Review of the Scottish Government's International Small Grants Programme

Scottish Government
Riaghaltas na h-Alba
gov.scot

Chapter 1: Introduction

The Scottish Government's Small Grants Programme was established in 2013 to help grow the international development sector in Scotland to better support some of the world's most vulnerable communities. The Programme provides funding for smaller Scottish based organisations to deliver work which enhances Scotland's contribution to the fight against poverty, with a focus on countries which are the Scottish Government's international development priorities.

The Small Grants Programme was initially developed as a pilot programme. The first phase of the pilot operated from 2014 to 2016. The Scottish Government made a commitment to extend the pilot in 2016 and a second phase of the pilot was delivered from 2017-2019. The Programme has been managed by the Corra Foundation over both phases.

The Scottish Government made a commitment to review the Small Grants Programme, and in December 2019 commissioned Arrivo Consulting Ltd with Philippa Bonella to carry out the review.

Scope and purpose of the review

The scope of the review was established in the Terms of Reference (ToR) developed by the Scottish Government. The purpose of the review, as set out in the ToR, is to determine:

- Are the Programme aims and objective fit for purpose?
- Does the Programme deliver value for money?
- Are the correct structures and incentives in place to deliver on the strategic objectives of the Programme?

The objectives of the review were identified as:

- to critique/evaluate whether the original purpose of the Programme is broadly still relevant and fit for purpose;
- to critique the potential for tension in the Programme: the desire on the one hand to support small organisations in Scotland and build their capacity whilst on the other to support some of the world's most vulnerable communities in our partner countries, and offer viable options for alternative models to remove that tension;
- to offer viable recommendations for improving the delivery and structure of the Programme;
- to consider whether or not the Programme should be continued.

Methodology

The methodology was discussed and agreed with the Scottish Government at an inception meeting in December and then confirmed in the inception plan submitted in January 2020. The three key elements of the methodology were:

1) Desk research

Review of Programme information:

- Review original paper/reports which established the Programme

- Rapid review of policy documents/reports over life of Programme to track changes in purpose/objectives, measures of success etc.

- Rapid review of Programme documentation (objectives, criteria, processes etc)

- Review of annual 'lessons learned' reports from Corra Foundation.

- Review of Programme management information

2) Literature Review

- Brief literature review to explore learning from other funding programmes.

3) Interview Programme

Consultation with the key intermediaries which support Scotland's International Development activities:

- Scotland's International Development Alliance (SIDA),

- Scotland Malawi Partnership (SMP),

- Malawi Scotland Partnership (MaSP) and

- Scottish Fair Trade Forum.

Consultation with a sample of applicants to the Small Grants Programme.

- We carried out 15 telephone or Skype interviews with organisations which had applied to the Small Grants Programme.

- The sample included organisations that had applied but been unsuccessful in getting funding as well as organisations which had been successful.

Interviews with:

- the Programme Management staff at the Corra Foundation, and

- members of the Scottish Governments International Development Team who are responsible for the Small Grants Programme.

Interviews with a sample of other funders and funding experts to explore the funding landscape for small charities and learning from other Small Grants Programmes.

It is important to note that the scope of the review did not include primary research on the outcomes and impact of projects funded by the Small Grants Programme.

Chapter 2: Overview of the Small Grants Programme

Background to the development of the Small Grants Programme

The Small Grants Programme was established in 2014 based on a proposal to the Scottish Government from the two international development networking organisations SMP and NIDOS (now renamed as SIDA). The proposal for a '*small grants programme [which] could be effectively run within the Scottish Government's International Development Fund (IDF)*' responded to frustration within the sector that smaller Scottish organisations could not participate in the Scottish Government's IDF programme as the fund was distributed as large grants to a limited pool of large international NGO's.

The joint SMP/NIDOS proposal argued that there was an opportunity to build the capacity and support the growth of small and potentially impactful Scottish international development projects. It was also argued that this would develop a pool of stronger organisations headquartered in Scotland, that could then bid effectively for the main grants programme and make the main programme more dynamic and varied.

The proposal detailed the disconnect between the capacity of small organisations to deliver high quality development work and their capacity to bid for larger grants or manage larger grants. To address this, it proposed a Programme structure (feasibility, capacity building and small project grants) which was aimed at building the capacity of small development organisations to compete for other funding sources, with the objective of increasing the number of Scottish based organisations able to apply for/deliver projects under the Scottish Governments IDF programme

In 2013, the proposal was approved by Ministers for the establishment of the Small Grants Programme for a pilot period of three years, with a budget of £500,00 per year. The management of the Programme was outsourced. The tender for the management contract was won by the Lloyds TSB Foundation for Scotland (now known as the Corra Foundation). The Programme was launched in 2014.

Purpose of the Small Grants Programme

The Small Grants Programme (hereafter referred to as the Programme) was developed within the context of the Scottish Government's International Development Policy. It intended to accommodate requests for small pots of funding i.e. up to £60K, which still needed to be spent in line with the current International Development policy and contribute to the overarching Scottish Government International Development outcomes.

As such, all funded activity had to 'enhance Scotland's contribution to the global fight against poverty through activity which is clearly designed to support the achievement of the MDGs (the Sustainable Development Goals after 2016), and economic growth in developing countries'

The stated purpose of the Programme was:

'to build capacity and upscale small international development organisations so they have the ability to bid for funding through the IDF, with awards of up to a maximum of *£60,000 for project grants* over a three year period or a maximum of *£10,000 for feasibility and capacity building grants*, over one year'.

At the time of establishment, the Programme had seven specific objectives (see chapter 4 for discussion of objectives). No indicators were set to test the original rationale of the pilot or to evaluate its success against these objectives.

Programme structure and priorities

The Programme provided grants for feasibility studies, for capacity building and for the delivery of small projects. The design anticipated that organisations would test ideas with feasibility study grants and develop project proposals based on well researched, needs-led project ideas. Capacity building grants could be spent on building the capacity of the Scottish organisation and its partner. The Programme offered:

- Project Grants of up to £60,000 over period of three years
- Feasibility and Capacity Building grants of up to £10,000 in one year

Individual organisations could apply for one of each type of grant per year.

The programme aimed to build on the long-term relationships that small organisations have in partner countries, so applications for feasibility studies and Project grants had to demonstrate that there was a local partner involved in the design and delivery of the proposed activity.

Project grants also had to address the following priority themes:

- education, health, sustainable economic development, civic governance and society, food security, renewable energy, climate change and water.

The geographic focus of the Programme reflects the geographic focus of the IDF:

- initially all funding applications focussed on the Scottish Government's seven partner countries in Sub Saharan Africa and South East Asia which were the priorities[1] at that time.

The geographic priorities changed following the publication of the Scottish Government's new strategy in 2016 which a reduced the geographic focus of the IDF to four countries. This resulted in a change to the criteria for Small Grants Programme:

- Project grants (up to £60,000) could be awarded for work only in the three priority countries of Malawi, Zambia and Rwanda.

---

[1] Malawi, Zambia, Rwanda, Tanzania, Bangladesh, Pakistan, and the three poorest states in India.

- Feasibility and Capacity Building grants (up to £10,000) could be awarded for work in any country which was identified as low or medium of the Human Development Index, but with priority given to Malawi, Zambia and Rwanda

Eligibility criteria for applicants included:

- Small Scottish-based charities with an annual turnover of up to £150,000 (this limit was increased to £250,000 based on learning from the Programme)

- All applicants had to be constituted bodies

The development of the Small Grants Programme

In 2016, the Scottish Government made a commitment to retain the Programme in its new International Development Strategy (published December 2016). A second pilot was agreed for the period 2017-2019.

The purpose and structure of the Programme remained unchanged in the second phase of the pilot. There were however some changes to the Programme's focus and priorities which reflected:

1. changes in the Scottish Government's International Development strategy,

2. developments in International Development policy and practice, and

3. learning from the Programme Managers.

1) Scottish Government International Development Strategy

The new International Development Strategy[2] published in 2016 reduced the number of partner countries from seven to four, which resulted in a change to the criteria for the Programme as detailed above.

The new International Development Strategy reaffirmed Scotland's commitment to the achievement of the Sustainable Development Goals and all applications to the Programme had to demonstrate how they would contribute towards the Sustainable Development Goals, particularly goal number 1: the alleviation of poverty.

Reflecting the Scottish Governments more programmatic approach to international development, the Scottish Government also sought to encourage a joined-up approach between small grants and the main IDF. New guidance gave weight to small grant applications which showed links with organisations delivering main IDF projects in Malawi, Zambia or Rwanda which was perceived as adding value to these projects.

2) Changes in international development practice on safeguarding

In 2018 the Scottish Government published its Safeguarding policy in reaction to the iNGO safeguarding scandal. This resulted in amendments to grant conditions for all grant holders, including the Programme. This amendment required all funded organisations to have robust safeguarding policies in place (and have carried out

---

[2] Global Citizenship: Scotland's International Development Strategy

due diligence on their in-country partners). This increasing focus on accountability has also resulted in increased focus on financial due diligence.

3) Learning from the Programme Managers

The Scottish Government embedded a 'learning process' so that that the learning from the Programme management could inform Programme development. Annual learning reports produced by the Programme Managers identified issues which have resulted in a number of practical improvements to the programme processes such as:

- changes to the timing of the call for applications,

- improvements to application forms,

- changes to the Programme eligibility criteria (organisations with turnover up to £250,000, increased from the previous limit of £150,000).

