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STATEMENT BY MR. JUAN JOSE MARTINEZ L., MINISTER OF ECONOMY,  
INDUSTRY AND TRADE OF NICARAGUA

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Statement by Mr. Juan José Martínez L., Minister of Economy,  
Industry and Trade of Nicaragua

Mr. Waldheim, Secretary-General of the United Nations, Mr. Iglesias, Executive Secretary of ECLA, Mr. Carlos Molina Mencos, Chairman of the Committee of the Whole, Mr. Berkol, Disaster Relief Co-ordinator, delegates and representatives of international and regional organizations.

I. INTRODUCTION

First of all, I wish to thank the Secretary-General, on behalf of the people and the Government of Nicaragua, for his timely response to the request of our country and of the Central American Economic Co-operation Committee, which gives me an opportunity to speak in this forum of the United Nations, the supreme organ of the international community, embodying, above all, the concepts of human and international solidarity that are characteristic of our times. The people and Government of Nicaragua are, of course, equally grateful to the Governments represented here, and to you who are their worthy spokesmen.

It is my intention to give you an objective picture of the real state of affairs in our country at this time, of its most urgent needs and of the efforts made to put the country back on its feet again in the near future, and later to resume our process of economic and social development, which was entering the "take-off" stage. The figures I present on the basis of the partial and still preliminary data assembled by us for preparing this document, concerning the havoc wrought by the earthquake of 23 December 1972 in the different sectors of Nicaragua's economy and population, will, nevertheless, necessarily produce an emotional impact. This could not be otherwise, when we consider that Nicaragua is a country with 2 million inhabitants and that the disaster totally destroyed 80 per cent of Managua and damaged the rest of the city, where one quarter of the country's population lived. Impressive as this figure may be, it should be remembered that Managua, being the capital of the country and following the Latin American pattern, was also very densely populated and had a high level of secondary and tertiary economic activities. More than 50 per cent of the country's commercial services and 70 per cent of its total industrial production were in that city, as were the seat of the entire central Government and its autonomous institutions, the financial system, most of the health, educational, cultural and transport services, and all the diplomatic missions of friendly countries and the offices of international agencies; in a nutshell, it was the nerve centre of the country.

/In human

In human terms, as a result of the earthquake more than 50,000 families today are deprived of their means of livelihood; in addition to this tremendous material burden, they are stunned by the irreparable loss of their dear ones. The dead, estimated on the basis of direct information from medical and hospital sources, number between 8,000 and 10,000, but the truth will not emerge for some time, when the number of persons in the "missing" category becomes known through indirect procedures.

Foreigners arriving in Nicaragua in the last few days who had witnessed the destruction wrought in the cities that were bombed during the Second World War report that the scale of destruction, desolation and death in Managua is, almost without exception, beyond comparison with the fate of those cities.

The tables and statistics I am going to present and the report prepared by the Secretariat of the ECLA regional office and the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA) reveal the magnitude of the disaster in economic terms and, at the same time, demonstrate that Nicaragua will be unable to recover by itself alone, as almost no other country in the world, I am sure, could recover except at an unacceptable social cost. Even less could it resume the pace of economic development and the process of raising the population's levels of living. We will have to build at least 50,000 housing units to replace those destroyed, plus those required as a result of natural population growth during the years it takes to carry out this programme. Just to fulfil the first of these requirements, that is, to replace what was destroyed, will require an outlay of 4,221 million córdobas, the equivalent of 603 million dollars.

The Government will require 32.5 million dollars to rehabilitate its administrative machinery, 20 million dollars to rebuild the classrooms and hospitals and 38.6 million dollars to recover the lost revenue estimated for 1973. It will take a total of 196.1 million dollars to start up business and industrial activity again, and 162.1 million dollars to provide the necessary infrastructure for such reconstruction. This list of requirements amounts to more than 1,000 million dollars. While it represents only a very small percentage of the national budgets of the highly developed countries, it implies an effort that it is virtually beyond our means to undertake with our own resources, as it is nine times our annual budget for 1972.

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We have received assistance in the form of first aid, thanks to the resolute, spontaneous and timely action of friendly peoples and of the international institutions both inside and outside the United Nations system. We are now entering the subsequent phases which still include emergency relief, assistance and co-operation for putting the country back on its feet again and thus beginning the complex and long-term task of reconstruction and the resumption of our national development, which is also in the interest of Central America.

From that point of view, the early initiation of programmes that will provide employment for the destitute is becoming a top priority, because, in human terms, conditions must be created that will allow them to live by doing work which gives them self-respect.

