



United Nations
Development Programme

Distr.
GENERAL

DP/CP/NIC/3
22 March 1983
ENGLISH
ORIGINAL: SPANISH

GOVERNING COUNCIL
Thirtieth session
June 1983
Agenda item 5 (b)

COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

Consideration and approval of country programmes

THIRD COUNTRY PROGRAMME FOR NICARAGUA

UNDP assistance requested by the Government of Nicaragua
for the period 1983-1985

Illustrative IPF for 1982-1986: \$9.5 million

INTRODUCTION

1. The Government for National Reconstruction of Nicaragua submits to the Governing Council of the United Nations Development Programme (UNDP) Nicaragua's third country programme. Because of the war of national liberation, UNDP activities in Nicaragua had had to be carried out under a system of annual programming, duly approved by the Governing Council, but from now on this system will be discontinued. Nicaragua's new development strategy has now been formulated

NOTE: In accordance with decision 81/15, adopted by the Governing Council on 27 June 1981 (E/1981/61/Rev.1, annex I), the third country programme for Nicaragua is being submitted to the Council without an accompanying note by the Administrator.

The previous country programmes for Nicaragua and the related notes by the Administrator were issued under the document symbols DP/GC/NIC/R.1 and DP/GC/NIC/R.2, and DP/GC/NIC/R.1/Recommendation and DP/GC/NIC/R.2/Recommendation, respectively.

and, consequently, the Revolutionary Government is in a position to submit a country programme for a period of three years.

2. The programme has been prepared in close consultation with the office of the UNDP Resident Representative in Nicaragua by the International Reconstruction Fund (FIR), the body which is legally competent to co-ordinate international co-operation, and the Ministry of Planning. The suggestions of the specialized agencies of the United Nations system have also been taken into account in preparing this document. The programme has been approved by the junta of the Government for National Reconstruction.

3. The programme covers only three years because the serious difficulties which Nicaragua is experiencing in its post war period make it impractical, and in some cases impossible, to forecast precisely the technical assistance needs of Nicaragua beyond the year 1985. This programme, therefore, is limited to the years 1983-1985, leaving a budgetary reserve for 1985. The National Economic and Social Development Plan for the 1983-1984 biennium has already been prepared by the Ministry of Planning and is under consideration by the junta of the Government for National Reconstruction; it has not yet been made public.

4. Although UNDP has increased the indicative planning figure (IPF) from \$US 5 million to \$US 9.5 million for the current programming cycle (1982-1986), the volume of technical co-operation requirements has made it necessary to postpone projects or, in some cases, to seek alternative sources for the financing of assistance to areas which are also of high priority. It should also be noted that, by decision of UNDP and in view of the very low increase in voluntary contributions to UNDP, programming in this country programme had to be maintained at a level of 80 per cent of the IPF. Thus the resources for 1983-1985 amount to only \$US 4,533,000. Because of Nicaragua's extremely difficult economic and fiscal situation, resulting from the ruinous state of the economy inherited from the Somozist dictatorship and the various natural disasters which devastated the country in 1982, the Government is not in a position to contribute to the financing of the third country programme in the proportion desired even though there are other urgent, priority needs for technical co-operation that the revolutionary Government hoped to meet through UNDP. Nevertheless, if substantial improvements occur in the current situation, the possibility of resorting increasingly to the mechanism of cost sharing will be considered.

5. It may be noted, however, that following the triumph of the Sandinista Revolution, the United Nations system, within its capabilities, provided substantial, rapid and effective support to war-devastated Nicaragua. From 19 July 1979 to 1 May 1982, organizations of the United Nations system contributed resources amounting to a total of \$US 64,290,000 (see table), distributed through almost all the socio-economic sectors.