In the second phase of the pilot, the learning reports have had a strong emphasis on improving accountability and aligning the Programme processes to reflect the changing policy and good practice environment in international development. The Programme Managers developed a scoring matrix to provide a robust basis for grant assessment and strengthened processes around:

- safeguarding

- financial accountability/due diligence

- monitoring and evaluation (including use of log frames for all Project grant applications)

- incorporating the recommendation to report on the gender split of beneficiaries.

Chapter 3: Performance of the Small Grants Programme

What has the Programme funded?

The Programme has made annual five calls for applications in 2014 to 2019, and a 2020 call which is funding one-year capacity building and feasibility studies only[3]. The budget for each round in years 2014-2109 was £500,000. A reduced budget of £300,00 was given for the 2020 call.

Number of applications

Originally the Programme had anticipated around 50 applications per call[4]. The actual number of applications has been considerably lower with an average of 25 applications per call. The total number of applications over all six calls has been 175 of which 150 were eligible applications.

Table 1: Number of applications to the Programme in each call

Year	Feasibility	Capacity Building	Project Grants	Total no. per year	No. of eligible applications
2014	6	2	21	29	20
2015	6	2	14	22	19
2016	5	3	21	29	26
2017	3	2	17	22	20
2018	3	5	10	18	14
2019	6	8	15	29	25
2020	10	16	*N/A	26	26
Totals	39	38	98	175	150

*The 2020 round was a limited call for Feasibility and Capacity Building grants only.

Number of awards

The original proposal for the Programme had anticipated that it would fund around 20 project grants per year (at approximately £20,000 each) and around 10 feasibility/capacity building grants (at approximately £10,000 each).

The Programme has made 80 awards in total in response to the six funding calls (2014-2019), which breaks down to:

- 42 Project grants (average 7 awards per call)

---

[3] The decisions on the 2020 call were pending at time of writing
[4] Proposal to Scottish Government from NIDOS and SMP

- 20 Feasibility grants
- 18 Capacity Building grants

Spend per year

The budget for the Programme was £500,000 p.a. in each of the 2014-2019 rounds. The budget has not been fully spent in any year. Table 2 presents the number of awards made in each call and the total spend in each year. Note the decisions on the 2020 call are pending at time of writing and are not included.

Table 2: Number of awards and spend in each call 2014-2019.

Year	AWARDS				Total spend per funding call
	Feasibility Grants	Capacity Building	Project Grants	Total No. of awards	
2014	3	1	7	11	£431,279
2015	5	2	8	15	£459,201
2016	4	2	8	14	£476,924
2017	1	1	8	10	£479,117
2018	2	5	5	12	£338,810
2019	5	7	6	18	£486,525
Total #	20	18	42	80	
Total £	£187,362	£164,666	£2,301,828		£2,653,856

Number of award-holders

The 80 awards were made to 43 organisations. Several organisations have made multiple applications and have received several awards. Of the 43 award holders, 25 organisations have secured one grant and 18 have secured 2 or more awards. (See Table 3 Appendix 1 for full breakdown).

Profile of award-holders

There is no record of the turnover of applicants/awardees at the point of application. Using OSCR data, we have estimated the profile of successful applicants. (See Appendix 1 for method and limitations of data.) This indicates that more than half of all grant holders are either very small or could be termed as micro-organisations. Of the 43 organisations:

- 16 (37%) had an income of less than £25,000.
- 8 (19%) had an income of less that £50,000
- 8 had an income of £50,000 to £100,000,
- 6 had income between £100,000 and 200,000,

- 1 had an income of over £200,000.

Across the 6 calls there were 18 applications from diaspora-led organisations. Note that this is number of applications, not organisations and some applicants made several applications. From 18 applications, 6 awards were made over the period.

Spend profile in partner countries

Table 3 shows the number of awards, the category of award and the spend in each country over the period 2014-2019. Just under half (49%) of all spend has been awarded to organisations that focus on Malawi, followed by 14% on Tanzania, 13% on Zambia, 11% on India, and 3% each on Bangladesh and on Rwanda. The spend in each of the remaining countries represents less than 0.5% of the total Programme spend.

Table 3: Number of awards and spend in each country

	Feasibility grants	Capacity Building grants	Project grants	No. of Awards	Total Spend £
Malawi	4	5	22	31	1,292,695
Zambia	2	4	6	12	375,084
Tanzania	6	4	5	15	349,155
India	1		5	6	292,385
Bangladesh	2		1	3	79,940
Rwanda	1		1	2	69,620
Zambia/Tanzania	1		1	2	68,200
Malawi/Zambia			1	1	59,800
Scotland/Tanzania		2		2	17,697
DRC	1			1	10,000
Myanmar/Scotland		1		1	10,000
Mozambique		1		1	9,577
Kenya	1			1	9,517
Pakistan	1			1	7,386
*Scotland		1		1	2,800
Total	20	18	42	80	2,653,856

*Capacity building grants do not need a partner and funding can be spent on building capacity of the Scottish based organisation

Fit with priority themes

The assessment process ensured that all successful applicants addressed the priority themes. Table 4 shows the themes that award holders addressed over the 6 funding rounds from 2014 to 2019. The learning reports highlight that many applicants identified that their work addressed more than one theme, so the number of themes (96) is greater than the number of awards (80).

Table 4: Priority themes addressed by the Programme

Theme	Number of awards focusing on this theme
Education	22
Health	31
Sustainable economic development	27
Civic Governance/society	2
Food security	6
Renewable energy	5
Climate change	2
Water	1

Has the Programme delivered on its strategic purpose?

The assessment process ensured that all funded projects could demonstrate 'fit' with the specific Programme objectives. Any application that did not meet the Programme objectives was not recommended for funding.

However, this section considers the extent to which the Programme has achieved its wider purpose and dual strategic aims of:

- growing scale and capacity of the international development sector in Scotland
- enhancing Scotland's contribution to the global fight against poverty (development impact).

There are however two challenges in assessing the achievement of the strategic objectives:

1. **The objectives are not specific and are not measurable**. The Programme has multiple objectives relating to building the scale and capacity of the sector. The objectives lack clarity and there is a degree of overlap and duplication between objectives. There are no measures of success, and no indicators were developed to measure or demonstrate the achievement of the objectives.

2. **There is limited data**. The Programme Managers have collected data on the performance of the Programme, but in the absence of clear indicators or measures of success, there is limited data to assess the extent to which the Programme has achieved the specific objectives. The Programme does not track organisations or outcomes beyond the life of the grant, so where data does exist it is limited to the timeframe of the grant.

What evidence do we have to assess achievement of objectives?

Table 5 presents a list of the multiple objectives of the Programme and identifies the sources of evidence to demonstrate the achievement of these objectives.

Table 5 demonstrates that there is limited hard evidence on which to assess the achievement of individual objectives. In order to provide some assessment of the extent to which Programme has achieved what it set out do, we have analysed evidence from a range of sources to consider the two key aims of the Programme:

- Has the Small Grants Programme built the capacity of the sector?
- Has the Small Grants Programme delivered development impact?

The evidence for this analysis has been drawn from interviews with 15 applicant/award holders, interviews with other stakeholders and review of Programme Management information.

Table 5: Assessment of the available evidence against each objective

Aim	Sources of evidence
The stated aim of the Programme was: *"to build capacity and upscale small international development organisations so that they can go on to bid for funding through the International Development Fund ("IDF") and from other funders.*	Numbers of organisations that applied / secured funds through IDF and other Scottish Government funds. Evidence from interviews (NB. sample only)
Objectives	
1) to enhance Scotland's contribution to the global fight against poverty through activity which is clearly designed to support the achievement of the MDGs /SDGs and economic growth in developing countries	No evidence
2) build capacity by supporting the growth of small Scottish international development organisations	Anecdotal evidence from interviews
3) develop a pool of stronger Scottish headquartered organisations that could in the future bid effectively for funding through our International Development Fund (IDF)	Limited evidence. Numbers of organisations that have applied/been awarded funds through IDF
4) engage a larger number of diverse smaller organisations – either small NGOs or community driven projects – to encourage further innovation	This objective is lacks clarity and is not measurable.
5) over time, upscale the operations of small organisations through project, feasibility, and capacity building grants	Evidence from programme management reports
6) develop a wider pool of Scottish expertise and experience by increasing the number of Scottish organisations able to engage in the Scottish Government's International Development work	Limited evidence. Number of organisations securing funding from IDF.
7) to develop understanding and learning on the effectiveness of the proposed approach to international development.	Evidence contained in Learning reports.
8) to facilitate south-south exchange, bids that additionally involve one or more other partner countries in that region will be considered as long as the main country for the block grant is identified and the rationale and benefits for inclusion of the additional countries are clearly stated.	No evidence

Has the Programme built the capacity of the sector?

A specific aim of the Programme was: *"to build capacity and upscale small international development organisations so that they can go on to bid for funding through the International Development Fund ("IDF") and from other funders."* This was assessed by reviewing:

1. the number of award holders that went on to secure additional funding, and
2. evidence of increased capacity of award holders.

1) Number of award holders securing additional funding

Data held by Corra Foundation allowed us to track those organisations from the Programme that went on to apply and secure funding through other Scottish Government Funds.

Table 6: Number of organisations who went to access larger funds

	Number of award holder that applied	Number that secured funding
Climate Justice Innovation Fund (CJIF)	4	2 with one holding two CJIF awards
Main Grants Programme	4	2

The data also shows that another three small organisations which had applied unsuccessfully to the Programme also applied unsuccessfully to the CJIF.

