MAXIMISING THE EFFECTIVENESS

OF MICROENTERPRISE DEVELOPMENT: THE PARTNERSHIP OPTION

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→| ALTERNATIVES

> *"No stranger to trouble myself, I am learning to care for the unhappy."*
>
> VIRGIL

Despite the theoretical possibility, eradicating poverty – or even halving it by 2015 as intended by the first Millennium Development Goal[1] – is a daunting and perhaps unrealistic endeavour. Since the inception of the international development industry, systematic efforts have been made to reduce poverty. Within nation states such efforts have a much longer history. So why, with all of our technology, have we failed to eliminate poverty? The easy answers refer to contextual factors, including political will. A more nuanced response calls attention to the intractability of poverty. Specifically, Smith (2005) calls attention to sixteen poverty traps, which demonstrate the interdependence of a range of factors that contribute to poverty and prevent its escape. These factors include, among other things, illiteracy and/or low education and skills levels; lack of access to working capital, insurance, and information; high debt; poor physical and mental health; high fertility; child labour; the priority of subsistence; and powerlessness. The development industry has developed targeted approaches to respond to many of these challenges on a case-by-case basis, sometimes with highly complex assessment and response tools. So while we may not be able to eradicate poverty on a global level, we certainly do know a lot about how to maximize the efficiency and effectiveness of targeted efforts to do so. Yet a remaining question is who does what to address this broad range of factors?

The interdependence of poverty traps and the lesson that addressing only one or a few factors is too often insufficient for facilitating escape from poverty have led many development organisations to consider how best to acknowledge or include complementary services. Options include: 1) remaining specialised to maximize organisational efficiency through comparative advantage; 2) developing multi-sectoral organisations and programs; and 3) accessing complementary services through partnership with other organisations and programs. There are trade-offs to each of these options. This article explores options for organisational scope, specifically with respect to partnership approaches.

No one option will be ideal to all contexts. To best gauge the potential of the partnership option, it is first necessary to explore its advantages, as well as possible contextual constraints. Building on my previous research (Brinkerhoff, 2002a, 2002b), I will first define partnership, specify its comparative advantages especially as they concern available governance mechanisms, and present potential contextual constraints to its operationalization. Next, I will describe the experience of a range of microenterprise development experiences, as presented by US-based practitioners. I will then explore how these experiences correspond to our general knowledge of partnership practice. I conclude with recommendations for when the partnership option may be most effective in combating poverty traps.

MAKING THE CASE FOR PARTNERSHIP

PARTNERSHIP DEFINED

The potential advantages of partnership are many. The nature and scale of poverty traps are impossible to address in isolation. Partnership can provide a means of developing strategic direction and coordination in this context, affording a scale and integration of services that is impossible for any actor operating alone. Without the cooperation of multiple and diverse actors, each with their own perspective and comparative advantages, we risk treating symptoms rather than causes and becoming frustrated by systemic forces that preserve the status quo (Brown and Ashman, 1996).

Literature and experience combine to suggest that two dimensions are salient for defining partnership. Mutuality encompasses the spirit of partnership principles; and organisation identity captures the rationale for selecting particular partners, and its maintenance is the basis of partnership's value-added. Mutuality refers to mutual dependence, and entails respective rights and responsibilities of each actor to the others (see Kellner and Thackray, 1999). These rights and responsibilities seek to maximize benefits for each party, subject to limits posed by the expediency of meeting joint objectives. Embedded in mutuality is a strong mutual commitment to partnership goals and objectives, and an assumption that these joint objectives are consistent and supportive of each partner organisation mission and objectives. Mutuality means some degree of equality in decision-making, as opposed to domination of one or more partners. All partners have an opportunity to influence their shared objectives, processes, outcomes, and evaluation. Mutuality can be distinguished as horizontal, as opposed to hierarchical, coordination and accountability. The ideal-type partnership also includes principles such as jointly agreed purpose and values; and mutual trust and respect.

organisation identity generally refers to that which is distinctive and enduring in a particular organisation. It is generally believed that the creation and maintenance of organisation identity is essential to long term success (see Gioia *et al.*, 2000; see also Albert and Whetten, 1985). The key is not to maintain organisation systems, processes, and strategies over time, but to maintain their core values and constituencies. Gagliardi (1986) argues that successful organisations change in response to turbulent environments precisely in order to maintain their identity over time.

