

## FOREWORD

This report is designed to provide a general introduction to the PL 480 food assistance program in Guatemala, and to summarize questions which have been raised concerning its appropriateness.

Part I provides a very general history of the program, including the intent of the United States Congress in enacting the governing legislation; the program mechanisms in Guatemala; the quantities and types of foods donated, and program costs. It includes information about the program as it is routinely administered and its role after the earthquake in February, 1976.

Part II will summarize and discuss the questions which have been raised about the PL480 food assistance program in Guatemala.

Jo Froman  
Bob Gersony  
Tony Jackson

4a. Avenida Sur No. 4  
Antigua Guatemala  
Central America

June 3, 1977

## PL480 FOOD ASSISTANCE IN GUATEMALA

### PART I      GENERAL BACKGROUND

During the 17-year period from 1959 through 1975, the Government of the United States donated 110,000 tons (equal to US\$25 million) of food to Guatemala under Public Law 480 (PL480). In 1976, the rate of donation more than tripled from the previous year to 25,000 tons (= US\$8.4 million). An increased level is programmed to be sustained at 16,000 tons (= US\$5.8 million).

#### A.    PL480

##### 1.    Legislation

The PL480 legislation, the Agricultural Trade Development and Assistance Act, was passed by the United States Congress in 1954. From 1954 to 1966, the stipulated purposes of this legislation were to (a) relieve starvation and (b) allow the United States to dispose of its surplus commodities by donating them abroad. In 1966, the disposal of surpluses was eliminated from the legislation's expressed goals.

At the same time, however, Congressional sentiment strongly favored the stimulation of local food production in

preference to continued donations of United States food,<sup>1</sup> To the degree that the donation of PL480 food was believed to stimulate local agricultural development in recipient nations, the program received support from the Congress.

2. Mechanisms

Agricultural commodities are purchased in the United States by the Commodity Credit Corporation of the Department of Agriculture (USDA) at current U. S. prices. This food is then distributed under PL480 in one of two ways:

(a) Title I: The USDA and Department of State -- through the United States Agency for International Development (USAID) -- sell the commodities on credit of up to 40 years (of which the first ten years at 1% interest is a grace period; the capital is repaid during the next thirty years at 2% p.a. on the remaining balance). At the outset of the program, repayments by recipient countries could be made in local currencies (in part responsible for the

<sup>1</sup> Food for Freedom Program and Commodity Reserves, Hearings before the Committee on Agriculture and Forestry, United States Senate, 89th Congress (Washington, D. C.: GPO 1966).

embarrassing U.S. position in India, in which the U.S. held 15% of the total rupee currency in circulation at one point). Later, repayment of loans in US Dollars was made a condition of Title I sales.

Often, governments purchase these commodities and then sell them through normal commercial channels, thus gaining the use of the cash resulting from the sales for long periods of time at very low rates of interest. Use of such funds must be mutually agreed upon between the Governments of the recipient countries and the United States. Such debts may be forgiven if funds are used to increase recipient country food production.

(b) Title II: Under Title II, food is donated. However, the United States Congress has stipulated that at least 60% of this food must be distributed through Private Voluntary Organizations (PVO's). All food distributed in Guatemala is donated under Title II.

B. ROUTINE PL480 FOOD DISTRIBUTION IN GUATEMALA

1. General

Chart A, on the following page, provides the number of tons and value in U. S. Dollars of food brought

CHART A

PL480 FOOD ASSISTANCE TO GUATEMALA: 1959 - 1977

<u>YEAR</u>	<u>TONS</u>	<u>VALUE IN US DOLLARS</u>
1959	600	\$ 57,000
1960	800	75,000
1961	2,100	209,000
1962	2,900	424,000
1963	5,900	986,000
1964	8,100	1,516,000
1965	7,300	1,418,000
1966	4,000	724,000
1967	9,700	1,825,000
1968	9,200	1,736,000
1969	10,300	1,820,000
1970	10,700	2,492,000
1971	9,900	2,348,000
1972	8,900	2,881,000
1973	9,100	2,034,000
1974	4,600	1,248,000
1975	<u>7,200</u>	<u>3,134,000</u>
	(111,300)	(\$24,927,000)
1976	25,400	\$ 8,400,000
1977 (PROJECTED)	16,300	5,800,000

Note: Tons were rounded off to nearest hundred; dollar values to nearest thousand. US Dollar values at prevailing prices for each year.

into Guatemala under Title II since 1959. Chart B (Page 6) is a graph which presents the trend of the program in tons.

Charts C & D, on pages 7 & 8, show the types of foods donated to Guatemala during 1975 and 1976. About 70% are basic grains and their derivatives; 30% are other products. At this writing, however, no basic grains are being imported; instead, more derivative blends are being used.

