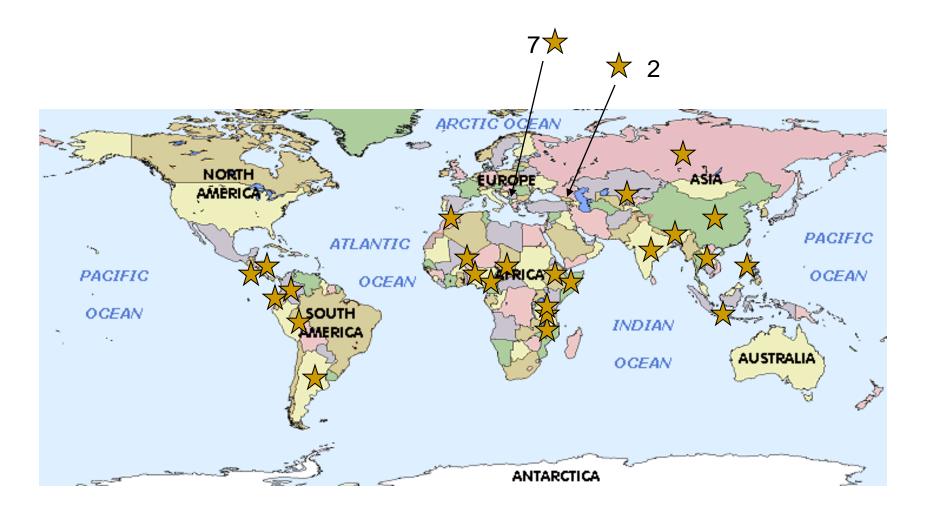
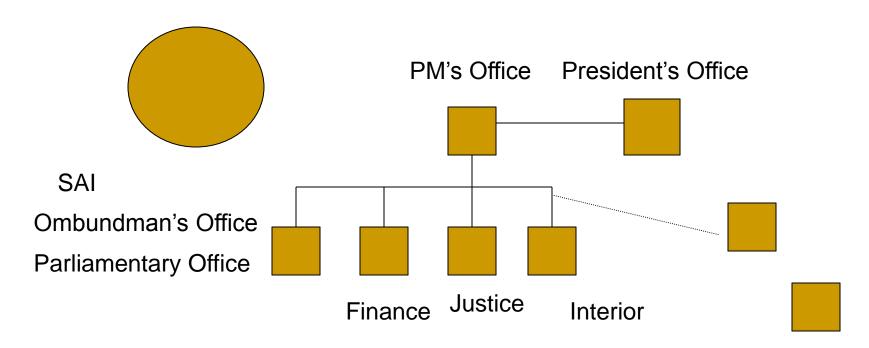
On the Optimal Location of the Anti-Corruption Agency

Bryane Michael, Oxford University

Motivation: Donor supported ACAs



Why is optimal location a problem?



Public administration school Planning Agency Procurement body Etc.

Civil Society Councils Business Assocs.

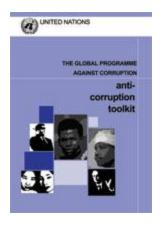
J'accuse

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.

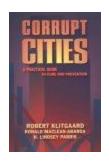
Overview: Where to place the ACA?

