Charity Selection Strategy

Summary of Development Ratings selection criteria

- We concentrate on organisations operating mainly in the neediest countries, either in one or more of the countries on the UN's 50 Least Developed Countries list (LDCs) or in the lower ranks of the UN Human Development Report (HDR) index. This way, donated funds are going where they are needed most.
- We have identified sectors that we feel are most in need of support and most able to help alleviate poverty in these countries in a sustainable way.
- The charities we recommend must be operationally and financially viable. By this, we mean that we would not recommend a charity that is not financially healthy, as measured by a number of parameters, or one that is not operationally active.
- Although charitable giving is often an emotional issue, we aim to instill rigour into the analysis of the organisations' activities and financial strength. Charities are carefully researched and management is interviewed to ensure as far as possible that funds are being put to best use.
- We are looking for charities making positive impact on their beneficiaries such that they clearly support the most vulnerable people in a significant, sustainable way.
- We recommend organisations that are ideally doing something innovative, entrepreneurial or imaginative to uniquely address a critical issue. Several of our charities have concepts with much wider potential development applications.
- We prefer to recommend charities that are run by impressive management teams or are supported to a major extent by volunteer, trustee or parton contributions. The dedication of people like this to their cause is infectious.
- We focus on charities for which a donor's new funds would make a significant and useful contribution to the charity's income, performance and development. This means that we usually do not recommend larger charities that are already well-known and well-established.
- Similary, much smaller organisations may not have shown a strong track record of performance to date, or may be suffering from a lack of momentum or interest. Minor shocks could negatively impact less established operations.
- Our donors can contribute to the development cause of their choice through our effective, selected charities.
- The charities we recommend perform activities that fill a gap in the sector. The charities are not duplicating activities that are being performed by local or regional governments or by multi-lateral agencies – without our charity, the issue would be neglected in the area.

research and recommendations on charities that work in the least developed countries

Summary

We recommend charities to individual philanthropists and companies after consideration of a number of different parameters. This paper explains how we go about the selection process, what we are looking for and what factors we take into account, and runs in parallel with the Development Ratings Research Methodology that can be found on our website, www.developmentratings.com. We base our initial outside-in impact assessment analysis on publicly available information, followed by a management interview. We research the charity and the sector it operates in, in detail, so that we have the answers to as many of the questions a donor might want to ask as possible. Our reports are reviewed internally for thoroughness and level of detail, and by the charity's management for errors of fact. Finally, our advisors ensure that we are being clear and comprehensive.

Our reports are brief so that a donor receives the most salient information in a concise form. However, the reports contain information about what the organisation does, where and how, and how efficiently, but, more importantly, it describes what results are being achieved, what impact is being made and what risks there are to achieving these results and impact. There is a lot more information that we find out that we cannot put in the report and we recommend that donors make their own enquiries of anything they do not feel is fully explained.

First, we ensure that the charity operates mainly in the target countries and sectors. Then, we check the charity's financial and operational viability. Next, we analyse the financial information and ensure that we are satisfied with the trends shown. From here, we assess the impact the charity is having, any particular features of the charity's work that are notable, the quality of the management team, and any general or specific risks the charity might face. The following gives more detail on the parameters we look at.

Least Developed Countries

The UN's list of the 50 Least Developed Countries ("LDC") is based on annual purchasing-power parity ("PPP") GDP per capita, listing those countries with the lowest figures. It also includes a number of island nations with higher figures because of their unique issues and development difficulties, and some countries where the rich-poor divide is exceptionally wide. Annually in November, the UN produces the Human Development Report ("HDR") which ranks countries based on a range of parameters related to the quality of life in general in most countries of the world. Factors taken into consideration are PPP GDP per capita, life expectancy, literacy rate, educational attainment, infant, under-fives and maternal mortality rates, and HIV prevalence, but also include wide ranging parameters such as carbon stocks in forests, mobile phone subscribers, debt service to GDP, fertility rates, exports, military expenditure, immunisation rates, the number of doctors per head, seats in parliament held by women, the status of human rights instruments, tuberculosis cases, and unemployment rates. By combining these and other weighted measures, the country's rank is ascertained which is a determinant of its level of development. The HDR covers 177 countries, but this is not a complete global list. A number of countries are still in such a state due to war or political circumstances that a full range of statistics cannot be accurately obtained. As a result, the HDR can not calculate a comparable index figure on which to base a ranking – Afghanistan, Liberia and Somalia are examples of countries that 'fall through the net' in this way due to lack of data, as do the island nations of Kiribati and Tuvalu. It can probably safely be assumed that Afghanistan, Liberia and Somalia would, if sufficient statistics were gathered, be at the low end of the HDR Index.

