

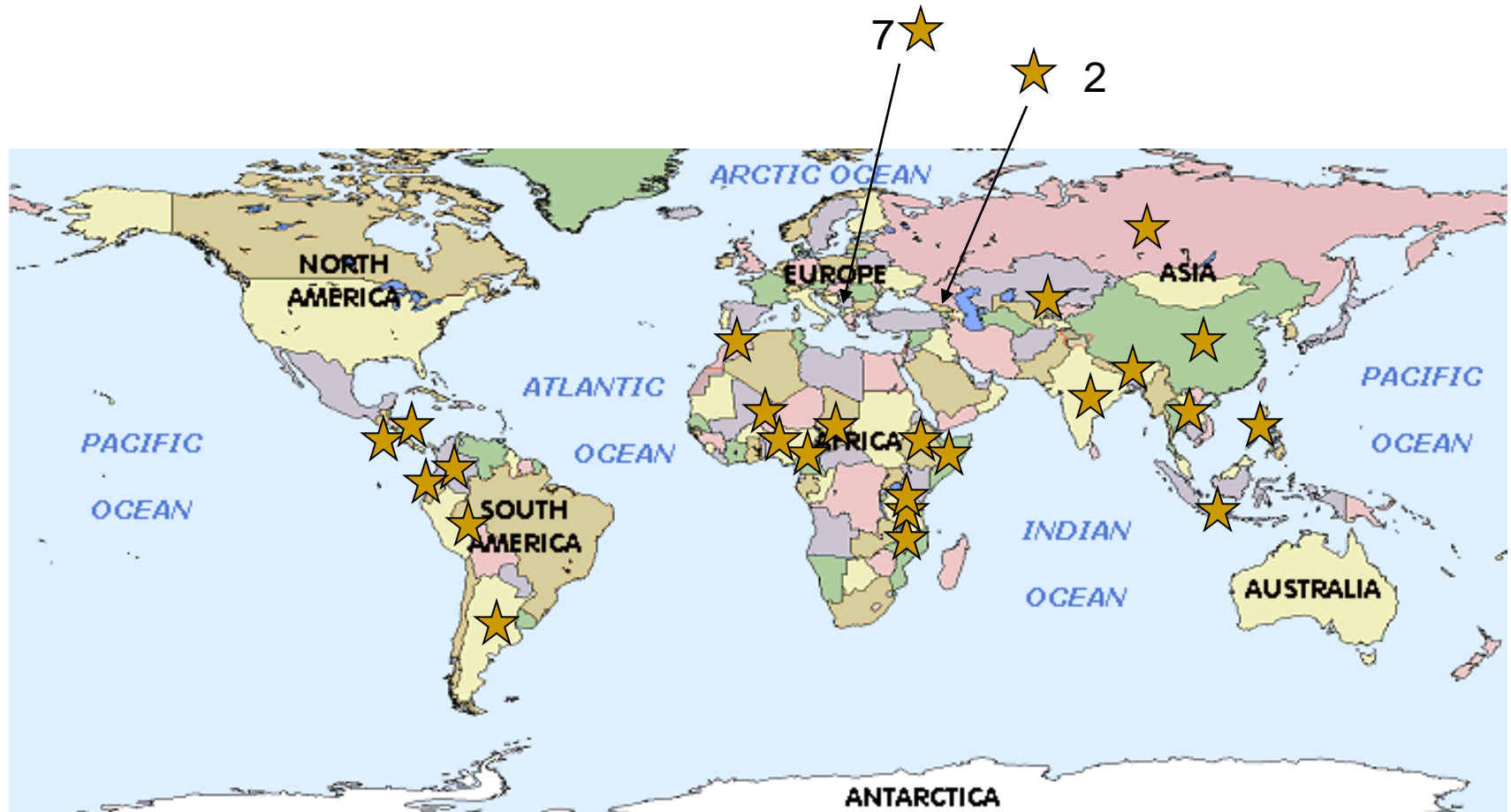
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# On the Optimal Location of the *Anti-Corruption Agency*

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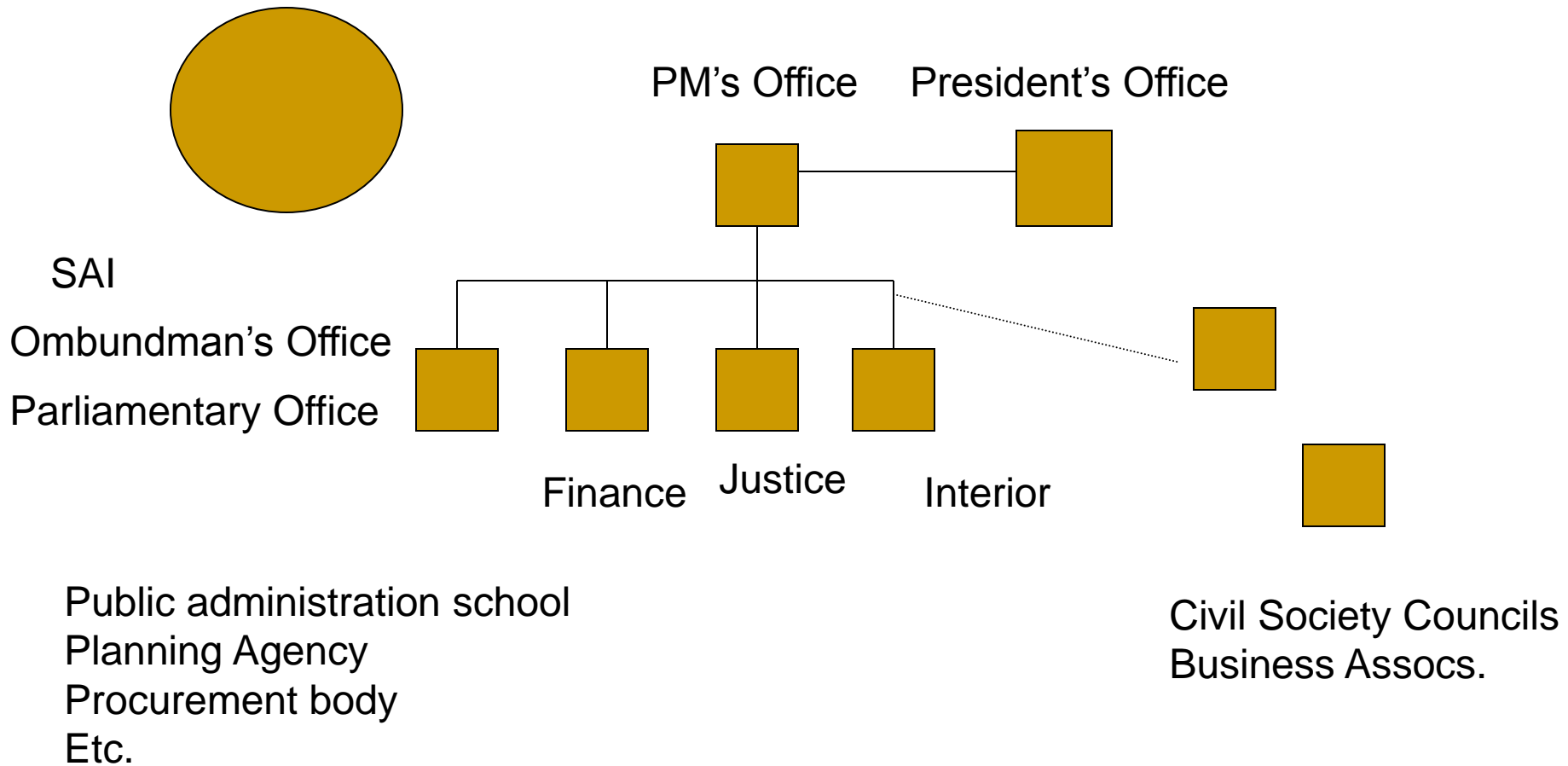
Bryane Michael, Oxford University

# Motivation: Donor supported ACAs



*ACAs blooming across the world...some less successful*

# Why is optimal location a problem?



*Many different areas to locate ACA work....*

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# J'accuse

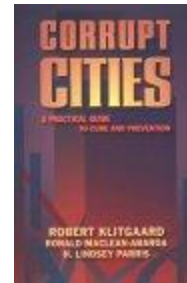
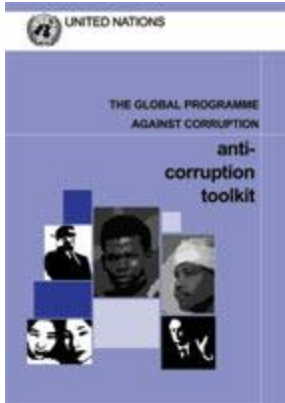
- Many ACAs established with donor funds have been insufficiently thought-out. Their location and activity have been the result of convenience or “common sense” rather than hard and rigorous thinking about the best place to put them.
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# Overview: Where to place the ACA?

