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Application to Problems of Multidimensional Poverty**

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The Scope of NGOs and Development Program Design: Application to Problems of Multidimensional Poverty

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Abstract.

This study addresses basic questions concerning the scope and structure of organizations working in development and poverty activities. Under what conditions is work on many or few poverty problems by a single *organization* warranted? Moreover, for a given organizational scope, how many issues and in what combination are best combined in a specific *program*? How are these choices related? How does “inheriting” an organizational structure that is difficult (very costly) to change influence choices concerning program type? The application of the economics of organization yields useful insights into NGO structure and activities, revealing opposing forces that may lead nongovernmental organizations to diversify either excessively, or inadequately. NGOs working in the poverty field are a natural focus for this research, because poverty is a multidimensional problem with potential (or contingent) complementarities across dimensions. Perspectives on activity choices such as child sponsorship and microfinance emerge from this broader context.

Keywords: Poverty, Development, economics of organization, Organizational Comparative Advantage, NGOs, economies of scope, microfinance, integration, specialization

JEL Codes: O10, O19, L22, L25, L31, D20

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1. Introduction

This paper considers the internal structure of organizations whose goals are to encourage economic development and reduce poverty. It is now broadly understood that poverty is multidimensional in character; the Human Development Index, introduced in 1990, recognizes the role of health and education in addition to consumption; and the Multidimensional Poverty Index, introduced in 2010, explicitly accounts for complementarities across dimensions of health, education, and several key assets (UNDP, 2010; Alkire and Foster, 2011). But should organizations and their programs working to ameliorate poverty themselves be multidimensional?

The analysis addresses very basic questions. Under what conditions does an NGO – in particular a poverty and development-oriented organization – work on relatively many or few topics, and potentially in which combinations? This basic “positive” question, investigating why such organizations behave as they do, is a foundation of the analysis. But the perspective of social welfare is also introduced as a basic problem for future research: why and under what conditions may the resulting behavior differ from that which would be chosen by the hypothetical “social planner,” and what may be done about any deviations? Moreover, for any given scope of the *organization's* work, the second core question is: for what reasons do single *programs* address few or many issues or in what combinations? Again, when may the answer deviate from efficiency?

Arguments are illustrated primarily with organizations and programs that engage in microfinance activities, either alone or in combination with other activities (such as offering business training, provision of maternal and child health care, improving water access, literacy courses, or nonformal education for children). Child sponsorship and other programs provide some additional illustrations. At issue are the main contingent factors that determine whether greater or lesser specialization by development organizations is more likely – and more or less

efficient: Can we expect to see a broadly efficient choice by organizations of the scope of their activities? And what are the implications?

The great variation in the range of activities of an organization, and of activities included in the design of programs addressing poverty (or development more generally) is striking. Divergence in program design can and does coexist stably for long periods of time and in the same general location. Two NGOs from Bangladesh illustrate polar cases: ASA only works in the field of microcredit; BRAC works in many additional fields (Smillie, 2009; Smith, 2009). ASA's single program has been a very simple, uniform microcredit product, without attempting to package credit with any other services. In contrast, for many years BRAC has been offering microcredit to its members as only one component of a carefully integrated package of poverty interventions in its Village Organizations, providing borrowers with health, education, legal, and other forms of support for moving out of poverty (BRAC offers other programs separate from this integrated microcredit program). The target constituency of each organization is apparently very similar – people living in poverty in Bangladesh. The time horizon of two decades or more suggests that divergence in structure and program is not temporary but needs to be understood as a stable phenomenon.

Accordingly, several questions present themselves: Is one of these approaches more efficient? Are there market or other forces that push program design toward what is appropriate to local circumstances? Do the answers depend on contingencies? To what degree do contingencies reflect internal organizational characteristics rather than circumstances of local communities and conditions of poverty? What influence do potential beneficiaries (participants) hold in determining the degree of integration of locally established programs (that is, of the “demand side”)? Beyond specific local explanations, are there general principles that enable more systematic answers? The

scope of organizations and their programs, products, or investments is of general and intrinsic interest. The application to poverty is of particular significance and complexity due to the multidimensional nature of poverty, with the interrelatedness (or complementarities) of sets of human capabilities. On the one hand, it is not hard to construct an argument that organizations or programs that seek to make investments in the same individuals ought to coordinate their activities. On the other hand, integration and even basic coordination has costs – whether done within an organization or across organizations – and decentralized decision-making at smaller scales sometimes offers substantial advantages.

Inefficiency may be present when an organization is too narrowly focused or insufficiently focused. Inefficiency can result from running too many activities in a single program, or, as when there are unexploited economies of scope, too few (or in some manner leaving them inefficiently integrated). This paper examines causes of failures to realize economies of scope as well as failures to reduce inefficiencies of excessive scope. The focus is on poverty work of NGOs, but a similar framework may be used to study other activities and other forms of organization.

2. Scope and Comparative Advantage of Organizations: Framework.

In this paper, an organization is a *set of people* and a program is a *set of activities* sponsored by an organization; and each term is used in a specific way.