Summary

ASSISTANCE PROVIDED TO NICARAGUA BY AGENCY

(July 1979-April 1982)

US dollars

| | | | | | |
|---|-----------|----------|-----------|----------------|------------|
| UNDP | 9,542,192 | ECLA | 278,571 | United Nations | 1,242,598 |
| Habitat | 53,250 | FAO | 1,796,077 | WFP a/ | 24,665,730 |
| UNEP | 22,651 | UPU | 48,921 | CCI | 46,000 |
| UNIDO | 444,193 | UNFPA | 1,354,369 | UNICEF | 6,637,162 |
| UNCTAD | 1,179,332 | WHO/PAHO | 1,919,800 | UNESCO | 549,237 |
| UNCDF | 5,440,000 | UNHCR | 6,025,293 | UNDRO | 67,500 |
| ILO | 1,535,911 | WIPO | 13,200 | WMO | 136,500 |
| Voluntary fund for the United Nations Decade for Women | 291,552 | | | | |

a/ In kind.

6. In the light of the successive resolutions of the United Nations General Assembly concerning the natural disasters in Nicaragua, the Government is confident that the agencies of the United Nations system will continue and intensify their efforts to contribute to the process of national reconstruction in Nicaragua by allocating funds from their own regular budgets to meet needs which it has not been possible to finance under the country programme.

(a) Economic and social situation of Nicaragua

7. Since the triumph of the Sandinista People's Revolution, Nicaragua has had to cope with the aftermath of the ravages of war and a fragile economy and, moreover, the major constraint of a depressed world economy. Nicaragua's involvement in the international division of labour has continued to be based mainly on the export of coffee, cotton, sugar and beef, and at the same time the import of food, equipment, inputs and raw materials required for the production apparatus. This situation has forced the revolutionary Government to accord primary importance to the external sector and has made export an important force for maintaining the rate of growth of the production apparatus.

8. In the face of this situation, the Government believes that the course of economic independence, recovery and the rebuilding of an economy devastated as a result of the war of liberation and natural disasters must have the following objectives: recovering the export capacity of the past, rationalizing and diversifying imports and controlling public expenditure, and pursuing economic policies to consolidate the new social structure of the Nicaraguan population.

9. These have been difficult years for the Nicaraguan economy because of the strong negative impact of the deterioration of the terms of trade. Even so, the gross domestic product (GDP) increased by 10 per cent in 1980 and by 8.9 per cent in 1981. This rate of growth which resulted from the conscientiousness and hard work of the Nicaraguan people, exceeds the rate which neighbouring countries were able to achieve during the same period. As to public expenditure, although it has been necessary to increase it to meet the growing needs of the social sector, administrative reforms were introduced in 1981 and 1982 regarding revenue collection for the central Government and it is estimated that the deficit, which in 1981 represented 12.4 per cent of the GDP, will fall to 10.5 per cent in 1982. Moreover, supplementary measures in the fiscal area have made it possible to reduce the impact of inflation.

10. The pressing demands of the population for food, the need to replace the machinery and equipment destroyed during the war of liberation, the replenishment of stocks of agricultural and industrial inputs, and the major burden of external debt inherited from the Somozist dictatorship, require new external financing as a matter of urgency. In 1982, for example, net payments for external debt servicing amounted to \$US 104 million, and the deficit on the trade balance in 1981 rose to \$US 418.3 million. The import rationalization policy already produced important results in 1982, and this achievement has led to a progressive reduction in imports of consumer goods, and made it possible to accord priority to the purchase of basic food products.

(b) Nicaragua's development strategy

11. The strategic outlines of Nicaragua's economic and social development take the form of a mixed economy with broad scope for the private sector, in the economic sphere; pluralism and national unity, in the political sphere; the active participation of mass organizations in basic decisions, in the social sphere; non-alignment and the unflinching defence of the principles of sovereignty, self-determination of the peoples, non-interference in others' affairs and the search for peace, in the international sphere; and the protection of human rights and respect for the Charter of the United Nations. Within this framework, the fundamental principles of the social development strategy have been defined. They are:

(a) According priority to meeting the basic needs of broad strata of the population: food, health, education, protection of the standard of living and real salaries;

(b) Strengthening and developing the accumulation process which, based on the availability of natural resources, would contribute to the expansion of the production forces and balanced regional development and the reduction of technological dependence on the outside;

(c) Greater involvement of Nicaragua in the international economy, which would upgrade its production and make it less dependent on the traditional fluctuations in its markets and products and reduce the external foreign trade deficit.

