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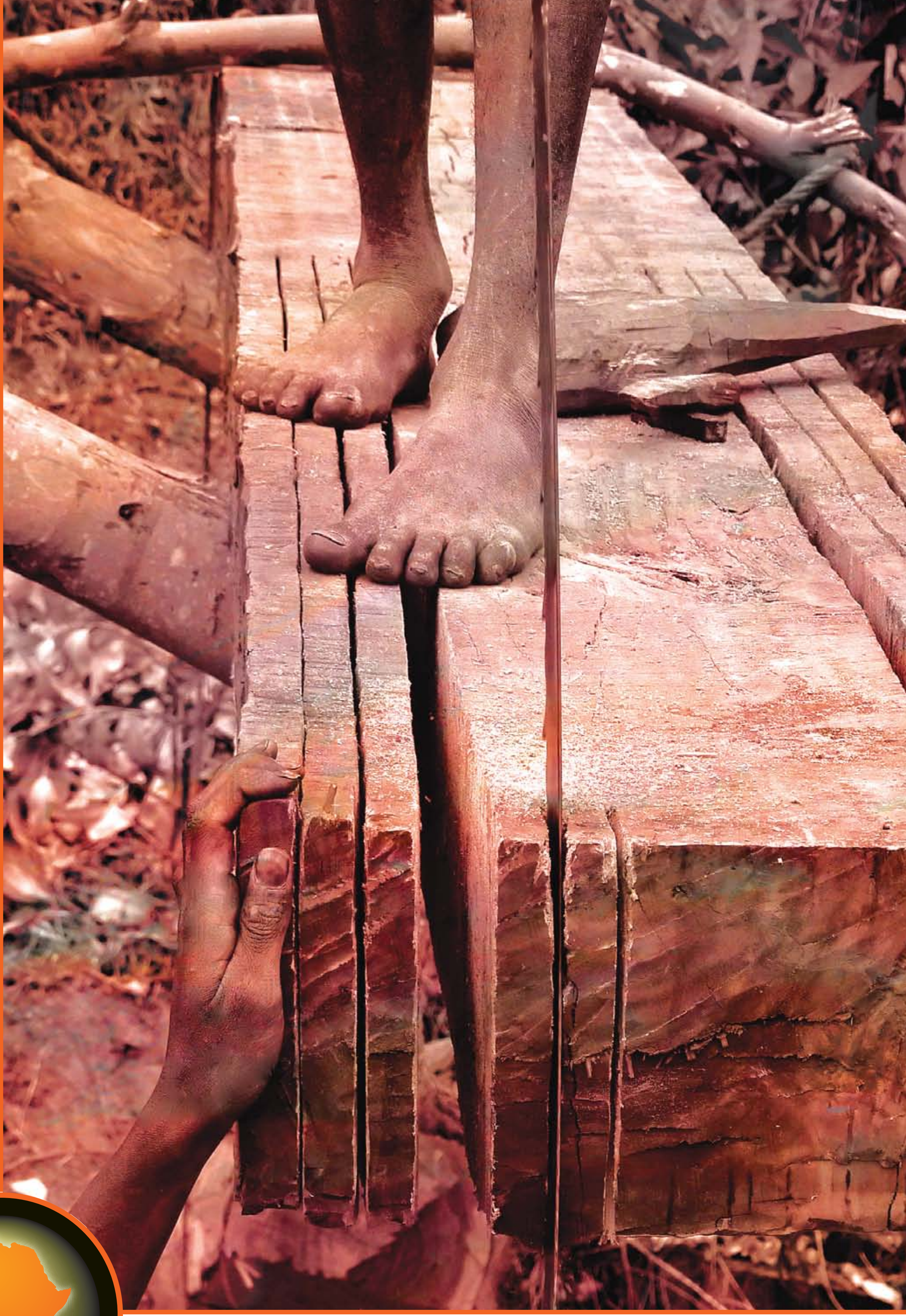

THINK SMALL

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.