With the greatest respect for your peoples and Governments and imbued with faith in the virtues of human solidarity, which all nations of the earth profess, I come before you in the name of Nicaragua to present our problem and request your co-operation, both within the framework of the United Nations and on an individual basis, in your capacity as representatives of friendly countries; I do this because, as I said before, the magnitude of the disaster is beyond our capacity to repair, even though all we Nicaraguans are making, and will make, whatever sacrifices are necessary.

We will be ready at the appropriate time to present plans and programmes prepared with our own technical resources and international co-operation. We are faced with an unprecedented disaster and an extremely abnormal situation; this being so, the criteria demarcating the field of action of the international financial community, which were devised for other situations, are not appropriate in the present case. For that reason our people and Government will be truly grateful for the resolutions adopted here which are addressed to the agencies providing international financial and technical assistance, especially to those forming part of the United Nations family and the inter-American system, requesting them, in dealing with a situation of a special nature, also to apply special and unprecedented procedures and criteria which will ensure the flexibility and understanding that the circumstances demand.

In this context, Nicaragua draws attention to its status as a less developed country in order to qualify for the preferential credits of the International Development Association and the International Finance Corporation, both of which belong to the World Bank group, because at

/present it

present it can be classified as a less developed country for many reasons, the main one being that, following the destruction of its capital city, there has been a breakdown in its organization and economic unity.

The National Emergency Committee, under the chairmanship of General Anastasio Somoza Debayle, is co-ordinating the assistance provided by your countries and others not represented here. It would be desirable, as an additional measure - and this is the most appropriate forum for the purpose - for this assistance also to be co-ordinated by the donors, so that we can benefit from the specialization of friendly countries and, what is even more important, avoid duplication.

The national reconstruction effort is of such a magnitude and must be concentrated over such a short period that, in spite of the effort our country is prepared to make, and will in fact make, a substantial part of this assistance must be forthcoming on a non-refundable basis, to the extent that the nature of our requirements and the resources which the international institutions and friendly countries have available for this purpose allow. In a nutshell, Nicaragua requires external assistance on a massive scale, but assistance in terms of immediate deliveries and flexible programmed financing in line with the procedures and modalities which the critical situation of our country makes necessary.

## II. EVALUATION OF THE DAMAGE

I shall be presenting a preliminary summary evaluation of the destruction wrought in the capital city by the earthquake of 23 December 1972. The figures quoted, which are subject to revision, are indicative of the amount of the financial resources, both internal and external, which will be needed to restore, in part, the situation as it existed before the earthquake. Obviously, they can only be regarded as orders of magnitude of our reconstruction requirements, since this reconstruction will necessarily depend on the requirements of the future urbanization plan and on the basic unsatisfied needs. It should be pointed out that the success of any programme for the reconstruction of Managua must be based on immediate international co-operation, on the speed with which the general urbanization plan is officially drawn up and on the efficiency with which the appropriate use of resources, both human and material, are programmed and administered to deal effectively with the enormous problems we are facing.

In the following pages I will present the overall figures for the losses sustained and a short analysis by main sectors of activity.

/SUMMARY OF

SUMMARY OF THE MOST OBVIOUS LOSSES

- (1) 8,000-10,000 persons killed.
- (2) Approximately 20,000 persons injured.
- (3) 220,000-250,000 persons rendered homeless.
- (4) Twenty-seven square kilometres of the city affected, of which 13 square kilometres totally destroyed and 14 square kilometres damaged, including most of the sewerage, power transmission, water and telecommunication systems; as a result of this destruction, 7 million cubic metres of debris have to be removed.
- (5) 50,000 family housing units destroyed and 24,000 damaged, most of them belonging to the middle and low income groups.
- (6) 95 per cent of the small workshops and factories in Managua destroyed; 14 factories destroyed or seriously damaged.
- (7) 400,000 square metres of commercial buildings and shops destroyed or seriously damaged.
- (8) 340,000 square metres of public and private offices destroyed or seriously damaged.
- (9) Four hospitals, with a total of 1,650 beds, destroyed or seriously damaged, i.e., 40 per cent of the total for the country.
- (10) 956 classrooms destroyed or seriously damaged.
- (11) 51,700 people unemployed.

The total cost of replacing what was destroyed by the disaster is estimated at more than 1,000 million dollars (see annex 1).