The Programme does not collect data on other sources of funding secured by Programme award holders, so we do not know the level of leveraged funds. However, interviews with a sample of applicants identified that some had secured other sources of funding:

- three organisations had secured funding from the Small Charities Challenge Fund (SCCF) funded by the Department for International Development (DFID). A further four organisations had applied but been unsuccessful,

- three had secured further funding from trusts/foundations (one award in region of £100,000)

- one (feasibility award) had enabled an organisation to secure funding for a capital project from a governmental source,

- one (feasibility study grant) had resulted in development of a new enterprise which secured Energy Catalyst Funding (Innovate UK) and had created new jobs in the partner country.

We also examined data on income levels of applicant organisations in the years after their Programme award to see if there is evidence of growth in income. This exercise was carried out using income levels reported in annual returns to OSCR. While recognising the limitations of the data, the pattern shows:

- a small number of Programme holders have seen a demonstrable increase in income over time suggesting a growth trajectory,
- the majority of grant holders show an increase in income only over the period of the grant, and a stepping down of oncome levels post-grant. This highlights the fact that project-based funding often leads to sudden increases in turnover which are not sustained beyond the end of the project.
    - funders and other stakeholders commented that this was common for small organisations and evidence of the challenges for small organisations in sustaining growth.

2) Increased capacity

Although there is no measure of 'increased capacity', interviews with award holders demonstrated that applicants had increased their capacity in different ways:

- Capacity building grants had enabled small organisations to 'buy in' specific capacity building support including support for strategic planning, for monitoring and evaluation systems etc.

- Capacity building training delivered by SIDA had built knowledge and skills in a range of topics including safeguarding, report writing etc.

- The Programme processes (for example the requirement on applicants to develop project plans, M&E plans, the requirement for annual reporting etc.) has built skills within organisations.

Although some respondents had been challenged by the Programme processes many also reported that the process, and the feedback that they received from Corra on their reports had resulted in 'a more effective, planned approach to what we are doing'. As described by one interviewee:

"It's been a developmental process. We could never have seen the opportunity to do what we are doing now without the first, early stages"

(Applicant in receipt of Feasibility and two Capacity building awards)

This demonstrates that participation in the Programme has resulted in the development of skills and experience for small organisations which improved the capacity of organisations to plan and deliver effective projects.

There is one objective which is particularly difficult to assess: Objective 4: to engage a larger number of diverse smaller organisations – either small NGOs or community driven projects – to encourage further innovation. This objective lacks clarity and it is not clear exactly what evidence would indicate success. Review of programme management reports show that the Programme has supported a small number of organisations who were not previously involved in international development, but we cannot comment on whether this has enhanced the capacity of the sector or supported innovation.

Has the Programme delivered development impact?

The Programme's design did not include any ex-post evaluation in project grants or in the contract for the management of the Programme so there is no evidence either of positive development impact or of unintended negative consequences. Within the limited scope of the review the evidence suggests that the funding delivered through the Programme has delivered the planned activities and outputs. This has been supported through robust programme management processes which has held organisations to account for the delivery of activities and through six monthly reporting.

However, there was also a small number of projects in the portfolio that did not deliver the anticipated results or lacked the scale or timelines to tackle the issue they were seeking to address. While 'failure to deliver' is not an issue that is specific to small grant holders or small organisations, the risk in the case of micro-organisations is high due to limited skills, experience and capacity (and sphere of influence) of very small organisations to address the challenges in the project countries.

Since 2017, the Programme management processes have encouraged a greater focus on gathering evidence of outcomes. Grant holders have been supported to develop monitoring and evaluation processes to improve reporting on outcomes. While some projects can demonstrate outcomes at the project level (during the life of the project grant) there is no mechanism to understand the longer-term impact at the project level, and therefore on the wider impact of the Programme.

However, stakeholders and award holders gave examples to demonstrate impact at the local level. A project partner (in Zambia) provided a written response which included:

> *"The trauma training is another component which has equipped the Health personnel again with knowledge on how to handle emergencies more especially road traffic accidents … So, after trauma training the district has seen reduction in victims dying at the point of accident due to, for example excessive bleeding or and having blocked airways."*

The Malawi Scotland Partnership (MaSP) also highlighted the additionality of the Programme at the local level in Malawi. The Programme supported the development of some very small organisations - funding enabled them to reach individuals and communities in very rural areas that otherwise would not have been reached. MaSP also report that the Programme has helped to increase the connectedness of small organisations, enabling them to develop connections between communities, other organisations and local service providers which would be challenging for larger NGOs to achieve. Involvement in the Programme has also built the capacity of small organisations, as they have developed project management and implementation skills and gained experience which will enable them to apply for and manage larger grants.

Has the Small Grants Programme delivered value for money?

As previously stated, the original Programme design did not include any ex-post evaluation in project grants or in the contract for the management of the Programme

so there is no evidence of development impact. In the absence of evidence of impact, and of an impact evaluation framework, it is not possible to comment on the extent to which the Programme delivers value for money.

At the Programme Management level, there is a robust approach to value for money which focuses on effectiveness in use of funds where:

- The assessment stage involves scrutiny of budgets to ensure that input costs are realistic (in relation to the proposed outputs) and offer effective use of funds.

- Programme managers hold grant organisations to account for spend and delivery of outputs through interim reporting.

- The Programme maximise the spend in the partner country by controlling the percentage of the fund which can be spent in Scotland (8%).

While there are robust processes for budget management, award holders commended the Scottish Government and the Programme Manager on flexibility in the use of funds. Award holders reported that they had been able to negotiate changes in budgets in response to changing circumstances which had enabled them to 'realise a better outcome'.

The original SMP/NIDOS proposal for the Programme argued that funding small organisations represented 'value for money' in a number of ways:

- low overheads associated with smaller organisations,

- high levels of volunteer input,

- the likelihood of sustained of impact through long-term relationships with partners

The proposal also anticipated that funding smaller organisations would support greater innovation.

While interviews with award holders confirmed the vast number of volunteer hours and high levels of expertise which volunteers brought to the projects, the Programme did not develop any mechanisms to test the validity of these assumptions and there is little research to validate the 'value for money' argument in relation to smaller organisations.

Learning from literature

Interviews and research on other small grants programmes reveal that the 'value for money' assumptions which have underpinned the Scottish Government's Small Grants Programme are widely quoted as justification for funding programmes aimed at smaller organisations. However, while commonly accepted, there is little evidence to back up these assumptions.

A recent review of DFID's partnerships with Civil Society Organisations (CSOs) by the Independent Commission for Aid Impact[5] (ICAI) reports that there is little

---

[5] DFID's partnerships with civil society organisations, A performance review, ICAI, April 2019

evidence that small UK CSOs are either more likely to achieve lasting impact than large CSOs or are more innovative.

- An assessment of DFID's Civil Society Challenge Fund (a fund that focused on small UK CSOs and that was terminated in 2015) found that the evidence did "not support the hypothesis that public funding of small NGOs through the fund can be justified by positive empirical evidence of its impact".

- A 2014 external evaluation of one of DFID's centrally managed funding streams came to a similar finding, and also found that smaller grantees "were not especially successful at innovation" as they had a lower risk appetite than larger CSOs, smaller networks, and were not as good at capturing lessons from innovation.

In relation to the 'value for money' argument, the ICAI review also highlights that fact that Programmes aimed at small organisations frequently require more investment in programme management as small organisations need support to apply and require increased levels of management throughout the delivery phase.

Research for the Baring Foundation[6] identified that smaller organisations that are 'trying out new ideas' will have difficulty in demonstrating impact in the timescale demanded by institutional funders. The need for governmental funders to demonstrate impact therefore puts unrealistic expectations on funded organisations and the research exhorts funders to 'accept the long-term timescales needed for real change'.

> '*the rush for demonstrable results in the short term, using quantitative methods (not useful in some contexts) is often not realistic*'.[7]

In this context, the research questions the efficacy of government funding for small organisations and suggests that the requirement on government funders to demonstrate accountability and value of money means that private trusts and foundations have particular strengths as funders of smaller international organisations.

The research also questions the ability of governmental funders to provide the flexibility to meet the challenging circumstances in which many small international organisations are working, and the independence from politically driven agendas. The report again highlights that trusts and foundations can '*reduce bureaucracy, developing more sensitive approaches to accountability than governments and international agencies can*'.

---

[6] Learning from international development grant making: a review of the Baring and John Ellerman Foundations' programme, The Baring Foundation 2012

[7] Excerpt from: Learning from international development grant making, Baring Foundation 2012

Chapter 4: Effectiveness of the Programme Design

This chapter reviews the design of the Programme to assess the extent to which the Programme structures and processes support the achievement of the objectives. The analysis is based on interviews with applicants and award holders, interviews with stakeholders and review of programme documentation. It also uses learning from the literature review and from interviews with other funders.

Rationale for the Programme design

As outlined in the introduction, the original SMP/NIDOS proposition was that a funding programme aimed at smaller organisations would create an opportunity to build the capacity and support the growth of small and impactful Scottish international development projects and develop a pool of stronger Scottish headquartered organisations that could in the future then bid effectively for the main grants programme and make the main programme more dynamic and varied.

The design of the Programme proposed by SMP/NIDOS[8] was therefore focused on the growth and development of Scottish based organisations through:

- Feasibility grants to develop and test new project ideas,

- Project grants to support delivery over three years,

- Capacity building grants to build the capacity of the small organisations in Scotland and their partners.

