

# Research methodology

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## Approach

Development Ratings uses a thorough logical framework for analysing the impact that an organisation has on development.

### Definition of development

Development is defined as a process of empowerment helping people obtain influence over the factors that govern their lives. In the words of Mahbub ul Haq 'people often value achievements that do not show up at all, or not immediately, in income or growth figures: greater access to knowledge, better nutrition and health services, more secure livelihoods, security against crime and physical violence, satisfying leisure hours, political and cultural freedoms and sense of participation in community activities. The objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives.' This broad definition of development contrasts with narrow views that focus on for example only GDP growth, industrialisation or technological growth although these will all be important means to empower peoples and give them more capabilities.

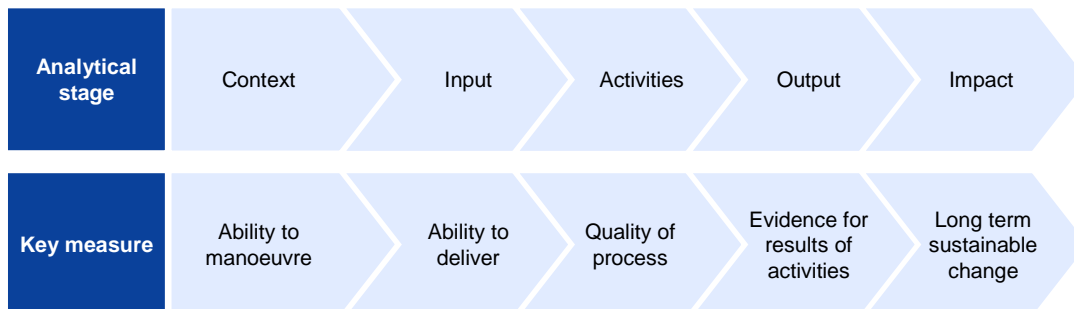
### Definition of impact

Impact is defined as an assessment of whether the activities undertaken and output produced by an organisation have the intended changes. In our assessment of impact we adjust for any potential negative effects of the work carried out and seek to identify only what has happened as a result of what the organisation does and not what would have happened anyway. We define who the development impact affects (eg income class, gender group, ethnic group, age group) and when the impact materialises. We do not assess the development impact of each and every project that a particular organisation is engaged in, but provide a big-picture assessment of the organisations' model for making a development impact. We seek to define in the most exact way how, when and where the development impact by the organisation is made.

Development Ratings recognises that helping people is a complex process and our development impact analysis is not reduced to one single quantitative factor, but involves a number of interlinked qualitative and quantitative parameters which can be interpreted in many ways and which have a high degree of uncertainty. Our rigorous analysis should therefore be treated as one assessment of development impact among others which may yield different results. It should also be noted that development impact is not an absolute measure, and that organisations will operate at different levels with different development strategies with some being more difficult to execute than others.

## Development impact model

The exhibit below provides an overview of Development Ratings' 5-stage development impact model.



### Context

Non-profit organisations operating in the least developed countries face challenging environments. In this stage of analysis, we assess the ability of a particular organisation to manoeuvre given the constraints that the operating environment puts on the organisation. We address the following issues:

- The political environment and associated key risks and uncertainties for non-profit organisations in the countries of operation
  - government restrictions and influence on funding
  - impact of corruption on operations and how it is dealt with
  - prominence of issue on government agenda
  - adaptability of organisation to changing environment
  - government relations
- Cultural impediments and enablers
- Level of opposition to the issue
- Status of beneficiaries within the society – how difficult it is to help the target beneficiaries
- Time organisation has been present in area
- Other country/regional risks (eg natural disasters, economic crises, civil strife)

The analysis of context identifies the key external risks to development impact which are outside the control of the organisation.

