ScotlandMalawi
PARTNERSHIP

Scottish Government International Development Fund Vehicle Policy

A paper by members of the SMP and MaSP sharing experience, feedback and ideas

Emailed to SG 17 June 2015

1 Background:

At the 2015 Symposium for Scottish Government Malawi Grant Partners, the Scottish Government's vehicle policy was highlighted as a challenge for a number of projects funded by the government; MaSP and the SMP committed to feeding this information back to the Scottish Government. At the February 2015 end of call sweep-up meeting with the Scottish Government, the SMP highlighted the feedback from the Symposium and it was agreed the SMP would look to collate Members' experience in this area.

The SMP invited members' input on this topic and nine submissions were received. Seven of these nine organisations were from international NGOs which have had multiple projects funded by the Scottish Government's Malawi Development Programme.

We hope this paper is constructive in offering experience and ideas from projects funded by the Scottish Government. We recognize that, of course, any decision on this topic is exclusively for the Scottish Government to make and we have made explicit to members in Scotland and Malawi that this is *not* a formal governmental consultation but rather the SMP/MaSP collating its members' experience and sharing this with the government.

We greatly value the Scottish Government's commitment to working closely with the sector, making time to listen to views from those on the ground, and feeding this where possible into decision-making. We applaud this approach ("Government working in synergy with people") and do not take for granted the opportunity to share, discuss and learn in this very constructive way.

2 Understanding the current policy:

We understand that at present the Scottish Government's stated position is that it does not ordinarily fund vehicles as part of its international development activities.

The Scottish Government's guidance document in its 2014 call for applications stated:

> *"…the Scottish Government will not fund the purchase of vehicles. We may fund bicycles and motorbikes in exceptional circumstances."*

We appreciate that there have been occasions in the past where the Government has taken a pragmatic approach to specific requests, where specific issues have occurred. We value this pragmatism. It is often said that it is this pragmatism, understanding, and a relational approach that makes the Scottish Government's programme stand out from other donors: an "innovative, people-driven small-nation approach" to international development which is able to deliver enviable impact for relatively modest investment.

We appreciate some of the likely reasons for reluctance to fund vehicles within an international development programme, including:

(a) Not wanting to spend a disproportionate amount on vehicles at the expense of direct delivery;
(b) Question-marks around the sustainability of projects which are capital spend heavy;
(c) Costs and uncertainties associated with vehicle insurance and maintenance;
(d) Risk of misuse and theft;
(e) Reputational risk of being seen to have taxpayers money spent on large expensive vehicles;
(f) Perception risk with the partner communities projects are working with: if driving a new vehicle worth tens of thousands of pounds it is easy to be seen as divorced and disengaged from the realities of life for those you work with and for.
(g) Risk projects could have an increased carbon footprint if routinely driving a 4WD vehicle.

3 Understanding the Malawian context:

While recognizing the above, very understandable, reasons to be reluctant about funding vehicles, we are keen to highlight the below points raised by members in Malawi and Scotland.

(a) The reality in Malawi is less than 45% of roads are paved and only a tiny proportion of Malawi's population is serviced by public transport, with reliable routes only really available between the cities and major urban centres. Without private transport, projects would be limited to delivering work within 5-10 miles of major urban centres or along major roads (perhaps 5-10% of the country). The vast majority of Scottish Government funded delivery takes place outside these urban centres and major roads which is understandable as this is where there is the greatest need. **To reach the most rural, and usually poorer and less well equipped/skilled communities, travelling off the main road is essential; in most instances this can only be done in a private vehicle.**

(b) While bicycles and motorbikes can be appropriate over shorter distances at certain times of the year, **roads can often become impassable in the rainy season (December to April) to anything other than four-wheel drive (4WD) vehicles.**

(c) Scottish Government funded projects are able to allocate budget to vehicle maintenance but not vehicle purchase. Some projects report that this results in **very old vehicles continuing to be used despite spiralling maintenance costs**. One project reported spending more servicing a vehicle in one year than it would have cost to purchase a replacement vehicle as a result of this policy.

(d) In 2014 the average size of **IDF grants increased by almost 50%** as the maximum grant size was increased from £400,000 to £600,000. Organisations report that it is almost impossible to manage a grant of this size without an effective transport solution.

(e) **Vehicle rental costs in Malawi are astronomical**, greatly inflated by INGOs. Organisations can expect to pay as much to lease a vehicle for 4-6 months as it would cost to purchase the same second-hand vehicle outright.

(f) Unlike in Scotland, **very few Malawians have a private vehicle themselves** they could use for work.