In the submission to Ministers in 2019, the aims of the Programme were extended to capture the aspiration for local development impact. The aims of the Programme in that submission included:

- Focus (within the spectrum of the MDGs) on the priority needs of local communities

- Strengthen local community capacity and invest in local community assets within the communities

- Empower these local community groups and structures to influence local decision makers

While the first objective of the Programme encapsulates the general aspiration for local development impact (Objective1: to enhance Scotland's contribution to the global fight against poverty through activity which is clearly designed to support the achievement of the MDGs /SDGs and economic growth in developing countries), the specific aims of strengthening local community capacity and empowering local communities to influence decision makers do not appear explicitly in the final version of the Programme (as described in the invitation to tender for the Management of the

---

[8] NIDOS /SMP Discussion Paper, July 2011

Programme in 2013) [9] . It is not clear from the available documentation whether there was a subsequent decision to remove these aims, but the final Programme design did not adopt these aims. This suggests a mismatch between the original aspirations for the Programme and the Programme design.

Capacity of the Programme

Before considering the effectiveness of Programme structure and processes in supporting the achievement of objectives, this section reviews the assumptions underlying the design of the Programme. It considers:

1. The need/demand for funding from the sector
2. The aspirations and capacity for growth in the sector
3. The accessibility of the other funds for small organisations (i.e. the existence of a funding pipeline).

These will be discussed in turn:

1) Demand for funding from the sector

While a key reason for the Programme was that there were few sources of funding for smaller organisations, the demand for the Programme has been lower than anticipated and the annual allocated budget has never been fully utilised.

The learning reports produced annually by the Programme Managers have consistently identified low level of demand for the Programme, and in particular the low demand for feasibility and capacity building grants. While there has been stronger demand for Project grants, the learning reports have identified weaknesses in:

- the quality of applications,
- the capacity of small organisations,
- the capacity of governance structures within small organisations etc

While the Programme Managers have made practical recommendations to address these issues (for example, recommendations on the marketing of the Programme, training for applicants etc) the issue of demand would appear to be linked to a mismatch between the profile of the sector in Scotland and the Programme objectives.

The profile of the sector

The international development sector in Scotland is characterised by very small organisations:

---

[9] Invitation to Tender: Administration & Management of Scottish Government International Development Small Grants Scheme, Scottish Government 2013

- Based on OSCR date, over 60% of Scottish registered organisations who could have relevance to international development have an income of less than £25,000. (see appendix 2 for further information on the profile of the sector)

- Nearly one third (29%) of the membership of SIDA have an income of less than £20,000.

- This income level strongly suggests that many of these organisations are reliant on volunteers.

While the rationale for the Programme was to grow small organisations, the prevalence of micro-organisations is also a limitation due to the limited capacity of very small organisations to apply for and manage funding.

In interviews, micro-organisations (volunteer-led) identified that the investment of time required to submit an application to the Programme was a significant barrier to application. Trustees reported that the opportunity cost of making an application was high i.e. the time spent on developing application meant that other work of the charity was effectively 'on hold'.

Geographic focus of the sector

The existing data does not provide a breakdown of the geographic focus of small international development organisations in Scotland, but the pattern of demand for the Programme highlights a number of issues around the fit with the Programme's geographic priorities.

The majority of demand and the greatest number of awards (31 of 80 awards) have been for activity in Malawi, which reflect the historic links and the number of organisations with existing relationships in Malawi. Nearly half of all Programme spend (49%) has been awarded to organisations working with partners in Malawi

There have been only two awards in Rwanda, which reflects the small number of Scottish organisations operating in Rwanda /few historic links in Rwanda.

While demand for Project grants has been stronger that demand for Feasibility and Capacity Building grants, the changes in the geographic priorities for the Programme (which reflected the new International Development Strategy 2016) has affected demand for project grants to some extent. Prior to the change in geographic focus, Project grants had been awarded to organisations working in Bangladesh, Tanzania and in the three priority states in India. These areas are no longer priorities for the Scottish Government's IDF.

The Programme Managers reports identify that demand for Feasibility and Capacity building grants has also been low throughout the life of the Programme. Changes to the criteria in the 2018 funding round opened eligibility for these grants to organisations working in all countries designated as having medium/low development on the UN Human Development Index. This increased the accessibility of the Programme to larger number of organisations within the sector, and resulted in a small increase in demand for Feasibility and Capacity building grants.

Table 7: Number of applications for Feasibility and Capacity Building Grants per funding round

Funding round	No. of applications for Feasibility	No. of applications for Capacity Building
2014	6	2
2015	6	2
2016	5	3
2017	3	2
2018	3	5
2019	6	8

Of 22 applications for Feasibility or Capacity building grants received in 2108 and 2019 (after the change in eligibility criteria):

- 9 were from organisations working in the partner countries of the current IDF (post 2017)

- 5 were from organisations working in countries which had been priorities in the previous (pre 2017) IDF (i.e. Tanzania and Bangladesh)

- 7 were for work in 'new' countries not previous included in the IDF but with low/medium development on the UN Human Development Index

- 1 for capacity building of the Scottish organisation.

Table 8: Capacity Building and Feasibility grant applications by country in 2108 and 2019

	Number of applications for Feasibility studies	Number of applications for Capacity Building
Malawi	2	2
Zambia		4
Rwanda	1	
Tanzania	1	3
Bangladesh	1	
DRC	1	
Kenya	1	1
Uganda	2	
Mozambique		1
Myanmar/Scotland		1
Scotland		1

2) Aspirations and capacity for growth

The profile of the sector also places limitations of the aspirations and capacity for growth. The underlying principle of the Programme is that small organisations want to grow. However, interviews with small organisations ascertained that some small organisations did not have aspirations to grow their organisations, although this does not mean that they did not have aspirations to deliver impact.

> *'We have skills and expertise to share – that's our driver – to share that – it's not about growing us as an organisation'*

> *'Our model is not about growing us - it's to support our partners to grow.'*

> *'Staying small works for us. Getting bigger would just mean more of our time spent on applying for funding and grant management. For us, it's all about the relationships we have [in the partner country] and building on them. We can see that it has real impact'.*

The scale of many award holders (micro-organisations) and the finite limits to volunteer time mean that the capacity for growth is limited in some organisations.

> *'We've thought about growth, but it would take more time to manage more money – and we just don't have more time'*

While the Programme seeks to deliver sustainable impact, interviews with micro-organisations also identified that their small scale and corresponding restricted sphere of influence was a limitation on their capacity to deliver sustainable impact at the local level.

3) Access to other funding

The stated of the Programme was '*to build capacity and upscale small international development organisations so that they can go on to bid for funding through the International Development Fund ("IDF") and from other funders.*' However, research and expert opinion highlighted the lack of funding sources for small international development organisations, and the intense competition for those which do exist.

> *"There is no pipeline for small charities. Small organisations [referring to organisations under £500k turnover] are fighting for a very limited number of funding sources."* (Funding Expert)

Research for Bond[10] on funding trends in the UK international development sector highlighted that the major sources of funding for small organisations were trusts and foundations (36% of total income) and individual giving (32% of income).

The Bond research also showed how sources of funding had changed over time by comparing changes in the sources of funding in the period 2003-6 to the sources in the period 2013-16. For small organisations this showed a dramatic reduction (90%)

---

[10] Financial Trends for UK-based INGOs: An analysis of Bond members' income between 2006 and 2016, 2018, BOND, 2019

in the funding raised from corporates (grants and sponsorship) which highlights a further challenge in the funding landscape[11].

Funding experts also reported that even where funds aimed at small charities do exist, these 'larger' small organisations are better placed to secure these funds, often due to organisations having access to professional fundraisers, so even targeted 'small grants' programmes can feel inaccessible to very small, micro charities.

The inaccessibility of other funding sources was confirmed through interviews with Programme awardees who reported that they knew about other funding sources such as the Small Charities Challenge Fund but did not feel 'ready' for the scale and complexity of these types of grant processes.

Effectiveness of the Programme structure

How does the Progression structure support growth of small organisations?

The Programme is focused on building the capacity of small organisations and is designed in such a way as to provide a structured pathway for growth through feasibility, capacity building, project grants. While it is recognised that the 'standard' approach would not be appropriate for all small organisations only 12 of the 43 award holders have used the elements of the development pathway offered through the Programme.

- 5 organisations held Feasibility, Capacity Building and Project grants
- 5 held grants for Feasibility and Project grants
- 2 held Project and Capacity Building grants

Of the remaining 31 organisations:

- 17 organisations had Project grants only (4 had more than one Project grant)
- 9 organisations received Feasibility awards only
- 4 received Capacity Building awards only
- 1 received a Feasibility award and a Capacity Building award.

Interviews with grant-holders highlighted the other elements of the Programme structure which were significant in supporting the development of the organisation and the capacity to deliver impact.

Interviewees reported that the duration of Project grants (up to three years) had been a significant factor in supporting organisational growth and capacity to deliver impact by:

- enabling them to work with partners to really understand what was needed and to plan/improve delivery, understand gaps and develop new approaches,

---

[11] It should be noted that the report categories small organisations as organisations with turnover of less £500K. 39% of SGP award holders are micro-organisations with an income of less that £25K

- building delivery skills and experience and developing the capacity of the organisation to be 'funder ready' (development of M&E systems, developing reporting skills etc).

Interviewees contrasted the benefit of longer-term funding with the challenges of short-term funding including stop/start activity, loss of momentum, potential loss of partners, and the time required to constantly re-apply for funding.