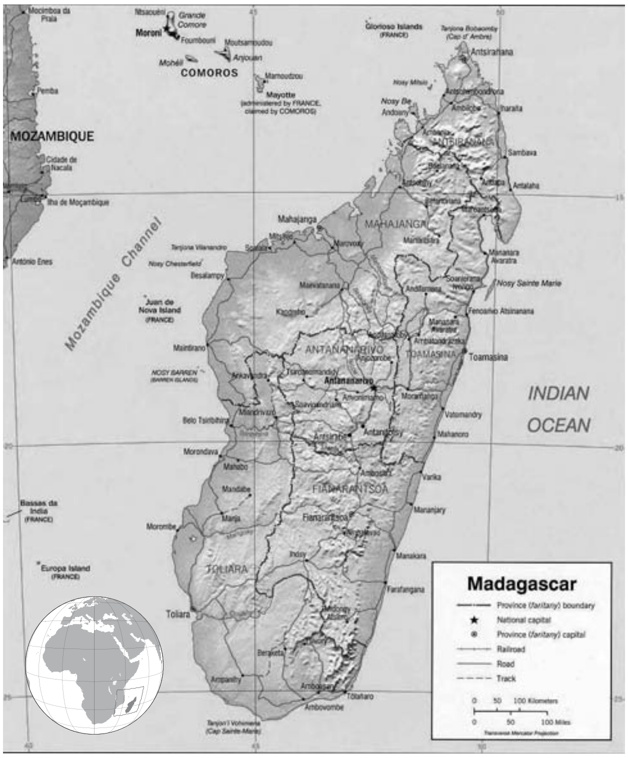
In 2005, I founded a charity called the *Fonds d'Appui du Président de la République* (FAP) to continue the work of the SGS. Three former members of the embassy's staff were recruited to run it. FAP was funded by donations from companies, charities and individuals. It had great success, awarding 100 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 2.7% 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 $\xrightarrow{\text{Funded and Managed}}$	Heads of Mission Gift Scheme
1995	ODA $\xrightarrow{\text{Funded}}$ FCO $\xrightarrow{\text{Managed}}$	Pritish Partnership Scheme
1998	DFID $\xrightarrow{\text{Funded}}$ FCO $\xrightarrow{\text{Managed}}$	Small Grants Scheme
2006	FCO $\xrightarrow{\text{Funded and Managed}}$	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 countries. On one occasion, for example, I attended the inauguration of a relatively inexpensive SGS-funded clean water system at the high-security prison of Ilafy, south of Antananarivo. The Minister of Justice was the guest of honour. In the following day's press, a report of the launch dominated three-quarters of a page of one Malagasy newspaper. The remaining quarter of the same page was taken up by news of a €50 million grant from the French government to rehabilitate one of Madagascar's ports!

A long-awaited bridge

One notable SGS success was the construction of a 14-metre concrete bridge over a steep-sided river. The bridge had been planned in 1962, when local authorities built the first supporting pillar. Although funding for the project had been provided several times, it had been stolen repeatedly by corrupt officials.

To reach the nearest primary school, children waded through chest-high water, then spent the school day in wet clothes. Often the river was impassable at the end of the day and the children were unable to return home. Farmers, too, were handicapped by the absence of a bridge. Because of the difficulty of transporting their produce to market, they were forced to sell to 'collectors' – middle-men who paid unfairly low prices, but who owned trucks that could navigate the river to reach otherwise inaccessible markets.

SGS funded construction of the bridge at a cost of £3,500. Today the children attend school and return home dry and safe each night; farmers transport their own produce to market and receive a fair price for their labours; and the communities on either side of the river are united as never before.

5. An ill-advised closure

In 2005, Britain withdrew its diplomatic mission from Madagascar, taking the SGS with it. The closure of the embassy came as a shock to all those concerned – the Malagasy government, British charities, businesses and expatriates, and myself. Closing the main channel for British-Malagasy partnership, just at the moment when the country was commited to tackling poverty and corruption, seemed unthinkable. It was the saddest moment of my career.

The FCO had always treated me well. I enjoyed a varied and fulfilling career, and was always proud to be a member of the diplomatic service, until the embassy closure. I spent my 40 years of serice implementing ministerial decisions, loyally and impartially. I had been sceptical about the separation of development from foreign policy, notably in the creation of an independent ministerial department, DFID. Similarly, I watched with sadness as the FCO was reorganised according to 'subject expertise', to the detriment of 'country expertise'. But I had not realised the full implications of this new approach to foreign affairs and the civil service, led by 10 Downing Street with its army of management consultants. The abitrary closure of the embassy in Madagascar convinced me that the FCO had gone astray.

In early 2004, the FCO became increasingly concerned by indications that the outcome of the Treasury's public spending round would be unfavourable. Although the Foreign Secretary, Jack Straw, expressed unwillingness to close overseas missions, a list of posts was drawn up for potential closure. It did not include Madagascar. Towards the end of the year, I received an email from the FCO's Director for Africa explaining that the embassy in Antananarivo might be added to the list, as a subsititute for another country which had been withdrawn. I was invited to advance arguments against closure, a task which I undertook with great conviction. But to no avail. In the course of 2005, nine posts around the world – three in Africa – were closed due to the 'realignment' of funds. The money saved was spent on improving security in embassies in more sensitive corners of the world, notably Iraq.

