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REPORT ON THE DAMAGES OF THE EARTHQUAKE OCCURRED IN THE CITY OF  
MANAGUA AND ITS ADVERSE EFFECTS ON THE NICARAGUAN ECONOMY

This report has been prepared by the Secretariat of the Economic Commission for Latin America and the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA).



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## FOREWORD

In agreement with the Government of Nicaragua, the Executive Secretariat of ECLA decided to convene a meeting of the Plenary Committee of the United Nations Economic Commission for Latin America. The purpose of this meeting was to examine the scope and characteristics of the technical and financial international assistance required to solve the critical situation brought about by the earthquake that destroyed the city of Managua in December 1972.

Immediately after the tragedy, friendly governments and international organizations expressed the support of the international community to Nicaragua through the provision of goods and technical assistance. Among other resolutions, the Ministers of Foreign Affairs and of Economy of the Central American Governments decided to give full support to the idea of holding a meeting of the Plenary Committee; the initiative was also endorsed by several Latin American governments, members of ECLA.

To facilitate and expedite the deliberations at the meeting, a mission of experts was organized to visit the disaster area and prepare an appraisal report with a preliminary estimate of damages to the economic and social development of Nicaragua resulting from the earthquake.

The report was prepared jointly by ECLA's Secretariat and the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA). The aid of other regional organizations, especially the Central American Institute of Industrial Technology and Research, and of experts from the United Nations' Office of Technical Cooperation, UNIDO and the UNDP was also enlisted.

The document is divided in four sections. The first one refers to the main aspects of the economic development of Nicaragua during 1972, prior to the disaster and evaluates the importance of Managua in relation to the economic, social and political development of Nicaragua. The second section shows an estimate of the material damage and human life losses which resulted from the earthquake, while the third includes an examination of the main problems the economy of Nicaragua must face in the near future. The last part outlines the conclusions and recommendations of the Mission in order to enable the absorption of, and to orientate and assign priorities to the assistance from governments, international organizations and private institutions.

The Secretariat of ECLA and SIECA's General Secretariat wish to express their gratitude to the Nicaraguan government officials and individuals for the assistance given to the Mission, without which this report would not have been possible.

## I. BACKGROUND

### 1. Main Features of the Nicaraguan Economy in 1972

#### a) General Characteristics

Without taking account of the damages caused by the earthquake suffered by Managua at the end of December, the country's gross domestic product was estimated to have increased by 5 per cent in 1972, a rate slightly above that of the previous year. (See table 1.)

While in 1971 the growth of the GDP was governed by the behavior of domestic factors, in 1972 the determining elements were mainly in the external sector, specially in the increased exports of traditional products and, to a lesser degree, of manufactured articles sold to the Central American market.

The drop in public and private investment precluded a greater expansion of aggregate demand, which reached 7,400 million córdobas, namely 4 per cent higher than in the previous year. Among other factors, the uncertainty concerning the future of the Common Market, put a brake on private investment, while the effects of drought reduced the income of large sectors of the population. In addition, public investment, which had grown significantly in 1971 (29.5 per cent), fell by nearly 10 per cent in 1972. (See again table 1.) In contrast, the government maintained the policy of high-level savings and devoted a substantial proportion of foreign credit to improving its financial position and that of the autonomous institutions, by restructuring its debt in order to contract only long-term credits.

Aggregate supply increased by only 4 per cent as a result of moderate rises in production and imports. The slow increase in imports is explained by the smaller purchases of capital goods resulting from the slowdown in investment. This trend partly compensated the increase in imports of several inputs created by the rise in industrial production. (See table 6.)

The productive sectors that contributed most to the growth of output were manufactures (7.5 per cent) and public utilities such as electricity and water supply (8.6 per cent). Value added in transport also increased

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as a consequence of the growth in exports. In contrast, agriculture was seriously affected by the long drought, with losses in the basic grain and cotton crops in the 1972/73 season; the negative effects of these crop failures are considered alongside those of the earthquake. The 1972 drought implied a substantial reduction in peasants' income, both because of its effect on production for self-consumption and the reduction in employment in cotton harvesting and coffee processing.<sup>1/</sup>

The growth rate of consumption fell as a consequence of the slowdown in investment, the effects of the drought and the reduction of public expenditure. Total consumption reached 4,654 million córdobas, only 1.7 per cent above the level of the previous period. (See again table 1).

#### b) Principal Productive Sectors

The 2.3 per cent increase in agriculture and livestock fell below the rate of population growth. The reduction in the growth rate (which, as has been mentioned, should become more pronounced in 1973) should be attributed to the sharp fall in agricultural output for domestic consumption (more than 13 per cent) and to the reduction of the coffee crop, which was also affected by the 1972/73 drought.

Cotton production in 1971/72 has been estimated at 2.2 million quintals (24 per cent above that of the previous season), and this increase can be attributed both to the harvested area (from 136,287 manzanas in 1970/71 to 156,079 in 1971/72), and higher yields (from 12.56 to 14.30 quintals per manzana). Production of cotton also benefited from the credit policy that allowed an increase of the cultivated area and from the policy measures taken in the Common Market to secure the regional supply of oil and to guarantee reasonable prices for cottonseed. However, the drought previously mentioned will result in a reduction of crops and exports in 1972/73.

The drought also reduced coffee production in the Pacific region and, although from 1970/71 to 1971/72 production increased by more than 84,000 quintals, it will be considerably reduced during the present cycle.

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<sup>1/</sup> The decline in the export of these two products will not be felt until 1973, due to the lag between the production and export periods. (See table 2.)



The products for domestic consumption most affected by the lack of rainfall were corn, beans, and sorghum; the rice crop suffered less since only 36 per cent is harvested in non-irrigated lands. The first corn and bean crops were completely lost, while the second showed a slight recovery.

On the other hand, under the stimulus of policies for the improvement of cattle herds, the slaughter systems and the rise in domestic and international demand, livestock production registered a substantial increase of almost 10 per cent.

Finally, manufactures increased 7.5 per cent (over that of the previous year) mainly because bigger sales were made to Central America, especially to Honduras and Costa Rica, since domestic levels of consumption do not seem to have increased substantially. On the other hand, wood and cork production, oil refining (on the basis of imported crude oil), paper and rubber, showed the greater rises. (See again table 2.)

c) Foreign Trade and Balance of Payments

The balance of payments improved during 1972; the strong increase in exports (which reached nearly 236 million dollars) coincided with the slow expansion of imports. (See table 3.) Consequently the trade balance showed a surplus approaching 38 million dollars which, with the increase of foreign loans resulted, for the third year in succession, in a strong improvement of the international monetary reserves. (See table 5.)

Income derived from exports of primary products registered a rapid growth; outstanding among these were the sales of cotton, sugar, meat, shrimp and lobster (the latter due to particularly favorable prices). In addition, income from the sales of sesame seed decreased as a result of a reduction in the area under cultivation and in production. (See table 4.)

The improvement in the international price of cotton (15 per cent) and the good crop in the 1971/72 season --which rendered one of the highest yields in the world-- provided the country with a foreign currency income almost equal to that of 1965 (61 million dollars). Although the area under cultivation in 1972/73 was 38 per cent greater than in the previous season, the effects of the drought will cancel out any increase in output.<sup>2/</sup>

<sup>2/</sup> According to official estimates, sales of cotton in 1973 will decrease by 22 million dollars.

Coffee exports recovered from the steep fall in prices of the previous year (14.8 per cent). The quota assigned to Nicaragua for the 1971/72 season was 663,777 quintals and an increase of 55,000 quintals was obtained for the 1972/73 season. At the beginning of December the producing and purchasing countries decided to temporarily suspend the quota system, which will intensify competition among producing countries and will lead to a resulting descent of price in the product, if the world supply increases.<sup>3/</sup>

Meat exports to the American market surpassed those of the previous year by more than 7 million dollars, due to the development policy, the increase in price and the elimination of quota restrictions.<sup>4/</sup> Sales could be reduced in 1973 because, as a result of drought, slaughter for export started too early in 1972, and consequently the fattening season will have to be longer and will delay slaughter in 1973.

The ecological cycle with shrimp and lobster migrations has led to a drop in the catch and sales of these seafoods in the last years; however, in 1972 conditions started to become favourable, with notable increases in prices that represented an income of 9 millions dollars.

Since the unit value of sugar exports did not change in 1973, the substantial increase was due to an increment of the quantity exported, both to the American (following an increase in the quota) and other markets.<sup>5/</sup>

Central American trade registered a substantial increase in 1972; the balance, although negative, again strengthened Nicaragua's position within the regional market, mainly because of greater sales to Costa Rica and Honduras mentioned above. (See table 7).

Notwithstanding, the above problems were foreseen, in the first place because of the temporary suspension of free trade with Costa Rica,

<sup>3/</sup> At 30 September 1972 there was a stock of 299,000 bags in Nicaragua.

<sup>4/</sup> On 26 June 1972, in order to check increases in the domestic prices, the American Government lifted restrictions to the import of meat.

<sup>5/</sup> Nicaraguan producers were trying to obtain higher quotas in the United States market.

and, later on, because of the concessions in foreign exchange preferences granted by that country to the rest of Central America.<sup>6/</sup>

d) Public Finances, Money and Banking

Savings in the central government's current account had been maintained at a high level, although noticeably below those for 1971. (See table 8.) Generally speaking, this resulted as a consequence of the policy to increase available resources for investment by the public sector, and of certain restrictions on the expansion of current expenditure. Nevertheless, contrary to previous years, physical investment by the central government fell by nearly 9 per cent; in compensation, greater transfers or credits were granted to the semi-official sector reaching more than 140 million córdobas. In addition, financial support of 75 million córdobas was granted in order, mainly, to recapitalize INCEI and INFONAC. (See table 10.) Simultaneously, an important part of available resources was devoted to cancelling the domestic debt, while foreign loans were used, and also in large part, to restructure the debts of the decentralized organizations and institutions.

Current revenues - from taxes and other sources - reduced their rate of expansion to only 1.4 per cent, due to the fact that income other than taxes was noticeably lower (46 million córdobas). This reduction was caused basically by accounting operations; the transformation of the TELCOR company (Telecomunicaciones y Correos de Nicaragua) into a decentralized body represented a reduction of 35 million córdobas in the income of the central government and a slight decrease in its investment. (See table 9.)

Revenues from taxation increased, however, by an estimated 7.8 per cent, the greatest increases coming from direct taxes. Indirect taxes rose from 438 to 465 million córdobas mainly due to a rise in production and consumption taxes.

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<sup>6/</sup> On 23 October, free trade was re-established with Costa Rica, although that country introduced a monetary exchange surcharge to the greater part of Central American imports, with the exception of a very limited number of products listed as essential.

Current expenses reached 533 million córdobas (4.7 per cent above those of the previous financial year). Payments of wages and salaries increased moderately, while outlays for the acquisition of goods and services were reduced. In contrast, transfers and, above all, outlays for payment of interest on the public debt increased from 18 to almost 40 million córdobas. (See again table 10.)

Notwithstanding the high level of savings in current account, disbursements in capital account and the payment of internal debt made it necessary to obtain net foreign credits for nearly 235 million córdobas. (See table 8.) As has been indicated, the imbalance can be explained mainly by the large number of transfers in the current and capital accounts that were devoted, basically, to adjusting the finances of several decentralized institutions.

Credit policy was adapted to the rhythm of expansion of the country's private investment. Domestic credits by the banking system seem to have increased less than 5 per cent, (in spite of a greater availability of funds in the banks due to an increase in direct savings by the export sector.) Loans to agriculture increased by only 4.2 per cent (October balance) while those for animal husbandry and industry had increased by 9.6 and 10.0 per cent respectively. Credit to industry and commerce, for financing production and inventories was given by the banks to solve the problems created in the Common Market by the payment crisis of Costa Rica. (See table 12.)

