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**BROTHERS IN ALMS? COORDINATION BETWEEN
NONPROFITS ON MARKETS FOR DONATIONS**

GANI ALDASHEV, MARCO MARINI, AND THIERRY VERDIER

ABSTRACT. Mission-driven nonprofit organizations compete for donations through fundraising activities. Such competition can lead to inefficient outcomes, if nonprofits impose externalities on each others' output. This paper studies the sustainability of fundraising coordination agreements, using a game-theoretic model of coalition formation. We show that three key characteristics determine the stability of cooperation between nonprofits: (i) the alliance formation rule, (ii) the extent to which fundraising efforts are strategic complements/substitutes, and (iii) whether deviation from the agreements is by an individual or by a group of nonprofits. We analyze how the interaction of these three features induces (or not) the stability of Pareto-optimal full coordination in fundraising.

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

JEL codes: L31, D74, L44, C72.

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