### Input

Input refers to the resources that are available to run the organisation (strength of mission, knowledge, staff, money) and assesses the organisational capability. We address the following issues:

- Strategy
  - vision, mission and purpose

- what the organisation wants to change
- what the need is for the change that it seeks
- how it will go about creating the change
- what level of change is aimed at (individual, family, selected people, communities, society or country, environment)
- who the organisation collaborates with and reasons why
- growth potential of operations
- Management and employees
  - size, knowledge, composition of employee base
  - number and use of volunteers
  - track record and experience of management
  - how the organisation is governed/managed (style of leadership)
  - succession planning
  - culture of the organisation
  - ability to attract and retain staff
  - experience of the field staff
  - commitment of the field staff
  - evidence for connection between staff and people they aim to help
- Funding
  - funding breakdown
  - number of sources
  - split of short-term, mid-term and long-term funding
  - reliance on government funding
  - reliance on project restricted funding
  - time taken to deplete working capital and reserves with no new funding
  - funding difficulties and outlook
  - funding needs
  - ability for foreigners to fund (if a local organisation)
  - fundraising process
  - effect of funding pressures and reporting requirements on programmes

Input provides an understanding of key parameters that determine the ability of the organisation to deliver.

### **Activities**

Activities analyses what the organisation does and how effective it is in doing it. We address the following:

- Scope
    - description of projects and programmes
    - limits of the programmes
  - Processes
    - how the activities are planned
    - how the activities are managed
    - ways that stakeholders are involved in project design
    - experience of executing programmes
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- how knowledge obtained from different activities is used and applied to other activities
- how the activities are monitored and evaluated
- reporting and auditing mechanisms
- Effectiveness
  - breakdown and assessment of level of administrative expenses
  - cost per beneficiary
  - level of reserving and reserving policy
  - fund raising costs as percent of expenses and income
  - number of fund raising staff
  - time organisation spends on fund raising

This analysis defines the scope of work of the organisation and identifies the quality and effectiveness of the processes and the key risks in the delivery of the work.

## **Output**

The analysis of output seeks to understand the direct and tangible results of the activities. For example, for an organisation involved in providing primary school education activities, the output will be the number of students that are taught. In determining output we take into account the level that the organisation is operating at (for example direct intervention providing assistance to beneficiaries or capacity building initiatives supporting local organisations or advocacy work aiming to convince public opinion and policymakers). We seek to quantify the number of people affected by the activities. In assessing evidence for the results, we look at:

- Evidence for results cited by the organisation
- Donor views on results
- Press views on results
- Beneficiary feedback on results (to the extent possible)

Output analysis identifies the key indicators for assessing impact.

## **Impact**

Impact provides the final analysis of the longer term change that the output has. This is the crux of Development Ratings' analysis. For a primary school education activity, the development impact could for example be the impact on the increase in the literacy rate in the country or region. Development Ratings analyses the interplay between the first four stages of the development impact model and uses the output indicators to determine the sustainable development impact. Development impact may be in the form of:

- Direct changes in the living conditions and capabilities of people
- Indirect changes created through enhancing social change; or
- Indirect changes created by increasing economic growth.

## Research process

Development Ratings' research process is composed of five stages.

### Identification

Development Ratings identifies the universe of organisations working in particular geographical areas and with particular focus issues. Organisations are subsequently selected with a focus on ones that are small to medium sized and which are relatively unknown by the general public. Subsequent to selection, but prior to evaluation, Development Ratings' research analysts conduct an in-depth assessment of the dynamics and challenges of the country or area and issue under review with particular emphasis on identifying best practice development strategies.

### Research data collection

Development Ratings obtains data from public sources including regulatory filings, donor reports, the organisation's website, GuideStar, CaritasData, Charity Commission's register, press, Lexis-Nexis, academic studies, World Bank, UN and other development industry sources. Based on reviewing the initial data, Development Ratings' research analysts prepare a draft development impact model and highlight key areas for discussion with the organisation.

### Interviews

Development Ratings considers face-to-face interviews with key personnel at the organisations as much more complete and reliable than questionnaires. The interviews enable Development Ratings to ask a comprehensive set of questions and to gain a thorough understanding of the organisation. To the extent possible, Development Ratings will supplement the interview with donor enquiries and other field sources.