100% of the food is distributed by two PVO's:

(a) Cooperative for America Relief Everywhere (CARE) is responsible for distribution of about 54% of the food.

(b) Catholic Relief Services, working together with their local counterparts, CARITAS DE GUATEMALA, distribute about 46% of the quantities of food imported.

During the 1959-1975 period, CARE distributed 58% and CRS 42% of PL480 food in Guatemala.

## 2. Coverage

The only figures available on the percentage of the Guatemalan population which has received supplementary food from CRS and CARE through the PL480 program are from 1971. At that time, the national average was 12.4% of the population.

CHART B

PL480 FOOD ASSISTANCE TO GUATEMALA

1975 - 1977

TONS

30,000

25,000

20,000

15,000

10,000

5,000

0

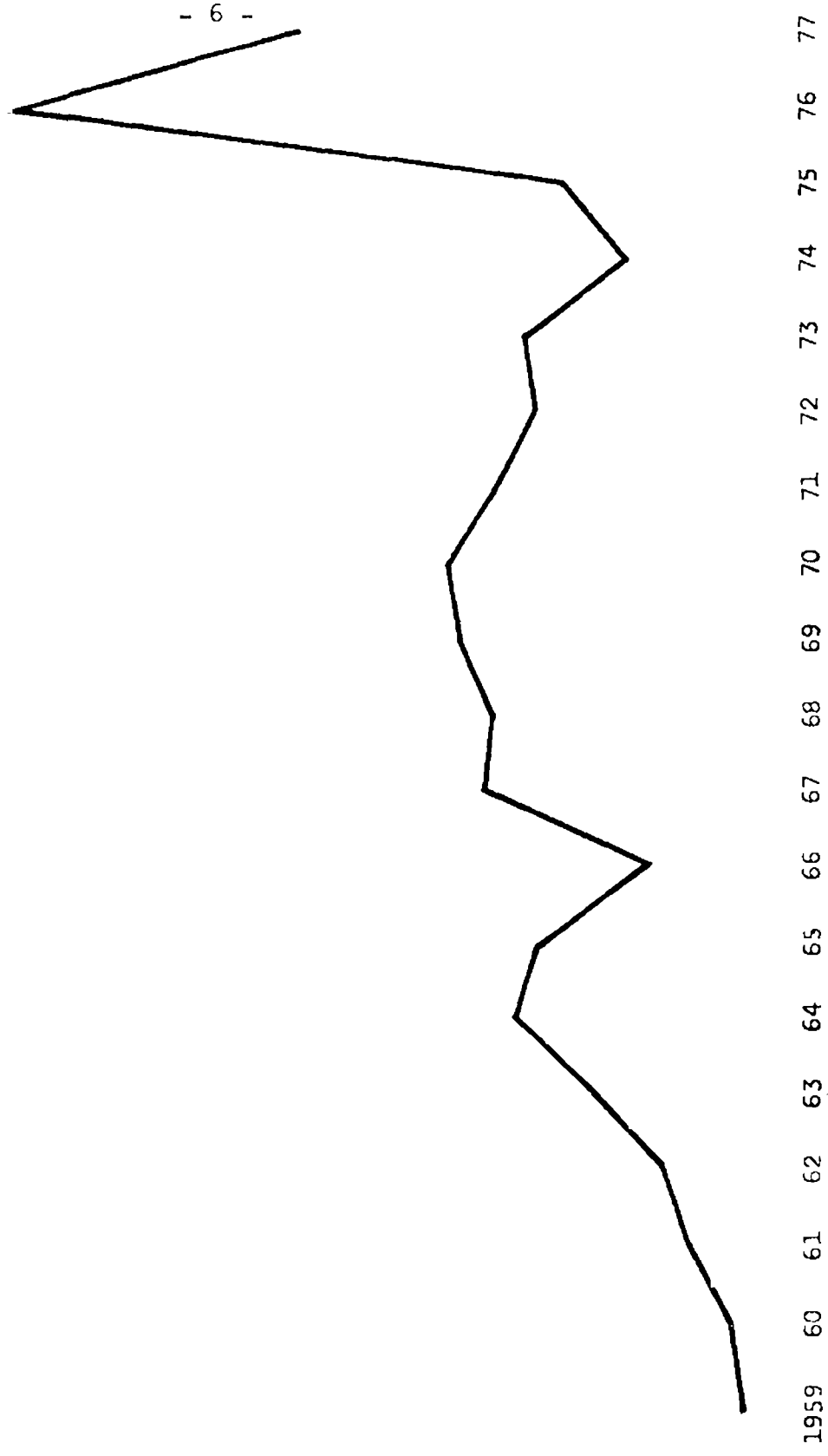


CHART C

TYPES OF FOOD PROVIDED TO GUATEMALA UNDER PL480 DURING 1975

BASIC GRAINS

Wheat (Flour, Bulgur)	35%	2,472 tons
Corn (Whole, Processed)	19%	1,368 tons
Soy	5%	362 tons
Oats	4%	282 tons
	<hr/>	<hr/>
	63%	4,484 tons