organisation identity can be examined at two levels (Brinkerhoff, 2002a). First, an individual organisation has its own mission, values, and identified constituencies to which it is accountable and responsive. *The maintenance of organisation identity is the extent to which an organisation remains consistent and committed to its mission, core values, and constituencies.Second, from a broader institutional view, organisation identity also refers to the maintenance of characteristics – particularly comparative advantages – reflective of the sector or organisational type from which the organisation originates.* A primary driver for partnerships is accessing key resources needed to reach objectives, but lacking or insufficient within one actor's individual reserves. Such assets can entail the hard resources of money and materials, as well as important soft resources, such as managerial and technical skills, information, contacts, and credibility/legitimacy.

Based on these two dimensions, partnership in practice is identified as a matter of degree. The ideal type would maximize organisation identity and mutuality, including equality of decision making. Since compromises to support and respect the identity of ones partners is inevitable, and as exact equality of power in decision making is unrealistic, partnership is a relative practice. Nevertheless, these dimensions can be used to contrast partnership (high organisation identity, high mutuality) from other types of inter-organisationalrelationships, such as contracting (high organisation identity, low mutuality), extension (low organisation identity, low mutuality), and cooptation or gradual absorption (low organisation identity, high mutuality) (Brinkerhoff, 2002a).

INTER-ORGANISATIONAL RELATIONSHIP GOVERNANCE MECHANISMS

Governance mechanism refers to the approach and enforceability of rules and associated desired behaviour. Governance requires recourse in the event that rules are broken or expectations are not met. Governance mechanisms include market, bureaucratic, or culture approaches, or some combination of all three[2]. The most effective organisations combine these three mechanisms (see, for example, Coston 1998; Peters 1998). At the same time, each has its advantages and disadvantages, as well as limits to feasibility. For example, market mechanisms (e.g., contracts) are not always possible (a price must be specifiable) and are, like any market, subject to market failures. Bureaucratic mechanisms (e.g., rules, regulations, and standard operating procedures) can be costly to monitor and enforce and often restrict flexibility. And, because they are based on trust, culture mechanisms, are not as easily enforceable. Recourse in the event of their violation is not always immediate or specifiable.

Partnerships, by definition, are not based on hierarchy. Therefore, while they may combine all three governance mechanisms, they are likely to rely more heavily on culture mechanisms than other types of inter-organisational relationships. Under culture mechanisms enforcement and compliance are based on trust and expectations rooted in a sense of belonging. Culture mechanisms can become the glue that bonds different actors, ensuring compliance not only with expected norms of behaviour, but also maximising the efficiency and effectiveness of other governance mechanisms (Coston 1998). Because they are voluntary, they also are the most flexible and lowest cost mechanism.

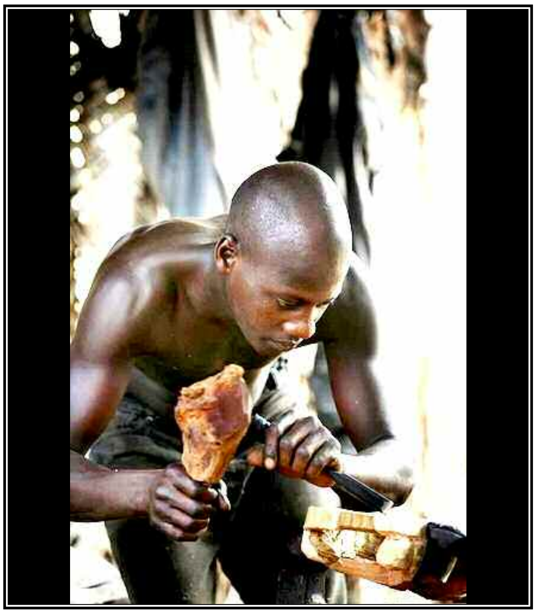
THE POTENTIAL ADVANTAGES OF PARTNERSHIP

Partnership's value-added is rooted in its defining dimensions. organisation identity is the impetus for initiating a partnership strategy. Partnerships with other actors are pursued precisely because these actors have something unique to offer, whether resources, skills, relationships, or consent. If organisation identity is lost, by definition comparative advantages are lost, the organisation loses legitimacy in the eyes of its defined constituencies, and its effectiveness wanes. Mutuality can reinforce organisation identity. The opportunity to participate and influence equally means that each actor can more easily protect its organisation identity, and hence the efficiency, effectiveness, and synergistic rewards of the partnership. At the outset, no one organisation can understand the implications of its or the partnership's actions for members' organisation identity. Mutuality at least affords partner organisations the opportunity to consider and explain these implications and potentially defend their distinctive advantages, skills, and legitimacy – all of which are necessary for the partnership's success.