### Research report drafting and recommendation

Development Ratings' research analysts will draft a maximum 5-page research report on each organisation. This report is initially discussed with the organisation that is being reviewed. A final report is prepared after review by Development Ratings' multi-disciplinary research advisory committee.

### Ongoing coverage

Development Ratings maintains ongoing coverage of the organisations researched and updates its research at the minimum annually.

## Research report outline

Development Ratings' 5-page reports vary according to the specifics of each organisation. However, the reports will normally cover the following topics:

### Issue/focus area

- Description of what issue is targeted, who benefits and where and how it is done

### Development impact

- Summary of development impact that Development Ratings believes the organisation will have

### Key risks

- Key challenges that may prevent the organisation from achieving the described development impact

### Operational review

- Analysis of the organisation's strategy, activities and output including review of historical financials

### Funding opportunity

- Evaluation of how new funding and partnering can help the organisation (including a description of current funding sources and steps to take in order to fund).

## Limitations

Development Ratings' reports should be considered as only a single factor in making funding and partnering decisions. The reports are provided for informational purposes only and they are not to be construed as offers to fund any particular organisation. The decision to support an organisation may not be suitable for all. Funders must make their own decisions using their own advisers as they believe necessary and based upon their specific situation and objectives. Funders should also consider how the funding is effectuated and the appropriateness of the type of funding or partnership envisaged. Development Ratings encourages long-term support and partnerships.

## Useful sources

Assessing social impact in double bottom line ventures. The Rockefeller Foundation 2004 ([www.rockfound.org](http://www.rockfound.org)).

A study of small UK charities working overseas. Allavida 2005 ([www.allavida.org](http://www.allavida.org)).

Care Impact Guidelines. Care 1999 ([www.care.ca/libraries/dme](http://www.care.ca/libraries/dme))

Charity Reserves. Charity Commission 2003 ([www.charity-commission.gov.uk](http://www.charity-commission.gov.uk)).

Development as Freedom. Amartya Sen 1999.

Enterprise Development Impact Assessment Information Services ([www.enterprise-impact.org.uk](http://www.enterprise-impact.org.uk)).

Evaluating the impact of development projects on poverty – a handbook for practitioners. World Bank 2000.

Funding success – NPC's guide to analysing charities. New Philanthropy Capital 2005 ([www.philanthropycapital.org](http://www.philanthropycapital.org))

Impact Assessment: A tool for evidence-base programming or self-marketing? INTRAC 2005 ([www.intrac.org](http://www.intrac.org))

Impact Assessment for Development Agencies: Learning to Value Change. Oxfam 1999.

Investing in Development – a practical plan to achieve the Millennium Development Goals. UNDP 2005.

Mango's Guide to Financial Management for NGOs ([www.mango.org.uk](http://www.mango.org.uk)).

Measuring what matters in nonprofits. McKinsey Quarterly 2001.

Monitoring and Evaluating NGO Achievements. 2001. ([www.mande.co.uk/docs/arnold.htm](http://www.mande.co.uk/docs/arnold.htm)).

Monitoring and Evaluation Toolkit  
([synkronweb.aidsalliance.org/graphics/NGO/documents/englisg/610\\_CIVICUS\\_M&E.pdf](http://synkronweb.aidsalliance.org/graphics/NGO/documents/englisg/610_CIVICUS_M&E.pdf)).

Poverty and Social Impact Analysis. World Bank 2003.

Proving and Improving – a quality & impact toolkit for social enterprise. New Economics Foundation ([www.neweconomics.org/www.proveandimprove.org](http://www.neweconomics.org/www.proveandimprove.org)).

Roberts Enterprise Development Fund ([www.redf.org](http://www.redf.org)).

Searching for Impact and Methods: NGO Evaluation Synthesis Study – on behalf of the Expert Group on Evaluation of the Organisation for Economic Cooperation and Development, DAC 1997 (<http://www.valt.helsinki.fi/ids/ngo/>).

Your project and its outcomes. Charities Evaluation Services 2004 ([www.biglotteryfund.org.uk](http://www.biglotteryfund.org.uk))

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