1. Government sector

The capacity of the Government to function effectively will be seriously impaired because a major part of its offices, equipment and files were destroyed. The cost of replacing the machinery of government, estimated at 101.1 million dollars, includes uncollected tax revenue amounting to

/38,6 million

38.6 million dollars in 1973. The lost revenue in question includes taxes on income and capital, in particular, and import and sales taxes. It also includes emergency expenditure in the amount of 30.3 million dollars on medical and food supplies and other miscellaneous items.

## 2. Commercial sector

A major part of the country's commercial activities were concentrated in Managua and provided employment for approximately 20,000 people. It is estimated that 90 per cent of the commercial facilities situated in this city were either totally destroyed or rendered useless. The labour force is now scattered over various towns and villages, some of it in the outskirts of the capital.

Of these 20,000 unemployed, some could be absorbed in the commercial activity which is starting to reappear in makeshift facilities in the outskirts of Managua. Total losses in this sector amount to 152.4 million dollars. The contribution of this sector to the gross domestic product in 1972 was 170 million dollars, i.e., 20 per cent, and will be drastically reduced in 1973 for want of facilities.

## 3. Industrial sector

Approximately 70 per cent of the country's industrial production capacity is situated in the Managua area. It is estimated that the earthquake reduced this capacity by 20 per cent in terms of value. The surveys carried out indicate that 90 per cent of the 863 production units in Managua employing less than five workmen were totally destroyed, as were 40 units employing more than five workmen; 17 in the last category were partially damaged. The total damage in the industrial sector amounts to 43.7 million dollars.

Industrial output in 1972 was valued at 2,975 million córdobas, of which 2,082 million were contributed by the Managua area. As a result of the earthquake productive capacity will be reduced by approximately 416 million córdobas. Exports of manufactures to Central America will be reduced by 56 million córdobas, the equivalent of 8 million dollars.

Over 5,000 people in the industrial sector are unemployed. This figure includes enterprises totally destroyed and enterprises whose operations will be curtailed because of repairs, the dispersal of manpower and the breakdown of the distribution network.

## /4. Housing



4. Housing sector

The earthquake completely destroyed 50,000 housing units in Managua and damaged 24,000. The total cost of replacing the former is 500 million dollars and of repairing the latter 103 million dollars, giving a total of 603 million dollars.

Damage to housing represents approximately 55 per cent of the overall damage caused by the earthquake.

It is of vital importance to the national reconstruction plans that the necessary resources should be obtained from all sources of financing, both internal and external, so that all the housing destroyed can be replaced in the smallest possible number of years. For the execution of these plans, moreover, the installed capacity of the building and building materials industries will have to be expanded considerably. In addition, accelerated programmes of manpower training for this sector will also have to be carried out.

5. Infrastructure

After the housing sector, which was the most seriously affected by the earthquake, the infrastructure was the sector which suffered the greatest damage. Total losses are estimated at 162.1 million dollars. The infrastructure includes all that is conventionally considered to be the basis of development, plus some institutions such as schools and hospitals.

The figures quoted here are, however, subject to revision, because the amount of damage done to items such as underground conduits, sewage systems and communications is still not precisely known.

6. Employment

It is estimated that the earthquake relegated 70 per cent of the economically active population of Managua, namely 51,700 persons, to the ranks of the unemployed, most from the commercial and services sectors and the self-employed. The effects of the loss of employment by 51,700 heads of household are also felt by their dependants (4.65 per household), so that the number of persons affected by the loss of employment is estimated at 241,000.

/As Nicaragua

As Nicaragua was already experiencing a serious unemployment problem, caused by the drought of 1972, which involved an estimated 50,000 rural workers, the rise in the number of unemployed to 101,700 has made our plight even more serious.

7. Economic situation and prospects for the five-year period 1973-1977

A model should be constructed as quickly as possible in order to determine Nicaragua's economic situation in terms of macro-economic variables by means of an econometric programme using modern measurement techniques.

On this occasion a first attempt is being made to correlate the damage caused by the earthquake and the variables derived from the gross domestic product. Five hypotheses have been adopted: the first, a highly theoretical one which projects the country's historic growth, has been included for purposes of comparison; the second starts from the present situation and projects the position which will result if additional resources are not channelled into the normal flows of investment; and the last three incorporate alternative levels of the total external aid which could be forthcoming, distributed on a decreasing scale over the five year period 1973-1977. It is important to note that this initial estimate indicates that Nicaragua could reach its normal rate of development by the end of the five-year period, but only if a total volume of external assistance of the order of 1,000 million dollars is programmed for the five-year period mentioned. (See annex 2.)