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OTHER FOODS

Whey-Soy Mix	13%	917 tons
Soybean Oil	10%	706 tons
Milk-powder	3%	185 tons
Other	11%	861 tons
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	37%	2,669 tons



CHART D

TYPES OF FOOD PROVIDED TO GUATEMALA UNDER PL480 DURING 1976

BASIC GRAINS

Corn	(mostly Whole Yellow Corn; some processed corn)	25%	6,400 tons
Beans		20%	5,000 tons
Wheat	(Bulgur Wheat and wheat flour)	20%	5,200 tons
Oats		<u>5%</u>	<u>1,200 tons</u>
		70%	17,800 tons

OTHER FOODS

Whey-Soy Mix		11%	2,900 tons
Milk -powder		6%	1,600 tons
Cooking oil		5%	1,200 tons
Other		<u>8%</u>	<u>1,900 tons</u>
		30%	7,600 tons

Note: Percentages rounded off to nearest percent; tons to nearest hundred.

This average includes figures from certain Departments where even higher percentages of the population received supplementary food, such as:

<u>Year</u>	<u>Department</u>	<u>% of Population Receiving PL480 Food</u>
1971	Quezaltenango	17.5%
	El Progreso	19.6%
	El Petén	28.5%

The quantity of food donated to Guatemala in 1976, after the earthquake, was close to triple the quantity donated in 1971. In addition, during 1976 there was a substantial concentration of distribution in the Department of Chimaltenango where earthquake damage was most severe. In 1971, about 12.4% of the Department of Chimaltenango was receiving food donations.

### 3. Food Distribution Systems

CRS and CARE distribute PL480 food in Guatemala through the four programs listed below:

- (a) Food-for-Work                      FFW 28% of food
- (b) Mother-Child Health                MCH 55% of food
- (c) School Feeding                      SCH 16% of food
- (d) Institutional Feeding                INST 1% of food

Chart E, on the following page, shows the number of tons and number of beneficiaries for each of the four programs. It also shows the percentage of each program handled by CRS and CARE, respectively. The figures are based on current projections for 1977.

(a) Food-for-Work (FFW)

FFW is the system for distributing about 28% of the PL480 food. About 87% of this program is managed by CRS. Historically, FFW has been only 3% of the program; it is currently the fastest growing part of the program.

Under this program, CRS provides a food supplement to voluntary laborers working on projects of collective benefit undertaken by their communities. These community development projects are approved and supervised by CRS/CARITAS. The food supplement provided to each laborer is intended to be sufficient to permit him to volunteer his labor for such projects and is determined based on the number of dependents he has. Thus, the program is justified, not as a payment for work, but as supplementary assistance.

Among the program goals, CRS includes:

"...to generate employment in the rural areas and to

CHART E

BREAKDOWN OF PL480 ASSISTANCE TO GUATEMALA BY  
FOOD DISTRIBUTION SYSTEM AND RESPONSIBLE AGENCY

	<u>FFW</u>		<u>MCH</u>		<u>SCH</u>		<u>INST</u>		<u>TOTAL</u>	
	<u>TONS</u>	<u>BENEF</u>	<u>TONS</u>	<u>BENEF</u>	<u>TONS</u>	<u>BENEF</u>	<u>TONS</u>	<u>BENEF</u>	<u>TONS</u>	<u>BENEF</u>
CRS	3,900	35,000	3,400	77,000	0	0	200	3,500	7,500*	115,500
CARE	600	5,000	5,600	128,000	2,600	180,000	0	0	8,800	313,000
TOTAL	4,500	40,000	9,000	205,000	2,600	180,000	200	3,500	16,300	428,500
% OF TOTAL PROGRAM	28%	9%	55%	48%	16%	42%	1%	1%	100%	100%

Notes: (a) Based on current 1977 projections.

(b) Benef = number of projected beneficiaries.

(c) Tons are rounded off to nearest hundred.

\*At the time this study was initiated, CRS had requested 12,700 tons for this period. The AID, Guatemala Mission has since reduced this to 7,500. This brought the total contemplated by CRS and CARE from 21,400 to 16,300.

encourage community development activities in the fields of reconstruction such as housing\*, in agriculture, ecology, marketing, literacy, responsible parenthood, and local structural development - the latter refers to community organization."