Some organisations also reported that securing a three-year grant had also allowed them to employ staff, which in turn had given the organisations some 'developmental resource' which had supported further growth.

Access to Capacity Building grants was considered a unique element of the Programme. In the context of the challenges for small organisations in securing core funding, capacity building grants had enabled organisations to build capacity for project planning, build the delivery capacity of the organisation and strengthen governance. It should be noted that Capacity Building grants have not always resulted in 'growth' of organisations, but organisations reported that they had made a difference in improving the quality of the work that small organisations are involved in.

> *'[Capacity building grants] have enabled us to build up to where we are now. We've got a better board, more expertise in governance, we've got a plan, and we've got the confidence and skills to deliver. But it's not all about developing us as a charity, it's about increasing our capacity to deliver in [partner country]. Sustainability for us means sustainable impact in [partner country], not sustainability of our organisation'.*

However, discussions on capacity building also highlighted a tension for volunteer led organisations. Volunteer time is finite and while trustees recognised the value and impact of capacity building on their organisations, they also highlighted that investment of time/resources in building the capacity of the organisation to be 'fundable' can reduce the amount of time available for 'doing the work of the charity' and can act as a disincentive to involvement in the Programme i.e. the cost to the charity in terms of the time involved in application, reporting etc and the time lost on other fundraising and delivery outweighs the value of very small grants.

Barriers in the Programme structure

Award holders also identified elements of the Programme structure which acted as barriers to achieving objectives.

The Programme limits the level of expenditure in Scotland to 8% of the total project budget. While applicants recognise the requirement to focus spend in the partner country, the limit of 8% of spend in Scotland is perceived as limiting the potential for organisational growth. As previously noted, many of the small organisations are solely dependent on volunteers. These organisations identified that 'volunteer resources are finite' and a Programme structure which restricted their capacity to employ staff also restricted the capacity for growth and professionalisation of their organisation.

> '*Funders need to recognise that without staff, we can't grow. Funding 'staff time' will support organisation to grow.*'

The Programme has a requirement that applicants have an in-country partner. This requirement seeks to ensure that projects involve local partners in planning and design, are embedded in local structures and are more sustainable in the longer term. However, interviews identified that the requirement for a partner can act as a barrier to the development of new activity in countries where there are fewer existing relationships (e.g. Rwanda). Another applicant also reported that this requirement had hindered their ability to replicate a successful approach in a new country, as they did not have existing partnerships in that country.

The change in Programme criteria in 2018 to support feasibility grants in countries out with the Scottish Government's three Sub-Saharan partner countries has made the Programme more accessible to the sector, However, while the Programme guidance states that these proposals 'can then be taken forward subsequently as project grant applications to other funders' applicants expressed some frustration that there are few avenues for funding projects arising from these studies.

In the context of the Programme acting as a pipeline for the IDF, the very small number of award holders who had considered the progression route from the Programme to the Main Grants Programme reported that the 'jump' from managing a £60,000 project to a Main Grant is too large, and that a 'stepped progression route' was required.

Award holders also suggested there were opportunities to augment the Programme design to better support organisational growth. These included:

- a fast-track application route for 'scaling up' that is a shorter process than the full application process
- access to targeted business advice to support organisations with growth aspirations.

Effectiveness of the Programme processes

We also asked applicants and award-holders about the effectiveness of the Programme processes and the extent to which these supported the Programme purpose and objectives.

Application Process

In general, applicants found the application process accessible and well supported. However, many applicants found the scale of the application forms and the level of information required to complete them to be both 'tiresome and stressful'.

As previously reported, some very small organisations and new applicants found time/level of resource required to make an application a disincentive. However, those which had made successful applications also commented that the rigour required through the application process 'helped to make delivery more effective'.

Larger or more experienced applicants did not find the application process challenging but did identify that the application form was 'too long'. The investment of time in applying for funds was significant and applicants suggested that a two-stage application process for Project grants might be more time effective.

Partners in Malawi also commented on the long lead in times for project development 'the timescale from the time of discussing the possible work with partners and colleagues to actually being able to start a project is between 8 and 24 months'

Support for application

There is a high level of support for applicants. The Programme delivers information days which provide prospective applicants with the opportunity to find out about the Programme priorities, eligibility criteria, and assessment criteria and to find out 'what makes a good application'. In response to requests from the sector, the partners also delivered a webinar to increase accessibility of the information to those who couldn't attend the events and the information day was made available on video.

The Scottish Government International Development Team also attend the information days, providing a direct link with the donor which reinforces the sense of 'connection' between the small charities and the Scottish Government and gives confidence to applicants in the 'value' of smaller charities to the IDF.

The information sessions also provide an introduction to the 'network organisations' which provide support to new applicants: The Scottish Government funds SIDA to provide technical support to applicants – help in application writing, in developing project plans, budgets, and monitoring and evaluation plans. SMP provides support to applicants that propose work in Malawi and access to the SMPs networks in Malawi. SMP also offer a bid reading service which provides advice and feedback prior to application. Applicants highlighted that value of the support from the two network organisations and the value of the opportunity to develop peer relationships with other international development organisations.

Applicants also commented on the value they placed on support available through the network organisations post-application:

- SIDA also runs training sessions for applicants and awardees on issues such as monitoring and evaluation, report writing etc and provides mentoring to awardees to support them through the process.

- SMP also provides ongoing networking opportunities for grant holders and frequently provides practical help to grant holders to support delivery based its extensive knowledge of systems in Malawi and its of network of contacts

Assessment

The Programme Managers have developed a scoring matrix which forms the basis for assessment. However, all applicants also get a telephone assessment call. Applicants liked the opportunity to speak to someone about their application, one stating that *"it's much easier to get your passion over in a telephone call"* and the opportunity to explain any issues or misunderstandings in the application

information. Applicants can involve partners in the assessment call, although few have participated to date.

Applicants report that the assessment process has become more demanding of them. One applicant described the assessment as 'harsh'.

> *'We are not international development professionals; we are a group of individuals with skills and experience that we want to share'*

The Programme Managers score all valid applications and make recommendations to the Scottish Government based on RAG rating. All final decisions on funding are made by the Scottish Government after being signed off at Ministerial level.

Relationships

Many of the award holders had received considerable levels of support from the Programme Managers over time and applicants praised the 'approachability' of the Programme Managers "*I know I can pick up the phone to [programme manager] at any time*". Award holders described 'purposeful and supportive' relationships and 'flexible and enabling approaches' of the Programme Managers. One award holder reported that "They worked with us to help us achieve what we wanted to do", and another reported that the enabling approach had enabled the organisation to "realise something even bigger than we first anticipated".

Reporting

While applicants recognised the need for reporting and accountability, there is a lot of anxiety over reporting among the smaller organisations. Reporting was described as daunting and onerous, and there was uncertainty around what was required in terms of reporting. One interviewee stated:

> '*It's not clear what they want from us*'

The Malawi Scotland Partnership (MaSP) also a core funded organisation of the Scottish Government highlighted that the intensity and frequency of the reporting was challenging for very small organisations in Malawi and the level of reporting seemed disproportionate to the very small sums of money that projects were receiving.

While more experienced fund holders did not find the level of reporting challenging, they commented that the focus of reporting on results means that organisations feel pressure to demonstrate success and are therefore less likely to share the challenges and learning from project delivery.

Drive for increasing professionalisation of the Programme

Applicants in Scotland and partners in Malawi reported that the application process, assessment and reporting had become more stringent over time.

The Programme Managers recognise that the requirements on applicants have 'grown over time' in an incremental way. These changes have been driven by the need for compliance with the Scottish Government's requirements for accountability and the changing policy environment and 'good practice requirements' i.e.

safeguarding, financial due diligence etc. These issues have invariably added to the existing information/due diligence requirements without taking anything away. In recognition that incremental changes have driven up the 'quantity' of information required of applicants, the Programme Managers recommend a complete review of the application, assessment and reporting processes for any future Programme.

The Scottish Government has recognised the challenges of increasing compliance for small organisations and sought to support them. For example, when Scottish Government introduced requirements to have safeguarding policies, following the safeguarding scandal in 2018, the Scottish Government approach included funding SIDA to provide training and support for small organisations to develop safeguarding policies, and allowed organisations to apply for capacity building grants to develop safeguarding policies with partners.

Some applicants reported that the requirements to meet the increasing conditions were burdensome and while they recognised the need for accountability and to respond to safeguarding issues etc, they questioned the applicability of some policies to the scale at which they were operating. Some also questioned their own 'sphere of influence' and capacity as micro-organisations to influence cultural beliefs and behaviours at the local level. For example, in relation to safeguarding, one interviewee said:

> '*As a very small organisation, we have no official status with our partner*'

While applicants applauded the Scottish Government's explicit support of small organisations and perceived the Scottish Government as a 'supportive donor', some, especially micro-organisations, felt that the processes were misaligned with the capacity of very small organisations, which are mainly volunteer-led, and felt that the expectations on trustees were unrealistic. As stated by one trustee:

> " *We are all trying to achieve the same thing [the sector and the Scottish Government] but the processes get in the way*".

The drive for increased accountability has also affected relationships between the Programme Managers and some grant holders who feel that level of scrutiny is disproportionate.