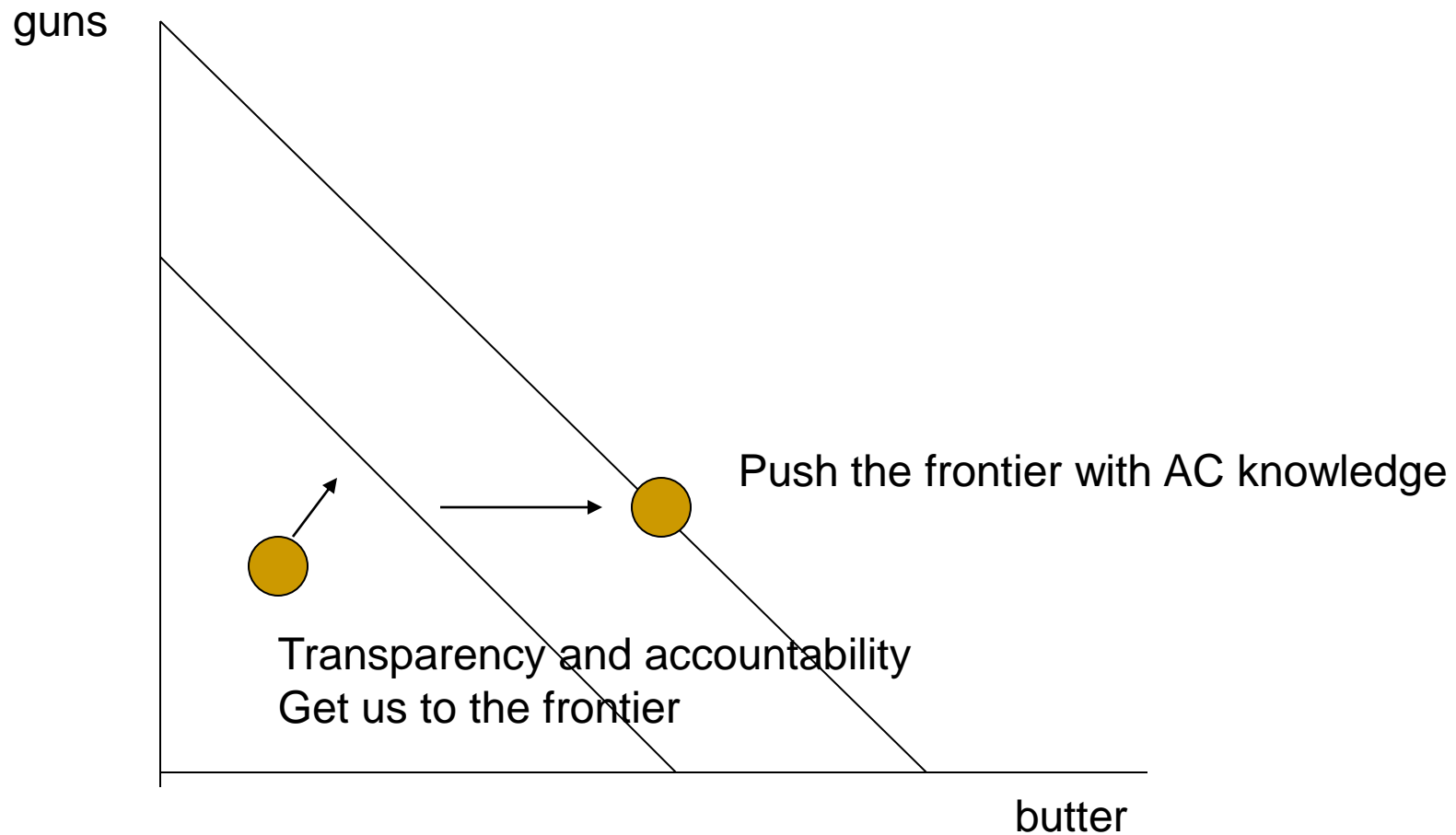
- Literature Overview
  - Transactions cost-based approaches
  - Organisational Theory approaches
  - Other issues
  - A general theory of ACA location
  - Extensions
-

# Advice - Literature



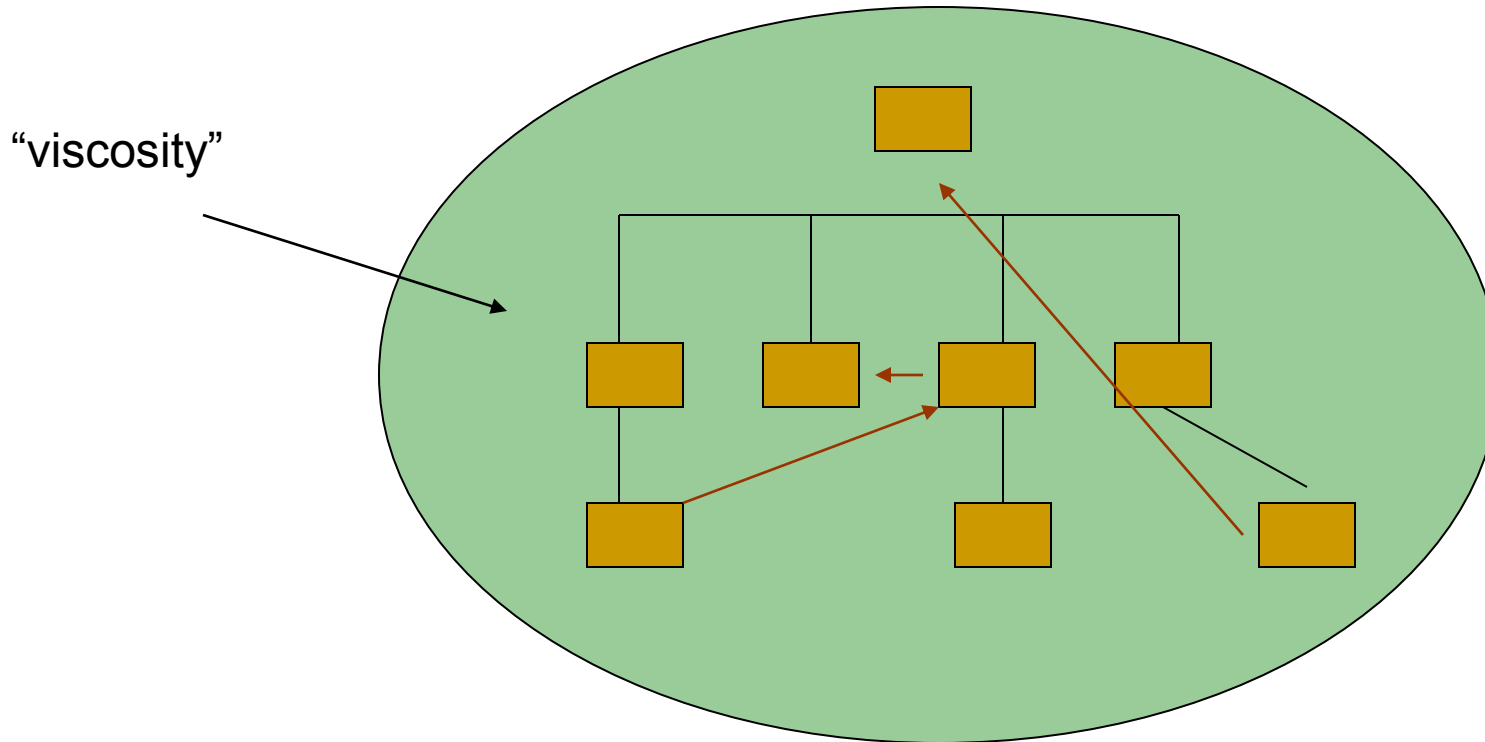
*Much practical advice but little judgment building....*