In contrast, some of the liabilities of the banking system expanded substantially with the consequent increase in liquidity and of

money in the hands of the public. Cheque accounts increased from 310 to 414 million córdobas and saving deposits rose from 329 to 495 million (October balances). (See table 11.) This proves again, from a different angle that the boom in the export sector did not spread to other productive activities and to investment, as a result of the drought and --to a certain extent at least-- the restrictive policies adopted for the domestic financial system. It is also possible that this might have been influenced by the rise of some property taxes.

However, the net result of all these elements, was the substantial strengthening of the international net reserves of the Central Bank and other financial institutions. Total availability of gross foreign exchange had risen from 6.0 to 47.6 million dollars (October balance) which permitted large payments to external debtors, especially those of the commercial banks and an increment of net assets. In these circumstances, if the earthquake had not occurred, Nicaragua would have been in a favourable financial position to promote a fairly rapid growth of its economy by removing bottlenecks in its balance of payments, improving the structure of its foreign debt and revitalizing the financial position of the main decentralized and development institutions. Added to that could be the agreements reached by the Central American governments to begin a process in 1973, of restructuring the Common Market which could have counteracted uncertainty factors which existed previously. The only important obstacle would have been the adverse effects of the drought which will be strongly felt in 1973.

2. The December Disaster and the Economic Importance of  
the City of Managua

a) Characteristics and Intensity of the Earthquake

Between the 22nd and 23rd December a series of seismic movements were registered, which inflicted very serious damage to Managua. The strongest movement lasted for two and a half minutes and had an intensity of 8.5 degrees on the international scale, which reaches a maximum of 12.<sup>7/</sup>

According to data supplied by the Technological Institute of California, the capital of Nicaragua is located over a geological fault, which makes it a zone very vulnerable to telluric movements. Since the beginning of the century several earthquakes of high intensity have been registered. The 1931 earthquake, which also inflicted great damage to the city, was of comparatively lesser intensity (7 degrees on the international scale).

As the earthquake's epicentre was located precisely at the city of Managua, its effects were extraordinarily intense and in addition were aggravated by construction deficiencies in many of its buildings. It is estimated that an urban area of 27 square kilometres was damaged, with about 50 per cent of it being totally devastated.

Preliminary evaluations made by the National Emergency Committee estimate a destruction of 400,000 square metres of commercial buildings and warehouses, and 340,000 square metres as the area covered by the public and private offices that were wrecked. Damages were suffered by many other activities, mainly handicrafts and small industries, educational centres, hospitals, recreation facilities and public and urban services.

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<sup>7/</sup> A first light tremor occurred the night of the 22nd of December, which alerted the population and undoubtedly prevented the loss of human lives from being greater. The two strongest movements were felt during the first minutes of the 23rd, which really caused the greatest destruction and a large number of victims. Other movements were registered throughout the following three days, at short intervals.

b) Importance of the city of Managua

It is necessary to know the importance of the city of Managua in the socio-economic development of the country, in order to evaluate, more objectively, the true extent of the damage caused by the earthquake. As is characteristic of urbanization processes and of the location of productive activities in many developing economies, the capital of Nicaragua has been the principal centre of concentration of population, trade, industry and financial services, as well as being the site of the Central Government and of the most important decentralized organisations.

From the above it is evident that to the material damages and the loss in human lives, must be added the cost of the temporary upsets in public administration and the disorganization, also temporary, of the main generating centre of dynamic momentum in the Nicaraguan economy.

The municipality of Managua, with an estimated population of 428 000 inhabitants, representing more than a fifth of the country's total,<sup>8/</sup> was registering a very high rate of expansion (6.9 per cent annually) during the period 1963-1971. The economically active population amounted to approximately 136 000 people, the principal sectors of employment being industry (25 000 workers), commerce (20 000 workers), public administration (13 000 employees) and other services.

Preliminary evaluations indicate that activities in Managua generated an added value close to 400 million dollars in 1972; that is to say, about 40 per cent of the gross domestic product of the economy as a whole. Thus, income per capita of that city could be placed at more than 900 dollars a year, while the national average only amounted to 500 dollars, measured in 1972 prices. (See table 13.) This is due to the high coefficients of concentration in the city of productive and governmental activities. In fact, the industries located in the metropolitan area of Managua represented 60 per cent of the country's

<sup>8/</sup> According to the Census definition, 90 per cent of this figure could be classified as urban population.

manufactures,<sup>9/</sup> including the greater part of the more modern installations, those of largest size and those specializing in exports. Similarly, about 60 per cent of commercial activity was concentrated in Managua; besides satisfying the needs of the urban population, this served as a nationwide distribution centre. Equally high, or even higher proportions, applied to the concentration of certain services, particularly those connected with financial, insurance and transportation activities.

The city of Managua itself has three thermo-electric plants with a capacity of 85 000 kilowatts (45 per cent of the total for public service) which are interconnected to the Central de Jinotega system. The petroleum refinery, with a production of 3 600 000 barrels a year, was also in Managua; so are the only international airport and the principal telecommunications centre.

These economic and social features determined that in the country's capital, important external economies and economies of scale arose, which encouraged capital formation and, indirectly, induced a concentration of consumer spending. Very preliminary figures show that investment in the urban area amounted to almost 45 per cent of the total, while consumption expenditures reached almost 60 per cent.

The needs of a population of a comparatively high absolute size and in process of rapid expansion, together with the fact that the head-quarter of the legislative, executive, judiciary and electoral bodies are located in Managua, explain why a high per cent of current public expenditure and public investment had been absorbed by that city.

Based on the 1971 census, it is estimated that there were 78 000 housing units<sup>10/</sup> built in the municipality of Managua (the national figure was 330 000 units). That amounts to an investment of

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<sup>9/</sup> According to the industrial survey carried out in 1968, the participation of some industrial branches located in Managua was as follows: beverages, 78 per cent; chemical products, 37 per cent; textiles, 65 per cent; footwear and clothing 70 per cent; metallic products, 45 per cent; foodstuffs, 31 per cent; paper, printing and publishing, 93 per cent.

<sup>10/</sup> A fraction less than 10 per cent of this figure could be included in the rural category.



around 400 million dollars and the generation of an income of between 30 and 34 million dollars a year. In accordance with the city's zoning plan, the central part was preferred for commercial buildings, public administration offices and financial institutions, although there were also many private houses.<sup>11/</sup> Toward the east side of the city light industries predominated whereas the heavy industries were located at the west side. The rest of the city was occupied mainly by houses, with modern residential sections on the adjoining hills or near some highways leading into the city.

In addition to its economic and political significance, the metropolitan zone of Managua has always been the most important national cultural centre. Located in the city were the main universities and research centres, the country's best medical and hospital installations, libraries, bookshops and publishing houses, and the most efficient services for primary, secondary and technical education. It is enough to mention, in this respect, that in the city lived almost one third of all those registered in primary schools, about half of those studying in a secondary level and more than 80 per cent of those working for a superior and university level of education.

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<sup>11/</sup> About 80 per cent of the metropolitan population was supplied with drinking water services, the principal source of supply being the Laguna de Asososca. A small proportion of the city's inhabitants had drainage services, which discharged through two large canals that flowed into an adjoining lake.

## II. HUMAN AND MATERIAL LOSSES

### 1. Human resources

As has been mentioned, the population of the city of Managua was approximately 428,000 of which 136,000 could be classified within the economically active population. One of the results of the earthquake has been unemployment in the following sectors: personal and commercial services (37,000 unemployed); commerce (16,000); manufacturing industry (about 4,000), especially of workers in small and medium-sized industries and handicrafts; and other activities (about 1,500). In other words, about 45 per cent of the economically active population is at present unemployed, with the subsequent loss of income and with the immediate problem of providing for their dependents.

Further, since about 300,000 people have been left without shelter, it was necessary to evacuate part of the population of the city of Managua to surrounding centres or to camps near the disaster zone, with the consequent pressures on public services and sources of supply in many urban centres.

The problem of supplying certain basic products that had arisen because of the drought in 1972, was worsened by the economic effects and the social tensions resulting from the disruptions following the earthquake, thus considerably increasing the needs and complicating the provision of emergency aid to the victims.

It is difficult to give precise figures on casualties as a result of the earthquake last December. The most realistic figure appears to be around 6,000 deaths (in which case the loss of human life would represent between 1.0 and 1.5 per cent of the total population of Managua); to this figure must be added the number of people injured - estimated at about 20,000 - in urgent need of hospital services, medicines and food.

## 2. Estimate of Fixed Capital Losses

It is without doubt too early to give a detailed amount of the material damages due to the earthquake, but on-the-spot estimates, global considerations and official information permit at least to suggest an order of magnitude.

Provisional estimates based on earlier censuses and surveys give a figure of around 1,000 million dollars of fixed capital in the city of Managua before the disaster, of which approximately 40 per cent was accounted for by housing, 20 per cent by industry, 15 per cent by public buildings and infrastructure and the remaining 25 per cent by commerce and services. Based on these figures it can be inferred that 60 per cent of the fixed accumulated investment was entirely lost (80 per cent of the housing units, two-thirds of the public buildings and infrastructure, 60 per cent of commerce and services and 15 per cent of industry). Based on considerations that will be set forth later, it is estimated that damages in fixed capital and inventories amount to some 620 million dollars, while other losses come to 152 million dollars, making a total loss of 772 million dollars. (See table A.) The first figure given refers to the replacement value of the items damaged or destroyed; should it be decided to move the city of Managua to another location, the financial costs of reconstruction would tend to be considerably higher because a great deal of most of the repairable or undamaged installations and equipment would be lost.

The following is a very general estimate of the losses referred to:

### a) Housing

Of the 78,000 housing units that existed in Managua, it is estimated that approximately 75 per cent, that is, 60,000, were left completely or almost completely destroyed; this sector was, therefore, the one that suffered the greatest losses. The centre of the city and the neighbouring districts were the most affected, as well as some neighbourhoods in which low-cost housing prevailed. Several medium and high-class residential areas were also seriously damaged, although those located on the outskirts of the city suffered considerably less.

Table A

## NICARAGUA: LOSSES CAUSED BY THE EARTHQUAKE IN MANAGUA

(Millions of dollars)

Sectors	Replacement value of fixed assets and inventories	Other losses	Total
Housing	320		320
Commerce and other private services	158	40 <sup>a/</sup>	198
Government, public buildings and infrastructure	112	84 <sup>b/</sup>	196
Industry	30	16 <sup>c/</sup>	46
Removal of debris and cleaning of Managua		12 <sup>d/</sup>	12
<u>Total</u>	<u>620</u>	<u>112</u>	<u>772</u>

a/ Includes accounts and uncollectable debts in the commercial and financial sectors.

b/ Includes lost fiscal income and accounts for public services not perceived and emergency expenditures.

c/ Includes losses of securities and costs of temporary or partial shutdown of production.

d/ Official sources estimate that 7 million square metres of debris have to be removed.

The massive destruction can be explained essentially by the intensity and the location of the earthquake's epicentre, although there is no doubt that it was also influenced by the great number of old buildings, constructed with inadequate materials, and the lack of stringent regulations concerning building norms. In any event, the estimate of material damage is very high, being conservatively put at 320 million dollars.<sup>1/</sup>

To the losses of fixed capital must be added the social costs associated with the evacuation of the city, and those related to the effects of crowding the victims into camps or urban centres that lack sufficient installations and services. No less important will be the reduction of output in the housing sector and the problems that will arise from the cancellation or the extension of loans granted for the building of houses, and, in particular, for financing their rehabilitation or reconstruction.

b) Commerce and Other Services

It has been estimated, through official information and direct observation, that more than 90 per cent of the commercial capacity of Managua - that at the same time represents 60 per cent of the total for the country - was left totally unusable. As far as buildings and installations are concerned, official figures, based on an estimate of the space required per worker, claim losses of nearly 72 million dollars.<sup>2/</sup> On the other hand, based on data from a survey among the principal commercial establishments and importing agencies, carried out prior to the earthquake, it can be assumed that the amount of losses in inventories was 40 million, making a total figure for material losses in the commercial sector of 112 million dollars.