2.1. Definition: Organization. *A set of people whose relationships are structured so as to facilitate their joint pursuit of tasks toward a shared goal or goals*

Within this definition the goals may be understood more generally or more specifically; the set of people may evolve over time; and there may be parallel goals of some members not shared by all other members. The definition may also span a range of possibilities from for-profit activity to the voluntary efforts of a loosely affiliated group of people.

2.2. Definition: Program. *A collection of activities and associated resources that is*

sponsored by (or provided through) an organization; that is oriented to use by, or benefit for, people outside of the organization and outside of its external (non-beneficiary) funders; and for which the organization engages in one or more core actions particularly designing, planning, organizing, managing, collecting information, or evaluating the activities

Generally a specific program is a single, defined, and externally directed activity of an organization. For example, general training of staff is outside of what we will consider a program. It is possible - and in some cases may be socially desirable - that a particular organization may run only one program. Moreover, a partnership of two or more organizations may jointly sponsor a program; this introduces an additional dimension of comparative efficiency (such as relative barriers to information flow across development activities).

2.3 The extent of scope economies.

In framing the questions in the context of poverty and development oriented organizations and programs, the industrial organization literature on the *scope of the firm* provides some important, if apparently incomplete, insights. The classic definition of Panzar and Willig (1981) is adopted:

Definition: *“There are economies of scope where it is less costly to combine two or more product lines in one firm than to produce them separately.”*

Scope economies can occur when there is a “quasi-public input,” but this does not by itself guarantee that the best response is to share the input within one organization. For present purposes, economies of scope in organizations occur when the sharing of resources across groups contained within one organization allow two or more activities to be completed at lower total cost, or at the same cost but at higher quality, than if undertaken by two separate organizations. The shared resource can include capital such as a building or a vehicle, or other investment; specialized staff; or other inputs. The basic idea is that when such sharing promotes genuine (fully accounted) cost savings, it can be efficient to combine groups of people who engage in different primary activities within a single organization rather than maintain them in separate organizations. This calculation is done after taking into account the greater managerial or other costs required to operate a larger,

more complex organization. Relevant costs to be spread out depend upon specific aspects of the organization's work. For example, there may be cost advantages in sharing program design activities, but not in implementation, or vice-versa.

2.4. The role of organizational comparative advantage

Existing organizational form can also predispose some NGOs toward taking on multidimensional activities. In some contexts, an organization's structure can in effect be taken as exogenous – for historical, constitutional, or legal reasons. Under such conditions, firms and other organizations will benefit from specializing in activities “in which their organizational structure puts them at an advantage relative to other” organizations, resulting in “organizational comparative advantage” (Smith 1994, p.304). This framework has helped explain the choice of niches that allow organizations with very different objectives, legal rules, and internal administration structures to compete side by side in apparently similar if not identical industrial sectors for decades (for example, conventional firms competing with worker cooperatives in Spain and Italy). However, if competition is imperfect, we cannot safely predict that all organizational comparative advantages have been fully utilized – any more than that all efficient adjustments in organizational structures have been adopted. This perspective adds additional insights into the variability of NGO poverty activities, as well as differences between NGO and government activities. Particular NGO structures, affiliations, history, and characteristics of relatively immobile personnel, may provide organizational incentives for engaging in activities with specific sets of two or more poverty dimensions.

3. Tradeoffs at the Organization Level: Explaining an Organization's Range of Activities

The broad issues at the organizational level are schematically arrayed in Table 1. Key potential benefits (or “pros”) of organizational integration, other things equal, are:

1. *Scope and strategy.* Just as economies of scope may lead to higher total profit in private-sector firms when combining activities rather than running separate activities, so there can be cost saving advantages of activities within one NGO or development

organization. Multidimensional NGOs can take advantage of complementarities, in an integrated development strategy. A motivation may be perception of synergies (or complementarities) among problems of poverty – such as interlocking poverty traps – that may be best addressed with integrated approaches (Smith, 2009). To a degree this may be a response to perceived needs of beneficiaries (also known as participants, clients, or program members). Thus one organization may address through internalization some of the interrelated factors keeping the poor in poverty traps, or a region in an underdevelopment trap. NGOs may perceive challenges in achieving desired results with single sector interventions, given interrelatedness of poverty problems. For example, this is a plausible explanation of the scope of BRAC. (One difference is that for-profit firms that *inefficiently* combine disparate activities are in danger of going out of business, while NGOs may be temporarily insulated from these pressures, if funding sources are less sensitive to such costs.) Moreover, arguably, multidimensional NGOs may more easily run programs that have a multidimensional design.

2. *Economizing on scarce factors.* Organizations working to address poverty problems in multiple sectors can also leverage scarce management talent, a major consideration for developing country NGOs as it is for public administration (Smith, 2009; BRAC is again considered a case in point, with the management prowess of founder Fazle Hasan Abed; see Smillie (2009)).
3. *Fundraising and donor trust.* Through reputational, screening, or related mechanisms, a multidimensional organization may enjoy fundraising advantages. On the funding side, multidimensional NGOs can serve as a kind of screening mechanism for donors, who may identify one or a few NGOs they trust to work on a range of issues and donate to these groups. Similarly, such a multidimensional structure enables an NGO to benefit from its reputation for quality services in the field. Although quality in one field is hardly a guarantee of quality in another, this may serve as a useful signal for donors in choosing which NGOs to support. Moreover, potential donors who perceive poverty as a

multidimensional problem may be more favorably inclined toward a multidimensional NGO.

