore in order to handle complex criminal cases of asset forfeiture. In some countries, such as Mexico, inter-jurisdictional institutional coordination between federal law enforcement and judicial institutions has proved to be of primary

importance in achieving improvements in the investigation and prosecution of cases of organized crime. In the view of the present authors, any national anti-mafia strategy needs to include establishment of a centralized and standardized database on organized criminal groups accessible in real time by law enforcement and judicial officers alike.

Upgrading judicial follow-up

Although higher expenditure on criminal justice does not per se ensure better organized crime and corruption control, it is clear that the criminal justice systems of most developing countries are critically underfunded. The differences in the current and capital levels of spending between developed and developing countries show expanding gaps. For example, developing countries spend an average of $5-$10 on criminal justice per citizen. On the other hand, highly developed economies spend over $165 per citizen on their police, prosecutors and judges. The present analysis showed that many of the low- and middle-income countries in the sample did not even allocate enough resources to keep their criminal justice systems running at a functional level. Besides overall budget increases, reallocations of current budget resources may be warranted in many of these countries where the police receive a disproportionate share of overall funding, while the prosecutorial services and the courts suffer acutely from lack of basic operational resources. Without functioning prosecutorial and judicial systems, law enforcement alone cannot contribute effectively to better conditions for combating complex crimes.

In that framework, courts must monitor and control the progress of cases from filing to disposition by following a group management approach, with first instance court judges and pools of prosecutors jointly managing the cases. Assignment of cases to different management tracks (i.e. express, standard or complex tracks based, among other factors, on the quality and quantity of evidentiary material) can also reduce procedural times and abuse of discretion in case assignments and rulings. Such a system of proactive management must be supported by computerized case-tracking technology, which makes it possible to handle case assignment and to deal with judicial officers' concerns online in real time. Technical personnel and professional staff development must therefore be aimed at adopting more advanced information technologies to support case management.

In countries following best practices, systems to implement forfeiture and financial management of assets have been upgraded in order to include measures that are the most effective in striking at the roots of organized crime. As an incentive to achieve greater operational efficiency, law enforcement agencies could also be allowed to retain the proceeds of asset forfeiture, to be allocated to staff welfare accounts or spent on organizational

improvements. (In Chile and Singapore, for example, an autonomous agency handles payment of fines and refunds of bail electronically, with payments credited to the law enforcement departments achieving predetermined levels of performance.) Previous experience reveals that higher salary levels tend to attract more qualified personnel if subject to strict performance-based indicators, thus making corrupt practices less likely. Yet structural reforms of the judicial system are needed first, including strengthening and modernizing financial management and budgeting while training and developing administrative staff.

In sum, the countries performing best have developed computerized case management processes for police, prosecutors and judges, co-developing multi-agency systems and computerizing court administration. Such reforms have made internal corruption and infiltration by organized crime less likely through the introduction of organizational re-engineering, including elimination of procedural complexity, and through reductions in the abuse of procedural and substantive judicial discretion.

In that connection, legislatures must contribute to empowering the judicial system to take on new and innovative programmes by amending laws, introducing electronic means of handling complex evidence linking many case files, enacting subsidiary legislation for better case management and upgrading judges' salaries.

Involving civil society

The criminal justice systems that are the most effective in fighting organized crime and corruption in the public sector can usually rely on the willingness of citizens to collaborate with the State's law enforcement efforts in an operational way. Building such public confidence and trust in the criminal justice system requires first showing civil society tangible results of successful policy reforms. Moreover, the leadership of the judiciary and law enforcement at the supreme court level, the attorney general, the chief prosecutor and the chief of national police must set good examples by adopting high ethical standards and by establishing strict procedures to ensure that cases are attended to in accordance with due process and are concluded expeditiously. In such a scenario, political will and capacity to execute reforms are a precondition for building public trust and later implementing successful criminal justice policies involving the public.

Reform of criminal justice systems in countries following best practices has not been achieved without the help and support of other institutions.