CRS will also make available food rations for 5,000 beneficiaries to be administered by the Desarrollo de la Comunidad (Community Development) program during the current year. This level of donation is programmed to be maintained in the future.

For three normal eight-hour days of work\*\*, a laborer with a wife and three children would receive:

Whole Yellow Corn	85 pounds
Wheat Flour	18 pounds
Soy Flour/Bulgur	12 pounds
Peanut Oil	<u>6 pounds</u>
Total	121 pounds

This means that the laborer is receiving 40.3 pounds of food per day's work. The local replacement value of this

\* About 50% of the CRS food donations will be directed at housing reconstruction during the current year.

\*\* Actually worked as six  $\frac{1}{2}$  days.

food is conservatively about \$4.00 to \$6.00 for 40 pounds. The actual cost of the food to the U.S. Government is \$8.00 plus ocean transport and other costs described later.

As a paid laborer, in similar type of job, the worker could expect to be paid \$1.00 to \$2.00, depending on the region and type of work.

The maximum allowable amount of food per worker per day under the U. S. Government's PL480 regulations is five pounds. Thus, for the three days work, 15 rather than 121 pounds would be the appropriate payment. If the number of days worked will remain constant at three, the 3,900 tons currently programmed for CRS' FFW projects must be cut by 88% to conform with the regulations. As a result of this study, a cut of this nature is being considered by USAID Guatemala.

Furthermore, as it has become clearer that the magnitude of the FFW program exceeds CRS' ability to give it the administrative and management attention it requires, a further cut from 35,000 beneficiaries to 10,000 is being contemplated. This would involve an additional sizeable cut in the program.

Official action has not been taken as of this writing.

During the current year, the CRS and CARE programs will reach 11,000 laborers = 55,000 beneficiaries (laborer + wife + three children average) on a full-time, year-round basis.

(b) Mother Child Health (MCH)

About 55% of the PL480 food is distributed through the MCH program. CARE handles about 60% of the food, CRS, 40%.

Like the FFW program, the MCH program is a system for distributing foodstuffs, 85% of which in dry rather than prepared form. The MCH program distributes eight pounds of oats, corn/soya/whey blends, and other foods each month to about 220,000 pregnant and nursing mothers and their pre-school aged children. Improvement in the health and nutrition status of the recipients is the primary aim of the program.

In addition, the program attempts to provide education concerning applied nutrition, family planning, and best uses of locally available foods.

Heavy reliance is placed by both CARE and CRS on Ministry of Health local facilities for the educational aims of the

program.

(c) School Feeding (SCH)

About 16% of the PL480 food is distributed through the SCH program, which is managed exclusively by CARE, in coordination with the Ministry of Education. The goals of the program are to improve the health of the school children, and thus to improve school performance and reduce the number of drop-outs.

The SCH program reaches about 180,000 beneficiaries, through two sub-programs:

(1) The "bread" program, reaching 175,000, or 96% of the beneficiaries, involves, in addition to the donation of the food, the preparation of bread for the students. Under this system, three pounds of flour and one-half pound of cooking oil per month are allocated for each student. Students who can afford to, pay the cost of the preparation (exclusive of the cost of the food), which for a roll or bun is US\$0.02.

(2) The "non-bread" program, reaching 5,000, or about 4% of the beneficiaries, involves the distribution of unprepared foods in areas where bakeries are not available. Four pounds of food per student per month are allocated under



this program.

Largely because nutritional studies have shown that it is not maximally effective, USAID Guatemala is phasing out this program over a period of years, although delays in this phase-out have occurred. It is also felt that the Ministry of Education of Guatemala, rather than CARE, is the proper institution to provide the resources and management required to carry out this program if it falls within the Ministry's priorities.

(d) Institutional Feeding (INST)

This is the smallest of the PL480 programs, representing 1% of the food and the beneficiaries, and is managed exclusively by CRS. Under this program, food is provided to homes for the aged, nurseries, orphanages, lepro-sauria, and similar institutions.