<sup>1/</sup> Taking official figures into account, the cost of replacement of housing units, including a certain number of fixtures and lost furnishings, has been placed at an average of 5,400 dollars per unit.

<sup>2/</sup> There are relatively reliable statistics on employment in the commercial sector. Based on an estimate of 15,000 employees, official figures evaluate losses in buildings at 300,000 square metres, giving a monetary loss of 60 million dollars, plus 12 million dollars in equipment and furnishings.

For the remainder of the services - banks, insurance, professions, hotels and others - the use of a similar method of evaluation would show damages of 46 million dollars. Thus, preliminary estimates of material losses in the sector relating to commercial and other services would rise to 158 million dollars.

c) Public Buildings and Infrastructure

Visits were made to buildings housing governmental bodies, the principal decentralized institutions, health and education centres, public markets, customs, and other buildings, and it could be appraised by direct observation that almost all the buildings referred to were left practically unusable.<sup>3/</sup> It was also assessed that the main hospital centres of Managua, with a total of 1,650 beds were destroyed. The water and drainage networks in the city centre will require major repairs, with part of them having to be rebuilt. As far as communications are concerned, the central building of the TELCOR company had to be totally evacuated as it was left in a dangerous condition. Part of the electronic equipment, as well as furniture and office equipment was completely damaged. The company, like others in the public service, will suffer a curtailment in income because of the heavy reduction in demand. Although some progress has been made in the re-establishment of certain vital communications within the country and with the rest of the world, it is estimated that the Directorate General of Telecommunications will need to invest more than 2 million dollars to bring operations back to normal, not including portfolio losses.

In the same way, the thermo-electric units, as well as some sub-stations and the distribution system of the National Light and Power Company, suffered considerable damage. Some weeks will be required to repair their installations and 9 million dollars will be required to compensate these losses. Finally, the streets, sidewalks and kerbstones of the city suffered some damage and, to a lesser extent, so did the peripheric highways.

3/ An exception was the National Power and Light Company building.

/In short,

In short, putting together all available means of judging the damage, including some official partial figures, it is estimated that losses in public buildings and in the urban infrastructure amounted to approximately 112 million dollars.<sup>4/</sup>

d) Industry

By means of visits to a relatively large number of installations it was possible to observe that the large and medium-sized industrial enterprises located on the outskirts of Managua suffered relatively light damage.<sup>5/</sup> Approximately 50 per cent of these plants have re-started operations and other will do so during the first half of the year. In all, 14 large enterprises were completely destroyed and 7 more suffered substantial damage.<sup>6/</sup>

Small manufacturing companies and handicraft activities were those that suffered the greatest damage; an estimate of a 95 per cent irrecoverable loss in investments in buildings, equipment and inventories has been made. This sector, in which the predominating activities are the manufacture of footwear, saddlery, blacksmiths' shops, mechanics' workshops, tailoring and ready-made clothing, printers works and bakeries.

The total losses in fixed capital and inventories in the manufacturing sector can be placed at 30 million dollars.<sup>7/</sup> As is the case in other

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<sup>4/</sup> The former includes 20 million dollars in hospitals, 17 million in urbanization, 9 million in the electric power sector, 4.5 million in educational centres, markets, and 60 million dollars in other public buildings and various installations.

<sup>5/</sup> The chemical and pharmaceutical industry suffered lesser damages, as did the oil refinery and the cement industry. The greater part of the large plants that produce goods for the Common Market are in a similar situation, with the partial exception of the foodstuff producing plants, textile factories and other of lesser significance.

<sup>6/</sup> The industries particularly affected can be classified as those in foodstuffs and beverages, textiles, clothing, paper, printing and publishing.

<sup>7/</sup> The evaluation was based on the analysis of industrial establishments in the 1968 survey, the proportion of output generated in manufacturing and handicrafts, the provisional inventory of destroyed and damaged enterprises and in the use of capital/output coefficients taken from previous surveys and studies.

sectors of economic activity, industrial supply can be adversely affected by factors concerning the uncertainty of its domestic market, the temporary disorganization of the systems of trade in and supply of raw materials, and by the shortage of housing for workers in locations near the manufacturing centres. Similar adverse effects might be felt through the lack of working capital and possible delays in rebuilding and in the access to credits from banks.

In other words, it is difficult to foresee how industrial supply will evolve in the immediate future since it is determined not only by the capacity for recovery of the material losses, but also by the behaviour of domestic or regional demand and by the effectiveness of the government's incentives and development programmes.

### 3. Other Losses

In addition to the damages attributable to the destruction of fixed capital and inventories it will also be necessary, as has been shown in different parts of this report, to take into account material and monetary losses of many different kinds. As far as possible, approximate amounts were given for losses originating from the temporary shutdown of some productive activities; in accounts and uncollectable debts; in the lessening of public income and government emergency expenditures due to foreseeable reductions in the collection of taxes or in public service charges. (See again table A.)



### III. APPRAISAL OF SOME OF THE CONSEQUENCES OF THE EARTHQUAKE IN THE DEVELOPMENT OF THE ECONOMY IN 1973

No attempt will be made in this section to make a systematic and exact evaluation of the global effects of the earthquake on the performance of the economy of Nicaragua in the immediate future. It is intended, rather, to make a qualitative and general analysis which will allow a precise determination of the order of importance of the problems and of the extent of the efforts necessary in terms of foreign investment and financial aid.

#### 1. General Aspects

Having examined the repercussions of the earthquake on the aggregate levels of economic activity, a series of queries immediately arise that are concerned principally, but not exclusively, with the extent of domestic investment efforts and the amount of complementary foreign funds, as well as with the effects of the changes in the structure of demand, supply and capital formation.

With the most restrictive assumption that investment and foreign credit will not exceed past trends, that is, that gross capital formation will be approximately 165 million dollars, the product generated in Managua will decrease by 46 per cent and that of the economy as a whole by 18 per cent.

If we take as an intermediate assumption that investment required for construction and development could reach 250 million dollars (an increase of 56 per cent with respect to 1972), the drop in income for Managua and for the country would be reduced to 37 and 15 per cent, respectively. This assumption presupposes a substantial increase in the transfer of international resources, to an extent sufficient to allow for even a certain decrease in domestic savings. More specifically, external finance would grow to 70 per cent of the total, taking into account the reduction that most probably will occur in the surplus of both the private and public sectors.

/A third

A third alternative could be put forward, with the assumption that the losses of the disaster will be completely compensated or, in other words, that the income generated in the city of Managua will be maintained. In this hypothesis, investment will reach nearly 700 million dollars. Naturally, this requires a spectacular increase of both the availability of foreign funds and the national savings effort.

The order of magnitude within which levels of economic activity in 1973 could vary, can be estimated between these limits. The more restrictive case will create social tensions of an untenable character, while the most ambitious one would probably be hindered by lack of capacity to prepare and execute projects, by limitations of foreign credit; or by the impossibility of obtaining domestic resources on the required scale.

In any case, substantial changes in the structure of investment could take place. A large part of the funds available will have to be devoted to the rehabilitation of the metropolitan area of Managua, to construction works and to obtain the equipment and machinery that was destroyed or damaged. If the proper steps are not taken in connection with the distribution of funds, there will be the risk of weakening the expansion of productive capacity, particularly in agriculture and livestock and, in general, in the rest of the country.

Concerning the effects of changes in the structure of demand, very little can be said for the time being due mainly to the lack of more thorough investigations and the fact that a detailed economic policy has not been definitely established.

In principle, the inevitable disruption in the markets for goods, services and labour, will tend to cause frictions to reduce the expenditure and export multipliers and to amplify the financial and balance of payments pressures.

## 2. Public Finance

According to official estimates prior to the earthquake, a 39 per cent reduction in Central Government income has been foreseen with respect to the previous financial year (a decrease of 36 million dollars). (See table B.) The greater losses will be in taxes and, within this chapter, in direct taxes (which it is estimated will decrease by 80 per cent). The reduction in income from indirect taxes appears to be less (31 per cent), while that of income from sources other than taxation will be of a smaller amount, both in relative and absolute terms.

In direct taxes, it is evident that the decrease in income will be due not only to the losses caused by the earthquake in the stock of physical capital and in personal earnings, but also to the losses (or reduction in profits) of all type of companies, and in the disruption in the mechanics of tax collection. Indirect taxes, on the other hand, will be affected by different factors. In the first place, the fall in the levels of demand and supply will tend to have an unfavourable effect on revenue from taxes on production and consumption. Import taxes,<sup>1/</sup> will change not so much because of the decrease in the volume of transactions, but rather because of an increase on imports with reduced or null tariffs.

The sharp drop in the Central Government's income points towards a large deficit in current transactions that will be worsened by the need to increase current expenditure. That will be required both by the implementation of emergency programmes for the supply of basic necessities of the victims, as well as by the rehabilitation of the public administration.

The factors described above, together with the impossibility, in present circumstances, of a substantial increase in tax coefficients, and the problems that an excessive inflationary credit creation would originate, illustrate the magnitude of the problems of government finance. Furthermore, the pressures exerted by the increase in disbursements will be multiplied by

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<sup>1/</sup> See further on the section on balance of payments.

Table B

## NICARAGUA: CENTRAL GOVERNMENT CURRENT INCOME, 1971 AND 1973

(Millions of dollars)

	1971	1972	1973		Annual growth rates	
			Original budget	Provisional projection	1972	1973a/
<b>Total</b>	<b>90.4</b>	<b>91.7</b>	<b>92.7</b>	<b>55.7</b>	1.4	-39.3
<b>Tax revenue</b>	<b>79.2</b>	<b>85.5</b>	<b>86.9</b>	<b>49.9</b>	8.0	-41.6
Direct taxes	16.7	19.1	19.1	3.9	14.2	-79.6
Income tax	9.0	10.0	9.3	1.9	11.1	-81.2
Capital tax	7.7	9.1	9.8	2.0	18.1	-78.0
Indirect taxes	62.5	66.4	67.8	46.0	6.2	-30.7
On exports	0.7	0.6	0.8	0.8	-14.3	33.3
On imports	21.4	22.0	26.6	13.6	2.8	-38.0
On consumption and production	40.4	43.8	40.4	31.6	8.4	-27.7
<b>Non-tax revenue</b>	<b>11.2</b>	<b>6.2</b>	<b>5.8</b>	<b>5.8</b>	-44.6	-8.0

Source: ECLA, on the basis of official statistics.

a/ Preliminary estimated figures.

the need to devote substantial investment resources reconstruction and development programmes. Added to the above is the reduction of income for the majority of the decentralized agencies which will also be forced to increase their current and capital expenditure.<sup>2/</sup>

### 3. Repercussion on the Central American Common Market

The Central American Common Market has gone through a profound crisis during the last few years; the governments concerned decided, during the early days of December 1972, to tackle the crisis by the adoption of mechanisms and procedures aimed at perfecting and restructuring the integration process and at correcting its chief deficiencies. The disaster that occurred in Managua has increased the difficulties already faced by the Market and has added a new dimension to the efforts needed for restructuring it. In that sense, and given the great and growing interdependence among the Central American economies, the Managua earthquake has transferred to the entire region the grave problem faced by Nicaragua.

It is still too early to try to measure and characterize the effects of the earthquake on the economic integration process<sup>3/</sup> but an overall appraisal may be made, especially in relation to trade.