# Static versus dynamic efficiency



*Literature doesn't look at pushing the AC frontier...*

# New Institutional Economics: Transactions Costs

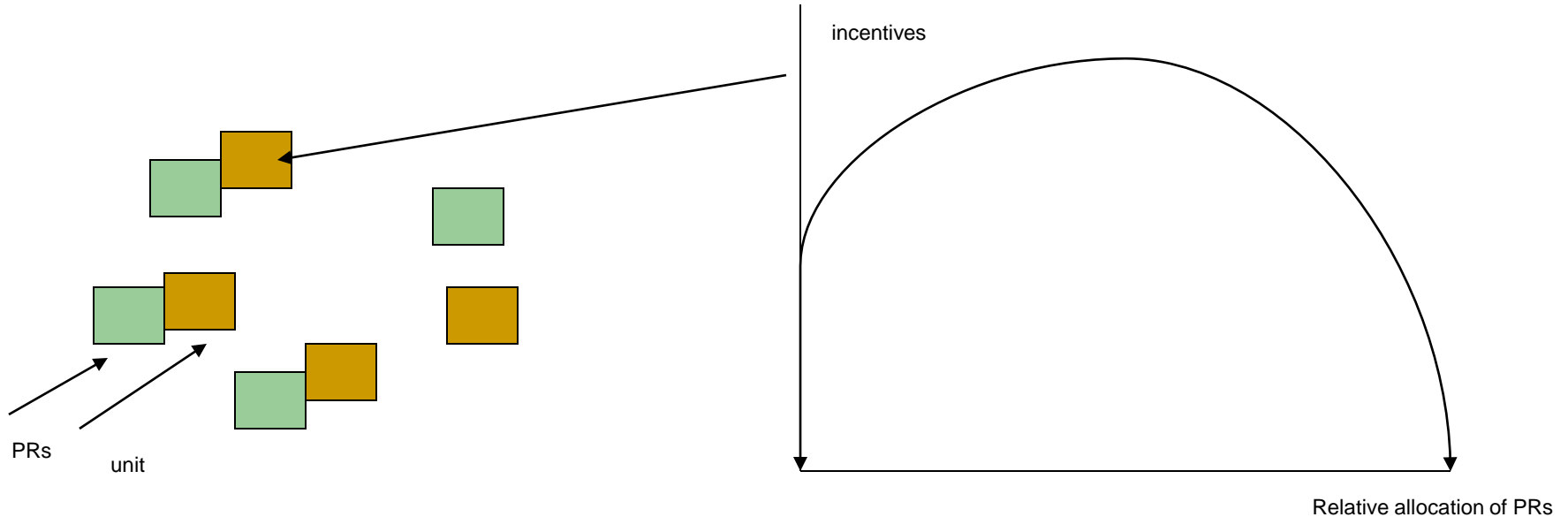


Existence and location of organisation established to minimise transactions costs  
\* Information problems \*contracting \*Agency problems

*ACA should minimise costs of doing AC work*



# Property Rights and Incentives



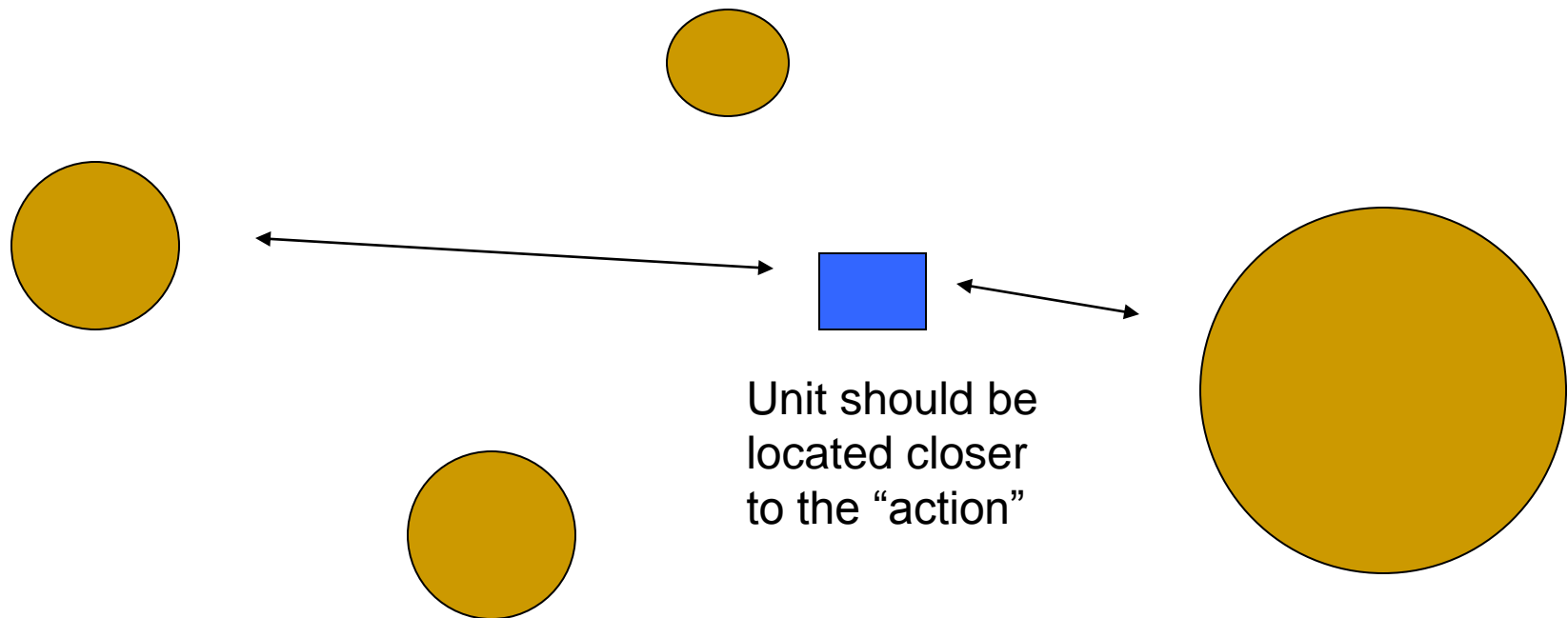
Property right theory:

- ACA gives property rights to organisations
- Those who can maximise the value of those property rights should be given control over ACA....
- Can “weight” entities by the efficiency of control over property rights

*ACA should maximise incentives (returns) to doing AC work*

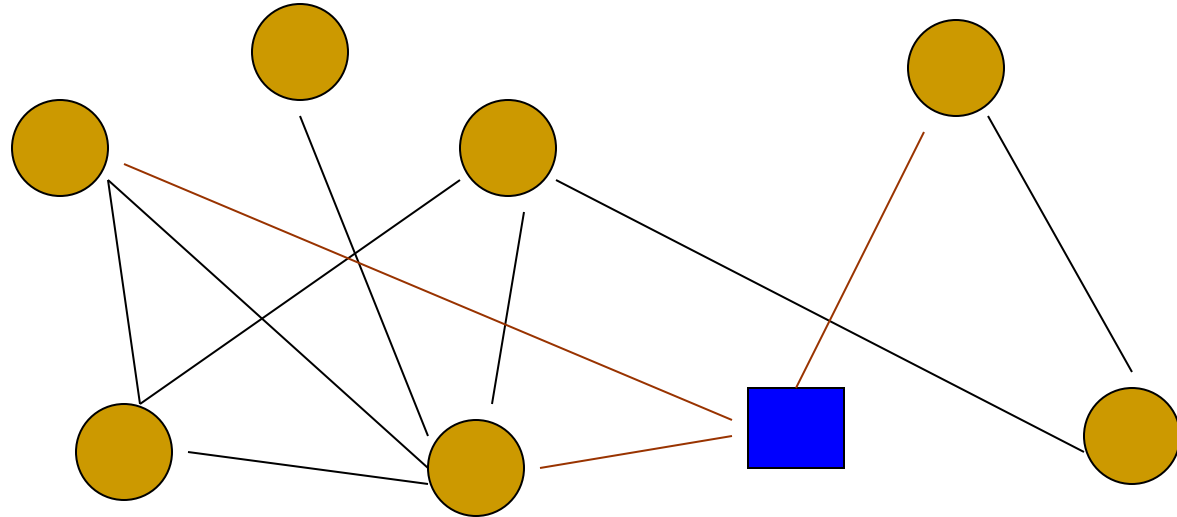
# “Gravity Model of Location”

- Minimise the “weight” and the “distance”
- Simultaneously Max (PR incentives) and Min (transact costs)



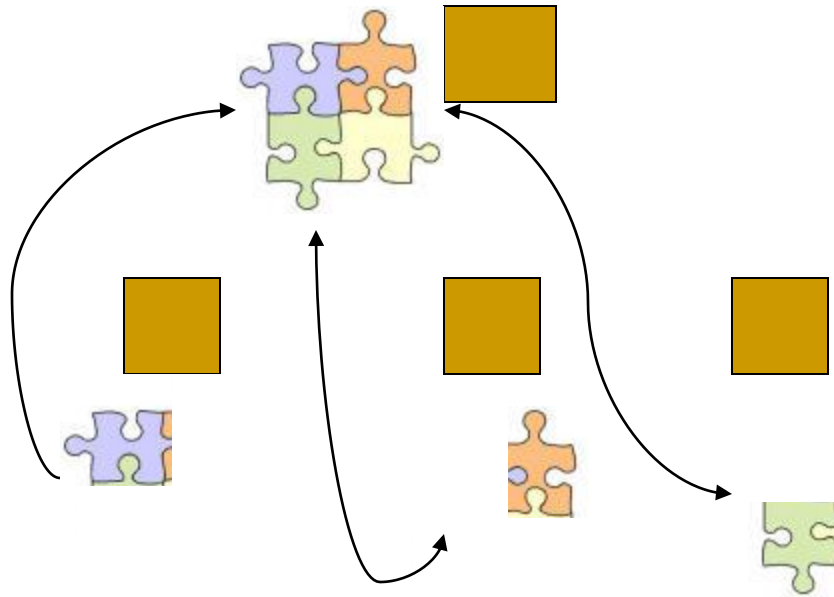
*Corruption is everywhere homogeneous, anti-corruption activity which is unequally distributed*

# Slight Reformulation: A Network Perspective



- Without the unit, there are  $2^n$  possible linkages
- With the unit, reduces complexity
- Depending on network structure, decentralisation or centralisation better