4. Costs

In addition to the cost of the food itself, substantial expenses accumulate in transporting, distributing, and managing the PL480 food program. Chart F, on the following page, provides an estimate of these costs as percentages of the cost of the food. To summarize the Chart, the following

CHART F

ESTIMATED COSTS ASSOCIATED WITH PL480/GUATEMALA PROGRAM\*

1. <u>OCEAN FREIGHT</u>	Shipment from USA to Guatemalan ocean ports paid by Government of the United States	35.0%
2. <u>INLAND TRANSPORT</u>	Guatemalan ports to inland, regional distribution points; minimum \$350,000 cash paid by Guatemalan Government.	4.0%
3. <u>FOOD MANAGEMENT</u>	Warehousing, distribution, management and other costs reported by CARE and CRS as having combined value of US\$3.2 million per year in cash and in-kind contributions.	45.0%
4. <u>LOSSES</u>	(a) Marine (during ocean transport). Exact costs are unknown; <u>this % is an estimate only of normal marine insurance rates.</u> (b) <u>Commodity Condemnation:</u> based on the 1,000/T of corn declared <u>Unfit for Human Consumption</u> by Guatemalan Government in 1976, taken as a percentage of the over-all 1976 program. (c) <u>During customs and inland transport</u> (d) <u>Spoilage at inland points**</u> (SUBTOTAL OF LOSSES: 5%)	0.3% 4.0% 0.4% 0.3%
5. <u>OVERHEADS</u>	Of USDA, through CCC; of Dept. of State, through USAID Washington and Guatemala; of CRS and CARE New York; cannot be estimated but probably represent a substantial amount of additional investment.	
<u>TOTAL</u>		<u>89.0%</u>

\*Note: Based on current year; cash costs are converted to percentages of food costs. These figures are estimates.

\*\*USAID advises this may go as high as 25%; thus, the total percentage - 89% - is probably too conservative.

kinds of costs are incurred (percentages expressed are of cost of the food):

(a) Ocean Freight	35%
(b) Inland Transport	4%
(c) Warehousing, distribution, management	45%
(d) Commodity losses	5% (conservative estimate)
	<u>89%</u>

It costs almost as much to bring the food to Guatemala and to distribute it as the food itself costs.

#### 5. Audits and Evaluations

U.S. Government Auditor General audits were conducted on both CRS and CARE in 1974 and 1975. These audits deal exclusively with administrative matters. Recommendations focus on timely and accurate reports, management of stocks, improvement of field surveillance, and increased attention to the program by AID/Guatemala.

In 1975, CARE, using its local Guatemalan staff, audited itself. The report focuses on administrative matters.

Three rigorous audits were performed by CRS/New York on the CRS/Guatemala food program in 1974, 1975 and 1976. Again,

these reports focused on administrative matters.

One evaluation of the Brady Crop Cooker was conducted in August, 1976.

No audits or evaluations on the effectiveness or appropriateness of specifically the Guatemala program have been conducted.

C. PL480 FOOD ASSISTANCE DURING 1976

1. Background

During December, 1975, and January, 1976, farmers brought in a record harvest of corn and beans, the staples of their diet. Final national statistics show that corn production increased by 26%, and bean production by 28%, in that period. In most areas, grains were still stored in storage sheds and patios of the farmers' houses in early February.

2. Earthquake Impact

On February 4th, 1976, a major earthquake struck Guatemala, causing about 23,000 deaths and 75,000 injuries. In the rural areas where most of the destruction occurred, the farmers' houses collapsed.

In some cases, the substantial grain harvests were buried in rubble, but they were largely undamaged and quickly recovered.

At the same time, however, roads into many towns were impassable for up to about two weeks due to landslides cutting off incoming supplies and preventing marketing of crops outside the area. During this time, essential items not produced locally, such as salt, sugar, lime (for making tortillas), matches, candles and soap, were temporarily unavailable. These special items are usually purchased in small stores in the towns.

### 3. Food Relief Programs

(a) Local development groups in Chimaltenango, such as the cooperatives, OXFAM and World Neighbors, consulted with local farmers, members of cooperatives, leaders, and others in rural areas, and received four specific recommendations:

- there was no need for basic foods, either in the short or in the long-term. Food was plentiful, and additional supplies might damage normal production and marketing systems, adding to the disruption caused by the earthquake, not relieving it.

- in the very short term, until normal commercial processes could be restored (about two-three weeks), the special items listed above would be needed.
- under no circumstances should these items be handed out free. During the first week or so, they should be sold at half-price, thereafter, at full-price, at which point normal commercial stores should be re-opened.

The reasons given were that handouts would diminish self-reliance and foster expectations right from the start that relief efforts would solve all the problems by handing out food (and later building materials, houses, etc.). Local leadership felt that in the end the responsibility would rest with the people themselves and that building up unrealistic expectations would only damage the relief and reconstruction efforts.

- Local people felt they could pay for these items as they always did, and that by so doing, they were maintaining their dignity and self-reliance.