As has been pointed out elsewhere in this report, the first estimates of the damages indicate that most of the principal industrial companies of Nicaragua - especially the producers of industrial raw materials and intermediate products - are still operating or will be in a position to do so, at least partially, during the next few months; in

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<sup>2/</sup> As an illustration, data obtained from the National Light and Power Company (ENALUF) and from the Telecommunications and Mail Company (TELCOR), indicate reductions in the current income of 6 and 2.5 million dollars, approximately.

<sup>3/</sup> A special and detailed study has been undertaken in this respect by the Permanent Secretariat of the General Treaty.

contrast, some activities - like food processing, tailoring and ready-made clothing, small industry and handicrafts - were seriously damaged. This, together with the disruptions caused to the trade network, transport, communications and finance, one can assume that Nicaragua exports to the rest of the Common Market will decrease in 1973, mainly during the first six months.

In relation to imports, it is estimated that - after the period of relative commercial inactivity produced by the disruptions mentioned above, and by the considerable restrictions in the domestic economic activity - the levels of imports will be high. The consumption needs of the people of Nicaragua, and especially the requirements for inputs and equipment for the rehabilitation programmes together with a shortage in domestic supply will increase the amount of foreign purchases, some of which will be made to other Central American Countries.

What has been said above indicates that the effects of the earthquake on the trade of Nicaragua with the rest of the Central American Common Market, at least during 1973, will tend to reverse the favourable trends that have been observed during previous years.<sup>4/</sup> To minimize the effects of this situation, the Central American countries ought to adopt special measures to facilitate and regulate this trade. These measures should take into account the efforts of the international community to help the reconstruction of the Nicaraguan economy in the rearrangement of the Central American Common Market.

Another aspect to be considered in respect to the Common Market is the possibility of changing the financing priorities of the Central American Bank of Economic Integration, both with its own resources and with those from foreign sources. In this respect, it is quite possible that the Bank will find it necessary to conciliate the financial requirements for

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<sup>4/</sup> The substantial improvement in the productive capacity of Nicaraguan industry was reflected in the regional trade figures; while in 1967 the trade deficit was 23.8 million dollars, in 1971 the deficit had decreased to about 5.7 million.

the reconstruction of Managua with the medium and long-term needs of the integration process, always keeping in mind, of course, the situation of the countries of lesser relative development within the region.

Finally, the situation created by the disaster alters the operating schedule of the integration authorities and institutions. The long-term agreements that were adopted the first week of December on the discussion and negotiation of the restructuring process of the Common Market must include the recent emergency situation of Nicaragua and the reconstruction of its main urban centre. At the same time, action should be contemplated to complement the present agricultural supply deficit of Nicaragua, especially in respect to basic grains and raw materials for the country's industry. It is hoped that, in addition to other tasks, the two most important ones confronted by Central America as a regional unit --restructuring process of integration and the reconstruction of the devastated area-- will be tackled in a complementary manner since, in the last instance, the future development not only of Nicaragua but of the whole region, will depend in great measure on both. In this context, it must be stressed that the response given by the international community to the national disaster of Managua will have profound repercussions on the future development of the Central American Common Market.

#### 4. Balance of Payments and External Finance

Undoubtedly, Nicaragua will face a serious disequilibrium in its balance of payments during 1973, as a consequence of the increase in imports together with a certain decrease in exports to the regional and international markets. A provisional --and highly conservative-- estimate<sup>5/</sup> gives a deficit in current account of over 100 million dollars, while there was only a 16 million dollars deficit in 1972. (See table C.)

<sup>5/</sup> The main assumption implicit in these calculations is the extension to a five year period for the reconstruction and rehabilitation of the damages caused by the earthquake.

Table C

NICARAGUA: BALANCE OF PAYMENTS CURRENT ACCOUNT, 1972 AND 1973

(Millions of dollars)

	1972	1973
Balance on current account <sup>a/</sup>	<u>-15.8</u>	<u>-102.0</u>
Balance of trade	<u>37.9</u>	<u>-40.0</u>
Exports (f.o.b.)	235.9	200.0
Imports (f.o.b.)	198 0	240.0
Balance of services	<u>-53.7</u>	<u>-62.0</u>
Income	42.0	43.0
Expenditure	95.7	105.0

Source: ECLA, on the basis of official statistics.

<sup>a/</sup> Does not include grants.



On the export side, the smaller cotton crop, the reduction in sales to the Central American Common Market and the possible absorption of certain exportable surpluses by domestic demand, give an estimate of the total exports of nearly 200 million dollars, which would mean a fall of 15 per cent in relation to the previous year.

In contrast, a substantial increase in imports is foreseen, which will be accompanied - as has been indicated - by considerable changes in their composition. The purchase of non-durable consumer goods - if grants in kind do not increase considerably - will have a greater weight not only because of the reduction in the supply of basic foodstuffs, but also to the destruction of many industrial plants supplying the domestic market. The purchase of intermediate articles, mainly for industry, will move in the same direction; and the same is true, of course, of capital goods for replacing the equipment destroyed in secondary and tertiary activities. Finally, the assumption has been made in the estimates that imports of commodities classified as non-essential, will be restricted and consequently will fall in a significant way. (See again table C.)

From the foregoing observations, it can be concluded that Nicaragua's capacity to import in the near future will be subject fundamentally to the scale of contributions of international financial assistance and by the conditions under which it can be obtained (the latter refers to the increasing burden of servicing the debt). The importance of the credit support will rest, therefore, not only on the transfer of resources which would be devoted to reconstruction and to closing the gap in international trade, but also on the influence it will have in reducing the unemployment caused by the earthquake, and on the maintenance of an adequate level of economic activity, within the widest framework of medium and long-term development programmes.

It was indicated in the previous chapter that the estimate of losses of fixed capital, inventories and other was around 772 million dollars. If it were possible to finance one-third of this amount from domestic savings, - a very optimistic point of view - it would be necessary to obtain about 500 million dollar from foreign sources. The speed with which corresponding disbursements

/would have

would have to be made would vary from 2 to 5 years, depending on the more or less conservative assumptions adopted and, in practical terms, on the real transfer of resources and technical assistance from abroad, as well as on the domestic capacity to prepare and implement the reconstruction programmes and projects.

The indicated orders of magnitude exceed by far the levels of foreign resources which Nicaragua has obtained in the past, as well as the credit capacity of the country, if the traditional criteria of evaluation are applied. Thus, the conclusion must be reached that the credit cooperation of the international community will have to be granted in sufficiently ample amounts, promptly and with flexibility, in exceptional conditions, or with minimum or no obligation in respect to counterpart contributions.

It is difficult to work out the probable structure of the international resources likely to be channeled towards Nicaragua, and even less to include desirable objectives on the basis of the amount mentioned of 500 million dollars. Nevertheless, capital receipts from insurance claims could be estimated at 30 million; official and private grants could amount to 150 million, of which slightly more than half will correspond to budget grants to the Central Government; the rest could be assumed to be made up by loans on privileged conditions that could be obtained from institutions such as the International Bank for Reconstruction and Development, the International Development Association, the Inter-American Development Bank and the Agency for International Development. The weighted average of those special loans, together with the resources that could be obtained under less favourable conditions, should produce amortization terms of no less than 40 years, periods of grace of between 8 and 10 years, and very low interest rates of 1 to 3 per cent.

Besides the resources directed towards satisfying the objectives of reconstruction, Nicaragua will require international funds to develop its normal economic and social development programmes. The combination of both necessities at the same time constitutes one of the main challenges that must be faced by Nicaragua and the international community in the immediate future.

## 5. Social Aspects

The Managua earthquake has given rise to acute social problems. In the first place, the loss of human life has disrupted many families and has created a sequel of damages that will take time to remedy. Likewise, the destruction of housing and the drastic reduction of immediate employment opportunities has left in a helpless state a very high proportion of the urban population of Nicaragua. In the third place, the destruction of educational centres and hospitals, implies damages to human capital that could become more permanent if immediate measures are not taken.

It was indicated in the previous chapter, that temporary unemployment affects more than 55 000 persons who were part of the active population of the metropolitan zone of Managua. Although unemployment will tend to diminish with the normalization of productive activities and the increasing tempo of the reconstruction programme, in the short run, the mass of displaced laborers does not have an income to pay for their most pressing subsistence needs and, therefore, constitute a potential source of serious social friction. In the long run, the resettling of large population groups in new geographical areas and the reabsorption of labor in different jobs from those previously performed, will imply additional difficulties, as well as an increase in the financial burden and in the social costs normally involved in the development of urban centres and in labor training and readaptation.

Another aspect of the same problem refers to the breaking up of family units and with the distribution of aid to persons evacuated from Managua who had to be sent to provisional camps in other parts of the country. It has been estimated that from 220 000 to 250 000 persons either moved out of the urban area of Managua or migrated to other countries.

Specially serious is the problem of providing supplies to the victims of the earthquake and to the peasants already affected by the extended drought. In this sphere, and in spite of contributions from the international community, the existing shortages reach considerable proportions<sup>6/</sup>

<sup>6/</sup> During the Mission's visit to Managua, approximately 300 000 food rations were distributed daily.

The solution of the problems briefly described seems to be rather complex, particularly in the short run, but the programmes started by government authorities and, specially, the international assistance provided, can help to remedy them at once in a substantial way.

## IV. GENERAL OBSERVATIONS AND RECOMMENDATIONS

1. General Considerations

It has been considered useful to add some observations and recommendations to the report, so as to provide supplementary information to the delegations attending the special meeting of the Plenary Committee of the Economic Commission for Latin America.

First of all, and by way of a general comment, it must be recalled that the United Nations, the regional organizations and various international institutions, as well as the Governments of different countries, have been improving their assistance schemes to disaster areas and have devoted ever-increasing resources to such aid; proof of that is, for instance, the creation of the United Nations Disaster Relief Coordinator's Office - established as a result of Resolution 2816 (XXVI) of the General Assembly - as well as multinational and bilateral assistance given to countries which have suffered the consequences of natural phenomena of different kinds in the recent past (Peru, the Philippines, Haiti, Turkey, Rumania, Pakistan, Madagascar, Jordan and others).

Without detracting in any way from the progress attained up to now, or from public and private bilateral cooperation, it must be recognized that not enough resources - earmarked in advance - are yet available, nor are there coordinating procedures for external assistance that will permit proper action, speedily and over sufficiently long periods, to take care of the consequences of natural disasters that

/might affect

might affect large areas of a country or, as in the case of Nicaragua, a very large sector of the population, and of the organization of economic, social and government activities.

Such state of affairs weighs heavily on the developing countries where the resources available to face this type of disaster and to recoup the losses suffered in human capital and material goods are very limited. In addition, it must be pointed out that the negative impact on the productive base and on the possibilities of improving the standard of living of the population, might last for long periods of time and distort or inhibit domestic investment efforts.

This is specially true in the Nicaraguan situation. It must be stressed that the magnitude of the disaster cannot be measured exclusively in terms of material damage; the disruption and destruction that occurred in the main economic, financial, commercial and cultural centre of the country must also be taken into account. Without fear of exaggeration, it is possible to affirm that such a catastrophe presents characteristics almost without precedent in recent world history. Because of it, the country and the international community must, in these critical circumstances, make use of flexible patterns that may well differ from conventional procedures.

On the other hand, although a clearer distinction could be established between emergency assistance and that devoted to reconstruction of the damage caused, the latter cannot be separated from the global and sectorial development programmes. The reconstruction task, as it has been conceived by the country's authorities, should be incorporated to more general development programmes that will give unity to both the domestic efforts and the international cooperation. What is desired, therefore, is to repair the damages inflicted by the earthquake in such a way as to permit the reorganization of productive activities and the development of social programmes in the most adequate

~~terms~~ and in accordance with the long-term progress of the country; it is in this context that medium and long-term supplementary international assistance could play a decisive role, if directed toward the programmes and projects which the Nicaraguan Government considers to be the most urgent.