# Organisational Issues



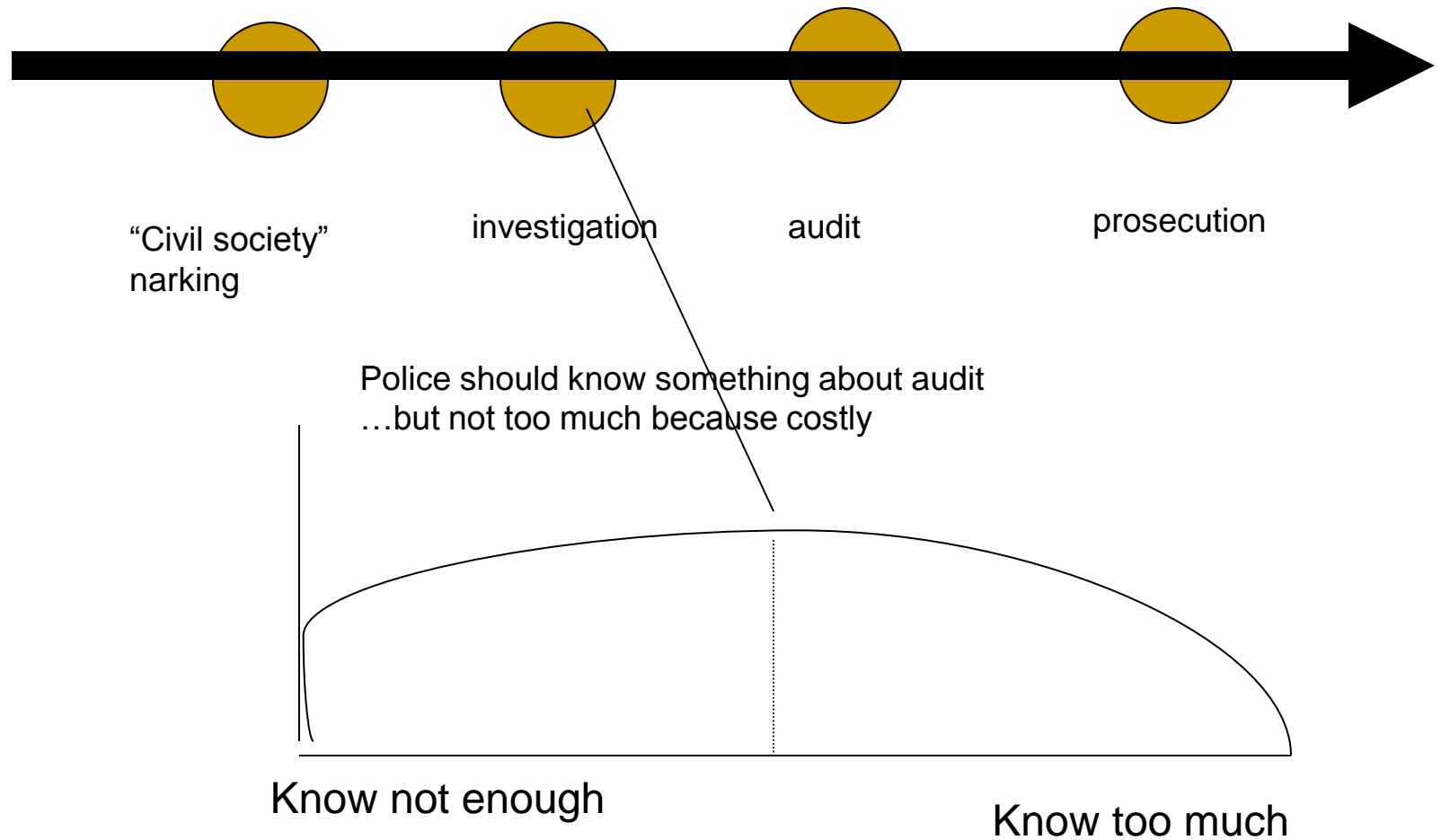
“boundary spanning”

“specialisation”

Choose organisational form which maximises returns to both boundary Spanning and specialisation

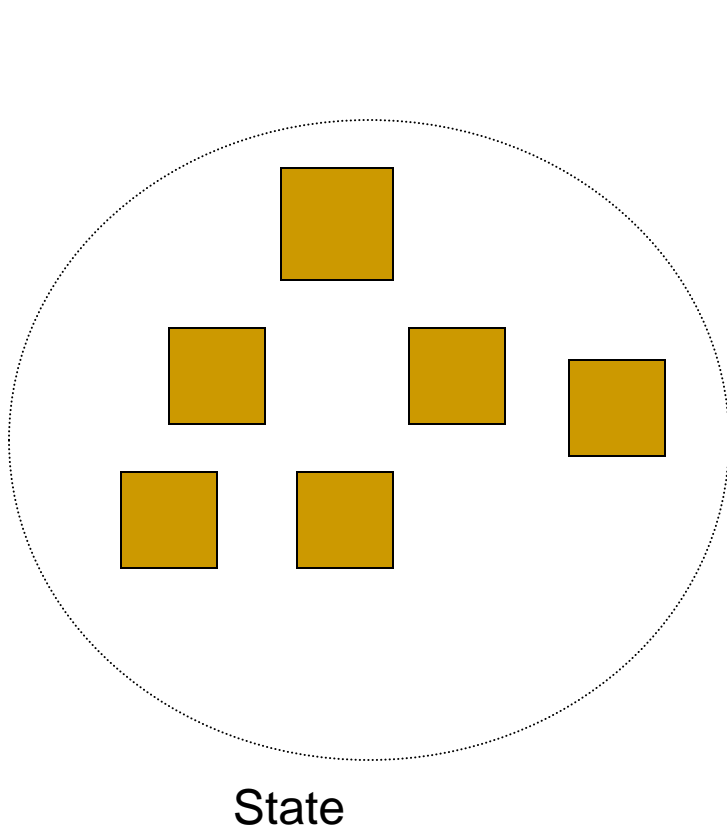
*Optimal allocation depends on returns to each activity and complementarities...*