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

Advice - Literature

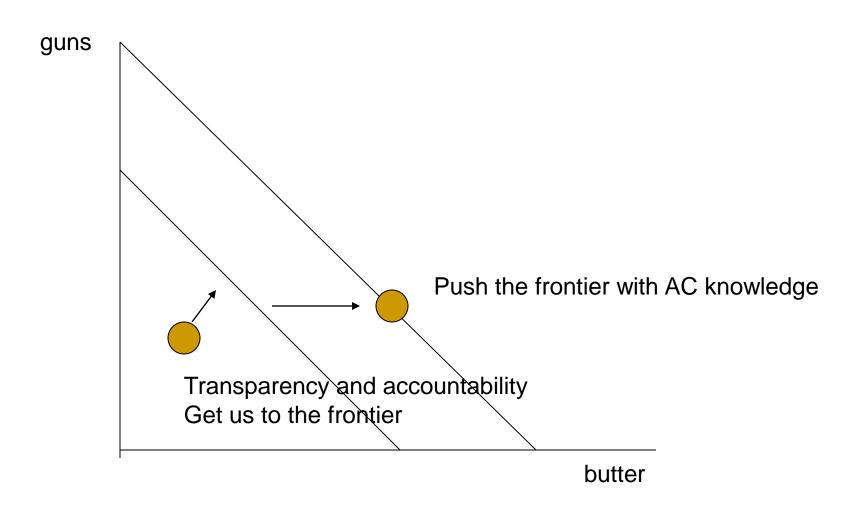




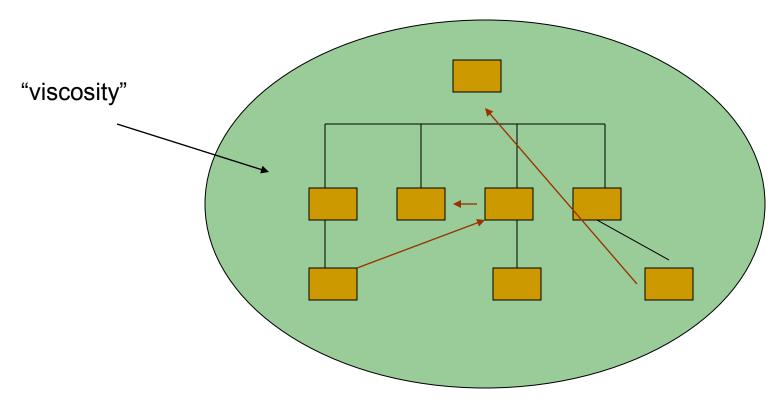




Static versus dynamic efficiency

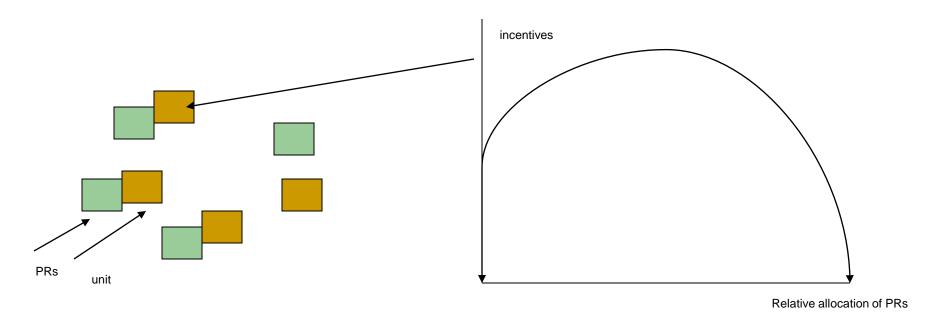


New Institutional Economics: Transactions Costs



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

Property Rights and Incentives

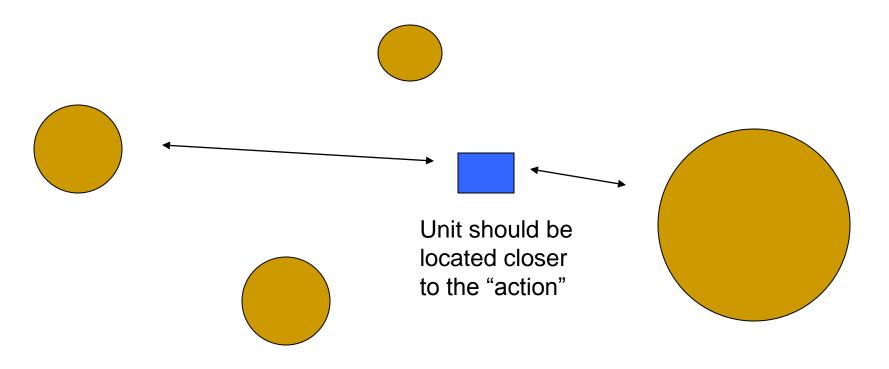


Property right theory:

