POLICY VOICES SERIES

Africa Research Institute

THINK SMALL

The example of small grants, in Madagascar

By Brian Donaldson

The Author

Brian Donaldson joined Her Majesty's Diplomatic Service in 1965, and spent more than 20 years of his 40-year career in Africa. He retired in November 2005 but remains active in a variety of charitable and administrative roles. He is chairman of the Grants Committee of Kitchen Table Charities Trust founded by broadcaster John Humphrys, a member of the council of the Association of Business Executives, and a trustee of the Equitrade Foundation.

Brian served as Ambassador to Madagascar from 2002 to 2005, and British High Commissioner to Namibia from 1999 to 2002. His previous diplomatic appointments included positions in Algeria, Bolivia, Nigeria, Luxembourg, Mauritius, Cameroon and Bangladesh. From 1983 to 1985, Brian was Assistant Private Secretary to Foreign and Commonwealth Office minister Malcolm Rifkind.

Following the closure of the British Embassy in Madagascar in August 2005, under a cost-cutting exercise, Brian created a non-governmental organisation to continue the work of the embassy's Small Grants Scheme, previously funded by Britain's Department for International Development (DFID).

Fonds d'Appui du Président (FAP), the President of Madagascar's Small Grants Scheme, was launched in October 2005 with donations from British and Malagasy companies, charitable organisations, individuals, and the government of Australia. Brian administered the scheme on behalf of President Marc Ravalomanana, making quarterly visits to Madagascar until the scheme was wound down in February 2008.

FAP was replaced by a new charity, Madagascar Development Fund, for which Brian acts as patron and chief fundraiser. MDF provided funding for more than 20 projects in its first six months of operations.

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Foreword

Small grants are out of fashion – in big countries. As G8 industrialised nations move towards their target of doubling foreign aid to Africa by 2010, development policy has been revamped to accommodate a steep increase in aid budgets. Big money needs big projects, preferably with the support and cooperation of national bureaucracies. Small grants can seem marginal by comparison.

Careful arguments have been marshalled in defence of the new priorities. Small grants are said to absorb too much time and effort, then deliver too little impact on the ground. They refuse economies of scale: the administration for a new classroom or water pipe can be disproportionately large, compared – say – to the planning for a new road or hospital. Piecemeal efforts are viewed with suspicion by aid officials intent on better coordination of policy.

In poor countries none of this matters to most people. The changing fashions of development theory are familiar only to an elite group of cabinet ministers and their top advisers. Meanwhile, donors' aid budgets have increased faster than most African political systems can nurture accountable public institutions. In this context, arguments against small grants are premature. The sums of money involved are tiny, but the benefits for local people can be substantial.

Madagascar is a telling example. In the view of multilateral institutions, the Indian Ocean island has been a model pupil. In recent years, its government has qualified for a variety of international schemes for debt relief and accelerated aid, from the International Monetary Fund's Heavily Indebted Poor Countries Initiative to the Millennium Challenge Account administered by USAID, the official American aid agency. The World Bank and European Commission remain substantial contributors to state programmes.

For all Madagascar's powerful international patrons, the impact of small grants has also been conspicuous. Brian Donaldson, the last British ambassador in Antananarivo, has played a pivotal role in managing successive low budget schemes to target pressing local needs. A diplomat of the old school, he deployed to advantage the modest funds of a longstanding Heads of Mission Gift Scheme, administered by resident ambassadors on behalf of Britain's Foreign and Commonwealth Office.

Development projects paid for by diplomats invite thorny questions about how to conduct international relations. For younger generations of policy makers in Whitehall, the spectacle of ambassadors waving cheque books recalls a larger failure. The poor record of international development over the past half-century owes much to diplomats' old habit of allocating aid budgets to reflect the political loyalties of the Cold War.

It is a measure of the resilience of the small grants methodology that it has survived the new dispensation. Under Brian Donaldson's leadership, Britain's embassy in Madagascar subsequently administered the UK Department for International Development's Small Grants Scheme, the largest in any country. To this day, the ethos of the scheme lives on in many other incarnations.

In 2005, Britain closed its embassy in Antananarivo for budgetary reasons. The decision entailed the cancellation of grants already awarded – but not yet paid out – to local projects. A campaign to save the embassy, vividly described in these pages, failed to convince the British Foreign Office. Instead, its departing ambassador was encouraged by President Marc Ravalomanana to revive the Small Grants Scheme under the auspices of a new *Fonds d'Appui du Président* with contributions from the private sector, charities and the Australian government.