The local development groups responded directly to the above recommendations. All of the special items mentioned above were available in abundance in Guatemala City. They were purchased there and sent out to the rural areas, where they were sold first at half-price and, in the third week, at close to full-price, until, about 2 - 3 weeks later, normal market processes had resumed.

(b) CRS and CARE delivered more than 25,000 tons of PL480 basic grains and mixtures mostly to the rural areas

during 1976, beginning immediately after the earthquake. Additional quantities of non-PL480 foods were also delivered. By March 17, CARE alone had distributed more than 4,500 tons.

18,000 tons of this quantity were brought in for earthquake relief efforts. The other 7,000 tons originally programmed for 1976 were often diverted into emergency uses. For example, food programs outside the earthquake area were suspended by CRS from February through May, and these food supplies were diverted to relief efforts.

The food was handed out free. None was sold at half-price or full-price. Two mechanisms were used for this distribution:

(a) Outright handouts: During the period of February and March, at the height of the relief effort, food was handed-out at no cost. Long lines of local people regularly surrounded food distribution points.

(b) Food-for-Work (FFW): Thereafter, food was distributed in return for work. However, work was generally defined to include routine activities which the recipients would have performed whether or not they received the food

(clearing rubble from their homes, constructing emergency shelter or permanent houses, planting their own fields, etc.). Some relief workers felt that this represented no departure from the outright hand-outs.

The program involved two additional difficulties:

(1) Given the coverage of the program, it was extremely difficult to supervise the work of the recipients.

(2) Warehouses periodically overflowed with food during the "Food-for-Work" phase, and excess supplies were indiscriminately distributed in the local community, with the hand-out system, just as before.

#### 4. Calls for a Stop to Food Aid

The San Francisco Chronicle, on February 27th -- 23 days after the earthquake, reported:

Last Friday (February 20 -- 16 days after the earthquake/Ed.), Virginia Worsley, medical advisor to the foreign disaster coordination center at the U.S. State Department's Agency for International Development, said the Guatemalan emergency is over. "To our knowledge, there are no priority needs at this time for food, clothing, medical supplies, tents or blankets," Miss Worsley said in Washington.



The International League of Red Crosses also perceived that food was not necessary:

A fortnight after the quake, the League asked National Societies to stop sending food, clothes and medical supplies to the Guatemalan Red Cross, as those needs were then covered.<sup>1</sup>

Also in February, 1976, Colonel Guillermo Echeverría Vielman, General Coordinator of the Guatemalan Government's National Emergency Committee asked voluntary agencies to stop bringing food into Guatemala, as plentiful supplies were building up throughout the country.

An April 20th Associated Press story, published in the New York Times, gave the following report:

Crops must be planted and debris cleared from drains, rivers and roads.

In Panabajal, a village half an hour by jeep from the nearest paved road, farmers were promised free lámina (by CARE/Ed:). Fifteen days later, it had not arrived, but some were still waiting for it and not working on their homes or planting their crops.

<sup>1</sup> Red Cross Relief and Reconstruction Operation in Guatemala, An Interim Report, Published by the League of Red Cross Societies, Geneva Switzerland. Undated.

An extended tour of the stricken area showed that people now seem to have enough food and clothing. Most farmers had already harvested spring crops when the earthquake came, and the crops were in storage awaiting distribution. It took a couple of days to dig the supplies out of the rubble. Blocked roads left some areas without their normal food supplies until rescue workers could reach them.

Hours after the earthquake, when the true situation of the Highlands was not yet known in the Capital the Associated Press quoted a Red Cross official as saying the survivors might be so starved that they were eating rats. Guatemalan and foreign relief officials say that was never the case. Some Guatemalans called the report an insult to their national dignity.

The deliveries of PL480 food continued to arrive after this date. Finally, the Government of Guatemala, invoking Presidential Decree Number 40-74 originally published in 1974, prohibited the importation of basic grains from May onwards. The PL480 program is still subject to this decree. At present, therefore, blends derived from basic grains have been substituted for unprocessed basic grains in importations.

##### 5. Price Stabilization Efforts

In the Department of Chimaltenango, the hardest hit by the earthquake, about 90% of the people are farmers and farm families who depend on the sale of part of their production

for their marginal incomes. Traditionally, the corn and bean markets are stable during February and March as they begin an up-swing which reaches a peak in June and July. At the time the earthquake struck, INDECA (the Guatemalan Government's Agricultural Marketing Service) had determined a floor-price for corn of 7¢ per pound. This was considered the minimum price at which the small farmer could still make a marginal gain.