# Boundary Spanning v. Specialisation?



*Not just common sense, should be guided by hard data....*

# The Problem



## Two Decisions

### *Location?*

- Parliament
- Executive
- Separate
- Civil Society

### *Centralisation*

- Separate Unit
- Tight Co-ordination
- Loose Co-ordination
- Laissez-faire

# An Outline of the Solution

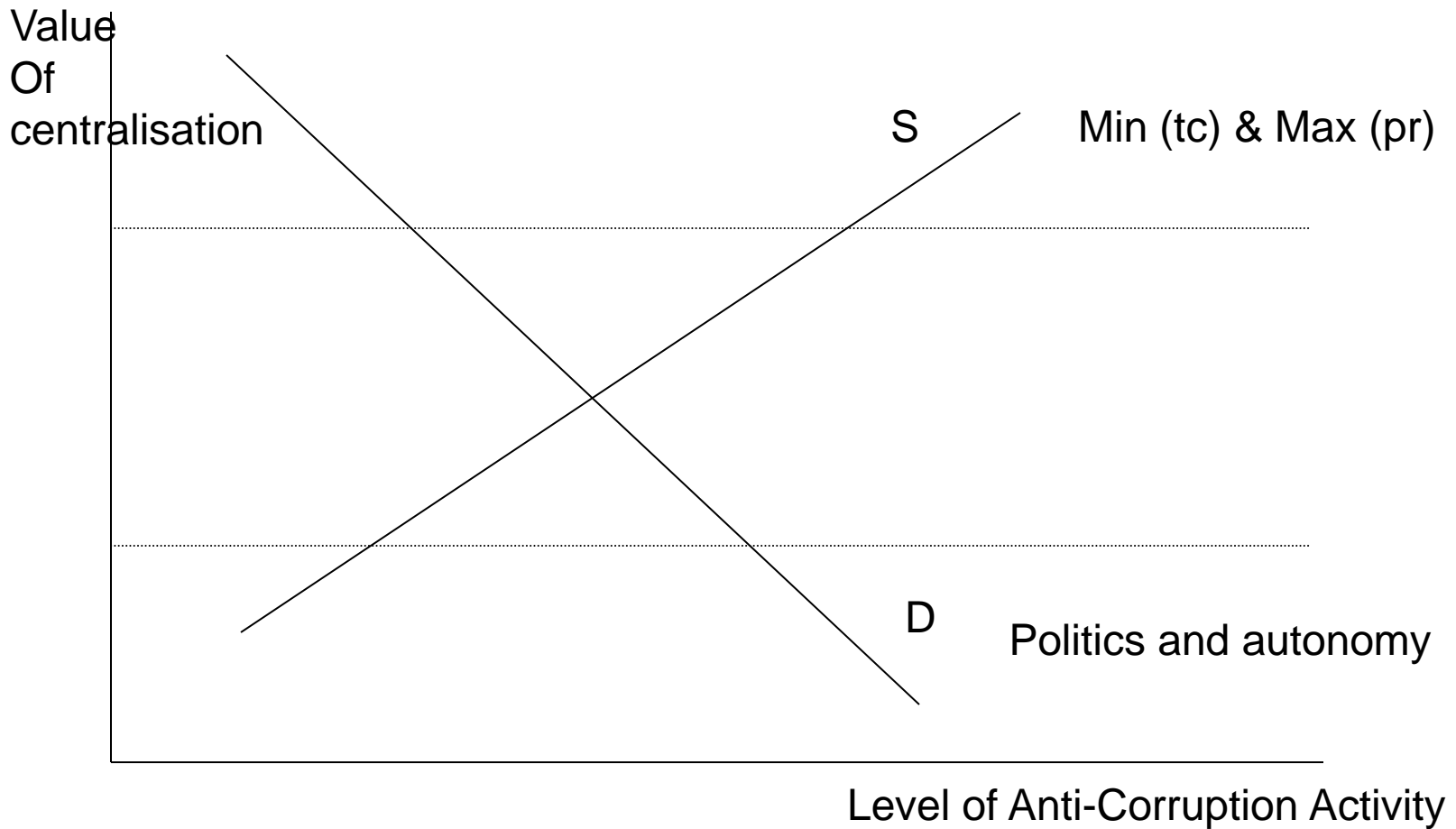
centralisation



	<b>High in Govt</b>	<b>Low in Government</b>	<b>Outside the Government</b>
<b>Transactions costs (ability to self co-ordinate)</b>	Low	Low	High
<b>Capacity to act on incentives</b>	Medium	Low	High
<b>Political conflicts*</b>	High	Low	High