III. INTERNATIONAL AID REQUIRED BY THE GOVERNMENT OF NICARAGUA FOR THE RECONSTRUCTION OF THE ECONOMY

In view of the situation I have described, the Government of Nicaragua requires the co-operation of Governments and of the international financial community in the form of the largest possible grants-in-aid and the maximum volume of loans on terms compatible with the country's present circumstances, so that the social and economic reconstruction of Nicaragua may proceed with a minimum of delay.

For this purpose, the Government requests the following:

(a) Terms. In spite of its tragic plight, Nicaragua, as always, reaffirms its readiness to honour its pledges to international institutions, Governments, and external private creditors and, in this connexion, in

/addition to

addition to formulating a general policy on its external debt, it hopes to present and discuss each specific case with its creditors as the circumstances require.

(b) Flexibility with regard to loans. Current loans, loans awaiting approval and applications for new loans - both emergency loans and the reconstruction loans required to carry out the national development programmes - must be negotiated and obtained in accordance with the following procedures:

(i) The formalities must be expedited because the loans are urgently needed, and the administrative procedures must be facilitated.

(ii) Flexibility. In the present circumstances maximum flexibility is necessary in the use of the resources negotiated or to be negotiated, for the purpose of initiating the programme of priorities which the Government will be drawing up in order to raise the levels of employment and launch the reconstruction plan as quickly as possible.

(iii) Counterpart. Similarly, we request that the counterpart requirements be modified for current loans, for loans which are being negotiated and for those which are granted for national reconstruction purposes.

(iv) In short, repayment periods, grace periods, and rates of interest appropriate to the emergency we are facing are required.

#### IV. EMERGENCY PLAN PROPOSED FOR RECONSTRUCTING THE CITY OF MANAGUA

1. The international credit agencies should dispense with the usual formalities in the case of the loan applications which are being processed. The procedures for using these credits should be sufficiently flexible so that the Government of Nicaragua can apply the resources as the emergency requires. For example, no international bidding and no consultations should be required prior to granting the contracts.

2. As already indicated, the estimated damage caused by the earthquake amount to more than 1,000 million dollars, and Nicaragua requires this amount to rehabilitate its economy. Consequently, and except for the amounts received as grants, the international agencies should co-ordinate their procedures with a view to granting soft loans, the allocation of which

/for the

for the reconstruction of housing, hospitals and markets and for basic infrastructure, transport, industrial rehabilitation, and restoration of commercial and handicraft activities and manpower training equipment will have top priority.

3. It is vitally important that the reconstruction work should generate the largest possible number of jobs and, when the relevant projects are presented, the international credit agencies should accept them in this spirit and not as if they were normal projects with a high external component. Moreover, the projects will make maximum use of Nicaraguan inputs and, secondly, of resources from the Central American Common Market.

The international credit agencies should agree to funds from the loans being used to finance part of the local costs in respect of products manufactured by Nicaraguan industry and the payment of the labour force necessary for the city's reconstruction.

Emphasis must be laid on the fact that resources must be available to solve the housing problems at the initial stage, before the next rainy season begins in May.

This same set of criteria should be applied when considering applications and granting the necessary technical assistance.

The first stage in this emergency plan calls for an immediate minimum investment of 170 million dollars, broken down as follows:

Housing	\$45 million
Infrastructure	\$30 million
Small industries and crafts	\$15 million
Public services	\$10 million
Hospitals	\$12 million
Schools	\$ 8 million
Markets	\$10 million
Other	\$40 million

/While these

While these investments are being made, the international credits which Nicaragua requires for its emergency plan will be negotiated both bilaterally with friendly Governments and with the credit agencies.

The tables annexed to this report provide detailed figures for the information of delegations.

Mr. Chairman, I wish to avail myself of this opportunity to express most sincerely the deep gratitude of the people and Government of Nicaragua to all the organs and institutions of the United Nations, to the organs and institutions of other sectors and to all the peoples and Governments of the world, particularly those which are members of the Economic Commission for Latin America, for the speedy and generous assistance which they gave to the people and Government of Nicaragua at the height of the emergency.

Nicaragua is sure that the world will understand the difficult situation it is going through. Many years of quiet but steady effort to develop our country are today in danger of being cancelled out by natural forces beyond our control. We are sure that international assistance will be forthcoming in good time for the work of reconstruction and rehabilitation, the emergency and longer-term aspects of which I have outlined. For this further demonstration of international solidarity, Mr. Chairman, Nicaragua wishes to express its gratitude in advance and requests the representatives and observers to convey these official expressions of the appreciation of the people and Government of my country to their respective peoples and Governments.

