

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(82) 444 final

Brussels, 14 July 1982

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

concerning food aid to Nicaragua

Supplementary Programme for 1982
and multiannual allocations for 1983 and 1984

COM(82) 444 final

1. Since the collapse of the Somoza regime in July 1979, Nicaragua has received aid from the European Communities totalling almost 32 M ECU. This has essentially been provided in the form of food aid, which has helped to support the balance of payments, heavily encumbered as it is by foreign debt repayments, and has enabled priority projects to be financed for the Government in sectors such as education and agriculture with the counterpart funds.

The total amount of food aid granted to Nicaragua since August 1979 comes to 24 M ECU at world prices. The main features of this food aid are that :

- the European Community was able to act rapidly, straight after the end of the civil war, by procuring food products in Central America itself;
- the products provided as aid corresponded exactly to the dietary habits of the local population; in addition to cereals (mostly procured in Central America : maize, rice, etc ...) and dairy products, considerable quantities of red beans or vegetable oil were delivered;
- this aid released counterpart funds which will exceed \$ 19 M (1); these funds have been extremely well managed and financing has concentrated on the following three fields : a \$ 7 M contribution to education of which 1.8 M as a Community contribution to the 1979-1980 literacy campaign, \$ 3 M for post-literacy education and \$ 2.2 million for the construction of 100 rural schools, a \$ 1 M contribution to opening up the Atlantic coast of Nicaragua and financing for various agricultural projects.

(1) If account is taken of the recent aid approved by the Council under the 1982 programme : 2 000 t of milk powder and 300 t of butteroil.

2. In 1982, Nicaragua's overall economic situation is still shaky : in addition to the continuing after-effects of the civil war, the rise in the price of petroleum products, fluctuations in the prices of commodities exported (coffee, cotton) and the stagnation in trade between Central American countries are hampering its efforts at development.

As regards agriculture, the Government is working with F A O on an appropriate strategy aimed at achieving food security. The national food programme (P A N) created in April 1981 constitutes a three-pronged attack on the problem involving :

- maximum utilisation of available land for the production of basic food products (maize and beans) with the aim of achieving self-sufficiency in them;
- improved utilization of technology : seeds, fertilizers, agricultural equipment;
- improved distribution and marketing so as to reduce post-harvest losses in particular.

3. As part of this strategy, it is planned to finance a programme for developing basic food products (Project NA/81/25) through Community (1) financial and technical assistance.

This programme aims at increasing basic food production for local consumption and improving the living conditions of a considerable section of the most deprived agricultural population. The programme will also help redress the balance of payments, which is showing a big deficit, and, in the long term, it will reduce if not do away with a large proportion of food imports, which have partly been covered by Community food aid to date.

(1) Appropriations for non-associated developing countries, Article 930 of the General Budget of the Communities.

The total cost of the programme to be financed over three years (1982-83, 1984-85) is put at 19.9 M ECU, of which 7.4 M ECU will be directly financed by grant aid under financial and technical assistance to non-associated developing countries. The remaining 12.5 M ECU is to be covered by Nicaragua, with food aid counterpart funds.

The programme will contain the following main measures :

- structuring and organization of peasant cooperatives : in the first stage there are plans to structure and organize approximately 1,000 cooperatives bringing together approximately 20,000 peasant families;
- an increase in basic food production by strengthening the existing agricultural extension service and greater agricultural research in specific fields.

The programme could lead to an estimated increase in production of 18 000 t of maize and 4 000 t approximately of beans, representing around 10 % of total national production in 1980/81.

In view of the magnitude of the requirements, food aid must continue until the beneficial effects of this programme are felt on agricultural imports, but it would be advisable for the aid to be linked to the programme for developing basic food products.

4. Nicaragua has submitted two applications for food aid to the Commission :

- one application for 1982 for dairy products, cereals (25 000 t), vegetable oil (13 700 t) and red beans (14 000 t);
- an application for multiannual food aid involving annually 75 000 t of cereals, 14 000 t of vegetable oil and dairy products (4 000 t of milk powder); in this context, Nicaragua pointed out that the estimated shortfalls to be made up by imports will burden its balance of payments to the tune of over \$ 35 M per annum.

a. Requirements for 1982

As regards dairy products, the Council decided on 26 April 1982 to allocate 3 200 t of milk powder and 300 t of butteroil to Nicaragua under the 1982 programme. This aid is worth 4 M ECU at world prices. A proportion of these quantities, namely 2 000 t of milk powder and 300 t of butteroil, will be sold to the dairy industry, releasing counterpart funds put at 2.8 M ECU.