12. In order to attain the preceding objectives, high priority is being accorded to the following specific programmes:

(a) National food programme designed to meet the basic food needs of the population and to provide substitutes for some imports, especially basic grains;

(b) Programme of agricultural and agro-industrial exports designed to reduce the external deficit;

(c) Energy programme designed to reduce the external deficit by replacing petroleum with other sources and providing new forms of energy for development;

(d) Construction programme designed to strengthen the national production base of capital goods and develop the general infrastructure based on the construction industry;

(e) Programmes in the economic production sphere; mining, fisheries, forestry, support for exports and import substitution;

(f) High priority programmes in the social sector such as education, health, drinking water, and industrial hygiene.

(c) Proposed UNDP technical co-operation in support of national development priorities

13. Within the context of this development strategy and the resultant courses of action, the Government has selected a programme of projects to support national activities in the priority areas in which it believes that the co-operation of UNDP and the specialized agencies of the United Nations is most appropriate for implementation either because of the experience acquired in the United Nations in these specific areas or because implementation is believed to be feasible with bilateral funds. Thus, apart from the important area of planning to co-ordinate the national development effort, support is requested for the following national programmes: (a) programme for the agricultural sector; (b) programmes for other spheres of economic production; (c) energy programme; (d) programme for the social sector.

14. The third country programme obviously cannot cover all the fundamental aspects of the economic and social development strategy described in the preceding paragraphs. For this reason the Government for National Reconstruction was obliged to request support from other multilateral or bilateral programmes offered to Nicaragua, for programmes and projects of international co-operation, and above all to rely on the efforts of the people and Government of Nicaragua themselves.

15. Nicaragua is participating effectively and on an increasing scale in UNDP regional and interregional projects which in many cases provide timely support to Government efforts. To increase the impact of these projects, greater co-ordination is sought with national projects, financed either by UNDP or by other bodies or countries.

16. In order to increase the real value of international co-operation, consultancy through technical co-operation among developing countries (TCDC) will be used wherever feasible.

17. Finally, the Government for National Reconstruction requests the Administrator and the Assistant Administrator and Regional Director for Latin America of UNDP to provide assistance in seeking international financing, either within the United Nations system or from other bodies or countries, for the implementation of priority projects which, because of limited resources, have not been included in this programme.

18. In support of the national development priorities established by the Government of Nicaragua, the following projects for the period 1983-1985 are submitted.

A. Programme for the agricultural sector

Support for the artificial insemination programme (NIC/80/015)

19. This programme consists of providing support for the strengthening of technical capacity and the establishment of a national artificial insemination programme. Supplies and equipment will be provided for establishing a semen bank, as well as laboratory equipment for the transplant of embryos and the donation of doses of frozen semen.

Analysis and prospects of agro-industrial development in Nicaragua (Phase II)
(NIC/83/001)

20. Under this project, work will continue on the preparation of a technical-economic study to define at the national level a scheme of priorities for agro-industrial development through detailed studies, primarily on basic grains, coffee, cotton, sugar cane, milk, etc.

Support for the meteorological system (NIC/82/005)

21. The National Meteorological Service will be assisted in improving the reception, transmission and retrieval of meteorological, climatic and hydrological information of vital importance for the agricultural sector. The preparation and training of national personnel in various aspects of meteorology and hydrology will be major components.

Agricultural development programmes (NIC/83/002)

22. Specific studies will be carried out with a view to increasing the production of maize, beans and potatoes. Emphasis will be placed on the training of local technicians in producing these harvests.