## 2. Characteristics of the International Assistance

There are numerous reasons that justify the adoption of special criteria in channeling international assistance to Nicaragua. A provisional estimate has been made above of the losses of human lives and material resources, which stress the monetary and ethical problem involved in caring for a very high number of victims. The additional difficulties posed by the dislocation of production, distribution and financing systems, and of the disruption in the labour market were clearly pointed out not to mention the effects of a drought that substantially reduced the supply of agricultural products for domestic consumption and the income of large sectors of the population, worsening and multiplying the problems of caring for the victims of the disaster.

In view of this, the situation that the Nicaraguan people and Government have been facing with a spirit of national solidarity and notable courage could not be worse. To find a solution to the most immediate problems posed by the earthquake, and to coordinate emergency external assistance, the Nicaraguan authorities created a National Emergency Committee, formed by top level government officials and representatives of the private sector; with the assistance of several subcommittees for specific tasks, the Committee presides over domestic efforts and centralizes the reception of material aid of whatever origin. At the same time, the Committee has begun the first reconstruction works to care for the most pressing needs of the economy. The ECLA-SIECA Mission was

/informed of

informed of the project to create a Ministry for National Reconstruction which will be responsible for planning, coordinating and implementing the relevant programmes. Within the limitations imposed by the scale of the disruption produced by the earthquake, there exists an organization that will unify the domestic effort, assign tasks to the various public agencies that will take care of the different aspects of reconstruction, and make the best possible use of the international cooperation that Nicaragua is getting.

It must be repeated, however, that no matter how far-reaching domestic efforts might be, they could hardly remedy the damage over a reasonably short period unless extraordinary measures of support from the international community are not available. For that reason, thought should be given to the forms that external cooperation might take to fit the prevailing conditions in Nicaragua and to how initiatives approved by Governments, international and regional institutions and private bodies might be coordinated. Such additional collaboration could be classified in two categories: emergency assistance to help the victims, provision of first aid and the re-initiation of some essential public services; and help in reconstructing and repairing the damages caused by the earthquake. These two aspects of external cooperation do not necessarily have to follow each other chronologically; on the contrary, they must be put into effect simultaneously and must complement each other. The first type of international assistance came to Nicaragua a few hours after news of the disaster became known. But on the other hand, assistance for the restoration and reconstruction of the Nicaraguan productive system has only just started.

The Mission considers of paramount importance that the Plenary Committee should analyze the problems and concrete recommendations that will follow both because of the contribution they can make in rendering

/assistance



assistance to Nicaragua and to perfect the schemes of cooperation in other cases of natural disaster of such a magnitude which prompted the writing of this report. It is understood that some of the suggestions submitted might go beyond the Committee's jurisdiction, but even if such is the case, it is considered that they could serve to guide the efforts of the international community at other levels.

a) Emergency Assistance

As regards emergency assistance and help to the victims, everything points towards extending the programmes for a longer period of time than that applied in other cases of disaster. Again, it should be borne in mind that the domestic production of foodstuffs had already been considerably diminished as a result of the drought, and to this must be added the loss of a large part of existing stocks; the main hospital facilities of the country have been destroyed or have suffered considerable damage, and so has the organization of and equipment for sanitary, welfare, fire prevention and other services. About 60 000 families are without shelter and from 220 000 to 250 000 persons have had to be transferred to other nearby urban centres or to emergency camps. Lastly, the greater part of the population of Managua has ceased to receive their normal income and therefore, it will be some time before they are able to take care of their minimum subsistence costs; in a similar situation are large groups of peasants, as a result of the lack of rainfall.

At the same time, the financial capacity of the Government and of the decentralized institutions has been reduced as a consequence of the drastic fall in tax revenue or income from public services.

Although it is impossible, for the time being, to determine precisely the amount of all the needs in this field, or the period during which it will be necessary for the country to receive international assistance, there are enough elements to consider the emergency programmes that should last at least throughout the whole of 1973. The national government has still to determine the most urgent needs that have to be

/satisfied,

satisfied, but the necessity of increasing the provision of foodstuffs (where the greatest shortages have been observed), medicines, clothing and other essential consumption articles, requires urgent consideration. Likewise, it will be necessary to increase the equipment and technical teams to rehabilitate temporarily the basic public services, especially the medical services, the distribution of aid to a population that has been geographically dispersed, the construction of camps and provisional housing, the re-establishment of the communications system, the cleaning and clearing of rubble in Managua and other aspects related to the concentration and transfer of labour to the working centres that were not damaged or the implementation of emergency employment programmes.

In this sense, the United Nations agencies could, no doubt, provide effective cooperation. For instance, an enlarged help of the World Food Programme, FAO, UNICEF, WHO, ILO, UNESCO and the International Telecommunications Union could be requested, while at the same time asking for essential additional funds for the United Nations Relief Coordinator's Office, to be in a position to continue rendering financial assistance and coordination to the Nicaraguan Government. Similarly, the assistance rendered by the regional, international and private institutions should not only be maintained but also strengthened when deemed necessary. Finally, it would be useful if the member Governments of the Commission and those of other countries could continue their assistance in respect to the most urgent problems and even to consider the possibility of making direct budgetary grants to reduce the foreseeable bottlenecks in the public finances of Nicaragua.

b) External Cooperation for Reconstruction and Development

The help of the international community in the reconstruction of what has been destroyed by the earthquake should be approached by means of ad hoc schemes in accordance with the urgency and the scale of the problem on hand. First of all, it should be noted that the usual mechanism for rendering technical and financial assistance, requires the compliance with conditions and terms which, in cases of disaster, are impossible

/to fulfill

to fulfill. Secondly, the amount of such assistance is usually established considering standards that take into account normal needs, the absorption and payment capacities of the economy, as well as criteria for the distribution of funds among countries and socio-economic sectors selected in advance. Finally, in the present situation of Nicaragua, temporary external aid will be sought for needs that in ordinary conditions could be fulfilled using domestic resources.

Consequently, special agreements are needed both to enable the use of flexible and speedy methods in the allocation and utilization of all kinds of resources that the international community is capable of supplying and the suspension of formal requirements and of all restrictions that might limit or retard the implementation of reconstruction programmes. Likewise, financial and technical contributions must be additional to - and this has to be repeated - and not a substitute for the programmes from which the country already has. In other terms, Nicaragua is in need of massive resources which could be used speedily and flexibly, without hindering the continuation of other development projects.

It would be difficult to exaggerate the urgency for starting the reconstruction programmes. The task of rehabilitating living quarters, no matter how much it might be subject to geological and urbanization studies, cannot be postponed without risking the creation of social tensions and greater harm to the population affected. The same can be said of the rebuilding and improvement of the infrastructure and the basic sanitary and educational services. Neither can decisions be postponed on the relocation and reconstruction of industry (especially of handicrafts and small manufactures which were more seriously affected), of commerce and countless activities and services.

In general, extraordinary assistance is essential to avoid a vertical drop in income levels - mostly among the poorest strata of the population - and the worsening of a massive unemployment problem; this assistance will, in addition, help to the reconstruction of the country's capital and to increase the resources of other areas to which many of the victims have been moved.

/Supplementary

Supplementary technical assistance must be allocated to the design and implementation of the global and specific programmes with higher priority (planning, finance, project elaboration, housing, administration and public services, commerce and distribution systems, small and medium industries, employment, regional decentralization, etc.); it must be coordinated with the government's action programme, and must be ample and flexible, dispensing with the major part of current requisites, including those relating to counterpart contributions. Similar procedures have already been implemented by some international organizations such as the Inter-American Development Bank.

As far as the granting of credits is concerned, it will be necessary for the lending countries to accept the renegotiation of current debts, and even to grant moratoria. As has been seen, the financial capacity of the public sector will almost certainly suffer a considerable setback; the same is true of the national private banking system and of many companies that have obtained foreign loans. On the other hand, expenditure and investment, both in the public and private sectors, will have to increase substantially with the undertaking of emergency and reconstruction programmes.

All this makes it essential that an expansion of financial resources from abroad can be obtained under exceptional conditions. It will be necessary to give to Nicaragua the widest possible access to soft loans in considerable amounts and to grant her financing by programmes (to avoid the delays typical of the project-by-project approvals); it would be necessary to permit the re-routing and flexible utilization of loans already approved and to open special new lines of credit for activities and programmes that usually do not receive the benefit of external funds (working capital of companies, commerce, replenish reserves of national insurance companies, etc.)

On the other hand, assistance from Governments could also lessen the financial pressures associated with the reconstruction effort; such assistance could be given either by voluntary contributions, channeled directly or through the UNDP, or by accepting responsibility in financing

/and implementing

and implementing of specific projects (schools, housing, public buildings, hospitals and welfare centres, among others).

Finally, it must be pointed out that the rehabilitation and reconstruction programmes call for sustained middle and long-term efforts. The extraordinary cooperation of the international community should not, therefore, be restricted to the emergency proper, but should be maintained over a period that might extend for several years. It might be justified, therefore, to come to an agreement with the Nicaraguan Government on schemes for coordinating external assistance to facilitate the negotiation of long-term agreements and the channeling and use of resources. With respect to finance, consideration must be given to the creation of a consortium to combine and coordinate the activities of international and regional organizations and governments' granting technical and financial cooperation; this group would be coordinated by the national agency chosen by the Nicaraguan Government. On the United Nations part, technical assistance in the case of emergency aid could be channeled through the Disaster Relief Coordinator and, in the case of reconstruction, through institutions such as the Economic Commission for Latin America, the Office of the UNDP Resident Representative or the Inter-American Institute of Economic and Social Planning, if the Government of Nicaragua deems it appropriate.

### 3. Specific Fields for Channeling External Cooperation

Although the authorities of Nicaragua do not yet have a master plan for the reconstruction phase and, therefore, have not yet established definite priorities for external assistance, it has been considered useful to indicate certain fields to which it could be channeled, based on a tentative appraisal of the most pressing needs. It will be for the national Government, of course, to finally determine the fields where cooperation is needed; its possible scope in view of new requirements or those that might emerge from linking reconstruction programmes to general development plans, as well as the selection and combination of international aid of different sources.

/a) The Public

a) The Public Sector

The Nicaraguan State will be forced to make simultaneous efforts in many fields of activity. In general terms, it will be necessary to reorganize the public administration, to design global and sectorial programmes for reconstruction and development, to broaden the domestic capacity for project elaboration, to formulate financing schemes and to take measures regarding employment and new sites for the labour force. In terms of more specific programmes, there is a well-understood urgency to start urbanization and housing projects, to decentralize economic activities, to construct and repair public buildings, to rehabilitate and equip schools, hospitals and markets and, very specially, to reorganize public services such as electricity, sewage, water and telecommunications. Immediate attention must be given to the expansion of current expenditure and investment, and to the granting of special credits to enterprises and individuals, so that production can recover, and to create incentives for channeling private savings into rebuilding of fixed and working capital.

All this, plus the foreseeable imbalance of public finance, points toward: the need of some kind of budgetary support to the Central Government and for the elimination of counterpart contributions on the credits granted by the principal international financing institutions.

This general picture brings into focus the multiple possibilities of external cooperation and the advisability for the Plenary Committee to analyze them and support, among those that have begun to be implemented by the Government and by international organizations, the ones which, in the Committee's opinion, are the most expedient. As an example, it might begin by indicating which institutions are best suited to render assistance in each of the fields mentioned.

With regard to technical collaboration for the formulation and implementing of global plans, the United Nation - through ECLA, UNDP and SIECA - would be in a position to cooperate if the Nicaraguan Government requests it; and for the planning and implementation of sectorial and specific projects and programmes, the cooperation of other

/United

United Nations organizations (UNIDO, UNICEF, FAO, WHO, ILO, UNESCO, ITU, the Social Development Division) could be requested, as well as of the agencies of the Central American Common Market (BCIE, ICAITI, ICAP and the Executive Secretariat of the Monetary Council) in their fields of responsibility. Requests could be made to different countries and to organizations such as OAS, IBRD and IDB for aid or for an increase in aid.