Inevitably, the statistics collected to calculate these rankings, either LDC or HDR, are based on samples and estimates based on statistical analysis, etc., but between them, they give an approximate idea of the low level of development in these bottom ranking countries. Countries move around in the HDR Index year on year, but major movements up or down the rankings are not common. Minor movements were seen in the new HDR Index published in November 2007, but a rough analysis shows 12 of the bottom 22 countries making no significant change in position from 2006, with Sierra Leone, Burkina Faso, Guinea-Bissau, Niger, and Mali now occupying the bottom five positions. The inertia of a country being in a lowly ranked position is difficult to shift.

Clearly, we are aiming to choose charities operating in the least developed countries because this is where the need is greatest. The emphasis on development indices is based on our view that development is central to the establishment of basic human rights and living conditions, and is the solution to alleviating poverty.

Some of the countries we aim to include may not, surprisingly, be that closely dealt with by the multi-lateral agencies. Traditional development bureaucracies seem to have a broad definition of developing countries. Of the UN's 50 LDCs, 13 have no World Bank office located in the country at the time of writing. Of these, several are small island states, and therefore may not be considered appropriate for a World Bank office due their size and population numbers, but they still have low or low-medium human development ranking and unique issues that need to be addressed. Others without a current World Bank office, such as Bhutan, Cape Verde, Comoros, Djibouti, Equatorial Guinea, Myanmar/Burma and Somalia are not represented presumably for other reasons.

Clearly, not having a country office does not mean that the World Bank is not able to contribute at all to the country's development, and it has active projects in several of those without a local office. Other countries without office representation are not active due, in some cases, to the extreme fragility of the country until recently. But, having a country presence will not only enable staff to more broadly understand the issues of life on the ground, but it is an indication of general attention to, and detailed understanding of, those issues, not to mention allowing a quicker response time for researching and investigating essential and appropriate projects.

Of the 37 LDCs that ostensibly do now have a local World Bank office, one, Timor Leste, has no local postal address, with the assigned staff apparently located in Darwin, Australia, and 5 have what is called a World Bank Liaison Office. On researching the relevant countries' contacts in these Liaison Offices, none of the Country Officers, Managers or Directors are located in the country but are either in Washington DC or in neighbouring countries for three of these five countries, namely, Guinea-Bissau, Liberia and the Maldives. **So, overall, senior World Bank contacts are not locally available in 17 or 34% of countries on the UN's LDCs list.**

There is also evidence from the World Bank website that some low development country offices may have been fairly recently established, perhaps following media criticism, as one list of offices omits some countries that are now mentioned on another list, as if the first list had not been updated yet: one webpage details 29 African offices, and omits several countries that are now shown as having an office on another webpage, namely, the Central African Republic, Eritrea, The Gambia, and Lesotho. In some of these countries, only one senior staff member is shown as resident as yet.

One problem, of course, is the essential difficulty of setting up local offices, given the sometimes meagre living conditions even in capital cities, the often limited health resources, and regularly poor transport, services and systems, not to mention security risks. These are, however, precisely the issues that the World Bank is mandated to address. Not least of the issues, though, is attracting appropriately qualified staff (and their families) to live and work in these often fragile areas. Although the World Bank is an exceedingly multi-cultural organisation, with highly competent and well-educated staff, there is somewhat of a possibly natural tendency for field offices to be staffed at a senior operating officer level and above with ex-pats rather than local people. The World Bank has no difficulty, however, in attracting staff to its offices in Washington DC, Paris, Brussels, Frankfurt, Geneva, Rome, Sydney and Tokyo. It also has offices in several countries classified by the HDR as having High Human Development, such as Argentina, Brazil, Croatia, Mexico, Poland, Russia, Saudi Arabia, and Singapore, as well as fully staffed offices in countries in the Medium Human Development section, such as China, Egypt, Georgia, South Africa, Turkey and Venezuela.