The shortfall in wheat (approximately 70 000 t consumed annually, all imported) will be fairly low for 1982 because of sufficiently big stocks carried over. Consequently, around 25 000 t of imports will be needed to meet the requirements of the second half of 1982. There are no plans for the Community to provide food aid in cereals for 1982, but rather to concentrate on the most urgent needs.

The shortfalls in vegetable oil and red beans will remain considerable for the second half of the year (13 700 t for vegetable oil and 14 000 t for red beans), particularly since these are the most expensive products.

The Community has already successfully delivered vegetable oil and red beans to Nicaragua, and ought to continue doing so. By utilizing the appropriations entered in the 1982 budget to this end, the following allocations could be made ;

- 1.5 M ECU for deliveries of vegetable oil, corresponding to approximately 2 700 t;
- 1 M ECU for deliveries of red beans, corresponding to approximately 1 500 t.

All this aid would be delivered as far as the FOB stage. It would however be expedient to procure the red beans in Central America itself, so as to reduce transport costs for the recipient country.

(1) Nicaragua received over 110 000 t of wheat as aid in 1981.

If the new proposals set out above are accepted, Nicaragua will receive food aid in 1982 totalling 6.5 M ECU at world prices, covering dairy products, vegetable oil and red beans.

b. Requirements in 1983 and 1984

The programme for developing basic food products will increase production of food crops and thus reduce Nicaragua's dependence on agricultural imports.

As regards dairy products, however, no improvement (1) is expected in the dependence situation and imports of milk powder will continue to be needed at the rate of 6 000 to 7 000 t per annum.

It is therefore proposed that aid in dairy products (intended for sale) should continue for 1983 and 1984 at its present annual level of 2 000 t of skimmed-milk powder and 300 t of butteroil.

c. Counterpart funds generated by aid in 1982, 1983 and 1984

The annex shows that aid in dairy products, vegetable oil and red beans for 1982 and proposed aid in dairy product for 1983 and 1984 should generate counterpart funds totalling 10.8 M ECU. These funds would be allocated to the programme for developing basic food products, which would consequently be almost entirely financed, directly or indirectly, by the Community.

(1) After the revolution, considerable livestock losses and a significant increase in the consumption of dairy products combined to increase the shortfalls.

A programme for improving stockfarming was drawn up by the Government but in view of its high cost (around \$ 200 M) no financing has yet been found for it.

5. Decisions

In view of Nicaragua's recent requests and food aid requirements, coupled with the existence of a food strategy (the National Food Programme) and of financing in the context of this strategy for a specific programme for developing basic food products,

- the Council is requested to agree to the Community's notifying the Nicaraguan Government that it is favourably disposed towards supporting the programme for developing basic food products by means of the utilization of counterpart funds resulting from the sale each year of 2 000 t of skimmed-milk powder and 300 t of butteroil, what is the continuation of the current programme in milk products; the regulations concerning the allocation decisions will be submitted in the context of the individual food aid annual programmes;
- moreover, the Commission intends to approve the following allocations of products to be delivered FOB to Nicaragua under the 1982 budget appropriations :
 - o vegetable oil : 1.5 M ECU (1), namely approximately 2 700 t;
 - o red beans : 1 M ECU (2), namely approximately 1 500 t.

It is informing the Council and Parliament of its intention.

The counterpart funds resulting from the sale of these food products will be allocated to the programme for developing basic food products.

(1) Appropriations entered under Article 923 : 5 M ECU.

(2) Appropriations entered under Article 924 "food aid (other commodities)" : 5 M ECU.

Counterpart funds

Million ECU

1982		1983		1984		
2 000 t milk	2.4	} already } appro- } ved	2 000 t milk	} 2.85	2 000 t milk	} 2.85
300 t butteroil	0.45		300 t butteroil		300 t butteroil	
2 700 t oil	1.5					
1 500 t red beans	0.8					
	<u>5.15</u>		<u>2.85</u>		<u>2.85</u>	10.85

Financing of programme for the development of basic food products (total cost : 19.9 M ECU)

- F T A	:	7.4 M ECU
- Counterpart funds	:	10.85 M ECU
- Local resources	:	<u>1.65 M ECU</u>
		19.9 M ECU