23. In conjunction with the Food and Agriculture Organization of the United Nations (FAO), projects will be implemented through the Technical Co-operation

Programme, and projects financed by the IPF of UNDP will also be implemented. With the support of the World Food Programme (WFP), the project to promote the development of dairy production will be continued, and other projects concerned with agricultural development will be considered. With the co-operation of the Voluntary Fund for the United Nations Decade for Women, a project for poultry farms will be implemented at Tasba Pri on the Atlantic Coast.

B. Programmes in other spheres of economic production

Exports promotion (NIC/83/003)

24. This programme will consist of providing support for the strengthening of the institutional structure of bodies linked with the external trade sector in order to promote exports.

Assistance in improving technology in the production of pharmaceutical supplies
(NIC/83/004)

25. Assistance will be provided in developing the capacity to increase the production of basic medical supplies through the modernization and improvement of production programmes and the training of local technicians.

26. With the support of the United Nations Industrial Development Organization (UNIDO), projects will be implemented with resources from Special Industrial Services (SIS)

C. Energy programme

National Energy Plan (NIC/80/021)

27. Support will be provided to the Nicaraguan Energy Institute (INE) in drawing up the economic balance sheets of the energy sector and updating fiscal balances. Furthermore, assistance will be provided in compiling and processing the information needed for planning in the energy sector (project being completed).

28. With the United Nations Revolving Fund for National Resources, the possibility of a geothermic project will be considered.

D. Programme of the social sector

Support for the development of the educational and cultural system in Nicaragua
(NIC/82/003)

29. This programme consists of technical support for preparing a full-scale survey of the needs of the educational and cultural sectors in order to encourage the mobilization of various sources of international financing through loans and donations.

30. With financing from the United Nations Fund for Population Activities (UNFPA), attention will continue to be accorded to the mother and child programme of the Ministry of Health, the education and communications project in respect of population of the Ministry of Education, and national censuses of the International Institute of Statistics and Censuses. In addition, new projects will be submitted for financing by UNFPA during the country programming period.

31. The Voluntary Fund for the United Nations Decade for Women will provide the necessary support for continuing the projects for setting up a workshop for the production of soybeans and a centre for the marketing of soybeans within the context of the National Food Programme (PAN). In addition, a support project for the Ministry of Health aimed at the overall advancement of women will be initiated.

32. With the co-operation of the WFP, the following projects will be continued: (a) improvement of the hospital infrastructure, in conjunction with the Ministry of Health; (b) adult education, in conjunction with the Ministry of Education; (c) assistance to vulnerable groups, in conjunction with the Ministry of Health. Other new projects will be submitted for financing by WFP in the course of Nicaragua's third country programme.

33. With the co-operation of the United Nations Children's Fund (UNICEF), the basic needs of Nicaraguan children will be provided for, primarily in the areas of nutrition and mother and child assistance.

34. Through the Pan-American Health Organization/World Health Organization (PAHO/WHO), some of the needs in the health sector will be covered.

35. The contribution of the United Nations Capital Development Fund (UNCDF) will be used to continue vocational training projects and water conduits for rural communities. Other projects will be submitted for financing by UNCDF in the course of the country programme.

E. Support for the planning system

Support for industrial planning (NIC/82/008).

36. This programme will help to consolidate the system of industrial planning in respect of the formulation of plans and programmes for the sector in both the short and medium term and various policies of the sector. Support will also be provided for evolving a programme of industrial complementarity with selected countries.

Strengthening of the planning system (NIC/81/013)

37. Assistance will be provided in the study and formulation of the national macro-economic model, in improving the system of formulating policies for the implementation of development plans, programmes and projects in the short- and medium-term, and in macro-economic social, financing, investment, sectoral and regional aspects.

Technical assistance for the development process (NIC/81/005)

38. This project will make it possible to have short-term consultants without delay at the high level required in specific areas and sectors. Wherever possible, consultants will be used within the framework of TCDC.

Strengthening of the regions and of information systems (NIC/83/005)

39. Support will be provided for the development of Nicaragua's regionalization process through training in regional planning. Assistance will also be provided in establishing a centre for the processing of information concerned with the regions and their economic programmes.