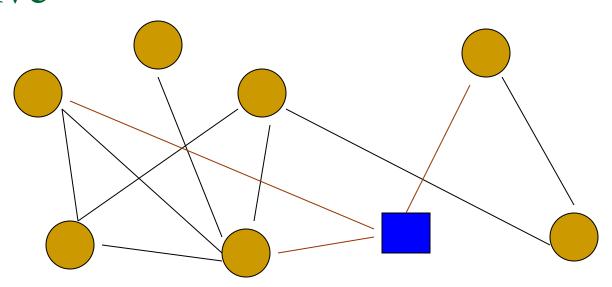
- ACA gives property rights to organisations
- Those who can maximise the value of those property rights should be given control over ACA....
- Can "weight" entities by the efficiency of control over property rights

"Gravity Model of Location"

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

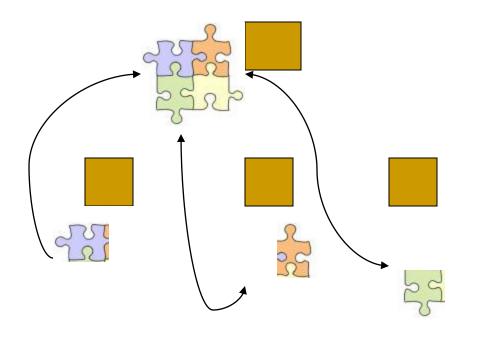


Slight Reformulation: A Network Perspective



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

Organisational Issues

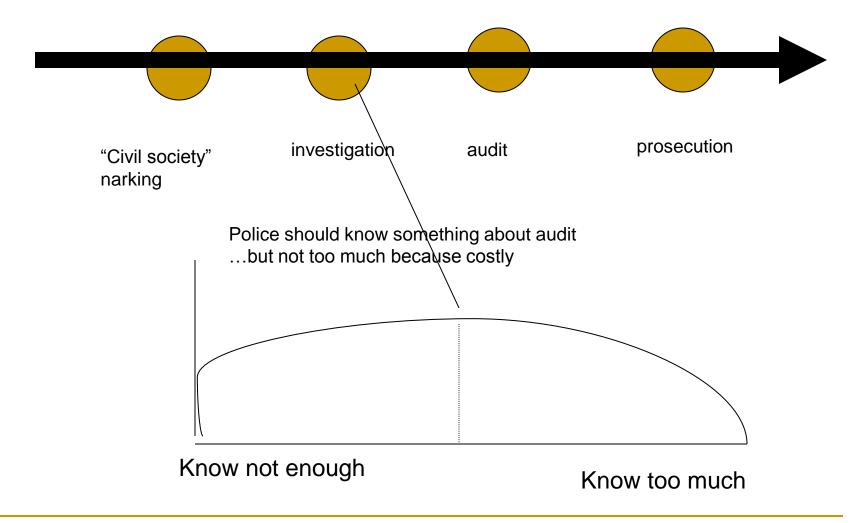


"boundary spanning"

"specialisation"

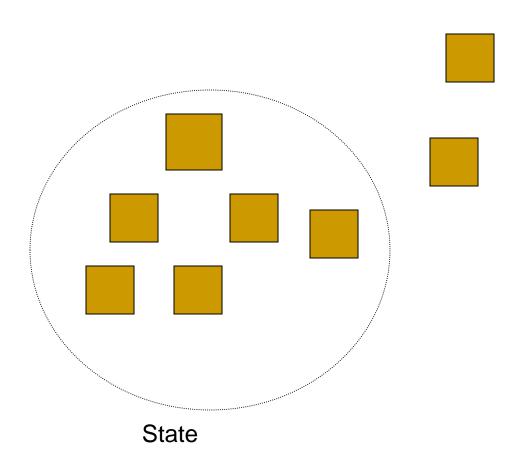
Choose organisational form which maximises returns to both boundary Spanning and specialisation

