

# Politically motivated transfers to NGOs: Evidence from French close elections

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## *Abstract:*

States not only rely on administrations to implement public policies, but also on private entities such as NGOs. This paper questions the motivations and implications of this organizational choice. I collect new data on transfers by the central government to NGOs in France covering more than ten years. Exploiting close municipal elections, I test whether the central government favors NGOs located in municipalities ruled by a mayors belonging to the government party. Results indicate that transfers to NGOs are strategically used to increase reelection chances of the incumbent mayor. Distortions occur only at the end of mayoral terms and in municipalities where turnout is lower. They are also larger than typically found in the intergovernmental grants literature. Transfers to NGOs are used to provide public goods deemed valuable by the central government: distortions vary across sectors (social work, media, etc.), and this pattern depends on the political orientation of the central government (left- vs. right-wing). Distortions are larger in municipalities not with fewer resources, but with more, thus likely to provide already high levels of public goods. They are also more severe in more unequal and politically heterogeneous communities. Transfers to NGOs might therefore be a way to provide a larger variety of public goods at lower costs in more diverse municipalities.