Some of these institutions could participate actively in the chaneling of extraordinary funds to the public sector of Nicaragua, as well as to expedite the refunding of the debt and to collaborate in the negotiations that the country's monetary authorities may deem advisable to make; this participation could perhaps be made within the context of the foreign finance consortium mentioned above, or through close coordination with the international financing organizations that are helping Nicaragua. The contribution of these organizations may also consist in providing Nicaragua with the temporary services of personnel specialized in the preparation and implementation of specific investment projects.

b) Industry

It has been indicated that the earthquake affected approximately 15 per cent of the large industrial companies and that the percentage of the small manufacturing plants and handicrafts that were damaged was much greater. This poses, therefore, the problem of re-establishing production and solving the unemployment of the industrial labor force.

In these conditions, it will be necessary to promote two types of programmes of financial and technical support, one devoted to the rehabilitation of medium and large-size plants (including special credits to consolidate debts, repair buildings, obtain equipment and replenish working capital) and the other to the reconstruction, relocation, modernization and financing of the handicrafts and small industries sector, that has the most urgent needs.

Parallel to this, it might be expedient to initiate projects for increasing the productive capacity of cement and building materials that will be needed for the physical reconstruction of Managua. In this respect, it is convenient to explore the possibility of establishing repair and maintenance shops for industrial equipment that, at a later date, could serve the rest of the Central American countries. Of greater immediate importance would be the implementation of programmes for intensive training of labour, not only to adapt the supply of labour to the foreseeable changes in demand, but also to widen the employment capacity generated by public investment plans.

In the tasks described above, organizations such as UNIDO, ICAITI and ILO could offer substantial cooperation, supplying technical assistance to the National Development Institute and other entities of Nicaragua's public sector, for the drafting stages of programmes and in the preparation and implementation of specific projects. Here also it will be necessary to obtain international financial support or contributions in cash or in kind from other Governments.

Finally, the exports of manufacture to the rest of the Central American Common Market, still made by Nicaragua, will cushion the economic impact of the disaster. In this respect, the Central American countries could, as part of the efforts of the international community to rebuild Nicaragua's productive facilities, and within the programmes for restructuring the Central American Common Market, adopt specific measures to expedite and regulate such trade.

#### c) Housing

The housing sector was the most affected by the earthquake; destruction reached proportions surpassing 70 per cent of the living quarters, and was the reason for the evacuation of the bulk of the population of Managua. This poses a problem of massive rehabilitation well beyond the normal capacity of the building industry and that will demand substantial domestic efforts. Immediate solutions to the problem have the additional complication that has become indispensable to draw up completely new urbanization plans that take into account the seismological surveys and the new locations of productive activities.

/International



International technical assistance and that of Governments might take the form of cooperating with the authorities and the national specialized organizations in drafting urbanization plans of the city of Managua and perhaps of the urban centres to which large groups of victims have moved - in designing programmes for rehabilitating buildings that can be repaired; building projects for low-cost and emergency dwellings, as well as in the design of minimum housing needs and the establishment of building norms. Similarly, it might be feasible to channel resources to increase the operating capacity of the National Institute of Housing of Nicaragua and of the Housing Bank, and obtain collaboration in preparing financing schemes. In this respect, it will be necessary to prepare programmes covering both the establishment of funds for financing the construction of low-cost dwellings - including minimum credits to buy furniture and household goods - and banking credits for rehabilitation and construction in medium and high-income residential zones. Additional to the above is the need to give longer terms and moratoria to those who had loans before the earthquake and were affected by it.

The scale of the problem emphasizes the importance of international financial contributions and of the specific aid that Governments might include in their assistance programmes to Nicaragua. If actions such as those undertaken by IDB, OAS and the United States Government could spread, the housing deficit created by the earthquake and the financial pressures on the national banking system would be considerably eased.

d) Services

Commercial and distribution centres for all kinds of goods in Managua suffered extremely serious damage. This also requires of projects for the rehabilitation and the building of provisional commercial areas. It will be necessary to decentralize the supply systems, to absorb temporarily or definitely the unemployed personnel and to establish emergency centres for the distribution of essential consumer goods to the victims, possibly under the control of INCEI or some other government regulating agency of supplies and prices.

/Simultaneously

Simultaneously with these types of activities, assistance should be given to the entrepreneurial efforts, through the provision of funds for credits to small-scale commerce and the granting of loans and moratoria to large commercial companies so that they can refurbish their installations and working capital.

There is little experience in giving international technical and financial assistance in the fields of distribution, commerce and the rehabilitation of widely varied private service activities, but this should not preclude arrangements for obtaining from governments and foreign private organizations special credit lines and the cooperation of technical teams.

e) The Financing System

The Central Bank and, in general, the finance institutions of the public sector, will face unusual pressures for financing emergency and reconstruction expenditures, in conditions that foreshadow a drop in the banking system's ability to secure domestic funds. It can also be anticipated that the Central Bank itself might find it necessary to open credit lines or accept documents from private banks, in order to cushion the impact of unredeemable portfolio, to ease the granting of moratoria to their clients, and to increase loans for productive activities. It must be also kept in mind the specially difficult situation in which the national insurance institutions will probably find themselves in having to face the problem of very high volume indemnities.

From this follows the importance of the provision to Nicaragua by international financing institutions and governments of additional resources and flexible, open global credit lines to the Central Bank, the Institute for National Development and other State banking institutions. As has been indicated, in this respect, collaboration by IBDR, IDB, BCIE, IMF and affiliated institutions, within the framework of the international coordination mentioned above, will be essential, as will also be the provision of the necessary technical assistance in the preparation of the country's financial programmes and specific investment project.

4. Specific Recommendations to United Nations Organization, to  
Institutions of the Central American Common Market and to  
other International Organizations, Entities and  
Governments Collaborating in Providing  
Aid to Nicaragua

From what has been indicated thus far, some concrete suggestions have been selected which the Plenary Committee could study to submit recommendations that may serve to guide the United Nations governments and other international organizations in the adoption of measures for the support of emergency programmes and the reconstruction of Managua.

As regards technical assistance, a request could be submitted to the United Nations Secretary General, for him to ask from the Administrative Council of the United Nations Development Programme, the Specialized Agencies, the International Bank for Reconstruction and Development, UNCTAD, UNICEF, FAO, the World Food Programme, and the International Atomic Energy Agency, to earmark the greatest possible amount of resources for the additional requests that may be submitted by the Nicaraguan Government to meet medium and long-term emergency and reconstruction efforts.

It might be opportune to consider also the submission of explicit recommendations to the effect that the ECLA and SIECA's Secretariats and the Central American Common Market institutions, collaborate to their maximum, upon the request of the Nicaraguan Government, in the fields of economic, social, technical and regional integration. In particular, it may be advisable to support the suggestion that SIECA should conduct a study and submit proposals aimed at the adoption of special measures of a regional character, to solve Nicaragua's possible trading problems within the process of restructuring the Common Market. It would likewise be justified to request that ICAITI and ICAP supply technical assistance in the industrial and public administration fields, and that assistance should also be provided by the Central American Bank of Economic Integration and by the Monetary Council in their fields of competence.

This expansion of assistance could be facilitated with the support of the resources available to the United Nations Development Programme, for projects directly requested by the Nicaraguan Government, or

/strengthening

strengthening projects of the United Nations and Central American institutions aimed at complying with requests by that Government. All of this requires the approval by the Economic and Social Council of a recommendation to the Governments participating in UNDP, to make additional contributions, justified by the extraordinary needs resulting from the damages caused by the earthquake in Managua.

On the other hand, the Committee would be in a position to recommend to the General Assembly of the United Nations that a wider authorization than that contained in resolutions 2335 (XXIII) and 2614 (XXIV) and their amendments, be granted in order to adequately attend the needs arising from natural disasters. To that effect, it might be useful to reiterate to the Economic and Social Council itself the recommendation to propose to the Member Countries of the United Nations the creation of an Emergency Fund made up of voluntary contributions by countries, the first undertaking of which could be to supply to Nicaragua the essential financial and material resources for the national programmes of reconstruction of the devastated urban area.

Regarding financial assistance, it might be possible to submit, through the proper channels, recommendations to international credit organizations, for them to give high priority to the loans already requested, or to be requested, by the Nicaraguan Government, under the most favourable conditions and terms, and to implement the features best adapted to the emergency situation created by the earthquake. The initial arrangements would be more likely to succeed if the Committee decided to contact the Member Governments of the Commission to instruct their Directors in the International Bank for Reconstruction and Development and in the Inter-American Development Bank to consider with particular attention the special credit needs of Nicaragua, and to establish procedures to permit the global financing of reconstruction and rehabilitation programmes, without neglecting the wider needs for the development of the country's economy. In that respect, of special importance will be to negotiate with IBRD that the International Financing Corporation and the International Development Association could participate in the credit support programmes associated with the tasks of reconstruction.

/Finally,

Finally, the Plenary Committee could consider the possibility of calling on Nicaragua's creditor countries and institutions to facilitate, in view of the financial demands resulting from the natural disaster, any negotiations related to the refunding of the country's foreign debt. In the same way, the Member States of the Commission might be requested to continue giving financial and material aid in the form of equipment, raw materials and technical assistance for adequate periods, and even to study the possibility of taking upon themselves the responsibility for transferring resources associated with specific projects within the general programmes of reconstruction and development.



**STATISTICAL ANNEX**





Table 1

## NICARAGUA: TOTAL SUPPLY AND DEMAND, 1968-72

	Millions of córdobas at 1960 prices					Average annual gross rates (percentages)			
	1969		1970	1971 a/	1972 b/	1969	1970	1971	1972
	1968								
Gross domestic product at market prices	4 570.6	9 832.4	5 079.5	5 308.1	5 573.5	5.7	5.1	4.5	5.0
Imports of goods and services	1 521.3	1 445.1	1 609.0	1 660.5	1 678.8	-5.0	11.3	3.2	1.1
Total supply	6 091.9	6 277.5	6 688.5	6 968.6	7 252.3	3.0	6.5	4.2	4.1
Total demand = total supply	6 091.9	6 277.5	6 688.5	6 968.6	7 252.3	3.0	6.5	4.2	4.1
Exports of goods and services	1 219.3	1 229.5	1 312.8	1 384.0	1 680.2	0.8	6.8	5.4	21.4
Total gross domestic investment	820.9	955.9	973.5	1 009.5	918.2	16.4	1.8	3.7	-9.0
Gross fixed investment	712.2	840.2	853.6	886.0	848.8	18.0	1.6	3.8	-4.2
Public	168.0	187.5	215.4	278.9	253.8	11.6	14.9	29.5	-9.0
Private	544.2	652.7	638.2	607.1	595.0	19.9	-2.2	-4.9	-2.0
Change in inventories	108.7	115.7	119.9	123.5	69.4				
Total consumption	4 051.7	4 092.1	4 402.2	4 575.1	4 653.9	1.0	7.6	3.9	1.7
General government	398.0	432.7	443.7	445.0	449.5	8.7	2.5	0.3	1.0
Private	3 653.7	3 659.4	3 958.5	4 130.1	4 204.4	0.2	8.2	4.3	1.8

Source: ECLA, on the basis of official statistics.

a/ Preliminary figures.

b/ Estimated figures.