The arguments for maintaining the embassy were compelling. In addition to maintaining historic ties dating back almost 200 years, the embassy acted as a key advocate for British companies in Madagascar. In October 2004, we had played a crucial role in securing a contract worth US$6.9 million for British Geological Surveys, in the face of stiff competition from France. Had the Embassy remained open, Crown Agents might have won a contract worth £12 million to reform the Malagasy Customs

Service. In the absence of an Embassy to advance the case for a British company, the opportunity passed.

At the time of the closure, such arguments seemed out of fashion at the FCO. In consultation with the Department of Trade and Industry (since replaced by BERR, the Department for Business Enterprise & Regulatory Reform), the FCO had decided to close all Commercial Sections in embassies and High Commissions throughout Africa, other than Kenya, Nigeria and South Africa. This decision robbed British exporters of valuable market information and useful contacts. Simultaneously, it diminished the diplomatic function of posts which had often made use of the networks developed by their commercial sections and the insider information these produced.

The closure was a disservice to Madagascar and damaging to British interests. Prior to Britain's withdrawal, the Malagasy authorities had been consistently helpful in their responses to lobbying from Britain on international issues such as the crisis in Zimbabwe and military action against Iraq. The positive response from the political leadership in Antananarivo was a direct consequence of the excellent relations established between Britain's embassy and President Ravalomanana since 2002.

Other countries had recognised the growing importance of Madagascar by opening embassies in Antananarivo around this time, notably South Africa, Senegal, Morocco and Norway. Madagascar's political leadership had begun to forge new international ties, reaching beyond its traditional links with France to the anglophone world. With unfortunate irony, Britain's withdrawal from Antananarivo coincided with the re-opening of a Malagasy embassy in London in November 2004, after an absence of thirty years.

Britain has been through this process before and has failed to learn from its mistakes. Previously in 1973, the British Embassy in Antananarivo closed during Britain's economic crisis, only to reopen in 1980. There are sound reasons to believe that the embassy will inevitably reopen again, at some time in the future. The cost is likely to be several times the savings achieved during its closure.

FCO Africa Directorate
Objectives 2005/2006

Strategic Priority (SP) 1: A world safer from global terrorism and WMD

SP2: Protection of the UK from illegal immigration, drug trafficking and other international crime

SP3: International system based on the rule of law, better able to resolve disputes and prevent conflicts

SP4: An effective EU in a secure neighbourhood

SP5: Promotion of UK economic interests in an open and expanding global economy

SP6: Sustainable development underpinned by democracy, good governance and human rights

SP7: Security of UK and global energy supplies

SP8: Security and good governance of the UK's Overseas Territories

Source: FCO website

6. Reactions and consequences

In Madagascar, there were fears that Britain's withdrawal might be a sign of no confidence in the government. Petitions were sent by members of Madagascar's National Assembly and Senate. Madagascar's head of mission in London continues to lobby for the reopening of the embassy. At a meeting in the Houses of Parliament, in November 2007, Madagascar's Finance Minister appealed once again for the embassy to be reopened. He insisted on the importance of consular and commercial services provided by diplomatic missions, and highlighted the fact that English became one of Madagascar's official languages in April 2007.

Among those who I understand to have made representations in support of maintaining a British diplomatic presence in Madagascar were President Thabo Mbeki of South Africa, President Abdoulaye Wade of Senegal, and President Jacques Chirac of France.

Manjaka-Ilafy

Case study: a community in action

An enlarged and refurbished primary school is testimony to the civic energy of Manjaka-Ilafy, a village at the edge of suburban Antananarivo. Among the most welcome consequences, according to members of the Parents' Association, are local activities that the previous building could not have accommodated. A charitable sale by local artisans, hosted in the school in October 2008, raised monies to fund the construction of a new road.

The new building, completed in 2006, also provides a venue for village meetings and a polling station. Prior to renovation, the school had closed its doors to new pupils in 2006. For those fortunate enough to attend, conditions were deplorable. Lessons were taught under a leaking roof, in a building without access to running water or electricity. There was no playground.

The project was championed by nine formidable ladies who make up the school development committee, *Fiaraha-miombou' Antoka hoamin' ny Fampandrosoana ny Sekoly* (FAF). Determined that all the village children should have the opportunity to receive an education, they raised funds to build four new classrooms, a toilet block and a playground. Three existing classrooms were refurbished to create a conducive environment for learning.

A first step was to ask a local draftsman to draw up plans to extend the school. Estimates were collected for the costs of construction, then presented to the local education authority. The authority approved the proposal, but lacked resources to pay for it. The FAF turned instead to the *Fonds d'Appui du Président* (FAP).

