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MATTERS ARISING FROM ACTION TAKEN BY THE GENERAL ASSEMBLY
AT ITS THIRTY-FOURTH SESSION: ASSISTANCE TO NICARAGUA

International assistance for the rehabilitation,
reconstruction and development of Nicaragua

Summary

The document summarizes the facts about the scope and nature of the emergency situation faced by Nicaragua and the actions already taken by the Administrator in response to General Assembly resolution 34/8 requesting UNDP to assist the Government in its reconstruction efforts. In addition, the Administrator recommends that \$323,300 be allocated to the present IPF of Nicaragua from funds available under "Future Participants, etc."; and that the borrowing of \$1.0 million from Nicaragua's third cycle IPF for technical co-operation activities in 1980-1981 be approved; and that the Council provide guidance on other possible steps that might be taken to meet the country's urgent needs.

I. Background

1. Recent events in Nicaragua have placed the country in a precarious position. Not having fully recovered from the effects of the earthquake that devastated the country in December 1972, it must now face the consequences of the recent armed conflict. In the report prepared on October 1979 by the Economic Commission for Latin America (E/ECLA/G/1091), the degree of destruction and the magnitude of the tasks facing the country are fully documented. The ECLA report estimated, for example, that 35,000 people died, and that about 40,000 children became orphans because of the conflict. These events, combined with a general paralyzation of the agricultural sector, make matters even more devastating. Almost one million people, about half of which are children under 15 years of age, will require special food programmes to survive. There has been a drastic reduction in per capita income, with an estimated drop of 30 per cent between 1978 and 1979. The deficit of foreign currency is estimated at a minimum of \$925 million for 1979.

2. After careful consideration of these and related facts, the General Assembly on 29 October 1979 adopted by consensus resolution 34/8 endorsing the report of the Second Committee (A/34/595) and the resolution of the Committee of the Whole of ECLA (E/ECLA/G/1092). Among the recommendations of the General Assembly of particular interest to UNDP are the following:

(a) "...That the Governing Council of the United Nations Development Programme should accede rapidly and favourably to the requests for special assistance which the Government of Nicaragua may address to it in the near future, bearing in mind the additional requirements deriving from the present circumstances, and the need to help to promote the development of the country, having recourse if necessary to the Programme Reserve, during the second programming cycle;"

(b) "...That, although Nicaragua is not officially included among the least developed States on the list adopted by the General Assembly in its resolution 2768 (XXVI), it should receive, to the fullest possible extent, the same treatment as that granted in the past or that which may be granted in the future to that group of States, until the situation is normalized."

3. In accordance with General Assembly resolution 34/8, therefore, the Administrator has already taken the following actions:

(a) Allocated an amount of \$85,000 from the Special Measures Fund for LDCs as part of the provision authorizing the treatment of Nicaragua "as if" an LDC until the situation is normalized.

(b) Undertaken the programming of United Nations Capital Development Fund (UNCDF) assistance for 1980 and 1981 of \$5 million, including a possible project for the rehabilitation of malaria control activities of \$2 million. A pre-feasibility mission for this project will take place in January 1980. In addition, a CDF project identification mission is now being organized

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for February 1980 with a view to defining additional projects amounting to the remaining \$3 million. In order to implement the proposed CDF projects, it is estimated that UNDP will have to provide 25 per cent of additional resources for technical assistance activities, which will amount, over the period 1980-1981, to \$1.25 million.

4. Pursuant to General Assembly resolution 34/8 granting Nicaragua the same treatment as an LDC until the situation is normalized, the Administrator requests the Special Meeting of the Governing Council to allocate the sum of \$323,300 to Nicaragua as an addition to its present IPF. This amount represents the 1977-1981 bonus (6.4 per cent) accorded to countries considered "as if" least developed.

5. In addition, the Administrator, if the Council approves, is prepared, as an exceptional measure, to authorize borrowing \$1.0 million against Nicaragua's third cycle IPF to permit further technical co-operation activities to be undertaken in 1980-1981. 1/

6. UNDP has been actively engaged since July 1979 in the mobilization of both UNDP and other resources required for the technical co-operation components of the rehabilitation and reconstruction effort. 2/ In terms of UNDP resources, the entire remaining 1977-1981 IPF (about \$2 million) has been committed, and the rate of implementation experienced has been exceptionally high. As a case in point, through a programme of support to the reconstruction process (NIC/79/002), to which \$400,000 was assigned and which is now fully implemented, UNDP has provided a wide range of short-term consultants who have been assisting the Government with the most urgent emergency actions required to rehabilitate and/or totally reorganize the productive sectors, as well as the decision-making machinery in the country. It has also assisted in the formulation of other major new technical co-operation projects and programmes in the fields of export promotion, financial rehabilitation, accelerated massive teacher training, prospecting for natural resources, support to national enterprises in charge of the export and import of basic grains, science and technology, rehabilitation of industries, housing and human settlements, public health, rural development (including priority emphasis on reactivating production of staple foods and cash crops), and fiscal administration and legislation. Although some of these have been approved since September 1979, additional financing, from whatever source, is urgently needed to permit implementation of the remainder.

1/ In document DP/424, it is suggested that second cycle borrowing under transitional measures might be applied, in general, to countries whose third cycle IPF would be at least 50 per cent greater than in 1977-1981 (assuming overall contributions growth of only 10 per cent per annum). It is suggested that, as an exceptional measure, Nicaragua be authorized to borrow from its third cycle IPF, even though its inter-cycle increase may be less than 50 per cent under the 10 per cent assumption.

2/ UNDP's activities have and are facilitating the approval of important support by the World Bank and the Inter-American Development Bank, by other United Nations system organizations, as well as by interested bilateral programmes.

7. The conclusion of the formulation for approval of projects and programmes for technical co-operation referred to in paragraph 6 above, is expected by the end of March 1980. The additional resources required for the technical co-operation activities in 1980 and 1981 enabling the Government of Nicaragua to conclude this programming and to move to implementation is estimated at approximately \$7.5 million, including the amount of \$1.25 million required for support of CDF funded projects.

8. In this connexion, the General Assembly has recommended that, if necessary, the Governing Council consider having recourse to the use of the Programme Reserve. The Administrator has been directed by the Council to submit for its consideration at its twenty-seventh session, criteria to be used in determining the assistance to be given to countries for rehabilitation activities following natural disasters. The Administrator intends at that time to request the Council to decide whether, in principle, assistance from the Programme Reserve should also be available for rehabilitation activities following man-made disasters and, if so, to examine criteria which may be used in these circumstances.

9. The Council is therefore requested to decide at its Special Meeting in February 1980 whether it will take up the General Assembly's recommendations at this meeting or await the outcome on the substantive discussions in June 1980 on whether or not to extend the use of the Programme Reserve to cover rehabilitation following man-made disasters.

II. Recommendations of the Administrator

10. In view of the magnitude of the needs of Nicaragua and the critical importance of technical co-operation in the overall process of reconstruction, the Administrator recommends that:

The Governing Council,

(a) Take note of the actions already taken by the Administrator as outlined in paragraph 3(a) and (b) above;

(b) Agree to the allocation of \$323,300 as an addition to the present IPF of Nicaragua as outlined in paragraph 4 above. This amount is to be met from funds available under "Future Participants, etc."; and

(c) Approve, as an exceptional measure, the borrowing of \$1.0 million against Nicaragua's third cycle IPF for technical co-operation activities to be undertaken in 1980-1981.

11. The Administrator also recommends that the Council provide guidance on other possible steps that might be taken by the Administrator to come closer to meeting the country's urgent needs, in accordance with General Assembly resolution 34/8.