After the earthquake, the price of corn went down from about 7¢ per pound to around 5¢ per pound. In April, the INDECA floor price went down to 5.8¢. No studies have been conducted to verify the causes. Field workers believe that there are three possible causes, although the proportionate weight of each cause is uncertain. The three causes are:

- (a) record harvest,
- (b) farmers' need to sell grains to get money for emergency purposes, and
- (c) arrival of PL480 and other donated foods.

One grass-roots group which was severely affected was the 6,000 farmers who make up the Quetzal Marketing Cooperative, which serves the Department of Chimaltenango. The cooperative

carried out a program which would compensate for the market pressures and the drop in prices.

To maintain grain prices and to give farmers more ready cash so they could replace what they lost in the quake, the cooperative, through a loan from OXFAM, used a rotating fund of US\$100,000 as part of a grain-bank/marketing service available to all farmers in Chimaltenango (cooperative members and non-members alike).

Under this program, the cooperative bought corn and beans from the farmer at a price slightly higher than the prevailing prices at the time of purchase. The farmer received cash for his corn and beans at the time of his sale to the cooperative. More than 4,000 farmers benefitted from the program.

The cooperative could dispose of the food in one of three ways:

(a) The farmer could, at any time, request the return of his grain at the same price at which he sold it to the cooperative, minus the storage charges.

(b) If the cooperative sold the food on the general market at a price higher than its purchase price, the profit,

minus the storage charges, would go back to the farmer (this point only for cooperative members).

(c) If the cooperative sold the food on the general market at a price lower than its purchase price, the full loss, including storage charges, was absorbed by the cooperative.

The Government of Guatemala, in the meantime, maintained its INDECA program. The Government purchased corn by the truckload at its silos in Guatemala City at the support price.

\* \* \*

The Government of Guatemala and the Quetzal Marketing Cooperative maintained programs to stabilize prices and encourage local production of basic grains after the earthquake, emphasizing the self-reliance of the small farmer.

National production increased by an average of 27% during the harvests around the time of the earthquake. A prohibition on the importation of basic grains was in effect during 40% of 1976.

At the same time, PL480 food importation and distribution in the rural farm areas more than tripled over 1975. Furthermore,

plans have been made to maintain more than double the 1975 levels of PL480 importation during coming years.

As a result of the above, the PL480 has attracted increased attention, and a number of questions have been raised about the appropriateness of this program in Guatemala.

It is against this background that the present report has been prepared.\* Part II will summarize and discuss the questions which have been raised about the PL480 program in Guatemala.

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\* A comparison of relief and development philosophies and strategies centering on distribution of building materials after the earthquake appeared in "Two Theories of Relief Put into Practice in Guatemala," Jonathan Kandell, The New York Times, May 15th, 1976, and is Attachment 1 to this report.

THE NEW YORK TIMES, SATURDAY, MAY 15, 1976

# Two Theories of Relief Put Into Practice in Guatemala

By JONATHAN KANDELL  
Special to The New York Times

**SAN JUAN SACATEPEQUEZ, Guatemala, May 11**—The great earthquake three months ago leveled all 9,122 adobe and clay-tile homes in this Indian community about 30 miles west of Guatemala City, the capital.

Set amid pine-covered mountains and steeply terraced cornfields, San Juan Sacatepéquez was once a picturesque community, according to the residents. Now it is a collection of dust-choked, ragged temporary huts.

Down the road, a funeral procession marched to the slow ringing of two church bells. More than 700 people died here most of them killed when their homes caved in as they slept.

But reconstruction has begun. And with it has come a widespread, heated debate on how aid should be supplied to disaster victims, whether they are earthquake survivors in Guatemala and Italy, or hurricane refugees in Honduras.

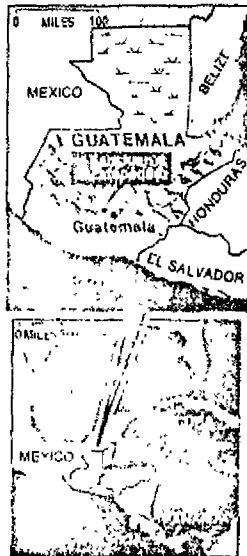
The debate has divided the scores of private and government relief groups that came to Guatemala's aid after the quake left about 23,000 people dead and 1,277,000—about one-fourth of the population—homeless.

Reduced to its simplest level, the argument is between advocates of free aid administered by experienced foreign organizations in full control of funds and projects, and advocates of reconstruction efforts based on ideas offered by the aid recipients and largely financed by the disaster victims themselves.

## Two Theories in Practice

In a radical departure from its previous relief efforts in other countries, the United States Agency for International Development has strongly sided with the latter group of aid exponents. The United States Government agency's decision to curtail free donations and channel its relief efforts through independent local community organizations has placed it at odds with more traditionally minded aid groups like CARE and the Salvation Army.