A developing country's main development needs can be addressed to some extent by multi-lateral agencies' staff acting remotely and through country visits, and there are a variety of reasons for the different current World Bank country office omissions. The World Bank's stated mission, however, is 'global poverty reduction and the improvement of living standards'. It aims to achieve this through two institutions, with the International Bank for Reconstruction and Development (the IBRD) stated to be focussing on 'middle income and creditworthy poor countries' and the International Development Association (IDA) having as its stated role 'to focus on the poorest countries in the world'. However, we would not expect a charity to claim to be operating in a country in which it had no staff or no partners living and working locally, whether ex-pats or locals. Clearly, if we can find appropriate charities operating on the ground in the neediest countries, which is not a foregone conclusion given the difficulties of operating in these countries, as mentioned above, they will be performing a particularly vital service.

Sectors

Our view is that the **economic development of individuals and communities** is essential to ensure a platform for sustainability. Donations and hand-outs play a role in emergency relief situations, but longer-term development should be aimed at enabling self-support. Self-support can to be addressed from various angles, from a micro to a macro-level, and would include strengthening the infrastructure of markets through direct interventions such as business and product advice, appropriate technologically changes and potentially via reforms of macro-level services and systems. As a result, we aim to emphasise charities working in various inter-related sub-sectors appropriate to economic development, market development and sustainability, such as the entrepreneurial and SME sector, microfinance, local industry development and investment promotion. Technological development is also an area of interest, as the countries we are dealing with have a tendency to leap some of the more linear, cumbersome and high cost infrastructural stages of progress typical in developed countries and go straight to the most convenient forms of cost-effective support systems and products.

Without **access to the basic hygiene factors of health, water and sanitation**, economic development cannot be expected to become sustainable, however, and this, as well as major “killer diseases” such as HIV and malaria, is an important area for us to concentrate on. The generation of income through new business development may result in sufficient surplus for individuals and communities to invest not only in their businesses, or to expand agricultural production for improved food security, but also in their children’s future through **education**. Most subsistence farming families, or indeed any families, would not hesitate to ensure that their children have better prospects than they had, once the difficulties of every day life have been alleviated by low-level economic development, income improvements and food security. A number of the countries at the bottom of the HDR Index have basic literacy rates that illustrate one reason behind the poor levels of development, particularly for women, and improving literacy for the next generation is essential. Basic levels of primary education can allow people to improve their lifetime earnings capacity, and, clearly, relatively greater prospects could be achieved with higher levels of education.

Where possible, the organisations we recommend are able to **assist vulnerable groups**, the disabled, children, women and refugees, alongside their main sector focus, particularly the business development and health charities, although we also view the disabled sector as one in particular need of support. Estimates of the proportion of disabled people amongst the extremely poor is much higher in developing countries than in the developed world, and yet support is much less likely to be available, continuing the cycle of poor earnings power and poverty.

Conservation of the **environment** is a sector that has implications for not only local people but the global community as well, and we look for charitable operations with the best approaches for using resources but also for regenerating and protecting them, that allow poverty alleviation through economic activities to develop hand-in-hand with sustainable practices and ecological conservation.

We acknowledge the importance of charitable emergency relief activities in supporting vulnerable communities. Although this can form part of the activities of charities we recommend, this is not a centre of attention for us as it is often short-term and sometimes only obliquely focussed on sustainable community development. Neither do we target charities whose main aim is advocacy or capacity building on its own, as this is more difficult to assess in terms of measurable results, output and impact. Our spotlight is on physical results, tangible impact and direct service provision. However, our high-impact charities will often combine their direct programmes on the ground with advocacy for social change at the local, national or international level. In doing this, they aim to reform larger systems by changing public behaviour or creating governmental solutions. Training and capacity building can also form an essential part of a charity’s overall tactical approach. Tangible results can also be achieved in various ways by supporting group activities, such as the arts and sport. Group support can strengthen cultural ties and can potentially also promote post-conflict reconciliation. We also look into other tangible forms of conflict prevention or post-conflict resolution, with the aim of promoting general cooperation, cultural development and, ultimately, human development as a whole.