Learning from other funders

While the interviews with Programme award holders suggest a number of weaknesses in the Programme processes, it is important to contextualise the responses and recognise that many of the issues raised by award holders are not specific to the Programme, but reflect the challenges in the funding environment for small iNGOs involved in international development. Research by the Baring Foundation[12] described the funding context for small iNGOs:

---

[12] Learning from international development grant making: a review of the Baring and John Ellerman Foundations' programme 2012

'The context is one of intense competition for funding among NGOs, extensive time spent in applications, pressure to over-promise ambitious targets and to show success to get continued funds'

The challenges for funded organisation identified in the Baring Foundation's review are listed in the box below. The challenges echo many of those identified in relation to the Scottish Governments Small Grants Programme.

---

1. There is a lot of fear/anxiety in relation to high donor demands around grant making.

2. There are high levels of anxiety around grant seeking because of the intense competition and the high expectations based on target setting.

3. The growing reliance on paperwork and complex documentation appears to be replacing the need for good relationships and spaces for negotiation and shared problem solving.

4. The high costs of completing applications involving extensive paperwork, and growing monitoring and evaluation demands are not covered by the grants given.

5. There is very limited availability of funds for skills building and covering core costs.

6. The rush for demonstrable results in the short term, using quantitative methods (not useful in some contexts) is often not realistic.

7. The 'diminishment of staff' as reliance on fixed paper-based plans and evidence replace confidence in their judgment; they are increasingly working within narrow bureaucratic constraints. Essential skills for development such as initiative, understanding of context, ability to work well with people are being squeezed out by rigid systems approaches.

8. Multiple and contradictory formats, tools, focus, and the ever-changing ideas coming from different donors, makes it difficult for partners in Africa to follow or to work with these changes. Local staff feel they get little support to develop their skills, and they need many as development work is complex and demanding, while demands from the donors increasingly take time and attention away from the work at the local level.

Chapter 5: Future for the Small Grants Programme

This chapter considers the extent to which the aim and objectives of the Programme are still fit for purpose and the options for the Programme going forward.

Are the aims and objectives fit for purpose?

In addressing the robustness of the aims and objectives of the Programme we considered the learning from the review and lessons from other funders. The learning from the review has identified:

Multiple objectives

The multiple objectives and lack of any clear measures of success have resulted in lack of clarity around what the Programme is trying to achieve.

The review also highlights that the stated aims and objectives of the Programme diverge somewhat from the sectors aspirations for the Programme.

Both of the above contribute to differing expectations of the Programme among different stakeholder groups.

Evidence of success

The stated purpose of the Programme was 't*o build capacity and upscale small organisations and enable them to bid for funds from the IDF and other funders.*' While there is evidence that small organisations have developed their capacity through the Programme, the total number of organisations that have achieved this particular indicator is small.

The Programme also aimed to '*enhance Scotland's contribution to the global fight against poverty'.* While there is evidence that individual projects have achieved their project level objectives, there are no mechanisms to measure the impact at the project or programme level.

Issues impacting the capacity of the Programme to achieve its objectives

The review indicates that some of the original assumptions which underpin the design of the Programme are tenuous:

- There is a mismatch between the Programme aims and the capacity of the sector;
- Scotland's international development sector is characterised by a large number of micro-organisations;
- The aspirations and capacity for growth of micro-organisations are limited;
- The Programme assumed small organisations could sustain growth through access to other funding opportunities;
- Funding opportunities for small organisations are extremely limited and highly competitive;

- There is little evidence that small organisations can sustain growth through project funding.

Learning from other government funders

We interviewed a number of other funders to understand the rationale and objectives of other funding programmes and to learn from their experiences. The research revealed that the drivers for the establishment of small grants funds were often similar to the drivers for the development of the Scottish Government's Small Grants Programme: a call from the sector to recognise the diversity and the unique contribution of smaller organisations to international development.

Funders reported that the rationale for supporting smaller organisations was also broadly consistent with the rationale for the Programme and included:

- smaller organisations are often involved in niche work, or relationship-based work in local communities which is more likely to achieve lasting impact;

- smaller organisations will bring innovation/new ideas to the sector;

- smaller, local organisations are better at engaging the public and building support for international development.

Other funders' experience of supporting small organisations highlighted similar challenges to those experienced in the delivery of the Programme:

- The challenge in balancing proportionality and managing risk

- The lack of capacity in small organisations

  o the need to support organisations to develop governance, safeguarding, M&E which takes time and resources (higher administration costs of Small Grants)

  o the reliance on a very small group of trustees, often with limited knowledge/experience of systems and legislation in country to address issues when things go wrong)

- The requirement of small charities for core and flexible funding to support organisational costs, which reduces the proportion of donor funds going to project deliverables

- Dependency/reliance on on-going funding in the absence of other funding routes.

- Challenges in identifying the impact of small grants

These findings highlight common challenges for funders of small organisations, in particular the challenges of balancing risk and proportionality in the management of Programmes and the challenge of demonstrating programmatic impact.

Other governmental funders also identified that small grants programmes served to build better relationships with the sector and learn about the best ways to work together. In interviews, applicants and the network organisations commended the Scottish Government for its explicit support of small organisations and not only valued the access to funding but also the opportunities which Scottish Government

provided to be part of 'an engaged network'. The Programme has clearly been an effective mechanism to build relationships and goodwill with the sector in Scotland.

Conclusion on the aims and objectives of the Programme

The research has highlighted that the drivers for the development of the Programme and the Scottish Government's rationale for supporting smaller organisations was broadly consistent with that of other similar funding programmes.

The Programme also exhibits many elements of good practice[13] in the level of support which it offers to build the capacity applicants and award-holders i.e. through the funding of network organisations, through the Programme Management processes, but also through capacity building grants which have contributed to building the organisational capacity and supporting the 'core' costs of small organisations. The Programme has also striven to create processes which are, in the most part, proportionate to the scale of funding although many of the very small organisations have found the processes burdensome.

The Programme has experienced challenges:

- The balance between proportionality and managing risk.
- The reliance of small organisations on grant funding.
- The difficulty in measuring the impact of small grants and in demonstrating value for money.

These are challenges which mirror those experienced by other small grants programmes which on the one hand recognise the value of smaller organisations, but on the other, are driven to demonstrate the impact of their funding. These issues pose particular challenges for Governmental funders who must demonstrate accountability, value for money for taxpayers and are held accountable for promoting and implementing best practice.

The research by the Baring Foundation[14] recognises that Trusts and Foundations, which are not constrained by the same levels of public accountability and media scrutiny can be a more flexible funder and are better placed to 'take risk'.

However, while the Programme rationale and Programme structure are consistent, the review has also highlighted a number of specific challenges in the design which have affected the capacity of the Programme to achieve its strategic objectives:

- the Programme has multiple objectives and did not establish any measures of success
- some of the original aspirations for the Programme (strengthening local community capacity/empowering local community groups to influence decision makers) are not explicit in the Programme objectives and it is not clear how the Programme design could achieve these.

---

[13] Partnering with Civil Society: 12 Lessons from DAC Peer Reviews, OECD, 2012
[14] ibid

- o this has resulted in different perceptions about the programme priorities and purpose.
- a mismatch between the capacity and aspirations of the sector in Scotland and the expected outcome of the Programme (growth/upscaling of small organisations.
- assumptions about access to a funding pipeline to support growth were also unrealistic.

These findings suggest that the purpose and objectives are no longer fit for purpose and should be reviewed in advance of any development of the future Programme structure.

Options for the future of the Small Grants Programme

We have developed four options for the future of the Programme.

Option 1: Maintain a Small Grants Programme which focuses on supporting small organisations to contribute to Scotland's International Development strategy.

This option proposes continuation of a Small Grants Programme and maintains a focus on funding small Scottish organisations to improve the quality and impact of their activities.

Option 2: Close the Small Grants Programme and directly fund small organisations in partner countries.

This option proposes terminating the current Small Grants Programme and investing directly in small organisations in partner countries.

Option 3: Close the Small Grants Programme and reinvest the budget in the Main Grants Programme.

This option proposes terminating the Small Grants Programme and subsuming the budget into the Main Grants Programme, increasing the level of funding for projects delivered through the Scottish Government's current Development Programmes in Malawi, Zambia and Rwanda.

Option 4: Close the Small Grants Programme and invest in systems change in partner countries.

This option terminates the Small Grants Programme and proposes a strategic use of funds to help governments in partner countries to lever systems change in key organisations. This could be achieved through switching the existing small Grants Programme budget (£500,000) into the Capacity Strengthening strand of the IDF to extend the existing programme aimed at strengthening the capacity of organisations in partner countries through partnership/exchange with Scottish institutions.

Analysis of the options

This section describes each option in detail and considers the strengths and issues/challenges in the proposed option in relation to:

- Fit with the Scottish Government's International Development strategy and approach

- Fit with international direction of travel in effectiveness of aid in good practice in international development practice

- The findings of the review

Option 1: Maintain a Small Grants Programme which focuses on supporting small organisations to contribute to Scotland's International Development strategy.

Programme description

This option proposes continuing a Small Grants Programme with a focus on funding small Scottish organisations. The Programme would have two aims:

- to build community to community links in partner countries which build/promote global citizenship in Scotland and support civil society in partner countries.

- to support small organisations with aspirations and capacity to develop and scale high quality new approaches to addressing poverty. The focus is on developing capacity for impact, not on growth of the organisation.

The proposal is to split the Programme into two distinct funds which reflect the two distinct aims identified above.

FUND 1: Global Citizenship Fund

Aim: to build community to community links in partner countries which build/promote global citizenship in Scotland and support civil society in partner countries

The fund would provide small grants (£5,000-£15,000) aimed at small and micro-organisations in Scotland to promote global citizenship in Scotland through development of community-to-community links which:

- strengthen local community capacity of both communities,

- empower communities in partner countries to influence local decision makers,

- take action on poverty in countries identified as low/medium on human development index through active global citizenship.