4. *Partnership potential and limitations.* In many cases, partnering across NGOs has the potential to retain benefits of both specialization and of multidimensionality, but NGO partnerships often prove difficult in practice (Brinkerhoff 2002); partnerships between NGOs and public and private sector actors can also be problematic (Brinkerhoff and Brinkerhoff, 2011). In some situations, a multidimensional organization may be a “second-best” response.
5. *Information.* Transmitting village and client information across organizations can be costly even if incentives are in place, and coordination of parallel institutions would otherwise be more efficient than fully integrated single organizations. In the case of people living in poverty and their communities, the needed information may be inherently more difficult to collect.
6. *Flexibility.* Multidimensional NGOs may be better prepared to address changing needs, particularly of the poor themselves, with greater breadth of expertise and incentives to innovate. Additionally, donors may value what they believe is the adaptability and flexibility of a multidimensional NGO to respond to changing conditions affecting the people they want to help, so they will continue to be well-served when new and unanticipated challenges emerge (such as environmental shocks, conflict, etc.). Thus a multidimensional NGO may have less uncertainty about losing funding and attention to a rival organization, or incur the expense of bringing another organization up to speed about community characteristics and needs, when it sees the need for a new problem to be addressed.

However, even when there are significant synergies, the component activities do not necessarily have to be done by one organization, let alone within a single program. Moreover, the potential benefits may be outweighed by management costs, broadly construed. Research in

industrial organization has identified important limitations to economies of scope, including that when a firm strays sufficiently far from its “core competence,” profits are lower. Key potential costs, or “cons” of organizational integration, other things equal, are:

1. *Scope and strategy.* A multidimensional structure adds extra layers of bureaucracy and transaction costs. The degree to which multidimensional organizations take advantage of potential complementarities is difficult for an outside observer to judge. Despite potential complementarities in (e.g. health and income) outcomes, it is by no means clear that there are any complementarities in production (e.g. of health and credit), at least at the level of the sponsoring organization.
2. *Scarce factors.* No organization can possess core competence in too many things. Focusing on multiple areas takes away from benefits of specialization according to comparative advantage. In fact, it is not always clear that the separate divisions of the multidimensional organizations even do very much communicating with each other, let alone active cooperation in the design and implementation of poverty programs – though there may be enough communication at high levels to matter, and in addition communication may be more extensive in-country than at the headquarters level. Finally, management may have individual incentives, including salary, promotion, peer recognition, policy influence, and opportunities to move to a different organization (exit options), to over-expand the organizations they manage. For example, there is a well-known correlation between manager pay and the number of employees they manage. The result – intrinsic incentives to excessively expand the organization – may represent an *organizational failure* (Williamson, 1985), essentially the use of a publicly or jointly held organization for private gains.
3. *Fundraising and donor trust.* *Evaluations* of an organization’s overall effectiveness at reducing poverty may be more difficult with a multidimensional organization. For example, fundraising may be conducted at the organizational level, but some programs may have much higher overhead—or even pure waste—than other programs within the same

organization.

4. *Partnership potential and limitations.* There is insufficient basis to assume that the entry and exit selection processes effectively lead to an efficient set of organizations.

Recognition of links across sectors and coordination across organizations could act as a substitute for multidimensional NGOs. Thus, if they can effectively cooperate, there can be great advantages to specialist NGOs, including in addressing specific poverty problems.

5. *Information.* There may be inadequate incentives in place to develop mechanisms for information exchange across organizations, such as problems faced by the poor in different sectors.
6. *Flexibility.* A large, sprawling organization may also be less flexible, innovative, and rapidly-adjusting than a smaller, fleeter, focused organization; they may more effectively modify their approaches in response to changing needs of the poor or to new innovations in poverty strategies.

Summarized differently, *excessive* integration can lead to: a) lesser gains of conventional comparative advantage in the division of labor; b) lost gains from knowledge, experience and capacities obtained and reinforced through specialization; c) greater bureaucracy and transactions costs and net efficiency loss; d) offering services as a package leading to time lost for participants who do not need some of the services; e) donor specialization in one organization when diverse support could be more efficient (akin to portfolio diversification, or flexibility); and f) (impact) evaluation challenges.

3. Contingencies in the Organizational Scope of NGOs

Some contingent factors in the scope of organization-level activities, in which organizational comparative advantage comes into play, include a) existence of a significant income flow from an endowment, b) association with a specific profession, c) affiliation with a

religious denomination, d) association with a nonsectarian, defined constituency (such as advocates of environmentalism or human rights), and e) leadership of a “visionary” founder or leader, or an entrenched brand. Issues are schematically displayed in Table 2.

a. *Endowment*. NGOs with a substantial and reliable endowment have comparative advantages working in areas other than those in which active “retail fundraising” is comparatively effective. NGOs dependent on retail fundraising inevitably devote substantial resources both to this activity and to improving the effectiveness of its “technology” to do so. Although NGOs with strong endowments might be good at retail fundraising, if they focus on such fields, they will find themselves competing in an arena in which other NGOs are able and motivated to work via retail fundraising, such as child sponsorship, despite lacking an endowment. With endowment income, such development and poverty-oriented organizations can focus on longer-term, riskier ventures, which have higher start-up costs, but in which they can make a more unique contribution. This freedom also provides for an unusually wide range of program integration, depending on the fund’s charter of endowment and the perspectives of its current managers. Many endowed organizations in the nonprofit world are foundations that do not engage directly in community development, but do so indirectly through supporting NGOs financially. NGOs that can maintain strong relationships with one or more foundations over many years have similar, if derivative, advantages.