Reliance on culture governance mechanisms affords partnerships a greater degree of flexibility in maximising the application of comparative advantages and flexibly responding to environmental constraints (to be discussed below). organisations and alliances characterised by a strong reliance on culture mechanisms are seen to be organic in their structure, as opposed to mechanistic (see Burns and Stalker 1961). Advantages of organic structures include:

- fluid division of labour based on specialised knowledge and experience;
- emphasis on application of knowledge to contribute to organisational effectiveness (i.e., mission);
- continual redefinition and adjustment of individual tasks through interaction;
- individual responsibility for contributing to overall organisation effectiveness;
- commitment to organisation mission;
- knowledge about the organisation technical nature and effectiveness can be located anywhere in the network;
- fluid interaction, contingent on the information/skills required in the moment;
- emphasis in communications on information and advice (not instructions and decisions);
- innovation, creative thinking, and knowledge of interdependence highly valued; and
- decisions made through participation (Brinkerhoff, 2002b).

Environmental factors influence the extent to which partnership is desirable or feasible. In development contexts, there are many factors and actors at play at various levels, each of which affects the others to greater or lesser degrees. I focus here on the immediate partnership environment rather than the broader context; that is, those features that directly impact the inputs, processes, and outputs of partnership systems.



Drawing on a decade of fieldwork consisting of case analysis and expert interviews, I delineate nine key 'environmental hostility' factors – those that can inhibit or enhance achievement of mutuality and organisational identity in partnership relations involving NGOs (Brinkerhoff, 2002b). These include factors related to the actors involved, both individuals and organisations; the specific partnership objective; stakeholders; and general contextual features. The nine factors follow:

1 ~ Partnership Champions: the possibility of dynamic, entrepreneurial, and potentially charismatic personalities with the capacity to champion the partnership effort. The immediate context may also present salient drivers to inspire such individuals to champion partnership approaches.

2 ~ Institutional Linkages: Pre-existence of strong and supportive relationships among partners; partners know and understand each other's mission and track record.

3 ~ Characteristics of Partner organisations: organisations with identified comparative advantages, requisite capacity, strong organisation identity, supportive stakeholders and constituents, perceived as legitimate and trustworthy among constituents, have strong drivers to participate in the particular partnership, share the partnership vision, and have broad support within the organisation for the partnership.

~ Partnership Objective: Does not greatly challenge vested interests or implicate a wide number of government agencies; outcomes will be directly felt at the local level and can be readily identified; and there is a ready demand for the good or service to be produced.

~ Partnership Stakeholders: Relatively homogeneous, organised, and have influencing capacity.

~ Supportive Legal Frameworks: Partnership and its chosen activities are legal, and legal framework is flexible. Partners have discretion in the design and structure of the partnership.

~ Stability: There is minimal staff turnover with the partner organisations, and stakeholder interests and demands remain relatively stable.

~ Flexibility: Partner organisations are flexible in pursuing new structures and procedures and/or making adjustments in existing ones to support the partnership and partner organisations' identity.

~ Artificiality[3]: Low levels of distortion. The partnership is characterised by local ownership and mutual agreements and relationships.

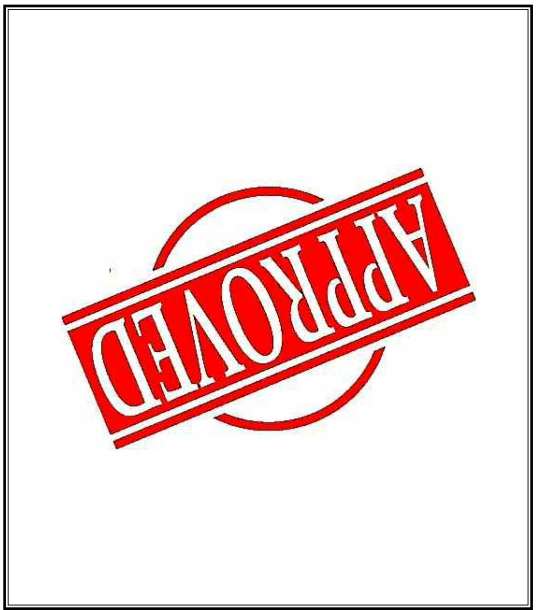
The absence of these factors contributes to environmental hostility. The lack of one or more of these factors does not, in itself, prevent effective partnership. Rather, it makes it more difficult, and, in some cases, much more costly. They are also not all of equal importance or malleability. While the characteristics of certain objectives might make partnership work very complex and challenging, the importance of those objectives and/or their beneficiaries may outweigh these difficulties. Some of these contextual features are subject to influence, others are not. The identification of these factors can inform cost-benefit analyses to determine the appropriateness of a partnership approach. However, the relative valuation of the equation will necessarily be subjective, depending, in part, on the mission of the initiating organisation and its corresponding operational values.