Financial and operational viability

When reviewed, some charities turn out to not actually be operational. By this, we mean that the charity’s information is still current and available on databases but there have been no charitable activities taking place for some time, or they have declined to a level where they are not appropriate as a recommendation for our donors. Alternatively, all or the majority of the activities may take place abroad and the UK operation may be a purely fundraising activity. While this may well be appropriate for many donors, on the basis that the money is still going where the donor expects it to, this is not quite what we are looking for.

We want to be able to interview the management of each charity, not only to find out information that is not clear from available sources, but to check the management’s ability, strategy, commitment and control of local operations. Management of a charity’s activities from the UK has the potential to allow the charity to manage similar operations in a range of countries with replicable impact, and to access efficiency benefits through best practice and market information and products. In addition, they will be closer to development industry contacts and advice and will also have a naturally higher media profile than would be possible locally, more reliable supplies of basic services and resources, access to generally more broadly experienced and qualified staff, and, of course, greater access to, on average, a more highly educated and wealthier donor-base for fundraising. Most of the charities we recommend either have competent local, in-country staff who contribute invaluable local knowledge, management and enthusiasm, or the charities operate in conjunction with a trusted local partner in the target country with its own similarly committed staff. The UK management must be able to effectively communicate strategy and direction to the local base and this is part of what we assess in the management interview. Furthermore, we want to ensure, as far as we are able, that the charity's operations are not going to suddenly cease due to poor management control, so that a donor will not be sending money into a black hole. We would be less able to assess this for operations managed exclusively abroad and we check on this through our analysis and management interviews.

Financially, we expect the charities we recommend to be sound and to be showing good progress and development. Ideally, we like to go back over several years of financial data to ensure that a clear picture is given of past progress, so that the most recent figures are not potentially some type of aberration.

Selected Financials of ABC Charity					
Year end 31st March (£000s)	**2004**	**2005**	**2006**	**2007**	**2008E***
Income					
Restricted income	20	35	50	95	150
Unrestricted income	140	155	210	260	350
Investment income	2	3	5	6	10
Total income	**162**	**193**	**265**	**361**	**510**
Expenses					
Project expenses	**110**	**145**	**220**	**295**	**420**
Costs of fundraising	15	20	22	25	27
Administration (governance + support)	15	18	22	25	35
Total expenses	140	183	264	345	482
Balance of project restricted funds	5	10	7	10	20
Reserves	20	45	60	95	140
Net Assets	25	55	67	105	160
** Development Ratings estimates*					

Positive income growth allows a charity to plan its activities in its target countries and to progressively increase the impact it can make. Project expenses should not be growing at a rate significantly higher than income growth, and certainly not for more than a particular year for a particular reason, as this will merely eat into the charity's reserves and undermine its financial footing. At times, income growth may be temporarily weaker for a particular one-off reason, such as the Asian Tsunami which affected the income of some non-emergency charities in 2005, but overall we will be looking for consistent, positive income and project expenses growth over time and this is what our charities achieve. The ratio of project expenses growth to total expenses growth is healthiest above 100% as this obviously indicates that non-project expenses are being kept under greater restraint. Fundraising costs can be expensive, particularly for smaller charities, and we check on whether this is getting out of control. Best practice is considered to be 0-5p, but, as this can be very difficult for smaller charities to achieve (and for larger charities for different reasons), 6-10p is still acceptable. Another focus for donors is administration costs, which should be kept low to ensure that the funds raised go where they are needed most. Best practice is up to 15%. While the charities' accounting regulations (SORP 2005) allow support costs to be apportioned between fundraising, governance and charitable activities, it is often illuminating to extract these costs from the separate sub-sections and show them in conjunction with governance costs as an administration figure, and this is what we do when the figures are available. We then calculate the administrative expenses ratio based on this governance-plus-support-costs figure. If separate support costs are not shown and this is not adequately explained when we meet the management, unless there is a strong case otherwise, we may feel that there might be a wasteful reason for this and decide not to continue with research into the charity.

