

“Brothers in Alms? Coordination between NGOs on Markets for Development Donations”

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This paper studies the stability of coordination between mission-driven non-governmental organizations (NGOs) competing for donations. We build a non-cooperative game-theoretic model of alliance formation between NGOs that compete through fundraising activities and impose externalities on each others' output. We derive general results on the stability of full coordination under two classes of alliance-formation rules: unanimity and aggregative. If fundraising activities are strategic complements, the grand coalition (i.e. full coordination) is always individually stable and, under the unanimity rule, coalitionally stable. When fundraising activities are strategic substitutes, the grand coalition can be unstable and the instability is more likely, the steeper are NGOs' (negatively sloped) best-reply functions. Under the aggregative rule, the grand coalition is stable: (i) individually, if there are negative coalitional externalities; (ii) coalitionally, if breaking an alliance requires the majority of NGOs involved in the alliance.

Keywords: NGOs, giving, coordination, endogenous coalition formation, non-distribution constraint.

JEL codes: L31, D74, L44, C72.

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