Fonds d'Appui subsequently morphed, again, into a Madagascar Development Fund. Bilateral support from Britain has been withdrawn entirely, although many observers expect it to resume if the embassy is re-opened at a future date. In the absence of funding from UK taxpayers, the MDF has retained financial backing from sponsors including BG Group, formerly British Gas, and Rio Tinto, the mining group.

The record in Madagascar confirms there are many ways to fund small grants. At the same time, Brian Donaldson argues that all aid is ultimately political, whatever the official line: a few thousand dollars spent on a clean water supply for a Malagasy prison generated more excitement from the local press than the simultaneous announcement of official aid worth millions of euros from France. As the former French colony seeks closer engagement with the anglophone world, Madagascar has become a promising destination for British companies – not all aid must come from governments.

Above all, the argument in these pages is about value for money. The methodology of small grants contrasts starkly with the more complex work of many state aid agencies, although Brian Donaldson recognises that the case for small grants need not exclude other forms of assistance. Many of his ideas are at odds with current thinking on the best management of aid – for which there need be no apology. They are never less than candid, reasoned, and firmly rooted in experience.

Mark Ashurst
Director, Africa Research Institute

1. Introduction

My 40-year career in the diplomatic service coincided with enormous changes in the world and in the institutions that administer Britain's international relations. I joined the Foreign Office just a few years before the Biafran war produced the first mass media images of famine in Africa; 20 years before the Ethiopian famine pricked Bob Geldof's conscience, causing the plight of the 'third world' to penetrate the public psyche; and 40 years before the G8 promised to double aid to Africa at Gleneagles. I have seen development thinking evolve, change, and come full circle on more than one occasion.

As the *zeitgeist* has shifted, responsibility for overseas development assistance moved in and out of the Foreign and Commonwealth Office under successive governments. I watched the growth of the Department for International Development (DFID), since its creation in 1997 under the new Labour government, in tandem with the downsizing of the FCO. When I joined the Foreign Office in 1965, it was in many ways a rather quaint department with its tail-coated messengers, coal fires, and black-box telegram distribution system. Its expertise in international affairs was respected both in Whitehall and throughout the world. The unique understanding of local politics, developed by diplomats in overseas postings, was a valued asset. Their advice was considered in policy formation.

My work frequently touched on key issues at play in development debates: the role of trade, how to deliver aid in countries with poor governance, how to reach the most needy. Of my nine overseas postings, all but one were in under-developed countries. Six were in Africa. I have first-hand experience of the pressing needs of poor countries and the formidable challenges they face in their struggle for development.

In my last two postings as High Commissioner to Nambia and Ambassador to Madagascar, I was responsible for a programme known as the Small Grants Scheme (SGS). Under the scheme, funded by DFID, the in-country head of mission could unilaterally approve funding for small local development projects. The SGS made a modest but significant contribution to these countries and changed the lives of the individuals it touched. While lengthy aid policy debates take place in the offices of governments and development agencies, small grants have proved a fast and effective way to reach those in need. Of all the tasks for which I was responsible during my time with the FCO, I was most proud of my work on small grants.

Aid, whose responsibility?

"The UK Government's responsibility for the development of its colonies on a continuing basis was first recognised in 1929 by the Colonial Development Act. Under this Act the amount voted by Parliament in any one year, over a period of ten years, was not to exceed £1 million. In 1961 a Department of Technical Co-operation was established to deal with the technical co-operation side of the aid programme.The Ministry of Overseas Development was first set up as a separate ministry in October 1964 headed by a Minister of Overseas Development. It brought together the functions of the former Department ofTechnical Co-operation and the overseas aid policy functions of the Foreign, Commonwealth Relations and Colonial Offices and of other government departments.

In 1970 the ministry was dissolved and the functions of the Minister of Overseas Development were transferred to the Secretary of State for Foreign and Commonwealth Affairs. Overseas development work was then carried out by the Overseas Development Administration (ODA) as a functional wing of the Foreign and Commonwealth Office.

In May 1974 the Government announced that the ODA was once again to be a separate ministry, as the Ministry of Overseas Development, under its own minister. However, in November 1979 the ministry again became the Overseas Development Administration (ODA) as a functional wing of the Foreign and Commonwealth Office.