It should be stressed that in no way do we want to encourage charities to manipulate their financial figures. What we are trying to do is ensure that our donors have accurate information that is comparable across charities and sectors so that they can make the right choice as to where they want their money to go. Obviously, some charities may object to some of our analysis policies or best practice benchmarks, but if we chop and change our policies dependent on whether a charity's management is uncomfortable with our approach, we would not be giving our donors the best service.

As far as possible, we make income and expenses forecasts based largely on the charity's own assumptions and budget, with our expectation being that financial soundness will be maintained in the following years in line with the historic situation.

Analytical rigour

While any one financial ratio in itself may not tell us anything very significant about a charity, a combination of ratios and calculations over several years will illustrate the charity's strength, strategy and potential. There are ranges for ratios that are considered to be best practice in the industry and ideally all of our recommended charities' ratios would fall within these limits.

However, some charities may have one-off events within a financial year, or may have adopted an accounting policy that is slightly different to others of its type, or may be going through an expansion phase or major fundraising drive which alters things temporarily, and so it is necessary to find out the details of anomalous ratios before potentially consigning the charity to the waste heap. When this is the case, we note this in our report by way of explanation for some measure being possibly less favourable than would be ideal. In addition, when a charity's ratios do not exactly fall within our best practice ranges but are only slightly worse, we are comfortable designating it as an attractive feature, and we do the same for areas such as high individual donations levels, or comfortable levels of restricted income, as these do not have specific best practice ranges.

Selected Financials of ABC Charity					
Year end 31st March (£000s)	**2004**	**2005**	**2006**	**2007**	**2008E***
Key ratios					
Proportion of restricted income	12%	18%	19%	26%	29%
Proportion of income used on projects (project exp/total income)	68%	75%	83%	82%	82%
Income growth		19%	37%	36%	41%
Project expenses growth		32%	52%	34%	42%
Programme ratio (project expenses/total expenses)	79%	79%	83%	86%	87%
Administrative expenses ratio (admin exp/total exp)	11%	10%	8%	7%	7%
Fundraising efficiency (cost to raise £1)	9p	10p	8p	5p	4p
Reserve development year on year		125%	33%	58%	47%
Months of survival (reserves coverage of monthly costs)	2	3	3	3	4
Cost per beneficiary	£9.33	£7.32	£7.54	£6.90	£6.43
Income					
Institutional donors	15%	20%	23%	30%	30%
Individuals and events	60%	47%	57%	55%	62%
Legacies	15%	25%	15%	10%	5%
Sale of cards and products	10%	8%	5%	5%	3%
**Development Ratings estimates*		Best practice		Attractive feature	

It is the case, though, that certain ratios or trends may be sufficiently damning that we have no choice but to decide not to continue with the research on a particular charity. This can be particularly galling when a charity seems to have all the right factors, management quality, activities, strategy, target countries and other ratios, to make it a prized recommendation. With luck, waiting until a subsequent year's financial figures are available will result in a resolution of the problem and we may be able to pursue the research again.

- High levels of restricted income mean that a charity's flexibility is low. Funds raised from major institutional donor organisations often come with restrictions as to country, project, costs, administration or other features. Like us, these institutional donors want to ensure that the funds are being put to best use. However, unrestricted funds better allow for the development of potentially more efficient operations when they are used, for example, to improve computing capacity, or to hire a member of staff specifically for fundraising or project management. Unrestricted funds can also help a charity improve its financial soundness and ability to withstand temporary setbacks by increasing reserves coverage. As a result, we highly encourage our donors not to put restrictions on the funds they donate. One innovative trust that has donated to one of our charities has put restrictions on its funds, but specifically for the charity to develop its office and operational efficiency, not for projects.

- Analysing where a charity raises its funds from can be revealing. Some sectors and sub-sectors have a higher profile than others and charities may find it easier either to raise funds from institutions or from individuals, depending on the sub-sector. As noted, institutional funds often come with restrictions, but unrestricted individual fundraising is often time-consuming and therefore expensive. Door-to-door or street fundraising has higher up-front costs and a time lag for breaking even of 16-18 months. But once individuals are recruited, their support is likely to be long-term and invaluable, as their commitment may spread by word of mouth and through charitable sponsored events and the like. So, for a smaller charity that is going through a fundraising drive to increase unrestricted individual supporters, fundraising efficiency may be less than best practice for a period of time.