b. *Profession-based NGOs* have a natural constituency of organizations, firms, and individuals active in the core professional focus. Such NGOs likely have a strong reliance on funding from affiliated professionals; for example, in addressing problems of the poor in the health field, these include doctors, nurses, hospitals, and or pharmaceuticals companies. The result tends to be an NGO that is closely focused; or, when integration is present, that actively demonstrates its continuing connection to its core professional base. A well-known example in the medical care field is Doctors without Borders. Project Medishare (2012) is another international NGO founded by physicians and health care professionals to help rebuild the medical infrastructure of Haiti including training local nurses and physicians, establishing mobile clinics, and providing critical

care and trauma services. Project Hope is an example of a health-based NGO that works across sectors including microfinance but retains health services as its core competence (Smith, 2002).

Similarly, the legal profession is engaged in NGOs that work on human and legal rights.

International Bridges to Justice offers an example of a lawyer-focused organization that works on basic legal rights of the poor. These activities represent a set of closely related programs within a well-defined sector.

c. Faith-based and denominationally affiliated NGOs in the poverty and development field include Catholic Relief Services, Baptist World Aid, Episcopal Relief and Development, and Lutheran World Relief, among many others. Some adherents to the affiliated denomination interested in contributing to poverty alleviation may feel a first inclination, or responsibility, to support them. These organizations' scope of activities includes both relief and long-term development activities, and may extend to many sectors. In some cases, religious tenets determine specific priorities (such as a goal of literacy to facilitate Bible study). Perhaps more commonly, an NGO with a status as the representative of a religious denomination for development and poverty work will have an organizational *comparative* advantage in offering a multidimensional program, to be able to respond to differing priorities of members. Leaders of these organizations also may face expectations that they should be involved in many activities to demonstrate the denomination's full range of concern about relief and development problems (for example hunger in addition to education). One outcome may be child sponsorship, which also tends to be multidimensional, while its costs can be subdivided for "retail" donors. Additionally, its child-focused framework may appeal particularly to a subset of religiously motivated contributors. One example is World Vision's child sponsorship program, which constitutes its largest source of funding and enables it to engage in multiple activities (Bornstein, 2001). World Vision explicitly notes that sponsorship funds go toward Area Development Programs – long-term projects that cut across such fields as health, education, agriculture, water, infrastructure, and income-generation (Yuen, 2008).

d. Nonsectarian, defined constituency NGOs focus on problems of special concern to

donors with clearly defined priority issues, such as environment-oriented constituencies, human rights supporters, and committed poverty activists. Organizations building on the dedication of individuals committed to and active in such specialized causes will focus on these issues as their core mission. In turn, these organizations then appeal for additional funding (large grants or small donations) from potential donors with similar priorities. If such organizations become more multidimensional, they are likely to focus on aspects of additional fields arguably closely connected to their core fields. Conservation International offers an example in the environment and development field; Amnesty International in human rights and poverty; and the One Campaign in poverty advocacy.

e. *NGOs established by an individual “visionary” founder*, who usually goes on to lead the organization for a period of many years, often have a specific focus corresponding to the vision of the founder. This may be a very focused vision as with Habitat for Humanity, or, less frequently a comprehensive development and poverty reduction vision as with BRAC. Funding success relies on the appeal of the visionary. The success of these organizations is quite variable, depending in part on the management skills of the founder. A related form is a management-controlled NGO, which, without adequate checks and balances, may be subject to problems of organization failure in which management pursues its own priorities including salary, personal interests, peer recognition, and policy influence; expanding the organization may facilitate these priorities. But managerial NGOs also bring needed organizational skills lacking in many ineffectual NGOs.

5. Tradeoffs at the Program Level: Explaining the Range of Activities Included in the Design of Specific Programs

The framework on organization-wide integration also applies, albeit with important modifications, to integration within specific programs. We first examine major factors that may be adduced for or against integration of activities at the programmatic level (irrespective of whether the program sponsor is itself designed as a multidimensional organization). The broad issues are schematically outlined in Table 3; the application to microfinance is set out in Table 4.

Key factors favoring programmatic integration, other things equal, are:

1. *Economies of scope* at the program level: Multidimensional programs can take advantage of complementarities in production and use, particularly in providing services to the poor. They may address an interrelated set of factors keeping the poor in poverty traps.
2. *Economies of contiguity*: Multidimensional programs can economize on village activity fixed costs. It is costly for an NGO to set up in a community, get to know and gain the trust of villagers. Once these costs are incurred, it may make sense for one NGO to work with villagers to find solutions to several of their poverty problems. There can be day-to-day savings, on everything from transportation costs to building or other rentals. Also, available and suitable community-based workers may be scarce, and multidimensional programs may be able to coordinate their involvement in different activities more efficiently than separate programs competing for the same human resources.