In 1997 the ODA was replaced by the Department for International Development, headed by a Secretary of State with cabinet rank, assisted by (from June 2003) a Minister of State and (from June 2007) three Parliamentary Under Secretaries of State. The Secretary of State for International Development is formally responsible to Parliament for DFID."

Source: DFID Website

The SGS was especially successful in Madagascar. When I first took up my post as Ambassador, the yearly allocation from DFID was relatively modest at around £100,000. The budget gradually increased in recognition of the excellent results achieved by the scheme. By 2005, Madagascar's SGS was the largest run by any British mission, with a budget of £295,000. The scheme provided funding for a variety of projects from improving rural infrastructure, to village entrepreneurship and environmental protection. We focused on health and education by financing the construction and refurbishment of primary schools and health centres, and the installation of clean water systems.

Sadly, in August 2005, Britain closed its embassy in Antananarivo for budgetary reasons. The closure brought an end to Britain's only bilateral aid to Madagascar, the SGS. A vigorous campaign against the closure, and my own efforts to persuade my superiors of the utility of the mission, fell on deaf ears.

The embassy closure was the lowest point of my career. I was determined, however, that the expertise and contacts of the embassy staff who had adminstered SGS should not go to waste. My long career in under-developed countries had convinced me of the disproportionate good that small amounts of money, well administered, could bring.

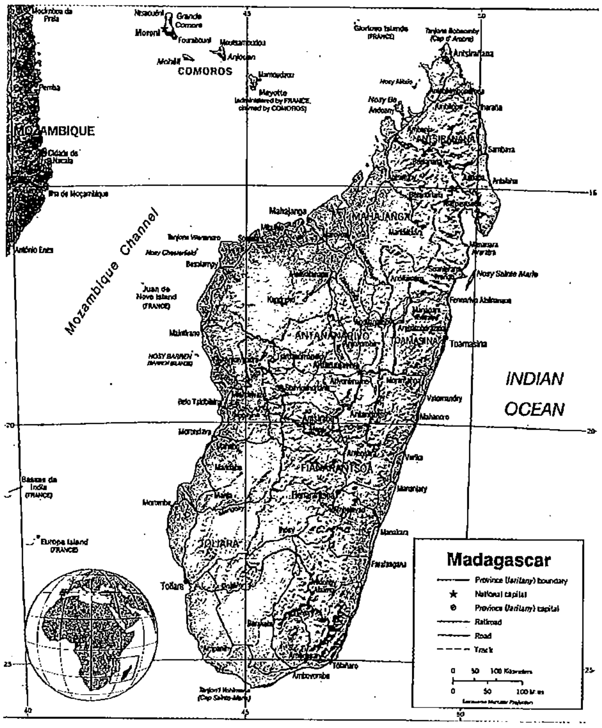
In 2005, I founded a charity called the *Fonds d'Appui du Président de la République* (FAP) to continue the work of the SGS. Three former members of the embassy's staff were recruited to run it. FAP was funded by donations from companies, charities and individuals. It had great success, awarding 100 grants in just over two years.

FAP was closed for political reasons in February 2005, but was quickly reborn as the Madagascar Development Fund (MDF). The new charity, founded by FAP members of staff, has kept up the good work. With the continuing support of its donors it has funded over 20 projects in its first six months, making a real difference to Malagasy communities. Delivering aid effectively is a great challenge, but small grants in Madagascar have proved a winning formula.

2. Madagascar

In my time as Ambassador, Madagascar was considered among the most deserving recipients of small grants, due to the high level of poverty and under-development. Since gaining independence from France in 1960, the economy has shrunk. The population has grown by a yearly average of 2.8% since 1975, while GDP growth has averaged only 1.2%. A per capita GDP of around US$1,100 places Madagascar 210th out of 229 countries.[1]

Map, key statistics



Land Area:	581,540 km²	Languages:	English, French, Malagasy (all official)
Coastline:	4,828 km		
Population:	20,042,551		
Median Age:	17.9 years		
Life Expectancy at Birth:	62.52 years	Arable Land:	5.03%

Source: Relief Web, CIA World Factbook

Economic mismanagement and corruption have caused great suffering to the Malagasy people. In the first forty years of independence, infrastructure decayed: roads, hospitals, schools, power generation and distribution, and water and sanitation systems are still either non-existent or in a deplorable state. Annual per capita income fell from US$473 in 1970 to US$290 in 2005.[2] Infant

1. CIA World Factbook website.
2. World Bank website.

mortality remains high, with almost one in ten children dying at birth. Of about 60,000 deaths a year among children under five, fully half are caused by malnutrition.