Annex
FINANCIAL SUMMARY

\$

A. Resources

a. IPF and other resources

| | |
|---|--------------------|
| i. Illustrative IPF for 1982-1986 | 9 500 000 |
| ii. Less unprogrammed balance <u>a/</u> | (1 900 000) |
| iii. Less authorized budget for 1982 | (3 783 000) |
| iv. Balance from the previous cycle | (2 284 000) |
| v. Borrowed from the next IPF cycle <u>b/</u> | <u>(3 000 000)</u> |
| Total resources available for programming | <u>4 533 000</u> |

B. Use of resources

a. Programmed

| | |
|---|------------------|
| i. Ongoing projects | 1 249 500 |
| ii. New projects and new phases of ongoing projects included in the country programme | <u>2 418 000</u> |

| | |
|----------|------------------|
| Subtotal | <u>3 667 500</u> |
|----------|------------------|

b. Reserve

| | |
|-------------------------------|------------------------------------|
| Total programmed less reserve | <u>865 500</u> <u>4 533 000</u> |
|-------------------------------|------------------------------------|

C. Financial distribution of programme, by sector

| <u>Sector c/</u> | | <u>Ongoing projects</u> | <u>New projects</u> | <u>Sectoral earmarkings</u> | <u>Total</u> |
|------------------|---|-------------------------|---------------------|-----------------------------|--------------|
| | | | (\$US) | % | |
| 02 | General development issues etc. | 1 064 000 | 450 000 | 33.4 | 1 514 000 |
| 04 | Agriculture, forestry and fisheries | 90 000 | 710 500 | 17.7 | 800 500 |
| 05 | Industry | 55 500 | 425 400 | 10.6 | 480 900 |
| 07 | International trade and financial development | - | 270 000 | 6.0 | 270 000 |
| 11/15 | Education and culture | - | 156 000 | 3.4 | 156 000 |
| 17 | Unspecified | - | 446 100 | 9.8 | 446 100 |
| Subtotal | | 1 209 500 | 2 458 000 | 80.9 | 3 667 500 |
| Reserve | | - | - | 19.1 | 865 500 |
| TOTAL | | 2 209 500 | 2 458 000 | 100.0 | 4 533 000 |

a/ Representing 20 per cent of the illustrative IPF which has not been taken into account for programming.

b/ Authorized by the Governing Council under decision 18/12.

c/ According to ACC classification.

Financial summary of projects to be financed under the
Indicative Planning Figure (IPF)

(\$ '000)

| Name of project | 1983 | 1984 | 1985 | Total |
|--|-------|-------|---------|---------|
| Industrial planning (NIC/82/008) | 220 | - | - | 220 |
| Support for the artificial insemination programme (NIC/80/015) | 90 | - | - | 90 |
| Analysis and prospects of agro-industrial development (NIC/83/001) | 146 | 156 | 60.5 | 362.5 |
| National energy plan (NIC/80/021) | 55.5 | - | - | 55.5 |
| Strengthening of the planning system (NIC/81/013) | 253 | 291 | - | 544 |
| Technical assistance (NIC/81/005) | 100 | 100 | 100 | 300 |
| Meteorological system (NIC/82/005) | 100 | 146.1 | 200 | 446.1 |
| Exports promotion (NIC/83/003) | - | 120 | 150 | 270 |
| Development of the educational sector (NIC/82/003) | 101 | 55 | - | 156 |
| Production of pharmaceutical supplies (NIC/83/004) | 142.4 | 283 | - | 425.4 |
| Regional development and information systems (NIC/83/005) | 120 | 180 | 150 | 450 |
| Agricultural development (NIC/83/002) | 166.1 | 181.9 | - | 348 |
| Total projects | 1 494 | 1 513 | 660.5 | 3 667.5 |
| UNDP IPF | 1 494 | 1 513 | 1 526.0 | 4 533.0 |
| Reserve | - | - | 865.5 | 865.5 |