- Reserves coverage of costs is clearly important. Ideally, 3-6+ months of costs coverage would ensure that a charity can weather difficult periods, but often charities manage for years with 1 to 3 months coverage. This is an area of concern, but mostly so if income growth is not adequate. Very tight coverage, under 1 month, is a serious concern as unexpected events, or even claw-backs of institutional funds, can wipe out a charity's reserves completely, and potentially lead to charity collapse. Clearly, if this happened to a charity we recommended, our donors' money may potentially have gone to waste. But excess reserves coverage is also an issue, suggesting project, management or other problems.

- Fluctuations in ratio levels are to be expected, but we will look for the reasons behind any major alterations year on year.

- A high administrative expenses ratio suggests that the charity is operating inefficiently and not putting sufficient funds into the projects in-country. One charity we began to analyse had a nearly 50% administrative expenses ratio. Needless to say, we did not pursue it, despite the charity having won major awards for its project work. We do not feel we can justify recommending charities that are in this position as the impact the funds are making should, in this case, for example, be effectively halved. Some charities have slightly elevated administrative ratios and we would make a judgement as to whether this is justified due to expansion or other factors before researching further.

- When the information is available, we analyse the breakdown of a charity's project expenditure. This helps us work out where a charity is concentrating its resources and efforts, and sometimes what changes are being made to strategy and targets. A high proportion of activities in one area shows where the potentially highest risks might be, as well, should circumstances change or events specifically affect this area.

- Costs per employee figures can highlight the proportion of local African or Asian staff employed (as local wages would be expected to be lower) as well as the level of part-time employee support used. Higher figures would tend to suggest mainly UK staff, possibly employed in the higher paying London region, although the charity sector as a whole is generally restrained in employee pay. One charity we began to analyse had staff costs we calculated from the given figures as being on average over £60,000 per member of staff and yet the charity stated in a note that no one employee was paid more than £60,000. This remains unexplained and the charity is not one we are recommending.

- Some charities suffer from cyclical reversals in income growth which directly affects their ability to plan projects and achieve appropriate impact. This may be due to the charity being small or the sector being one with a lower profile than some others, or due to major events that redirect funds from that cause temporarily, such as the Asian Tsunami. Variable growth means that ratios vary, too, and makes the analysis of trends that much more difficult. Very variable income growth may be a management control or strategy issue, or due to fundraising difficulties, but it may also suggest an almost 'unfashionableness' to a sector, possibly related to a negative perception of the issue. This seems to be the case to some extent in the disability sector, but it is our view is that it is important to incorporate and support disabled people to maximise their economic potential in order to get closer to achieving poverty reduction goals and targets, and we will continue to search for the best charities we can find in the sector.

As can be seen, we analyse a charity's financial position from a number of different angles, before coming to a conclusion of financial soundness. While we cannot guarantee that a particular charity is not going to face any financial problems, we believe that taking as rigorous an approach as possible, and presenting and examining all the issues, is what our donors would expect.

Impact

The most important criterion in the charity selection process is ensuring that the activities performed result in positive impact on the local individuals or communities. There are a range of areas where a charity can have an effect. A lot has been written about impact analysis, but, to a large extent, cost effective measurement of impact inevitably relies on estimates, qualitative analysis and approximations, not to mention an assessment of additionality. Exactly how much a charity is contributing versus what would be happening without it is clearly a difficult question that is based on assumptions and is not a scientific exercise. Our approach is to thoroughly understand the activities a charity carries out, to examine the results it achieves, to look at any project evaluations, and to assess the different spheres that it influences. In addition, we search for independent corroboration of the activities and impact, from visitors to the sites or other charitable or sector-specific sources. Using this evidence, we analyse the key areas the charity is impacting, directly and indirectly, and, using our experience in the sector, draw conclusions as to the most sustainable outcomes that are being achieved, and are likely to continue to be achieved, by the charity. A rough and proxy measure of impact can also be made by analysing the number of beneficiaries, both direct and indirect, as well as approximate costs per beneficiary. Ultimately, we want our charities to be able to grow, partly with the financial support of our donors, so as to increase the impact they are able to have on their beneficiaries, in breadth and depth.