Building work was carried out during school holidays over three months, from July 2006, at a cost of 48 million Ariary (£12,000). About 50%, or 24 million Ariary, of the budget was paid by FAP. A further substantial donation was received from a British charity, Money for Madagascar. The balance was raised from the local charities and the community, supported by small grants from local government.

The school development committee managed both the project and finances, resisting pressure from the mayor to channel funding through his office. They hounded the sluggish electricity utility into connecting the school to the national grid, and persuaded the government to connect the school to the mains water supply. The connection to mains water provides children with safe drinking water.

A second storey was added to the main school building, contracted from a company of professional builders. Parents and other local people contributed materials and labour. Sanitary conditions are vastly improved, with four latrines for the pupils and one for the teachers. The children are encouraged to wash their hands at the new taps.

The school development committee subsequently embarked on a new project to run a weekly canteen at the school, with the aim of improving nutrition among the children – some of whom would be lucky to eat even once a day. A group of parents prepare lunch for the children every Friday. Some members of the association contributed their own funds to this project, with the balance subsidised by the local education department. Their work is well known, and the women on the school development committee have acquired a reputation as people who make change happen.

The civic energy generated by the school renovation illustrates the philosophy of the Madagascar Development Fund: to provide the means for people to help themselves, on condition of complete transparency.

European Commissioner Louis Michel, a frequent visitor to Madagascar, also tried to dissuade Her Majesty's Government from closing the embassy.

Several corporate investors in Madagascar, including British companies Imperial Tobacco, a cigarette manufacturer, and Rio Tinto, the mining and resources group, were sympathetic to this campaign. A week before the embassy closed, Rio Tinto announced new investment of US$775 million in Madagascar, the largest foreign investment to date in Madagascar. A Rio Tinto spokesman bemoaned the closure: "In view of the significant investment we are making in Madagascar, we are disappointed that they have chosen at this time to close the British embassy." [6]

6. *The Times*, September 10th 2005

Their pleas proved futile, if not counter-productive. The response of Britain's Foreign Office was to accelerate the closure plans. The embassy had been scheduled to close at the end of 2005, but in May I received an email from London asking me to close the embassy as soon as possible. A final deadline – the end of August – was set, in the event that an immediate closure was not practical. The mission shut its doors in the middle of August 2005.

The Small Grants Scheme was the greatest casuality of the embassy closure. In view of the scale of poverty in Madagascar, I hoped that the SGS could be salvaged. I proposed to the FCO that the scheme should be administered by a small SGS unit, staffed by experienced ex-embassy staff, relocated to the European Commission offices in Antananarivo. In this way, Britain would have continued to contribute directly to Madagascar, minimising the damage to public perceptions of Britain.

My proposal was rejected on the grounds that there was no purpose in spending SGS funds in the absence of an embassy to benefit from the goodwill this would generate. The FCO expressed its intention of spending Madagascar's budgetary allocation for 2005/2006 elsewhere in Africa, where Britain would get full credit. It withdrew funding from 46 projects which had already been evaluated by the embassy, and approved by DFID. I had the difficult task of informing the applicants that the embassy could not honour the commitments it had made in good faith.

Letter to *The Times*
22 December 2005

Sir,

The Year of Africa proclaimed by the Prime Minister is approaching its end. There have been notable achievements in the increase of international aid and debt remission on which HMG can be congratulated. But the closure of our embassy in Madagascar is an item on the debit side.

The report of the Africa Commission set up and chaired by Tony Blair, and with Gordon Brown and Hilary Benn among its members, called for increased aid to the poorest countries and support for good governance. Madagascar more than qualifies. Its 18 million people are among the poorest in Africa. Since his election three years ago President Ravalomanana has been a role model for good governance. He is committed to democracy, accountability, sustainable development, conservation of the environment and the fight against corruption and poverty. Yet in August the FCO closed our embassy there and with it our modest but highly effective aid programme.

So while other countries are opening embassies and increasing aid to Madagascar our response to the President's efforts has been to withdraw our support. And all to achieve an annual saving of only £300,000, which could easily be covered by less damaging economies elsewhere. The undersigned urge the Government to reverse this unfortunate decision, which is quite out of keeping with the fine principles of the Africa Commission and the Gleneagles Summit.