*Location depends on key factors...*

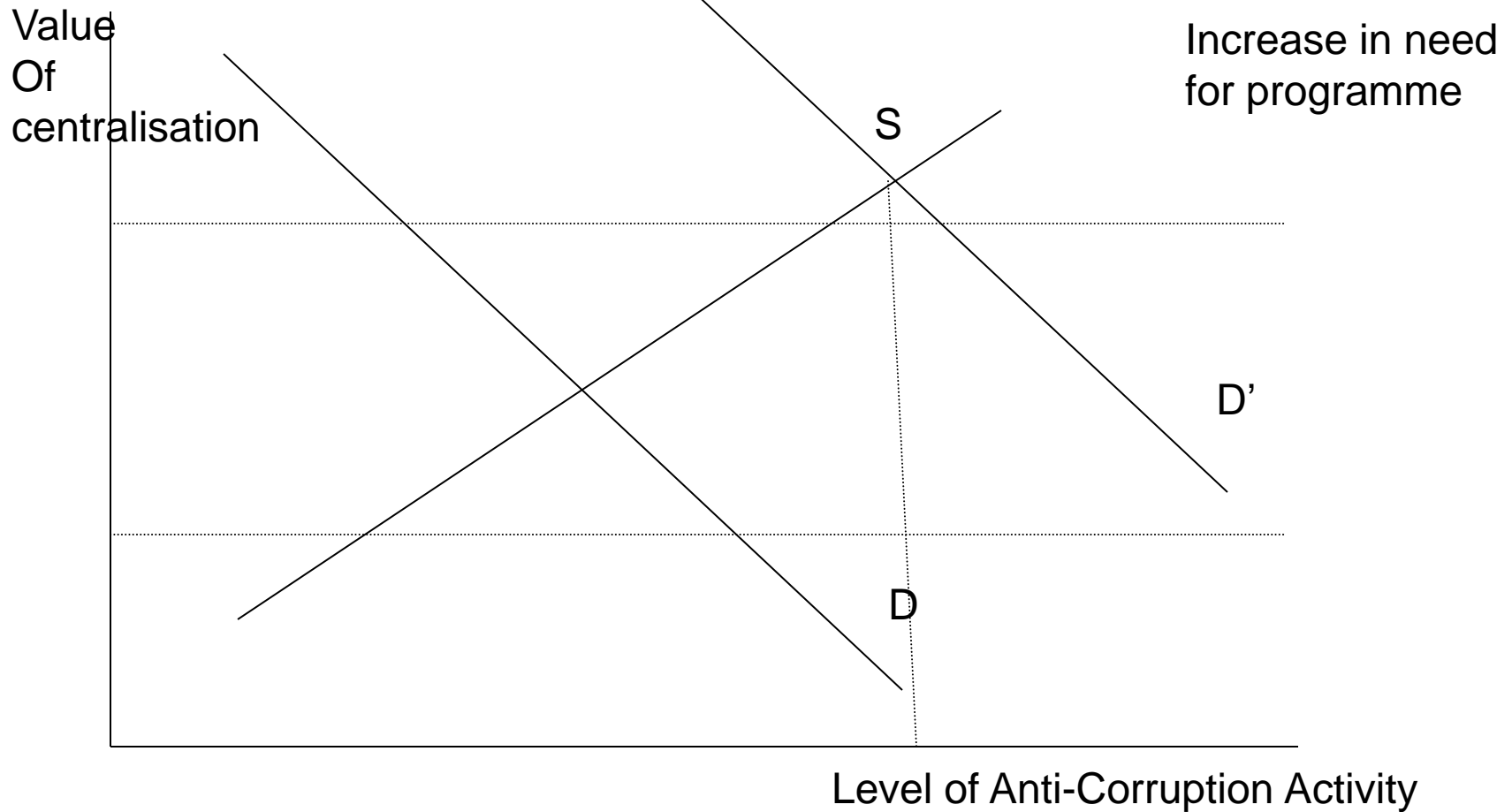
# Defining an Optimal Location



*Assessing the costs and benefits....*

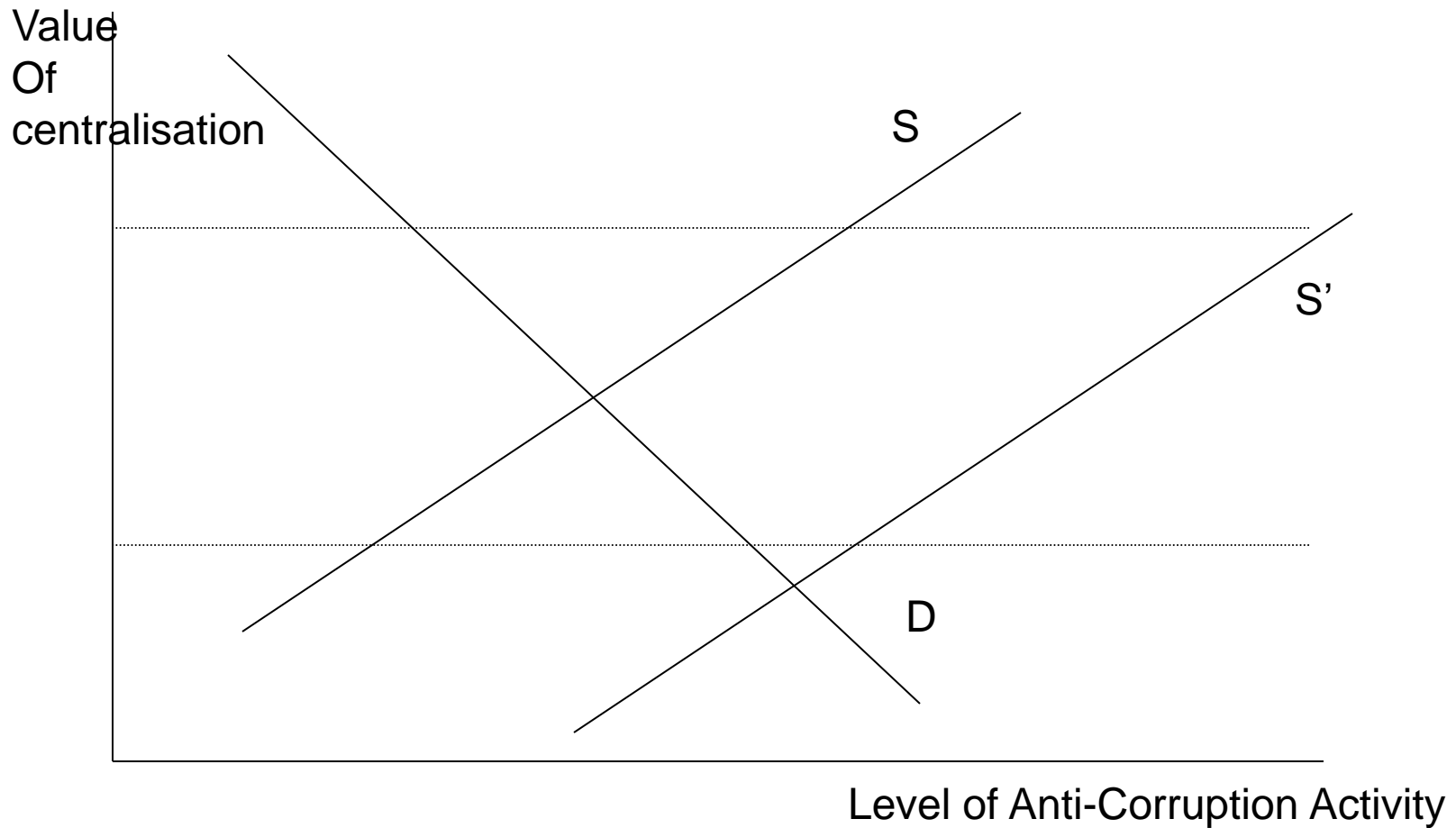


# Comparative Statics: Demand Shift



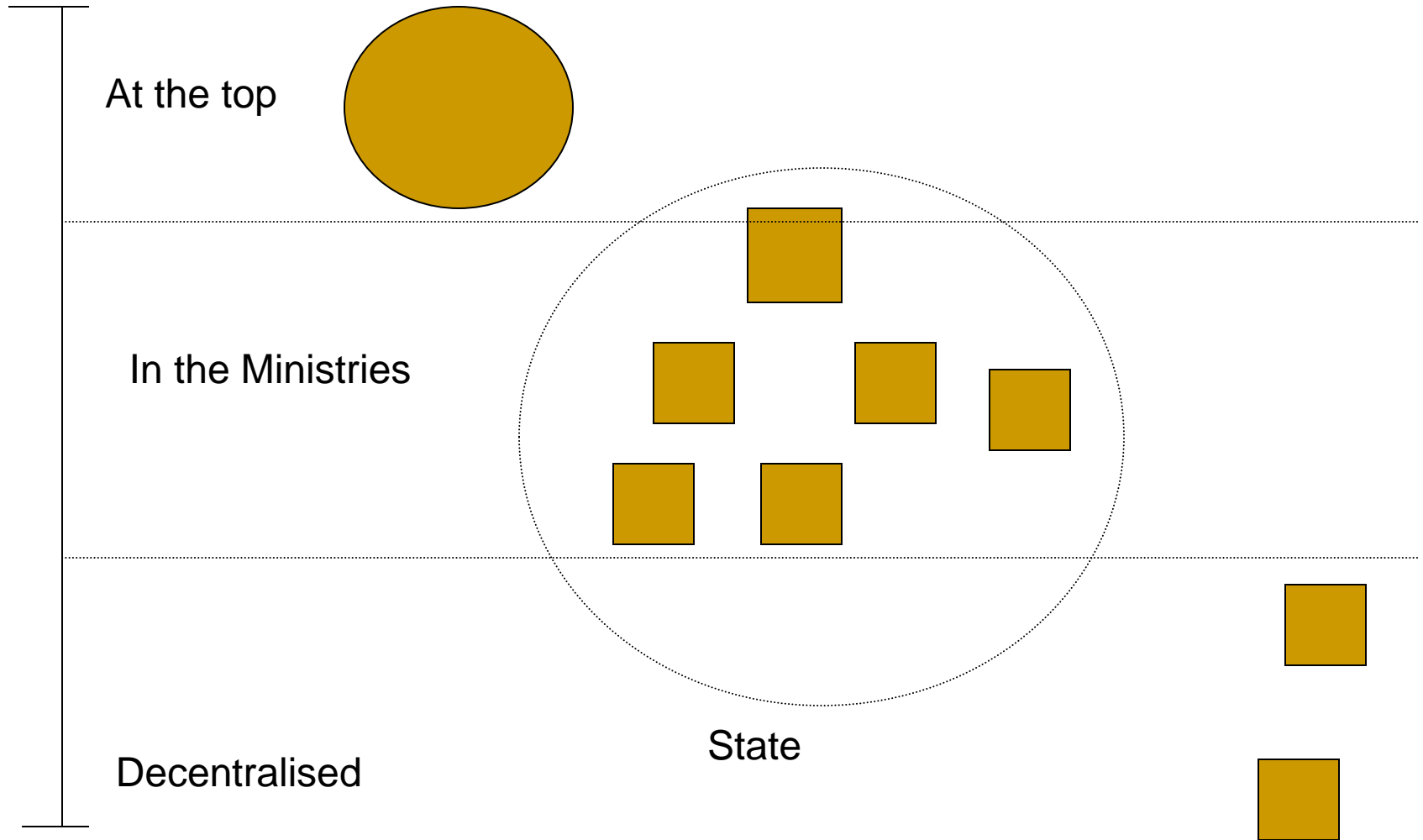
*More cats imply more herding required...*