There is no evidence that the debate has affected the pace and scope of relief efforts in any way. In fact, advocates on



The New York Times/May 15, 1976  
San Juan Sacatepéquez was leveled by a quake.

both sides often work in the same quake-stricken communities and appear intent on proving the validity of their methods.

In San Juan Sacatepéquez the two diametrically opposed concepts of aid are being applied in the rebuilding of homes.

During a brief ceremony today, Sabina Suburu, an Indian woman who manages the local savings and loan cooperative, signed a contract committing the community to buy 140,000 sheets of corrugated metal for roofing—enough material for more than 10,000 homes both here and in nearby villages.

On hand for the signing were several officials of the Agency for International Development, a Guatemalan army officer and a Government official.

Under the contract, a family pays the agency one-third the market price for the metal roofing—called lamina. The money is placed into a bank account held jointly by the agency and the Guatemalan Government.

The community—through its local officials or cooperative—

uses the money to pay villagers for labor-intensive projects of their choice.

"We won't go along with letting them use the money to build a statue," said Frederick Schieck, subdirector of the agency's mission. "But we will agree to just about everything of roads, or water projects."

A few hundred yards away from the signing ceremony, the local CARE office was grinding lamina away to villagers who constructed the frames of their homes according to CARE specifications.

Mrs. Suburu, the cooperative manager, disapproved of the free donations.

"It just causes resentment," she said. "There is not enough free lamina for everyone. Also, people will just sit and wait for someone to help them instead of helping themselves."

The Agency for International Development has committed more than \$7 million to the housing program out of \$25 million that Congress appropriated for the Guatemalan relief effort. Most of the rest of the funds were committed to joint efforts with the Guatemalan army to clear highways, support medical teams and send in emergency supplies during the immediate aftermath of the earthquake.

Officials of CARE—the best known and largest of the private American relief groups—take exception to Mrs. Suburu's views and the way the Agency for International Development is spending its money.

## 'Money May Get Lost'

"We are not going to get involved in the sale of lamina or other construction materials," said William Salas, the CARE director in Guatemala. "I can assure you that there are people who have paid for the lamina and now have no money left for anything else."

Mr. Salas also objected to the distribution of money to local communities.

"When you have 200 or 300 villages, how are you going to make sure that the money goes into development projects and not just into some people's pockets?" he asked. "We have enough experience to know that

unless we have absolute control that money may get lost."

According to Mr. Salas, the Indians had to be shown exactly what type of house they should build.

Picking up a scale model of an Indian house from the coffee table in his office, Mr. Salas demonstrated how his field staff explained the concept to villagers.

"We take away a few of the braces from the frame, and it starts to shake," said Mr. Salas.

"And pretty soon, they will say to themselves, 'Gee, now we see why our houses fall down.'"

"Once the house is built, our people inspect it, and if it meets our standards, we turn over the lamina free," said Mr. Salas. "You see we hold the roofing as a bait."

## 'People Get to Know CARE'

According to Mr. Salas, it is important to let aid recipients know where the relief is coming from.

"People get to know CARE," he said. "They see the CARE trucks and signs. Whenever we can, we say this has been contributed by the American people. That sort of thing."

To buttress his views, Mr. Salas points to the 6,000 houses that have been built under CARE's supervision. No other organization has more than 1,000 new homes to its credit.

According to Robert Gersony, who has spent seven years working with Indian communities in Guatemala and recently signed a temporary contract with the Agency for International Development, the approach taken by CARE is needlessly expensive and paternalistic.

"There are groups who want a high foreign profile, who tend to give things away, and who tend to obligate people to do things rather than suggest," said Mr. Gersony. "Then there are groups who don't like to give things away, who don't like to use foreigners, and who try to support local community groups and use ideas generated by them. You don't see anybody from A.I.D. in villages distributing materials and telling people what to do."

A number of private volunteer agencies—such as Caritas, the Catholic relief agencies—

have recently followed A.I.D. lead and curtailed free donations.

But other relief groups preferred the more traditional approach. The Canadian Government, for example, built 2,000 wood and metal houses far more expensive and sophisticated than traditional highland dwellings here.

Mexican Government brought over its own labor crews to carry out road-building projects.

A few volunteer agencies with no apparent aid contributions or resources have also been represented here. One group of California doctors and nurses flew to Guatemala upon being informed of the earthquake. Government to supervise the finance the relief efforts in three Indian communities.

But none of the promised assistance arrived, nor is it expected to. Meanwhile, no other group has provided support to the communities, and the residents there who had delayed their own reconstruction efforts while they waited for the aid are reportedly bitter toward outside groups.