Developing-area contingencies may thus dictate that it is most cost-effective for one organization to engage in multiple activities, when this might not be the most effective approach without these contingencies. (But a partnership may be feasible, noted in point 6.)
3. *Demand side* effects: Program participants may prefer - in effect be willing to pay for - programs that provide a package of benefits, such as availability of savings vehicles within microcredit, or education or health services with microfinance. That is, program integration may economize on transaction costs for the participant through “one-stop shopping.” However, this may only call for a common program *location*, not necessarily other organizational integration, unless there are other benefits from doing so. Such a “shopping mall” approach has been introduced in the government sector in providing services for the poor, including at the state level in Brazil.
4. *Coverage*: Whether poverty is measured unidimensionally or multidimensionally, if an NGO’s goal is to serve all extremely poor persons, in general it will find that not everyone in the target group needs e.g. both a microcredit operation and a macronutrition program.

Assuming the objective is sensible, to appropriately serve the whole target group with precision, various combination packages, must be offered. A commercial microfinance institution (MFI) may respond to the demand for microfinance by locating in areas in which there are already a large number of underserved clients willing and able to pay rates of interest able to support the opportunity cost of funds, and perhaps to “create” this demand through advertising. An NGO seeking broad coverage must explain the benefits of credit, provide training in its effective use, ensure participants are healthy enough to work, have childcare access, and so on. They may also engage in transitional programs for those currently too poor - even with such program add-ons - to take on productive credit (Emran et al., 2011). A goal of universal access immediately opens up the prospect of a multidimensional program.

5. *Experience of the poor*: Individuals, households, and communities often recognize and view poverty as multidimensional, rather than in terms of narrower sectors—as reported in the *Voices of the Poor* study (World Bank, 2001). So engaging with them and generating commitment and ownership for programs that they see as likely to be effective may be easier with programs that are multidimensional.
6. *Partnership*: Partnerships at the programmatic level across NGOs to provide an integrated poverty program may be more feasible to implement than strategic alliances at the organizational level. When foundations tend to specialize, say in either health or in education, but not both, it may be more practical to begin with a solid specialized program, and then engage partners.
7. *Financial sustainability*: Integrated programs addressing poverty—such as those that include health and education components – may be more financially sustainable than a stand-alone program. For example, if healthy and educated clients are more able to repay their loans, an integrated microfinance program may have less default. If costs of the add-on programs are relatively small, financial sustainability may be enhanced.

Key factors disfavoring programmatic integration, other things equal, are:

1. *Diseconomies*. An integrated program may be more costly to manage than two or more separate but specialized programs. Integration across poverty programs may also reduce other gains to specialization at the programmatic level.
2. *Overuse*. Not all poor clients in any one village or region need each of the services provided, creating the possibility of ineffective or wasteful use of resources.
3. *Demand*. It may be better to respond to actual demand by the poor for services, rather than stretch to encourage it.
4. *Coverage*. Despite potential complementarities in (e.g. health and income) outcomes, it is by no means clear that there are any complementarities in production (e.g. of health and credit) at the programmatic level. Most grant-making foundations publicize that they work in specific fields and sectors. To the extent of this specialization it may be difficult to secure funding for integrated poverty programs. However, if foundations excessively specialize, then program integration may tend to counteract the concern that NGOs increasingly resemble their major donors.
5. *Experience*. A plausible motivation for implementing multidimensional programs may be multiple identified poverty traps. Still, it may be necessary to demonstrate that this complementarity is best addressed “under one roof.”
6. *Partnership*. NGOs may engage in multiple activities to allow for cross-subsidization to activities that pose more challenging fundraising or management obstacles. Sometimes the initiating organization may be the best choice for the new activity, but often a better alternative may be partnership with another organization with comparative advantages in working with the poor in the new field, offering a separate program.
7. *Financial sustainability* may be much less likely with an integrated program than a specialized program, as claimed by many practitioners in specialized or commercialized MFIs (whose focus may or not be on the extreme poor).
8. *Evaluation* may be more challenging (and costly) with a multidimensional program. It cannot be taken for granted that all aspects of a given program are highly complementary.

It is typically easier to examine whether a multidimensional approach succeeded as a whole, but it may be critical also to examine the separate impacts of the program components, comparing costs and benefits of integrated versus stand-alone component programs. (For example, an ongoing debate concerning the attribution problem has surrounded the UN Millennium Villages program.) It is a general concern that an organization efficient at its area of specialization may branch out into a new field to implement an integrated program for which it has high net costs. New approaches to multidimensional poverty evaluation are needed to help resolve such challenges.

6. Contingencies: Multidimensionality of Poverty Approaches

Finally, we highlight seven key areas with significant findings critical to understanding the scope and structure of organizations and programs working specifically in poverty reduction, and indicate where additional research is still needed.

Importance of a multidimensional approach to poverty. Poverty is multidimensional, as is development more generally (UNDP, 2010). Focus on a single indicator such as income growth can give a misleading picture and misdirect resources. Moreover, there is evidence of complementarity across dimensions of poverty and the escape from poverty. In some cases, improvement may be attained by greater integration of poverty programs. It may also be effective for the sponsors of these programs to themselves become more multidimensional in their staff expertise and range of programs offered – whether or not the resulting programs are themselves integrated across sectors. On the other hand, the multidimensionality of poverty should not excuse incentives for excessive degrees of integration such as might result from extraneous incentives to do so as illustrated throughout the paper. Moreover, the choice is not all or one – two or a few dimensions of poverty may be most efficiently addressed within a program, leaving additional dimensions for other approaches.