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

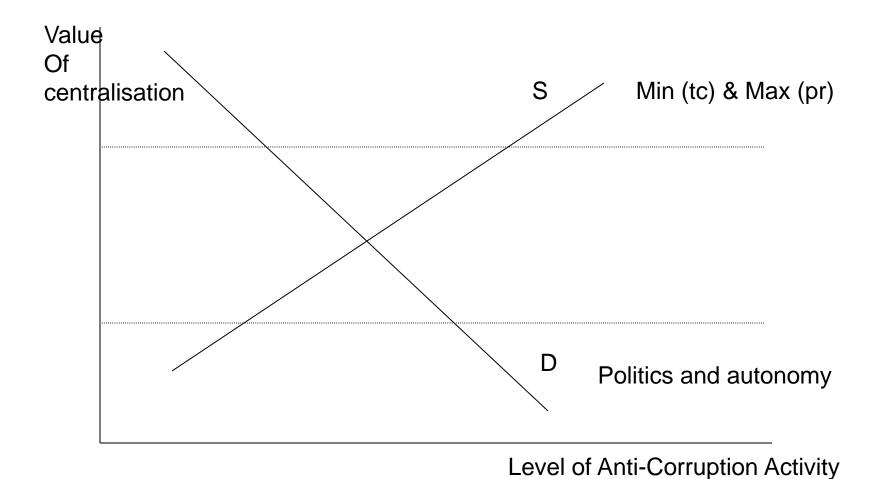
- Separate Unit
- Tight Co-ordination
- Loose Co-ordination
- Laissez-faire

An Outline of the Solution

centralisation

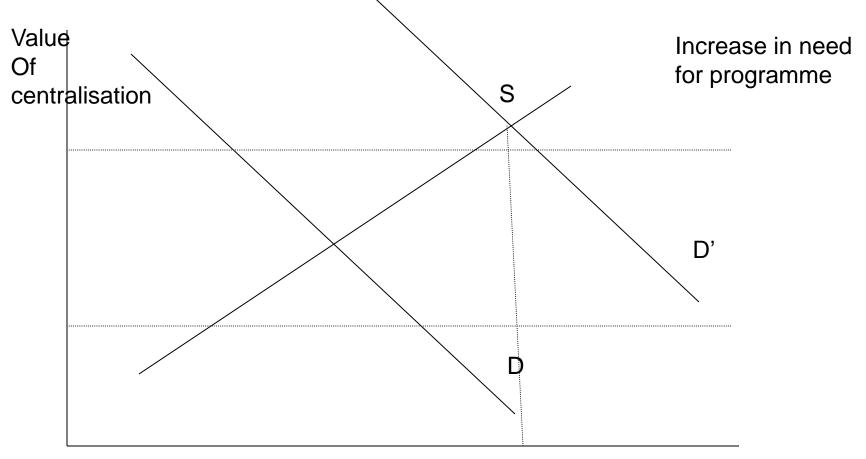
	High in Govt	Low in Government	Outside the Government
Transactions costs (ability to self coordinate)	Low	Low	High
Capacity to act on incentives	Medium	Low	High
Political conflicts*	High	Low	High

Defining an Optimal Location



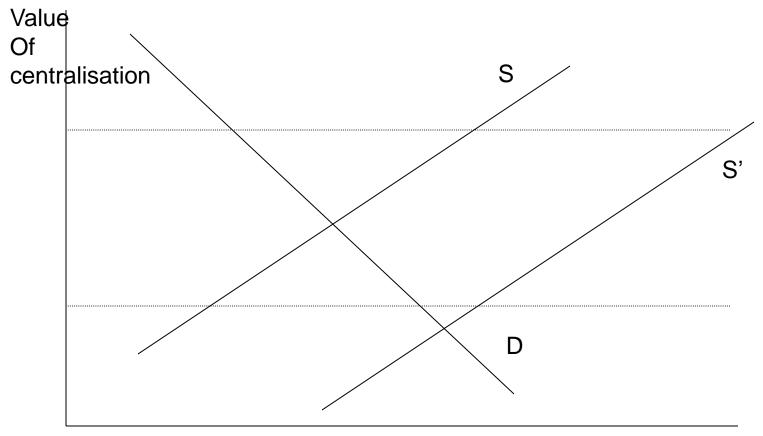
Assessing the costs and benefits....