EXAMPLES OF MICROENTERPRISE DEVELOPMENT: THE OPTIONS IN PRACTICE

The following vignettes are taken from practitioner remarks at the George Washington University International NGO Team Roundtable on "The Effectiveness of Multiplex vs. specialised Approaches to Microenterprise Development" (April 8, 2005).

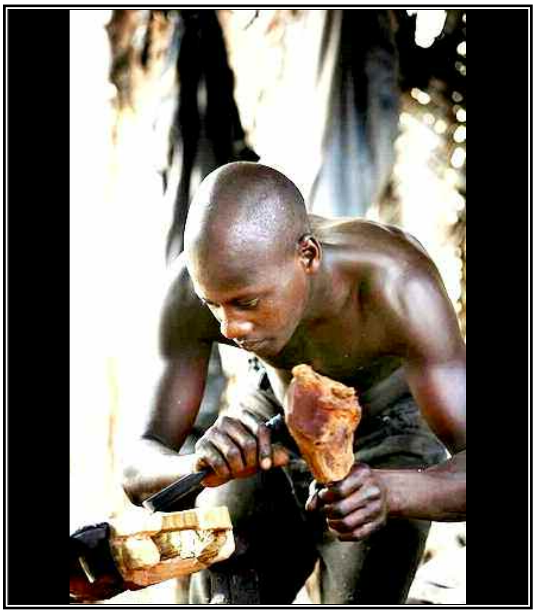
FINCA INTERNATIONAL[4]

FINCA is known as the founding organisation for village banking. Not only does it provide microcredit to the poor, "it helps to create community-run, community-focused credit and savings associations, particularly in areas untouched by the formal financial industry" (FINCA, 2005). FINCA International is a network of program affiliates in four regions



(Latin America, Africa, Eastern Europe, and Central Asia). According to 2005 estimates, 60-70% of its 2,800 employees worldwide were "children of poverty," that is, children who, having observed their mothers attending village bank meetings, eventually became credit officers. This development highlights a key priority for FINCA now and into the future: to raise awareness among microfinance institutions of the need to reach beyond the borrowing parents to expand their client bases to include the educated children of these borrowers, making available business loans and microfranchises.

In thinking about using microfinance to alleviate poverty, Hatch (2005) emphasises the importance of partnership with the poor: "If you provide resources to the poor, give them the flexibility and the responsibility for making their own decisions about how they're going to take advantage of those opportunities.... They are capable of doing incredibly effective, good stuff, in terms of fixing themselves and their own poverty.... It's the financial grease in the wheel of the household that gives them those options they didn't have before.... It's always been my feeling that the ideal integrators are



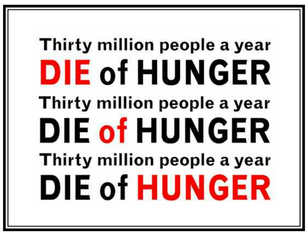
the poor families. They know what they need. As long as they have access to information about where they can get assistance, they are the ideal, least cost, and best integrator we have."

FINCA has developed an evaluation instrument to gauge improvements in the quality of life of their clients. The ten minute, palm pilot assisted interview measures seven indicators, starting with money metrics, to assess expenditure patterns in order to determine if FINCA is reaching the poorest of the poor, and moving to six social metrics: food security, health, housing, education, empowerment, and social capital. FINCA plans to use the results to assess its effectiveness in meeting a double bottom line for its clients: financial, as well as social improvements in quality of life.

