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A Model of NGO Regulation with an Application to Uganda

by Ronelle Burger, Indraneel Dasgupta, Trudy Owens
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Abstract:

We develop a model of regulation of service-delivery NGOs, where future grants are conditional on prior spending of some minimal proportion of current revenue on direct project-related expenses. Such regulation induces some NGOs to increase current project spending, but imposes wasteful costs of compliance verification on all NGOs. Under a large class of parametric configurations, we find that regulation increases total discounted project expenditure over a regime of no regulation, when verification costs constitute no more than 15% of initial revenue. We characterize the optimal regulatory policy under these configurations. We apply our analysis to a large sample of NGOs from Uganda, and find regulation to be beneficial in that context.

Text: See [Discussion Paper No. 6221](#)



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