# Comparative Statics: Supply Shift

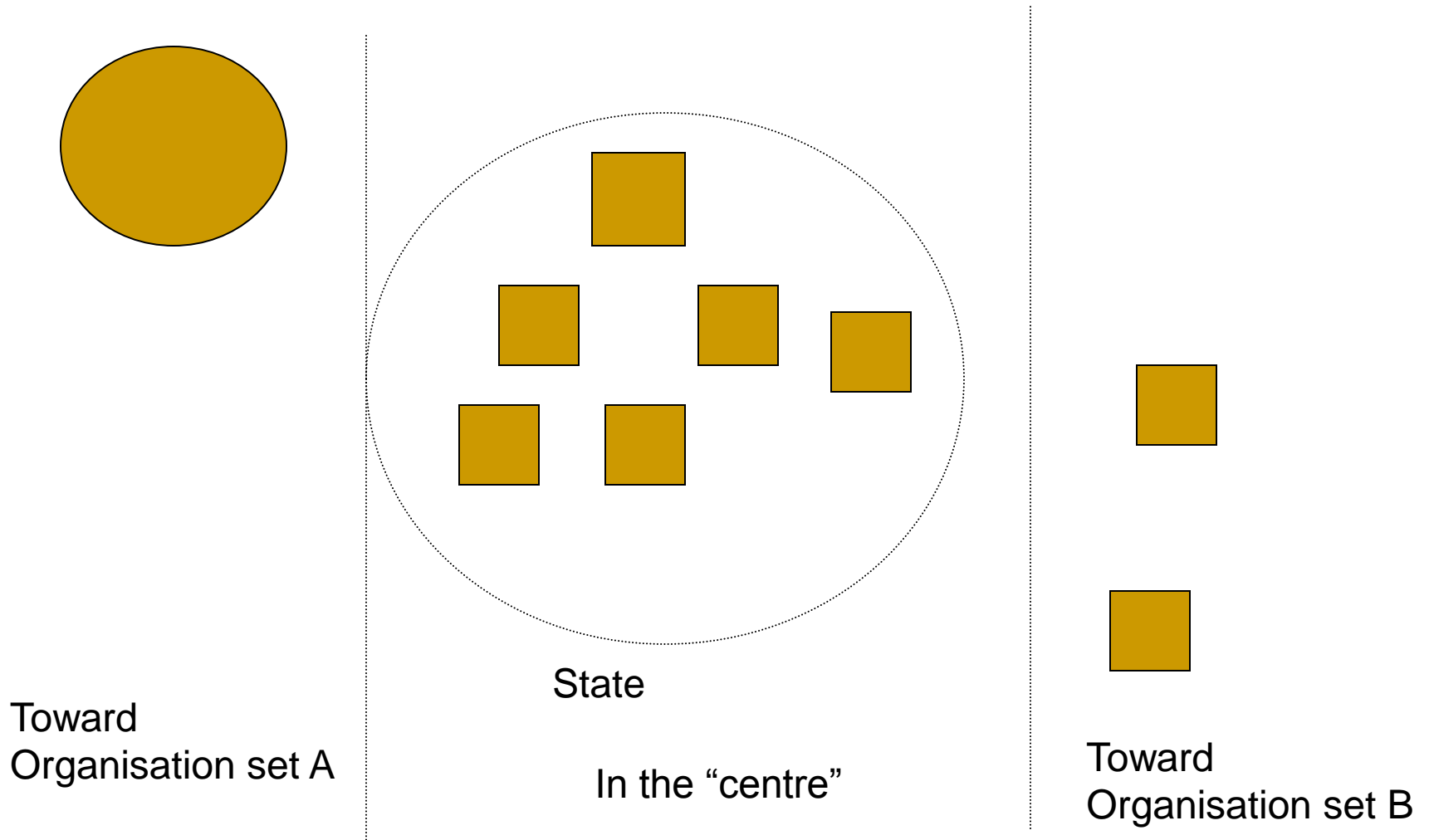


*More capacity implies less need for herding...*

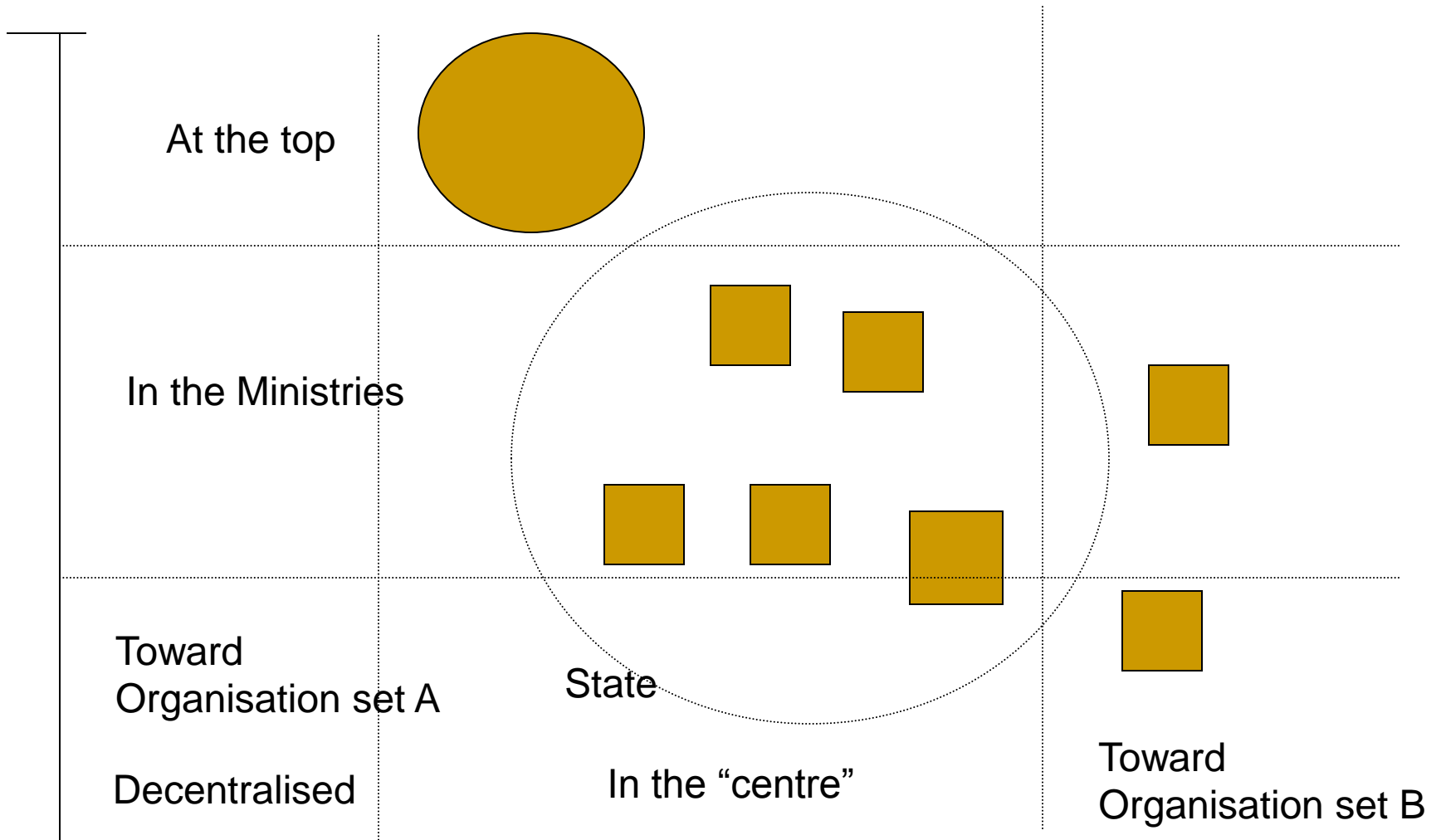
# The Problem Revisited



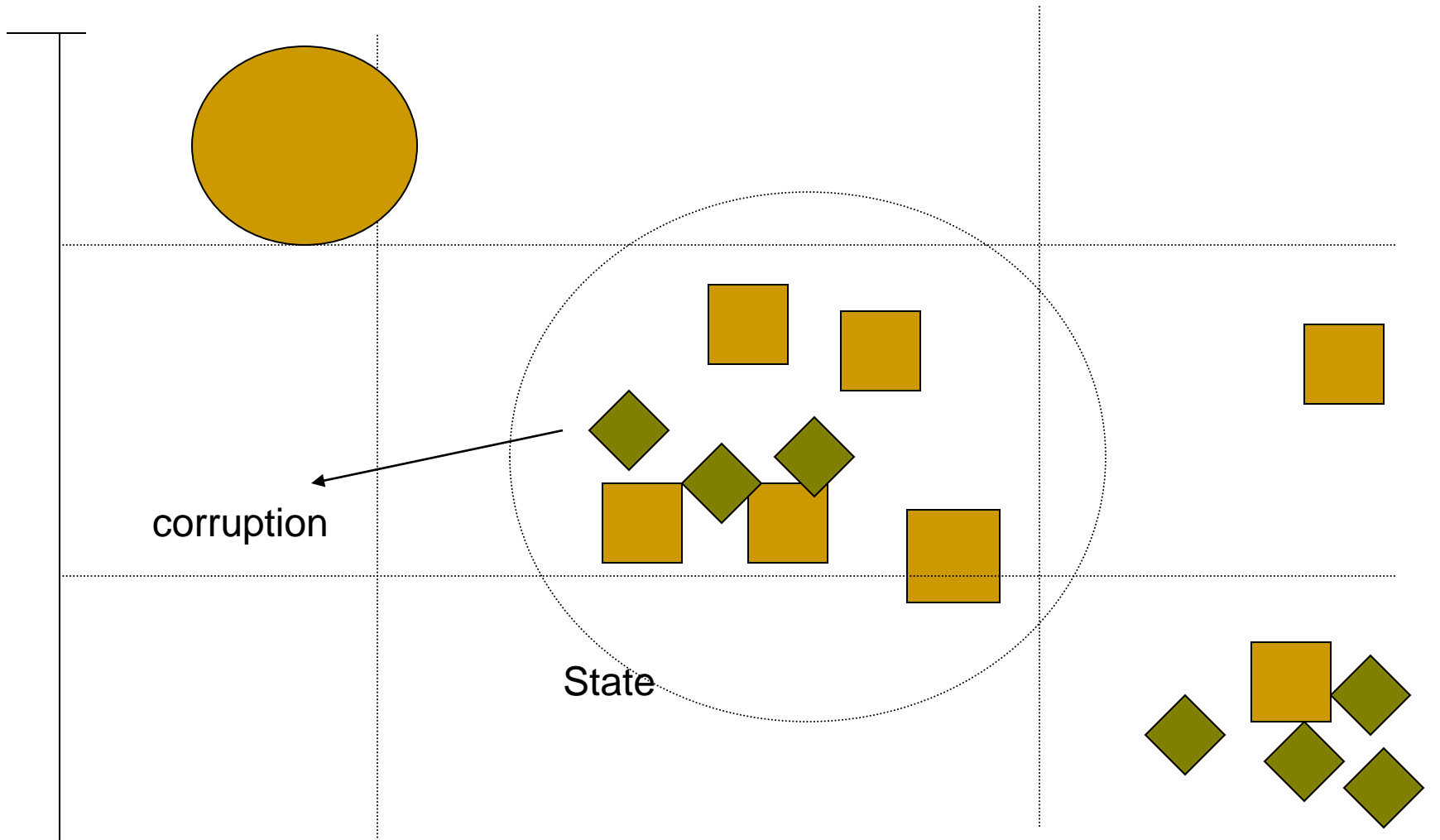
# The Problem Revisited (2)



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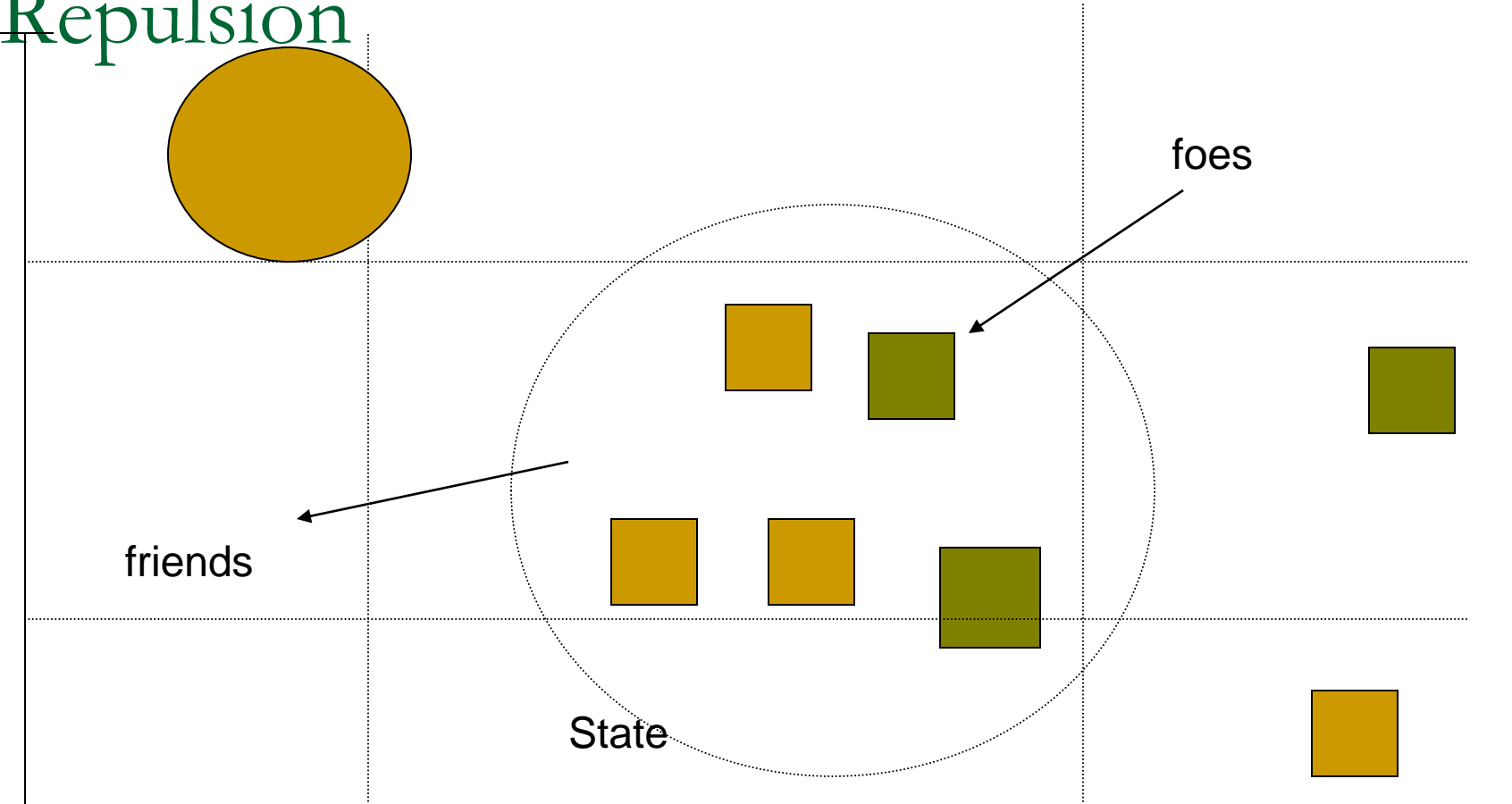