Table 2

## NICARAGUA: GROSS DOMESTIC PRODUCT AT FACTOR COST, BY SECTOR OF ECONOMIC ACTIVITY, 1968-72

	Millions of córdobas at 1960 prices					Average annual growth rates (percentages)			
	1968	1969	1970	1971 a/	1972 b/	1969	1970	1971	1972
Total	4 175.3	4 412.2	4 637.1	4 845.8	5 088.1	5.7	5.1	4.5	5.0
Agriculture, forestry, hunting and fishing	1 189.1	1 259.5	1 294.0	1 356.0	1 387.2	5.9	2.7	4.8	2.3
Mining	67.2	64.4	56.8	47.5	45.5	-4.2	-11.8	-16.4	-4.2
Manufacturing	624.1	680.3	765.6	815.4	876.6	9.0	12.5	6.5	7.5
Construction	150.3	169.3	166.7	171.1	174.4	12.6	-1.5	2.6	1.9
Electricity, gas and water	86.6	93.9	103.0	111.0	120.5	8.4	9.7	7.8	8.6
Transport and communications	245.9	255.9	264.9	281.9	301.6	4.1	3.5	6.4	7.0
Commerce and finance	864.5	891.4	934.8	990.2	1 056.1	3.1	4.9	5.9	6.7
Commerce	747.0	777.2	807.5	849.5	909.0	4.0	3.9	5.2	7.0
Finance	117.5	114.2	127.3	140.7	147.1	-2.8	11.5	10.5	4.5
Housing	306.9	315.8	327.0	336.4	344.3	2.9	3.5	2.9	2.3
Public administration and defense	261.7	283.6	295.6	297.7	301.3	8.4	4.2	0.7	1.2
Other services	308.5	320.1	330.7	345.6	364.6	3.8	3.3	4.5	5.5
Statistical adjustments	70.5	78.0	98.0	93.0	116.0				

Source: ECLA, on the basis of official statistics.

a/ Preliminary figures.

b/ Estimated figures.

Table 3

## NICARAGUA: FOREIGN TRADE, VALUE AND INDEX NUMBERS, 1968-72

	1968	1969	1970	1971 <sup>a/</sup>	1972 <sup>b/</sup>	Annual growth rates (percentages)			
						1969	1970	1971	1972
<u>Millions of dollars</u>									
Exports	192.9	190.1	215.2	224.7	276.0	-1.5	13.2	4.4	22.8
Goods (f.o.b.)	161.0	157.5	177.8	186.3	236.0	-2.2	12.9	4.8	26.7
Services	31.9	32.6	37.4	38.4	40.0	2.2	14.7	2.7	4.2
Imports	214.3	207.9	231.4	243.8	254.0	-3.0	11.3	5.4	4.2
Goods (f.o.b.)	165.2	158.4	177.4	189.3	198.0	-4.1	12.0	6.7	4.6
Services	49.1	49.5	53.7	54.5	56.0	0.8	8.5	1.5	2.8
<u>Millions of dollars at 1960 prices</u>									
Exports	180.0	181.5	193.8	204.3	248.0	0.8	6.8	5.4	21.4
Goods (f.o.b.)	153.3	154.4	163.1	172.5	215.0	0.7	5.6	5.8	24.6
Services	26.7	27.1	30.7	31.8	33.0	1.5	13.3	3.6	3.8
Imports	225.6	214.3	238.6	246.2	249.0	-5.0	11.3	3.2	1.1
Goods (f.o.b.)	173.9	163.3	183.2	191.2	194.0	-6.1	12.2	4.4	1.5
Services	51.7	54.0	55.4	55.0	55.0	-1.4	8.6	-0.7	-
Exports purchasing power	203.1	196.0	221.9	227.0	271.0	-3.5	13.2	2.3	19.4
Terms of trade effect	23.1	14.5	28.1	22.7	23.0				
<u>Unit value index (1960 = 100)</u>									
Exports	107	105	111	110	111	-1.9	5.7	-0.9	0.9
Goods (f.o.b.)	105	102	109	108	110	-2.9	6.9	-0.9	1.9
Services	119	120	122	121	122	0.8	1.7	-0.8	0.8
Imports	95	97	97	99	102	2.1	-	2.1	3.0
Terms of trade	113	108	114	111	109				

Source: ECLA, on the basis of official statistics.

<sup>a/</sup> Preliminary figures.<sup>b/</sup> Estimates figures.

Table 4

NICARAGUA: VALUE, QUANTUM AND UNIT VALUE INDEX OF MAIN EXPORTS, 1968-72

	1968	1969	1970	1971	1972 <sup>a/</sup>	Annual growth rates (percentages)			
						1969	1970	1971	1972
<u>Millions of dollars</u>									
Sesame	2.9	2.5	2.3	2.0	1.8	-18.8	-8.0	-13.3	-10.0
Cotton	59.7	45.4	34.2	41.3	61.2	-23.9	20.8	20.8	48.2
Sugar	5.5	8.3	9.8	11.6	14.9	50.9	18.1	18.4	28.4
Coffee	22.7	20.6	32.1	29.3	31.3	-99.4	55.8	-8.7	6.8
Fresh meat	15.9	20.8	26.6	28.7	35.9	30.8	27.9	7.9	25.1
Shrimp and lobster	5.1	6.8	5.9	5.8	9.1	33.3	-13.2	-1.7	58.0
<u>Millions of dollars at 1960 prices</u>									
Sesame	2.6	2.1	1.7	1.4	1.2	-19.2	-19.0	-17.6	-14.3
Cotton	56.2	48.6	36.4	41.6	53.6	-13.5	-25.1	14.3	28.8
Sugar	4.1	6.1	7.0	7.7	9.9	48.8	14.8	10.0	28.3
Coffee	25.2	23.4	26.7	28.6	29.5	17.1	14.1	7.9	3.1
Fresh meat	11.3	13.5	16.3	16.6	19.2	19.5	20.7	1.8	15.7
Shrimp and lobster	3.2	4.3	3.5	3.2	4.4	34.4	-18.6	-8.6	38.9
<u>Unit value index (1960 = 100)</u>									
Sesame	109.7	124.0	135.3	140.7	155.2	13.0	9.1	4.0	10.3
Cotton	106.2	93.4	94.1	99.2	114.1	-12.1	0.7	5.4	15.0
Sugar	131.8	136.2	140.4	151.6	151.6	3.3	3.1	8.0	-
Coffee	90.2	87.7	120.2	102.4	106.1	-2.8	37.1	-14.7	3.6
Fresh meat	140.3	154.0	163.4	172.6	186.8	9.8	6.1	5.6	8.2
Shrimp and lobster	159.6	155.3	167.2	178.3	204.9	-2.7	7.7	6.6	14.9

Source: ECLA, on the basis of official statistics.a/ Preliminary figures.

Table 5

## NICARAGUA: BALANCE OF PAYMENTS, 1968-72

(Millions of dollars)

	1968	1969	1970	1971	1972 <sup>a/</sup>
<b>A. Goods, services and grants</b>					
Exports (f.o.b.) <sup>b/</sup>	161.0	157.5	177.8	186.5	235.9
Imports (f.o.b.) <sup>b/</sup>	-165.2	-158.4	-177.7	-189.5	-198.0
Balance of trade	-4.2	-0.9	0.1	-3.0	37.9
Income from services	33.8	36.2	41.1	40.3	42.0
Expenditure for services	77.8	77.5	85.5	-82.2	-95.7
Balance of services	-44.0	-41.3	-44.4	-41.9	-53.7
Grants (net)	6.3	6.5	6.0	5.0	6.9
Subtotal	<u>-41.9</u>	<u>-35.7</u>	<u>-38.3</u>	<u>-39.9</u>	<u>-8.9</u>
<b>B. Private capital</b>					
Direct investment	16.4	12.0	15.0	13.3	12.0
Loan disbursements	2.1	2.4	3.4	2.7	2.1
Amortization	-1.6	-1.8	-2.4	-0.8	-3.0
Commercial credit and other	-6.4	2.7	4.3	0.3	-4.0
Subtotal	<u>10.5</u>	<u>15.3</u>	<u>20.3</u>	<u>15.5</u>	<u>7.1</u>
<b>C. Official capital<sup>c/</sup></b>					
Loan disbursements	49.3	30.4	45.2	60.9	65.9
Amortization	-10.3	-12.6	-18.1	-22.9	-27.6
Others	-1.8	-1.4	-2.0	-0.4	-2.0
Subtotal	<u>37.2</u>	<u>16.4</u>	<u>25.1</u>	<u>37.6</u>	<u>36.3</u>
<b>D. SDR allocations</b>	-	-	3.2	2.9	2.9
<b>E. Errors and omissions</b>	-0.3	-2.5	2.2	-2.8	-
<b>F. Total (A + B + C + D + E)</b>	<u>5.5</u>	<u>-6.5</u>	<u>12.5</u>	<u>13.3</u>	<u>37.4</u>
<b>G. Changes in net international reserves<sup>d/</sup></b>	<u>-5.5</u>	<u>6.5</u>	<u>-12.5</u>	<u>-13.3</u>	<u>-37.4</u>
Central Bank	-1.9	4.7	-9.2	-5.8	-
Net position with IMF	19.0	-1.0	-5.2	3.0	-
Central America Clearing House	-0.2	-0.5	-0.2	-2.0	-
Other net reserves <sup>e/</sup>	-20.7	6.2	-3.8	-6.8	-
Commercial banks <sup>f/</sup>	-3.6	1.8	-3.3	-7.5	-

Source: Central Bank of Nicaragua.

<sup>a/</sup> Estimated figures.<sup>b/</sup> Figures adjusted for balance of payments purposes.<sup>c/</sup> Includes official bank capital.<sup>d/</sup> (-) = increase.<sup>e/</sup> SDR holdings.<sup>f/</sup> Includes short-term loans.

Table 6  
NICARAGUA: IMPORT STRUCTURE, 1968-72  
(Value in thousands of dollars)

	1968		1969		1970		1971		January - September 1972	
	Value	Per- centages	Value	Per- centages	Value	Per- centages	Value	Per- centages	Value	Per- centages
<b>Total</b>	184 646	100.0	176 989	100.0	198 748	100.0	210 442	100.0	155 140	100.0
Consumer goods	57 953	31.4	49 458	27.9	57 826	29.1	64 468	30.6	47 173	30.4
Non-durables	36 001		32 006		37 564		42 378		30 474	
Durables	21 952		17 452		20 262		22 090		16 699	
Raw materials and fuels	86 344	46.8	81 315	45.9	94 555	47.6	98 532	46.8	72 077	46.5
Fuels	9 179		9 528		11 415		15 082		10 624	
Raw materials for agriculture	14 168		6 529		7 898		8 130		6 470	
Raw materials for industry	53 189		53 344		61 010		62 046		45 245	
Construction materials	9 808		11 914		14 232		13 274		9 738	
Capital goods	39 955	21.6	45 405	25.7	45 996	23.1	47 031	22.4	35 589	22.9
For agriculture	5 268		3 924		3 486		3 635		2 446	
For industry	27 142		35 147		33 731		34 776		26 721	
For transportation	7 545		6 334		8 779		8 620		6 422	
Other	394	0.2	811	0.5	371	0.2	411	0.2	301	0.2
									220	0.2

Source: Central Bank of Nicaragua.