SAVE THE CHILDREN[5]

Save the Children (Save) is a multi-sectoral organisation that operates in approximately fifty countries. Its programs encompass health, HIV/AIDS, education, food security, and economic opportunities, mostly in the form of microfinance. Save's approach to microfinance is group-guaranteed lending and savings. In establishing micro-finance institutions (MFIs), Save starts with a very specialised focus (i.e., a limited array of services) with an aim to attain operational sustainability. Once that is achieved, the emphasis is on financial sustainability, and, eventually, institutional independence from Save. Resulting institutions follow whatever the local legal framework allows. Hence the priority for sustainability and independence trumps any consideration of offering complementary services. The aim is to make the institution capable of operating without any subsidies into the long run.

Because of its multi-sectoral nature, Save the Children has opportunities to consider and even experiment with integrated programming. This was the subject of its 2005 Program Learning Group, an annual event to reflect on Save the Children's practice and potential paths for innovation and improvement. Staff opinions varied and official conclusions were still pending as of this writing. Conly (2005) summarised the various viewpoints. First is the perspective that the institutions should remain focused on financial services; diversification muddles the objectives and can overwhelm staff capacity/skills, damaging effectiveness and efficiency. Second, business development skills might be appropriate to integrate, given their natural fit with the objectives of the MFIs and the ambitions of their clientele. A final perspective argues for the provision of social services alongside microfinance. Preliminary conclusions support the integration of those financial services that maximize complementarity, specifically strengthening microfinance, with the caveat that these, too, must be financially sustainable; some services can be delivered in cooperation with the microfinance services, but should be under the purview of other providers, or possibly other divisions within Save; and these services should not be required, as they may detract from the clients' economic priorities pertaining to their microenterprise (e.g., requiring time and attention away from the business).



WORLD VISION[6]

Like Save, World Vision is a multi-sectoral organisation, but it operates through specialised programs, taking advantage of complementarities across activities. This is mostly achieved through its multi-sectoral area development programs (ADPs), which include health, education, and leadership development. In 2005, World Vision introduced business development services related to access to market. The MFIs are separate legal entities, though they benefit from the World Vision reputation vis-à-vis donors and other service providers.

At the national office, the separate structure of the area development program staff and related specialists, and the microfinance staff poses opportunities and challenges for ensuring holistic service provision for combating poverty traps. ADPs often do pre-enterprise work, targeting the poorest of the poor. As long term programs (approximately 15 years in each location), the ADPs establish trust through long term relationships between local staff and targeted communities. Microfinance programming can capitalise on this trust perhaps to more quickly initiate and reach sustainability of MFIs. On the other hand, the ADP emphasis on the poorest of the poor means that often target areas for development pose the greatest challenges to microenterprise development: poverty, which limits consumption potential; environmental features, which limit agricultural production potential; and remoteness, which poses challenges to market access.

Also similar to Save's programming, World Vision's microfinance programming is driven by the "four Ss": separate, specialised, sustainable (within four years), and of significant scale. The latter seeks to capitalise on the time and energy required to establish each MFI. The provision of services is also demand driven. Other donors may be available and known to clients for their specialisation in other types of services. In some instances, World Vision may partner with these other providers, for example, under large HIV/AIDS grants. Complementarity among partners can be either geographic or sectoral.

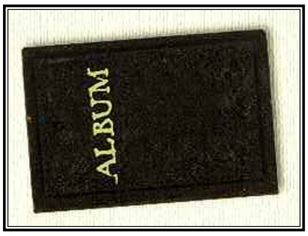
Conly (2005) summarises World Vision's perspective on the scope question with the following: MFIs should remain specialised; integration of services is most beneficial when it concerns business development services (e.g., access to markets), and where there are already multi-sectoral interventions in specific geographic zones (i.e., ADPs); and partnerships should be pursued when large grants are available (e.g., HIV/AIDS, food programming), where consortiums can maximize effectiveness.

MICROFINANCE NETWORK[7]

The Microfinance Network is a global MFI association. Membership is diverse, including networks and individual institutions, with different methodologies, but all are "committed to improving the lives of low-income people through provision of credit, savings, and other financial services" (Hattel, 2005). The membership represents all three scope options: 1) provision of financial and non-financial services (an holistic approach); 2) specialised MFIs that offer only financial services; and 3) specialised MFIs that build strategic alliances with other specialised institutions in order to provide a broader range of both financial and non-financial services (approximately 95% of the Network's membership). The following examples are illustrative.