The election of President Marc Ravalomanana in 2002 brought substantial improvements to the political management of Madagascar. The economy has grown at an average 5% annually, and the percentage of the population living in poverty declined from 80% to 69%.[3] The government has provided support to the private sector and has facilitated high volumes of trade. Madagascar has jumped up seven places in the World Bank's 'Doing Business' report for 2009, to 144th of 181 countries. Ravalomanana's government has also made considerable strides in improving the country's infrastructure and was widely praised for its efforts to improve education and health. The government's Madagascar Action Plan 2007-2012 articulates a bold development strategy for the coming years.

The Ravalomanana government has put tremendous energy into seeking foreign investment and development assistance. One example is Madagascar's swift response to the creation of the Millennium Challenge Account, a funding mechanism set up by the United States in 2004. The MCA rewards developing countries for commitment to political and economic reform. Madagascar submitted detailed proposals for reforming its banking sector and land registration system, both of which are seen as obstacles to development. The Malagasy proposals were rewarded by a grant of US$100 million, the first to be made by MCA. Madagascar also qualified for additional European Development Fund money, forfeited by other, less well-performing countries.

Since 2002, donors have been enthusiastic in their support. Madagascar benefited from donor funds worth US$3.8 billion under both the Heavily Indebted Poor Countries (HIPC) and the Multilateral Debt Relief Initiative (MDRI). Between 2002 and 2006, the European Commission allocated programme aid and budgetary support worth a combined US$689 million. In 2005, the World Bank provided programme and project aid worth US$160 million. A stable and growing economy convinced the IMF to cancel the full amount of Madagascar's debt of US$197 million, within the framework agreed at the G8 Gleneagles Summit in July 2005.

Madagascar still has many problems and the challenges remain tough. Population growth of 2.8% per year places an increasing burden on the local resources. The economy would need to grow at around 7.6% per year to achieve the Millennium Development Goal of halving poverty by 2015.[4] Economic and social policies have been knocked off course by the recent high cost of crude oil. It is likely to be many years before most of the Malagasy people begin to feel the benefits of large-scale international aid.

An ecology worth preserving

Poverty poses a threat to Madagascar's ecology. Donors have recognised Madagascar as one of the world's unique natural wonders – a bio-diversity hot spot. But most Malagasy depend on smallholder farming, which can threaten well-intentioned policies of environmental protection. The government plans to create more national parks in areas where agriculture is prohibited. Policy makers face a difficult task in balancing environmental concerns against the daily fight for survival of 80% of the population who live off the land.

3. A short history of small grants

The Small Grants Scheme was Britain's only bilateral aid to Madagascar. I once had the opportunity to urge Clare Short, then Secretary of State for DFID, to give more support to Madagascar. She responded that she was sympathetic to the idea, and wanted to give more aid to Francophone Africa. She added that DFID did not have the necessary expertise, so it would take time. Historical links and a common language ensure that most of the UK's bilateral aid programmes are run in former British colonies. But strategic interests or humanitarian crises ensure the survival of bilateral

3. World Bank website.
4. *Integrated Regional Information Networks* (IRIN), Opinion divided over Ravalomanana, 1st December 2006.

programmes to countries such as Angola and the Democratic Republic of Congo.

Aid, unavoidably, becomes highly politicised. Senior diplomats have in the past exerted useful influence on the priorities of foreign policy and development spending. But they rarely took an active role in aid projects. Small grants and gift schemes, run by diplomatic missions, were a notable exception. Like other forms of aid, these programmes have changed to reflect shifting priorities of successive governments.

The Foreign and Commonwealth Office on the rationale for the British Partnership Scheme

"The BPS intended to allow Heads of Mission in a number of developing countries to approve, within an agreed policy framework, funding of small projects of developmental value. It was designed to supplement existing bilateral programmes in some countries and act as the UK's primary source of funding for bilateral development co-operation in others.

BPS financed projects up to £40,000 a year with an annual country ceiling of up to £250,000, although increased levels of funding were permitted in exceptional cases. In 1996/7, the total value of BPS funding amounted to approximately £12.2 million and covered 102 countries.

Day-to-day management of individual schemes was delegated to the Head of Mission, although responsibility for the overall monitoring of the programme rested with [the Overseas Development Administration].There was a requirement for all BPS projects to be consistent with the priority objectives of the [ODA] aid programme and the various Heads of Mission remained ultimately accountable to [ODA] for the effective and appropriate use of funds."