Comparative Statics: Demand Shift



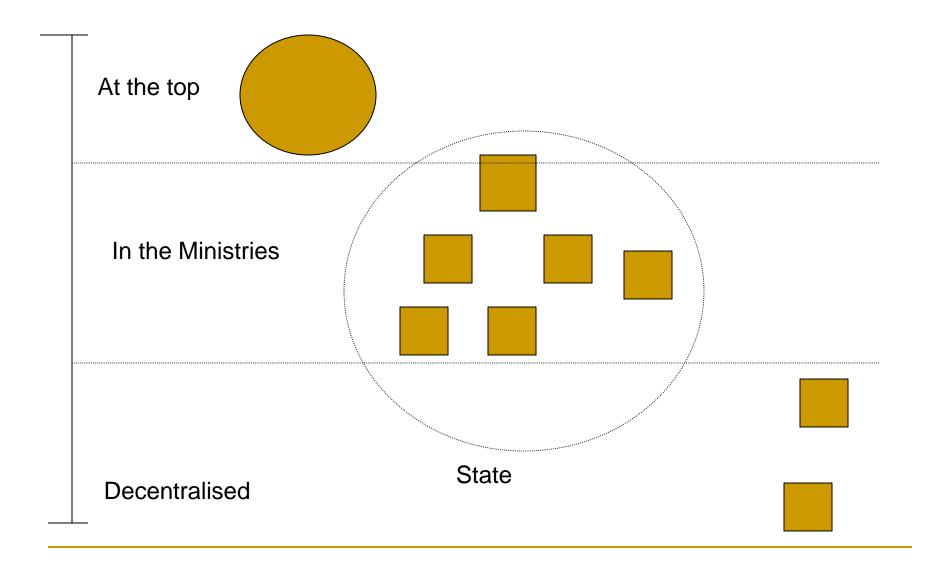
Level of Anti-Corruption Activity

Comparative Statics: Supply Shift

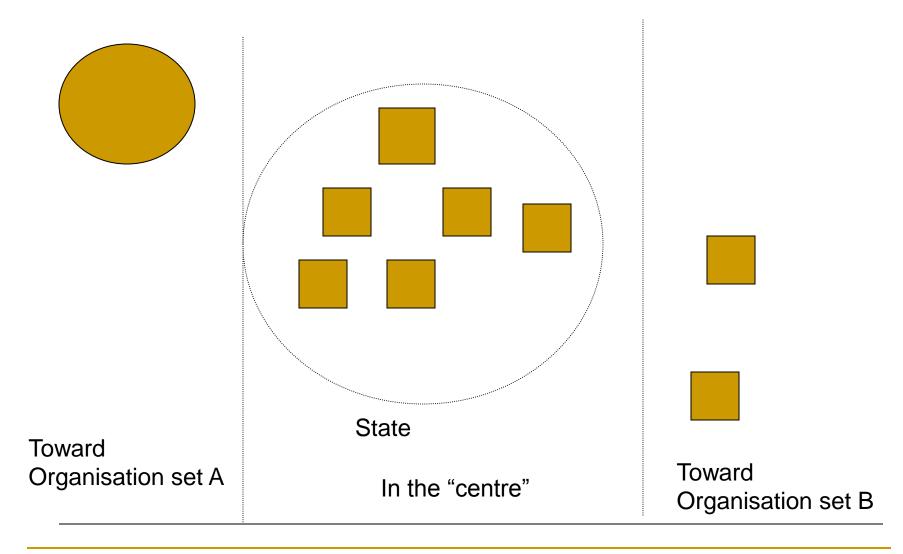