Income instability and food insecurity are development industry buzz words that nevertheless are concise and useful expressions for basic necessities for human survival and dignity, and are a focus of our impact analysis. Our charities invariably address either or both of theses issues directly or indirectly through their activities.

Development of an entrepreneurial culture will impact sustainable economic growth and the firm establishment of individual and community self-support and reliance. Many of our charities support this through part or all of their activities. Training in basic accounting and product development and marketing skills can have a significant impact on the potential of an entrepreneurial business. Some of our charities train local people in skills they would otherwise not be able to develop independently, which results in them being able to increase efficiency practices, improve competitiveness locally and regionally, and learn business development concepts.

Inconceivable in the developed world, too many people in low development countries do not have adequate access to health care. Before any other impacts can be sustained, this most basic of human rights must be addressed. The levels of infant, under-fives and maternal mortality in some of our target countries are horrifying, shameful and often largely preventable. While governments and multi-lateral agencies work at the macro level to address this area, it is regularly the case that remote or marginalised people are considered more expensive to serve than urban and semi-rural, mainstream citizens. To have the best impact and additionality in this sector, we will initially primarily aim to concentrate our health-related choices on those organisations that focus on remote, marginalised or otherwise underserved communities. Improved nutrition is also an area where several of our charities have an impact with its health implications to reduce morbidity and mortality, as well as to ultimately increase educational and economic capacity.

One of the most vulnerable groups of people is women, as many of the countries we are focussing on have yet to recognise the worth and status of women in their societies, whether on an individual, community or national level. Frequently, women must spend the most time dealing with the consequences of poverty, whether it be due to remotely located water sources, the labour of working in fields or gathering food, the difficulties and dangers of child-bearing in remote locations with poor health access, and the responsibilities of raising her own or a close relatives' children when the father may have to travel for work or have died from an otherwise preventable disease. A number of the charities we recommend specifically aim to impact women's activities. Alleviating the many and basic pressures on women will enable them to contribute economically to a greater extent, and encourage male-dominated societies to increasingly value women's contribution to the community.

The conservation of the environment our target beneficiaries are living in is not an aim for its own sake but will reward and impact both the local, national and ultimately global communities, as long as there are viable alternatives available for the local people to use. Consistent and perpetuated reforestation will allow for predictable harvesting for essential needs, as well as impacting biodiversity and product harvesting potential.

Enhanced micro-climates, due to improved knowledge and management, can reduce the impact of climatic shocks, and allow for broader crop production with increased sales potential and economic impact.

Improved educational opportunities are essential. Even simple literacy and numeracy improvements can enhance, for example, women's rights by enabling them to avoid being cheated and increase self-confidence and status in society in an empowering way. Clearly, basic primary education can impact employment potential, and higher levels can have a commensurate impact on opportunities and life-time earnings.

Marginalised communities are frequently unable to contribute commensurately due to a combination of lack of opportunities, discrimination and neglect. Many of our charities help these communities by either directly developing their economic potential and or indirectly by addressing poor health access and practices.

The capacity of local communities to sustain improvements made in their society is essential for maximum impact and this is addressed by several of our charities, through training in skills and the demonstration of improved techniques, whether it be practical skills or health-related practices.

Unique features

We generally recommend charities that are doing something a little unusual, entrepreneurial or innovative. We will not recommend a charity if its main aim is simply poverty reduction or the spread of a religious affiliation. The best way to allow people to make the best use of funds and support is for them to be enabled in some way, financially, mentally or physically, at an individual or community-level.

Microfinance, following the successes of the Grameen Bank model in Bangladesh, is an effective way of supporting small groups and individuals, particularly women, to improve their income-generating potential when combined with training, but it has yet to consistently break into the for-profit business model and so remains a charitable enterprise where it is offered in developing countries. Local industry development and investment promotion are other areas where a tangible result can be made in an innovative way. Expanding the entrepreneurial sector is a logical and practical way to improve self-sufficiency, and is clearly far preferable and much more sustainable than charitable donations for poverty relief.

Several of the charities we recommend are redefining the approaches used in the development sector to the extent where their models and principles have great potential for transforming the approach of even major multi-lateral development agencies to great effect across the world's developing countries.