Sir Mervyn Brown, Chairman, Anglo-Malagasy Society
Baroness Chalker of Wallasey
Lord Anderson of Swansea
Lord Watson of Richmond
Sir Malcolm Rifkind MP
Ben Chapman MP
Sir David Attenborough
Brian Donaldson, Ambassador to Madagascar 2002-2005
Lee Durrell, Durrell Wildlife Conservation Trust
Richard Dowden, Director, Royal African Society
Paul Racey, Regius Professor of Natural History, Aberdeen

Tokotanitsara Haut

Case study: a work in progress

School attendance has been poor in the village of Tokotanitsara Haut, a loose collection of hamlets in the District of Antanifotsy. Although villagers have been told often that education is important, many children are never sent to school. Others attend infrequently because of family responsibilities and work to do at home.

The local education authority responded to low attendance at school by running workshops to sensitise parents to the advantages of education. The campaign has succeeded: parents in Tokotanitsara Haut want to send their children to school. But their ambition was thwarted by overcrowding in the primary school buildings. Two dilapidated classrooms operated a system of two shifts, morning and afternoon, to educate 156 children. Extra pupils were turned away.

Some local children walked to school in a neighbouring area, a distance of about six kilometres. The walk became a deterrent, especially when the children were hungry during the dry season, or when the ground became muddy from seasonal rains. Children who were too young to walk, or lived too far away, missed out on school altogether.

In late 2007, the Parents' Association sought help from the local education authority to expand the school. The lack of teaching space had become such a pressing problem that the parents had already decided to build an extra classroom from their own resources. They hoped to speed up the process, and ensure a better quality building with support from local government. The local education authority lacked funds of its own, but agreed to help the villagers to submit a proposal to the Madagascar Development Fund. Funding for the school extension is being raised by the pupils of Bryn Elian High School in Colwyn Bay.

By early October 2008, as the new building neared completion, Justin Randrianoeuna, *Chef de Fokotany,* head of the village, was optimistic about the school's two new classrooms. Class sizes will be smaller. Many children will be spared the long walk to the next school. The enlarged school will accommodate an estimated 218 children from the surrounding area.

One of the local parents, a builder by trade, gave his expertise without charge. Other parents provided free labour, while all parents contributed money for the bricks. A Malagasy company installed a steel frame – a useful asset in an area prone to cyclones – at reduced cost. The work was managed by a committee of villagers.

To make good use of all four classrooms, two new teachers have been recruited to the school. They are unqualified staff, who will be paid in rice by the pupils' parents, a common practice in Madagascar. Each family has agreed to contribute four kilograms of rice per year.

7. Rising from the ashes

The withdrawal of Britain's only bilateral contribution to development in Madagascar was too painful for me to contemplate or to accept. When I paid my traditional farewell call on President Ravalomanana before leaving Madagascar, I asked him how we could salvage something positive from this disastrous decision.

President Ravalomanana was conscious of the value of the scheme and its achievements because of the regular and extensive media interest and publicity given to SGS-funded projects. He asked me to ensure that this work continued after my retirement, under the auspices of a new not-for-profit organisation to be called *Fonds d'Appui du Président de la République* (FAP) or The President of Madagascar's Small Grants Scheme. The president allocated a building to FAP and provided funds to furnish and equip it. I would serve as Director General (unpaid) to provide overall guidance, exercise effective managerial and financial control, and submit periodic reports on the scheme's activities.

President Ravalomanana took a keen interest in FAP's work, but played no part in the choice of projects or in FAP's management. FAP operated in almost exactly the same way as SGS, with the same criteria, evaluation procedures, accounting system, and financial controls. It was staffed by ex-embassy employees, who had many years' experience of SGS.

FAP enjoyed great success for two and a half years, but in February 2008, it was closed because the government of Madagascar's "approach to the co-ordination of aid projects" had changed. In the view of the local authorities, it had become inappropriate for the president to be associated with the *Fonds d'Appui*. At the time of writing, I am unable to comment with any authority on the reason for this political decision.

For a second time the scheme demonstrated its resilience. What had begun as the British embassy's Small Grants Scheme, now emerged in its third incarnation. FAP staff applied to register a new charity to be called the Madagascar Development Fund. Formally approved in July 2008, MDF has five Malagasy trustees. I act as patron and chief fundraiser. The remaining funds from FAP were transferred to the MDF account. With the same ethos, procedures and staff, now based in new offices, MDF is as energetic as its predecessors. By late 2008, it had completed 22 new primary schools, primary school extensions, and water projects.

8. The kindness of strangers

Unlike the SGS, both FAP and MDF have been financed by donations. I have been responsible for generating funds for both charities, an increasingly important role as the falling value of sterling and international inflation have increased project costs. A school extension that would previously have cost £5000 now (in December 2008) costs £8000. Our low administrative costs and good track record has helped us to secure funding. Most donations have been provided by charitable organisations, individuals and companies, including Rio Tinto and BG Group. The Australian government has also been generous.