SHARE MICROFIN LIMITED, INDIA

Share Microfin, a Southern NGO operating in Andhra Pradesh is a non-bank financial institution serving women in the poorest sectors of the population. Share Microfin provides financial services, as well as skills training to enable income generation. Share Microfin has achieved a 100% repayment rate. Its operational viability stems from keeping operational costs low and mobilising financial resources from development and commercial banks.



PRODEM FFP, BOLIVIA

PRODEM FFP serves micro, small, and medium businesses. It is the largest branch network in Bolivia (73 branches as of 2005), with 70% of the branches in rural areas, which also represents 30% of the loan portfolio. Their clientele represent both rural and urban areas and a range of economic backgrounds. As a regulated financial institution, PRODEM FFP offers savings services as well as loan products. Additional services include money transfer and life insurance.

COMPARTAMOS, MEXICO

Compartamos is a non-bank financial institution. Recognising the changing needs of clients over time, Compartamos seeks strategic alliances with other providers to make available a range of services corresponding to their clients' financial needs at different stages of life. For example, their needs framework begins with a working capital loan and moves to house loan, medical insurance, education loan, and, finally life insurance. The strategic alliances with other providers enable fast growth, a short learning curve, capitalisation of the expertise of other providers, and product improvement (quality and range), at less expense to clients, saving staff time and organisation financial resources.

BRAC, BANGLADESH[8]

BRAC is a "Credit Plus" model. It seeks to contribute to "people's social, economic, political, and human capacity building" (Hattel, 2005). BRAC promotes income generation for the poor through microcredit, health, education, and training programs (e.g., land rights, women's rights). Its largest component is microfinance, making it the largest microfinance delivery organisation in the world (Ahmed, 2005). As of 2005, BRAC had organised 115,840 village organisations, with a total membership of almost 4 million, and a loan repayment rate of 99.19%. In addition, approximately 2.6 million children had graduated from BRAC schools, with 1.1 million currently enrolled (Hattel, 2005).

BRAC evolved in response to listening to the needs of the poor themselves. As a result, BRAC's programming is based on the belief that microfinance cannot solve all the problems of poverty; it must be accompanied by other interventions in health, education, and empowerment through legal education (Ahmed, 2005). BRAC's programs have generated sustainably self-financing clientele, leading BRAC to establish a BRAC Bank to serve this evolving client base. BRAC's microfinance component is self-financing, with interest covering operational costs. However, programs in health and education cannot be made self-financing.

PARTNERSHIP FOR MICROENTERPRISE DEVELOPMENT

TYPES

The vignettes provide a range of examples of partnering and thinking about partnership for microenterprise development. First, microenterprise service providers who are multi-sectoral organisations might consider partnering internally with other programs/divisions of their organisation. This approach contrasts with integration in that the programs maintain separate staff, funding, and management arrangements and do not represent an added cost (and financial sustainability concern) for the microenterprise development program. Save the Children takes this approach, emphasising that the cross-sectoral services may be made available through these internal partnership arrangements, but they should not be required. World Vision pursues this approach through its area development programs.

Another type of partnership is that between the microenterprise development provider and the MFIs that it creates. World Vision illustrates this approach, where the MFIs become independent but still benefit from their association with World Vision, both by capitalising on the World Vision branding, or reputation, and by having access to multi-sectoral services available through World Vision's ADPs. World Vision's ADPs represent a sequencing of scope options, beginning with multi-sectoral approaches providing "pre-enterprise" work, extending to specialised services of MFI creation, and yielding partnerships that enable MFI clientele to access continuing multi-sectoral services of the ADPs.

Third, microenterprise development providers can partner with other service providers specialising in other sectors and/or complementary services. World Vision may pursue this approach, for example, when large grants provide incentives and other providers with geographic or sectoral complementarity exist. Compartamos partners with other providers to ensure the delivery of relevant services over the life stages of its clients. While Share Microfin chooses to integrate training with microfinance, it partners with development and commercial banks to mobilise financial resources.

Providers may also consider expanding services to meet the needs of extended clients, such as the next generation of service beneficiaries. For example, FINCA is looking to extend benefits and financial services to the children of borrowing mothers, whether through employment opportunities, or business loans. In this sense, FINCA becomes part of a growing economic sector with possibilities for meeting diverse needs through a range of services and service providers.