Contingency of organizational integration in addressing poverty. Strong complementarities are present in achieving some poverty goals and targets; and in some of these

cases integrating efforts at achieving them within a single organization will be cost-effective. But in some cases, complementarities, while present, are less strong; and organizational challenges to working across sectors may be greater. In such cases the bureaucratic and other costs of integration reviewed in this paper may predominate. Moreover, some organizations with indispensable technical skills will be less effective at program integration than others. Thus, the appropriate extent of organizational multidimensionality is contingent – on the existence and the extent of complementarity regarding the most important problems and binding constraints of poverty, and on organizational capacity to address these problems.

Contingency of program integration in addressing poverty. Multidimensionality of organizations addressing poverty is neither necessary nor sufficient for the efficiency of multidimensionality of poverty programs. Costs of integration at the program level may exceed the benefits, even if the organization has competencies in all of the sectors involved. In some cases, possibilities of integration at the organizational level are limited to little more than information sharing across departments and referrals of clients to other programs. Often even basic information sharing and referral to other organizations' programs does not occur across programs when run by separate organizations. Indeed, reports also reveal lack of cooperation and communication across departments within a single organization.

Problems for addressing poverty in countries or regions without strong civil societies. In a number of transition economies such as China and Central Asian nations, and some other developing countries, civil society in general and NGOs in particular are weak or nonexistent. The contingency framework suggests that in such scenarios sector extension from government or the private sector into the normal NGO realm is likely – the result may be below-potential, but better than ignoring critical problems (Brinkerhoff et al., 2007). Unfortunately, in such countries often either the government or private sector is also weak in its ability to step in on poverty matters; or government has an overbearing and unresponsive character – and may itself bear the greatest responsibility for limiting the NGO or civil society sector. Improvement of weak institutions is an ongoing challenge for development; small scale, less “threatening” approaches may work. For

example, civil society organizations may be encouraged to participate in activities such as monitoring local schools and clinics – improving performance while building trust and social capital, and learning to overcome coordination problems (Barr et al., 2012).

Organizational problems: Indicators and solutions. Efficient diversification may be more likely when driven by an extension from a poverty activity for which the organization has first stated in writing that it perceives a clear complementarity, for which additional funding is then sought on that basis. But there can be too much of the wrong kind of multidimensionality in poverty programs. In some cases, an organization with a stable or expanding donor base that is seeking new uses for available funds, and for practical purposes operating them as entirely separate activities under the same organizational roof, may be more likely to conduct an inefficiently large range of activities in-house. Examples may include organizations that receive and spend a stream of donations from members of an affiliated faith or cultural group whose funds that may surge when public awareness about poverty is especially high, such as after the Millennium Development Goals (MDGs) were introduced, or after specific catastrophic events such as the Indonesia tsunami, the Haiti earthquake, and famine in the Horn of Africa. An approach for such organizations can be to use their knowledge about agencies with established specialized expertise in solving immediate problems, such as to the World Food Program when there is sudden need for famine relief, and to pass-through such extra donations accordingly.

On the other hand, grant makers such as foundations, whatever their official stance toward multidimensionality of poverty, may themselves be “stove-piped” organizationally. This may result in too little of the right kinds of multidimensionality.

Microfinance has been one of the anti-poverty strategies most widely implemented by NGOs over the last quarter century; and it has been used as the centerpiece of many types of multidimensional approaches, adding modules to build literacy and numeracy, job and livelihood skills, basic management skills, health and nutrition, community voice, and so on. Table 4 illustrates the analyses offered throughout the paper through the case of microfinance. Although the table is self-explanatory, a detailed appendix available from the author examines the MFI case

in detail.

7. Concluding remarks: Extensions.

This paper has addressed two general, related questions: Why do some development *organizations* work in many sectors and activities, while others remain more specialized? And why do some of the development programs offered by these organizations integrate *activities* across sectors while others provide a single, more narrowly defined service?

The paper identifies contingent answers to this problem by adapting insights from the literature on the economics of organization. The analysis takes as its starting point the recognition in the recent literature of the multidimensional character of poverty. It proceeds to utilize this context of potential motivations for multidimensional activities to systematically examine the trade-offs in broadening, versus focusing more sharply on, the set of activities that NGOs undertake. Initial findings are summarized in the Tables and examined in detail throughout the paper.

Studies of NGOs – while very challenging – allow somewhat more manageable research questions than studies of international organizations (IOs), which present multiple political considerations and resource subsidies available with less feedback from markets. Nonetheless, analogous questions present themselves concerning the more specialized activities of agencies such as WHO, WFP, UNICEF, or ILO, in contrast to the wider range of activities of regional development banks, the UNDP, and the World Bank – with activities ranging across government support, infrastructure investment, health, education, agriculture, environment, and social sectors. Indeed, numerous questions suggest themselves that extend to government programs and to the very organizational structure of the executive branch of government. These applications will offer important, but challenging subjects for future research.