Level of Anti-Corruption Activity

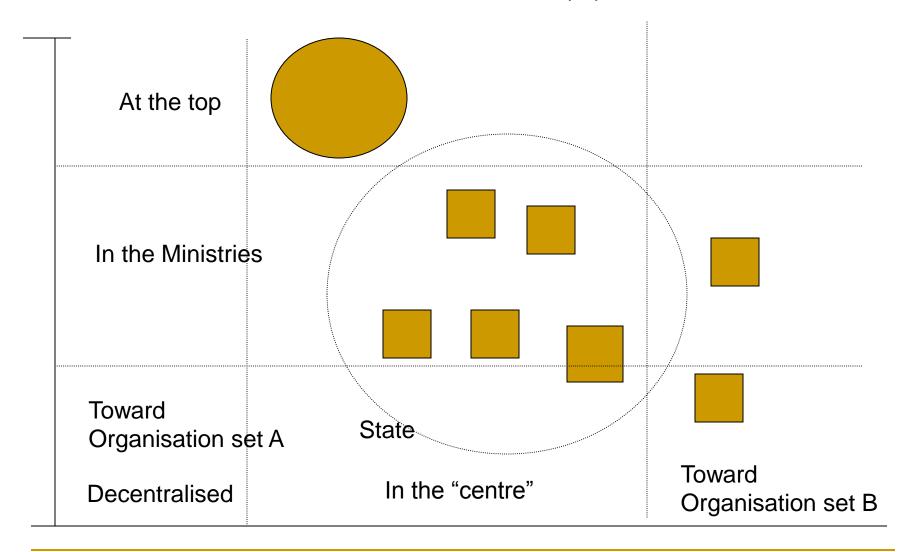
The Problem Revisited



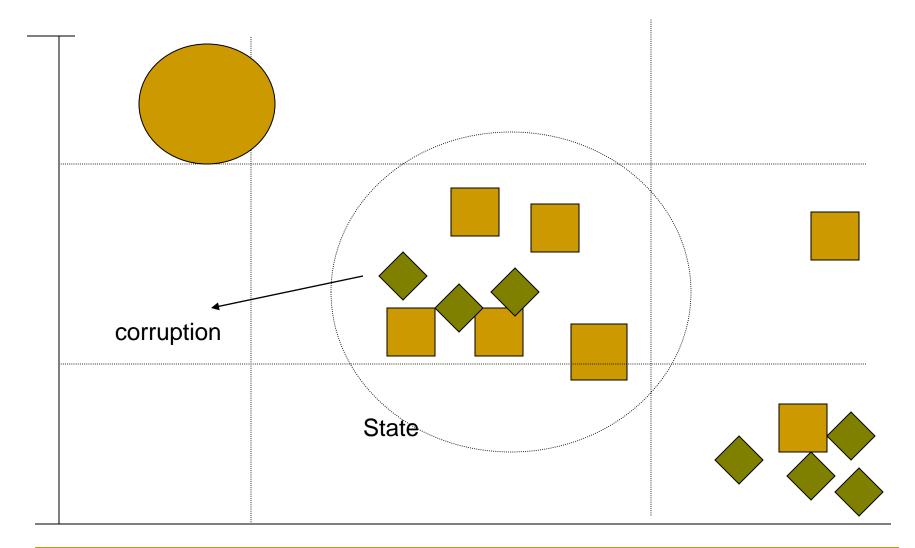
The Problem Revisited (2)