Political elements are required to foster an independent criminal justice system with the capacity to fight organized crime and public sector corruption.* Recognizing this early on, the countries following best practices have sought to build bridges between their public sectors and civil society stakeholders. Relative success in fighting state captures orchestrated by the Mafia in Palermo, Italy, shows that public information and education campaigns and the fostering of innovative organizational cultures of institutional change within the State have both been catalysts in reducing the pernicious effects of organized crime on corruption in the public sector.** Civil society actors such as bar associations and law schools can play an important role in the reform process. For example, establishing civil society bodies composed of a panel of lawyers and other members of the public acting as "court watchers" in cases concerning organized crime and corruption in the public sector has been shown to enhance the legitimacy of the judiciary in Costa Rica, Italy and the United States.

Enhancing the independence of the judiciary

Evidence-based results show that a balance between judicial accountability and the independence of judicial institutions from political forces is a necessary condition to achieving success in enforcing laws to fight organized crime and corruption in the public sector. Yet this balance between democratic accountability and institutional independence requires a basic prior consensus among the main political forces in countries [18].

Certainly, it would be naïve to think that constitutional provisions prescribing the separation of powers would be enough to guarantee the judicial independence required for the unbiased and transparent interpretation and enforcement of the law. In fact, such constitutional provisions are not even a necessary condition to attaining judicial independence: countries such as Israel, New Zealand, Sweden and the United Kingdom of Great Britain and Northern Ireland—all countries with high levels of judicial independence coupled with low levels of organized crime and of corruption—do not possess constitutionally entrenched judicial independence.

Examination of international experience shows that the political elements enhancing an independent criminal justice system with the capacity to fight

*These elements were all present in the legal and judicial reforms implemented in Chile and Costa Rica [Refer to Buscaglia, 1 1].

**For more references on using an operational civil society approach supporting law enforcement and judicial efforts, see the work of Leoluca Orlando [18].

organized crime and corruption in the public sector can be identified. For example, the cases of Costa Rica, and to some degree, Chile, show that judicial systems can only enhance their capacity to interpret laws with independence and autonomy when the political concentration of power within the legislative and/or executive branches tends to be relatively balanced such that alternation in power becomes a likely outcome of periodic elections. To some degree, a balance of power among truly competing political forces creates an increased willingness among politicians to give up a good part of their political control of court and prosecutorial decisions in order to avoid mutual assured destruction in subsequent electoral periods when the opposition may take over the reins of power. This sequential "game" between or among political forces operates as a tacit insurance that guarantees increased independence of the criminal justice system from political whims [12].

A framework guiding policy makers during legal and judicial reforms must first identify the main areas where undue pressures are most likely to hamper the State's capacity to adjudicate cases involving organized crime and corruption in the public sector. The identification of such areas must focus on the links between judicial systems and other governmental and non-governmental institutions but also not neglect to review factors hampering independence within the judiciaries themselves. Once the political preconditions for policy reform mentioned above are present, technical initiatives must incorporate best practices. Lessons from case studies show that best practices in enhancing judicial independence of courts and prosecutors include:*

(a) An improved, uniform and comprehensive case management system coupled with transparent and consistent rules for the assignment of cases;

(b) The implementation of uniform and predictable administrative (i.e. personnel- and budget-related) measures founded on rewards and penalties driven by performance-based indicators, with a consequent clarification of the career paths for judicial and law enforcement officers;

(c) Specific reforms of the organizational structure of criminal justice, including the introduction of category-specific organizational roles for judicial, prosecutorial and police personnel in order to secure their own internal independence;

(d) The enhancement of the capacity of the judiciary to review the consistency of its own decisions in court rulings by improving the

*These elements of reform aimed at enhancing judicial independence were all present in the legal and judicial reforms implemented in Chile and Costa Rica [12].

effectiveness of judicial (appellate-based) reviews but also by allowing for the monitoring of civil society-based social control mechanisms working hand in hand with the media (e.g. non-governmental organizations such as Court Watch);
(e) Governance-related improvements in the links between the political sphere and the judiciary in accordance with the preconditions described above.