Table 7

## NICARAGUA: TRADE WITH CENTRAL AMERICA, 1968-72

(Value in thousands of dollars)

	1968	1969	1970	1971	January - September 1971	September 1972
Exports	<u>24 636</u>	<u>31 684</u>	<u>46 056</u>	<u>47 353</u>	<u>34 710</u>	<u>41 192.4</u>
Guatemala	3 528	5 083	7 250	9 169	6 521	7 188.5
El Salvador	5 693	6 524	7 811	9 149	6 284	7 605.9
Honduras	4 374	6 402	12 613	3 897	3 006	5 217.9
Costa Rica	11 041	13 675	18 382	25 138	18 899	21 180.1
Imports	<u>46 172</u>	<u>42 219</u>	<u>50 015</u>	<u>53 591</u>	<u>39 319</u>	<u>44 080.9</u>
Guatemala	12 965	12 883	15 729	18 867	13 801	14 743.8
El Salvador	14 869	11 856	15 426	16 061	11 936	12 409.0
Honduras	4 109	4 738	4 927	2 082	1 351	1 851.7
Costa Rica	14 229	12 742	13 933	16 581	12 231	15 076.4
Balance	<u>-21 536</u>	<u>-10 535</u>	<u>-3 959</u>	<u>-6 239</u>	<u>-4 609</u>	<u>-2 888.5</u>
Guatemala	-9 437	-7 800	-8 479	-9 699	-7 280	-7 555.3
El Salvador	-9 176	-5 332	-7 615	-6 912	-5 652	-4 803.0
Honduras	265	1 664	7 686	1 814	1 655	3 366.2
Costa Rica	3 188	933	4 449	8 557	6 668	6 103.7

Source: Permanent Secretariat of the Central American Integration Treaty and Foreign Trade Yearbook.

Table 8

NICARAGUA: CENTRAL GOVERNMENT INCOME, EXPENDITURE AND DEFICIT FINANCING, 1968-72

(Millions of córdobas)

	1968	1969	1970	1971	1972 <sup>a/</sup>
Current income <sup>b/</sup>	467.1	488.1	571.4	632.9	641.6
Current expenditure	424.7	445.5	480.2	508.8	532.8
Current savings	<u>42.4</u>	<u>42.6</u>	<u>91.2</u>	<u>124.1</u>	<u>108.8</u>
Capital expenditure	101.2	123.9	164.5	278.7	341.8
<u>Deficit or surplus</u>	<u>-58.8</u>	<u>-81.3</u>	<u>-73.3</u>	<u>-154.6</u>	<u>-233.0</u>
<u>Financing</u>					
Foreign credit	<u>37.4</u>	<u>28.7</u>	<u>62.0</u>	<u>90.9</u>	<u>234.8</u>
Loans	54.3	47.1	82.8	113.3	257.8
Amortization	16.9	18.4	20.8	22.4	23.0
Internal credit	<u>8.6</u>	<u>12.5</u>	<u>18.5</u>	<u>13.6</u>	<u>-1.4</u>
Short-term bonds	17.2	18.0	25.7	25.7	18.3
Amortization	8.6	5.5	7.2	12.2	19.7
Central Bank loans	-5.2	-6.1	-3.8	27.5	-4.0
Cash balances (- =increment)	<u>18.0</u>	<u>46.2</u>	<u>-3.4</u>	<u>22.6</u>	<u>3.6</u>
Change in deposits	-20.9	9.3	6.9	9.4	...
Change in liabilities	10.0	1.5	2.5	4.2	...
Cheques	28.6	35.6	-14.4	9.4	...
Financial assets	0.3	-0.2	1.6	-0.4	...

Source: Central Bank of Nicaragua.

<sup>a/</sup> Estimated figures.

<sup>b/</sup> Includes net balances of non-budgetary reimbursements and expenditures.

<sup>c/</sup> Debt amortization excluded



Table 9

## NICARAGUA: CENTRAL GOVERNMENT CURRENT INCOME, 1968-72

(Millions of córdobas)

	1968	1969	1970	1971	1972 <sup>a/</sup>
<u>Total</u>	<u>467.1</u>	<u>488.1</u>	<u>571.4</u>	<u>632.9</u>	<u>641.6</u>
Tax revenue	<u>426.7</u>	<u>440.6</u>	<u>512.4</u>	<u>554.6</u>	<u>598.4</u>
Direct taxes	<u>95.8</u>	<u>90.8</u>	<u>106.5</u>	<u>116.9</u>	<u>133.5</u>
Income tax	52.3	50.1	55.1	63.0	70.0
Other	43.5	40.7	51.4	53.9	63.5
Indirect taxes	<u>330.9</u>	<u>349.8</u>	<u>405.9</u>	<u>437.7</u>	<u>464.9</u>
On exports	4.7	4.0	4.9	5.1	4.3
On imports	148.4	150.5	163.3	150.0	154.0
(On economic stabilization)	8.6	19.1	20.6	20.4	19.5
On production and consumption	177.8	195.3	237.7	282.6	306.6
Non-tax revenue	<u>38.9</u>	<u>47.5</u>	<u>59.0</u>	<u>78.3</u>	<u>43.2</u>
Non-budgetary income and adjustments	1.5	-	-	-	-

Source: Central Bank of Nicaragua.

<sup>a/</sup> Estimated figures.

Table 10

## NICARAGUA: CENTRAL GOVERNMENT EXPENDITURE, 1968-72

(Millions of córdobas)

	1968	1969	1970	1971	1972 <sup>a/</sup>
<u>Total</u>	<u>556.6</u>	<u>599.4</u>	<u>676.5</u>	<u>826.1</u>	<u>937.8</u>
Current expenditure	<u>424.7</u>	<u>445.5</u>	<u>480.2</u>	<u>508.8</u>	<u>532.8</u>
Wages and salaries	251.3	259.7	264.2	278.7	282.3
Goods and services	81.2	83.2	96.2	105.1	100.5
Transfers	81.3	88.9	102.7	106.7	110.4
Interests on public debt	10.9	13.7	17.1	18.3	39.6
Capital expenditure	<u>131.9</u>	<u>153.9</u>	<u>196.3</u>	<u>317.3</u>	<u>388.5</u>
Real investment	90.4	88.8	110.6	136.8	124.5
Financial investment	0.8	0.9	0.5	1.0	74.8
Transfers	10.0	34.2	53.4	140.9	142.5
Amortization of debt	<u>30.7</u>	<u>30.0</u>	<u>31.8</u>	<u>38.6</u>	<u>46.7</u>
External	16.9	18.4	20.8	22.4	23.0
Internal	13.8	11.6	11.0	16.2	23.7

Source: Central Bank of Nicaragua.

<sup>a/</sup> Estimated figures.

Table 11

## NICARAGUA: CONSOLIDATED BALANCE OF THE BANKING SYSTEM, 1968-72

(Millions of córdobas)

	End of period				October	
	1968	1969	1970	1971	1971	1972
<b>Assets</b>	<b>1 055.6</b>	<b>1 087.5</b>	<b>1 236.0</b>	<b>1 380.6</b>	<b>1 271.0</b>	<b>1 614.6</b>
International reserves (net)	<u>7.8</u>	<u>-37.7</u>	<u>49.7</u>	<u>142.5</u>	<u>92.0</u>	<u>346.2</u>
Central Bank	223.6	190.4	254.4	295.0	257.1	371.8
Commercial banks	-215.8	-228.1	-204.7	-152.5	-165.1	-25.6
Other international assets (net)	<u>-247.3</u>	<u>-253.2</u>	<u>-278.6</u>	<u>-374.7</u>	<u>-354.5</u>	<u>-305.6</u>
Central Bank	20.3	28.7	14.7	-8.5	6.0	-16.8
Commercial banks	-267.6	-281.9	-293.3	-366.2	-360.5	-368.8
Internal credit	<u>1 188.8</u>	<u>1 291.5</u>	<u>1 358.9</u>	<u>1 474.6</u>	<u>1 409.9</u>	<u>1 479.6</u>
Central government (net)	32.9	43.2	39.2	69.0	54.0	41.0
Government agencies	<u>53.7</u>	<u>78.2</u>	<u>72.5</u>	<u>42.0</u>	<u>41.5</u>	<u>37.6</u>
Loans	53.3	77.8	72.2	41.7	41.2	37.4
Investment	0.4	0.4	0.3	0.3		
Private sector	<u>1 102.2</u>	<u>1 170.1</u>	<u>1 247.2</u>	<u>1 363.6</u>	<u>1 314.4</u>	<u>1 401.1</u>
Loans	1 082.0	1 121.0	1 155.5	1 230.6	1 193.6	1 293.5
Investment	20.1	49.1	91.7	132.9	120.8	107.6
Other assets (net)	106.3	86.9	106.0	1 138.1	123.7	174.3
<b>Liabilities</b>	<b>1 055.6</b>	<b>1 087.5</b>	<b>1 236.0</b>	<b>1 380.6</b>	<b>1 271.0</b>	<b>1 614.6</b>
Monetary	<u>507.6</u>	<u>535.3</u>	<u>600.0</u>	<u>638.4</u>	<u>545.2</u>	<u>688.4</u>
Currency in circulation	208.5	218.5	250.9	251.5	220.8	253.3
Sight deposits	280.1	294.2	330.2	371.3	309.9	413.8
Other	19.0	22.6	18.9	15.6	14.5	21.3
Non-monetary	<u>258.1</u>	<u>260.9</u>	<u>310.0</u>	<u>386.4</u>	<u>374.6</u>	<u>562.0</u>
Time and savings deposits	215.7	224.6	267.1	340.7	329.2	495.4
Other	42.3	36.3	42.9	45.6	45.4	66.6
Capital and reserves	289.9	291.3	326.0	355.9	351.2	364.2

Source: Central Bank of Nicaragua.





Table 12

NICARAGUA: DESTINY OF CREDIT GRANTED BY COMMERCIAL BANKS, 1968-72

(Millions of córdobas)

	End of period				October	
	1968	1969	1970	1971	1971	1972
<b>Total</b>	<u>1 082.0</u>	<u>1 121.0</u>	<u>1 155.5</u>	<u>1 230.5</u>	<u>1 193.6</u>	<u>1 293.5</u>
Short-term	675.9	676.3	636.3	708.7	669.4	745.1
Long-term	406.1	444.7	519.2	521.8	524.2	548.4
<b>Agriculture</b>	<u>442.9</u>	<u>459.0</u>	<u>472.8</u>	<u>460.5</u>	<u>431.1</u>	<u>449.4</u>
Short-term	311.0	297.2	263.8	254.0	224.9	223.5
Long-term	131.9	161.8	209.0	206.5	206.2	225.9
<b>Livestock</b>	<u>225.3</u>	<u>211.2</u>	<u>222.7</u>	<u>233.2</u>	<u>238.9</u>	<u>261.9</u>
Short-term	58.4	57.0	52.2	77.2	80.7	105.7
Long-term	166.9	154.2	160.5	156.0	158.2	156.2
<b>Industry</b>	<u>222.4</u>	<u>237.0</u>	<u>241.5</u>	<u>276.8</u>	<u>263.5</u>	<u>289.9</u>
Short-term	143.2	143.7	124.9	156.1	144.1	163.6
Long-term	79.2	93.3	116.6	120.7	119.4	126.3
<b>Commerce (trade)</b>	<u>131.4</u>	<u>140.5</u>	<u>140.7</u>	<u>169.3</u>	<u>164.4</u>	<u>205.5</u>
Short-term	131.4	140.5	140.7	169.3	164.4	205.5
<b>Others</b>	<u>60.0</u>	<u>73.3</u>	<u>77.8</u>	<u>90.7</u>	<u>95.7</u>	<u>86.8</u>
Short-term	31.9	37.9	44.7	52.1	55.3	46.9
Long-term	28.1	35.4	33.1	38.6	40.4	39.9

Source: Central Bank of Nicaragua.

Table 13

NICARAGUA: PRODUCT PER CAPITA, 1971 AND 1972

	1971	1972
<b>Population (thousands)</b>		
Total	1 912	1 972
Managua	399	428
<b>Gross domestic product</b>		
Millions of córdobas		
Total	6 471	7 000
Managua <sup>a/</sup>	2 525	2 772
Millions of dollars		
Total	924	1 000
Managua <sup>a/</sup>	361	396
<b>Product per capita</b>		
Córdobas		
Total	3 384	3 550
Managua <sup>a/</sup>	6 328	6 477
Dollars		
Total	483	507
Managua <sup>a/</sup>	905	925

Source: ECLA, on the basis of official statistics.

<sup>a/</sup> Preliminary figures.