(g) Almost all projects funded by the Scottish Government *do* have privately owned vehicles as there is simply no option for effective delivery without a vehicle. Each of these projects are therefore **reliant on external funding for this essential component**, making this a significant risk projects must mitigate.

(h) Some projects state that they have had to invest their unrestricted reserves from their own fund-raising endeavours to purchase vehicles in Malawi on which projects are reliant. This has meant these **contingency funds are no longer available** as buffers against unforeseen circumstances or as part of post-project sustainability/legacy work as intended.

(i) Some projects report that, given it is their Malawian partners and implementers on the ground who suffer the consequences of trying to implement a project without the necessary transport resources, it can be very **hard to find suitable partners and recruit effective staff** if it is clear there is not an effective transport system to deliver the necessary outputs and manage the project appropriately.

(j) A number of projects highlighted the **sustainability challenges faced when projects rely on hire cars**. Once projects come to an end the transport budget can no longer fund hire cars and lease vehicles, often making it impossible for activities to be sustained. Conversely, if ownership of a vehicle is transferred to a local partner, with clear policies and safeguards, this resource can help ensure some degree of essential capacity is sustained.

(k) A number of Malawian organisations at the 2015 Symposium raised the issue that trying to implement a project without the appropriate transport infrastructure (for example, trying to make do with bicycles, motorbikes, shared minibuses or non-4WD cars) can result in very **serious personal safety issues**, citing incidents involving serious injuries, or staff becoming stranded in remote areas and having to sleep rough. These are not conditions which would be tolerated by Scots in Scotland, or visiting the project in Malawi, and it is seen as unfair that national staff are expected to work in these circumstance.

4 Case Study:

The Scotland Malawi Partnership conducted a significant research exercise in 2009-10 for the Scottish Government, with a budget just under £10,000. It was immediately apparent that to be able to undertake the nation-wide research it was necessary to have access to a private vehicle. After some research, quotes were received for the lease of a basic vehicle for six months, each of these quotes were for between £7,000 and £8,500. Given this would have sunk almost all of the budget, instead, a second-hand vehicle was purchased for £7,000.

At the end of the research exercise the vehicle was advertised within the SMP membership and sold for £6,500 to an SMP member. In the following years we understand the same vehicle went on to be used and re-sold by a number of different projects in Malawi, with surprisingly little depreciation.

The SMP's experience in this case was that buying and selling a vehicle, even for just a six-month project, was **17 times cheaper than leasing the same standard of vehicle**.

5 A proposal:

In the spirit of making a constructive suggestion, SMP and MaSP members are keen to propose a policy amendment which would recognize and mitigate the challenges and risks highlighted in Section Two while also addressing the concerns raised in Section Three.

It is proposed that the Scottish Government does not preclude the possibility of funding a vehicle as part of its international development programme but rather states that projects wishing to include a vehicle in their application must present a convincing business case as an appendix, including:

- A narrative explaining why such a vehicle is essential for the achievement of the stated outputs and outcomes, and explaining why there is no viable alternative transport option.
- Vehicle usage policies to guarantee that the vehicle is only being used for the agreed purposes.
- An end of project asset recovery plan in which the applicant details how the vehicle will either be:
  - (a) Sold, with capital either:
    - - returned to the Scottish Government;
    - - offsetting final year expenditure (with a reduced final installment from the SG); or
    - - invested in post-project expenditure such as MEL or legacy work.
  - (b) Transferred to the local partner as part of the sustainability plans.
  - (c) Returned to the Scottish Government.
    - - With the new triennial calls for funding, the SG would be well placed to re-allocate a vehicle from one project ending to another project starting. If required and requested, MaSP/SMP would be happy to help this reallocation process.

In this way, it could be made clear by the Scottish Government that:

- The Scottish Government prefers *not* to fund private vehicles and hence the onus is on the applicant to build a convincing business case. They do so in competition with other applicants.
- Any vehicle for which funding is secured does not belong to the applicant but remains an asset of the Scottish Government.
- The Scottish Government reserves the right to request copies of log books, mileage reports and service records as part of the reporting process, in order to satisfy itself that agreed policies are being effectively implemented.

Furthermore, if it wished, the Scottish Government could give guidance in the call for applications on the maximum recommended vehicle spend to ensure vehicles costs were proportionate to the overall budget, representing maximum value for money. If useful, MaSP and the SMP would be happy to provide information, advice and support both to the Scottish Government in the development of this guidance and directly to members to help them source roadworthy and cost-effective vehicles.