Policies within the socio-economic and financial domains

Countries implementing best practice policies in the fight against organized crime and corruption in the public sector have sometimes adopted economic and financial policies that go beyond the legal and judicial measures outlined above. It is clear by now that in order to tackle corruption and organized crime multidimensional measures are required.
In the economic and financial domain, the fight against organized criminal groups includes best practices such as:
(a) Reduction of poverty levels and increase in salary levels for public employees in order to hamper the uncontrolled growth of corruption, which tends to increase political instability, which in turn stimulates the penetration of the State by national criminal organizations or, worse, by transnational ones;
(b) A reduction in the incidence and dimension of informal markets that provide the economic input and output for organized crime;
(c) Improvements in the distribution of income and wealth;
(d) Reduction of barriers to the international exchange of goods and services;
(e) The adoption and more consistent application of financial regulations, which could be enforced by specialized supervisory state agencies responsible for financial investigations.
In the area of financial regulation, the experience of countries following best practice showed that the capacity of the State to trace, identify, monitor, seize and confiscate financial assets and other types of proceeds of crime, was a key element in any organized crime containment programme. This required a major global infrastructure of legislation not only to address the seizure of proceeds of crime but also for confiscation purposes.

As drug-related issues gain in importance in an increasing number of societies, various efforts have been made to reform legislation to combat laundering of proceeds of crime in different countries, as well as to strengthen the police and prosecutorial involvement in financial investigations (including customs and excise), which increasingly involve tax fraud and terrorist activities. The Financial Action Task Force on Money Laundering, for instance, has begun focusing more on all crime and transnational organized crime, establishing a list of non-cooperative countries and territories in 2000 in order to counteract the slow adoption of standards of the Task Force in some jurisdictions, together with guidelines informing regulated banks the way they should deal with transactions from the listed jurisdictions, introducing more severe sanctions in case of non-compliance.

In that context, it is worth noting that the world's legal landscape has been transformed over the last decade, with an increasing number of countries adopting and enforcing laws permitting or requiring disclosure of assets and mutual legal assistance (although their level of conformity with the standards of the Financial Action Task Force on Money Laundering may vary). Few reputable financial centres now offer bank secrecy as an option. Visible enforcement of financial regulations addressing the proceeds of organized crime has been very modest, however. The lack of operational capacity of police, prosecutors and judges in handling cases involving financial investigations still constitutes an institutional constraint in most countries.

Conclusion

The results of the analyses reported here have shown that levels of organized crime and of corruption in the public sector are determined first and foremost by the quality of core public state institutions, such as the police, prosecution and the courts. That relationship seems to hold for countries at all levels of development. It is also clear that the institutional forces at work in introducing improvements in the legal fight against corruption and organized crime must be held accountable. These are the conditions that foster the "right" institutional environment within which criminal justice can be offered in an unbiased and transparent fashion. Independently from these institutional determinants, high levels of organized crime and corruption are linked to low levels of human development. This result points to the vicious circle of poverty exploited and compounded by organized crime and grand corruption. In extreme cases, dysfunctional state agencies are "captured" by organized crime.

The results of the authors' study confirm the hypothesis that organized crime and corruption prosper in an environment of bad governance. Insufficiencies in the area of economic and financial regulation and poor legal-judicial infrastructures are among the many aspects of governance that appear to be relevant to crime control. This is true for developing countries in general and for countries in post-conflict situations in particular. Examples of countries and territories that gave priority to crime and corruption control in the early stages of development and are now among the most economically successful in their region include Botswana, Hong Kong Special Administrative Region of China, Singapore and Taiwan Province of China. The list of countries and territories with dysfunctional state functions, rampant organized crime and corruption and stagnant economies is by comparison depressingly long [19]. In that context, by strengthening their capacity to prevent and control organized crime, countries can eliminate a major impediment to human development.

Too few developing countries and development experts seem to appreciate fully the far-reaching impact of a functioning criminal justice system. Unlike conventional crime, which seems to be controlled largely by structural root causes outside the sphere of short- or medium-term influence of the State [20-21], organized crime and corruption in the public sector seem more susceptible to state intervention. This finding has important implications for both crime control and development policies. Human development prospects are conditional on the effective control of organized crime and corruption through law enforcement and the rule of law. This being the case, the required investment in law enforcement and prosecutorial and judicial systems in developing countries aimed at enhancing capacity to combat organized crime is small compared with the investments needed to bring physical infrastructure up to international standards.

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