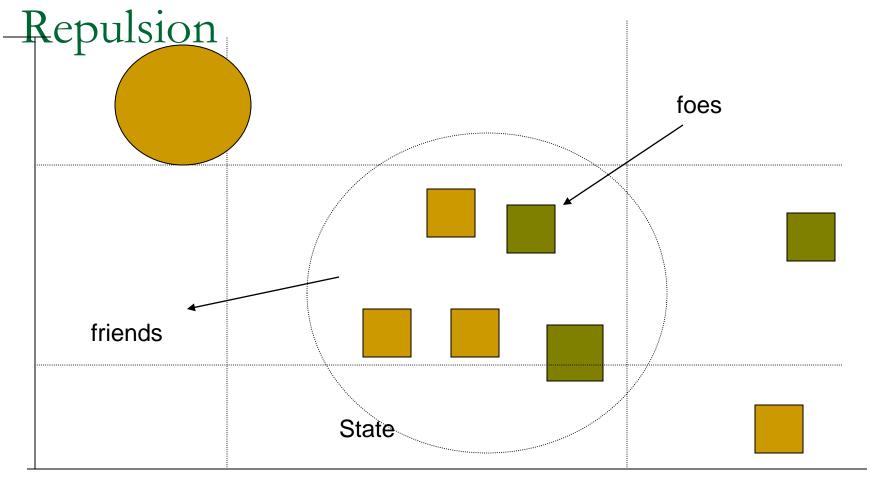
The Problem Revisited (2)



Extensions I: Matching C to AC

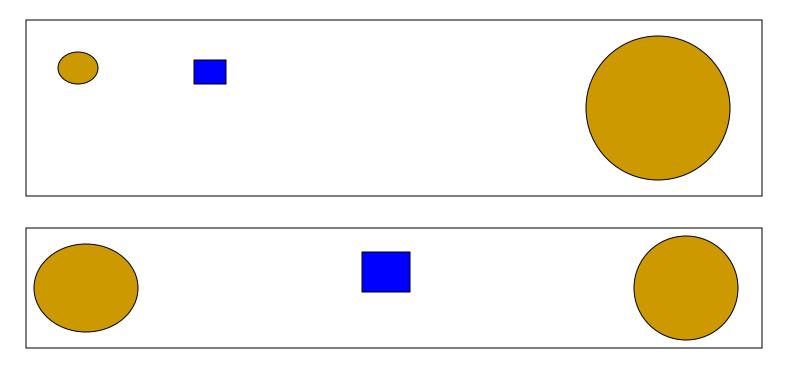


Extensions II: Political Attraction and



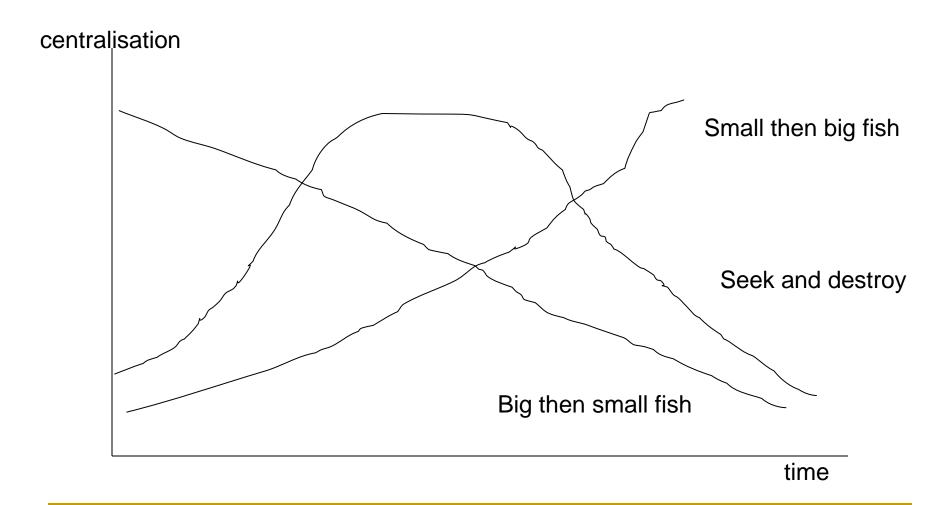
Either "higher" or set up two agencies Can also set up a "two-colored" institutional arrangement (math theory)

Extensions (2): Knowledge Changes Everything



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

Dynamics



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