The fund would support skills exchanges and mutual learning, partnership working and small actions in support of the UN Sustainable Development Goals.

This fund would have 'light touch' processes (proportionate) which would include:

- a short form application,
- focus of reporting on results and learning from the activity.

FUND 2: Development Fund

Aim: to support small organisations with aspirations and capacity to develop and scale high quality new approaches to addressing poverty.

The Development Fund is aimed at supporting small organisations to develop, test and scale high quality approaches aimed at addressing poverty/supporting UN Sustainable Development Goals. The focus is on developing capacity for impact, not on growth of the organisation.

The Fund is aimed at:

- smaller Scottish organisations with specific skills/experience/innovative approaches which have the capacity to deliver impact in partner country,

- organisations with the capacity and commitment to professionalise.

The Development Fund would be focused on the priority countries in Scotland's International Development Strategy.

1) **Explore and test grants** (up to £5,000 - £15,000) to explore new ideas/test innovations /develop new partnerships/ do pre-studies to increase a bottom-up-approach and local ownership in the planning and implementation of new projects and approaches.

2) **Project grants for developing new approaches** (Up to £120,000 over 3 years) to test and scale new approaches to addressing poverty/supporting UN Sustainable Development Goals.
   - Grants initially for 3 years with options for 'fast -track' extension for further 2 years for approaches with significant opportunity to scale/embed.

   - Project grants to include sums for capacity building.

   - Project grants to include 'salary allowance' in recognition of need for staff in the Scottish organisation.

   - Increased eligibility to organisations up to turnover of £500,000.

Robust programme processes to support accountability/compliance but also aimed developing /professionalising organisations. The programme would include:

- provision of pre-start support to develop effective monitoring and evaluation framework for all projects,

- Programme level evaluation built into Programme management contract

- tailored mentoring and guidance throughout delivery period,

- brokered links to other resources to support development/growth of impact.

Additionally, the Scottish Government should ensure that the Programme is better connected to other initiatives aimed at supporting growth and innovation in the third sector. For example:

- Scotland's International Social Enterprise Observatory promotes social enterprise to be a more inclusive, empowering and sustainable way of delivering on Scotland's international development goals.

- Access Africa Programme (funded by the Scottish Government) enables Scottish social enterprises to explore and expand into African markets. The support offered through the Programme - developing ideas to get them 'market ready/scale ready, making local contacts, business growth support, could help to accelerate the development of Programme applicants with aspirations for growth and impact.

Rationale for the option

While the review concludes that the purpose and objectives of the current Programme are untenable, stakeholders argue that there is a clear justification for Government support for smaller organisations in international development.

- Small organisations engage people/communities and build broader support for international development

- Small organisations are a significant and enduring component of the international development sector and that they will continue to develop and deliver small scale activities through funding that they raise independently of government funds. Stakeholders argued that and the role of government was to support these organisations to improve their practice to maximise the value of their contribution to international development.

- While the review suggests that smaller organisations may not have the capacity or aspirations to 'grow', stakeholders argue that smaller organisations 'add value' in terms of their niche experience and bringing new ideas/innovation to the sector.

The proposed Programme design supports all these intentions through:

- Global Citizenship Fund which supports the development of local community capacity (in Scotland and in partner country) to take effective action to relieve poverty and support civic involvement

- Development Fund which is focused on developing capacity for impact of smaller organisations.

Fit with Scottish Government International Development strategy and approach

The proposal (for the Development Fund) reflects the recognition in Scotland's International Development strategy of the distinctive development contribution that Scotland can make through sharing of expertise and being innovative and employing its unique partnership approach for global good.

The strategy also restates the value that civil society plays as an agent of effective change and accountability. The Global Citizenship Fund supports the development of civic society in Scotland and in the partner countries.

Fit with international aid effectiveness/good practice in international development

The Development Fund is focused on improving quality and impact of approaches delivered by Scottish based organisations.

Overview of this option

Summary of Programme design and delivery model
This option creates two discrete funds, each with a different purpose.   - both funds require clear objectives and measures of success.   - the option requires retention of external Programme Managers to manage both funds
Strengths   - Good fit with Scotland's International Development strategy and reflects the distinctive contribution that Scotland can make through innovation, sharing of expertise and employing its unique partnership approach for global good.   - Maintains support for the sector in Scotland   - Programme model reflects learning from Programme Managers and the review   - Global Citizenship Fund - reflects sector/network organisations aspirations to better support civil society.   - Development Fund focuses on improving the quality of development approaches and impact – not on growing the organisations per se.
Issues and challenges   Challenge in demonstrating programmatic impact of small grants programmes and value for money.   - While this option recognises the strengths of small organisations in bringing niche experience and new ideas and innovation to the sector, the review has highlighted the challenge of demonstrating the impact of small grants programmes. This is a particular challenge for Government funders who must demonstrate accountability, value for money for taxpayers and are held accountable for promoting and implementing best practice.   Balance between proportionality and managing risk   - There is a risk to Scottish Government associated with the lack of capacity in smaller organisations around the governance capacity (small organisations are frequently reliant on a very small group of trustees) and the associated capacity to implement the necessary policies and procedures to support best practice approaches in delivery, including safeguarding, and deliver effective financial reporting and M and E.

> The reliance of small organisations on grant funding
>
> - There is a potential for ongoing dependency/reliance on Scottish Government funding in the absence of other funding routes.
> - The review has highlighted the requirement of small charities for core and flexible funding to support organisational costs, which reduces the proportion of donor funds going to project deliverables.
>
> Cost of Programme Management:
>
> - The costs associated with this proposal include the management of two funds and the costs of Programme evaluation.

Option 2: Close the Small Grants Programme and directly fund small organisations in partner countries.

This option proposes terminating the current Small Grants Programme (ceasing funding for smaller Scottish iNGOS to deliver activities in partner countries) and developing a Programme which invest directly in small organisations in partner countries.

Programme description

Direct in-country funding often takes place where funders have strong pre-existing relationships and knowledge, or where their work is highly specific or niche. As the Scottish Government does not have a strong in-country presence or knowledge of local organisations (except perhaps in Malawi where there is a local network organisation) the delivery mechanism for this approach would require the Scottish Government to find a 'trusted partner' with in-country experience who would manage the funding programme on behalf of the Scottish Government – finding and funding small organisations which could achieve impact at the local level.

There are examples of this funding model currently being piloted by other funders in the UK. The People's Postcode Lottery (PPL) has developed a direct funding pilot focusing on girl's education and gender-based violence in Uganda. PPL has partnered with an international NGO with extensive knowledge and experience of local organisations which will carry out the due diligence on local organisations, ensure relevant policies in place for safeguarding etc, and will evaluate the pilot.

Fit with international aid effectiveness/good practice in international development

This option responds the localisation agenda, which aims to address the inherent power imbalance in funding North organisations to deliver activities in the South.

Localisation aims to support national and local actors to lead the action and receive a much larger share of the available funding directly, rather than via international funding intermediaries.

The argument for localisation is not only based on the moral and ethical grounds of the power imbalance, but there is an increasing body of evidence that localisation increases impact and improves effectiveness. This option therefore

aims to improve the quality of aid and its impact on development (in light of the research findings that there is little evidence of development impact through investing in small UK based organisations iNGOs.)

Fit with Scottish Government strategy and approach

The localisation option would represent a significant change in approach for the Scottish Government. All funding under the Development Assistance strand of the IDF is currently disbursed via UK iNGOs. This option could however be a small step for testing this model of funding.

Overview of this option

Summary of Programme design and delivery model
Scottish Government would contract with a trusted intermediary in each priority country to disburse funds at local level to small local organisations.
Strengths
- Greater proportion of Scottish Government funding goes directly to address poverty (or specific theme) in partner country.   - Research suggest that localisation increases the impact and effectiveness of aid.
Issues and challenges The Scottish Government has little experience of direct funding in-country: - Untried methodology for Scottish Government so there is a considerable level of risk.   - Scottish Government lose control of decisions over which organisations are supported at local level (potential risk).   - Does Scottish Government have the contacts/right partners to deliver in each country?   - Time/resource required to engage a 'trusted partner'.   - Unknown costs of intermediary/partner services   - cost of services must not undermine the purpose of the proposal which is to increase the level of funding to partner countries   - Mechanisms would be required to ensure the transparency of Scottish Government funding i.e. to ensure that Scottish Government funding was additional and did not disappear into the intermediary's core costs or was used to 'top-up' funding for an existing programme delivered by the intermediary.

A shift away from supporting small Scottish NGOs may have impact on the sector in Scotland and on Scottish Government relationships with the international development sector in Scotland.

- Reduced access to funding for small Scottish iNGOs. (The review has highlighted the limited sources of funding for small iNGOs).

- Reduced capacity of small iNGO's (the previous Small Grants Programme provided funding to improve capacity/skills and opportunities to build delivery capacity through project grants).

- Scottish Government loses its direct connection/funding relationship with small Scottish based international development organisations.

- However, the three Networking Organisations in Scotland, funded by the Scottish Government, continue to provide a link to the sector and a vehicle for on-going relationships between the small Scottish international development organisations and the Scottish Government.

Option 3: Close the Small Grants Programme and reinvest the budget in the Main Grants Programme.

This option proposes terminating the Small Grants Programme and subsuming the budget into the Main Grants Programme.