# Extensions I: Matching C to AC



*Corruption adjusted location*

# Extensions II: Political Attraction and Repulsion



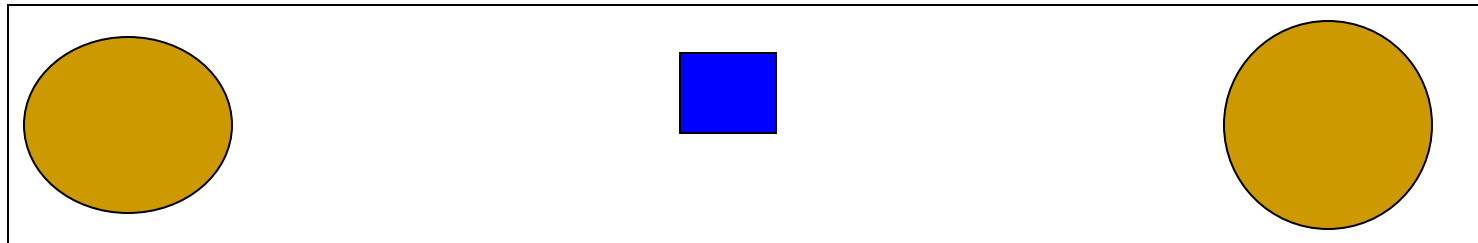
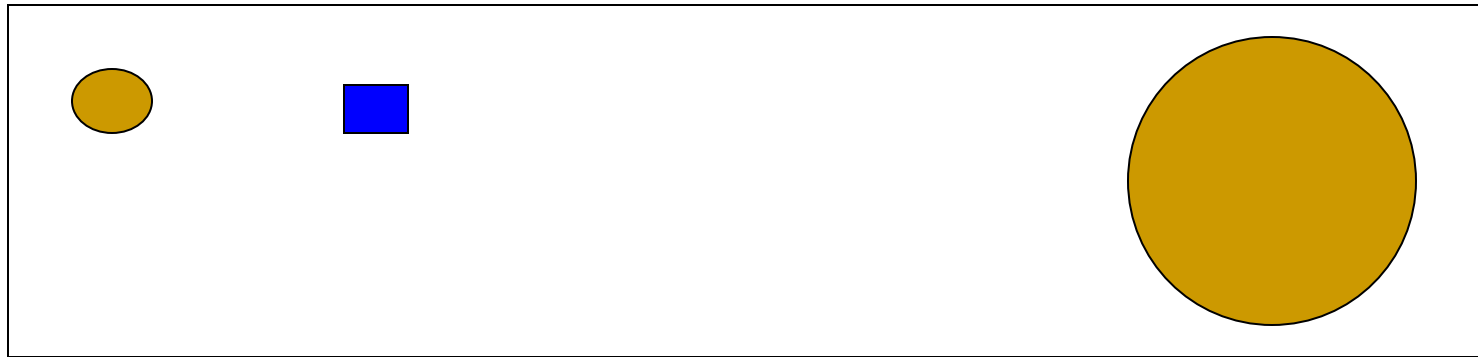
Either “higher” or set up two agencies

Can also set up a “two-colored” institutional arrangement (math theory)

*Corruption adjusted location*

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# Extensions (2): Knowledge Changes Everything

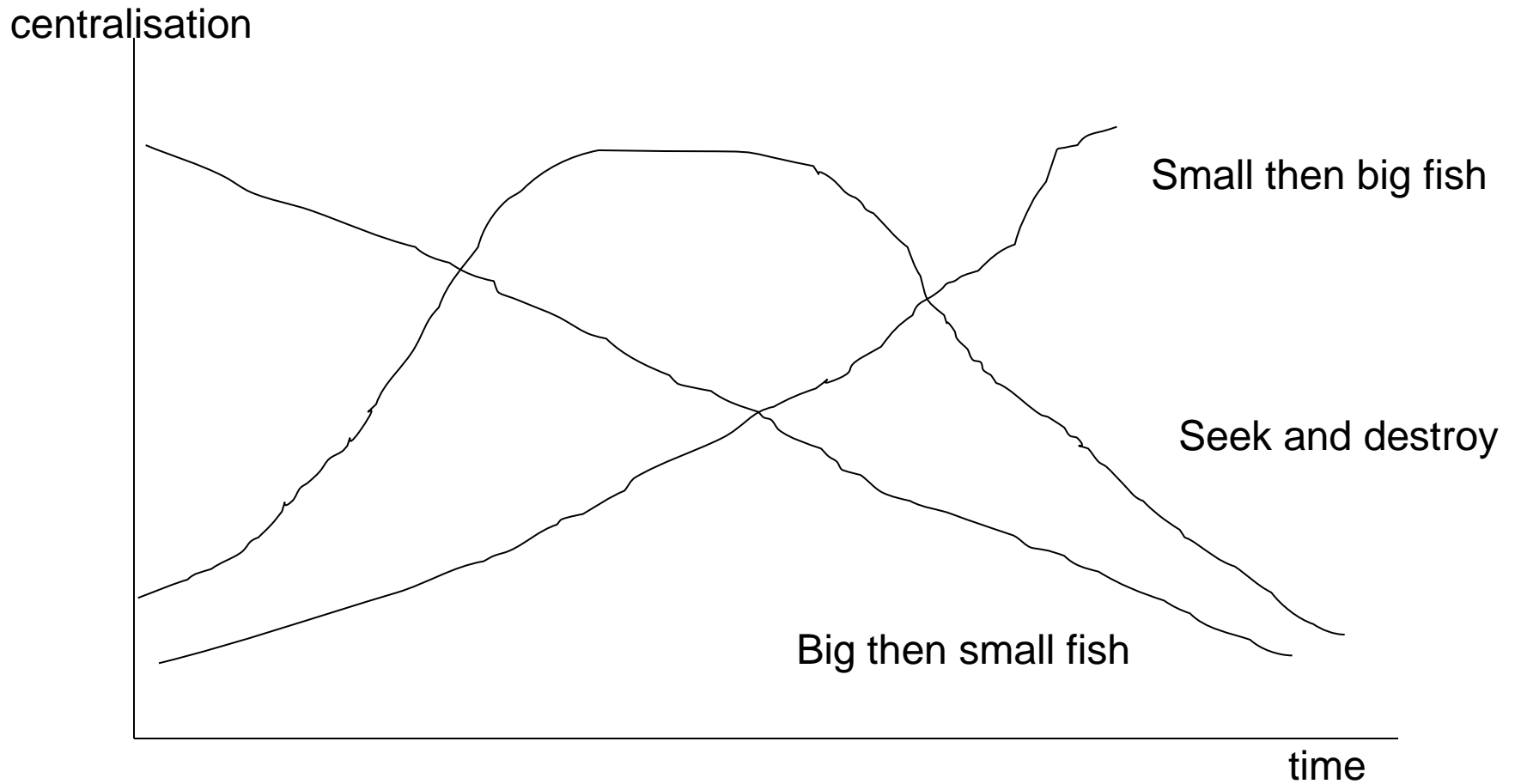


If one of ACA's tasks is to "build capacity" (develop knowledge), then have "repulsion" rather than attraction rule

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# Dynamics



*Time profile of the optimal location changes over time*

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# Complications

- Legal basis
  - History
  - Personalities
  - Strategic behaviour (if they know why you locate it, they will try to act for or against)
  - “Institutionalisation”
  - International dimension
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