Of immediate relevance, in 2015 the original Millennium Development Goals (MDGs) framework will expire and debate is underway about what should follow. In 2005, the UN Millennium Project proposed that activities in pursuit of the MDGs should report centrally to the

UN Secretary General for coordination and quality control. This proposal is clearly impractical; but concerns about coordination of international development activity that may be complementary in inputs and outputs deserve much closer analysis. The approach of this paper should help provide the framework and analytical tools also to address large-scale policy challenges.

Table 1: Potential Benefits and Costs (“Pros and Cons”) of NGO Organizational Integration

“Pro” or Potential Benefit	“Con” or Potential Cost
<p>1. <i>Scope</i>. Multidimensional NGOs may realize <i>cost saving</i> advantages from combinations of activities rather than running separate activities. <i>Strategically</i>, multidimensional NGOs can take advantage of complementarities, in an integrated strategy, internalizing interrelated factors that can trap the poor or underdeveloped regions. Multidimensional NGOs can more easily run <i>programs</i> that have multidimensional aspects.</p>	<p>Multidimensional structure adds extra layer(s) of bureaucracy and transaction costs. To what degree multidimensional organizations are taking advantage of complementarities can be difficult for an outside observer to judge. Despite potential complementarities in outcomes (e.g. health and income), it is not clear there are complementarities in production (e.g. of health knowledge and credit), internal to the organization.</p>
<p>2. <i>Economizing on scarce factors</i>: Multidimensional NGOs can leverage scarce management talent, for example.</p>	<p><i>Economizing on scarce factors</i>. No organization can have core competence in too many areas: multiple foci takes away from benefits of specialization. Larger organizations face communication and coordination challenges. Management may have individual incentives, including salary and exit options, to over-expand the organizations they manage.</p>
<p>3. <i>Fundraising and Donor Trust</i>. Multidimensional NGOs can serve as a kind of screening mechanism to donors. Donors can identify one or a few NGOs they trust to find solutions on a range of issues. A multidimensional structure enables an NGO to benefit from its reputation for quality services in the field.</p>	<p>Evaluations of overall organizational effectiveness may be more difficult with a multidimensional organization. E.g., fundraising may be conducted at the <i>organizational</i> level, but some <i>programs</i> of the organization may have much higher inefficiency. Trust can also lead to donor capture, reducing incentives for efficiency.</p>
<p>4. <i>Partnership potential</i>. Joint ventures (partnering) across NGOs have proven difficult in practice. Partnerships between NGOs and private or public sector actors are also problematic. Multidimensional organization may be a “second-best” response</p>	<p>There is insufficient basis to assume that entry and exit selection processes lead to an efficient set of organizations. Recognition of links across sectors and coordination across organizations may be a substitute for multidimensional NGOs. Thus, if they <i>can</i> effectively cooperate, there are great advantages to specialist NGOs.</p>
<p>5. <i>Information</i>. It may be costly to transmit village and client information across organizational boundaries even if incentives are in place, and coordination of parallel institutions would otherwise be more efficient than fully integrated single organizations.</p>	<p>There may have been inadequate incentives put in place to date to develop mechanisms for information exchange across organizations.</p>
<p>6. <i>Flexibility</i>. Multidimensional NGOs may be more prepared to address changing needs of poor communities, with greater breadth of expertise. A multidimensional NGO identifying new needs need not worry it will lose funding and attention to a rival, nor incur the expense of bringing another organization up to speed regarding community characteristics</p>	<p><i>Flexibility</i>. A large, sprawling organization may also be less flexible, innovative, and fast-adjusting than a smaller, fleeter, focused organization.</p>

Table 2. Possible Relationships between NGO Type and Program Characteristics

Type of provider or key characteristics	<i>Contingencies of Organizational Form, Scope, and Constituencies</i>	Additional Funding considerations	Integration type predicted
a. Availability of significant endowment	Can focus on longer run or riskier issues, with higher startup costs, or needing a larger budget; can build a selected partner constituency	Much less constrained by fundraising, so likely to specialize in field(s) not intensive in “retail” fundraising work	Unusually variable depending on charter of endowment and perspective of current managers.
b. Profession-based NGOs (related to specific professional training e.g. medical, legal)	Organizations, firms, and individuals active in core profession	Likely reliance on funding from affiliated professions (e.g. in health field, doctors, nurses, hospitals, or pharmaceuticals companies, etc.	Tends to be closely focused; or, when integration present, efforts to show and maintain connection to core professional base
c. Denominationally affiliated and Faith-based (or more broadly, ethical principles-based)	Child sponsorship common; otherwise variable; program focus can depend upon theological perspectives e.g. literacy programs when ability to read the Bible is esteemed	Likely to rely on donations from affiliated denominational/ confessional members	High integration; e.g. congregants expect responsiveness to wide range of problems; child sponsorship usually multidimensional
d. Nonsectarian, defined constituency, (e.g. environment-oriented, human rights supporters, poverty activists, etc.)	Organizations and individuals committed to and active in core mission	Likely to either specialize or, when multidimensional, to focus on aspects of additional fields arguably connected to the core field	Low integration, focus on signature area
e. Organized and led by “visionary” founder or leader, or management-controlled	Constituency often a loyal following.	Funding relies on appeal of founder-visionary, or of an entrenched, recognized “brand”	Variable; typically more specialized, but exceptions with management talent