Annex 1

ESTIMATE OF DAMAGE CAUSED BY THE EARTHQUAKE OF 23 DECEMBER 1972

(Millions of dollars)

	Buildings	Equipment and furniture	Stocks	Non recuperable emergency costs <sup>a/</sup>	Book and other losses <sup>b/</sup>	Subtotal
Government	22.5	9.0	1.0	38.6	30.3	101.1
Industry	4.7	16.0	3.1	2.8	17.1	43.7
Trade	84.0	12.6	31.5	3.0	21.3	152.4
Housing	603.0	50.0	2.1	-	-	655.1
Services	28.5	11.4	4.5	4.4	-	48.8
Infrastructure	101.4	30.8	5.8	20.8	3.3	162.1
Subtotal	844.1	129.8	48.0	69.6	71.7	1 163.2

<sup>a/</sup> Loss of tax revenue in 1973.

<sup>b/</sup> Includes expenditure on food, medicine, installations, wages etc., arising from the earthquake.

Annex 2

ESTIMATED ECONOMIC SITUATION BASED ON THE DAMAGE CAUSED BY THE EARTHQUAKE TO THE  
CAPACITY TO GENERATE GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

(Millions of dollars)

	1972	1973 a/	1974	1975	1976	1977
Gross domestic product	1 000	1 080	1 166	1 259	1 359	1 500
Gross domestic product Investment	165	176	191	210	233	260
Gross domestic product Investment	1 000	820	845	870	896	920
Gross domestic product Investment	165	176	191	210	233	260
Gross domestic product Investment	1 000	870	900	920	935	940
Gross domestic product Investment	165	315	415	515	557	665
Gross domestic product Investment	1 000	890	917	945	973	1 000
Gross domestic product Investment	165	375	515	645	767	865
Gross domestic product Investment	1 000	950	1 045	1 170	1 322	1 500
Gross domestic product Investment	165	465	565	865	1 025	1 165

Note: This estimate is based on simple logical assumptions, with a view to obtaining an initial appraisal of the economic situation of the country as a result of the earthquake. Flows of aid and loans were calculated at three levels, with a decreasing rate of additional resources which it was hoped to be able to obtain.

a/ For purposes of comparison, this column indicates real figures.

Annex 3

PRELIMINARY BEHAVIOUR OF MACROECONOMIC VARIABLES, STATIC SITUATION

(Millions of dollars)

Total gross domestic product	1971	1972	1973	Effect of the earthquake 1972-1973 (%) <u>a/</u>
1958 constant prices	5 150.3	5 407.8	3 520.0	-40
Current prices	6 471.0	6 794.0	4 080.0	
Per capita gross domestic product (1958 córdobas)		2 700.0	1 621.2	-40
Per capita gross domestic product (dollars at 1958 constant prices)		386.0	231.6	-40
Current prices		485	291	
Agricultural gross domestic product	1 254.0	1 279.1	1 304.7	2
Industrial gross domestic product	1 087.9	1 170.3	1 001.8	-15
Construction gross domestic product	164.6	171.8	51.6	-70
Trade gross domestic product	1 101.9	1 157.0	752.0	-35
Services gross domestic product	1 497.0	1 572.0	943.2	-40
Exports fob (thousands of córdobas)	1 310.7	1 638.7	1 474.8	-10
Exports fob (thousands of dollars)	187.2	234.1	210.7	-10
Imports (thousands of córdobas)	1 473.1	1 612.8	1 280.0	-20
Imports (thousands of dollars)	210.4	230.4	183.0	-21

a/ This would be the effect if no measures were taken to arrest the existing economic depression

b/ The 10 per cent drop is due to the reduction in industrial activity and to the drought that occurred in 1972.



Annex 4

	1965	1970	1972	Today
(1) Total employment	501 583	580 795	619,438	517 000
Agriculture	289 249	305 195	315,919	
Industry	60 950	76 580	83,528	
Trade	38 623	51 020	53,351	
Construction	17 528	22 535	23,972	
Other	95 233	125 466	142,668	
(2) Housing	<u>1963</u> 151 750	<u>1971</u> 205 830		152 000
(3) Installed electrical energy capacity (thousands of KW)	<u>1965</u> 77	<u>1970</u> 170	<u>1971</u> 247	
(4) Drinking water (km of pipeline)	<u>1965</u> 330.3	<u>1970</u> 520.0	<u>1971</u> 547.7	
(5) Class rooms	<u>1965</u> 2 360	<u>1971</u> 2 289		<u>Today</u> 1 590
(6) Hospitals		4		

