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## **Charities struggle to spend cash for tsunami**

By Alexandra Frean and Ben Hoyle

BRITISH charities admitted last night that they would struggle to spend the vast sums of money donated by the public to victims of the Asian tsunami.

More than E365 million has been raised in individual donations to tsunami relief in the six weeks since the Boxing Day disaster. More than 85 per cent of British adults have given something.

But the British Red Cross has told The Times that it may have difficulty responsibly spending the E60 million raised so far and is considering whether it can divert some money to other causes.

At least two other large British charities have privately admitted that they will have difficulty in allocating all the money received. However the charities fear that saying so publicly would result in a belief that they did not need donations in the future.

Oxfam has suspended its tsunami appeal after admitting that it has all the money it needs while Médecins Sans Frontières has offered donors their money back after it received more than three times the amount it had asked for.

The British Red Cross said that it wanted charities to be open and admit that it would be a challenge to spend all the money responsibly.

"In disasters like this, the most we generally get is \$50 per affected person," Matthias Schmale, international director of the British Red Cross, said. "That's the rule of thumb. We are set up to spend that kind of money, but now we have \$1,000 per affected person, so the difference is huge.

"We need to be honest and admit that this presents new challenges to us. The jury is out as to whether we can do it."

He said that one solution might be for the Disasters Emergency Committee (DEC), comprising the 12 main British charities, to ask for the money to be used for other causes.

"This is only speculative, but a possibility might be for the DEC to go public jointly and say that this is the situation and we ask for your understanding that we might want to use the money for other disasters," he said.

The problem has been caused by the huge response from both governments and charities. The UN has been promised around £3 billion by governments while both Thailand and India have refused large scale international assistance. An additional hurdle is that in Britain money raised by the DEC has to be spent within three years.

Herr Schmale said that it was impossible to say that there was "too much money". However, difficulties of access to some of the worst affected areas, shortages of building materials, equipment and trained workers and the need to consult local people, governments and agencies, all limited the pace and scope of work in the short to medium term.

"We should be open to admit that it's quite a challenge to come up with responsible spending plans for it all. Everyone has a lot of money as well and everyone is looking to spend their money in a responsible manner at the same time," he said.

He added: "We have E60 million available to us. We feel confident that we can spend E40 million within the DEC limits of three years. We need to think through responsible means of spending the rest over a longer time period." He said that the DEC would meet in late March or early April to consider how to spend the money. One possibility might be to consider diverting some money to the UN, he said.

Other leading British relief and development agencies admitted last night that they shared Herr Schmale's concerns, although none is yet considering diverting tsunami funds to other parts of the world.

Nick Guttman, head of emergencies at Christian Aid, said: "It may be that we will have to join that debate later, but we are not there yet."

He added that Christian Aid was extending its efforts beyond the towns and villages immediately affected by the tsunami to surrounding areas.

"If you pour a lot of money into village A because it was flattened by the tsunami, but leave village B, two kilometres away, in abject poverty because it is still standing, you can create all sorts of local difficulties. You have to help both," he said.

The Charities Commission said last night that it was against charity law to divert funds donated to one charitable purpose to another but its officials would support the DEC and individual agencies as they faced the challenge of spending all the money. "We are not going to make life difficult for them," it said. Most of the money has been channelled through the DEC, which has so far processed E250 million in donations and expects to reach E300 million. British charities have also raised almost E70 million through their own networks.

Brendan Gormley, chief executive of the DEC, said that his organisation had extended the limit for spending the cash from 18 months to three years in recognition of the challenges its members would face.

The DEC had also decided to give some cash to 14 other British-based charities, including Islamic Relief and Habitat for Humanity, working in the area with DEC members.

Mr Gormley conceded that the DEC might give some money raised from Britain to the UN, but only if the UN found it difficult to extract money from donor governments. "We would be willing to embarrass governments by funding unmet, crucial needs through the UN systems," he said.

The Red Cross is particularly sensitive to the issue because the director of its US branch was forced to resign in October 2001 after it emerged that only 10 cents per dollar of its \$628 million Liberty Fund had gone to the family of victims of the September 11 attacks.

Donors were also became concerned that money they believed would go straight to helping people recover from the attacks was in fact being channelled into projects with no direct ties to the tragedy in New York and Washington.