Other charities specifically avoid operating in the higher profile areas as, by definition, these areas already receive the greatest attention and support at the expense of others, but this necessarily means that the charity in question must run faster to stand still – which is where we come in. Lower profile doesn't mean lower impact.

Management teams and supporter contributions

We always meet with the management of the charities we recommend. Doing so can be very revealing and even inspirational. While conscious of the need to maintain an objective view and not get carried away on a wave of enthusiasm, some of the people we have been fortunate enough to meet have clearly found their vocation. These people absolutely love what they do and they clearly know why they are doing it, so it is a pleasure to be able to recommend otherwise attractive charities that also have impressive management.

Meeting management not only helps us find out information that may not have been entirely clear from public material, enabling us to get clarifications, but it also helps us understand the person at the helm of the organisation, the main driver behind strategy, focus and the potential impact of the charity. If he or she inspires us in a relatively brief meeting, working for this person is likely to do so, too, meaning that the staff of the charity will most likely benefit from that extra bit of motivation.

It is additionally useful to have involved and committed trustees, patrons and volunteers. These contributors can help maintain continuity when there are staff changes as well as helping to inspire donors and be the public face of the charity for fundraising purposes. While most charities have a few part-time volunteers, volunteer support can be immense, as in a couple of our recommended charities. These organisations would not be able to function without them, but it should be noted that, in these cases, this support has been very committed and long-standing and there is little risk of it dissipating in the foreseeable future.

Size

There are many charities in the UK that operate in the LDCs in the sectors we focus on. However, most of the ones that are well known nationally are quite large. While these charities may be well run and financially sound, unless we were dealing with very major donor contributions, we feel that our donors' funds risk getting lost in the size of these organisation's annual income. As a result, we concentrate on organisations that are smaller, where a donor's regular money would be a noticeable and extremely helpful gift.

In addition, as the type of donors we expect to interest in our services are likely to be entrepreneurs or companies themselves, it is quite possible that they may be interested in making donations of their own time and expertise to advise on the management or strategy of the organisation or in donating the facilities of some of their own business departments, such as a press office, to benefit a particular charity. This type of contribution would be less necessary in larger charities.

However, under a certain charity size bracket, there may be operational viability issues as mentioned above. There is also likely to be less of a track record to base our financial analysis on, as well as a greater risk of financial issues developing that might curtail the operations partially or completely.

In our recommendations, we aim to hit a gap between the smaller and the larger charities, where our donors' funds could be highly effective in making the step change difference to the charity's operational efficiency and impact, without taking unnecessary risks. When we recommend a slightly larger charity, it is likely that it operates effectively in a number of countries and therefore this is similar to donating to a number of different charities without having the issues of smaller size, lower profile and greater risks to deal with.

Filling a gap

In the countries we concentrate on, in addition to any government and ministerial funding for development issues, there is almost always overseas development aid being received. This aid may be from major multi-lateral organisations or from overseas governments' development departments. Clearly, these types of organisations have substantial resources behind their research as well as often having on-the-ground staff and government contacts. However, there are a number of issues related to this aid. Although such huge amounts of money are loaned and invested by the multi-lateral organisations that they may make the charities' contributions pale in comparison, often the aid is largely for the country government's 'budgetary support', is country-wide, may take a broad sectoral approach to the issue, may well be designed to improve the sector's infrastructure and therefore would be complementary rather than competitive to the charity's work, may, in some highly publicised cases, be of questionable efficiency and effectiveness, but, crucially, donors cannot contribute to it to make a difference in the target country or sector. Donating to an effective charity fills that gap.

In addition, although national and local governments are concerned with the welfare of their people, there are often other major pressing issues to be funded rather than the sometimes smaller, local issues where our charities contribute. Our charities are performing a unique service at the community level in the area in which they work and are not duplicating other efforts. The charities are filling a gap that would otherwise not be addressed.

Compatibility between recommended charities

Recognising the need to avoid duplication and to take advantage of economies of scale, we may, if the circumstances are appropriate, encourage charities using a compatible approach in different areas to join forces, perhaps in fundraising or national profile awareness, so that they may become parts of a higher profile pan-continental entity.

Further details

Should you require any further information on our charity selection strategy and process, please contact us on info@developmentratings.com.

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