No culture of corporate philanthropy yet exists in Madagascar, although the growing number of Malagasy companies which donated to FAP is a welcome sign that attitudes are changing. The well-publicised generosity of British companies, charities and individuals has encouraged Malagasy companies to consider their responsibility to contribute to economic and social development in their own country. In February 2007, I launched a national campaign on television, radio, and in the press to persuade Malagasy companies to rise to this challenge. The involvement of even a small proportion of Madagascar's 2,000 or so large companies would have a significant impact.

As fundraiser, I deal with different types of donations. Some companies and large charities give large amounts of unrestricted funds, which can be directed to any project. In other cases, I am approached by individuals, companies, schools, or associations interested in making a donation but unsure of how the money will be used. In these cases MDF staff select some high priority projects to show to potential funders. I show them photos and evaluation reports and leave the choice to them. When a project is completed, I send more photos and a final report. It is important that people are able to trust the charities they support, and receive regular feedback. Some donors even attend inaugurations.

MDF runs two bank accounts, a project account and an administrative account. With the permission of donors, we transfer 10% of funds received into the adminstrative account. The balance goes to the project account. We never spend more than 10% on administration, including all office, travel and salary costs for the three members of staff. I work on a voluntary basis. According to charityfacts.org, a website that provides information to the public on what to expect from charities, administrative costs should ideally make up 8%-13% of spending. MDF is exemplary in this sense.

9. From the community

The procedures of MDF and FAP have largely followed the principles and procedures of the SGS. As a grant-giving organisation, MDF aims to support projects

Antenibe

Case study: the path to water

Until November 2006, the nearest supply of safe drinking water for the 120 families of Antenibe was a natural spring on a distant hill. For the women of the village, a substantial part of each day was consumed by the constant struggle to supply water to their families. When pressed for time, the nearby river was a tempting alternative to the spring – although the water was more likely to cause illness.

A grant from FAP has funded the installation of seven taps which supply drinking water to the village. One supplies the primary school, another supplies the recently constructed medical centre, and five more are located around the village. Olivier Razanakolona, mayor, is enthusiastic about the difference that the taps have made to life in Antenibe village. The incidence of water-borne illnesses has declined, he says, and the women of the village have more time for activities that help the local community.

The request for funding from FAP was made by an energetic Malagasy NGO, *Aide au Développement à Madagascar*. ADM works on rural development in the surrounding district of Arivonimamo, and is well known by locals. When the mayor and village committee of Antenibe approached it for help, ADM sent a representative to assess the level of need and the feasibility of a project. A water engineer was hired to advise on the possibility of diverting the spring.

No other village depended on the spring, and it was established that the land was owned by the community. The village is downhill from the spring, making it possible to install a relatively simple system of taps. The project, coordinated by ADM, involved a variety of local actors: local authorities, contractors and villagers. Plumbers and master craftsmen were employed for work which required technical expertise. Ditches were dug and refilled by the villagers. Cement, pipes and other materials were purchased, but sand, gravel, stone and bricks were supplied by the local community.

The spring has been transformed into a small reservoir, with mechanisms to regulate the quality and consistency of the water supply. A village committee maintains the water system, with four villagers trained to carry out minor repairs and an annual cleaning of the reservoir. Each family contributes 200 Ariary (£0.07) per month to meet maintenance costs. The first tap was turned on in late 2006; the seventh and final tap was connected in autumn 2008. Today, no household in Antenibe is more than 100 meters from a source of clean water.

that are driven by communities. It doesn't initiate projects or publicise itself. Project inaugurations, and the press they generate, attract some interest, but applicants for funding tend to hear about MDF's activities by word of mouth. We do not spend any money on publicity, nor try to suggest to people what they might need. Applications are generally submitted by parents' associations, village committees, mayors, and local charities.

MDF has four main areas of activity: increased access to primary education; clean water and sanitation; generating revenue for poor communities; and environmental protection. But most of MDF's activities focus on education, because most submitted applications concern grants to build or renovate primary schools. The submission form is kept as simple as possible. It is only two pages long.

Communities should be committed to the projects funded by MDF. For every project, we ask that a portion of the labour and materials should be provided by the beneficiaries. Most of our grants are spent on materials – timber, cement, door frames. Locals often have basic building skills; where skilled labour is required for more complicated work, locals can help with digging foundations.

Once an application has been submitted, and has received a preliminary evaluation, a member of staff from MDF visits the site to assess the level of need, the practical feasibility of the project, and the capability and enthusiasm of the beneficiaries. We always talk to those who will be most affected – parents, teachers, farmers, villagers – and encourage them to have their say.