Source: Vivienne Paterson, FCO

The Small Grants Scheme, established in 1998, replaced the Heads of Mission Gift Scheme (HOMGS) and the British Partnership Scheme (BPS). Under the HOMGS, Heads of Mission had been able to give small gifts to local worthy causes, up to a yearly limit of £20,000. The BPS, established in April 1995, was wider in scope: it gave diplomats a direct hand in development in countries where a full bilateral aid programme was viewed as either impractical or of low priority. Both mechanisms enabled ambassadors and High Commissioners to respond, for example, to modest requests for assistance from schools or health centres. The SGS was both developmental and strategic in approach. In addition to providing assistance to deserving projects, it was a tool to serve the interests of the mission by generating goodwill.

Under the Small Grants Scheme, heads of mission in selected developing countries were authorised to approve assistance for small development projects. In my experience the cost of these projects rarely exceeded £5,000. Funds were disbursed by DFID but Heads of Misson were entirely responsible for decisions on where to award grants. The intention was to encourage initiatives which addressed real local needs, for example:

- Construction, refurbishment, or extension of primary schools
- Construction of basic health centres
- Installation of clean-water systems and construction of sanitary blocks
- Environmental protection
- Initiatives to boost income of poor communities, such as raising chicken or ducks

In 2005, funding and management of the SGS was transferred entirely to the FCO, where it was reborn as the Bilateral Programme Budget. The overhall of the SGS was prompted by a report by the FCO's Finance Committee which found that the SGS lacked strategy and had no audit trail. The Bilateral Programme Budget is more clearly political in nature. Its explicit objective is to allow posts "to respond flexibly and quickly to opportunities to influence host governments in line with Her Majesty's Government's priorities".[5]

5. Steve Price, FCO

Year	Institution	Initiative
1980s	FCO *Funded and Managed* →	Heads of Mission Gift Scheme
1995	ODA *Funded* → FCO *Managed* →	Pritish Partnership Scheme
1998	DFID *Funded* → FCO *Managed* →	Small Grants Scheme
2006	FCO *Funded and Managed* →	Bilateral Programme Budget

FCO: Foreign and Commonwealth Office
ODA: Overseas Development Administration
DFID: Deparment for International Development

4. The Small Grants Scheme

The British embassy in Madagascar sought to use its SGS to help communities and individuals. We did not try to impose or prescribe development projects on local communities. The scheme was run on a purely reactive basis. An important part of the ethos of SGS was to contribute to local capacity-building by ensuring that projects were initiated and formulated by local communities. The scheme depended on their involvement and participation. For example, local people would often contribute building materials or free labour to a project.

Whenever possible, embassy staff evaluated SGS funding applications by arranging on-site visits accompanied by responsible local officials. We paid close attention to issues such as land ownership, administration and authority. Who would organise and carry out the work? How, and by whom, would finances be managed? Where Embassy staff were unable to perform site visits in person, they sometimes enlisted help from British NGO workers living in deprived communities.

Once a project had been approved, a first tranche of funding was advanced – usually equivalent to half the amount requested. The balance was paid only when the embassy received a detailed progress report, with illustrations and receipts to account for how the money had been spent.

Over the years, SGS grants significantly improved the health and educational opportunities of tens of thousands of Malagasy. A grant of less than £5,000, for example, was often sufficient to build a three-classroom primary school in remote communities where children had previously walked for several hours to reach the nearest school. Both children and adults benefited from clean water made accessible by SGS projects. These initiatives brought hope to deprived and discouraged communities throughout the country, and undoubtedly contributed to political stability.

Many SGS projects funded by my embassy in Antananarivo were situated in remote and neglected communities, whose residents had no voice to influence the allocation of public or private resources. Britain was not the only development partner engaged in such projects. An alternative, wealthier source of developmental funding was the European Commission's ACCOR programme. But invariably, grants from ACCOR were monopolised by localities with dynamic, determined, and articulate mayors and officials – often to the detriment of poorer communities, where the level of need and real suffering was greater.

The benefits of SGS in terms of Britain's reputation in Madagascar is difficult to quantify but impossible to ignore. From a diplomat's perspective, local enthusiasm for SGS projects was an invaluable asset in nurturing more formal ties between Britain and Madagascar. On completion of a project, the opening ceremonies became high-profile events and consistently received favourable and widespread coverage in the local media.

British diplomats made the most of such opportunities to build public confidence in the relationship between our