Finally, a theme especially championed by Hatch (2005), is the notion of partnering with the poor themselves. Here, the relationship is one of trust, where the service provider trusts that poor people know what is in their best interest; they know the best way for them to escape poverty traps. FINCA's new evaluation tool is testing the effectiveness of this approach. However, such a partnership orientation requires that the poor have the requisite information and that other providers of needed services exist, which relates to environmental constraints (discussed below). BRAC, on the other hand, is a multi-sectoral organisation providing a range of services; it partners with the poor in that it does not require microfinance clients to also partake of its health and education services.

ADVANTAGES

Partnership can provide opportunities for 1) strategic direction and coordination to meet the interdependent needs of poor people; 2) achieving greater scale and integration of services; 3) addressing these needs holistically and efficiently, by relying on the specialised knowledge and expertise of each actor; and 4) simultaneously maintaining the organisation identity of specialised program offices and organisations. Partners may share their commitment to help the poor escape from poverty, yet remain true to their particular organisation mission and values for doing so, thus maximising the contribution of each. In other words, efficiency and effectiveness are not lost by trying to reinvent staff skills and orientation to suit a broader range of service delivery requirements.

The vignettes illustrate how partnership approaches can capitalise on comparative sector advantages. National governments provide legal frameworks with which the creation of MFIs must concur and which also support the regulatory framework necessary for financial service delivery. The featured NGOs play an important intermediary and social mobilisation role vis-à-vis local communities, whether through the establishment of village banking, lending groups, or community operated MFIs. They also flexibly respond to broad needs of their clientele, whether directly or in partnership with other actors. Local communities assume ownership and operation of created MFIs and lending groups. The private sector is investing in and supporting the availability of financial and technical resources to microenterprise development. And donors and development agencies facilitate multi-sectoral partnerships and provide financial support, for example, through large grants.

Various governance mechanisms are demonstrated in the examples, confirming both the limits and opportunities each presents. Market mechanisms, such as interest rates, enable MFIs to efficiently operate and achieve financial sustainability. Contracts may also regulate multi-sectoral partnerships, especially those funded through large grants. Bureaucratic mechanisms, such as standard operating procedures and memoranda of understanding often regulate internal and external partnerships. They are also used to coordinate service delivery by multiple providers. Culture mechanisms are most apparent in the loosely organised partnership approaches, in internal and multi-organisational partnerships, as well as the partnership with the poor themselves. Here, trust in each actor's expertise, knowledge of needs, and determined approach is the guiding rule, as well as the shared commitment to see the poor escape from poverty.

World Vision's ADPs illustrate this key comparative advantage of partnership approaches, with their organic structures and reliance on cultural governance mechanisms: trust. The trust created by multi-sectoral pre-enterprise service delivery facilitates the creation of MFIs. This approach may be necessary given that World Vision's ADPs target clientele that are far from the ideal for ensuring MFI sustainability. Trust appears to be less critical, in contrast, for FFP PRODEM in Bolivia, which concentrates more heavily on specialisation in financial services to maximize efficiency and serve a diverse clientele; here, higher income clients sometimes receiving lower cost service delivery (e.g., in urban areas) can ensure financial sustainability of high cost services to lower income clients (e.g., in remote areas).

Each of the illustrated partnership approaches is organic in structure. They are not inflexible blueprints for meeting interdependent needs. The division of labour is fluid based on the available actors and their respective expertise and knowledge – whether these are internal to the organisation or beyond its boundaries. A heavy emphasis is placed on "sticking to one's knitting" in order to ensure effectiveness, efficiency, and sustainability. Each actor takes responsibility for overall success in meeting the broad needs of the poor. Communications and advice are horizontal and geared towards effectiveness, rather than hierarchical in nature.

IMPLICATIONS OF ENVIRONMENTAL CONSTRAINTS

Ironically, one of the key elements necessary for low environmental hostility for partnerships is the existence of qualified potential partner organisations. When these organisations are already in existence and accessible to the poor, a partnership with the poor becomes possible and formal inter-organisational partnerships across sectors may no longer be necessary. This finding implies that inter-organisational partnerships may be most beneficial when potential partner organisations are not already accessible to a particular clientele (whether defined by geographic region or need) or when the poor lack information about available services or face logistical barriers to accessing them. In the latter case, the inter-organisational partnership might focus on information sharing and coordination to market available services and to address access obstacles specific to microenterprise development clientele.