During site visit discussions, people will sometimes say: "Thanks for agreeing to fund a school, but what about water; what about a health centre?" We respond that our limited funds do not allow us to finance more than one project per community; they must decide what they consider most important. Almost invariably, the response is that a school is most important.

Once a request has been approved, a first tranche of the allocated grant is sent to a bank account opened specifically for the project. The people who submitted the initial application are generally the signatories to the account. In order to receive the balance of funding, they must submit an interim report, with photographs of work completed and receipts for materials and contracted work. MDF staff often perform another site visit at this stage to check the quality of the work, but we do not interfere with how the projects are run. A final report is sent on completion and, more often than not, MDF organises an inauguration.

Occasionally, when unscrupulous builders have cut corners, MDF has had to intervene to demand an improvement. We stopped providing grants to one charity after the quality of their work declined. MDF's director, Nicole Rasoamiaramanana, is drawing up a list of specific requirements for the depth of foundations and roof thickness for example. In general, however, the vigilance of local communities ensures that the work is completed satisfactorily. Each project belongs to those who make the application; they employ the contractors and it is in their interest to insist on high quality workmanship. We have not yet had cause to withold a second tranche of funding.

MDF maintains an ongoing relationship with projects, after completion. Local committees will generally ensure the basic upkeep of a facility, but when repairs require a little more funding – such as purchasing cement or roof materials, committees are encouraged to apply for MDF funding. The sums involved in such maintenance grants are tiny in British terms, often no more than £30, but impossible for people living on less than £1 per day to raise. It is important that projects are well maintained if MDF's work is to make a long-term difference to communities.

By late 2008, there were 50 projects on MDF's waiting list. All that holds us back is funding. Regrettably, the British High Commission in Mauritius, which acts as the non-resident embassy to Madagascar, does not provide any significant funds to Madagascar. It has not undertaken any human development projects in Madagascar since the embassy closure. Only small reforestation projects have received funding from the new Bilateral Programme Budget.

10. Recommendations

SGS is a winning formula, provided the allocation of funds is transparent and well-managed and enjoys the confidence of actual and potential donors. But the level of need in Madagascar remains overwhelming after thirty years of negligent governments, which made virtually no investment in infrastructure. MDF can do no more than scratch the surface.

Finance for high value infrastructural projects is essential if Madagascar is to attract Foreign Direct Investment (FDI), in local industries. Yet the more modest benefits for communities fortunate enough to enjoy MDF funding are truly life-changing. There will always be a need for small, grass-roots projects of the kind undertaken by MDF. Its formula could easily be replicated, both in Madagascar and elsewhere in Africa.

Britain should increase existing funding for small grants, and commit to supporting independent small grants schemes in countries where it does not have a diplomatic mission. The advantages of such an approach include:

- Value for money – small grants make a huge difference. The simple structure of small grant schemes ensures low administrative costs, and maximum spending on the ground.

- Reactivity – small grant schemes are nimble. Unlike large aid agencies, they can react rapidly to local needs.

- Ownership – small grants promote ownership. Projects are initiated, and managed by local communities and NGOs, which in many cases discover for the first time that they have a voice.

- Momentum – small grants create a positive dynamic in local committees. Momentum often reaches beyond the individual project, as communities learn to work together to achieve their goals.

The experience of small grants in Madagascar argues for the promotion of small grants that can be targeted towards local needs by people on the ground. In the absence of a local embassy, Britain should establish a Bilateral Programme Budget for Madagascar, administered through its High Commission in Mauritius. It could be outsourced to MDF or another grant-giving organisation in Madagascar. Such an approach would represent a significant change in policy for the FCO and other agencies.

In-country diplomatic staff have unique knowledge and expertise. They can make valuable contributions to developing policy, in addition to helping to implement overseas assistance programmes. Aid budgets, at least officially, may not serve political ends; but aid programmes must engage with local politics. DFID and FCO should work closely to ensure that much needed political skills are not wasted.