Programme description

This option subsumes the budget for the Small Grants Programme (£500,000 per annum) into the Main Grants Programme and increases the existing budget for the current Development Programmes for Malawi, Zambia and Rwanda. This option would not have a significant impact on the management or administration of the Main Grant Programme.

This option would remove access to funding for small Scottish based organisations, but it should be noted that there is no minimum size of grants under the Main Grants Programme. While the size of grants disbursed under Main Grant Programme are typically in the region of £1 million over 5 years, the Programme has also awarded much smaller grants.

Fit with Scottish Government strategy and approach

The option reinforces the Scottish Government's more programmatic approach to international development.

Fit with international aid effectiveness/good practice in international development

The review highlighted that there was little evidence of development impact through the Small Grant Programme. This option seeks to increase the quality of aid and its impact on partner countries.

Overview of this option

Summary of Programme design and delivery model
- The £500,000 previously allocated to the Small Grants Programme would be switched to the Main Grants Programme (increasing annual budget for Main Grants Programme)   - Guidance for the Main Grants Programme should be reviewed to reinforce the message that there is no minimum grant size for the main Programme.   - There is no requirement for separate Programme Management – the additional budget would be managed under the existing Programme Management arrangements for the Main Grants Programme.

Strengths
- Increases budget for Development Programmes/ extends Scottish Government's Programmatic approach.   - The approach is consistent with the stated preference of partner countries for larger, longer term projects.   - Although this option proposes terminating the dedicated Small Grants Programme, it also recognises that there is no 'minimum size of grant' under the main Programme. As such, this option still provides opportunities for small/medium Scottish organisations with capacity and high-quality approaches to engage in the Development Programmes.   - To encourage smaller organisations to take up this funding route, Scottish Government might wish to consider reviewing the reporting requirements for the Main Grants Programme to make reporting for smaller grants proportionate to the scale of funding received.

Issues and challenges
The shift away from supporting small Scottish NGOs may have impact on the sector in Scotland and on Scottish Government relationships with the international development sector in Scotland.   - Reduced access to funding for small Scottish iNGOs   - Reduced capacity of small iNGO's (the previous Small Grants Programme provided funding to improve capacity/skills and opportunities to build delivery capacity through project grants.   - Scottish Government loses its 'funding relationship' with small Scottish based international development organisations.

- However, the Scottish Government funds three Networking Organisations in Scotland which provide a link to the sector and a vehicle for on-going connection/relationships between the small Scottish international development organisations and the Scottish Government.

Option 4: Close the Small Grants Programme and invest in systems change in partner countries

This option terminates the Small Grants Programme and proposes the strategic use of funds to help partner country governments lever systems change in key organisations.

Programme description

The Scottish Government already supports system change in partner countries through its Capacity Strengthening Initiatives.

The capacity strengthening initiatives involve partnerships between organisations in Scotland and organisations in partner country organisations. The initiatives are needs led, responding to needs identified by partner countries. The Scottish Government seeks to meet need by matching support through partnership links between institutions in Scotland and institutions in the partner countries (and between institutions within the partner countries).

The development partnership operates through peer-to-peer knowledge-sharing through which both institutions can strengthen their knowledge, harness expertise, skills and capacity and empower their people.

This option proposes switching the £500,000 budget for the Small Grants Programme (currently within the Development Assistance strand of the IDF) into the Capacity Strengthening strand of the IDF.

This option would not have a significant impact on the management or administration of the existing Capacity Strengthening strand.

Fit with Scottish Government strategy and approach

In effect, his option increases the budget and allows an extension of the Scottish Governments existing Capacity Strengthening approach.

Fit with international aid effectiveness/good practice in international development

This option seeks to increase the impact of Scottish Government funding on partner countries.

Capacity development - building the capacity of countries to manage their own future - is increasingly recognised among the foremost approaches to international development programming and is recognised in high level global agreements as a key plank in increasing aid effectiveness.

International declarations such as the Accra Agenda for Action (2008) and the Cairo Consensus on Capacity Development (2011) and the Busan 4th High Level Forum (2011) have recognised Capacity Development as an important component of mainstream international development activity.

Overview of this option

Summary of Programme design and delivery model
- The £500,000 previously allocated to the Small Grants Programme would be switched to the Capacity Building strand of the IDF.   - There is no requirement for separate Programme Management – the additional budget would be managed under the existing Capacity Strengthening strand.

Strengths
- This option demonstrates good fit with Scottish Government strategy and approach (expanding the Capacity Strengthening strand)   - The approach has international recognition as good practice in increasing effectiveness of aid   - Scottish Government has track record of developing successful Capacity Strengthening initiatives   - Partner country governments/institutions identify own needs and have joint ownership of development partnerships

Issues and challenges
The shift away from supporting small Scottish NGOs may have impact on the sector in Scotland and on Scottish Government relationships with the international development sector in Scotland: - Reduced access to funding for small Scottish iNGOs   - Reduced capacity of small iNGO's (the previous Small Grants Programme provided funding to improve capacity/skills and opportunities to build delivery capacity through project grants.   - Scottish Government loses its direct connection/funding relationship with small Scottish based international development organisations.   - However, the three Networking Organisations in Scotland, funded by the Scottish Government, continue to provide a link to the sector and a vehicle for on-going relationships between the small Scottish international development organisations and the Scottish Government.

Appendix 1: Data on the number and profile of applicants/award holders

Table 1: Number of Small Grant Fund applications received 2014-2020

Year	Feasibility	Capacity Building	Project Grants	Total	No. of eligible applications
2014	6	2	21	29	20
2015	6	2	14	22	19
2016	5	3	21	29	26
2017	3	2	17	22	20
2018	3	5	10	18	14
2019	6	8	15	29	25
2020	10	16	*N/A	26	26
Totals	39	38	98	175	150

Table 2: Number of organisations holding multiple awards

Number of awards	Number of organisations
1 award	25
2 awards	7
3 awards	6
4 awards	3
5 awards	1
6 awards	1

Size (by income) of award holders

The data held by Corra Foundation did not provide income information on all historic applicants/awardees, but analysis using data held by OSCR provided some profiling information of awardees.

We have attempted to identify the size of successful applicants (based on income at point of application). However, it is important to note the limitations in this, as it is based on income levels declared in annual accounts. Also:

- data was not available for every applicant on the OSCR website for the year of application

- we collected income data for the charity in the year of application, but eligibility is based on income levels in previous two years of operation.
- due to different accounting dates, the income from Scottish Government grants sometimes appears in accounts in the year of application, and in others appears in the following accounting period.

However, the data provides an indication of the scale of the organisations that made successful applications at the point of their first application to the Programme.

Table 3: Profile of successful award holders (by annual income)

Annual income of applicants in year of application	Number of awardees
Less than £25,000	16
Between £25,000 and £50,000	8
Between £50,000 and £100,000	8
Between £100,000 and £200,000	6
Between £200,000 and £250,000	1
Unknown	4

Appendix 2: Profile of the sector in Scotland

Profile of the sector in Scotland

Analysis of OSCR data identifies around 1800 charities in Scotland with a turnover of under £250,000 which identify their area of operation as 'overseas only' or 'UK and overseas' i.e. organisations which fit the income criterion for the Programme. However, the number eligible to apply to the Programme would be significantly less:

- it is not possible to identify from the data which of these charities are carrying out activities that might be classed as international development.

- OSCR data does not provide information on the countries in which these charities work, so the number of charities who work in the 'eligible' countries (the priorities within the IDF) would be substantially smaller.

    o Most small Scottish iNGOs are likely to have a single country footprint connected closely to the purpose and foundation of that iNGO,

    o Small iNGOs are unlikely to be willing or able to change their country footprint to access donor funding.

However, the data does demonstrate the prevalence of micro-organisations within the sector: Over 60% of these organisations have an income of less than £25,000.

We have also considered the data held by the Networking organisations to consider the profile of the sector:

Scottish International Development Alliance

- SIDA membership data shows that of the 165 members, around two-thirds could be eligible (in terms of turnover).

- 29% of SIDA members (48 of 165) are micro organisations with income of less than £20,000.

- Information on geographic focus for these organisations is not available but the number who work in the 'eligible' countries mean that the potential number of applicants is much lower.

- SIDA highlighted that there are very few Scottish charities active in Rwanda – this is backed up by the very small number of applications/awards for work in Rwanda in the current Programme.

Membership of Scotland Malawi Partnership

In 2018, SMP had 1108 members, including individuals, public bodies (local authorities, Universities etc) and many small community groups, faith-based groups, schools etc. A significant number of these organisations are currently ineligible due to income levels or due to being unconstituted groups. Of those likely to meet current eligibility criteria for income levels and legal status:

- 65 organisations had a turnover under £20,000

- 33 organisations had a turnover £20k - £80k

- 84 organisations had a turnover of over £80k.

Appendix 3: List of consultees

BOND

Peoples Postcode Lottery

Scotland Malawi Partnership

YES! Tanzania

CREATIVenergie

International Development Team, Scottish Government

Comic Relief

Guernsey Small Grants Fund

Mamie Martin Foundation

Scotland's International Development Alliance

Soko Fund

Cerebral Palsy Africa

Corra Foundation

International Grants Team, Isle of Man Government

Charity Education International

Malawi Scotland Partnership

Diverse Talent

Bananabox Trust

On Call Africa

Global Concerns Trust

Scottish Fair Trade Forum

Cairdeas International Palliative Care Trust

DFID

Big Green Feet Community Interest Company

The Turing Trust

Friends of Chitambo

Renew SCIO

Zambia Therapeutic Art