The potential for partnership with the poor and for inter-organisational partnership is also enhanced when there are existing institutional linkages and an understanding of what each partner or service deliverer may have to offer. Also assumed is that the various actors will share a commitment to poverty reduction without major philosophical differences as to the means. When this occurs, it is much easier to identify partnership champions who put these shared objectives first in developing coordination and information sharing mechanisms. All of these factors are much less problematic for internally-oriented partnerships.

Because the partnership stakeholders may be diverse, the variety of partnership options enables actors to flexibly respond to these needs. This is illustrated by Compartamos whose partner arrangements vary according to the life stage of the client being served. In the particular case of microenterprise development, the examples also demonstrate a range of potential hostility concerning selected objectives and stakeholders. For example, World Vision's microenterprise development programming follows the lead of the ADPs, which select regions whose characteristics are most hostile to microenterprise development. World Vision's intention to serve the poorest of the poor is a higher priority than a desire to minimise the challenges this objective poses. FFP PRODEM targets a range of incomes, with service delivery to wealthier clients supporting programming for more challenging clientele (e.g. poorer, more remote, rural). BRAC similarly uses BRAC Bank, which serves MFI graduates, to finance services that are not sustainable.

The range of partnership options poses various degrees of potential flexibility. Partnering with the poor affords the most flexibility for a service deliverer in that the poor themselves will select services or not, more or less as given. Internal partnerships may facilitate flexibility as it is likely to be easier to adjust internal processes from within organisations than between them, as is required for inter-organisational partnership. The required flexibility will also depend on the degree of integration required to meet partnership objectives, with information sharing requiring the least and joint action the most.

An additional recurrent, even universal, theme is that of avoiding artificiality. All of the organisations reviewed place a high premium on financial sustainability of MFIs, as well as the microenterprises they support. Because of this, Save the Children's microfinance program will not add new services unless they can be sustainable; and while it may internally partner, it discourages making complementary services a requirement of their microenterprise development programming. Similarly, World Vision emphasises its four Ss.

IMPLICATIONS AND CONCLUSION

Poverty traps suggest that multi-sectoral programming may be required for sustainable poverty reduction. I outlined three scope options, with partnership offered as a distinct possibility. However, a closer examination of selected experience in microenterprise development reveals that the partnership concept may, in fact, encompass components of each of these options. Partnering with the poor enables organisations to remain specialised on microenterprise development, trusting that the poor will capitalise on multi-sectoral services available from other providers. Internal partnering enables multi-sectoral organisations to provide services in coordinated, though perhaps not thoroughly integrated ways, securing at once the advantages of multi-sectoral approaches and partnership efficiency and effectiveness. The third option, inter-organisational partnership remains an important one.

By exploring environmental hostility, we can begin to identify those circumstances that call for different types of partnerships. If the ultimate objective is sustainable poverty reduction, partnering with the poor may only be appropriate when other providers are easily accessible to the poor. When this is not the case, internal or inter-organisational partnerships may be required to ensure the availability of multi-sectoral services, whether by referral and information sharing, addressing specifically identified obstacles to service access, and/or coordinating among various program units or organisations.

These prescriptions only hold when actors strategically prioritize poverty reduction, with attention to poverty traps and the services necessary to address these. Many organisations remain focused on narrow perspectives of organisation identity and comparative advantage. Such organisations can make important contributions to poverty reduction efforts. However, ensuring *sustainable* poverty reduction with this approach is likely to remain a happy accident for such organisations rather than a strategic effort. Explorations such as this article's can encourage NGOs to think more strategically about ultimate aims and the full range of options for reaching them. ▣

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[1] On September 8, 2000, the 189 member states of the United Nations adopted the UN Millennium Declaration, which includes eight Millennium Development Goals (MDGs) to address development and the eradication of poverty by 2015. See http://www.developmentgoals.org.

[2] See Ouchi (1979, 1980). The reference to bureaucracy should not be confused with structure; rather it refers to an approach for influencing behavior through established rules and procedures. These governance mechanisms have also been referred to as price, authority, and trust (Bradach and Eccles 1991).

[3] Artificiality is the extent to which resources outside the immediate environment are available; subsidies for inputs make partnerships vulnerable to their removal.

[4] This description draws from Hatch (2005).

[5] This overview draws from Conly (2005).

[6] This overview draws from Norell (2005).

[7] This overview draws from Hattel (2005).

[8] This overview draws from Ahmed (2005) and Hattel (2005).

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