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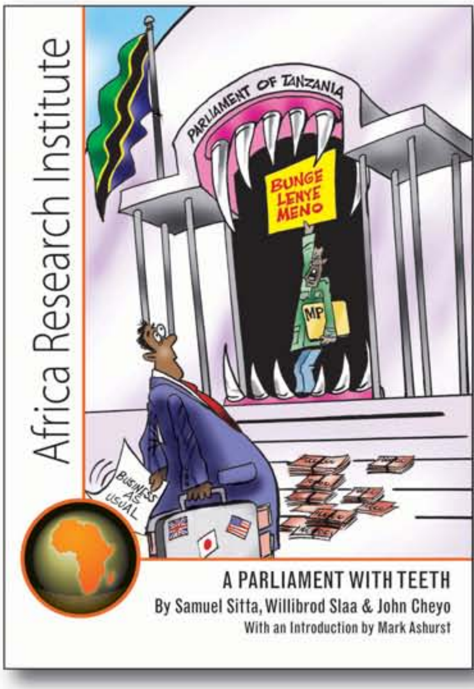

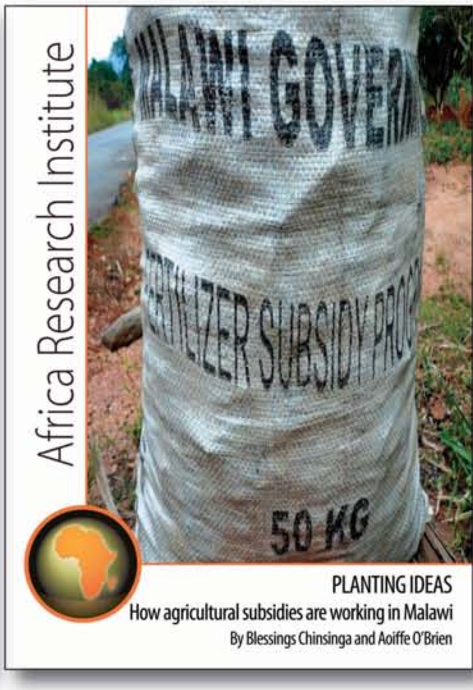

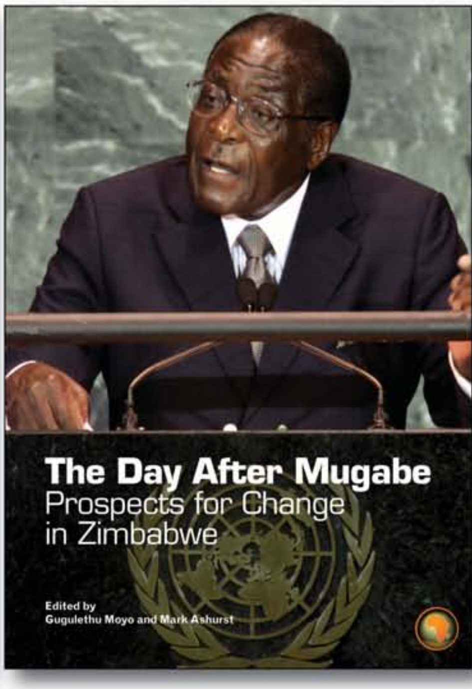


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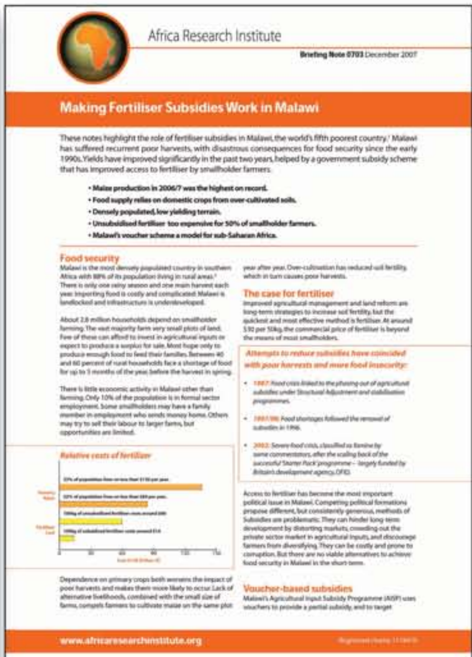
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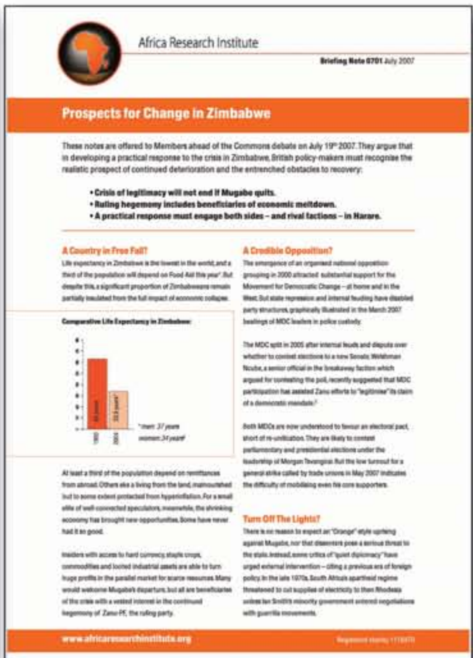
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