Table 3: NGO Program Design Integration

Potential Benefits (“Pros”)	Potential Costs (“Cons”)
<p><i>Scope.</i> Economies of scope at the program level: Multidimensional programs can take advantage of complementarities in production and use in providing services, addressing an interrelated set of factors in poverty traps.</p>	<p>An integrated program may be more costly to manage than two or more separate but specialized programs. Integration also reduces gains to specialization at the programmatic level.</p>
<p><i>Economies of contiguity.</i> Multidimensional programs economize on village activity fixed costs. Given setup costs, it may be efficient for one NGO to work to find solutions to several problems. There also can be day-to-day savings, on everything from transportation costs to building rentals. Clearly a specialized program cannot meet all the needs of the poor. If the goal is to reach and serve all extremely poor individuals more than one type of service, or combinations of services, must be offered.</p>	<p>Overprovision, overuse. Not all clients need each of the services provided, creating the possibility of unnecessary waste. If people living in poverty differ fundamentally in the nature of the constraints they face, offering a variety of programs including specialized options may be more efficient.</p>
<p><i>Demand side</i> effects: Program participants may be willing to pay for programs that provide a package of benefits, such as savings within microcredit, or education or health with microfinance: integration may economize on transaction costs for participants through one-stop shopping. However, this argues for a common program location, not necessarily other organizational integration.</p>	<p>Moreover, despite potential complementarities in (e.g. health and income) outcomes, it is by no means clear that there are any complementarities in production (e.g. of health and credit) at the programmatic level. The underlying reasons may be creative grant writing and fundraising.</p>
<p><i>Experience.</i> Individuals, households, and communities often perceive poverty as multidimensional, rather than in terms of narrower sectors. Multidimensional programs may make it easier and more effective to engage these groups and generate a sense of ownership for programs.</p>	<p>Evaluation may be more difficult (and costly) with a multidimensional program. It is difficult to identify which aspects of a program had greater, or more cost-effective impact when programs are multidimensional.</p>
<p><i>Partnership considerations.</i> It may be no less impractical to partner at the programmatic level than at the organizational, strategic level. NGO partnerships at individual program level are also relatively rare.</p>	<p>It may be difficult to secure funding for integrated programs, because foundations tend to specialize, say in either health or in education, but not both. Thus beginning with a solid specialized program, and then partnering, may be more viable.</p>
<p><i>Sustainability.</i> If healthy, educated clients are more able to repay loans, an integrated MFI program may have less default. If costs of the other programs are relatively small, financially</p>	<p>Financial sustainability may be much less likely with an integrated program than with a stand-alone microfinance program. This is certainly claimed by many practitioners,</p>

sustainability may actually be enhanced.	especially of specialized MFIs.
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Table 4. Case of Microfinance

Extent or type of integration (moving from least to most integrated)	Area incomes, development levels; Employment environment	Availability of complementary services	Type of NGO most established locally	Degree and type of MFI competition
No integration, but small loans – “minimalist,” for example, ASA; or minimalist savings, e.g. Safesave	Predicted where micro-enterprise is an alternative to scarce conventional employment or women are excluded from it (Emran et al)	More likely when good, readily available options for other services	In very poor areas if most MFIs are multi-dimensional, may be an opening for a minimalist MFI	If add-ons add net costs, given competition MFIs would have a tendency to be minimalist
No integration, but larger loans, more flexible in size and purpose E.g., ACCION-sponsored MFIs	Generally above poorest, or tend to avoid or shut down operations in very poorest service areas over time	More readily available at least in comparative sense, and in less poor market served	Relatively specialized; may partner with CBOs for client access and cost saving	May be high, reinforcing minimalist, high efficiency, less poor borrowers
Integrated with one e.g. education or training program; e.g., Freedom from Hunger, Fonkoze	Closer to poverty line, where gains larger. More likely if local schools and training are weak	More likely with thin education and skill markets and government services	Missing education oriented NGOs, and poor government education	Uncertain
Integrated with two or more health / nutrition programs, e.g. Project HOPE	More likely where health systems are weak	More likely with thin health and nutrition markets and government services	Missing health oriented NGOs, and poor government health programs	Uncertain
Integrated with health/nutrition <u>and</u> education/ training, eg. World Vision	Poorer; likelier where weak nexus of local schools, training, health, and nutrition programs	More likely with thin human capital markets and government services	More serious poverty levels, fewer NGOs, and missing poverty services	Less competition, as costs can be relatively high
Combined with many areas, but some not closely integrated, e.g., Grameen	Poorer, may be very poor, but with untapped area business opportunities	Likely with major market and government failures in large parts of country	Environment very conducive to NGOs.	Large market, or other NGOs present but ineffectual, miss opportunities
Close Integration with a many dimensions,	Generally low, but with development opportunities; Easier	Likelier if major government <u>and</u> market failures in	Environment very conducive to NGOs absent	Large market, or other NGOs present but

“maximalist,” e.g., BRAC	to reach poor who are otherwise not getting credit	the region	government restraints	ineffectual, miss opportunities
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